

# Fortrend Securities

## 3Q Earnings Review



# General Advice

The advice has been prepared without taking into account the clients objectives, financial situation and needs. Clients should consider the appropriateness of the advice by taking into consideration your objectives, financial situations and needs before acting on the advice.



# Contents

- Market Overview and Movers
- Relative Value Model
- US Marco issues, Top Down
- Bottom up earnings
- Stock Selection: sell ITT, up 23% in 5 months.



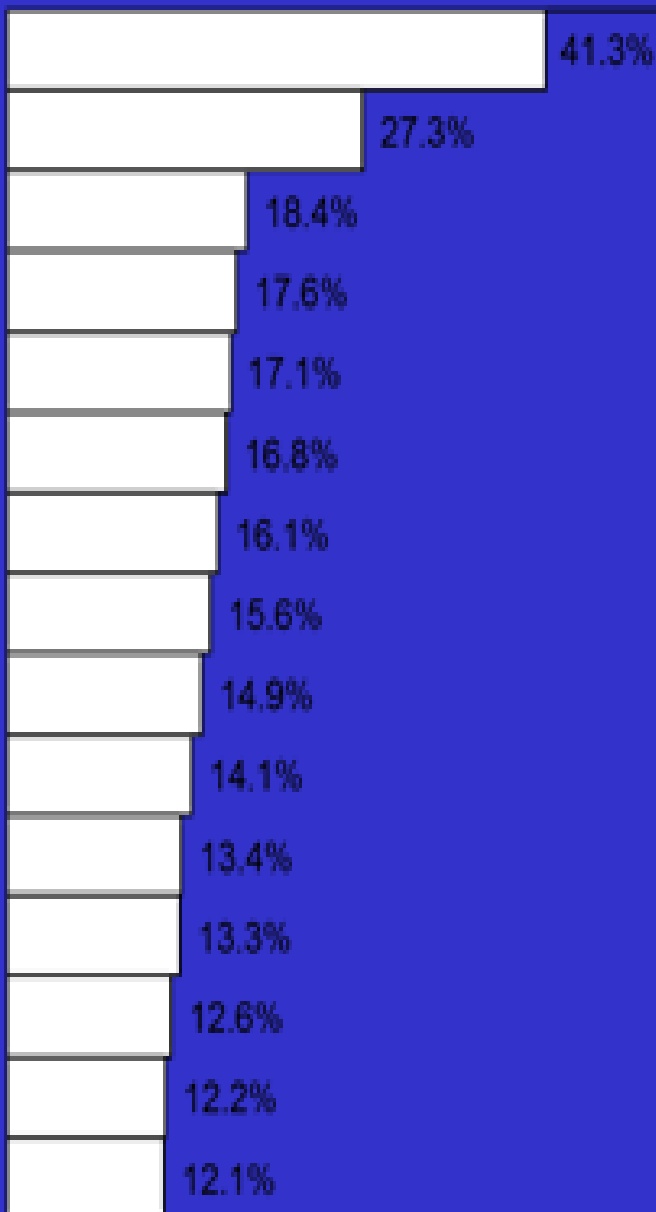
# Market Performance

- S&P 500 fell 1.8%
- EE'13 stabilized, fall 0.1%
- P/E fell 1.7% to 12.5
- The 10 year yield is 1.72, (stocks yield more than bonds), VIX dropped below 14
- Sell ITT, hold cash – expect volatility.

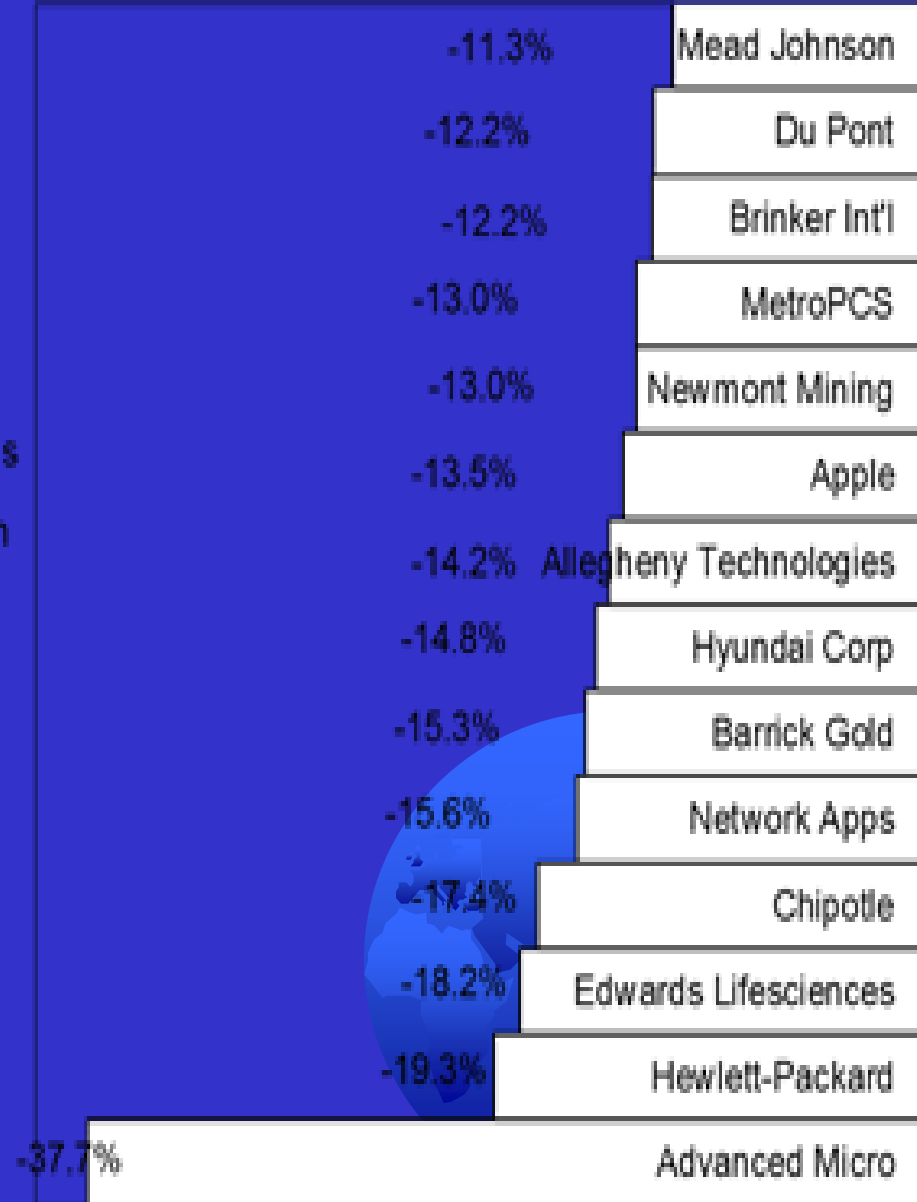


## Best Performers

## Worst Performers



Netflix  
Louisiana Pacific  
Whirlpool  
Volkswagen AG  
Ryder System  
Alliant Techsystems  
Research in Motion  
Dish Network  
Citigroup  
Joy Global  
General Motors  
Ford  
Hunt JB  
Southern Copper  
Pulte



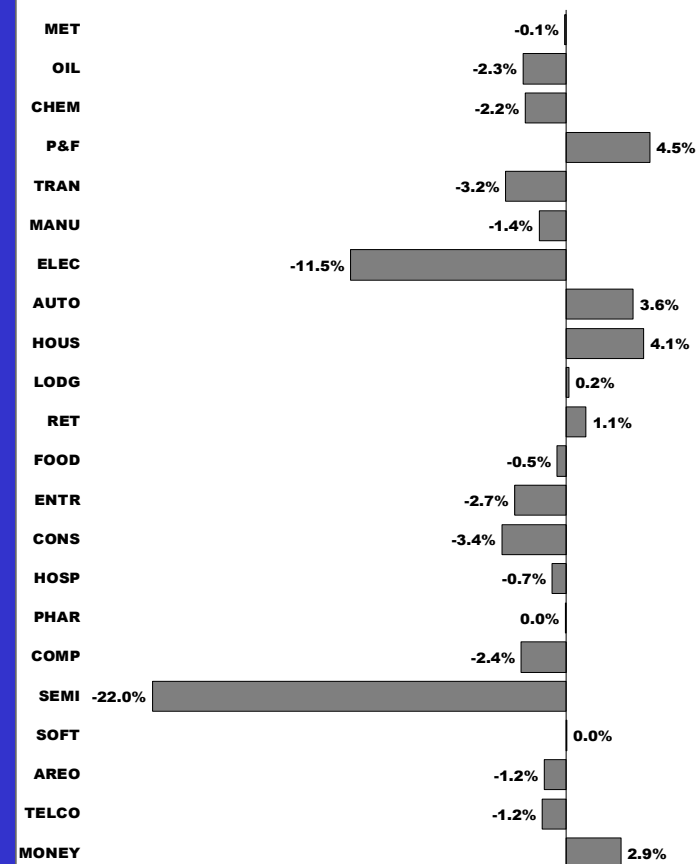
Mead Johnson  
Du Pont  
Brinker Int'l  
MetroPCS  
Newmont Mining  
Apple  
Allegheny Technologies  
Hyundai Corp  
Barrick Gold  
Network Apps  
Chipotle  
Edwards Lifesciences  
Hewlett-Packard  
Advanced Micro



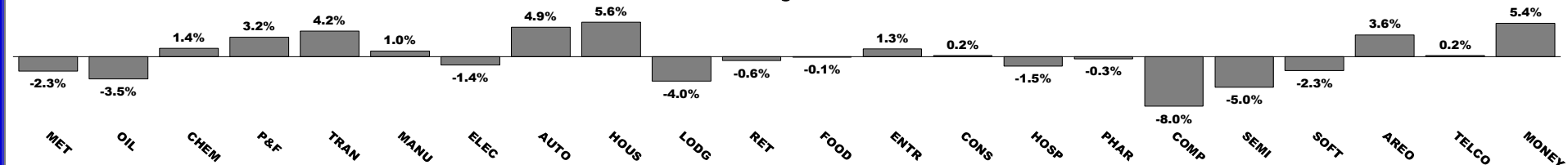
# Relative Value Model

Plus Percentage Change in Price/Book .....	-3.4%
Minus Percentage Change in ROE 2013.....	-1.6%
Equals Percentage change in P/E 2013 .....	-1.8%
Current P/E 2013 .....	12.3
SPX Dividend Yield.....	2.4%
10 year Treasury Yield .....	1.6%

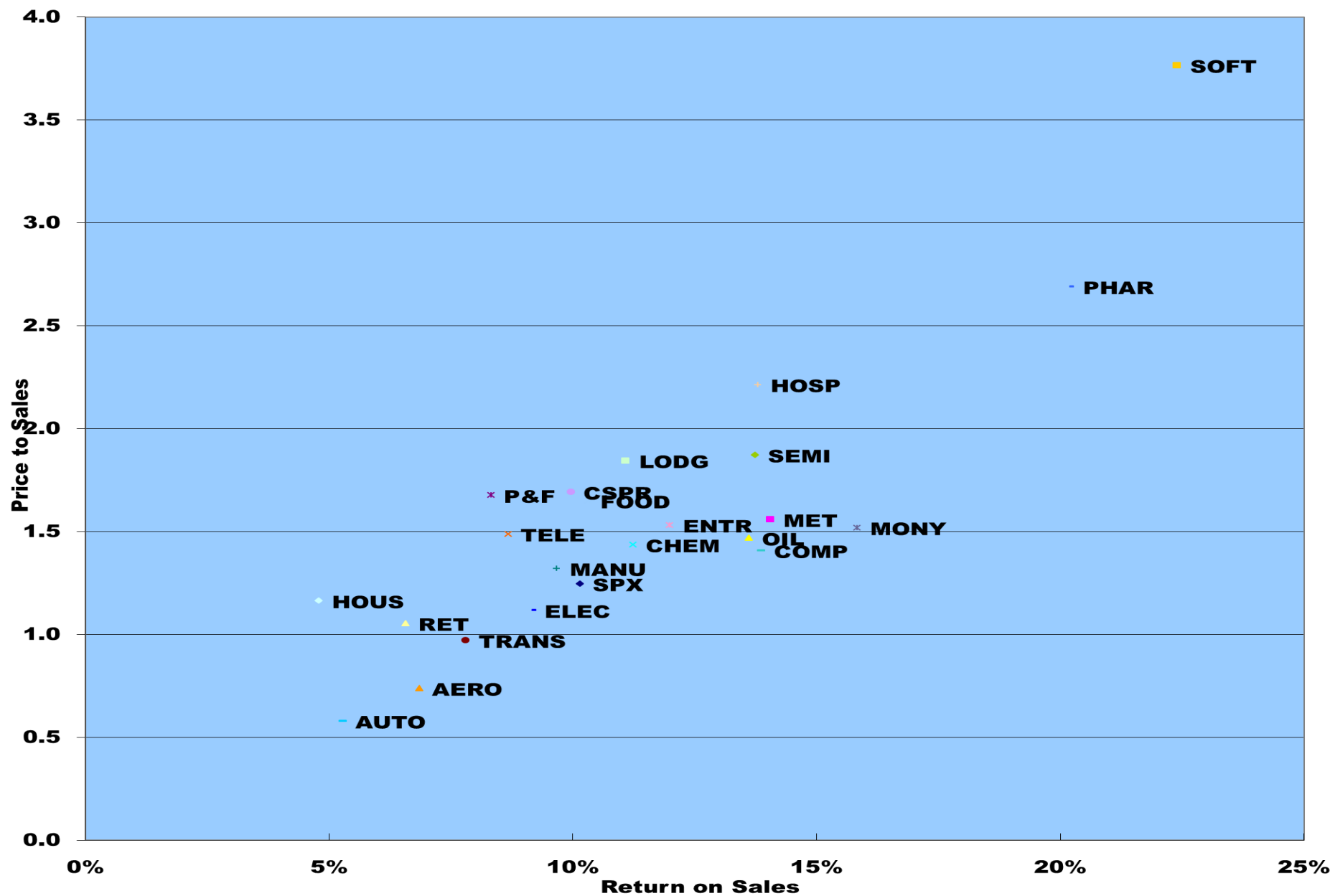
% Change in Earnings Estimates



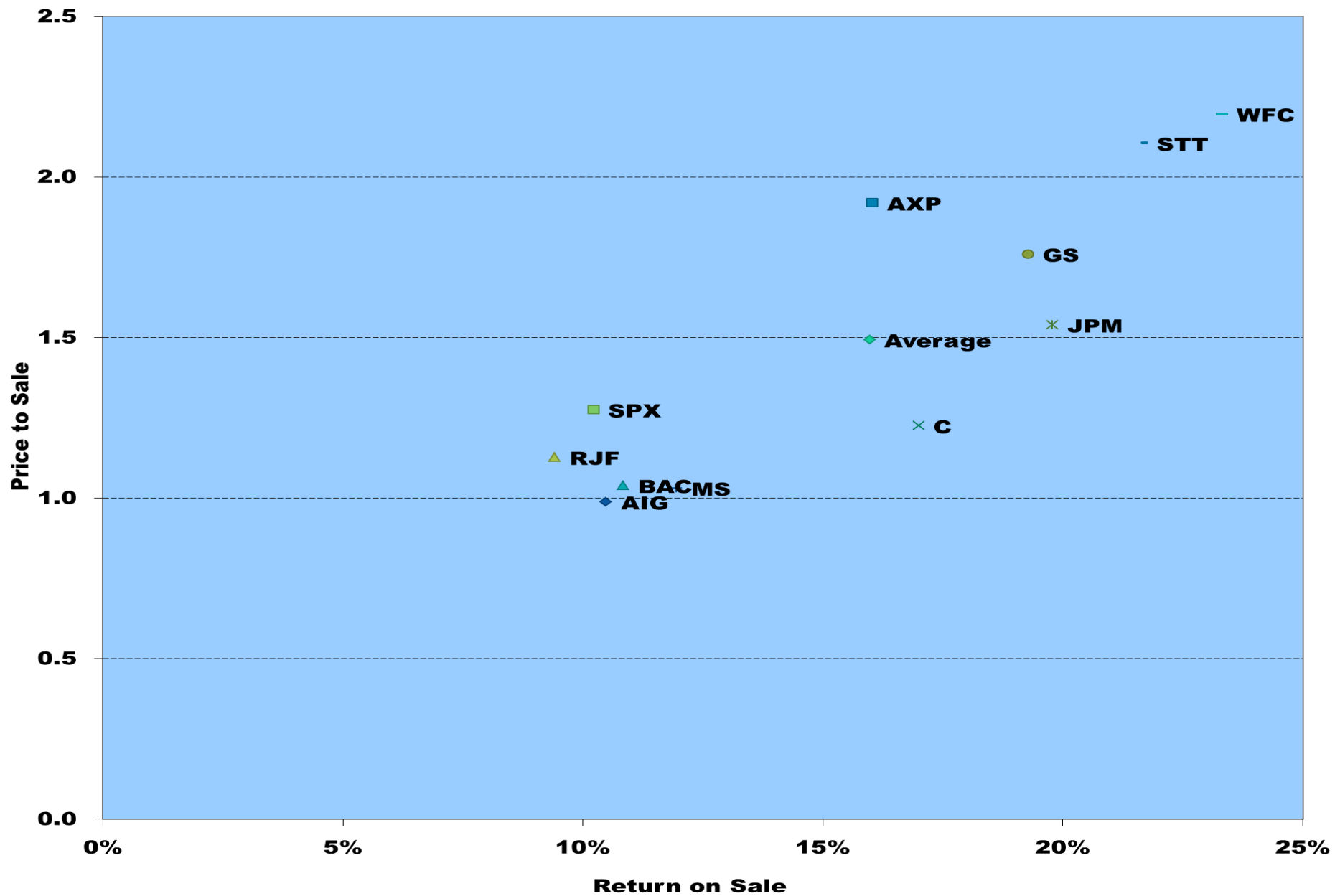
% Change in Prices



**Price to Sales vs Return on Sales**

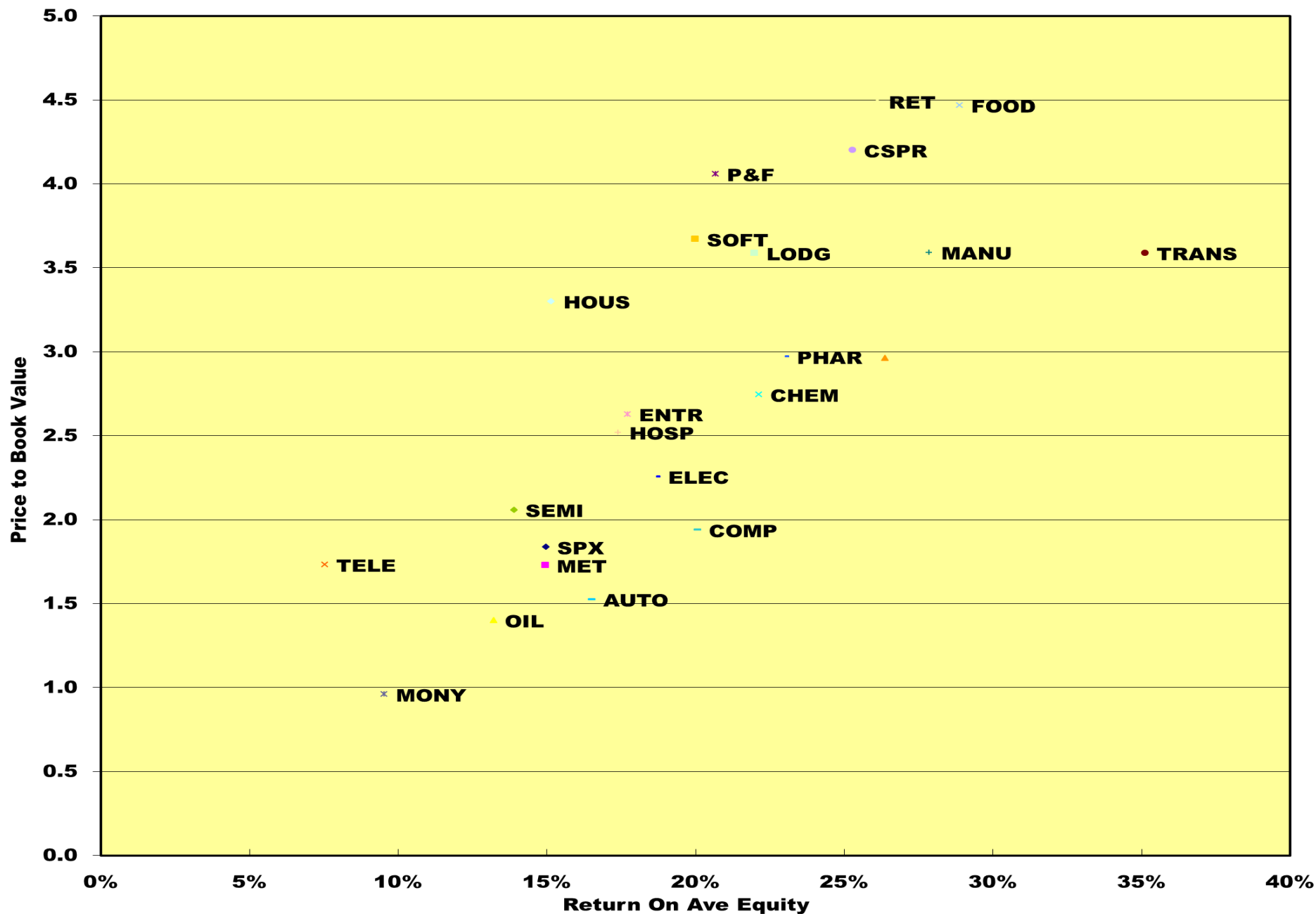


## Price to Sale vs Return on Sale





**Price to Book vs ROE**



# US Economy

- Recovering slowly with one shock event this year (Euro debt crisis #3).
- But, very little capacity being built, so utilization rates, productivity and occupancy are high.
- The fiscal cliff poses another threat , Goldman Sachs says markets will fall 15% by year end.
- Sensitivity analysis says “cliff” 1% off GDP,
- so what?



- Unemployment is a problem 7.8%,
- Slow, long workout: cannot have inflation or interest rates until debt is worked off.
- Incomes are now rising, and TWIST helps consumers get debt down
- Retail sales are strong, and consumer confidence has hit five year highs- Luxury
- Savings rate has risen sharply. Consumer debt fell from 130% of income to 114%.



- Trade deficit \$44B , current account \$0  
TWIST is \$40B (securitized mortgages)  
=bubble in multi-family.
- Three major bubbles in the past 20 year's
  - .com
  - mortgage backed securities
  - Treasuries
- If government stops issuing so much debt,  
there will be a risk-off cycle and P/E's  
could go to 20.
- Oil shale could change the balance.



# 3Q12 Earnings

- 381/500: only 63% beat, 26% missing, 11% in line.
- \$26.08, up 2.0%. Bad Q, lots of disappointments.
- Resources are falling
- Housing and auto are benefiting from operation TWIST
- PC based technology is very weak, mobile strong
- Europe hurt, China was good: **Nike, Yum and Coach**
- Specific risk is high, and execution is important.
- The same is true for RV stocks, choppy markets created opportunities for stock pickers.



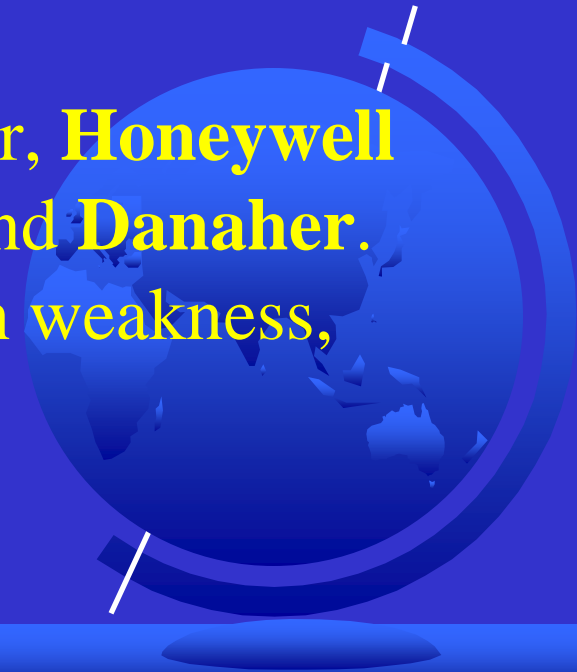
# Cyclical

- Oil tumbling **Baker Hughes** and **Halliburton**: stock prices and earnings fell the most.
- Chemical disappointed. **du Pont** and **Dow** hardest hit.
- Conversely Paper & Forest products good quarter especially **Louisiana Pacific**.
- Transportation estimates slashed, particularly airlines/ **United**. **Ryder** was a winner!



# Manufacturing

- Mixed bag, Europe/China but mostly execution
- ITT's pumps division did a great job, and carried that company to the best performance in the sector – at the expense of **Parker Hannifin**, which executed poorly.
- Electrical Manufacturing was similar, **Honeywell** and **Emerson** outmaneuvered **GE** and **Danaher**. If you are considering buying GE on weakness, please don't.



# Consumer Cyclical.

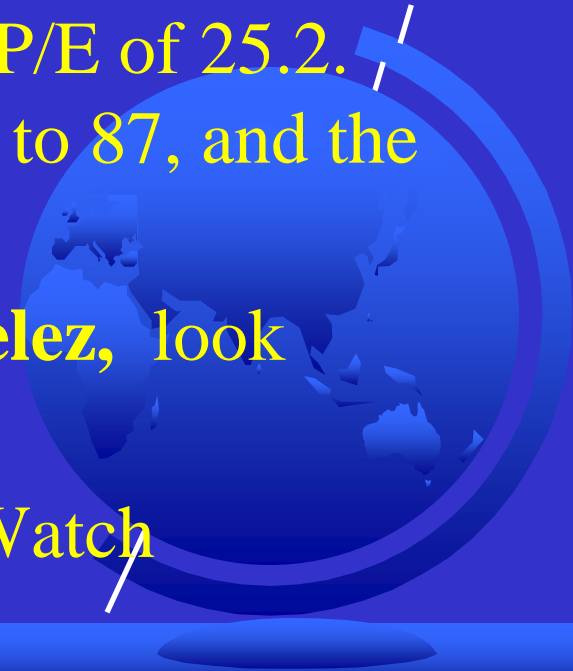
- Auto stocks all strong in a lower interest rate environment, despite weakness in Europe which hurt earnings.
- **Ford** and **GM** rose 13% each.
- I can't keep up with housing; **Whirlpool** is on fire, up another 18%, where estimates were up 13%.
- Builders all had extraordinary returns with **Pulte** leading the pack..





# Restaurants / Food

- Generally overvalued
- exception of **Yum Brands**, which is a darling because of its China strategy. Evidently the Chinese are trading noodles for Pizza!
- **Chipotle** down more than 17% to a P/E of 25.2. **McDonald's** has retreated from 102 to 87, and the P/E is down below 15.
- **Kraft** split in two; Kraft and **Mondelez**, look expensive,
- **ConAgra** looks good at 12.7X13. Watch



# Technology

- Computers are getting savaged.
- The PC became obsolete this year.
- **Hewlett Packard** and **AMD** are disintegrating.
- Software fared better, **Adobe** and **Yahoo** good
- but **Google** and **Computer Associates** disappointed.
- **Microsoft** and **Oracle** held on.
- Nvidia reports Dec 20<sup>th</sup>. Windows 8?



# Financials

- Financial stocks are in a general updraft.
- 
- We picked JP Morgan because their higher quality, and recent drop after trading losses in the CIO, which created a buying opportunity



# ITT Corp - 6 Months



**UP 23%, TAKE PROFITS**



FORTREND  
SECURITIES

Prev 62.80 Vol 2,348,573

HON US Equity 98 Report 99 Feedback Page 1/4 Description: Profile

1) Profile 2) Issue Info 3) Ratios 4) Revenue & EPS

HONEYWELL INTERNATIONAL INC 5) Indus Automation Controls (CCB)

Honeywell International Inc. is a worldwide diversified technology and manufacturing company providing aerospace products and services, control, sensing and security technologies, turbochargers, automotive products, specialty chemicals, electronic and advanced materials, process technology for refining and petrochemicals, and energy efficient products and solutions. [BBGID BBG000H556T9]

## 6) Price Chart (GP)



Px/Chg 1D (USD)	62.80/+ .59%
52 Wk H (10/19/12)	63.48
52 Wk L (11/25/11)	48.82
YTD Change/%	8.45/15.55%
Mkt Cap (USD)	49,195.8M
Shrs Out/Float	783.4M/782.0M
SI/% of Float	6.3M/0.81%
Days to Cover	1.9

## 7) Earn (ERN)

Date	(E)	01/28/13
P/E		13.14
Est P/E	12/12	13.99
T12M EPS (USD)		4.78
Est EPS		4.49
Est PEG		1.33

## 10) Dividend (DVD)

Ind Gross Yield	2.61%
5Y Net Growth	8.81%
Cash 11/16/12	0.41

## 8) Est (EE)

Date	(E)	01/28/13
P/E		13.14
Est P/E	12/12	13.99
T12M EPS (USD)		4.78
Est EPS		4.49
Est PEG		1.33

## 11) Corporate Info

12) <a href="http://www.honeywell.com">www.honeywell.com</a>
Morris Township, NJ, United States
Empls 132,000 (12/31/11)

## 13) Management (MGMT)

14) David M Cote "Dave"	Chairman/CEO
15) Roger Fradin	President/CEO
16) Andreas C Kramvis	Pres & CEO:Performance
17) 12M Total Ret (TRA)	19.48%
Beta vs SPX	1.18

## 19) Depositary Receipts

Prev
95.26

Vol
1,468,112

NIKE US Equity	98 Report	99 Feedback	Page 1/4	Description: Profile
1) Profile	2) Issue Info	3) Ratios	4) Revenue & EPS	

NIKE INC -CL B

5) Apparel, Footwear, Acc Design (CCB)

NIKE, Inc. designs, develops, and markets athletic footwear, apparel, equipment, and accessory products for men, women, and children. The Company sells its products worldwide to retail stores, through its own stores, subsidiaries, and distributors. [BBGID BBG000C5HS04]

6) Price Chart (GP)

Px/Chg 1D (USD)
95.26/+ .76%

52 Wk H
(05/03/12)
114.81

52 Wk L
(06/29/12)
85.10

YTD Change/%
-1.11/-1.15%

Mkt Cap
(USD)
43,243.5M

Shrs Out/Float
360.7M/355.6M

SI/% of Float
3.1M/0.87%

Days to Cover
1.3

7) Earn (ERN)	8) Est (EE)
Date	(C) 12/20/12
P/E	20.35
Est P/E	05/13 18.24
T12M EPS	(USD) 4.68
Est EPS	5.22
Est PEG	1.48
10) Dividend (DVD)	
Ind Gross Yield	1.51%
5Y Net Growth	14.24%
Cash	08/30/12 0.36
18) Multi-Share (MSH)	

11) Corporate Info
12) <a href="http://www.nike.com">www.nike.com</a>
Beaverton, OR, United States
Empls 44,000 (05/31/12)
13) Management (MGMT)
14) Philip H Knight "Phil" Chairman
15) Mark G Parker President/CEO
16) Charles D Denson President:Nike Brand
17) 12M Total Ret (TRA) 2.36%
Beta vs SPX 0.96
19) Depositary Receipts

The Procter & Gamble Company manufactures and markets consumer products in countries throughout the world. The Company provides products in the laundry and cleaning, paper, beauty care, food and beverage, and health care segments. Procter & Gamble's products are sold primarily through mass merchandisers, grocery stores, membership club stores, drug stores, and neighborhood stores. [BBGID BBG000BR2TH3]

6) Price Chart (GP)

Px/Chg 1D (USD)	68.67/- .75%
52 Wk H	(10/25/12) 70.83
52 Wk L	(06/26/12) 59.07
YTD Change/%	1.96/2.94%
Mkt Cap	(USD) 187,759.6M
Shrs Out/Float	2,734.2M/2,732.4M
SI/% of Float	18.6M/0.68%
Days to Cover	2.3

7) Earn (ERN)

8) Est (EE)

Date	(E)	01/28/13
P/E		18.31
Est P/E	06/13	17.38
T12M EPS	(USD)	3.75
Est EPS		3.95
Est PEG		2.30

10) Dividend (DVD)

Ind Gross Yield	3.27%
5Y Net Growth	10.21%
Cash	10/17/12 0.562

11) Corporate Info

12) [www.pg.com](http://www.pg.com)

Cincinnati, OH, United States

Empls 126,000 (06/30/12)

13) Management (MGMT)

14) Robert A McDonald "Bob"

Chairman/President/CEO

15) Jon R Moeller

Chief Financial Officer

16) Bruce Brown

Chief Technology Officer

17) 12M Total Ret (TRA) 12.60%

Beta vs SPX 0.62

19) Depositary Receipts



DPS US \$ C **43.29** +.35 P-- /--P -- x--  
 On 05 Nov Vo 1,015,846 0 42.90N H 43.50P L 42.73N Val 43.939M

DPS US Equity 98) Report 99) Feedback Page 1/4Description: Profile

1) Profile

2) Issue Info

3) Ratios

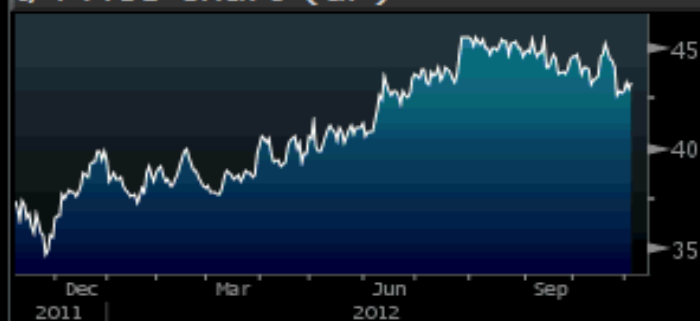
4) Revenue & EPS

5) Beverages (CCB)

## DR PEPPER SNAPPLE GROUP INC

Dr Pepper Snapple Group, Inc. is an integrated brand owner, manufacturer and distributor of non-alcoholic beverages in the United States, Canada and Mexico. The Company offers include flavored carbonated and non-carbonated soft drinks, ready-to-drink teas, juices, juice drinks and mixers. [BBGID BBG000TJM7F0]

### 6) Price Chart (GP)



Px/Chg 1D (USD) 43.29/+0.82%  
 52 Wk H (08/06/12) 45.85  
 52 Wk L (11/25/11) 34.65  
 YTD Change/% 3.81/9.65%  
 Mkt Cap (USD) 9,009.2M  
 Shrs Out/Float 208.1M/207.4M  
 SI/% of Float 12.3M/5.92%  
 Days to Cover 7.9

### 7) Earn (ERN)

Date (E) 02/15/13  
 P/E 14.63  
 Est P/E 12/12 14.65  
 T12M EPS (USD) 2.96  
 Est EPS 2.95  
 Est PEG 1.98

### 10) Dividend (DVD)

Ind Gross Yield 3.14%  
 1Y Net Growth 17.54%  
 Cas 09/13/12 0.34

### 8) Est (EE)

### 11) Corporate Info

12) [www.drpeppersnapplegroup.com](http://www.drpeppersnapplegroup.com)  
 Plano, TX, United States  
 Empls 19,000 (12/31/11)  
 13) Management (MGMT)  
 14) Larry D Young  
 President/CEO  
 15) James J Johnston Jr  
 Pres:Beverage Concentrates  
 16) Rodger L Collins  
 Pres:Packaged Beverages  
 17) 12M Total Ret (TRA 20.44%  
 Beta v SPX 0.64



TMO US \$ C **61.93** +.43 P-- / --P -- X --  
 On 05 Nov d Vol 1,857,745 0 61.45N H 62.06N L 61.38D Val 114.906M

TMO US Equity	98 Report	99 Feedback	Page 1/4	Description: Profile
1) Profile	2) Issue Info	3) Ratios	4) Revenue & EPS	5) Life Science Equipment (CCB)

**THERMO FISHER SCIENTIFIC INC**  
 Thermo Fisher Scientific, Inc. manufactures scientific instruments, consumables, and chemicals. The Company offers analytical instruments, laboratory equipment, software, services, consumables, reagents, chemicals, and supplies to pharmaceutical and biotech companies, hospitals and clinical diagnostic labs, universities, research institutions, and government agencies. [BBGID BBG000BVDLH9]



Px/Chg 1D (USD)	61.93/+7%
52 Wk H (11/02/12)	62.94
52 Wk L (12/15/11)	43.06
YTD Change/%	16.96/37.71%
Mkt Cap (USD)	22,308.1M
Shrs Out/Float	360.2M/358.9M
SI/% of Float	2.6M/0.73%
Days to Cover	1.8

7) Earn (ERN)	8) Est (EE)
Date (E)	02/01/13
P/E	18.82
Est P/E 12/12	12.77
T12M EPS (USD)	3.29
Est EPS	4.85
Est PEG	1.17

10) Dividend (DVD)	
Ind Gross Yield	0.84%
Cash 09/13/12	0.13

11) Corporate Info	
12) <a href="http://www.thermofisher.com">www.thermofisher.com</a>	
Waltham, MA, United States	
Empls 39,300 (12/31/11)	
13) Management (MGMT)	
14) Jim P Manzi	
Chairman	
15) Marc N Casper	
President/CEO	
16) Gregory J Herrema	
President:Biosciences Business	
17) 12M Total Ret (TRA)	27.65%
Beta vs SPX	1.05

MICROSOFT CORP

5) Infrastructure Software (CCB)

Microsoft Corporation develops, manufactures, licenses, sells, and supports software products. The Company offers operating system software, server application software, business and consumer applications software, software development tools, and Internet and intranet software. Microsoft also develops video game consoles and digital music entertainment devices. [BBGID BBG000BPH459]

Price Chart (GP)

Px/Chg 1D (USD) 29.63/+ .44%
52 Wk H (03/16/12) 32.95
52 Wk L (11/25/11) 24.30
YTD Change/% 3.67/14.14%
Mkt Cap (USD) 249,379.8M
Shrs Out/Float 8,416.5M/7,634.1M
SI/% of Float 92.7M/1.21%
Days to Cover 2.1

7) Earn (ERN)		8) Est (EE)	
Date	Aft-mkt	(C)	01/24/13
P/E			11.44
Est P/E	06/13		10.16
T12M EPS	(USD)		2.59
Est EPS			2.92
Est PEG			0.93
10) Dividend (DVD)			
Ind Gross Yield			3.10%
5Y Net Growth			14.87%
Cash	11/13/12		0.23

11) Corporate Info	
12) <a href="http://www.microsoft.com/msft/">www.microsoft.com/msft/</a>	
Redmond, WA, United States	
Empls 94,000 (06/30/12)	
13) Management (MGMT)	
14) Steven Anthony Ballmer "Steve"	Chief Executive Officer
15) Peter S Klein	Chief Financial Officer
16) Brian Kevin Turner	Chief Operating Officer
17) 12M Total Ret (TRA)	15.99%
Beta vs SPX	0.92
19) Depositary Receipts	

NVDA US \$

Market

P11.80 / 13.29P

2 x 6



Prev 13.02

Vol 11,120,961

NVDA US Equity

98 Report

99 Feedback

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Description: Profile

1) Profile

2) Issue Info

3) Ratios

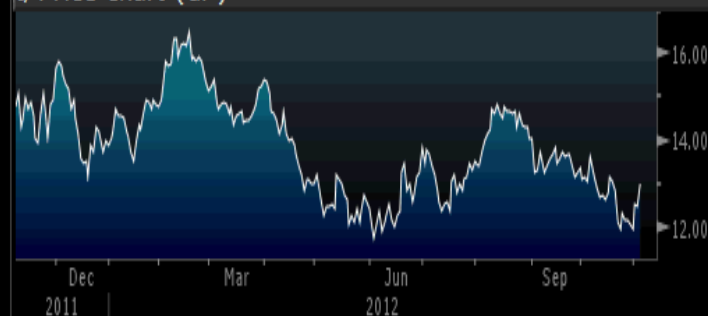
4) Revenue &amp; EPS

NVIDIA CORP

5) Semiconductor Devices (CCB)

NVIDIA Corporation designs, develops, and markets three dimensional (3D) graphics processors and related software. The Company's products provide interactive 3D graphics to the mainstream personal computer market. [BBGID BBG000BBJQV0]

## 6) Price Chart (GP)



Px/Chg 1D (USD) 13.02/+4.24%

52 Wk H (02/15/12) 16.90

52 Wk L (06/04/12) 11.63

YTD Change/% -0.84/-6.06%

Mkt Cap (USD) 8,065.6M

Shrs Out/Float 619.5M/590.9M

SI/% of Float 14.0M/2.37%

Days to Cover 1.6

## 7) Earn (ERN)

Date 08:20 (C) 11/09/12

P/E 16.28

Est P/E 01/13 11.32

T12M EPS (USD) 0.80

Est EPS 1.15

Est PEG 0.79

## 8) Est (EE)

## 10) Dividend (DVD)

Ind Gross Yield N.A.

No cash dividends

## 11) Corporate Info

12) [www.nvidia.com](http://www.nvidia.com)

Santa Clara, CA, United States

Empls 7,133 (01/29/12)

## 13) Management (MGMT)

14) Jen-Hsun Huang

President/CEO/Co-Founder

15) Debora C Shoquist

Exec VP:Operations

16) Ajay K Puri "Jay"

Exec VP:Worldwide Sales

17) 12M Total Ret (TRA)

-12.15%

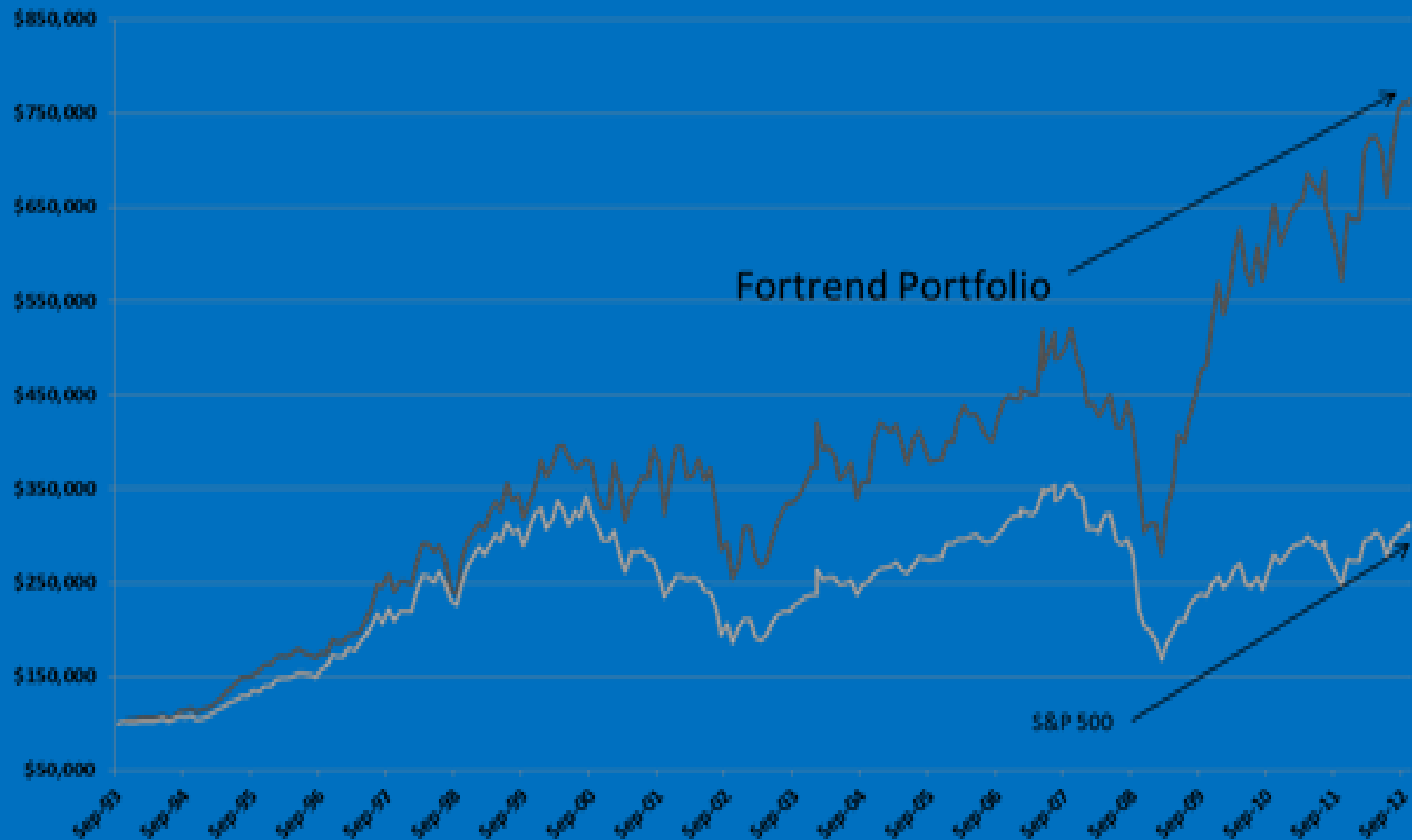
Beta vs SPX

1.43

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000  
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000

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# Fortrend has outperformed the S&P 500



FORTREND  
SECURITIES

# Fortrend Portfolio

- Honeywell
- ITT (SELL)
- Dr Pepper Snapple
- Thermo Fisher
- Nike
- Procter & Gamble
- Microsoft
- Oracle
- Nvidia
- JP Morgan

