

Date: 3/6/13

Analyst: Taylor Woodruff

CIF Sector Recommendation Report (Spring 2013)

Sector: Technology

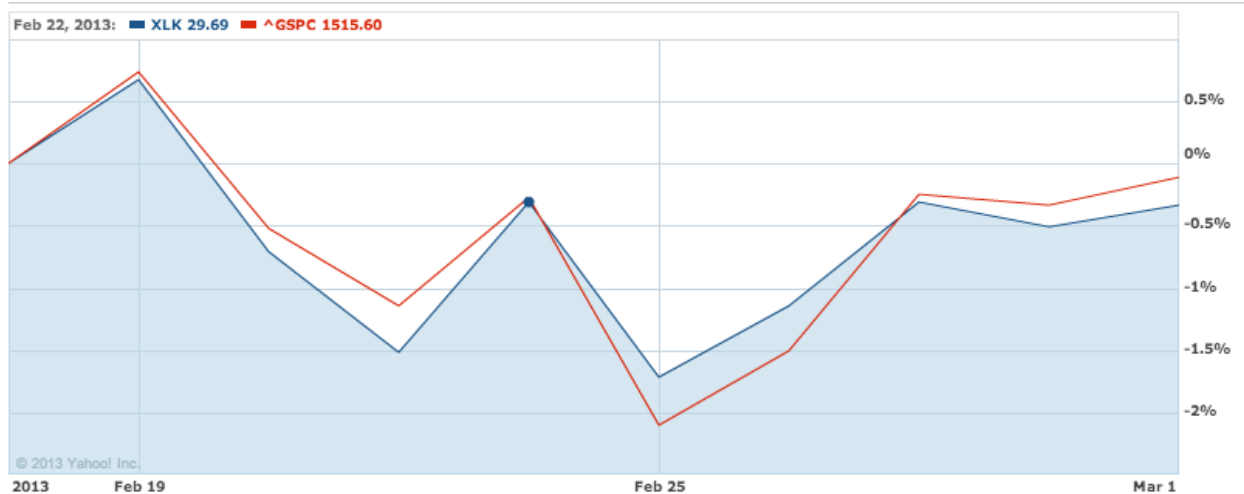
Review Period: 2.15.13 – 3.1.13

Section (A) Sector Performance Review

	Ticker	Current Price	Beg. Price	Stop-loss Price	Target Price	% Cap Gain	# Shares	Current Value	vs. Sector	s. S&P 500
TEC										
S&P 500	\$INX	1518.20	1519.79			-0.10%				
Sector ETF	XLK	\$29.68	\$29.78			-0.34%	6690	#####		-0.23%
Current Holdings										
	QCOM	\$66.30	\$65.43			1.33%	620	\$41,106.00	1.67%	1.43%
	EMC	23.25	24			-3.13%	1420	\$33,015.00	-2.79%	-3.02%
	V	158.08	157.99			0.06%	290	\$45,843.20	0.39%	0.16%
	CSCO	20.83	20.99			-0.76%	1940	\$40,410.20	-0.43%	-0.66%

Review sector performance relative to the broad market (SP500) and explain why; Include a two-week (for the two-week window reviewed) price chart of the SPDR sector ETF and SP500 (on the same chart)

As demonstrated in the graph below and chart above, the technology sector performed right alongside the S&P500 during my review period. XLK is much more volatile than the market as a whole, which can be demonstrated by the larger dips than the S&P500. Technology saw some pricing pressure as cyber-attacks began to set in and companies began to fear vulnerable in the open market. Large companies that compete in the data space such as EMC Corporation saw a small decline in their stock price. These attacks have begun hitting some of the largest Fortune 500 companies with the best security. Other than a few cyber attacks and growth dependent upon the economy as a whole, the technology sector is poised to outperform the S&P500 in 2013.



Highlight noteworthy headline news from the sector (company-, industry-, or sector- level news)

Apple Inc. (XLK’s largest holding) was sued by Greenlight Capital fund manager David Einhorn for hoarding the cash on their balance sheet and doing nothing with it. Einhorn proposed that Apple offer preferred stock to their shareholders for \$50 per share, he dubbed them “iPrefs.” Not only will investors benefit from the preferred shares high yield, but Einhorn also believes that it would help drive up the value of Apple’s common stock. His lawsuit is still in full force and he hopes to push Apple to do something with their \$137 billion pile of cash.

Hewlett-Packard exceeded earnings estimates by a long shot, driving the price of the stock up 16% on February 23rd. Analysts believe that the CEO’s strategy going forward is flawed and expect the stock to perform poorly in 2013. Texas Instruments was recommended a no buy in the fall semester of 2012 because the stock’s fundamentals seemed a bit weak and semiconductors’ outlook didn’t look too bright. However, TXN bumped its payout up by 33% last week and the stock responded positively. TXN is trading near its 52-week high, expectations going forward look optimistic, especially with their high yield (CNN).

EMC Corporation was the CIF’s first purchase of the Spring 2013 semester. The stock has underperformed the market and lost 6% of its value since the fund purchased it. With high operating margins, high earnings per share growth, and great cash flow, the fundamental of EMC are still extremely strong (Yahoo). In fact, most fund managers are bumping up EMC’s weight in their portfolio due to their belief it is undervalued. The stock’s large drop in the last few weeks can be attributed to the disappointing guidance for VMware and some cyber attacks. Given the fundamentals that support EMC and their projected growth, the stock still has many bullish indicators (motley fool).

Qualcomm continues to move upward very nicely. The stock has very attractive valuations and their forecasted growth appears to be the best in the industry. Nothing significant has taken place to shift the sentiment of the stock in the opposite direction.

Visa has received one upgrades and two downgrades since January 2013. There is no reasoning behind their downgrade other than the outlook of the industry as a whole. However, given Visa's mobile phone card swipe machines that have begun hitting the market in Africa and their attractive fundamentals, nothing appears to have changed since Visa was recommended. Going forward, analysts expect the stock to continue to trend upward.

Cisco Systems is the newest addition to the portfolio in the technology sector. Cisco's inability to innovate in the cloud computing area could slow its growth in the future. Given strong fundamentals and subpar performance in 2012, I expect CSCO to outperform the market going forward.

Highlight the biggest (+) and the biggest (-) movers from the sector holdings during the review period. Are there notable reasons why the stocks had big moves (e.g., earnings surprises, etc)?

Biggest Winners:

- Hewlett-Packard (HPQ): 20%
 - HPQ blew analysts' EPS estimates out of the water, which was a large shocker for Wall Street who expected an earnings miss.
- Verizon (VZ): 5.2%
 - Just signed an overseas LTE deal which will greatly expand the market they serve and analysts dubbed the stock "sequester safe."
- Qualcomm (QCOM): 1.3%
 - Qualcomm has seen numerous upgrades and posts very strong fundamentals. The company's outlook appears to be very bullish.

Biggest Losers:

- Apple (AAPL): -6.45%
 - Even though the company's valuation is strong, the company has seen a lot of hype regarding the recent lawsuit by David Einhorn which has driven the price down.
- Intel (INTL): -3.65%

- Nothing significant has brought the stock price down. Intel has been in a decline for quite some time now. They did experience 3% year over year earnings decline and revenues decline as well.
- Oracle (ORCL): -0.52%
 - Nothing significant took place over my review period. In fact, once Oracle began to pullback many large investors increased their positions in the stock.

Highlight the largest two holdings from the sector and note any headline news on the companies

The two largest holdings from the sector are Apple and IBM. As mentioned above, Apple was sued by Greenlight Capital fund manager David Einhorn for hoarding the cash on their balance sheet. Einhorn proposed that Apple offer preferred stock to shareholders for \$50 per share, he dubbed them “iPrefs.” Not only will investors benefit from the preferred shares high yield, but Einhorn also believes that it would help drive up the value of Apple’s common stock. With so much cash on their balance sheet, many investors have begun to wonder if they are truly getting the return that they should be. With a 40% decline from Apple’s 52-week high just a few months ago, investors have started to get frustrated and expect more from a company with such a strong balance sheet.

International Business Machines (IBM) is the second largest holding in XLK. IBM CEO, Ginni Rometty, boasts about the growth that IBM will experience through 2016. Not only is growth a huge focus, but their margins are getting increasingly better by the year. Nothing has significantly moved the stock over the past couple of weeks; going forward IBM’s outlook is very bullish.

With that being said, I also expect the technology sector to perform very well in the short-term overall. Most companies have extremely low valuations and their growth opportunities seem to be ever expanding. I am curious to see how the sequester will effect consumer spending and consumer sentiment on the economy overall. If consumer spending goes down, the technology sector is likely to see a small decline alongside it. However, with the recent downtrend in XLK over the last few months, investors are starting to notice how undervalued technology companies have become. I expect the technology sector to outperform the market as a whole as we begin to see uncertainty in the marketplace disappear.

Section (B) Sector Holding Updates

Company #1: Qualcomm (QCOM)

Valuations Analysis

Date Recommended: 12/6/12

<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	20.69	19.22	16.47
P/S (TTM)	5.65	1.42	1.21
P/B (MRQ)	3.22	1.75	1.50
P/CF (TTM)	17.047	23.04	16.09

Date Re-evaluated: 3/1/13

	Company	Industry	Sector
P/E Ratio (TTM)	19.88	17.41	15.68
Price to Sales (TTM)	5.57	1.29	1.06
Price to Book (MRQ)	3.22	1.46	1.28
Price to Cash Flow (TTM)	16.96	6.80	5.32

The valuation analysis for Qualcomm has remained relatively constant since the stock was recommended in December. In fact, all ratios have become more attractive as they have decreased in the last three months. Overall, the valuations don't look the best considering they suggest Qualcomm is much more expensive than industry and sector competitors.

Company Update

Briefly update what happened to the company the last two weeks (up through your re-evaluation date). This should include noteworthy headline news on the stock (e.g., earnings announcement, management's comments on company outlook and/or strategic changes, changes in analyst recommendations or estimate revisions, new product launch, management turnover, legal or regulatory issues, merger/acquisition announcement, restructure announcement, news from major competitors, etc.)

Qualcomm saw a huge buzz from analysts during my review period. After beating estimates, QCOM was upgraded by several analysts as they expect smartphone growth internationally to increase by a large margin in 2013. For example, as mentioned by Jacob in his report, their new chip “Snapdragon” is starting to hit the market and expand into many emerging markets. Not only is this helping QCOM gain a competitive advantage internationally but it is also helping grow their market share domestically in the U.S. (Seeking Alpha). Additionally, Qualcomm is extending its dominance on the higher-end products in smartphones. Many analysts have set a price target of \$71 to \$78, with estimates continuing to climb.

Relative Performance



Review relative performance of each sector holding, over the two-week review period, both relative to the SP500 and to the respective SPDR sector ETF. Relate your comments on relative performance to the updates discussed above.

As demonstrated in the graph above, Qualcomm is clearly outperforming both the S&P500 and the technology sector ETF. With the evolution of many cyber-attack claims, XLK saw a small hit and ended up underperforming the benchmark over my two-week review period. Contrary to this, Qualcomm saw a large amount of bullish sentiment surround their new chip, “Snapdragon,” and I speculate that this uptrend has only just begun.

Price Charts

3-month chart



1-year chart



Historical Surprises

Original Analysis

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Sep-12	4,659.28	4,871.00	211.72	4.54
Quarter Ending Jun-12	4,676.47	4,626.00	50.47	-1.08
Quarter Ending Mar-12	4,842.37	4,943.00	100.63	2.08
Quarter Ending Dec-11	4,556.30	4,681.00	124.70	2.74
Quarter Ending Sep-11	3,997.10	4,117.00	119.90	3.00
Earnings (per share)				
Quarter Ending Sep-12	0.82	0.89	0.07	9.10
Quarter Ending Jun-12	0.86	0.85	0.01	-1.23
Quarter Ending Mar-12	0.96	1.01	0.05	5.67
Quarter Ending Dec-11	0.90	0.97	0.07	7.43
Quarter Ending Sep-11	0.78	0.80	0.02	2.45

Re-evaluation Analysis

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Dec-12	5,900.40	6,018.00	117.60	1.99
Quarter Ending Sep-12	4,659.28	4,871.00	211.72	4.54
Quarter Ending Jun-12	4,676.47	4,626.00	50.47	1.08
Quarter Ending Mar-12	4,842.37	4,943.00	100.63	2.08
Quarter Ending Dec-11	4,556.30	4,681.00	124.70	2.74
Earnings (per share)				
Quarter Ending Dec-12	1.13	1.26	0.13	11.97
Quarter Ending Sep-12	0.82	0.89	0.07	9.10
Quarter Ending Jun-12	0.86	0.85	0.01	1.23
Quarter Ending Mar-12	0.96	1.01	0.05	5.67
Quarter Ending Dec-11	0.90	0.97	0.07	7.43

Since the stock was recommended there has been a recent earnings report that was released. Qualcomm beat analyst estimates and positively surprised by 2% for revenues and an 11.97% surprise for earnings per share. This is the largest EPS surprise that the company has seen for the past five quarters which is a very positive sign going forward.

Consensus Estimates

Original Analysis

	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Quarter Ending Dec-12	35	5,892.59	6,175.70	5,721.90	5,087.42
Quarter Ending Mar-13	33	5,900.53	6,255.70	5,533.40	4,943.58
Year Ending Sep-12	42	18,914.10	19,170.00	18,696.90	—
Year Ending Sep-13	40	23,592.70	24,494.80	22,483.00	20,587.30
Year Ending Sep-14	30	25,436.50	27,740.00	6,286.00	23,180.10
Earnings (per share)					
Quarter Ending Dec-12	33	1.12	1.17	1.08	0.99
Quarter Ending Mar-13	32	1.10	1.18	0.98	0.97
Year Ending Sep-12	39	3.65	3.91	3.59	—
Year Ending Sep-13	37	4.30	4.52	4.18	4.00
Year Ending Sep-14	28	4.74	5.12	3.76	4.51
LT Growth Rate (%)	12	14.28	20.00	7.70	14.54

Re-Evaluation Analysis

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-13	6,070.92	6,066.82	5,891.33	5,896.17	5,194.46
Quarter Ending Jun-13	5,854.62	5,846.84	5,827.39	5,815.69	5,201.79
Year Ending Sep-13	24,061.00	24,041.30	23,646.50	23,591.00	21,582.70
Year Ending Sep-14	26,663.20	26,645.00	26,283.30	26,139.90	24,133.50
Earnings (per share)					
Quarter Ending Mar-13	1.16	1.16	1.15	1.11	1.02
Quarter Ending Jun-13	1.02	1.02	1.02	1.02	0.97
Quarter Ending Sep-13	4.50	4.49	4.48	4.31	4.14
Quarter Ending Sep-14	4.86	4.85	4.88	4.80	4.71

Estimates are trending upward for the short term and long term. Since QCOM was recommended, analysts have increased their estimated for September 2013 and have projected substantial earnings and revenues growth for the quarter ending March 2013. Bullish indications are present based on the estimates' trends.

Estimate Revision Analysis

Original Analysis (12/6/12)

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Dec-12	0	0	31	0
Quarter Ending Mar-13	0	0	30	0
Year Ending Sep-12	--	--	--	--
Year Ending Sep-13	0	1	39	0
Year Ending Sep-14	1	0	16	0
Earnings				
Quarter Ending Dec-12	0	0	29	0
Quarter Ending Mar-13	0	0	23	3
Year Ending Sep-12	--	--	--	--
Year Ending Sep-13	1	0	36	0
Year Ending Sep-14	0	2	14	1

Re-Evaluation Analysis

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Mar-13	1	0	28	3
Quarter Ending Jun-13	1	0	20	10
Year Ending Sep-13	1	0	33	3
Year Ending Sep-14	1	0	22	5
Earnings				
Quarter Ending Mar-13	1	0	3	0
Quarter Ending Jun-13	0	0	1	1
Year Ending Sep-13	1	0	4	0
Year Ending Sep-14	1	0	3	1

Four weeks ago, QCOM did see some down revisions, however, the upward revisions far outweighed them. In the past week QCOM has seen several up revisions for nearly every quarter and both 2013 and 2014. Since the stock was recommended, QCOM has consistently received more up revisions than down revisions.

Analysts' Recommendations

Original Analysis

ANALYST RECOMMENDATIONS AND REVISIONS				
1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	17	17	18	17
(2) OUTPERFORM	24	23	23	22
(3) HOLD	4	5	4	4
(4) UNDERPERFORM	0	0	0	0
(5) SELL	2	2	2	2
No Opinion	0	0	0	0
Mean Rating	1.85	1.87	1.83	1.84

Re-Evaluation Analysis

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	17	19	18	18
(2) OUTPERFORM	20	20	22	23
(3) HOLD	4	3	3	4
(4) UNDERPERFORM	0	0	0	0
(5) SELL	2	2	2	2
No Opinion	0	0	0	0
Mean Rating	1.84	1.77	1.80	1.83

Analysts have maintained their bullish sentiment regarding the future of QCOM. The mean rating has slightly improved since the stock was recommended, yet not by any material amount. The analyst recommendations are clearly the most bullish indicator regarding the stock.

Company #2: EMC Corporation (EMC)

Valuations Analysis

Original Analysis

<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	20.12	21.32	23.05
P/S (TTM)	2.41	0.77	2.96
P/B (MRQ)	2.34	1.87	3.55
P/CF (TTM)	11.86	9.27	15.17

Re-evaluation Analysis

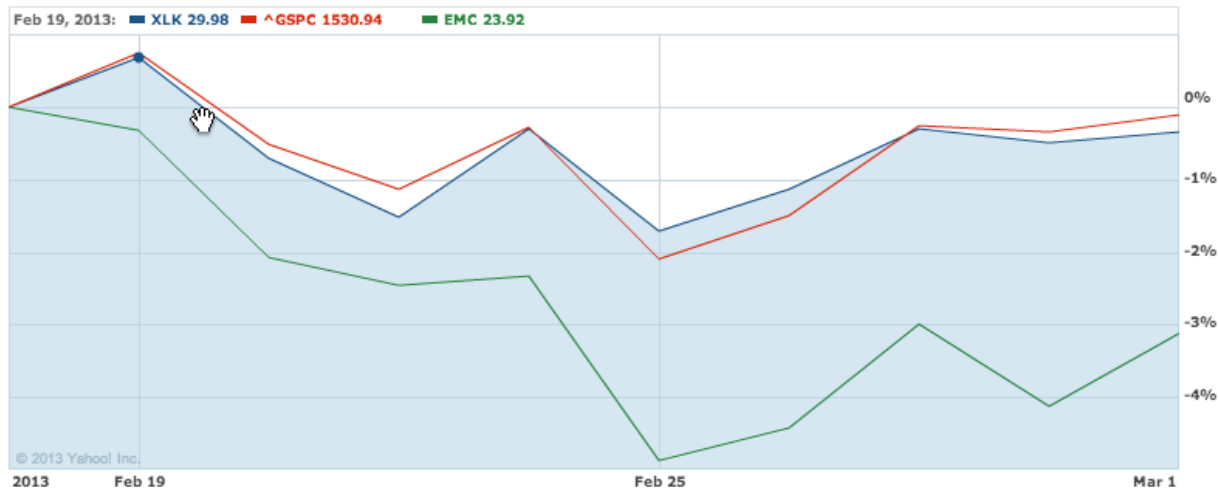
Company	Industry	Sector	
P/E Ratio (TTM)	18.83	17.17	22.90
Price to Sales (TTM)	2.25	0.76	3.13
Price to Book (MRQ)	2.19	1.84	3.77
Price to Cash Flow (TTM)	11.09	9.26	16.28

The valuations for EMC have definitely strengthened since it was recommended last month. In fact, EMC has recently come under some scrutiny as their outlook appears a bit more worrisome. With the slowdown of VMware and uncertainty regarding economic growth, EMC's stock price has taken a small hit. With fundamentals remaining consistent and a decreased stock price, it is only intuitive that their valuations become more attractive when compared side by side.

Company Update

EMC Corporation saw a large hit during my review period. EMC is the largest data company in the technology sector and is in charge of the security for many Fortune 500 companies. After many cyber-attacks took place, investors became worried about the functionality of the services they were providing and what else could possibly go wrong (CNBC). Additionally, customer budgets were projected to slowdown in 2013 given economic headwinds. This is somewhat subjective given the analyst that you talk with, as some expect marginal GDP growth in 2013. VMware has also begun to drag on the overall share price of EMC, as their weaknesses began to grow in the industry in which they compete (SeekingAlpha). As stated by an analyst, "A break of the support level around #23 could provide a short sale opportunity" (SeekingAlpha). In contrary to these bearish statements, many analysts have recently become extremely bullish on the stock and feel that it is a great time to buy given its low valuations and strong market share.

Relative Performance



As mentioned above, the cyber-attacks had a negative short term impact on the stock price of EMC. EMC Corporation is down 6% since it was purchased on February 3rd, which causes some concern considering it is underperforming the technology sector as a whole. With positive earnings surprise and a large market share, I believe that the valuation that EMC is trading at will be sustainable at current levels and shows a bright future outlook.

Price Charts

3-month price chart



1-year Chart



Historical Surprises

Original Analysis

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Dec-12	5,975.57	6,029.96	54.39	0.91
Quarter Ending Sep-12	5,462.19	5,278.18	184.01	— 3.37
Quarter Ending Jun-12	5,292.19	5,311.39	19.20	0.36
Quarter Ending Mar-12	5,120.00	5,094.38	25.62	— 0.50
Quarter Ending Dec-11	5,490.30	5,574.43	84.13	1.53
Earnings (per share)				
Quarter Ending Dec-12	0.52	0.54	0.02	3.21
Quarter Ending Sep-12	0.42	0.40	0.02	— 5.01
Quarter Ending Jun-12	0.39	0.39	0.00	1.09
Quarter Ending Mar-12	0.36	0.37	0.01	1.96
Quarter Ending Dec-11	0.46	0.49	0.03	6.27

Re-evaluated Analysis

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Dec-12	5,975.57	6,029.96	54.39	0.91
Quarter Ending Sep-12	5,462.19	5,278.18	184.01	3.37
Quarter Ending Jun-12	5,292.19	5,311.39	19.20	0.36
Quarter Ending Mar-12	5,120.00	5,094.38	25.62	0.50
Quarter Ending Dec-11	5,490.30	5,574.43	84.13	1.53
Earnings (per share)				
Quarter Ending Dec-12	0.52	0.54	0.02	3.21
Quarter Ending Sep-12	0.42	0.40	0.02	5.01
Quarter Ending Jun-12	0.39	0.39	0.00	1.09
Quarter Ending Mar-12	0.36	0.37	0.01	1.96
Quarter Ending Dec-11	0.46	0.49	0.03	6.27

Since the stock was recommended there have been no earnings releases. Therefore, this information remains unchanged.

Consensus Estimates

Original Analysis

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-13	5,419.55	5,492.96	5,512.73	5,515.78	5,655.83
Quarter Ending Jun-13	5,663.35	5,729.38	5,750.39	5,752.80	5,889.13
Year Ending Dec-13	23,480.60	23,565.30	23,699.60	23,722.00	24,461.80
Year Ending Dec-14	25,443.30	25,836.10	26,402.00	26,554.10	26,890.10
Earnings (per share)					
Quarter Ending Mar-13	0.39	0.41	0.42	0.42	0.42
Quarter Ending Jun-13	0.43	0.44	0.45	0.45	0.45
Quarter Ending Dec-13	1.87	1.90	1.92	1.92	1.97
Quarter Ending Dec-14	2.07	2.17	2.22	2.23	2.22

Re-evaluated Analysis

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-13	5,421.24	5,420.47	5,419.55	5,512.73	5,668.47
Quarter Ending Jun-13	5,666.24	5,665.09	5,663.35	5,750.39	5,896.19
Year Ending Dec-13	23,474.30	23,474.80	23,480.60	23,699.60	24,480.90
Year Ending Dec-14	25,415.10	25,435.50	25,443.30	26,402.00	27,012.80
Earnings (per share)					
Quarter Ending Mar-13	0.39	0.39	0.39	0.42	0.42
Quarter Ending Jun-13	0.43	0.43	0.43	0.45	0.45
Quarter Ending Dec-13	1.86	1.86	1.86	1.92	1.97
Quarter Ending Dec-14	2.07	2.07	2.07	2.22	2.22

Some estimates have been revised upward since the stock was recommended yet we still see a large down trend in the trailing year. Both earnings and revenues have been increased in the last month, showing some positive sentiment going forward. After some inconsistent earnings in the past, it is good to see analysts increasing EMC's expected earnings and revenues over the short term.

Estimates Revision

Original Analysis

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Mar-13	3	30	2	30
Quarter Ending Jun-13	4	29	2	30
Year Ending Dec-13	15	22	7	30
Year Ending Dec-14	4	11	2	11
Earnings				
Quarter Ending Mar-13	4	27	4	27
Quarter Ending Jun-13	2	27	1	27
Year Ending Dec-13	3	29	2	33
Year Ending Dec-14	2	14	1	12

Re-evaluated Analysis

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Mar-13	0	0	0	0
Quarter Ending Jun-13	0	0	0	0
Year Ending Dec-13	0	0	0	0
Year Ending Dec-14	0	0	0	0
Earnings				
Quarter Ending Mar-13	0	0	0	0
Quarter Ending Jun-13	0	0	0	0
Year Ending Dec-13	0	0	1	0
Year Ending Dec-14	0	0	0	0

We haven't seen any revisions since the stock was recommended with the exception of one up revision four weeks ago. It is important to note the majority of down revisions that EMC saw when the stock was originally recommended.

Analyst Recommendations

Original Analysis

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	18	17	17	16
(2) OUTPERFORM	16	18	20	19
(3) HOLD	7	5	5	4
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	1.73	1.70	1.71	1.69

Re-evaluated Analysis

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	16	18	17	17
(2) OUTPERFORM	17	17	18	20
(3) HOLD	7	7	5	5
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	1.77	1.74	1.70	1.71

With a mean rating of 1.77, this demonstrates an overly bullish indicator for EMC. It is important to note that two analysts have dropped from EMC, which has

brought the mean rating up since the stock was recommended. These recommendations appear very attractive for EMC once again.

Company #3: Visa

Valuations Analysis

Original Analysis

<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	50.18	22.63	33.73
P/S (TTM)	12.06	3.31	7.75
P/B (MRQ)	27.74	0.44	1.54
P/CF (TTM)	50.77	19.35	16.72

Re-evaluated Analysis

	Company	Industry	Sector
P/E Ratio (TTM)	72.29	18.91	35.23
Price to Sales (TTM)	11.85	2.96	5.72
Price to Book (MRQ)	3.79	0.41	1.38
Price to Cash Flow (TTM)	46.13	17.94	18.55

The valuations for Visa are somewhat mixed. The P/E ratio has increased by quite a large margin which shows that Visa may be more expensive for the earnings that they are producing. All other valuations have become more bullish and illustrate that Visa's price may be becoming even more fairly valued based off of sales, book value, and cash flows.

Company Update

As of March 1st, Visa was downgraded by an analyst from a buy to a hold. Analysts issued this downgrade because of decreased growth and the inability to mobilize payments as well as anticipated. Once again, these comments are highly subjective given the rapid growth of this industry overall and the inability to measure Visa's ability to mobilize their payments on an efficient scale. In fact, TheStreet and Reuters has reiterated a buy recommendation for Visa and the stock is continuing to outperform the sector ETF overall.

Relative Performance



As demonstrated in the chart above, Visa also follows the sector ETF very closely. Over my review period Visa outperformed the market and technology sector by a very small margin. Analysts are overall bullish on the stock, yet I feel that the recent downgrade by Argon may be holding the stock back from breaking through its 52-week high.

Price Charts

3-month price chart



1-year price chart



Historical Surprises

Original Analysis

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Sep-12	2,675.59	2,731.00	55.41	2.07
Quarter Ending Jun-12	2,521.88	2,565.00	43.12	1.71
Quarter Ending Mar-12	2,477.63	2,578.00	100.37	4.05
Quarter Ending Dec-11	2,434.14	2,547.00	112.86	4.64
Quarter Ending Sep-11	2,390.22	2,383.00	7.22	-0.30
Earnings (per share)				
Quarter Ending Sep-12	1.50	1.54	0.04	2.91
Quarter Ending Jun-12	1.45	1.56	0.11	7.65
Quarter Ending Mar-12	1.50	1.60	0.10	6.60
Quarter Ending Dec-11	1.45	1.49	0.04	2.85
Quarter Ending Sep-11	1.25	1.27	0.02	1.86

Re-evaluated Analysis

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Dec-12	2,817.16	2,846.00	28.84	1.02
Quarter Ending Sep-12	2,675.59	2,731.00	55.41	2.07
Quarter Ending Jun-12	2,521.88	2,565.00	43.12	1.71
Quarter Ending Mar-12	2,477.63	2,578.00	100.37	4.05
Quarter Ending Dec-11	2,434.14	2,547.00	112.86	4.64
Earnings (per share)				
Quarter Ending Dec-12	1.79	1.82	0.03	1.88
Quarter Ending Sep-12	1.50	1.54	0.04	2.91
Quarter Ending Jun-12	1.45	1.56	0.11	7.65
Quarter Ending Mar-12	1.50	1.60	0.10	6.60
Quarter Ending Dec-11	1.45	1.49	0.04	2.85

Since the stock was recommended there was another earnings report. Visa beat analyst estimates for both sales and earnings by a large margin. The stock still hasn't factored this information in entirely, as a recent downgrade and somewhat bleak industry outlook have kept the stock around its 52-week high and resistance level.

Consensus Estimates

Original Analysis

"Consensus Estimates Trend"

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-13	2,855.14	2,855.92	2,855.08	2,854.62	2,705.26
Quarter Ending Jun-13	2,869.15	2,868.83	2,864.34	2,862.32	2,785.93
Year Ending Sep-13	11,548.90	11,548.90	11,537.80	11,547.60	11,186.80
Year Ending Sep-14	12,855.90	12,865.90	12,844.30	12,839.00	12,315.70
Earnings (per share)					
Quarter Ending Mar-13	1.81	1.81	1.80	1.80	1.69
Quarter Ending Jun-13	1.80	1.80	1.80	1.80	1.68
Quarter Ending Sep-13	7.28	7.27	7.25	7.25	6.81
Quarter Ending Sep-14	8.40	8.41	8.36	8.36	7.92

Re-evaluated Analysis

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-13	2,854.29	2,854.39	2,855.42	2,855.08	2,728.89
Quarter Ending Jun-13	2,867.78	2,867.92	2,869.15	2,864.34	2,804.78
Year Ending Sep-13	11,577.10	11,577.40	11,545.60	11,537.80	11,322.30
Year Ending Sep-14	12,905.40	12,906.00	12,855.90	12,844.30	12,649.50
Earnings (per share)					
Quarter Ending Mar-13	1.81	1.81	1.81	1.80	1.72
Quarter Ending Jun-13	1.78	1.77	1.80	1.80	1.71
Quarter Ending Sep-13	7.34	7.34	7.27	7.25	6.95
Quarter Ending Sep-14	8.51	8.51	8.41	8.36	8.10

Earnings and sales have seen consistent increases from one year ago, which shows some support for the fundamentals behind Visa. The slight decrease in earnings from the quarter ending March to the quarter ending June is somewhat disconcerting given previous trends.

Estimate Revision

Original Analysis

“Estimates Revisions Summary”

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Mar-13	0	1	7	2
Quarter Ending Jun-13	1	0	6	3
Year Ending Sep-13	0	0	7	1
Year Ending Sep-14	0	0	4	2
Earnings				
Quarter Ending Mar-13	0	1	3	2
Quarter Ending Jun-13	2	0	7	2
Year Ending Sep-13	1	1	5	2
Year Ending Sep-14	0	0	3	1

Re-evaluated Analysis

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Mar-13	0	1	15	13
Quarter Ending Jun-13	0	1	18	9
Year Ending Sep-13	0	1	21	9
Year Ending Sep-14	0	1	21	6
Earnings				
Quarter Ending Mar-13	1	0	12	12
Quarter Ending Jun-13	1	0	6	18
Year Ending Sep-13	0	0	24	1
Year Ending Sep-14	0	0	21	2

Since Visa was recommended it has seen multiple revisions. The majority have been up revisions, however, for the two upcoming quarters we have seen more down revisions for earnings per share. This is definitely bearish when comparing this with the revisions when the stock was originally recommended. For revenues, up revisions outweigh the others in the last four weeks, yet there was one down revision for the two upcoming quarters and both 2013 and 2014 in the last week.

Analyst Recommendations

Original Analysis

"Analyst Recommendations and Revisions"

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	12	13	13	13
(2) OUTPERFORM	14	14	14	14
(3) HOLD	7	6	7	6
(4) UNDERPERFORM	0	0	0	1
(5) SELL	1	1	1	1
No Opinion	0	0	0	0
Mean Rating	1.94	1.88	1.91	1.94

Re-evaluated Analysis

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	11	12	13	13
(2) OUTPERFORM	13	13	14	14
(3) HOLD	9	7	6	7
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	1	1	1
No Opinion	0	0	0	0
Mean Rating	1.94	1.94	1.88	1.91

The analyst recommendations for Visa are unchanged since its original recommendation in regards to the mean rating. However, there has been two additional hold recommendations that have been applied by analysts, downgraded from a buy and an outperform.

Company 4: Cisco Systems (CSCO)

Valuations Analysis

Original Analysis

<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	12	38.3	15.6
P/S (TTM)	2.4	1.6	1.4
P/B (MRQ)	2.0	2.2	2.2
P/CF (TTM)	9.5	13.1	9.5

Re-evaluated Analysis

	Company	Industry	Sector
P/E Ratio (TTM)	11.99	22.99	22.90
Price to Sales (TTM)	2.35	0.98	3.13
Price to Book (MRQ)	2.00	1.44	3.77
Price to Cash Flow (TTM)	9.20	19.16	16.28

The valuations for cisco are unchanged with the exception of P/CF, which has become more bullish as of late. The stock was recommended very recently and is the newest addition to the portfolio in the technology sector. Compared to the industry, most valuations look good.

Company Update

Cisco is probably the most established company that we purchased for the portfolio in the technology sector thus far. With that being said, their acquisitions have begun to transition their business model toward many different segments focused around software technology. As of February 28th, their acquisitions are beginning to pay off for the company and add value to the overall business model going forward. The industry in which they compete is projected to be very competitive and have strong growth in 2013. Because of the role Cisco plays in the industry, analysts expect extremely strong performance in 2013.

Relative Performance



As demonstrated in the graph above, Cisco Systems saw some definitely volatility over the two-week review period. The immediate price jump can be attributed to a positive earnings surprise and several analyst upgrades. As of recently, cisco has overcome some scrutiny in regards to slowdown in some of their largest programs. Management has responded by demonstrating the implementation of their new ventures and the value they have added to the company's future outlook.

Price Charts

3-month price chart

Cisco Systems, Inc.

■ CSCO



1-year price chart

Cisco Systems, Inc.

■ CSCO



Historical Surprises

Original Analysis

Earnings Surprise Analysis

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Jan-13	12,063.10	12,098.00	34.89	0.29
Quarter Ending Oct-12	11,773.20	11,876.00	102.85	0.87
Quarter Ending Jul-12	11,609.00	11,690.00	80.98	0.7
Quarter Ending Apr-12	11,577.30	11,588.00	10.71	0.09

Earnings (per share)	Estimate	Actual	Difference	Surprise %
Quarter Ending Jan-13	0.48	0.51	0.03	6.43
Quarter Ending Oct-12	0.46	0.48	0.02	4.35
Quarter Ending Jul-12	0.46	0.47	0.01	2.87
Quarter Ending Apr-12	0.47	0.48	0.01	2.83
Quarter Ending Jan-12	0.43	0.47	0.04	8.27

Re-evaluated Analysis

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Jan-13	12,063.10	12,098.00	34.89	0.29
Quarter Ending Oct-12	11,773.20	11,876.00	102.85	0.87
Quarter Ending Jul-12	11,609.00	11,690.00	80.98	0.70
Quarter Ending Apr-12	11,577.30	11,588.00	10.71	0.09
Quarter Ending Jan-12	11,232.30	11,527.00	294.66	2.62
Earnings (per share)				
Quarter Ending Jan-13	0.48	0.51	0.03	6.43
Quarter Ending Oct-12	0.46	0.48	0.02	4.35
Quarter Ending Jul-12	0.46	0.47	0.01	2.87
Quarter Ending Apr-12	0.47	0.48	0.01	2.83
Quarter Ending Jan-12	0.43	0.47	0.04	8.27

There have not been any earnings reports released since the stock was presented. It is important to not the positive earnings and revenues surprises that Cisco has reported in the past five quarters.

Consensus Estimates

Original Analysis

	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Quarter Ending Apr-13	35	12,196.70	12,313.10	12,100.00	12,351.30
Quarter Ending Jul-13	35	12,514.10	12,994.60	12,253.00	12,810.30
Year Ending Jul-13	37	48,689.50	49,137.50	48,352.00	49,136.40
Year Ending Jul-14	37	51,293.20	53,347.20	47,800.00	52,514.40

	# Estimates	Mean	High	Low	1 Year Ago
Quarter Ending Apr-13	37	0.49	0.51	0.48	0.5
Quarter Ending Jul-13	37	0.51	0.55	0.49	0.53
Year Ending Jul-13	40	1.99	2.04	1.95	1.98
Year Ending Jul-14	38	2.11	2.28	2	2.15
LT Growth Rate (%)	5	8.4	12	5	9.43

Re-evaluated Analysis

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Apr-13	12,193.20	12,196.70	12,209.40	12,215.70	12,351.30
Quarter Ending Jul-13	12,513.90	12,514.10	12,567.00	12,582.00	12,810.30
Year Ending Jul-13	48,686.30	48,689.50	48,697.10	48,758.20	49,136.40
Year Ending Jul-14	51,283.30	51,293.20	51,341.40	51,415.20	52,514.40
Earnings (per share)					
Quarter Ending Apr-13	0.49	0.49	0.49	0.49	0.50
Quarter Ending Jul-13	0.51	0.51	0.51	0.51	0.53
Quarter Ending Jul-13	1.99	1.99	1.96	1.96	1.98
Quarter Ending Jul-14	2.11	2.11	2.10	2.10	2.15

All consensus estimates are also unchanged, however, there are some more recent updates to these numbers for the current period. All quarters and year-end numbers have been slightly decreased for revenues, clearly a bearish indicator for Cisco. Nothing significant yet this should be watched closely in the future.

Estimate Revision

Original Analysis

Estimates Revisions Summary				
	Last Week		Last 4 Weeks	
Number Of Revisions:	Up	Down	Up	Down
Revenue				
Quarter Ending Apr-13	0	1	16	16
Quarter Ending Jul-13	0	1	11	19
Year Ending Jul-13	0	1	18	17
Year Ending Jul-14	1	0	13	14
Earnings				
Quarter Ending Apr-13	0	1	15	8
Quarter Ending Jul-13	0	0	11	10
Year Ending Jul-13	1	1	35	1
Year Ending Jul-14	0	0	16	6

Re-evaluated Analysis

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Apr-13	0	0	16	15
Quarter Ending Jul-13	0	0	12	18
Year Ending Jul-13	0	0	18	16
Year Ending Jul-14	0	0	13	13
Earnings				
Quarter Ending Apr-13	0	0	15	8
Quarter Ending Jul-13	0	0	11	10
Year Ending Jul-13	0	0	34	1
Year Ending Jul-14	0	0	14	6

There have been no estimate revisions in the last week and only a few small changes in the last four weeks. To note, there was a few upgrades for the year ending 2013 for both revenues and earnings.

Analyst Recommendations

Original Analysis

Analyst Recommendations and Revisions				
1-5 Linear Scale	Current	1 Month	2 Month	3 Month
		Ago	Ago	Ago
(1) BUY	15	14	13	13
(2) OUTPERFORM	13	14	14	15
(3) HOLD	8	9	14	14
(4) UNDERPERFORM	3	4	2	2
(5) SELL	1	1	1	1
No Opinion	0	0	0	0
Mean Rating	2.05	2.14	2.18	2.18

Re-evaluated Analysis

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	14	14	12	13
(2) OUTPERFORM	13	14	13	15
(3) HOLD	8	9	14	14
(4) UNDERPERFORM	3	4	2	2
(5) SELL	1	1	1	1
No Opinion	0	0	0	0
Mean Rating	2.08	2.14	2.21	2.18

With a mean rating of 2.08, analysts are clearly bullish on Cisco. Since the stock was recommended last week there has been one analyst that has dropped his rating but no significant downgrades to be noted.

Section (C) Sector Recommendations

You will make recommendations on whether CIF should continue to own its sector holdings. Provide your views on the sector. Are you bullish, bearish or neutral on the sector, and why?

The CIF currently owns four stocks in the Technology sector along with the sector ETF. Not only have analysts done a great job picking the four stocks we currently hold, but these stocks have maintained strong fundamentals since their recommendation dates. Each stock has its own niche in the technology sector and I believe they are all poised to grow in their prospective industries. Alongside many analysts, I am definitely bullish on the technology sector because of the incredibly low valuations that we are seeing. The market is trading at a forward P/E of 14.3x earnings which is exceptionally low based on historic averages. The technology sector is trading at low valuations as well, which shows that many cash rich companies in the sector should see exceptional growth going forward if strategies are executed properly. Management in all companies that we currently hold is superior which is always a good sign with innovation driving the market in the technology sector. I definitely recommend that we stay put.

Section (D) Sector Holding Recommendations

Based on your analysis, are there stocks CIF currently owns from your sector you would recommend to:

- 1. Sell and why?**
- 2. Adjust “target price” and why? If you recommend an adjustment, you must suggest a new “target price”**
- 3. Adjust “stop-loss price” and why? If you recommend an adjustment, you must suggest a new “stop-loss price”**

Provide your recommendations in the following table

Company Name	Ticker Symbol	Date Recommended	Date Re-evaluated	Recommendation (Explain Why)		
				Sell	Adjust "Target Price"	Adjust "Stop-loss Price"
Qualcomm	QCOM	12/6/12	3/1/13	No	\$75.00	\$64
EMC Corporation	EMC	2/3/13	3/1/13	No	No	No
Visa	V	2/7/13	3/1/13	No	No	\$150
Cisco Systems	CSCO	2/24/13	3/1/13	No	No	No

I would not choose to sell any of the stocks in the technology sector. Growth in this sector looks promising in 2013 and each stock has great fundamentals and positive growth opportunities. I recommend that we adjust the target price of Qualcomm to \$75, above its 52-week high. This is 12.5% above the price it is currently trading at. QCOM receives a four-star rating from Morningstar and analysts believe it is fairly valued at \$75. With the positive support around its current price, I see QCOM hitting this target within the spring semester. I don't plan on raising the stop loss for EMC because it is already set conservatively below its current trading price. The stop-loss is less than a dollar from EMC's current price as of March 4th.

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