CIF Sector Update Report (Spring 2014)

Sector Technology

Presentation Date: 4/28/2014

Review Period: Start Date: April 1, 2014 End Date: April 24, 2014

Section (A) Sector Performance Review

(A-1) Sector Performance Relative to SP500

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Current Price</th>
<th>Beg. Price</th>
<th>Stop-loss Price</th>
<th>Target Price</th>
<th>% Capital Gain</th>
<th># Shares</th>
<th>Current Value</th>
<th>vs. Sector vs. S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500</td>
<td>$INX</td>
<td>1878.61</td>
<td>1872.35</td>
<td>0.33%</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Sector ETF</td>
<td>XLK</td>
<td>$36.21</td>
<td>$36.35</td>
<td>-0.39%</td>
<td>12180</td>
<td>$441,037.80</td>
<td>-0.72%</td>
<td></td>
</tr>
</tbody>
</table>

The sector performed very similar to the market as a whole. Some of the major macro factors that may contribute to the differences are the religious holidays that occur during this review period. These drivers did not heavily impact the sector more than it did the market. The technology sector relies on consumer sentiment and is heavily influenced by other sectors. Current market leaders like Google are not showing as much growth as expected and thus
followers in this industry are lagging behind. There has also been many recent acquisitions and with valuation difficult to solidify we see an uncertain performance in the sector.

In recent news video related powerhouses like Amazon and Netflix are facing potentially large litigations that may affect the sector. Netflix and Comcast are at it again with news releases of unethical business practice including a claim that Netflix is withholding internet quality. Amazon Fire is also being sued by a porn streaming company for infringement.

(A-2) Big Sector Movers

**CenturyLink Inc +8.93%**

**Micron Technology Inc 7.35%**
What might have contributed to big price moves in the period examined (recent 1 month) of each of the named gainers/losers?

Century Link and Micron are two very large and very diverse tech giants. Their high earnings reports and their recent product innovations that were released in the review period could have contributed to their large growth. Despite their strong performance, their presence in the news is anything but positive. Century Link recently had dropped over 4500 calls during a 911 power outage that occurred early April. Micron Technology however has released several new innovations in the semiconductor industry and as a very utilized product we can see the success in our current review period.

Alliance Data Systems Corp is a provider of loyalty and marketing solutions. Although no major news has affected their stock, we are seeing a general downtrend in the stocks performance. ADS has recently crossed below their 200 day moving average.
Red Hat Inc provides open-source software products to the enterprise community. They recently entered into a status of oversold. Analysts agree that Red Hat is overpriced and other competitors in its industry such as VMware and Citrix are also showing signs of deteriorating growth. Operating with a large P/E ratio its most recent quarter earnings did not reach expectations and resulted in a loss for the review period.

Identify two largest sector gainers and losers of during recent 3 month. Copy/paste a 3 month price chart of the two largest gainers and losers here.

**First Solar Inc 41.01%**

![First Solar Inc Chart](chart1.png)

**SanDisk Corp 21.4%**

![SanDisk Corp Chart](chart2.png)
First Solar is an American manufacturer of green power. The effect of consumer preference is really shown here. We can see a huge trend towards green energy and this has shown through the performance of First Solar stock. Having been a bad choice from analysts years ago First Solar has jumped up and continued to rise. In recent months a news release stated that First Solar short interest dropped by almost 20 percent.

Sandisk is a large tech giant that provides memory chips in smartphones, cameras, and many more. They reported great earnings and their promising performance can be backed up with the positive performance of smartphones and other hardware that uses sandisk microchips.

NetApp is a computer storage and data management company. Netapp is not the leading computer storage and is facing heavy competition from recent startups such as Exablox. The
barriers to entry this industry are much lower than that of the biggest gainers in the sector and thus lead to heavy competition. The CEO of Netapp has also announced his retirement.

Verisign operates a diverse array of network infrastructure. They blame their decline in stock price on the changes in pay-per-click, and the trend towards bundling domains.

(A-3) Two Largest Stocks in the Sector

Highlight noteworthy news, announcements, or events relevant to the two stocks.

In most recent news Microsoft is facing off against hackers to fix a bug in Microsoft software. Aside from that Microsoft is finishing its acquisition of Nokia and is now a software and hardware giant in the tech industry. Microsoft is also finishing up new updates with Windows 8.1 and is finishing their Siri equivalent Cortana speaking software which will be incorporated to their Microsoft products.

Apple recently had a flaw in the iphone 5 and are now offering a free replacement. Apple is also facing a large patent litigation against Samsung which could hurt their reputation. Apple saw a recent jump in price which can be attributed to the announcement that they plan to sell $17Bn in bonds to fund a share buy back of company stocks.

(A-4) Short-term (up to Three Months) Outlook of the Sector

I believe that the big gainers and the big losers will continue to gain and lose respectively because the current performance is largely due to the trend in consumer sentiment and not to an actual decline of sales. The demand for tangible technology is continuing to grow and because of it tech giants like Microsoft, CenturyLink, and Micron will continue to see growth. Other companies which focus in more service oriented technology will suffer as they face heavy competition and new technology innovations that makes their products obsolete. We can see
companies like NetApp and Versign struggling for multiple review periods and their general size and stability in the sector provides them with little help to bounce back. We already see the strong performance stocks are continually acquiring small and large companies. This is where the weak stocks fall short because they are struggling to compete with these startups whereas tech giants would normally acquire.

Section (B) Sector Holding Updates

There are currently no positions held in the CIF within the Technology Sector

Works Cited

1. http://www.ft.com/cms/s/0/40109df8-cca8-11e3-9b5f-00144feabdc0.html#axzz3097xZ7bW


