Date4/2/2013

Analyst:Kristen Hecht

CIF Sector Recommendation Report (Fall 2012)

Sector CND **Review Period 3/19/2013 – 4/2/2013**

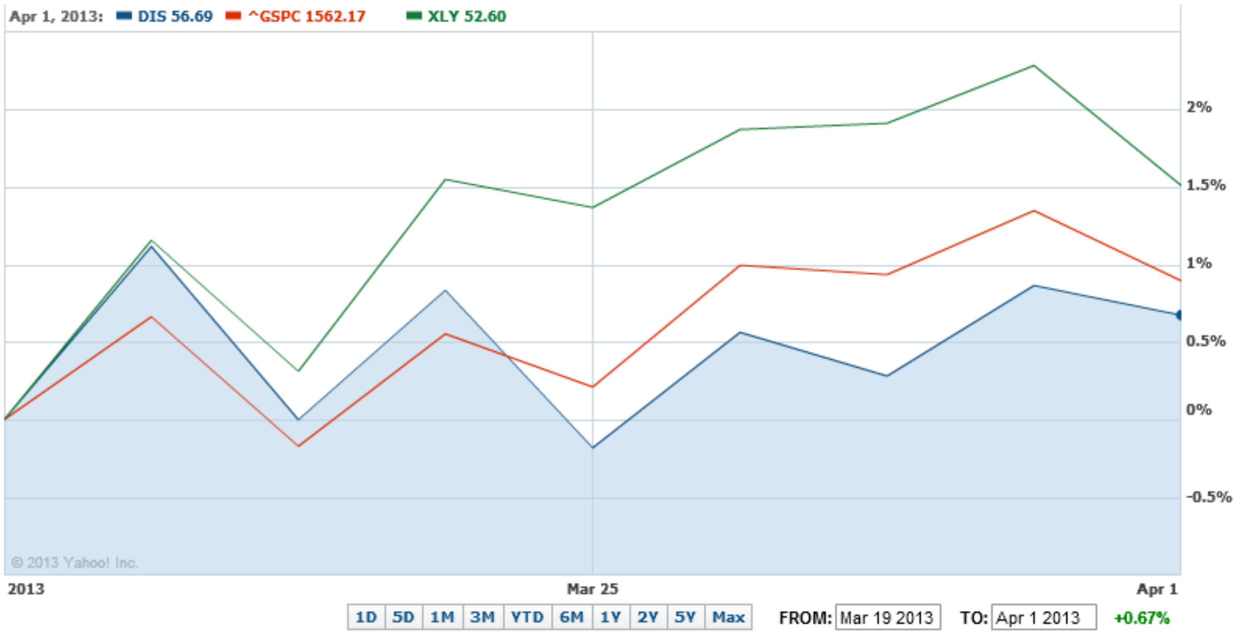
Section (A) Sector Performance Review

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	vs. S&P 500
S&P 500	$INX	1570.12	1552.10			1.16%				
Sector ETF	XLY	$53.06	$52.19			1.67%	3030	$160,771.80		0.51%
Current Holdings										
	DIS	$57.46	$56.83			1.11%	700	$40,222.00	-0.56%	-0.05%

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 has outperformed the S&P in the last two weeks by .51%. This is most likely due to the fact that consumer discretionary is a cyclical sector and tend s to do very well when the market is doing well, and during my time period the S&P 500 reached an all time high, so it makes sense that the consumer discretionary would be outperforming the market.

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

Consumer Discretionary as a whole has done extremely well recently. They have posted 14 straight quarters of earnings growth, and have risen 40.4% since the previous closing high in October of 2007. Eight of the twenty best performing stocks since October of 2007 are in the consumer discretionary sector, including Amazon.com and Netflix.com (CNBC.com). Retail rates rose at their fastest rate in five months in February (CNBC.com). Overall the sector has done incredibly well in the last few years, and also very recently.

However, the late snow-storms in the Midwest may have contributed to a lower consumer confidence index of 59.7 in March, down from 68 in February, which is not a good sign for the retail industry (Foxbusiness.com). This may have especially affected clothing retailers who are stuck with spring inventory that just isn't selling due to colder than average temperatures. However if the nation starts to experience warm weather soon, this trend could be quickly turned around.

The RPI (Restaurant Performance Index) dropped to below 100 in February citing a slow down in same-store sales and less traffic (NationalRestaurantAssociation.com). "Despite the sales and traffic decline in February, restaurant operators remain generally optimistic about the business conditions in the months ahead (NRN.com).

Toys 'R' Us just recently decided not to go through with their IPO citing "unfavorable market conditions and changes in executive leadership" (CNBC.com). However they had plummeting net income this quarter and a decrease in same store sales. This could be a warning sign for the sector as a whole that brick-and-mortar stores will experience continued hardships in the future to compete with technology options and online resources (CNBC.com).

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)?

Gamestop was the biggest winner during the review period with gains of 15.71%. This is due to it's shock to the market with strong fourth quarter results. Their net profits grew 49% on a year-to-year basis and several analysts responded to this by giving upgrades to Gamestop (SchaeffersResearch.com).

Nike also had growth of 7.57% during the review period and came in as the second largest gainer during the period. Goldman Sachs resumed coverage of Nike and assigned them a 'buy' rating and said they expect to see the stock price increase by about 20% to $70.00, and up to 20% EPS growth in 2014 (Dividend.com). The stock price increase also comes on the heels of their strong quarter performance announced in March.

JCPenny was down 9.09%. Over the review period BMO Capital downgraded the stock to under-perform and slashed its price from $18 to $12 (Fool.com). This is amidst extremely hard times for the retailer, who can't seem to compete with higher quality brand like Nordstrom or Saks, nor can they compete with WalMart and Target who also sell discounted clothing and accesories. JCP traditionally had to discount merchandise to move it out the door, but in the past year has adopted a no-discount model. However the CEO Ron Johnson who was hired from Apple in order to turn the business around received no bonuses or stock options this year due to the poor performance of the company (Rueters.com).

PVH was down 7.05%. PVH Corp owns a variety of apparel and accessories brands such as Calvin Klein, Tommy Hilfiger, Kenneth Cole, Sean John, and Michael Kors. They announced on Thursday March 28th that an acquisition will require more investment than originally thought, and will hurt earnings for 2013 (AssociatedPress.com). The acquisition was for Warnaco Group for $2.9 billion, however they announced they will need to more money into the investment to solidify the Calvin Klein Denim and Underwear businesses. Although their fourth quarter more than doubled their net income and they beat estimates, the announcement that the earnings for 2013 could decrease by as much as $0.25 drove the stock price down.

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

Comcast, which consists of 6.83 % of the sector, had a successful weekend at the box office. G.I Joe: Retaliation opened at number 1 at the box office over the weekend, bringing in 40.5 million dollars in ticket sales. However they still fell 1% on Monday, when the market seemed to respond a bit to the record high on Thursday at closing (Yahoo.finance.com). This drop is most likely due to an appeals court ruling in favor of Aereo, a start-up that takes broadcast T.V instantly to internet devices. The U.S Appeals court ruled that the company could continue selling it's services until litigation between the start-up and large media networks was resolved (Investors.com).

Home Depot makes up 6.42% off the sector. They just recently settled an $8 million lawsuit with California's South Coast Air Quality Management District, in which they admitted they sold coatings they knew contained excessive levels of smog creating chemicals (Fools.com). Home Depot hit a 13-year high early in March of $71.45. They have gained 39% growth in the last 12 months, due in part to response from Hurricane Sandy as well as the boom in the housing market. In February they also approved a new $17 billion stock repurchase program that will be in effect through the end of fiscal year 2015 (SeekingAlpha.com).

Although during my review period Home Depot was the second largest holder in the sector, on 4/5/2013 Forbes announced that Walt Disney was now the 28th largest company based on market capitalization, surpassing Home Depot. That would make them for the next sector report, the second largest holding in the XLY based on market cap.

Comment on short-term outlook of the sector (including noteworthy upcoming events)
The short –term outlook for the sector will be largely dependant on earnings, as the first quarter of 2013 ended on March 31st for most companies. The consumer confidence index was down in March, and some reports indicate that restaurants and retailers lacked traffic and may have lost sales this last quarter. The sector as a whole has outperformed the S&P 500 this year so far, and that is an accomplishment with the recent upswing in the market, and record-breaking highs. What is worrisome is whether the market, and the more cyclical sectors such as discretionary will be able to maintain such growth. Morningstar says the outlook for consumer discretionary is "cautiously optimistic" (MorningStar.com). In the short-run the increased payroll taxes and austerity measures could damper consumer spending. Concerns over Europe could add to slowing growth for equity. However most management teams in the consumer discretionary sector still expect growth for 2013. I believe the quarterly earnings reports will be good but not great for the sector, and they will experience growth, but not at such a fast paced as they have seen so far in 2013.

Section (B) Sector Holding Updates

Company #1: Walt Disney Corporation (DIS)

Date Recommended: **03/08/2013**

Date Re-evaluated: **04/08/2013**

Company Update

Briefly update what happened to the company the last two weeks (up through your re-evaluation date). This should include noteworthy headline news on the stock (e.g., earnings announcement, management's comments on company outlook and/or strategic changes, changes in analyst recommendations or estimate revisions, new product launch, management turnover, legal or regulatory issues, merger/acquisition announcement, restructure announcement, news from major competitors, etc.)

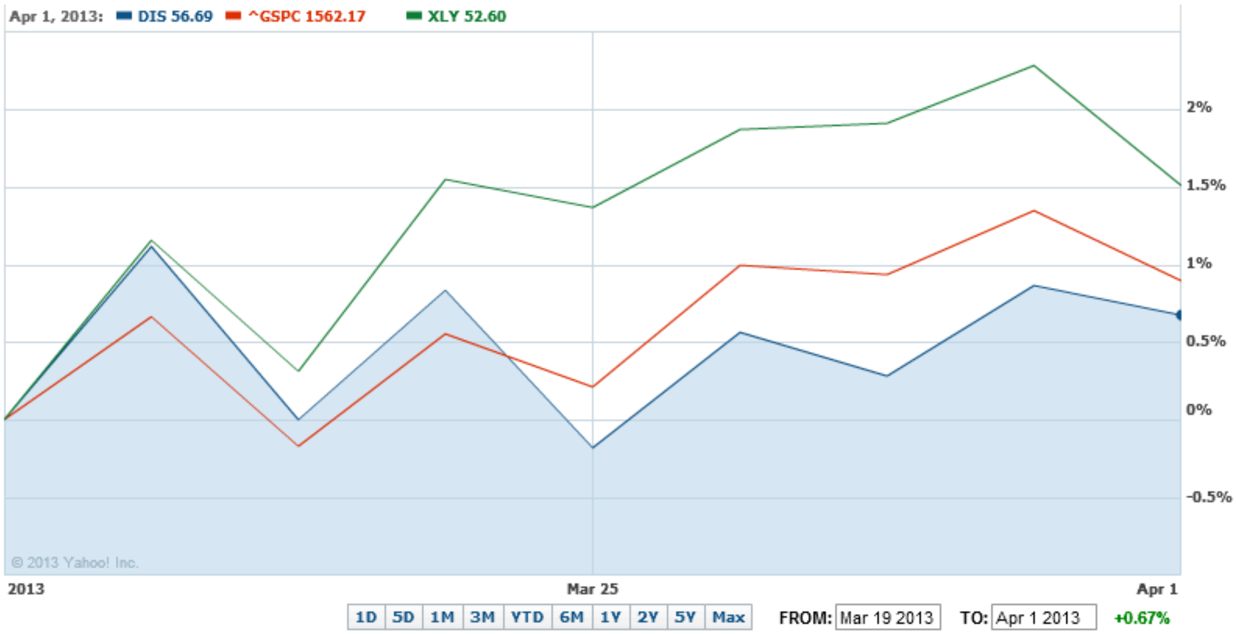
Like Comcast, Disney took a small blow in the ruling that Aereo could continue to sell it's services in the United States until further litigation happens. Disney, like Newscorp and Comcast, argues that Aereo is unlawfully "capturing and redistributing their signals and copyrights materials" (Investors.com). This ruling is a minor setback for Disney, but could have larger implications down the road. If the ongoing litigation rules in favor of Aereo, it could threaten their ability to control subscription fees and advertising revenue, which is a major source of revenue for Disney.

Disney announced on Tuesday they will be releasing "Finding Dory" in November 2015, as a sequel to the Oscar winning and commercial success of Finding Nemo in 2003. The sequel will star Ellen DeGeneres, who will be reprising her role as the forgetful fish, Dory. The original Finding Nemo brought in $922 million in ticket sales worldwide (Reuters.com).

Disney also announced on Thursday 4/04/2013 that they will begin layoffs in the marketing and home entertainment divisions as part of corporate restructuring. There is no indication of how many layoffs it will be, Disney responded to this news with a .2% gain in the market on 4/05/2013 (LATimes.com). However, one article claims that these layoffs are not signs of weaknesses in the company, rather that with so many acquisitions there are numerous positions that are redundant, and that this is more of a profit margins focused layoff than Disney needing to cut expenses, with so many jobs becoming unnecessary with the improvement of technology (WallStreetCheatStreet).

Relative Performance

Review relative performance of each sector holding, over the two-week review period, both relative to the SP500 and to the respective SPDR sector ETF. Relate your comments on relative performance to the updates discussed above



Over the two week period Disney has underperformed the sector and the S&P 500. I think this can be mainly contributed to it having recently achieved a 52-week high a little earlier than the market really picked up speed and the S&P achieved and broke the record for the it's all time high on Thursday March 28th. Disney did underperform the sector and the market, and that is not a very good sign, however it did achieve a positive return during the review period and was outperformed by the secotr by less than 1%.

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

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

Both stock charts show Disney outperforming the sector and the market. However this is different from the two week stock chart where Disney is outperformed by both the sector and the market.

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)

Ratio Analysis	**Company**	**Industry**	**Sector**
P/E (TTM)	17.62	20.61	14.25
P/S (TTM)	2.3	8.13	1.34
P/B (MRQ)	2.39	1.05	1.44
P/CF (TTM)	12.13	15.32	8.38

Re-evaluation Analysis

Copy/paste the requested valuation multiples from ***http://www.reuters.com/*** , ***“Financials”*** **tab**

	Company	**Industry**	**Sector**
P/E Ratio (TTM)	**18.34**	**21.47**	**22.27**
Price to Sales (TTM)	**2.39**	**8.41**	**1.28**
Price to Book (MRQ)	**2.49**	**1.20**	**1.46**
Price to Cash Flow (TTM)	**12.63**	**14.80**	**8.26**

Briefly discuss the changes

All four of Disney’s ratios have actually increased slightly since the original valuation. I believe this is because Disney’s stock prices have increased since the valuation date, thus driving the ratios up. However in all but P/B Disney still does appear to be cheap when compared ot the industry and sector as a whole.

Historical Surprises

Original Analysis

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

Estimates vs Actual Estimate Actual Difference Surprise %
SALES (in millions)

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)				

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")

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 %**
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

Briefly discuss the changes
There were no changes between the original valuation date and the current status.

<u>Consensus Estimates</u>

Original Analysis

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

	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
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**

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 Jun-13	26	11,769.10	12,416.20	11,399.00	11,596.90
Quarter Ending Sep-13	26	11,653.60	12,143.30	11,373.00	11,586.40
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 Jun-13	28	1.07	1.14	1.00	1.04
Quarter Ending Sep-13	28	0.83	0.94	0.75	0.80

Year Ending Sep-13	30	3.45	3.66	3.37	3.40
Year Ending Sep-14	31	3.88	4.12	3.70	3.79
LT Growth Rate (%)	7	12.44	16.10	10.00	13.20

Briefly discuss the changes
There was one more analyst who estimated the sales, and this increased the mean estimates for The quarter ending Jun-13, Quarter Ending Sep-13 and the year ending September-14, but it decreased the mean slightly for the year ending Sep 13. This is a mostly bullish indicator that the estimates have mostly increased, especially for the upcoming quarter. The estimates for earnings barely changed, but the LT Growth Rate mean did increase.

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*)

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

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**	
Number Of Revisions:	**Up**	**Down**	**Up**	**Down**
Revenue				
Quarter Ending Jun-13	0	1	1	2
Quarter Ending Sep-13	0	1	1	2
Year Ending Sep-13	0	0	2	0
Year Ending Sep-14	0	0	2	0
Earnings				
Quarter Ending Jun-13	0	0	2	0

Quarter Ending Sep-13	0	0	1	1
Year Ending Sep-13	0	0	2	0
Year Ending Sep-14	0	0	1	0

Briefly discuss the changes

Originally there were much more revisions in general in the last month, I would contribute some of this to being closer to the earnings date, so less revisions are being in made. However the theme that there were more up revisions than down revisions stayed constant between the original valuation date and the current numbers. , and also that there were no revisions during the last week.

<u>Analysts' Recommendations</u>

Original Analysis

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

1-5 Linear Scale	**Current**	**Ago**	**Ago**	**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

Briefly discuss the changes
There are no changes in the current analyst recommendations, there is still a mean rating of 2.1, which indicates an outperform rating.

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 believe that we should continue to won the sector holdings for the XLY. Not only because we need to do so in order to stay constant with the S&P, which is our benchmark for this class, but also because the sector has been doing well and outperforming the market since the start of

2013, and I believe with earnings just around the corner, we will see good sales and earnings from the consumer discretionary sector companies and they will continue to

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?
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"**
Walt Disney Corporation	DIS	3/08/2013	4/08/2013	No	No	No

I recommend that we do not sell Disney, and do not change the target price or the stop-loss price. Although it underperformed the sector and the market during the two-week review period it closed on Friday April 5th up to \$57.70, which is higher than the \$57.37 we paid for I,t despite the market being down .43%. I think with the opening of Iron Man 3 on May 3rd and their first quarter earnings being released on May 6th that we should continue to hold this stock and there is no pressing need to change the target price or the stop-loss price. Disney's Oz: The Great and Powerful has already pulled in \$417 million in ticket prices, and some analysts predict that Iron Man 3, hot off the success of Tony Stark's character in "The Avengers", could top \$1 billion in sales.

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