Date: 11/27/12

Analyst: Kyle Irion

CIF Sector Recommendation Report (Fall 2012)

Sector: Technology **Review Period: Nov. 8, 2012 – Nov. 21, 2012**

Section (A) Sector Performance Review

TEC										
	Ticker	Current Price	Beg. Price	Stop-loss Price	Target Price	% Cap Gain	# Shares	Current Value	vs. Sector	s. S&P 50(
S&P 500	$INX	1391.03	1394.53			-0.25%				
Sector ETF	XLK	$28.39	$28.51			-0.42%	10270	$291,565.30		-0.17%
Current Holdings										
	ORCL	$30.39	$30.79	$41.00	$26.65	-1.30%	1450	$44,065.50	-0.88%	-1.05%

The XLK sector has performed in-line with the S&P 500 for this 2 week period. Outside of Apple, there have not been any major fluctuations in stock prices and with the Holiday season upon us, many companies in the XLK are rebounding from poor reports of Q3 earnings.

Hewlett-Packard is under FBI investigation for accounting fraud. According to Yahoo.Finance, "missteps" were taken by the firm's accounting division and the blame is being pointed out as "Autonomy."

Netlist was the sector's biggest mover in the 2 week period, gaining 77.6% increase in price. Netlist reported Q3 earnings with minimal losses. Netlist has been working close with IBM and Hewlett-Packard in Hypercloud technology (Seekingalpha). Fibertower Corp was the biggest decliner, dropping 60.9%. The firm announced a reduction in work force and also missed interest payments on senior secured notes that were due this year (Seekingalpha).

On November 8, 2012 Oracle Corp. agreed to acquire Instantis, "provider of cloud-based and on-premise project portfolio management (PPM) solutions." (Reuters)

Short – term outlook for the XLK appears to be fair. The holiday season has already boosted performance of many companies and analysts are optimistic about this more than likely trend.

Section (B) Sector Holding Updates

Company #1: Oracle Corporation (ORCL)

Date Recommended: 10/18/12

Date Re-evaluated: 10/23/12

Company Update

Oracle recently acquired Instantis in hopes to eventually compete against cloud-computing companies. On November 9th Oracle ended its support of Hewlett-Packard (HP) servers. Oracle also acquired Sun Microsystems, tapping into the hardware services market and now competing with former partner HP. Oracles stock has fluctuated minimally over the past two weeks and the price is nearly what it was back on November 8th.

Relative Performance

Oracle has consistently underperformed the XLK and S&P 500 over the past two weeks and is currently underperforming by 1%. However, Oracle's stock is trending upward. This is a good sign for the firm as acquisitions are allowing for entering new competitive markets in the sector.

Price Charts

3 month price chart:

1 year price chart:

Valuations Analysis

Original Analysis

Ratio 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

Valuation Wall Street Estimates

Current Valuation ORCL

	ORCL	Industry Avg	S&P 500	ORCL 5Y Avg*
Price/Earnings	15.3	16.3	14.9	20.0
Price/Book	3.4	3.5	2.1	4.4
Price/Sales	4.2	3.6	1.3	4.7
Price/Cash Flow	11.1	9.2	9.0	14.0

The valuations are currently consistent with the valuations when the stock was first recommended. Price/Sales have made the most notable change, increasing from 3.99 to 4.2.

From this it can be determined that the stock is more expensive compared to the original recommendation.

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	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

HISTORICAL SURPRISES

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Earnings and Dividend Figures in US Dollar (USD)

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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

These two charts are exactly the same (no changes over the past two weeks).

Consensus Estimates

Original Analysis

CONSENSUS ESTIMATES TREND

Sales and Profit Figures in US Dollar (USD)
Earnings and Dividend Figures in US Dollar (USD)

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Nov-12	9,035.53	9,025.13	9,226.71	9,227.44	9,928.98
Quarter Ending Feb-13	9,472.50	9,472.21	9,599.98	9,598.38	10,186.50
Year Ending May-12	37,209.40	--	--	--	--
Year Ending May-13	38,259.70	38,315.90	38,985.30	38,985.90	41,466.80
Year Ending May-14	40,821.90	40,845.80	41,581.10	41,578.90	43,951.20
Earnings (per share)					
Quarter Ending Nov-12	0.61	0.61	0.61	0.61	0.61
Quarter Ending Feb-13	0.66	0.66	0.66	0.66	0.64
Quarter Ending May-12	2.42	--	--	--	--
Quarter Ending May-13	2.66	2.66	2.66	2.66	2.64
Quarter Ending May-14	2.91	2.91	2.92	2.92	2.89

Re-Evaluation Analysis

CONSENSUS ESTIMATES TREND

Sales and Profit Figures in US Dollar (USD)
Earnings and Dividend Figures in US Dollar (USD)

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Nov-12	9,027.07	9,027.07	9,029.43	9,041.61	9,930.63
Quarter Ending Feb-13	9,466.04	9,466.04	9,460.29	9,486.67	10,188.80
Year Ending May-12	37,209.40	--	--	--	--
Year Ending May-13	38,296.70	38,296.70	38,281.50	38,376.60	41,475.10
Year Ending May-14	40,818.70	40,818.70	40,814.00	40,895.00	43,951.20
Earnings (per share)					
Quarter Ending Nov-12	0.61	0.61	0.61	0.61	0.61
Quarter Ending Feb-13	0.66	0.66	0.66	0.66	0.64
Quarter Ending May-12	2.42	--	--	--	--
Quarter Ending May-13	2.65	2.65	2.65	2.66	2.64
Quarter Ending May-14	2.91	2.91	2.91	2.91	2.90

These two charts are nearly identical. However, the re-evaluation sales estimates have decreased by a very slim margin. This could be due to a difference in the number of estimates, but furthermore the estimations of decreased sales appears to be consistent.

Estimate Revision Analysis

Original Analysis

ESTIMATES REVISIONS SUMMARY

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

There have been no revisions in recent weeks.

Analysts' Recommendations

Original Analysis

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 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	11	13	14
(2) OUTPERFORM	19	19	19	18
(3) HOLD	14	15	13	12
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.09	2.09	2.00	1.95

There have been more analysts recommending OUTPERFORM, while 2 fewer analysts recommend a BUY and one fewer analysts recommends a HOLD.

Section (C) Sector Recommendations

I believe that the CIF should continue to own the technology sector holdings. The technology sector in recent months has been down, especially after several disappointing Q3 earnings by major players throughout the sector. However, this time of the year is always exciting for the XLK. Many new technologies and products are released during the holidays and consumer spending is expected to increase by 4% (ABC). With positive expectations for the XLK I am bullish on the sector. The CIF should hold Oracle because it is not very risky and has received consistent bullish recommendations from professional analysts. Plus ORCL has made a few acquisitions in recent months in order to gain market share in new and emerging software and hardware.

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?
   No, because Oracle has been a consistent holding for the CIF and does not pose much risk.

2. Adjust “target price” and why? If you recommend an adjustment, you must suggest a new “target price”
   No, the target price of $41.00 is where it needs to be. Current price is $30.92 (11/25/12).
3. Adjust “stop-loss price” and why? If you recommend an adjustment, you must suggest a new “stop-loss price”
   No, the stop-loss price is where it should be. $26.65 is a good floor for this stock.

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 Corporation	ORCL	10/18/12	11/21/12	NO, this stock has been consistent and is not a risky hold	NO, the target price is reasonable. It appears high, but new acquisitions by Oracle leave room for optimism and growth this Holiday season and into the new year.	NO, the stop-loss is a reasonable floor price for this stock.

References

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