

Date: April 8, 2015

Analyst(s) Name: Brandon Clement and Thien Tran

CIF Stock Recommendation Report (Spring 2015)

Company Name and Ticker: State Street Corp STT

Section (A) Investment Summary

Recommendation Buy: Yes No		Target Price: \$79.50	Stop-Loss Price: \$68.50
Sector: Finance	Industry: Diversified Financial Services	Market Cap (in Billions): 30.95	# of Shrs. O/S (in Millions): 411.65
Current Price: \$75.78	52 WK Hi: \$80.92	52 WK Low: \$62.67	EBO Valuation: \$33.60
Morningstar (MS) Fair Value Est.: \$70.00	MS FV Uncertainty: medium	MS Consider Buying: \$49.00	MS Consider Selling: \$94.50
EPS (TTM): 4.57	EPS (FY1): 5.16	EPS (FY2): 5.86	MS Star Rating: 3 Stars
Next Fiscal Yr. End "Year": "Month": 2015 December	Last Fiscal Qtr. End: Less Than 8 WK: No	If Less Than 8 WK, next Earnings Ann. Date: April 24, 2015	Analyst Consensus Recommendation: Hold
Forward P/E: 12.83	Mean LT Growth: 9.35%	PEG: 1.37	Beta: 1.55
% Inst. Ownership: 96.33	Inst. Ownership- Net Buy: No	Short Interest Ratio: 2.20	Short as % of Float: N/A
<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	16.34	17.75	16.61
P/S (TTM)	2.99	3.87	6.05
P/B (MRQ)	1.59	1.50	3.12
P/CF (TTM)	12.55	11.85	14.05
Dividend Yield	1.61	2.43	1.74
Total Debt/Equity (MRQ)	108.83	428.37	57.56
Net Profit Margin (TTM)	19.79	18.26	34.93
ROA (TTM)	0.79	1.00	3.17
ROE (TTM)	10.02	9.97	21.86

<p><u>Investment Thesis</u></p> <p><u>Pros:</u></p> <ul style="list-style-type: none"> • State Street is one of the two largest custodian banks in the United States. • State Street now has more than \$27 trillion in assets under custody, this makes them able to compete effectively on price. • Asset custody and asset servicing is a business where customers are naturally sticky; they are loath to risk changing providers and therefore the business involves high-return and is highly scalable (people stay with State Street longer) • They have more than \$2 trillion in their asset management business. This provides a huge moat in compared to its competitors and an advantage for them when serving their institutional investors like corporations and pension funds (They have the capital to do so). • State Street is currently on the rise in stock price after announcing its cut in fees for 41 ETF's to respond to price competition. • State Street mainly gets its revenues from fee-based services and therefore interest rates don't play as big of a role in this company's performance • State Street manages the SPDR ETF's brand; more people have been investing in ETF's in recent times which has helped their business grow. • Earnings have beat analysts' estimates for 3 of the last 5 quarters. 	<p><u>Summary</u> Provide brief summary of your analysis in each section that follows</p> <hr/> <p><u>Company Profile:</u> State Street Corporation is a financial holding company that began on October 16, 1969 and is one of the two largest custodian banks in the United States. The Company provides financial products and services to institutional investors through passive investment strategies and exchange traded funds. State Street earns most its revenue from its fee based services.</p> <hr/> <p><u>Fundamental Valuation:</u> The fundamental valuation resulted in State Street being overvalued. It was significantly under the current stock price of \$75.78 (\$33.60). This reflects the industry's target ROE (5.41%) which is well below the company's target ROE of 10.13%. When analyzed with the later ROE, the valuation still proves the stock to be overvalued but not as drastically \$58.20 compared to \$75.78 vs. \$33.60 to \$75.78.</p> <hr/> <p><u>Relative Valuation:</u> It seems that State Street is overvalued and may see decrease in the future; when comparing the Fundamental price to the relative valuation derived from the competitors.</p> <hr/> <p><u>Revenue and Earnings Estimates:</u> Both revenue and earnings have been on an upward trend (earnings more so than revenue). This is mainly due to fee-based revenues. Earnings have beat analysts' estimates for 3 of the last 5 quarters.</p> <hr/> <p><u>Analyst Recommendations:</u> Most analysts from each site strongly recommend a hold. There were others who recommend buy and underperform.</p> <hr/> <p><u>Institutional Ownership:</u> The institutional ownership is 96.63%. This indicates that institutions see and value holding State Streets shares. There are four mutual funds with over 5%.</p>
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<p>Cons</p> <ul style="list-style-type: none"> • The fundamental valuation deems the stock as overvalued. • 10 analysts recommend a hold and 3 think that it will underperform. • Reestablishing trust in investors 	<p>Short Interest: State Streets short interest in the last year has been very volatile, but current short ratio of 2.20 which indicates a bullish trend.</p> <p>Stock Price Chart: For the 3-month stock price chart, State Street in underperforming both the S&P 500 and one of its main Competitor’s Bank of New York Mellon. - In the long term however (1-year and 5-year) stock price charts, State Street is performing relatively near/above the S&P 500 and significantly better than Bank of New York Mellon as seen in the 5-year stock price chart.</p>
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Section (B) Company Profile

(B-1) Profile

Include in this section, at the minimum:

Company Description; major business units and % breakdown of revenue/earnings; % breakdown of domestic and international business; business model; management strategy; competition and competitors of each major business unit; sensitivity to business cycle & macro environment; life cycle; significant merger/acquisition or major restructure in recent years; significant pending litigations, material patents or other intellectual properties-related issues; major risk factors; other company or industry-specific development or issues deemed material (e.g., labor disputes, trade tensions, regulatory or policy changes, technology & product innovations, natural disasters, etc.)

State Street Corporation is a financial holding company that began on October 16, 1969 and is one of the two largest custodian banks in the United States. The Company provides financial products and services to institutional investors through passive investment strategies and exchange traded funds. They have more than \$27 trillion in assets under custody and \$2 trillion in assets under management. The Company’s clients include mutual funds, collective investment funds and other investment pools, corporate and public retirement plans, insurance companies, foundations, endowments and investment managers. The two main lines of business for State Street are Investment Servicing and Investment Management. In addition the Company offers Foreign exchange products, services, and execution models. The Foreign exchange products and execution services can be grouped into three broad categories: direct sales and trading FX, indirect FX and electronic FX trading. In its securities finance business State Street provides liquidity to the financial markets by acting as a lending agent and coordinating loans between lenders and borrowers. This is done worldwide for its clients.

Within its Investment Servicing business, State Street provides institutional investors with clearing, payment and settlement services. Along with this line of business State Street provides mutual fund custody and accounting services in the United States. Under its Investment Management line of business, State Street “offers strategies for managing financial assets, including passive and active, such as enhanced indexing, using quantitative and fundamental methods for both United States and global equities and fixed-income securities” (reuters). Finally, State Street also offers exchange-traded funds such as the SPDR EFT brand.

In terms of Revenue/Earnings, State Street has beat analysts estimates in revenue for the last 5 quarters. This is mostly due to the fact that State Streets revenues are mainly fee based, which provides some stability when interest rates are low. The last surprise for revenue as a result was a 2.11% beat on what was estimated for the quarter ending in December 2014. For earnings, analyst’s estimates for the last 3 quarters have been beat by State Street’s actual performance. Estimates for earnings for quarters ending in December and September 2014 consisted of a surprise of 8.75% and 11.84% respectively. However, revenue growth still remains difficult for State Street as interest rates remain low. Fee levels on the other hand are expected to stabilize as the economic environment improves and ROE is expected to improve as well while the economy starts to see net interest margins eventually normalize. Lastly, State Street’s business model which includes significant foreign operations is subject to the risk of currency movements as well as adverse market moves here in the United States. The business cycle does have a significant effect on State Street’s performance.

(B-2) Revenue and Earnings History (Refer to the guidelines document for revenue and earnings data to be included)

1) What are your observations on revenue? Was there a notable up- or down-trend, year-over-year? Was there seasonable pattern?

State Street has seen a steady notable up-trend in revenue growth for the past 3 years. Although not as good as it could be due to interest rates remaining flat, it is consistent with year-over-year revenue growth. Total revenue increased 4% in 2014 compared to 2013.

2) Likewise, what are your observations on earnings?

4th quarter earnings of 2014 compared to Q4 earnings of 2013 is down by 0.91%. Earnings overall seem to have a seasonable pattern with highest earnings being reported at the end of Q2 and a small decrease at the end of Q3.

(B-3) Most Recent Quarterly Earnings Release

1) When was the company’s most recent earning release?

January 23rd, 2015

2) In that earnings report, was reported revenue a (1) beat, (2) match, or (3) miss from consensus estimate?

Reported revenue was a beat. Higher than expected revenue of \$2.72 Billion compared to the estimated \$2.67 Billion.

3) Likewise, was reported earnings a (1) beat, (2) match, or (3) miss from consensus estimate?

Reported earnings was a beat on the consensus estimate. Earnings were \$1.37 per share compared to 17 analysts \$1.26 estimate (8.7% surprise).

4) What did the management attribute the beat/miss to?

Management attributes the beat to strong revenue growth, an improved tax rate, and a reduction in the number of outstanding shares.

5) Did the management provide guidance about their current quarter and their outlook for the year? What were the key points of the guidance?

The outlook for 2015 assumes stronger global equity market valuations and the US dollar not strengthening any further than it already has in 2015. They will continue to focus on key priorities of delivering value-added solutions to our clients, investing in growth initiatives, diligently managing expenses, and returning capital to shareholders. State Street managers expect operating basis fee revenue to increase 4% to 7% in 2015, which takes into account the estimated loss of \$200 million from the strength of the US dollar. Finally, net interest revenue will continue to be pressured by the persistent low interest rate environment as 2015 comes underway.

6) How did the stock react to that earnings release?

After the earnings release the stock did experience a short-lived spike in price, however it quickly decreased and didn't see another significant rise till the beginning of February.

7) Other observations worth noting?

Inputs (provide below input values used in your analysis)

EPS forecasts (FY1 & FY2): 5.17

Long-term growth rate: 5.86

*** Indicate next to the number if you made an adjustment to the consensus LTG estimate.

Justify at the bottom of this panel how you derive the adjusted value, if any ***

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

Book value: 19,512

of shares outstanding: 415.20

Book value / share: 46.994

Dividend payout ratio: 24.84%

Next fiscal year end: 2015

Current fiscal month: 4

Target ROE: 5.41%

*** Indicate next to the number if you made an adjustment to the target ROE estimate.

Justify at the bottom of this panel how you derive the adjusted value, if any ***

Discount rate 9.46%

Input for discount rate:

Risk-free rate: 2.52%

Beta: 1.55

Market risk premium: 7.00%

Output

Above normal growth period chosen: 5 years

*** Justify at the bottom of this panel your choice of abnormal growth period ***

EBO valuation (Implied price from the spreadsheet): \$33.60

1) Comment on the fundamental value obtained in relation to the stock's current price and its 52-week price range.

The fundamental value obtained is to a certain degree below the stocks's current price.

According to the fundamental value, the stock is overvalued.

2) What might be "soft spots" of the inputs? And why?

Some soft spots of the inputs may be the estimated market return of 7% and the Target ROE of 5.41%. The reason being that the market is currently improving and therefore the return will be as well, how much is hard to say. Also, for the target ROE, State Street is one of the two largest custodial banks in the world and it is safe to say their target ROE can be more expected around the 10% level and not the industry's 5.41% level. Their current 5-year ROE is actually 10.13%. When entered into the EBO sheet, the implied price significantly increases however is still under the current stock price. But this does give a better estimation.

Sensitivity Analysis

1) Explain the input values used in sensitivity analysis. Compare the fundamental values obtained here in relation to the value from the base case

These fundamental values compared to those of the base case are relatively similar to each other. This is with the exception of the target ROE. Using the industry 5-year ROE of 5.41% or implied prices for these various sensitivity analyses fall around the range of \$33-\$35. However, when the target ROE is changed to the company's actual ROE of 10.13% the implied price significantly jumps to \$58.20. This is a better representation of the actual implied price as the State Street is one of two of the largest custodian banks and it can be expected their actual target ROE will be well above the industry's.

2) Other observations worth noting

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

\$35.86 if changing above normal growth period to 7

\$33.79 if changing growth rate from mean (consensus) to the highest estimate 9.90%

\$33.41 if changing growth rate from mean (consensus) to the lowest estimate 8.81%

\$24.90 if changing discount rate to 11.79%

\$58.20 if changing target ROE to 10.13%

Section (D) Relative Valuation

Copy/paste your completed relative valuation spreadsheet here

SST															
				Mean FY2											
				Earnings Estimate		Forward		Mean LT		PEG		P/B			
				(next fiscal year)		P/E		Growth Rate		ROE		Value			
Ticker	Name	Mkt Cap	Current Price							(MRQ)	5 yr ave	Ratio	P/S	P/CF	
BK	Bank of New York Mellon Corp	\$ 45,131.74	\$ 40.57	\$ 3.11	13.05	7.94%	1.64	1.26	7.01%	0.18	2.88	11.66			
JPM	JP Morgan Chase & Co	\$ 225,451.09	\$ 60.85	\$ 6.46	9.42	9.87%	0.95	1.06	9.73%	0.11	2.39	8.88			
BLK	Black Rock	\$ 60,700.35	\$ 368.82	\$ 23.22	15.88	13.74%	1.16	2.21	10.12%	0.22	5.48	17.14			
BEN	Franklin Resources Inc	\$ 32,067.61	\$ 51.50	\$ 3.93	13.10	4.55%	2.88	2.78	21.63%	0.13	3.80	12.95			
SST	State Street	\$ 30,776.75	\$ 75.20	\$ 5.86	12.83	9.35%	1.37	1.59	10.13%	0.16	2.99	12.55			
Implied Price based on:						P/E (forward)		PEG		P/B		Value		P/S	
BK	Bank of New York Mellon Corp				\$76.44		\$90.02	\$59.59		\$86.12	\$72.43	\$69.87			
JPM	JP Morgan Chase & Co				\$55.20		\$52.29	\$50.13		\$52.19	\$60.11	\$53.21			
BLK	Black Rock				\$93.08		\$63.34	\$104.52		\$104.63	\$137.82	\$102.70			
BEN	Franklin Resources Inc				\$76.79		\$157.80	\$131.48		\$61.58	\$95.57	\$77.60			
	High				\$93.08		\$157.80	\$131.48		\$104.63	\$137.82	\$102.70			
	Low				\$55.20		\$52.29	\$50.13		\$52.19	\$60.11	\$53.21			
	Mean				\$75.38		\$90.86	\$86.43		\$76.13	\$91.48	\$75.84			

BLK: BlackRock is an investment management firm. The Company provides a range of investment and risks management services.

JM: JPMorgan Chase & Co. is a financial holding company. The Company is a financial service firm and banking institution

BEN: Franklin Resources, Inc. (Franklin), is a holding company. Franklin together with its various subsidiaries collectively referred to as Franklin Templeton Investments.

BK: The Bank of New York Mellon Corporation is a global investments company. The Company divides its businesses into two principal segments: Investment Management and Investment Services.

(From Reuters)

1) Discuss various valuation multiples of your stock and its peers. Comment if any of these stocks have multiples far off from the others and explain whether it makes sense.

State Street had one of lowest Forward P/E ratio of 12.83 only JP Morgan had a Forward P/E ratio was lower. This indicates Bank of New York Mellon, Black Rock and Franklin Resources may experience more growth in the future. State Street Forward P/E was shy, but comparable to Bank of New York Mellon and Franklin Resources.

When looking at State Street's PEG ratio of 1.36, stock price could be overvalued. This could also be applied to their two closes competitors Black Rock and Bank of New York Mellon. As seen in the table above all three companies have a PEG ratio higher than 1; State Street PEG ratio falls in between Bank of New York Mellon and Black Rock

The P/S also tells similar story to the PEG when comparing State Street to its closest competitors. State Street lands right in between Black Rock and Bank of New York Mellon.

- 2) Discuss the various implied prices of your stock derived from peers' ("Comparables") multiples. Compare these implied prices to current price and 52-week high and low. How different are the prices derived from the various valuation metrics? Note any valuation metrics that seem to yield outlier prices and explain whether it makes sense.**

The implied prices derived from the competitors gave us a broad estimate to be State Street's value. The implied price of the forward P/E higher is much larger than the State Street's 52-week high and the low is less than the 52-week low. However, the State Street is currently traded near the forward P/E median. State Street seems to be overpriced when comparing the Fundamental Evaluation price to the Forward P/E.

Compare your findings with comments from analysts from *Morningstar Direct* and other online resources.

The Morningstar and Yahoo valuations were very similar to one another. The forward P/E ratio was similar to the forward P/E ratio derived from the Relative Evaluation, but the Yahoo had a higher P/E ratio by .02. The other sites had similar results backing the opinion that State Street may be overpriced.

Section (E) Revenue and Earnings Estimates

(E-1) Copy/Paste “Historical Surprises” Table from <http://www.reuters.com/>, “Analysts” tab (include both revenue and earnings; make note that revenues might be in “millions”)

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 the surprises positive(actual greater than estimate) or negative (actual less than estimate)? (3) Were the 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 “-” sign when it is a negative surprise.

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 Dec-14	2,667.65	2,724.00	56.35	2.11
Quarter Ending Sep-14	2,614.88	2,678.00	63.12	2.41
Quarter Ending Jun-14	2,604.93	2,676.00	71.07	2.73
Quarter Ending Mar-14	2,533.97	2,559.00	25.03	0.99
Quarter Ending Dec-13	2,504.47	2,528.00	23.53	0.94
Earnings (per share)				
Quarter Ending Dec-14	1.26	1.37	0.11	8.75
Quarter Ending Sep-14	1.21	1.35	0.14	11.84
Quarter Ending Jun-14	1.26	1.39	0.13	10.68
Quarter Ending Mar-14	1.00	0.99	0.01	0.76
Quarter Ending Dec-13	1.19	1.15	0.04	3.52

(1.) There does seem to be a pattern of surprises by State Street as each ending quarter contains a relative surprise to analyst estimates.

(2.) These surprises are positive. They are consistently greater than analysts' estimates but not by much for revenues.

(3.) The Surprises were more noticeable for earnings than revenues.

(4.) The stock prices for these surprises were relatively flat with a decreasing trend to follow a few days after the surprise.

(E-2) Copy/paste "*Consensus Estimates Analysis*" Table from <http://www.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 Jun-15	15	2,750.00	2,842.00	2,667.00	2,764.60
Quarter Ending Sep-15	15	2,725.89	2,802.80	2,657.00	2,732.57
Year Ending Dec-15	17	10,914.40	11,217.00	10,597.00	10,943.60
Year Ending Dec-16	17	11,565.70	12,045.00	11,055.20	11,493.80
Earnings (per share)					
Quarter Ending Jun-15	17	1.37	1.46	1.33	1.52
Quarter Ending Sep-15	17	1.35	1.43	1.30	1.49
Year Ending Dec-15	18	5.17	5.33	5.05	5.66
Year Ending Dec-16	18	5.88	6.25	5.59	6.71
LT Growth Rate (%)	2	9.35	9.90	8.81	15.00

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;

SALES (in Millions)	Mean to High	Mean to Low
Quarter Ending Jun-15	3.35%	(3.02)%
Quarter Ending Sep-15	2.82%	(2.53)%
Quarter Ending Dec-15	2.77%	(2.91)%
Quarter Ending Dec-16	4.14%	(4.41)%
EARNINGS (per share)		
Quarter Ending Jun-15	6.57%	(2.92)%
Quarter Ending Sep-15	5.93%	(3.70)%
Quarter Ending Dec-15	3.09%	(2.32)%
Quarter Ending Dec-16	6.29%	(4.93)%

- (3) Are the divergent more notable for the current or out- quarter, FY1 or FY2, revenue or earnings? The divergent are more notable for the out of quarter and FY2. These divergent estimates are more noticeable for earnings than revenue.
- (4) (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?

There are significantly less analysts (only 2) providing the LT growth rate compared to 17 providing revenue and earnings estimates.

(E-3) Copy/paste “Consensus Estimates Trend” Table from <http://www.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 Jun-15	2,750.00	2,749.75	2,746.90	2,759.02	2,764.60
Quarter Ending Sep-15	2,725.89	2,726.16	2,725.87	2,738.01	2,732.57
Year Ending Dec-15	10,914.40	10,911.50	10,906.50	10,942.80	10,943.60
Year Ending Dec-16	11,565.70	11,566.30	11,589.40	11,644.70	11,493.80
Earnings (per share)					
Quarter Ending Jun-15	1.37	1.38	1.37	1.38	1.52
Quarter Ending Sep-15	1.35	1.36	1.36	1.36	1.49
Year Ending Dec-15	5.17	5.17	5.17	5.18	5.66
Year Ending Dec-16	5.88	5.89	5.93	5.99	6.71

Review recent trend of analysts’ consensus (mean) estimates on revenue and earnings.

(1) Are the consensus estimates trending up, down, or stay the same?

Consensus estimates are trending up.

(2) Is the trend more notable for the near- or out- quarter, FY1 or FY2, revenue or earnings?

The trend is more notable for the out quarter of FY2 for earnings. Both Revenue and earnings have a short downward trend in the near quarter of FY1, but overall the (mean) trend is up.

(E-4) Copy/paste the “Estimates Revisions Summary” Table from <http://www.reuters.com/>, “Analysts” tab (include both revenue and earnings)

ESTIMATES REVISIONS SUMMARY

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Jun-15	1	1	2	0
Quarter Ending Sep-15	0	1	1	0
Year Ending Dec-15	1	1	3	0
Year Ending Dec-16	2	1	3	3
Earnings				
Quarter Ending Jun-15	0	1	2	1
Quarter Ending Sep-15	0	3	1	4
Year Ending Dec-15	1	4	2	6
Year Ending Dec-16	1	4	1	9

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;

When looking at revenue the revisions seem to be mixed, there are not more up or down revisions. When looking at earnings there are more down revisions.

(2) are the revisions predominantly one directional?

When looking at revenue and earnings together, the revisions are predominantly one directional (down)

(3) Any notable difference last week versus last four weeks, revenue versus earnings?

There are less up revisions for revenue in “last week” vs. “last 4-weeks.” In the last 4-weeks there have been more up revisions compared to last week for revenue. For earnings there

are still more down revisions in “last week” vs. “last 4-weeks.” However, over the last 4-weeks for earnings they were more up revisions.

(E-5) “Consensus Earnings Revisions” from CNBC

Go to <http://www.cnbc.com/>, “news”, “earnings”, “calendar”, “consensus revisions”. Look for whether your stock had consensus earnings revision today. Copy/paste the information, if any, to the following table. Go back one day, copy/paste the information if there was consensus earnings revision. Repeat the process back one month. Add rows to the table if needed.

Revision Date	Revision Type	Revision Up/Down	Current	Previous	% Change	# of Analysts Reporting
4/1/2015	Up	3/2	\$1.05	\$1.04	↑0.58	17
3/31/2015	Down	2/2	\$1.04	\$1.04	↓0.10	17
3/23/2015	Up	2/0	\$1.04	\$1.03	↑0.39	17
3/3/2015	Up	3/2	\$1.03	\$1.03	↑0.19	17

1) Make note of the company’s (1) last earnings reporting date, and (2) next earnings reporting date.

Last Earnings Report: January 23rd, 2015

Next Earnings Report: April 24th, 2015

2) Review revisions day by day, and comment on

(1) whether they tend to be clustered, and

The day by day revisions tend not to be clustered but more one directional (up) over the last month.

(2) if clustered, were they near earnings reporting date?

No.

3) Were there any greater than 10% consensus revisions? What is the maximum % consensus revision?

No.

4) Observe stock price chart, how did the stock trade around dates of greater than 10% consensus revisions?

There have been no dates with greater than 10% consensus revisions.

5) Other observations worth noting?

Section (F) Analysts' Recommendations

(F-1) Reuters Most Recent Three Months Analysts Recommendations

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	4	4	5	5
(2) OUTPERFORM	2	2	4	4
(3) HOLD	10	9	7	8
(4) UNDERPERFORM	3	4	3	2
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.63	2.68	2.42	2.37

1) Review the trend of analyst recommendations over the last three months. Is there a notable change of analyst opinions, turning more bullish or bearish?

As in the table above there has been a bearish trend on State Street shares. There has been a steady trend of analyst revising their recommendation to "HOLD" in the last few months. Currently 10 out of the 19 analysts are saying to hold shares with a mean rating of 2.63.

2) How many different ratings out of the five possible ones did the company receive currently, one, two, and three months ago?

State Street has 4 out the 5 possible rating. In the last three months we see analyst making revisions and pulling more towards hold. However, the analyst that chose buy seems to have stayed consist in the last three months

3) Is there a notable trend of opinion convergence or divergence?

Overall, it's been somewhat consistent a majority of analyst in the hold section.

4) Cross check (1) *Morningstar* analyst's research report; and (2) media or other analysts' comments from online financial sites. Is what you see here consistent to comments elsewhere?

On Morningstar and CNBC the majority of analysts are recommending a hold too. There are some analysts on CNBC recommending more buys than both Morning Star and Reuters. They also follow a similar trend as Reuters as the past three months more analyst revising to a hold more than any of the other five options.

(F-2) Most Recent One Month Analysts Upgrades/Downgrades from CNBC

State Street had no upgrades or downgrades in the last month.

Section (G)

Ownership Activity	# of Holders	% Beg. Holders	Shares	% Shares
Shares Outstanding			412,272,142	100.00%
# of Holders; Total Shares Held/% Shares	926	100.33%	371,127,382	90.02%
# New Positions	3	0.33%		
# Closed Positions	0	0.00%		
# Increased Positions	14	1.52%		
# Decreased Positions	18	1.95%		
Beg. Total Inst. Positions	923	100.00%	371,332,847	90.07%
# Net Buyers; 3 Mo. Net Chg	-4	43.75%	-205,465	-0.05%

Section 2

Ownership Information	% Outstanding
% Institutional Ownership	96.33
Top 10 Institutions % Ownership	40.01%
Mutual Fund % Ownership	46.93%

Section 3

> 5% Ownership		
Holder Name	% Outstanding	Report Date
Price (T.Rowe) Associates Inc	8.73%	12/31/14
Massachusetts Financial Services Co	6.44%	12/31/14
State Street Corporation	5.21%	12/31/14
Vanguard Group, Inc	5.08%	12/31/14

1) Whether institutions, on net basis, have been increasing or decreasing ownership and whether the change can be considered as substantial

Institutional ownership has decreased by 0.05%. This could be contributed by State Street plans of buying back of 1.8 billion dollars worth of shares between March 2014 to June 2016.

2) Whether the stock has sizable institution interests/support

State Street has a high percentage of ownership of 96.33%. This indicates that institutions are holding shares of State Street, believing it holds value and will continue or increase in value in the future.

3) The extent of the (> 5%) owners by adding up all >5% ownership, and make an effort to identify those that are mutual funds

Mutual funds make up 46.93% of ownership. There are four mutual funds with over 5% of ownership; Price (T.Rowe) Associates, Massachusetts Financial Services, State Street and The Vanguard Group.

4) Section (H) Short Interest (Guidelines for H-2 Have Been Updated)

(H-1) Short Interest Data from <http://www.nasdaq.com/> (NASDAQ's website)

State Street

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
3/13/2015	6,734,225	3,254,477	2.069219
2/27/2015	7,751,866	2,985,746	2.596291
2/13/2015	7,973,088	2,853,827	2.793823
1/30/2015	6,402,181	4,050,201	1.580707
1/15/2015	4,806,970	2,344,867	2.049997
12/31/2014	4,821,232	1,620,467	2.975211
12/15/2014	5,004,087	2,071,551	2.415623
11/28/2014	4,285,842	1,601,115	2.676786
11/14/2014	4,399,409	2,008,068	2.190867
10/31/2014	4,978,075	2,521,649	1.974135
10/15/2014	4,335,541	3,048,319	1.422273
9/30/2014	4,441,322	1,966,823	2.258120
9/15/2014	4,250,096	2,009,094	2.115429
8/29/2014	4,375,805	1,532,610	2.855133
8/15/2014	5,192,619	1,823,370	2.847814
7/31/2014	5,906,865	2,735,860	2.159052
7/15/2014	4,494,710	1,757,298	2.557739
6/30/2014	5,186,013	2,169,755	2.390138
6/13/2014	4,487,367	1,852,256	2.422649
5/30/2014	4,544,355	2,508,455	1.811615
5/15/2014	3,998,233	2,820,437	1.417593
4/30/2014	3,503,668	2,717,000	1.289536
4/15/2014	3,343,683	2,768,283	1.207854

Bank of New York Mellon

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
3/13/2015	10,765,915	7,409,876	1.452914
2/27/2015	8,843,939	5,281,074	1.674648
2/13/2015	8,897,850	6,467,940	1.375685
1/30/2015	7,010,486	7,301,630	1.000000
1/15/2015	8,148,072	4,990,589	1.632687
12/31/2014	8,147,219	3,948,522	2.063359
12/15/2014	8,947,052	4,947,972	1.808226
11/28/2014	8,731,734	3,411,696	2.559353
11/14/2014	7,793,014	4,089,754	1.905497
10/31/2014	8,490,319	6,572,644	1.291766
10/15/2014	7,483,039	5,063,685	1.477785
9/30/2014	7,148,475	5,627,613	1.270250
9/15/2014	9,418,761	5,494,692	1.714156
8/29/2014	12,883,304	3,231,337	3.986989
8/15/2014	15,808,090	7,115,384	2.221678
7/31/2014	16,618,183	6,992,932	2.376426
7/15/2014	16,167,628	5,588,027	2.893262
6/30/2014	17,081,884	6,578,309	2.596698
6/13/2014	14,062,319	3,311,744	4.246197
5/30/2014	13,763,861	3,994,613	3.445606
5/15/2014	13,273,151	4,725,179	2.809026
4/30/2014	11,084,904	5,422,707	2.044164
4/15/2014	11,724,638	5,331,718	2.199036

Black Rock

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
3/13/2015	1,440,363	469,424	3.068363
2/27/2015	1,567,536	601,945	2.604118
2/13/2015	1,523,398	579,802	2.627445
1/30/2015	1,450,006	653,947	2.217314
1/15/2015	1,392,446	498,912	2.790965
12/31/2014	1,407,116	448,841	3.134999
12/15/2014	1,454,723	558,390	2.605210
11/28/2014	1,372,440	415,056	3.306638
11/14/2014	1,383,686	528,298	2.619139
10/31/2014	1,496,728	640,027	2.338539
10/15/2014	1,573,472	724,086	2.173046
9/30/2014	1,508,849	647,708	2.329520
9/15/2014	1,684,876	449,395	3.749209
8/29/2014	2,207,951	568,010	3.887169
8/15/2014	1,455,585	556,506	2.615578
7/31/2014	1,297,728	612,506	2.118719
7/15/2014	1,329,834	536,360	2.479368
6/30/2014	1,455,169	584,245	2.490683
6/13/2014	1,561,297	476,831	3.274319
5/30/2014	1,317,422	446,129	2.953007
5/15/2014	1,308,816	585,479	2.235462
4/30/2014	1,771,118	648,196	2.732380
4/15/2014	1,683,449	743,648	2.263771

(H-2) Short Interest Data From <http://finance.yahoo.com/>

State Street

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
2,925,550	2,105,090	412.28M	407.29M
Shares Short (Include as of date)	Short Ratio (Include as of date)	Short % of Float (Include as of date)	Shares Short (Prior Month)
6.73M (3/13/15)	2.20 (3/13/135)	N/A	7.75

Bank of New York Mellon

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
5,978,210	3,882,040	1.11B	1.11B
Shares Short (Include as of date)	Short Ratio (Include as of date)	Short % of Float (Include as of date)	Shares Short (Prior Month)
10.77M (3/13/15)	1.70 (3/13/15)	1.00% (3/13/15)	8.84M

Black Rock

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
545,213	457,743	166.92M	162.33M
Shares Short (Include as of date)	Short Ratio (Include as of date)	Short % of Float (Include as of date)	Shares Short (Prior Month)
1.44 (3/13/15)	2.70 (3/13/15)	1.10% (3/13/15)	1.57M

- 1) Make note of the company's (1) last earnings reporting date, and (2) next earnings reporting date.**

Last report date: January 23, 2015.

Next report date: April 25, 2015

- 2) Discuss market sentiment on the stock based on the short interest statistics, recent trend reported in (H-1) and (H-2)? Has the sentiment turned more bullish or bearish over the last year? How about in more recent month and why?**

In the past year short share has been volatile for State Street. This is similar to their competitor The Bank of New York Mellon, however Blackrock is much more consistent than both Bank of New York Mellon and State Street. State Street's current short ratio of 2.20 indicates that stock seems to be more on the bullish sides. There's been increase of short interest in State Street in the last three months.

- 3) From (H-1), observe "short interest" and "# of days to cover" values for two reporting dates immediately before and one reporting date immediately after earnings report. (1) Were there notable increase or decrease in the values, right before or right after earnings report? (2) Observe stock price chart and comment on how stock traded around those dates.**

There has been a strong increase in the amount short interest since the last earning reports. Since the last earning report the trade volume has overall increased; while Days-to-Cover had dropped right after the last earning report, but steadily increasing. Overall, trade volume has increase and days-to-cover is relatively the same since the earning report therefore there is a slight bullish trend.

Section (I) Stock Charts (Guidelines for I-4 Have Been Updated)

For (I-1) – (I-3), the stock price charts should include (1) your stock, (2) 1 competitor, (3) sector ETF, and (4) SP500

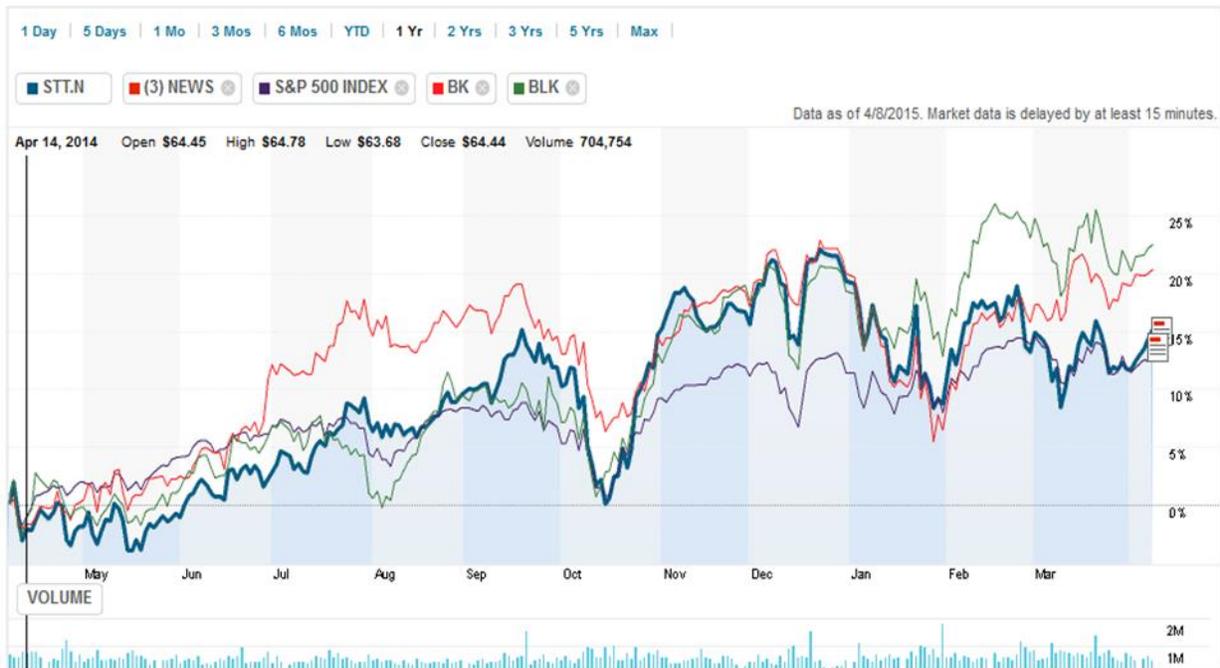
(I-1) A three months price chart

Copy/paste the “3 Mos.” stock chart here



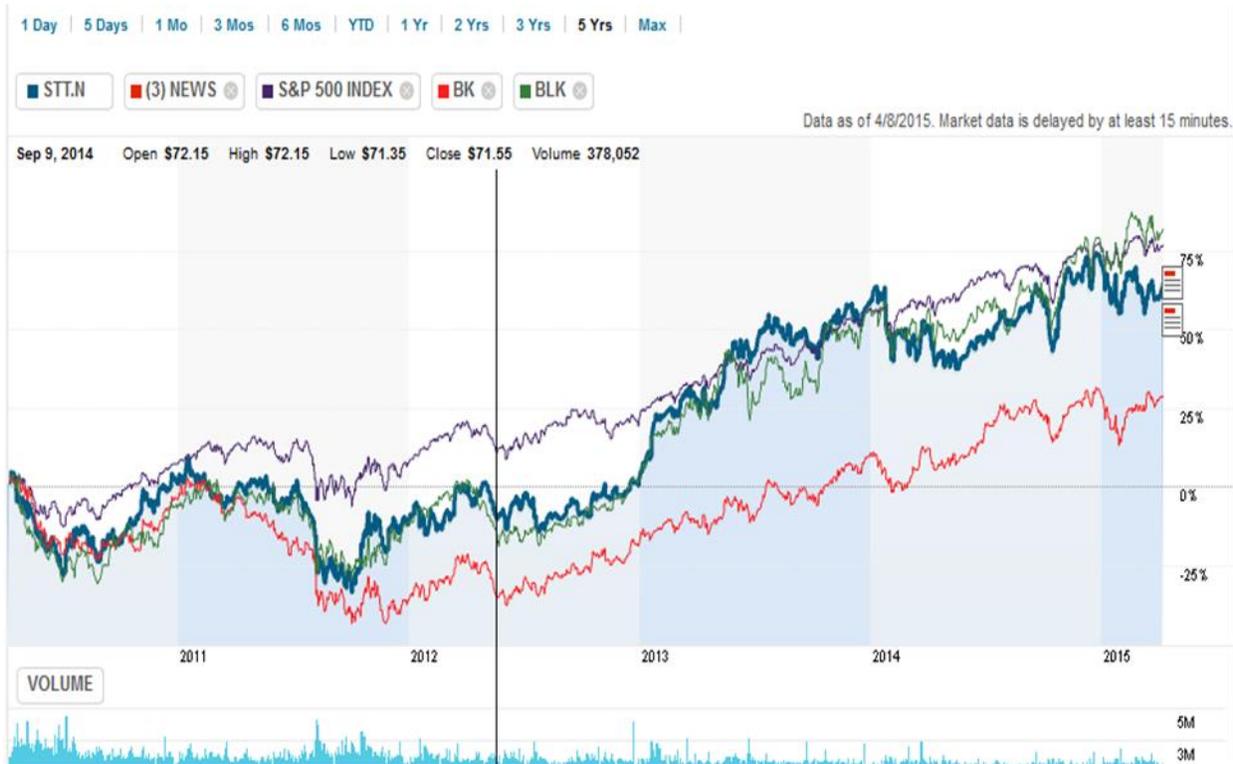
(I-2) A one year price chart

Copy/paste the “1 Yr” stock chart here



(I-3) A five year price chart

Copy/paste the “5 Yrs.” stock chart here



1) (I-1) – (I-3) Discuss what you observe from the above stock price charts. This should include comparing your stock to competitors, sector, and SP500 over the three different time horizons.

Based on the 3-month and 1-year stock price charts it is easy to see that State Street in comparison to its top competitors Bank of New York Mellon and Black Rock Inc., is falling behind in recent times. Looking specifically at the 3-month stock price chart, State Street is significantly underperforming both the S&P 500, Black Rock Inc. and Bank of New York Mellon. Although, as of April, State Street has been on a steady upward climb. Looking at the 1-year stock price chart, State Street has been for the most part outperforming the S&P 500 however still lacks in performance compared to Black Rock Inc. and Bank of New York Mellon. Finally, it's the long term performance of State Street that looks promising as the 5-year stock price shows State Street well performing above Bank of New York Mellon and close to Black Rock's performance. Furthermore as of 2013, State Street has performed relatively well to the S&P 500 which cannot be said the same for Bank of New York Mellon.

2) Other observations worth noting?

State Street's 5-year stock price chart shows its competitive advantage of being a majority fee based run company, as it has been following closely with the S&P 500 even in times of flat interest rates.

(I-4) Technical Indicators ("Moving Average" and "Relative Strength Index" from <https://www.google.com/finance?tab=we>

Short-term moving average and relative strength index indicators

Follow instructions in the revised guidelines to generate price chart. Copy/Paste to the report



Long-term moving average and relative strength index indicators

Follow instructions in the revised guidelines to generate price chart. Copy/Paste to the report



1) Discuss your findings from these sets of technical indicators. Compare your findings here to findings from fundamental analysis. Are findings from technical analysis supportive of your other findings?

When looking at the 1-year small moving average chart, it becomes apparent that State Street’s stock has been pretty volatile as of October 2014 and moving into January and February 2015. There have been at least 4 death crosses during this time however the stock recently experienced a golden cross as of the beginning of April. For the long-term the stock seems to performing better than the sma, and is on the upward rise as of mid-2012. It is not very volatile and the Relative Strength Index shows a pretty consistent performance of being close to overbought and oversold, and not deviating much into one specific direction.

2) Other observations worth noting?