Date: ______ 10/23/____
Analyst: __Kyle Temple___

CIF Sector Recommendation Report (Fall 2012)

Sector ______Industrial_________  Review Period ______10/4-10/17____

Section (A) Sector Performance Review

Sector Review Spreadsheet:

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Current</th>
<th>Beg. Price</th>
<th>Stop-loss Price</th>
<th>Target Price</th>
<th>% Cap Gain</th>
<th># Shares</th>
<th>Current Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500</td>
<td>$INX</td>
<td>1433.19</td>
<td>1460.15</td>
<td></td>
<td>-1.85%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sector ETF</td>
<td>XLI</td>
<td>$36.79</td>
<td>$37.16</td>
<td></td>
<td>-1.00%</td>
<td>4340</td>
<td>$159,668.60</td>
</tr>
</tbody>
</table>

Current Holdings
No Current Holdings

S&P 500 vs. XLI (Industrial Sector SPDR) during (10/4-10/17)

Zoom: 1d 5d 1m 3m 6m YTD 1y 5y 10y All
INDEX SPX: INX +0.68%  XLI +1.33%
Stocks being researched in the industrial sector:

<table>
<thead>
<tr>
<th>Company</th>
<th>Ticker</th>
<th>Price</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Precision Castparts</td>
<td>PCP</td>
<td>$163.80</td>
<td>+2.89%</td>
</tr>
<tr>
<td>General Electric</td>
<td>GE</td>
<td>$22.95</td>
<td>0.0%</td>
</tr>
<tr>
<td>Caterpillar</td>
<td>CAT</td>
<td>$85.96</td>
<td>+1.58%</td>
</tr>
<tr>
<td>Boeing</td>
<td>BA</td>
<td>$69.94</td>
<td>+5.40%</td>
</tr>
<tr>
<td>Fedex</td>
<td>FDX</td>
<td>$86.39</td>
<td>+8.56%</td>
</tr>
</tbody>
</table>

As you can see, 4 of the 5 companies we have researched in the industrial sector have outperformed both the S&P 500 and the industrial sector SPDR index, XLI. General electric was the only company who did not outperform those two indexes during the two week span. Fedex gained over 8% during the two weeks, leading all of the stocks we are watching.
**Industrial Sector News (10/4-10/17):**

News in the industrial sector has been relatively quite recently with no major events taking place that impacted this sector. During the two week review period, the XLI index gained 1.33%, with most stocks in the sector moving up slowly with the overall market. Many companies in the industrial sector will be releasing earnings the week of (10/22-10/26), so there will be much more news and moves in the upcoming weeks. Analysts seem to be split on where the industrial sector will be headed. Some feel that slow emerging markets growth will have a bearish consequence on the sector, while the bulls feel that improvements in the U.S housing marketing will help lift up demand for companies involved in construction and infrastructure. Also coming up are the presidential elections which could potentially impact the industrial sector. If Obama is reelected, automatic defense cuts will take place cutting defense spending over 500 billion over the next 10 years. This could have a major impact on aerospace and defense companies whose biggest customers are the U.S government. The Industrial Production and Capacity Utilization summary released monthly by the Federal Reserve provides a good index because it measures mostly activities performed in the industrial sector. Septembers report came back with good news, a .4% increase, compared to a 1.4% decrease in August. The industrial sector can be very cyclical so the outlook remains on the current state of the economy and stock market. An expanding economy can provide higher returns in the industrial sector, than compared to other sectors. Leading indicators in the industry such as homebuilding reports have recently been bullish.

**Company News (10/4-10/17):**

**Precision Castparts:** Precision Castparts gained 2.89% during the two week review period. The major news coming out of PCP during the time was on 10/7 when they announced plans to acquire Texas Horning Inc. Texas Horning is a company that produces metal parts used for oil and gas drilling, as PCP looks to push its way into the energy sector so it doesn’t rely completely on the aerospace and defense industries. “The acquisition of THI continues our steady push to establish a broader presence in the oil & gas market and to add capabilities that enable us to better serve that market,” said Mark Donegan, chairman and chief executive officer of Precision Castparts. Precision Castparts is set to announce earnings on 10/25.

**Fedex:** FedEx Corp. led all stocks on our watch list with an 8.56% increase during the review period. The most important news during this period would be on 10/10, Standard and Poor’s reiterated a strong buy on FDX stock after the company announced a 1.7B cost cutting plan. On 10/11, Stifel Nicolaus reiterated a buy rating on FDX, with a target price of $120. On September 18th, FDX announced EPS of $1.45 against estimates of $1.46, with revenue rising 3%. Fedex has plans to announce earnings on 12/19.
**General Electric:** General Electric stock broke even during the review period, after no major news on the company was announced. Two days after the review period on 10/19, GE posted EPS of $.36 vs. estimates of $.24 with a 2.8% revenue rise.

**Boeing Corp:** Boeing Corp saw an increase of 5.40%. This increase came 10/11 after Boeing announced it received an order for 50 planes with an estimated 5 billion. This was great news for Boeing who was worried about the struggles of U.S. airlines, Boeing’s largest customer group. This assured investors that the demand for Boeing’s planes is still high even though the airlines have not been doing well. Boeing is set to announce earnings on 10/24.

**Caterpillar:** Caterpillar Corp saw a modest increase of 1.58% during the review period. News out of Caterpillar was quite, with nothing affecting the stock. The biggest story during the review period was the announcement of 2 of the company’s executives planning to retire. Caterpillar is set to announce earnings 10/22.

**Section (B) Sector Holding Updates**

The Cougar Investment Fund does not have any holdings in the industrial sector currently.

**Section (C) Sector Recommendations**

We currently do not have any stock in the companies mentioned in this report. All 5 companies are on our stock watch list, but have not received the necessary votes in class needed to purchase the stock. Most of the recommendations were labeled as “needing further research”. With 4 of the 5 companies will be reporting quarterly earnings in the next week, we then will analyze the reports and decide what our best investing options are. I am currently neutral on the sector. Concerns with Europe and the slowdown in China are hampering the growth of the industrial sector. The U.S. housing market also seems to be improving helping the sector. After the presidential election I will be able to make a more confident prediction of the industrial sector.

**Section (D) Sector Holding Recommendations**

The Cougar Investment Fund does not have any holdings in the industrial sector currently.
Sources


http://www.federalreserve.gov/releases/g17/current/
