

Date: 12/6/2012

Analyst: Jacob Allen

CIF Sector Recommendation Report (Fall 2012)

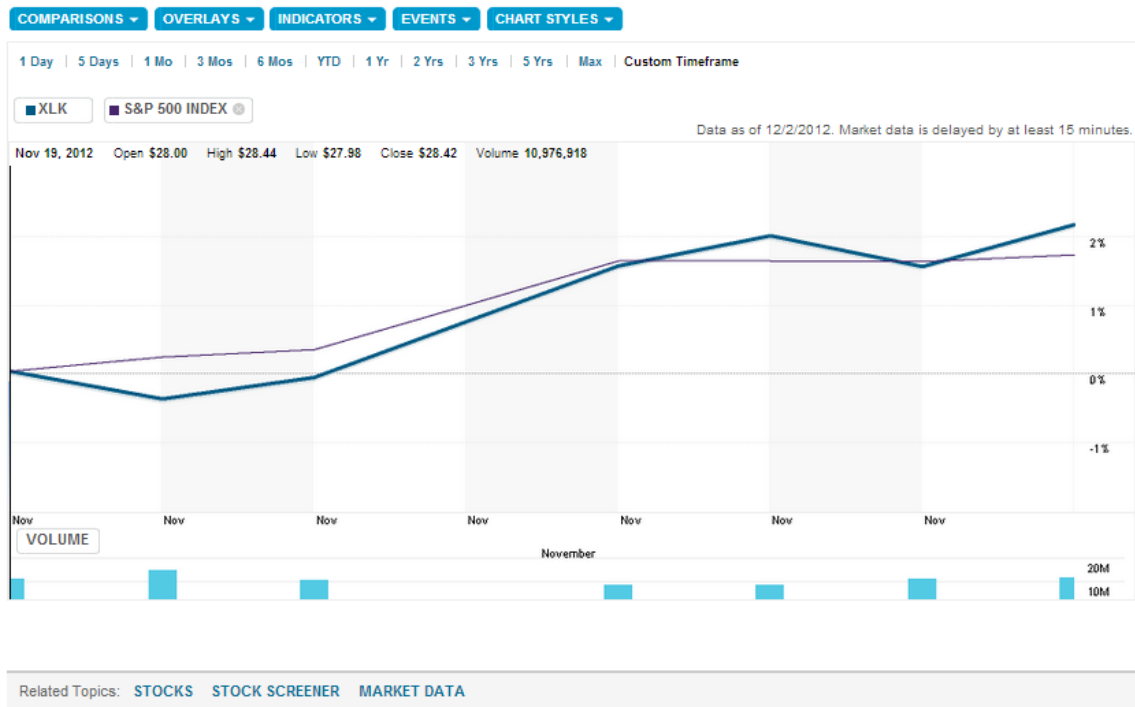
Sector: Technology

Review Period: 11/15/12 – 11/28/2012

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										
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	1460.93	1460.15			0.05%				
Sector ETF	XLK	\$29.02	\$27.62			5.07%	11720	\$340,114.40		5.02%
Current Holdings										
	ORCL	\$31.80	\$29.95			6.18%	1450	\$46,110.00	1.11%	6.12%

Over the two-week period covered by my report the XLK (Technology) sector grew at a higher rate than the S&P 500. The reason for this growth is mainly from Apple Inc.'s increase in stock price. Apple has been falling until recently when it saw its stock rise from \$525 to its present day price of \$585. Apple accounts for 19.67% of the entire holdings in the TEC. Because of Apple's high percentage of holdings the sector is largely impacted by their stock price.



News & Highlights of TEC:

- Apple gained approval to sell iPad Mini and iPhone 5 in China
- Oracle to release Q2 earnings late December
- Microsoft debut of Windows 8 is lackluster
- HP in middle of lawsuit over acquisition of software firm Autonomy. Auditing agencies supposedly missed many red flags in Autonomy's accounting.

Biggest Gainers:

- Tellabs, Inc. (TLAB) – 20.68%
- Echelon Corporation (ELON) – 8.33%
- TechTarget Inc. (TTGT) – 7.95%

Biggest Losers:

- Verisign, Inc. (VRSN) – (-13.24%)
- Allscripts Healthcare (MDRX) – (-10.47%)
- Cooper Industries PLC (CBE) – (-6.11%)

*Tellabs paid a special dividend (\$1/sh) Nov. 30, accounting for the high increase in stock price.

*Verisign Inc. came to a deal with the Internet Corp for Assigned Names and Numbers (ICANN) on Nov. 30 that set pricing increase limits on .com internet domain registrations. This caused large decrease in stock price.

Top two holdings:

Apple (AAPL):

- Apple says iPad Mini to be available in China December 7
- iPhone 5 also being released in China during December

Google (GOOG)

- The Federal Trade Commission (FTC) has been examining Google Inc. for breaking antitrust laws by using its high market power to smother competitors.

The short-term outlook for the TEC sector is promising. The TEC tends to follow trends in the S&P500. Because of upcoming Christmas shopping season there is a high chance that the market will continue to rise. With Apple being a large percentage of holdings in the TEC and their products being “hot” present items it could be predicted that the TEC will continue to rise. Also, if the fiscal cliff is avoided then the entire market will benefit from the reduced uncertainty in Washington D.C.

Section (B) Sector Holding Updates

Company #1: <u>Oracle Corporation (ORCL)</u>

Date Recommended: 10/18/2012

Date Re-evaluated: 11/28/2012

Company Update

Over my two week review period Oracle grew over 6% to a high of \$31.80. Their current price (12/2/12) is even higher at \$32.17. This growth is due to the recent release of new Oracle products and their increased focus on cloud computing. Oracle will hold an event called the Oracle CloudWorld where Oracle executives and industry leaders will gather and share how they drive business transformation by using the Oracle Cloud (MSNBC.com). Also, the Australian Department of Defense has selected Oracle to upgrade their technology infrastructure. The agreement is four years long and will use more than 200 of Oracle’s software products in the upgrade (PT-News.org). Furthermore, Oracle announced the

availability of Oracle Tax Analytics 2.0, a product that provides multi-purpose operational and predictive analytical needs for tax and revenue management (Yahoo! Finance).

Relative Performance

Oracle's performance over the two-week period was great. It grew over 6% and it has continued to grow since that two-week period ended. ORCL has grown 6.12% higher than the S&P 500 and 1.11% higher than the XLK during the period. The TEC sector did well comparatively to the S&P 500 over the period and ORCL beat both the TEC and S&P 500. This is a sign of positive growth that could continue.

Price Charts





Valuations Analysis

Original Analysis:

Analysis	Company	Industry	Sector
P/E (TTM)	15.15	28.53	19.74
P/S (TTM)	3.99	3.14	3.57
P/B (MRQ)	3.41	4.35	3.72
P/CF (TTM)	11.23	15.43	13.31

Re-evaluation Analysis

	Company	Industry	Sector
P/E Ratio (TTM)	15.94	148.18	22.94
Price to Sales (TTM)	4.20	234.00	10.79
Price to Book (MRQ)	3.59	4.15	3.60
Price to Cash Flow (TTM)	11.81	18.01	13.55

The ratios for Oracle have not changed much at all. All four ratios have actually decreased a little since the stock was first recommended. This could indicate that investors are viewing Oracle as undervalued. The biggest changes come from the Industry where P/E and P/S have grown exponentially.

Historical Surprises

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	8,419.30	8,209.00	210.30	2.50
Quarter Ending May-12	10,890.40	10,950.00	59.61	0.55
Quarter Ending Feb-12	9,023.73	9,062.00	38.27	0.42
Quarter Ending Nov-11	9,228.34	8,811.00	417.34	4.52
Quarter Ending Aug-11	8,353.85	8,398.00	44.15	0.53
Earnings (per share)				
Quarter Ending Aug-12	0.53	0.53	0.00	0.11
Quarter Ending May-12	0.78	0.82	0.04	4.91
Quarter Ending Feb-12	0.56	0.62	0.06	10.56
Quarter Ending Nov-11	0.57	0.54	0.03	5.25
Quarter Ending Aug-11	0.46	0.48	0.02	3.31

Re-evaluation Analysis

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Quarter Ending Nov-11	0.57	0.54	0.03	5.25
Quarter Ending Aug-11	0.46	0.48	0.02	3.31

There are no differences in the Historical Surprises.

Consensus Estimates

Original Analysis

CONSENSUS ESTIMATES ANALYSIS

# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)				
Quarter Ending 35	9,035.53	9,316.00	8,864.26	9,928.98
Nov-12				
Quarter Ending 35	9,472.50	9,752.00	9,252.00	10,186.50
Feb-13				
Year Ending 38	37,209.40	38,887.00	36,971.00	--
May-12				

Year Ending May-13	40	38,259.70	38,987.00	37,144.00	41,466.80
Year Ending May-14	40	40,821.90	42,262.00	38,752.00	43,951.20
Earnings (per share)					
Quarter Ending Nov-12	37	0.61	0.63	0.59	0.61
Quarter Ending Feb-13	37	0.66	0.69	0.62	0.64
Year Ending May-12	40	2.42	2.45	2.34	--
Year Ending May-13	40	2.66	2.74	2.53	2.64
Year Ending May-14	41	2.91	3.11	2.35	2.89
LT Growth Rate (%)	19	12.40	20.00	5.00	13.13

Re-Evaluation 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)					
Year Ending May-12	38	37,209.40	38,887.00	36,971.00	--
Year Ending May-13	37	38,296.70	38,987.00	37,765.00	41,475.10
Year Ending May-14	38	40,818.70	42,262.00	38,919.00	43,951.20
Earnings (per share)					
Year Ending May-12	40	2.42	2.45	2.34	--
Year Ending May-13	39	2.65	2.74	2.53	2.64
Year Ending May-14	39	2.91	3.11	2.56	2.90
LT Growth Rate (%)	15	11.92	20.00	5.00	13.13

The year ending May-13 & 14 both grew slightly. Also, the LT growth rate decreased slightly.

Estimate Revision Analysis

Original Analysis (MM/DD/YYYY)

ESTIMATES REVISIONS SUMMARY			Last 4 Weeks	
Last Week				
Number Of	Up	Down	Up	Down
Revisions:				
Revenue				
Quarter Ending Nov-12	2	0	2	33
Quarter Ending Feb-13	1	0	3	31
Year Ending May-12	--	--	--	--
Year Ending May-13	0	5	1	39
Year Ending May-14	3	2	4	32
Earnings				
Quarter Ending Nov-12	0	1	9	11
Quarter Ending Feb-13	0	1	11	12
Year Ending May-12	--	--	--	--
Year Ending May-13	0	3	12	14
Year Ending May-14	0	2	14	15

Re-Evaluation Analysis

ESTIMATES REVISIONS SUMMARY

	Last Week		Last 4 Weeks	
Number Of Revisions:	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	1	0	1
Year Ending May-14	0	1	0	1

The changes are minimal. In the new report fewer analysts are lowering their expectations of Oracle's performance but none are increasing their expectations either.

Analysts' Recommendations

Original Analysis

Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	12	14	13	13
(2) OUTPERFORM	18	18	18	18
(3) HOLD	15	12	12	12
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.07	1.95	1.98	1.98

Re-Evaluation Analysis

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	10	10	12	14
(2) OUTPERFORM	19	19	19	18
(3) HOLD	14	15	14	12
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0

Mean Rating

2.09

2.11

2.04

1.95

The only changes that occur are a reduction of two analysts saying buy, an increase of one analyst saying outperform, and a decrease by one analyst saying hold. None say underperform or sell. Also the mean rating increased from 2.07 to 2.09 during the time frame.

Section (C) Sector Recommendations

I believe we should hold onto the Technology sector. Technology has always been a higher risk sector but it also has the ability to have high returns. Because technology is constantly improving and is the future of business I have bullish tendencies towards it and believe that the XLK will continue to increase and have a strong performance in the New Year.

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? I do not suggest selling any stock.
2. Adjust "target price" and why? I do not recommend any change in the target price.
3. Adjust "stop-loss price" and why? I do not recommend any change in the 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"
Oracle	ORCL	10/18/2012	11/18/2012	NO	Keep Same	Keep Same

SOURCES

<http://finance.yahoo.com/news/oracle-announces-availability-oracle-tax-130000364.html>

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<http://www.pt-news.org/oracle-corporation-nasdaqorcl-to-offer-more-than-200-software-products-to-the-australian-department-of-defence/1215519/>

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