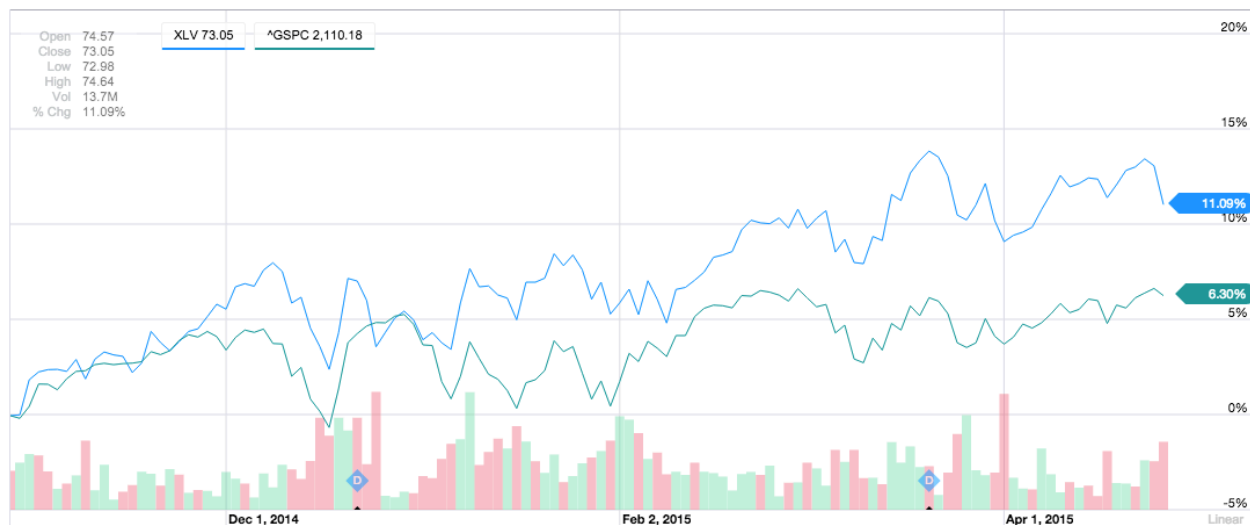


Price chart for the review period—Sector ETF vs. SP500



- 1. How did the sector perform relative to the broad market (SP500) during the review period? What might have caused the out-/under-performance of the sector in relation to the broad market? You should weigh in macro, sector/industry, and company-specific factors that might have contributed to sector's out-/under-performance**

The healthcare sector outperformed the S&P 500 within the review period of January 12, 2015-April 27, 2015. A reason for this could be that the healthcare was the second top-performing sector in the S&P 500 last year especially due to the emerging innovations in the biotechnology industry. Also due to the increase of generic drugs, drugs are now becoming cheaper and of higher demand. In March, the healthcare sector peaked which has shown to consistently since then.

- 2. What are some of the noteworthy news/events from the sector during the review period? These news/events can be either specific to the company or relevant to the industry/sector.** Noteworthy news about the Healthcare sector includes the possible \$43 million dollar merger between Mylan and Teva pharmaceuticals, which has been in the works for a while. Along with this merger new drugs entering the market have lead to growth within the market due to the competition between generic and brand name pharmaceuticals.

(A-2) Big Sector Movers

Mylan NV (MYL) was the biggest gainer in the Healthcare sector within a three-month time frame with an increase of 40.31%. This extremely high stock price increase is due to the possible merger than Mylan and Teva have agreed to do. Regeneron Pharmaceuticals (REGN) was another top gainer in the healthsector with a positive increase of 14.25%. This company has one of the leading cholesterol drugs in the market, along with this they are planning on releasing a new type of cholesterol- injecting drugs this year.

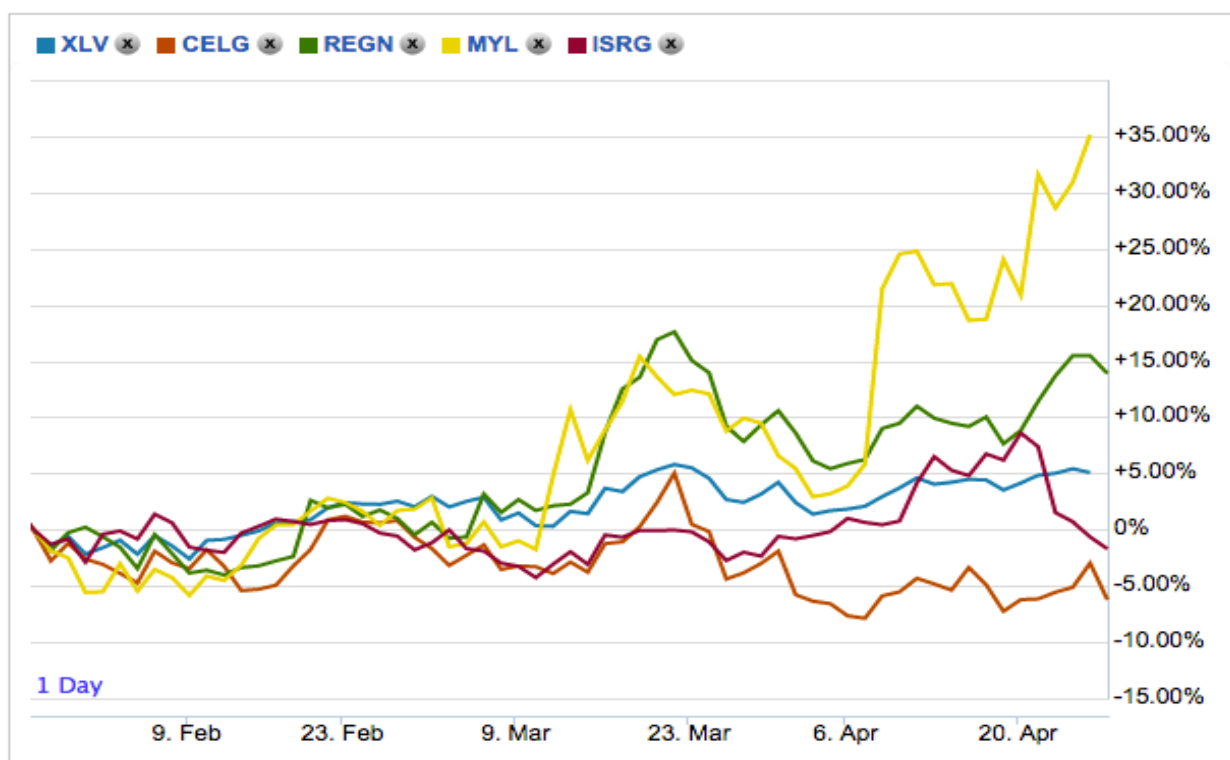
Celgene Corporation (CELG) seemed to suffer from one of the largest losses with a drop of 4.18%. Many of the biotech companies have seen a weakness in recent earnings, which is the industry in which Celgene is apart of. They have also agreed to buy a private Pharmaceutical company for \$100 million, which contributed to their drop. Intuitive Surgical Inc. (ISRG) also was one of the top losers in the review period with a drop of 2.25%. This company creates many robotic-assisted surgical products but the safety and the costs of these products have been hurting sales. And as of February 2, 2015, ISRG planned to repurchase an additional \$1 billion in stock.

Largest Winners:

- **Regeneron Pharmaceuticals (REGN): Increase + 14.25**
- **Mylan NV (MYL): Increase + 40.31%**

Largest Losers:

- **Celgene Corporation (CELG): Decrease – 4.18%**
- **Intuitive Surgical Inc. (ISRG): Decrease – 2.25%**



(A-3) Two Largest Stocks in the Sector

Johnson and Johnson (JNJ) and Pfizer (PFE) are two of the largest stocks in the healthcare sector. Johnson and Johnson faced a recent drop of about 1.12% in the review period. The cause of this had a lot to do with the fact that JNJ does a majority of their business outside the

United States, which can cause negative earnings due to the stronger dollar. Pfizer on the other hand has seen an increase of 2.82% due to recent share buybacks and dividend payments. However, future generic competition could be a challenge for Pfizer in the future.

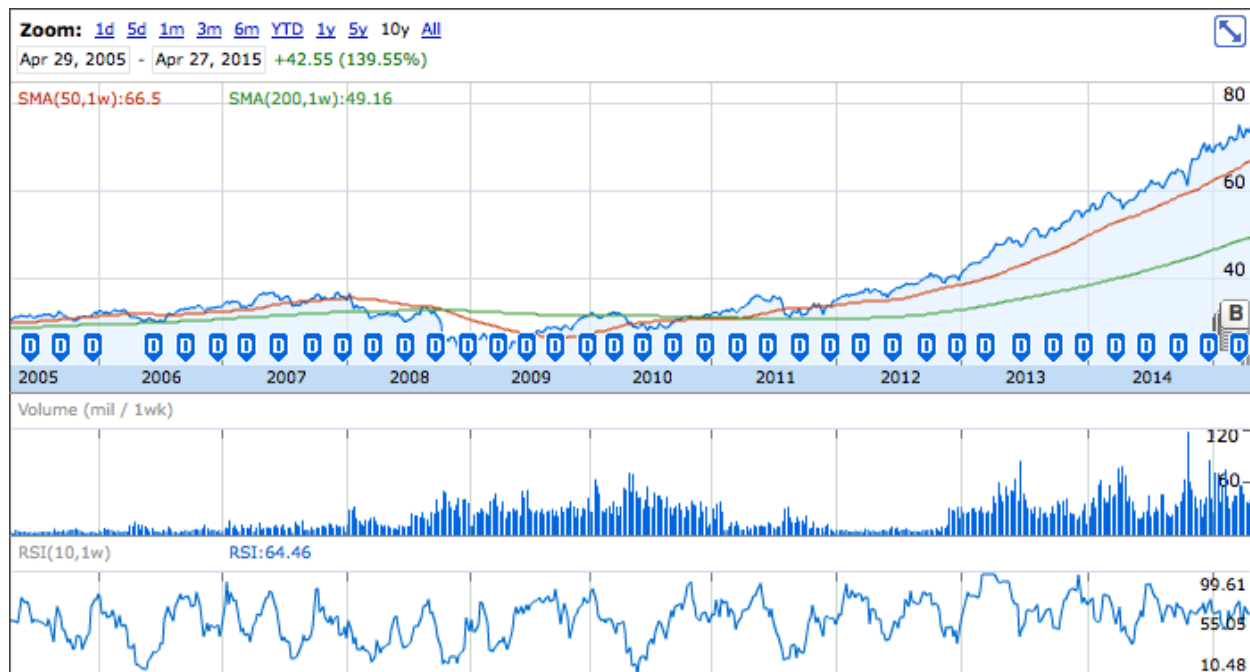


(A-4) Technical Indicators of the Sector ETF (“Moving Average” and “Relative Strength Index”
from <https://www.google.com/finance?tab=we>)

Short-term moving average and relative strength index indicators



Long-term moving average and relative strength index indicators



Any golden or death cross on either set of moving average chart? Any “oversold” or “overbought” signal from RSI? Do these technical indicators signal bullish or bearish sentiment on the sector?

Over the short term the XLF has experienced a death and golden cross in August and October of 2014. Over the past quarter it has come close to making a death cross but has always bounced back. With an RSI of 42.09 this is a signal the stock has been somewhat selling however nowhere near oversell. When we look at the long-term picture, the XLF has been in a golden cross period since 2010.

A-5) Short-term (up to Three Months) Outlook of the Sector

When making an assumption about the health care sector it is always important to bring up that it is traditionally defensive. The first quarter of 2015 has been interesting due to uncertainty over the FOMC, news on Greece, and the markets in Asia but the XLF has remained steady. Over the past three months they have gained over 3.16%. Outlook will depend on future earnings reports. Soon the top holding will report and we will see if the strong dollar and increasing government regulations will hurt them. Because the top holdings of the XLF have traditionally steadily performed over the years we have a positive outlook over the next three months.

Section (B) Updates on Stocks recommended

Stock #1: UnitedHealth Group (UNH)

Date Recommended: 03/04/2015

Date Re-evaluated: 04/27/2015

(B-1) Company Updates and Stock Performance

Company Update

Update what happened to the company during the review period.

- On the 6th of March United Health Care was upgraded from underperform to neutral.
- Released earnings on March 16th 2015 ahead of top and bottom line estimates.
- Strong growth from commercial and government medical memberships
- UnitedHealth buys Catamaran's drug clients for \$12.8 Billion

Relative Performance

Review and comment on performance of Stock #1 over the review period relative to sector ETF and SP500.

UnitedHealth has out performed both the S&P 500 as well as the Health Care sector SPDR (XLV). Currently UNH sits around 6.26% relative to the SPX at 4.34% and the XLV at 3.85%. Even though the industry has faced some headwinds from the health care reform act, UnitedHealth has been able work hard and sustain positive gains. Management continues to aim business on the less regulated business in the health services segment called Optimum (Zachs). With the buyout of Catamaran, UnitedHealth is going to add to their drug benefit business. This will allow the UNH to better negotiate with prices over pharmaceutical companies.

3- Month Stock Price Chart



UNH has done well over performing both the SPX and the XLV the past couple months. The stock price has taken a few dips along with the XLV showing the overall movement relative to the market as opposed to negative firm specific news.

(B-2) Valuations, Estimates and Recommendations

Valuations

Original Analysis (03/01/15)

Ratio Analysis	Company	Industry	Sector
P/E (TTM)	20.15	23.42	40.21
P/S (TTM)	0.83	0.72	41.04
P/B (MRQ)	3.35	3.13	6.21
P/CF (TTM)	15.33	16.59	337.99

Re-evaluation Analysis

P/E Ratio (TTM)	19.78	23.85	41.71
Price to Sales (TTM)	0.84	0.73	39.84
Price to Book (MRQ)	3.55	3.35	6.57
Price to Tangible Book (MRQ)	3.54	3.88	53.59
Price to Cash Flow (TTM)	15.20	17.04	325.03

Comment on the changes; comment also how current forward P/E differs from current P/E (TTM)

The key ratios have not moved significantly over the review period. Price to earnings have gone down slightly and relative to the industry and sector this suggests it is a little undervalued. Price to sales haven't moved at all and are still just above the industry, which is a slightly negative sign. Price to book again increased a small amount and we are still behind the industry average, which would be optimal. Price to cash flow has stayed basically the same over the period and is still favorably under the sector and industry.

Consensus Estimates

Original Analysis (03/1/15)

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 Mar-15	14	34,528.30	35,018.90	34,024.00	34,998.00
Quarter Ending Jun-15	14	35,228.20	35,550.90	34,344.00	35,356.90
Year Ending Dec-15	16	141,462.00	142,787.00	140,525.00	139,747.00
Year Ending Dec-16	17	151,786.00	156,641.00	146,973.00	148,730.00
Earnings (per share)					
Quarter Ending Mar-15	22	1.34	1.49	1.21	1.25
Quarter Ending Jun-15	22	1.51	1.60	1.40	1.50
Year Ending Dec-15	23	6.20	6.30	6.05	6.11
Year Ending Dec-16	21	7.00	7.23	6.60	6.94
LT Growth Rate (%)	6	9.62	13.00	7.90	7.71

Re-Evaluation Analysis

CONSENSUS ESTIMATES ANALYSIS

	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Quarter Ending Jun-15	14	35,712.90	36,594.10	35,116.00	34,411.40
Quarter Ending Sep-15	14	35,884.60	37,272.20	35,280.30	34,727.20
Year Ending Dec-15	15	143,624.00	147,412.00	142,070.00	137,635.00
Year Ending Dec-16	10	155,071.00	158,890.00	152,550.00	147,956.00
Earnings (per share)					
Quarter Ending Jun-15	21	1.58	1.64	1.48	1.45
Quarter Ending Sep-15	21	1.61	1.74	1.50	1.76
Year Ending Dec-15	22	6.26	6.32	6.17	6.01
Year Ending Dec-16	14	7.08	7.25	6.85	6.85
LT Growth Rate (%)	6	9.78	14.00	7.90	7.95

Comment on the changes

Across the board consensus has increased on revenue and earnings. This is most likely due to the top and bottom line beat of first quarter and with the acquisition of Catamaran UnitedHealth has shown their desire for future growth.

Estimate Revision Analysis

Original Analysis (03/1/15)

ESTIMATES REVISIONS SUMMARY				
	Last Week		Last 4 Weeks	
Number Of Revisions:	Up	Down	Up	Down
Revenue				
Quarter Ending Mar-15	1	0	1	0
Quarter Ending Jun-15	0	1	0	1
Year Ending Dec-15	0	1	0	1
Year Ending Dec-16	0	1	0	1
Earnings				
Quarter Ending Mar-15	1	1	1	1
Quarter Ending Jun-15	2	0	2	0
Year Ending Dec-15	1	0	2	0
Year Ending Dec-16	1	0	1	0

Re-Evaluation Analysis

ESTIMATES REVISIONS SUMMARY

	Last Week		Last 4 Weeks	
Number Of Revisions:	Up	Down	Up	Down
Revenue				
Quarter Ending Jun-15	6	1	10	1
Quarter Ending Sep-15	6	1	10	1
Year Ending Dec-15	8	0	12	0
Year Ending Dec-16	6	1	8	1
Earnings				
Quarter Ending Jun-15	12	0	17	0
Quarter Ending Sep-15	0	13	0	18
Year Ending Dec-15	11	0	15	1
Year Ending Dec-16	6	0	8	0

Comment on the changes

There are significant amounts of up revisions in the last week as well as in the past four weeks. The revisions given in the last four weeks we attribute to the earnings report and the outlook of the management for future growth.

Analysts' Recommendations**Original Analysis (04/3/15)**

1-5 Linear Scale	Current	1 Month	2 Month	3 Month
		Ago	Ago	Ago
(1) BUY	11	11	11	11
(2) OUTPERFORM	8	8	9	9
(3) HOLD	4	4	4	4
(4) UNDERPERFORM	1	1	1	1
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	1.79	1.79	1.8	1.8

Re-Evaluation Analysis

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	12	11	11	11
(2) OUTPERFORM	7	7	8	8
(3) HOLD	4	5	4	4
(4) UNDERPERFORM	0	0	1	1
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	1.65	1.74	1.79	1.79

Comment on the changes

The mean rating for UnitedHealth has gone down slightly to 1.65. This suggests analysts are moving more toward a buy rating and are bullish about the stock price. Given the recent earnings release and the past performance analysts are confident the company will continue to grow. Outlook for 2015 revenue has also increased 2 billion dollars to a projected \$143 billion.

(B-3) Technical Indicators (Module I4 from stock research report)

*** *Note: see Sector Update Report Guidelines for instructions* ***

Short-term technical indicators



Long-term technical indicators



Any golden or death cross on either set of moving average chart? Any “oversold” or “overbought” signal from RSI? How have the two sets of technical charts changed from the ones in the original report? Are findings from technical analysis supportive of your other findings?

There were not any golden crosses or death crosses during the review period although if you look at the short-term technical indicators the 10-day is nearing the 50 day. The RSI of 40.19 is not a terrible sign, it just means there has been some selling of the stock recently. Compared to the stock report given earlier, the only noticeable change would be the in the short term. Like I expressed earlier with the closing of the gap between the 10 and 50-day simple moving average. It makes sense that the RSI has declined slightly compared to when the stock report was published because in the last week we have seen a slight decline in the stock price.

Stock #2: Merck and Co Inc. (MRK)
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Date Recommended: 03/15/2015

Date Reevaluated: 04/27/15

(B-1) Company Updates and Stock Performance

Company Update

Update what happened to the company during the review period.

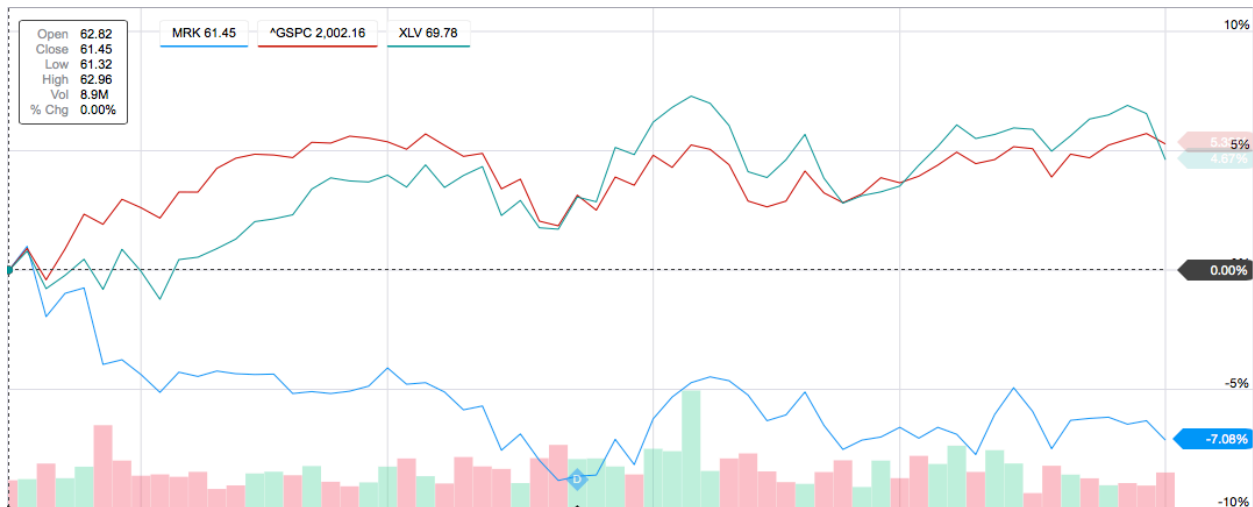
- Merck's diabetes drug JUNAVIA was approved after a long awaited heart safety study
- Merck recently announced encouraging results from an ongoing phase-III trial on an HCV drug

Relative Performance

Review and comment on performance of Stock #1 over the review period relative to sector ETF and SP500.

Merck has underperformed both the S&P 500 and the XLV during the review period. At the time of the stock report the price seemed to hit a bottom and has been in the high 50's for the past month. The drug JUNAVIA should give a boost to the stock price because of the uncertainty of this product which is one of their biggest.

3- Month Stock Price Chart



Merck has struggled to gain on the S&P 500 and XLV over the review period. The stock report was given in the middle of March and since then the stock price has stayed relatively the same. Currently Merck is at -7.08% compared to the 4.67% of the XLV and 5.33% of the S&P 500. Although there was a major decline in the health care sector today, after the positive announcement with the drug JUNAVIA the stock price jumped up two dollars. Also later this week the company is set to announce their earnings.

(B-2) Valuations, Estimates and Recommendations

Valuations

Original Analysis (03/01/15)

<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	14.10	40.31	40.78
P/S (TTM)	3.88	5.34	40.42
P/B (MRQ)	3.37	6.42	6.29
P/CF (TTM)	8.80	30.99	330.30

Re-evaluation Analysis

	Company	industry	sector
P/E Ratio (TTM)	14.06	41.06	41.71

Price to Sales (TTM)	3.86	5.67	39.84
Price to Book (MRQ)	3.36	6.61	6.57
Price to Tangible Book (MRQ)	10.67	7.56	53.59
Price to Cash Flow (TTM)	8.75	31.72	325.03

Comment on the changes; comment also how current forward P/E differs from current P/E (TTM)

Other than the price to cash flows, which decreased slightly the other ratios have stayed the same. The drop in the price to cash flows ratio can be taken as a positive sign.

Consensus Estimates

Original Analysis (03/16/15)

	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-15	11	9,164.25	9,645.00	8,785.00	10,251.00
Quarter Ending Jun-15	11	9,806.92	10,200.00	9,370.00	10,629.00
Year Ending Dec-15	16	39,594.20	40,326.00	38,325.00	43,043.70
Year Ending Dec-16	16	41,366.70	42,844.00	39,850.00	43,923.00
Earnings (per share)					
Quarter Ending Mar-15	13	0.75	0.82	0.67	0.84
Quarter Ending Jun-15	13	0.79	0.86	0.74	0.89
Year Ending Dec-15	19	3.38	3.48	3.28	3.70
Year Ending Dec-16	18	3.81	4.06	3.45	3.97
LT Growth Rate (%)	5	4.79	8.10	-1.84	1.77

Re-Evaluation Analysis

	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Quarter Ending Jun-15	11	9,705.76	10,200.00	9,370.00	10,629.00
Quarter Ending Sep-15	11	9,995.17	10,207.90	9,745.00	10,624.50
Year Ending Dec-15	17	39,195.40	39,790.00	38,146.00	42,931.50
Year Ending Dec-16	16	40,905.30	42,443.00	39,850.00	44,007.70
Earnings (per share)					
Quarter Ending Jun-15	12	0.80	0.86	0.75	0.89
Quarter Ending Sep-15	13	0.91	0.96	0.81	0.98
Year Ending Dec-15	19	3.37	3.46	3.28	3.69
Year Ending Dec-16	18	3.78	4.06	3.43	3.98
LT Growth Rate (%)	6	4.96	8.10	-3.05	2.43

Comment on the changes

Compared with the original chart there has been a slight decrease across the board. Starting with earnings, quarter ending in June and September has decreased their estimates around a \$100 million. With earnings there have been decreases as well but only by a couple of cents. The cause of this change could be due to the slow quarter Merck has been having along with the overall performance of the health care sector in general. There has not been any significant negative news.

Estimate Revision Analysis

Original Analysis (03/16/15)

	Last Week		Last 4 Weeks	
Number Of Revisions:	Up	Down	Up	Down
Revenue				
Quarter Ending Mar-15	0	0	1	0
Quarter Ending Jun-15	0	0	1	0
Year Ending Dec-15	0	0	2	2
Year Ending Dec-16	0	0	2	3
Earnings				
Quarter Ending Mar-15	0	0	1	0
Quarter Ending Jun-15	0	0	1	0
Year Ending Dec-15	0	0	2	0
Year Ending Dec-16	0	0	1	2

Re-Evaluation Analysis

Number Of Revisions:	Up	Down	Up	Down
Revenue				
Quarter Ending Jun-15	1	1	0	6
Quarter Ending Sep-15	1	1	1	6
Year Ending Dec-15	1	1	0	9
Year Ending Dec-16	1	1	1	8
Earnings				
Quarter Ending Jun-15	0	0	2	1
Quarter Ending Sep-15	1	1	1	6
Year Ending Dec-15	1	1	1	7
Year Ending Dec-16	1	1	1	7

Comment on the changes

There have been some significant changes to the amount of downgrades the company has received in the past four weeks. In the middle of March many agencies revised Merck's price target down which caused the downgrades.

Analysts' Recommendations

Original Analysis (04/3/15)

Analyst Recommendations and Revisions				
1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	4	4	5	4
(2) OUTPERFORM	3	3	4	4
(3) HOLD	12	12	12	12
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.42	2.42	2.33	2.4

Re-Evaluation Analysis

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	4	4	4	5
(2) OUTPERFORM	3	3	3	4
(3) HOLD	12	12	12	12
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.42	2.42	2.42	2.33

Comment on the changes

The mean rating for the company still sits at 2.42, which indicates a hold rating. There have not been any significant changes over the period.

(B-3) Technical Indicators (Module I4 from stock research report)

*** *Note: see Sector Update Report Guidelines for instructions* ***

Short-term technical indicators



Long-term technical indicators



Any golden or death cross on either set of moving average chart? Any “oversold” or “overbought” signal from RSI? How have the two sets of technical charts changed from the ones in the original report? Are findings from technical analysis supportive of your other findings?

Merck has not experienced either a golden or death cross during the review period. Although it is worth noting in the short-term technical indicator chart how close the 10 and 50 day moving averages are. The RSI is fairly neutral at 53.8 meaning showing that the stock is neither overbought nor oversold. When I look at the previous stock report I can see the short term technical moving together like it is today.

(C-1) Stock(s) CIF Did Not Buy

Stock	Ticker	Current Price	Target Price	Target Stop-Loss	Sell/Buy
UnitedHealth Group Inc.	UNH	\$116.73	\$130.00	\$102.29	Buy
Merck and Co. Inc	MRK	\$57.42	N/A	N/A	N/A

*** Information taken from April 27, 2015 results.**

Next earnings date:

- **Unitedhealth Group Inc.:** July 16, 2015
- **Merck and Co. Inc:** April 28, 2015
- 1. **Unitedhealth Group Inc. (UNH):** Recommended buy this stock, which was not the same consensus of the class when deciding whether or not this would be a good stock to add to the portfolio. The majority of the analysts recommend either a BUY or OUTPERFORM and when looking at the Growth and Valuation of the company seems to be having a positive trend in their earnings and revenues growth for the future.
- 2. **Merck and Co. Inc. (MRK):** We recommend that we do not buy this stock, as the consensus estimates seemed to have a downward trend with a number of negative surprises.

(C-2) Stock(s) CIF Bought but No Longer Holds

N/A

(C-3) Stock(s) CIF Bought and Still Holds

N/A

