

Date: April 1, 2013

Analyst: Khalid Surur

CIF Sector Recommendation Report (Spring 2013)

Sector Consumer Discretionary

Review Period: March 13- March 26

Section (A) Sector Performance Review

Copy/paste "Sector Review Spreadsheet" (the entire spreadsheet) here

CND										
	Ticker	Current Price	Beg. Price	Stop-loss Price	Target Price	% Cap Gain	# Shares	Current Value	vs. Sector	s. S&P 500
S&P 500	\$INX	1563.77	1552.48			0.73%				
Sector ETF	XLY	\$52.79	\$52.60			0.36%	3300	\$174,207.00		-0.37%
Current Holdings										
Walt Disney Co	DIS	\$57.34	\$56.63	\$50.70	\$62.00	1.25%	700	\$40,138.00	0.89%	0.53%

Review sector performance relative to the broad market (SP500) and explain why; Include a two-week (for the two-week window reviewed) price chart of the SPDR sector ETF and SP500 (on the same chart)

The sector underperformed the market and actually had a -.37% decrease over my two week period. The market gained .73% over my two week period, I think the reason for such low returns on the sector and market is due to uncertainty in Europe especially Cyprus, and the affect Cyprus may have on the EU.

53.00 +0.19 (0.36%) Mar 28, 4:00PM EDT | After Hours : **52.96** -0.04 (0.08%) Mar 28, 4:22PM EDT



Highlight noteworthy headline news from the sector (company-, industry-, or sector- level news)

- Nike continues to dominate and has seen their stock price rise.
- Hulu to be sold, parent companies Disney and News Corp are still weighing out options.
- McDonalds to sell egg-white McMuffin for more healthy option and to remain the leader of fast food breakfast.
- McDonalds being sued for not cleaning up play place and toddler eating used condom.

Highlight the biggest (+) and the biggest (-) movers from the sector holdings during the review period. Are there notable reasons why the stocks had big moves (e.g., earnings surprises, etc)?

Biggest Gainers:

Nike (NKE): +8.42%

Nike had a strong quarter and beat analysts' estimates. They are their industry leader and have continued their dominant growth. Coach hired a former Nike executive and saw their

stock up 5.3% in the premarket at the end of February, looks like everyone wants what Nike has.

Wynn Resorts Ltd.(WYNN): +4.98%

Wynn Resorts was allowed a special shareholder meeting to remove dissident shareholder Kazuo Okada from their board. He resigned and since they have seen quite the increase in their stock of this two week period.

Biggest Losers:

Amazon (AMZN): - 5.38%

Amazon had a decrease over these past couple weeks because of how they have been rising the prices of fees to their merchants. The increase in fees is driving some of their merchants out which is providing an opening for rivals Wal-Mart and Ebay.

Fossil Inc. (FOSL): -10.07%

Fossil actually had really good earnings reported in February and they expect sales to continue to rise and grow. I think a lot of people bought it when it was hot right after the earnings report then tried to sell high. I think it is just experiencing a dip but should rise again in the very near future.



Highlight the largest two holdings from the sector and note any headline news on the companies.

Comcast:

Comcast was very relieved on March 27th when the U.S Supreme Court ruled in their favor for the class action suit they were engaged in. Comcast barely won with a vote of 5-4. The suit was for 2 million subscribers in Philadelphia claimed that Comcast had overcharged them as part of an effort to monopolize the market. Also Comcast looked strong in their court of appeals case. This case is alleging that Comcast discriminated against the sports network, Tennis Channel. Comcast originally lost the case and are now supposed to put the Tennis Channel with Comcast's own sports networks like the Golf Channel and NBC Sports Network. The court is expected to decide in the next couple of months.

Home Depot:

Home Depot Supply is a one-time division of Home Depot Inc. that was taken private for eight and half billion dollars in 2007. Now they have chosen Bank of America and JPMorgan Chase to lead a proposed initial public offering. HD Supply is one of the largest distributors of construction, industrial and maintenance supplies in North America and this IPO would be an attempt to capitalize on the rebound of our domestic housing sector.

Comment on short-term outlook of the sector (including noteworthy upcoming events)

I think the short term outlook for the sector is positive. With the sun coming out more, people are expected to go out and spend more money. I would expect almost all industries to rise in the short term because I think people are more likely to travel, eat out, and buy more clothes because it is Spring. The sector is very diverse though so I do think some holdings may see a decline and I think these companies will be more like the everyday companies that people shop at like Wal-Mart.

Section (B) Sector Holding Updates

Company #1: <u>Walt Disney Co. (DIS)</u>

Date Recommended: March 8, 2013

Date Re-evaluated: March 30, 2013

Company Update:

Disney has kept the company running smooth over my two week period. There was very little activity in stock price seeing that it only changed .01 during my review period. They released a movie "Oz the Great and Powerful" which did really well in theatres. They released the movie on March 8th and topped the box office in their first weekend at \$79.1 million and in its second weekend, March 15, they still were atop the box office grossing \$41.3 million. Other news for Disney has to do with their Hulu video streaming site. Hulu's board has recently been approaching buyers to gauge where the interest are for their company. Parent companies News Corp and Walt Disney have been weighing their options on what to do with this five year old company. News Corp and Disney are even considering options of buying each other out an anonymous source reported. Michael Pachter, an analyst with Wedbush Securities in LA said "Nobody will buy them unless they can fix content costs in a long-term agreement, The value is based on the profit potential, and without certainty about costs no rational bidder will step up." So we will see how they handle this Hulu situation in the near future I assume. There seems to be more confidence in Disney, in the past four weeks 14 up revisions and only 3 down revisions. However, last week they did have two down revisions with no up revisions. I think the up revisions were in large part due to the great success of the movie Disney released and the down revisions reflect the uncertainty with Hulu.

Relative Performance



Disney has seen a slight decline and they definitely underperformed when comparing to the S&P and the sector. I think the recent decline is because of what Disney is going through with Hulu. They dropped 1.24% during my period but once the Hulu ordeal gets figured out, I think Disney will move in the positive direction.

Price Charts

Insert a price chart of the stock for **the most recent three months**. You should include on the same chart (1) the SPDR sector ETF, (2) and the SP500 prices for the same period

The Walt Disney Company (DIS) - NYSE

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56.80 +0.33 (0.58%) Mar 28, 4:02PM EDT | After Hours : **56.75** -0.05 (0.09%) Mar 28, 4:42PM EDT

Enter name(s) or symbol(s) [GET CHART](#) [COMPARE](#) [EVENTS](#) [TECHNICAL INDICATORS](#) [CHART SETTINGS](#) [RESET](#)



Insert a price chart of the stock for the **most recent one year**. You should include on the same chart (1) the SPDR sector ETF, (2) and the SP500 prices for the same period

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Valuations Analysis

Original Analysis

Copy/paste P/E (TTM), P/S (TTM), P/B (MRQ), P/CF (TTM) of the stock, the industry, and the sector from "ratio analysis" section of the original stock recommendation report (from CIF website, "reports" tab)

<u>Ratio Analysis</u>	<u>Company</u>
P/E (TTM)	17.62
P/S (TTM)	2.3
P/B (MRQ)	2.39
P/CF (TTM)	12.13
Dividend Yield	1.38
Total Debt/Equity (MRQ)	42.54
Net Profit Margin (TTM)	14.22
ROA (TTM)	7.88
ROE (TTM)	14.31

Re-evaluation Analysis

Copy/paste the requested valuation multiples from <http://www.reuters.com/>, "Financials" tab

<u>Ratio Analysis</u>	<u>Company</u>
P/E (TTM)	18.37
P/S (TTM)	2.39
P/B (MRQ)	2.49
P/CF (TTM)	12.65
Dividend Yield	1.32
Total Debt/Equity (MRQ)	42.54
Net Profit Margin (TTM)	14.22
ROA (TTM)	7.88
ROE (TTM)	14.31

Briefly discuss the changes

The ratios have hardly seen any change and are almost identical to the ratios when initially recommended.

Historical Surprises

Original Analysis

Copy/paste ***“Historical Surprises” Table*** from the original stock recommendation report (from *CIF website, “reports” tab*)

Sales and Profit Figures in US Dollar (USD)				
Earnings and Dividend Figures in US Dollar (USD)				
Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Dec-12	11,210.10	11,341.00	130.91	1.17
Quarter Ending Sep-12	10,921.50	10,782.00	139.52	-1.28
Quarter Ending Jun-12	11,298.20	11,088.00	210.18	-1.86
Quarter Ending Mar-12	9,563.77	9,629.00	65.23	0.68
Quarter Ending Dec-11	11,181.20	10,779.00	402.20	-3.60
Earnings (per share)				
Quarter Ending Dec-12	0.76	0.79	0.03	3.82
Quarter Ending Sep-12	0.68	0.68	0.00	0.09
Quarter Ending Jun-12	0.92	1.01	0.09	9.34
Quarter Ending Mar-12	0.55	0.58	0.03	4.96
Quarter Ending Dec-11	0.71	0.80	0.09	11.95

Re-evaluation Analysis

Copy/Paste the ***“Historical Surprises” Table*** from <http://www.reuters.com/>, ***“Analysts” tab*** (include both revenue and earnings; make note that revenues might be in “millions”)

Briefly discuss the changes

Historical Surprises

Sales and Profit Figures in US Dollar (USD)

Earnings and Dividend Figures in US Dollar (USD)

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
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Quarter Ending Mar-12	0.55	0.58	0.03	4.96
Quarter Ending Dec-11	0.71	0.80	0.09	11.95

The charts are the same because this stock was recommended recently.

Consensus Estimates

Original Analysis

Copy/paste "**Consensus Estimates Analysis**" Table from the original stock recommendation report (from *CIF website*, "reports" tab)

Quarter Ending Mar-13	25	10,475.40	10,846.90	10,285.00	10,152.00
Quarter Ending Jun-13	25	11,760.10	12,416.20	11,399.00	11,686.60
Year Ending Sep-13	28	45,165.00	46,520.10	44,003.00	44,960.30
Year Ending Sep-14	28	47,934.80	49,689.00	46,825.00	47,380.90

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Earnings (per share)

Quarter Ending Mar-13	27	0.76	0.82	0.69	0.74
Quarter Ending Jun-13	27	1.07	1.14	1.00	1.04
Year Ending Sep-13	29	3.44	3.66	3.37	3.39
Year Ending Sep-14	30	3.88	4.12	3.70	3.83
LT Growth Rate (%)	9	11.26	16.10	3.00	13.46

Re-Evaluation Analysis

Copy/paste the "**Consensus Estimates Analysis**" Table from <http://www.reuters.com/>, "**Analysts**" tab (include both revenue and earnings)

Consensus Estimates Analysis

Sales and Profit Figures in US Dollar (USD)

Earnings and Dividend Figures in US Dollar (USD)

	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-13	26	10,478.80	10,846.90	10,285.00	10,106.90
Quarter Ending Jun-13	26	11,769.10	12,416.20	11,399.00	11,596.90
Year Ending Sep-13	29	45,183.40	46,520.10	44,003.00	44,844.90
Year Ending Sep-14	29	47,966.80	49,689.00	46,825.00	47,347.20
Earnings (per share)					
Quarter Ending Mar-13	28	0.76	0.82	0.69	0.74
Quarter Ending Jun-13	28	1.07	1.14	1.00	1.04
Year Ending Sep-13	30	3.45	3.66	3.37	3.40
Year Ending Sep-14	31	3.88	4.12	3.70	3.85
LT Growth Rate (%)	7	12.44	16.10	10.00	13.20

Again very small changes and I think where the numbers have changed, the changes are too small to justify.

Estimate Revision Analysis

Original Analysis (MM/DD/YYYY)

Copy/paste "**Estimates Revision Summary**" Table from the original stock recommendation report (from CIF website, "reports" tab)

Estimates Revisions Summary

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Mar-13	0	0	16	3
Quarter Ending Jun-13	0	0	8	10
	16			

Year Ending Sep-13	0	0	19	3
Year Ending Sep-14	0	0	19	1
Earnings				
Quarter Ending Mar-13	0	0	12	7
Quarter Ending Jun-13	0	0	8	5
Year Ending Sep-13	0	0	17	4
Year Ending Sep-14	0	0	14	7

Re-Evaluation Analysis

Copy/paste the **“Estimates Revisions Summary” Table** from <http://www.reuters.com/>, **“Analysts” tab** (include both revenue and earnings)

Estimates Revisions Summary

	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Number Of Revisions:				
Revenue				
Quarter Ending Mar-13	0	1	2	1
Quarter Ending Jun-13	0	1	1	2
Year Ending Sep-13	0	0	2	0
Year Ending Sep-14	0	0	2	0
Earnings				
Quarter Ending Mar-13	0	0	2	0
Quarter Ending Jun-13	0	0	2	0
Year Ending Sep-13	0	0	2	0
Year Ending Sep-14	0	0	1	0

When the stock was originally recommended there were a lot more revisions done. For the most part the two tables seem to be in line. The most down revisions are for quarter June 13' in both. Both charts have several more up revisions than down revisions.

Analysts' Recommendations

Original Analysis

Copy/paste **“Analyst Recommendations and Revisions” Table** from the original stock recommendation report (from CIF website, “reports” tab)

Analyst Recommendations and Revisions

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	8	8	8	8
(2) OUTPERFORM	10	10	10	10
(3) HOLD	11	11	11	12
(4) UNDERPERFORM	0	0	1	1
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.10	2.10	2.17	2.19

Re-Evaluation Analysis

Copy/paste the *“Analyst Recommendations and Revisions” Table* from <http://www.reuters.com/>, *“Analysts” tab* (include both revenue and earnings)
Analyst Recommendations and Revisions

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	8	8	8	8
(2) OUTPERFORM	10	10	10	10
(3) HOLD	11	11	11	11
(4) UNDERPERFORM	0	0	0	1
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.10	2.10	2.10	2.17

The tables are almost identical for analyst’s recommendation the only difference being that in the original table, the analyst who said it would underperform from 2 months ago moved to 3 months ago in the re-evaluation analysis.

Company #2-?: Company Name and Ticker

Repeat the above for Company #2, and all other sector holdings in CIF.

Section (C) Sector Recommendations

You will make recommendations on whether CIF should continue to own its sector holdings Provide your views on the sector. Are you bullish, bearish or neutral on the sector, and why?

Discuss whether you recommend CIF to (1) stay put with its current sector holdings, or (2) sell out of the sector, and why?

I like both our holdings in the Consumer Discretionary sector. I do believe Disney will grow and we will reach our target price. Although our sector ETF did not perform during my period I do think it will rebound and will continue to give us positive returns so I think we should stay put with it. I am bullish in the sector because I think this is a good time to buy in this cyclical sector. A lot of companies in this sector have the highest stock prices in the summer so now I think is a great time to get in.

Section (D) Sector Holding Recommendations

Based on your analysis, are there stocks CIF currently owns from your sector you would recommend to:

1. Sell and why? No, I do not want to make any adjustments.
2. Adjust “target price” and why? If you recommend an adjustment, you must suggest a new “target price”
3. Adjust “stop-loss price” and why? If you recommend an adjustment, you must suggest a new “stop-loss price”

Provide your recommendations in the following table

Company Name	Ticker Symbol	Date Recommended	Date Re-evaluated	Recommendation (Explain Why)		
				Sell	Adjust “Target Price”	Adjust “Stop-loss

						Price"