S&P CAPITAL IQ

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THE 2013 EQUITY OUTLOOK

Modest Appreciation Expected, with Upside Surprise Potential

The election is over, the status quo has been reelected, and the global headwinds remain unchanged. Where do we go from here? At first blush, it seemed like an inopportune time to commit to a year-ahead target and outlook, what with so many global uncertainties in our path. But most of these uncertainties have been with us for quite some time, and are now regarded by many as annoyances to resolve rather than obstacles to fear. Also, we believe the manner in which these headwinds are resolved could result in an explosive rally rather than just a sigh of relief. Yet, handled inappropriately, these could end up causing a low flying economy to crash.

S&P Capital IQ's investment Policy Committee has a 12-month forward target on the S&P 500 of 1550, implying a 10% advance from the November 23 close. We are maintaining our neutral recommended exposure to global equities at 45% U.S. and 15% International. We also recommend a neutral 40% overall weighting to fixed income, with a 25% exposure to bonds (versus our normal 30% weighting) and a 15% holding in cash (versus our normal 10%). Our base case scenario calls for gradually accelerating growth in the U.S. and global economy, a sequential quarter recovery in S&P 500 EPS growth rates that are muted by gradual gains in revenue, and share prices that are supported by modest valuations, low rates and bearish sentiment. Despite the potential for higher tax rates on dividends, we still recommend high-yielding equities, provided they carry above-average S&P Capital IQ Quality Ranks and STARS.

If This Were a Normal First Year

If this were a "normal" first year of a president's term in office, we would be wise not to expect too much out of the U.S. equity market. Since 1900, the S&P 500 posted its weakest performance in the first year of the four-year presidential cycle, rising an average 4.3% and recording a positive performance 57% of the time. Following the reelection of the President or his party, the "500" did a little better, however, gaining 4.7% and rising in price 65% of the time. Both returns are higher than what history says, but does not guarantee, could have been expected had the Republicans regained control of the presidency, as the S&P 500 rose only 3.7% on average, and increased in price only 45% of the time, whenever the incumbent

S&P 500 % Changes During the Presidential Cycle
Since 1900

Year of Pres. Cycle	Average S&P 500 % Changes (w/o dividends reinvested)					Batting Averages (Frequency of Price Gains)				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Year 1	(0.7)	4.7	0.5	(0.2)	4.3	50%	50%	61%	64%	57%
Year 2	1.0	(1.0)	0.8	4.4	4.4	54%	50%	63%	74%	61%
Year 3	4.4	3.6	0.2	1.9	10.9	82%	68%	50%	64%	75%
Year 4	1.3	(0.4)	5.0	2.4	7.4	57%	61%	61%	75%	71%
All Years	1.5	1.7	1.7	2.1	6.7	61%	57%	59%	69%	66%

S&P 500 % Changes Following Reelections
Since 1900

Year 1 of Pres. Cycle	Average S&P 500 % Changes (w/o dividends reinvested)					Batting Averages (Frequency of Price Gains)				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Re-election	1.4	2.7	2.2	(2.8)	4.7	59%	59%	71%	59%	65%
Replacement	(4.0)	7.6	(2.0)	3.8	3.7	36%	36%	45%	73%	45%

Source: S&P Capital IQ. Past performance is no guarantee of future results.

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was replaced. Since investors don't like uncertainty, we think it is understandable that the S&P 500's results lagged whenever the country swapped a known quantity with an unknown quantity.

Yet first-year stock market results have traditionally been weak, as the party in power seeks to address national ills early on, so they may be resolved (or forgotten) by reelection time. This typical lack of stimulus – and at times outright recession – weighs heavily on investor confidence. This time around, we have an additional worry: the gridlock that has historically come from a divided Congress, which will likely continue to have quite a dampening effect on the stock market's performance.

The S&P 500 rose an average 6.7% during all calendar years since 1901. Whenever the Executive and Legislative branches of government were all controlled by the same party (which happened 66 years out of 112), the S&P 500 advanced an average 7.6%. Whenever the President was from one party but both houses of Congress were from another party, which occurred 34 times, the market gained an average 6.2%. Yet when Congress was split, which happened only 12 times, the market's average annual advance dropped to 3.7%, or less than half of the performance under a totally unified government. (An interesting factoid is that the S&P 500 performed best under Democratic presidents, regardless of Congressional makeup.) This year, pressure will fall upon a split Congress to prove that they can lead rather than impede.

S&P 500 Annual % Changes During Periods of U.S. Political Unity and Gridlock Since 1901

Political Scenarios 1901-2012	S&P 500 % Change	Number of Years
Unified Government	**7.6%**	**66**
>Democratic President	8.4%	38
>Republican President	6.4%	28
Unified Congress	**6.2%**	**34**
>Democratic President	8.6%	12
>Republican President	4.9%	22
Split Congress	**3.7%**	**12**
>Democratic President	6.0%	2
>Republican President	3.2%	10
All Years	**6.7%**	**112**

Source: S&P Capital IQ.
Past performance is no guarantee of future results.

Factors in Our Favor

Despite the plethora of obstacles facing investors today, we are cautiously bullish on the coming year for a variety of reasons:

- A U.S. economy that is likely to gain, rather than lose, altitude
- The projected trough in global GDP growth
- A modest "v"-shaped trajectory in EPS expectations
- Attractive trailing and projected valuations
- Improving international equity expectations
- Excessive bearish sentiment
- The tracing out of a long term technical turn in Treasuries

Global Economic Outlook: Tracking the Troughs

Beth-Ann Bovino, Standard & Poor's Economics' Deputy Chief Economist, recently wrote that she expects annualized U.S. GDP growth of 2.1% this year and 2.3% in 2013, which is stronger than the 1.8% projected earlier, as recent jobs data offered more good news in a still-weak U.S. economy. Standard & Poor's Economics places the chance of another U.S. recession at about 15%-20%, equal to the likelihood of a quick turnaround. She also said that even though the employment news, with an average 170,300 job gains per month since August, is something to be excited about, she still expects GDP growth to slow a bit before improving. The global slowdown is keeping exports weak, and fiscal cliff worries have kept businesses reluctant to invest in new capital. We expect fourth-quarter 2012 U.S. GDP growth of about 1.2% (quarter-over-quarter, annualized), with Hurricane Sandy reducing this estimate from the 1.7% we had earlier expected. Thankfully, the economy is expected to add back that growth in the first half of 2013 as a result of rebuilding. Uncertainty and indecision in the political arena are still the U.S. recovery's biggest threats, in our view. But the fiscal cliff cuts both ways: While it could send the economy back into recession next year, a final credible resolution coming sooner than markets think could also give our economy the greatest chance of taking off.

Indeed, the outlook for global economic growth is one of cautious optimism, particularly for China. Alec Young, S&P Capital IQ's Global Equity Strategist recently wrote: "The U.S., U.K., Eurozone, Japan and Canada – which combined represent 60% of global GDP – are likely to see growth of about 2% or less in 2013. The global expansion is seen ramping up very gradually with growth forecast to reach near 3% by Q4. We believe this cautious outlook reflects three significant macro-economic overhangs currently clouding global economic visibility: the U.S. fiscal cliff, Europe's recession and debt crisis, as well as the still unknown trajectory of China's growth.

"As China is the world's fastest growing major economy, we think its ability to maintain strong growth is key to the global outlook, especially given Europe's recession, anemic growth in Japan, and the risk of fiscal drag in the U.S. Recent news has been encouraging with industrial production, retail sales and exports all rebounding from their summer troughs. In addition, Chinese manufacturing moved back into expansionary territory in October. With inflation remaining tame around 2%, we see room for additional fiscal and monetary policy easing in Q2 of next year, once the new political leadership has had a chance to settle in. The consensus sees China's 2013 growth remaining solidly in "soft landing" territory. Importantly, in comparison to Europe, the recent firming in China's data makes the Street's optimistic outlook more bankable, in our view."

The S&P 500's price advance since early June may therefore reflect investors' encouragement that a trough in global GDP growth is on the horizon. According to S&P and I.H.S. Global Insights' projections of year-over-year growth in global regional GDP, the trough in growth in all regions will largely be behind us as the New Year dawns. On the whole, worldwide growth likely bottomed in Q3 2012, whereas the U.S., because of the effects of Hurricane Sandy, will likely see its trough in the fourth quarter. Heading into 2013, only Australia, Canada, Japan and Mexico are projected to record their weakest quarters before mid-year.

Projected Trough in Year-Over-Year % Change in Global GDP Growth

	2012				2013			
	Q1 2012A	Q2 2012A	Q3 2012P	Q4 2012E	Q1 2013E	Q2 2013E	Q3 2013E	Q4 2013E
World	**2.8**	**2.6**	**2.3**	**2.3**	**2.3**	**2.5**	**2.6**	**2.9**
U.S.	2.4	2.1	2.2	1.6	1.7	1.9	1.9	2.3
Eurozone	(0.1)	(0.5)	(0.7)	(0.5)	(0.5)	(0.3)	(0.5)	(0.2)
U.K.	(0.1)	(0.5)	0.0	0.5	1.1	1.9	0.8	0.7
Canada	2.2	2.1	2.1	2.0	1.9	1.9	1.9	2.0
Latin America	2.8	2.4	2.9	3.1	3.6	3.7	3.5	3.6
Australia	4.4	4.0	2.7	2.8	1.9	2.1	2.5	2.5
Japan	2.7	3.4	0.2	0.5	(0.6)	(0.4)	0.9	1.4
Emerging Mkts	5.0	4.9	4.8	4.9	5.0	5.2	5.2	5.3
Brazil	0.8	0.5	2.0	2.7	3.9	4.1	3.6	3.4
China	8.1	7.6	7.4	7.6	7.7	7.8	7.9	7.9
India	4.0	5.4	5.5	5.6	5.7	5.7	5.7	6.1
Mexico	4.5	4.1	3.9	3.5	3.7	3.1	3.5	3.8
Russia	4.9	4.0	2.9	2.8	3.3	3.6	3.1	4.2
South Africa	2.1	2.7	2.8	2.6	2.7	2.7	3.1	3.4
Turkey	3.3	2.9	3.1	3.5	4.3	4.4	4.1	4.2

Source: S&P Economics, I.H.S. Global Insight.

Projected trough quarter

EPS Deceleration Reversal?

The decelerating trend in quarterly year-over-year growth in S&P 500 operating earnings per share has been of concern for many investors over much of the past year. But the trend is likely to change in the near future, according to Capital IQ consensus estimates of S&P 500 results

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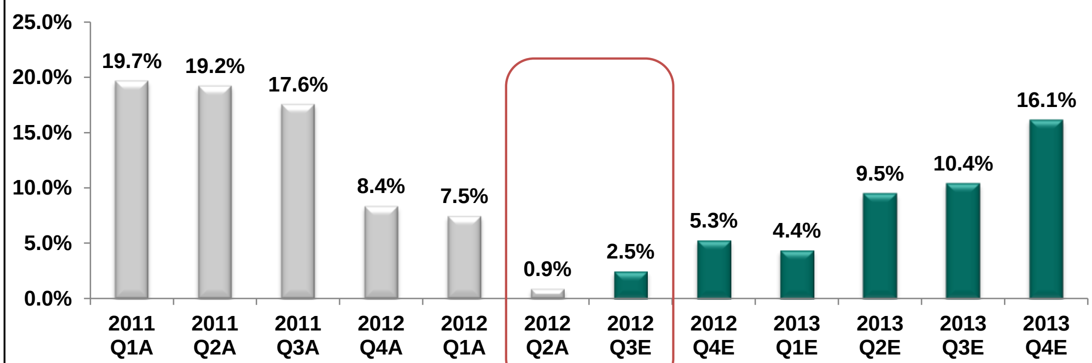
through 2013. Indeed the summer slump is expected to be the low point for this earnings cycle, as Street estimates call for sequentially higher growth between Q4 2012 and Q4 2013.

Capital IQ Consensus Estimates of Year-Over-Year Growth in S&P 500 EPS



Source: S&P Capital IQ

Granted, these estimates could be vulnerable to further downward revisions, encouraged by still-weak revenue growth, but not likely in isolation. Revisions to the expected quarterly trough in global GDP growth, indeed the general outlook for most growth drivers in the coming year, would be required in order to justify a dramatic reversal in EPS growth projections, in our opinion.

Attractive Valuations (if You Believe the Estimates)

A Multiple of Multiples

	P/E Ratios	
S&P 500 at 1409 on 11/23/12	**Operating**	**GAAP**
P/E Ratio on Trailing EPS (Sept.-12)	13.9	16.1
Median Trailing P/E Since 1988	17.9	20.5
% Prem./(Disc.) To Avg. Since 1988	(22)	(21)
Median P/E Since 1936	NA	15.7
% Prem./(Disc.) To Avg. Since 1936	NA	2
P/E Ratio on 2012E EPS	13.7	15.9
P/E Ratio on 2013E EPS	12.4	13.9

Source: S&P Capital IQ. Past performance is no guarantee of future results.

As of November 23, the S&P 500 traded at 13.9X trailing 12-month operating EPS, representing a 22% discount to the median multiple of 17.9X since 1988. (I used the median to help offset the extremely high P/Es of the late 1990s. I started at 1988, since that was when a majority of Wall Street analysts are believed to have started using operating results over Generally Accepted Accounting Principles, or GAAP earnings.) The market is currently trading at only 12.4X projected 2013 results, which represents a 31% discount to the median. Since some call operating results "earnings before bad stuff," we see that the S&P 500 is trading at 16.1X GAAP earnings per share, which is a 21% discount to its median since 1988. What's more, if you are like the author James Michener and prefer to go back to the beginning of time, you will see that the S&P 500 is trading near its median multiple since 1936, and at an 11.5% discount on 2013 estimates.

The gap between bottom-up estimates (based on individual company forecasts brought up to the S&P 500 level) and top-down (based on global GDP growth estimates whittled down to the S&P 500 level) is again relatively wide. The 2013 bottom-up estimate, according to Capital IQ consensus estimates, is $113.19, versus our top-down estimate of $107.73. Based on the current multiple of 13.9X, these two numbers point to very different possible year-end 2013 valuations of 1573 and 1497, respectively. Also, this target band could widen further should investors expand or contract the multiple due to changing assumptions: A 15X multiple on $113.19 supports a target of 1698, while a 12.5X P/E on $107.73 justifies an S&P 500 target of 1347.

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Stephen Biggar, S&P Capital IQ's Managing Director of Global Equity Research voices a concern that 2013 earnings growth may come in toward the low end of expectations. "Following the election, political leanings favor higher tax rates to correct fiscal problems. This will likely trigger a reduction in economic growth forecasts for 2013 relative to current expectations, from additional pressures on already sluggish employment gains and lowered consumer spending expectations. A weak Q3 earnings reporting season was highlighted by many examples of reduced forward earnings guidance as expense efficiency efforts were less able than in prior years to offset weak revenue growth. This trend is likely to continue, in my opinion."

Alec Young adds that this is not just a domestic phenomenon. "While MSCI EM and MSCI EAFE calendar year 2013 EPS growth expectations remain healthy at 12.8% and 13.1%, respectively, we believe these forecasts will similarly be revised lower over the coming months, as they have recently. A lack of macro-economic visibility makes this trend likely to persist, in our view. Nevertheless, given our view that the full brunt of the U.S. fiscal cliff will be avoided, China will maintain growth in the 7.5%-8% range, and a "Lehman" moment will be avoided in Europe, our base case calls for EPS growth to continue in 2013, with mid-single digit percentage gains likely.

"The MSCI EAFE and MSCI EM Indices recently traded at 11.2X and 9.9X 12-month forward consensus EPS forecasts, respectively, which are below their five-year averages of 11.9X and 11.1X, respectively. Given our view that EPS will continue to rise in the coming year, albeit only modestly, we believe current valuations leave room for modest price appreciation."

Technical Perspective

Mark Arbeter, S&P Capital IQ's Chief Technical Strategist, continues to believe that the U.S. stock market is transitioning from a secular bear market into a secular bull market. He recently wrote "The complete metamorphosis will take time, and be jolted by fits and starts. But I believe that the turning of the sentiment tide from a state of extreme bullishness to extreme bearishness among individuals and market professionals has occurred.

"During the 10% decline earlier this year, as well as the more recent 8% pullback, some sentiment and investment surveys from individuals and professionals moved to fairly bearish extremes. Even though the surveys did not go to the bearish extremes we saw during the 2002 and 2009 major bear market lows, they did move to levels that are more typical after a major correction or minor bear market. This overreaction, in our view, was very telling and supports our view that sentiment has moved way too far to the bearish side, which will set up a much more positive equity market in the years ahead. The market's mostly bullish reaction to the plethora of horrible news over the recent past suggests to us that a lot of the bad news has already been discounted. These extreme negative feelings typically occur at lows, not at major highs.

"While many have thrown in the towel on equities, and embraced Treasury bonds, which yield a whopping 1.6%, we saw the S&P MidCap 400 and the S&P SmallCap 600 hit all-time highs this year. In addition, we have seen a decent number of mega-caps break out of their 10+ year bases to all-time highs. At the same time, the "500," "400," and "600," have each completed large cup-and-handle formations. A measured move based on the S&P 500's bullish pattern could take the index up to, and possibly higher than, the highs in 2000 and 2007 in the 1,550 to 1,580 region.

"We think Treasury bonds, which have seen consistent inflows in recent years, and remain in a 30+ year bull market, are primed to put in a major long-term top. Like stocks, the end of this secular bull market in bonds will take years to unfold, in our view. Yet, a major fund reallocation from defensive investments like Treasuries toward equities could fuel a major move higher in stocks. The yield on the 10-year Treasury appears to us to be tracing out a fairly large inverse head-and-shoulders pattern that started over a year ago. However, this potential pattern could extend for another year or longer, as reversing a 30+ year trend change is similar to turning an ocean liner with a canoe paddle."

Sector Selections: Hedging Our Bets

S&P Capital IQ's Equity Strategy group is currently recommending a hedged approach to sectors as we attempt to anticipate the unraveling of uncertainty. Based on relative fundamental and technical considerations, we currently have overweight recommendations on the Consumer Discretionary and Health Care sectors, and underweights on Materials and Utilities. We favor the **Consumer Discretionary** sector since its domestic marketplace will likely be less affected by global uncertainties. We also project consumer spending growth to approximate that of overall GDP. In addition, Capital IQ consensus estimates point to above-market EPS growth in 2013. Finally, the index is maintaining solid absolute and relative price momentum. We also favor the **Health Care** group, due to its defensive nature, relatively dependable EPS growth and a below-average valuation. Although the pharmaceutical group faces top-line pressure from patent expirations, increasing generic drug penetration and European austerity cutbacks, we believe overall industry profits should hold up relatively well, helped by expanding sales of new innovative drug therapies, emerging market sales and margin improvements accruing from cost restructurings and merger synergies. Also, increasing biotech M&A, still relatively low HMO utilization rates, attractive pharmaceutical sub-industry dividends and more efficient R&D spending help offset these negatives, in our view.

S&P 500 Consensus Operating EPS Y/Y % Growth Projections

	Y/Y EPS % Chgs.		P/E Ratios		S&P	Dividend
S&P Sectors	**2012E**	**2013E**	**2012E**	**2013E**	**STARS**	**Yield**
Cons. Discretionary	6.8	15.1	17.1	14.8	3.6	1.8%
Consumer Staples	4.2	8.7	16.6	15.3	3.9	2.9%
Energy	(5.9)	6.3	11.6	10.9	4.3	2.3%
Financials	12.4	9.6	12.0	10.9	3.5	1.9%
Health Care	1.4	6.5	13.4	12.6	3.9	2.2%
Industrials	10.1	7.2	13.5	12.6	3.5	2.5%
Info. Technology	5.0	14.3	13.0	11.4	3.7	1.8%
Materials	(12.3)	22.6	15.4	12.6	2.9	2.5%
Telecom. Services	2.4	21.2	20.5	16.9	3.2	4.7%
Utilities	(5.2)	2.7	14.2	13.8	3.2	4.5%
S&P 500	**3.8**	**10.3**	**13.7**	**12.4**	**3.7**	**2.3%**

Source: S&P Capital IQ.

We recommend underweighting the **Materials** sector, due to an anticipated slowing of global commodity demand as a result of weak economic growth in Europe and the BRIC countries. We believe lackluster global growth and more muted commodity price appreciation will fuel negative EPS revisions. We are also negative on **Utilities**. The top-performing sector in 2011 is currently expected to record anemic EPS growth in 2013 on sluggish household formations, and continues to sport a lofty valuation. Its elevated dividend yield remains attractive, however.

We are neutral on: **Consumer Staples** – This high-yielding, defensive sector sports elevated valuations and weakening technicals; **Energy** – Expected easing of oil prices from slowing global economic growth and rising supplies, combined with weakening technicals; **Financials** – Reduced likelihood of a near-term credit crunch occurring in Europe, improving technicals; **Industrials** – Weakening global economic trends and industrial commodity prices plus neutral technicals; **Information Technology** – Secular headwinds face many large-cap, PC-related companies that dominate the sector, combined with weak technicals; and **Telecom Services** – This high-yielding, U.S.-centric sector with positive technicals is weighed down by still-lofty valuations.

Equities: Focus on Quality

There have been a variety of recommendations by strategists on which sectors and stocks are likely to be beneficiaries of a President Obama reelection. Yet many of these groups and issues have already been bid up, in our opinion, and are therefore less attractive. One approach that we believe will never go out of style – regardless of party in power or tax policy embraced – is the focus on reasonably priced quality. Whatever the compromised conclusion of the current fiscal cliff standoff, higher taxes on dividends will likely be included, in our opinion. Yet, that doesn't mean that investors should avoid dividend-paying stocks. First, it is becoming increasing difficult to find stocks without a yield, as 80% of the S&P 500 now pay a dividend. Second, the tax on dividends, at worst, will be equal to that on bonds, in our opinion. And with the yield on bonds near historical lows, and the economy likely to pick up the pace rather than slip back into recession, we believe there is greater risk in owning bonds than dividend-paying stocks. While we still recommend stocks that pay a dividend, we recommend not "yielding" to temptation. We suggest an investor look to the past, the present and the future when selecting stocks.

Using MarketScope Advisor's (MSA) stock screening tool, I identified 19 stocks that had these three things in common. First, they each had an above-average consistency of increasing their earnings and dividends in each of the past 10 years, as defined by an S&P Capital IQ Earnings & Dividend Quality Rank of A- or higher. Second, they each offer a dividend yield of at least 3.0% to benefit from compounding and the lower volatility typically offered by higher yielding issues. Finally, each stock needed a favorable investment ranking by S&P Capital IQ's equity analysts, as analysts won't typically recommend a stock if they think the dividend will be cut.

Stocks With High Yields, Favorable S&P STARS and Quality Rankings as of 11/23/12

GICS Sector	Stock	Ticker	11/23 Price	S&P Capital IQ STARS	S&P Capital IQ Q. Rank	Yield %
Consumer Discretionary	Darden Restaurants, Inc.	DRI	$ 54	4	A	3.8
	McDonald's Corp.	MCD	$ 87	4	A	3.5
Consumer Staples	Altria Group, Inc.	MO	$ 33	4	A-	5.2
	General Mills, Inc.	GIS	$ 41	4	A	3.2
	Kellogg Co.	K	$ 55	4	A+	3.1
	Lorillard, Inc.	LO	$ 123	4	A+	5.1
	Pepsico, Inc.	PEP	$ 70	4	A+	3.1
Energy	Chevron Corp.	CVX	$ 105	5	A+	3.4
	Transcanada Corp.	TRP	$ 46	4	A-	3.8
Financials	The Bank of Nova Scotia	BNS	$ 55	4	A	4.1
Health Care	Abbott Laboratories	ABT	$ 64	4	A	3.1
	Johnson & Johnson	JNJ	$ 70	4	A+	3.5
Industrials	Norfolk Southern Corp.	NSC	$ 58	4	A	3.5
	Waste Management, Inc.	WM	$ 32	4	A-	4.4
Information Technology	Automatic Data Processing	ADP	$ 56	4	A	3.1
	Microsoft Corp.	MSFT	$ 28	5	A-	3.4
Utilities	Nextera Energy, Inc.	NEE	$ 67	4	A	3.5
	South Jersey Industries, Inc.	SJI	$ 48	4	A-	3.7
	UGI Corp.	UGI	$ 32	5	A-	3.3

Source: S&P Capital IQ MarketScope Advisor

So there you have it. S&P Capital IQ's Investment Policy Committee sees the S&P 500 posting a modest advance in price for the S&P 500, to 1550, in the coming 12 months from the current 1409 level on a gradual increase in global economic growth, sequential improvement in quarterly earnings, attractive trailing and projected valuations, and still-bearish investor sentiment. Granted, the case for another recession and bear market may continue to sound more convincing, yet even though this negative scenario has been in place for months, the S&P 500 has advanced more than 10% from its early-June low. We believe the market is looking beyond the troughs in GDP and EPS growth. And while debt discussions from Europe and the ongoing combative rhetoric from Washington will likely keep investors' nerves on edge, we believe equities offer a more attractive investment opportunity than bonds. We recommend screening for high-quality issues with favorable relative valuations that offer above-market dividend yields.

Required Disclosures

Glossary

S&P STARS - Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has used STARS® methodology to rank Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Quality Rankings (also known as S&P Earnings & Dividend Rankings)- Growth and stability of earnings and dividends are deemed key elements in establishing S&P's earnings and dividend rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B-	Lower
A	High	C	Lowest
A-	Above Average	D	In Reorganization
B+	Average	NR	Not Ranked
B	Below Average		

S&P Issuer Credit Rating - A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation.

S&P Capital IQ EPS Estimates – S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

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Abbreviations Used in S&P Capital IQ Equity Research Reports

CAGR- Compound Annual Growth Rate

CAPEX- Capital Expenditures

CY- Calendar Year

DCF- Discounted Cash Flow

EBIT- Earnings Before Interest and Taxes

EBITDA- Earnings Before Interest, Taxes, Depreciation and Amortization

EPS- Earnings Per Share

EV- Enterprise Value

FCF- Free Cash Flow

FFO- Funds From Operations

FY- Fiscal Year

P/E- Price/Earnings

PEG Ratio- P/E-to-Growth Ratio

PV- Present Value

R&D- Research & Development

ROE- Return on Equity

ROI- Return on Investment

ROIC- Return on Invested Capital

ROA- Return on Assets

SG&A- Selling, General & Administrative Expenses

WACC- Weighted Average Cost of Capital

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As of September 28, 2012, research analysts at S&P Capital IQ Equity Research Europe recommended 31.8% of issuers with buy recommendations, 50.8% with hold recommendations and 17.4% with sell recommendations.

In Asia
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Globally
As of September 28, 2012, research analysts at S&P Capital IQ Equity Research globally recommended 37.0% of issuers with buy recommendations, 54.8% with hold recommendations and 8.2% with sell recommendations.

5-STARS (Strong Buy): Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.
4-STARS (Buy): Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.
3-STARS (Hold): Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.
2-STARS (Sell): Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.
1-STARS (Strong Sell): Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

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