Volume 2, Issue 2
2Q 2013
Published Quarterly

Valuentum *Ideas100*™

Announcing a New Tool for the Intelligent Investor!

- An Invaluable Resource for Today's Financial Advisor and Portfolio Manager
- Forward-Looking, Easy-to-Compare Stock Reports on 100 of the Highest-Quality Firms
- Rankings Based on Competitive Advantages and Risk Profiles
- Valuentum Buying Index™ Ratings to Identify the Best Stocks To Consider Buying Now
- Independent Guidance from the Valuentum Analyst Team
- Updated Quarterly

This publication can help you:

- Build a new diversified portfolio of high-quality stocks from a variety of sectors
- Add solid companies to fortify your existing portfolio
- Identify investment gems

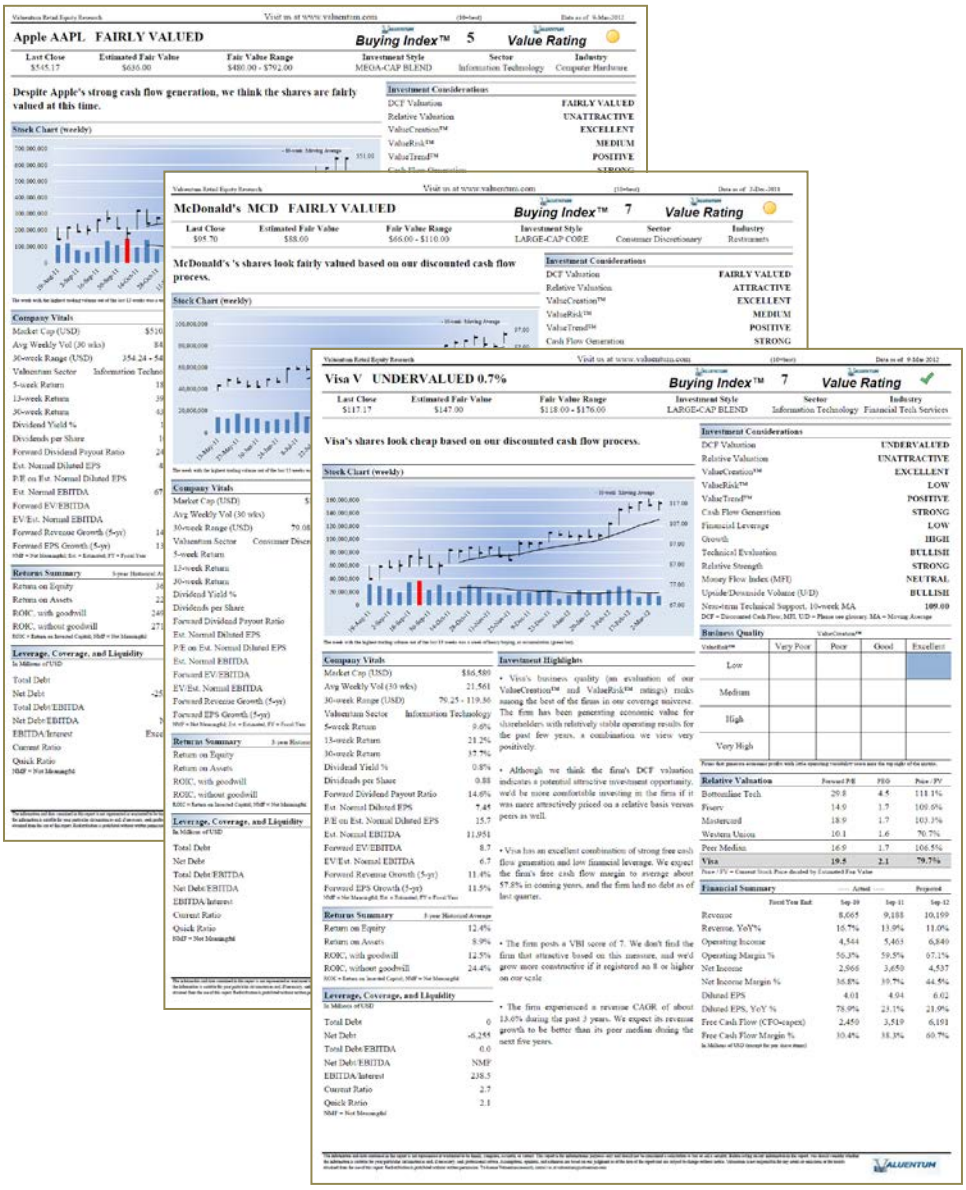


Table of Contents

How to Best Use the Valuentum *Ideas100* Publication 1

Our Stock-Selection Methodology, the Valuentum Buying Index™ 4

How to Use Valuentum's Actively-Managed Equity Portfolios 8

The 12 Most Important Steps For Understanding the Stock Market 10

Thinking about the Price-to-Earnings Ratio in a Different Light 16

How to Find Hidden Investment Gems 22

Company Index – Sorted By Company Name 25

Company Index – Sorted By Ticker Symbol 26

Company Index – Sorted By Sector 27

Company Index – Sorted By Valuentum Buying Index™ 28

Company Index – Sorted By Historical ROIC 29

Company Index – Sorted By Price/Fair Value 30

Stock Research Reports

- Consumer Discretionary 31 - 43
- Consumer Staples 44 - 59
- Energy 60 - 74
- Financials 75 - 88
- Health Care 89 - 95
- Industrials 96 - 109
- Materials 110 - 120
- Technology 121 - 139

Glossary of Valuentum Terms 140

Disclaimer 145

Brian Nelson, CFA
President, Equity Research
brian@valuentum.com
c - +1 (708) 653-7546

How to Best Use the Valuentum *Ideas100* Publication

Financial advisors and investors literally have thousands of stocks—large and small, domestic and foreign--to choose from. So what are they to do, and where can they go to find the most trusted opinions on the highest-quality companies on the market today?

That's the question we seek to answer with our Valuentum *Ideas100* publication. In this document, we showcase the highest-quality firms from each sector (100 in total) on the basis of our assessment of their competitive advantages (ROIC less WACC spread) and risk profiles (our ValueRisk™ rating). We believe the strength and sustainability of a firm's return on invested capital (ROIC) is the best quantitative way to assess a company's competitive advantages, and we believe a deep dive into the expected volatility of key valuation drivers (like revenue, earnings, etc.) is the best way to arrive at an appropriate risk assessment for each firm. Companies that make this publication are best-in-class within their respective sectors when it comes to their economic return and financial risk profiles.

Whether you're looking to build a diversified portfolio of the highest-quality firms on the market today or simply seeking to augment it with a few solid holdings, the Valuentum *Ideas100* is an essential resource for any investor. We outline some of the key components of our *Ideas100* publication below, and explain how you can get the most from each of one.

Our Stock-Selection Methodology – the Valuentum Buying Index™

Only at Valuentum can you get a systematic and rigorous discounted cash-flow (DCF) and relative-valuation process that combines the intricacies of technical and momentum analysis to offer a complete picture of a company's investment merits. In our Valuentum *Ideas100*, we showcase the highest quality firms and their scores on our Valuentum Buying Index™ to help you identify the best stocks at the best time to consider buying. Please view "Our Stock-Selection Methodology, the Valuentum Buying Index™" (included in this publication).

To learn more about Valuentum and its equity research services, please visit us at www.valuentum.com or contact a sales representative at info@valuentum.com.

© 2012 Valuentum Securities, Inc. All rights reserved.

Company Index, ROIC Rank, VBI Scores, and Price/Fair Values

Before you dive into the latter pages of this expansive document, it may be useful to first start with the company index, ROIC rankings, Valuentum Buying Index™ (VBI) rankings, and Price/Fair Value ratios at the front of this publication. The company index showcases some of the most important information about the firm: its industry, investment style, etc. And the ROIC rankings showcase the firms with the greatest value-creation potential, helping you quickly identify the highest-quality firms in our coverage universe. Firms that top our Valuentum Buying Index™ scale are the most timely investment opportunities to consider, in our opinion. Our Price/Fair Value ratios also help sort out the most undervalued firms that meet our stringent criteria to make the cut for this publication.

Forward-Looking Stock Reports

In the heart of the *Ideas100*, we provide the front page of our forward-looking reports on the top 100 highest-quality firms within our coverage universe. In our equity reports, we offer a fair value estimate for each company, assess the attractiveness of a stock based on a firm-specific margin of safety, and provide a relative valuation comparison in the context of the company's industry and peers. A cross section of our ValueCreation™ and ValueRisk™ ratings provides a financial assessment of a company's business quality (competitive position), while our ValueTrend™ rating offers insight into the trajectory of a firm's economic profit creation (ROIC versus WACC).

Included in each report is a firm's score on our Valuentum Buying Index™ (VBI), which combines rigorous financial and valuation analysis with an evaluation of a firm's technicals and momentum indicators to derive a score between 1 and 10 for each company (10=best). We believe our methodology helps identify the most attractive stocks at the best time to buy, helping to avoid value traps and lagging performance due to the opportunity cost of holding a stock with great potential but at an inopportune time. No other equity research provider puts your interests first, and we take pride in meeting all of your stock analysis needs.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

If at any time, you need further explanation about a data point in our reports, please refer to the Glossary at the end of the publication for more information.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

Valuentum Analysts
analysts@valuentum.com

Our Stock-Selection Methodology, the Valuentum Buying Index™

At Valuentum, we think the best opportunities arise from a complete understanding of all investing disciplines in order to identify the most attractive stocks at any given time. Valuentum therefore analyzes each stock across a wide spectrum of philosophies, from deep value through momentum investing. We think companies that are attractive from a number of investment perspectives--whether it be growth, value, income, momentum, etc.--have the greatest probability of capital appreciation and relative outperformance. The more investors that are interested in the stock for reasons based on their respective investment mandates, the more likely it will move higher.

As such, the Valuentum Buying Index (VBI) combines rigorous financial and valuation analysis with an evaluation of a firm's technicals and momentum indicators to derive a score between 1 and 10 for each company (10=best). 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. We believe our methodology helps identify the most attractive stocks at the best time to buy, helping to avoid value traps and lagging performance due to the opportunity cost of holding a stock with great potential but at an inopportune time.

A Rigorous, Discounted Cash Flow Valuation Assessment

Our methodology starts with in-depth financial statement analysis, where we derive our ValueCreation, ValueRisk, and ValueTrend ratings, which together provide a quantitative assessment of the strength of a firm's competitive advantages. After evaluating historical trends, we then make full annual forecasts for each item on a company's income statement and balance sheet to arrive at a firm's future free cash flows. We derive a company-specific cost of equity (using a fundamental beta based on the expected uncertainty of key

To learn more about Valuentum and its equity research services, please visit us at www.valuentum.com or contact a sales representative at info@valuentum.com.

© 2012 Valuentum Securities, Inc. All rights reserved.

valuation drivers) and a cost of debt (considering the firm's capital structure and synthetic credit spread over the risk-free rate), culminating in our estimate of a company's weighted average cost of capital (WACC). We don't use a market price-derived beta, as we embrace market volatility, which provides investors with opportunities to buy attractive stocks at bargain-basement levels.

We assess each company within our complete three-stage free cash flow to the firm (enterprise cash flow) valuation model, which generates an estimate of a company's equity value per share based on its discounted future free cash flows and the company's net balance sheet impact, including other adjustments to equity value (namely pension and OPEB adjustments). Our ValueRisk rating, which considers the underlying uncertainty of the capacity of the firm to continue to generate value for shareholders, sets the margin of safety bands around this fair value estimate. For firms that are trading below the lower bound of our margin of safety band, we consider these companies undervalued based on our DCF process. For firms that are trading above the higher bound of our margin of safety band, we consider these companies overvalued based on our DCF process.

A Forward-Looking Relative Value Assessment

Our discounted cash-flow process allows us to arrive at an absolute view of the firm's intrinsic value. However, we also understand the critical importance of assessing firms on a relative value basis,versus both their industry and peers. Many institutional money-managers—those that drive stock prices—pay attention to a company's price-to-earnings (PE) ratio and price-earning-to-growth (PEG) ratio in determining whether entities are undervalued. With this in mind, we have included a forward-looking relative value assessment in our process to further augment our rigorous discounted cash-flow process. If a company is undervalued on both a price-to-earnings ratio and a price-earnings-to-growth (PEG) ratio versus industry peers, we would consider the firm to be attractive from a relative value standpoint.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

Avoiding Value Traps and Opportunity Cost

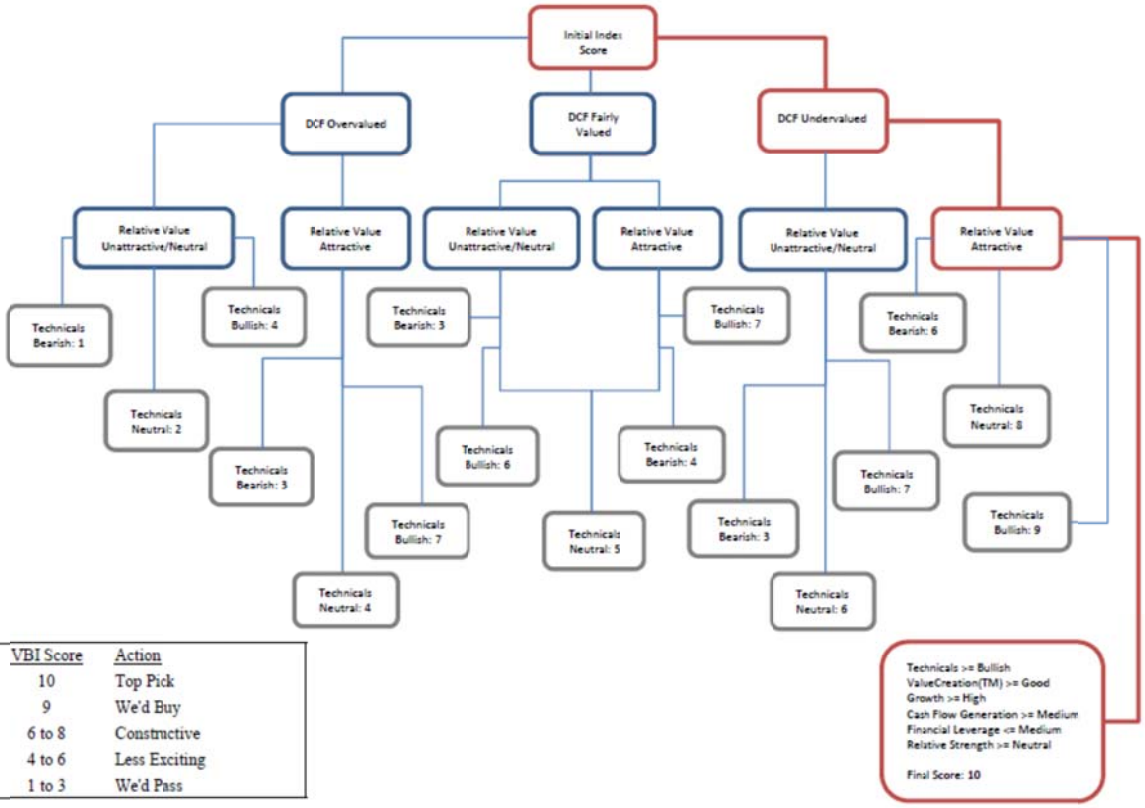
Once we have estimated a firm's intrinsic value on the basis of our discounted cash-flow process, determined if it is undervalued according to its firm-specific margin of safety bands, and assessed its relative value versus industry peers, we then evaluate the company's technical and momentum indicators to pin-point the best entry and exit points on the stock. An evaluation of its moving averages, relative strength, upside-downside volume, and money flow index are but a few considerations we look at with respect to our technical and momentum assessment of a company's stock.

Putting It All Together - the Valuentum Buying Index

Let's follow the red line on the flow chart on the next page 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.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.



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

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

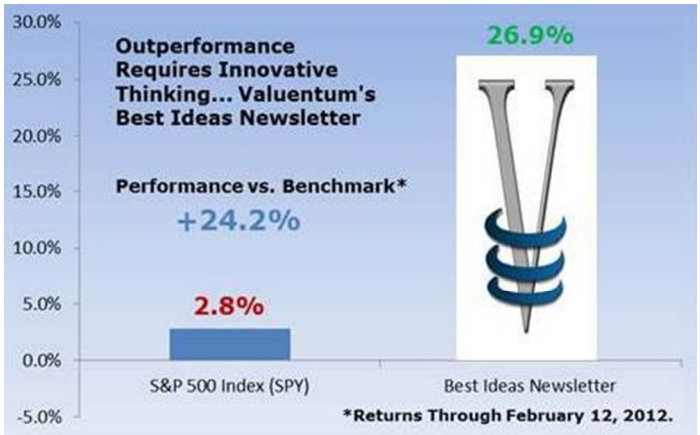
Valuentum Analysts
analysts@valuentum.com

How to Use Valuentum's Actively-Managed Equity Portfolios

President of equity research, Brian Nelson, CFA, manages Valuentum's two actively-managed stock portfolios, which are included in our Best Ideas and Dividend Growth newsletters. In each portfolio, we seek to deliver the very best of investment ideas to our opportunistic and income clients, respectively.

With our Best Ideas portfolio, we task ourselves with a tall order. While most investment newsletters compare themselves to a market benchmark, we go one step further. We want to deliver positive returns year after year, in addition to outperforming our market benchmark, the S&P 500 index (SPY).

Our Best Ideas portfolio includes long equity positions, as well as put and call options--strategies easily executed in your own online trading account. Consistent with our investment methodology, the Valuentum Buying Index™, our best ideas may span investing disciplines, market capitalizations and asset classes in order to maximize the return while minimizing the risk of the portfolio.



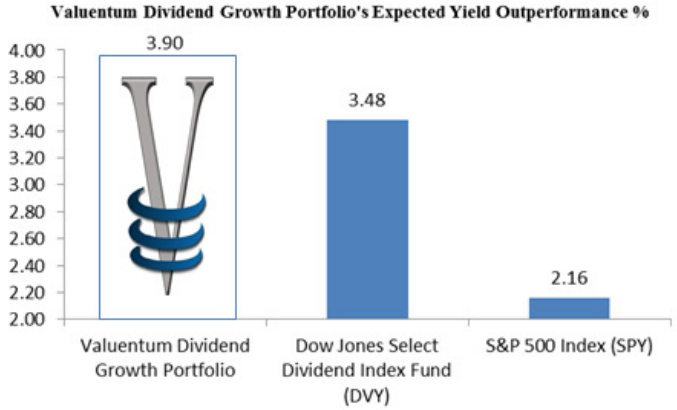
Since inception, our performance has been nothing short of fantastic, and our subscribers and clients have followed along and tracked our every move. Very few newsletters apply a time-tested (yet innovative) process, embrace transparency, and put your interests first. We can proudly say that we are among the few.

To learn more about Valuentum and its equity research services, please visit us at www.valuentum.com or contact a sales representative at info@valuentum.com.

© 2012 Valuentum Securities, Inc. All rights reserved.

The goal of our Dividend Growth portfolio is equally challenging. We seek to identify high-yielding, undervalued stocks that offer investors not only a source of sustainable and growing dividend income but also collectively will achieve an average annual rate of return in the high-single-digits over rolling 3- to 5-year periods into the future. We use our Valuentum Dividend Cushion™ as the key decision-making component behind the dividend gems we include in our Dividend Growth portfolio.

Though we boast relative outperformance versus our benchmark in this portfolio as well, we showcase the expected annual yield of our Dividend Growth portfolio versus other available equity income investments below:



The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

The 12 Most Important Steps To Understand The Stock Market

Brian Nelson, CFA
President, Equity Research
brian@valuentum.com
c - +1 (708) 653-7546

The 12 steps below, which should be read in order, will help investors understand what the stock market and stock investing is all about.

The Stock Market Is a Market. Let's start with the obvious. The stock market is made up of people. People make mistakes. People have biases. Some people are greedy; some people are fearful. The stock market is not a precise mechanism. If earnings of a company go up 10% in a year, for example, it is almost equally plausible that the same company's stock price may have gone down 10% or up 10% or stayed flat for that same year. Think Apple (AAPL), most recently. Heck, even if earnings have gone up over a 10-year period, the stock price could still go lower. Think Microsoft (MSFT) as probably the best example for this one. The stock market is a market filled with individuals making decisions about what to buy or sell. And these buy and sell decisions move the stock price. **If there is one experience every investor should have it is to watch a small/micro-cap company's share price move after a large order is filled. Or see a company break out as technical investors pile into the stock. Most sell-side analysts have never seen this; most buy-side analysts have never seen this. And certainly, most individual investors have never seen this**. Only through these experiences can the investor tear off the shackles of deception that so many investors want so desperately to believe. We as individuals try to make rational what is not. We try to find complex answers for things even though at times they are so simple. In this case, the stock market is a market. And it doesn't get more simpler than that. *Key takeaway: The stock market is neither rational nor precise, and it is driven by the buy and sell decisions of participants (including your doctor, lawyer, shoe-shiner, and yes, even your taxi cab driver-or should I say, limo driver).*

There is No Long Term. The financial industry loves long-term investors. And rightfully so for them: there is lower flight risk of your assets if you are a long-term investor. It just sounds so good, too: "investing for the long term." And so innocent! Yet, it is one of the market's biggest fallacies. At any point in time, the stock price of a company is based on the **expectations** of **future** earnings and cash flow. In 10 years, the stock price of the company will **still** be based on **expectations** of **future** earnings and cash flow at that time. We will never reach the long term. In fact, there is no long term. And

please, please understand that this concept is much different than the saying that "in the long-term, we are all dead." What I'm saying here is that stock prices will always be based on current **expectations** of earnings and cash flow (at any point in time in the future). There is no magic switch 10 years from now

that will change the market from a discount mechanism of future earnings and cash flow to a precise mechanism that translates earnings one-to-one from the company to the shareholder. Trust me, it will not happen. If it does, the stock market will no longer be a market (it will be some pass-through entity). Long-term investing is based on analyzing the long-term dynamics of a business and making a stand that at some point other investors will drive the stock toward your intrinsic value estimate (over the long haul). It does not mean that all of a sudden the company will be valued differently because we're now 10 years into the future. Or that the stock price will be higher 10 years from now because earnings have expanded. If you're willing to hold a stock for 10 years, it is very simple: you could have a Microsoft or an Apple (or something in between). The difference is expectations of future earnings of these companies **10 years in the future**. Don't fall into the trap of looking at historical earnings and stock price performance and think it will continue. Many gurus that are better at marketing than picking stocks will try to convince you that past performance can be extrapolated in the future through some fancy best-fit regression line. Don't buy it! It simply is not true. If it were, then anyone that knew how to do regression analysis would be a gazillionaire! *Key takeaway: The core of stock investing will always be based on expectations of future earnings and cash flow at any point in time in the future. There is no long term.*

Stocks Do Not Magically Converge to Intrinsic Value or to a Target Price. Often, investors hear that a stock is undervalued or overvalued, and this informs their investment decision as if some magic wand will cause the stock to magically converge to intrinsic value. Stocks can stay overvalued for decades, and stay undervalued for decades, or stay fairly valued for decades. Only when there is buying or selling in the stock based on its undervalued or overvalued state does a stock actually converge to intrinsic value. In other words, it doesn't matter if you think a stock is undervalued or overvalued. It matters if others (after you) think a stock is undervalued or overvalued, and then buy or sell that stock driving it higher or lower--only then will it converge to intrinsic value. **The market is not magic - other people have to eventually agree with you for your ideas to work out.** As an investor, you are highly dependent on what other people think. You must hope that they eventually come around to what you believe. Or else your stock will never converge to intrinsic value. Don't get me started on Buffett here. The only reason why he wants a stock to decline is so he can buy the WHOLE company on the cheap. For us stock-market investors, we want the stock to eventually go higher. *Key takeaway: Stocks do not have to converge to intrinsic value. Only buyers and sellers can drive a stock to intrinsic value.*

Everything in the Stock Market Is a Self-Fulfilling Prophecy. I hope you're still with me because this will blow your mind. I cannot tell you how many times I have heard that technical analysis is a self-fulfilling prophecy, and then those same individuals claim that value investing or growth investing is not a self-fulfilling prophecy. Once I hear that, I know that most value investors haven't read Step I above.

If you have, you're already smarter than them. Hear me out: technical analysis works sometimes because people buy and sell based on technical analysis, driving a stock higher or lower respectively. Value investing works sometimes because people buy and sell based on value principles, driving a stock higher or lower respectively. Neither technical analysis nor value investing works all of the time. Remember Step II, there is no long term, and stock prices are based on the future expectations of earnings and cash flow at any point in time. Each investor will have a different understanding of what those future expectations are. **Stock prices converge to intrinsic value because investors collectively think the stock is worth intrinsic value and vote with their capital to drive the stock price to its intrinsic value.** If nobody thought a stock was worth its intrinsic value, it would never reach its intrinsic value. If everybody thought a stock was worth its intrinsic value, it would trade precisely at its intrinsic value. If you think a stock is worth intrinsic value, but nobody else does or ever will then I'm sorry you have an underperformer on your hands. It is this self-fulfilling mechanism that makes the stock market what it is. *Key takeaway: The stock market is and always will be a self-fulfilling mechanism. If all investors think one thing, it will be true in the stock market.*

The Stronger the Competitive Advantage the Lower the Stock Return. This can't be! No way! You refuse to admit it! Everybody can't be wrong! But what about Buffett? Well, you don't have to take my word for it. Ask one of the most well-known shops out there that does Warren Buffett's economic moat analysis. You know what firm I am talking about. Click here (you may need to sign up for a free subscription to view; this data corrects the widely-distributed error found here). **All else equal, they concluded that companies with wide economic moats underperform stocks with narrow economic moats, and that stocks with no economic moats had the best returns (over the time period studied)**. If you're looking for underperformance, it is very likely you will find it by identifying the stock with the strongest competitive advantages. The fact of the matter is that the stocks with the strongest competitive advantages are already discovered - they have already been found. They have already been bid up to levels where excess returns may be difficult to come by. Go back to Step II. Stock prices are driven by expectations of future earnings and cash flow. If investors are buying based on competitive advantage analysis, they are missing the point. *Key takeaway: Competitive advantage analysis alone will not lead you to the best-performing stocks. It actually has been shown that it will lead you to underperformance.*

Earnings Surprises Are Analyst Misses Not the Company's. Okay this is where it gets tricky. The company is not doing better or worse just because an analyst or a group of analysts (consensus) fails to accurately predict quarterly results. Companies beat or miss earnings expectations because analysts are wrong with their forecasts. Nothing against analysts, as it's nearly impossible to accurately predict quarterly earnings all of the time, but this is an important point. **Let's ask ourselves these two questions: What if a company continues to miss earnings expectations every quarter into infinity? Will its stock price keep going down forever until it reaches 0? The answer simply is no.** Stock prices are determined by expectations of future earnings and cash flow. A company will still have value even if it continues to miss earnings. Consensus estimates and even whisper numbers move around often. And I've even heard of some speculation that some analysts actually raise their target prices and lower earnings estimates (at the same time for the same company), so that specific company can beat estimates (and hopefully traders drive the stock price higher to their target price, so they look smart). This can't be true, right? Well-seasoned market participants may know about this potential conflict and what I am talking about. Still, it is the future that matters. Once a company reports numbers in a quarter, the quarter is over (and is history). The only thing investors care about is the future. Stock prices are determined by expectations of future earnings and cash flow. *Key takeaway: Earnings beats and misses offer very little value to the investor. Stock prices are determined by future expectations of earnings and cash flow.*

The Recent Trend Toward Dividend Investing May Be Good (and Bad) for the Individual Investor. On one hand, individual investors that are interested in dividend-growth investing find strong, stable, dividend-paying companies such as Johnson & Johnson (JNJ) or Procter & Gamble (PG), and this is great. It prevents them from getting involved in speculative, high-risk companies (remember the dot-com craze), which in many cases is the last thing a retiree is interested in doing. But on the other hand, dividend-paying companies have in many cases been transforming into speculative companies. Many MLPs and mortgage/residential REITs remain overly-dependent on the healthy functioning of capital markets, necessitating global credit health for survival. And many investors are stretching for those 10%+ yielding entities that may not survive for long. Remember SuperValu (SVU), Roundy's (RNDY), etc. This is not at all a good thing. And while many dividend-growth addicts will fail to admit it, **dividends are just a component of cash flow distributed to shareholders, and a company's intrinsic value is based on its entire future free cash flow stream.** Plus, a company's stock price is reduced by the amount of its dividend payment (once it goes ex dividend). We won't get into this (as many level-headed authors have tried without success to convince the dividend growth crowd of this). But trust me, it is the truth. Anyone that speaks to the contrary is not doing investors justice. *Key takeaway: Dividends are just a component of cash flow, and a company's intrinsic value is based on its entire free cash flow stream.*

The P/E Ratio Is a Short-Cut and Used Incorrectly. Unfortunately, many investors are not mathematically-oriented. Remember all of your friends that hated math! Well, the fact of the matter is that the stock market is highly mathematical. It combines math, accounting, finance, psychology, economics, and pretty much every discipline out there. However, many investors don't like the math part and think the P/E ratio is a substitute for actually calculating an intrinsic value or using a research firm that applies intrinsic-value analysis. **The fact of the matter is that a P/E ratio is a short-cut discounted cash-flow model.** But instead of thinking about the assumptions in a discounted cash-flow model to arrive at an intrinsic value assessment, investors simply assign a P/E multiple to an earnings number. You should be shaking in disbelief right now. Investors don't do this, do they? Yes, they absolutely do. Sometimes they use a company's own historical P/E ratio average or that of comparable companies to assign to a company's earnings. You now know just how wrong this is. A company's P/E ratio should be based on its future free cash flow stream, as the value of a firm is based on the future (not an assessment of its past or a comparable company). Investors won't stop using the P/E ratio because they read this. But you should be aware of the pitfalls of using this metric. *Key takeaway: The P/E ratio is a short-cut discounted cash-flow model and investors continue to use the P/E ratio incorrectly.*

You Will Be Wrong. Individual investors sometimes think that every idea should work out and immediately at that. Wrong. If you are a good investor, your winners will outperform your losers and you will make money. If you're an excellent investor, you'll still have a lot of losers, but you'll end up beating the market. The fact of the matter is that you will be wrong at times. You will make mistakes. Some of your investments will lose money. I remember one time I received an email from one of our members. He proceeded to tell me that he was so happy that we picked 8 winners, but he was extremely disappointed that 1 of our ideas did not work out. For some reason, he didn't understand that an 8 to 1 ratio is not only good, but unbelievably fantastic! I think it is partly because of this email that I have included 'You Will Be Wrong' in the top 12. *Key takeaway: I don't care who you are. You will be wrong at times.*

Growth is a Component of Value. Unfortunately, the mutual fund industry has confused just about everyone with respect to this concept. There are really not growth stocks and value stocks. There are either undervalued stocks, fairly valued stocks, or overvalued stocks. Growth is a component of value. For example, Google (GOOG), which is growing fast, can be undervalued, while a company with a single-digit P/E like Apple can be overvalued (at least according to some). Every analyst and investor should build a complete discounted cash flow model at least once in their life to see how growth fits into a value assessment. There is probably no better way to learn this important concept that Buffett has been known to utter a time or two. *Key takeaway: There are really not growth stocks and value stocks. There are either undervalued stocks, fairly valued stocks, or overvalued stocks.*

Value and Momentum Outperform Everywhere. Momentum is the biggest embarrassment to efficient markets (according to Fama), academic research continues to conclude that 'Value and Momentum' combined outperform in every market across every asset class, and we continue to demonstrate empirical evidence of the superiority of a combined value-momentum process in the portfolio of our Best Ideas Newsletter. Probably one of the biggest mistakes I made when starting our firm Valuentum was that I used the word momentum (at all). Even some of my closest friends dismissed the strategy of Valuentum, saying it wasn't for them, even when I was doing what they were doing with respect to value analysis plus the technical/momentum work. They just never looked at it. They saw that I was using some form of technical and momentum analysis and said "it's just not for me." I understand them. When I was a youngster, I remember reading about how technical and momentum analysis was voodoo and just not worth the time. I get it. People have been conditioned to not like it…fair or not. But by definition, Valuentum investing encapsulates everyone's strategy (from value through momentum). It is not only value, not only growth, not only GARP, and not only momentum. It's Valuentum. It embraces your investment strategy in the vein of Keynes' below. It's my personal mission to spread the work about the combined benefits of this strategy. Investors simply aren't aware of it or are afraid to accept it. *Key takeaway: Value and momentum combined outperform in every market across every asset class.*

Keynes Was Right. I remember reading Keynes' work years ago, and it never really resonated with me. But then, let's say, I wised up. After reading just about everything I could get my hands on, spending years and years in school, and training hundreds of analysts in both equity and credit research, I have concluded that Keynes was brilliant. This isn't about his economic policies that you've read about in economic textbooks, but it's about how he thought about the stock market. I have saved this last for a reason. It embodies everything that you have learned above. Keynes compared the stock market to a beauty contest. He said that to pick winning stocks, investors need to pick the contestant (stock) that they think other judges (money managers) like, not the contestant that they like. This is absolutely brilliant, not only because it is true but because he put this into text decades ago! So, the secret to successful stock selection is to have a complete understanding of all investment disciplines in order to find the best stocks at the best time to buy (Valuentum investing). After all, we need deep-pocketed money managers to eventually agree with us for our stock calls to work out. This doesn't mean we're trying to front-run others -- it means we do extensive DCF analysis, an extensive relative value assessment, and a technical momentum assessment to help identify future winners. And just a bonus for all of you Oscar watchers this weekend to really hit this point home. To win an Oscar pool, you don't pick the movies (stocks) you want to win, but instead you pick what you think Hollywood insiders (money managers) would vote for (buy and drive higher). This is the key to Oscar predicting (successful stock-selection), in my view. *Key takeaway: The best stocks are those that are undervalued and are just starting to exhibit strong momentum qualities, revealing the greatest likelihood of price to fair value convergence.*

Brian Nelson, CFA
President, Equity Research
brian@valuentum.com
c - +1 (708) 653-7546

Thinking about the Price-to-Earnings Ratio in a Different Light

The P/E Multiple Is Not as Basic as You Might Think

***Executive Summary**: We break down the key components of a price-to-earnings multiple and highlight some of the pitfalls investors may encounter by using it incorrectly in the valuation process.*

What is the purpose of such an article? The P/E ratio is so simple, right? It is just the price of the stock divided by the annual net diluted earnings per share of the firm. And the forward P/E is merely the price of the stock divided by next year's annual net diluted earnings per share of the firm. The P/E is probably the most common measure to help investors compare how cheap or expensive a firm's shares are, as stock prices for lack of a better term are arbitrary. For example, firms like Warren Buffett's Berkshire Hathaway (BRK-A), which has never split its stock, have traded as high as $140,000 per share, while other well-known companies like Sprint (S) can trade for just a few bucks per share. And Citigroup (C) was once a penny stock before its 10-to-1 reverse split in 2011.

It's only when investors compare a firm's share price to its diluted earnings per share that they have any idea whether a company's shares are expensive (overvalued) or cheap (undervalued). The higher the P/E, the more expensive the company's stock – and vice-versa. This seems way too simple, so why would we (or better yet, how could we) devote a whole paper to talking about such a basic financial concept. Well, the truth is that the P/E ratio is not as basic as you might think (and even some of the most seasoned investors don't understand what this powerful multiple means).

As followers of Valuentum know, the second pillar of our Valuentum Buying Index™ considers a company's forward P/E ratio by comparing this measure to that of its industry peers to determine if the company is trading at a comparatively attractive valuation. If the P/E is lower than its peer median, an investor is paying less per unit of earnings than the median of its peer group. Investors are getting a good deal in this case, all else equal, right? Well, the

To learn more about Valuentum and its equity research services, please visit us at www.valuentum.com or contact a sales representative at info@valuentum.com.

© 2012 Valuentum Securities, Inc. All rights reserved.

problem is that companies are never equal, and even comparisons among firms that are in the same industry can be misleading. It is also inappropriate for investors to apply a firm's historical median (or average) price-to-earnings ratio to the same firm's future earnings stream. But why not? It's the same stock. Shouldn't it be relevant and applicable? Well, yes and no. First, it's great for investors to have an idea of what "multiple range" a company has traded at in the past – there's lots of value to this, and most relevant for cyclical firms (mainly industrials) that may, from a fundamental standpoint, exhibit similar (but not identical) patterns with respect to both earnings and their P/E through the course of each economy cycle: think Boeing (BA) and the commercial aerospace cycle; Ford (F) and consumer demand for auto sales; or United Continental (UAL) with respect to premium air travel demand. But for less-cyclical firms (and even for cyclicals where structural industry dynamics have altered over time), investors are wrongly assuming that the forward outlook of the past (which determined the historical multiple) will be the same as the forward outlook of the present (which determines the current multiple). This, unfortunately, is never true.

So what is an investor to do? We know that it's imperfect to compare a firm's current or forward price-to-earnings ratio to its peers or even to the median or average of its peers. No two firms are identical. And it's even more imperfect to compare a firm's current or forward price-to-earnings ratio to its historical measure. Look at Apple's outlook in 2002 versus its outlook in 2009 – a lot different, would you say? One wouldn't apply the same multiple to Apple in both years, or if you did, it would be for different reasons/underlying factors. Okay, you may then ask: why does Valuentum use a price-to-earnings ratio at all in our process? Good question. The answer rests in its simplicity. Some investors do not use a discounted cash-flow process to value equities, and therefore, there exists what we'd describe to be market forces (self-fulfilling) that make the price-to-earnings ratio a meaningful consideration.

In other words, if Portfolio Manager A likes a stock because its P/E ratio is trading at the lower end of its historical P/E valuation range or is trading at a discount to its peers' average P/E, she might buy it, and this buying pressure itself causes the stock to rise, therefore making the P/E in this form relevant.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

In other words, if other investors (especially the ones with deep pockets) are paying attention to it, you should, too. In fact, this idea hits at the heart of our process at Valuentum – striving to have a complete understanding of all market forces (investment philosophies) that drive stock prices, such that we can capitalize on them. For this reason, and this reason alone, we include a relative value assessment in our process, in general, and the P/E and PEG (price-earnings-to-growth) ratios, more specifically.

So, with that said, how should we look at the P/E then? Valuentum followers know that we use a discounted cash-flow valuation process (the first pillar of our Valuentum Buying Index) to uncover the intrinsic worth of every company in our coverage universe. Okay, now you may ask: "Why do you use a free cash flow model when stock prices are driven by earnings? Didn't we just define the stock price as a function of its earnings and a P/E multiple (the share price divided by net diluted earnings per share is the P/E)?" Well, yes. But earnings are a component of cash flow, and evaluating future free cash flows has its benefits.

For starters, the variations between earnings and cash flow not only arise in working capital changes over time (and their influence on a firm's cash flow from operations), but also in the timing of the cost of replacing those assets that generate earnings (capital expenditures versus depreciation). Plus, varying levels of interest rates paid on debt loads can also muddy the waters on earnings – not to mention that there are various ways to account for rent expense (whether to capitalize such assets or to allow the expense to flow through the operating line). So there are some major differences between assessing a company's value based on earnings versus based on using a discounted cash-flow model. And because earnings quality (are earnings being converted to cash flow?) and capital efficiency (how much capital needs to be plowed back into the firm to maintain earnings) are critical to assessing the health of a company and its valuation, using free cash offers a superior process.

But that's not all. And this gets at the core of the article. What many investors fail to understand is that the P/E multiple is precisely -- you guessed it -- a short-form discounted cash-flow model. So, in order to understand what multiple is appropriate to place on a firm's earnings stream (its diluted

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

earnings per share) investors need to use a discounted cash flow process to do so. By calculating the present value of future enterprise free cash flows, adjusting for a firm's net balance sheet impact and making other adjustments (and then dividing by diluted shares outstanding), the investor arrives at equity value per share. Taking this equity value per share and dividing it by next year's earnings of the firm leaves you with – drum roll please – the price-to-earnings (P/E) ratio. And because a discounted cash-flow process captures the unique intricacies of the exact firm one is modeling at the exact time one is modeling it (and taking into consideration all future factors at the time), it is far superior to any relative peer or historical multiple analysis.

By now, you can probably see why we're such big fans of using a free cash flow model. Though there are many, many ways of looking at a stock—in fact, varying perspectives remain core to our process--using a free cash flow process is perhaps the only way investors can truly arrive at the "correct" intrinsic price-to-earnings multiple to place on a company's earnings.

Let's examine this even further. For example, have you ever wondered why capital-light companies (software, advertising companies) garner higher earnings multiples than capital-intensive companies (auto manufacturers)? Well, capital-intensive companies have to re-invest a significant amount of earnings back into their businesses, thereby reducing future free cash flow and, by extension, the multiple investors are willing to pay for that earnings stream. Remember from before that a P/E multiple is primarily driven by the discounted future free cash flows of a firm. Simply put, not all earnings streams are created equal – even given equivalent future expected growth trajectories in them. Investors should prefer the earnings stream in this case that requires the least amount of re-invested capital.

Okay…on to demystifying the price-to-earnings ratio. At this point, we hope that we have at least convinced you to be careful about arbitrarily placing a P/E multiple on a firm's next year's earnings to arrive at a target price (fair value). Even if that multiple is based on historical ranges (medians or averages) or is comparable to industry peers, investors fall short of capturing the uniqueness of a company's future cash flow stream via a discounted cash-flow process, which considers *all* of the qualitative factors of a company -- from a competitive assessment to the company's efficiency initiatives and

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

beyond (yes, even management's strategy). Plus, using a discounted free cash flow model forces investors to think about the key valuation drivers of a company long into the future, thereby reinforcing forward-looking analysis and a critical understanding of what we'd describe as needle-moving inputs (revenue, WACC, etc.).

Without further explanation, here is our definition of the price-to-earnings ratio. You'll notice that it is forward-looking and considers many more components than just the future growth trajectory of earnings, which many pundits point to as the primary driver between the differences in two firms' P/E multiples:

Current Price to Earnings Ratio = {[(Sum of Discounted Future Enterprise Free Cash Flows – Total Debt – Preferred Stock + Total Cash)/Shares Outstanding]/ Current Earnings Per Share}

Upon further examination of the definition of the price-to-earnings ratio above, one can see that it is just a compressed, short-form discounted cash-flow model.

And below, we show how a number of qualitative factors influence the price-to-earnings multiple and whether they are positively or negatively correlated to it.

Revenue Growth: Impacts Future Enterprise Cash Flows (Mostly Positive)

Operating Earnings Growth: Impacts Future Enterprise Cash Flows (Positive)

Taxes: Impacts After-tax Earnings; Cost of Debt (Mostly Negative)

Capital Expenditures: Impacts Future Enterprise Cash Flows (Negative)

Return on Invested Capital (ROIC): Function of Operating Earnings and Net New Investment, Capital Expenditures (Positive)

Risk-free Rate: Impacts WACC (Negative)

Discount Rate (WACC): Impacts Present Value of Enterprise Cash Flows (Negative)

Total Debt: Impacts Enterprise Value and Discount Rate (Mostly Negative)

Preferred Stock: Impacts Enterprise Value and Discount Rate (Mostly Negative)

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

Total Cash: Impacts Enterprise Value (Positive)

Shares Outstanding: Changes in Shares Outstanding (Neutral, assuming reinvestments' ROIC equal the firm's WACC)

The key takeways are that 1) without using a discounted cash-flow model, the price-to-earnings ratio that should be applied to a company's earnings stream cannot really be appropriately solved, and by extension, 2) when investors assign an arbitrary price-to-earnings multiple to a company's earnings (based on historical trends or industry peers), they are essentially making estimates for all of the drivers behind a discounted cash-flow model in one fell swoop (and sometimes hastily).

As earnings for next year are often within sight and can be estimated with some confidence (though this certainly varies among firms), the price-to-earnings ratio, in our opinion, is of far greater importance in determining the true intrinsic worth of companies, requiring much more intricate and forward-looking thought. And because the price-to-earnings ratio is nothing more than a discounted cash-flow model, that's why cash-flow analysis is the first and most important pillar of our Valuentum Buying Index.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

Valuentum Analysts
analysts@valuentum.com

How to Find Hidden Investment Gems

Valuentum's stock-selection methodology, the Valuentum Buying Index™ looks at many factors, including a discounted cash-flow model and technicals to name a couple, to arrive at a final score for each company. Our focus on learning, applying, and combining different approaches to find the best ideas left us very intrigued by a recent *Harvard Business Review* article. In the October 2011 issue there was an interview with Michael J. Mauboussin (Chief Investment Strategist at Legg Mason Capital Management) on his views regarding complexity. This is what he had to say:

"If you're an investor and you're only looking at your Bloomberg terminal and reading *Forbes* and *Fortune* and the *Wall Street Journal*, it's unlikely you're going to get a lot of really interesting ideas. You need to read and think more broadly. Great investors most definitely do that already."

Investors and even analysts can become overly focused on one variable or one approach (either value, growth, GARP, or another), leading to neutral or even poor results compared to the market. When markets are working efficiently changes in a company's performance or dividend may already be reflected in the stock price (to a large extent). Because of this tendency, well-known, tried-and-true companies may provide stability and certainty to holders, but they may not provide the most incentive to investors. On the other hand, a small or unknown company may provide all risk and no reward. What is an investor to do?

In this complex and intertwined world, investment ideas come from many sources, and looking outside the box – outside the investment world and outside only one defined style – is a must. We outline our best ideas, which span and combine investment styles to uncover hidden gems, in our market-beating monthly Best Ideas Newsletter. We highlight a few of our best ideas (big winners) on the next page that came from looking beyond traditional news, blending investment disciples (value, growth, GARP, momentum investing, etc.) and employing our fresh, unique investment process (called 'Valuentum Investing').

To learn more about Valuentum and its equity research services, please visit us at www.valuentum.com or contact a sales representative at info@valuentum.com.

© 2012 Valuentum Securities, Inc. All rights reserved.

EDAC Tech (EDAC)

Why it piqued our interest: We first became interested in going long EDA Tech a number of months ago when we wrote our June 6, 2011, article on some of the best ideas in the commercial aerospace supply chain. We knew the aerospace cycle during the next few years would be robust, and we were surprised to see EDAC Tech trading so cheaply from a valuation standpoint. The firm had a huge and growing backlog, and from our experience in the aerospace supply chain (PCP, etc.), we knew EDAC Tech would experience substantial operating leverage as throughput increased. The company's market cap was roughly $20 million at the time, so it didn't fall on many investors' radar screens. But that didn't stop us from profiting. We highlighted the company as a best idea to our subscribers, and the firm has subsequently more than tripled in price (from about $4 to over $12 today).

AMR Corp (AMR)

Why it piqued our interest: We first became interested in going short AMR Corp, the parent of American Airlines, a number of months ago when we wrote our May 19, 2011 article on why we thought the firm's equity was practically worthless. At the time, many sell-side analysts and independent research shops were still bullish or neutral on the airline space. We were surprised, to say the least. However, our fresh thinking led us to believe that a significant decline in AMR would be in the cards, as its current free cash flow stream was nowhere close to being sufficient to create any value for shareholders over the long haul. Though American Airlines is a firm that many investors have heard of, our process and view on the poor dynamics of the airline industry led us to develop an iron-clad thesis on the firm's valuation. As a result, we highlighted to our subscribers the firm's impending decline, and AMR has subsequently declared bankruptcy (read: near $0 per share) from about $7 per share at the time of the printing of that article.

Netflix (NFLX)

Why it piqued our interest: This is a firm that many, many investors know very well after the well-documented missteps by management. However, before the significant share price fall, we were one of the only firms pounding

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

the table that a massive decline was coming (and not all the way up like other high-profile investors). In fact, we first challenged the investment community in our July 2011 article when the shares were trading at about $250 each to arrive at a valuation that was anywhere near Netflix's current share price – nobody was able to do so. Simply put, our research advantage with respect to valuation analysis allowed us to uncover this short-idea gem, as other firms remained enamored with its potential growth prospects. Our differentiated investment process allowed our subscribers to steer clear of this land mine and avoid a massive sell-off that has left Netflix's shares wounded.

Apple (AAPL)

Why it piqued our interest: Okay, yes, this is a name that probably has found its way into everyone's portfolio at some time or another -- so it is not hidden. But what is hidden is the best entry and exit points in this behemoth of a stock. Our process allowed us to pinpoint a near-term bottom in Apple's share price as we noted in our June 17, 2011, article that the iPad-maker was reflecting nothing more than inflation-like expansion beyond years 2 or 3. We thought this was conservative, and our technical-analysis process flashed a bullish signal that prompted us to add the firm to our Best Ideas portfolio. Our subscribers were well-rewarded as Apple has run up to over $600 per share, roughly doubling in price since that time.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

Company Index - Sorted by Company Name

Name	Symbol	Sector	Hist ROIC	Investment Stlye	ValueCreation	ValueRisk	P/FV	VBI
3M	MMM	Conglomerates	30.4%	LARGE-CAP CORE	EXCELLENT	LOW	1.00	6
Altria Group	MO	Tobacco	41.3%	LARGE-CAP VALUE	EXCELLENT	LOW	0.77	9
Amgen	AMGN	Biotechnology	54.8%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.84	4
Apple	AAPL	Computer Hardware	304.6%	MEGA-CAP BLEND	EXCELLENT	MEDIUM	0.65	3
Automatic Data Processing	ADP	Staffing Services	54.1%	LARGE-CAP CORE	EXCELLENT	LOW	1.09	6
AutoZone	AZO	Specialty Retail - auto	41.8%	LARGE-CAP VALUE	EXCELLENT	LOW	0.96	3
Baidu	BIDU	Internet Software & Svcs	199.7%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.67	3
Bank of NY Mellon	BK	Banks & Money Centers	NMF	LARGE-CAP CORE	EXCELLENT	HIGH	1.22	6
Baxter Intl	BAX	Medical Instruments	32.2%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Becton, Dickinson	BDX	Medical Instruments	23.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.98	5
BHP Billiton	BHP	Mining - diversified	54.8%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.40	1
Boeing	BA	A&D Prime	36.5%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.06	6
Buffalo Wild Wings	BWLD	Restaurants	25.5%	SMALL-CAP BLEND	EXCELLENT	MEDIUM	0.92	6
Campbell Soup	CPB	Food Products - Large	31.9%	LARGE-CAP CORE	EXCELLENT	LOW	1.24	4
Caterpillar	CAT	Machinery - agriculture	38.0%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.81	3
Celgene	CELG	Biotechnology	57.7%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.00	6
CH Robinson	CHRW	Air Freight & Logistics	114.3%	LARGE-CAP GROWTH	EXCELLENT	LOW	1.08	6
Chevron	CVX	Major Oil & Gas	13.4%	MEGA-CAP VALUE	GOOD	LOW	0.96	3
Cisco	CSCO	Networking Equipment	59.5%	LARGE-CAP VALUE	EXCELLENT	LOW	0.77	6
Clorox	CLX	Household Products	39.6%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.08	5
Coca-Cola	KO	Beverages - nonalcoholic	21.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.13	6
Colgate-Palmolive	CL	Household Products	56.0%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.22	6
Compass Minerals	CMP	Chemicals - agriculture	25.2%	MID-CAP VALUE	EXCELLENT	LOW	0.98	3
Costco	COST	Food Retailers	18.9%	LARGE-CAP CORE	EXCELLENT	LOW	1.06	6
Covidien	COV	Medical Instruments	30.6%	LARGE-CAP VALUE	EXCELLENT	LOW	0.97	6
Danaher	DHR	Conglomerates	25.9%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.17	6
Deere	DE	Machinery - agriculture	55.9%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.09	6
Disney	DIS	Media - entertainment	22.0%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Dollar General	DG	Multiline Retail - discount	25.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.02	6
Domino's Pizza	DPZ	Restaurants	239.6%	MID-CAP CORE	EXCELLENT	MEDIUM	1.51	4
DuPont	DD	Chemicals - broad	15.8%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.76	4
Eastman Chemical	EMN	Chemicals - broad	18.0%	MID-CAP BLEND	EXCELLENT	MEDIUM	0.91	6
eBay	EBAY	Internet & Catalog Retail	68.6%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.81	6
Eli Lilly	LLY	Pharmaceuticals	45.1%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Emerson Electric	EMR	Electrical Equipment	41.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.91	6
Expeditors Intl	EXPD	Air Freight & Logistics	49.7%	MID-CAP CORE	EXCELLENT	MEDIUM	1.01	6
Exxon Mobil	XOM	Major Oil & Gas	12.8%	MEGA-CAP CORE	GOOD	MEDIUM	1.18	3
FedEx	FDX	Air Freight & Logistics	12.2%	LARGE-CAP CORE	GOOD	MEDIUM	1.08	6
Finish Line	FINL	Specialty Retail - shoes	31.0%	SMALL-CAP VALUE	EXCELLENT	MEDIUM	0.70	3
Fiserv	FISV	Financial Tech Services	33.3%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.93	4
General Dynamics	GD	A&D Prime	45.8%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.97	7
General Electric	GE	Conglomerates	34.0%	MEGA-CAP VALUE	EXCELLENT	LOW	0.78	7
General Mills	GIS	Food Products - Large	21.1%	LARGE-CAP CORE	EXCELLENT	LOW	1.19	6
Google	GOOG	Internet Software & Svcs	105.8%	MEGA-CAP BLEND	EXCELLENT	MEDIUM	0.82	6
Halliburton	HAL	Energy Equipment	18.9%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.09	6
Hasbro	HAS	Leisure	45.2%	MID-CAP VALUE	EXCELLENT	MEDIUM	0.76	3
Honeywell	HON	Conglomerates	25.8%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.04	7
IBM	IBM	Computer Hardware	55.9%	MEGA-CAP VALUE	EXCELLENT	LOW	0.92	6
Illinois Tool Works	ITW	Machinery & Tools	25.6%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.18	6
Intel	INTC	Broad Line Semiconductors	47.7%	LARGE-CAP VALUE	EXCELLENT	LOW	0.76	3
Intuitive Surgical	ISRG	Medical Devices	135.0%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.93	3
Johnson & Johnson	JNJ	Household Products	32.8%	MEGA-CAP VALUE	EXCELLENT	LOW	0.84	7
Johnson Controls	JCI	Auto Parts Suppliers	21.0%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.09	6
Kellogg	K	Food Products - Large	24.4%	LARGE-CAP CORE	EXCELLENT	LOW	1.10	5
Kimberly-Clark	KMB	Household Products	16.8%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.22	6
Kohl's	KSS	Multiline Retail	15.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.83	3
Mastercard	MA	Financial Tech Services	87.9%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.10	6
Mattel	MAT	Leisure	53.4%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.03	6
McCormick	MKC	Food Products	36.8%	MID-CAP CORE	EXCELLENT	LOW	1.04	6
McDonald's	MCD	Restaurants	25.5%	LARGE-CAP CORE	EXCELLENT	LOW	1.13	6
Medtronic	MDT	Medical Devices	45.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.87	6
Microsoft	MSFT	Software	121.9%	MEGA-CAP VALUE	EXCELLENT	LOW	0.57	6
Monsanto	MON	Chemicals - agriculture	23.2%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
National Oilwell Varco	NOV	Energy Equipment	20.6%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.82	4
Nike	NKE	Luxury Goods	33.6%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.92	3
Oracle	ORCL	Software	115.9%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.73	3
Parker-Hannifin	PH	Electrical Equipment	24.7%	LARGE-CAP VALUE	EXCELLENT	LOW	0.88	7
Paychex	PAYX	Staffing Services	72.1%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.95	3
PepsiCo	PEP	Beverages - nonalcoholic	26.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.16	6
Pfizer	PFE	Pharmaceuticals	19.0%	MEGA-CAP VALUE	EXCELLENT	MEDIUM	0.93	7
PPL	PPL	Utilities	9.9%	LARGE-CAP VALUE	GOOD	MEDIUM	0.87	6
Praxair	PX	Chemicals - broad	12.9%	LARGE-CAP CORE	GOOD	MEDIUM	1.07	6
Precision Castparts	PCP	A&D Suppliers	32.1%	LARGE-CAP BLEND	EXCELLENT	LOW	0.75	7
Procter & Gamble	PG	Household Products	20.0%	MEGA-CAP CORE	EXCELLENT	LOW	1.08	6
QUALCOMM	QCOM	Communications Equipment	73.4%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.88	7
Raytheon	RTN	A&D Prime	68.8%	LARGE-CAP CORE	EXCELLENT	LOW	1.09	6
Republic Services	RSG	Environmental Services	21.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.00	6
Rio Tinto	RIO	Mining - diversified	31.7%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.76	3
Roper Industries	ROP	Electrical Equipment	27.3%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.12	6
Royal Dutch Shell	RDS	Major Oil & Gas	12.2%	MEGA-CAP VALUE	GOOD	LOW	0.83	3
Schlumberger	SLB	Energy Equipment	17.3%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.10	6
Scotts Miracle-Gro	SMG	Chemicals - agriculture	16.8%	MID-CAP CORE	EXCELLENT	MEDIUM	1.13	6
St. Jude	STJ	Medical Devices	32.6%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.74	6
Starbucks	SBUX	Restaurants	48.8%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.15	6
Stryker	SYK	Medical Instruments	46.2%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.03	5
Synaptics	SYNA	Computers & Peripherals	151.1%	SMALL-CAP VALUE	EXCELLENT	LOW	0.70	7
Sysco	SYY	Food Retailers	25.3%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.94	3
Target	TGT	Food Retailers	12.7%	LARGE-CAP VALUE	GOOD	LOW	0.95	4
Texas Instruments	TXN	Broad Line Semiconductors	38.6%	LARGE-CAP CORE	EXCELLENT	LOW	1.27	2
United Parcel Service	UPS	Air Freight & Logistics	21.0%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.99	6
United Technologies	UTX	Conglomerates	25.2%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.93	6
US Bancorp	USB	Banks & Money Centers	NMF	LARGE-CAP CORE	EXCELLENT	HIGH	1.13	6
Uti Worldwide	UTIW	Air Freight & Logistics	42.5%	SMALL-CAP VALUE	EXCELLENT	LOW	0.94	6
Visa	V	Financial Tech Services	38.8%	LARGE-CAP BLEND	EXCELLENT	LOW	0.94	6
Walgreen	WAG	Food Retailers	15.4%	LARGE-CAP VALUE	EXCELLENT	LOW	0.95	7
Wal-Mart	WMT	Food Retailers	17.4%	MEGA-CAP VALUE	EXCELLENT	LOW	0.97	3
Waste Management	WM	Environmental Services	12.7%	LARGE-CAP CORE	GOOD	LOW	1.03	5
Waters	WAT	Medical Devices	63.5%	MID-CAP CORE	EXCELLENT	MEDIUM	1.10	6
Wells Fargo	WFC	Banks & Money Centers	NMF	LARGE-CAP CORE	EXCELLENT	HIGH	0.94	6
Zimmer	ZMH	Medical Devices	31.0%	LARGE-CAP VALUE	EXCELLENT	LOW	0.82	7

Company Index - Sorted by Ticker Symbol

Name	Symbol	Sector	Hist ROIC	Investment Stlye	ValueCreation	ValueRisk	P/FV	VBI
Apple	AAPL	Computer Hardware	304.6%	MEGA-CAP BLEND	EXCELLENT	MEDIUM	0.65	3
Automatic Data Processing	ADP	Staffing Services	54.1%	LARGE-CAP CORE	EXCELLENT	LOW	1.09	6
Amgen	AMGN	Biotechnology	54.8%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.84	4
AutoZone	AZO	Specialty Retail - auto	41.8%	LARGE-CAP VALUE	EXCELLENT	LOW	0.96	3
Boeing	BA	A&D Prime	36.5%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.06	6
Baxter Intl	BAX	Medical Instruments	32.2%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Becton, Dickinson	BDX	Medical Instruments	23.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.98	5
BHP Billiton	BHP	Mining - diversified	54.8%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.40	1
Baidu	BIDU	Internet Software & Svcs	199.7%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.67	3
Bank of NY Mellon	BK	Banks & Money Centers	NMF	LARGE-CAP CORE	EXCELLENT	HIGH	1.22	6
Buffalo Wild Wings	BWLD	Restaurants	25.5%	SMALL-CAP BLEND	EXCELLENT	MEDIUM	0.92	6
Caterpillar	CAT	Machinery - agriculture	38.0%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.81	3
Celgene	CELG	Biotechnology	57.7%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.00	6
CH Robinson	CHRW	Air Freight & Logistics	114.3%	LARGE-CAP GROWTH	EXCELLENT	LOW	1.08	6
Colgate-Palmolive	CL	Household Products	56.0%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.22	6
Clorox	CLX	Household Products	39.6%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.08	5
Compass Minerals	CMP	Chemicals - agriculture	25.2%	MID-CAP VALUE	EXCELLENT	LOW	0.98	3
Costco	COST	Food Retailers	18.9%	LARGE-CAP CORE	EXCELLENT	LOW	1.06	6
Covidien	COV	Medical Instruments	30.6%	LARGE-CAP VALUE	EXCELLENT	LOW	0.97	6
Campbell Soup	CPB	Food Products - Large	31.9%	LARGE-CAP CORE	EXCELLENT	LOW	1.24	4
Cisco	CSCO	Networking Equipment	59.5%	LARGE-CAP VALUE	EXCELLENT	LOW	0.77	6
Chevron	CVX	Major Oil & Gas	13.4%	MEGA-CAP VALUE	GOOD	LOW	0.96	3
DuPont	DD	Chemicals - broad	15.8%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.76	4
Deere	DE	Machinery - agriculture	55.9%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.09	6
Dollar General	DG	Multiline Retail - discount	25.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.02	6
Danaher	DHR	Conglomerates	25.9%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.17	6
Disney	DIS	Media - entertainment	22.0%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Domino's Pizza	DPZ	Restaurants	239.6%	MID-CAP CORE	EXCELLENT	MEDIUM	1.51	4
eBay	EBAY	Internet & Catalog Retail	68.6%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.81	6
Eastman Chemical	EMN	Chemicals - broad	18.0%	MID-CAP BLEND	EXCELLENT	MEDIUM	0.91	6
Emerson Electric	EMR	Electrical Equipment	41.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.91	6
Expeditors Intl	EXPD	Air Freight & Logistics	49.7%	MID-CAP CORE	EXCELLENT	MEDIUM	1.01	6
FedEx	FDX	Air Freight & Logistics	12.2%	LARGE-CAP CORE	GOOD	MEDIUM	1.08	6
Finish Line	FINL	Specialty Retail - shoes	31.0%	SMALL-CAP VALUE	EXCELLENT	MEDIUM	0.70	3
Fiserv	FISV	Financial Tech Services	33.3%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.93	4
General Dynamics	GD	A&D Prime	45.8%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.97	7
General Electric	GE	Conglomerates	34.0%	MEGA-CAP VALUE	EXCELLENT	LOW	0.78	7
General Mills	GIS	Food Products - Large	21.1%	LARGE-CAP CORE	EXCELLENT	LOW	1.19	6
Google	GOOG	Internet Software & Svcs	105.8%	MEGA-CAP BLEND	EXCELLENT	MEDIUM	0.82	6
Halliburton	HAL	Energy Equipment	18.9%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.09	6
Hasbro	HAS	Leisure	45.2%	MID-CAP VALUE	EXCELLENT	MEDIUM	0.76	3
Honeywell	HON	Conglomerates	25.8%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.04	7
IBM	IBM	Computer Hardware	55.9%	MEGA-CAP VALUE	EXCELLENT	LOW	0.92	6
Intel	INTC	Broad Line Semiconductors	47.7%	LARGE-CAP VALUE	EXCELLENT	LOW	0.76	3
Intuitive Surgical	ISRG	Medical Devices	135.0%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.93	3
Illinois Tool Works	ITW	Machinery & Tools	25.6%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.18	6
Johnson Controls	JCI	Auto Parts Suppliers	21.0%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.09	6
Johnson & Johnson	JNJ	Household Products	32.8%	MEGA-CAP VALUE	EXCELLENT	LOW	0.84	7
Kellogg	K	Food Products - Large	24.4%	LARGE-CAP CORE	EXCELLENT	LOW	1.10	5
Kimberly-Clark	KMB	Household Products	16.8%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.22	6
Coca-Cola	KO	Beverages - nonalcoholic	21.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.13	6
Kohl's	KSS	Multiline Retail	15.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.83	3
Eli Lilly	LLY	Pharmaceuticals	45.1%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Mastercard	MA	Financial Tech Services	87.9%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.10	6
Mattel	MAT	Leisure	53.4%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.03	6
McDonald's	MCD	Restaurants	25.5%	LARGE-CAP CORE	EXCELLENT	LOW	1.13	6
Medtronic	MDT	Medical Devices	45.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.87	6
McCormick	MKC	Food Products	36.8%	MID-CAP CORE	EXCELLENT	LOW	1.04	6
3M	MMM	Conglomerates	30.4%	LARGE-CAP CORE	EXCELLENT	LOW	1.00	6
Altria Group	MO	Tobacco	41.3%	LARGE-CAP VALUE	EXCELLENT	LOW	0.77	9
Monsanto	MON	Chemicals - agriculture	23.2%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Microsoft	MSFT	Software	121.9%	MEGA-CAP VALUE	EXCELLENT	LOW	0.57	6
Nike	NKE	Luxury Goods	33.6%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.92	3
National Oilwell Varco	NOV	Energy Equipment	20.6%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.82	4
Oracle	ORCL	Software	115.9%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.73	3
Paychex	PAYX	Staffing Services	72.1%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.95	3
Precision Castparts	PCP	A&D Suppliers	32.1%	LARGE-CAP BLEND	EXCELLENT	LOW	0.75	7
PepsiCo	PEP	Beverages - nonalcoholic	26.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.16	6
Pfizer	PFE	Pharmaceuticals	19.0%	MEGA-CAP VALUE	EXCELLENT	MEDIUM	0.93	7
Procter & Gamble	PG	Household Products	20.0%	MEGA-CAP CORE	EXCELLENT	LOW	1.08	6
Parker-Hannifin	PH	Electrical Equipment	24.7%	LARGE-CAP VALUE	EXCELLENT	LOW	0.88	7
PPL	PPL	Utilities	9.9%	LARGE-CAP VALUE	GOOD	MEDIUM	0.87	6
Praxair	PX	Chemicals - broad	12.9%	LARGE-CAP CORE	GOOD	MEDIUM	1.07	6
QUALCOMM	QCOM	Communications Equipment	73.4%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.88	7
Royal Dutch Shell	RDS	Major Oil & Gas	12.2%	MEGA-CAP VALUE	GOOD	LOW	0.83	3
Rio Tinto	RIO	Mining - diversified	31.7%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.76	3
Roper Industries	ROP	Electrical Equipment	27.3%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.12	6
Republic Services	RSG	Environmental Services	21.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.00	6
Raytheon	RTN	A&D Prime	68.8%	LARGE-CAP CORE	EXCELLENT	LOW	1.09	6
Starbucks	SBUX	Restaurants	48.8%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.15	6
Schlumberger	SLB	Energy Equipment	17.3%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.10	6
Scotts Miracle-Gro	SMG	Chemicals - agriculture	16.8%	MID-CAP CORE	EXCELLENT	MEDIUM	1.13	6
St. Jude	STJ	Medical Devices	32.6%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.74	6
Stryker	SYK	Medical Instruments	46.2%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.03	5
Synaptics	SYNA	Computers & Peripherals	151.1%	SMALL-CAP VALUE	EXCELLENT	LOW	0.70	7
Sysco	SYY	Food Retailers	25.3%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.94	3
Target	TGT	Food Retailers	12.7%	LARGE-CAP VALUE	GOOD	LOW	0.95	4
Texas Instruments	TXN	Broad Line Semiconductors	38.6%	LARGE-CAP CORE	EXCELLENT	LOW	1.27	2
United Parcel Service	UPS	Air Freight & Logistics	21.0%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.99	6
US Bancorp	USB	Banks & Money Centers	NMF	LARGE-CAP CORE	EXCELLENT	HIGH	1.13	6
Uti Worldwide	UTIW	Air Freight & Logistics	42.5%	SMALL-CAP VALUE	EXCELLENT	LOW	0.94	6
United Technologies	UTX	Conglomerates	25.2%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.93	6
Visa	V	Financial Tech Services	38.8%	LARGE-CAP BLEND	EXCELLENT	LOW	0.94	6
Walgreen	WAG	Food Retailers	15.4%	LARGE-CAP VALUE	EXCELLENT	LOW	0.95	7
Waters	WAT	Medical Devices	63.5%	MID-CAP CORE	EXCELLENT	MEDIUM	1.10	6
Wells Fargo	WFC	Banks & Money Centers	NMF	LARGE-CAP CORE	EXCELLENT	HIGH	0.94	6
Waste Management	WM	Environmental Services	12.7%	LARGE-CAP CORE	GOOD	LOW	1.03	5
Wal-Mart	WMT	Food Retailers	17.4%	MEGA-CAP VALUE	EXCELLENT	LOW	0.97	3
Exxon Mobil	XOM	Major Oil & Gas	12.8%	MEGA-CAP CORE	GOOD	MEDIUM	1.18	3
Zimmer	ZMH	Medical Devices	31.0%	LARGE-CAP VALUE	EXCELLENT	LOW	0.82	7

Company Index - Sorted by Sector

Name	Symbol	Sector	Hist ROIC	Investment Stlye	ValueCreation	ValueRisk	P/FV	VBI
Boeing	BA	A&D Prime	36.5%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.06	6
General Dynamics	GD	A&D Prime	45.8%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.97	7
Raytheon	RTN	A&D Prime	68.8%	LARGE-CAP CORE	EXCELLENT	LOW	1.09	6
Precision Castparts	PCP	A&D Suppliers	32.1%	LARGE-CAP BLEND	EXCELLENT	LOW	0.75	7
CH Robinson	CHRW	Air Freight & Logistics	114.3%	LARGE-CAP GROWTH	EXCELLENT	LOW	1.08	6
Expeditors Intl	EXPD	Air Freight & Logistics	49.7%	MID-CAP CORE	EXCELLENT	MEDIUM	1.01	6
FedEx	FDX	Air Freight & Logistics	12.2%	LARGE-CAP CORE	GOOD	MEDIUM	1.08	6
United Parcel Service	UPS	Air Freight & Logistics	21.0%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.99	6
Uti Worldwide	UTIW	Air Freight & Logistics	42.5%	SMALL-CAP VALUE	EXCELLENT	LOW	0.94	6
Johnson Controls	JCI	Auto Parts Suppliers	21.0%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.09	6
Bank of NY Mellon	BK	Banks & Money Centers	NMF	LARGE-CAP CORE	EXCELLENT	HIGH	1.22	6
US Bancorp	USB	Banks & Money Centers	NMF	LARGE-CAP CORE	EXCELLENT	HIGH	1.13	6
Wells Fargo	WFC	Banks & Money Centers	NMF	LARGE-CAP CORE	EXCELLENT	HIGH	0.94	6
Coca-Cola	KO	Beverages - nonalcoholic	21.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.13	6
PepsiCo	PEP	Beverages - nonalcoholic	26.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.16	6
Amgen	AMGN	Biotechnology	54.8%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.84	4
Celgene	CELG	Biotechnology	57.7%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.00	6
Intel	INTC	Broad Line Semiconductors	47.7%	LARGE-CAP VALUE	EXCELLENT	LOW	0.76	3
Texas Instruments	TXN	Broad Line Semiconductors	38.6%	LARGE-CAP CORE	EXCELLENT	LOW	1.27	2
Compass Minerals	CMP	Chemicals - agriculture	25.2%	MID-CAP VALUE	EXCELLENT	LOW	0.98	3
Monsanto	MON	Chemicals - agriculture	23.2%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Scotts Miracle-Gro	SMG	Chemicals - agriculture	16.8%	MID-CAP CORE	EXCELLENT	MEDIUM	1.13	6
DuPont	DD	Chemicals - broad	15.8%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.76	4
Eastman Chemical	EMN	Chemicals - broad	18.0%	MID-CAP BLEND	EXCELLENT	MEDIUM	0.91	6
Praxair	PX	Chemicals - broad	12.9%	LARGE-CAP CORE	GOOD	MEDIUM	1.07	6
QUALCOMM	QCOM	Communications Equipment	73.4%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.88	7
Apple	AAPL	Computer Hardware	304.6%	MEGA-CAP BLEND	EXCELLENT	MEDIUM	0.65	3
IBM	IBM	Computer Hardware	55.9%	MEGA-CAP VALUE	EXCELLENT	LOW	0.92	6
Synaptics	SYNA	Computers & Peripherals	151.1%	SMALL-CAP VALUE	EXCELLENT	LOW	0.70	7
Danaher	DHR	Conglomerates	25.9%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.17	6
General Electric	GE	Conglomerates	34.0%	MEGA-CAP VALUE	EXCELLENT	LOW	0.78	7
Honeywell	HON	Conglomerates	25.8%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.04	7
3M	MMM	Conglomerates	30.4%	LARGE-CAP CORE	EXCELLENT	LOW	1.00	6
United Technologies	UTX	Conglomerates	25.2%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.93	6
Emerson Electric	EMR	Electrical Equipment	41.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.91	6
Parker-Hannifin	PH	Electrical Equipment	24.7%	LARGE-CAP VALUE	EXCELLENT	LOW	0.88	7
Roper Industries	ROP	Electrical Equipment	27.3%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.12	6
Halliburton	HAL	Energy Equipment	18.9%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.09	6
National Oilwell Varco	NOV	Energy Equipment	20.6%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.82	4
Schlumberger	SLB	Energy Equipment	17.3%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.10	6
Republic Services	RSG	Environmental Services	21.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.00	6
Waste Management	WM	Environmental Services	12.7%	LARGE-CAP CORE	GOOD	LOW	1.03	5
Fiserv	FISV	Financial Tech Services	33.3%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.93	4
Mastercard	MA	Financial Tech Services	87.9%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.10	6
Visa	V	Financial Tech Services	38.8%	LARGE-CAP BLEND	EXCELLENT	LOW	0.94	6
McCormick	MKC	Food Products	36.8%	MID-CAP CORE	EXCELLENT	LOW	1.04	6
Campbell Soup	CPB	Food Products - Large	31.9%	LARGE-CAP CORE	EXCELLENT	LOW	1.24	4
General Mills	GIS	Food Products - Large	21.1%	LARGE-CAP CORE	EXCELLENT	LOW	1.19	6
Kellogg	K	Food Products - Large	24.4%	LARGE-CAP CORE	EXCELLENT	LOW	1.10	5
Costco	COST	Food Retailers	18.9%	LARGE-CAP CORE	EXCELLENT	LOW	1.06	6
Sysco	SYY	Food Retailers	25.3%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.94	3
Target	TGT	Food Retailers	12.7%	LARGE-CAP VALUE	GOOD	LOW	0.95	4
Walgreen	WAG	Food Retailers	15.4%	LARGE-CAP VALUE	EXCELLENT	LOW	0.95	7
Wal-Mart	WMT	Food Retailers	17.4%	MEGA-CAP VALUE	EXCELLENT	LOW	0.97	3
Colgate-Palmolive	CL	Household Products	56.0%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.22	6
Clorox	CLX	Household Products	39.6%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.08	5
Johnson & Johnson	JNJ	Household Products	32.8%	MEGA-CAP VALUE	EXCELLENT	LOW	0.84	7
Kimberly-Clark	KMB	Household Products	16.8%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.22	6
Procter & Gamble	PG	Household Products	20.0%	MEGA-CAP CORE	EXCELLENT	LOW	1.08	6
eBay	EBAY	Internet & Catalog Retail	68.6%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.81	6
Baidu	BIDU	Internet Software & Svcs	199.7%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.67	3
Google	GOOG	Internet Software & Svcs	105.8%	MEGA-CAP BLEND	EXCELLENT	MEDIUM	0.82	6
Hasbro	HAS	Leisure	45.2%	MID-CAP VALUE	EXCELLENT	MEDIUM	0.76	3
Mattel	MAT	Leisure	53.4%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.03	6
Nike	NKE	Luxury Goods	33.6%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.92	3
Caterpillar	CAT	Machinery - agriculture	38.0%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.81	3
Deere	DE	Machinery - agriculture	55.9%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.09	6
Illinois Tool Works	ITW	Machinery & Tools	25.6%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.18	6
Chevron	CVX	Major Oil & Gas	13.4%	MEGA-CAP VALUE	GOOD	LOW	0.96	3
Royal Dutch Shell	RDS	Major Oil & Gas	12.2%	MEGA-CAP VALUE	GOOD	LOW	0.83	3
Exxon Mobil	XOM	Major Oil & Gas	12.8%	MEGA-CAP CORE	GOOD	MEDIUM	1.18	3
Disney	DIS	Media - entertainment	22.0%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Intuitive Surgical	ISRG	Medical Devices	135.0%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.93	3
Medtronic	MDT	Medical Devices	45.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.87	6
St. Jude	STJ	Medical Devices	32.6%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.74	6
Waters	WAT	Medical Devices	63.5%	MID-CAP CORE	EXCELLENT	MEDIUM	1.10	6
Zimmer	ZMH	Medical Devices	31.0%	LARGE-CAP VALUE	EXCELLENT	LOW	0.82	7
Baxter Intl	BAX	Medical Instruments	32.2%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Becton, Dickinson	BDX	Medical Instruments	23.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.98	5
Covidien	COV	Medical Instruments	30.6%	LARGE-CAP VALUE	EXCELLENT	LOW	0.97	6
Stryker	SYK	Medical Instruments	46.2%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.03	5
BHP Billiton	BHP	Mining - diversified	54.8%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.40	1
Rio Tinto	RIO	Mining - diversified	31.7%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.76	3
Kohl's	KSS	Multiline Retail	15.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.83	3
Dollar General	DG	Multiline Retail - discount	25.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.02	6
Cisco	CSCO	Networking Equipment	59.5%	LARGE-CAP VALUE	EXCELLENT	LOW	0.77	6
Eli Lilly	LLY	Pharmaceuticals	45.1%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Pfizer	PFE	Pharmaceuticals	19.0%	MEGA-CAP VALUE	EXCELLENT	MEDIUM	0.93	7
Buffalo Wild Wings	BWLD	Restaurants	25.5%	SMALL-CAP BLEND	EXCELLENT	MEDIUM	0.92	6
Domino's Pizza	DPZ	Restaurants	239.6%	MID-CAP CORE	EXCELLENT	MEDIUM	1.51	4
McDonald's	MCD	Restaurants	25.5%	LARGE-CAP CORE	EXCELLENT	LOW	1.13	6
Starbucks	SBUX	Restaurants	48.8%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.15	6
Microsoft	MSFT	Software	121.9%	MEGA-CAP VALUE	EXCELLENT	LOW	0.57	6
Oracle	ORCL	Software	115.9%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.73	3
AutoZone	AZO	Specialty Retail - auto	41.8%	LARGE-CAP VALUE	EXCELLENT	LOW	0.96	3
Finish Line	FINL	Specialty Retail - shoes	31.0%	SMALL-CAP VALUE	EXCELLENT	MEDIUM	0.70	3
Automatic Data Processing	ADP	Staffing Services	54.1%	LARGE-CAP CORE	EXCELLENT	LOW	1.09	6
Paychex	PAYX	Staffing Services	72.1%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.95	3
Altria Group	MO	Tobacco	41.3%	LARGE-CAP VALUE	EXCELLENT	LOW	0.77	9
PPL	PPL	Utilities	9.9%	LARGE-CAP VALUE	GOOD	MEDIUM	0.87	6

Company Index - Sorted by Valuentum Buying Index

Name	Symbol	Sector	Hist ROIC	Investment Stlye	ValueCreation	ValueRisk	P/FV	VBI
Altria Group	MO	Tobacco	41.3%	LARGE-CAP VALUE	EXCELLENT	LOW	0.77	9
General Dynamics	GD	A&D Prime	45.8%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.97	7
Precision Castparts	PCP	A&D Suppliers	32.1%	LARGE-CAP BLEND	EXCELLENT	LOW	0.75	7
QUALCOMM	QCOM	Communications Equipment	73.4%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.88	7
Synaptics	SYNA	Computers & Peripherals	151.1%	SMALL-CAP VALUE	EXCELLENT	LOW	0.70	7
General Electric	GE	Conglomerates	34.0%	MEGA-CAP VALUE	EXCELLENT	LOW	0.78	7
Honeywell	HON	Conglomerates	25.8%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.04	7
Parker-Hannifin	PH	Electrical Equipment	24.7%	LARGE-CAP VALUE	EXCELLENT	LOW	0.88	7
Walgreen	WAG	Food Retailers	15.4%	LARGE-CAP VALUE	EXCELLENT	LOW	0.95	7
Johnson & Johnson	JNJ	Household Products	32.8%	MEGA-CAP VALUE	EXCELLENT	LOW	0.84	7
Zimmer	ZMH	Medical Devices	31.0%	LARGE-CAP VALUE	EXCELLENT	LOW	0.82	7
Pfizer	PFE	Pharmaceuticals	19.0%	MEGA-CAP VALUE	EXCELLENT	MEDIUM	0.93	7
Boeing	BA	A&D Prime	36.5%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.06	6
Raytheon	RTN	A&D Prime	68.8%	LARGE-CAP CORE	EXCELLENT	LOW	1.09	6
CH Robinson	CHRW	Air Freight & Logistics	114.3%	LARGE-CAP GROWTH	EXCELLENT	LOW	1.08	6
Expeditors Intl	EXPD	Air Freight & Logistics	49.7%	MID-CAP CORE	EXCELLENT	MEDIUM	1.01	6
FedEx	FDX	Air Freight & Logistics	12.2%	LARGE-CAP CORE	GOOD	MEDIUM	1.08	6
United Parcel Service	UPS	Air Freight & Logistics	21.0%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.99	6
Uti Worldwide	UTIW	Air Freight & Logistics	42.5%	SMALL-CAP VALUE	EXCELLENT	LOW	0.94	6
Johnson Controls	JCI	Auto Parts Suppliers	21.0%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.09	6
Bank of NY Mellon	BK	Banks & Money Centers	NMF	LARGE-CAP CORE	EXCELLENT	HIGH	1.22	6
US Bancorp	USB	Banks & Money Centers	NMF	LARGE-CAP CORE	EXCELLENT	HIGH	1.13	6
Wells Fargo	WFC	Banks & Money Centers	NMF	LARGE-CAP CORE	EXCELLENT	HIGH	0.94	6
Coca-Cola	KO	Beverages - nonalcoholic	21.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.13	6
PepsiCo	PEP	Beverages - nonalcoholic	26.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.16	6
Celgene	CELG	Biotechnology	57.7%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.00	6
Monsanto	MON	Chemicals - agriculture	23.2%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Scotts Miracle-Gro	SMG	Chemicals - agriculture	16.8%	MID-CAP CORE	EXCELLENT	MEDIUM	1.13	6
Eastman Chemical	EMN	Chemicals - broad	18.0%	MID-CAP BLEND	EXCELLENT	MEDIUM	0.91	6
Praxair	PX	Chemicals - broad	12.9%	LARGE-CAP CORE	GOOD	MEDIUM	1.07	6
IBM	IBM	Computer Hardware	55.9%	MEGA-CAP VALUE	EXCELLENT	LOW	0.92	6
Danaher	DHR	Conglomerates	25.9%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.17	6
3M	MMM	Conglomerates	30.4%	LARGE-CAP CORE	EXCELLENT	LOW	1.00	6
United Technologies	UTX	Conglomerates	25.2%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.93	6
Emerson Electric	EMR	Electrical Equipment	41.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.91	6
Roper Industries	ROP	Electrical Equipment	27.3%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.12	6
Halliburton	HAL	Energy Equipment	18.9%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.09	6
Schlumberger	SLB	Energy Equipment	17.3%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.10	6
Republic Services	RSG	Environmental Services	21.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.00	6
Mastercard	MA	Financial Tech Services	87.9%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.10	6
Visa	V	Financial Tech Services	38.8%	LARGE-CAP BLEND	EXCELLENT	LOW	0.94	6
McCormick	MKC	Food Products	36.8%	MID-CAP CORE	EXCELLENT	LOW	1.04	6
General Mills	GIS	Food Products - Large	21.1%	LARGE-CAP CORE	EXCELLENT	LOW	1.19	6
Costco	COST	Food Retailers	18.9%	LARGE-CAP CORE	EXCELLENT	LOW	1.06	6
Colgate-Palmolive	CL	Household Products	56.0%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.22	6
Kimberly-Clark	KMB	Household Products	16.8%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.22	6
Procter & Gamble	PG	Household Products	20.0%	MEGA-CAP CORE	EXCELLENT	LOW	1.08	6
eBay	EBAY	Internet & Catalog Retail	68.6%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.81	6
Google	GOOG	Internet Software & Svcs	105.8%	MEGA-CAP BLEND	EXCELLENT	MEDIUM	0.82	6
Mattel	MAT	Leisure	53.4%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.03	6
Deere	DE	Machinery - agriculture	55.9%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.09	6
Illinois Tool Works	ITW	Machinery & Tools	25.6%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.18	6
Disney	DIS	Media - entertainment	22.0%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Medtronic	MDT	Medical Devices	45.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.87	6
St. Jude	STJ	Medical Devices	32.6%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.74	6
Waters	WAT	Medical Devices	63.5%	MID-CAP CORE	EXCELLENT	MEDIUM	1.10	6
Baxter Intl	BAX	Medical Instruments	32.2%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Covidien	COV	Medical Instruments	30.6%	LARGE-CAP VALUE	EXCELLENT	LOW	0.97	6
Dollar General	DG	Multiline Retail - discount	25.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.02	6
Cisco	CSCO	Networking Equipment	59.5%	LARGE-CAP VALUE	EXCELLENT	LOW	0.77	6
Eli Lilly	LLY	Pharmaceuticals	45.1%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Buffalo Wild Wings	BWLD	Restaurants	25.5%	SMALL-CAP BLEND	EXCELLENT	MEDIUM	0.92	6
McDonald's	MCD	Restaurants	25.5%	LARGE-CAP CORE	EXCELLENT	LOW	1.13	6
Starbucks	SBUX	Restaurants	48.8%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.15	6
Microsoft	MSFT	Software	121.9%	MEGA-CAP VALUE	EXCELLENT	LOW	0.57	6
Automatic Data Processing	ADP	Staffing Services	54.1%	LARGE-CAP CORE	EXCELLENT	LOW	1.09	6
PPL	PPL	Utilities	9.9%	LARGE-CAP VALUE	GOOD	MEDIUM	0.87	6
Waste Management	WM	Environmental Services	12.7%	LARGE-CAP CORE	GOOD	LOW	1.03	5
Kellogg	K	Food Products - Large	24.4%	LARGE-CAP CORE	EXCELLENT	LOW	1.10	5
Clorox	CLX	Household Products	39.6%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.08	5
Becton, Dickinson	BDX	Medical Instruments	23.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.98	5
Stryker	SYK	Medical Instruments	46.2%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.03	5
Amgen	AMGN	Biotechnology	54.8%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.84	4
DuPont	DD	Chemicals - broad	15.8%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.76	4
National Oilwell Varco	NOV	Energy Equipment	20.6%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.82	4
Fiserv	FISV	Financial Tech Services	33.3%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.93	4
Campbell Soup	CPB	Food Products - Large	31.9%	LARGE-CAP CORE	EXCELLENT	LOW	1.24	4
Target	TGT	Food Retailers	12.7%	LARGE-CAP VALUE	GOOD	LOW	0.95	4
Domino's Pizza	DPZ	Restaurants	239.6%	MID-CAP CORE	EXCELLENT	MEDIUM	1.51	4
Intel	INTC	Broad Line Semiconductors	47.7%	LARGE-CAP VALUE	EXCELLENT	LOW	0.76	3
Compass Minerals	CMP	Chemicals - agriculture	25.2%	MID-CAP VALUE	EXCELLENT	LOW	0.98	3
Apple	AAPL	Computer Hardware	304.6%	MEGA-CAP BLEND	EXCELLENT	MEDIUM	0.65	3
Sysco	SYY	Food Retailers	25.3%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.94	3
Wal-Mart	WMT	Food Retailers	17.4%	MEGA-CAP VALUE	EXCELLENT	LOW	0.97	3
Baidu	BIDU	Internet Software & Svcs	199.7%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.67	3
Hasbro	HAS	Leisure	45.2%	MID-CAP VALUE	EXCELLENT	MEDIUM	0.76	3
Nike	NKE	Luxury Goods	33.6%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.92	3
Caterpillar	CAT	Machinery - agriculture	38.0%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.81	3
Chevron	CVX	Major Oil & Gas	13.4%	MEGA-CAP VALUE	GOOD	LOW	0.96	3
Royal Dutch Shell	RDS	Major Oil & Gas	12.2%	MEGA-CAP VALUE	GOOD	LOW	0.83	3
Exxon Mobil	XOM	Major Oil & Gas	12.8%	MEGA-CAP CORE	GOOD	MEDIUM	1.18	3
Intuitive Surgical	ISRG	Medical Devices	135.0%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.93	3
Rio Tinto	RIO	Mining - diversified	31.7%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.76	3
Kohl's	KSS	Multiline Retail	15.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.83	3
Oracle	ORCL	Software	115.9%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.73	3
AutoZone	AZO	Specialty Retail - auto	41.8%	LARGE-CAP VALUE	EXCELLENT	LOW	0.96	3
Finish Line	FINL	Specialty Retail - shoes	31.0%	SMALL-CAP VALUE	EXCELLENT	MEDIUM	0.70	3
Paychex	PAYX	Staffing Services	72.1%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.95	3
Texas Instruments	TXN	Broad Line Semiconductors	38.6%	LARGE-CAP CORE	EXCELLENT	LOW	1.27	2
BHP Billiton	BHP	Mining - diversified	54.8%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.40	1

Company Index - Sorted By Historical ROIC

Name	Symbol	Sector	Industry	Class	VBI	Hist ROIC	DCF Valuation	Relative Valuation	ValueCreation	ValueRisk	P/FV
Cisco	CSCO	Technology	Networking Equipment	LARGE-CAP VALUE	7	347.3%	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	LOW	0.84
Apple	AAPL	Technology	Computer Hardware	MEGA-CAP BLEND	5	271.1%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	0.86
Celgene	CELG	Health Care	Biotechnology	LARGE-CAP GROWTH	5	160.5%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	1.04
Synaptics	SYNA	Technology	Computers & Peripherals	SMALL-CAP VALUE	9	158.5%	UNDERVALUED	ATTRACTIVE	EXCELLENT	LOW	0.77
Baidu	BIDU	Technology	Internet Software & Svcs	LARGE-CAP BLEND	6	142.9%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	0.75
F5 Networks	FFIV	Technology	Software	MID-CAP GROWTH	6	130.0%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	1.21
Intuitive Surgical	ISRG	Health Care	Medical Devices	LARGE-CAP GROWTH	6	123.9%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	1.25
Paychex	PAYX	Technology	Staffing Services	LARGE-CAP CORE	6	118.8%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	1.00
Dell	DELL	Technology	Computer Hardware	LARGE-CAP VALUE	9	117.2%	UNDERVALUED	ATTRACTIVE	EXCELLENT	MEDIUM	0.69
NeuStar	NSR	Technology	Wireless Telecom Services	MID-CAP BLEND	3	116.6%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	0.89
eBay	EBAY	Consumer Discretionary	Internet & Catalog Retail	LARGE-CAP BLEND	6	106.5%	UNDERVALUED	ATTRACTIVE	EXCELLENT	MEDIUM	0.67
Domino's Pizza	DPZ	Consumer Discretionary	Restaurants	MID-CAP CORE	6	104.1%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	1.20
Microsoft	MSFT	Technology	Software	MEGA-CAP VALUE	3	102.1%	UNDERVALUED	NEUTRAL	EXCELLENT	MEDIUM	0.65
Oracle	ORCL	Technology	Software	LARGE-CAP VALUE	7	101.3%	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	MEDIUM	0.82
Google	GOOG	Technology	Internet Software & Svcs	MEGA-CAP BLEND	7	101.0%	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	MEDIUM	0.82
Juniper Networks	JNPR	Technology	Networking Equipment	LARGE-CAP GROWTH	7	90.6%	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	MEDIUM	1.03
Mastercard	MA	Financials	Financial Tech Services	LARGE-CAP GROWTH	6	85.5%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	1.03
QUALCOMM	QCOM	Technology	Communications Equipment	LARGE-CAP BLEND	6	64.2%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	0.96
Waters	WAT	Health Care	Medical Devices	MID-CAP VALUE	3	63.4%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	0.99
Verifone	PAY	Financials	Financial Tech Services	MID-CAP BLEND	6	58.8%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	0.92
Automatic Data Processing	ADP	Technology	Staffing Services	LARGE-CAP CORE	6	58.1%	FAIRLY VALUED	NEUTRAL	EXCELLENT	LOW	1.09
Colgate-Palmolive	CL	Consumer Staples	Household Products	LARGE-CAP CORE	6	57.8%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	1.24
IBM	IBM	Technology	Computer Hardware	MEGA-CAP VALUE	6	55.9%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	LOW	0.93
Eli Lilly	LLY	Health Care	Pharmaceuticals	LARGE-CAP VALUE	3	55.5%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	0.84
Hasbro	HAS	Consumer Discretionary	Leisure	MID-CAP VALUE	9	55.2%	UNDERVALUED	ATTRACTIVE	EXCELLENT	MEDIUM	0.75
Mattel	MAT	Consumer Discretionary	Leisure	LARGE-CAP VALUE	6	53.4%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	0.99
Medtronic	MDT	Health Care	Medical Devices	LARGE-CAP VALUE	9	52.0%	UNDERVALUED	ATTRACTIVE	EXCELLENT	MEDIUM	0.74
Amgen	AMGN	Health Care	Biotechnology	LARGE-CAP VALUE	6	51.6%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	0.80
BHP Billiton	BHP	Materials	Mining - diversified	MEGA-CAP CORE	6	50.8%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	1.07
Deere	DE	Industrials	Machinery - agriculture	LARGE-CAP VALUE	3	49.1%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	0.91
Intel	INTC	Technology	Broad Line Semiconductors	LARGE-CAP VALUE	9	48.2%	UNDERVALUED	ATTRACTIVE	EXCELLENT	LOW	0.79
Western Union	WU	Financials	Financial Tech Services	LARGE-CAP VALUE	6	47.9%	UNDERVALUED	ATTRACTIVE	EXCELLENT	MEDIUM	0.71
Expeditors Intl	EXPD	Industrials	Air Freight & Logistics	MID-CAP VALUE	3	46.2%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	0.98
General Dynamics	GD	Industrials	A&D Prime	LARGE-CAP VALUE	6	45.8%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	1.00
Altria Group	MO	Consumer Staples	Tobacco	LARGE-CAP VALUE	7	44.1%	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	MEDIUM	0.83
Stryker	SYK	Health Care	Medical Instruments	LARGE-CAP VALUE	6	43.5%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	0.94
Starbucks	SBUX	Consumer Discretionary	Restaurants	LARGE-CAP CORE	6	41.8%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	1.16
Clorox	CLX	Consumer Staples	Household Products	MID-CAP CORE	6	39.5%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	1.02
Texas Instruments	TXN	Technology	Broad Line Semiconductors	LARGE-CAP CORE	6	38.6%	FAIRLY VALUED	NEUTRAL	EXCELLENT	LOW	1.00
Emerson Electric	EMR	Industrials	Electrical Equipment	LARGE-CAP VALUE	7	38.5%	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	MEDIUM	0.96
St. Jude	STJ	Health Care	Medical Devices	LARGE-CAP VALUE	6	38.4%	UNDERVALUED	ATTRACTIVE	EXCELLENT	MEDIUM	0.76
Precision Castparts	PCP	Industrials	A&D Suppliers	LARGE-CAP BLEND	3	37.4%	FAIRLY VALUED	NEUTRAL	EXCELLENT	LOW	0.81
Boeing	BA	Industrials	A&D Prime	LARGE-CAP BLEND	6	36.5%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	0.99
NIKE	NKE	Consumer Discretionary	Luxury Goods	LARGE-CAP VALUE	6	35.3%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	0.99
McCormick	MKC	Consumer Staples	Food Products	MID-CAP CORE	6	34.7%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	LOW	1.05
Johnson & Johnson	JNJ	Consumer Staples	Household Products	LARGE-CAP VALUE	6	34.2%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	0.82
Caterpillar	CAT	Industrials	Machinery - agriculture	LARGE-CAP BLEND	6	33.4%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	0.87
Fiserv	FISV	Financials	Financial Tech Services	MID-CAP CORE	7	32.5%	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	MEDIUM	1.10
Campbell Soup	CPB	Consumer Staples	Food Products - Large	LARGE-CAP VALUE	4	32.5%	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	LOW	0.99
Pfizer	PFE	Health Care	Pharmaceuticals	LARGE-CAP VALUE	9	31.5%	UNDERVALUED	ATTRACTIVE	EXCELLENT	MEDIUM	0.73
Compass Minerals	CMP	Materials	Chemicals - agriculture	MID-CAP CORE	3	30.2%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	1.04
Zimmer	ZMH	Health Care	Medical Devices	LARGE-CAP VALUE	7	29.9%	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	MEDIUM	0.79
Baxter Intl	BAX	Health Care	Medical Instruments	LARGE-CAP CORE	6	29.4%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	1.00
Buffalo Wild Wings	BWLD	Consumer Discretionary	Restaurants	SMALL-CAP BLEND	6	28.1%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	0.87
Monsanto	MON	Materials	Chemicals - agriculture	LARGE-CAP GROWTH	6	27.9%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	1.12
Covidien	COV	Health Care	Medical Instruments	LARGE-CAP VALUE	6	27.5%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	1.00
Sysco	SYY	Consumer Staples	Food Retailers	LARGE-CAP CORE	6	27.3%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	1.08
Roper Industries	ROP	Industrials	Electrical Equipment	MID-CAP CORE	6	27.0%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	1.24
United Technologies	UTX	Industrials	Conglomerates	LARGE-CAP BLEND	7	26.3%	UNDERVALUED	NEUTRAL	EXCELLENT	MEDIUM	0.74
PepsiCo	PEP	Consumer Staples	Beverages - nonalcoholic	LARGE-CAP VALUE	6	26.2%	FAIRLY VALUED	NEUTRAL	EXCELLENT	LOW	0.96
Danaher	DHR	Industrials	Conglomerates	LARGE-CAP CORE	6	25.9%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	1.04
Honeywell	HON	Industrials	Conglomerates	LARGE-CAP VALUE	7	25.8%	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	MEDIUM	0.98
Becton, Dickinson	BDX	Health Care	Medical Instruments	LARGE-CAP CORE	6	25.4%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	1.09
Illinois Tool Works	ITW	Industrials	Machinery & Tools	LARGE-CAP CORE	7	24.9%	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	MEDIUM	1.07
Schlumberger	SLB	Energy	Energy Equipment	LARGE-CAP GROWTH	6	24.7%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	1.07
Visa	V	Financials	Financial Tech Services	LARGE-CAP BLEND	7	24.4%	UNDERVALUED	UNATTRACTIVE	EXCELLENT	LOW	0.80
Kellogg	K	Consumer Staples	Food Products - Large	LARGE-CAP CORE	3	24.0%	FAIRLY VALUED	NEUTRAL	EXCELLENT	LOW	1.08
Rio Tinto	RIO	Materials	Mining - diversified	LARGE-CAP VALUE	9	23.9%	UNDERVALUED	ATTRACTIVE	EXCELLENT	MEDIUM	0.66
Heinz	HNZ	Consumer Staples	Food Products - Large	LARGE-CAP VALUE	3	23.5%	FAIRLY VALUED	NEUTRAL	EXCELLENT	LOW	0.94
Coca-Cola	KO	Consumer Staples	Beverages - nonalcoholic	LARGE-CAP CORE	6	22.4%	FAIRLY VALUED	NEUTRAL	EXCELLENT	LOW	1.01
McDonald's	MCD	Consumer Discretionary	Restaurants	LARGE-CAP CORE	7	22.2%	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	MEDIUM	1.09
ConocoPhillips	COP	Energy	Major Oil & Gas	LARGE-CAP VALUE	6	22.1%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	0.82
Republic Services	RSG	Industrials	Environmental Services	LARGE-CAP VALUE	9	21.2%	UNDERVALUED	ATTRACTIVE	EXCELLENT	MEDIUM	0.72
United Parcel Service	UPS	Industrials	Air Freight & Logistics	LARGE-CAP CORE	6	21.2%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	1.03
General Mills	GIS	Consumer Staples	Food Products - Large	LARGE-CAP CORE	3	21.1%	FAIRLY VALUED	NEUTRAL	EXCELLENT	LOW	1.00
Johnson Controls	JCI	Consumer Discretionary	Auto Parts Suppliers	LARGE-CAP VALUE	6	20.1%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	0.98
Disney	DIS	Consumer Discretionary	Media - entertainment	LARGE-CAP VALUE	7	19.9%	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	MEDIUM	0.94
Procter & Gamble	PG	Consumer Staples	Household Products	LARGE-CAP VALUE	7	19.8%	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	MEDIUM	1.00
Parker-Hannifin	PH	Industrials	Electrical Equipment	LARGE-CAP VALUE	3	19.8%	UNDERVALUED	NEUTRAL	EXCELLENT	MEDIUM	0.74
Kimberly-Clark	KMB	Consumer Staples	Household Products	LARGE-CAP CORE	3	19.7%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	1.05
Scotts Miracle-Gro	SMG	Materials	Chemicals - agriculture	MID-CAP CORE	6	18.6%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	1.11
Exxon Mobil	XOM	Energy	Major Oil & Gas	MEGA-CAP CORE	6	18.5%	FAIRLY VALUED	NEUTRAL	EXCELLENT	MEDIUM	1.02
Costco	COST	Consumer Staples	Food Retailers	LARGE-CAP CORE	3	18.0%	FAIRLY VALUED	UNATTRACTIVE	EXCELLENT	LOW	1.03
Wal-Mart	WMT	Consumer Staples	Food Retailers	MEGA-CAP VALUE	4	17.4%	FAIRLY VALUED	ATTRACTIVE	EXCELLENT	LOW	0.91
Eastman Chemical	EMN	Materials	Chemicals - broad	MID-CAP VALUE	7	15.7%	UNDERVALUED	UNATTRACTIVE	EXCELLENT	MEDIUM	0.71
Kohl's	KSS	Consumer Discretionary	Multiline Retail	LARGE-CAP VALUE	6	14.4%	UNDERVALUED	ATTRACTIVE	GOOD	MEDIUM	0.73
Chevron	CVX	Energy	Major Oil & Gas	MEGA-CAP VALUE	6	13.6%	FAIRLY VALUED	NEUTRAL	GOOD	MEDIUM	0.85
Praxair	PX	Materials	Chemicals - broad	LARGE-CAP CORE	6	13.5%	FAIRLY VALUED	NEUTRAL	GOOD	MEDIUM	1.15
FedEx	FDX	Industrials	Air Freight & Logistics	LARGE-CAP CORE	7	13.4%	FAIRLY VALUED	ATTRACTIVE	GOOD	MEDIUM	1.03
Target	TGT	Consumer Staples	Food Retailers	LARGE-CAP VALUE	3	13.4%	FAIRLY VALUED	NEUTRAL	EXCELLENT	LOW	0.85
DuPont	DD	Materials	Chemicals - broad	LARGE-CAP BLEND	4	13.0%	FAIRLY VALUED	ATTRACTIVE	GOOD	MEDIUM	0.75
Waste Management	WM	Industrials	Environmental Services	LARGE-CAP VALUE	9	12.7%	UNDERVALUED	ATTRACTIVE	GOOD	LOW	0.79
Airgas	ARG	Materials	Chemicals - broad	MID-CAP CORE	6	12.5%	FAIRLY VALUED	UNATTRACTIVE	GOOD	LOW	1.11
Exelon	EXC	Energy	Utilities	LARGE-CAP VALUE	3	11.7%	FAIRLY VALUED	NEUTRAL	GOOD	MEDIUM	0.98
Energy Transfer Partners	ETP	Energy	Oil & Gas Pipelines	MID-CAP BLEND	3	11.6%	FAIRLY VALUED	NEUTRAL	GOOD	MEDIUM	0.88
Helmerich & Payne	HP	Energy	Energy Equipment	MID-CAP BLEND	10	11.4%	UNDERVALUED	ATTRACTIVE	GOOD	MEDIUM	0.73
AT&T	T	Technology	Telecom Services - diversified	LARGE-CAP CORE	6	10.9%	FAIRLY VALUED	NEUTRAL	GOOD	MEDIUM	1.15
Lowe's	LOW	Consumer Discretionary	Specialty Retailers	LARGE-CAP CORE	6	10.1%	FAIRLY VALUED	UNATTRACTIVE	GOOD	LOW	1.18
Air Products & Chemicals	APD	Materials	Chemicals - broad	LARGE-CAP CORE	7	10.1%	FAIRLY VALUED	ATTRACTIVE	GOOD	MEDIUM	1.08
PPL	PPL	Energy	Utilities	LARGE-CAP BLEND	7	9.9%	UNDERVALUED	NEUTRAL	GOOD	MEDIUM	0.76

Company Index - Sorted by Price/Fair Value

Name	Symbol	Sector	Hist ROIC	Investment Stlye	ValueCreation	ValueRisk	P/FV	VBI
Microsoft	MSFT	Software	121.9%	MEGA-CAP VALUE	EXCELLENT	LOW	0.57	6
Apple	AAPL	Computer Hardware	304.6%	MEGA-CAP BLEND	EXCELLENT	MEDIUM	0.65	3
Baidu	BIDU	Internet Software & Svcs	199.7%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.67	3
Finish Line	FINL	Specialty Retail - shoes	31.0%	SMALL-CAP VALUE	EXCELLENT	MEDIUM	0.70	3
Synaptics	SYNA	Computers & Peripherals	151.1%	SMALL-CAP VALUE	EXCELLENT	LOW	0.70	7
Oracle	ORCL	Software	115.9%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.73	3
St. Jude	STJ	Medical Devices	32.6%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.74	6
Precision Castparts	PCP	A&D Suppliers	32.1%	LARGE-CAP BLEND	EXCELLENT	LOW	0.75	7
Intel	INTC	Broad Line Semiconductors	47.7%	LARGE-CAP VALUE	EXCELLENT	LOW	0.76	3
DuPont	DD	Chemicals - broad	15.8%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.76	4
Rio Tinto	RIO	Mining - diversified	31.7%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.76	3
Hasbro	HAS	Leisure	45.2%	MID-CAP VALUE	EXCELLENT	MEDIUM	0.76	3
Altria Group	MO	Tobacco	41.3%	LARGE-CAP VALUE	EXCELLENT	LOW	0.77	9
Cisco	CSCO	Networking Equipment	59.5%	LARGE-CAP VALUE	EXCELLENT	LOW	0.77	6
General Electric	GE	Conglomerates	34.0%	MEGA-CAP VALUE	EXCELLENT	LOW	0.78	7
Caterpillar	CAT	Machinery - agriculture	38.0%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.81	3
eBay	EBAY	Internet & Catalog Retail	68.6%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.81	6
Zimmer	ZMH	Medical Devices	31.0%	LARGE-CAP VALUE	EXCELLENT	LOW	0.82	7
Google	GOOG	Internet Software & Svcs	105.8%	MEGA-CAP BLEND	EXCELLENT	MEDIUM	0.82	6
National Oilwell Varco	NOV	Energy Equipment	20.6%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.82	4
Kohl's	KSS	Multiline Retail	15.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.83	3
Royal Dutch Shell	RDS	Major Oil & Gas	12.2%	MEGA-CAP VALUE	GOOD	LOW	0.83	3
Amgen	AMGN	Biotechnology	54.8%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.84	4
Johnson & Johnson	JNJ	Household Products	32.8%	MEGA-CAP VALUE	EXCELLENT	LOW	0.84	7
Medtronic	MDT	Medical Devices	45.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.87	6
PPL	PPL	Utilities	9.9%	LARGE-CAP VALUE	GOOD	MEDIUM	0.87	6
QUALCOMM	QCOM	Communications Equipment	73.4%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.88	7
Parker-Hannifin	PH	Electrical Equipment	24.7%	LARGE-CAP VALUE	EXCELLENT	LOW	0.88	7
Emerson Electric	EMR	Electrical Equipment	41.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.91	6
Eastman Chemical	EMN	Chemicals - broad	18.0%	MID-CAP BLEND	EXCELLENT	MEDIUM	0.91	6
Nike	NKE	Luxury Goods	33.6%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.92	3
IBM	IBM	Computer Hardware	55.9%	MEGA-CAP VALUE	EXCELLENT	LOW	0.92	6
Buffalo Wild Wings	BWLD	Restaurants	25.5%	SMALL-CAP BLEND	EXCELLENT	MEDIUM	0.92	6
Pfizer	PFE	Pharmaceuticals	19.0%	MEGA-CAP VALUE	EXCELLENT	MEDIUM	0.93	7
Intuitive Surgical	ISRG	Medical Devices	135.0%	LARGE-CAP BLEND	EXCELLENT	MEDIUM	0.93	3
United Technologies	UTX	Conglomerates	25.2%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.93	6
Fiserv	FISV	Financial Tech Services	33.3%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.93	4
Sysco	SYY	Food Retailers	25.3%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.94	3
Visa	V	Financial Tech Services	38.8%	LARGE-CAP BLEND	EXCELLENT	LOW	0.94	6
Uti Worldwide	UTIW	Air Freight & Logistics	42.5%	SMALL-CAP VALUE	EXCELLENT	LOW	0.94	6
Wells Fargo	WFC	Banks & Money Centers	NMF	LARGE-CAP CORE	EXCELLENT	HIGH	0.94	6
Paychex	PAYX	Staffing Services	72.1%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.95	3
Target	TGT	Food Retailers	12.7%	LARGE-CAP VALUE	GOOD	LOW	0.95	4
Walgreen	WAG	Food Retailers	15.4%	LARGE-CAP VALUE	EXCELLENT	LOW	0.95	7
Chevron	CVX	Major Oil & Gas	13.4%	MEGA-CAP VALUE	GOOD	LOW	0.96	3
AutoZone	AZO	Specialty Retail - auto	41.8%	LARGE-CAP VALUE	EXCELLENT	LOW	0.96	3
Wal-Mart	WMT	Food Retailers	17.4%	MEGA-CAP VALUE	EXCELLENT	LOW	0.97	3
Covidien	COV	Medical Instruments	30.6%	LARGE-CAP VALUE	EXCELLENT	LOW	0.97	6
General Dynamics	GD	A&D Prime	45.8%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.97	7
Compass Minerals	CMP	Chemicals - agriculture	25.2%	MID-CAP VALUE	EXCELLENT	LOW	0.98	3
Becton, Dickinson	BDX	Medical Instruments	23.4%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.98	5
United Parcel Service	UPS	Air Freight & Logistics	21.0%	LARGE-CAP VALUE	EXCELLENT	MEDIUM	0.99	6
Celgene	CELG	Biotechnology	57.7%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.00	6
3M	MMM	Conglomerates	30.4%	LARGE-CAP CORE	EXCELLENT	LOW	1.00	6
Republic Services	RSG	Environmental Services	21.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.00	6
Expeditors Intl	EXPD	Air Freight & Logistics	49.7%	MID-CAP CORE	EXCELLENT	MEDIUM	1.01	6
Dollar General	DG	Multiline Retail - discount	25.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.02	6
Waste Management	WM	Environmental Services	12.7%	LARGE-CAP CORE	GOOD	LOW	1.03	5
Stryker	SYK	Medical Instruments	46.2%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.03	5
Mattel	MAT	Leisure	53.4%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.03	6
Honeywell	HON	Conglomerates	25.8%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.04	7
McCormick	MKC	Food Products	36.8%	MID-CAP CORE	EXCELLENT	LOW	1.04	6
Baxter Intl	BAX	Medical Instruments	32.2%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Disney	DIS	Media - entertainment	22.0%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Monsanto	MON	Chemicals - agriculture	23.2%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Eli Lilly	LLY	Pharmaceuticals	45.1%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.05	6
Costco	COST	Food Retailers	18.9%	LARGE-CAP CORE	EXCELLENT	LOW	1.06	6
Boeing	BA	A&D Prime	36.5%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.06	6
Praxair	PX	Chemicals - broad	12.9%	LARGE-CAP CORE	GOOD	MEDIUM	1.07	6
FedEx	FDX	Air Freight & Logistics	12.2%	LARGE-CAP CORE	GOOD	MEDIUM	1.08	6
CH Robinson	CHRW	Air Freight & Logistics	114.3%	LARGE-CAP GROWTH	EXCELLENT	LOW	1.08	6
Clorox	CLX	Household Products	39.6%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.08	5
Procter & Gamble	PG	Household Products	20.0%	MEGA-CAP CORE	EXCELLENT	LOW	1.08	6
Deere	DE	Machinery - agriculture	55.9%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.09	6
Halliburton	HAL	Energy Equipment	18.9%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.09	6
Automatic Data Processing	ADP	Staffing Services	54.1%	LARGE-CAP CORE	EXCELLENT	LOW	1.09	6
Johnson Controls	JCI	Auto Parts Suppliers	21.0%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.09	6
Raytheon	RTN	A&D Prime	68.8%	LARGE-CAP CORE	EXCELLENT	LOW	1.09	6
Mastercard	MA	Financial Tech Services	87.9%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.10	6
Waters	WAT	Medical Devices	63.5%	MID-CAP CORE	EXCELLENT	MEDIUM	1.10	6
Schlumberger	SLB	Energy Equipment	17.3%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.10	6
Kellogg	K	Food Products - Large	24.4%	LARGE-CAP CORE	EXCELLENT	LOW	1.10	5
Roper Industries	ROP	Electrical Equipment	27.3%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.12	6
Scotts Miracle-Gro	SMG	Chemicals - agriculture	16.8%	MID-CAP CORE	EXCELLENT	MEDIUM	1.13	6
McDonald's	MCD	Restaurants	25.5%	LARGE-CAP CORE	EXCELLENT	LOW	1.13	6
Coca-Cola	KO	Beverages - nonalcoholic	21.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.13	6
US Bancorp	USB	Banks & Money Centers	NMF	LARGE-CAP CORE	EXCELLENT	HIGH	1.13	6
Starbucks	SBUX	Restaurants	48.8%	LARGE-CAP GROWTH	EXCELLENT	MEDIUM	1.15	6
PepsiCo	PEP	Beverages - nonalcoholic	26.2%	LARGE-CAP CORE	EXCELLENT	LOW	1.16	6
Danaher	DHR	Conglomerates	25.9%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.17	6
Exxon Mobil	XOM	Major Oil & Gas	12.8%	MEGA-CAP CORE	GOOD	MEDIUM	1.18	3
Illinois Tool Works	ITW	Machinery & Tools	25.6%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.18	6
General Mills	GIS	Food Products - Large	21.1%	LARGE-CAP CORE	EXCELLENT	LOW	1.19	6
Kimberly-Clark	KMB	Household Products	16.8%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.22	6
Bank of NY Mellon	BK	Banks & Money Centers	NMF	LARGE-CAP CORE	EXCELLENT	HIGH	1.22	6
Colgate-Palmolive	CL	Household Products	56.0%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.22	6
Campbell Soup	CPB	Food Products - Large	31.9%	LARGE-CAP CORE	EXCELLENT	LOW	1.24	4
Texas Instruments	TXN	Broad Line Semiconductors	38.6%	LARGE-CAP CORE	EXCELLENT	LOW	1.27	2
BHP Billiton	BHP	Mining - diversified	54.8%	LARGE-CAP CORE	EXCELLENT	MEDIUM	1.40	1
Domino's Pizza	DPZ	Restaurants	239.6%	MID-CAP CORE	EXCELLENT	MEDIUM	1.51	4

Consumer Discretionary

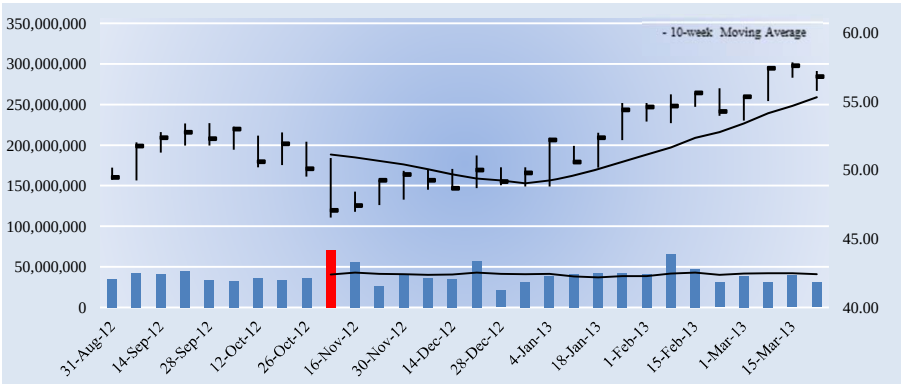
Disney DIS FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$56.78	$54.00	$41.00 - $68.00	LARGE-CAP CORE	Consumer Discretionary	Media - entertainment

Despite Disney's strong cash flow generation, we think the shares are fairly valued at this time.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$103,226
Avg Weekly Vol (30 wks)	40,050
30-week Range (USD)	46.53 - 57.82
Valuentum Sector	Consumer Discretionary
5-week Return	2.2%
13-week Return	13.7%
30-week Return	14.7%
Dividend Yield %	1.3%
Dividends per Share	0.75
Forward Dividend Payout Ratio	21.5%
Est. Normal Diluted EPS	4.23
P/E on Est. Normal Diluted EPS	13.4
Est. Normal EBITDA	14,010
Forward EV/EBITDA	9.5
EV/Est. Normal EBITDA	8.2
Forward Revenue Growth (5-yr)	5.5%
Forward EPS Growth (5-yr)	9.5%

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

Returns Summary

	3-year Historical Average
Return on Equity	14.0%
Return on Assets	7.5%
ROIC, with goodwill	11.2%
ROIC, without goodwill	22.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	14,595
Net Debt	11,208
Total Debt/EBITDA	1.3
Net Debt/EBITDA	1.0
EBITDA/Interest	23.0
Current Ratio	1.1
Quick Ratio	0.8

NMF = Not Meaningful

Investment Highlights

• Disney earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 22% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $41, we'd take a closer look.

• Disney has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 15.5% in coming years. Total debt-to-EBITDA was 1.3 last year, while debt-to-book capitalization stood at 26.9%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• The firm experienced a revenue CAGR of about 5.4% during the past 3 years. We expect its revenue growth to be better than its peer median during the next five years.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**55.00**

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
IMAX Corp	25.8	2.1	104.3%
Live Nation	-52.1	NMF	121.1%
Madison Square Garden	40.3	1.3	116.3%
News Corp	14.1	1.3	92.8%
Peer Median	19.9	1.3	110.3%
Disney	**16.3**	**1.9**	**105.1%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-11	Sep-12	Sep-13
Revenue	40,893	42,278	45,026
Revenue, YoY%	7.4%	3.4%	6.5%
Operating Income	7,781	8,863	9,890
Operating Margin %	19.0%	21.0%	22.0%
Net Income	4,807	5,682	6,274
Net Income Margin %	11.8%	13.4%	13.9%
Diluted EPS	2.52	3.13	3.48
Diluted EPS, YoY %	23.8%	24.1%	11.5%
Free Cash Flow (CFO-capex)	3,435	4,182	5,791
Free Cash Flow Margin %	8.4%	9.9%	12.9%

In Millions of USD (except for per share items)

Structure of the Media (entertainment) Industry — NEUTRAL

The media (entertainment) industry spans firms with diversified worldwide entertainment operations to those that specialize primarily in motion picture technologies. Firms with media network businesses compete for viewers with other networks, while companies with studio entertainment businesses compete with all forms of entertainment. A significant number of companies produce theatrical/television films, and success depends on unpredictable public preferences. The strongest participants will consistently create filmed entertainment and/or cable programming that consumers want. We're neutral on the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

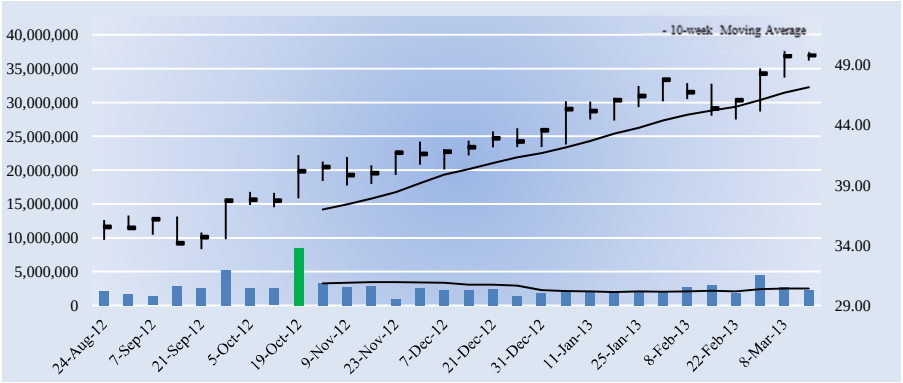
Domino's Pizza DPZ OVERVALUED 17.7%

Buying Index™ 4 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$49.82	$33.00	$25.00 - $41.00	MID-CAP CORE	Consumer Discretionary	Restaurants

Despite Domino's Pizza's strong cash flow generation, the firm's shares don't look that attractive based on valuation.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**OVERVALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**HIGH**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**47.00**

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.

Company Vitals

Market Cap (USD)	$2,939
Avg Weekly Vol (30 wks)	2,651
30-week Range (USD)	33.67 - 50.19
Valuentum Sector	Consumer Discretionary
5-week Return	6.7%
13-week Return	16.6%
30-week Return	38.9%
Dividend Yield %	1.6%
Dividends per Share	0.80
Forward Dividend Payout Ratio	33.7%
Est. Normal Diluted EPS	2.66
P/E on Est. Normal Diluted EPS	18.7
Est. Normal EBITDA	398
Forward EV/EBITDA	11.9
EV/Est. Normal EBITDA	10.9
Forward Revenue Growth (5-yr)	4.3%
Forward EPS Growth (5-yr)	7.9%

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

Investment Highlights

• Domino's Pizza earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 453.7% from 293.5% during the next two years.

• 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 $25. The market seems to be pricing greater long-term revenue growth and profit expansion than we think is achievable.

• Domino's Pizza's cash flow generation is robust, but its financial leverage could potentially be concerning down the road. If cash flows begin to weaken, we'd become more cautious on the firm's overall financial health.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• The firm experienced a revenue CAGR of about 6.1% during the past 3 years. We expect its revenue growth to be below that of its peer median during the next five years.

Relative Valuation

	Forward P/E	PEG	Price / FV
Darden Restaurants	15.5	1.3	117.5%
McDonald's	17.2	2.0	113.3%
Starbucks	26.6	2.2	115.3%
Yum! Brands	22.1	1.6	127.6%
Peer Median	19.6	1.8	116.4%
Domino's Pizza	**21.0**	**3.3**	**151.0%**

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

Returns Summary

	3-year Historical Average
Return on Equity	-8.2%
Return on Assets	21.7%
ROIC, with goodwill	190.4%
ROIC, without goodwill	239.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-11	Dec-12	Dec-13
Revenue	1,652	1,678	1,772
Revenue, YoY%	5.2%	1.6%	5.6%
Operating Income	259	282	327
Operating Margin %	15.7%	16.8%	18.4%
Net Income	105	112	140
Net Income Margin %	6.4%	6.7%	7.9%
Diluted EPS	1.71	1.90	2.37
Diluted EPS, YoY %	18.2%	11.5%	24.6%
Free Cash Flow (CFO-capex)	129	147	150
Free Cash Flow Margin %	7.8%	8.8%	8.5%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,561
Net Debt	1,408
Total Debt/EBITDA	4.9
Net Debt/EBITDA	4.4
EBITDA/Interest	3.2
Current Ratio	1.3
Quick Ratio	1.1

NMF = Not Meaningful

Structure of the Restaurants Industry — NEUTRAL

The restaurant industry has benefited from a long-term trend toward eating out, but the space has become increasingly more competitive as new concepts are introduced and successful chains expand. Not only are there pricing pressures and trade-down threats, but rising costs for commodities and labor have pressured profits. Barriers to entry are low, and many constituents have a difficult time differentiating themselves. We tend to like larger chains that benefit from scale advantages and international expansion opportunities, though niche franchises can be appealing. We're neutral on the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

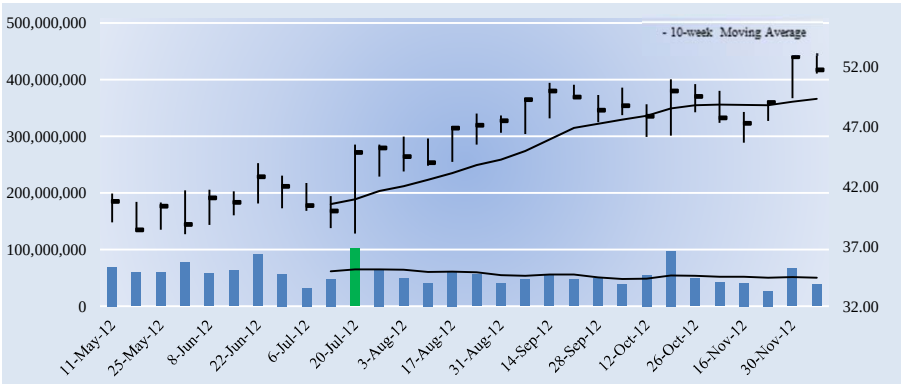
eBay EBAY FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$51.74	$64.00	$48.00 - $80.00	LARGE-CAP BLEND	Consumer Discretionary	Internet & Catalog Retail

eBay uniquely benefits from both a network effect in its auction business and a secular trend toward consumer online consumption in its payments business, PayPal.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**AGGRESSIVE**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Support, 10-week MA	**49.00**

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.

Company Vitals

Market Cap (USD)	$67,932
Avg Weekly Vol (30 wks)	56,039
30-week Range (USD)	38 - 53.15
Valuentum Sector	Consumer Discretionary
5-week Return	6.1%
13-week Return	9.0%
30-week Return	32.0%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	3.21
P/E on Est. Normal Diluted EPS	16.1
Est. Normal EBITDA	6,484
Forward EV/EBITDA	13.4
EV/Est. Normal EBITDA	9.9
Forward Revenue Growth (5-yr)	15.5%
Forward EPS Growth (5-yr)	10.8%

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

Returns Summary

	3-year Historical Average
Return on Equity	17.0%
Return on Assets	12.0%
ROIC, with goodwill	18.0%
ROIC, without goodwill	68.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,090
Net Debt	-3,840
Total Debt/EBITDA	0.6
Net Debt/EBITDA	NMF
EBITDA/Interest	132.4
Current Ratio	1.9
Quick Ratio	1.8

NMF = Not Meaningful

Investment Highlights

• eBay earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 68.6% during the past three years.

• eBay is a global commerce and payments company that uniquely benefits from both a network effect in its auction business and a secular trend toward consumer online consumption in its payments business, PayPal.

• eBay 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 21.9% in coming years. Total debt-to-EBITDA was 0.6 last year, while debt-to-book capitalization stood at 10.4%.

• The firm's Marketplaces business continues its resurgence, with active user growth reaching levels not seen since 2007. Targeting convenience and customer service via a site redesign and a relationship with Geek Squad has resonated with users.

• The firm experienced a revenue CAGR of about 10.9% during the past 3 years. We expect its revenue growth to be better than its peer median during the next five years.

Relative Valuation

	Forward P/E	PEG	Price / FV
Amazon.com	1671.7	1.3	107.3%
Expedia	19.0	1.3	89.4%
Liberty Interactive	18.1	1.3	87.0%
Priceline.com	21.1	1.7	86.2%
Peer Median	20.1	1.3	88.2%
eBay	**21.7**	**1.4**	**80.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	9,156	11,652	14,215
Revenue, YoY%	4.9%	27.3%	22.0%
Operating Income	2,075	2,373	3,650
Operating Margin %	22.7%	20.4%	25.7%
Net Income	1,801	3,229	3,130
Net Income Margin %	19.7%	27.7%	22.0%
Diluted EPS	1.36	2.46	2.38
Diluted EPS, YoY %	-25.9%	81.3%	-3.1%
Free Cash Flow (CFO-capex)	2,022	2,310	2,973
Free Cash Flow Margin %	22.1%	19.8%	20.9%

In Millions of USD (except for per share items)

Structure of the Internet & Catalog Retail Industry — GOOD

The Internet and catalog retail industry benefits as a whole from the secular trend toward consumer digital (online) consumption. The industry consists of a number of exclusive online retailers led by Amazon and businesses that offer Internet travel services such as Priceline. Online auctions are dominated by eBay, and the firm benefits from both a buyer-seller driven network effect and secular online consumption growth (via PayPal). The industry generates high returns on investment due to minimal capital costs, but the landscape will be vastly different in the decades ahead. Still, we like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

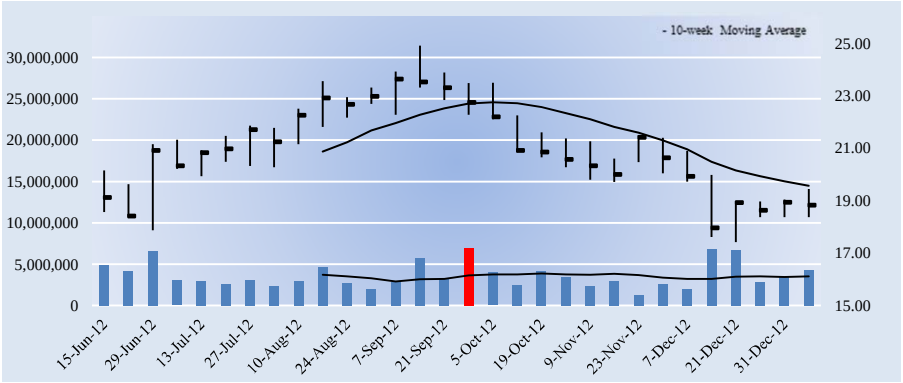
Finish Line FINL UNDERVALUED 11.6%

Buying Index™ 3 **Value Rating** ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$18.82	$27.00	$21.00 - $33.00	SMALL-CAP VALUE	Consumer Discretionary	Specialty Retail - shoes

Finish Line is an exclusive retail partner of athletic footwear for Macy's and boasts strong relationships with key vendors.

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)	$994
Avg Weekly Vol (30 wks)	3,674
30-week Range (USD)	17.41 - 24.9
Valuentum Sector	Consumer Discretionary
5-week Return	-5.4%
13-week Return	-14.8%
30-week Return	-6.1%
Dividend Yield %	1.3%
Dividends per Share	0.24
Forward Dividend Payout Ratio	14.5%
Est. Normal Diluted EPS	1.93
P/E on Est. Normal Diluted EPS	9.8
Est. Normal EBITDA	192
Forward EV/EBITDA	4.1
EV/Est. Normal EBITDA	3.6
Forward Revenue Growth (5-yr)	5.8%
Forward EPS Growth (5-yr)	5.1%

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

Returns Summary

	3-year Historical Average
Return on Equity	14.6%
Return on Assets	10.5%
ROIC, with goodwill	31.0%
ROIC, without goodwill	31.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-307
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	4.0
Quick Ratio	2.2

NMF = Not Meaningful

Investment Highlights

• Finish Line earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 41.1% from 38.1% during the next two years.

• Finish Line is an athletic retailer offering a wide selection of brand name footwear, apparel and accessories. The company is an exclusive retail partner of athletic footwear for Macy's and boasts strong relationships with key vendors.

• Finish Line 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 5.8% in coming years, and the firm had no debt as of last quarter.

• The firm boasts a multi-pronged growth strategy: 1) increase penetration and profitability model of digital business, 2) increase store productivity and open new Finish Line stores opportunistically, and 3) expand Running Co. (a chain it bought in Sept 2011) through organic growth.

• The firm experienced a revenue CAGR of about 2.7% during the past 3 years. We expect its revenue growth to be below that of its peer median during the next five years.

Investment Considerations

DCF Valuation	**UNDERVALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**20.00**

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
Deckers	11.3	NMF	91.5%
Foot Locker	12.2	1.4	87.8%
Shoe Carnival	13.6	NMF	88.8%
Steven Madden	15.0	2.3	104.2%
Peer Median	12.9	1.9	90.2%
Finish Line	**11.4**	**2.3**	**69.7%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Feb-11	Feb-12	Feb-13
Revenue	1,229	1,369	1,465
Revenue, YoY%	4.8%	11.4%	7.0%
Operating Income	111	135	138
Operating Margin %	9.0%	9.9%	9.4%
Net Income	69	85	87
Net Income Margin %	5.6%	6.2%	6.0%
Diluted EPS	1.30	1.61	1.66
Diluted EPS, YoY %	39.6%	23.5%	3.2%
Free Cash Flow (CFO-capex)	90	105	83
Free Cash Flow Margin %	7.3%	7.7%	5.6%

In Millions of USD (except for per share items)

Structure of the Specialty Retail (shoes) Industry — NEUTRAL

The specialty retail (shoes) industry includes footwear makers and retailers that sell fashion and athletic footwear. Manufacturers focus on developing partnerships with retailers to achieve product distribution. Depending on brand strength, margin dollars can go to either side of the partnership. Location for retailers is critical, as many consumers still purchase from local brick-and-mortar stores, though online sales continues to expand. The industry is highly fragmented, and small regional players continue to be displaced by larger firms with better scale and purchasing power. We're neutral on the industry.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

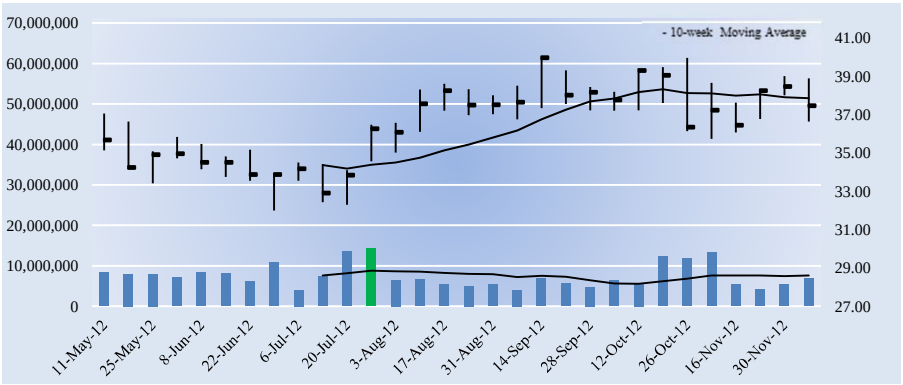
Hasbro HAS FAIRLY VALUED

Buying Index™ 3 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$37.46	$49.00	$37.00 - $61.00	MID-CAP VALUE	Consumer Discretionary	Leisure

Hasbro is focused on re-igniting its world-class portfolio of brands.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$5,121
Avg Weekly Vol (30 wks)	7,512
30-week Range (USD)	32 - 39.98
Valuentum Sector	Consumer Discretionary
5-week Return	4.7%
13-week Return	-0.1%
30-week Return	3.3%
Dividend Yield %	3.8%
Dividends per Share	1.44
Forward Dividend Payout Ratio	49.9%
Est. Normal Diluted EPS	3.24
P/E on Est. Normal Diluted EPS	11.5
Est. Normal EBITDA	880
Forward EV/EBITDA	7.4
EV/Est. Normal EBITDA	6.9
Forward Revenue Growth (5-yr)	0.8%
Forward EPS Growth (5-yr)	5.5%

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

Returns Summary

	3-year Historical Average
Return on Equity	25.1%
Return on Assets	10.0%
ROIC, with goodwill	33.5%
ROIC, without goodwill	45.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,581
Net Debt	940
Total Debt/EBITDA	1.9
Net Debt/EBITDA	1.1
EBITDA/Interest	9.3
Current Ratio	2.4
Quick Ratio	1.8

NMF = Not Meaningful

Investment Highlights

• Hasbro earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 45.2% during the past three years.

• Hasbro's products include toys/games, television programming, motion pictures and digital gaming. The firm owns well-known brands such as Transformers, Nerf, Playskool, My Little Pony, G.I. Joe, Magic: The Gathering, and Monopoly.

• Hasbro has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 12.6% in coming years. Total debt-to-EBITDA was 1.9 last year, while debt-to-book capitalization stood at 52.7%.

• Hasbro is focused on re-igniting its world-class portfolio of brands. The company is targeting long-term revenue CAGR of 5%, operating profit to exceed revenue expansion, and operating cash flow to average roughly $500 million annually.

• The firm sports a very nice dividend yield of 3.8%. We expect the firm to pay out about 50% of next year's earnings to shareholders as dividends. The company has been paying dividends since 1977.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**38.00**

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

Business Quality

ValueRisk™ \ ValueCreation™	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
Carnival Corp	20.4	1.2	118.5%
Intl Game Technology	11.7	1.9	90.0%
Mattel	14.5	2.5	103.0%
Royal Caribbean	17.9	0.9	134.7%
Peer Median	16.2	1.5	110.7%
Hasbro	**13.0**	**2.4**	**76.4%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	4,002	4,286	4,200
Revenue, YoY%	-1.6%	7.1%	-2.0%
Operating Income	588	594	596
Operating Margin %	14.7%	13.9%	14.2%
Net Income	398	385	391
Net Income Margin %	9.9%	9.0%	9.3%
Diluted EPS	2.73	2.82	2.89
Diluted EPS, YoY %	11.3%	3.2%	2.5%
Free Cash Flow (CFO-capex)	306	332	552
Free Cash Flow Margin %	7.6%	7.8%	13.1%

In Millions of USD (except for per share items)

Structure of the Leisure Industry — NEUTRAL

The leisure industry is composed of firms that span the cruise line business to those that make toys and children's products. The cruise business has grown significantly in recent years, but still remains relatively small compared to the overall vacation industry (including land-based destinations). Competition among toy companies is intensifying due to recent trends toward shorter toy life cycles, the increasing use of technology in toys, and the proliferation of electronic consumer products and video games. All industry participants compete for consumer discretionary income. We're neutral on the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

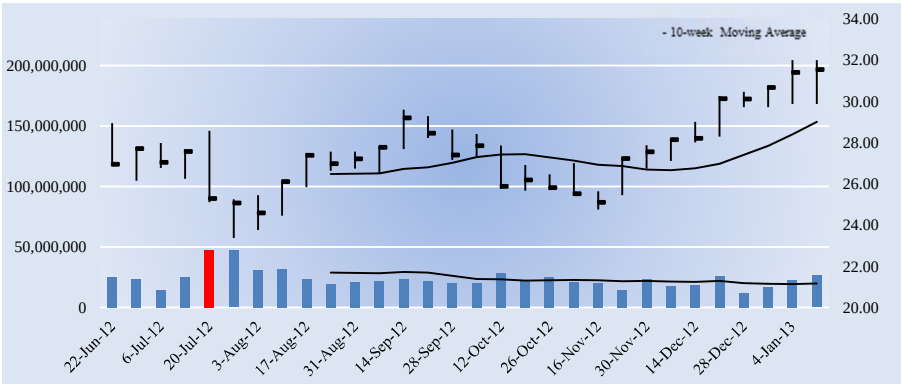
Johnson Controls JCI FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$31.53	$29.00	$20.00 - $38.00	LARGE-CAP CORE	Consumer Discretionary	Auto Parts Suppliers

Though Johnson Controls boasts some world-class businesses, the company faces substantial competition in all of its business segments.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$21,712
Avg Weekly Vol (30 wks)	23,834
30-week Range (USD)	23.37 - 32
Valuentum Sector	Consumer Discretionary
5-week Return	11.1%
13-week Return	21.2%
30-week Return	12.2%
Dividend Yield %	2.4%
Dividends per Share	0.76
Forward Dividend Payout Ratio	28.8%
Est. Normal Diluted EPS	3.18
P/E on Est. Normal Diluted EPS	9.9
Est. Normal EBITDA	3,647
Forward EV/EBITDA	9.1
EV/Est. Normal EBITDA	7.5
Forward Revenue Growth (5-yr)	5.2%
Forward EPS Growth (5-yr)	13.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	14.9%
Return on Assets	5.7%
ROIC, with goodwill	10.6%
ROIC, without goodwill	21.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	6,068
Net Debt	5,803
Total Debt/EBITDA	2.3
Net Debt/EBITDA	2.2
EBITDA/Interest	11.2
Current Ratio	1.2
Quick Ratio	0.7

NMF = Not Meaningful

Investment Highlights

• Johnson Controls earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 21% during the past three years.

• Johnson Controls is a major player in building efficiency solutions, automotive batteries, and interior auto systems. Though it boasts some world-class businesses, the company faces substantial competition in all of its business segments.

• Johnson Controls' cash flow generation is below what we'd expect from an average company in our coverage universe, and the firm's financial leverage is somewhat elevated. If cash flows continue to be weak, we'd grow more cautious on the firm's overall financial health.

• Though pricing pressure from its automotive customers remains ongoing, the firm's combined automotive backlog is nearly $4 billion from 2013 through 2015. This number includes lost business due to a higher hurdle rate discipline as well as lower volume assumptions from European weakness.

• Johnson Controls' building efficiency solutions segment should benefit from a focus on reducing energy consumption and from replacing aged building infrastructure in developed economies.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**WEAK**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**29.00**

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
BorgWarner	14.7	3.9	111.3%
Cooper Tire & Rubber	8.2	NMF	82.8%
Magna Intl	9.9	4.3	95.7%
Tenneco	10.4	1.6	65.9%
Peer Median	10.1	3.9	89.3%
Johnson Controls	**12.0**	**1.3**	**108.7%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-11	Sep-12	Sep-13
Revenue	40,833	41,955	42,794
Revenue, YoY%	19.0%	2.7%	2.0%
Operating Income	1,987	1,780	2,197
Operating Margin %	4.9%	4.2%	5.1%
Net Income	1,624	1,226	1,833
Net Income Margin %	4.0%	2.9%	4.3%
Diluted EPS	2.35	1.78	2.64
Diluted EPS, YoY %	7.8%	-24.4%	48.1%
Free Cash Flow (CFO-capex)	-249	-272	1,032
Free Cash Flow Margin %	-0.6%	-0.6%	2.4%

In Millions of USD (except for per share items)

Structure of the Auto Parts Supplier Industry — POOR

The highly-cyclical auto supplier industry depends on economic conditions and consumer confidence. Volatile gas prices impact a supplier's input costs and the types of vehicles demanded by consumers. OEMs have considerable bargaining power over suppliers in negotiating terms on largely-commoditized parts. The industry is regulated by environmental and safety laws, providing both challenges and opportunities. Suppliers have considerable operating leverage and remain extremely competitive, which prevents outsize economic returns over the long haul. In general, we don't like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

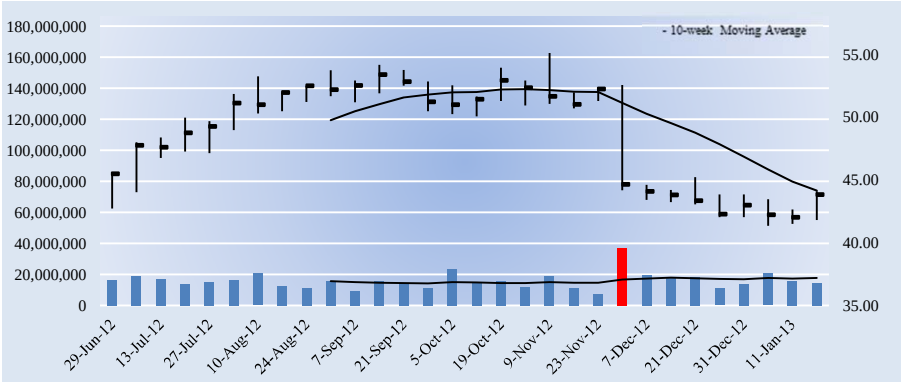
Kohl's KSS FAIRLY VALUED

Buying Index™ 3 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$43.83	$53.00	$40.00 - $66.00	LARGE-CAP VALUE	Consumer Discretionary	Multiline Retail

Kohl's has a fantastic real-estate portfolio and a decent cash position.

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).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**44.00**

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.

Company Vitals

Market Cap (USD)	$11,878
Avg Weekly Vol (30 wks)	16,050
30-week Range (USD)	41.35 - 55.11
Valuentum Sector	Consumer Discretionary
5-week Return	0.6%
13-week Return	-17.2%
30-week Return	1.8%
Dividend Yield %	2.9%
Dividends per Share	1.28
Forward Dividend Payout Ratio	30.6%
Est. Normal Diluted EPS	4.78
P/E on Est. Normal Diluted EPS	9.2
Est. Normal EBITDA	3,085
Forward EV/EBITDA	5.2
EV/Est. Normal EBITDA	4.8
Forward Revenue Growth (5-yr)	2.6%
Forward EPS Growth (5-yr)	4.1%

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

Investment Highlights

• Kohl's earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 15.4% during the past three years.

• Kohl's is a family-focused, value-oriented specialty department store offering moderately priced, exclusive and national brand apparel, shoes, accessories, beauty and home products. Still, differentiating from peers is difficult.

• Kohl's has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 5.3% in coming years. Total debt-to-EBITDA was 1.4 last year, while debt-to-book capitalization stood at 39.5%.

• If Kohl's can start to resonate better with young women and juniors, we could see some potential upside to our sales forecast. We also believe the firm's shift to exclusive and private-label brands could alleviate gross margin pressure.

• The company has a fantastic real-estate portfolio and a decent cash position. JC Penney's lack of discounting and Sears' lack of relevance could help the firm in the near term.

Relative Valuation

	Forward P/E	PEG	Price / FV
J.C. Penney	-14.3	NMF	104.8%
Macy's	11.2	2.6	80.0%
Nordstrom	15.8	1.9	100.9%
Sears Holdings	-20.3	NMF	97.2%
Peer Median	-1.5	2.3	99.1%
Kohl's	**10.5**	**1.7**	**82.7%**

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

Returns Summary

	3-year Historical Average
Return on Equity	14.5%
Return on Assets	8.3%
ROIC, with goodwill	15.4%
ROIC, without goodwill	15.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jan-11	Jan-12	Jan-13
Revenue	18,391	18,804	19,368
Revenue, YoY%	7.1%	2.2%	3.0%
Operating Income	1,914	2,158	2,074
Operating Margin %	10.4%	11.5%	10.7%
Net Income	1,114	1,167	1,110
Net Income Margin %	6.1%	6.2%	5.7%
Diluted EPS	3.64	4.31	4.18
Diluted EPS, YoY %	12.4%	18.3%	-2.9%
Free Cash Flow (CFO-capex)	915	1,216	958
Free Cash Flow Margin %	5.0%	6.5%	4.9%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	4,244
Net Debt	3,039
Total Debt/EBITDA	1.4
Net Debt/EBITDA	1.0
EBITDA/Interest	9.7
Current Ratio	1.8
Quick Ratio	0.5

NMF = Not Meaningful

Structure of the Multiline Retail Industry — POOR

The multiline retail industry faces intense pressure from online retail and fierce competition from smaller retailers and discounters. Firms in the industry tend to have large real estate holdings and carry a diverse range of apparel, accessories, and household goods. With retail sales moving to the Internet, a company's web presence is as important as its brick-and-mortar locations. The industry is undergoing a massive transformation and not all firms will survive. Brands and proper fashion assortment drive results in the short term, while execution remains key over the long haul.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

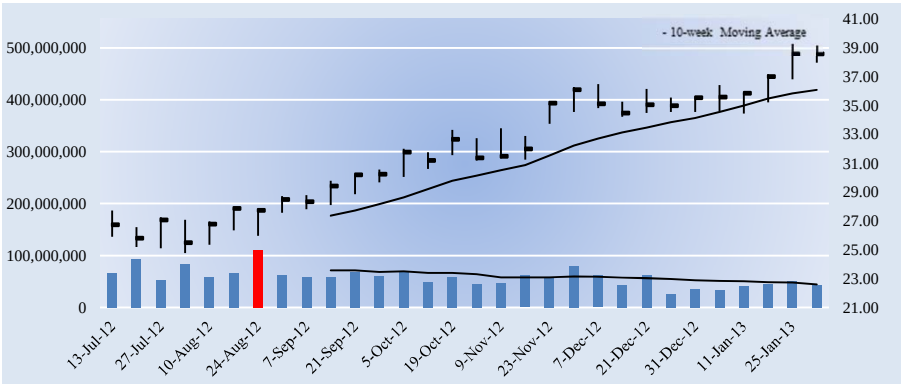
Lowe's LOW OVERVALUED 9.2%

Buying Index™ 4 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$38.56	$29.00	$23.00 - $35.00	LARGE-CAP CORE	Consumer Discretionary	Specialty Retailers

Lowe's shares look expensive based on our discounted cash flow process.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**OVERVALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**GOOD**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**MEDIUM**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**36.00**

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.

Company Vitals

Market Cap (USD)	$49,087
Avg Weekly Vol (30 wks)	58,556
30-week Range (USD)	24.76 - 39.26
Valuentum Sector	Consumer Discretionary
5-week Return	10.7%
13-week Return	21.4%
30-week Return	39.8%
Dividend Yield %	1.7%
Dividends per Share	0.64
Forward Dividend Payout Ratio	36.8%
Est. Normal Diluted EPS	2.33
P/E on Est. Normal Diluted EPS	16.5
Est. Normal EBITDA	6,619
Forward EV/EBITDA	10.2
EV/Est. Normal EBITDA	8.4
Forward Revenue Growth (5-yr)	3.0%
Forward EPS Growth (5-yr)	14.7%

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

Investment Highlights

• Lowe's 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 10.3% during the past three years.

• 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 $23. The market seems to be pricing greater long-term revenue growth and profit expansion than we think is achievable.

• Lowe's cash flow generation and financial leverage are at decent levels, in our opinion. The firm's free cash flow margin and debt-to-EBITDA metrics are about what we'd expect from an average firm in our coverage universe.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• Lowe's is the world's second largest home improvement retailer. It operates over 1,700 stores in the US, over 30 in Canada, and a couple in Mexico.

Relative Valuation

	Forward P/E	PEG	Price / FV
Bed Bath & Beyond	12.9	1.8	84.6%
Best Buy	6.4	NMF	73.2%
Home Depot	21.9	2.2	129.4%
Office Depot	220.8	NMF	111.5%
Peer Median	17.4	2.0	98.1%
Lowe's	**22.2**	**1.8**	**133.0%**

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

Returns Summary

	3-year Historical Average
Return on Equity	10.3%
Return on Assets	5.6%
ROIC, with goodwill	10.3%
ROIC, without goodwill	10.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jan-11	Jan-12	Jan-13
Revenue	48,815	50,208	50,710
Revenue, YoY%	3.4%	2.9%	1.0%
Operating Income	3,560	3,277	3,825
Operating Margin %	7.3%	6.5%	7.5%
Net Income	2,010	1,839	2,189
Net Income Margin %	4.1%	3.7%	4.3%
Diluted EPS	1.43	1.44	1.74
Diluted EPS, YoY %	17.6%	0.8%	20.3%
Free Cash Flow (CFO-capex)	2,523	2,520	2,026
Free Cash Flow Margin %	5.2%	5.0%	4.0%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	7,627
Net Debt	6,327
Total Debt/EBITDA	1.6
Net Debt/EBITDA	1.3
EBITDA/Interest	12.9
Current Ratio	1.3
Quick Ratio	0.2

NMF = Not Meaningful

Structure of the Specialty Retailers Industry — NEUTRAL

The specialty retail segment is fragmented, highly competitive, and economically-sensitive. The group covers a broad array of businesses and is dominated by retailers with large brick-and-mortar store footprints. Though some constituents may be insulated from e-commerce competition, others risk obsolescence as product distribution moves to digital means, and online retailers offer lower prices for identical goods and services. We're fairly neutral on the structure of the industry, though some constituents will inevitably face secular and permanent declines.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

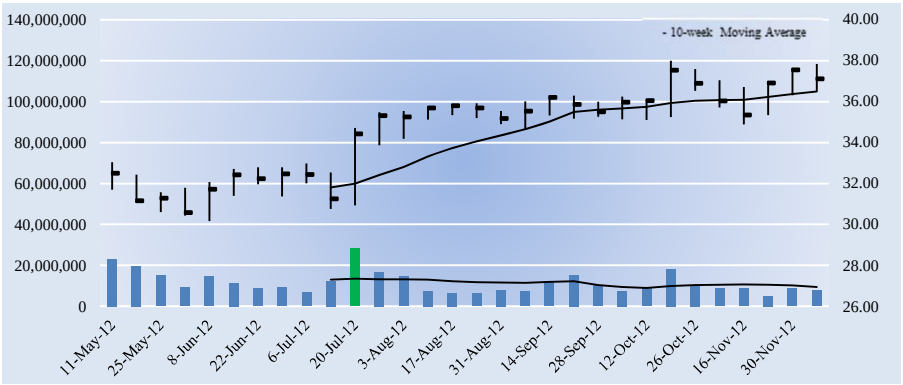
Mattel MAT FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$37.07	$36.00	$27.00 - $45.00	LARGE-CAP CORE	Consumer Discretionary	Leisure

Mattel makes some of the best-selling toy brands.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$12,916
Avg Weekly Vol (30 wks)	11,518
30-week Range (USD)	30.15 - 37.96
Valuentum Sector	Consumer Discretionary
5-week Return	2.1%
13-week Return	5.6%
30-week Return	12.4%
Dividend Yield %	3.3%
Dividends per Share	1.24
Forward Dividend Payout Ratio	48.5%
Est. Normal Diluted EPS	2.86
P/E on Est. Normal Diluted EPS	13.0
Est. Normal EBITDA	1,454
Forward EV/EBITDA	9.8
EV/Est. Normal EBITDA	9.0
Forward Revenue Growth (5-yr)	3.8%
Forward EPS Growth (5-yr)	6.6%

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

Returns Summary

	3-year Historical Average
Return on Equity	26.2%
Return on Assets	12.8%
ROIC, with goodwill	33.5%
ROIC, without goodwill	53.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,558
Net Debt	189
Total Debt/EBITDA	1.3
Net Debt/EBITDA	0.2
EBITDA/Interest	16.0
Current Ratio	3.3
Quick Ratio	2.5

NMF = Not Meaningful

Investment Highlights

• Mattel earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 53.4% during the past three years.

• Mattel makes toys and family products, including brands such as as Barbie, Hot Wheels, Matchbox, American Girl, Radica, Tyco R/C, Fisher-Price, Thomas & Friends, Little People, and Power Wheels. Its brand portfolio is top notch.

• Mattel 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 14.1% in coming years. Total debt-to-EBITDA was 1.3 last year, while debt-to-book capitalization stood at 37.4%.

• Mattel's stated objectives are to grow market share, sustain gross margins of about 50%, and leverage its scale to deliver cost savings by reducing overhead expenses. Though competition remains tough, we think such goals are achievable.

• The firm sports a very nice dividend yield of 3.3%. We expect the firm to pay out about 49% of next year's earnings to shareholders as dividends.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Support, 10-week MA	**36.00**

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
Carnival Corp	20.4	1.2	118.5%
Hasbro	13.0	2.4	76.4%
Intl Game Technology	11.7	1.9	90.0%
Royal Caribbean	17.9	0.9	134.7%
Peer Median	15.4	1.5	104.2%
Mattel	**14.5**	**2.5**	**103.0%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	5,856	6,266	6,454
Revenue, YoY%	7.8%	7.0%	3.0%
Operating Income	902	1,041	1,168
Operating Margin %	15.4%	16.6%	18.1%
Net Income	685	769	881
Net Income Margin %	11.7%	12.3%	13.7%
Diluted EPS	1.88	2.21	2.56
Diluted EPS, YoY %	28.4%	17.4%	15.9%
Free Cash Flow (CFO-capex)	391	474	900
Free Cash Flow Margin %	6.7%	7.6%	14.0%

In Millions of USD (except for per share items)

Structure of the Leisure Industry — NEUTRAL

The leisure industry is composed of firms that span the cruise line business to those that make toys and children's products. The cruise business has grown significantly in recent years, but still remains relatively small compared to the overall vacation industry (including land-based destinations). Competition among toy companies is intensifying due to recent trends toward shorter toy life cycles, the increasing use of technology in toys, and the proliferation of electronic consumer products and video games. All industry participants compete for consumer discretionary income. We're neutral on the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

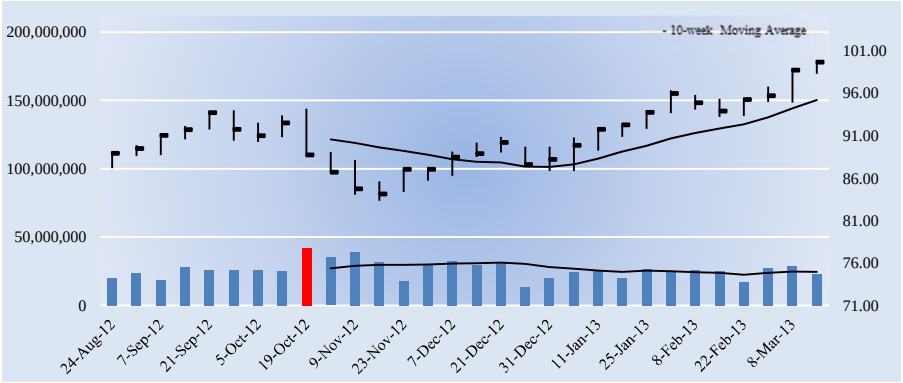
McDonald's MCD FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$99.67	$88.00	$70.00 - $106.00	LARGE-CAP CORE	Consumer Discretionary	Restaurants

Despite McDonald's strong cash flow generation, we think the shares are fairly valued at this time.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$101,683
Avg Weekly Vol (30 wks)	26,225
30-week Range (USD)	83.31 - 99.7
Valuentum Sector	Consumer Discretionary
5-week Return	5.2%
13-week Return	11.3%
30-week Return	14.3%
Dividend Yield %	3.1%
Dividends per Share	3.08
Forward Dividend Payout Ratio	53.0%
Est. Normal Diluted EPS	7.05
P/E on Est. Normal Diluted EPS	14.1
Est. Normal EBITDA	12,565
Forward EV/EBITDA	10.5
EV/Est. Normal EBITDA	9.0
Forward Revenue Growth (5-yr)	5.9%
Forward EPS Growth (5-yr)	9.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	36.4%
Return on Assets	16.3%
ROIC, with goodwill	22.7%
ROIC, without goodwill	25.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	13,633
Net Debt	11,296
Total Debt/EBITDA	1.4
Net Debt/EBITDA	1.1
EBITDA/Interest	19.1
Current Ratio	1.4
Quick Ratio	1.1

NMF = Not Meaningful

Investment Highlights

• McDonald'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 few years, a combination we view very positively.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $70, we'd take a closer look.

• McDonald's 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 18.5% in coming years. Total debt-to-EBITDA was 1.4 last year, while debt-to-book capitalization stood at 47.1%.

• The firm's share price performance has been roughly in line with that of the market during the past quarter. We'd expect the firm's stock price to converge to our fair value estimate within the next three years, if our forecasts prove accurate.

• The firm sports a very nice dividend yield of 3.1%. We expect the firm to pay out about 53% of next year's earnings to shareholders as dividends.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**95.00**

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
Chipotle	31.0	2.4	123.6%
Darden Restaurants	15.5	1.3	117.5%
Starbucks	26.6	2.2	115.3%
Yum! Brands	22.1	1.6	127.6%
Peer Median	24.3	1.9	120.6%
McDonald's	**17.2**	**2.0**	**113.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-11	Dec-12	Dec-13
Revenue	27,006	27,567	29,083
Revenue, YoY%	12.2%	2.1%	5.5%
Operating Income	8,293	8,361	9,160
Operating Margin %	30.7%	30.3%	31.5%
Net Income	5,503	5,465	5,866
Net Income Margin %	20.4%	19.8%	20.2%
Diluted EPS	5.27	5.36	5.81
Diluted EPS, YoY %	15.0%	1.7%	8.4%
Free Cash Flow (CFO-capex)	4,420	3,917	4,438
Free Cash Flow Margin %	16.4%	14.2%	15.3%

In Millions of USD (except for per share items)

Structure of the Restaurants Industry — NEUTRAL

The restaurant industry has benefited from a long-term trend toward eating out, but the space has become increasingly more competitive as new concepts are introduced and successful chains expand. Not only are there pricing pressures and trade-down threats, but rising costs for commodities and labor have pressured profits. Barriers to entry are low, and many constituents have a difficult time differentiating themselves. We tend to like larger chains that benefit from scale advantages and international expansion opportunities, though niche franchises can be appealing. We're neutral on the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

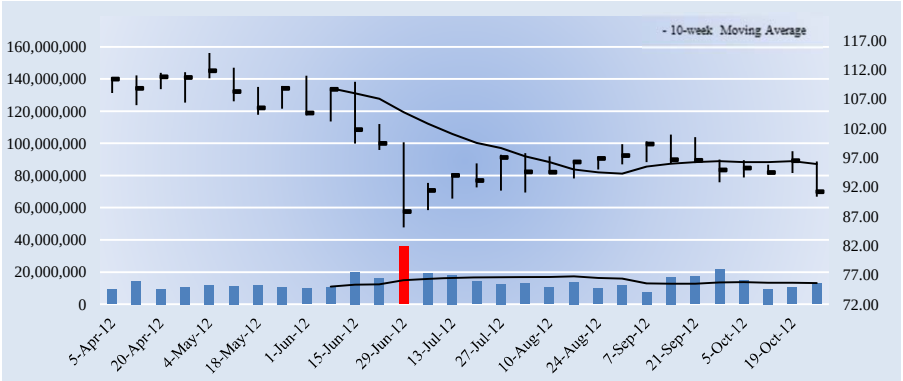
NIKE NKE FAIRLY VALUED

Buying Index™ 3 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$91.15	$99.00	$74.00 - $124.00	LARGE-CAP VALUE	Consumer Discretionary	Luxury Goods

We like NIKE's brand and its focus on bringing innovate products to market that consumers want.

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)	$42,822
Avg Weekly Vol (30 wks)	13,848
30-week Range (USD)	85.1 - 114.81
Valuentum Sector	Consumer Discretionary
5-week Return	-4.7%
13-week Return	-6.0%
30-week Return	-15.9%
Dividend Yield %	1.6%
Dividends per Share	1.44
Forward Dividend Payout Ratio	27.2%
Est. Normal Diluted EPS	6.26
P/E on Est. Normal Diluted EPS	14.6
Est. Normal EBITDA	4,398
Forward EV/EBITDA	10.6
EV/Est. Normal EBITDA	9.0
Forward Revenue Growth (5-yr)	5.6%
Forward EPS Growth (5-yr)	8.0%

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

Returns Summary

	3-year Historical Average
Return on Equity	21.5%
Return on Assets	14.3%
ROIC, with goodwill	32.6%
ROIC, without goodwill	33.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	385
Net Debt	-3,372
Total Debt/EBITDA	0.1
Net Debt/EBITDA	NMF
EBITDA/Interest	104.4
Current Ratio	3.0
Quick Ratio	1.8

NMF = Not Meaningful

Investment Highlights

• NIKE earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 33.6% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $74, we'd take a closer look.

• NIKE 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 9.8% in coming years. Total debt-to-EBITDA was 0.1 last year, while debt-to-book capitalization stood at 3.6%.

• The firm's share price performance has trailed that of the market during the past quarter. However, it is trading within our fair value estimate range, so we don't view such activity as alarming.

• The firm might not have the potential explosive upside of Lululemon or Under Armour, but we think NIKE has the best business model and the most valuable brand name among the three.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**96.00**

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
Tiffany	17.2	2.9	96.3%
Coach	15.8	1.4	78.7%
VF Corp	15.9	2.2	112.1%
Estee Lauder	23.4	2.6	114.7%
Peer Median	16.6	2.4	104.2%
NIKE	**17.2**	**2.4**	**92.1%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	May-11	May-12	May-13
Revenue	20,862	24,128	25,093
Revenue, YoY%	9.7%	15.7%	4.0%
Operating Income	2,815	3,040	3,314
Operating Margin %	13.5%	12.6%	13.2%
Net Income	2,133	2,223	2,486
Net Income Margin %	10.2%	9.2%	9.9%
Diluted EPS	4.39	4.73	5.29
Diluted EPS, YoY %	13.8%	7.7%	11.8%
Free Cash Flow (CFO-capex)	1,380	1,302	2,318
Free Cash Flow Margin %	6.6%	5.4%	9.2%

In Millions of USD (except for per share items)

Structure of the Luxury Goods Industry — GOOD

Luxury goods firms differentiate themselves based on brand name, perception, and quality in order to generate excess returns on invested capital through the economic cycle. Building a large, successful luxury brand is difficult, leaving those that possess them with intangible competitive advantages that are not easily overcome by new entrants. Growth in emerging middle classes and China will be the key demand drivers going forward, though the strongest brands will also grow successfully via market share gains. Though changes in consumer preferences should be watched closely, we like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

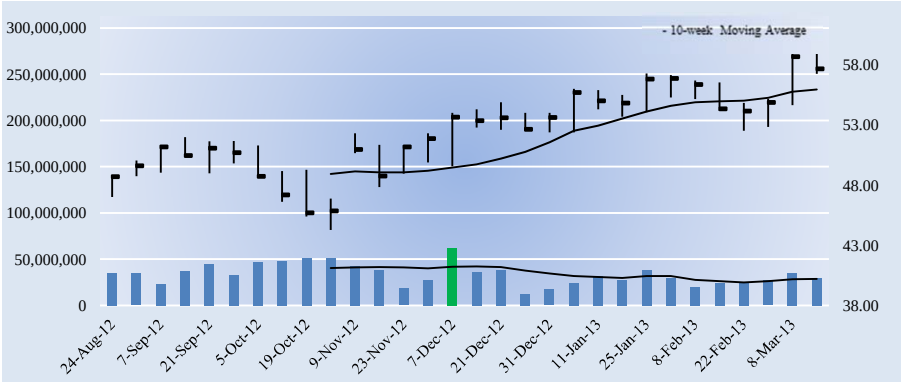
Starbucks SBUX FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$57.66	$50.00	$38.00 - $63.00	LARGE-CAP GROWTH	Consumer Discretionary	Restaurants

Despite Starbucks' strong cash flow generation, we think the shares are fairly valued at this time.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**HIGH**
Technical Evaluation	**BULLISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Support, 10-week MA	**56.00**

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.

Company Vitals

Market Cap (USD)	$44,571
Avg Weekly Vol (30 wks)	33,656
30-week Range (USD)	44.27 - 58.97
Valuentum Sector	Consumer Discretionary
5-week Return	2.0%
13-week Return	8.0%
30-week Return	19.5%
Dividend Yield %	1.5%
Dividends per Share	0.84
Forward Dividend Payout Ratio	38.7%
Est. Normal Diluted EPS	2.92
P/E on Est. Normal Diluted EPS	19.7
Est. Normal EBITDA	4,348
Forward EV/EBITDA	13.4
EV/Est. Normal EBITDA	9.9
Forward Revenue Growth (5-yr)	11.0%
Forward EPS Growth (5-yr)	14.7%

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

Investment Highlights

• Starbucks earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 62.5% from 53.3% during the next two years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $38, we'd take a closer look.

• Starbucks 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 11.2% in coming years. Total debt-to-EBITDA was 0.2 last year, while debt-to-book capitalization stood at 9.7%.

• The firm's share price performance has been roughly in line with that of the market during the past quarter. We'd expect the firm's stock price to converge to our fair value estimate within the next three years, if our forecasts prove accurate.

• The firm experienced a revenue CAGR of about 10.8% during the past 3 years. We expect its revenue growth to be better than its peer median during the next five years.

Relative Valuation

	Forward P/E	PEG	Price / FV
Chipotle	31.0	2.4	123.6%
Darden Restaurants	15.5	1.3	117.5%
McDonald's	17.2	2.0	113.3%
Yum! Brands	22.1	1.6	127.6%
Peer Median	19.6	1.8	120.6%
Starbucks	**26.6**	**2.2**	**115.3%**

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

Returns Summary

	3-year Historical Average
Return on Equity	29.5%
Return on Assets	17.3%
ROIC, with goodwill	43.0%
ROIC, without goodwill	48.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-11	Sep-12	Sep-13
Revenue	11,700	13,300	15,028
Revenue, YoY%	9.3%	13.7%	13.0%
Operating Income	1,525	1,787	2,560
Operating Margin %	13.0%	13.4%	17.0%
Net Income	1,246	1,384	1,699
Net Income Margin %	10.6%	10.4%	11.3%
Diluted EPS	1.62	1.79	2.17
Diluted EPS, YoY %	30.8%	10.6%	21.3%
Free Cash Flow (CFO-capex)	1,081	894	1,360
Free Cash Flow Margin %	9.2%	6.7%	9.1%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	550
Net Debt	-1,487
Total Debt/EBITDA	0.2
Net Debt/EBITDA	NMF
EBITDA/Interest	72.4
Current Ratio	1.9
Quick Ratio	1.1

NMF = Not Meaningful

Structure of the Restaurants Industry — NEUTRAL

The restaurant industry has benefited from a long-term trend toward eating out, but the space has become increasingly more competitive as new concepts are introduced and successful chains expand. Not only are there pricing pressures and trade-down threats, but rising costs for commodities and labor have pressured profits. Barriers to entry are low, and many constituents have a difficult time differentiating themselves. We tend to like larger chains that benefit from scale advantages and international expansion opportunities, though niche franchises can be appealing. We're neutral on the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

Consumer Staples

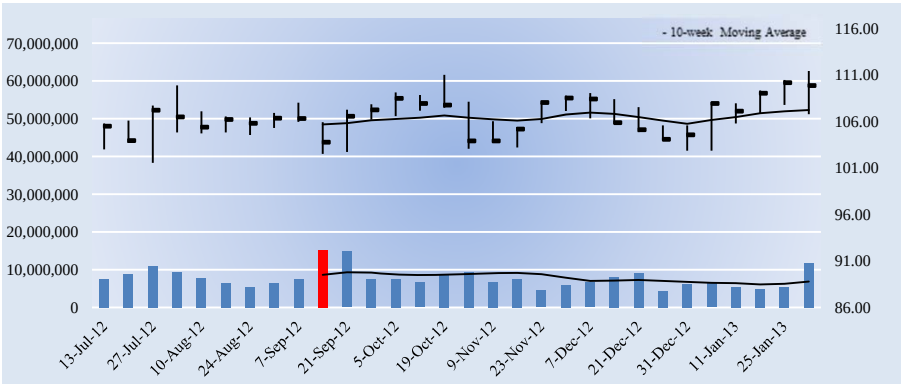
Colgate-Palmolive CL FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$109.84	$90.00	$68.00 - $113.00	LARGE-CAP CORE	Consumer Staples	Household Products

Colgate is a leader in oral care and personal care and boasts an enviable track record of consecutive dividend increases.

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).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Support, 10-week MA	**107.00**

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.

Company Vitals

Market Cap (USD)	$54,041
Avg Weekly Vol (30 wks)	7,776
30-week Range (USD)	101.52 - 111.37
Valuentum Sector	Consumer Staples
5-week Return	5.8%
13-week Return	5.6%
30-week Return	5.0%
Dividend Yield %	2.3%
Dividends per Share	2.48
Forward Dividend Payout Ratio	46.2%
Est. Normal Diluted EPS	6.50
P/E on Est. Normal Diluted EPS	16.9
Est. Normal EBITDA	5,306
Forward EV/EBITDA	12.8
EV/Est. Normal EBITDA	10.9
Forward Revenue Growth (5-yr)	4.4%
Forward EPS Growth (5-yr)	9.0%

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

Investment Highlights

• Colgate-Palmolive earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 56% during the past three years.

• Colgate is a leader in oral care and personal care with the leading toothpaste, manual toothbrush, and liquid hand soap brands throughout many parts of the world. Its portfolio includes Colgate Total, Colgate Plax, and Palmolive.

• Colgate-Palmolive 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 17% in coming years. Total debt-to-EBITDA was 1.1 last year, while debt-to-book capitalization stood at 66.9%.

• Colgate's growth metrics have been staggering in recent history. Net sales have advanced at a CAGR of 5%+ since 1991, the firm's gross margin has increased from 37.9% in 1984 to the high-50% today, while operating profit has increased at a 9%+ CAGR since the early 1990s. We expect solid performance to continue.

• The firm sports a very nice dividend yield of 2.3%. We expect the firm to pay out about 46% of next year's earnings to shareholders as dividends. Colgate has raised its dividend for more than 49 consecutive years.

Relative Valuation

	Forward P/E	PEG	Price / FV
Clorox	18.1	2.3	108.4%
Johnson & Johnson	14.5	1.6	84.3%
Kimberly-Clark	17.1	2.1	121.6%
Procter & Gamble	18.4	1.8	108.5%
Peer Median	17.6	1.9	108.4%
Colgate-Palmolive	**20.5**	**2.5**	**122.0%**

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

Returns Summary

	3-year Historical Average
Return on Equity	95.2%
Return on Assets	21.6%
ROIC, with goodwill	37.0%
ROIC, without goodwill	56.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	15,564	16,734	17,080
Revenue, YoY%	1.5%	7.5%	2.1%
Operating Income	3,790	3,832	4,110
Operating Margin %	24.4%	22.9%	24.1%
Net Income	2,203	2,431	2,612
Net Income Margin %	14.2%	14.5%	15.3%
Diluted EPS	4.31	4.94	5.36
Diluted EPS, YoY %	-1.3%	14.6%	8.5%
Free Cash Flow (CFO-capex)	2,661	2,359	2,695
Free Cash Flow Margin %	17.1%	14.1%	15.8%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	4,810
Net Debt	3,932
Total Debt/EBITDA	1.1
Net Debt/EBITDA	0.9
EBITDA/Interest	72.1
Current Ratio	1.2
Quick Ratio	0.7

NMF = Not Meaningful

Structure of the Household Products Industry — GOOD

Firms in the household products industry sell some of the most recognized branded consumer packaged goods in the world and often hold a significant market share position in a variety of product categories. Though the industry is characterized by stiff competition from retailers' private-label brands, constituents tend to boast meaningful competitive advantages due to their brand strength/reputation and generate high returns on invested capital. Household products companies remain tied to the vicissitudes of consumer spending, but we tend to like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

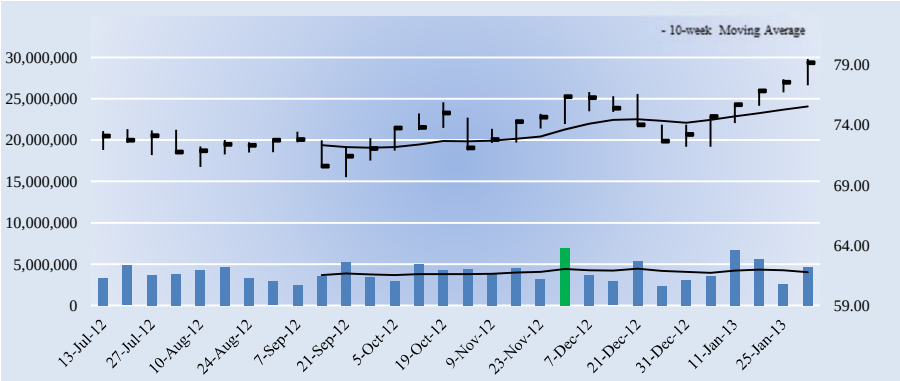
Clorox CLX FAIRLY VALUED

Buying Index™ 5 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$79.16	$73.00	$55.00 - $91.00	LARGE-CAP CORE	Consumer Staples	Household Products

Nearly 90 percent of Clorox's brands hold the #1 or #2 market share positions in their categories.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$10,474
Avg Weekly Vol (30 wks)	4,042
30-week Range (USD)	69.67 - 79.48
Valuentum Sector	Consumer Staples
5-week Return	9.1%
13-week Return	8.7%
30-week Return	9.7%
Dividend Yield %	3.2%
Dividends per Share	2.56
Forward Dividend Payout Ratio	58.4%
Est. Normal Diluted EPS	5.21
P/E on Est. Normal Diluted EPS	15.2
Est. Normal EBITDA	1,270
Forward EV/EBITDA	11.3
EV/Est. Normal EBITDA	10.2
Forward Revenue Growth (5-yr)	4.2%
Forward EPS Growth (5-yr)	8.5%

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

Returns Summary

	3-year Historical Average
Return on Equity	-6978.5%
Return on Assets	10.8%
ROIC, with goodwill	22.1%
ROIC, without goodwill	39.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,721
Net Debt	2,454
Total Debt/EBITDA	2.5
Net Debt/EBITDA	2.3
EBITDA/Interest	8.6
Current Ratio	0.7
Quick Ratio	0.5

NMF = Not Meaningful

Investment Highlights

• Clorox earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 39.6% during the past three years.

• Clorox markets some blockbuster brand names, including its namesake bleach/cleaning products, Pine-Sol cleaners, Fresh Step cat litter, Glad bags, Kingsford charcoal, and KC Masterpiece sauces. Nearly 90 percent of the company's brands hold the #1 or #2 market share positions in their categories.

• Clorox has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 10.9% in coming years. Total debt-to-EBITDA was 2.5 last year, while debt-to-book capitalization stood at 105.2%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• The company has some noteworthy annual financial goals: organic sales growth of 3%-5%, EBIT margin improvement of 25-50 basis points, and free cash flow of 10%-12% of sales.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**NEUTRAL**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**OVERBOUGHT**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Support, 10-week MA	**76.00**

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
Colgate-Palmolive	20.5	2.5	122.0%
Johnson & Johnson	14.5	1.6	84.3%
Kimberly-Clark	17.1	2.1	121.6%
Procter & Gamble	18.4	1.8	108.5%
Peer Median	17.8	1.9	115.0%
Clorox	**18.1**	**2.3**	**108.4%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jun-11	Jun-12	Jun-13
Revenue	5,231	5,468	5,741
Revenue, YoY%	-5.5%	4.5%	5.0%
Operating Income	921	903	953
Operating Margin %	17.6%	16.5%	16.6%
Net Income	287	543	568
Net Income Margin %	5.5%	9.9%	9.9%
Diluted EPS	2.08	4.10	4.38
Diluted EPS, YoY %	-51.2%	97.5%	6.8%
Free Cash Flow (CFO-capex)	200	422	588
Free Cash Flow Margin %	3.8%	7.7%	10.2%

In Millions of USD (except for per share items)

Structure of the Household Products Industry — GOOD

Firms in the household products industry sell some of the most recognized branded consumer packaged goods in the world and often hold a significant market share position in a variety of product categories. Though the industry is characterized by stiff competition from retailers' private-label brands, constituents tend to boast meaningful competitive advantages due to their brand strength/reputation and generate high returns on invested capital. Household products companies remain tied to the vicissitudes of consumer spending, but we tend to like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

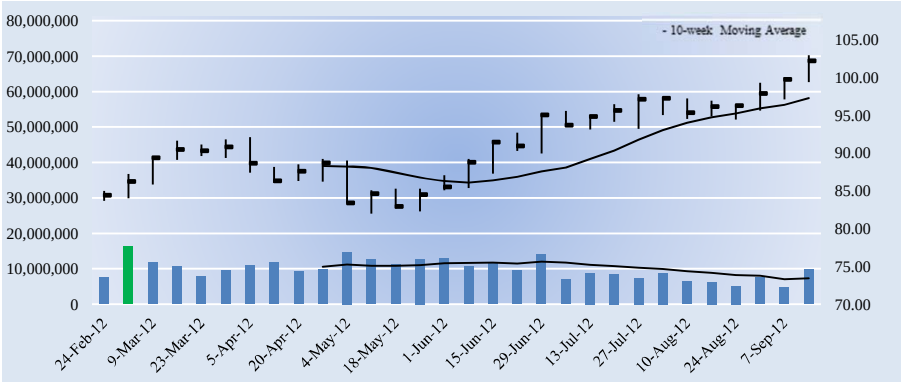
Costco COST FAIRLY VALUED

Buying Index™ 5 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$102.18	$86.00	$69.00 - $103.00	LARGE-CAP CORE	Consumer Staples	Food Retailers

Costco 's shares look fairly valued based on our discounted cash flow process.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$45,275
Avg Weekly Vol (30 wks)	9,866
30-week Range (USD)	81.98 - 102.89
Valuentum Sector	Consumer Staples
5-week Return	7.5%
13-week Return	11.8%
30-week Return	20.9%
Dividend Yield %	1.1%
Dividends per Share	1.10
Forward Dividend Payout Ratio	28.2%
Est. Normal Diluted EPS	4.77
P/E on Est. Normal Diluted EPS	21.4
Est. Normal EBITDA	4,457
Forward EV/EBITDA	11.1
EV/Est. Normal EBITDA	9.4
Forward Revenue Growth (5-yr)	7.0%
Forward EPS Growth (5-yr)	10.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	12.5%
Return on Assets	5.7%
ROIC, with goodwill	18.0%
ROIC, without goodwill	18.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,153
Net Debt	-3,460
Total Debt/EBITDA	0.7
Net Debt/EBITDA	NMF
EBITDA/Interest	28.5
Current Ratio	1.1
Quick Ratio	0.5

NMF = Not Meaningful

Investment Highlights

• Costco '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 few years, a combination we view very positively.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $69, we'd take a closer look.

• Costco '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.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• The company's shares are overbought based on its money flow index. A short-term pull back in the stock price wouldn't be unexpected.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**MEDIUM**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**NEUTRAL**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**OVERBOUGHT**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**97.00**

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
Walgreen	13.8	1.6	100.1%
Wal-Mart	15.0	2.4	106.4%
Kroger	9.8	1.0	95.2%
Target	14.8	2.1	104.3%
Peer Median	14.3	1.8	102.2%
Costco	**26.2**	**2.9**	**118.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Aug-10	Aug-11	Aug-12
Revenue	77,946	88,915	98,696
Revenue, YoY%	9.1%	14.1%	11.0%
Operating Income	2,085	2,448	2,832
Operating Margin %	2.7%	2.8%	2.9%
Net Income	1,303	1,462	1,716
Net Income Margin %	1.7%	1.6%	1.7%
Diluted EPS	2.92	3.30	3.90
Diluted EPS, YoY %	18.5%	12.9%	18.2%
Free Cash Flow (CFO-capex)	1,725	1,908	1,754
Free Cash Flow Margin %	2.2%	2.1%	1.8%

In Millions of USD (except for per share items)

Structure of the Food Retailers Industry — NEUTRAL

Firms in the mature food retailers industry generally have slim profit margins and face significant competition from brick-and-mortar locations (discount, department, drug, dollar, warehouse clubs and supermarkets) as well as Internet-based retailers (including Amazon). Though the industry is not terribly cyclical, economic conditions, disposable income, credit availability, fuel prices, and unemployment levels drive ticket size and traffic trends. Offering consumers a compelling value proposition is a must, even as higher-priced organic food offerings proliferate. We're generally neutral on the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

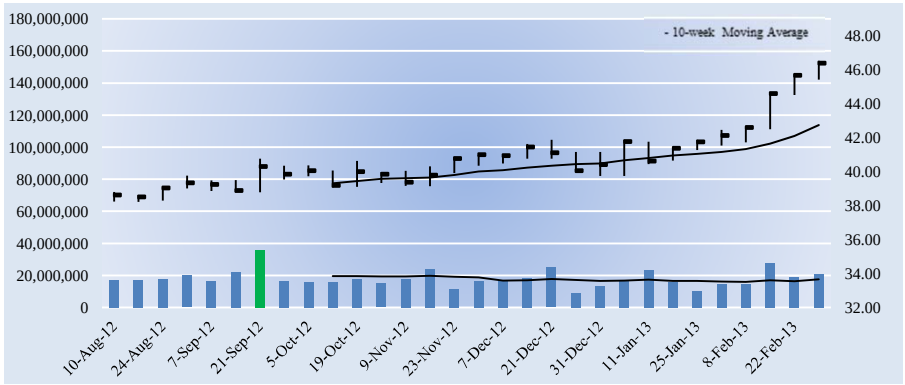
General Mills GIS FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$46.39	$39.00	$31.00 - $47.00	LARGE-CAP CORE	Consumer Staples	Food Products - Large

General Mills continues to dominate the US cereal market.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**43.00**

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.

Company Vitals

Market Cap (USD)	$30,928
Avg Weekly Vol (30 wks)	18,058
30-week Range (USD)	38.21 - 46.53
Valuentum Sector	Consumer Staples
5-week Return	11.2%
13-week Return	13.3%
30-week Return	20.3%
Dividend Yield %	2.8%
Dividends per Share	1.32
Forward Dividend Payout Ratio	48.8%
Est. Normal Diluted EPS	3.18
P/E on Est. Normal Diluted EPS	14.6
Est. Normal EBITDA	4,086
Forward EV/EBITDA	10.3
EV/Est. Normal EBITDA	9.3
Forward Revenue Growth (5-yr)	5.0%
Forward EPS Growth (5-yr)	9.3%

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

Investment Highlights

• General Mills' 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 few years, a combination we view very positively.

• General Mills continues to dominate the US cereal market with brands such as Cheerios, Lucky Charms, and Cinnamon Toast Crunch. The firm has increased its cereal market share to roughly 31.5% in 2012 from 29.7% in 2008.

• General Mills has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 9.5% in coming years. Total debt-to-EBITDA was 2.3 last year, while debt-to-book capitalization stood at 53.6%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• The firm's share of the grains snack market has advanced to nearly 35% in 2012 from 24.4% in 2007. Nature Valley and Fiber One continue to be strong brands in the eyes of the consumer.

Relative Valuation

	Forward P/E	PEG	Price / FV
Campbell Soup	16.3	2.5	123.9%
Kellogg	16.8	2.4	110.1%
Kraft Foods	17.7	3.4	115.6%
Unilever	19.4	NMF	115.1%
Peer Median	17.2	2.5	115.4%
General Mills	**17.1**	**2.1**	**118.9%**

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

Returns Summary

	3-year Historical Average
Return on Equity	28.2%
Return on Assets	8.8%
ROIC, with goodwill	11.1%
ROIC, without goodwill	21.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	May-11	May-12	May-13
Revenue	14,880	16,658	17,824
Revenue, YoY%	0.6%	11.9%	7.0%
Operating Income	2,762	2,664	3,106
Operating Margin %	18.6%	16.0%	17.4%
Net Income	1,798	1,567	1,769
Net Income Margin %	12.1%	9.4%	9.9%
Diluted EPS	2.71	2.35	2.71
Diluted EPS, YoY %	20.8%	-13.1%	15.1%
Free Cash Flow (CFO-capex)	878	1,726	1,583
Free Cash Flow Margin %	5.9%	10.4%	8.9%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	7,430
Net Debt	6,958
Total Debt/EBITDA	2.3
Net Debt/EBITDA	2.2
EBITDA/Interest	9.1
Current Ratio	1.0
Quick Ratio	0.5

NMF = Not Meaningful

Structure of the Food Products Industry — NEUTRAL

The food products industry is composed of a number of firms with strong brand names. However, market supply/demand dynamics and intense competition still impact product prices, while fluctuations in commodity costs can make earnings quite volatile. Private-label competition, competitors' promotional spending, and changing consumer preferences often drive demand trends. The group's customers—such as supermarkets, warehouses, and food distributors—continue to consolidate, increasing buying power over constituents and hurting margins. Still, we're generally neutral on the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

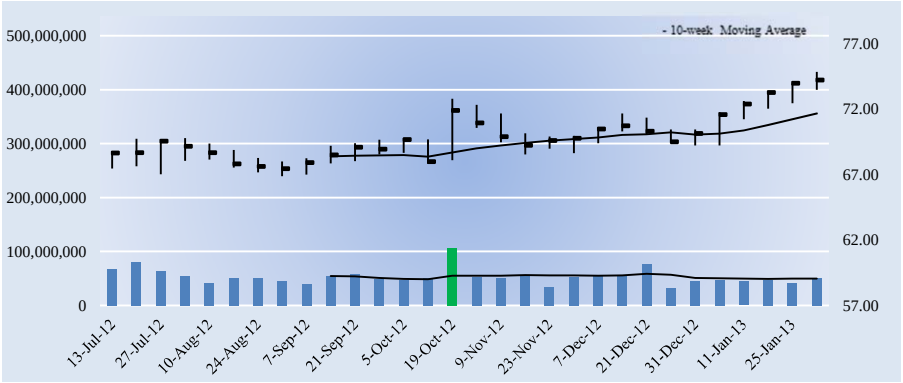
Johnson & Johnson JNJ FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$74.18	$88.00	$70.00 - $106.00	MEGA-CAP VALUE	Consumer Staples	Household Products

We like J&J's stable cash-flow generation and think the company will eventually converge to our estimate of its intrinsic value.

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).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**72.00**

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.

Company Vitals

Market Cap (USD)	$205,872
Avg Weekly Vol (30 wks)	53,425
30-week Range (USD)	66.85 - 74.8
Valuentum Sector	Consumer Staples
5-week Return	7.1%
13-week Return	6.3%
30-week Return	9.5%
Dividend Yield %	3.3%
Dividends per Share	2.44
Forward Dividend Payout Ratio	47.8%
Est. Normal Diluted EPS	5.79
P/E on Est. Normal Diluted EPS	12.8
Est. Normal EBITDA	24,365
Forward EV/EBITDA	8.9
EV/Est. Normal EBITDA	7.9
Forward Revenue Growth (5-yr)	4.7%
Forward EPS Growth (5-yr)	12.9%

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

Investment Highlights

• Johnson & Johnson'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 few years, a combination we view very positively.

• J&J has built one of the most comprehensive bases of health care businesses, generating approximately 70% of revenue from top positions in its respective markets. The firm remains focused on innovation and generating incremental revenue from new products while broadening its geographic presence.

• Johnson & Johnson 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 21.5% in coming years. Total debt-to-EBITDA was 1 last year, while debt-to-book capitalization stood at 25.6%.

• The firm's pharmaceutical portfolio remains impressive. The company's REMICADE has 16 indications and 75% share of the US market for IV immunology products. Plus, it has exclusivity through 2018 in the US. STELARA and SIMPONI are other key profit drivers.

• J&J's dividend track record has been very impressive. The firm's annual dividend payout has advanced from just $0.43 per share in 1997 to its current payout of $2.44 per share.

Relative Valuation

	Forward P/E	PEG	Price / FV
Clorox	18.1	2.3	108.4%
Colgate-Palmolive	20.5	2.5	122.0%
Kimberly-Clark	17.1	2.1	121.6%
Procter & Gamble	18.4	1.8	108.5%
Peer Median	18.2	2.2	115.0%
Johnson & Johnson	**14.5**	**1.6**	**84.3%**

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

Returns Summary

	3-year Historical Average
Return on Equity	22.8%
Return on Assets	12.0%
ROIC, with goodwill	24.1%
ROIC, without goodwill	32.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	61,587	65,030	67,220
Revenue, YoY%	-0.5%	5.6%	3.4%
Operating Income	16,527	16,153	18,480
Operating Margin %	26.8%	24.8%	27.5%
Net Income	13,334	9,672	14,087
Net Income Margin %	21.7%	14.9%	21.0%
Diluted EPS	4.78	3.49	5.10
Diluted EPS, YoY %	8.7%	-27.1%	46.4%
Free Cash Flow (CFO-capex)	14,001	11,405	14,447
Free Cash Flow Margin %	22.7%	17.5%	21.5%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	19,627
Net Debt	-12,634
Total Debt/EBITDA	1.0
Net Debt/EBITDA	NMF
EBITDA/Interest	33.8
Current Ratio	2.4
Quick Ratio	1.9

NMF = Not Meaningful

Structure of the Household Products Industry — GOOD

Firms in the household products industry sell some of the most recognized branded consumer packaged goods in the world and often hold a significant market share position in a variety of product categories. Though the industry is characterized by stiff competition from retailers' private-label brands, constituents tend to boast meaningful competitive advantages due to their brand strength/reputation and generate high returns on invested capital. Household products companies remain tied to the vicissitudes of consumer spending, but we tend to like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

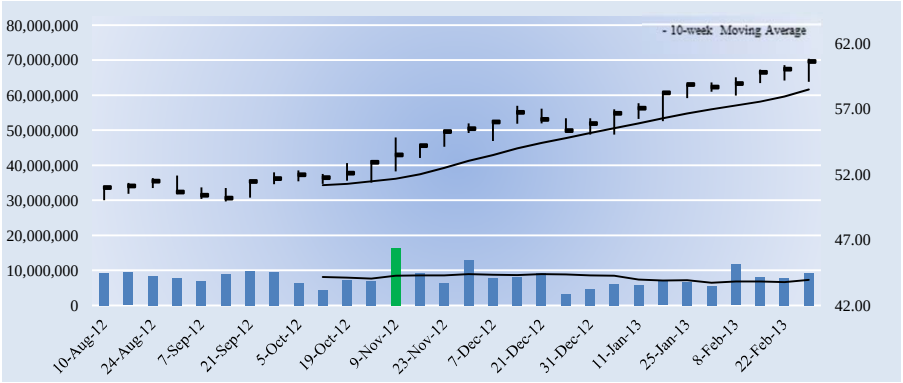
Kellogg K FAIRLY VALUED

Buying Index™ 5 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$60.58	$55.00	$44.00 - $66.00	LARGE-CAP CORE	Consumer Staples	Food Products - Large

Kellogg's acquisition of Pringles gives it a growth engine in emerging markets.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$22,051
Avg Weekly Vol (30 wks)	8,058
30-week Range (USD)	49.92 - 60.79
Valuentum Sector	Consumer Staples
5-week Return	3.2%
13-week Return	8.3%
30-week Return	20.5%
Dividend Yield %	2.9%
Dividends per Share	1.76
Forward Dividend Payout Ratio	48.8%
Est. Normal Diluted EPS	4.23
P/E on Est. Normal Diluted EPS	14.3
Est. Normal EBITDA	2,769
Forward EV/EBITDA	11.3
EV/Est. Normal EBITDA	10.0
Forward Revenue Growth (5-yr)	5.9%
Forward EPS Growth (5-yr)	7.4%

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

Returns Summary

	3-year Historical Average
Return on Equity	61.2%
Return on Assets	10.7%
ROIC, with goodwill	13.7%
ROIC, without goodwill	24.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	6,032
Net Debt	5,572
Total Debt/EBITDA	2.6
Net Debt/EBITDA	2.4
EBITDA/Interest	10.1
Current Ratio	0.9
Quick Ratio	0.5

NMF = Not Meaningful

Investment Highlights

• Kellogg'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 few years, a combination we view very positively.

• Kellogg has a number of iconic brands. For one, Pop-Tarts has an impressive 80%+ share in the toaster pastries market thanks to strong advertising and innovation efforts.

• Kellogg has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 8.4% in coming years. Total debt-to-EBITDA was 2.6 last year, while debt-to-book capitalization stood at 77.4%.

• The firm's share price performance has been roughly in line with that of the market during the past quarter. We'd expect the firm's stock price to converge to our fair value estimate within the next three years, if our forecasts prove accurate.

• Kellogg's acquisition of Pringles continues to perform better than expected. Pringles' potato chip business gives Kellogg a brand with more than $1.5 billion in annual sales and a solid growth engine in emerging markets.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**NEUTRAL**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**OVERBOUGHT**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**58.00**

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
Campbell Soup	16.3	2.5	123.9%
General Mills	17.1	2.1	118.9%
Kraft Foods	17.7	3.4	115.6%
Unilever	19.4	NMF	115.1%
Peer Median	17.4	2.5	117.3%
Kellogg	**16.8**	**2.4**	**110.1%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	12,397	13,198	14,200
Revenue, YoY%	-1.4%	6.5%	7.6%
Operating Income	1,990	1,976	2,053
Operating Margin %	16.1%	15.0%	14.5%
Net Income	1,247	1,231	1,299
Net Income Margin %	10.1%	9.3%	9.2%
Diluted EPS	3.30	3.38	3.61
Diluted EPS, YoY %	4.5%	2.5%	6.6%
Free Cash Flow (CFO-capex)	534	1,001	1,068
Free Cash Flow Margin %	4.3%	7.6%	7.5%

In Millions of USD (except for per share items)

Structure of the Food Products Industry — NEUTRAL

The food products industry is composed of a number of firms with strong brand names. However, market supply/demand dynamics and intense competition still impact product prices, while fluctuations in commodity costs can make earnings quite volatile. Private-label competition, competitors' promotional spending, and changing consumer preferences often drive demand trends. The group's customers—such as supermarkets, warehouses, and food distributors—continue to consolidate, increasing buying power over constituents and hurting margins. Still, we're generally neutral on the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

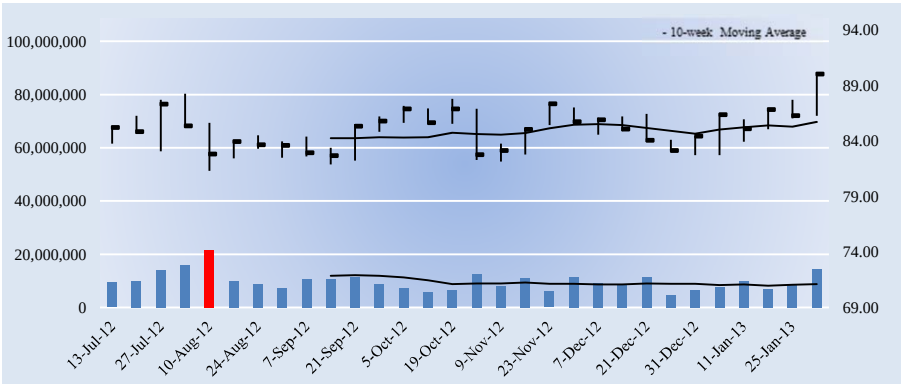
Kimberly-Clark KMB FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$90.01	$74.00	$56.00 - $93.00	LARGE-CAP CORE	Consumer Staples	Household Products

Though Kimberly-Clark has raised its dividend in each of the past 40+ years, its Dividend Cushion score, while above 1, is not great.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$35,878
Avg Weekly Vol (30 wks)	9,862
30-week Range (USD)	81.29 - 90.19
Valuentum Sector	Consumer Staples
5-week Return	8.7%
13-week Return	8.3%
30-week Return	7.3%
Dividend Yield %	3.3%
Dividends per Share	2.96
Forward Dividend Payout Ratio	56.4%
Est. Normal Diluted EPS	5.97
P/E on Est. Normal Diluted EPS	15.1
Est. Normal EBITDA	4,800
Forward EV/EBITDA	9.5
EV/Est. Normal EBITDA	8.7
Forward Revenue Growth (5-yr)	2.2%
Forward EPS Growth (5-yr)	10.8%

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

Returns Summary

	3-year Historical Average
Return on Equity	35.8%
Return on Assets	9.7%
ROIC, with goodwill	12.3%
ROIC, without goodwill	16.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	6,132
Net Debt	5,368
Total Debt/EBITDA	1.8
Net Debt/EBITDA	1.5
EBITDA/Interest	12.6
Current Ratio	1.2
Quick Ratio	0.6

NMF = Not Meaningful

Investment Highlights

• Kimberly-Clark earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 16.8% during the past three years.

• Kimberly-Clark is best known for its personal care and consumer tissue brands, which include Huggies, Pull-Ups, Little Swimmers, Depend, Kleenex, Scott, and Cottonelle. Its portfolio remains strong.

• Kimberly-Clark has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 10.8% in coming years. Total debt-to-EBITDA was 1.8 last year, while debt-to-book capitalization stood at 51.4%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• Though Kimberly-Clark has raised its dividend in each of the past 40+ years, its Dividend Cushion score, while above 1, is not great. We don't expect much more than inflationary annual dividend expansion going forward.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**86.00**

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
Clorox	18.1	2.3	108.4%
Colgate-Palmolive	20.5	2.5	122.0%
Johnson & Johnson	14.5	1.6	84.3%
Procter & Gamble	18.4	1.8	108.5%
Peer Median	18.2	2.0	108.4%
Kimberly-Clark	**17.1**	**2.1**	**121.6%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	19,746	20,846	21,060
Revenue, YoY%	3.3%	5.6%	1.0%
Operating Income	2,877	2,391	3,285
Operating Margin %	14.6%	11.5%	15.6%
Net Income	1,843	1,591	2,083
Net Income Margin %	9.3%	7.6%	9.9%
Diluted EPS	4.45	3.99	5.25
Diluted EPS, YoY %	-1.6%	-10.3%	31.6%
Free Cash Flow (CFO-capex)	1,780	1,320	2,182
Free Cash Flow Margin %	9.0%	6.3%	10.4%

In Millions of USD (except for per share items)

Structure of the Household Products Industry — GOOD

Firms in the household products industry sell some of the most recognized branded consumer packaged goods in the world and often hold a significant market share position in a variety of product categories. Though the industry is characterized by stiff competition from retailers' private-label brands, constituents tend to boast meaningful competitive advantages due to their brand strength/reputation and generate high returns on invested capital. Household products companies remain tied to the vicissitudes of consumer spending, but we tend to like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

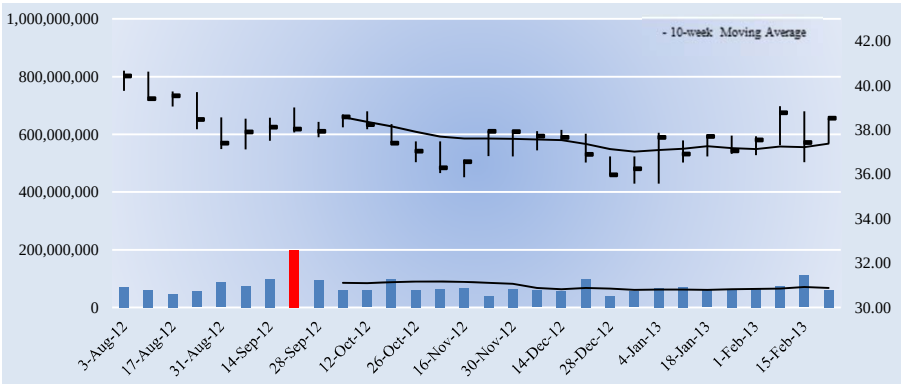
Coca-Cola KO FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$38.52	$34.00	$27.00 - $41.00	LARGE-CAP CORE	Consumer Staples	Beverages - nonalcoholic

Coca-Cola owns and markets four of the world's top five nonalcoholic sparkling beverage brands: Coca-Cola, Diet Coke, Fanta and Sprite.

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)	$178,964
Avg Weekly Vol (30 wks)	73,325
30-week Range (USD)	35.58 - 40.66
Valuentum Sector	Consumer Staples
5-week Return	2.1%
13-week Return	1.6%
30-week Return	-3.4%
Dividend Yield %	2.9%
Dividends per Share	1.12
Forward Dividend Payout Ratio	55.7%
Est. Normal Diluted EPS	2.27
P/E on Est. Normal Diluted EPS	16.9
Est. Normal EBITDA	15,301
Forward EV/EBITDA	14.2
EV/Est. Normal EBITDA	12.6
Forward Revenue Growth (5-yr)	3.8%
Forward EPS Growth (5-yr)	6.6%

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

Returns Summary

	3-year Historical Average
Return on Equity	33.5%
Return on Assets	15.4%
ROIC, with goodwill	16.6%
ROIC, without goodwill	21.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	28,568
Net Debt	14,533
Total Debt/EBITDA	2.4
Net Debt/EBITDA	1.2
EBITDA/Interest	29.0
Current Ratio	1.0
Quick Ratio	0.8

NMF = Not Meaningful

Investment Highlights

• Coca-Cola'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 few years, a combination we view very positively.

• Coca-Cola is the world's largest beverage company. The firm owns and markets four of the world's top five nonalcoholic sparkling beverage brands: Coca-Cola, Diet Coke, Fanta and Sprite.

• Coca-Cola has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 19.2% in coming years. Total debt-to-EBITDA was 2.4 last year, while debt-to-book capitalization stood at 47.5%.

• The company boasts a number of competitive advantages: its brands, financial strength, unrivaled distribution system, global reach, and a deep executive bench. Still, we don't expect the 'cola wars' with primary competitor Pepsi to subside anytime soon.

• The firm sports a very nice dividend yield of 2.9%. We expect the firm to pay out about 56% of next year's earnings to shareholders as dividends. The firm has raised its dividend in each of the past 50+ years.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**IMPROVING**
Near-term Technical Support, 10-week MA	**37.00**

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
Dr Pepper Snapple	14.7	2.4	102.1%
Monster Beverage	27.3	1.9	95.6%
National Beverage	11.2	1.7	84.7%
PepsiCo	18.4	3.7	116.3%
Peer Median	16.6	2.2	98.9%
Coca-Cola	**19.2**	**3.2**	**113.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	35,119	46,542	48,030
Revenue, YoY%	13.3%	32.5%	3.2%
Operating Income	8,449	10,154	11,645
Operating Margin %	24.1%	21.8%	24.2%
Net Income	11,809	8,572	9,298
Net Income Margin %	33.6%	18.4%	19.4%
Diluted EPS	2.53	1.85	2.01
Diluted EPS, YoY %	72.8%	-27.1%	8.9%
Free Cash Flow (CFO-capex)	7,317	6,554	8,461
Free Cash Flow Margin %	20.8%	14.1%	17.6%

In Millions of USD (except for per share items)

Structure of the Nonalcoholic Beverages Industry — GOOD

The nonalcoholic beverage segment of the commercial beverage industry is highly competitive, consisting of numerous companies that make various sparkling beverages, water products, juices, fruit drinks, energy and other performance-enhancing drinks. Pricing, advertising, product innovation, the availability of in-store private-label beverages, and health concerns about sugar-sweetened beverages are key drivers that impact demand. Leading brands with high levels of consumer acceptance and an expansive distribution network are sources of competitive strengths. We like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

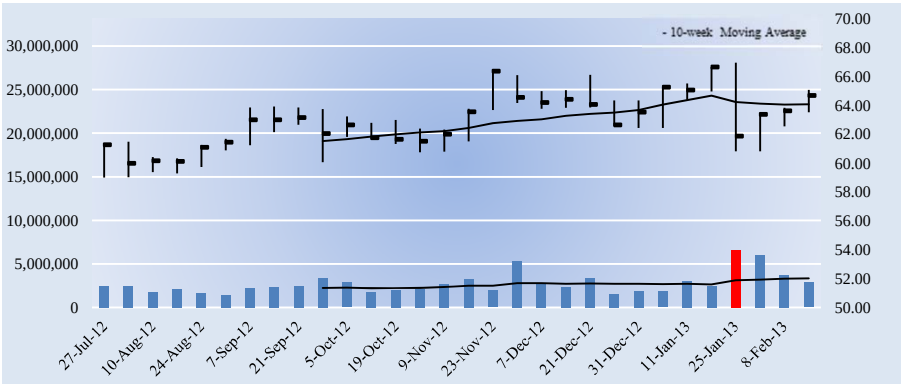
McCormick MKC FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$64.69	$62.00	$50.00 - $74.00	MID-CAP CORE	Consumer Staples	Food Products

Two thirds of McCormick's sales are generated by branded products with a #1 position in their respective markets.

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).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**VERY BULLISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**64.00**

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.

Company Vitals

Market Cap (USD)	$8,688
Avg Weekly Vol (30 wks)	2,761
30-week Range (USD)	59 - 66.95
Valuentum Sector	Consumer Staples
5-week Return	-0.6%
13-week Return	-1.9%
30-week Return	7.0%
Dividend Yield %	2.1%
Dividends per Share	1.36
Forward Dividend Payout Ratio	41.9%
Est. Normal Diluted EPS	3.93
P/E on Est. Normal Diluted EPS	16.5
Est. Normal EBITDA	895
Forward EV/EBITDA	12.9
EV/Est. Normal EBITDA	10.9
Forward Revenue Growth (5-yr)	5.6%
Forward EPS Growth (5-yr)	9.8%

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

Investment Highlights

• McCormick'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 few years, a combination we view very positively.

• McCormick dubs itself the global leader in flavor. The company makes spices, seasoning mixes, condiments and other flavorful products and distributes them to the entire food industry.

• McCormick has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 11.1% in coming years. Total debt-to-EBITDA was 1.7 last year, while debt-to-book capitalization stood at 41%.

• Two thirds of McCormick's sales are generated by branded products with a #1 position in their respective markets. Such brand strength should help the firm deliver on its long-term annual goals of mid-single-digit revenue expansion and 9%-11% earnings-per-share growth.

• The firm's international growth prospects are fantastic. In India, for example, demand for flavor has grown at a 12% CAGR since 2006. In China, this number is 8%.

Relative Valuation

	Forward P/E	PEG	Price / FV
Dean Foods	11.7	NMF	102.1%
Hormel Foods	18.2	2.5	124.4%
Smucker	17.5	2.2	115.5%
Tyson Foods	11.3	1.3	85.8%
Peer Median	14.6	2.2	108.8%
McCormick	**20.0**	**2.3**	**104.3%**

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

Returns Summary

	3-year Historical Average
Return on Equity	23.7%
Return on Assets	9.6%
ROIC, with goodwill	15.2%
ROIC, without goodwill	36.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Nov-11	Nov-12	Nov-13
Revenue	3,698	4,014	4,255
Revenue, YoY%	10.8%	8.6%	6.0%
Operating Income	540	578	648
Operating Margin %	14.6%	14.4%	15.2%
Net Income	349	386	435
Net Income Margin %	9.4%	9.6%	10.2%
Diluted EPS	2.60	2.88	3.24
Diluted EPS, YoY %	1.5%	10.8%	12.7%
Free Cash Flow (CFO-capex)	218	323	429
Free Cash Flow Margin %	5.9%	8.1%	10.1%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,172
Net Debt	1,093
Total Debt/EBITDA	1.7
Net Debt/EBITDA	1.6
EBITDA/Interest	12.5
Current Ratio	1.1
Quick Ratio	0.5

NMF = Not Meaningful

Structure of the Food Products Industry — NEUTRAL

The food products industry is composed of a number of firms with strong brand names. However, market supply/demand dynamics and intense competition still impact product prices, while fluctuations in commodity costs can make earnings quite volatile. Private-label competition, competitors' promotional spending, and changing consumer preferences often drive demand trends. The group's customers—such as supermarkets, warehouses, and food distributors—continue to consolidate, increasing buying power over constituents and hurting margins. Still, we're generally neutral on the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

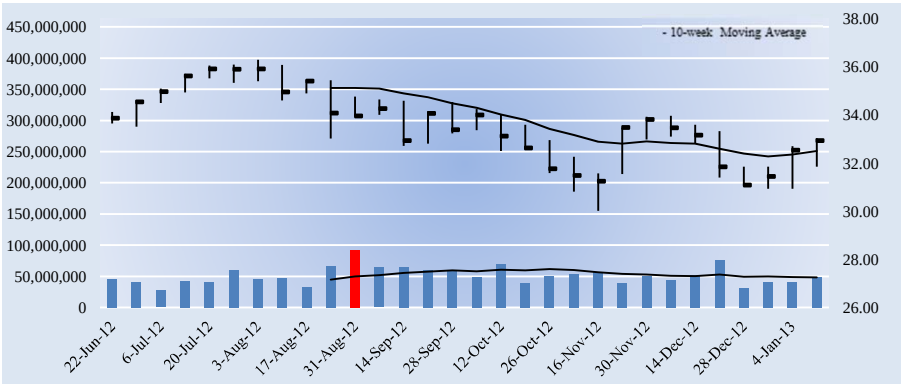
Altria Group MO UNDERVALUED 3.2%

Buying Index™ 9 **Value Rating** ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$32.93	$43.00	$34.00 - $52.00	LARGE-CAP VALUE	Consumer Staples	Tobacco

Altria has roughly a 27% economic and voting interest in SABMiller. We don't think the market is giving it full credit for this position.

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).

Investment Considerations

DCF Valuation	**UNDERVALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**VERY BULLISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**IMPROVING**
Near-term Technical Support, 10-week MA	**33.00**

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.

Company Vitals

Market Cap (USD)	$67,968
Avg Weekly Vol (30 wks)	51,063
30-week Range (USD)	30.01 - 36.29
Valuentum Sector	Consumer Staples
5-week Return	-1.0%
13-week Return	-0.5%
30-week Return	-2.4%
Dividend Yield %	5.3%
Dividends per Share	1.76
Forward Dividend Payout Ratio	78.8%
Est. Normal Diluted EPS	2.51
P/E on Est. Normal Diluted EPS	13.1
Est. Normal EBITDA	10,162
Forward EV/EBITDA	8.4
EV/Est. Normal EBITDA	7.7
Forward Revenue Growth (5-yr)	2.8%
Forward EPS Growth (5-yr)	11.0%

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

Investment Highlights

• Altria Group'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 few years, a combination we view very positively.

• Altria Group's valuation is compelling at this time. The firm is trading at a nice discount to our estimate of its fair value, even after considering an appropriate margin of safety. The firm's forward earnings multiple and PEG ratio also look attractive versus peers.

• Altria Group has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 37.6% in coming years. Total debt-to-EBITDA was 2.1 last year, while debt-to-book capitalization stood at 78.8%.

• The firm posts a VBI score of 9. We like the firm's prospects as an investment candidate on this basis. In fact, very few firms score above an 8 on our scale.

• Altria's wholly-owned subsidiaries are engaged in the manufacture and sale of cigarettes and certain smokeless products in the US. The firm also has roughly a 27% economic and voting interest in SABMiller.

Relative Valuation

	Forward P/E	PEG	Price / FV
Lorillard	13.8	NMF	105.4%
Philip Morris	17.0	1.9	123.9%
Reynolds American	14.3	2.4	104.0%
Vector Group	37.6	0.6	101.4%
Peer Median	15.6	1.9	104.7%
Altria Group	**14.8**	**1.8**	**76.6%**

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

Returns Summary

	3-year Historical Average
Return on Equity	84.6%
Return on Assets	9.9%
ROIC, with goodwill	28.8%
ROIC, without goodwill	41.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	13,689
Net Debt	10,419
Total Debt/EBITDA	2.1
Net Debt/EBITDA	1.6
EBITDA/Interest	5.4
Current Ratio	0.9
Quick Ratio	0.5

NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	16,892	16,619	17,450
Revenue, YoY%	0.4%	-1.6%	5.0%
Operating Income	6,264	6,276	9,030
Operating Margin %	37.1%	37.8%	51.7%
Net Income	3,905	3,390	4,598
Net Income Margin %	23.1%	20.4%	26.3%
Diluted EPS	1.88	1.64	2.23
Diluted EPS, YoY %	21.3%	-12.6%	35.9%
Free Cash Flow (CFO-capex)	2,599	3,508	6,199
Free Cash Flow Margin %	15.4%	21.1%	35.5%

In Millions of USD (except for per share items)

Structure of the Tobacco Industry — GOOD

The oligopolistic tobacco industry is attractive in a number of ways. Firms sell an "addictive" product (cigarettes and/or smokeless tobacco), have significant pricing power, generate high margins, and strong returns on invested capital. Still, declining trends in smoking in the US, threats of tobacco-related litigation, new tobacco regulation (labeling) that discourages tobacco use, and excise tax price shocks that may impact demand will always be concerns. Still, we tend to like the structural characteristics of the tobacco industry and the shareholder-friendly policies of constituents.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

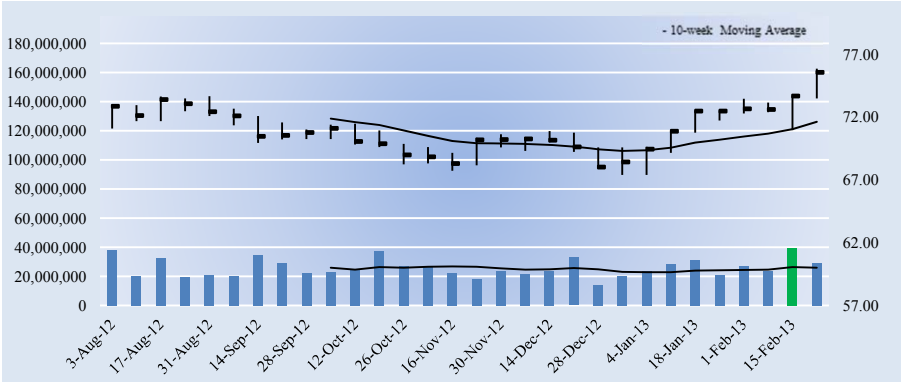
PepsiCo PEP FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$75.57	$65.00	$52.00 - $78.00	LARGE-CAP CORE	Consumer Staples	Beverages - nonalcoholic

Though we're huge fans of Pepsi's brand portfolio, competition remains fierce.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$120,685
Avg Weekly Vol (30 wks)	25,911
30-week Range (USD)	67.39 - 75.86
Valuentum Sector	Consumer Staples
5-week Return	4.4%
13-week Return	7.5%
30-week Return	5.0%
Dividend Yield %	2.8%
Dividends per Share	2.15
Forward Dividend Payout Ratio	52.4%
Est. Normal Diluted EPS	4.66
P/E on Est. Normal Diluted EPS	16.2
Est. Normal EBITDA	13,738
Forward EV/EBITDA	11.6
EV/Est. Normal EBITDA	10.4
Forward Revenue Growth (5-yr)	3.3%
Forward EPS Growth (5-yr)	5.0%

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

Returns Summary

	3-year Historical Average
Return on Equity	35.2%
Return on Assets	12.2%
ROIC, with goodwill	18.2%
ROIC, without goodwill	26.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	26,773
Net Debt	22,348
Total Debt/EBITDA	2.2
Net Debt/EBITDA	1.8
EBITDA/Interest	14.5
Current Ratio	1.0
Quick Ratio	0.6

NMF = Not Meaningful

Investment Highlights

• PepsiCo'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 few years, a combination we view very positively.

• Pepsi is a global food/beverage company with a plethora of respected brands. Its portfolio includes the namesake Pepsi, Mountain Dew, Gatorade, Lay's, Doritos, Cheetos, Tostitos, Ruffles, Quaker oatmeal, Aunt Jemima, among others.

• PepsiCo has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 10.2% in coming years. Total debt-to-EBITDA was 2.2 last year, while debt-to-book capitalization stood at 56.4%.

• Though we're huge fans of Pepsi's brand portfolio, competition remains fierce. Coca-Cola is its primary beverage competitor, while food and beverage rivals include Nestlé, Danone, Kellogg, General Mills, and Mondelēz.

• We're not calling for a dividend cut at Pepsi, but its Valuentum Dividend Cushion score doesn't leave much room for future growth in the dividend.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**72.00**

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
Coca-Cola	19.2	3.2	113.3%
Dr Pepper Snapple	14.7	2.4	102.1%
Monster Beverage	27.3	1.9	95.6%
National Beverage	11.2	1.7	84.7%
Peer Median	16.9	2.2	98.9%
PepsiCo	**18.4**	**3.7**	**116.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	57,838	66,504	65,490
Revenue, YoY%	33.8%	15.0%	-1.5%
Operating Income	8,332	9,633	9,589
Operating Margin %	14.4%	14.5%	14.6%
Net Income	6,320	6,443	6,549
Net Income Margin %	10.9%	9.7%	10.0%
Diluted EPS	3.92	4.03	4.10
Diluted EPS, YoY %	3.9%	3.0%	1.6%
Free Cash Flow (CFO-capex)	5,195	5,605	6,230
Free Cash Flow Margin %	9.0%	8.4%	9.5%

In Millions of USD (except for per share items)

Structure of the Nonalcoholic Beverages Industry — GOOD

The nonalcoholic beverage segment of the commercial beverage industry is highly competitive, consisting of numerous companies that make various sparkling beverages, water products, juices, fruit drinks, energy and other performance-enhancing drinks. Pricing, advertising, product innovation, the availability of in-store private-label beverages, and health concerns about sugar-sweetened beverages are key drivers that impact demand. Leading brands with high levels of consumer acceptance and an expansive distribution network are sources of competitive strengths. We like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

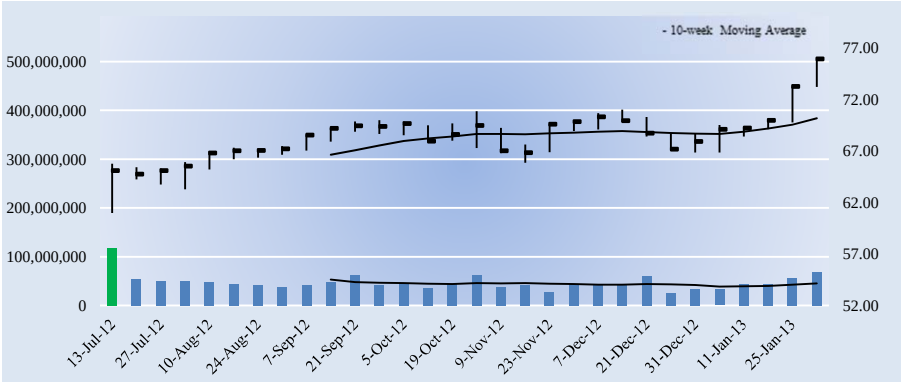
Procter & Gamble PG FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$75.92	$70.00	$56.00 - $84.00	MEGA-CAP CORE	Consumer Staples	Household Products

Procter & Gamble boasts some of the most recognized branded consumer packaged goods.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$223,296
Avg Weekly Vol (30 wks)	47,561
30-week Range (USD)	60.98 - 75.97
Valuentum Sector	Consumer Staples
5-week Return	13.3%
13-week Return	13.1%
30-week Return	24.2%
Dividend Yield %	3.0%
Dividends per Share	2.25
Forward Dividend Payout Ratio	54.6%
Est. Normal Diluted EPS	4.93
P/E on Est. Normal Diluted EPS	15.4
Est. Normal EBITDA	23,829
Forward EV/EBITDA	12.0
EV/Est. Normal EBITDA	10.4
Forward Revenue Growth (5-yr)	4.0%
Forward EPS Growth (5-yr)	13.4%

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

Returns Summary

	3-year Historical Average
Return on Equity	17.1%
Return on Assets	8.0%
ROIC, with goodwill	9.8%
ROIC, without goodwill	20.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	29,778
Net Debt	25,342
Total Debt/EBITDA	1.6
Net Debt/EBITDA	1.4
EBITDA/Interest	23.5
Current Ratio	0.9
Quick Ratio	0.4

NMF = Not Meaningful

Investment Highlights

• Procter & Gamble'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 few years, a combination we view very positively.

• Procter & Gamble boasts some of the most recognized branded consumer packaged goods. Though the markets in which its products are sold are highly competitive, the firm is well positioned in the industry and holds a significant market share position.

• Procter & Gamble has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 15.2% in coming years. Total debt-to-EBITDA was 1.6 last year, while debt-to-book capitalization stood at 32.4%.

• Procter & Gamble's brands include Tide, Ariel, Gillette, Venus, Bounty, Charmin, Pantene, Olay, Pampers, Crest, Oral-B, Duracell, and Vicks. These brands aren't going away anytime soon, and the company's innovation pipeline remains robust.

• Procter & Gamble boasts 120+ consecutive years of dividend payments and 55+ consecutive years of dividend increases. Its payout is rock-solid.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Support, 10-week MA	**70.00**

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
Clorox	18.1	2.3	108.4%
Colgate-Palmolive	20.5	2.5	122.0%
Johnson & Johnson	14.5	1.6	84.3%
Kimberly-Clark	17.1	2.1	121.6%
Peer Median	17.6	2.2	115.0%
Procter & Gamble	**18.4**	**1.8**	**108.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jun-11	Jun-12	Jun-13
Revenue	82,559	83,680	85,354
Revenue, YoY%	4.6%	1.4%	2.0%
Operating Income	15,818	14,868	17,437
Operating Margin %	19.2%	17.8%	20.4%
Net Income	11,797	9,169	11,999
Net Income Margin %	14.3%	11.0%	14.1%
Diluted EPS	3.93	3.12	4.12
Diluted EPS, YoY %	11.3%	-20.7%	32.2%
Free Cash Flow (CFO-capex)	9,925	7,733	11,686
Free Cash Flow Margin %	12.0%	9.2%	13.7%

In Millions of USD (except for per share items)

Structure of the Household Products Industry — GOOD

Firms in the household products industry sell some of the most recognized branded consumer packaged goods in the world and often hold a significant market share position in a variety of product categories. Though the industry is characterized by stiff competition from retailers' private-label brands, constituents tend to boast meaningful competitive advantages due to their brand strength/reputation and generate high returns on invested capital. Household products companies remain tied to the vicissitudes of consumer spending, but we tend to like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

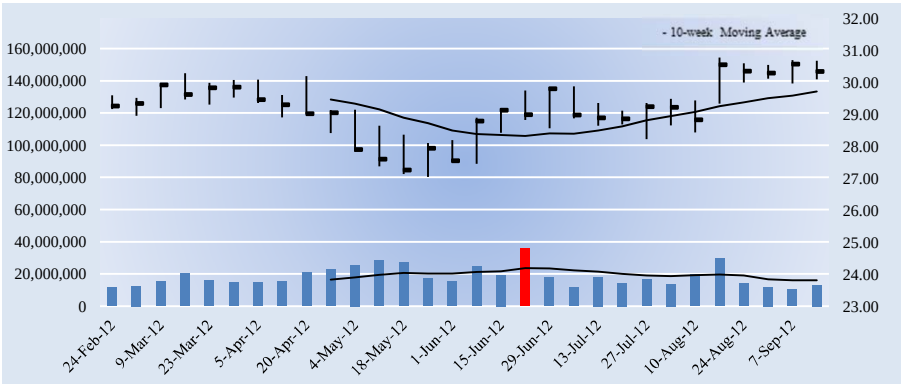
Sysco SYY FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$30.35	$33.00	$25.00 - $41.00	LARGE-CAP VALUE	Consumer Staples	Food Retailers

Sysco's shares look fairly valued based on our discounted cash flow process.

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)	$17,876
Avg Weekly Vol (30 wks)	18,321
30-week Range (USD)	27.05 - 30.78
Valuentum Sector	Consumer Staples
5-week Return	3.0%
13-week Return	4.7%
30-week Return	2.9%
Dividend Yield %	3.6%
Dividends per Share	1.08
Forward Dividend Payout Ratio	54.3%
Est. Normal Diluted EPS	2.40
P/E on Est. Normal Diluted EPS	12.7
Est. Normal EBITDA	2,836
Forward EV/EBITDA	8.4
EV/Est. Normal EBITDA	7.1
Forward Revenue Growth (5-yr)	5.2%
Forward EPS Growth (5-yr)	8.1%

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

Returns Summary

	3-year Historical Average
Return on Equity	27.8%
Return on Assets	10.6%
ROIC, with goodwill	19.4%
ROIC, without goodwill	25.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,018
Net Debt	2,329
Total Debt/EBITDA	1.3
Net Debt/EBITDA	1.0
EBITDA/Interest	20.3
Current Ratio	1.8
Quick Ratio	1.1

NMF = Not Meaningful

Investment Highlights

• Sysco earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 25.3% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $25, we'd take a closer look.

• Sysco's cash flow generation and financial leverage aren't much to speak of. The firm's free cash flow margin has averaged about 1.1% 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.

• Sysco is the largest North American distributor of food and related products primarily to the foodservice and restaurant industry. We're huge fans of its expansive distribution network, which would be incredibly difficult for new entrants to replicate.

• The firm sports a very nice dividend yield of 3.6%. We expect the firm to pay out about 54% of next year's earnings to shareholders as dividends.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**MEDIUM**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**IMPROVING**
Near-term Technical Support, 10-week MA	**30.00**

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
Wal-Mart	15.0	2.4	106.4%
Kroger	9.8	1.0	95.2%
Target	14.8	2.1	104.3%
Costco	26.2	2.9	118.8%
Peer Median	14.9	2.2	105.4%
Sysco	**15.3**	**2.0**	**92.0%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jun-11	Jun-12	Jun-13
Revenue	39,323	42,381	44,924
Revenue, YoY%	5.6%	7.8%	6.0%
Operating Income	1,932	1,891	1,967
Operating Margin %	4.9%	4.5%	4.4%
Net Income	1,152	1,122	1,172
Net Income Margin %	2.9%	2.6%	2.6%
Diluted EPS	1.96	1.90	1.99
Diluted EPS, YoY %	-1.6%	-2.7%	4.5%
Free Cash Flow (CFO-capex)	455	620	920
Free Cash Flow Margin %	1.2%	1.5%	2.0%

In Millions of USD (except for per share items)

Structure of the Food Retailers Industry — NEUTRAL

Firms in the mature food retailers industry generally have slim profit margins and face significant competition from brick-and-mortar locations (discount, department, drug, dollar, warehouse clubs and supermarkets) as well as Internet-based retailers (including Amazon). Though the industry is not terribly cyclical, economic conditions, disposable income, credit availability, fuel prices, and unemployment levels drive ticket size and traffic trends. Offering consumers a compelling value proposition is a must, even as higher-priced organic food offerings proliferate. We're generally neutral on the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

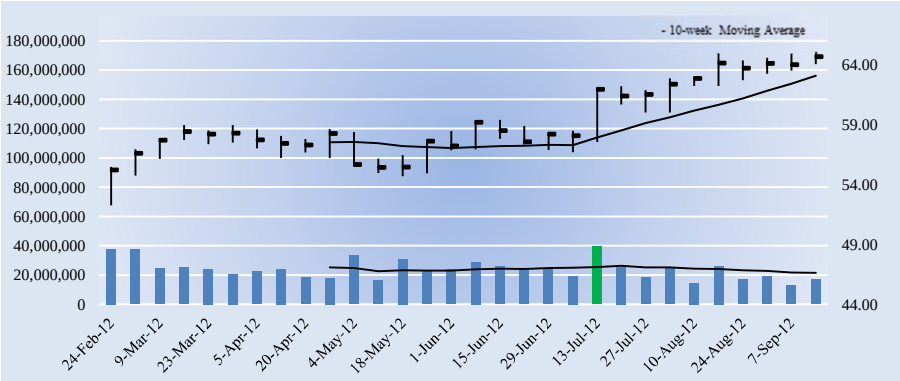
Target TGT FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$64.67	$62.00	$50.00 - $74.00	LARGE-CAP CORE	Consumer Staples	Food Retailers

Target 's shares look fairly valued based on our discounted cash flow process.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$44,228
Avg Weekly Vol (30 wks)	23,796
30-week Range (USD)	52.25 - 65.1
Valuentum Sector	Consumer Staples
5-week Return	3.3%
13-week Return	10.9%
30-week Return	22.5%
Dividend Yield %	2.2%
Dividends per Share	1.44
Forward Dividend Payout Ratio	33.0%
Est. Normal Diluted EPS	5.28
P/E on Est. Normal Diluted EPS	12.2
Est. Normal EBITDA	8,515
Forward EV/EBITDA	7.9
EV/Est. Normal EBITDA	7.0
Forward Revenue Growth (5-yr)	5.0%
Forward EPS Growth (5-yr)	7.3%

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

Returns Summary

	3-year Historical Average
Return on Equity	18.3%
Return on Assets	6.2%
ROIC, with goodwill	12.7%
ROIC, without goodwill	12.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	16,483
Net Debt	15,689
Total Debt/EBITDA	2.2
Net Debt/EBITDA	2.1
EBITDA/Interest	8.6
Current Ratio	1.2
Quick Ratio	0.5

NMF = Not Meaningful

Investment Highlights

• Target 's 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 12.7% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $50, we'd take a closer look.

• Target 's cash flow generation and financial leverage are at decent levels, in our opinion. The firm's free cash flow margin and debt-to-EBITDA metrics are about what we'd expect from an average firm in our coverage universe.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• Target sells everyday essentials and fashionable, differentiated items at discounted prices. Though its loyalty programs have gained some traction, it faces tough competition from Walmart and online retailers, including Amazon.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**GOOD**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**MEDIUM**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**63.00**

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
Walgreen	13.8	1.6	100.1%
Wal-Mart	15.0	2.4	106.4%
Kroger	9.8	1.0	95.2%
Costco	26.2	2.9	118.8%
Peer Median	14.4	2.0	103.2%
Target	**14.8**	**2.1**	**104.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jan-11	Jan-12	Jan-13
Revenue	67,390	69,865	73,358
Revenue, YoY%	3.1%	3.7%	5.0%
Operating Income	5,252	5,322	5,315
Operating Margin %	7.8%	7.6%	7.2%
Net Income	2,920	2,929	2,924
Net Income Margin %	4.3%	4.2%	4.0%
Diluted EPS	4.00	4.28	4.36
Diluted EPS, YoY %	21.5%	7.0%	1.9%
Free Cash Flow (CFO-capex)	3,142	1,066	1,134
Free Cash Flow Margin %	4.7%	1.5%	1.5%

In Millions of USD (except for per share items)

Structure of the Food Retailers Industry — NEUTRAL

Firms in the mature food retailers industry generally have slim profit margins and face significant competition from brick-and-mortar locations (discount, department, drug, dollar, warehouse clubs and supermarkets) as well as Internet-based retailers (including Amazon). Though the industry is not terribly cyclical, economic conditions, disposable income, credit availability, fuel prices, and unemployment levels drive ticket size and traffic trends. Offering consumers a compelling value proposition is a must, even as higher-priced organic food offerings proliferate. We're generally neutral on the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

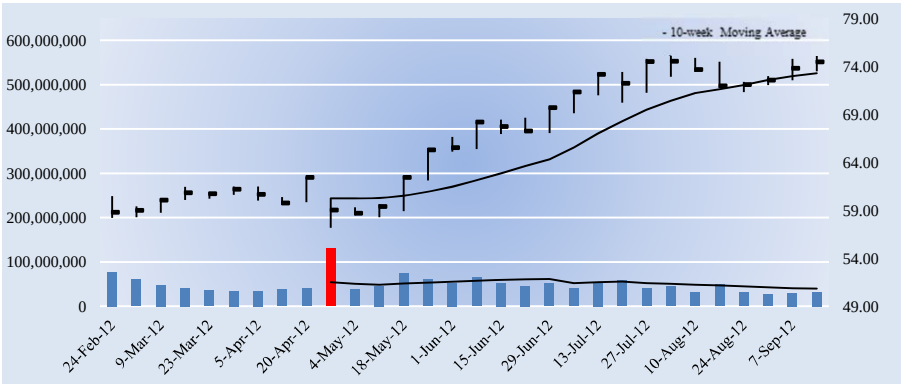
Wal-Mart WMT FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$74.50	$70.00	$56.00 - $84.00	MEGA-CAP CORE	Consumer Staples	Food Retailers

Wal-Mart 's shares look fairly valued based on our discounted cash flow process.

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).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**MEDIUM**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**73.00**

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.

Company Vitals

Market Cap (USD)	$258,813
Avg Weekly Vol (30 wks)	48,706
30-week Range (USD)	57.18 - 75.24
Valuentum Sector	Consumer Staples
5-week Return	1.5%
13-week Return	10.4%
30-week Return	23.5%
Dividend Yield %	2.1%
Dividends per Share	1.59
Forward Dividend Payout Ratio	32.0%
Est. Normal Diluted EPS	5.69
P/E on Est. Normal Diluted EPS	13.1
Est. Normal EBITDA	41,163
Forward EV/EBITDA	8.2
EV/Est. Normal EBITDA	7.4
Forward Revenue Growth (5-yr)	5.0%
Forward EPS Growth (5-yr)	6.8%

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

Investment Highlights

• Wal-Mart '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 few years, a combination we view very positively.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $56, we'd take a closer look.

• Wal-Mart 's cash flow generation and financial leverage are at decent levels, in our opinion. The firm's free cash flow margin and debt-to-EBITDA metrics are about what we'd expect from an average firm in our coverage universe.

• We don't see Wal-Mart going away anytime soon. Though it faces pressure from both Amazon and discount dollar stores, consumers continue to flock to its locations. Its everyday low prices strategy has revolutionized the industry.

• The firm sports a very nice dividend yield of 2.1%. We expect the firm to pay out about 32% of next year's earnings to shareholders as dividends.

Relative Valuation

	Forward P/E	PEG	Price / FV
Walgreen	13.8	1.6	100.1%
Kroger	9.8	1.0	95.2%
Target	14.8	2.1	104.3%
Costco	26.2	2.9	118.8%
Peer Median	14.3	1.8	102.2%
Wal-Mart	**15.0**	**2.4**	**106.4%**

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

Returns Summary

	3-year Historical Average
Return on Equity	22.8%
Return on Assets	8.9%
ROIC, with goodwill	14.8%
ROIC, without goodwill	17.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jan-11	Jan-12	Jan-13
Revenue	421,849	446,950	473,767
Revenue, YoY%	3.3%	6.0%	6.0%
Operating Income	25,542	26,558	28,522
Operating Margin %	6.1%	5.9%	6.0%
Net Income	15,355	15,766	17,090
Net Income Margin %	3.6%	3.5%	3.6%
Diluted EPS	4.18	4.54	4.97
Diluted EPS, YoY %	12.5%	8.5%	9.5%
Free Cash Flow (CFO-capex)	9,910	10,812	13,795
Free Cash Flow Margin %	2.3%	2.4%	2.9%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	53,427
Net Debt	46,877
Total Debt/EBITDA	1.5
Net Debt/EBITDA	1.4
EBITDA/Interest	14.9
Current Ratio	0.9
Quick Ratio	0.2

NMF = Not Meaningful

Structure of the Food Retailers Industry — NEUTRAL

Firms in the mature food retailers industry generally have slim profit margins and face significant competition from brick-and-mortar locations (discount, department, drug, dollar, warehouse clubs and supermarkets) as well as Internet-based retailers (including Amazon). Though the industry is not terribly cyclical, economic conditions, disposable income, credit availability, fuel prices, and unemployment levels drive ticket size and traffic trends. Offering consumers a compelling value proposition is a must, even as higher-priced organic food offerings proliferate. We're generally neutral on the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

Energy

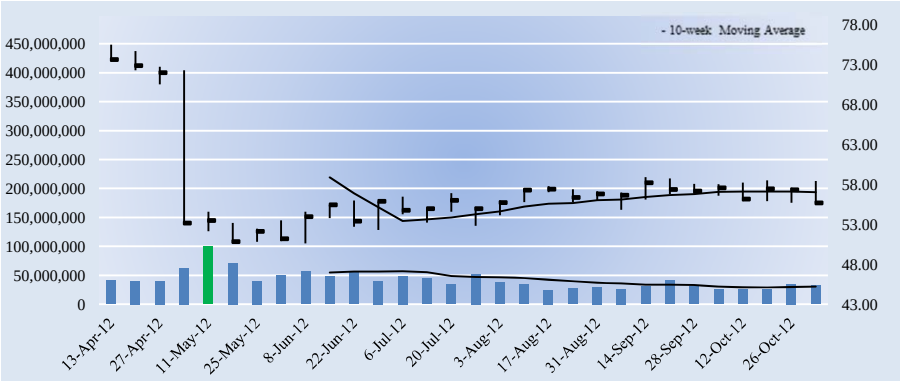
ConocoPhillips COP FAIRLY VALUED

Buying Index™ 3 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$55.67	$58.00	$44.00 - $72.00	LARGE-CAP VALUE	Energy	Major Oil & Gas

ConocoPhillips' shares look fairly valued based on our discounted cash flow process.

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)	$77,220
Avg Weekly Vol (30 wks)	41,673
30-week Range (USD)	50.62 - 75.49
Valuentum Sector	Energy
5-week Return	-3.1%
13-week Return	-0.5%
30-week Return	-25.4%
Dividend Yield %	4.7%
Dividends per Share	2.64
Forward Dividend Payout Ratio	44.8%
Est. Normal Diluted EPS	6.17
P/E on Est. Normal Diluted EPS	9.0
Est. Normal EBITDA	14,919
Forward EV/EBITDA	6.1
EV/Est. Normal EBITDA	6.3
Forward Revenue Growth (5-yr)	-24.1%
Forward EPS Growth (5-yr)	-6.1%

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

Returns Summary

	3-year Historical Average
Return on Equity	14.8%
Return on Assets	6.3%
ROIC, with goodwill	6.9%
ROIC, without goodwill	7.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	22,623
Net Debt	16,262
Total Debt/EBITDA	0.8
Net Debt/EBITDA	0.6
EBITDA/Interest	29.9
Current Ratio	1.1
Quick Ratio	0.8

NMF = Not Meaningful

Investment Highlights

• ConocoPhillips' average return on invested capital has trailed its cost of capital during the past few years, indicating weakness in business fundamentals and an inability to earn economic profits through the course of the economic cycle. We think there are better quality firms out there.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $44, we'd take a closer look.

• ConocoPhillips' cash flow generation and financial leverage aren't much to speak of. The firm' free cash flow margin has averaged about 2.4% during the past three years, lower than the mid-single-digit range we'd expect for cash cows. However, the firm' cash flow should be sufficient to handle its low financial leverage.

• The firm's share price performance has been roughly in line with that of the market during the past quarter. We'd expect the firm's stock price to converge to our fair value estimate within the next three years, if our forecasts prove accurate.

• The firm sports a very nice dividend yield of 4.7%. We expect the firm to pay out about 45% of next year's earnings to shareholders as dividends.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**POOR**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**MEDIUM**
Financial Leverage	**LOW**
Growth	**DECLINING**
Technical Evaluation	**BEARISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**57.00**

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
BP	8.2	NMF	99.6%
Chevron	8.3	NMF	96.2%
Exxon Mobil	11.1	4.8	117.9%
PetroChina	10.4	1.1	89.5%
Peer Median	9.3	2.9	97.9%
ConocoPhillips	**9.4**	**NMF**	**96.0%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	198,655	251,226	100,490
Revenue, YoY%	30.0%	26.5%	-60.0%
Operating Income	14,320	21,127	12,069
Operating Margin %	7.2%	8.4%	12.0%
Net Income	11,358	12,436	8,182
Net Income Margin %	5.7%	5.0%	8.1%
Diluted EPS	7.62	8.97	5.90
Diluted EPS, YoY %	134.8%	17.7%	-34.2%
Free Cash Flow (CFO-capex)	7,284	6,380	6,004
Free Cash Flow Margin %	3.7%	2.5%	6.0%

In Millions of USD (except for per share items)

Structure of the Oil & Gas (majors) Industry — NEUTRAL

The global oil and gas industry is dominated by state-owned firms, including member nations of OPEC, which have a large influence on pricing. Public constituents are not small, however, as firms in this group make up a large portion of the energy sector's market cap. Oil and gas prices are the key profit driver and largely reflect supply/demand dynamics, though it is not uncommon for speculative/geopolitical price premiums to occur. A firm's estimated reserve life and cost for exploration and development should be monitored closely. We're neutral on the structure of the majors, given their commoditized product.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

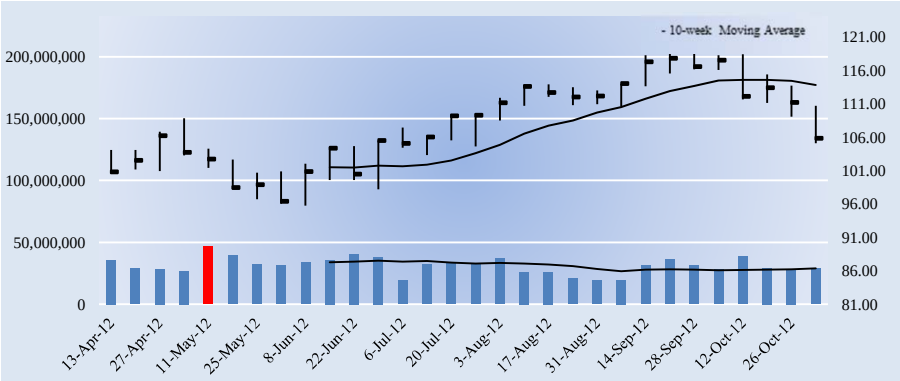
Chevron CVX FAIRLY VALUED

Buying Index™ 3 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$105.84	$110.00	$88.00 - $132.00	MEGA-CAP VALUE	Energy	Major Oil & Gas

Chevron's shares look fairly valued based on our discounted cash flow process.

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)	$211,786
Avg Weekly Vol (30 wks)	31,177
30-week Range (USD)	95.73 - 118.53
Valuentum Sector	Energy
5-week Return	-9.5%
13-week Return	-4.4%
30-week Return	2.5%
Dividend Yield %	3.4%
Dividends per Share	3.60
Forward Dividend Payout Ratio	28.1%
Est. Normal Diluted EPS	12.87
P/E on Est. Normal Diluted EPS	8.2
Est. Normal EBITDA	58,868
Forward EV/EBITDA	3.5
EV/Est. Normal EBITDA	3.4
Forward Revenue Growth (5-yr)	3.6%
Forward EPS Growth (5-yr)	-0.4%

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

Returns Summary

	3-year Historical Average
Return on Equity	18.4%
Return on Assets	10.4%
ROIC, with goodwill	12.8%
ROIC, without goodwill	13.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	10,152
Net Debt	-9,919
Total Debt/EBITDA	0.2
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	1.6
Quick Ratio	1.2

NMF = Not Meaningful

Investment Highlights

• Chevron 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 13.4% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $88, we'd take a closer look.

• Chevron's cash flow generation and financial leverage aren't much to speak of. The firm's free cash flow margin has averaged about 3.7% 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.

• The firm's share price performance has been roughly in line with that of the market during the past quarter. We'd expect the firm's stock price to converge to our fair value estimate within the next three years, if our forecasts prove accurate.

• The firm sports a very nice dividend yield of 3.4%. We expect the firm to pay out about 28% of next year's earnings to shareholders as dividends.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**GOOD**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**MEDIUM**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Resistance, 10-wk MA	**114.00**

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
BP	8.2	NMF	99.6%
ConocoPhillips	9.4	NMF	96.0%
Exxon Mobil	11.1	4.8	117.9%
PetroChina	10.4	1.1	89.5%
Peer Median	9.9	2.9	97.8%
Chevron	**8.3**	**NMF**	**96.2%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	204,928	253,706	258,780
Revenue, YoY%	19.4%	23.8%	2.0%
Operating Income	25,375	45,662	44,432
Operating Margin %	12.4%	18.0%	17.2%
Net Income	19,024	26,895	25,570
Net Income Margin %	9.3%	10.6%	9.9%
Diluted EPS	9.48	13.44	12.82
Diluted EPS, YoY %	80.9%	41.8%	-4.6%
Free Cash Flow (CFO-capex)	11,747	14,598	19,709
Free Cash Flow Margin %	5.7%	5.8%	7.6%

In Millions of USD (except for per share items)

Structure of the Oil & Gas (majors) Industry — NEUTRAL

The global oil and gas industry is dominated by state-owned firms, including member nations of OPEC, which have a large influence on pricing. Public constituents are not small, however, as firms in this group make up a large portion of the energy sector's market cap. Oil and gas prices are the key profit driver and largely reflect supply/demand dynamics, though it is not uncommon for speculative/geopolitical price premiums to occur. A firm's estimated reserve life and cost for exploration and development should be monitored closely. We're neutral on the structure of the majors, given their commoditized product.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

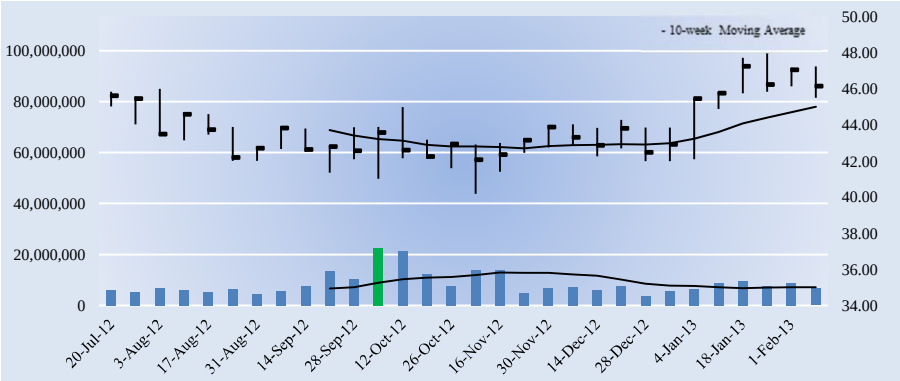
Energy Transfer Partners ETP FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$46.15	$56.00	$42.00 - $70.00	MID-CAP BLEND	Energy	Oil & Gas Pipelines

Energy Transfer Partners is one of the largest and most diversified investment-grade master limited partnerships.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**GOOD**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**WEAK**
Financial Leverage	**HIGH**
Growth	**AGGRESSIVE**
Technical Evaluation	**BULLISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**45.00**

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.

Company Vitals

Market Cap (USD)	$9,606
Avg Weekly Vol (30 wks)	8,661
30-week Range (USD)	40.19 - 48
Valuentum Sector	Energy
5-week Return	1.7%
13-week Return	8.2%
30-week Return	2.0%
Dividend Yield %	7.8%
Dividends per Share	3.58
Forward Dividend Payout Ratio	84.4%
Est. Normal Diluted EPS	3.66
P/E on Est. Normal Diluted EPS	12.6
Est. Normal EBITDA	3,292
Forward EV/EBITDA	10.3
EV/Est. Normal EBITDA	6.9
Forward Revenue Growth (5-yr)	35.4%
Forward EPS Growth (5-yr)	9.0%

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

Investment Highlights

• Energy Transfer Partners 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 11.6% during the past three years.

• Energy Transfer Partners is one of the largest and most diversified investment-grade master limited partnerships. The company boasts an attractive natural gas, crude oil, NGL and refined products logistics platform.

• We're not too fond of Energy Transfer Partners' weak cash flow generation and high financial leverage. Although this combination does not guarantee financial problems down the road, it could potentially be a recipe for disaster during tough economic times.

• A significant portion of the firm's operating income is derived from fee-based sources with long-term contracts from creditworthy customers. We reiterate, however, that the firm relies on the healthy functioning of the capital markets for new investment.

• Energy Transfer Partners boasts a large annualized distribution yield. Since the second quarter of 2005, the company's annualized distribution has advanced from $1.85/unit to $3.575/unit.

Relative Valuation

	Forward P/E	PEG	Price / FV
Kinder Morgan Partners	38.2	1.1	92.1%
NuStar	25.6	NMF	102.2%
Spectra Energy	20.5	2.3	113.8%
Williams Co	31.8	2.3	112.5%
Peer Median	28.7	2.3	107.4%
Energy Transfer Partners	**10.9**	**1.6**	**82.4%**

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

Returns Summary

	3-year Historical Average
Return on Equity	15.2%
Return on Assets	5.8%
ROIC, with goodwill	10.7%
ROIC, without goodwill	11.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	5,885	6,850	11,098
Revenue, YoY%	8.6%	16.4%	62.0%
Operating Income	1,058	1,245	1,489
Operating Margin %	18.0%	18.2%	13.4%
Net Income	617	669	989
Net Income Margin %	10.5%	9.8%	8.9%
Diluted EPS	3.27	3.21	4.24
Diluted EPS, YoY %	-30.7%	-1.7%	32.0%
Free Cash Flow (CFO-capex)	-135	-72	520
Free Cash Flow Margin %	-2.3%	-1.0%	4.7%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	13,112
Net Debt	13,004
Total Debt/EBITDA	7.8
Net Debt/EBITDA	7.7
EBITDA/Interest	3.6
Current Ratio	0.8
Quick Ratio	0.5

NMF = Not Meaningful

Structure of the Oil & Gas Pipeline Industry — NEUTRAL

Firms in the oil and gas pipeline industry own or operate thousands of miles of pipelines and terminals—assets that are nearly impossible/uneconomical to replicate. Most companies act as a toll road and receive a fee for transporting natural gas, crude oil and other refined products (and generally avoid commodity price risk). Though there is much to like, most constituents operate as master limited partnerships and pay out hefty distributions that can stretch their balance sheets. Additional unit issuance (dilution) has become common, and capital-market dependence is a key risk. We're neutral on the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

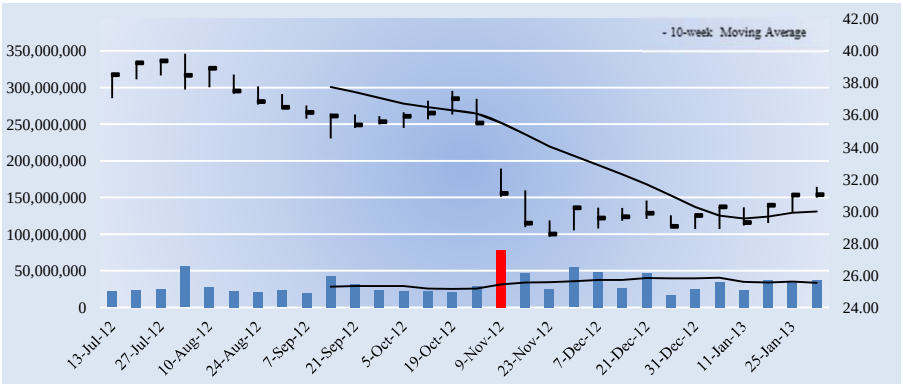
Exelon EXC UNDERVALUED 6.3%

Buying Index™ 7 **Value Rating** ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$31.03	$44.00	$33.00 - $55.00	LARGE-CAP VALUE	Energy	Utilities

The recent merger of Exelon and Constellation Energy has created one of the lowest-cost power generation fleets in the US.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$20,635
Avg Weekly Vol (30 wks)	32,503
30-week Range (USD)	28.4 - 39.82
Valuentum Sector	Energy
5-week Return	7.0%
13-week Return	-0.4%
30-week Return	-16.8%
Dividend Yield %	4.0%
Dividends per Share	1.24
Forward Dividend Payout Ratio	43.5%
Est. Normal Diluted EPS	2.97
P/E on Est. Normal Diluted EPS	10.5
Est. Normal EBITDA	7,205
Forward EV/EBITDA	4.8
EV/Est. Normal EBITDA	4.6
Forward Revenue Growth (5-yr)	8.2%
Forward EPS Growth (5-yr)	-1.6%

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

Returns Summary

	3-year Historical Average
Return on Equity	20.1%
Return on Assets	5.1%
ROIC, with goodwill	11.1%
ROIC, without goodwill	11.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	13,180
Net Debt	12,164
Total Debt/EBITDA	1.9
Net Debt/EBITDA	1.8
EBITDA/Interest	271.4
Current Ratio	1.1
Quick Ratio	0.7

NMF = Not Meaningful

Investment Highlights

• The recent merger of Exelon and Constellation Energy has created one of the lowest-cost power generation fleets in the US. The tie-up offers opportunities for O&M synergies, portfolio optimization, and overhead savings. More than half of the combined company's portfolio will be low-cost nuclear.

• Although we think the firm's DCF valuation indicates a potential attractive investment opportunity, we'd be more comfortable investing in the firm if it was more attractively priced on a relative basis versus peers as well.

• Exelon has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 3% in coming years. Total debt-to-EBITDA was 1.9 last year, while debt-to-book capitalization stood at 47.8%.

• The firm posts a VBI score of 7. We don't find the firm that attractive based on this measure, and we'd grow more constructive if it registered an 8 or higher on our scale.

• Exelon recently slashed its dividend to a payout of $1.24 per year. We still don't think the firm has strong dividend growth prospects.

Investment Considerations

DCF Valuation	**UNDERVALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**GOOD**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**30.00**

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
Duke Energy	15.8	1.9	102.9%
First Energy	11.9	2.8	100.7%
National Grid	12.6	NMF	99.2%
PPL	12.7	NMF	87.1%
Peer Median	12.6	2.3	99.9%
Exelon	**10.9**	**NMF**	**70.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	18,644	18,924	24,670
Revenue, YoY%	7.7%	1.5%	30.4%
Operating Income	4,726	4,480	3,805
Operating Margin %	25.3%	23.7%	15.4%
Net Income	2,563	2,495	1,900
Net Income Margin %	13.7%	13.2%	7.7%
Diluted EPS	3.87	3.75	2.85
Diluted EPS, YoY %	-5.4%	-2.9%	-24.1%
Free Cash Flow (CFO-capex)	1,918	811	-192
Free Cash Flow Margin %	10.3%	4.3%	-0.8%

In Millions of USD (except for per share items)

Structure of the Utilities Industry — GOOD

Utilities provide an essential service, generally operate in a near-monopoly position, and benefit from significant barriers to entry due to the capital intensity of new projects and regulatory/environmental requirements. Regulatory frameworks differ across the grid, but most utilities benefit from an assured rate of return on capital investments through predetermined rate structures, where cost adjustments are made by authorities periodically. Most constituents benefit from stable operations and generally lower debt financing, though credit ratings should be monitored closely. We like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

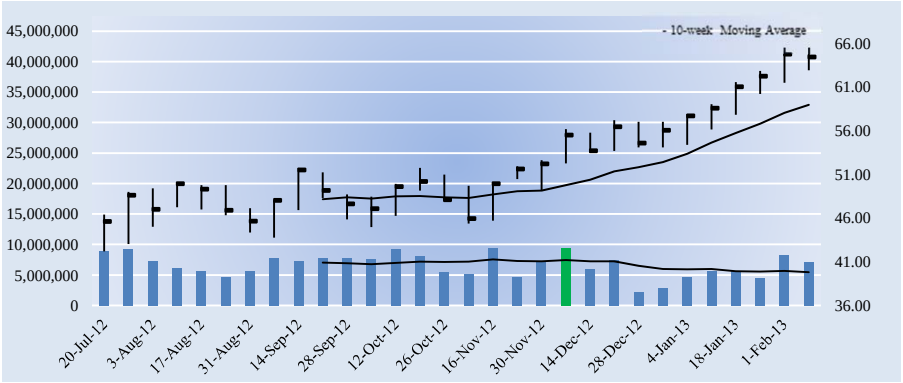
Helmerich & Payne HP FAIRLY VALUED

Buying Index™ 5 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$64.39	$63.00	$47.00 - $79.00	MID-CAP CORE	Energy	Energy Equipment

Despite Helmerich & Payne's strong cash flow generation, we think the shares are fairly valued at this time.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**GOOD**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**NEUTRAL**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**OVERBOUGHT**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**59.00**

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.

Company Vitals

Market Cap (USD)	$6,978
Avg Weekly Vol (30 wks)	6,648
30-week Range (USD)	42.18 - 65.51
Valuentum Sector	Energy
5-week Return	12.1%
13-week Return	27.4%
30-week Return	51.3%
Dividend Yield %	0.9%
Dividends per Share	0.60
Forward Dividend Payout Ratio	11.1%
Est. Normal Diluted EPS	6.19
P/E on Est. Normal Diluted EPS	10.4
Est. Normal EBITDA	1,537
Forward EV/EBITDA	5.3
EV/Est. Normal EBITDA	4.6
Forward Revenue Growth (5-yr)	7.4%
Forward EPS Growth (5-yr)	6.0%

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

Investment Highlights

• Helmerich & Payne 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 12.1% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $47, we'd take a closer look.

• Helmerich & Payne 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 3.4% in coming years. Total debt-to-EBITDA was 0.2 last year, while debt-to-book capitalization stood at 5.8%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• The firm experienced a revenue CAGR of about 18.5% during the past 3 years. We expect its revenue growth to be better than its peer median during the next five years.

Relative Valuation

	Forward P/E	PEG	Price / FV
Baker Hughes	14.5	1.5	103.8%
Cameron International	20.9	1.6	103.8%
Halliburton	13.8	2.6	108.6%
Schlumberger	19.0	2.3	109.8%
Peer Median	16.7	2.0	106.2%
Helmerich & Payne	**11.9**	**2.0**	**102.2%**

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

Returns Summary

	3-year Historical Average
Return on Equity	13.6%
Return on Assets	9.0%
ROIC, with goodwill	12.1%
ROIC, without goodwill	12.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-11	Sep-12	Sep-13
Revenue	2,544	3,152	3,435
Revenue, YoY%	35.7%	23.9%	9.0%
Operating Income	689	890	918
Operating Margin %	27.1%	28.2%	26.7%
Net Income	435	574	583
Net Income Margin %	17.1%	18.2%	17.0%
Diluted EPS	4.00	5.29	5.39
Diluted EPS, YoY %	50.2%	32.3%	1.9%
Free Cash Flow (CFO-capex)	284	-105	-158
Free Cash Flow Margin %	11.2%	-3.3%	-4.6%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	235
Net Debt	110
Total Debt/EBITDA	0.2
Net Debt/EBITDA	0.1
EBITDA/Interest	147.7
Current Ratio	2.3
Quick Ratio	2.0

NMF = Not Meaningful

Structure of the Energy Equipment Industry — NEUTRAL

The energy equipment industry is heavily tied to the exploration and production (upstream) expenditures of oil and gas producers across the globe. Many industry constituents participate in a number of different market segments to offer a complete range of products/services to customers. The fortunes of the group are levered to energy prices (crude/natural gas), as higher prices make drilling projects more attractive and increase the demand for oilfield equipment and services. However, falling prices have an opposite effect, creating long boom and bust cycles. We're neutral on the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

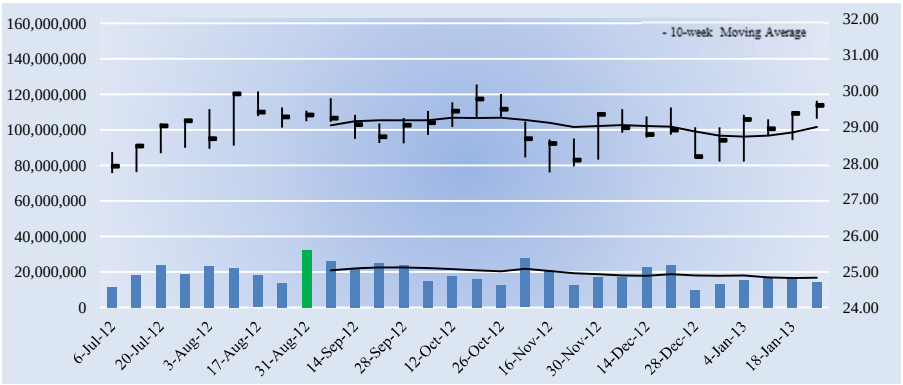
PPL PPL FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$29.60	$34.00	$26.00 - $43.00	LARGE-CAP VALUE	Energy	Utilities

PPL operates a mostly rate-regulated business that boasts significant stability regardless of the broader economic environment.

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).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**GOOD**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**MEDIUM**
Financial Leverage	**HIGH**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Support, 10-week MA	**29.00**

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.

Company Vitals

Market Cap (USD)	$16,308
Avg Weekly Vol (30 wks)	18,999
30-week Range (USD)	27.72 - 30.18
Valuentum Sector	Energy
5-week Return	2.5%
13-week Return	1.8%
30-week Return	5.8%
Dividend Yield %	4.9%
Dividends per Share	1.44
Forward Dividend Payout Ratio	61.7%
Est. Normal Diluted EPS	2.37
P/E on Est. Normal Diluted EPS	12.5
Est. Normal EBITDA	4,329
Forward EV/EBITDA	8.4
EV/Est. Normal EBITDA	7.8
Forward Revenue Growth (5-yr)	0.9%
Forward EPS Growth (5-yr)	-3.0%

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

Investment Highlights

• PPL's 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 9.9% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $26, we'd take a closer look.

• PPL's cash flow generation is about what we'd expect from an average company in our coverage universe. However, the firm's financial leverage is on the high side. If cash flows begin to falter, we'd grow more cautious on the firm's overall financial health.

• PPL operates a mostly rate-regulated business that boasts significant stability regardless of the broader economic environment. The company's rate base is expected to grow at a high-single-digit pace in coming years, and we have no qualms with its credit profile.

• The firm sports a very nice dividend yield of 4.9%. We expect the firm to pay out about 62% of next year's earnings to shareholders as dividends.

Relative Valuation

	Forward P/E	PEG	Price / FV
Duke Energy	15.8	1.9	102.9%
Exelon	10.8	NMF	70.5%
First Energy	11.9	2.8	100.7%
National Grid	12.6	NMF	99.2%
Peer Median	12.2	2.3	99.9%
PPL	**12.7**	**NMF**	**87.1%**

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

Returns Summary

	3-year Historical Average
Return on Equity	13.0%
Return on Assets	3.2%
ROIC, with goodwill	9.9%
ROIC, without goodwill	9.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	8,521	12,737	11,845
Revenue, YoY%	12.8%	49.5%	-7.0%
Operating Income	1,866	4,224	2,890
Operating Margin %	21.9%	33.2%	24.4%
Net Income	955	1,493	1,350
Net Income Margin %	11.2%	11.7%	11.4%
Diluted EPS	2.21	2.71	2.33
Diluted EPS, YoY %	86.3%	22.5%	-13.9%
Free Cash Flow (CFO-capex)	361	18	435
Free Cash Flow Margin %	4.2%	0.1%	3.7%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	18,571
Net Debt	17,369
Total Debt/EBITDA	3.4
Net Debt/EBITDA	3.2
EBITDA/Interest	6.1
Current Ratio	1.2
Quick Ratio	0.5

NMF = Not Meaningful

Structure of the Utilities Industry — GOOD

Utilities provide an essential service, generally operate in a near-monopoly position, and benefit from significant barriers to entry due to the capital intensity of new projects and regulatory/environmental requirements. Regulatory frameworks differ across the grid, but most utilities benefit from an assured rate of return on capital investments through predetermined rate structures, where cost adjustments are made by authorities periodically. Most constituents benefit from stable operations and generally lower debt financing, though credit ratings should be monitored closely. We like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

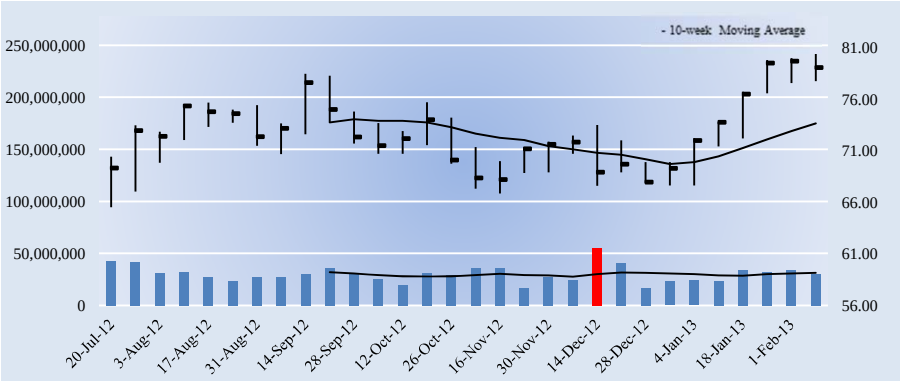
Schlumberger SLB FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$79.07	$72.00	$54.00 - $90.00	LARGE-CAP CORE	Energy	Energy Equipment

Despite Schlumberger's strong cash flow generation, we think the shares are fairly valued at this time.

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).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**74.00**

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.

Company Vitals

Market Cap (USD)	$107,614
Avg Weekly Vol (30 wks)	30,389
30-week Range (USD)	65.54 - 80.43
Valuentum Sector	Energy
5-week Return	10.5%
13-week Return	14.7%
30-week Return	19.3%
Dividend Yield %	1.6%
Dividends per Share	1.25
Forward Dividend Payout Ratio	30.0%
Est. Normal Diluted EPS	5.00
P/E on Est. Normal Diluted EPS	15.8
Est. Normal EBITDA	13,423
Forward EV/EBITDA	10.3
EV/Est. Normal EBITDA	8.4
Forward Revenue Growth (5-yr)	7.6%
Forward EPS Growth (5-yr)	9.6%

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

Investment Highlights

• Schlumberger earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 26.9% from 22.2% during the next two years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $54, we'd take a closer look.

• Schlumberger 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 13% in coming years. Total debt-to-EBITDA was 1 last year, while debt-to-book capitalization stood at 24.1%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• The firm experienced a net income CAGR of about -4% during the past 3 years. We expect its net income growth to be better than its peer median during the next five years.

Relative Valuation

	Forward P/E	PEG	Price / FV
Baker Hughes	14.5	1.5	103.8%
Cameron International	20.9	1.6	103.8%
Halliburton	13.8	2.6	108.6%
National Oilwell Varco	11.7	1.5	82.2%
Peer Median	14.2	1.6	103.8%
Schlumberger	**19.0**	**2.3**	**109.8%**

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

Returns Summary

	3-year Historical Average
Return on Equity	16.6%
Return on Assets	9.5%
ROIC, with goodwill	11.6%
ROIC, without goodwill	17.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	28,931	39,669	42,150
Revenue, YoY%	24.4%	37.1%	6.3%
Operating Income	4,379	6,622	7,464
Operating Margin %	15.1%	16.7%	17.7%
Net Income	4,267	4,777	5,791
Net Income Margin %	14.7%	12.0%	13.7%
Diluted EPS	3.38	3.51	4.17
Diluted EPS, YoY %	30.0%	3.9%	18.8%
Free Cash Flow (CFO-capex)	2,254	1,644	4,944
Free Cash Flow Margin %	7.8%	4.1%	11.7%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	9,933
Net Debt	5,106
Total Debt/EBITDA	1.0
Net Debt/EBITDA	0.5
EBITDA/Interest	33.2
Current Ratio	1.9
Quick Ratio	1.4

NMF = Not Meaningful

Structure of the Energy Equipment Industry — NEUTRAL

The energy equipment industry is heavily tied to the exploration and production (upstream) expenditures of oil and gas producers across the globe. Many industry constituents participate in a number of different market segments to offer a complete range of products/services to customers. The fortunes of the group are levered to energy prices (crude/natural gas), as higher prices make drilling projects more attractive and increase the demand for oilfield equipment and services. However, falling prices have an opposite effect, creating long boom and bust cycles. We're neutral on the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

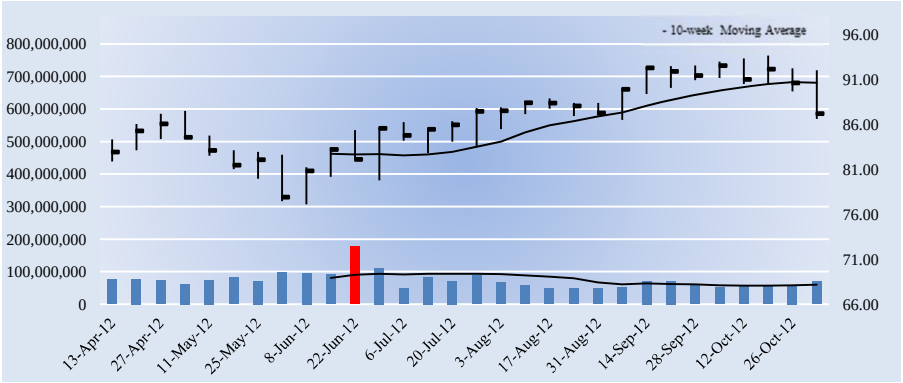
Exxon Mobil XOM FAIRLY VALUED

Buying Index™ 3 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$87.21	$74.00	$58.00 - $90.00	MEGA-CAP CORE	Energy	Major Oil & Gas

Exxon Mobil's technicals look very bearish. Traders could be looking to push down the stock. We think the firm's shares are worth $74 each.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**GOOD**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**MEDIUM**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**VERY BEARISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**91.00**

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.

Company Vitals

Market Cap (USD)	$425,149
Avg Weekly Vol (30 wks)	73,441
30-week Range (USD)	77.13 - 93.67
Valuentum Sector	Energy
5-week Return	-5.0%
13-week Return	-0.4%
30-week Return	3.8%
Dividend Yield %	2.6%
Dividends per Share	2.28
Forward Dividend Payout Ratio	29.0%
Est. Normal Diluted EPS	8.16
P/E on Est. Normal Diluted EPS	10.7
Est. Normal EBITDA	71,343
Forward EV/EBITDA	6.6
EV/Est. Normal EBITDA	6.3
Forward Revenue Growth (5-yr)	0.4%
Forward EPS Growth (5-yr)	0.3%

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

Investment Highlights

• Exxon Mobil's 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 12.8% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $58, we'd take a closer look.

• Exxon Mobil's cash flow generation and financial leverage aren't much to speak of. The firm's free cash flow margin has averaged about 4.2% 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.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• The firm's technicals look very weak. If current prices hold, the firm's moving averages could create a death cross, a very bearish technical pattern.

Relative Valuation

	Forward P/E	PEG	Price / FV
BP	8.2	NMF	99.6%
Chevron	8.3	NMF	96.2%
ConocoPhillips	9.4	NMF	96.0%
PetroChina	10.4	1.1	89.5%
Peer Median	8.8	1.1	96.1%
Exxon Mobil	**11.1**	**4.8**	**117.9%**

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

Returns Summary

	3-year Historical Average
Return on Equity	23.3%
Return on Assets	11.2%
ROIC, with goodwill	12.8%
ROIC, without goodwill	12.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	383,221	486,429	471,836
Revenue, YoY%	23.4%	26.9%	-3.0%
Operating Income	42,541	58,215	53,436
Operating Margin %	11.1%	12.0%	11.3%
Net Income	30,460	41,060	38,307
Net Income Margin %	7.9%	8.4%	8.1%
Diluted EPS	6.22	8.42	7.86
Diluted EPS, YoY %	55.9%	35.4%	-6.7%
Free Cash Flow (CFO-capex)	21,542	24,370	25,477
Free Cash Flow Margin %	5.6%	5.0%	5.4%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	38,140
Net Debt	25,072
Total Debt/EBITDA	0.5
Net Debt/EBITDA	0.3
EBITDA/Interest	298.8
Current Ratio	0.9
Quick Ratio	0.7

NMF = Not Meaningful

Structure of the Oil & Gas (majors) Industry — NEUTRAL

The global oil and gas industry is dominated by state-owned firms, including member nations of OPEC, which have a large influence on pricing. Public constituents are not small, however, as firms in this group make up a large portion of the energy sector's market cap. Oil and gas prices are the key profit driver and largely reflect supply/demand dynamics, though it is not uncommon for speculative/geopolitical price premiums to occur. A firm's estimated reserve life and cost for exploration and development should be monitored closely. We're neutral on the structure of the majors, given their commoditized product.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

Financials

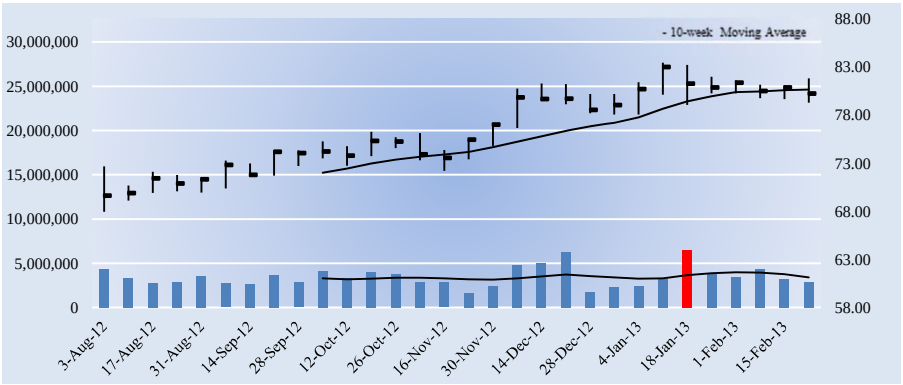
Fiserv FISV FAIRLY VALUED

Buying Index™ 4 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$80.24	$86.00	$65.00 - $108.00	LARGE-CAP VALUE	Information Technology	Financial Tech Services

Fiserv boasts a high-quality recurring revenue stream that we expect to grow at an organic mid-single-digit annual pace in coming years.

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)	$11,571
Avg Weekly Vol (30 wks)	3,473
30-week Range (USD)	67.95 - 83.43
Valuentum Sector	Information Technology
5-week Return	-1.5%
13-week Return	4.0%
30-week Return	10.9%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	6.68
P/E on Est. Normal Diluted EPS	12.0
Est. Normal EBITDA	1,984
Forward EV/EBITDA	8.9
EV/Est. Normal EBITDA	7.4
Forward Revenue Growth (5-yr)	6.6%
Forward EPS Growth (5-yr)	18.6%

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

Returns Summary

	3-year Historical Average
Return on Equity	16.0%
Return on Assets	5.8%
ROIC, with goodwill	11.0%
ROIC, without goodwill	33.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,395
Net Debt	3,058
Total Debt/EBITDA	2.5
Net Debt/EBITDA	2.3
EBITDA/Interest	7.2
Current Ratio	1.0
Quick Ratio	0.7

NMF = Not Meaningful

Investment Highlights

• Fiserv earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 51.9% from 38.3% during the next two years.

• Fiserv is a leader in transaction-based technology solutions. The company boasts a high-quality recurring revenue stream that we expect to grow at an organic mid-single-digit annual pace in coming years.

• Fiserv has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 17.3% in coming years. Total debt-to-EBITDA was 2.5 last year, while debt-to-book capitalization stood at 51%.

• Fiserv's account processing services are characterized by mission-critical applications, long-term contracts, and high renewal rates. The firm's Mobiliti segment is well-positioned to capture growth in mobile payment demand.

• The firm's technicals look very weak. If current prices hold, the firm's moving averages could create a death cross, a very bearish technical pattern.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**VERY BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Resistance, 10-wk MA	**81.00**

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
Bottomline Tech	22.9	5.6	95.0%
Mastercard	23.8	1.8	109.6%
Visa	21.5	NMF	93.8%
Western Union	8.1	NMF	93.5%
Peer Median	22.2	3.7	94.4%
Fiserv	**15.6**	**1.3**	**93.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	4,133	4,337	4,480
Revenue, YoY%	1.4%	4.9%	3.3%
Operating Income	1,007	996	1,285
Operating Margin %	24.4%	23.0%	28.7%
Net Income	506	491	725
Net Income Margin %	12.2%	11.3%	16.2%
Diluted EPS	3.34	3.40	5.13
Diluted EPS, YoY %	9.6%	2.1%	50.7%
Free Cash Flow (CFO-capex)	822	780	811
Free Cash Flow Margin %	19.9%	18.0%	18.1%

In Millions of USD (except for per share items)

Structure of the Financial Tech Services Industry — EXCELLENT

The financial tech services industry is primarily composed of firms that generate revenue by charging fees to customers for providing transaction processing and other payment-related services. Constituents operate in a rapidly-evolving legal/regulatory environment, particularly with respect to interchange fees, data protection, and information security. Several participants benefit from a significant competitive advantage – the network effect. As more consumers use credit/debit cards, more merchants accept them, thereby creating a virtuous cycle. The industry is one of the most attractive in our coverage.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

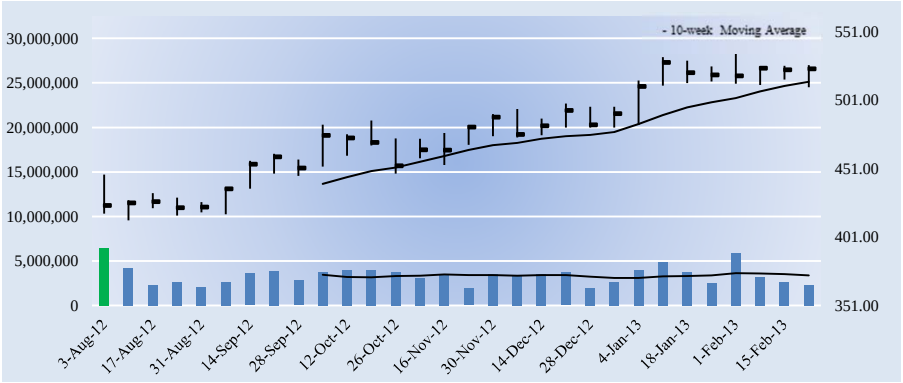
Mastercard MA FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$523.83	$478.00	$359.00 - $598.00	LARGE-CAP GROWTH	Information Technology	Financial Tech Services

We love Mastercard's cash-rich business model and powerful network effect.

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)	$67,050
Avg Weekly Vol (30 wks)	3,414
30-week Range (USD)	413.18 - 535.35
Valuentum Sector	Information Technology
5-week Return	-0.2%
13-week Return	6.7%
30-week Return	20.1%
Dividend Yield %	0.5%
Dividends per Share	2.40
Forward Dividend Payout Ratio	10.9%
Est. Normal Diluted EPS	29.33
P/E on Est. Normal Diluted EPS	17.9
Est. Normal EBITDA	5,479
Forward EV/EBITDA	14.6
EV/Est. Normal EBITDA	11.2
Forward Revenue Growth (5-yr)	10.4%
Forward EPS Growth (5-yr)	19.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	43.6%
Return on Assets	21.0%
ROIC, with goodwill	69.4%
ROIC, without goodwill	87.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-5,585
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	116.3
Current Ratio	1.8
Quick Ratio	1.7

NMF = Not Meaningful

Investment Highlights

• Mastercard earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 87.9% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $359, we'd take a closer look.

• Mastercard 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 40.3% in coming years, and the firm had no debt as of last quarter.

• Mastercard benefits from one of the strongest competitive advantages out there – the network effect. As more consumers use credit/debit cards, more merchants accept them, thereby creating a virtuous cycle.

• The firm experienced a revenue CAGR of about 10.4% during the past 3 years. We expect its revenue growth to be better than its peer median during the next five years.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**HIGH**
Technical Evaluation	**BULLISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**514.00**

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
Bottomline Tech	22.9	5.6	95.0%
Fiserv	15.6	1.3	93.3%
Visa	21.5	NMF	93.8%
Western Union	8.1	NMF	93.5%
Peer Median	18.6	3.4	93.6%
Mastercard	**23.8**	**1.8**	**109.6%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	5,539	6,714	7,390
Revenue, YoY%	8.6%	21.2%	10.1%
Operating Income	2,757	2,713	3,998
Operating Margin %	49.8%	40.4%	54.1%
Net Income	1,846	1,906	2,793
Net Income Margin %	33.3%	28.4%	37.8%
Diluted EPS	14.09	14.89	22.04
Diluted EPS, YoY %	25.5%	5.7%	48.0%
Free Cash Flow (CFO-capex)	1,546	2,507	2,881
Free Cash Flow Margin %	27.9%	37.3%	39.0%

In Millions of USD (except for per share items)

Structure of the Financial Tech Services Industry — EXCELLENT

The financial tech services industry is primarily composed of firms that generate revenue by charging fees to customers for providing transaction processing and other payment-related services. Constituents operate in a rapidly-evolving legal/regulatory environment, particularly with respect to interchange fees, data protection, and information security. Several participants benefit from a significant competitive advantage – the network effect. As more consumers use credit/debit cards, more merchants accept them, thereby creating a virtuous cycle. The industry is one of the most attractive in our coverage.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

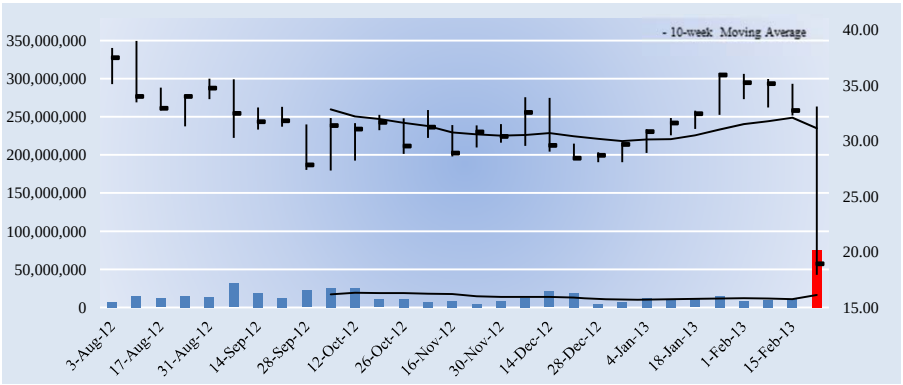
Verifone PAY UNDERVALUED 5.7%

Buying Index™ 6 **Value Rating** ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$18.92	$27.00	$20.00 - $34.00	MID-CAP VALUE	Information Technology	Financial Tech Services

Verifone's valuation looks attractive but its technicals look weak. There may be a better entry point in the stock.

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)	$2,087
Avg Weekly Vol (30 wks)	15,584
30-week Range (USD)	17.93 - 39
Valuentum Sector	Information Technology
5-week Return	-41.8%
13-week Return	-38.0%
30-week Return	-49.9%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	2.39
P/E on Est. Normal Diluted EPS	7.9
Est. Normal EBITDA	662
Forward EV/EBITDA	4.8
EV/Est. Normal EBITDA	4.4
Forward Revenue Growth (5-yr)	3.5%
Forward EPS Growth (5-yr)	32.0%

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

Returns Summary

	3-year Historical Average
Return on Equity	42.9%
Return on Assets	9.6%
ROIC, with goodwill	17.8%
ROIC, without goodwill	34.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,308
Net Debt	854
Total Debt/EBITDA	3.8
Net Debt/EBITDA	2.5
EBITDA/Interest	5.5
Current Ratio	2.0
Quick Ratio	1.4

NMF = Not Meaningful

Investment Highlights

• Verifone earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 34.3% during the past three years.

• Verifone is a global provider of technology that enables electronic payment transactions and value-added services at the point of sale. Though it has an entrenched user base, investors have become concerned about the impact that mobile payment competitors will have on its business.

• Verifone's cash flow generation is robust, but its financial leverage could potentially be concerning down the road. If cash flows begin to weaken, we'd become more cautious on the firm's overall financial health.

• The firm's shares have underperformed the market benchmark during the past quarter. Although Verifone's valuation appears attractive, the company is currently exhibiting characteristics of a potential value trap, and we'd still be cautious at these levels. There may be a better entry point yet.

• The firm's technicals look very weak. If current prices hold, the firm's moving averages could create a death cross, a very bearish technical pattern.

Investment Considerations

DCF Valuation	**UNDERVALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**HIGH**
Growth	**MODEST**
Technical Evaluation	**VERY BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**31.00**

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
Bottomline Tech	22.9	5.6	95.0%
Fiserv	15.6	1.3	93.3%
Mastercard	23.8	1.8	109.6%
Visa	21.5	NMF	93.8%
Peer Median	22.2	1.8	94.4%
Verifone	**8.6**	**1.0**	**70.1%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Oct-11	Oct-12	Oct-13
Revenue	1,304	1,866	1,829
Revenue, YoY%	30.2%	43.1%	-2.0%
Operating Income	106	165	432
Operating Margin %	8.1%	8.9%	23.6%
Net Income	282	65	242
Net Income Margin %	21.7%	3.5%	13.2%
Diluted EPS	2.92	0.59	2.19
Diluted EPS, YoY %	159.6%	-79.8%	271.7%
Free Cash Flow (CFO-capex)	162	155	304
Free Cash Flow Margin %	12.4%	8.3%	16.6%

In Millions of USD (except for per share items)

Structure of the Financial Tech Services Industry — EXCELLENT

The financial tech services industry is primarily composed of firms that generate revenue by charging fees to customers for providing transaction processing and other payment-related services. Constituents operate in a rapidly-evolving legal/regulatory environment, particularly with respect to interchange fees, data protection, and information security. Several participants benefit from a significant competitive advantage – the network effect. As more consumers use credit/debit cards, more merchants accept them, thereby creating a virtuous cycle. The industry is one of the most attractive in our coverage.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

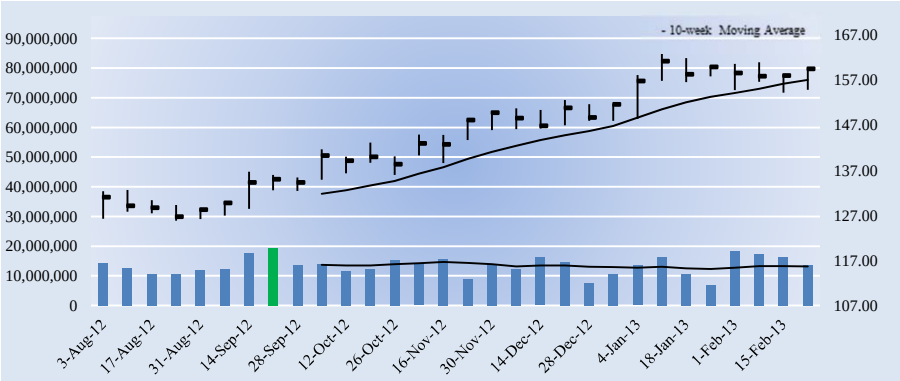
Visa V FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$159.43	$170.00	$136.00 - $204.00	LARGE-CAP BLEND	Information Technology	Financial Tech Services

Visa benefits from one of the strongest competitive advantages out there – the network effect.

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)	$111,601
Avg Weekly Vol (30 wks)	13,463
30-week Range (USD)	125.81 - 162.77
Valuentum Sector	Information Technology
5-week Return	0.5%
13-week Return	6.3%
30-week Return	23.7%
Dividend Yield %	0.8%
Dividends per Share	1.32
Forward Dividend Payout Ratio	17.8%
Est. Normal Diluted EPS	9.65
P/E on Est. Normal Diluted EPS	16.5
Est. Normal EBITDA	12,407
Forward EV/EBITDA	11.0
EV/Est. Normal EBITDA	8.4
Forward Revenue Growth (5-yr)	11.2%
Forward EPS Growth (5-yr)	-476.5%

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

Returns Summary

	3-year Historical Average
Return on Equity	6.4%
Return on Assets	4.7%
ROIC, with goodwill	19.3%
ROIC, without goodwill	38.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-7,249
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	1.5
Quick Ratio	1.1

NMF = Not Meaningful

Investment Highlights

• Visa'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 few years, a combination we view very positively.

• Visa benefits from one of the strongest competitive advantages out there – the network effect. As more consumers use credit/debit cards, more merchants accept them, thereby creating a virtuous cycle.

• Visa 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 48.5% in coming years, and the firm had no debt as of last quarter.

• The firm's share price performance has trailed that of the market during the past quarter. However, it is trading within our fair value estimate range, so we don't view such activity as alarming.

• The firm experienced a revenue CAGR of about 14.7% during the past 3 years. We expect its revenue growth to be better than its peer median during the next five years.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**HIGH**
Technical Evaluation	**BULLISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**157.00**

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
Bottomline Tech	22.9	5.6	95.0%
Fiserv	15.6	1.3	93.3%
Mastercard	23.8	1.8	109.6%
Western Union	8.1	NMF	93.5%
Peer Median	19.3	1.8	94.3%
Visa	**21.5**	**NMF**	**93.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-11	Sep-12	Sep-13
Revenue	9,188	10,421	11,672
Revenue, YoY%	13.9%	13.4%	12.0%
Operating Income	3,583	4,084	6,692
Operating Margin %	39.0%	39.2%	57.3%
Net Income	1,770	-11	5,189
Net Income Margin %	19.3%	-0.1%	44.5%
Diluted EPS	2.53	-0.02	7.41
Diluted EPS, YoY %	-37.0%	-100.6%	-47276.2%
Free Cash Flow (CFO-capex)	1,639	2,478	6,868
Free Cash Flow Margin %	17.8%	23.8%	58.8%

In Millions of USD (except for per share items)

Structure of the Financial Tech Services Industry — EXCELLENT

The financial tech services industry is primarily composed of firms that generate revenue by charging fees to customers for providing transaction processing and other payment-related services. Constituents operate in a rapidly-evolving legal/regulatory environment, particularly with respect to interchange fees, data protection, and information security. Several participants benefit from a significant competitive advantage – the network effect. As more consumers use credit/debit cards, more merchants accept them, thereby creating a virtuous cycle. The industry is one of the most attractive in our coverage.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

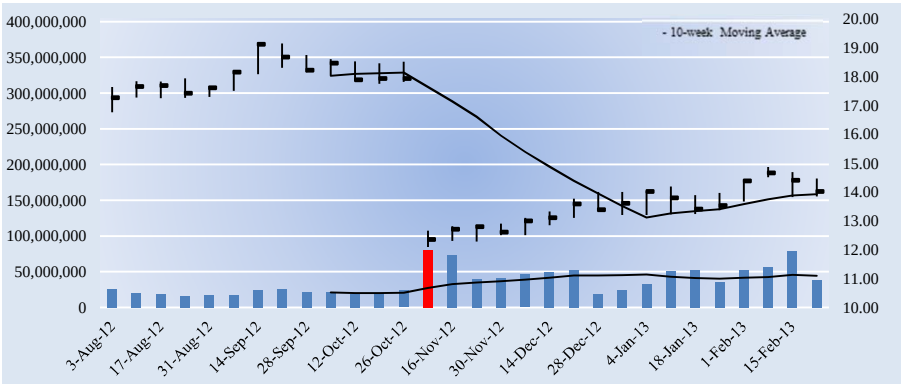
Western Union WU FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$14.02	$15.00	$11.00 - $19.00	MID-CAP VALUE	Information Technology	Financial Tech Services

Western Union continues to face competitive pressures in its money transfer business.

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)	$8,891
Avg Weekly Vol (30 wks)	36,637
30-week Range (USD)	12.1 - 19.14
Valuentum Sector	Information Technology
5-week Return	4.2%
13-week Return	9.7%
30-week Return	-20.4%
Dividend Yield %	3.6%
Dividends per Share	0.50
Forward Dividend Payout Ratio	28.8%
Est. Normal Diluted EPS	1.50
P/E on Est. Normal Diluted EPS	9.4
Est. Normal EBITDA	1,464
Forward EV/EBITDA	5.4
EV/Est. Normal EBITDA	6.2
Forward Revenue Growth (5-yr)	-0.2%
Forward EPS Growth (5-yr)	-4.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	281.2%
Return on Assets	12.9%
ROIC, with goodwill	24.6%
ROIC, without goodwill	47.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,583
Net Debt	168
Total Debt/EBITDA	2.3
Net Debt/EBITDA	0.1
EBITDA/Interest	8.7
Current Ratio	1.1
Quick Ratio	1.1

NMF = Not Meaningful

Investment Highlights

• Western Union earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 70.9% from 51.8% during the next two years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $11, we'd take a closer look.

• Western Union has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 16.9% in coming years. Total debt-to-EBITDA was 2.3 last year, while debt-to-book capitalization stood at 80%.

• The firm's share price performance has been roughly in line with that of the market during the past quarter. We'd expect the firm's stock price to converge to our fair value estimate within the next three years, if our forecasts prove accurate.

• Western Union provides convenient ways for people to move money around the globe. Still, the firm's business model remains challenged as competitive pressures intensify.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**DECLINING**
Technical Evaluation	**BULLISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Support, 10-week MA	**14.00**

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
Bottomline Tech	22.9	5.6	95.0%
Fiserv	15.6	1.3	93.3%
Mastercard	23.8	1.8	109.6%
Visa	21.5	NMF	93.8%
Peer Median	22.2	1.8	94.4%
Western Union	**8.1**	**NMF**	**93.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	5,193	5,491	5,660
Revenue, YoY%	2.1%	5.8%	3.1%
Operating Income	1,300	1,385	1,494
Operating Margin %	25.0%	25.2%	26.4%
Net Income	910	1,165	1,080
Net Income Margin %	17.5%	21.2%	19.1%
Diluted EPS	1.36	1.84	1.74
Diluted EPS, YoY %	12.3%	35.1%	-5.5%
Free Cash Flow (CFO-capex)	916	1,172	1,196
Free Cash Flow Margin %	17.6%	21.3%	21.1%

In Millions of USD (except for per share items)

Structure of the Financial Tech Services Industry — EXCELLENT

The financial tech services industry is primarily composed of firms that generate revenue by charging fees to customers for providing transaction processing and other payment-related services. Constituents operate in a rapidly-evolving legal/regulatory environment, particularly with respect to interchange fees, data protection, and information security. Several participants benefit from a significant competitive advantage – the network effect. As more consumers use credit/debit cards, more merchants accept them, thereby creating a virtuous cycle. The industry is one of the most attractive in our coverage.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

Healthcare

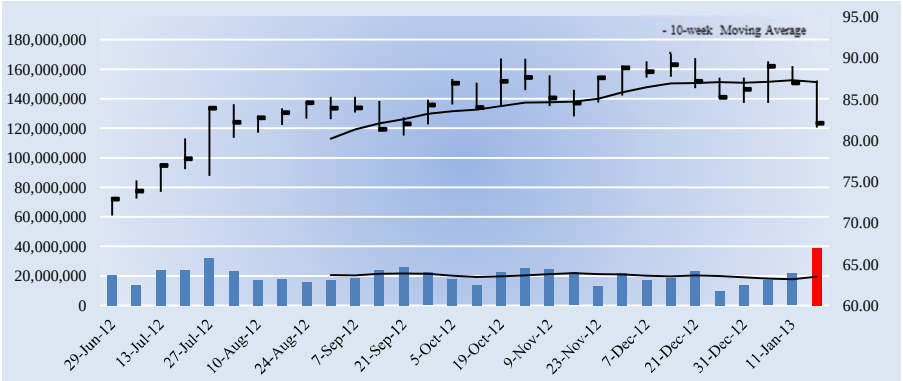
Amgen AMGN FAIRLY VALUED

Buying Index™ 4 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$82.08	$98.00	$69.00 - $127.00	LARGE-CAP VALUE	Health Care	Biotechnology

Amgen's pipeline continues to advance, and commercial execution of its portfolio remains strong, particularly with its Neulasta/NEUPOGEN franchise.

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).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**HIGH**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**87.00**

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.

Company Vitals

Market Cap (USD)	$74,857
Avg Weekly Vol (30 wks)	20,678
30-week Range (USD)	70.88 - 90.81
Valuentum Sector	Health Care
5-week Return	-5.6%
13-week Return	-5.6%
30-week Return	14.2%
Dividend Yield %	2.3%
Dividends per Share	1.88
Forward Dividend Payout Ratio	26.6%
Est. Normal Diluted EPS	8.13
P/E on Est. Normal Diluted EPS	10.1
Est. Normal EBITDA	9,207
Forward EV/EBITDA	9.0
EV/Est. Normal EBITDA	8.2
Forward Revenue Growth (5-yr)	2.2%
Forward EPS Growth (5-yr)	16.5%

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

Investment Highlights

• Amgen earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 54.8% during the past three years.

• The firm is trading at attractive valuation mulitples relative to peers, but our DCF process indicates a less compelling opportunity. We'd wait for a clearer signal on valuation before jumping into the firm's shares.

• Amgen's cash flow generation is robust, but its financial leverage could potentially be concerning down the road. If cash flows begin to weaken, we'd become more cautious on the firm's overall financial health.

• The firm's share price performance has trailed that of the market during the past quarter. However, it is trading within our fair value estimate range, so we don't view such activity as alarming.

• Amgen is one of the world's largest biotechnology medicines firms. The company's pipeline continues to advance, and commercial execution of its portfolio remains strong, particularly with its Neulasta/NEUPOGEN franchise.

Relative Valuation

	Forward P/E	PEG	Price / FV
Biogen	21.7	1.9	115.4%
Celgene	17.5	1.7	100.0%
Gilead Sciences	20.1	NMF	105.8%
Human Genome	-8.9	NMF	134.6%
Peer Median	18.8	1.8	110.6%
Amgen	**11.6**	**1.2**	**83.8%**

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

Returns Summary

	3-year Historical Average
Return on Equity	19.5%
Return on Assets	10.4%
ROIC, with goodwill	25.3%
ROIC, without goodwill	54.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	15,053	15,582	16,049
Revenue, YoY%	2.8%	3.5%	3.0%
Operating Income	5,662	5,208	7,336
Operating Margin %	37.6%	33.4%	45.7%
Net Income	4,627	3,683	6,319
Net Income Margin %	30.7%	23.6%	39.4%
Diluted EPS	4.79	4.04	7.07
Diluted EPS, YoY %	6.3%	-15.8%	75.1%
Free Cash Flow (CFO-capex)	5,207	4,552	6,816
Free Cash Flow Margin %	34.6%	29.2%	42.5%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	21,428
Net Debt	787
Total Debt/EBITDA	3.4
Net Debt/EBITDA	0.1
EBITDA/Interest	10.3
Current Ratio	4.8
Quick Ratio	4.1

NMF = Not Meaningful

Structure of the Biotechnology Industry — GOOD

Firms in the biotechnology industry face no certain future. Drug development is complex, difficult, and risky, and failure rates are high. Product development cycles are extended—approximately 10 to 15 years from discovery to market. A potential new medicine must undergo years of testing to establish safety/efficacy. Sales depend on reimbursement from third-party payers. Competition can be fierce when biosimilar products exist, though patents are material competitive advantages. We like the group on the basis of patent protection, but the timing of expiration of such patents should be watched closely.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

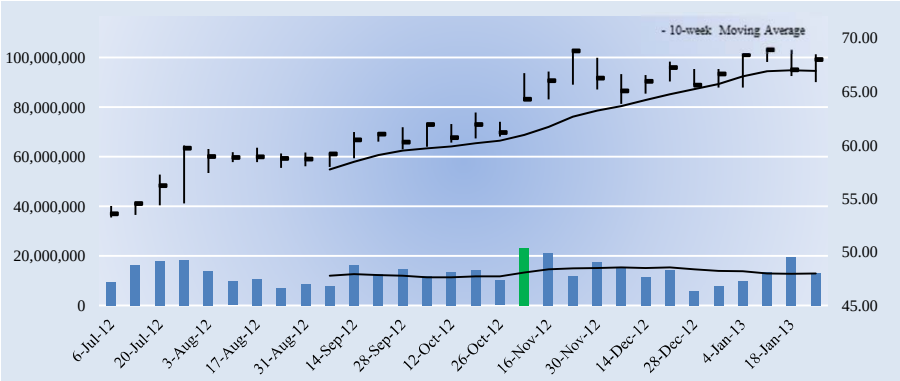
Baxter Intl BAX FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$68.00	$65.00	$49.00 - $81.00	LARGE-CAP CORE	Health Care	Medical Instruments

Baxter's strong image and brand is augmented by an extensive global footprint and channel strength.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$38,964
Avg Weekly Vol (30 wks)	13,284
30-week Range (USD)	53.23 - 69
Valuentum Sector	Health Care
5-week Return	1.5%
13-week Return	5.9%
30-week Return	27.2%
Dividend Yield %	2.6%
Dividends per Share	1.80
Forward Dividend Payout Ratio	39.7%
Est. Normal Diluted EPS	5.27
P/E on Est. Normal Diluted EPS	12.9
Est. Normal EBITDA	4,444
Forward EV/EBITDA	10.4
EV/Est. Normal EBITDA	9.3
Forward Revenue Growth (5-yr)	6.8%
Forward EPS Growth (5-yr)	9.5%

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

Returns Summary

	3-year Historical Average
Return on Equity	29.4%
Return on Assets	11.4%
ROIC, with goodwill	26.2%
ROIC, without goodwill	32.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	5,195
Net Debt	2,290
Total Debt/EBITDA	1.4
Net Debt/EBITDA	0.6
EBITDA/Interest	39.3
Current Ratio	1.8
Quick Ratio	1.1

NMF = Not Meaningful

Investment Highlights

• Baxter Intl earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 32.2% during the past three years.

• Baxter makes products that help people with hemophilia, immune disorders, infectious diseases, kidney disease, trauma and other medical conditions. The firm's diversified healthcare portfolio generates 70%+ of revenue from products in market-leading positions.

• Baxter Intl has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 16% in coming years. Total debt-to-EBITDA was 1.4 last year, while debt-to-book capitalization stood at 44.1%.

• Baxter's strong image and brand is augmented by an extensive global footprint and channel strength. The company continues to enhance its position in hemophilia and advance its pipeline to late-stage development. There were 18 phase III pipeline programs in 2012 compared to just 2 in 2005.

• The firm sports a very nice dividend yield of 2.6%. We expect the firm to pay out about 40% of next year's earnings to shareholders as dividends.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**67.00**

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
Becton, Dickinson	14.8	1.9	98.4%
Boston Scientific	16.6	2.3	85.8%
Stryker	15.6	1.9	102.5%
Thermo Fisher Scientific	14.4	1.3	101.7%
Peer Median	15.2	1.9	100.0%
Baxter Intl	**15.0**	**1.9**	**104.6%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	12,843	13,893	14,190
Revenue, YoY%	2.2%	8.2%	2.1%
Operating Income	2,136	2,946	3,265
Operating Margin %	16.6%	21.2%	23.0%
Net Income	1,420	2,224	2,547
Net Income Margin %	11.1%	16.0%	17.9%
Diluted EPS	2.39	3.88	4.53
Diluted EPS, YoY %	-33.4%	62.4%	16.8%
Free Cash Flow (CFO-capex)	2,040	1,857	2,490
Free Cash Flow Margin %	15.9%	13.4%	17.5%

In Millions of USD (except for per share items)

Structure of the Medical Instruments Industry — GOOD

The medical instrument industry is heavily regulated and characterized by rapid technological change. Firms have been forced to compete on price due to economically-motivated buyers, consolidation among healthcare providers, and declining reimbursement rates. Healthcare reform measures have put additional pressure on procedure rates and market sizes. Still, firms can gain advantages by developing products with differentiated clinical outcomes or by creating patent-protected technology. Since most constituents hold important patents or trade secrets, we tend to like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

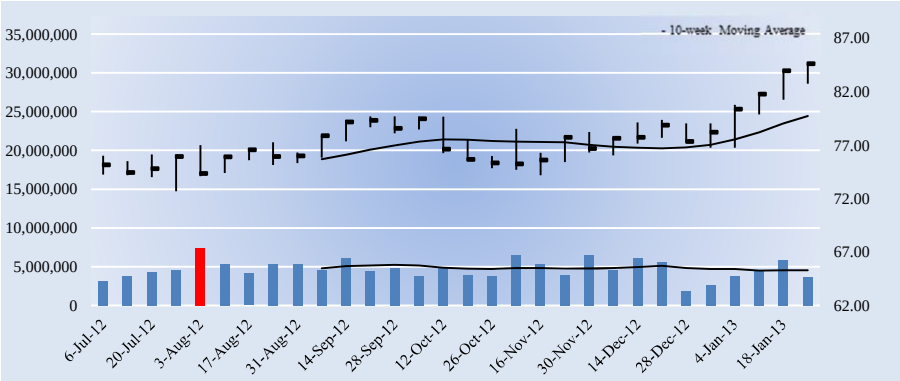
Becton, Dickinson BDX FAIRLY VALUED

Buying Index™ 5 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$84.59	$86.00	$65.00 - $108.00	LARGE-CAP VALUE	Health Care	Medical Instruments

New product revenue will continue to be a key driver for Becton, Dickinson and is expected to be as much as 18% of sales by fiscal year 2014.

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)	$17,695
Avg Weekly Vol (30 wks)	4,696
30-week Range (USD)	72.68 - 84.63
Valuentum Sector	Health Care
5-week Return	7.6%
13-week Return	12.1%
30-week Return	12.6%
Dividend Yield %	2.3%
Dividends per Share	1.98
Forward Dividend Payout Ratio	34.7%
Est. Normal Diluted EPS	6.80
P/E on Est. Normal Diluted EPS	12.4
Est. Normal EBITDA	2,556
Forward EV/EBITDA	8.8
EV/Est. Normal EBITDA	7.7
Forward Revenue Growth (5-yr)	4.6%
Forward EPS Growth (5-yr)	8.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	23.9%
Return on Assets	11.7%
ROIC, with goodwill	20.3%
ROIC, without goodwill	23.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	4,166
Net Debt	1,986
Total Debt/EBITDA	2.0
Net Debt/EBITDA	1.0
EBITDA/Interest	15.4
Current Ratio	2.7
Quick Ratio	1.7

NMF = Not Meaningful

Investment Highlights

• Becton, Dickinson earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 23.4% during the past three years.

• Becton, Dickinson is a medical technology company that sells medical devices, instrument systems and reagents. New product revenue will continue to be a key driver for the company and is expected to be as much as 18% of sales by fiscal year 2014 (almost double fiscal 2011 levels).

• Becton, Dickinson has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 15% in coming years. Total debt-to-EBITDA was 2 last year, while debt-to-book capitalization stood at 50.2%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• The firm sports a very nice dividend yield of 2.3%. We expect the firm to pay out about 35% of next year's earnings to shareholders as dividends.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**NEUTRAL**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**OVERBOUGHT**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**80.00**

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
Baxter Intl	15.0	1.9	104.6%
Boston Scientific	16.6	2.3	85.8%
Stryker	15.6	1.9	102.5%
Thermo Fisher Scientific	14.4	1.3	101.7%
Peer Median	15.3	1.9	102.1%
Becton, Dickinson	**14.8**	**1.9**	**98.4%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-11	Sep-12	Sep-13
Revenue	7,829	7,708	8,094
Revenue, YoY%	6.2%	-1.5%	5.0%
Operating Income	1,763	1,558	1,697
Operating Margin %	22.5%	20.2%	21.0%
Net Income	1,265	1,110	1,182
Net Income Margin %	16.2%	14.4%	14.6%
Diluted EPS	5.59	5.30	5.71
Diluted EPS, YoY %	14.1%	-5.1%	7.6%
Free Cash Flow (CFO-capex)	1,105	1,146	1,128
Free Cash Flow Margin %	14.1%	14.9%	13.9%

In Millions of USD (except for per share items)

Structure of the Medical Instruments Industry — GOOD

The medical instrument industry is heavily regulated and characterized by rapid technological change. Firms have been forced to compete on price due to economically-motivated buyers, consolidation among healthcare providers, and declining reimbursement rates. Healthcare reform measures have put additional pressure on procedure rates and market sizes. Still, firms can gain advantages by developing products with differentiated clinical outcomes or by creating patent-protected technology. Since most constituents hold important patents or trade secrets, we tend to like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

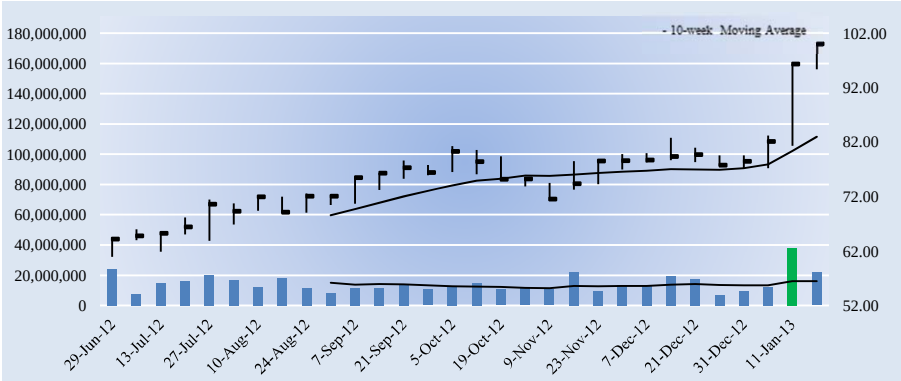
Celgene CELG FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$100.03	$100.00	$75.00 - $125.00	LARGE-CAP GROWTH	Health Care	Biotechnology

Celgene's product pipeline—which covers the areas of hematology, oncology, and immunology—is impressive.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**HIGH**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**83.00**

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.

Company Vitals

Market Cap (USD)	$46,289
Avg Weekly Vol (30 wks)	14,669
30-week Range (USD)	60.9 - 100.12
Valuentum Sector	Health Care
5-week Return	26.5%
13-week Return	33.3%
30-week Return	63.5%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	6.77
P/E on Est. Normal Diluted EPS	14.8
Est. Normal EBITDA	4,327
Forward EV/EBITDA	12.9
EV/Est. Normal EBITDA	10.5
Forward Revenue Growth (5-yr)	9.6%
Forward EPS Growth (5-yr)	22.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	19.0%
Return on Assets	12.9%
ROIC, with goodwill	36.9%
ROIC, without goodwill	57.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,802
Net Debt	-846
Total Debt/EBITDA	1.1
Net Debt/EBITDA	NMF
EBITDA/Interest	38.9
Current Ratio	2.8
Quick Ratio	2.3

NMF = Not Meaningful

Investment Highlights

• Celgene earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 57.7% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $75, we'd take a closer look.

• Celgene 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 55% in coming years. Total debt-to-EBITDA was 1.1 last year, while debt-to-book capitalization stood at 24.6%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• Celgene is a biotech firm focused on developing therapies to treat cancer and immune-inflammatory related diseases. The company's product pipeline—which covers the areas of hematology, oncology, and immunology—is impressive.

Relative Valuation

	Forward P/E	PEG	Price / FV
Amgen	11.6	1.2	83.8%
Biogen	21.7	1.9	115.4%
Gilead Sciences	20.1	NMF	105.8%
Amgen	10.7	1.2	74.7%
Peer Median	15.9	1.2	94.8%
Celgene	**17.5**	**1.7**	**100.0%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	3,626	4,842	5,326
Revenue, YoY%	34.8%	33.5%	10.0%
Operating Income	1,037	1,300	3,130
Operating Margin %	28.6%	26.9%	58.8%
Net Income	881	1,176	2,681
Net Income Margin %	24.3%	24.3%	50.3%
Diluted EPS	1.88	2.54	5.71
Diluted EPS, YoY %	12.8%	35.5%	124.6%
Free Cash Flow (CFO-capex)	1,083	1,534	3,059
Free Cash Flow Margin %	29.9%	31.7%	57.4%

In Millions of USD (except for per share items)

Structure of the Biotechnology Industry — GOOD

Firms in the biotechnology industry face no certain future. Drug development is complex, difficult, and risky, and failure rates are high. Product development cycles are extended—approximately 10 to 15 years from discovery to market. A potential new medicine must undergo years of testing to establish safety/efficacy. Sales depend on reimbursement from third-party payers. Competition can be fierce when biosimilar products exist, though patents are material competitive advantages. We like the group on the basis of patent protection, but the timing of expiration of such patents should be watched closely.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

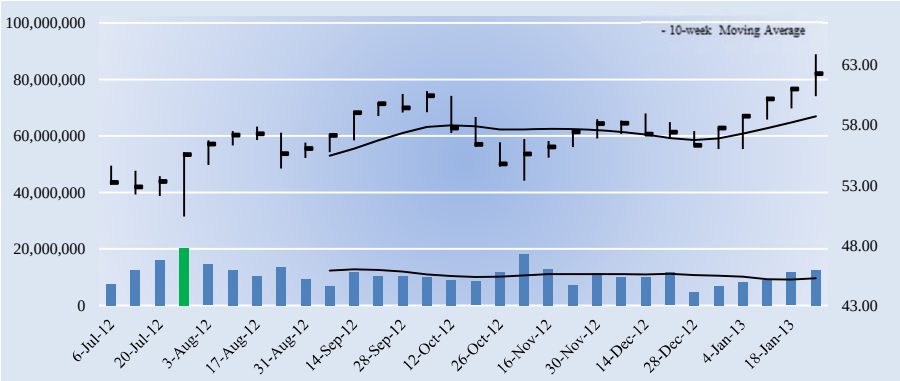
Covidien COV FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$62.28	$64.00	$51.00 - $77.00	LARGE-CAP VALUE	Health Care	Medical Instruments

Despite Covidien's strong cash flow generation, we think the shares are fairly valued at this time.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**59.00**

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.

Company Vitals

Market Cap (USD)	$30,268
Avg Weekly Vol (30 wks)	11,042
30-week Range (USD)	50.4 - 63.89
Valuentum Sector	Health Care
5-week Return	8.7%
13-week Return	12.5%
30-week Return	16.7%
Dividend Yield %	1.7%
Dividends per Share	1.04
Forward Dividend Payout Ratio	23.0%
Est. Normal Diluted EPS	5.11
P/E on Est. Normal Diluted EPS	12.2
Est. Normal EBITDA	3,900
Forward EV/EBITDA	9.6
EV/Est. Normal EBITDA	8.6
Forward Revenue Growth (5-yr)	5.0%
Forward EPS Growth (5-yr)	7.1%

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

Returns Summary

	3-year Historical Average
Return on Equity	19.0%
Return on Assets	8.8%
ROIC, with goodwill	14.8%
ROIC, without goodwill	30.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	5,040
Net Debt	3,174
Total Debt/EBITDA	1.6
Net Debt/EBITDA	1.0
EBITDA/Interest	15.2
Current Ratio	2.2
Quick Ratio	1.2

NMF = Not Meaningful

Investment Highlights

• Covidien'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 few years, a combination we view very positively.

• Covidien operates in three major segments: medical devices, pharmaceuticals, and medical supplies. No single company, in our view, can compete with the firm's full breadth of products in its medical devices segment.

• Covidien has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 17.9% in coming years. Total debt-to-EBITDA was 1.6 last year, while debt-to-book capitalization stood at 32.3%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• Covidien's long-term goals are noteworthy. It expects mid-single-digit annual sales expansion, double-digit annual earnings per share growth, and increased return on invested capital over time.

Relative Valuation

	Forward P/E	PEG	Price / FV
Baxter Intl	15.0	1.9	104.6%
Becton, Dickinson	14.8	1.9	98.4%
Stryker	15.6	1.9	102.5%
Thermo Fisher Scientific	14.4	1.3	101.7%
Peer Median	14.9	1.9	102.1%
Covidien	**13.8**	**2.2**	**97.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-11	Sep-12	Sep-13
Revenue	11,574	11,852	12,682
Revenue, YoY%	11.0%	2.4%	7.0%
Operating Income	2,486	2,505	2,819
Operating Margin %	21.5%	21.1%	22.2%
Net Income	1,883	1,902	2,197
Net Income Margin %	16.3%	16.0%	17.3%
Diluted EPS	3.79	3.91	4.52
Diluted EPS, YoY %	22.2%	3.3%	15.6%
Free Cash Flow (CFO-capex)	1,724	1,844	2,199
Free Cash Flow Margin %	14.9%	15.6%	17.3%

In Millions of USD (except for per share items)

Structure of the Medical Instruments Industry — GOOD

The medical instrument industry is heavily regulated and characterized by rapid technological change. Firms have been forced to compete on price due to economically-motivated buyers, consolidation among healthcare providers, and declining reimbursement rates. Healthcare reform measures have put additional pressure on procedure rates and market sizes. Still, firms can gain advantages by developing products with differentiated clinical outcomes or by creating patent-protected technology. Since most constituents hold important patents or trade secrets, we tend to like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

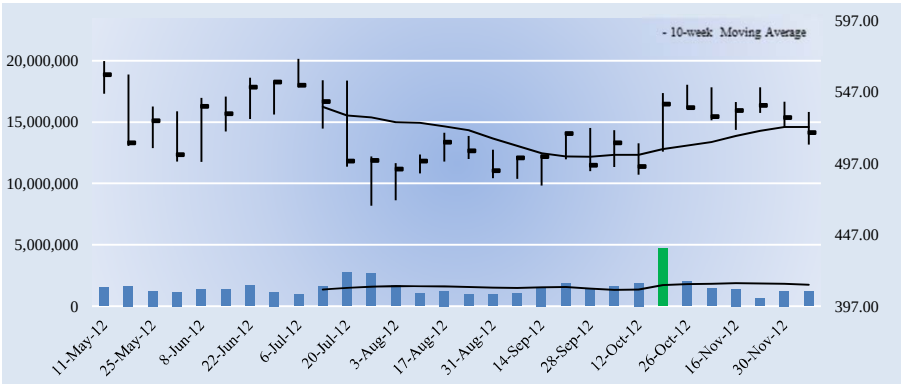
Intuitive Surgical ISRG FAIRLY VALUED

Buying Index™ 3 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$518.29	$560.00	$420.00 - $700.00	LARGE-CAP BLEND	Health Care	Medical Devices

We're huge fans of Intuitive Surgical's recurring revenue model.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**AGGRESSIVE**
Technical Evaluation	**VERY BEARISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Resistance, 10-wk MA	**522.00**

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.

Company Vitals

Market Cap (USD)	$20,835
Avg Weekly Vol (30 wks)	1,564
30-week Range (USD)	467.26 - 569.95
Valuentum Sector	Health Care
5-week Return	-4.1%
13-week Return	5.7%
30-week Return	-7.8%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	22.12
P/E on Est. Normal Diluted EPS	23.4
Est. Normal EBITDA	1,351
Forward EV/EBITDA	21.8
EV/Est. Normal EBITDA	14.7
Forward Revenue Growth (5-yr)	18.2%
Forward EPS Growth (5-yr)	20.0%

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

Investment Highlights

• Intuitive Surgical earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 135% during the past three years.

• Intuitive Surgical is the global leader in the field of robotic-assisted minimally invasive surgery. Since it shipped its first da Vinci System, Intuitive Surgical has expanded its installed base to more than 2,000 sites.

• Intuitive Surgical 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 29.2% in coming years, and the firm had no debt as of last quarter.

• The clinical benefits of da Vinci prostatectomy and hesterectomy versus open surgery are many, including shorter hospital stays and less blood loss. Growth in the number of da Vinci surgeries for both procedures has been exponential in recent years.

• The company generates as much as $170k/year in customer annual service agreements and as much as $2.2k per procedure. There were approximately 360,000 da Vinci procedures in 2011. We love its razor/razor-blade model.

Relative Valuation

	Forward P/E	PEG	Price / FV
Medtronic	11.5	2.3	86.9%
Varian Medical Systems	17.0	1.9	105.5%
Waters	17.2	2.9	109.6%
Zimmer	12.3	1.6	81.9%
Peer Median	14.6	2.1	96.2%
Intuitive Surgical	**34.6**	**2.1**	**92.6%**

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

Returns Summary

	3-year Historical Average
Return on Equity	19.7%
Return on Assets	16.8%
ROIC, with goodwill	102.8%
ROIC, without goodwill	135.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	1,413	1,757	2,161
Revenue, YoY%	34.3%	24.4%	23.0%
Operating Income	555	695	851
Operating Margin %	39.3%	39.5%	39.4%
Net Income	382	495	604
Net Income Margin %	27.0%	28.2%	28.0%
Diluted EPS	9.47	12.32	15.00
Diluted EPS, YoY %	59.7%	30.0%	21.8%
Free Cash Flow (CFO-capex)	432	595	616
Free Cash Flow Margin %	30.6%	33.8%	28.5%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-1,029
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	4.6
Quick Ratio	4.1

NMF = Not Meaningful

Structure of the Medical Devices Industry — GOOD

The medical devices industry is heavily regulated and characterized by rapid technological change. Firms have been forced to compete on price due to economically-motivated buyers, consolidation among healthcare providers, and declining reimbursement rates. Healthcare reform measures have put additional pressure on procedure rates and market sizes. Still, firms can gain advantages by developing products with differentiated clinical outcomes or by creating patent-protected technology. Since most constituents hold important patents or trade secrets, we tend to like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

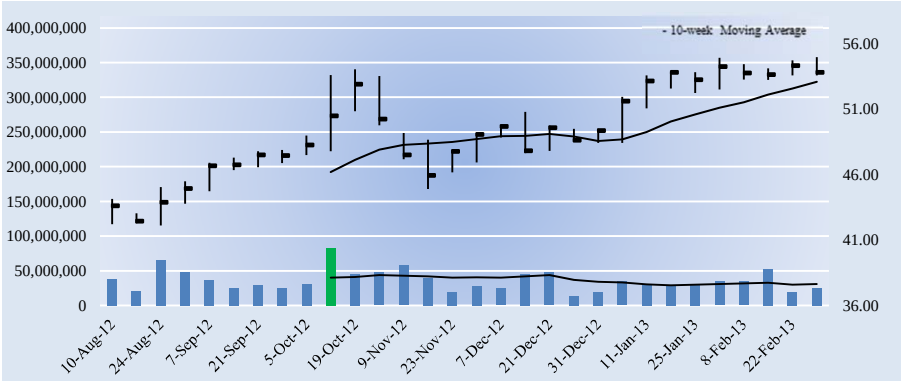
Eli Lilly LLY FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$53.77	$51.00	$38.00 - $64.00	LARGE-CAP CORE	Health Care	Pharmaceuticals

The loss of Zeprexa patent exclusivity will weigh on near-term performance at Lilly, but the firm boasts a promising Phase III pipeline.

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)	$59,898
Avg Weekly Vol (30 wks)	36,001
30-week Range (USD)	42.1 - 54.93
Valuentum Sector	Health Care
5-week Return	1.2%
13-week Return	8.4%
30-week Return	21.9%
Dividend Yield %	3.6%
Dividends per Share	1.96
Forward Dividend Payout Ratio	57.8%
Est. Normal Diluted EPS	4.06
P/E on Est. Normal Diluted EPS	13.2
Est. Normal EBITDA	7,072
Forward EV/EBITDA	10.0
EV/Est. Normal EBITDA	8.5
Forward Revenue Growth (5-yr)	0.9%
Forward EPS Growth (5-yr)	1.3%

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

Returns Summary

	3-year Historical Average
Return on Equity	45.8%
Return on Assets	15.9%
ROIC, with goodwill	40.7%
ROIC, without goodwill	45.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	6,987
Net Debt	90
Total Debt/EBITDA	0.9
Net Debt/EBITDA	0.0
EBITDA/Interest	41.4
Current Ratio	1.6
Quick Ratio	1.2

NMF = Not Meaningful

Investment Highlights

• Eli Lilly earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 45.1% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $38, we'd take a closer look.

• Eli Lilly 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 17.2% in coming years. Total debt-to-EBITDA was 0.9 last year, while debt-to-book capitalization stood at 34%.

• Eli Lilly continues to face substantial revenue and earnings pressure as a result of the Zeprexa patent expiration. Cost control and the advancement of its solid Phase III pipeline will be critical to long-term success.

• The firm sports a very nice dividend yield of 3.6%. We expect the firm to pay out about 58% of next year's earnings to shareholders as dividends.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Support, 10-week MA	**53.00**

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

Business Quality

ValueRisk™ \ ValueCreation™	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
Abbott	6.7	NMF	87.9%
Bristol-Myers Squibb	18.3	3.6	121.1%
Merck	11.1	2.0	103.7%
Pfizer	12.2	1.6	92.6%
Peer Median	11.7	2.0	98.1%
Eli Lilly	**15.8**	**1.7**	**105.4%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	23,076	24,287	22,600
Revenue, YoY%	5.7%	5.2%	-6.9%
Operating Income	6,772	6,318	4,720
Operating Margin %	29.3%	26.0%	20.9%
Net Income	5,120	4,736	3,808
Net Income Margin %	22.2%	19.5%	16.9%
Diluted EPS	4.63	4.25	3.39
Diluted EPS, YoY %	15.1%	-8.2%	-20.2%
Free Cash Flow (CFO-capex)	5,720	5,930	3,408
Free Cash Flow Margin %	24.8%	24.4%	15.1%

In Millions of USD (except for per share items)

Structure of the Pharmaceuticals Industry — GOOD

The pharmaceuticals industry is composed of makers of both brand and generic drugs. Intellectual property protection remains vital to the successful commercialization of safe/effective medicines and offers brand firms competitive advantages over the life of such patents. However, when brand drugs lose market exclusivity, makers of generic pharmaceuticals generate intense price competition. Long-term success for brand pharma companies depends on a strong drug pipeline, while cost-efficiency and being first-to-market are drivers of generic firms' success. We generally like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

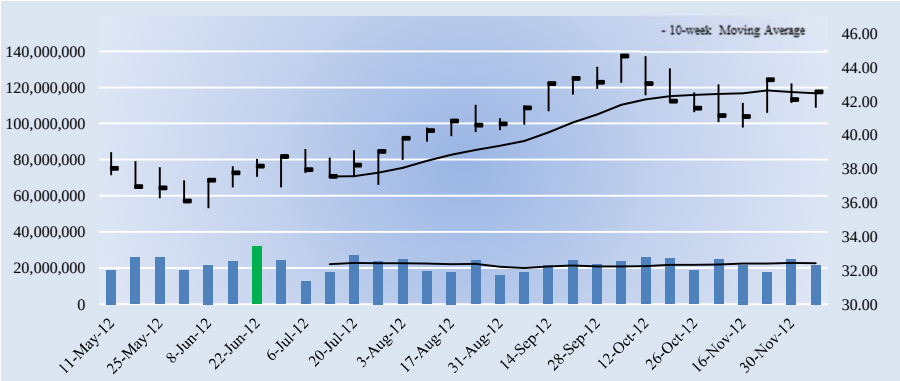
Medtronic MDT FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$42.56	$49.00	$37.00 - $61.00	LARGE-CAP VALUE	Health Care	Medical Devices

Medtronic is a global leader in medical technology.

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).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**VERY BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Support, 10-week MA	**42.00**

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.

Company Vitals

Market Cap (USD)	$45,109
Avg Weekly Vol (30 wks)	22,073
30-week Range (USD)	35.67 - 44.79
Valuentum Sector	Health Care
5-week Return	1.6%
13-week Return	4.6%
30-week Return	11.9%
Dividend Yield %	2.4%
Dividends per Share	1.04
Forward Dividend Payout Ratio	28.1%
Est. Normal Diluted EPS	3.99
P/E on Est. Normal Diluted EPS	10.7
Est. Normal EBITDA	6,354
Forward EV/EBITDA	9.0
EV/Est. Normal EBITDA	8.4
Forward Revenue Growth (5-yr)	2.8%
Forward EPS Growth (5-yr)	5.7%

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

Investment Highlights

• Medtronic earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 45.4% during the past three years.

• Medtronic is a global leader in medical technology. The company currently functions in two operating segments that manufacture and sell device-based medical therapies: Cardiac/Vascular and Restorative Therapies.

• Medtronic has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 25.6% in coming years. Total debt-to-EBITDA was 1.8 last year, while debt-to-book capitalization stood at 38.3%.

• We think Medtronic's baseline expectations are achievable. The company expects to deliver consistent mid-single-digit revenue growth, consistently grow EPS 200-400 basis points faster than revenue, and return 50% of free cash flow to shareholders.

• The company's emerging market business should be a strong source of growth. Medtronic is targeting a 20% CAGR in emerging markets and expects emerging markets to represent 20% of its revenue mix by mid-decade (it's currently 10%).

Relative Valuation

	Forward P/E	PEG	Price / FV
Intuitive Surgical	34.6	2.1	92.6%
Varian Medical Systems	17.0	1.9	105.5%
Waters	17.2	2.9	109.6%
Zimmer	12.3	1.6	81.9%
Peer Median	17.1	2.0	99.0%
Medtronic	**11.5**	**2.3**	**86.9%**

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

Returns Summary

	3-year Historical Average
Return on Equity	21.2%
Return on Assets	11.1%
ROIC, with goodwill	22.5%
ROIC, without goodwill	45.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Apr-11	Apr-12	Apr-13
Revenue	15,933	16,184	16,508
Revenue, YoY%	0.7%	1.6%	2.0%
Operating Income	4,980	4,847	4,971
Operating Margin %	31.3%	29.9%	30.1%
Net Income	3,096	3,415	3,918
Net Income Margin %	19.4%	21.1%	23.7%
Diluted EPS	2.86	3.22	3.70
Diluted EPS, YoY %	1.7%	12.6%	14.7%
Free Cash Flow (CFO-capex)	3,193	3,769	4,351
Free Cash Flow Margin %	20.0%	23.3%	26.4%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	10,633
Net Debt	8,041
Total Debt/EBITDA	1.8
Net Debt/EBITDA	1.4
EBITDA/Interest	16.5
Current Ratio	1.6
Quick Ratio	1.1

NMF = Not Meaningful

Structure of the Medical Devices Industry — GOOD

The medical devices industry is heavily regulated and characterized by rapid technological change. Firms have been forced to compete on price due to economically-motivated buyers, consolidation among healthcare providers, and declining reimbursement rates. Healthcare reform measures have put additional pressure on procedure rates and market sizes. Still, firms can gain advantages by developing products with differentiated clinical outcomes or by creating patent-protected technology. Since most constituents hold important patents or trade secrets, we tend to like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

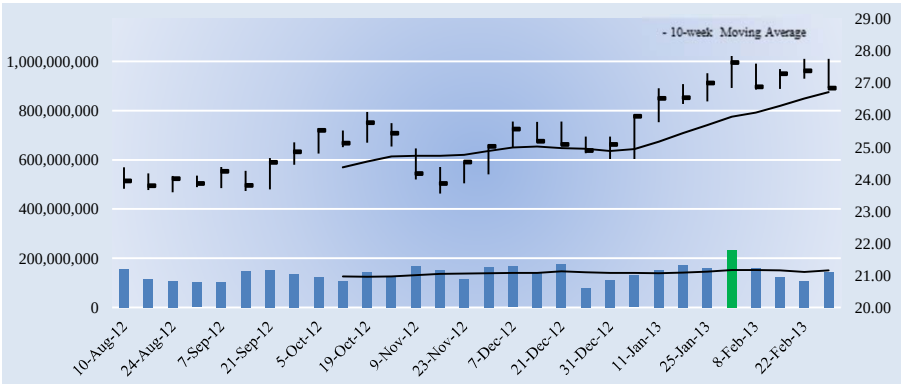
Pfizer PFE FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$26.84	$29.00	$22.00 - $36.00	MEGA-CAP VALUE	Health Care	Pharmaceuticals

Pfizer's shares look fairly valued based on our discounted cash flow process.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**DECLINING**
Technical Evaluation	**BULLISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**27.00**

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.

Company Vitals

Market Cap (USD)	$211,231
Avg Weekly Vol (30 wks)	139,944
30-week Range (USD)	23.55 - 27.84
Valuentum Sector	Health Care
5-week Return	-1.0%
13-week Return	5.6%
30-week Return	10.7%
Dividend Yield %	3.6%
Dividends per Share	0.96
Forward Dividend Payout Ratio	43.8%
Est. Normal Diluted EPS	2.27
P/E on Est. Normal Diluted EPS	11.8
Est. Normal EBITDA	29,091
Forward EV/EBITDA	7.9
EV/Est. Normal EBITDA	7.7
Forward Revenue Growth (5-yr)	-3.3%
Forward EPS Growth (5-yr)	15.4%

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

Investment Highlights

• Pfizer earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 31.3% from 20.9% during the next two years.

• The firm is trading at attractive valuation multiples relative to peers, but our DCF process indicates a less compelling opportunity. We'd wait for a clearer signal on valuation before jumping into the firm's shares.

• Pfizer has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 37.4% in coming years. Total debt-to-EBITDA was 1.9 last year, while debt-to-book capitalization stood at 32.2%.

• The firm's share price performance has trailed that of the market during the past quarter. However, it is trading within our fair value estimate range, so we don't view such activity as alarming.

• Pfizer continues to face pressure from the loss of exclusivity of Lipitor, but we remain encouraged by potential new therapies in its pipeline and have no qualms with its decision to IPO its Animal Health business and sell its Nutrition business.

Relative Valuation

	Forward P/E	PEG	Price / FV
Abbott	6.7	NMF	87.9%
Bristol-Myers Squibb	18.3	3.6	121.1%
Eli Lilly	15.8	1.7	105.4%
Merck	11.1	2.0	103.7%
Peer Median	13.5	2.0	104.6%
Pfizer	**12.2**	**1.6**	**92.6%**

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

Returns Summary

	3-year Historical Average
Return on Equity	10.4%
Return on Assets	4.7%
ROIC, with goodwill	12.9%
ROIC, without goodwill	19.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	67,809	67,425	58,990
Revenue, YoY%	35.6%	-0.6%	-12.5%
Operating Income	17,099	18,175	26,473
Operating Margin %	25.2%	27.0%	44.9%
Net Income	8,266	8,697	17,249
Net Income Margin %	12.2%	12.9%	29.2%
Diluted EPS	1.02	1.11	2.19
Diluted EPS, YoY %	-16.3%	7.9%	98.3%
Free Cash Flow (CFO-capex)	9,950	16,729	23,399
Free Cash Flow Margin %	14.7%	24.8%	39.7%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	38,949
Net Debt	12,191
Total Debt/EBITDA	1.9
Net Debt/EBITDA	0.6
EBITDA/Interest	12.0
Current Ratio	2.1
Quick Ratio	1.8

NMF = Not Meaningful

Structure of the Pharmaceuticals Industry — GOOD

The pharmaceuticals industry is composed of makers of both brand and generic drugs. Intellectual property protection remains vital to the successful commercialization of safe/effective medicines and offers brand firms competitive advantages over the life of such patents. However, when brand drugs lose market exclusivity, makers of generic pharmaceuticals generate intense price competition. Long-term success for brand pharma companies depends on a strong drug pipeline, while cost-efficiency and being first-to-market are drivers of generic firms' success. We generally like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

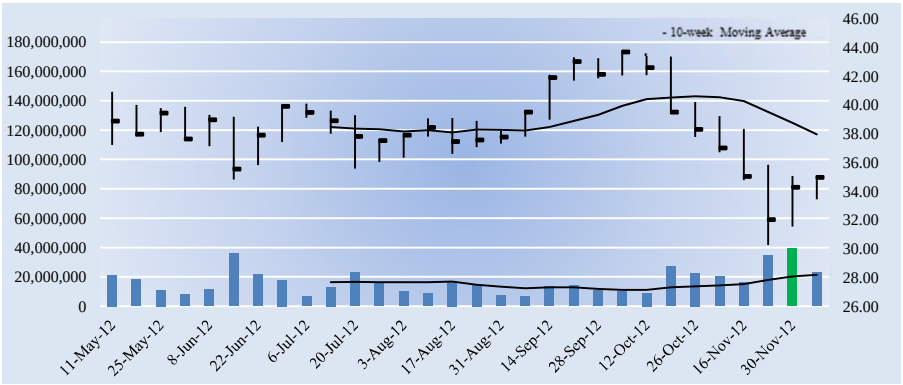
St. Jude STJ UNDERVALUED 0.1%

Buying Index™ 6 **Value Rating** ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$34.96	$47.00	$35.00 - $59.00	LARGE-CAP VALUE	Health Care	Medical Devices

St. Jude appears undervalued on the basis of both our DCF process and relative value assessment versus peers.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**UNDERVALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**IMPROVING**
Near-term Technical Resistance, 10-wk MA	**38.00**

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

Business Quality

ValueRisk™ \ ValueCreation™	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.

Company Vitals

Market Cap (USD)	$11,435
Avg Weekly Vol (30 wks)	16,910
30-week Range (USD)	30.25 - 43.76
Valuentum Sector	Health Care
5-week Return	-8.4%
13-week Return	-7.5%
30-week Return	-7.7%
Dividend Yield %	2.6%
Dividends per Share	0.92
Forward Dividend Payout Ratio	26.6%
Est. Normal Diluted EPS	3.74
P/E on Est. Normal Diluted EPS	9.4
Est. Normal EBITDA	1,947
Forward EV/EBITDA	7.2
EV/Est. Normal EBITDA	6.8
Forward Revenue Growth (5-yr)	2.2%
Forward EPS Growth (5-yr)	9.6%

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

Investment Highlights

• St. Jude earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 32.6% during the past three years.

• St. Jude's valuation is compelling at this time. The firm is trading at a nice discount to our estimate of its fair value, even after considering an appropriate margin of safety. The firm's forward earnings multiple and PEG ratio also look attractive versus peers.

• St. Jude has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 21.2% in coming years. Total debt-to-EBITDA was 1.7 last year, while debt-to-book capitalization stood at 38.5%.

• St. Jude's product portfolio includes implantable cardioverter defibrillators (ICDs), cardiac resynchronization therapy (CRT) devices, pacemakers, electrophysiology catheters, mapping and visualization systems, vascular closure devices, structural heart products, spinal cord stimulation and deep brain stimulation devices.

• The firm sports a very nice dividend yield of 2.6%. We expect the firm to pay out about 27% of next year's earnings to shareholders as dividends.

Relative Valuation

	Forward P/E	PEG	Price / FV
Intuitive Surgical	34.6	2.1	92.6%
Varian Medical Systems	17.0	1.9	105.5%
Waters	17.2	2.9	109.6%
Zimmer	12.3	1.6	81.9%
Peer Median	17.1	2.0	99.0%
St. Jude	**10.1**	**1.4**	**74.4%**

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

Returns Summary

	3-year Historical Average
Return on Equity	22.1%
Return on Assets	11.5%
ROIC, with goodwill	18.7%
ROIC, without goodwill	32.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	5,165	5,612	5,556
Revenue, YoY%	10.3%	8.7%	-1.0%
Operating Income	1,306	1,285	1,529
Operating Margin %	25.3%	22.9%	27.5%
Net Income	920	826	1,122
Net Income Margin %	17.8%	14.7%	20.2%
Diluted EPS	2.78	2.52	3.46
Diluted EPS, YoY %	22.4%	-9.3%	37.2%
Free Cash Flow (CFO-capex)	982	980	1,234
Free Cash Flow Margin %	19.0%	17.5%	22.2%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,797
Net Debt	1,811
Total Debt/EBITDA	1.7
Net Debt/EBITDA	1.1
EBITDA/Interest	22.9
Current Ratio	3.2
Quick Ratio	2.2

NMF = Not Meaningful

Structure of the Medical Devices Industry — GOOD

The medical devices industry is heavily regulated and characterized by rapid technological change. Firms have been forced to compete on price due to economically-motivated buyers, consolidation among healthcare providers, and declining reimbursement rates. Healthcare reform measures have put additional pressure on procedure rates and market sizes. Still, firms can gain advantages by developing products with differentiated clinical outcomes or by creating patent-protected technology. Since most constituents hold important patents or trade secrets, we tend to like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

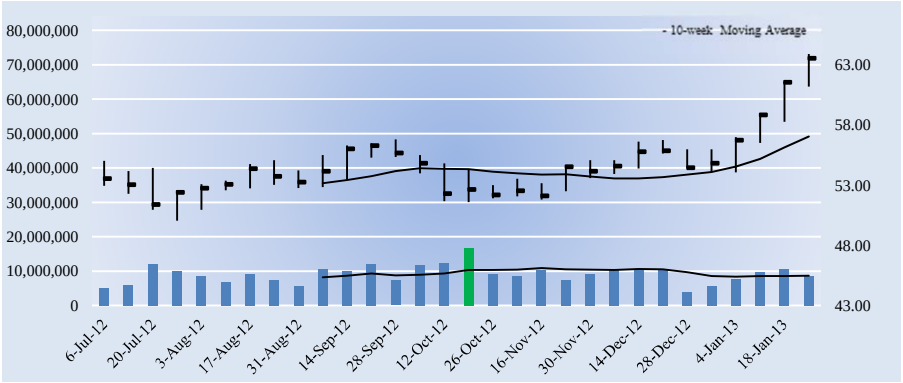
Stryker SYK FAIRLY VALUED

Buying Index™ 5 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$63.55	$62.00	$47.00 - $78.00	LARGE-CAP CORE	Health Care	Medical Instruments

Despite Stryker's strong cash flow generation, we think the shares are fairly valued at this time.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$24,753
Avg Weekly Vol (30 wks)	9,128
30-week Range (USD)	50.04 - 63.92
Valuentum Sector	Health Care
5-week Return	13.9%
13-week Return	20.9%
30-week Return	15.5%
Dividend Yield %	1.7%
Dividends per Share	1.06
Forward Dividend Payout Ratio	26.0%
Est. Normal Diluted EPS	4.79
P/E on Est. Normal Diluted EPS	13.3
Est. Normal EBITDA	2,749
Forward EV/EBITDA	9.4
EV/Est. Normal EBITDA	8.4
Forward Revenue Growth (5-yr)	4.4%
Forward EPS Growth (5-yr)	9.9%

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

Returns Summary

	3-year Historical Average
Return on Equity	18.4%
Return on Assets	12.5%
ROIC, with goodwill	35.4%
ROIC, without goodwill	46.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,768
Net Debt	-1,650
Total Debt/EBITDA	0.8
Net Debt/EBITDA	NMF
EBITDA/Interest	66.0
Current Ratio	3.9
Quick Ratio	2.6

NMF = Not Meaningful

Investment Highlights

• Stryker earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 46.2% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $47, we'd take a closer look.

• Stryker 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 19.2% in coming years. Total debt-to-EBITDA was 0.8 last year, while debt-to-book capitalization stood at 18.7%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• Stryker is one of the world's leading medical technology companies. The company offers reconstructive, medical and surgical, and neurotechnology and spine products.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**NEUTRAL**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**OVERBOUGHT**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**57.00**

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

Business Quality

ValueRisk™ \ ValueCreation™	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
Baxter Intl	15.0	1.9	104.6%
Becton, Dickinson	14.8	1.9	98.4%
Boston Scientific	16.6	2.3	85.8%
Thermo Fisher Scientific	14.4	1.3	101.7%
Peer Median	14.9	1.9	100.0%
Stryker	**15.6**	**1.9**	**102.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	7,320	8,307	8,660
Revenue, YoY%	8.9%	13.5%	4.3%
Operating Income	1,875	1,762	1,948
Operating Margin %	25.6%	21.2%	22.5%
Net Income	1,273	1,345	1,554
Net Income Margin %	17.4%	16.2%	17.9%
Diluted EPS	3.19	3.45	4.07
Diluted EPS, YoY %	15.0%	8.3%	17.9%
Free Cash Flow (CFO-capex)	1,365	1,208	1,737
Free Cash Flow Margin %	18.7%	14.5%	20.1%

In Millions of USD (except for per share items)

Structure of the Medical Instruments Industry — GOOD

The medical instrument industry is heavily regulated and characterized by rapid technological change. Firms have been forced to compete on price due to economically-motivated buyers, consolidation among healthcare providers, and declining reimbursement rates. Healthcare reform measures have put additional pressure on procedure rates and market sizes. Still, firms can gain advantages by developing products with differentiated clinical outcomes or by creating patent-protected technology. Since most constituents hold important patents or trade secrets, we tend to like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

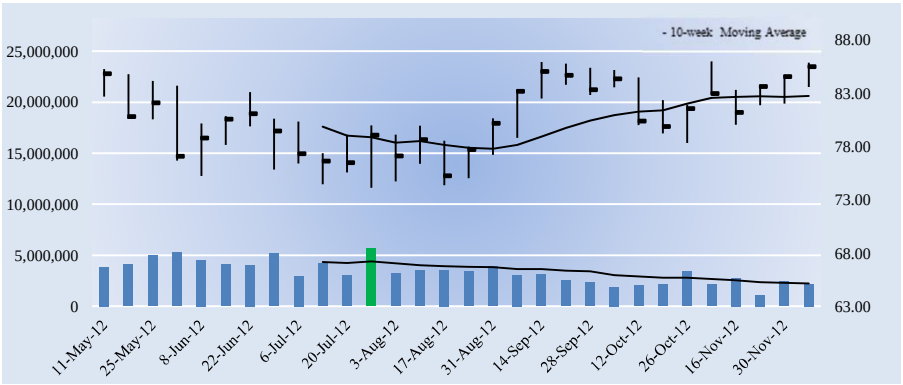
Waters WAT FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$85.50	$78.00	$59.00 - $98.00	MID-CAP CORE	Health Care	Medical Devices

Despite Waters' strong cash flow generation, we think the shares are fairly valued at this time.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$7,894
Avg Weekly Vol (30 wks)	3,350
30-week Range (USD)	74.12 - 86
Valuentum Sector	Health Care
5-week Return	3.1%
13-week Return	6.8%
30-week Return	2.8%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	5.77
P/E on Est. Normal Diluted EPS	14.8
Est. Normal EBITDA	688
Forward EV/EBITDA	12.2
EV/Est. Normal EBITDA	11.0
Forward Revenue Growth (5-yr)	3.2%
Forward EPS Growth (5-yr)	6.3%

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

Returns Summary

	3-year Historical Average
Return on Equity	40.1%
Return on Assets	17.8%
ROIC, with goodwill	44.8%
ROIC, without goodwill	63.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	991
Net Debt	-291
Total Debt/EBITDA	1.6
Net Debt/EBITDA	NMF
EBITDA/Interest	27.5
Current Ratio	3.2
Quick Ratio	2.7

NMF = Not Meaningful

Investment Highlights

• Waters earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 69.2% from 67.1% during the next two years.

• Waters is an analytical instrument manufacturer. The company sells liquid chromatography, mass spectrometry (MS) systems, thermal analysis and rheometry instruments. The company's liquid chromatography technology continues to advance at a rapid clip.

• Waters has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 26% in coming years. Total debt-to-EBITDA was 1.6 last year, while debt-to-book capitalization stood at 44.7%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• The firm experienced a revenue CAGR of about 5.5% during the past 3 years. We expect its revenue growth to be below that of its peer median during the next five years.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**83.00**

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
Intuitive Surgical	34.6	2.1	92.6%
Medtronic	11.5	2.3	86.9%
Varian Medical Systems	17.0	1.9	105.5%
Zimmer	12.3	1.6	81.9%
Peer Median	14.6	2.0	89.7%
Waters	**17.2**	**2.9**	**109.6%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	1,643	1,851	1,851
Revenue, YoY%	9.7%	12.6%	0.0%
Operating Income	450	529	548
Operating Margin %	27.4%	28.6%	29.6%
Net Income	382	433	451
Net Income Margin %	23.2%	23.4%	24.3%
Diluted EPS	4.06	4.69	4.98
Diluted EPS, YoY %	21.6%	15.5%	6.2%
Free Cash Flow (CFO-capex)	406	422	479
Free Cash Flow Margin %	24.7%	22.8%	25.9%

In Millions of USD (except for per share items)

Structure of the Medical Devices Industry — GOOD

The medical devices industry is heavily regulated and characterized by rapid technological change. Firms have been forced to compete on price due to economically-motivated buyers, consolidation among healthcare providers, and declining reimbursement rates. Healthcare reform measures have put additional pressure on procedure rates and market sizes. Still, firms can gain advantages by developing products with differentiated clinical outcomes or by creating patent-protected technology. Since most constituents hold important patents or trade secrets, we tend to like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

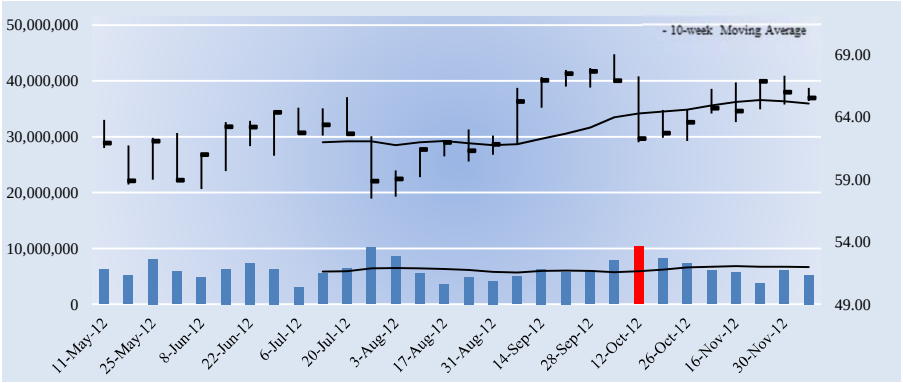
Zimmer ZMH FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$65.49	$80.00	$64.00 - $96.00	LARGE-CAP VALUE	Health Care	Medical Devices

Zimmer has a dominant position in knee and hip replacements, with over 25% and 20% market share, respectively.

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)	$12,358
Avg Weekly Vol (30 wks)	6,177
30-week Range (USD)	57.46 - 69
Valuentum Sector	Health Care
5-week Return	0.7%
13-week Return	5.9%
30-week Return	4.3%
Dividend Yield %	1.1%
Dividends per Share	0.72
Forward Dividend Payout Ratio	13.5%
Est. Normal Diluted EPS	5.99
P/E on Est. Normal Diluted EPS	10.9
Est. Normal EBITDA	1,879
Forward EV/EBITDA	7.6
EV/Est. Normal EBITDA	6.8
Forward Revenue Growth (5-yr)	3.6%
Forward EPS Growth (5-yr)	10.0%

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

Returns Summary

	3-year Historical Average
Return on Equity	12.2%
Return on Assets	8.8%
ROIC, with goodwill	17.3%
ROIC, without goodwill	31.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,719
Net Debt	496
Total Debt/EBITDA	1.2
Net Debt/EBITDA	0.3
EBITDA/Interest	26.4
Current Ratio	3.8
Quick Ratio	2.4

NMF = Not Meaningful

Investment Highlights

• Zimmer'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 few years, a combination we view very positively.

• Zimmer has a dominant position in knee and hip replacements, with over 25% and 20% market share, respectively. Global market annual growth for such replacements are in the low-single-digits, offering expansion opportunities.

• Zimmer 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 23.7% in coming years. Total debt-to-EBITDA was 1.2 last year, while debt-to-book capitalization stood at 23.8%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• Zimmer's extremities portfolio currently includes a range of options for shoulder and elbow replacement. The company has a #3 position in this market, which is expected to grow at a 12% CAGR across the globe.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Support, 10-week MA	**65.00**

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
Intuitive Surgical	34.6	2.1	92.6%
Medtronic	11.5	2.3	86.9%
Varian Medical Systems	17.0	1.9	105.5%
Waters	17.2	2.9	109.6%
Peer Median	17.1	2.2	99.0%
Zimmer	**12.3**	**1.6**	**81.9%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	4,220	4,452	4,541
Revenue, YoY%	3.0%	5.5%	2.0%
Operating Income	1,155	1,099	1,334
Operating Margin %	27.4%	24.7%	29.4%
Net Income	597	761	1,001
Net Income Margin %	14.1%	17.1%	22.1%
Diluted EPS	2.97	4.03	5.33
Diluted EPS, YoY %	-10.7%	35.8%	32.3%
Free Cash Flow (CFO-capex)	913	889	1,113
Free Cash Flow Margin %	21.6%	20.0%	24.5%

In Millions of USD (except for per share items)

Structure of the Medical Devices Industry — GOOD

The medical devices industry is heavily regulated and characterized by rapid technological change. Firms have been forced to compete on price due to economically-motivated buyers, consolidation among healthcare providers, and declining reimbursement rates. Healthcare reform measures have put additional pressure on procedure rates and market sizes. Still, firms can gain advantages by developing products with differentiated clinical outcomes or by creating patent-protected technology. Since most constituents hold important patents or trade secrets, we tend to like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

Industrials

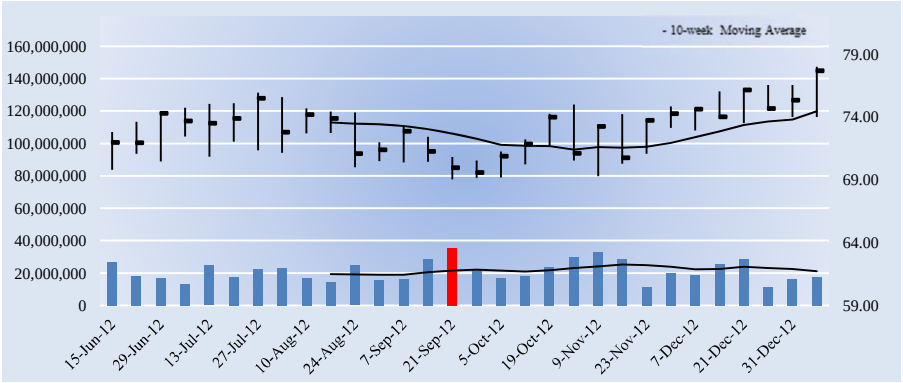
Boeing BA FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$77.69	$73.00	$51.00 - $95.00	LARGE-CAP GROWTH	Industrials	A&D Prime

Though commercial deliveries will be robust during the next few years, technical problems with the 787 Dreamliner keep us on the sidelines. We think the aerospace supply chain has better opportunities.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$58,508
Avg Weekly Vol (30 wks)	21,270
30-week Range (USD)	69.03 - 78.02
Valuentum Sector	Industrials
5-week Return	4.1%
13-week Return	9.9%
30-week Return	10.0%
Dividend Yield %	2.5%
Dividends per Share	1.94
Forward Dividend Payout Ratio	38.3%
Est. Normal Diluted EPS	5.61
P/E on Est. Normal Diluted EPS	13.8
Est. Normal EBITDA	8,732
Forward EV/EBITDA	7.3
EV/Est. Normal EBITDA	6.4
Forward Revenue Growth (5-yr)	10.5%
Forward EPS Growth (5-yr)	3.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	194.4%
Return on Assets	4.3%
ROIC, with goodwill	24.9%
ROIC, without goodwill	36.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	8,925
Net Debt	-2,347
Total Debt/EBITDA	1.2
Net Debt/EBITDA	NMF
EBITDA/Interest	14.5
Current Ratio	1.2
Quick Ratio	0.4

NMF = Not Meaningful; Debt excludes debt associated with the finance sub.

Investment Highlights

• Boeing earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 36.5% during the past three years.

• Boeing is the largest manufacturer of commercial jetliners and military aircraft combined. Boeing also makes rotorcraft, electronic and defense systems, missiles, satellites, launch vehicles and advanced information and communication systems. The firm is a major service provider to NASA.

• Boeing's cash flow generation and financial leverage are at decent levels, in our opinion. The firm's free cash flow margin and debt-to-EBITDA metrics are about what we'd expect from an average firm in our coverage universe.

• Boeing's massive commercial aerospace backlog of unfulfilled deliveries gives it excellent visibility and a growth trajectory better than most other firms of similar size. Its revolutionary 787 has changed the economics of air travel, and we expect deliveries to surge in coming years. Still, technical concerns with the plane are a big risk.

• The firm sports a very nice dividend yield of 2.5%. We expect the firm to pay out about 38% of next year's earnings to shareholders as dividends.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**MEDIUM**
Financial Leverage	**MEDIUM**
Growth	**HIGH**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**74.00**

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
General Dynamics	10.1	2.7	97.4%
Lockheed Martin	11.1	4.1	113.1%
Northrop Grumman	9.2	NMF	98.2%
Raytheon	10.6	5.4	109.3%
Peer Median	10.3	4.1	103.8%
Boeing	**15.4**	**2.7**	**106.4%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	64,306	68,735	83,169
Revenue, YoY%	-5.8%	6.9%	21.0%
Operating Income	4,698	5,542	5,631
Operating Margin %	7.3%	8.1%	6.8%
Net Income	3,311	4,011	3,849
Net Income Margin %	5.1%	5.8%	4.6%
Diluted EPS	4.45	5.33	5.06
Diluted EPS, YoY %	137.7%	19.7%	-5.0%
Free Cash Flow (CFO-capex)	1,829	2,303	1,861
Free Cash Flow Margin %	2.8%	3.4%	2.2%

In Millions of USD (except for per share items)

Structure of the Aerospace and Defense Industry — NEUTRAL

The global commercial aerospace duopoly is being challenged by encroaching international competitors who are intent on increasing market share. Though Boeing and Airbus dominate the large commercial aircraft segment, Embraer, Bombardier and other entrants from Russia, China and Japan are becoming stronger rivals. Long-term demand for commercial aircraft is cyclical and depends on the health of the credit markets, airline customers, and lessors. The defense industry has strong competition in all market segments and continues to face pressure due to weak funding and competing budget priorities.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

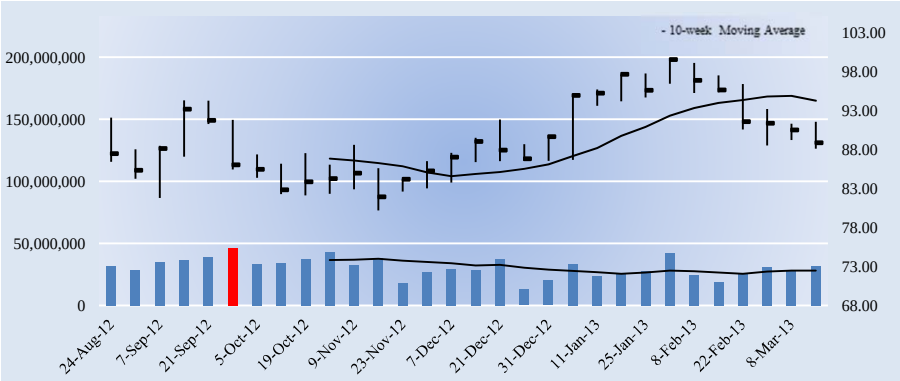
Caterpillar CAT FAIRLY VALUED

Buying Index™ 3 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$88.83	$110.00	$83.00 - $138.00	LARGE-CAP VALUE	Industrials	Machinery - agriculture

Despite Caterpillar's strong cash flow generation, we think the shares are fairly valued at this time.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$59,481
Avg Weekly Vol (30 wks)	30,814
30-week Range (USD)	80.16 - 99.7
Valuentum Sector	Industrials
5-week Return	-8.4%
13-week Return	1.5%
30-week Return	-1.0%
Dividend Yield %	2.3%
Dividends per Share	2.08
Forward Dividend Payout Ratio	25.6%
Est. Normal Diluted EPS	9.60
P/E on Est. Normal Diluted EPS	9.3
Est. Normal EBITDA	13,871
Forward EV/EBITDA	6.3
EV/Est. Normal EBITDA	5.4
Forward Revenue Growth (5-yr)	3.3%
Forward EPS Growth (5-yr)	3.8%

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

Returns Summary

	3-year Historical Average
Return on Equity	35.9%
Return on Assets	6.0%
ROIC, with goodwill	29.9%
ROIC, without goodwill	38.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	20,781
Net Debt	15,291
Total Debt/EBITDA	1.6
Net Debt/EBITDA	1.2
EBITDA/Interest	10.5
Current Ratio	1.4
Quick Ratio	0.8

NMF = Not Meaningful; Debt excludes debt associated with the finance sub.

Investment Highlights

• Caterpillar earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 38% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $83, we'd take a closer look.

• Caterpillar has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 8.8% in coming years. Total debt-to-EBITDA was 1.6 last year, while debt-to-book capitalization stood at 69.6%.

• The firm's share price performance has trailed that of the market during the past quarter. However, it is trading within our fair value estimate range, so we don't view such activity as alarming.

• The firm sports a very nice dividend yield of 2.3%. We expect the firm to pay out about 26% of next year's earnings to shareholders as dividends.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**94.00**

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
AGCO Corp	10.2	5.6	87.0%
CNH Global	8.3	5.3	95.7%
Deere	11.7	2.3	108.5%
Joy Global	9.9	NMF	147.9%
Peer Median	10.1	5.3	102.1%
Caterpillar	**11.0**	**1.7**	**80.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-11	Dec-12	Dec-13
Revenue	60,138	65,875	63,899
Revenue, YoY%	41.2%	9.5%	-3.0%
Operating Income	9,060	10,435	9,149
Operating Margin %	15.1%	15.8%	14.3%
Net Income	4,928	5,681	5,485
Net Income Margin %	8.2%	8.6%	8.6%
Diluted EPS	7.40	8.48	8.11
Diluted EPS, YoY %	78.2%	14.7%	-4.4%
Free Cash Flow (CFO-capex)	5,601	4,145	7,009
Free Cash Flow Margin %	9.3%	6.3%	11.0%

In Millions of USD (except for per share items)

Structure of the Agricultural Machinery Industry — NEUTRAL

The agricultural machinery industry is composed of firms that make farm and construction equipment. Demand for agricultural equipment is levered to farm incomes and commodity prices, while purchases of construction equipment are dependent on global economic health. Population growth and the increasing need for food/energy are the major long-term drivers for new orders across the industry. Still, firms are competitive, capital intensive, and possess significant operating leverage. A strong/dependable brand and an expansive distribution network are keys to success. We're neutral on the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

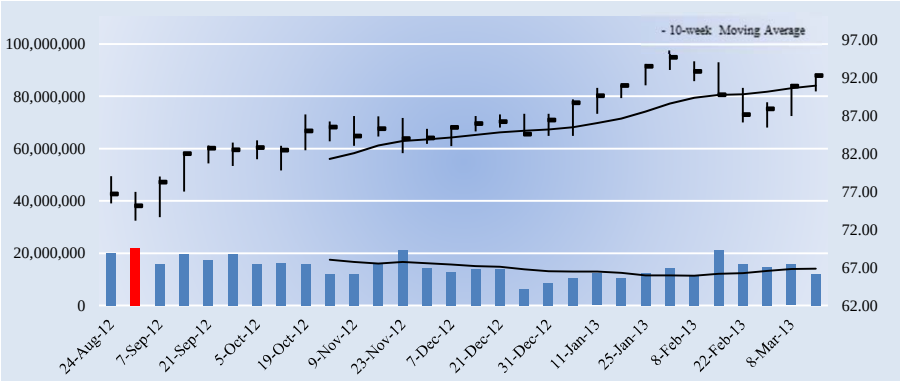
Deere DE FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$92.24	$85.00	$64.00 - $106.00	LARGE-CAP CORE	Industrials	Machinery - agriculture

Deere's technicals look very bullish. Traders could be eyeing the stock.

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)	$37,034
Avg Weekly Vol (30 wks)	14,840
30-week Range (USD)	73.14 - 95.6
Valuentum Sector	Industrials
5-week Return	-0.7%
13-week Return	7.6%
30-week Return	19.8%
Dividend Yield %	2.0%
Dividends per Share	1.84
Forward Dividend Payout Ratio	23.4%
Est. Normal Diluted EPS	9.03
P/E on Est. Normal Diluted EPS	10.2
Est. Normal EBITDA	7,488
Forward EV/EBITDA	6.2
EV/Est. Normal EBITDA	5.7
Forward Revenue Growth (5-yr)	3.8%
Forward EPS Growth (5-yr)	5.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	38.0%
Return on Assets	5.2%
ROIC, with goodwill	46.9%
ROIC, without goodwill	55.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	11,485
Net Debt	5,362
Total Debt/EBITDA	1.8
Net Debt/EBITDA	0.8
EBITDA/Interest	8.4
Current Ratio	2.2
Quick Ratio	2.0

NMF = Not Meaningful; Debt excludes debt associated with the finance sub.

Investment Highlights

• Deere earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 717.5% from 69.5% during the next two years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $64, we'd take a closer look.

• Deere's cash flow generation is below what we'd expect from an average company in our coverage universe, and the firm's financial leverage is somewhat elevated. If cash flows continue to be weak, we'd grow more cautious on the firm's overall financial health.

• The firm's share price performance has trailed that of the market during the past quarter. However, it is trading within our fair value estimate range, so we don't view such activity as alarming.

• The firm's technicals look very attractive. If current prices hold, the firm's moving averages could create a golden cross, a very bullish technical pattern.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**WEAK**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**VERY BULLISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**91.00**

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
AGCO Corp	10.2	5.6	87.0%
Caterpillar	11.0	1.7	80.8%
CNH Global	8.3	5.3	95.7%
Joy Global	9.9	NMF	147.9%
Peer Median	10.1	5.3	91.4%
Deere	**11.7**	**2.3**	**108.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Oct-11	Oct-12	Oct-13
Revenue	32,013	36,157	38,688
Revenue, YoY%	23.1%	12.9%	7.0%
Operating Income	4,987	5,535	5,726
Operating Margin %	15.6%	15.3%	14.8%
Net Income	2,471	3,006	3,123
Net Income Margin %	7.7%	8.3%	8.1%
Diluted EPS	5.85	7.49	7.86
Diluted EPS, YoY %	33.3%	28.0%	4.9%
Free Cash Flow (CFO-capex)	317	-1,012	4,116
Free Cash Flow Margin %	1.0%	-2.8%	10.6%

In Millions of USD (except for per share items)

Structure of the Agricultural Machinery Industry — NEUTRAL

The agricultural machinery industry is composed of firms that make farm and construction equipment. Demand for agricultural equipment is levered to farm incomes and commodity prices, while purchases of construction equipment are dependent on global economic health. Population growth and the increasing need for food/energy are the major long-term drivers for new orders across the industry. Still, firms are competitive, capital intensive, and possess significant operating leverage. A strong/dependable brand and an expansive distribution network are keys to success. We're neutral on the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

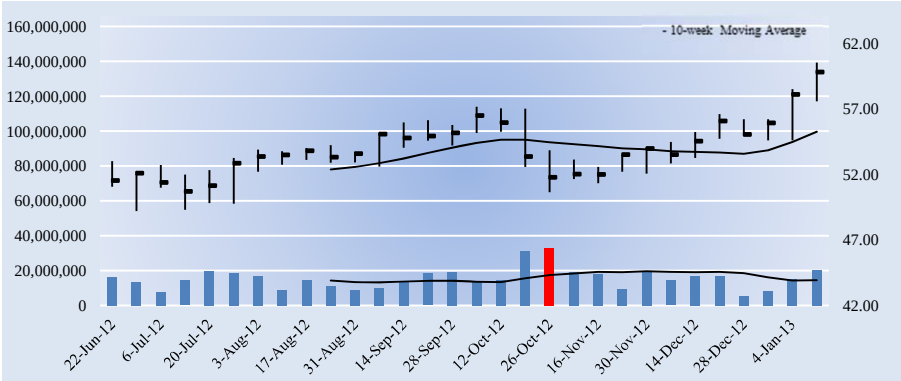
Danaher DHR FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$59.78	$51.00	$38.00 - $64.00	LARGE-CAP CORE	Industrials	Conglomerates

Danaher's portfolio of premier brands includes Lange, Tektronix, and Beckman Coulter.

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)	$41,917
Avg Weekly Vol (30 wks)	15,662
30-week Range (USD)	49.18 - 60.5
Valuentum Sector	Industrials
5-week Return	9.2%
13-week Return	6.7%
30-week Return	16.5%
Dividend Yield %	0.2%
Dividends per Share	0.10
Forward Dividend Payout Ratio	3.1%
Est. Normal Diluted EPS	3.72
P/E on Est. Normal Diluted EPS	16.1
Est. Normal EBITDA	4,184
Forward EV/EBITDA	12.6
EV/Est. Normal EBITDA	11.2
Forward Revenue Growth (5-yr)	6.1%
Forward EPS Growth (5-yr)	8.4%

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

Returns Summary

	3-year Historical Average
Return on Equity	12.5%
Return on Assets	7.4%
ROIC, with goodwill	8.8%
ROIC, without goodwill	25.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	5,305
Net Debt	4,768
Total Debt/EBITDA	1.7
Net Debt/EBITDA	1.5
EBITDA/Interest	22.5
Current Ratio	1.5
Quick Ratio	0.9

NMF = Not Meaningful

Investment Highlights

• Danaher earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 25.9% during the past three years.

• Danaher makes innovative products and provides services to professional, medical, industrial, and commercial customers. Its portfolio of premier brands, including Lange, Tektronix, and Beckman Coulter, is among the most highly recognized in each of the markets it serves.

• Danaher has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 13.7% in coming years. Total debt-to-EBITDA was 1.7 last year, while debt-to-book capitalization stood at 23.9%.

• Roughly 40% of Danaher's revenue stream is recurring, which mitigates cyclicality to a degree. We also applaud the firm's efforts to improve free cash flow conversion, which continues to increase as a percentage of net income. China offers significant expansion opportunities for the firm.

• The firm experienced a revenue CAGR of about 8.2% during the past 3 years. We expect its revenue growth to be better than its peer median during the next five years.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Support, 10-week MA	**55.00**

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
3M	15.1	2.7	100.3%
Honeywell	14.7	1.4	103.6%
Tyco Intl	16.3	NMF	91.7%
United Technologies	15.8	1.4	92.6%
Peer Median	15.5	1.4	96.4%
Danaher	**18.5**	**2.6**	**117.2%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	13,203	16,091	18,182
Revenue, YoY%	18.0%	21.9%	13.0%
Operating Income	2,144	2,550	2,991
Operating Margin %	16.2%	15.9%	16.5%
Net Income	1,793	1,935	2,257
Net Income Margin %	13.6%	12.0%	12.4%
Diluted EPS	2.62	2.76	3.23
Diluted EPS, YoY %	53.0%	5.2%	17.1%
Free Cash Flow (CFO-capex)	1,867	2,055	2,495
Free Cash Flow Margin %	14.1%	12.8%	13.7%

In Millions of USD (except for per share items)

Structure of the Conglomerates Industry — GOOD

The industrial conglomerate industry is characterized by firms that operate various business lines on a global scale. Demand for industrial products tends to be cyclical in nature, and most firms couple their manufacturing operations with generally more stable services businesses to mitigate fundamental volatility. Firms tend to have bargaining power over suppliers due to industry dominance and boast substantial resources to adapt to changing conditions or competitive threats. Most sell products under powerful and recognizable brand names and look to emerging markets for future growth. We like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

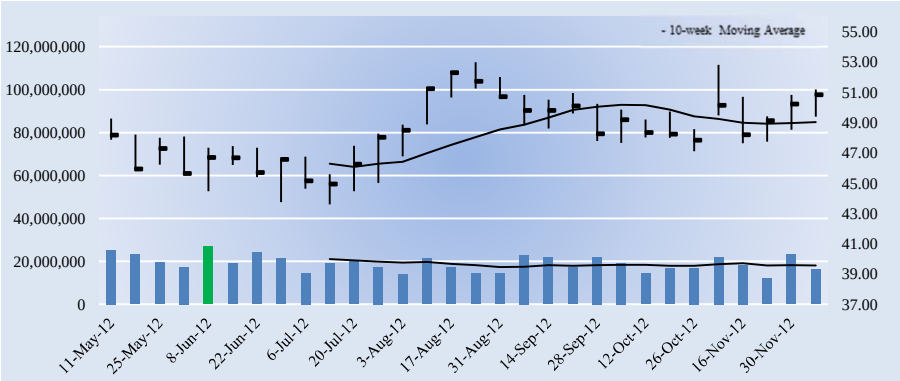
Emerson Electric EMR FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$50.85	$56.00	$42.00 - $70.00	LARGE-CAP VALUE	Industrials	Electrical Equipment

Emerson remains well-positioned for a rebound in residential construction in North America.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Support, 10-week MA	**49.00**

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.

Company Vitals

Market Cap (USD)	$37,354
Avg Weekly Vol (30 wks)	19,001
30-week Range (USD)	43.59 - 52.98
Valuentum Sector	Industrials
5-week Return	1.9%
13-week Return	0.5%
30-week Return	4.8%
Dividend Yield %	3.2%
Dividends per Share	1.64
Forward Dividend Payout Ratio	45.2%
Est. Normal Diluted EPS	4.26
P/E on Est. Normal Diluted EPS	11.9
Est. Normal EBITDA	5,687
Forward EV/EBITDA	8.0
EV/Est. Normal EBITDA	7.1
Forward Revenue Growth (5-yr)	4.2%
Forward EPS Growth (5-yr)	12.4%

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

Returns Summary

	3-year Historical Average
Return on Equity	22.2%
Return on Assets	9.6%
ROIC, with goodwill	18.6%
ROIC, without goodwill	41.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	5,293
Net Debt	2,926
Total Debt/EBITDA	1.0
Net Debt/EBITDA	0.6
EBITDA/Interest	21.4
Current Ratio	1.4
Quick Ratio	1.0

NMF = Not Meaningful

Investment Highlights

• Emerson Electric earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 41.4% during the past three years.

• Emerson offers a wide range of products and services in the industrial, commercial and consumer markets through its Process Management, Industrial Automation, Network Power, Climate Technologies, and Commercial & Residential Solutions businesses.

• Emerson Electric 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 11.5% in coming years. Total debt-to-EBITDA was 1 last year, while debt-to-book capitalization stood at 34%.

• Emerson continues to experience solid revenue expansion in Latin America, Canada, and the Middle East/Africa. We expect international expansion to continue to outpace growth in the US. Still, the firm remains well-positioned for a rebound in residential construction in North America.

• The firm sports a very nice dividend yield of 3.2%. We expect the firm to pay out about 45% of next year's earnings to shareholders as dividends.

Relative Valuation

	Forward P/E	PEG	Price / FV
Barnes Group	11.7	1.9	82.2%
Parker-Hannifin	12.9	1.7	88.2%
Pentair	19.8	2.0	106.8%
Roper Industries	22.4	2.5	111.8%
Peer Median	16.4	1.9	97.5%
Emerson Electric	**14.0**	**1.5**	**90.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-11	Sep-12	Sep-13
Revenue	24,222	24,412	25,047
Revenue, YoY%	15.1%	0.8%	2.6%
Operating Income	4,229	4,332	4,175
Operating Margin %	17.5%	17.7%	16.7%
Net Income	2,454	1,968	2,637
Net Income Margin %	10.1%	8.1%	10.5%
Diluted EPS	3.26	2.68	3.63
Diluted EPS, YoY %	30.0%	-17.7%	35.3%
Free Cash Flow (CFO-capex)	2,560	2,388	2,843
Free Cash Flow Margin %	10.6%	9.8%	11.4%

In Millions of USD (except for per share items)

Structure of the Electrical Equipment Industry — NEUTRAL

The fragmented electrical equipment industry includes firms that primarily provide flow control and electrical components. Order trends and backlog are largely driven by the overall health of the economy, while all constituents must deal with volatile raw material prices. Most operate high fixed-cost business models, where operating leverage should be monitored closely, and face intense global competition. Still, we like the group's exposure to recurring maintenance, repair, and overhaul (MRO) revenue and its large and growing emerging-market opportunities. We're generally neutral on the industry's structure.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

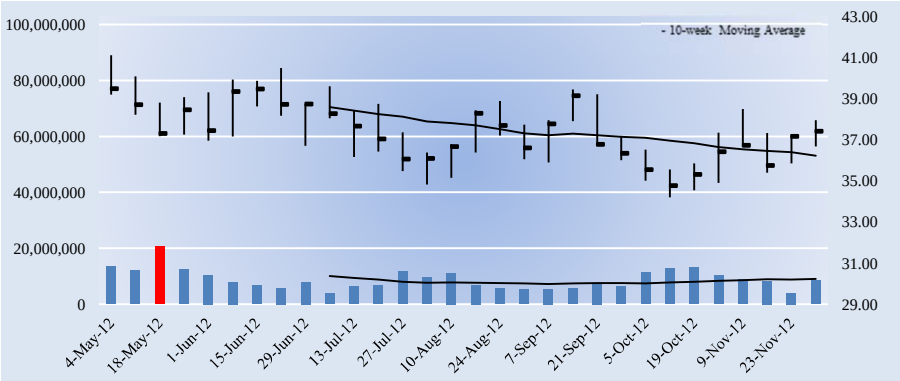
Expeditors Intl EXPD FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$37.42	$37.00	$28.00 - $46.00	MID-CAP CORE	Industrials	Air Freight & Logistics

Despite Expeditors Intl's strong cash flow generation, we think the shares are fairly valued at this time.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$8,047
Avg Weekly Vol (30 wks)	8,873
30-week Range (USD)	34.2 - 41.13
Valuentum Sector	Industrials
5-week Return	6.2%
13-week Return	-0.8%
30-week Return	-6.5%
Dividend Yield %	1.5%
Dividends per Share	0.56
Forward Dividend Payout Ratio	34.4%
Est. Normal Diluted EPS	2.12
P/E on Est. Normal Diluted EPS	17.7
Est. Normal EBITDA	772
Forward EV/EBITDA	11.2
EV/Est. Normal EBITDA	8.7
Forward Revenue Growth (5-yr)	4.9%
Forward EPS Growth (5-yr)	7.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	19.3%
Return on Assets	12.9%
ROIC, with goodwill	49.7%
ROIC, without goodwill	49.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-1,295
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	676.6
Current Ratio	2.9
Quick Ratio	2.8

NMF = Not Meaningful

Investment Highlights

• Expeditors Intl earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 49.7% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $28, we'd take a closer look.

• Expeditors Intl 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 6.3% in coming years, and the firm had no debt as of last quarter.

• The firm's share price performance has been roughly in line with that of the market during the past quarter. We'd expect the firm's stock price to converge to our fair value estimate within the next three years, if our forecasts prove accurate.

• The firm experienced a revenue CAGR of about 3% during the past 3 years. We expect its revenue growth to be better than its peer median during the next five years.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**36.00**

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
CH Robinson	22.0	1.9	108.3%
FedEx	13.8	2.7	107.9%
United Parcel Service	15.8	1.9	98.8%
Uti Worldwide	19.7	2.0	94.1%
Peer Median	17.7	2.0	103.3%
Expeditors Intl	**23.0**	**1.7**	**101.1%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	5,968	6,151	5,966
Revenue, YoY%	45.8%	3.1%	-3.0%
Operating Income	547	618	567
Operating Margin %	9.2%	10.1%	9.5%
Net Income	344	386	347
Net Income Margin %	5.8%	6.3%	5.8%
Diluted EPS	1.59	1.79	1.63
Diluted EPS, YoY %	43.3%	12.8%	-9.3%
Free Cash Flow (CFO-capex)	353	379	348
Free Cash Flow Margin %	5.9%	6.2%	5.8%

In Millions of USD (except for per share items)

Structure of the Air Freight & Logistics Industry — GOOD

The highly competitive air freight and logistics industry is heavily tied to cyclical domestic economic expansion (primarily from retail good shipments). The international freight market remains a critical growth engine for air cargo providers, while all constituents deal with the cost of rising fuel (diesel) prices and potentially price-sensitive demand during periods of economic weakness. Firms with freight-forwarding, asset-light operations and/or large difficult-to-replicate shipping networks can carve out sustainable competitive advantages while generating high returns on investment. We generally like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

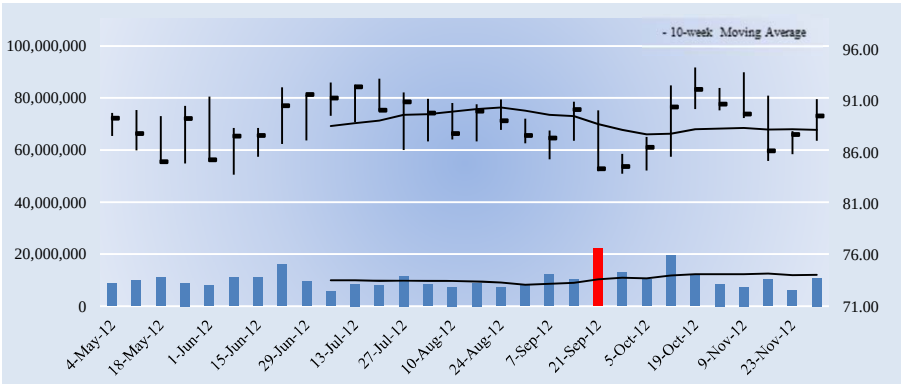
FedEx FDX FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$89.53	$83.00	$62.00 - $104.00	LARGE-CAP CORE	Industrials	Air Freight & Logistics

FedEx's shares look fairly valued based on our discounted cash flow process.

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)	$28,381
Avg Weekly Vol (30 wks)	10,337
30-week Range (USD)	83.8 - 94.26
Valuentum Sector	Industrials
5-week Return	-2.8%
13-week Return	0.4%
30-week Return	1.4%
Dividend Yield %	0.6%
Dividends per Share	0.56
Forward Dividend Payout Ratio	8.6%
Est. Normal Diluted EPS	7.78
P/E on Est. Normal Diluted EPS	11.5
Est. Normal EBITDA	6,304
Forward EV/EBITDA	5.0
EV/Est. Normal EBITDA	4.3
Forward Revenue Growth (5-yr)	4.2%
Forward EPS Growth (5-yr)	5.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	10.7%
Return on Assets	5.8%
ROIC, with goodwill	10.6%
ROIC, without goodwill	12.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,667
Net Debt	-1,176
Total Debt/EBITDA	0.3
Net Debt/EBITDA	NMF
EBITDA/Interest	104.5
Current Ratio	1.7
Quick Ratio	1.4

NMF = Not Meaningful

Investment Highlights

• FedEx's 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 12.2% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $62, we'd take a closer look.

• FedEx's cash flow generation and financial leverage aren't much to speak of. The firm's free cash flow margin has averaged about 1.5% 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.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• The firm experienced a revenue CAGR of about 6.3% during the past 3 years. We expect its revenue growth to be below that of its peer median during the next five years.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**GOOD**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**MEDIUM**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**88.00**

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
CH Robinson	22.0	1.9	108.3%
Expeditors Intl	23.0	1.7	101.1%
United Parcel Service	15.8	1.9	98.8%
Uti Worldwide	19.7	2.0	94.1%
Peer Median	20.8	1.9	100.0%
FedEx	**13.8**	**2.7**	**107.9%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	May-11	May-12	May-13
Revenue	39,304	42,680	43,960
Revenue, YoY%	13.2%	8.6%	3.0%
Operating Income	2,467	3,320	3,238
Operating Margin %	6.3%	7.8%	7.4%
Net Income	1,452	2,032	2,070
Net Income Margin %	3.7%	4.8%	4.7%
Diluted EPS	4.58	6.41	6.49
Diluted EPS, YoY %	21.5%	39.9%	1.3%
Free Cash Flow (CFO-capex)	607	828	54
Free Cash Flow Margin %	1.5%	1.9%	0.1%

In Millions of USD (except for per share items)

Structure of the Air Freight & Logistics Industry — GOOD

The highly competitive air freight and logistics industry is heavily tied to cyclical domestic economic expansion (primarily from retail good shipments). The international freight market remains a critical growth engine for air cargo providers, while all constituents deal with the cost of rising fuel (diesel) prices and potentially price-sensitive demand during periods of economic weakness. Firms with freight-forwarding, asset-light operations and/or large difficult-to-replicate shipping networks can carve out sustainable competitive advantages while generating high returns on investment. We generally like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

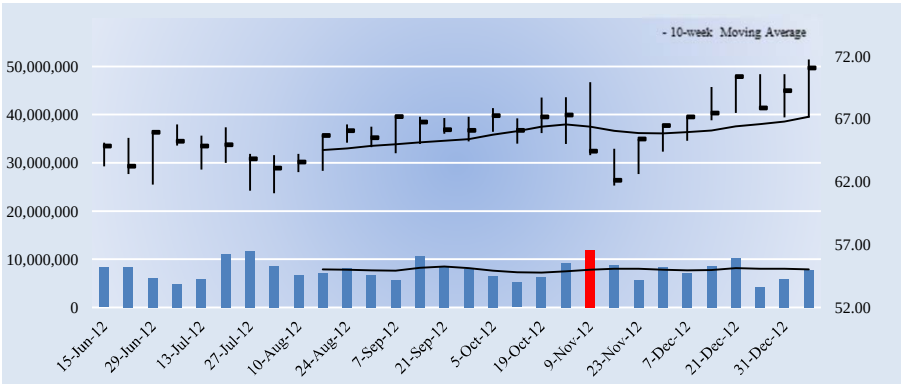
General Dynamics GD FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$71.07	$73.00	$55.00 - $91.00	LARGE-CAP VALUE	Industrials	A&D Prime

General Dynamics' product line-up ranges from Gulfstream business jets to nuclear-powered submarines.

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)	$26,120
Avg Weekly Vol (30 wks)	7,743
30-week Range (USD)	61.09 - 71.75
Valuentum Sector	Industrials
5-week Return	5.8%
13-week Return	6.1%
30-week Return	10.4%
Dividend Yield %	2.9%
Dividends per Share	2.04
Forward Dividend Payout Ratio	28.9%
Est. Normal Diluted EPS	7.71
P/E on Est. Normal Diluted EPS	9.2
Est. Normal EBITDA	4,643
Forward EV/EBITDA	6.2
EV/Est. Normal EBITDA	5.9
Forward Revenue Growth (5-yr)	2.0%
Forward EPS Growth (5-yr)	3.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	20.4%
Return on Assets	8.0%
ROIC, with goodwill	15.2%
ROIC, without goodwill	45.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,930
Net Debt	1,281
Total Debt/EBITDA	0.9
Net Debt/EBITDA	0.3
EBITDA/Interest	28.5
Current Ratio	1.4
Quick Ratio	0.6

NMF = Not Meaningful

Investment Highlights

• General Dynamics earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 45.8% during the past three years.

• General Dynamics is a leader in business aviation; combat vehicles/systems, armaments, and munitions; shipbuilding/marine systems; and information systems and technology. The firm's product line-up ranges from Gulfstream business jets to nuclear-powered submarines.

• General Dynamics 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 6.8% in coming years. Total debt-to-EBITDA was 0.9 last year, while debt-to-book capitalization stood at 22.9%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• The firm sports a very nice dividend yield of 2.9%. We expect the firm to pay out about 29% of next year's earnings to shareholders as dividends. Its Dividend Cushion is 2.5.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**67.00**

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
Boeing	15.4	2.7	106.4%
Lockheed Martin	11.1	4.1	113.1%
Northrop Grumman	9.2	NMF	98.2%
Raytheon	10.6	5.4	109.3%
Peer Median	10.8	4.1	107.9%
General Dynamics	**10.1**	**2.7**	**97.4%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	32,466	32,677	33,331
Revenue, YoY%	1.5%	0.6%	2.0%
Operating Income	3,945	3,826	3,830
Operating Margin %	12.2%	11.7%	11.5%
Net Income	2,628	2,552	2,539
Net Income Margin %	8.1%	7.8%	7.6%
Diluted EPS	6.82	6.94	7.05
Diluted EPS, YoY %	9.9%	1.8%	1.5%
Free Cash Flow (CFO-capex)	2,618	2,779	2,324
Free Cash Flow Margin %	8.1%	8.5%	7.0%

In Millions of USD (except for per share items)

Structure of the Aerospace and Defense Industry — NEUTRAL

The global commercial aerospace duopoly is being challenged by encroaching international competitors who are intent on increasing market share. Though Boeing and Airbus dominate the large commercial aircraft segment, Embraer, Bombardier and other entrants from Russia, China and Japan are becoming stronger rivals. Long-term demand for commercial aircraft is cyclical and depends on the health of the credit markets, airline customers, and lessors. The defense industry has strong competition in all market segments and continues to face pressure due to weak funding and competing budget priorities.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

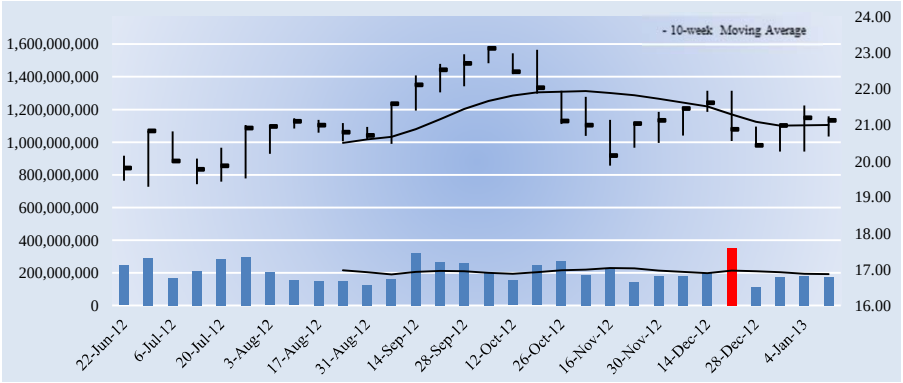
General Electric GE UNDERVALUED 4.1%

Buying Index™ 7 **Value Rating** ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$21.13	$27.00	$22.00 - $32.00	MEGA-CAP VALUE	Industrials	Conglomerates

General Electric has paid an amazing ~$150 billion in dividends since 1970.

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).

Investment Considerations

DCF Valuation	**UNDERVALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**HIGH**
Growth	**MODEST**
Technical Evaluation	**VERY BULLISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Support, 10-week MA	**21.00**

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.

Company Vitals

Market Cap (USD)	$224,401
Avg Weekly Vol (30 wks)	209,223
30-week Range (USD)	19.29 - 23.18
Valuentum Sector	Industrials
5-week Return	-2.6%
13-week Return	-6.3%
30-week Return	6.3%
Dividend Yield %	3.6%
Dividends per Share	0.76
Forward Dividend Payout Ratio	50.2%
Est. Normal Diluted EPS	1.76
P/E on Est. Normal Diluted EPS	12.0
Est. Normal EBITDA	50,204
Forward EV/EBITDA	10.8
EV/Est. Normal EBITDA	10.0
Forward Revenue Growth (5-yr)	1.6%
Forward EPS Growth (5-yr)	8.0%

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

Investment Highlights

• General Electric'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 few years, a combination we view very positively.

• GE is one of the largest and most diversified industrial and financial firms in the world--with products and services ranging from aircraft engines, power generation, water processing, and household appliances to medical imaging, business and consumer financing and industrial products.

• GE has strong liquidity, a large backlog, and major cost programs underway to deal with anything the economic environment has to throw at it. The firm has a balanced capital allocation strategy with significant cash returned to shareholders in recent years. Emerging market growth and infrastructure investments are key sources of expansion.

• The firm posts a VBI score of 7. We don't find the firm that attractive based on this measure, and we'd grow more constructive if it registered an 8 or higher on our scale.

• GE boasts a very nice dividend yield, and its Dividend Cushion score is solid. The firm has paid an amazing ~$150 billion in dividends since 1970.

Relative Valuation

	Forward P/E	PEG	Price / FV
3M	15.1	2.7	100.3%
Honeywell	14.7	1.4	103.6%
Tyco Intl	16.3	NMF	91.7%
United Technologies	15.8	1.4	92.6%
Peer Median	15.5	1.4	96.4%
General Electric	**13.9**	**2.0**	**78.3%**

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

Returns Summary

	3-year Historical Average
Return on Equity	11.2%
Return on Assets	2.8%
ROIC, with goodwill	19.4%
ROIC, without goodwill	34.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	150,211	147,300	147,359
Revenue, YoY%	-4.2%	-1.9%	0.0%
Operating Income	30,191	37,555	37,340
Operating Margin %	20.1%	25.5%	25.3%
Net Income	12,623	14,074	16,002
Net Income Margin %	8.4%	9.6%	10.9%
Diluted EPS	1.18	1.33	1.52
Diluted EPS, YoY %	11.9%	12.1%	14.3%
Free Cash Flow (CFO-capex)	27,837	20,632	13,739
Free Cash Flow Margin %	18.5%	14.0%	9.3%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	410,328
Net Debt	278,453
Total Debt/EBITDA	8.8
Net Debt/EBITDA	6.0
EBITDA/Interest	3.2
Current Ratio	0.9
Quick Ratio	1.0

NMF = Not Meaningful

Structure of the Conglomerates Industry — GOOD

The industrial conglomerate industry is characterized by firms that operate various business lines on a global scale. Demand for industrial products tends to be cyclical in nature, and most firms couple their manufacturing operations with generally more stable services businesses to mitigate fundamental volatility. Firms tend to have bargaining power over suppliers due to industry dominance and boast substantial resources to adapt to changing conditions or competitive threats. Most sell products under powerful and recognizable brand names and look to emerging markets for future growth. We like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

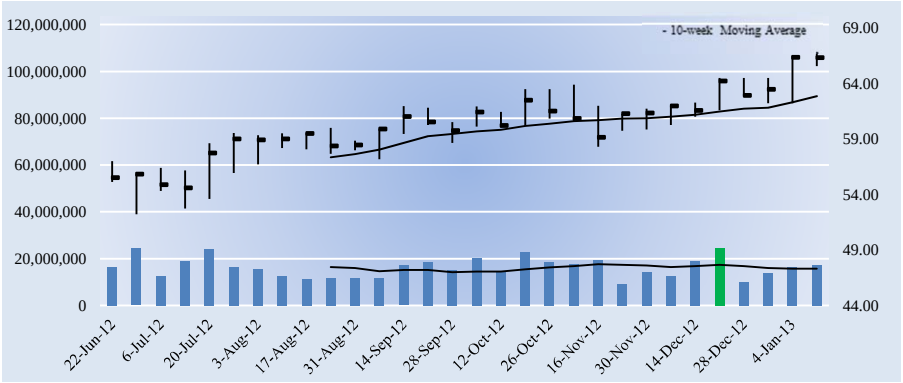
Honeywell HON FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$66.31	$64.00	$48.00 - $80.00	LARGE-CAP CORE	Industrials	Conglomerates

Honeywell's shares look fairly valued based on our discounted cash flow process.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Support, 10-week MA	**63.00**

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.

Company Vitals

Market Cap (USD)	$52,491
Avg Weekly Vol (30 wks)	16,305
30-week Range (USD)	52.21 - 66.87
Valuentum Sector	Industrials
5-week Return	7.5%
13-week Return	9.8%
30-week Return	19.0%
Dividend Yield %	2.5%
Dividends per Share	1.64
Forward Dividend Payout Ratio	36.2%
Est. Normal Diluted EPS	5.22
P/E on Est. Normal Diluted EPS	12.7
Est. Normal EBITDA	6,350
Forward EV/EBITDA	9.9
EV/Est. Normal EBITDA	8.8
Forward Revenue Growth (5-yr)	3.9%
Forward EPS Growth (5-yr)	19.8%

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

Investment Highlights

• Honeywell earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 25.8% during the past three years.

• Honeywell is a conglomerate operating in the following areas: aerospace, automation and controls solutions, performance materials and technologies, and transportations systems. Its aerospace products are used on virtually every aircraft, while its building solutions are in over 150 million homes.

• Honeywell has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 10.1% in coming years. Total debt-to-EBITDA was 2.1 last year, while debt-to-book capitalization stood at 41.1%.

• Honeywell is targeting a long-term compound annual sales growth rate of roughly 6-8%, and it expects segment margins to continue to expand. Though we expect continued margin improvement, our forecast for sales expansion is slightly lower than management's goals. This implies upside to our fair value estimate.

• The firm sports a very nice dividend yield of 2.5%. We expect the firm to pay out about 36% of next year's earnings to shareholders as dividends.

Relative Valuation

	Forward P/E	PEG	Price / FV
3M	15.1	2.7	100.3%
Danaher	18.5	2.6	117.2%
Tyco Intl	16.3	NMF	91.7%
United Technologies	15.8	1.4	92.6%
Peer Median	16.1	2.6	96.4%
Honeywell	**14.7**	**1.4**	**103.6%**

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

Returns Summary

	3-year Historical Average
Return on Equity	21.8%
Return on Assets	5.5%
ROIC, with goodwill	12.4%
ROIC, without goodwill	25.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	33,370	36,529	37,625
Revenue, YoY%	8.0%	9.5%	3.0%
Operating Income	3,134	2,574	4,641
Operating Margin %	9.4%	7.0%	12.3%
Net Income	2,022	1,858	3,568
Net Income Margin %	6.1%	5.1%	9.5%
Diluted EPS	2.61	2.35	4.52
Diluted EPS, YoY %	-8.2%	-10.2%	92.8%
Free Cash Flow (CFO-capex)	3,565	1,833	3,698
Free Cash Flow Margin %	10.7%	5.0%	9.8%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	7,555
Net Debt	3,373
Total Debt/EBITDA	2.1
Net Debt/EBITDA	1.0
EBITDA/Interest	9.4
Current Ratio	1.3
Quick Ratio	0.9

NMF = Not Meaningful

Structure of the Conglomerates Industry — GOOD

The industrial conglomerate industry is characterized by firms that operate various business lines on a global scale. Demand for industrial products tends to be cyclical in nature, and most firms couple their manufacturing operations with generally more stable services businesses to mitigate fundamental volatility. Firms tend to have bargaining power over suppliers due to industry dominance and boast substantial resources to adapt to changing conditions or competitive threats. Most sell products under powerful and recognizable brand names and look to emerging markets for future growth. We like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

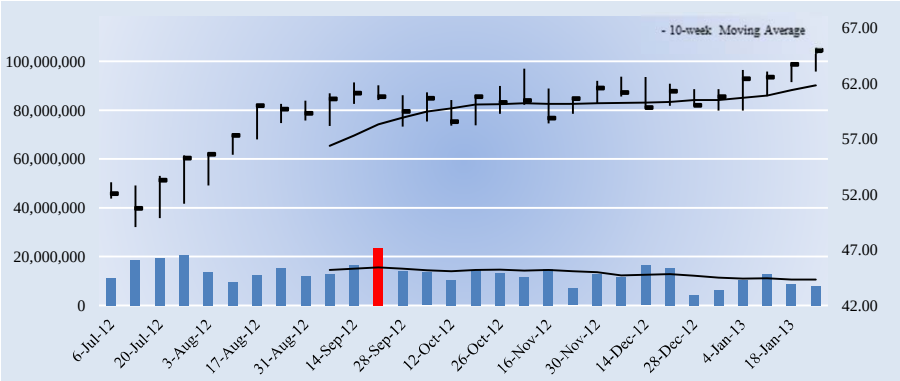
Illinois Tool Works ITW FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$64.99	$55.00	$41.00 - $69.00	LARGE-CAP CORE	Industrials	Machinery & Tools

Despite Illinois Tool Works' strong cash flow generation, we think the shares are fairly valued at this time.

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)	$32,147
Avg Weekly Vol (30 wks)	13,080
30-week Range (USD)	49.07 - 65.22
Valuentum Sector	Industrials
5-week Return	6.4%
13-week Return	5.1%
30-week Return	23.9%
Dividend Yield %	2.3%
Dividends per Share	1.52
Forward Dividend Payout Ratio	37.4%
Est. Normal Diluted EPS	4.69
P/E on Est. Normal Diluted EPS	13.8
Est. Normal EBITDA	3,782
Forward EV/EBITDA	10.3
EV/Est. Normal EBITDA	9.2
Forward Revenue Growth (5-yr)	3.3%
Forward EPS Growth (5-yr)	5.4%

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

Returns Summary

	3-year Historical Average
Return on Equity	16.5%
Return on Assets	9.1%
ROIC, with goodwill	14.8%
ROIC, without goodwill	25.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	3,990
Net Debt	2,812
Total Debt/EBITDA	1.2
Net Debt/EBITDA	0.8
EBITDA/Interest	17.3
Current Ratio	2.3
Quick Ratio	1.3

NMF = Not Meaningful

Investment Highlights

• Illinois Tool Works earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 25.6% during the past three years.

• Famous for its 80/20 business process that focuses on what is most important (the 20% of the items which account for 80% of the value), Illinois Tool Works is a multinational manufacturer of a diversified range of industrial products and equipment. Still, the firm faces fierce competition.

• Illinois Tool Works 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 11.5% in coming years. Total debt-to-EBITDA was 1.2 last year, while debt-to-book capitalization stood at 28.5%.

• The firm's share price performance has been roughly in line with that of the market during the past quarter. We'd expect the firm's stock price to converge to our fair value estimate within the next three years, if our forecasts prove accurate.

• The firm sports a very nice dividend yield of 2.3%. We expect the firm to pay out about 37% of next year's earnings to shareholders as dividends.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**62.00**

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
Dover	15.0	2.1	96.8%
Flowserve	17.9	2.1	111.9%
Graco	23.1	1.9	103.6%
Pall	22.1	2.2	125.9%
Peer Median	20.0	2.1	107.8%
Illinois Tool Works	**16.0**	**2.3**	**118.2%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	15,870	17,787	17,920
Revenue, YoY%	14.4%	12.1%	0.8%
Operating Income	2,358	2,731	2,783
Operating Margin %	14.9%	15.4%	15.5%
Net Income	1,527	2,017	1,988
Net Income Margin %	9.6%	11.3%	11.1%
Diluted EPS	3.03	4.08	4.06
Diluted EPS, YoY %	56.5%	34.4%	-0.4%
Free Cash Flow (CFO-capex)	1,275	1,548	2,143
Free Cash Flow Margin %	8.0%	8.7%	12.0%

In Millions of USD (except for per share items)

Structure of the Machinery & Tools Industry — GOOD

The machinery and tools industry is fragmented and highly competitive. Most constituents offer a wide range of products in a myriad of markets. Firms are heavily exposed to fluctuating raw material prices (steel, resins, chemicals) and the vicissitudes of the global economic cycle, including customer capital/maintenance budgets. Several companies are recognized worldwide for their strong brand names and reputation for quality, innovation and value, and we view such attributes as material competitive advantages. Though pricing competition is not absent, we like the structural characteristics of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

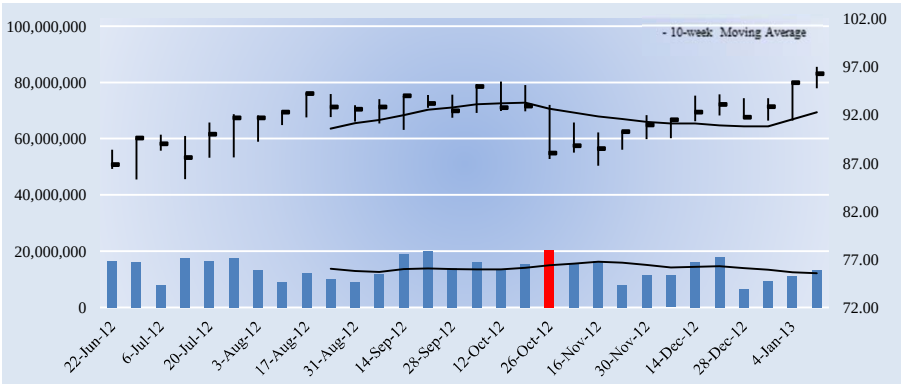
3M MMM FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$96.28	$96.00	$78.00 - $114.00	LARGE-CAP CORE	Industrials	Conglomerates

3M is perhaps among the most innovative firms in our coverage universe.

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)	$69,225
Avg Weekly Vol (30 wks)	13,820
30-week Range (USD)	85.29 - 96.99
Valuentum Sector	Industrials
5-week Return	4.2%
13-week Return	3.9%
30-week Return	10.6%
Dividend Yield %	2.5%
Dividends per Share	2.36
Forward Dividend Payout Ratio	37.0%
Est. Normal Diluted EPS	7.26
P/E on Est. Normal Diluted EPS	13.3
Est. Normal EBITDA	8,640
Forward EV/EBITDA	9.2
EV/Est. Normal EBITDA	8.2
Forward Revenue Growth (5-yr)	3.8%
Forward EPS Growth (5-yr)	6.0%

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

Returns Summary

	3-year Historical Average
Return on Equity	28.7%
Return on Assets	13.6%
ROIC, with goodwill	20.2%
ROIC, without goodwill	30.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	5,245
Net Debt	1,565
Total Debt/EBITDA	0.7
Net Debt/EBITDA	0.2
EBITDA/Interest	39.2
Current Ratio	2.2
Quick Ratio	1.4

NMF = Not Meaningful

Investment Highlights

• 3M'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 few years, a combination we view very positively.

• 3M is fundamentally a science-based company. The company makes imaginative products, and it is a leader in many markets--from health care and highway safety to office products and abrasives and adhesives. The company is perhaps among the most innovative firms in our coverage universe.

• 3M 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 14.7% in coming years. Total debt-to-EBITDA was 0.7 last year, while debt-to-book capitalization stood at 25.4%.

• 3M has ambitious goals for the period 2013 through 2017. The company expects annual organic revenue growth of 4-6%, annual earnings per share expansion of 9-11%, and 100% free cash flow conversion of net income. Our revenue and earnings expectations are below those of management, suggesting upside to our fair value estimate.

• The firm sports a very nice dividend yield of 2.5%. We expect the firm to pay out about 37% of next year's earnings to shareholders as dividends.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**92.00**

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
Danaher	18.5	2.6	117.2%
Honeywell	14.7	1.4	103.6%
Tyco Intl	16.3	NMF	91.7%
United Technologies	15.8	1.4	92.6%
Peer Median	16.1	1.4	98.1%
3M	**15.1**	**2.7**	**100.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	26,662	29,611	29,907
Revenue, YoY%	15.3%	11.1%	1.0%
Operating Income	5,918	6,178	6,577
Operating Margin %	22.2%	20.9%	22.0%
Net Income	4,085	4,283	4,571
Net Income Margin %	15.3%	14.5%	15.3%
Diluted EPS	5.63	5.96	6.38
Diluted EPS, YoY %	24.6%	5.8%	7.2%
Free Cash Flow (CFO-capex)	4,083	3,789	4,313
Free Cash Flow Margin %	15.3%	12.8%	14.4%

In Millions of USD (except for per share items)

Structure of the Conglomerates Industry — GOOD

The industrial conglomerate industry is characterized by firms that operate various business lines on a global scale. Demand for industrial products tends to be cyclical in nature, and most firms couple their manufacturing operations with generally more stable services businesses to mitigate fundamental volatility. Firms tend to have bargaining power over suppliers due to industry dominance and boast substantial resources to adapt to changing conditions or competitive threats. Most sell products under powerful and recognizable brand names and look to emerging markets for future growth. We like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

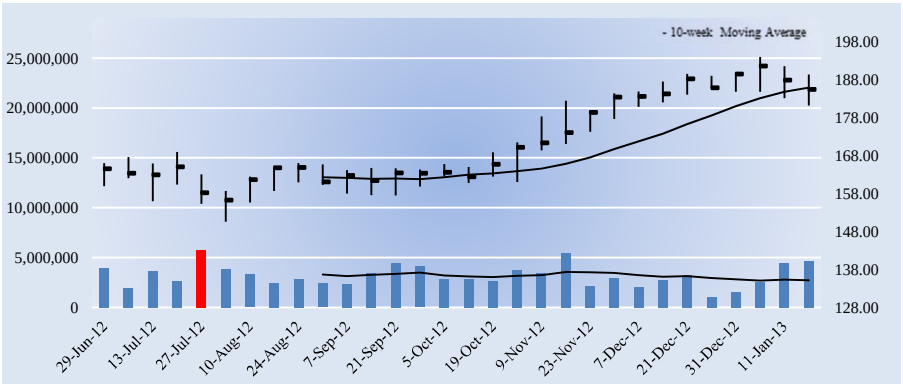
Precision Castparts PCP UNDERVALUED 6.3%

Buying Index™ 7 **Value Rating** ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$185.36	$246.00	$197.00 - $295.00	LARGE-CAP BLEND	Industrials	A&D Suppliers

We cannot overstate the potential margin expansion associated with Precision's acquisition of Titanium Metals.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**UNDERVALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**AGGRESSIVE**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Resistance, 10-wk MA	**186.00**

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.

Company Vitals

Market Cap (USD)	$26,988
Avg Weekly Vol (30 wks)	3,187
30-week Range (USD)	150.53 - 193.95
Valuentum Sector	Industrials
5-week Return	-1.2%
13-week Return	12.6%
30-week Return	14.1%
Dividend Yield %	0.1%
Dividends per Share	0.12
Forward Dividend Payout Ratio	1.2%
Est. Normal Diluted EPS	15.04
P/E on Est. Normal Diluted EPS	12.3
Est. Normal EBITDA	3,656
Forward EV/EBITDA	11.1
EV/Est. Normal EBITDA	7.2
Forward Revenue Growth (5-yr)	16.7%
Forward EPS Growth (5-yr)	18.8%

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

Returns Summary

	3-year Historical Average
Return on Equity	16.2%
Return on Assets	12.6%
ROIC, with goodwill	17.1%
ROIC, without goodwill	32.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	208
Net Debt	-491
Total Debt/EBITDA	0.1
Net Debt/EBITDA	NMF
EBITDA/Interest	155.2
Current Ratio	3.5
Quick Ratio	1.8

NMF = Not Meaningful

Investment Highlights

• Precision Castparts' 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 few years, a combination we view very positively.

• Precision Castparts is a worldwide, diversified manufacturer of complex metal components and products. The company makes metal castings for every jet aircraft engine program in production or under development by its key customers--GE, Pratt & Whitney, and Rolls Royce.

• Precision Castparts 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 14.3% in coming years. Total debt-to-EBITDA was 0.1 last year, while debt-to-book capitalization stood at 2.4%.

• The company's products are ubiquitous and do not depend on which jet maker delivers more planes in any given year. Precision is also a trusted, low-cost supplier-- it has been delivering castings to the jet-engine makers for over 20 years (40 years in GE's case).

• We cannot overstate the potential margin expansion associated with the firm's Titanium Metals acquisition. CEO Mark Donegan is perhaps the most talented CEO in our coverage in extracting efficiencies from newly-acquired entities.

Relative Valuation

	Forward P/E	PEG	Price / FV
Astronics	14.0	1.3	71.4%
Hexcel Corp	15.2	1.9	100.9%
Rockwell Collins	11.9	1.8	92.4%
Spirit AeroSystems	71.6	0.1	84.4%
Peer Median	14.6	1.6	88.4%
Precision Castparts	**18.5**	**1.2**	**75.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Mar-11	Mar-12	Mar-13
Revenue	6,220	7,215	8,658
Revenue, YoY%	13.4%	16.0%	20.0%
Operating Income	1,503	1,817	2,190
Operating Margin %	24.2%	25.2%	25.3%
Net Income	1,009	1,231	1,472
Net Income Margin %	16.2%	17.1%	17.0%
Diluted EPS	7.01	8.45	10.01
Diluted EPS, YoY %	7.8%	20.5%	18.4%
Free Cash Flow (CFO-capex)	914	853	1,075
Free Cash Flow Margin %	14.7%	11.8%	12.4%

In Millions of USD (except for per share items)

Structure of the A&D Supplier Industry — GOOD

The aerospace supply chain will benefit from the multi-year backlogs at the airframe makers, Boeing and Airbus. Though the current upswing looks robust, commercial aerospace has historically been cyclical and remains influenced by airline profits, passenger traffic, credit-market health, and geopolitical conditions. Participants generally operate under contracts with significant long-term price concessions, so cost-containment remains critical. The strongest suppliers are those that have long-standing customer relationships, technical expertise, and state-of-the-art manufacturing facilities. We like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

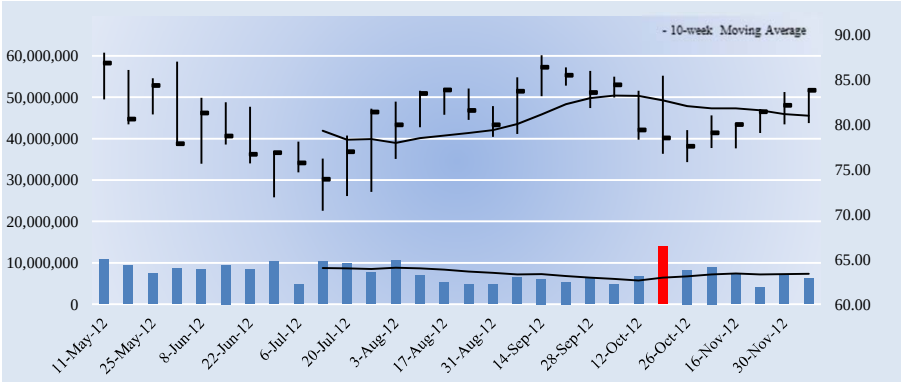
Parker-Hannifin PH FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$83.81	$95.00	$76.00 - $114.00	LARGE-CAP VALUE	Industrials	Electrical Equipment

Parker-Hannifin is the world's leading diversified manufacturer of motion and control technologies and systems.

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).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**VERY BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**81.00**

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.

Company Vitals

Market Cap (USD)	$12,962
Avg Weekly Vol (30 wks)	7,646
30-week Range (USD)	70.42 - 87.99
Valuentum Sector	Industrials
5-week Return	6.5%
13-week Return	5.2%
30-week Return	-1.1%
Dividend Yield %	2.0%
Dividends per Share	1.64
Forward Dividend Payout Ratio	25.3%
Est. Normal Diluted EPS	7.67
P/E on Est. Normal Diluted EPS	10.9
Est. Normal EBITDA	2,008
Forward EV/EBITDA	7.8
EV/Est. Normal EBITDA	6.9
Forward Revenue Growth (5-yr)	3.6%
Forward EPS Growth (5-yr)	2.5%

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

Investment Highlights

• Parker-Hannifin'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 few years, a combination we view very positively.

• Parker-Hannifin is the world's leading diversified manufacturer of motion and control technologies and systems. Parker has increased its annual dividends paid to shareholders for more than 50 consecutive fiscal years.

• Parker-Hannifin 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 7.9% in coming years. Total debt-to-EBITDA was 0.9 last year, while debt-to-book capitalization stood at 26.1%.

• Parker generates roughly half of its business from MRO (maintenance, repair, and overhaul), which is a less cyclical and higher-margin channel.

• The firm's technicals look very attractive. If current prices hold, the firm's moving averages could create a golden cross, a very bullish technical pattern.

Relative Valuation

	Forward P/E	PEG	Price / FV
Barnes Group	11.7	1.9	82.2%
Emerson Electric	14.0	1.5	90.8%
Pentair	19.8	2.0	106.8%
Roper Industries	22.4	2.5	111.8%
Peer Median	16.9	1.9	98.8%
Parker-Hannifin	**12.9**	**1.7**	**88.2%**

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

Returns Summary

	3-year Historical Average
Return on Equity	19.0%
Return on Assets	8.8%
ROIC, with goodwill	14.6%
ROIC, without goodwill	24.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jun-11	Jun-12	Jun-13
Revenue	12,346	13,146	13,146
Revenue, YoY%	23.5%	6.5%	0.0%
Operating Income	1,491	1,668	1,443
Operating Margin %	12.1%	12.7%	11.0%
Net Income	1,049	1,152	994
Net Income Margin %	8.5%	8.8%	7.6%
Diluted EPS	6.37	7.45	6.49
Diluted EPS, YoY %	87.2%	17.0%	-12.8%
Free Cash Flow (CFO-capex)	960	1,312	1,082
Free Cash Flow Margin %	7.8%	10.0%	8.2%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,730
Net Debt	891
Total Debt/EBITDA	0.9
Net Debt/EBITDA	0.4
EBITDA/Interest	21.4
Current Ratio	1.8
Quick Ratio	1.1

NMF = Not Meaningful

Structure of the Electrical Equipment Industry — NEUTRAL

The fragmented electrical equipment industry includes firms that primarily provide flow control and electrical components. Order trends and backlog are largely driven by the overall health of the economy, while all constituents must deal with volatile raw material prices. Most operate high fixed-cost business models, where operating leverage should be monitored closely, and face intense global competition. Still, we like the group's exposure to recurring maintenance, repair, and overhaul (MRO) revenue and its large and growing emerging-market opportunities. We're generally neutral on the industry's structure.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

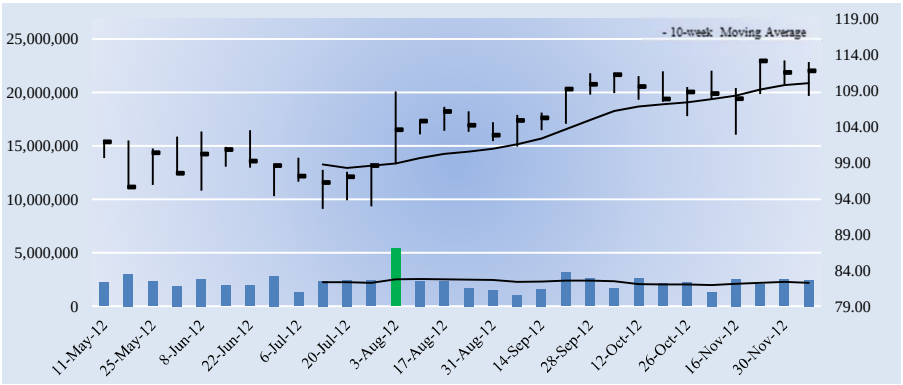
Roper Industries ROP FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$111.77	$100.00	$75.00 - $125.00	LARGE-CAP CORE	Industrials	Electrical Equipment

Despite Roper Industries' strong cash flow generation, we think the shares are fairly valued at this time.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$10,997
Avg Weekly Vol (30 wks)	2,277
30-week Range (USD)	92.53 - 113.25
Valuentum Sector	Industrials
5-week Return	1.3%
13-week Return	8.8%
30-week Return	10.9%
Dividend Yield %	0.6%
Dividends per Share	0.66
Forward Dividend Payout Ratio	13.2%
Est. Normal Diluted EPS	6.17
P/E on Est. Normal Diluted EPS	18.1
Est. Normal EBITDA	1,156
Forward EV/EBITDA	12.7
EV/Est. Normal EBITDA	10.2
Forward Revenue Growth (5-yr)	8.0%
Forward EPS Growth (5-yr)	10.3%

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

Returns Summary

	3-year Historical Average
Return on Equity	12.6%
Return on Assets	7.0%
ROIC, with goodwill	9.9%
ROIC, without goodwill	27.3%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,085
Net Debt	747
Total Debt/EBITDA	1.4
Net Debt/EBITDA	0.9
EBITDA/Interest	12.6
Current Ratio	2.0
Quick Ratio	1.5

NMF = Not Meaningful

Investment Highlights

• Roper Industries earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 43.7% from 32% during the next two years.

• Roper makes radio frequency products and services, industrial technology products, energy systems and controls and medical and scientific imaging products and software. The firm continues to put up solid order and backlog trends.

• Roper Industries has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 18.6% in coming years. Total debt-to-EBITDA was 1.4 last year, while debt-to-book capitalization stood at 25.4%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• The firm experienced a revenue CAGR of about 6.6% during the past 3 years. We expect its revenue growth to be better than its peer median during the next five years.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Support, 10-week MA	**110.00**

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
Barnes Group	11.7	1.9	82.2%
Emerson Electric	14.0	1.5	90.8%
Parker-Hannifin	12.9	1.7	88.2%
Pentair	19.8	2.0	106.8%
Peer Median	13.5	1.8	89.5%
Roper Industries	**22.4**	**2.5**	**111.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	2,386	2,797	3,021
Revenue, YoY%	16.4%	17.2%	8.0%
Operating Income	514	661	769
Operating Margin %	21.6%	23.6%	25.4%
Net Income	323	427	501
Net Income Margin %	13.5%	15.3%	16.6%
Diluted EPS	3.34	4.34	4.99
Diluted EPS, YoY %	29.4%	30.1%	14.9%
Free Cash Flow (CFO-capex)	471	561	596
Free Cash Flow Margin %	19.7%	20.1%	19.7%

In Millions of USD (except for per share items)

Structure of the Electrical Equipment Industry — NEUTRAL

The fragmented electrical equipment industry includes firms that primarily provide flow control and electrical components. Order trends and backlog are largely driven by the overall health of the economy, while all constituents must deal with volatile raw material prices. Most operate high fixed-cost business models, where operating leverage should be monitored closely, and face intense global competition. Still, we like the group's exposure to recurring maintenance, repair, and overhaul (MRO) revenue and its large and growing emerging-market opportunities. We're generally neutral on the industry's structure.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

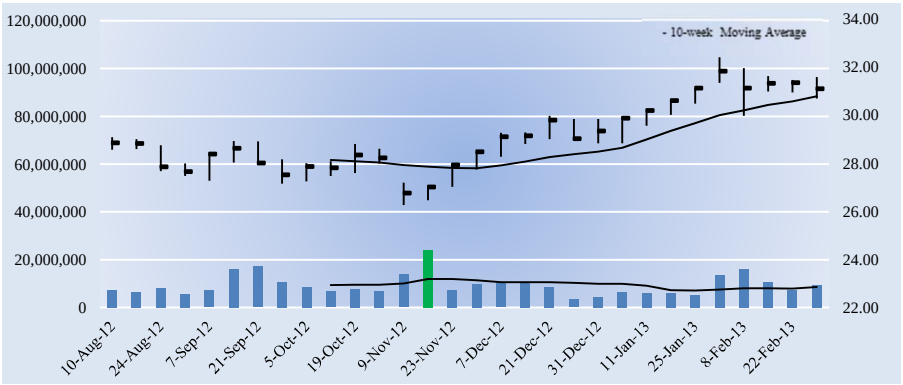
Republic Services RSG FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$31.09	$31.00	$25.00 - $37.00	LARGE-CAP CORE	Industrials	Environmental Services

Through long-term exclusive franchise contracts with municipalities, Republic operates as a monopoly in nearly 30% of its markets.

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)	$11,740
Avg Weekly Vol (30 wks)	9,415
30-week Range (USD)	26.25 - 32.4
Valuentum Sector	Industrials
5-week Return	-0.8%
13-week Return	6.9%
30-week Return	7.8%
Dividend Yield %	3.0%
Dividends per Share	0.94
Forward Dividend Payout Ratio	52.3%
Est. Normal Diluted EPS	1.95
P/E on Est. Normal Diluted EPS	15.9
Est. Normal EBITDA	2,510
Forward EV/EBITDA	7.9
EV/Est. Normal EBITDA	7.4
Forward Revenue Growth (5-yr)	1.4%
Forward EPS Growth (5-yr)	5.8%

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

Returns Summary

	3-year Historical Average
Return on Equity	7.0%
Return on Assets	2.7%
ROIC, with goodwill	8.0%
ROIC, without goodwill	21.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	6,922
Net Debt	6,856
Total Debt/EBITDA	2.9
Net Debt/EBITDA	2.8
EBITDA/Interest	5.5
Current Ratio	0.7
Quick Ratio	0.5

NMF = Not Meaningful

Investment Highlights

• Republic Services' 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 few years, a combination we view very positively.

• Republic's enormous Apex regional landfill in Clark County, Nevada, is the busiest facility in the country and should enjoy years of strong cash flow generation from one of the fastest-growing areas in the country.

• Republic Services has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 13.1% in coming years. Total debt-to-EBITDA was 2.9 last year, while debt-to-book capitalization stood at 47.4%.

• The firm's share price performance has trailed that of the market during the past quarter. However, it is trading within our fair value estimate range, so we don't view such activity as alarming.

• Republic's disposal assets represent a long-term strategic benefit that will only become more valuable over time due to an increasingly onerous regulatory environment and continued citizens' group opposition to greenfield sites.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**31.00**

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
Clean Harbors	27.0	1.0	99.3%
Stericycle	28.9	2.3	115.1%
Waste Connections	21.8	2.0	93.0%
Waste Management	17.7	2.5	102.5%
Peer Median	24.4	2.1	100.9%
Republic Services	**17.3**	**3.4**	**100.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	8,107	8,193	8,120
Revenue, YoY%	-1.1%	1.1%	-0.9%
Operating Income	1,570	1,581	1,505
Operating Margin %	19.4%	19.3%	18.5%
Net Income	507	589	692
Net Income Margin %	6.2%	7.2%	8.5%
Diluted EPS	1.32	1.56	1.80
Diluted EPS, YoY %	1.2%	18.6%	15.2%
Free Cash Flow (CFO-capex)	639	830	944
Free Cash Flow Margin %	7.9%	10.1%	11.6%

In Millions of USD (except for per share items)

Structure of the Environmental Services Industry — GOOD

The oligopolistic US non-hazardous solid-waste services industry is dominated by Waste Management, Republic Services and Waste Connections, which collectively generate over half of industry revenue and control an equal percentage of valuable disposal capacity. Most operators boast strong returns on capital and predictable cash flow streams, buoyed in part by real pricing expansion. The landfill business has significant barriers to entry, while Stericycle's niche in the medical-waste industry and US Ecology's monopolistic radioactive waste disposal assets are compelling. We like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

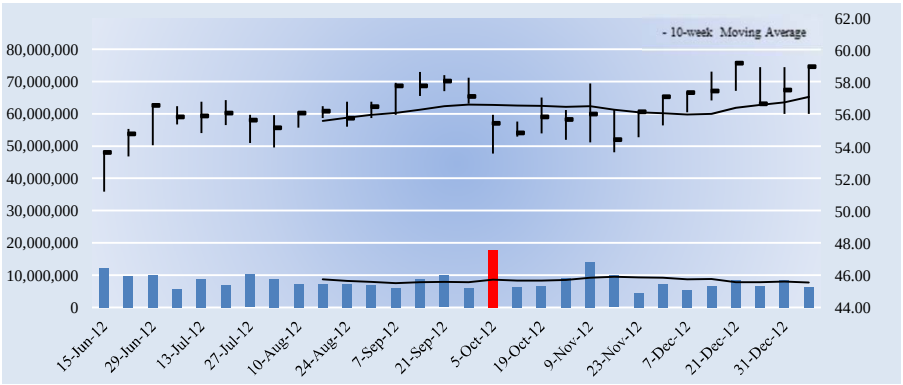
Raytheon RTN FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$59.01	$54.00	$43.00 - $65.00	LARGE-CAP CORE	Industrials	A&D Prime

Despite Raytheon's strong cash flow generation, we think the shares are fairly valued at this time.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$20,866
Avg Weekly Vol (30 wks)	8,311
30-week Range (USD)	51.23 - 59.34
Valuentum Sector	Industrials
5-week Return	3.0%
13-week Return	6.6%
30-week Return	13.7%
Dividend Yield %	3.4%
Dividends per Share	2.00
Forward Dividend Payout Ratio	35.8%
Est. Normal Diluted EPS	5.62
P/E on Est. Normal Diluted EPS	10.5
Est. Normal EBITDA	3,261
Forward EV/EBITDA	6.4
EV/Est. Normal EBITDA	6.6
Forward Revenue Growth (5-yr)	-0.2%
Forward EPS Growth (5-yr)	2.1%

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

Returns Summary

	3-year Historical Average
Return on Equity	20.3%
Return on Assets	7.9%
ROIC, with goodwill	9.8%
ROIC, without goodwill	68.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	4,605
Net Debt	605
Total Debt/EBITDA	1.4
Net Debt/EBITDA	0.2
EBITDA/Interest	19.2
Current Ratio	1.5
Quick Ratio	1.4

NMF = Not Meaningful

Investment Highlights

• Raytheon'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 few years, a combination we view very positively.

• Raytheon provides state-of-the-art electronics, mission systems integration and other capabilities in the areas of sensing; effects; and command, control, communications and intelligence systems, as well as a broad range of mission support services.

• Raytheon 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 8.1% in coming years. Total debt-to-EBITDA was 1.4 last year, while debt-to-book capitalization stood at 36%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• The firm sports a very nice dividend yield of 3.4%. We expect the firm to pay out about 36% of next year's earnings to shareholders as dividends. Its Dividend Cushion score is north of 2.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**DECLINING**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**57.00**

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
Boeing	15.4	2.7	106.4%
General Dynamics	10.1	2.7	97.4%
Lockheed Martin	11.1	4.1	113.1%
Northrop Grumman	9.2	NMF	98.2%
Peer Median	10.6	2.7	102.3%
Raytheon	**10.6**	**5.4**	**109.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	25,183	24,857	24,608
Revenue, YoY%	1.2%	-1.3%	-1.0%
Operating Income	2,607	2,857	2,913
Operating Margin %	10.4%	11.5%	11.8%
Net Income	1,804	1,867	1,935
Net Income Margin %	7.2%	7.5%	7.9%
Diluted EPS	4.79	5.28	5.59
Diluted EPS, YoY %	-2.2%	10.3%	5.8%
Free Cash Flow (CFO-capex)	1,520	1,671	2,058
Free Cash Flow Margin %	6.0%	6.7%	8.4%

In Millions of USD (except for per share items)

Structure of the Aerospace and Defense Industry — NEUTRAL

The global commercial aerospace duopoly is being challenged by encroaching international competitors who are intent on increasing market share. Though Boeing and Airbus dominate the large commercial aircraft segment, Embraer, Bombardier and other entrants from Russia, China and Japan are becoming stronger rivals. Long-term demand for commercial aircraft is cyclical and depends on the health of the credit markets, airline customers, and lessors. The defense industry has strong competition in all market segments and continues to face pressure due to weak funding and competing budget priorities.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

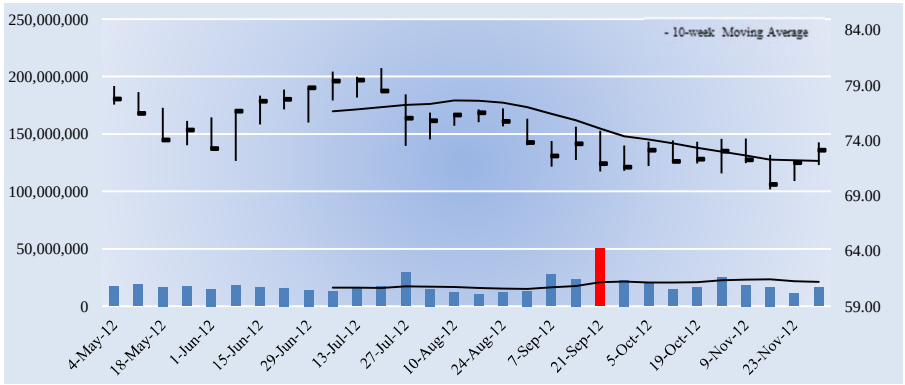
United Parce Service UPS FAIRLY VALUED

Buying Index™ 7 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$73.11	$74.00	$56.00 - $93.00	LARGE-CAP VALUE	Industrials	Air Freight & Logistics

United Parce Service's technicals look very bullish. Traders could be eyeing the stock.

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)	$72,452
Avg Weekly Vol (30 wks)	18,312
30-week Range (USD)	69.56 - 80.53
Valuentum Sector	Industrials
5-week Return	1.5%
13-week Return	-3.5%
30-week Return	-6.6%
Dividend Yield %	3.1%
Dividends per Share	2.28
Forward Dividend Payout Ratio	49.3%
Est. Normal Diluted EPS	5.52
P/E on Est. Normal Diluted EPS	13.2
Est. Normal EBITDA	10,598
Forward EV/EBITDA	8.6
EV/Est. Normal EBITDA	7.5
Forward Revenue Growth (5-yr)	4.2%
Forward EPS Growth (5-yr)	10.3%

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

Returns Summary

	3-year Historical Average
Return on Equity	41.7%
Return on Assets	9.5%
ROIC, with goodwill	19.0%
ROIC, without goodwill	21.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	11,128
Net Debt	6,853
Total Debt/EBITDA	1.4
Net Debt/EBITDA	0.9
EBITDA/Interest	22.6
Current Ratio	1.9
Quick Ratio	1.6

NMF = Not Meaningful

Investment Highlights

• United Parce Service earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 29.6% from 24.9% during the next two years.

• The firm is trading at attractive valuation mulitples relative to peers, but our DCF process indicates a less compelling opportunity. We'd wait for a clearer signal on valuation before jumping into the firm's shares.

• United Parce Service 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 9.3% in coming years. Total debt-to-EBITDA was 1.4 last year, while debt-to-book capitalization stood at 61.3%.

• The firm's share price performance has been roughly in line with that of the market during the past quarter. We'd expect the firm's stock price to converge to our fair value estimate within the next three years, if our forecasts prove accurate.

• The firm's technicals look very attractive. If current prices hold, the firm's moving averages could create a golden cross, a very bullish technical pattern.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**VERY BULLISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Support, 10-week MA	**72.00**

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
CH Robinson	22.0	1.9	108.3%
Expeditors Intl	23.0	1.7	101.1%
FedEx	13.8	2.7	107.9%
Uti Worldwide	19.7	2.0	94.1%
Peer Median	20.8	2.0	104.5%
United Parce Service	**15.8**	**1.9**	**98.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	49,545	53,105	53,636
Revenue, YoY%	9.4%	7.2%	1.0%
Operating Income	9,747	6,080	7,403
Operating Margin %	19.7%	11.4%	13.8%
Net Income	3,488	3,804	4,538
Net Income Margin %	7.0%	7.2%	8.5%
Diluted EPS	3.48	3.84	4.63
Diluted EPS, YoY %	61.3%	10.4%	20.5%
Free Cash Flow (CFO-capex)	2,446	5,068	4,797
Free Cash Flow Margin %	4.9%	9.5%	8.9%

In Millions of USD (except for per share items)

Structure of the Air Freight & Logistics Industry — GOOD

The highly competitive air freight and logistics industry is heavily tied to cyclical domestic economic expansion (primarily from retail good shipments). The international freight market remains a critical growth engine for air cargo providers, while all constituents deal with the cost of rising fuel (diesel) prices and potentially price-sensitive demand during periods of economic weakness. Firms with freight-forwarding, asset-light operations and/or large difficult-to-replicate shipping networks can carve out sustainable competitive advantages while generating high returns on investment. We generally like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

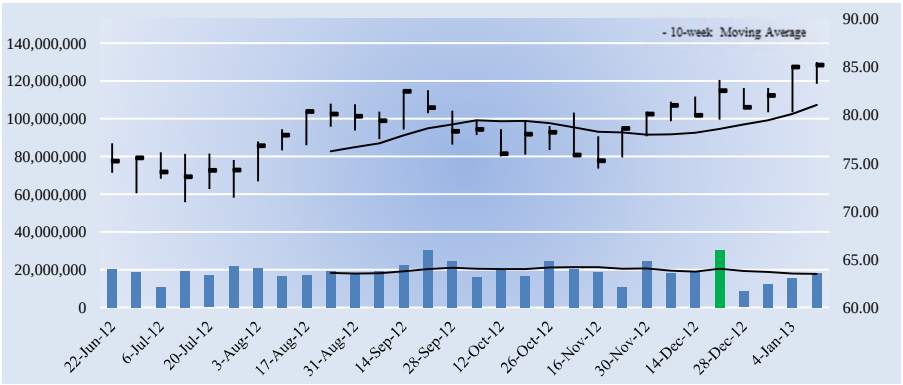
United Technologies UTX FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$85.18	$92.00	$69.00 - $115.00	LARGE-CAP VALUE	Industrials	Conglomerates

Despite United Technologies' strong cash flow generation, we think the shares are fairly valued at this time.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**81.00**

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.

Company Vitals

Market Cap (USD)	$77,241
Avg Weekly Vol (30 wks)	19,083
30-week Range (USD)	70.95 - 85.49
Valuentum Sector	Industrials
5-week Return	6.3%
13-week Return	11.9%
30-week Return	14.6%
Dividend Yield %	2.5%
Dividends per Share	2.14
Forward Dividend Payout Ratio	39.8%
Est. Normal Diluted EPS	6.85
P/E on Est. Normal Diluted EPS	12.4
Est. Normal EBITDA	10,889
Forward EV/EBITDA	9.3
EV/Est. Normal EBITDA	7.8
Forward Revenue Growth (5-yr)	7.3%
Forward EPS Growth (5-yr)	8.3%

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

Investment Highlights

• United Technologies earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 36.8% from 34.5% during the next two years.

• United Tech's commercial businesses are Otis elevators and escalators and UTC Climate, Controls & Security. The firm's aerospace businesses are Sikorsky aircraft and UTC Propulsion & Aerospace Systems, which includes Pratt & Whitney aircraft engines and UTC Aerospace Systems products.

• United Technologies has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 8.7% in coming years. Total debt-to-EBITDA was 2.3 last year, while debt-to-book capitalization stood at 31.9%.

• We're big fans of the company's decision to pick up Goodrich to augment its commercial aerospace portfolio. Revenue passenger miles (air travel) are expected to expand at a rapid pace in coming decades, and annual aircraft deliveries should follow suit.

• The firm sports a very nice dividend yield of 2.5%. We expect the firm to pay out about 40% of next year's earnings to shareholders as dividends.

Relative Valuation

	Forward P/E	PEG	Price / FV
3M	15.1	2.7	100.3%
Danaher	18.5	2.6	117.2%
Honeywell	14.7	1.4	103.6%
Tyco Intl	16.3	NMF	91.7%
Peer Median	15.7	2.6	102.0%
United Technologies	**15.8**	**1.4**	**92.6%**

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

Returns Summary

	3-year Historical Average
Return on Equity	23.6%
Return on Assets	8.2%
ROIC, with goodwill	11.6%
ROIC, without goodwill	25.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	54,326	58,190	58,772
Revenue, YoY%	2.7%	7.1%	1.0%
Operating Income	7,142	7,515	7,728
Operating Margin %	13.1%	12.9%	13.1%
Net Income	4,373	4,979	4,796
Net Income Margin %	8.0%	8.6%	8.2%
Diluted EPS	4.74	5.49	5.38
Diluted EPS, YoY %	15.0%	15.9%	-2.0%
Free Cash Flow (CFO-capex)	5,041	5,607	5,334
Free Cash Flow Margin %	9.3%	9.6%	9.1%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	20,060
Net Debt	7,503
Total Debt/EBITDA	2.3
Net Debt/EBITDA	0.8
EBITDA/Interest	13.2
Current Ratio	1.4
Quick Ratio	0.8

NMF = Not Meaningful

Structure of the Conglomerates Industry — GOOD

The industrial conglomerate industry is characterized by firms that operate various business lines on a global scale. Demand for industrial products tends to be cyclical in nature, and most firms couple their manufacturing operations with generally more stable services businesses to mitigate fundamental volatility. Firms tend to have bargaining power over suppliers due to industry dominance and boast substantial resources to adapt to changing conditions or competitive threats. Most sell products under powerful and recognizable brand names and look to emerging markets for future growth. We like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

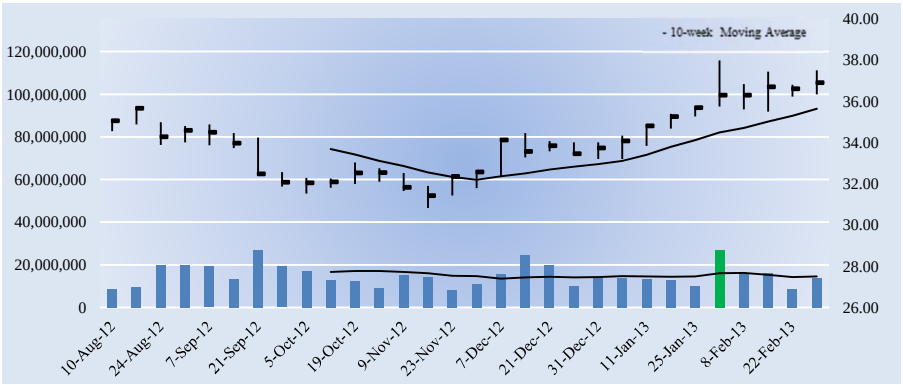
Waste Management WM FAIRLY VALUED

Buying Index™ 5 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$36.90	$36.00	$29.00 - $43.00	LARGE-CAP CORE	Industrials	Environmental Services

Waste Management's landfill operations boast significant barriers to entry due to regulatory requirements and NIMBY opposition.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$17,395
Avg Weekly Vol (30 wks)	15,124
30-week Range (USD)	30.82 - 37.98
Valuentum Sector	Industrials
5-week Return	2.6%
13-week Return	8.5%
30-week Return	5.6%
Dividend Yield %	3.8%
Dividends per Share	1.42
Forward Dividend Payout Ratio	68.2%
Est. Normal Diluted EPS	2.44
P/E on Est. Normal Diluted EPS	15.1
Est. Normal EBITDA	3,547
Forward EV/EBITDA	8.2
EV/Est. Normal EBITDA	7.6
Forward Revenue Growth (5-yr)	2.0%
Forward EPS Growth (5-yr)	7.4%

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

Returns Summary

	3-year Historical Average
Return on Equity	16.6%
Return on Assets	4.8%
ROIC, with goodwill	8.5%
ROIC, without goodwill	12.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	9,756
Net Debt	9,498
Total Debt/EBITDA	3.0
Net Debt/EBITDA	2.9
EBITDA/Interest	6.8
Current Ratio	0.8
Quick Ratio	0.7

NMF = Not Meaningful

Investment Highlights

• Waste Management's 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 12.7% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $29, we'd take a closer look.

• Waste Management's cash flow generation is robust, but its financial leverage could potentially be concerning down the road. If cash flows begin to weaken, we'd become more cautious on the firm's overall financial health.

• Waste Management's asset base is the largest and most diverse in the industry. Its landfill operations boast significant barriers to entry due to regulatory requirements and stiff NIMBY opposition. The company's business is generally recession-resistant, though volatile commodity prices can cause swings in revenue.

• Though Waste Management has a hefty dividend payout, the company's score on our Valuentum Dividend Cushion leaves much to be desired.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**GOOD**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**HIGH**
Growth	**MODEST**
Technical Evaluation	**NEUTRAL**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**OVERBOUGHT**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**36.00**

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
Clean Harbors	27.0	1.0	99.3%
Republic Services	17.3	3.4	100.3%
Stericycle	28.9	2.3	115.1%
Waste Connections	21.8	2.0	93.0%
Peer Median	24.4	2.1	99.8%
Waste Management	**17.7**	**2.5**	**102.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	12,515	13,378	13,650
Revenue, YoY%	6.1%	6.9%	2.0%
Operating Income	2,036	2,057	2,034
Operating Margin %	16.3%	15.4%	14.9%
Net Income	953	961	971
Net Income Margin %	7.6%	7.2%	7.1%
Diluted EPS	1.98	2.04	2.08
Diluted EPS, YoY %	-1.9%	3.1%	2.1%
Free Cash Flow (CFO-capex)	1,171	1,145	1,135
Free Cash Flow Margin %	9.4%	8.6%	8.3%

In Millions of USD (except for per share items)

Structure of the Environmental Services Industry — GOOD

The oligopolistic US non-hazardous solid-waste services industry is dominated by Waste Management, Republic Services and Waste Connections, which collectively generate over half of industry revenue and control an equal percentage of valuable disposal capacity. Most operators boast strong returns on capital and predictable cash flow streams, buoyed in part by real pricing expansion. The landfill business has significant barriers to entry, while Stericycle's niche in the medical-waste industry and US Ecology's monopolistic radioactive waste disposal assets are compelling. We like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

Materials

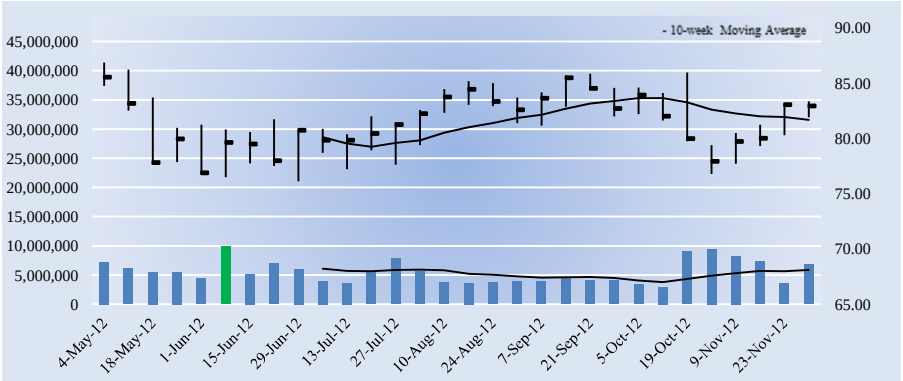
Air Products & Chemicals APD FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$82.94	$69.00	$52.00 - $86.00	LARGE-CAP CORE	Materials	Chemicals - broad

Roughly 40% of Air Product's industrial gas business is via onsite/pipeline supply mode, characterized by stable 15-20 year contracts.

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).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**GOOD**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**MEDIUM**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**VERY BULLISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Support, 10-week MA	**82.00**

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.

Company Vitals

Market Cap (USD)	$17,807
Avg Weekly Vol (30 wks)	5,522
30-week Range (USD)	76.11 - 86.85
Valuentum Sector	Materials
5-week Return	4.5%
13-week Return	-0.7%
30-week Return	-3.3%
Dividend Yield %	3.1%
Dividends per Share	2.56
Forward Dividend Payout Ratio	44.2%
Est. Normal Diluted EPS	6.78
P/E on Est. Normal Diluted EPS	12.2
Est. Normal EBITDA	2,908
Forward EV/EBITDA	9.0
EV/Est. Normal EBITDA	7.8
Forward Revenue Growth (5-yr)	6.4%
Forward EPS Growth (5-yr)	10.3%

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

Investment Highlights

• Air Products & Chemicals 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 9.9% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $52, we'd take a closer look.

• Air Products & Chemicals' cash flow generation and financial leverage are at decent levels, in our opinion. The firm's free cash flow margin and debt-to-EBITDA metrics are about what we'd expect from an average firm in our coverage universe.

• Roughly 40% of its business is via onsite/pipeline supply mode, characterized by stable 15-20 year contracts with limited volume risk. The company has a number 1 position in global on-site hydrogen and operates the world's largest hydrogen pipeline system.

• Though Air Products boasts over 30 consecutive years of dividend increases, its dividend coverage ratios have become stretched.

Relative Valuation

	Forward P/E	PEG	Price / FV
Airgas	19.3	2.0	101.8%
Dow Chemical	15.7	0.9	91.5%
DuPont	13.0	1.3	75.7%
Sigma-Aldrich	18.6	2.9	118.9%
Peer Median	17.2	1.7	96.6%
Air Products & Chemicals	**14.3**	**1.7**	**120.2%**

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

Returns Summary

	3-year Historical Average
Return on Equity	19.7%
Return on Assets	7.8%
ROIC, with goodwill	8.8%
ROIC, without goodwill	9.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-11	Sep-12	Sep-13
Revenue	10,082	9,612	10,381
Revenue, YoY%	11.7%	-4.7%	8.0%
Operating Income	1,634	1,159	1,600
Operating Margin %	16.2%	12.1%	15.4%
Net Income	1,215	999	1,247
Net Income Margin %	12.1%	10.4%	12.0%
Diluted EPS	5.59	4.65	5.80
Diluted EPS, YoY %	17.8%	-16.7%	24.6%
Free Cash Flow (CFO-capex)	430	136	663
Free Cash Flow Margin %	4.3%	1.4%	6.4%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	5,292
Net Debt	4,838
Total Debt/EBITDA	2.6
Net Debt/EBITDA	2.4
EBITDA/Interest	16.2
Current Ratio	1.3
Quick Ratio	0.9

NMF = Not Meaningful

Structure of the Chemicals Industry — POOR

The broad chemicals industry includes firms that make thousands of different chemical substances, ranging from basic raw materials to advanced specialty chemicals. Making chemicals is a cyclical and energy-intensive business, with volatile oil/gas prices influencing feedstock, operation, and transportation costs. Specialty providers can carve out niches, but commodity chemicals producers are largely undifferentiated, making it impossible to gain a sustainable competitive edge. The industry is very capital intensive, and large swings in prices and volume should be expected. We don't like the industry structure.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

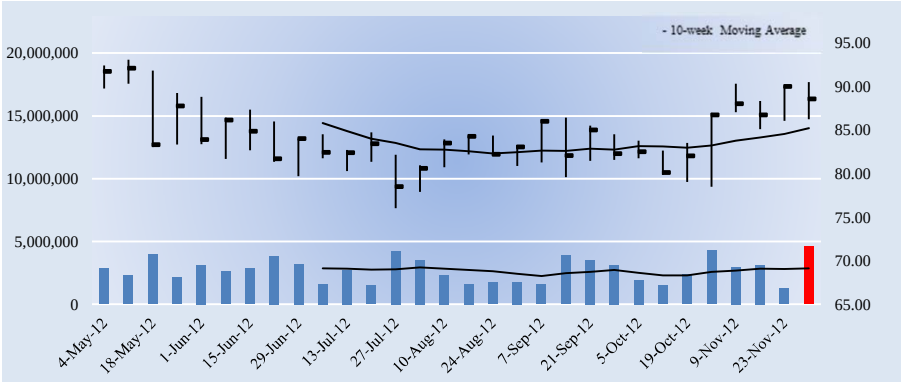
Airgas ARG FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$88.57	$87.00	$70.00 - $104.00	MID-CAP CORE	Materials	Chemicals - broad

Airgas is a leader in the US packaged gas market, boasting roughly 25% share.

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)	$6,937
Avg Weekly Vol (30 wks)	2,732
30-week Range (USD)	76.01 - 93.05
Valuentum Sector	Materials
5-week Return	8.2%
13-week Return	7.3%
30-week Return	-3.0%
Dividend Yield %	1.8%
Dividends per Share	1.60
Forward Dividend Payout Ratio	34.9%
Est. Normal Diluted EPS	5.89
P/E on Est. Normal Diluted EPS	15.0
Est. Normal EBITDA	1,154
Forward EV/EBITDA	9.6
EV/Est. Normal EBITDA	7.8
Forward Revenue Growth (5-yr)	5.2%
Forward EPS Growth (5-yr)	11.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	14.6%
Return on Assets	5.3%
ROIC, with goodwill	9.1%
ROIC, without goodwill	12.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,161
Net Debt	2,116
Total Debt/EBITDA	2.5
Net Debt/EBITDA	2.4
EBITDA/Interest	12.6
Current Ratio	1.4
Quick Ratio	0.7

NMF = Not Meaningful

Investment Highlights

• Airgas 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 12.4% during the past three years.

• Airgas is a leader in the US packaged gas market, boasting roughly 25% share. It has strong positions in US packaged industrial, medical, and specialty gases and is a top producer of atmospheric gases.

• Airgas' cash flow generation and financial leverage are at decent levels, in our opinion. The firm's free cash flow margin and debt-to-EBITDA metrics are about what we'd expect from an average firm in our coverage universe.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• The firm experienced a revenue CAGR of about 3% during the past 3 years. We expect its revenue growth to be better than its peer median during the next five years.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**GOOD**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**MEDIUM**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**85.00**

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
Dow Chemical	15.7	0.9	91.5%
DuPont	13.0	1.3	75.7%
Praxair	19.1	2.1	107.2%
Sigma-Aldrich	18.6	2.9	118.9%
Peer Median	17.2	1.7	99.3%
Airgas	**19.3**	**2.0**	**101.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Mar-11	Mar-12	Mar-13
Revenue	4,251	4,746	4,936
Revenue, YoY%	10.0%	11.6%	4.0%
Operating Income	513	573	636
Operating Margin %	12.1%	12.1%	12.9%
Net Income	250	313	363
Net Income Margin %	5.9%	6.6%	7.3%
Diluted EPS	2.93	4.00	4.59
Diluted EPS, YoY %	25.1%	36.6%	14.6%
Free Cash Flow (CFO-capex)	44	175	333
Free Cash Flow Margin %	1.0%	3.7%	6.7%

In Millions of USD (except for per share items)

Structure of the Chemicals Industry — POOR

The broad chemicals industry includes firms that make thousands of different chemical substances, ranging from basic raw materials to advanced specialty chemicals. Making chemicals is a cyclical and energy-intensive business, with volatile oil/gas prices influencing feedstock, operation, and transportation costs. Specialty providers can carve out niches, but commodity chemicals producers are largely undifferentiated, making it impossible to gain a sustainable competitive edge. The industry is very capital intensive, and large swings in prices and volume should be expected. We don't like the industry structure.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

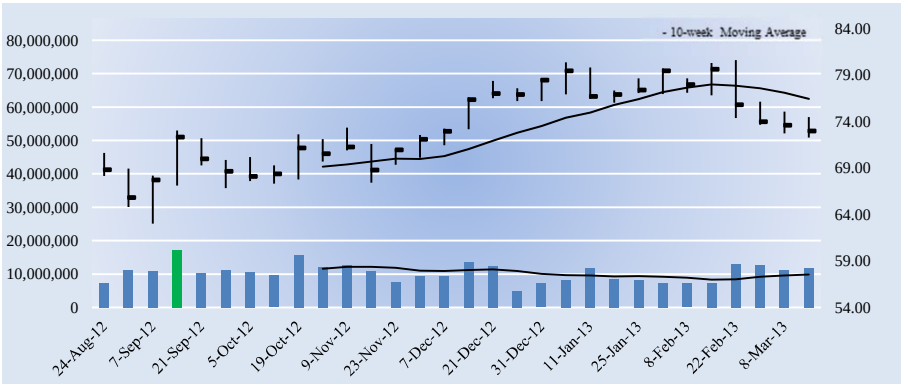
BHP Billiton BHP OVERVALUED 10.9%

Buying Index™ 3 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$72.96	$52.00	$39.00 - $65.00	LARGE-CAP CORE	Materials	Mining - diversified

Though the firm boasts a diversified portfolio, BHP's performance remains tied to commodity price swings.

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)	$195,022
Avg Weekly Vol (30 wks)	10,396
30-week Range (USD)	63 - 80.54
Valuentum Sector	Materials
5-week Return	-6.0%
13-week Return	-4.3%
30-week Return	5.7%
Dividend Yield %	3.1%
Dividends per Share	2.28
Forward Dividend Payout Ratio	59.9%
Est. Normal Diluted EPS	5.50
P/E on Est. Normal Diluted EPS	13.3
Est. Normal EBITDA	28,745
Forward EV/EBITDA	10.2
EV/Est. Normal EBITDA	7.6
Forward Revenue Growth (5-yr)	6.2%
Forward EPS Growth (5-yr)	4.0%

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

Returns Summary

	3-year Historical Average
Return on Equity	33.4%
Return on Assets	18.0%
ROIC, with goodwill	54.2%
ROIC, without goodwill	54.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	28,330
Net Debt	23,267
Total Debt/EBITDA	0.8
Net Debt/EBITDA	0.7
EBITDA/Interest	35.0
Current Ratio	0.9
Quick Ratio	0.6

NMF = Not Meaningful

Investment Highlights

• BHP Billiton earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 54.8% during the past three years.

• The firm is trading at attractive valuation mulitples relative to peers, but our DCF process indicates a less compelling opportunity. We'd wait for a clearer signal on valuation before jumping into the firm's shares.

• BHP Billiton 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 5.7% in coming years. Total debt-to-EBITDA was 0.8 last year, while debt-to-book capitalization stood at 30.1%.

• The firm posts a VBI score of 3. We don't find the firm that attractive based on this measure, and we'd grow more constructive if it registered an 8 or higher on our scale.

• BHP's operations are characterized by very high operating margins, and its production execution continues to be excellent. Though the firm boasts a diversified portfolio, BHP's performance remains tied to commodity price swings.

Investment Considerations

DCF Valuation	**OVERVALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Resistance, 10-wk MA	**76.00**

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
Freeport McMoRan	7.6	0.9	99.4%
Martin Marietta	31.1	1.8	134.5%
Rio Tinto	8.2	NMF	75.7%
Vulcan Materials	415.5	NMF	209.8%
Peer Median	19.6	1.4	117.0%
BHP Billiton	**19.2**	**0.8**	**140.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jun-11	Jun-12	Jun-13
Revenue	71,739	72,226	69,337
Revenue, YoY%	35.9%	0.7%	-4.0%
Operating Income	33,775	26,977	15,251
Operating Margin %	47.1%	37.4%	22.0%
Net Income	23,648	15,417	10,076
Net Income Margin %	33.0%	21.3%	14.5%
Diluted EPS	8.54	5.77	3.81
Diluted EPS, YoY %	87.7%	-32.4%	-34.0%
Free Cash Flow (CFO-capex)	42,818	17,894	-414
Free Cash Flow Margin %	59.7%	24.8%	-0.6%

In Millions of USD (except for per share items)

Structure of the Diversified Mining Industry — POOR

The diversified mining industry is highly cyclical and almost entirely commoditized, with little differentiation from one firm to the next. Rising input costs can only be passed on to consumers if industry-wide prices increase. Exploration and development require large capital investments, which could pressure cash flows during weak economic times. A miner's position on the cost curve for each respective resource is a critical investment consideration, given the volatility of commodity prices. Though emerging market growth will be a key source of demand for years to come, we don't like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

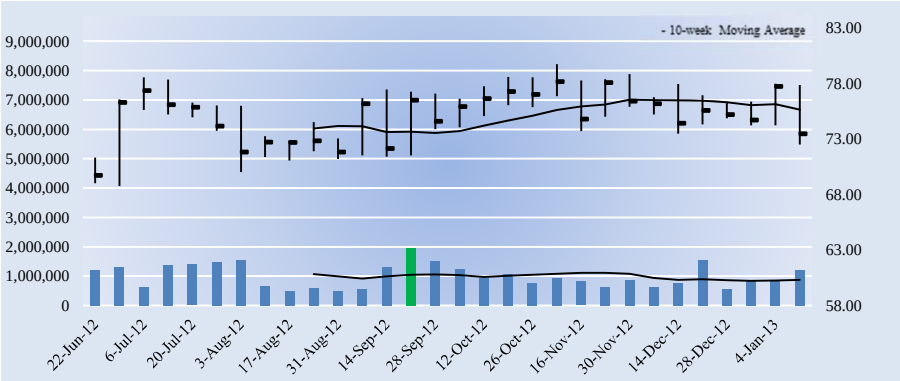
Compass Minerals CMP FAIRLY VALUED

Buying Index™ 3 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$73.45	$75.00	$60.00 - $90.00	MID-CAP VALUE	Materials	Chemicals - agriculture

Compass Minerals operates the largest rock salt mine in the world in Canada and is among the lowest-cost salt producers in its markets.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$2,419
Avg Weekly Vol (30 wks)	1,007
30-week Range (USD)	68.75 - 79.73
Valuentum Sector	Materials
5-week Return	-1.3%
13-week Return	-4.3%
30-week Return	5.8%
Dividend Yield %	2.7%
Dividends per Share	1.98
Forward Dividend Payout Ratio	63.2%
Est. Normal Diluted EPS	5.21
P/E on Est. Normal Diluted EPS	14.1
Est. Normal EBITDA	325
Forward EV/EBITDA	12.6
EV/Est. Normal EBITDA	8.5
Forward Revenue Growth (5-yr)	5.2%
Forward EPS Growth (5-yr)	8.0%

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

Returns Summary

	3-year Historical Average
Return on Equity	68.1%
Return on Assets	15.0%
ROIC, with goodwill	25.2%
ROIC, without goodwill	25.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	483
Net Debt	352
Total Debt/EBITDA	1.7
Net Debt/EBITDA	1.3
EBITDA/Interest	13.4
Current Ratio	1.6
Quick Ratio	0.9

NMF = Not Meaningful

Investment Highlights

• Compass Minerals' 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 few years, a combination we view very positively.

• Compass Minerals operates the largest rock salt mine in the world in Canada and is among the lowest-cost salt producers in its markets. The firm provides high-quality food salt, packaged deicing, and other salt and mineral products.

• Compass Minerals has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 10.3% in coming years. Total debt-to-EBITDA was 1.7 last year, while debt-to-book capitalization stood at 51.9%.

• The salt industry has a long history of modest growth and steady price increases across various grades. Compass' cash flows from salt have not been materially impacted by a variety of economic cycles. The company's history stretches as far back as 1844!

• The firm sports a very nice dividend yield of 2.7%. We expect the firm to pay out about 63% of next year's earnings to shareholders as dividends.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Resistance, 10-wk MA	**76.00**

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
CF Industries	7.8	NMF	98.7%
Monsanto	21.7	1.9	105.3%
Potash Corp	14.7	1.0	115.6%
Scotts Miracle-Gro	17.6	1.1	112.8%
Peer Median	16.2	1.1	109.1%
Compass Minerals	**23.5**	**0.8**	**97.9%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	1,069	1,106	995
Revenue, YoY%	11.0%	3.4%	-10.0%
Operating Income	227	215	160
Operating Margin %	21.2%	19.5%	16.1%
Net Income	151	149	103
Net Income Margin %	14.1%	13.5%	10.3%
Diluted EPS	4.60	4.52	3.13
Diluted EPS, YoY %	-8.6%	-1.6%	-30.8%
Free Cash Flow (CFO-capex)	129	145	76
Free Cash Flow Margin %	12.1%	13.1%	7.7%

In Millions of USD (except for per share items)

Structure of the Agricultural Chemicals Industry — NEUTRAL

The agricultural chemical industry is highly competitive. Product innovation, intellectual property protection, worldwide distribution, and farmer relationships are keys to success in the seeds and genomics business. The potash, phosphate, nitrogen, and rock salt markets have minimal product differentiation, though producers can gain an advantage in markets close to their sources of supply or when costs (transportation, processing) can be minimized. We're generally neutral on the structure of the group due to commodity price swings, but firms can carve out competitive advantages in local markets.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

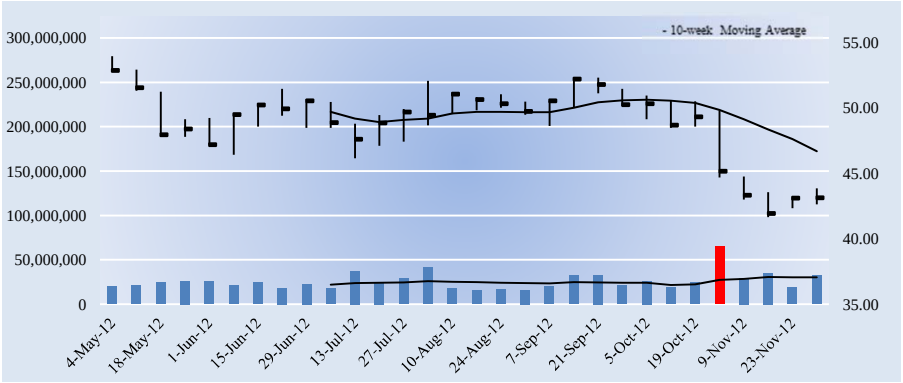
DuPont DD FAIRLY VALUED

Buying Index™ 4 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$43.14	$57.00	$43.00 - $71.00	LARGE-CAP VALUE	Materials	Chemicals - broad

DuPont is targeting a long-term pace of sales and earnings expansion that is significantly greater than our current forecasts. If the firm delivers, there is material upside to our fair value estimate.

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).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**47.00**

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.

Company Vitals

Market Cap (USD)	$40,596
Avg Weekly Vol (30 wks)	25,872
30-week Range (USD)	41.67 - 53.98
Valuentum Sector	Materials
5-week Return	-12.4%
13-week Return	-14.6%
30-week Return	-19.7%
Dividend Yield %	4.0%
Dividends per Share	1.72
Forward Dividend Payout Ratio	51.8%
Est. Normal Diluted EPS	4.01
P/E on Est. Normal Diluted EPS	10.8
Est. Normal EBITDA	6,848
Forward EV/EBITDA	8.4
EV/Est. Normal EBITDA	7.2
Forward Revenue Growth (5-yr)	1.9%
Forward EPS Growth (5-yr)	4.8%

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

Investment Highlights

• DuPont earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 15.8% during the past three years.

• The firm is trading at attractive valuation mulitples relative to peers, but our DCF process indicates a less compelling opportunity. We'd wait for a clearer signal on valuation before jumping into the firm's shares.

• DuPont has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 10.1% in coming years. Total debt-to-EBITDA was 2.2 last year, while debt-to-book capitalization stood at 59.6%.

• DuPont is targeting a long-term sales CAGR of 7% due to secular trends in food, energy and protection coupled with new products/applications. It expects a 12% long-term earnings CAGR due to higher margins on new products and ongoing productivity enhancements. If achieved, there is upside to our fair value estimate.

• The firm sports a very nice dividend yield of 4%. We expect the firm to pay out about 52% of next year's earnings to shareholders as dividends.

Relative Valuation

	Forward P/E	PEG	Price / FV
Airgas	19.3	2.0	101.8%
Dow Chemical	15.7	0.9	91.5%
Praxair	19.1	2.1	107.2%
Sigma-Aldrich	18.6	2.9	118.9%
Peer Median	18.8	2.0	104.5%
DuPont	**13.0**	**1.3**	**75.7%**

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

Returns Summary

	3-year Historical Average
Return on Equity	34.3%
Return on Assets	6.8%
ROIC, with goodwill	13.8%
ROIC, without goodwill	15.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	32,733	38,719	36,396
Revenue, YoY%	19.8%	18.3%	-6.0%
Operating Income	3,005	4,021	4,352
Operating Margin %	9.2%	10.4%	12.0%
Net Income	3,031	3,474	3,165
Net Income Margin %	9.3%	9.0%	8.7%
Diluted EPS	3.29	3.69	3.32
Diluted EPS, YoY %	70.3%	12.3%	-10.0%
Free Cash Flow (CFO-capex)	3,051	3,309	3,511
Free Cash Flow Margin %	9.3%	8.5%	9.6%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	12,553
Net Debt	8,534
Total Debt/EBITDA	2.2
Net Debt/EBITDA	1.5
EBITDA/Interest	12.5
Current Ratio	1.6
Quick Ratio	0.9

NMF = Not Meaningful

Structure of the Chemicals Industry — POOR

The broad chemicals industry includes firms that make thousands of different chemical substances, ranging from basic raw materials to advanced specialty chemicals. Making chemicals is a cyclical and energy-intensive business, with volatile oil/gas prices influencing feedstock, operation, and transportation costs. Specialty providers can carve out niches, but commodity chemicals producers are largely undifferentiated, making it impossible to gain a sustainable competitive edge. The industry is very capital intensive, and large swings in prices and volume should be expected. We don't like the industry structure.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

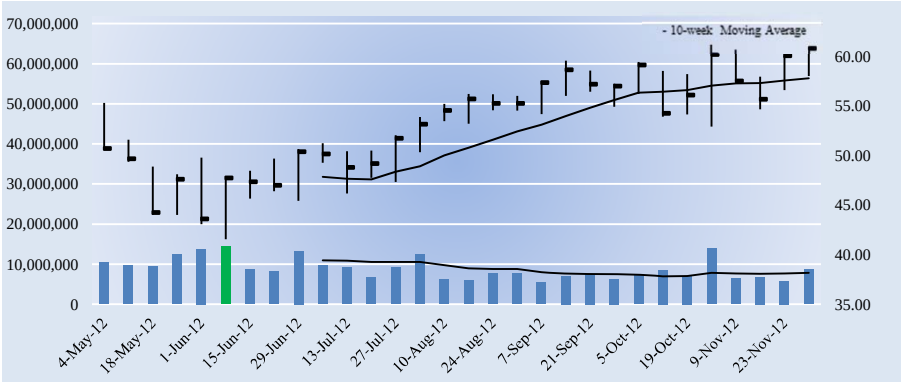
Eastman Chemical EMN FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$60.85	$67.00	$52.00 - $82.00	MID-CAP BLEND	Materials	Chemicals - broad

Despite Eastman Chemical's strong cash flow generation, we think the shares are fairly valued at this time.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**HIGH**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Support, 10-week MA	**58.00**

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.

Company Vitals

Market Cap (USD)	$8,994
Avg Weekly Vol (30 wks)	8,840
30-week Range (USD)	41.54 - 61.22
Valuentum Sector	Materials
5-week Return	8.9%
13-week Return	9.6%
30-week Return	12.6%
Dividend Yield %	1.7%
Dividends per Share	1.04
Forward Dividend Payout Ratio	38.4%
Est. Normal Diluted EPS	3.96
P/E on Est. Normal Diluted EPS	15.4
Est. Normal EBITDA	1,373
Forward EV/EBITDA	10.0
EV/Est. Normal EBITDA	7.1
Forward Revenue Growth (5-yr)	11.9%
Forward EPS Growth (5-yr)	3.4%

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

Investment Highlights

• Eastman Chemical earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 18% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $52, we'd take a closer look.

• Eastman Chemical 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 4.9% in coming years. Total debt-to-EBITDA was 1.2 last year, while debt-to-book capitalization stood at 46.1%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• The firm experienced a revenue CAGR of about 2.2% during the past 3 years. We expect its revenue growth to be better than its peer median during the next five years.

Relative Valuation

	Forward P/E	PEG	Price / FV
Airgas	19.3	2.0	101.8%
Dow Chemical	15.7	0.9	91.5%
DuPont	13.0	1.3	75.7%
Sigma-Aldrich	18.6	2.9	118.9%
Peer Median	17.2	1.7	96.6%
Eastman Chemical	**22.5**	**0.8**	**90.8%**

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

Returns Summary

	3-year Historical Average
Return on Equity	24.5%
Return on Assets	6.9%
ROIC, with goodwill	16.3%
ROIC, without goodwill	18.0%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	5,842	7,178	8,183
Revenue, YoY%	15.8%	22.9%	14.0%
Operating Income	891	1,013	669
Operating Margin %	15.3%	14.1%	8.2%
Net Income	425	657	404
Net Income Margin %	7.3%	9.2%	4.9%
Diluted EPS	2.88	4.45	2.71
Diluted EPS, YoY %	520.8%	54.6%	-39.1%
Free Cash Flow (CFO-capex)	312	120	231
Free Cash Flow Margin %	5.3%	1.7%	2.8%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,598
Net Debt	821
Total Debt/EBITDA	1.2
Net Debt/EBITDA	0.6
EBITDA/Interest	16.9
Current Ratio	2.1
Quick Ratio	1.3

NMF = Not Meaningful

Structure of the Chemicals Industry — POOR

The broad chemicals industry includes firms that make thousands of different chemical substances, ranging from basic raw materials to advanced specialty chemicals. Making chemicals is a cyclical and energy-intensive business, with volatile oil/gas prices influencing feedstock, operation, and transportation costs. Specialty providers can carve out niches, but commodity chemicals producers are largely undifferentiated, making it impossible to gain a sustainable competitive edge. The industry is very capital intensive, and large swings in prices and volume should be expected. We don't like the industry structure.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

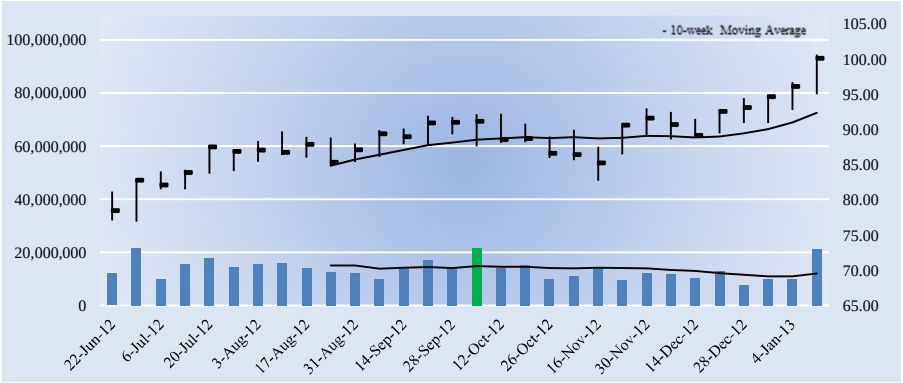
Monsanto MON FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$100.08	$95.00	$71.00 - $119.00	LARGE-CAP CORE	Materials	Chemicals - agriculture

Monsanto's seeds, biotechnology trait products, and herbicides provide farmers with solutions that greatly improve productivity.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$54,063
Avg Weekly Vol (30 wks)	13,656
30-week Range (USD)	76.89 - 100.62
Valuentum Sector	Materials
5-week Return	11.6%
13-week Return	12.4%
30-week Return	26.9%
Dividend Yield %	1.5%
Dividends per Share	1.50
Forward Dividend Payout Ratio	32.6%
Est. Normal Diluted EPS	5.86
P/E on Est. Normal Diluted EPS	17.1
Est. Normal EBITDA	5,424
Forward EV/EBITDA	11.9
EV/Est. Normal EBITDA	9.7
Forward Revenue Growth (5-yr)	7.6%
Forward EPS Growth (5-yr)	13.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	14.8%
Return on Assets	8.5%
ROIC, with goodwill	16.6%
ROIC, without goodwill	23.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2,074
Net Debt	-1,511
Total Debt/EBITDA	0.6
Net Debt/EBITDA	NMF
EBITDA/Interest	19.7
Current Ratio	2.3
Quick Ratio	1.4

NMF = Not Meaningful

Investment Highlights

• Monsanto earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 36.7% from 28.5% during the next two years.

• Monsanto's seeds, biotechnology trait products, and herbicides provide farmers with solutions that greatly improve productivity, but competition is fierce and continuous innovation remains vital to maintain superior returns.

• Monsanto 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 18% in coming years. Total debt-to-EBITDA was 0.6 last year, while debt-to-book capitalization stood at 14.9%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• We think success over the next decade will require more than improvements in individual component technologies. Monsanto is well-positioned to bring integrated technologies in the seed, plant, and feed 'yield as a system.'

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**92.00**

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
CF Industries	7.8	NMF	98.7%
Compass Minerals	23.5	0.8	97.9%
Potash Corp	14.7	1.0	115.6%
Scotts Miracle-Gro	17.6	1.1	112.8%
Peer Median	16.2	1.0	105.8%
Monsanto	**21.7**	**1.9**	**105.3%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Aug-11	Aug-12	Aug-13
Revenue	11,822	13,504	14,854
Revenue, YoY%	12.6%	14.2%	10.0%
Operating Income	2,503	3,138	3,727
Operating Margin %	21.2%	23.2%	25.1%
Net Income	1,605	2,039	2,476
Net Income Margin %	13.6%	15.1%	16.7%
Diluted EPS	2.96	3.77	4.61
Diluted EPS, YoY %	47.5%	27.6%	22.0%
Free Cash Flow (CFO-capex)	2,294	2,322	2,385
Free Cash Flow Margin %	19.4%	17.2%	16.1%

In Millions of USD (except for per share items)

Structure of the Agricultural Chemicals Industry — NEUTRAL

The agricultural chemical industry is highly competitive. Product innovation, intellectual property protection, worldwide distribution, and farmer relationships are keys to success in the seeds and genomics business. The potash, phosphate, nitrogen, and rock salt markets have minimal product differentiation, though producers can gain an advantage in markets close to their sources of supply or when costs (transportation, processing) can be minimized. We're generally neutral on the structure of the group due to commodity price swings, but firms can carve out competitive advantages in local markets.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

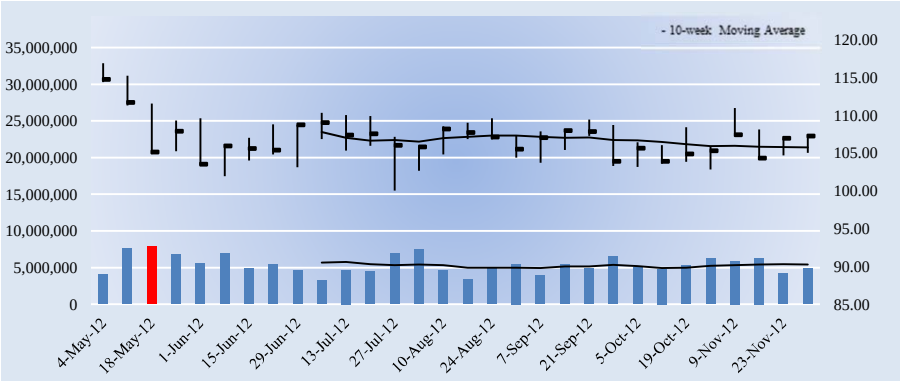
Praxair PX FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$107.21	$100.00	$79.00 - $121.00	LARGE-CAP CORE	Materials	Chemicals - broad

Praxair generates roughly 25% of its revenue from attractive 15-year take-or-pay contracts.

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).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**GOOD**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**106.00**

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.

Company Vitals

Market Cap (USD)	$32,884
Avg Weekly Vol (30 wks)	5,407
30-week Range (USD)	100 - 116.87
Valuentum Sector	Materials
5-week Return	2.4%
13-week Return	0.0%
30-week Return	-7.7%
Dividend Yield %	2.1%
Dividends per Share	2.20
Forward Dividend Payout Ratio	39.1%
Est. Normal Diluted EPS	7.01
P/E on Est. Normal Diluted EPS	15.3
Est. Normal EBITDA	4,637
Forward EV/EBITDA	10.2
EV/Est. Normal EBITDA	8.5
Forward Revenue Growth (5-yr)	6.0%
Forward EPS Growth (5-yr)	9.4%

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

Investment Highlights

• Praxair's 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 12.9% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $79, we'd take a closer look.

• Praxair has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 13.2% in coming years. Total debt-to-EBITDA was 1.9 last year, while debt-to-book capitalization stood at 53.5%.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• Praxair generates roughly 25% of its revenue from attractive 15-year take-or-pay contracts. The company also has exclusive supply agreements in its merchant liquid business that make up an additional 30% of its revenue base.

Relative Valuation

	Forward P/E	PEG	Price / FV
Airgas	19.3	2.0	101.8%
Dow Chemical	15.7	0.9	91.5%
DuPont	13.0	1.3	75.7%
Sigma-Aldrich	18.6	2.9	118.9%
Peer Median	17.2	1.7	96.6%
Praxair	**19.1**	**2.1**	**107.2%**

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

Returns Summary

	3-year Historical Average
Return on Equity	26.9%
Return on Assets	9.6%
ROIC, with goodwill	10.7%
ROIC, without goodwill	12.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	10,116	11,252	11,252
Revenue, YoY%	13.0%	11.2%	0.0%
Operating Income	2,162	2,462	2,863
Operating Margin %	21.4%	21.9%	25.4%
Net Income	1,195	1,672	1,717
Net Income Margin %	11.8%	14.9%	15.3%
Diluted EPS	3.84	5.45	5.63
Diluted EPS, YoY %	-4.4%	42.0%	3.2%
Free Cash Flow (CFO-capex)	517	658	1,058
Free Cash Flow Margin %	5.1%	5.8%	9.4%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	6,562
Net Debt	6,472
Total Debt/EBITDA	1.9
Net Debt/EBITDA	1.9
EBITDA/Interest	23.9
Current Ratio	1.0
Quick Ratio	0.7

NMF = Not Meaningful

Structure of the Chemicals Industry — POOR

The broad chemicals industry includes firms that make thousands of different chemical substances, ranging from basic raw materials to advanced specialty chemicals. Making chemicals is a cyclical and energy-intensive business, with volatile oil/gas prices influencing feedstock, operation, and transportation costs. Specialty providers can carve out niches, but commodity chemicals producers are largely undifferentiated, making it impossible to gain a sustainable competitive edge. The industry is very capital intensive, and large swings in prices and volume should be expected. We don't like the industry structure.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

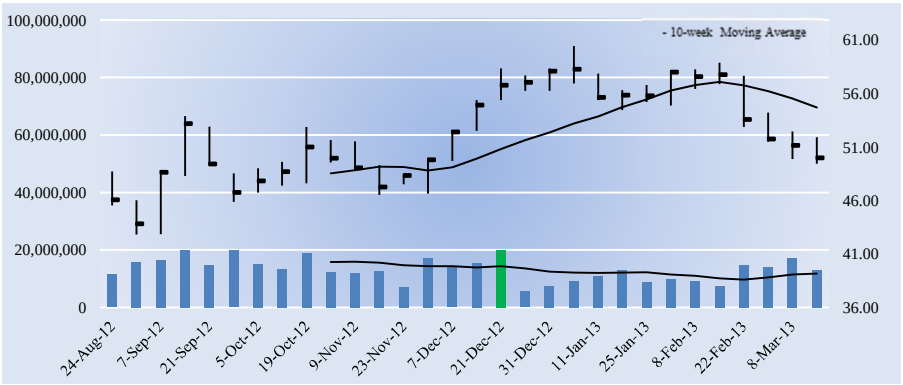
Rio Tinto RIO UNDERVALUED 0%

Buying Index™ 3 **Value Rating** ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$49.98	$66.00	$50.00 - $83.00	LARGE-CAP VALUE	Materials	Mining - diversified

Rio Tinto's shares look cheap based on our discounted cash flow process.

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)	$92,418
Avg Weekly Vol (30 wks)	13,256
30-week Range (USD)	42.81 - 60.45
Valuentum Sector	Materials
5-week Return	-12.7%
13-week Return	-11.4%
30-week Return	6.3%
Dividend Yield %	3.7%
Dividends per Share	1.87
Forward Dividend Payout Ratio	30.8%
Est. Normal Diluted EPS	7.53
P/E on Est. Normal Diluted EPS	6.6
Est. Normal EBITDA	21,381
Forward EV/EBITDA	6.4
EV/Est. Normal EBITDA	5.2
Forward Revenue Growth (5-yr)	2.6%
Forward EPS Growth (5-yr)	-239.1%

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

Returns Summary

	3-year Historical Average
Return on Equity	12.0%
Return on Assets	6.0%
ROIC, with goodwill	27.2%
ROIC, without goodwill	31.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	26,819
Net Debt	19,737
Total Debt/EBITDA	1.7
Net Debt/EBITDA	1.2
EBITDA/Interest	57.6
Current Ratio	1.5
Quick Ratio	0.9

NMF = Not Meaningful

Investment Highlights

• Rio Tinto earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 31.7% during the past three years.

• Although we think the firm's DCF valuation indicates a potential attractive investment opportunity, we'd be more comfortable investing in the firm if it was more attractively priced on a relative basis versus peers as well.

• Rio Tinto 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 13.6% in coming years. Total debt-to-EBITDA was 1.7 last year, while debt-to-book capitalization stood at 36.4%.

• The firm posts a VBI score of 3. We don't find the firm that attractive based on this measure, and we'd grow more constructive if it registered an 8 or higher on our scale.

• The firm sports a very nice dividend yield of 3.7%. We expect the firm to pay out about 31% of next year's earnings to shareholders as dividends.

Investment Considerations

DCF Valuation	**UNDERVALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Resistance, 10-wk MA	**55.00**

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
BHP Billiton	19.2	0.8	140.3%
Freeport McMoRan	7.6	0.9	99.4%
Martin Marietta	31.1	1.8	134.5%
Vulcan Materials	-112.3	NMF	155.0%
Peer Median	13.4	0.9	137.4%
Rio Tinto	**8.2**	**NMF**	**75.7%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-11	Dec-12	Dec-13
Revenue	60,537	50,967	42,812
Revenue, YoY%	7.0%	-15.8%	-16.0%
Operating Income	22,840	11,461	13,927
Operating Margin %	37.7%	22.5%	32.5%
Net Income	5,836	-2,983	11,130
Net Income Margin %	9.6%	-5.9%	26.0%
Diluted EPS	3.02	-1.61	6.08
Diluted EPS, YoY %	-58.8%	-153.5%	-476.9%
Free Cash Flow (CFO-capex)	14,470	-8,090	2,636
Free Cash Flow Margin %	23.9%	-15.9%	6.2%

In Millions of USD (except for per share items)

Structure of the Diversified Mining Industry — POOR

The diversified mining industry is highly cyclical and almost entirely commoditized, with little differentiation from one firm to the next. Rising input costs can only be passed on to consumers if industry-wide prices increase. Exploration and development require large capital investments, which could pressure cash flows during weak economic times. A miner's position on the cost curve for each respective resource is a critical investment consideration, given the volatility of commodity prices. Though emerging market growth will be a key source of demand for years to come, we don't like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

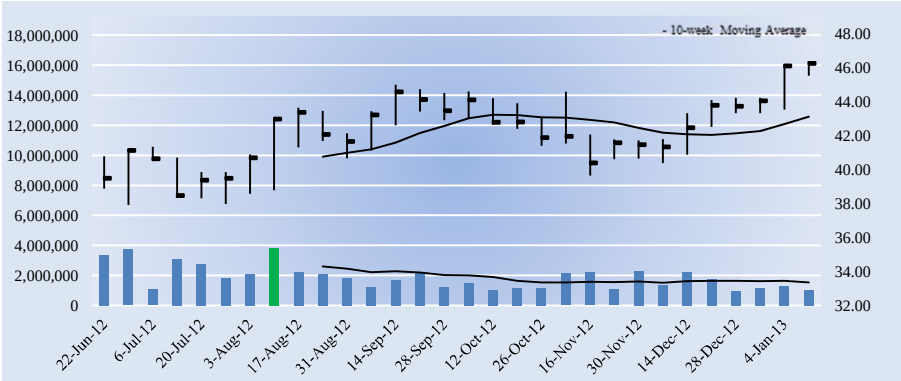
Scotts Miracle-Gro SMG FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$46.25	$41.00	$29.00 - $53.00	MID-CAP CORE	Materials	Chemicals - agriculture

Scotts Miracle-Gro's shares look fairly valued based on our discounted cash flow process.

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).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**MEDIUM**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**43.00**

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.

Company Vitals

Market Cap (USD)	$2,872
Avg Weekly Vol (30 wks)	1,890
30-week Range (USD)	37.91 - 46.39
Valuentum Sector	Materials
5-week Return	8.4%
13-week Return	8.4%
30-week Return	17.9%
Dividend Yield %	2.8%
Dividends per Share	1.30
Forward Dividend Payout Ratio	49.5%
Est. Normal Diluted EPS	3.69
P/E on Est. Normal Diluted EPS	12.5
Est. Normal EBITDA	428
Forward EV/EBITDA	9.5
EV/Est. Normal EBITDA	8.2
Forward Revenue Growth (5-yr)	2.8%
Forward EPS Growth (5-yr)	22.2%

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

Investment Highlights

• Scotts Miracle-Gro earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 16.8% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $29, we'd take a closer look.

• Scotts Miracle-Gro's cash flow generation and financial leverage are at decent levels, in our opinion. The firm's free cash flow margin and debt-to-EBITDA metrics are about what we'd expect from an average firm in our coverage universe.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• Scotts is a leading manufacturer of branded consumer lawn and garden products. Though it has some of the most recognized brands in the industry, the company sells into a competitive market and relies on Home Depot, Lowe's and Walmart.

Relative Valuation

	Forward P/E	PEG	Price / FV
CF Industries	7.8	NMF	98.7%
Compass Minerals	23.5	0.8	97.9%
Monsanto	21.7	1.9	105.3%
Potash Corp	14.7	1.0	115.6%
Peer Median	18.2	1.0	102.0%
Scotts Miracle-Gro	**17.6**	**1.1**	**112.8%**

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

Returns Summary

	3-year Historical Average
Return on Equity	23.1%
Return on Assets	7.0%
ROIC, with goodwill	12.9%
ROIC, without goodwill	16.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-11	Sep-12	Sep-13
Revenue	2,836	2,826	2,883
Revenue, YoY%	-9.7%	-0.3%	2.0%
Operating Income	303	248	307
Operating Margin %	10.7%	8.8%	10.7%
Net Income	122	113	153
Net Income Margin %	4.3%	4.0%	5.3%
Diluted EPS	1.84	1.82	2.63
Diluted EPS, YoY %	-41.4%	-1.0%	44.1%
Free Cash Flow (CFO-capex)	3	90	154
Free Cash Flow Margin %	0.1%	3.2%	5.3%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	783
Net Debt	651
Total Debt/EBITDA	2.5
Net Debt/EBITDA	2.1
EBITDA/Interest	5.0
Current Ratio	2.3
Quick Ratio	1.1

NMF = Not Meaningful

Structure of the Agricultural Chemicals Industry — NEUTRAL

The agricultural chemical industry is highly competitive. Product innovation, intellectual property protection, worldwide distribution, and farmer relationships are keys to success in the seeds and genomics business. The potash, phosphate, nitrogen, and rock salt markets have minimal product differentiation, though producers can gain an advantage in markets close to their sources of supply or when costs (transportation, processing) can be minimized. We're generally neutral on the structure of the group due to commodity price swings, but firms can carve out competitive advantages in local markets.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

Technology

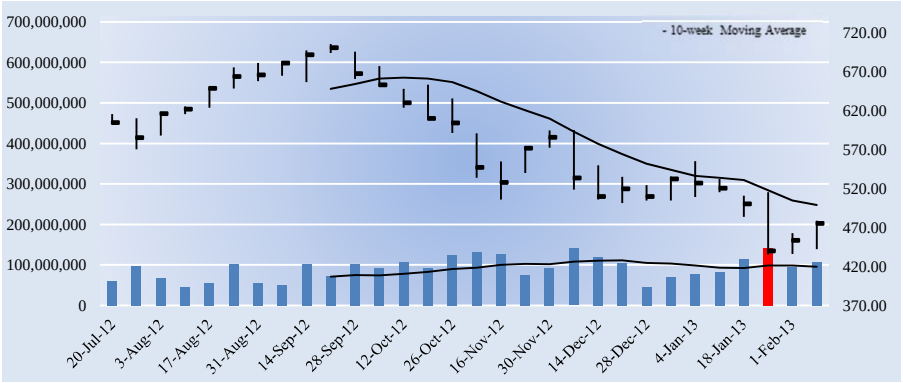
Apple AAPL UNDERVALUED 16.2%

Buying Index™ 3 **Value Rating** ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$474.98	$726.00	$552.00 - $900.00	MEGA-CAP BLEND	Information Technology	Computer Hardware

Apple's enviable track record of continuous product innovation and huge cash hoard make it an interesting investment candidate.

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)	$449,025
Avg Weekly Vol (30 wks)	91,751
30-week Range (USD)	435 - 705.07
Valuentum Sector	Information Technology
5-week Return	-9.0%
13-week Return	-12.2%
30-week Return	-21.5%
Dividend Yield %	2.2%
Dividends per Share	10.60
Forward Dividend Payout Ratio	23.5%
Est. Normal Diluted EPS	55.16
P/E on Est. Normal Diluted EPS	8.6
Est. Normal EBITDA	75,414
Forward EV/EBITDA	7.0
EV/Est. Normal EBITDA	5.6
Forward Revenue Growth (5-yr)	10.5%
Forward EPS Growth (5-yr)	7.1%

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

Returns Summary

	3-year Historical Average
Return on Equity	39.9%
Return on Assets	26.2%
ROIC, with goodwill	279.7%
ROIC, without goodwill	304.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-29,129
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	1.5
Quick Ratio	1.2

NMF = Not Meaningful

Investment Highlights

• Apple earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 304.6% during the past three years.

• Apple's traditional computers continue to gain market share, particularly in the US, and particularly with younger consumers. The company's execution remains top notch, and it should continue to take market share in that segment.

• Apple 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 24.1% in coming years, and the firm had no debt as of last quarter.

• Apple continues to impress. The firm's rollout of the new iPhone 5 should propel the firm's fundamentals ever higher. Though we're not expecting another blockbuster hit (Apple TV, etc.) in our valuation model, we wouldn't be surprised if Apple delivers another one from its pipeline.

• Apple's $137.1 billion cash hoard is more than some of the market capitalizations of the largest companies in the S&P 500. This amounts to roughly $145 per share, making relative value comparisons versus peers much more attractive.

Investment Considerations

DCF Valuation	**UNDERVALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**HIGH**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**IMPROVING**
Near-term Technical Resistance, 10-wk MA	**499.00**

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
Dell	7.7	NMF	97.4%
Hewlett-Packard	5.0	NMF	56.2%
IBM	13.2	1.8	92.1%
Research in Motion	-11.1	NMF	101.1%
Peer Median	6.4	1.8	94.7%
Apple	**10.5**	**1.5**	**65.4%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-11	Sep-12	Sep-13
Revenue	108,249	156,508	184,679
Revenue, YoY%	66.0%	44.6%	18.0%
Operating Income	33,790	55,241	56,535
Operating Margin %	31.2%	35.3%	30.6%
Net Income	25,922	41,733	43,125
Net Income Margin %	23.9%	26.7%	23.4%
Diluted EPS	27.68	44.15	45.20
Diluted EPS, YoY %	82.6%	59.5%	2.4%
Free Cash Flow (CFO-capex)	30,077	41,454	42,178
Free Cash Flow Margin %	27.8%	26.5%	22.8%

In Millions of USD (except for per share items)

Structure of the Computer Hardware Industry — NEUTRAL

The computer hardware space, which spans the personal computer to the iPhone and iPad, is highly competitive. The industry is characterized by frequent product introductions and rapid technological advances that can cause dramatic market share shifts. Though some firms benefit from a strong brand, participants often price aggressively, pressuring margins. Firms are also subject to potential component shortages/disruptions, which can punish performance. Obsolescence may be an eventuality for some, and services revenue has become critical for others. We're neutral on the space.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

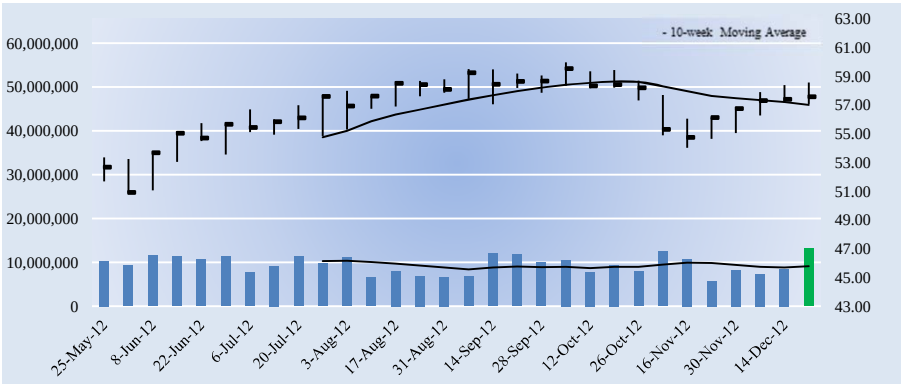
Automatic Data Processing ADP FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$57.58	$53.00	$42.00 - $64.00	LARGE-CAP CORE	Information Technology	Staffing Services

ADP is one of only about four non-financial US companies rated AAA by S&P and Moody's.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**VERY BULLISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**57.00**

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.

Company Vitals

Market Cap (USD)	$28,341
Avg Weekly Vol (30 wks)	9,473
30-week Range (USD)	50.89 - 59.96
Valuentum Sector	Information Technology
5-week Return	4.1%
13-week Return	-1.3%
30-week Return	10.9%
Dividend Yield %	3.0%
Dividends per Share	1.74
Forward Dividend Payout Ratio	58.8%
Est. Normal Diluted EPS	3.61
P/E on Est. Normal Diluted EPS	16.0
Est. Normal EBITDA	2,630
Forward EV/EBITDA	12.9
EV/Est. Normal EBITDA	10.2
Forward Revenue Growth (5-yr)	6.6%
Forward EPS Growth (5-yr)	8.9%

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

Investment Highlights

• Automatic Data Processing'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 few years, a combination we view very positively.

• Automatic Data Processing is one of the world's largest providers of business outsourcing solutions. The firm offers a wide range of easy-to-use human resource, payroll, tax and benefits administration solutions from a single source.

• Automatic Data Processing 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 15.3% in coming years. Total debt-to-EBITDA was 0 last year, while debt-to-book capitalization stood at 0.3%.

• ADP is one of only about four non-financial US companies rated AAA by S&P and Moody's. The company has minimal long-term obligations and has been paying dividends continuously since 1974.

• ADP boasts a large, recurring revenue base resulting in strong, consistent cash flow generation. An added plus is that the firm's business model has low capital requirements.

Relative Valuation

	Forward P/E	PEG	Price / FV
Insperity	19.3	3.2	89.7%
Korn/Ferry	15.0	2.3	69.1%
Manpower	14.9	7.8	100.8%
Paychex	19.4	4.2	95.2%
Peer Median	17.1	3.7	92.4%
Automatic Data Processing	**19.5**	**2.3**	**108.6%**

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

Returns Summary

	3-year Historical Average
Return on Equity	22.4%
Return on Assets	4.3%
ROIC, with goodwill	21.4%
ROIC, without goodwill	54.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jun-11	Jun-12	Jun-13
Revenue	9,880	10,665	11,412
Revenue, YoY%	10.7%	8.0%	7.0%
Operating Income	1,285	1,466	1,669
Operating Margin %	13.0%	13.7%	14.6%
Net Income	1,254	1,389	1,457
Net Income Margin %	12.7%	13.0%	12.8%
Diluted EPS	2.52	2.82	2.96
Diluted EPS, YoY %	5.0%	12.1%	4.9%
Free Cash Flow (CFO-capex)	1,428	1,661	1,725
Free Cash Flow Margin %	14.5%	15.6%	15.1%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	17
Net Debt	-1,562
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	240.1
Current Ratio	1.1
Quick Ratio	0.1

NMF = Not Meaningful

Structure of the Staffing Services Industry — NEUTRAL

The staffing services industry spans firms that provide business outsourcing services to those that offer talent management solutions. Providers of business outsourcing solutions compete with a variety of independent firms as well as captive in-house functions. Their businesses are characterized by long-term client relationships and recurring revenue. Talent management firms offer executive recruitment and consulting services and face emerging competition from professional networking website providers. Attracting consultants is particularly important for executive recruitment entities. We're neutral on the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

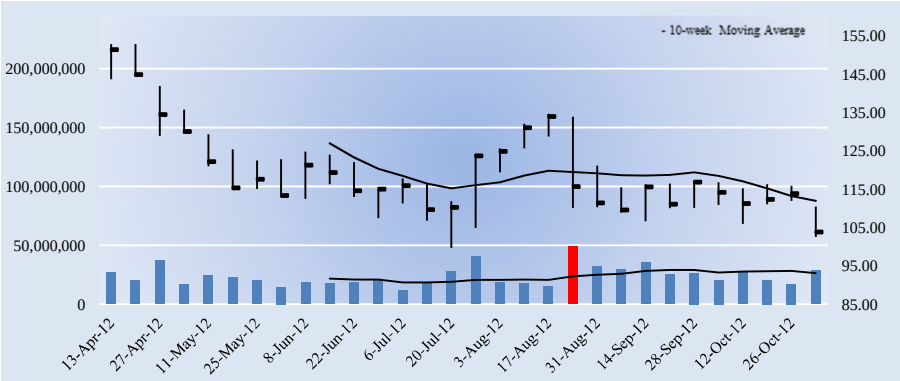
Baidu BIDU UNDERVALUED 5%

Buying Index™ 3 **Value Rating** ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$103.80	$156.00	$109.00 - $203.00	LARGE-CAP BLEND	Information Technology	Internet Software & Svcs

Baidu's shares look cheap based on our discounted cash flow process.

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)	$36,291
Avg Weekly Vol (30 wks)	23,953
30-week Range (USD)	99.71 - 152.85
Valuentum Sector	Information Technology
5-week Return	-9.3%
13-week Return	-17.7%
30-week Return	-29.0%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	7.73
P/E on Est. Normal Diluted EPS	13.4
Est. Normal EBITDA	3,564
Forward EV/EBITDA	15.9
EV/Est. Normal EBITDA	9.6
Forward Revenue Growth (5-yr)	30.8%
Forward EPS Growth (5-yr)	28.6%

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

Returns Summary

	3-year Historical Average
Return on Equity	49.6%
Return on Assets	36.7%
ROIC, with goodwill	163.3%
ROIC, without goodwill	199.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	390
Net Debt	-1,940
Total Debt/EBITDA	0.3
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	3.6
Quick Ratio	3.5

NMF = Not Meaningful

Investment Highlights

• Baidu earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 199.7% during the past three years.

• Although we think the firm's DCF valuation indicates a potential attractive investment opportunity, we'd be more comfortable investing in the firm if it was more attractively priced on a relative basis versus peers as well.

• Baidu 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 41.2% in coming years. Total debt-to-EBITDA was 0.3 last year, while debt-to-book capitalization stood at 13.8%.

• The firm posts a VBI score of 3. We don't find the firm that attractive based on this measure, and we'd grow more constructive if it registered an 8 or higher on our scale.

• The firm experienced a revenue CAGR of about 70% during the past 3 years. We expect its revenue growth to be better than its peer median during the next five years.

Investment Considerations

DCF Valuation	**UNDERVALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**AGGRESSIVE**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**112.00**

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
Google	17.0	1.3	74.2%
WebMD	-38.6	NMF	108.1%
Yahoo	15.0	1.8	102.2%
Yahoo	14.6	3.7	116.5%
Peer Median	14.8	1.8	105.1%
Baidu	**21.7**	**1.2**	**66.5%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	1,201	2,304	3,525
Revenue, YoY%	84.4%	91.8%	53.0%
Operating Income	601	1,204	1,951
Operating Margin %	50.0%	52.2%	55.3%
Net Income	535	1,055	1,678
Net Income Margin %	44.5%	45.8%	47.6%
Diluted EPS	1.53	3.02	4.79
Diluted EPS, YoY %	144.9%	96.9%	58.7%
Free Cash Flow (CFO-capex)	565	927	1,521
Free Cash Flow Margin %	47.1%	40.2%	43.2%

In Millions of USD (except for per share items)

Structure of the Internet Software & Services Industry — NEUTRAL

The Internet software/services industry is composed of a variety of companies with rapidly-changing business models. Most focus on improving the ways people connect with information, either via Internet search or by social media platforms, and generate revenue primarily by delivering cost-effective online advertising. Constituents earn significant returns on invested capital due to their capital-light operations, though competition remains fierce. We expect most companies in this group to look substantially different 10 years from now than they do today. Overall, we're neutral on the structure.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

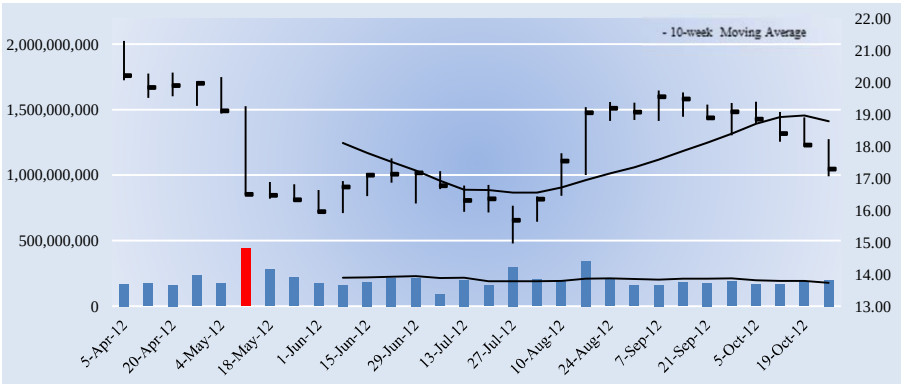
Cisco CSCO UNDERVALUED 27.2%

Buying Index™ 6 **Value Rating** ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$17.29	$27.00	$22.00 - $32.00	LARGE-CAP VALUE	Information Technology	Networking Equipment

Cisco is focused on gaining share in its core competencies and profiting from the shift to cloud computing.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**UNDERVALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**19.00**

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.

Company Vitals

Market Cap (USD)	$93,435
Avg Weekly Vol (30 wks)	202,644
30-week Range (USD)	14.96 - 21.3
Valuentum Sector	Information Technology
5-week Return	-8.3%
13-week Return	10.1%
30-week Return	-18.2%
Dividend Yield %	3.2%
Dividends per Share	0.56
Forward Dividend Payout Ratio	28.6%
Est. Normal Diluted EPS	2.16
P/E on Est. Normal Diluted EPS	8.0
Est. Normal EBITDA	16,655
Forward EV/EBITDA	3.9
EV/Est. Normal EBITDA	3.7
Forward Revenue Growth (5-yr)	3.5%
Forward EPS Growth (5-yr)	8.8%

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

Investment Highlights

• Cisco'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 few years, a combination we view very positively.

• The firm's shares are trading at an attractive level at this time. Given the company's track record of solid business performance, we'd take a closer look at picking up some of the firm's shares.

• Cisco 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 22.3% in coming years. Total debt-to-EBITDA was 1.3 last year, while debt-to-book capitalization stood at 24.1%.

• Cisco's relative stock price performance, undervaluation, and dividend yield of 3.2% may make it attractive to a variety of investors. Having more types of investors interested in its shares increases the potential for future stock price appreciation, in our opinion.

• The firm sports a very nice dividend yield of 3.2%. We expect the firm to pay out about 29% of next year's earnings to shareholders as dividends.

Relative Valuation

	Forward P/E	PEG	Price / FV
Aruba Networks	22.8	NMF	81.8%
Finisar	18.4	1.5	82.4%
Juniper Networks	20.8	2.1	87.3%
Riverbed Technology	22.4	2.2	107.7%
Peer Median	21.6	2.1	84.8%
Cisco	**8.8**	**1.3**	**64.0%**

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

Returns Summary

	3-year Historical Average
Return on Equity	16.4%
Return on Assets	9.0%
ROIC, with goodwill	28.4%
ROIC, without goodwill	59.5%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jul-11	Jul-12	Jul-13
Revenue	43,218	46,061	48,594
Revenue, YoY%	7.9%	6.6%	5.5%
Operating Income	8,473	10,369	12,917
Operating Margin %	19.6%	22.5%	26.6%
Net Income	6,490	8,041	10,377
Net Income Margin %	15.0%	17.5%	21.4%
Diluted EPS	1.17	1.49	1.96
Diluted EPS, YoY %	-12.2%	27.5%	31.7%
Free Cash Flow (CFO-capex)	8,905	10,365	11,530
Free Cash Flow Margin %	20.6%	22.5%	23.7%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	16,328
Net Debt	-32,388
Total Debt/EBITDA	1.3
Net Debt/EBITDA	NMF
EBITDA/Interest	21.8
Current Ratio	3.5
Quick Ratio	3.2

NMF = Not Meaningful

Structure of the Networking Equipment Industry — POOR

Firms in the networking equipment industry provide products for transporting data, voice, and video within businesses and around the world. Participants must adapt to address virtualization/cloud-driven needs in the enterprise data center market; the convergence of video, collaboration, and networked mobility technologies; and the move toward programmable, virtual networks. The industry is characterized by low barriers to entry, rapid technological change and significant pricing competition. Gross margins can be volatile and should be watched closely. We don't like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

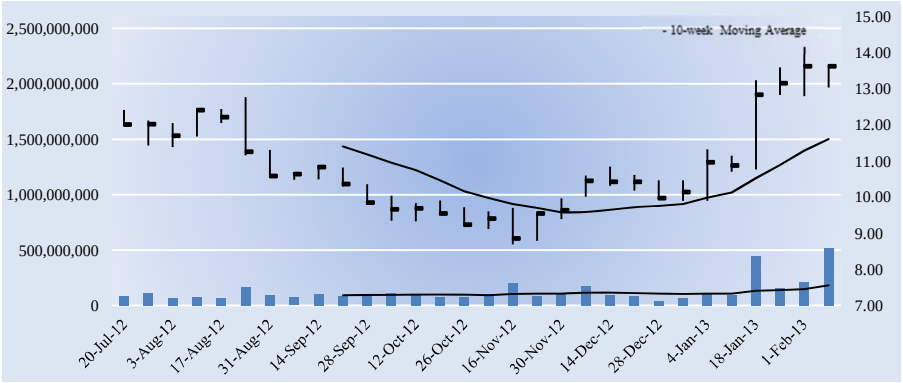
Dell DELL FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$13.63	$14.00	$13.00 - $15.00	LARGE-CAP VALUE	Information Technology	Computer Hardware

Dell has agreed to be acquired by founder Michael Dell and Silver Lake for $13.65 per share.

Stock Chart (weekly)



Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**DECLINING**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**12.00**

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.

Company Vitals

Market Cap (USD)	$25,256
Avg Weekly Vol (30 wks)	130,248
30-week Range (USD)	8.69 - 14.17
Valuentum Sector	Information Technology
5-week Return	25.0%
13-week Return	52.3%
30-week Return	11.1%
Dividend Yield %	2.3%
Dividends per Share	0.32
Forward Dividend Payout Ratio	18.1%
Est. Normal Diluted EPS	1.57
P/E on Est. Normal Diluted EPS	8.7
Est. Normal EBITDA	4,278
Forward EV/EBITDA	3.9
EV/Est. Normal EBITDA	4.6
Forward Revenue Growth (5-yr)	-3.6%
Forward EPS Growth (5-yr)	-8.6%

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

Investment Highlights

• Dell'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 few years, a combination we view very positively.

• Dell has agreed to be acquired by founder Michael Dell and Silver Lake for $13.65 per share. The deal is expected to close before the end of the July quarter. Dell also has a 45-day 'go-shop' period to seek alternate bids.

• Dell has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 4.7% in coming years. Total debt-to-EBITDA was 1.7 last year, while debt-to-book capitalization stood at 50.9%.

• Though Dell is far from dead, the shift to mobile looks like it might be too powerful for the firm to overcome. Dell's lack of innovation is hurting itself. We fear that without an integrated tablet and smartphone offering, Dell will continue to lose share to Apple, and performance will suffer.

• The firm sports a very nice dividend yield of 2.3%. We expect the firm to pay out about 18% of next year's earnings to shareholders as dividends.

Relative Valuation

	Forward P/E	PEG	Price / FV
Apple	10.5	1.5	65.4%
Hewlett-Packard	5.0	NMF	56.2%
IBM	13.2	1.8	92.1%
Research in Motion	-11.1	NMF	101.1%
Peer Median	7.8	1.7	78.8%
Dell	**7.7**	**NMF**	**97.4%**

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

Returns Summary

	3-year Historical Average
Return on Equity	36.7%
Return on Assets	6.8%
ROIC, with goodwill	45.7%
ROIC, without goodwill	105.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jan-11	Jan-12	Jan-13
Revenue	61,494	62,071	58,347
Revenue, YoY%	16.2%	0.9%	-6.0%
Operating Income	3,433	4,431	4,215
Operating Margin %	5.6%	7.1%	7.2%
Net Income	2,635	3,492	3,104
Net Income Margin %	4.3%	5.6%	5.3%
Diluted EPS	1.35	1.88	1.77
Diluted EPS, YoY %	84.5%	39.8%	-6.2%
Free Cash Flow (CFO-capex)	3,525	4,852	3,260
Free Cash Flow Margin %	5.7%	7.8%	5.6%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	9,254
Net Debt	-5,564
Total Debt/EBITDA	1.7
Net Debt/EBITDA	NMF
EBITDA/Interest	19.2
Current Ratio	1.3
Quick Ratio	1.1

NMF = Not Meaningful

Structure of the Computer Hardware Industry — NEUTRAL

The computer hardware space, which spans the personal computer to the iPhone and iPad, is highly competitive. The industry is characterized by frequent product introductions and rapid technological advances that can cause dramatic market share shifts. Though some firms benefit from a strong brand, participants often price aggressively, pressuring margins. Firms are also subject to potential component shortages/disruptions, which can punish performance. Obsolescence may be an eventuality for some, and services revenue has become critical for others. We're neutral on the space.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

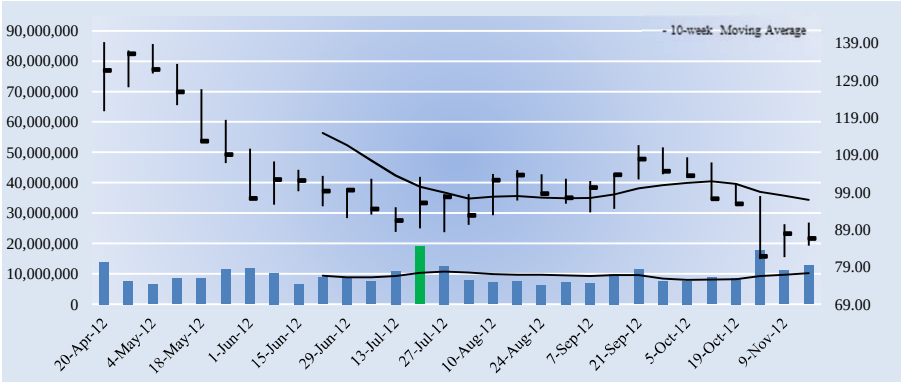
F5 Networks FFIV FAIRLY VALUED

Buying Index™ 3 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$86.64	$110.00	$77.00 - $143.00	MID-CAP BLEND	Information Technology	Software

Despite F5 Networks' strong cash flow generation, we think the shares are fairly valued at this time.

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)	$6,912
Avg Weekly Vol (30 wks)	9,713
30-week Range (USD)	81.07 - 139.2
Valuentum Sector	Information Technology
5-week Return	-15.7%
13-week Return	-15.0%
30-week Return	-29.8%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	6.59
P/E on Est. Normal Diluted EPS	13.1
Est. Normal EBITDA	840
Forward EV/EBITDA	9.8
EV/Est. Normal EBITDA	7.6
Forward Revenue Growth (5-yr)	14.0%
Forward EPS Growth (5-yr)	18.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	20.8%
Return on Assets	14.9%
ROIC, with goodwill	68.0%
ROIC, without goodwill	158.2%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-532
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	1.7
Quick Ratio	1.5

NMF = Not Meaningful

Investment Highlights

• F5 Networks earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 195.7% from 172.5% during the next two years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $77, we'd take a closer look.

• F5 Networks 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 24.9% in coming years, and the firm had no debt as of last quarter.

• The firm's share price performance has trailed that of the market during the past quarter. However, it is trading within our fair value estimate range, so we don't view such activity as alarming.

• The firm experienced a revenue CAGR of about 28.2% during the past 3 years. We expect its revenue growth to be better than its peer median during the next five years.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**HIGH**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**97.00**

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
Adobe Systems	14.0	1.8	98.9%
Microsoft	9.1	0.9	56.4%
Oracle	11.2	1.5	73.2%
Salesforce.com	95.9	NMF	106.9%
Peer Median	12.6	1.5	86.1%
F5 Networks	**17.2**	**1.3**	**78.8%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-11	Sep-12	Sep-13
Revenue	1,152	1,377	1,570
Revenue, YoY%	30.6%	19.6%	14.0%
Operating Income	351	426	614
Operating Margin %	30.4%	31.0%	39.1%
Net Income	241	275	397
Net Income Margin %	21.0%	20.0%	25.3%
Diluted EPS	2.96	3.45	5.03
Diluted EPS, YoY %	58.9%	16.4%	45.8%
Free Cash Flow (CFO-capex)	381	465	412
Free Cash Flow Margin %	33.1%	33.8%	26.2%

In Millions of USD (except for per share items)

Structure of the Software Industry — VERY GOOD

Firms that serve the mature software markets—or those consisting of basic business applications—have powerful distribution channels, large installed bases, and fortress balance sheets. These entrenched competitors benefit from significant customer switching costs, which make it nearly impossible for new entrants to gain a foothold. Participants generally benefit from high-margin license revenue and generate significant returns on investment. Still, the shift to cloud computing has created both opportunities and challenges, and the enterprise software landscape continues to evolve. We like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

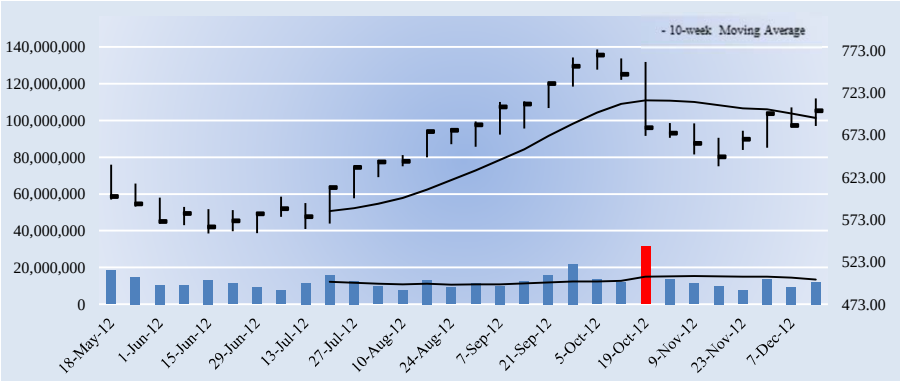
Google GOOG UNDERVALUED 1.7%

Buying Index™ 3 **Value Rating** ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$701.96	$921.00	$714.00 - $1128.00	MEGA-CAP BLEND	Information Technology	Internet Software & Svcs

Google has a strong future in search—both on the desktop and via mobile devices.

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)	$229,691
Avg Weekly Vol (30 wks)	12,656
30-week Range (USD)	556.52 - 774.38
Valuentum Sector	Information Technology
5-week Return	5.8%
13-week Return	-1.1%
30-week Return	16.8%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	54.78
P/E on Est. Normal Diluted EPS	12.8
Est. Normal EBITDA	25,053
Forward EV/EBITDA	10.5
EV/Est. Normal EBITDA	7.6
Forward Revenue Growth (5-yr)	15.6%
Forward EPS Growth (5-yr)	18.2%

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

Returns Summary

	3-year Historical Average
Return on Equity	19.9%
Return on Assets	16.8%
ROIC, with goodwill	64.5%
ROIC, without goodwill	105.8%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	4,204
Net Debt	-40,422
Total Debt/EBITDA	0.3
Net Debt/EBITDA	NMF
EBITDA/Interest	243.0
Current Ratio	5.9
Quick Ratio	5.7

NMF = Not Meaningful

Investment Highlights

• Google earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 105.8% during the past three years.

• Once known exclusively for its search dominance, which it maintains, Google has become a tech company focused on a number of things: social, Android, ads, YouTube, Chrome, and research. We think the company will have some megahits in the years ahead, and the shares are worth over $900 each.

• Google 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 27.6% in coming years. Total debt-to-EBITDA was 0.3 last year, while debt-to-book capitalization stood at 6.7%.

• The firm's share price performance has been roughly in line with that of the market during the past quarter. We'd expect the firm's stock price to converge to our fair value estimate within the next three years, if our forecasts prove accurate.

• Google has a strong future in search—both on the desktop and via mobile devices. However, we think the Motorola Mobility acquisition will destroy value, and we continue to remain bearish on Android's profit potential (not market share potential).

Investment Considerations

DCF Valuation	**UNDERVALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**AGGRESSIVE**
Technical Evaluation	**BEARISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Support, 10-week MA	**693.00**

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
Baidu	21.7	1.2	66.5%
WebMD	-38.6	NMF	108.1%
Yahoo	15.0	1.8	102.2%
Yahoo	14.6	3.7	116.5%
Peer Median	14.8	1.8	105.1%
Google	**17.5**	**1.3**	**76.2%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	29,321	37,905	41,885
Revenue, YoY%	24.0%	29.3%	10.5%
Operating Income	10,381	12,242	16,005
Operating Margin %	35.4%	32.3%	38.2%
Net Income	8,505	9,737	13,160
Net Income Margin %	29.0%	25.7%	31.4%
Diluted EPS	26.31	29.76	40.22
Diluted EPS, YoY %	59.1%	13.1%	35.2%
Free Cash Flow (CFO-capex)	7,063	11,127	11,729
Free Cash Flow Margin %	24.1%	29.4%	28.0%

In Millions of USD (except for per share items)

Structure of the Internet Software & Services Industry — NEUTRAL

The Internet software/services industry is composed of a variety of companies with rapidly-changing business models. Most focus on improving the ways people connect with information, either via Internet search or by social media platforms, and generate revenue primarily by delivering cost-effective online advertising. Constituents earn significant returns on invested capital due to their capital-light operations, though competition remains fierce. We expect most companies in this group to look substantially different 10 years from now than they do today. Overall, we're neutral on the structure.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

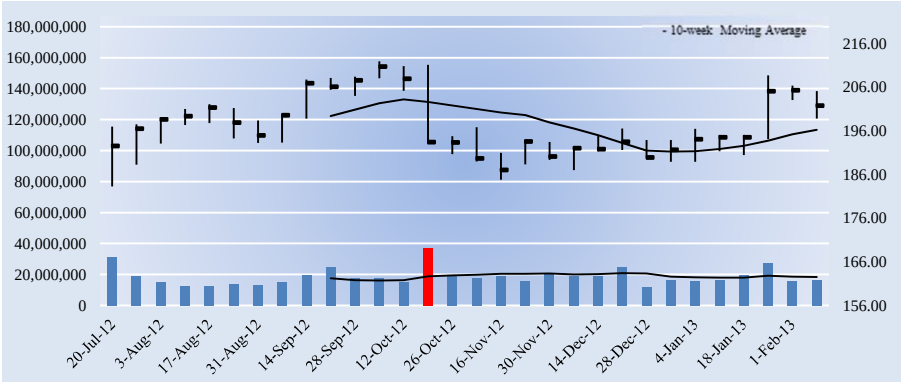
IBM IBM FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$201.68	$219.00	$175.00 - $263.00	MEGA-CAP VALUE	Information Technology	Computer Hardware

Our fair value for IBM is based on its burgeoning services backlog and expectations that the firm will come close to delivering on its lofty earnings goals in coming years.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$244,793
Avg Weekly Vol (30 wks)	18,732
30-week Range (USD)	183.2 - 211.79
Valuentum Sector	Information Technology
5-week Return	4.3%
13-week Return	6.9%
30-week Return	8.7%
Dividend Yield %	1.7%
Dividends per Share	3.40
Forward Dividend Payout Ratio	22.3%
Est. Normal Diluted EPS	17.68
P/E on Est. Normal Diluted EPS	11.4
Est. Normal EBITDA	32,325
Forward EV/EBITDA	9.0
EV/Est. Normal EBITDA	8.2
Forward Revenue Growth (5-yr)	1.9%
Forward EPS Growth (5-yr)	8.6%

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

Returns Summary

	3-year Historical Average
Return on Equity	70.9%
Return on Assets	13.1%
ROIC, with goodwill	29.3%
ROIC, without goodwill	55.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	31,320
Net Debt	19,398
Total Debt/EBITDA	1.2
Net Debt/EBITDA	0.8
EBITDA/Interest	61.1
Current Ratio	1.2
Quick Ratio	1.0

NMF = Not Meaningful

Investment Highlights

• IBM'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 few years, a combination we view very positively.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $175, we'd take a closer look.

• IBM 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 17.8% in coming years. Total debt-to-EBITDA was 1.2 last year, while debt-to-book capitalization stood at 60.9%.

• There are many things to like about IBM. For one, its high-margin services backlog remains extremely robust, reaching roughly $140 billion in recent periods. Growth markets revenue continues to advance at a nice clip, and cloud revenue is performing well.

• IBM has ambitious plans to reach $20 in operating earnings per share by 2015 via a combination of revenue expansion, operating leverage, and share repurchases. If the firm doesn't hit that mark, it won't be far from it, in our view.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**196.00**

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
Apple	10.5	1.5	65.4%
Dell	7.7	NMF	97.4%
Hewlett-Packard	5.0	NMF	56.2%
Research in Motion	-11.1	NMF	101.1%
Peer Median	6.4	1.5	81.4%
IBM	**13.2**	**1.8**	**92.1%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	99,871	106,916	104,510
Revenue, YoY%	4.3%	7.1%	-2.3%
Operating Income	18,151	20,286	24,630
Operating Margin %	18.2%	19.0%	23.6%
Net Income	14,833	15,855	18,141
Net Income Margin %	14.9%	14.8%	17.4%
Diluted EPS	11.52	13.06	15.25
Diluted EPS, YoY %	15.1%	13.4%	16.8%
Free Cash Flow (CFO-capex)	14,795	15,179	18,306
Free Cash Flow Margin %	14.8%	14.2%	17.5%

In Millions of USD (except for per share items)

Structure of the Computer Hardware Industry — NEUTRAL

The computer hardware space, which spans the personal computer to the iPhone and iPad, is highly competitive. The industry is characterized by frequent product introductions and rapid technological advances that can cause dramatic market share shifts. Though some firms benefit from a strong brand, participants often price aggressively, pressuring margins. Firms are also subject to potential component shortages/disruptions, which can punish performance. Obsolescence may be an eventuality for some, and services revenue has become critical for others. We're neutral on the space.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

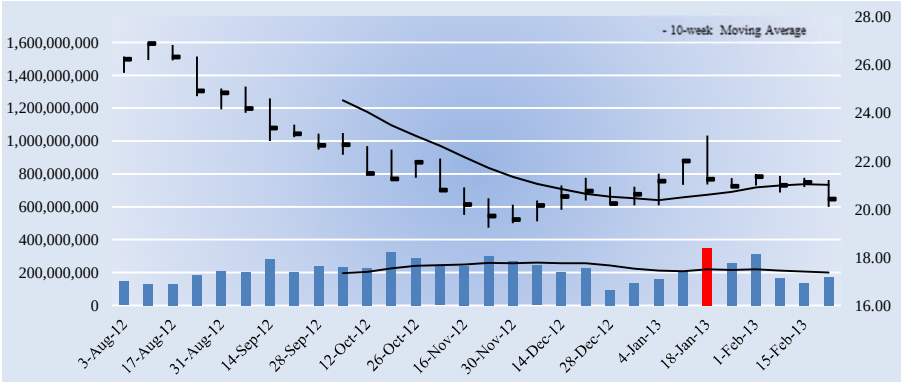
Intel INTC UNDERVALUED 7.7%

Buying Index™ 3 **Value Rating** ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$20.42	$27.00	$22.00 - $32.00	LARGE-CAP VALUE	Information Technology	Broad Line Semiconductors

Intel is investing heavily to make its future bright.

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)	$110,493
Avg Weekly Vol (30 wks)	218,155
30-week Range (USD)	19.23 - 26.9
Valuentum Sector	Information Technology
5-week Return	-4.0%
13-week Return	2.7%
30-week Return	-21.4%
Dividend Yield %	4.4%
Dividends per Share	0.90
Forward Dividend Payout Ratio	42.2%
Est. Normal Diluted EPS	2.10
P/E on Est. Normal Diluted EPS	9.7
Est. Normal EBITDA	21,340
Forward EV/EBITDA	4.8
EV/Est. Normal EBITDA	4.8
Forward Revenue Growth (5-yr)	1.7%
Forward EPS Growth (5-yr)	-1.4%

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

Returns Summary

	3-year Historical Average
Return on Equity	21.0%
Return on Assets	15.8%
ROIC, with goodwill	38.4%
ROIC, without goodwill	47.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	7,331
Net Debt	-7,506
Total Debt/EBITDA	0.3
Net Debt/EBITDA	NMF
EBITDA/Interest	574.2
Current Ratio	2.2
Quick Ratio	1.5

NMF = Not Meaningful

Investment Highlights

• Intel'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 few years, a combination we view very positively.

• Intel designs and manufactures advanced integrated digital technology platforms, which are used in PCs (including Ultrabooks), servers, tablets, smartphones, automobiles, automated factory systems, and medical devices.

• Intel 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 20.2% in coming years. Total debt-to-EBITDA was 0.3 last year, while debt-to-book capitalization stood at 13.8%.

• Though many fear Intel will be left behind by the mobile revolution, we think those worries are overblown. Intel will spend billions on research and development in the coming years, and we expect the company will become a viable competitor in the mobile space.

• Intel is looking for a low-single-digit increase in revenue for full-year 2013, and gross margins to be about 60%. R&D plus MG&A will be close to $19 billion, while capex will be roughly $13 billion for the year. The firm is investing for the future.

Investment Considerations

DCF Valuation	**UNDERVALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**VERY BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Resistance, 10-wk MA	**21.00**

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
Advanced Micro Devices	-16.2	NMF	130.5%
Avago Tech	13.7	2.3	94.7%
STMicroelectronics	-24.1	NMF	133.7%
Texas Instruments	20.9	1.8	126.6%
Peer Median	-1.2	2.0	128.5%
Intel	**9.6**	**NMF**	**75.6%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	43,623	53,999	53,334
Revenue, YoY%	24.2%	23.8%	-1.2%
Operating Income	15,588	17,477	15,628
Operating Margin %	35.7%	32.4%	29.3%
Net Income	11,464	12,942	11,416
Net Income Margin %	26.3%	24.0%	21.4%
Diluted EPS	2.01	2.39	2.13
Diluted EPS, YoY %	160.0%	18.8%	-10.9%
Free Cash Flow (CFO-capex)	11,485	10,199	11,325
Free Cash Flow Margin %	26.3%	18.9%	21.2%

In Millions of USD (except for per share items)

Structure of the Broad Line Semiconductor Industry — POOR

The broad line semiconductor industry is characterized by intense competition, rapid technological change, and frequent product introductions. The number and variety of computing devices have expanded rapidly, creating a connected landscape between suppliers and competitors. New market segments have emerged rapidly (smartphones, tablets), and constituents must continuously innovate to maintain share as traditional PC demand faces pressure. Though some firms may gain advantages via the combination of their manufacturing/test facilities with their design teams, we think the structure of the group is poor.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

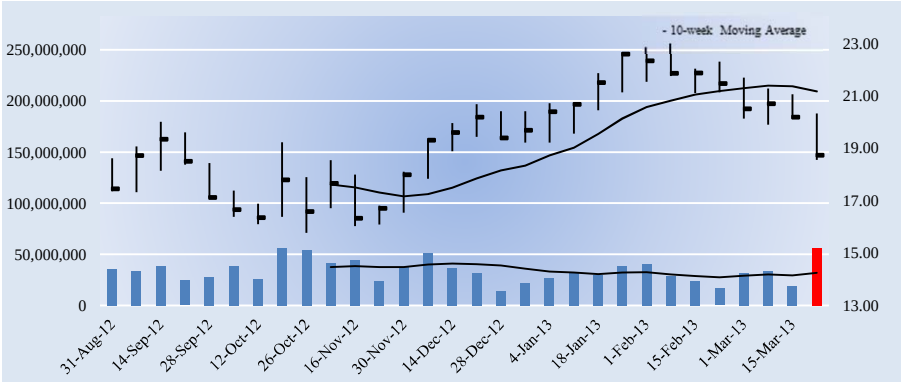
Juniper Networks JNPR FAIRLY VALUED

Buying Index™ 3 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$18.72	$21.00	$15.00 - $27.00	MID-CAP VALUE	Information Technology	Networking Equipment

Despite Juniper Networks' strong cash flow generation, we think the shares are fairly valued at this time.

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)	$9,850
Avg Weekly Vol (30 wks)	33,874
30-week Range (USD)	15.77 - 22.98
Valuentum Sector	Information Technology
5-week Return	-13.3%
13-week Return	-5.0%
30-week Return	5.2%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	1.35
P/E on Est. Normal Diluted EPS	13.8
Est. Normal EBITDA	1,281
Forward EV/EBITDA	7.3
EV/Est. Normal EBITDA	6.3
Forward Revenue Growth (5-yr)	5.4%
Forward EPS Growth (5-yr)	32.6%

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

Returns Summary

	3-year Historical Average
Return on Equity	6.3%
Return on Assets	4.7%
ROIC, with goodwill	13.7%
ROIC, without goodwill	82.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	1,112
Net Debt	-1,738
Total Debt/EBITDA	2.0
Net Debt/EBITDA	NMF
EBITDA/Interest	10.3
Current Ratio	2.5
Quick Ratio	2.3

NMF = Not Meaningful

Investment Highlights

• Juniper Networks earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 82.1% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $15, we'd take a closer look.

• Juniper Networks 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 12.6% in coming years. Total debt-to-EBITDA was 2 last year, while debt-to-book capitalization stood at 13.7%.

• The firm's share price performance has trailed that of the market during the past quarter. However, it is trading within our fair value estimate range, so we don't view such activity as alarming.

• The firm experienced a net income CAGR of about 16.8% during the past 3 years. We expect its net income growth to be better than its peer median during the next five years.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Resistance, 10-wk MA	**21.00**

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
Aruba Networks	30.1	NMF	114.7%
Cisco	10.6	1.6	76.9%
Finisar	22.2	1.8	96.0%
Riverbed Technology	13.1	1.3	60.7%
Peer Median	17.6	1.6	86.4%
Juniper Networks	**16.0**	**1.6**	**89.1%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-11	Dec-12	Dec-13
Revenue	4,449	4,365	4,584
Revenue, YoY%	8.7%	-1.9%	5.0%
Operating Income	656	357	923
Operating Margin %	14.8%	8.2%	20.1%
Net Income	425	187	616
Net Income Margin %	9.6%	4.3%	13.4%
Diluted EPS	0.79	0.35	1.17
Diluted EPS, YoY %	-31.6%	-54.9%	230.6%
Free Cash Flow (CFO-capex)	720	228	491
Free Cash Flow Margin %	16.2%	5.2%	10.7%

In Millions of USD (except for per share items)

Structure of the Networking Equipment Industry — POOR

Firms in the networking equipment industry provide products for transporting data, voice, and video within businesses and around the world. Participants must adapt to address virtualization/cloud-driven needs in the enterprise data center market; the convergence of video, collaboration, and networked mobility technologies; and the move toward programmable, virtual networks. The industry is characterized by low barriers to entry, rapid technological change and significant pricing competition. Gross margins can be volatile and should be watched closely. We don't like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

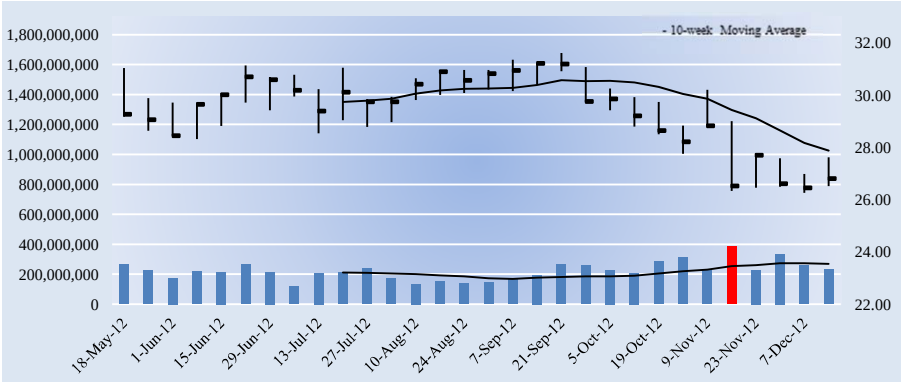
Microsoft MSFT UNDERVALUED 41.7%

Buying Index™ 6 **Value Rating** ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$26.81	$47.00	$38.00 - $56.00	MEGA-CAP VALUE	Information Technology	Software

Microsoft is one of the biggest bargains on the market today.

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)	$228,046
Avg Weekly Vol (30 wks)	223,347
30-week Range (USD)	26.26 - 31.61
Valuentum Sector	Information Technology
5-week Return	-7.4%
13-week Return	-13.0%
30-week Return	-13.0%
Dividend Yield %	3.4%
Dividends per Share	0.92
Forward Dividend Payout Ratio	31.4%
Est. Normal Diluted EPS	3.51
P/E on Est. Normal Diluted EPS	7.6
Est. Normal EBITDA	39,349
Forward EV/EBITDA	5.2
EV/Est. Normal EBITDA	4.5
Forward Revenue Growth (5-yr)	6.8%
Forward EPS Growth (5-yr)	14.9%

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

Returns Summary

	3-year Historical Average
Return on Equity	38.7%
Return on Assets	20.5%
ROIC, with goodwill	76.7%
ROIC, without goodwill	121.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	11,944
Net Debt	-51,096
Total Debt/EBITDA	0.4
Net Debt/EBITDA	NMF
EBITDA/Interest	81.4
Current Ratio	2.6
Quick Ratio	2.4

NMF = Not Meaningful

Investment Highlights

• Microsoft'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 few years, a combination we view very positively.

• Microsoft's valuation is compelling at this time. The firm is trading at a nice discount to our estimate of its fair value, even after considering an appropriate margin of safety. The firm's forward earnings multiple and PEG ratio also look attractive versus peers.

• Microsoft 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 30.9% in coming years. Total debt-to-EBITDA was 0.4 last year, while debt-to-book capitalization stood at 15.3%.

• Investors continue to focus on Microsoft's Windows business because it's been the bread-and-butter of the company for such a long time, but we think the company's other segments continue to be underappreciated. Shares look incredibly cheap at current levels, while providing investors with a fantastic dividend growth opportunity.

• The firm sports a very nice dividend yield of 3.4%. We expect the firm to pay out about 31% of next year's earnings to shareholders as dividends.

Investment Considerations

DCF Valuation	**UNDERVALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**28.00**

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

Business Quality

ValueRisk™ \ ValueCreation™	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
Adobe Systems	14.0	1.8	98.9%
F5 Networks	17.2	1.3	78.8%
Oracle	11.2	1.5	73.2%
Salesforce.com	95.9	NMF	106.9%
Peer Median	15.6	1.5	88.9%
Microsoft	**9.2**	**0.9**	**57.0%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jun-11	Jun-12	Jun-13
Revenue	69,943	73,723	81,095
Revenue, YoY%	11.9%	5.4%	10.0%
Operating Income	27,161	27,956	30,920
Operating Margin %	38.8%	37.9%	38.1%
Net Income	23,150	16,978	24,416
Net Income Margin %	33.1%	23.0%	30.1%
Diluted EPS	2.69	2.00	2.93
Diluted EPS, YoY %	28.2%	-25.9%	46.7%
Free Cash Flow (CFO-capex)	24,639	29,321	25,053
Free Cash Flow Margin %	35.2%	39.8%	30.9%

In Millions of USD (except for per share items)

Structure of the Software Industry — VERY GOOD

Firms that serve the mature software markets—or those consisting of basic business applications—have powerful distribution channels, large installed bases, and fortress balance sheets. These entrenched competitors benefit from significant customer switching costs, which make it nearly impossible for new entrants to gain a foothold. Participants generally benefit from high-margin license revenue and generate significant returns on investment. Still, the shift to cloud computing has created both opportunities and challenges, and the enterprise software landscape continues to evolve. We like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

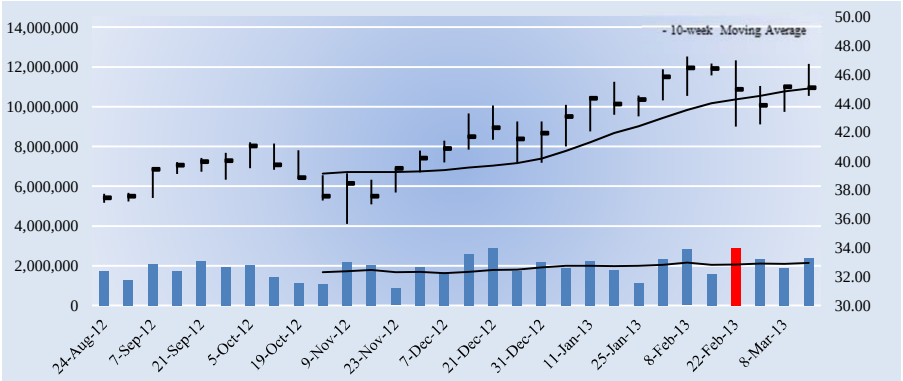
NeuStar NSR FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$45.09	$57.00	$43.00 - $71.00	MID-CAP VALUE	Telecom Services	Wireless Telecom Services

Despite NeuStar's strong cash flow generation, we think the shares are fairly valued at this time.

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)	$3,064
Avg Weekly Vol (30 wks)	1,935
30-week Range (USD)	35.65 - 47.24
Valuentum Sector	Telecom Services
5-week Return	-3.2%
13-week Return	7.2%
30-week Return	20.3%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	3.99
P/E on Est. Normal Diluted EPS	11.3
Est. Normal EBITDA	568
Forward EV/EBITDA	6.7
EV/Est. Normal EBITDA	5.8
Forward Revenue Growth (5-yr)	8.0%
Forward EPS Growth (5-yr)	14.7%

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

Returns Summary

	3-year Historical Average
Return on Equity	23.0%
Return on Assets	12.6%
ROIC, with goodwill	38.4%
ROIC, without goodwill	87.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	587
Net Debt	241
Total Debt/EBITDA	1.6
Net Debt/EBITDA	0.6
EBITDA/Interest	11.0
Current Ratio	3.3
Quick Ratio	3.1

NMF = Not Meaningful

Investment Highlights

• NeuStar earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. Return on invested capital (excluding goodwill) has averaged 87.6% during the past three years.

• The company looks fairly valued at this time. We expect the firm to trade within our fair value estimate range for the time being. If the firm's share price fell below $43, we'd take a closer look.

• NeuStar has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 27.8% in coming years. Total debt-to-EBITDA was 1.6 last year, while debt-to-book capitalization stood at 47.6%.

• The firm's share price performance has trailed that of the market during the past quarter. However, it is trading within our fair value estimate range, so we don't view such activity as alarming.

•The firm is nearing support levels based on its 10-week moving average. We'd pay close attention to see if it bounces from here or breaks through support for an indication of its future price trend.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BULLISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Support, 10-week MA	**45.00**

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
American Tower	35.3	1.9	112.8%
Crown Castle	144.4	1.5	140.0%
Level 3 Comm	-231.0	NMF	65.6%
SBA Comm	-86.0	NMF	158.3%
Peer Median	-25.4	1.7	126.4%
NeuStar	**13.4**	**1.3**	**79.1%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-11	Dec-12	Dec-13
Revenue	620	831	915
Revenue, YoY%	17.8%	34.0%	10.0%
Operating Income	213	277	387
Operating Margin %	34.3%	33.3%	42.3%
Net Income	124	156	227
Net Income Margin %	19.9%	18.8%	24.8%
Diluted EPS	1.66	2.30	3.37
Diluted EPS, YoY %	18.8%	38.5%	46.9%
Free Cash Flow (CFO-capex)	143	250	276
Free Cash Flow Margin %	23.1%	30.1%	30.1%

In Millions of USD (except for per share items)

Structure of the Wireless Telecom Services Industry — GOOD

Most firms in the wireless telecom services industry lease antenna space on communication sites/towers to wireless service providers, radio and television broadcast companies, and tenants in other industries. Tenant leases are typically long-term, non-cancellable, have high renewal rates (98%+) and include attractive built-in annual rent escalations. Tower operators enjoy consistent demand for their sites, have high operating leverage (incremental costs to add new tenants are minimal), and require little capital expenditures to maintain their communication sites. We like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

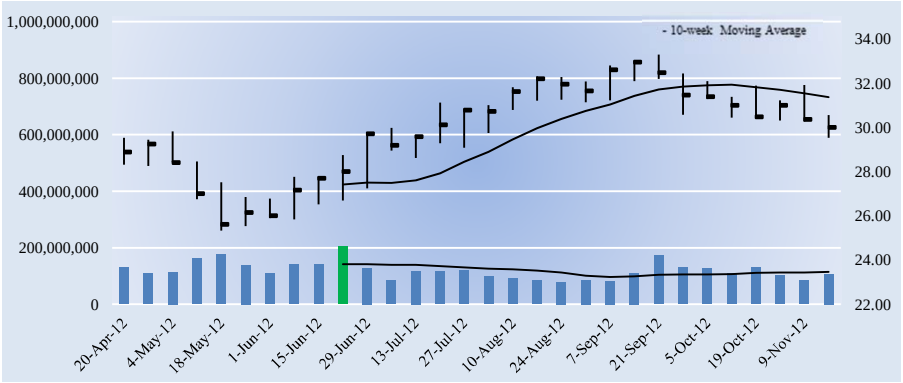
Oracle ORCL UNDERVALUED 3.3%

Buying Index™ 3 **Value Rating** ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$30.00	$41.00	$31.00 - $51.00	LARGE-CAP VALUE	Information Technology	Software

Oracle's shares look cheap based on our discounted cash flow process.

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).

Investment Considerations

DCF Valuation	**UNDERVALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**NEUTRAL**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**31.00**

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

Business Quality

ValueRisk™ \ ValueCreation™	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.

Company Vitals

Market Cap (USD)	$152,850
Avg Weekly Vol (30 wks)	119,206
30-week Range (USD)	25.33 - 33.29
Valuentum Sector	Information Technology
5-week Return	-3.8%
13-week Return	-4.6%
30-week Return	5.0%
Dividend Yield %	0.8%
Dividends per Share	0.24
Forward Dividend Payout Ratio	9.0%
Est. Normal Diluted EPS	2.98
P/E on Est. Normal Diluted EPS	10.1
Est. Normal EBITDA	24,280
Forward EV/EBITDA	6.3
EV/Est. Normal EBITDA	5.7
Forward Revenue Growth (5-yr)	4.6%
Forward EPS Growth (5-yr)	9.9%

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

Investment Highlights

• Oracle earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 256.8% from 131.7% during the next two years.

• Although we think the firm's DCF valuation indicates a potential attractive investment opportunity, we'd be more comfortable investing in the firm if it was more attractively priced on a relative basis versus peers as well.

• Oracle 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 37.6% in coming years. Total debt-to-EBITDA was 1 last year, while debt-to-book capitalization stood at 27.4%.

• The firm's share price performance has been roughly in line with that of the market during the past quarter. We'd expect the firm's stock price to converge to our fair value estimate within the next three years, if our forecasts prove accurate.

• The firm experienced an operating cash flow CAGR of about 18.5% during the past 3 years. We expect its operating cash flow growth to be better than its peer median during the next five years.

Relative Valuation

	Forward P/E	PEG	Price / FV
Adobe Systems	14.0	1.8	98.9%
F5 Networks	17.2	1.3	78.8%
Microsoft	9.1	0.9	56.4%
Salesforce.com	95.9	NMF	106.9%
Peer Median	15.6	1.3	88.9%
Oracle	**11.2**	**1.5**	**73.2%**

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

Returns Summary

	3-year Historical Average
Return on Equity	23.4%
Return on Assets	12.4%
ROIC, with goodwill	33.3%
ROIC, without goodwill	115.9%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	May-11	May-12	May-13
Revenue	35,622	37,121	38,235
Revenue, YoY%	32.8%	4.2%	3.0%
Operating Income	12,728	14,057	18,841
Operating Margin %	35.7%	37.9%	49.3%
Net Income	8,547	9,981	13,637
Net Income Margin %	24.0%	26.9%	35.7%
Diluted EPS	1.67	1.96	2.68
Diluted EPS, YoY %	37.8%	17.5%	36.6%
Free Cash Flow (CFO-capex)	10,764	13,095	15,453
Free Cash Flow Margin %	30.2%	35.3%	40.4%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	16,474
Net Debt	-14,202
Total Debt/EBITDA	1.0
Net Debt/EBITDA	NMF
EBITDA/Interest	22.2
Current Ratio	2.6
Quick Ratio	2.4

NMF = Not Meaningful

Structure of the Software Industry — VERY GOOD

Firms that serve the mature software markets—or those consisting of basic business applications—have powerful distribution channels, large installed bases, and fortress balance sheets. These entrenched competitors benefit from significant customer switching costs, which make it nearly impossible for new entrants to gain a foothold. Participants generally benefit from high-margin license revenue and generate significant returns on investment. Still, the shift to cloud computing has created both opportunities and challenges, and the enterprise software landscape continues to evolve. We like the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

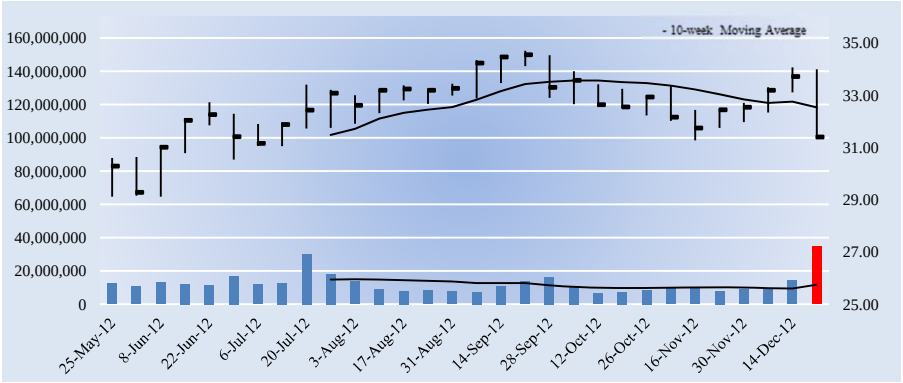
Paychex PAYX FAIRLY VALUED

Buying Index™ 3 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$31.40	$33.00	$25.00 - $41.00	LARGE-CAP VALUE	Information Technology	Staffing Services

Paychex has an excellent combination of strong free cash flow generation and low financial leverage.

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).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**UNATTRACTIVE**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**DETERIORATING**
Near-term Technical Resistance, 10-wk MA	**33.00**

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.

Company Vitals

Market Cap (USD)	$11,398
Avg Weekly Vol (30 wks)	12,407
30-week Range (USD)	29.12 - 34.7
Valuentum Sector	Information Technology
5-week Return	-1.9%
13-week Return	-8.5%
30-week Return	6.9%
Dividend Yield %	4.2%
Dividends per Share	1.32
Forward Dividend Payout Ratio	81.7%
Est. Normal Diluted EPS	1.80
P/E on Est. Normal Diluted EPS	17.5
Est. Normal EBITDA	1,134
Forward EV/EBITDA	6.5
EV/Est. Normal EBITDA	5.8
Forward Revenue Growth (5-yr)	5.0%
Forward EPS Growth (5-yr)	5.0%

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

Investment Highlights

• Paychex earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 138.2% from 129.6% during the next two years.

• Paychex is a leader in the payroll, human resource, and benefits outsourcing industry. With a wide range of services – including payroll processing, retirement services, insurance, and a fully outsourced human resource solution – Paychex customizes its offering to the client's business.

• Paychex 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 25.1% in coming years, and the firm had no debt as of last quarter.

• The firm's share price performance has trailed that of the market during the past quarter. However, it is trading within our fair value estimate range, so we don't view such activity as alarming.

• The firm sports a very nice dividend yield of 4.2%. We expect the firm to pay out about 82% of next year's earnings to shareholders as dividends. Though the payout ratio is high, the company boasts an excellent Valuentum Dividend Cushion score.

Relative Valuation

	Forward P/E	PEG	Price / FV
Automatic Data Processing	19.5	2.3	108.6%
Insperity	19.3	3.2	89.7%
Korn/Ferry	15.0	2.3	69.1%
Manpower	14.9	7.8	100.8%
Peer Median	17.1	2.7	95.3%
Paychex	**19.4**	**4.2**	**95.2%**

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

Returns Summary

	3-year Historical Average
Return on Equity	35.2%
Return on Assets	9.4%
ROIC, with goodwill	21.1%
ROIC, without goodwill	72.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	May-11	May-12	May-13
Revenue	2,084	2,230	2,341
Revenue, YoY%	4.2%	7.0%	5.0%
Operating Income	738	810	864
Operating Margin %	35.4%	36.3%	36.9%
Net Income	515	548	588
Net Income Margin %	24.7%	24.6%	25.1%
Diluted EPS	1.42	1.51	1.62
Diluted EPS, YoY %	7.8%	6.2%	7.0%
Free Cash Flow (CFO-capex)	615	617	581
Free Cash Flow Margin %	29.5%	27.7%	24.8%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-4,861
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	1.1
Quick Ratio	1.1

NMF = Not Meaningful

Structure of the Staffing Services Industry — NEUTRAL

The staffing services industry spans firms that provide business outsourcing services to those that offer talent management solutions. Providers of business outsourcing solutions compete with a variety of independent firms as well as captive in-house functions. Their businesses are characterized by long-term client relationships and recurring revenue. Talent management firms offer executive recruitment and consulting services and face emerging competition from professional networking website providers. Attracting consultants is particularly important for executive recruitment entities. We're neutral on the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

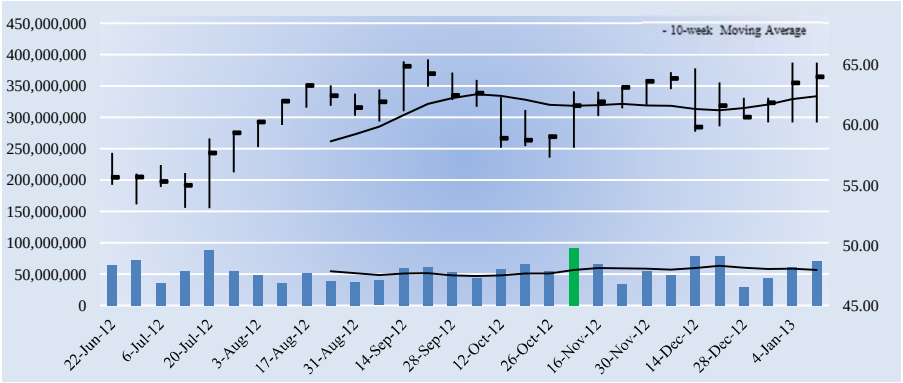
QUALCOMM QCOM FAIRLY VALUED

Buying Index™ 6 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$64.01	$73.00	$55.00 - $91.00	LARGE-CAP BLEND	Information Technology	Communications Equipment

QUALCOMM has revolutionized the mobile phone industry. The firm's licensing model continues to generate elevated margins and strong returns on capital.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**HIGH**
Technical Evaluation	**BULLISH**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**62.00**

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.

Company Vitals

Market Cap (USD)	$111,441
Avg Weekly Vol (30 wks)	55,921
30-week Range (USD)	53.09 - 65.45
Valuentum Sector	Information Technology
5-week Return	6.3%
13-week Return	8.1%
30-week Return	14.1%
Dividend Yield %	1.6%
Dividends per Share	1.00
Forward Dividend Payout Ratio	23.0%
Est. Normal Diluted EPS	5.13
P/E on Est. Normal Diluted EPS	12.5
Est. Normal EBITDA	11,836
Forward EV/EBITDA	9.9
EV/Est. Normal EBITDA	8.4
Forward Revenue Growth (5-yr)	11.4%
Forward EPS Growth (5-yr)	13.5%

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

Investment Highlights

• QUALCOMM earns a ValueCreation™ rating of EXCELLENT, the highest possible mark on our scale. The firm has been generating economic value for shareholders for the past few years, a track record we view very positively. We expect the firm's return on invested capital (excluding goodwill) to expand to 143.4% from 74.8% during the next two years.

• QUALCOMM has revolutionized the mobile phone industry. Through its own R&D and through partnerships with other firms, the company develops breakthrough technology and then licenses it across the wireless industry.

• QUALCOMM 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 31.2% in coming years, and the firm had no debt as of last quarter.

• Although we think there may be a better time to dabble in the firm's shares based on our DCF process, the firm's stock has outperformed the market benchmark during the past quarter, indicating increased investor interest in the company.

• QUALCOMM is better positioned than most in its industry. The company owns a strong patent portfolio in CDMA and OFDMA (among others), and its licensing model continues to generate elevated margins and strong returns on capital.

Relative Valuation

	Forward P/E	PEG	Price / FV
Alcatel-Lucent	-9.5	NMF	86.5%
Harris Corp	9.6	3.3	84.9%
JDS Uniphase	23.0	NMF	108.8%
Tellabs	-106.9	NMF	72.0%
Peer Median	0.1	3.3	85.7%
QUALCOMM	**14.7**	**1.6**	**87.7%**

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

Returns Summary

	3-year Historical Average
Return on Equity	17.4%
Return on Assets	12.7%
ROIC, with goodwill	49.4%
ROIC, without goodwill	73.4%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Sep-11	Sep-12	Sep-13
Revenue	14,957	19,121	23,710
Revenue, YoY%	36.1%	27.8%	24.0%
Operating Income	5,140	5,786	8,849
Operating Margin %	34.4%	30.3%	37.3%
Net Income	4,573	5,333	7,571
Net Income Margin %	30.6%	27.9%	31.9%
Diluted EPS	2.70	3.06	4.35
Diluted EPS, YoY %	38.1%	13.3%	42.1%
Free Cash Flow (CFO-capex)	4,620	3,938	7,315
Free Cash Flow Margin %	30.9%	20.6%	30.9%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	0
Net Debt	-12,374
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	74.3
Current Ratio	3.0
Quick Ratio	2.6

NMF = Not Meaningful

Structure of the Communications Equipment Industry — VERY POOR

The communications equipment industry continues to undergo rapid change, as network traffic expands, new service offerings are introduced, and end user demand shifts. Competition among communication network solution vendors remains intense, as securing new opportunities often requires agreeing to less favorable commercial terms and pricing. Rivalry among constituents will only increase in coming years, as Chinese equipment vendors gain entry into the US market and incumbent competitors strive to retain share. We don't think such conditions are favorable to generating long-term economic profit.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

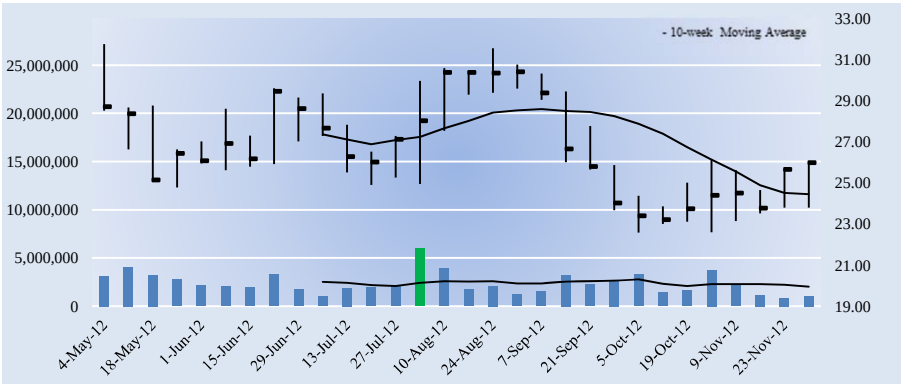
Synaptics SYNA UNDERVALUED 15.4%

Buying Index™ 7 **Value Rating** ✓

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$25.99	$37.00	$30.00 - $44.00	SMALL-CAP VALUE	Information Technology	Computers & Peripherals

Synaptics' technicals look very bullish. Traders could be eyeing the stock.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Investment Considerations

DCF Valuation	**UNDERVALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**VERY BULLISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Support, 10-week MA	**24.00**

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.

Company Vitals

Market Cap (USD)	$895
Avg Weekly Vol (30 wks)	2,374
30-week Range (USD)	22.58 - 31.77
Valuentum Sector	Information Technology
5-week Return	9.8%
13-week Return	-14.8%
30-week Return	-15.8%
Dividend Yield %	0.0%
Dividends per Share	0.00
Forward Dividend Payout Ratio	0.0%
Est. Normal Diluted EPS	2.22
P/E on Est. Normal Diluted EPS	11.7
Est. Normal EBITDA	99
Forward EV/EBITDA	7.1
EV/Est. Normal EBITDA	6.0
Forward Revenue Growth (5-yr)	5.5%
Forward EPS Growth (5-yr)	10.6%

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

Investment Highlights

• Synaptics' 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 few years, a combination we view very positively.

• Although we think the firm's DCF valuation indicates a potential attractive investment opportunity, we'd be more comfortable investing in the firm if it was more attractively priced on a relative basis versus peers as well.

• Synaptics 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 12.2% in coming years. Total debt-to-EBITDA was 0 last year, while debt-to-book capitalization stood at 0.6%.

• The firm posts a VBI score of 7. We don't find the firm that attractive based on this measure, and we'd grow more constructive if it registered an 8 or higher on our scale.

• The firm's technicals look very attractive. If current prices hold, the firm's moving averages could create a golden cross, a very bullish technical pattern.

Relative Valuation

	Forward P/E	PEG	Price / FV
EMC Corp	14.5	1.8	91.4%
NetApp	14.4	1.8	76.5%
SanDisk	19.8	NMF	81.3%
Western Digital	4.6	NMF	83.3%
Peer Median	14.4	1.8	82.3%
Synaptics	**14.9**	**1.6**	**70.2%**

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

Returns Summary

	3-year Historical Average
Return on Equity	18.6%
Return on Assets	13.0%
ROIC, with goodwill	141.5%
ROIC, without goodwill	151.1%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Jun-11	Jun-12	Jun-13
Revenue	599	548	548
Revenue, YoY%	16.2%	-8.4%	0.0%
Operating Income	73	68	73
Operating Margin %	12.1%	12.3%	13.3%
Net Income	64	54	58
Net Income Margin %	10.7%	9.9%	10.7%
Diluted EPS	1.80	1.57	1.75
Diluted EPS, YoY %	20.3%	-12.6%	11.1%
Free Cash Flow (CFO-capex)	78	91	68
Free Cash Flow Margin %	13.1%	16.6%	12.4%

In Millions of USD (except for per share items)

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	2
Net Debt	-303
Total Debt/EBITDA	0.0
Net Debt/EBITDA	NMF
EBITDA/Interest	Excellent
Current Ratio	4.2
Quick Ratio	3.9

NMF = Not Meaningful

Structure of the Computers & Peripherals Industry — POOR

Firms in the computer and peripherals industry primarily make storage solutions, while others may offer custom-designed computer/mobile interface solutions or other ancillary computer/mobile products. The industry is characterized by rapid technological change, which has not only increased the adoption of technologies for use in a variety of devices but also has put significant pricing/gross-margin pressure on industry constituents. Competition is fierce, threats of over-supply are continuous, and the prospects for generating long-term competitive advantages are negligible. We don't like the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

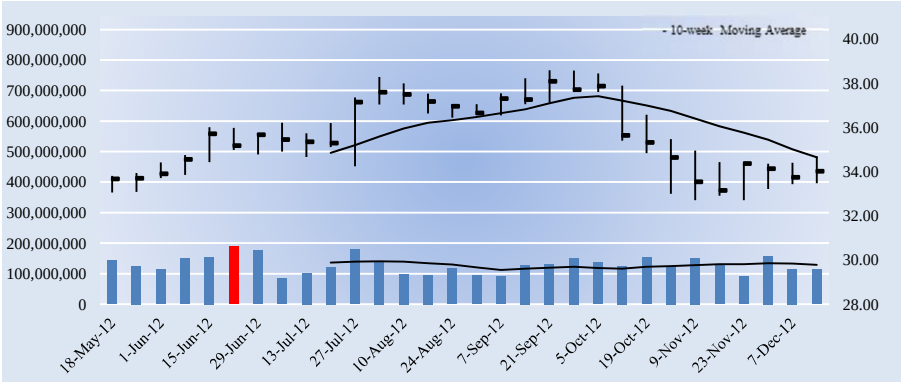
AT&T T FAIRLY VALUED

Buying Index™ 4 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$34.01	$40.00	$28.00 - $52.00	MEGA-CAP VALUE	Telecom Services	Telecom Services - diversifiec

AT&T continues to demonstrate strong execution across key growth areas including mobile internet, consumer IP and strategic business services.

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)	$202,360
Avg Weekly Vol (30 wks)	129,191
30-week Range (USD)	32.71 - 38.58
Valuentum Sector	Telecom Services
5-week Return	1.2%
13-week Return	-8.9%
30-week Return	1.8%
Dividend Yield %	5.3%
Dividends per Share	1.80
Forward Dividend Payout Ratio	74.9%
Est. Normal Diluted EPS	2.62
P/E on Est. Normal Diluted EPS	13.0
Est. Normal EBITDA	47,581
Forward EV/EBITDA	5.9
EV/Est. Normal EBITDA	5.5
Forward Revenue Growth (5-yr)	2.2%
Forward EPS Growth (5-yr)	33.4%

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

Returns Summary

	3-year Historical Average
Return on Equity	11.7%
Return on Assets	4.5%
ROIC, with goodwill	7.3%
ROIC, without goodwill	10.7%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	64,753
Net Debt	61,568
Total Debt/EBITDA	2.1
Net Debt/EBITDA	2.0
EBITDA/Interest	8.6
Current Ratio	0.7
Quick Ratio	0.5

NMF = Not Meaningful

Investment Highlights

• AT&T's 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 10.7% during the past three years.

• AT&T is one of the leading worldwide providers of IP-based communications services to businesses. The firm has the nation's largest 4G network, and the largest international coverage of any US wireless carrier.

• AT&T has a good combination of strong free cash flow generation and manageable financial leverage. We expect the firm's free cash flow margin to average about 11.7% in coming years. Total debt-to-EBITDA was 2.1 last year, while debt-to-book capitalization stood at 38%.

• AT&T continues to demonstrate strong execution across key growth areas including mobile internet, consumer IP and strategic business services. We expect this to continue, but competition will remain fierce.

• AT&T boasts a hefty dividend yield, but its best dividend growth years are behind it.

Investment Considerations

DCF Valuation	**FAIRLY VALUED**
Relative Valuation	**ATTRACTIVE**
ValueCreation™	**GOOD**
ValueRisk™	**MEDIUM**
ValueTrend™	**POSITIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**MEDIUM**
Growth	**MODEST**
Technical Evaluation	**BEARISH**
Relative Strength	**WEAK**
Money Flow Index (MFI)	**NEUTRAL**
Upside/Downside Volume (U/D)	**BEARISH**
Near-term Technical Resistance, 10-wk MA	**35.00**

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
Centurylink	14.5	1.8	102.8%
Frontier Comm	17.5	4.3	115.0%
Sprint	-3.6	NMF	92.5%
Verizon Comm	17.9	1.6	98.2%
Peer Median	16.0	1.8	100.5%
AT&T	**14.1**	**1.5**	**85.0%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	124,280	126,723	127,990
Revenue, YoY%	1.0%	2.0%	1.0%
Operating Income	19,573	12,128	26,084
Operating Margin %	15.7%	9.6%	20.4%
Net Income	19,085	3,944	14,296
Net Income Margin %	15.4%	3.1%	11.2%
Diluted EPS	3.21	0.66	2.40
Diluted EPS, YoY %	51.9%	-79.4%	262.6%
Free Cash Flow (CFO-capex)	13,912	14,538	13,550
Free Cash Flow Margin %	11.2%	11.5%	10.6%

In Millions of USD (except for per share items)

Structure of the Telecommunications Industry — NEUTRAL

The telecom industry is characterized by rapid technological change, intense competition and pricing pressures. The mature wireline segment remains under attack from cable/wireless products. Mobile technology enhancements such as the iPhone continue to attract new wireless subscribers in less saturated markets, but this has not lessened the intensity of competition. Industry constituents continue to pursue acquisitions in order to reduce bloated cost structures and achieve synergies. Average revenue per subscriber and churn rates should be monitored closely. We're neutral on the structure of the group.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

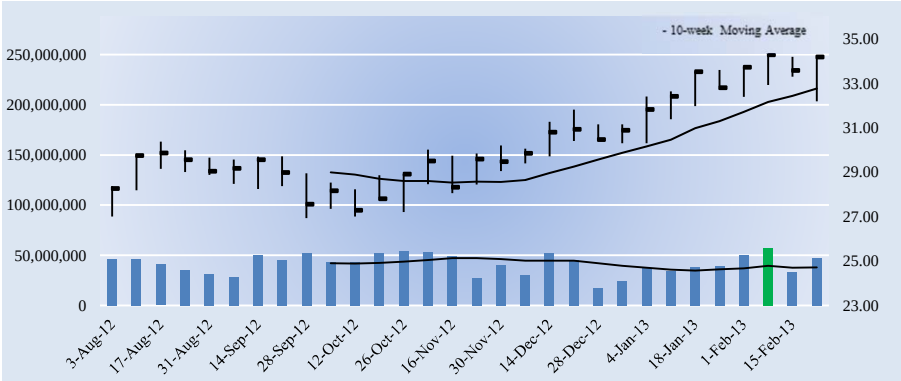
Texas Instruments TXN OVERVALUED 6.4%

Buying Index™ 2 **Value Rating**

Last Close	Estimated Fair Value	Fair Value Range	Investment Style	Sector	Industry
$34.18	$27.00	$22.00 - $32.00	LARGE-CAP CORE	Information Technology	Broad Line Semiconductors

Texas Instruments' acquisition of National Semiconductor does not change our view on the firm's dividend strength.

Stock Chart (weekly)



The week with the highest trading volume out of the last 13 weeks was a week of heavy buying, or accumulation (green bar).

Company Vitals

Market Cap (USD)	$40,025
Avg Weekly Vol (30 wks)	41,561
30-week Range (USD)	26.94 - 34.29
Valuentum Sector	Information Technology
5-week Return	2.5%
13-week Return	14.9%
30-week Return	24.5%
Dividend Yield %	2.5%
Dividends per Share	0.84
Forward Dividend Payout Ratio	51.3%
Est. Normal Diluted EPS	2.02
P/E on Est. Normal Diluted EPS	16.9
Est. Normal EBITDA	4,023
Forward EV/EBITDA	12.2
EV/Est. Normal EBITDA	10.6
Forward Revenue Growth (5-yr)	0.4%
Forward EPS Growth (5-yr)	4.8%

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

Returns Summary

	3-year Historical Average
Return on Equity	22.8%
Return on Assets	16.9%
ROIC, with goodwill	32.5%
ROIC, without goodwill	38.6%

ROIC = Return on Invested Capital; NMF = Not Meaningful

Leverage, Coverage, and Liquidity

In Millions of USD

Total Debt	5,592
Net Debt	2,657
Total Debt/EBITDA	1.3
Net Debt/EBITDA	0.6
EBITDA/Interest	105.6
Current Ratio	2.2
Quick Ratio	1.3

NMF = Not Meaningful

Investment Highlights

• Texas Instruments' 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 few years, a combination we view very positively.

• Texas Instruments designs and makes semiconductors and sells them to electronics designers and manufacturers all over the world. The firm has four segments: Analog, Embedded Processing, Wireless and Other.

• Texas Instruments 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 19.5% in coming years. Total debt-to-EBITDA was 1.3 last year, while debt-to-book capitalization stood at 33.8%.

• Though the firm boasts a diverse product portfolio, it faces intense competition from a long list of rivals: Analog Devices; Fairchild Semi; Freescale Semi; Infineon Tech; Intersil Corp; Linear Tech; Maxim; and NXP Semi, among others. We expect pricing pressure to continue.

• Texas Instruments' acquisition of National Semiconductor does not change our view on the firm's dividend strength. Management remains committed to returning cash to shareholders, and the firm's Dividend Cushion remains solid.

Investment Considerations

DCF Valuation	**OVERVALUED**
Relative Valuation	**NEUTRAL**
ValueCreation™	**EXCELLENT**
ValueRisk™	**LOW**
ValueTrend™	**NEGATIVE**
Cash Flow Generation	**STRONG**
Financial Leverage	**LOW**
Growth	**MODEST**
Technical Evaluation	**NEUTRAL**
Relative Strength	**STRONG**
Money Flow Index (MFI)	**OVERBOUGHT**
Upside/Downside Volume (U/D)	**BULLISH**
Near-term Technical Support, 10-week MA	**33.00**

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
Advanced Micro Devices	-16.2	NMF	130.5%
Avago Tech	13.7	2.3	94.7%
Intel	9.6	NMF	75.6%
STMicroelectronics	-24.1	NMF	133.7%
Peer Median	-3.3	2.3	112.6%
Texas Instruments	**20.9**	**1.8**	**126.6%**

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

Financial Summary

	----- Actual -----		Projected
Fiscal Year End:	Dec-10	Dec-11	Dec-12
Revenue	13,966	13,735	12,820
Revenue, YoY%	33.9%	-1.7%	-6.7%
Operating Income	4,403	3,419	2,538
Operating Margin %	31.5%	24.9%	19.8%
Net Income	3,228	2,236	1,897
Net Income Margin %	23.1%	16.3%	14.8%
Diluted EPS	2.66	1.91	1.64
Diluted EPS, YoY %	129.7%	-28.2%	-14.3%
Free Cash Flow (CFO-capex)	2,621	2,440	2,390
Free Cash Flow Margin %	18.8%	17.8%	18.6%

In Millions of USD (except for per share items)

Structure of the Broad Line Semiconductor Industry — POOR

The broad line semiconductor industry is characterized by intense competition, rapid technological change, and frequent product introductions. The number and variety of computing devices have expanded rapidly, creating a connected landscape between suppliers and competitors. New market segments have emerged rapidly (smartphones, tablets), and constituents must continuously innovate to maintain share as traditional PC demand faces pressure. Though some firms may gain advantages via the combination of their manufacturing/test facilities with their design teams, we think the structure of the group is poor.

The information and data contained in this report is not represented or warranted to be timely, complete, accurate, or correct. This report is for informational purposes only and should not be considered a solicitation to buy or sell a security. Before acting on any information in this report, you should consider whether the information is suitable for your particular circumstances and, if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report. Redistribution is prohibited without written permission. To license Valuentum research, contact us at valuentum@valuentum.com.

Valuentum Analysts
analysts@valuentum.com

Glossary of Valuentum Terms

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.

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.

Company Description. The description section provides a brief company profile and in the top right corner indicates the investment style that Valuentum assigns to the stock. 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

To learn more about Valuentum and its equity research services, please visit us at www.valuentum.com or contact a sales representative at info@valuentum.com.

© 2012 Valuentum Securities, Inc. All rights reserved.

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.

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.

Dividend Growth Potential. We blend our analysis of a firm's Dividend Safety with its historical Track Record, while also considering historical dividend growth trends. We believe such a combination captures a firm's capacity (cash flow) and willingness (track record) to raise its dividend in the future. Scale: EXCELLENT, GOOD, POOR, VERY POOR.

Dividend Safety. We measure the safety of a firm's dividend by adding its net cash to our forecast of its future cash flows and divide that sum by our forecast of its future dividend payments. This process results in a ratio called the Valuentum Dividend Cushion™. Scale: Above 2.75 = EXCELLENT; Between 1.25 and 2.75 = GOOD; Between 0.5 and 1.25 = POOR; Below 0.5 = VERY POOR.

Dividend Strength. Our assessment of the firm's dividend strength is expressed in a matrix. If the safety of a firm's dividend is EXCELLENT and its growth prospects are also EXCELLENT, it scores high on our matrix (top right). If the firm's dividend safety and the potential future growth are VERY POOR, it scores lower on our scale (bottom left).

Dividend Track Record. We assess each firm's dividend track record based on whether the fundamentals of the firm have ever forced it to cut its dividend. If the firm has ever cut its dividend (within the last 10 years), we view its track record as RISKY. If the firm has maintained and/or raised its dividend each year (over the past 10 years), we view its track record as HEALTHY.

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).

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.

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).

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.

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.

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.

Risk of Capital Loss. We think capital preservation is key for the dividend investor. As such, we evalute the risk of capital loss by assessing the intrinsic value of each firm based on our discounted cash-flow process. If a firm is significantly OVERVALUED, we think the risk of capital loss is HIGH. If a firm is FAIRLY VALUED, we think the risk of capital loss is MEDIUM, and if a firm is UNDERVALUED, we think the risk of capital loss is LOW.

Stock Price Relative Strength. We assess the perfomance 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.

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.

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.

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.

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.

Valuentum Dividend Cushion™. This is a proprietary Valuentum measure that drives our assessment of the firm's Dividend Safety rating. The forward-looking measure assesses dividend coverage via the cash characteristics of the business.

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.

Disclosures, Disclaimers & 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.

Copyright © 2012 by Valuentum, Inc. All rights reserved.

No part of this publication may be reproduced in any form or by any means.

Valuentum does not offer brokerage or investment banking services and adheres to professional standards and abides by formal codes of ethics that put the interests of clients and subscribers ahead of their own. As of the date of this report, Valuentum has not received any compensation from any company highlighted in this publication. Valuentum, its employees, and affiliates may have long, short or derivative positions in the stock or stocks mentioned herein.

The information contained in this publication is not represented or warranted to be accurate, correct, complete, or timely. This publication is for informational purposes only and should not be considered a solicitation to buy or sell any security. No warranty may be created or extended by sales or promotional materials. The securities or strategies mentioned herein may not be suitable for all types of investors. The information contained in this publication does not constitute any advice, and especially on the tax consequences of making any particular investment decision. This material is not intended for any specific type of investor and does not take into account an investor's particular investment objectives, financial situation or needs. This report is not intended as a recommendation of the securities highlighted or any particular investment strategy. Before acting on any information found in this report, readers should consider whether such an investment is suitable for their particular circumstances, perform their own due-diligence, and if necessary, seek professional advice. Assumptions, opinions, and estimates are based on our judgment as of the date of the report and are subject to change without notice. Valuentum is not responsible for any errors or omissions or for results obtained from the use of this report and accepts no liability for how readers may choose to utilize the content. In no event shall Valuentum be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the information contained in this document. Investors should consider this report as only a single factor in making their investment decision. Redistribution is prohibited without written permission. Further, readers should be aware that information in this work may have changed between when this work was written and when it is read.

Valuentum's firm-specific forecasts used in its discounted cash flow model are rules-based. These rules reflect the experience and opinions of Valuentum's analyst staff. Historical data used in our valuation model is provided by Xignite and from other publicly available sources including annual and quarterly regulatory filings. Stock price and volume data is provided by Xignite. No warranty is made regarding the accuracy of any data or any opinions. Valuentum's valuation model is based on sound academic principles, and other forecasts in the model such as inflation and the equity risk premium are based on long-term averages. The Valuentum proprietary automated text-generation system creates text that will vary by company and may often change for the same company upon subsequent updates. Valuentum uses its own proprietary stock investment style and industry classification systems. Peer companies are selected based on the opinions of the Valuentum analyst staff. Research reports and data are updated at least quarterly, though Valuentum assumes no obligation to update its opinions following publication in any form or format. Performance assessment of the Valuentum Buying Index™ is currently ongoing, and we intend to update investors as soon as such results are available. Past performance is not a guarantee of future results.

For general information about Valuentum's products and services, please contact us at valuentum@valuentum.com or visit our website at www.valuentum.com. Or contact sales at +1 (708) 653-7546 or via email at info@valuentum.com.