

Date: 2/20/13

Analyst: Matt Vague

## CIF Sector Recommendation Report (Fall 2012)

Sector: Consumer Discretionary

Review Period: Feb. 6<sup>th</sup>-Feb 20<sup>th</sup>

### Section (A) Sector Performance Review

Copy/paste "Sector Review Spreadsheet" (the entire spreadsheet) here

<b>Cougar Investment Fund Sector Review Spreadsheet Template</b>										
<p style="color: red; font-weight: bold;">Please download and save this template to your own storage device                      You only need to input values to cells highlighted in 'yellow'                      The rest of the spreadsheet is calculated automatically                      Please read 'Sector Review Guidelines' document carefully</p>										
CND										
	Ticker	Current Price	Beg. Price	Stop-loss Price	Target Price	% Cap Gain	# Shares	Current Value	vs. Sector	s. S&P 500
S&P 500	\$INX	1511.95	1511.29			0.04%				
Sector ETF	XLY	\$50.35	\$50.33			0.04%	3780	#####		0.00%
<b>Current Holdings</b>										
						#DIV/0!		\$0.00	#DIV/0!	#DIV/0!
						#DIV/0!		\$0.00	#DIV/0!	#DIV/0!
						#DIV/0!		\$0.00	#DIV/0!	#DIV/0!

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)



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

- Office Max and Office Depot Merge
  - They are searching for a new CEO, both the CEO's of Office Max and Office Depot will be candidates but outside applicants will also be brought in to apply.
- Wal-Mart Puts a Damper on Retail, Consumer ETFs
  - "In case you haven't seen a sales report these days, February month-to-date (MTD) sales are a total disaster. The worst start to a month I have seen in my ~7 years with the company," Jerry Murray, Vice President of finance and logistics for Wal-Mart (earnings come out next week)
- Worst over for Carnival? (-8.13% during my 2 week period)
  - Expected to drop below \$34.5
- Under Armour launches 'I Will' marketing campaign
  - Trying to compete with Nike

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 Losers:

- Direct TV: -8.83%
  - Disappointing earnings last week.
- Carnival Corp: -8.13%
  - Ship fire lead to bookings decline.
- Starbucks; -5.14%

- Not sure why they dipped, everything points towards them still being kings of the coffee industry and I expect them to bounce back quickly.

**Biggest Winners:**

- VF Corp: +7.29%
  - Has been reiterated by “TheStreet” Ratings as a buy with a ratings score of A-.
- Time Warner Inc: +6.55%
  - Posted strong 4<sup>th</sup> quarter earnings
- OMNICOM GROUP: +5.19%
  - Delivered a profit and beat Wall Street’s expectations, and beat the revenue expectation.

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

**Comcast:**

Comcast is a provider of entertainment, information, and communication products and services in the United States and internationally. They offer video, high-speed internet, and voice services to businesses and residential areas. They have a market cap of \$86.769 billion and their stock price went up 1.81% during my 2 week review period.

Some multiples that stood out because they were better than the industry or sector:

<b>Beta</b>	1.11	<b>P/E</b>	18.67
<b>P/S (TTM)</b>	1.72	<b>P/CF (TTM)</b>	6.96
<b>Dividend Yield</b>	1.9	<b>ROE</b>	12.5

- Comcast to Offer Prepaid Data Plan
  - Comcast will offer its new service through Xfinity Internet Prepaid Service brand.
  - The company plans to nationally implement its new pre-paid Internet service plan, thereby targeting a new market worth \$7 billion.
- Comcast Bets Big on NBCUniversal
  - They will acquire the 49% they don’t already own for \$16.7 billion. (including 30 rock)

- They were going to wait longer but feared the price would go up.

### **Home Depot:**

Home Depot sells building materials, home improvement and lawn and garden products. The company operates through brick and mortar stores that average 104,000 sq ft of enclosed space. They also offer over 300,000 products through their website homedepot.com. They have a market cap of \$100.999 billion and had less than a 1% gain during my 2 week review period. All of their multiples point towards their stock being overpriced compared to their industry and sector. This could be due to their reputation helping drive the price up. They do however have better ROA, ROI, and ROE than their industry and sector. Their stock price has gone up 42.67% over the last year.

- Why Home Depot And Lowe's Sales Will Heat Up In 2013
  - With the U.S. housing market finally getting back on track in recent months and an improvement in general employment levels, investors have plenty of reason to share the excitement.
- Home Depot Inc. Stock Buy Recommendation Reiterated
  - “TheStreet” has reiterated its buy rating of Home Depot with a ratings score of A+

Comment on short-term outlook of the sector (including noteworthy upcoming events)

This is such a diversified sector that it becomes difficult to figure out exactly what the sector is going to do as a whole. With spring coming quickly, companies like Home Depot and Autozone should see improvement as people start getting outside and working around the house and on their cars. I would also expect to see people starting to vacation more which should help Carnival, Disney and Wynn Resorts. It’s not really a big shopping season though, which is why we’ve seen such low sales with Wal-Mart. As a whole though the economy is getting better with lower unemployment rates which should lead to more people spending money with more spending power when they do so. A lot of companies still have their 4<sup>th</sup> quarter earnings to report.

### **Section (B) Sector Holding Updates**

<b>Company #1: <u>Company Name and Ticker</u></b>
---

**Date Recommended: MM/DD/YYYY**

**Date Re-evaluated: MM/DD/YYYY**

**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.)

### **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

### **Price Charts**

Insert a price chart of the stock for **the most recent three months**. You should include on the same chart (1) the SPDR sector ETF, (2) and the SP500 prices for the same period

Insert a price chart of the stock for the **most recent one year**. You should include on the same chart (1) the SPDR sector ETF, (2) and the SP500 prices for the same period

### **Valuations Analysis**

#### **Original Analysis**

Copy/paste P/E (TTM), P/S (TTM), P/B (MRQ), P/CF (TTM) of the stock, the industry, and the sector from "**ratio analysis**" section of the original stock recommendation report (from *CIF website*, "reports" tab)

#### **Re-evaluation Analysis**

Copy/paste the requested valuation multiples from <http://www.reuters.com/>, "**Financials**" tab

Briefly discuss the changes

### **Historical Surprises**

#### **Original Analysis**

Copy/paste "**Historical Surprises**" Table from the original stock recommendation report (from *CIF website*, "reports" tab)

#### **Re-evaluation Analysis**

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

Briefly discuss the changes

### **Consensus Estimates**

#### **Original Analysis**

Copy/paste ***“Consensus Estimates Analysis” Table*** from the original stock recommendation report (from *CIF website, “reports” tab*)

#### **Re-Evaluation Analysis**

Copy/paste the ***“Consensus Estimates Analysis” Table*** from <http://www.reuters.com/>, ***“Analysts” tab*** (include both revenue and earnings)

Briefly discuss the changes

### **Estimate Revision Analysis**

#### **Original Analysis (MM/DD/YYYY)**

Copy/paste ***“Estimates Revision Summary” Table*** from the original stock recommendation report (from *CIF website, “reports” tab*)

#### **Re-Evaluation Analysis**

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

Briefly discuss the changes

### **Analysts’ Recommendations**

#### **Original Analysis**

Copy/paste ***“Analyst Recommendations and Revisions” Table*** from the original stock recommendation report (from *CIF website, “reports” tab*)

#### **Re-Evaluation Analysis**

Copy/paste the ***“Analyst Recommendations and Revisions” Table*** from <http://www.reuters.com/>, ***“Analysts” tab*** (include both revenue and earnings)

Briefly discuss the changes

<b>Company #2-?: <u>Company Name and Ticker</u></b>
---

Repeat the above for Company #2, and all other sector holdings in CIF.

### **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?  
 Discuss whether you recommend CIF to (1) stay put with its current sector holdings, or (2) sell out of the sector, and why?

We currently only own the sector ETF and I definitely recommend we hold it. I am very bullish on the Consumer Discretionary sector as the economy has improved and I've seen the results in many companies that have done well over the last 6 months to a year. It is a riskier sector than some with a lot of companies with higher betas but we have missed out on a lot of good stocks so far.

**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"


We currently have no holdings in Consumer Discretionary (which needs to change).

**Resources:**

- <http://finance.yahoo.com/news/wal-mart-puts-damper-retail-133318697.html>
- <http://finance.yahoo.com/q/pr?s=CCV+Profile>
- <http://finance.yahoo.com/news/comcast-offer-prepaid-data-plan-142840531.html>
- <http://seekingalpha.com/article/1201551-comcast-bets-big-on-nbcuniversal?source=yahoo>
- [http://www.thestreet.com/story/11839180/1/home-depot-inc-stock-buy-recommendation-reiterated-hd.html?puc=yahoo&cm\\_ven=YAHOO](http://www.thestreet.com/story/11839180/1/home-depot-inc-stock-buy-recommendation-reiterated-hd.html?puc=yahoo&cm_ven=YAHOO)