

Analyst: Braden David Parsons

CIF Sector Recommendation Report (Fall 2012)

Sector: Consumer Staples

Review Period: November 16, 2012 – November 30, 2012

Section (A) Sector Performance Review

Cougar Investment Fund Sector Review Spreadsheet Template

Please download and save this template to your own storage device
 You only need to input values to cells highlighted in "yellow"
 The rest of the spreadsheet is calculated automatically
 Please read "Sector Review Guidelines" document carefully

CNS

	Ticker	Current Price	Beg. Price	Stop-loss Price	Target Price	% Cap Gain	# Shares	Current Value	vs. Sector	vs. S&P 500
S&P 500	^GSPC	1416.18	1415.95			0.02%				
Sector ETF	XLP	\$36.04	\$35.91			0.36%	3,120	\$112,444.80		0.35%
Current Holdings										
	PEP	\$70.21	\$68.31	\$62.00	\$75.69	2.78%	640	\$44,934.40	2.42%	2.77%
	GIS	\$40.99	\$39.79	\$33.84	\$44.00	3.02%	500	\$20,495.00	2.65%	3.00%

Consumer Staples Select Sector SPDR (XLP) - NYSEArca

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35.83 +0.07 (0.21%) 4:00PM EST

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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)

In respect to the S&P 500 the XLP has seen very slight fluctuations in the time period between November 16 and November 30. From November 16 to November 27 the XLP was slightly underperforming the market as a whole but showed its defensive non-cyclical nature as it was only underperforming by a fraction of a percent. Then between the 27th and the 30th the XLP saw slightly less than 2% growth which was a substantially large gain for this low risk sector. This was significant because the market as a whole only saw slightly above 1% growth for that time period and now the ETF is outperforming the S&P 500 by nearly 1% indicating that the sector is performing well. As speculated on by Hassam in his presentation, the cost to prepare Thanksgiving dinners were at all-time highs this year because of the past summer's historic drought. This caused input prices for raw materials to rise to new highs for manufacturers who were then forced to transfer this cost to higher sales prices, which in turn hurt their sales volume. The XLP is composed of many food producers and the effect of these expensive meals can be seen as the sector underperformed in the time leading up to Thanksgiving and continued for a few days after.

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

On November 27th Forbes reported that the XLP saw an inflow of approximately \$39 million dollars which amounts to a 0.7% increase over the week prior. A week prior the XLP only contained 166,221,809 units outstanding and increased to 167,321,809 units outstanding. This creation is a form of arbitrage and indicates that the underlying holdings within the XLP have a need to be purchased. A flow this large will definitely have an impact on the holdings within on our sector. This led to the consumer staple sector being one of the biggest gainers of all ETF's for the time period.

An article on November 22nd from seekingalpha.com stated that the National Retail Federation has forecasted a 4.1% growth in retail sales this holiday season. It was also projected that the infamous Black Friday shopping spree would see 147 million shoppers nationwide go to retail stores in search of the perfect deal. This was accurate according to Forbes which reported a 3.5% increase in foot traffic compared to the 2011 black Friday. What is less promising is that they reported a 1.8% decline in sales compared to last year which could possibly affect the retailer's fourth quarter numbers compared to their forecasts.

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)?

For the time period observed the largest gainers in the sector were Green Mountain Coffee Roasters and Monster Beverage. On the 16th of November Green Mountain's price opened at \$25 and two weeks later closed at \$36.67 giving them an increase of 46.68% over the two weeks. It was a good sign to see the company recover so well after being one of the sectors biggest losers in the last period observed. On November 16 Monster's price opened at \$44.81 and closed on the 30th at \$52.05. This was a 16.16% increase over the two week period that can be attributed to share buyback that was authorized by the board of directors on November 13th. The board believed that because they saw a 15.4% increase in third quarter sales that their stock was undervalued, and with the performance of their stock since I believe they were correct (investors.monsterbevcorp.com). Other notable gainers were Tyson foods and Brown-Forman both seeing notable increases in trade prices. That being said the biggest loser over the time period was Cott Corporation who saw a decrease of 3.84%. Cott is a retailer of brand name beverages including carbonated soft drinks, energy drinks, juices and other beverages. This is due to a 10% fall in third quarter company profits which has occurred because of heavily declining sales volume. Other notable losers include Chiquita brands and Dean Foods Company.

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

The company with the largest holding in the consumer staples sector is Proctor and Gamble (PG). The company holds 13.64% weight of the sector and saw its price increase 4.51% over the two weeks observed. News worth noting includes the announcement on November 15th that the company would cut 10% of its non-manufacturing workforce by the end of June. This is a move the company has made in order to reinvent what they feel has become a lethargic institute. This reduction would help improve their bottom line as the cost to produce goods will go decrease.

The second largest holding in the consumer staples sector belongs to Phillip Morris which occupies 10.83%. They saw an increase of 6.73% in their price from November 16th- November 30th which can be attributed to a rise in exports. The company has seen its revenues dip in the Czech-Slovakia region in recent times due to lower cigarette market volumes. This increase in revenue of 8.9% in that region is crucial to the company as it is one of its bestselling geographical locations.

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

The short term outlook for the sector looks bright as it is currently one of the best performing sectors of all the ETFs. Also most all of its stocks being sold within this sector have been seeing price increases lately. Worth noting is the holiday season that is almost upon us. This will be a season that has retail companies like Wal-Mart seeing increasing in consumer spending as well as food producers such as Tyson seeing increases in sales from the food necessary to cook these traditional home cooked meals. With the recent inflow that the XLP has seen I feel that the sector is sitting in prime position among the other ETFs and sectors.

Section (B) Sector Holding Updates

Company #1: <u>Pepsi Co.</u> (PEP)

Date Recommended: Oct-17-2012

Date Re-evaluated: December-6-2012

Company Update

PepsiCo is the second largest soft drink manufacturer in the world behind Coca-Cola Company. That being said the company has still shown positive signs of growth in the last two weeks as they have seen a 3.22% increase in their share price. This can be attributed to the new R&D facility in Shanghai, China and the new bottling deal the company has been working on to penetrate into the Myanmar economy. The new R&D facility is the largest type of its kind owned by Pepsi and along with their moves in Myanmar it becomes obvious that they are in an arms race with their competitor Coca Cola. Many people should be looking to invest in companies like Pepsi with the fiscal cliff on the horizon in search of safety which leads me to believe it will only continue to grow.

Relative Performance

Over the past two weeks Pepsi has been underperforming in respect to both the S&P 500 and the XLP. Although their underperformance has only been slight, what troubles me is that within the last few days as the XLP has grown and the market has flattened, PepsiCo has seen a decline. Currently the stock is underperforming the XLP by close to 2% which is not a favorable sign. With these recent investments in the R&D of the company profits are probably down which is hindering their performance in the long run. That being said this is a very well respected company with a large holding and I believe they will soon rebound as the Christmas season approaches.

Price Charts

3 Months

Pepsico, Inc. (PEP) - NYSE

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69.86 $\downarrow 0.01$ (0.01%) 4:01PM EST | After Hours : **69.93** $\uparrow 0.07$ (0.10%) 4:42PM EST

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1 Year

Pepsico, Inc. (PEP) - NYSE

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69.86 $\downarrow 0.01$ (0.01%) 4:01PM EST | After Hours : **69.93** $\uparrow 0.07$ (0.10%) 4:42PM EST

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



Valuations Analysis

Original Analysis

Ratio Analysis	Company	Industry	Sector
P/E (TTM)	18.51	27.35	40.39
P/S (TTM)	1.64	1.38	3.66
P/B (MRQ)	5.32	3.05	2.05
P/CF (TTM)	12.44	22.23	23.11

Re-evaluation Analysis

Ratio Analysis	Company	Industry	Sector
P/E (TTM)	18.61	33.27	33.06
P/S (TTM)	1.65	1.35	4.02
P/B (MRQ)	5.03	3.08	1.71
P/CF (TTM)	12.51	12.00	22.51

Briefly discuss the changes

The changes the company has seen have been mixed as some of its ratios have increased and some have decreased. The P/E ratio has increased along with the P/S and the P/CF ratio while they have seen a decrease in their P/B. This was fairly comparable to its industry's changes except for in the P/CF where the industry saw its ratio fall significantly.

Historical Surprises

Original Analysis

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 Jun-12	16,502.10	16,458.00	44.11	0.27
Quarter Ending Mar-12	12,339.70	12,428.00	88.26	0.72
Quarter Ending Dec-11	19,913.20	19,535.00	378.22	1.90
Quarter Ending Sep-11	17,178.60	17,582.00	403.36	2.35
Quarter Ending Jun-11	16,400.20	16,827.00	426.82	2.60
Earnings (per share)				
Quarter Ending Jun-12	1.09	1.12	0.03	2.41
Quarter Ending Mar-12	0.67	0.69	0.02	3.20
Quarter Ending Dec-11	1.12	1.15	0.02	2.22
Quarter Ending Sep-11	1.30	1.31	0.01	1.05
Quarter Ending Jun-11	1.21	1.21	0.00	0.22

Re-evaluation Analysis

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 Sep-12	16,901.90	16,652.00	249.89	1.48
Quarter Ending Jun-12	16,502.10	16,458.00	44.11	0.27
Quarter Ending Mar-12	12,339.70	12,428.00	88.26	0.72
Quarter Ending Dec-11	19,913.20	19,535.00	378.22	1.90
Quarter Ending Sep-11	17,178.60	17,582.00	403.36	2.35
Earnings (per share)				
Quarter Ending Sep-12	1.16	1.20	0.04	3.51
Quarter Ending Jun-12	1.09	1.12	0.03	2.41
Quarter Ending Mar-12	0.67	0.69	0.02	3.20
Quarter Ending Dec-11	1.12	1.15	0.02	2.22
Quarter Ending Sep-11	1.30	1.31	0.01	1.05

Briefly discuss the changes

The change that can be seen from the original analysis to now is that a new quarter has ended. For the most recent quarter which ended September-12 the company saw a negative surprise of 1.48% for revenues and a negative surprise of 3.51% for earnings per share.

Consensus Estimates

Original Analysis

Sales (in millions)	# analysts	mean	high	Diff. mean & high	low	Diff. mean & low	1-year ago
Quarter Ending Dec-12	11	19,729.50	20,456.00	3.55%	18,990.00	-3.89%	21,078.40
Quarter Ending Mar-13	6	12,692.80	12,854.10	1.25%	12,529.00	-1.31%	13,094.10
Year Ending Dec-12	15	65,679.20	66,513.00	1.25%	64,464.00	-1.89%	68,602.70
Year Ending Dec-13	15	68,385.80	69,956.50	2.25%	67,366.70	-1.51%	71,955.90
Earnings (per share)							
Quarter Ending Dec-12	13	1.09	1.13	3.54%	1.05	-3.81%	1.22
Quarter Ending Mar-13	8	0.72	0.75	4.00%	0.7	-2.86%	0.81
Year Ending Dec-12	17	4.06	4.09	0.73%	4.05	-0.25%	4.71
Year Ending Dec-13	18	4.41	4.48	1.56%	4.32	-2.08%	5.11
LT Growth Rate (%)	7	6.21	10.1	38.51%	2.4	-158.75%	9.18

Re-Evaluation Analysis

	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Quarter Ending Dec-12	11	19,651.20	20,025.20	19,000.00	20,770.10
Quarter Ending Mar-13	6	12,746.70	12,854.10	12,560.90	13,005.70
Year Ending Dec-12	16	65,272.90	65,706.00	64,538.00	68,449.00
Year Ending Dec-13	16	68,202.50	69,328.50	66,450.00	71,615.60
Earnings (per share)					
Quarter Ending Dec-12	14	1.05	1.07	1.04	1.22
Quarter Ending Mar-13	8	0.73	0.75	0.69	0.80
Year Ending Dec-12	17	4.06	4.09	4.05	4.63
Year Ending Dec-13	18	4.41	4.50	4.31	5.00
LT Growth Rate (%)	6	6.18	10.10	2.40	9.18

Briefly discuss the changes

The main changes that are visible between these analyses is the mean value for sales figures have all slightly decreased. In respect to earnings per share the figures the means are relatively the same but have slightly increased in comparison to the original analysis.

Estimate Revision Analysis

Original Analysis

ESTIMATES REVISIONS SUMMARY	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Number Of Revisions:				
Revenue				
Quarter Ending Dec-12	1	2	1	3
Quarter Ending Mar-13	1	0	1	2
Year Ending Dec-12	1	2	2	3
Year Ending Dec-13	1	2	2	3
Earnings				
Quarter Ending Dec-12	1	0	3	0
Quarter Ending Mar-13	0	0	0	0
Year Ending Dec-12	1	1	1	2
Year Ending Dec-13	0	2	3	2

Re-Evaluation Analysis

ESTIMATES REVISIONS SUMMARY	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Number Of Revisions:				
Revenue				
Quarter Ending Dec-12	0	0	0	0
Quarter Ending Mar-13	0	0	0	0
Year Ending Dec-12	0	0	0	0
Year Ending Dec-13	0	0	0	0
Earnings				
Quarter Ending Dec-12	0	0	0	0
Quarter Ending Mar-13	0	0	0	0
Year Ending Dec-12	0	0	0	0
Year Ending Dec-13	0	0	0	0

Briefly discuss the changes

The change between the original analysis and the re-evaluation is that there were anywhere from 1 to 3 revisions in the original whereas in the re-evaluation there were zero revisions total.

Analysts' Recommendations

Original Analysis

Section (F) Analysts' Recommendations

Copy/paste the "Analyst Recommendations and Revisions" Table from *Reuters.com*, "Analysts" tab. NOTE: Make sure you copy the entire table including the "Mean Rating" at the bottom of the table.

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	5	5	5	5
(2) OUTPERFORM	6	6	6	7
(3) HOLD	7	7	7	6
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.11	2.11	2.11	2.06

Re-Evaluation Analysis

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	5	5	5	5
(2) OUTPERFORM	6	6	6	6
(3) HOLD	7	7	7	7
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.11	2.11	2.11	2.11

Briefly discuss the changes

The current, 1 month ago, and 2 months ago mean ratings in both analyses are 2.11. The only difference comes in the mean rating for three months ago where their rating was 2.06 and in the more current analysis is 2.11. This leads me to believe that since the 3 months ago recommendation in the original analysis nothing has changed in the eyes of the analysts.

Company #2: <u>General Mills</u> (GIS)

Date Recommended: November 6, 2012

Date Re-evaluated: December 6, 2012

Company Update

General Mills has had a favorable last two weeks where they have seen their price grow 2.71%. This may not seem like a huge gain but for this extremely low risk company but it is a significant sign that things are going well with their business and future prosperity is in order. The beta of this stock is 0.16 which is as low volatility as I have come across in my research. The company has seen stable prices despite the increased commodity prices they are facing. The entire sector is currently thriving which shows how defensive it is as others have been hurt by the looming fiscal cliff and the disaster of hurricane sandy.

Relative Performance

General Mills has underperformed in relation to the XLP and the S&P 500 as a whole over the two week period examined. GIS has seen its price grow over this period but not to the degree that can be seen by the XLP and S&P 500.

Price Charts

3 Month



1 Year



Valuations Analysis

Original Analysis

<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	15.63	33.34	39.18
P/S (TTM)	1.53	2.03	3.78
P/B (MRQ)	3.89	6.46	2.31
P/CF (TTM)	11.65	17.54	21.81

Re-evaluation Analysis

<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	15.79	32.27	33.06
P/S (TTM)	1.55	2.09	4.02
P/B (MRQ)	3.93	1.73	1.71
P/CF (TTM)	11.77	18.22	22.51

Briefly discuss the changes

GIS has seen its P/E, P/S, P/B, and P/CF all increase since the original analysis which means the market is valuing the company more than it was when we purchased it. In terms of the industry it has seen its P/B ratio take a huge fall and the sector has seen a rather large decrease in its P/E ratio meaning that the sector could have been overvalued initially.

Historical Surprises

Original Analysis

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 Aug-12	4,084.27	4,051.00	33.27	0.81
Quarter Ending May-12	4,105.06	4,066.40	38.66	0.94
Quarter Ending Feb-12	4,072.88	4,120.10	47.22	1.16
Quarter Ending Nov-11	4,595.10	4,623.80	28.70	0.62
Quarter Ending Aug-11	3,808.79	3,847.60	38.81	1.02
Earnings (per share)				
Quarter Ending Aug-12	0.62	0.66	0.04	5.75
Quarter Ending May-12	0.59	0.60	0.01	2.46
Quarter Ending Feb-12	0.55	0.55	0.00	0.85
Quarter Ending Nov-11	0.79	0.76	0.03	3.42
Quarter Ending Aug-11	0.62	0.64	0.02	3.43

Re-evaluation Analysis

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Aug-12	4,084.27	4,051.00	33.27	0.81
Quarter Ending May-12	4,105.06	4,066.40	38.66	0.94
Quarter Ending Feb-12	4,072.88	4,120.10	47.22	1.16
Quarter Ending Nov-11	4,595.10	4,623.80	28.70	0.62
Quarter Ending Aug-11	3,808.79	3,847.60	38.81	1.02
Earnings (per share)				
Quarter Ending Aug-12	0.62	0.66	0.04	5.75
Quarter Ending May-12	0.59	0.60	0.01	2.46
Quarter Ending Feb-12	0.55	0.55	0.00	0.85
Quarter Ending Nov-11	0.79	0.76	0.03	3.42
Quarter Ending Aug-11	0.62	0.64	0.02	3.43

Briefly discuss the changes

There is no difference between the original analysis and the re-evaluation.

Consensus Estimates

Original Analysis

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 Nov-12	15	4,881.52	5,024.00	4,747.00	4,783.17
Quarter Ending Feb-13	15	4,423.75	4,528.95	4,318.00	4,299.65
Year Ending May-12	17	16,683.70	16,918.00	16,486.30	--
Year Ending May-13	19	17,763.90	18,073.10	17,442.00	17,466.30
Year Ending May-14	19	18,565.20	19,239.00	18,032.00	18,149.60
Earnings (per share)					
Quarter Ending Nov-12	18	0.79	0.81	0.77	0.86
Quarter Ending Feb-13	18	0.59	0.63	0.57	0.65
Year Ending May-12	19	2.54	2.55	2.53	--
Year Ending May-13	21	2.67	2.74	2.64	2.83
Year Ending May-14	20	2.90	3.01	2.80	3.07
LT Growth Rate (%)	5	7.92	10.00	5.60	8.23

Re-Evaluation Analysis

	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Year Ending May-12	17	16,683.70	16,918.00	16,486.30	--
Year Ending May-13	19	17,763.90	18,073.10	17,442.00	17,465.50
Year Ending May-14	19	18,565.20	19,239.00	18,032.00	18,149.60
Earnings (per share)					
Year Ending May-12	19	2.54	2.55	2.53	--
Year Ending May-13	21	2.67	2.74	2.64	2.83
Year Ending May-14	20	2.89	3.01	2.80	3.07
LT Growth Rate (%)	5	7.92	10.00	5.60	8.23

Briefly discuss the changes

The main change that is visible immediately is that there are no quarterly estimates in the re-evaluation. This is because the quarter ending November-12 has been finished thus eliminating the estimation. I could find no reason for why the quarter ending February-13 was eliminated and no other quarterly projections were made.

Estimate Revision Analysis

Original Analysis

ESTIMATES REVISIONS SUMMARY

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Nov-12	0	0	1	1
Quarter Ending Feb-13	0	0	1	1
Year Ending May-12	--	--	--	--
Year Ending May-13	0	0	2	1
Year Ending May-14	0	0	1	1
Earnings				
Quarter Ending Nov-12	0	0	1	0
Quarter Ending Feb-13	0	0	2	0
Year Ending May-12	--	--	--	--
Year Ending May-13	0	0	2	0
Year Ending May-14	0	0	2	0

Re-Evaluation Analysis

ESTIMATES REVISIONS SUMMARY

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Year Ending May-12	--	--	--	--
Year Ending May-13	0	0	0	0
Year Ending May-14	0	0	0	0
Earnings				
Year Ending May-12	--	--	--	--
Year Ending May-13	0	0	1	0
Year Ending May-14	0	0	0	1

Briefly discuss the changes

A change that can be seen is that yet again in there are no quarterly revisions listed in the re-evaluation when there were quarterly estimates in the original analysis. In the re-evaluation there are zero revisions whereas originally there were seven and there are only two revisions instead of four in the earnings department.

Analysts' Recommendations

Original Analysis

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	6	6	6	6
(2) OUTPERFORM	6	5	7	7
(3) HOLD	9	9	7	7
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.14	2.15	2.05	2.05

Re-Evaluation Analysis

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	6	6	7	6
(2) OUTPERFORM	6	6	5	7
(3) HOLD	9	9	9	7
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.14	2.14	2.10	2.05

Briefly discuss the changes

The mean rating for three months ago is the same in the current time period as it was when the stock was originally evaluated. The mean rating for 2 months ago is slightly more bearish in the re-evaluation with a mean rating 0.05 higher than the original. In terms of the current ratings there are the identical amount of votes for each vote giving it the same mean rating of 2.14 which is on the bullish side.

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 recommend that the CIF hold its 640 shares of PepsiCo (PEP) and also hold its 500 shares of General Mills. Due to the low volatility these stocks possess dramatic price increases and decreases are rarely seen. This has proven to be a good asset after the recent disaster that is Hurricane Sandy. As most companies have taken hits as a result of the storm these two defensive stocks have held their ground and in General Mills case has improved. Although I am bullish on GIS, I am more bearish on Pepsi since it had negative surprises in its revenues. That being said I am still confident that with their recent R&D expansion that they will find innovative ways to increase their market share and gain more popularity. In terms of the Consumer Staples sector (XLP) I am on the bullish side, but still have second thoughts on the sector. The sector has outperformed the market in the last 2 weeks but has underperformed in terms of the last three months and the last year. That being said I recommend that the CIF stay put and hold its 3,120 holdings of the ETF.

Section (D) Sector Holding Recommendations

Company Name	Ticker Symbol	Date Recommended	Date Re-evaluated	Recommendation (Explain Why)		
				Sell	Adjust "Target Price"	Adjust "Stop-loss Price"
PepsiCo	PEP	October 17, 2012	December 6, 2012	No. PepsiCo is the second largest beverage manufacturer in the world and has a well-diversified portfolio of products. The company has recently invested in R&D which could have promising results in the future.	No. I believe that even though the stock has been down since it was bought; the coming holiday season should boost their sales. It should not be increased as the company has not showed signs of a boom in the future.	No. I believe that the current price represents a number that the stock should be sold considering its low beta. If the stock falls to this price there is not a great chance it will recover to the level that it was originally purchased.
General Mills	GIS	November 6, 2012	December 6, 2012	No. General Mills price has increased 2.06% since the date purchased and has been stable throughout its time in our portfolio. The company has better dividend payouts and yields than the competition which add value.	No. The target price was changed in the last sector review to \$44 which is a little over \$3 more than its current price. With such a low beta, the chance of this stock growing past this point is not very likely.	No. The current stock price represents a 15% loss on the initial investment. With the performance the company has had it would not make sense to raise the value, but I would not decrease it because of the slow price changes.

Sources

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