CIF Sector Recommendation Report (Fall 2012)

Sector: Materials  Review Period: 3/01/13 – 3/14/13

Section (A)  Sector Performance Review

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

![Cougar Investment Fund Sector Review Spreadsheet Template](image)

-Besides the ETF, we currently have no stock holdings in this sector.

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)
As you can see by the spreadsheet and stock price chart, the materials sector just slightly outperformed the S&P500 over the review period. Both saw positive gain which is a bullish signal, but the XLB just saw a little more gain than the market. When we purchased this ETF on 08/21/12 its market value was $56,941.50. During my review period the market value was up to $57,971. This is also a bullish signal.

The materials sector is very cyclical and although it slightly outperformed the market during my review period, it will always have a similar shape to the market. This is because the sector heavily relies on a strong economy as well as factors like supply and demand and construction levels.

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

Home prices and home sales are up as the housing market appears to be steadily recovering. Analysts appear to be fairly bullish on this market which is good news for the materials sector because if housing is up then that means construction will be up as well.

*I listed news for many of the companies in this sector in the next section.

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)?
Sealed Air Corporation reported Q4 earnings on February 19th and beat analyst’s estimates for earnings per share and revenue. The earnings per share beat estimates by a large mark $0.05.

International Paper has been receiving great publicity lately. They were recently named to the Ethisphere Institute’s “2013 World’s Most Ethical Companies” list for seventh straight year. On list of America’s most admired companies they rank number 1 in Forest and Paper Product Sector. Also beat latest quarterly expectations with buyout of rival Temple-Inland.

DuPont recently announced they are working on creating a new type of wheat with biotechnology. The wheat would be more resistant to disease and would be able to produce/yield more than regular wheat during times of drought.

Cliffs Natural Resources reported a loss last quarter and had to dramatically cut their dividend payout which dragged the stock price down.

The only note that I could find on why the steel market is potentially down is simply because the housing and building market isn’t really doing much right now. Analysts do seem to feel that the stock is currently undervalued though and that the market will soon pick up.

After adjusting fourth quarter profits, Newmont Mining saw a four percent drop. This drop was cited as being due to higher operating costs and lower metal production.
Highlight the largest two holdings from the sector and note any headline news on the companies

-The two largest holdings in the sector are Monsanto Co. and DuPont. Monsanto is currently in a legal battle against the country of Brazil. Monsanto has a product called Roundup Ready Soybean and the issue is whether their patent on the product in Brazil has ended or if it will be extended until 2014. Until this case is settled in court, Monsanto must wait to collect their royalties from the product in the country. Monsanto is also currently testing drought resistant products in Illinois. The plan is to release the products in more states later this year such as Nebraska, the Dakotas, Minnesota and Iowa.

-Whole Foods is becoming the first retailer in the U.S to require the labeling of genetically modified organisms (GMOs) in foods such as beans and corn. This idea has been tossed around for years now but has been strongly opposed by companies such as Dupont and Monsanto. They oppose this idea because they feel it will steer some customers away from their products.

(Monsanto)
The short-term outlook on this sector appears to be bright. The ETF has been slowly but steadily growing over the past few months and it seems that it will continue to do so. As long as the market in the U.S continues to do well and nothing drastic happens as far as supply and demand is concerned, then this should be a good slow-growth ETF.

Section (B) Sector Holding Updates

- We do not own any stocks in the sector at this time.

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 am slightly bullish on the materials sector as a whole. The ETF stock price has been steadily growing and bar any major change in the economy, the stock should continue to grow. Many of the agricultural companies in the sector such as DuPont and Monsanto are introducing new products this year which will be a boost for the whole sector. Another bright spot is that the
housing market is on the rise which will directly benefit all of the construction companies in the XLB.

-All signs point towards positive movement for this ETF so I recommend that we currently hold the position we have with it. Although we don’t currently own any stocks in the sector this doesn’t necessarily mean that there aren’t any good stocks. I think it would be a great time to look into construction stocks in the XLB as analysts are predicting a housing market rise.

Section (D) Sector Holding Recommendations

N/A

Sources:
-Reuters
-Finance.yahoo.com
-sectorsspdr.com
-http://seekingalpha.com/article/1205871-sealed-air-wraps-up-q4-with-strong-results-but-shares-may-have-gotten-ahead-of-themselves?source=reuters
-http://www.reuters.com/article/2013/02/21/newmont-results-idUSL1N0BKCJH20130221?type=companyNews
-http://www.money.cnn.com/2013/03/17/investing/stocks-lookahead/