Analyst Name: Joseph Brendel

CIF Stock Recommendation Report (Fall 2012)

Company Name and Ticker: Prudential (PRU)

Section (A) Summary

Recommendation Buy: No		Target Price: 35	Stop-Loss Price: N/A
Sector: Financials	**Industry:** Insurance	**Market Cap (in Billions):** 26.12	**# of Shrs. O/S (in Millions):** 466.00
Current Price: 56.05	**52 WK Hi:** 65.17	**52 WK Low:** 44.47	**EBO Valuation:** 43.28
Morningstar (MS) Fair Value Est.: $66.00	**MS FV Uncertainty:** Not Listed	**MS Consider Buying:** $33.00	**MS Consider Selling:** $115.50
EPS (TTM): 7.03	**EPS (FY1):** 6.30	**EPS (FY2):** 7.84	**MS Star Rating:** Three stars
Next Fiscal Yr. End "Year": 2012 **"Month":** Dec.	**Last Fiscal Qtr. End: Less Than 8 WK:** Yes	**If Less Than 8 WK, next Earnings Ann. Date:** December 31, 2012	**Analyst Consensus Recommendation:** Outperform
Forward P/E: 7.10	**Mean LT Growth:** 12.29%	**PEG:** 0.80	**Beta:** 2.36
% Inst. Ownership: 63.45%	**Inst. Ownership- Net Buy:** Y N	**Short Interest Ratio:** 1.50	**Short as % of Float:** 0.90%
Ratio Analysis	**Company**	**Industry**	**Sector**
P/E (TTM)	7.98	21.85	32.80
P/S (TTM)	0.50	5.04	5.30
P/B (MRQ)	0.69	1.12	1.27
P/CF (TTM)	7.02	28.96	12.44
Dividend Yield	2.59	1.78	2.01
Total Debt/Equity (MRQ)	72.39	55.81	149.78
Net Profit Margin (TTM)	6.48	6.08	16.90
ROA (TTM)	0.54	0.28	0.92
ROE (TTM)	9.23	4.64	5.59

<u>Investment Thesis</u> Based off of the research that I have conducted, I would recommend not to buy stock in Prudential (PRU). The company's current price is very much in line with its fair value and it does not have as high of a mean LT growth rate as several of its competitors. Additionally, due to it's high beta and being in an industry that does not typically generate sustained excess growth, it would not be advisable to invest money in Prudential. If the stock were to drop in price to below $35, and all of Prudential's metrics remained the same, I would at that point recommend buying the stock. At $35 the stock would be undervalued based off of its current multiples, so there would be legitimate value to be found by investing at that price.	**<u>Summary</u>** Provide brief summary of your analysis in each section that follows
	<u>Company Profile:</u> Prudential is in the highly competitive Insurance industry and implement a risk mitigating strategy to prevent significant losses.
	<u>Fundamental Valuation:</u> Due to its high beta, I used a two year growth projection and came up with an implied price of 43.28 for Prudential. This is right around its 52-week low.
	<u>Relative Valuation:</u> The relative valuation spreadsheet showed that PRU seems to be fairly priced based off of the multiples of their competitors.
	<u>Revenue and Earnings Estimates:</u> Prudential's revenue and earnings have been increasing each of the last two years and look to be continuing to do so in the future.
	<u>Analyst Recommendations:</u> Reuter's analysts come to the consensus of 2 out of 5, predicting that the stock will outperform. Morningstar is less bullish and give Prudential a three star rating and recommends buying it if it drops to 33.
	<u>Institutional Ownership:</u> There was a net growth in the amount of institutional owners, however no institution owns over 5% of the shares.
	<u>Short Interest:</u> The amount of shares short has been decreasing over the last year, signifying a bullish outlook on the stock.
	<u>Stock Price Chart:</u> PRU has performed well against the sector and its competitors over the last couple of months. However, the results are not as good using a 5-year chart.

Section (B)   Company Profile (two pages maximum)

Company Summary

-Prudential is a financial company that specializes in life insurance. In terms of the industry, Prudential is the second largest life insurance company in terms of both market capitalization and total assets. In addition to life insurance, Prudential also is involved in annuities, retirement-related services, mutual funds and investment management. Prudential is a very large company overall as it has a total market cap of $26.119 billion.

-Prudential recently purchased Hartford Financial Services Group's life-insurance business on September 27th for $615 million, and will be fully incorporate it into their business in the next couple of months. The day after the purchase, Prudential's stock did not really change in value much at all. From this it can be inferred that investors believe that the new acquisition will neither significantly harm nor help Prudential's long-term growth projections.

Business Model, Competition, Environment and Strategy

-Prudential is in a very competitive industry, where new innovations are quickly replicated by all competitors in the industry. Additionally, the life insurance industry is structured in a way that companies are forced to reduce their returns in order to offer competitive prices that can compete with the competitors in their industry. In order to compete in this environment, Prudential's strategy is to attempt to reduce as much risk to their earnings as possible while still maintaining high returns. As a result, Prudential's balance sheet has a lower risk exposure than many of their competitors.

Revenue and Earnings History

This information is available in **Reuters.com, "Financials"** tab. Copy/paste the quarterly revenue and earnings per share numbers for the most recent three years. Add the numbers over four fiscal quarters to get annual revenue and earnings. For the current fiscal year, go ahead add up as many quarters as are available. **NOTE:** revenue numbers are **"in millions".**

Discuss any pattern in revenue and earnings (e.g., increasing year over year; seasonal; etc.)

REVENUE

Periods	2010	2011	2012
March	7188.0	10170.0	9623.0
June	10987.0	12244.0	16136.0
September	9917.0	14917.0	
December	8049.0	11695.0	

 Totals: 2010: 36141, 2011: 49026 2012: 25759

Note: Units in Millions of U.S. Dollars

EARNINGS PER SHARE

Periods	2010	2011	2012
March	1.11834	1.04677	-2.10145
June	2.22386	1.51374	4.60612
September	2.58838	3.12078	
December	0.33986	1.40252	

 Totals: 2010: 6.27044, 2011: 7.08381, 2012: 2.50467

Note: Units in U.S. Dollars

- Prudential's revenue saw continued growth from 2010 to 2011 and based off of half of the quarters so far in 2012, seem to be headed towards another year of increased revenue (This is if you double the revenue made so far in 2012). The earnings per share increased from 2010 to 2011, but saw a negative output for the first quarter of 2012. The second quarter however saw the strongest number in this table, getting earnings per share of 4.60612 in the second quarter. If Prudential continues off of the success of quarter 2, then they will most likely be able to post an increase in earnings per share again in 2012, when compared to 2011.

Section (C)   Fundamental Valuation (EBO)

Include the following here:

Copy/paste completed Fundamental Valuation (EBO) Spreadsheet

PRU	PARAMETERS	FY1	FY2	Ltg										
	EPS Forecasts	6.30	7.84	12.29%	Model 1: 12-year forecasting horizon (T=12).									
	Book value/share (last fye)	79.19			and a 7-year growth period.									
(Rm)=9%	Discount Rate	17.91%												
	Dividend Payout Ratio (POR)	21.00%			Please download and save this template to your own storage device									
	Next Fsc Year end	2012			You only need to input values to cells highlighted in "yellow"									
	Current Fsc Mth (1 to 12)	10			The rest of the spreadsheet is calculated automatically									
	Target ROE (industry avg.)	4.64%			Please read "Guidelines_for_FundamentalValuation_ProfLee_Spreadsheet" file carefully									
	Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	20
	Long-term EPS Growth Rate (Ltg)			0.1229	0.1229	0.1229	0.1229	0.1229					
	Forecasted EPS	6.30	7.84	8.80	9.89	11.10	12.46	14.00					
	Beg. of year BV/Shr	79.191	84.168	90.362	97.317	105.126	113.895	123.742					
	Implied ROE		0.093	0.097	0.102	0.106	0.109	0.113					
ROE	(Beg. ROE, from EPS forecasts)	0.080	0.093	0.097	0.102	0.106	0.109	0.113	0.100	0.086	0.073	0.060	0.0
Abnormal ROE	(ROE-k)	-0.100	-0.086	-0.082	-0.078	-0.074	-0.070	-0.066	-0.079	-0.093	-0.106	-0.119	-0.1
growth rate for B	(1-POR)*(ROEt-1)	0.000	0.063	0.074	0.077	0.080	0.083	0.086	0.089	0.079	0.068	0.058	0.0
Compounded growth		1.000	1.063	1.141	1.229	1.327	1.438	1.563	1.702	1.836	1.962	2.075	2.1
growth*AROE		-0.100	-0.091	-0.093	-0.095	-0.098	-0.100	-0.103	-0.135	-0.170	-0.208	-0.248	-0.2
equired rate (k)	0.179	0.179	0.179	0.179	0.179	0.179	0.179	0.179	0.179	0.179	0.179	0.179	0.1
Compound discount rate		1.179	1.390	1.639	1.933	2.279	2.687	3.169	3.736	4.405	5.194	6.124	7.2
div. payout rate (k)	0.210												
Add to P/B	PV(growth*AROE)	-0.08	-0.07	-0.06	-0.05	-0.04	-0.04	-0.03	-0.04	-0.04	-0.04	-0.04	-0.
Cum P/B		0.92	0.85	0.79	0.74	0.70	0.66	0.63	0.59	0.56	0.52	0.48	0.
Add: Perpetuity													
beyond current yr	(Assume this yr's AROE forever)	-0.47	-0.37	-0.32	-0.28	-0.24	-0.21	-0.18	-0.20	-0.22	-0.22	-0.23	-0.
Total P/B	(P/B if we stop est. this period)	0.44	0.48	0.48	0.47	0.46	0.46	0.45	0.39	0.34	0.29	0.25	0.
mplied price		40.43	43.96	43.28	42.64	42.03	41.45	40.90	35.78	31.00	26.64	22.75	19.
Check:													
Beg. BV/Shr		79.19	84.17	90.36	97.32	105.13	113.90	123.74	134.80	145.42	155.35	164.32	172.
mplied EPS		6.30	7.84	8.80	9.89	11.10	12.46	14.00	13.45	12.57	11.35	9.82	7.
mplied EPS growth			0.244	0.123	0.123	0.123	0.123	0.123	-0.039	-0.065	-0.097	-0.135	-0.1

Inputs (provide below input values used in your analysis)

EPS forecasts (FY1 & FY2):   FY1: 6.3 FY2: 7.84

Long-term growth rate: 12.29%

Book value /share (along with book value and number of shares outstanding):

  Book value: $ 37,223,000,000

  # of shares outstanding: 466 M

  Book value / share: 79.19

Dividend payout ratio: 21%

Next fiscal year end: 2012 (Dec)

Current fiscal month: 10

Target ROE: 4.64%

Output

Above normal growth period chosen: 2014 (With such a high beta (2.36), I would not be comfortable using any longer than a two-year growth period, because the economy is still not very strong and the stock price could drastically drop if the economic recovery takes a turn for the worse).

EBO valuation (Implied price from the spreadsheet): 43.28

Sensitivity Analysis

EBO valuation would be (you can include more than one scenario in each of the following):

41.45 if changing above normal growth period to 2017

44.44 if changing growth rate from mean (consensus) to the highest estimate 15.50%

42.45 if changing growth rate from mean (consensus) to the lowest estimate 10.00%

38.28 if changing discount rate to 20%

52.62 if changing discount rate to 15%

43.28 if changing target ROE to 6%

Section (D)   Relative Valuation

Copy/paste your completed relative valuation spreadsheet here

Cougar Investment Fund Relative Valuation Template

PRU

Ticker	Name	Mkt Cap	Current Price	Mean FY2 Earnings Estimate (next fiscal year)	Forward P/E	Mean LT Growth Rate	PEG	P/B (MRQ)	ROE 5 yr ave	Value Ratio	P/S TTM
AIG	American Insurance Group Inc	$ 52,393.41	$ 35.46	$ 3.51	10.10	14.73%	0.69	0.59	-36.58%	-0.02	0.80
MET	Metlife Inc	$ 36,828.23	$ 35.00	$ 5.54	6.32	13.10%	0.48	0.59	7.45%	0.08	0.51
AFL	Aflac Inc	$ 22,294.41	$ 48.14	$ 6.88	7.00	11.07%	0.63	1.57	18.97%	0.08	0.92
ING	ING Groep NV	$ 31,474.85	$ 8.47	$ 1.77	4.79	17.70%	0.27	0.45	4.24%	0.11	0.50
PRU	Prudential	$ 26,119.30	$ 56.05	$ 7.84	7.15	12.29%	0.58	0.69	9.68%	0.07	0.50

	Implied Price based on:				P/E		PEG	P/B		Value	P/S
AIG	American Insurance Group Inc				$79.20		$66.08	$47.93		-$12.68	$89.6
MET	Metlife Inc				$49.53		$46.47	$47.93		$62.27	$57.1
AFL	Aflac Inc				$54.86		$60.90	$127.53		$65.08	$103.
ING	ING Groep NV				$37.52		$26.05	$36.55		$83.45	$56.0
	High				$79.20		$66.08	$127.53		$83.45	$103.
	Low				$37.52		$26.05	$36.55		-$12.68	$56.0
	Median				$52.19		$53.69	$47.93		$63.68	$73.4

From the top panel

Discuss whether your stock and its competitors have very different multiples. Point out if any of the five stocks have multiple that is far off from the others. Make an attempt to explain why (you would want to read analyst research report in *Morningstar Direct*; you should also look for comments from other financial sites). **The discussions should address all of the following valuation metrics: forward P/E, PEG, P/B (MRQ), P/S (TTM), and P/CF (TTM).**

Compare the implied prices derived from various valuation metrics. Also compare those implied price to the stock's current price, and 52-week high and low.

-Most of Prudential's multiples are similar to their competitors. The only significant difference between the companies comes from ROE. AIG's ROE is heavily in the negative, while Aflac Inc's is over twice the amount of Prudential who is the second highest. The only reason I can think of to explain AIG's negative ROE is the fact that

they are still struggling to recover after the recession nearly caused them to go bankrupt, needing a government bailout to avoid bankruptcy. Many of the companies' P/E multiple would give PRU an implied value very similar to what it is currently at. The same is true when looking at PEG, except ING's PEG would give PRU an implied price that is about half of the value of PRU's 52 week low. Using P/B, three of the companies give an implied price that is fairly similar to the lower end of PRU's 52 week value range. However, due to a high P/B, Aflac Inc gives an implied price double of PRU's 52-week high. The value ratio and P/S give implied value medians slightly higher than the 52-week high for the stock. P/CF gives three values that are much lower than PRU's low and it gives one that is significantly higher than PRU's high, making the high very far away from the median.

From the bottom panel

Discuss the various implied prices of your stock derived from competitors' ("comparables") multiples. How different are the prices derived from the various valuation metrics? Note any valuation metrics that seem to yield outlier prices and explain why **(HINT**: is that because that particular valuation metrics is not very relevant for the industry? Do you best to provide convincing arguments).

For each valuation metrics, Compare the current price and 52-week high /low of your stock to the High-low range derived from multiples of its competitors.

Among the valuation metrics analyzed, **which ones do you think are most relevant as a valuation tool for your stock**?

-I think that Price/Book value is one of the better metrics to use to determine the valuation of the stock. Usually this is one of the best multiples to use when valuing a company in the financial sector. Using the median implied value given by competitors' P/B multiples, the value falls right in line with the fundamental valuation that I calculated earlier, in addition to being right in the middle of PRU's 52-week range. One of the least relevant appears to be the P/CF, because the company that gives the highest implied price from P/CF has the lowest value for its share price.

Section (E)   Revenue and Earnings Estimates

Copy/Paste the "Historical Surprises" Table from *Reuters.com, "Analysts" tab* (include both revenue and earnings; make note that revenues might be in "millions")

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 Jun-12	10,629.20	11,405.00	775.85	7.30
Quarter Ending Mar-12	10,479.00	10,651.00	172.01	1.64
Quarter Ending Dec-11	10,203.40	10,263.00	59.56	0.58
Quarter Ending Sep-11	10,126.10	9,950.00	176.14	-1.74
Quarter Ending Jun-11	9,614.16	10,150.00	535.84	5.57
Earnings (per share)				
Quarter Ending Jun-12	1.55	1.34	0.21	-13.31
Quarter Ending Mar-12	1.71	1.56	0.15	-8.99
Quarter Ending Dec-11	1.76	1.97	0.21	12.20
Quarter Ending Sep-11	1.54	1.07	0.47	-30.39
Quarter Ending Jun-11	1.55	1.71	0.16	10.66

Review recent trends in company's reported revenue and earnings, and discuss whether (1) the company has a pattern of "surprising" the market with numbers different from analysts' estimates; (2) Were they positive(actual greater than estimate) or negative (actual less than estimate) surprises? (3) Were surprises more notable for revenue or earnings? (4) Look up the stock chart to see how the stock price reacted to the "surprises. **NOTE:** Reuters does not put the sign on the surprise. **You need to put a "negative" sign when it is a negative surprise**.

(1) Prudential seems to continuously surprise the market when it comes to earnings, as it has a surprise percentage of more than plus or minus 10% four out of the last five quarters. It seems to be less surprising when it comes to revenues as none of the quarters had a surprise percentage over 7.30%. **(2)** The surprises tended to be both negative and positive at about the same frequency. However, the negative surprises had the largest percentages out of any of them. **(3)** The surprises were much more notable for earnings as I mentioned previously. **(4)** The negative surprises for earnings typically caused the stock to lose value, but not by a significant margin, while the other surprises did not seem to have as much of an effect.

Copy/paste the "Consensus Estimates Analysis" Table from *Reuters.com, "Analysts" tab* (include both revenue and earnings)

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)					
Quarter Ending Dec-12	7	11,373.90	13,418.00	10,418.00	10,794.20

Quarter Ending Mar-13	6	11,727.90	12,279.10	11,442.60	10,954.80
Year Ending Dec-12	10	43,936.90	46,105.00	42,043.00	42,424.40
Year Ending Dec-13	10	46,930.60	50,302.50	42,352.00	44,831.60

Earnings (per share)

Quarter Ending Dec-12	17	1.74	1.88	1.62	2.00
Quarter Ending Mar-13	14	1.84	1.91	1.73	2.00
Year Ending Dec-12	20	6.30	6.55	6.10	7.66
Year Ending Dec-13	20	7.84	8.24	7.60	8.78

LT Growth Rate (%)	4	12.29	15.50	10.00	12.60

Review the range and the consensus of analysts' estimates. (1) Calculate the % difference of the "high" estimate from the consensus (mean); (2) Calculate the % (negative) difference of the "low" estimate from the consensus; (3) Are the divergent more notable for the current or out- quarter, FY1 or FY2, revenue or earnings? (4) Note the number of analysts providing LT growth rate estimate. It that roughly the same as the number of analysts providing revenue and earnings estimates?

(1) Sales: Quarter Dec 12: 17.97%

Quarter Mar 13: 4.7%

Year Dec 12: 4.93%

Year Dec 13: 7.18%

Earnings   Quarter Dec 12: 8.05%

Quarter Mar 13: 3.8%

Year Dec 12: 3.97%

Year Dec 13: 5.1%

LT growth: 26.11%

(2) Sales: Quarter Dec 12: -8.4%

Quarter Mar 13: -2.4%

Year Dec 12: -4.31%

Year Dec 13: -9.76%

Earnings   Quarter Dec 12: -6.9%

Quarter Mar 13: -5.98%

Year Dec 12: -3.17%

Year Dec 13: -3.06%

LT growth: -18.6%

(3) The more divergent numbers are from the current quarter and for FY2. This is consistent for both revenues and earnings, but is more pronounced in for revenues.

(4) There are far fewer analysts providing LT growth rate, 4, when compared to both revenues and earnings. There are more analysts provide earnings estimates than do revenue estimates.

Copy/paste the "Consensus Estimates Trend" Table from *Reuters.com, "Analysts" tab* (include both revenue and earnings)

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 Dec-12	11,373.90	11,370.50	11,370.50	11,370.00	10,794.20
Quarter Ending Mar-13	11,727.90	11,727.00	11,718.40	11,765.40	10,954.80
Year Ending Dec-12	43,936.90	43,940.80	43,938.80	43,938.10	42,424.40
Year Ending Dec-13	46,930.60	46,764.00	46,724.30	46,719.90	44,831.60

Earnings (per share)

Quarter Ending Dec-12	1.74	1.74	1.74	1.74	2.00
Quarter Ending Mar-13	1.84	1.84	1.84	1.84	2.00
Year Ending Dec-12	6.30	6.30	6.31	6.34	7.66
Year Ending Dec-13	7.84	7.82	7.81	7.78	8.78

Review recent trend of analysts' consensus (mean) estimates on revenue and earnings. (1) Are the consensus estimates trending up, down, or stay the same? (2) Is the trend more notable for the near- or out- quarter, FY1 or FY2, revenue or earnings?

(1) The revenue totals are slowly trending upwards from a year ago to today, but there does not seem to be much change since the two-months ago mark. Earnings per share are going through a similar trend, but in the opposite direction as the projections have been decreasing from a year ago, with not much changing from two months ago. **(2)** The trend seems to be more notable for the quarter ending in Dec.-13 and seems to be more significant in FY2 and earnings.

Copy/paste the "Estimates Revisions Summary" Table from *Reuters.com,* *"Analysts" tab* (include both revenue and earnings)

ESTIMATES REVISIONS SUMMARY

	Last Week		Last 4 Weeks	
Number Of Revisions:	**Up**	**Down**	**Up**	**Down**
Revenue				
Quarter Ending Dec-12	1	0	1	0
Quarter Ending Mar-13	1	0	1	0
Year Ending Dec-12	1	1	2	1
Year Ending Dec-13	2	0	3	0
Earnings				
Quarter Ending Dec-12	1	2	1	4
Quarter Ending Mar-13	0	2	1	2
Year Ending Dec-12	1	1	1	3
Year Ending Dec-13	2	0	4	0

Review the number of analysts revising up or down their estimates (both revenue and earnings) **in the last and last four weeks.** (1) Note whether there are more up or down revisions; (2) are the revisions predominantly one directional? (3) Any notable difference last week versus last four weeks, revenue versus earnings?

(1) There seem to be more upwards revisions for revenue, while earnings tend to have more downwards corrections. **(2)** Overall, the corrections upwards and downwards seem to be relatively balanced against one another. **(3)** With revenue, the corrections have basically stayed the same from four weeks ago versus two weeks ago. However, earnings saw more changes four weeks ago than two weeks ago.

You will need to incorporate what you see here with Morningstar's analyst research report (you can access ***Morningstar Direct at the Financial Markets Lab***.) and other readings/analysis you found from various on-line financial sites. Discuss whether you think the company has a good chance of making or beating analyst consensus estimate, and why. Based on how the stock has been trading lately, do you think market has already anticipated strong or lackluster financial outlook from the company?

-I do not think that Prudential has a very good chance of outperforming the analysts' estimates. The reason for this is that Prudential seems to be fairly priced when compared to its competitors and with its multiples. Also, Prudential is in an industry where sustained long-term growth is almost non-existent because competitors can easily copy and imitate one another. Additionally, PRU does not have the multiples that would suggest that they are undervalued, so being fairly valued with a limited LT growth, PRU is not in the situation to be outperforming the analyst estimates.

Section (F)　　　Analysts' Recommendations

Copy/paste the **"Analyst Recommendations and Revisions" Table from** *Reuters.com, "Analysts" tab*. **NOTE**: Make sure you copy the entire table including the "Mean Rating" at the bottom of the table.

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	5	6	7	6
(2) OUTPERFORM	10	11	11	11
(3) HOLD	5	4	4	3
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.00	1.90	1.86	1.85

Review the trend of analyst recommendations over the last three months. Is there a notable change of analyst opinions, turning more bullish or bearish? How many different ratings out of the five possible ones did the company receive currently, one, two, and three months ago? Is there a notable trend of opinion convergence or divergence? Is what you see here consistent to comments in Morningstar analyst's research report as well as various online financial sites you had researched on?

NOTE: On a Five-point scale, Reuters assigns "1" to "Buy", the most bullish recommendation, and "5" to "Sell", the most bearish recommendation. **Some other online sites have opposite scale**, with their "1" being the most bearish and "5" being the most bullish recommendations.

-The trend of analyst recommendations is that they have remained very stable for the last three months, with not many analysts changing their recommendations. The analyst have remained slightly bullish on the stock, with the current mean rating being exactly 2.00. What I see here is fairly consistent with Morningstar's analyst's report, however Morningstar seemed to be less bullish about this stock and gave it a three star rating. None of the analyst reports that I looked at gave Prudential a consensus buy recommendation.

Section (G) Institutional Ownership

Copy/paste the completed *"CIF Institutional Ownership" spreadsheet* here.

Cougar Investment Fund Institutional Ownership Template

RU

Ownership Activity	# of Holders	% Beg. Holders	Shares	% Shares
Shares Outstanding			464,003,617	100.00%
of Holders/Tot Shares Held	751	100.27%	294,410,295	63.45%
New Positions	8	1.07%		
Closed Positions	6	0.80%		
Increased Positions	41	5.47%		
Decreased Positions	33	4.41%		
eg. Total Inst. Positions	749	100.00%	293,838,188	63.33%
Net Buyers/3 Mo. Net Chg	8	55.41%	572,107	0.12%

Ownership Information	% Outstanding
op 10 Institutions % Ownership	23.80%
lutual Fund % Ownership	0.91%
loat %	99.08%

· 5% Ownership		
older Name	% Outstanding	Report Date
o Holder has over 5%		

Combine information provided in all three sections to discuss whether (1) institutions, on net basis, have been increasing or decreasing ownership and how significant, (2) the stock has sizable institution interests and support, (3) the extent of the (> 5%) owners, and (4) this could be a bullish or bearish indication of future stock price movement.

(1) On a net basis, institutions have been increasing their ownership, but it is not a very significant increase. **(2)** The stock seems to have good support from institutions, as

institutions own almost two-thirds of the outstanding shares. **(3)** There are no institutions that are (>5%) owners. **(4)** Since no institution has over 5% of the shares, I view this as a bearish indication of the future stock price movement, because no institution wants to get too heavily invested into the stock.

## Section (H)   Short Interest (two pages)

From http://www.nasdaq.com/ (NASDAQ's website)

Copy/paste or enter the data in the following table. You also need to copy/paste the chart to the right.

Copy/paste or type the information from "short interest" table. You will start from the most recent release date, and go back for a year (some stocks may not have data go back for a year)

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
9/28/2012	4,087,803	2,804,485	1.457595
9/14/2012	5,169,776	2,682,147	1.927477
8/31/2012	4,557,196	2,090,017	2.180459
8/15/2012	5,215,874	2,659,890	1.960936
7/31/2012	6,977,979	2,745,405	2.541694
7/13/2012	7,196,691	2,562,597	2.808358
6/29/2012	6,940,872	3,431,658	2.022600
6/15/2012	7,774,374	4,336,220	1.792892
5/31/2012	6,828,021	5,061,129	1.349110
5/15/2012	6,408,993	6,269,634	1.022228
4/30/2012	7,367,356	2,884,838	2.553820
4/13/2012	6,073,809	2,719,607	2.233341
3/30/2012	5,826,691	3,073,152	1.895998
3/15/2012	5,999,942	3,123,921	1.920645
2/29/2012	5,743,491	2,684,652	2.139380
2/15/2012	5,141,154	3,294,115	1.560709
1/31/2012	7,203,517	4,450,218	1.618689
1/13/2012	6,097,851	3,360,948	1.814325
12/30/2011	6,450,253	3,102,458	2.079078
12/15/2011	8,987,917	4,052,934	2.217632
11/30/2011	7,915,322	5,376,252	1.472275
11/15/2011	9,113,045	6,839,967	1.332323
10/31/2011	10,003,629	5,547,281	1.803339
10/14/2011	10,141,895	5,810,601	1.745412

Copy/paste the chart to the right of the "short interest" table, immediately follow the table below
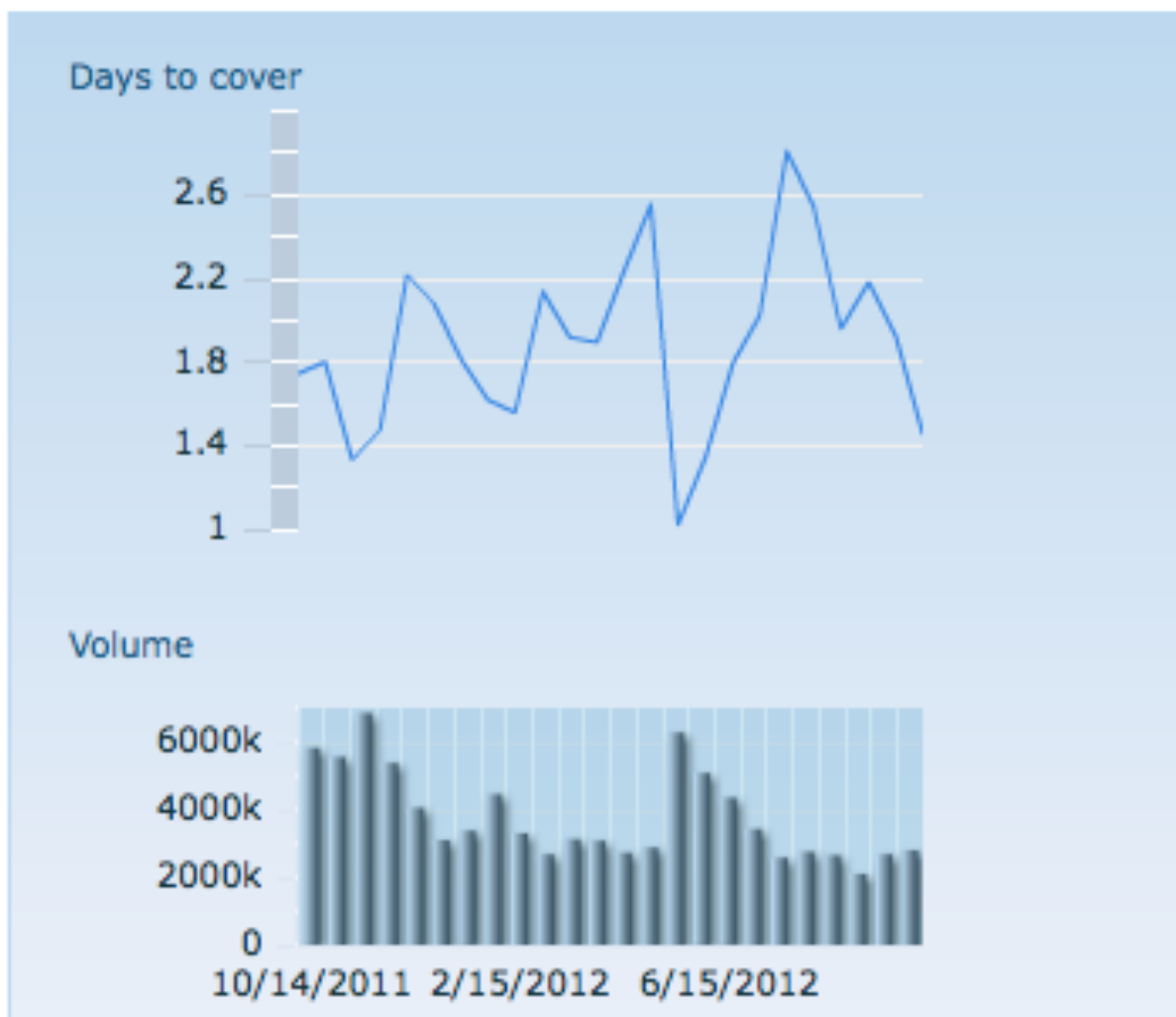
NOTE: You are encouraged to look at the short interest information for two of the companies' closest competitors. This will help gauge whether the sentiment indicated in the short interest statistics is company specific or industry-wide.

Settlement Date	Short Interest	Average Daily Shares Volume	# of Days to cover

From http://finance.yahoo.com/

Complete the following table with information from the *"share statistics" table*.

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
2,702,190	3,672,810	466.00M	465.14M

Shares Short (Most recent date)	Short Ratio (Most recent date)	Short % of Float (Most recent date)	Shares Short (2 weeks prior)
4.09M (Sept. 28th, 2012)	1.50	0.90%	5.17M

Based on the short interest statistics and its recent trend, how is the market sentiment on the stock? Has the sentiment turned more bullish or bearish over the last year? How about in more recent month and why?

-The number of shares short has decreased from 5.17M two weeks prior to 4.09M on September 28th. This demonstrates that more investors believe that the stock will not drop in value over the next coming months. Over the last year, the days to cover number for Prudential has fluctuated back and forth. In addition, the number of shares short has slowly decreased signifying that investors are becoming more confident that the price of PRU will not be dropping very much. This signifies a bullish sentiment for the stock.

Section (I)   Stock Charts
A three months price chart
Copy/paste the "3 Mos." stock chart here

A one year price chart
Copy/paste the "1 Yr" stock chart here

Oct 12, 2012: ■ PRU 56.05

A five year price chart
Copy/paste the "5 Yrs." stock chart here

Week of Oct 15, 2007: ■ PRU 95.88

Additional price chart
If you have other stock charts, feel free to copy/paste here

Mar 27, 2012: ■ PRU 63.55 ■ XLF 15.83

2011   Dec   2012   Feb   Mar   Apr   May   Jun   Jul   Aug   Sep   Oct

1D 5D 1M 3M 6M YTD 1Y 2Y 5Y Max   FROM: Oct 14 2011   TO: Oct 12 2012   +10.07%

Discuss what you observe from the stock charts. This should include comparing your stock to competitors, sector, and SP500 over the three different time horizons.

 -The stock price has remained relatively stable over the last couple of years, just fluctuating up and down slightly over time. For the 3-month chart, Prudential has seen significant, continuous growth, starting below 50 and finishing at its current price of 56.05. Over this time, Prudential has outperformed both the financial sector and the S&P 500 by over 5%. It has also outperformed all of its top four competitors, as listed in the relative valuation table, except for Ing GroepNV over this time period so it has fair pretty well recently.

-Going a full year, Prudential has not done nearly as well as it has recently. For the 1-year chart, Prudential has only outperformed two of it's competitors, Metlife Inc. and Ing Groep NV, by a very small margin. When compared to the sector, Prudential has done significantly worse, seeing around 20% less growth than the rest of its sector. Prudential has also underperformed the S&P 500, seeing about 10% less growth than the S&P 500.

-On the 5-year chart, Prudential saw a significant loss, losing 40% of its value. However, it managed to outperform both its sector and 3 out of 4 of its top competitors over this time period, Alfac Inc being the only one to do better. Compared to the S&P 500, PRU did not do well at all during this period, seeing losses over 35% more than the S&P 500.

-The final chart that I included compares the percentage increase of PRU vs. the financial sector over the last year. This chart shows that Prudential is even more volatile in its prices than the financial sector as a whole has been for the last year.. It also has underperformed the financial sector significantly over this time period.