



**S&P SmallCap 600 Sector Analysis**  
***Weightings, Returns & Valuations***  
**As of December 31, 2011**

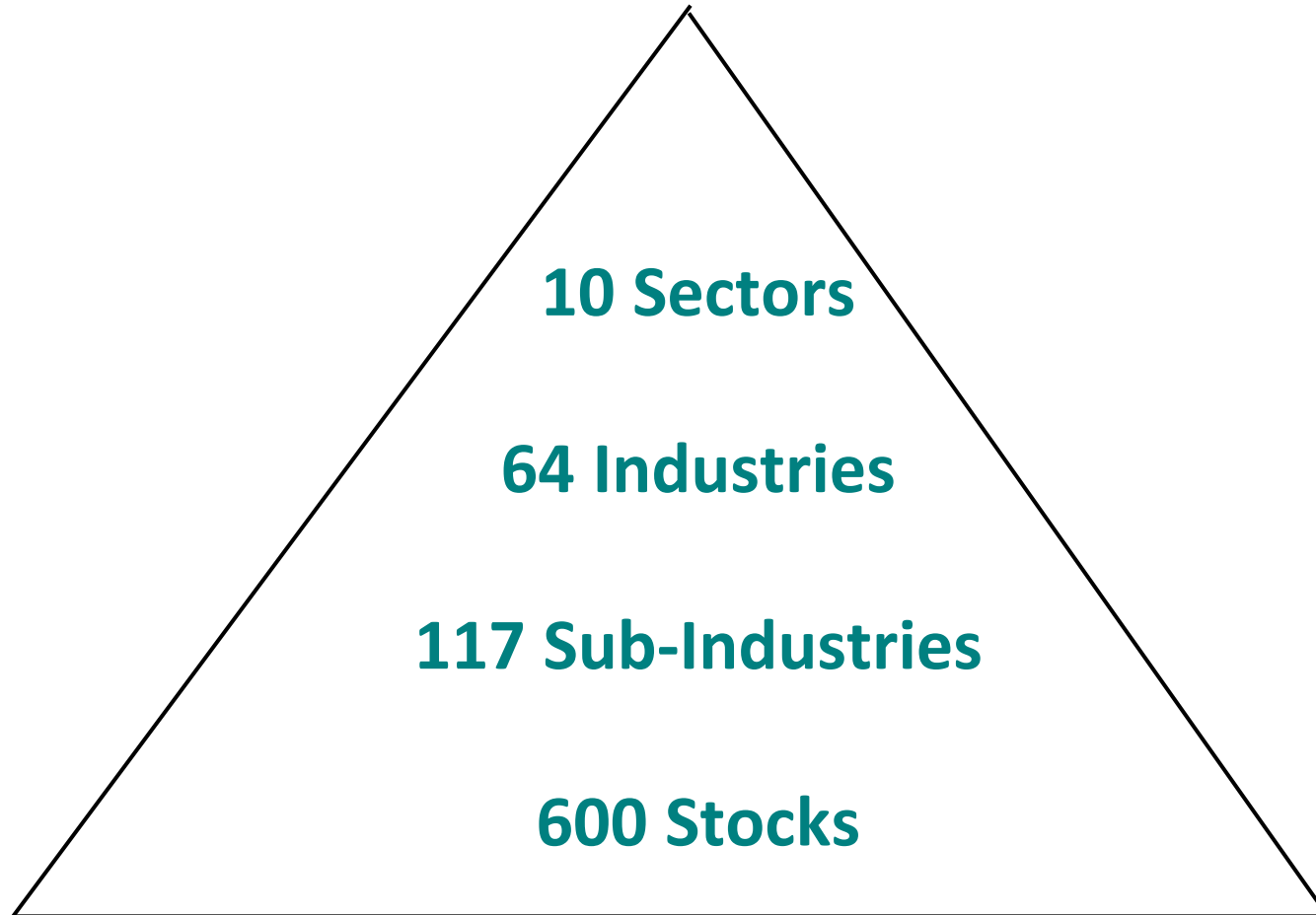
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**S&P Capital IQ**

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# A Closer Look at the S&P SmallCap 600 and Its Sectors

- **Composition**
- **Weightings**
- **Performances**
- **Valuations**

# A Closer Look at the S&P SmallCap 600 and Its Sectors



# Sector & Style: Weightings within the S&P SmallCap 600

## S&P SmallCap 600 Growth & Value Splits as of 12/31/11

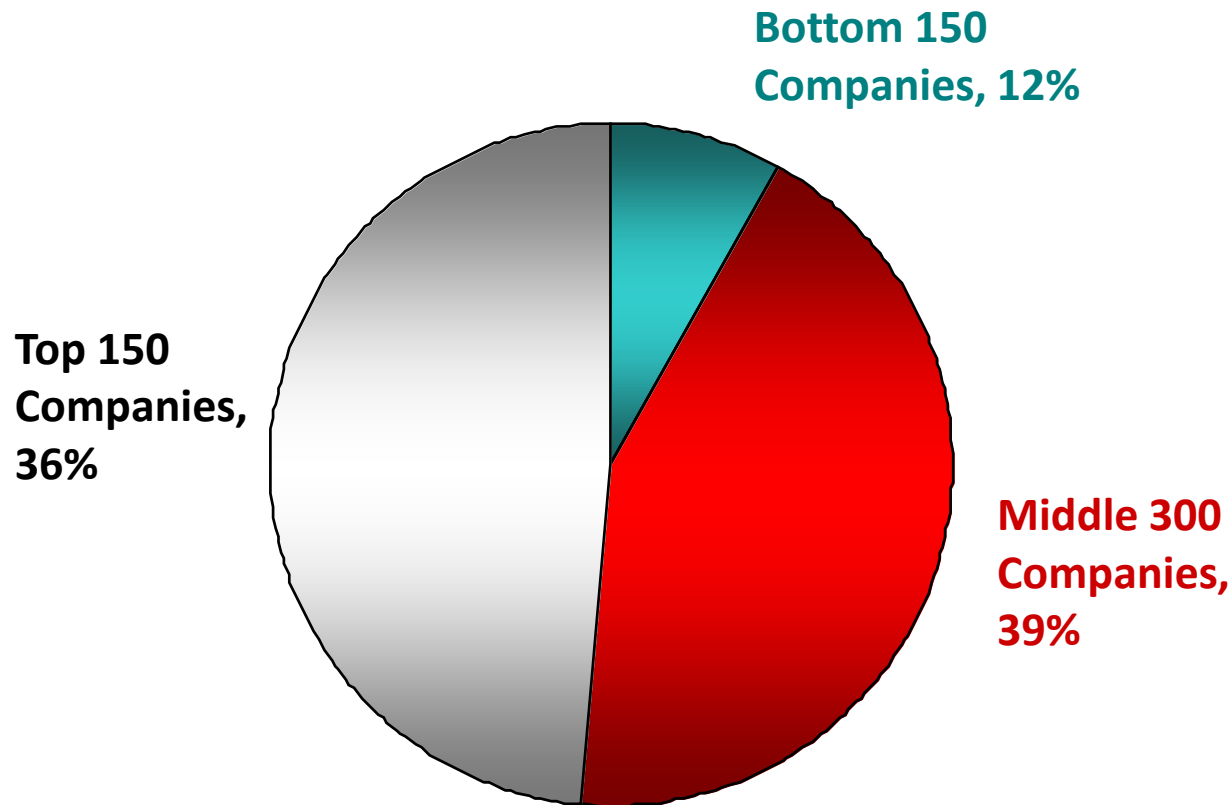
S&P SmallCap 600 Sector	Num. of Companies	Capitalization-Weighted % Distribution		
		Current	Growth	Value
Consumer Discretionary	112	15.2%	51%	49%
Consumer Staples	23	4.4%	62%	38%
Energy	21	4.0%	50%	50%
Financials	102	19.9%	35%	65%
Health Care	66	11.3%	77%	23%
Industrials	88	15.3%	37%	63%
Information Technology	130	19.7%	66%	34%
Materials	35	5.0%	39%	61%
Telecommunication Services	8	0.6%	32%	68%
Utilities	15	4.6%	51%	49%
<b>S&amp;P SmallCap 600</b>	<b>600</b>	<b>100.0%</b>	<b>55%</b>	<b>45%</b>

Source: S&P Capital IQ.

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# The Effects of Capitalization Weighting

What % of the weighting of the S&P SmallCap 600 do the top 150, middle 300 and bottom 150 companies represent? Data as of 12/31/11



Source: S&P Capital IQ.

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# Sectors: Where Have We Seen the Greatest Returns?

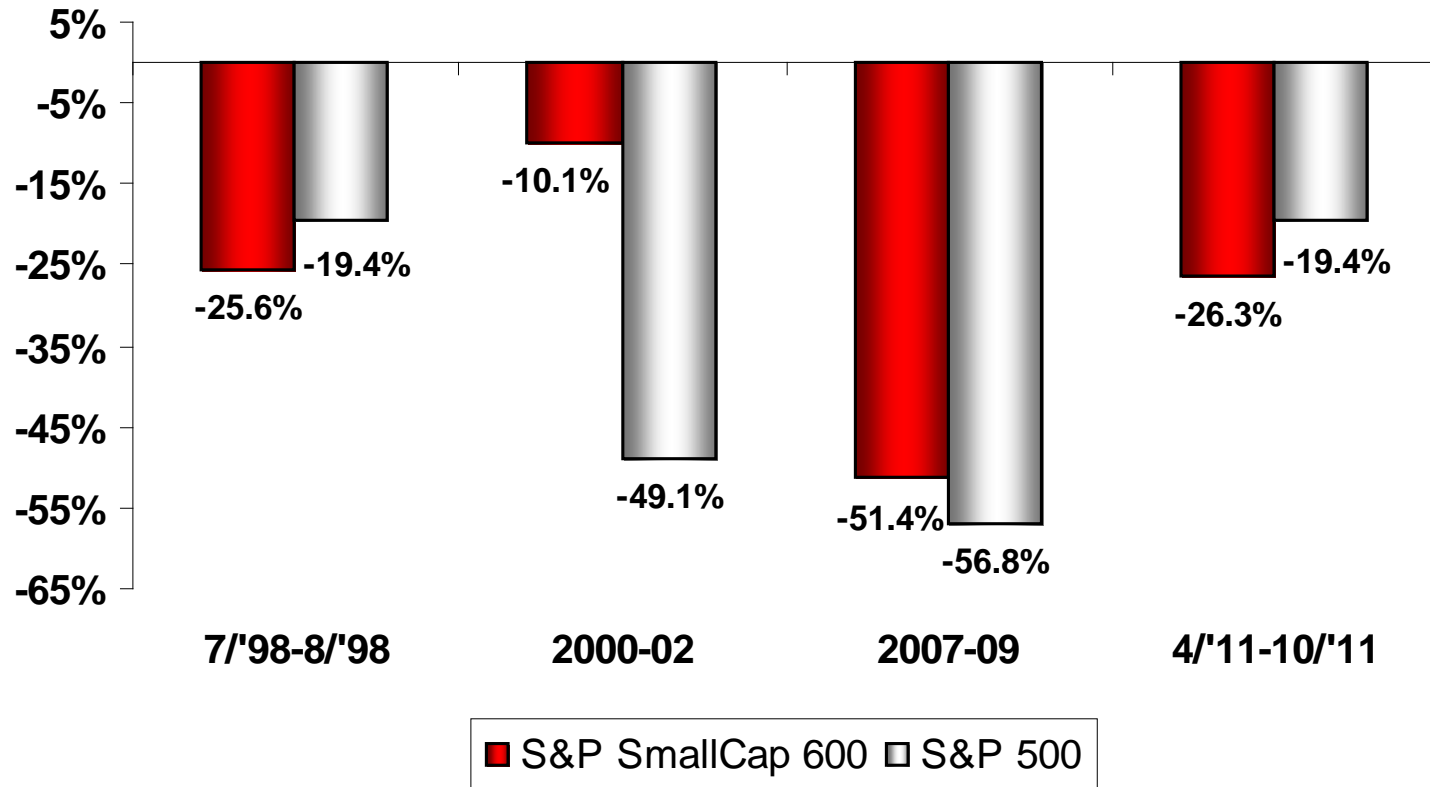
## S&P 500 Sector Total Returns (Including Dividends) and Volatility 12/31/94-12/31/11

<b>S&amp;P SmallCap 600 Sector</b>	<b>1994-2011 C.A.G.R.</b>	<b>Standard Dev. %</b>	<b>Risk Adj. Return</b>	<b>Freq. of Outperf.</b>
Energy	15.8	36.4	43%	71%
Consumer Staples	12.7	21.0	60%	71%
Health Care	12.4	23.2	54%	47%
Utilities	9.9	11.8	84%	47%
Financials	9.8	26.5	37%	41%
Industrials	9.1	15.9	57%	59%
<b>S&amp;P SmallCap 600</b>	<b>9.1</b>	<b>17.3</b>	<b>53%</b>	<b>NA</b>
Materials	5.8	24.2	24%	35%
Consumer Discretionary	5.5	24.9	22%	41%
Information Technology	5.3	31.0	17%	35%
Telecommunication Services	<b>(19.8)</b>	28.4	NM	18%

Source: S&P Capital IQ. Indexes are unmanaged, statistical composites and it is not possible to invest directly in an index. The returns shown do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause actual and back tested performance to be lower than the performance shown. Returns include dividends. Past performance is no indication of future results. CAGR: Compound annual growth rate. SD: Standard deviation.

# Bear Markets: How Far Have They Fallen?

S&P SmallCap 600 Price Changes During S&P 500 Bear Markets or Near Misses Since 1995.



Source: S&P Capital IQ. Indexes are unmanaged, statistical composites and it is not possible to invest directly in an index. The returns shown do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause actual and back tested performance to be lower than the performance shown. Returns exclude dividends. Past performance is no indication of future results.

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# Bear Markets: Few Places to Hide

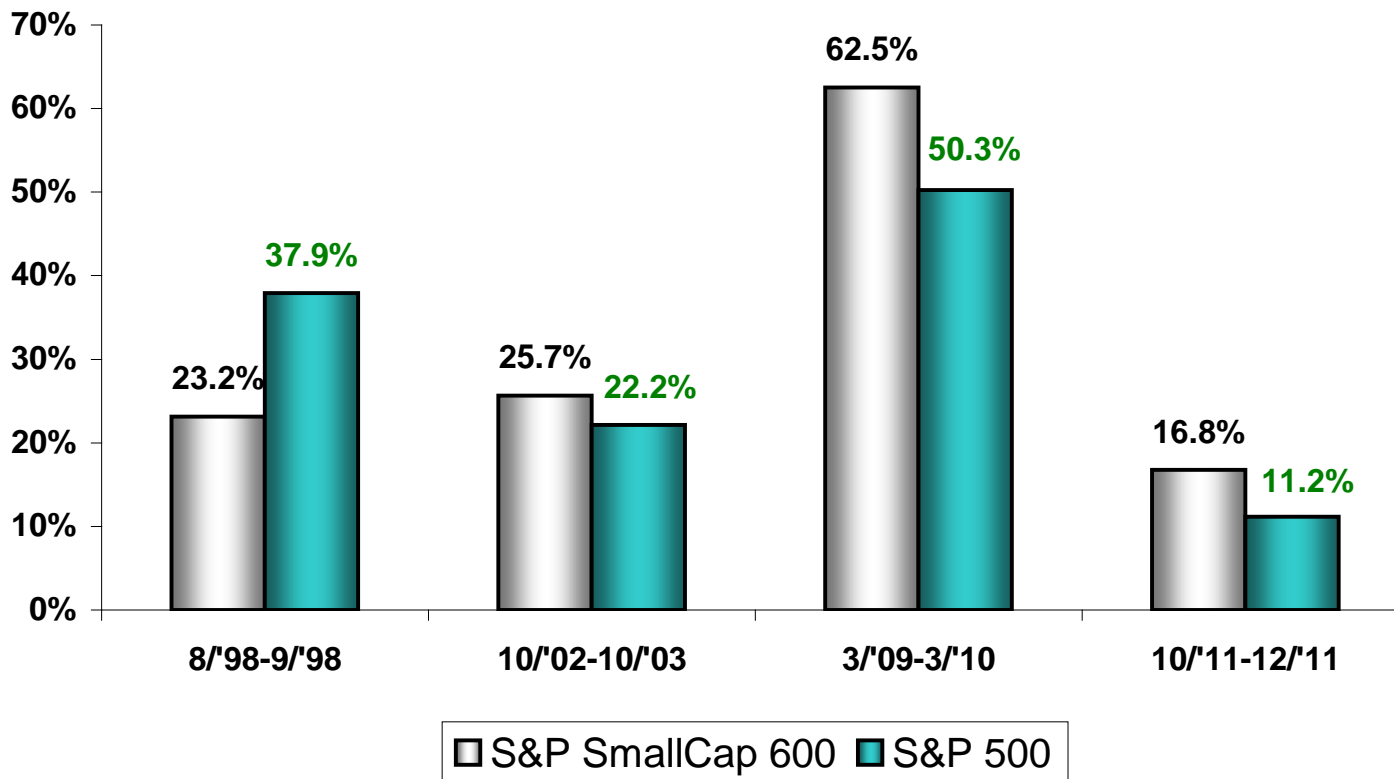
## S&P SmallCap 600 Sector Price Changes During S&P 500 Bear Markets or Near Misses Since 1995.

<b>S&amp;P SmallCap 600 Sector</b>	<b>7/'98-8/'98</b>	<b>2000-02</b>	<b>2007-09</b>	<b>4/'11-10/'11</b>
Consumer Discretionary	(27.2)	15.4	(62.4)	(23.6)
Consumer Staples	(19.6)	39.7	(26.1)	(12.5)
Energy	(42.4)	(0.1)	(56.8)	(39.0)
Financials	(21.9)	55.0	(58.8)	(25.0)
Health Care	(29.7)	18.7	(40.7)	(22.7)
Industrials	(25.9)	(7.4)	(49.4)	(29.1)
Information Technology	(27.8)	(67.9)	(53.4)	(32.4)
Materials	(24.2)	(11.9)	(67.2)	(29.9)
Telecommunication Services	(10.3)	(91.7)	(80.4)	(23.4)
Utilities	(7.7)	19.4	(19.0)	(6.4)
<b>S&amp;P SmallCap 600</b>	<b>(25.6)</b>	<b>(10.1)</b>	<b>(51.4)</b>	<b>(26.3)</b>

Source: S&P Capital IQ. Indexes are unmanaged, statistical composites and it is not possible to invest directly in an index. The returns shown do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause actual and back tested performance to be lower than the performance shown. Returns exclude dividends. Past performance is no indication of future results.

# Bull Markets: How High Have Small-Caps Climbed?

## S&P SmallCap 600 and S&P 500 Price % Changes During First 12 Months Following S&P 500 Bear Markets or Near Misses Since 1995



Source: S&P Capital IQ. Indexes are unmanaged, statistical composites and it is not possible to invest directly in an index. The returns shown do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause actual and back tested performance to be lower than the performance shown. Returns exclude dividends. Past performance is no indication of future results.

# Bull Markets: First Years Typically Look Fabulous

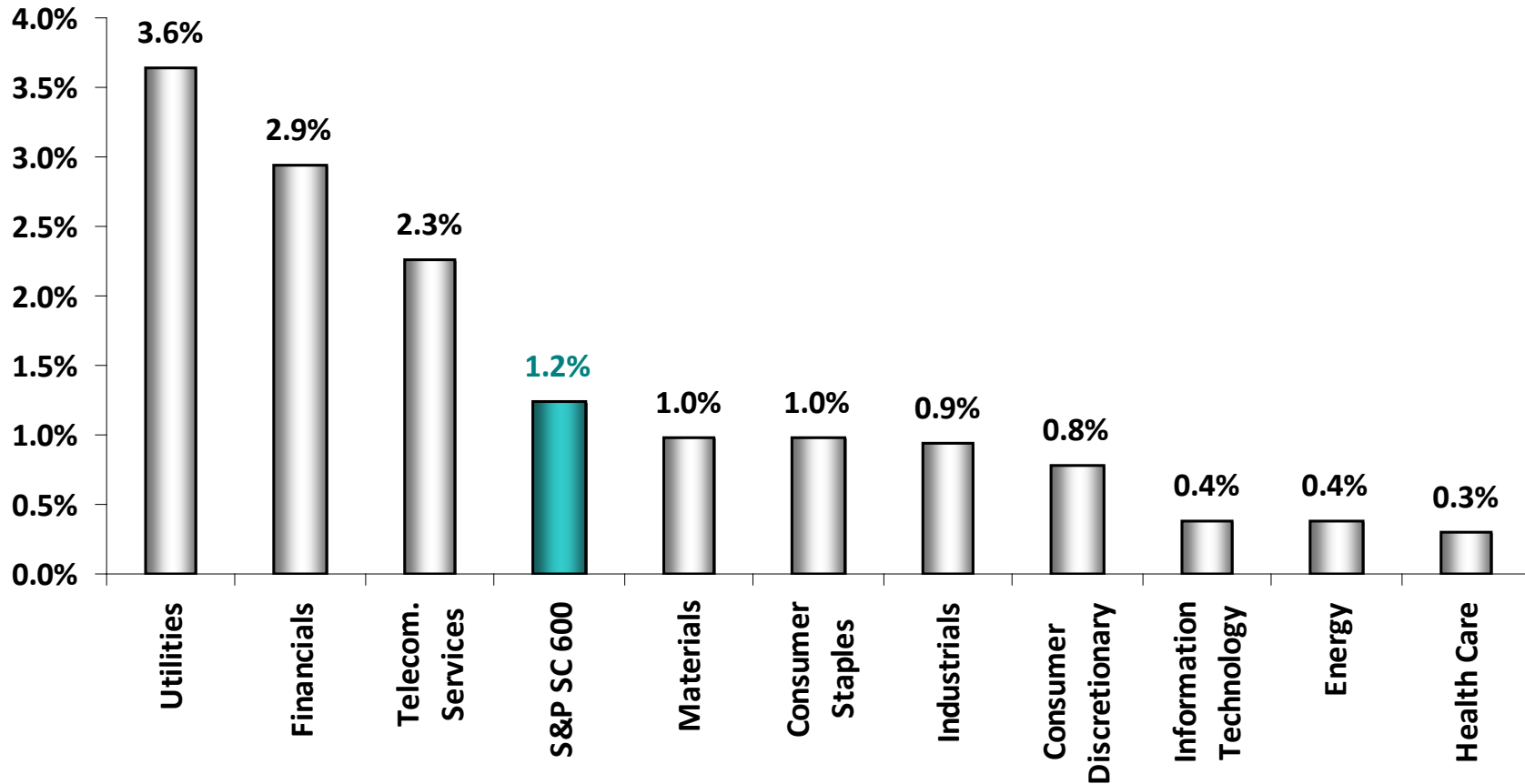
## S&P SmallCap 600 Sector Price % Changes During First 12 Months Following S&P 500 Bear Markets or Near Misses Since 1995

S&P SmallCap 600 Sector	8/'98-8/'99	10/'02-10/'03	3/'09-3/'10	10/'11-12/'11
Consumer Discretionary	7.0	31.5	96.7	14.8
Consumer Staples	(4.8)	17.5	56.4	7.5
Energy	51.3	11.7	109.5	26.6
Financials	14.2	21.0	43.3	18.4
Health Care	35.4	22.7	51.4	15.0
Industrials	30.2	15.1	56.5	18.1
Information Technology	43.5	63.1	73.8	19.5
Materials	17.2	3.7	91.8	14.6
Telecommunication Services	0.9	24.6	(26.3)	7.2
Utilities	22.6	13.2	16.7	10.9
<b>S&amp;P SmallCap 600</b>	<b>23.2</b>	<b>25.7</b>	<b>62.5</b>	<b>16.8</b>

Source: S&P Capital IQ. Indexes are unmanaged, statistical composites and it is not possible to invest directly in an index. The returns shown do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause actual and back tested performance to be lower than the performance shown. Returns exclude dividends. Past performance is no indication of future results.

# Dividend Yields By S&P SmallCap 600 Sector

Indicated Dividend Yields % as of 12/31/11



Source: S&P Capital IQ.

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# Valuations: S&P SmallCap 600 P/E Ratios 2003-2011

## A Multiple of Multiples

<b>S&amp;P SmallCap 600 P/E Ratios</b>	<b>Min</b>	<b>Median</b>	<b>Max</b>
Information Technology	17.3	30.0	NM
Health Care	16.2	25.3	34.0
Consumer Staples	14.7	22.5	38.8
Consumer Discretionary	15.8	21.9	221.4
<b>S&amp;P 600</b>	<b>18.0</b>	<b>21.5</b>	<b>90.7</b>
Industrials	11.0	20.1	24.5
Materials	12.5	19.9	73.5
Energy	Neg.	17.6	NM
Telecommunication Services	Neg.	17.5	40.5
Utilities	13.6	15.8	19.5
Financials	Neg.	15.4	60.0

Source: S&P Capital IQ.

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# Valuations: Relative P/E Ratios as of 12/31/11

## Relative Valuations for the S&P SmallCap 600 Sectors: 2003-2011E

S&P SmallCap 600 Sectors	P/E Premium/Discount		
	Q4 '11E	'03-'11 Median	% Dif.
Financials	1.24	0.76	64
Utilities	0.82	0.74	11
Energy	0.99	0.91	9
Consumer Staples	1.04	1.04	(1)
Consumer Discretionary	0.94	0.94	(1)
Materials	0.84	0.85	(1)
Industrials	0.83	0.89	(7)
Telecommunication Services	0.76	0.82	(8)
Health Care	0.98	1.15	(15)
Information Technology	1.14	1.43	(20)

Source: S&P Capital IQ.

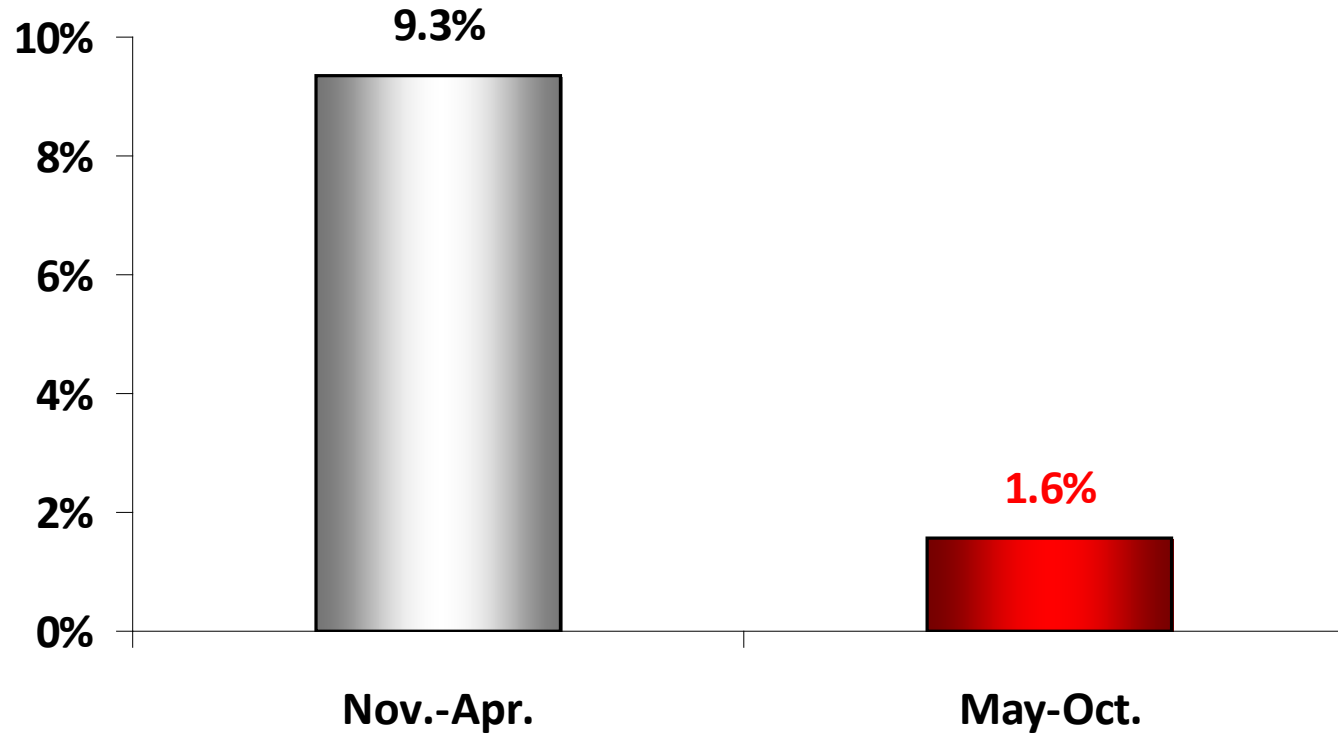
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# Sector Rotation Techniques: The Seven Rules of Wall Street

- **Let Your Winners Ride, But Cut Your Losers Short**
- **As Goes January, So Goes the Year**
- **Sell in May, Then Go Away**
- **No Free Lunch on Wall Street (Oh Yeah, Who Says?)**
- **Don't Get Mad -- Get Even!**
- **Don't Fight the Fed (At Least for Too Long)**
- **There's Always a Bull Market Someplace**

# RULE #3: “Sell in May, Then Go Away”

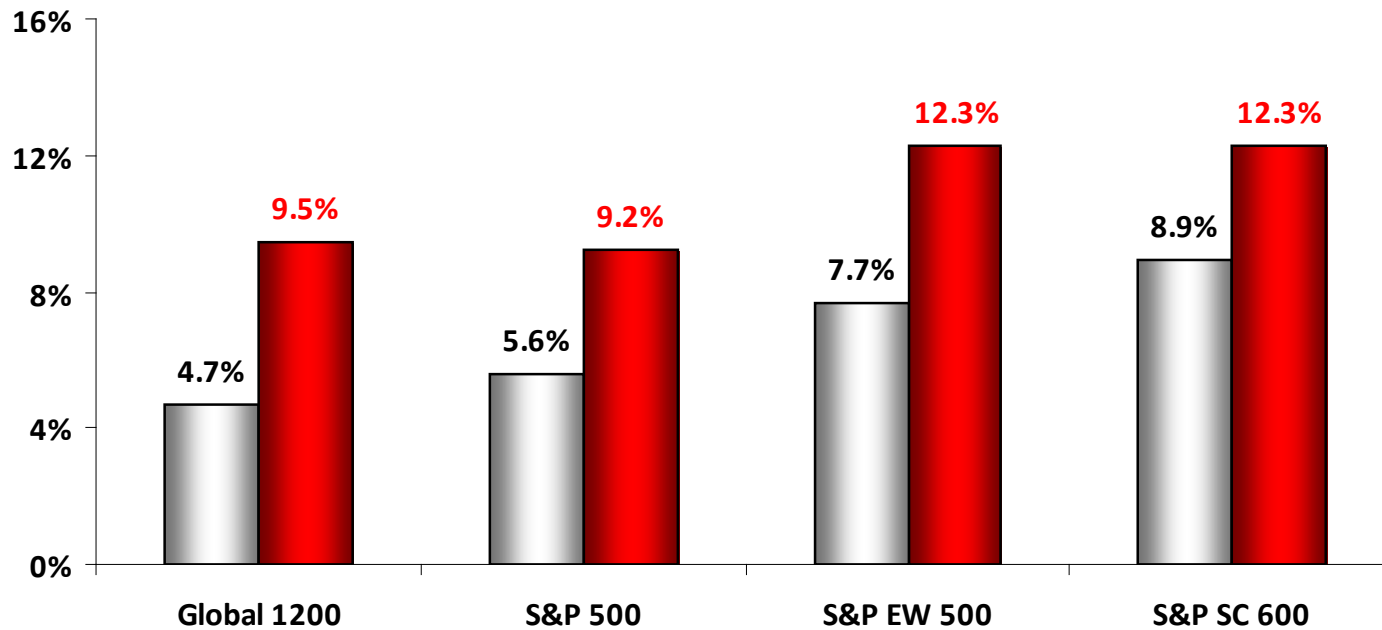
Average Semi-Annual S&P SmallCap 600 Price Changes: 04/30/95-12/31/11



Source: S&P Capital IQ. Indexes are unmanaged, statistical composites and it is not possible to invest directly in an index. The returns shown do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause actual and back tested performance to be lower than the performance shown. Returns exclude dividends. Past performance is no indication of future results.

# RULE #3: Sell in May, Then Go Where?

## Hypothetical Compound Annual Growth Rates (Price Only): 4/30/95-12/31/11



■ 100% Benchmark All Year Long

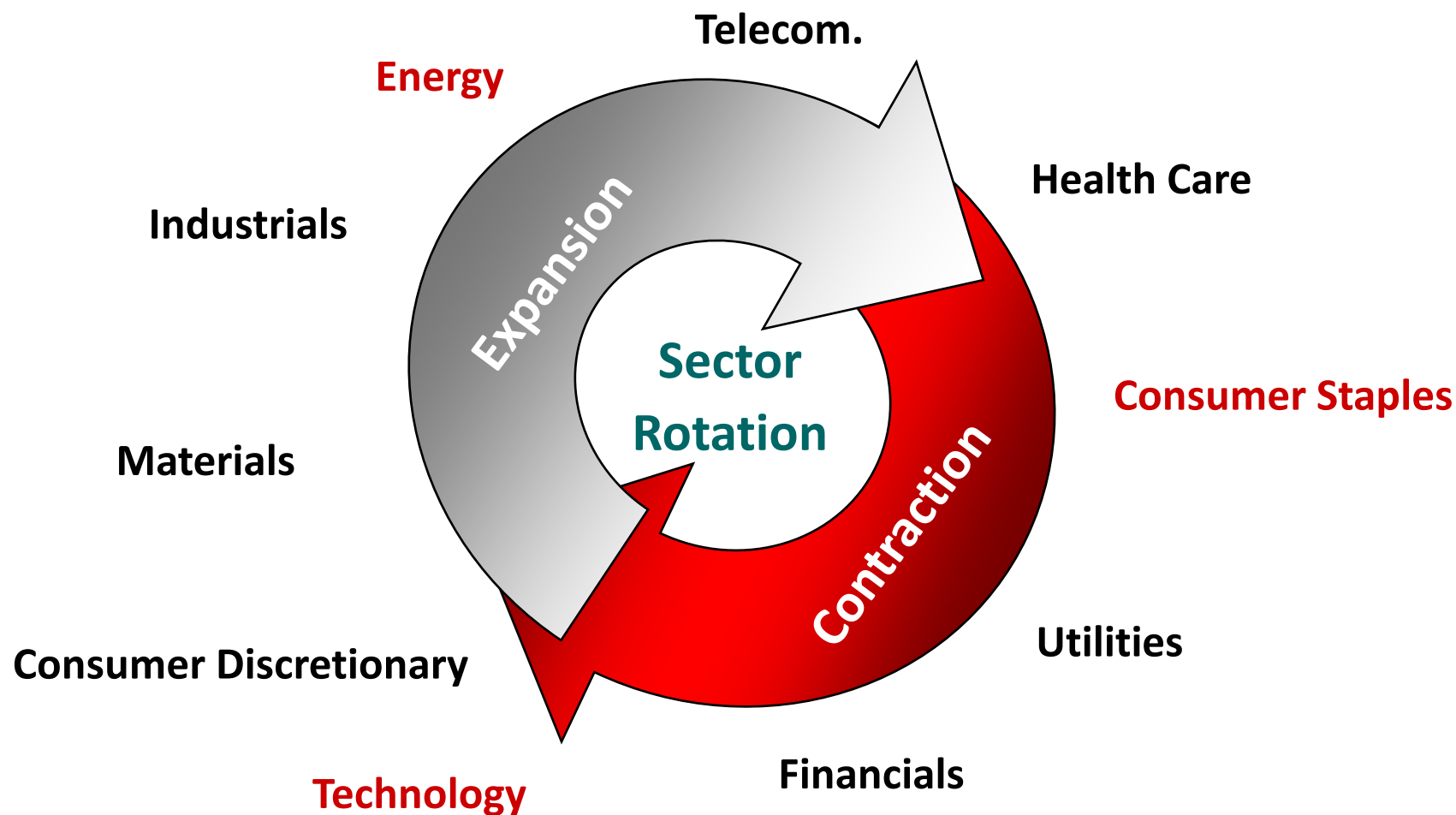
■ NOVEMBER-APRIL: 100% S&P Benchmark; MAY-OCTOBER: 50% Consumer Staples, 50% Health Care

Source: S&P Capital IQ. Indexes are unmanaged, statistical composites and it is not possible to invest directly in an index. These results are inherently limited because they do not represent the results of actual trading and were constructed with the benefit of hindsight. The returns shown do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause actual and back tested performance to be lower than the performance shown. S&P Indices and its affiliates do not sponsor, endorse, sell, promote or manage any investment fund or other vehicle that is offered by third parties and that seeks to provide an investment return based on the returns of any S&P Indices index. Returns exclude dividends. Past performance is no indication of future results.

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# RULE #4: No Free Lunch on Wall Street (Oh Yeah, Who Says?)

Typical Sector Leadership Through An Economic Cycle: 1945-2011

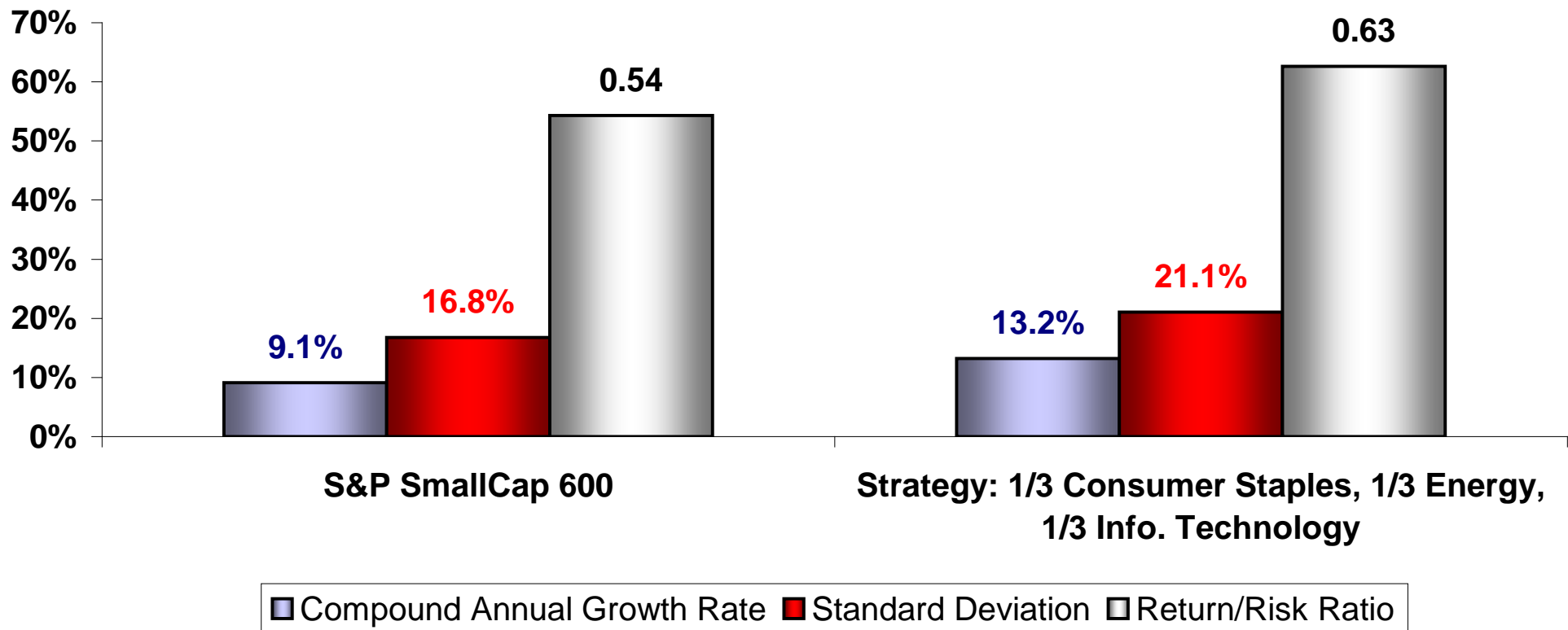


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# RULE #4: There's No Free Lunch on Wall Street (Who Says?)

## Compound Annual Growth Rates (Price Only) and Volatility 12/31/89-12/31/11

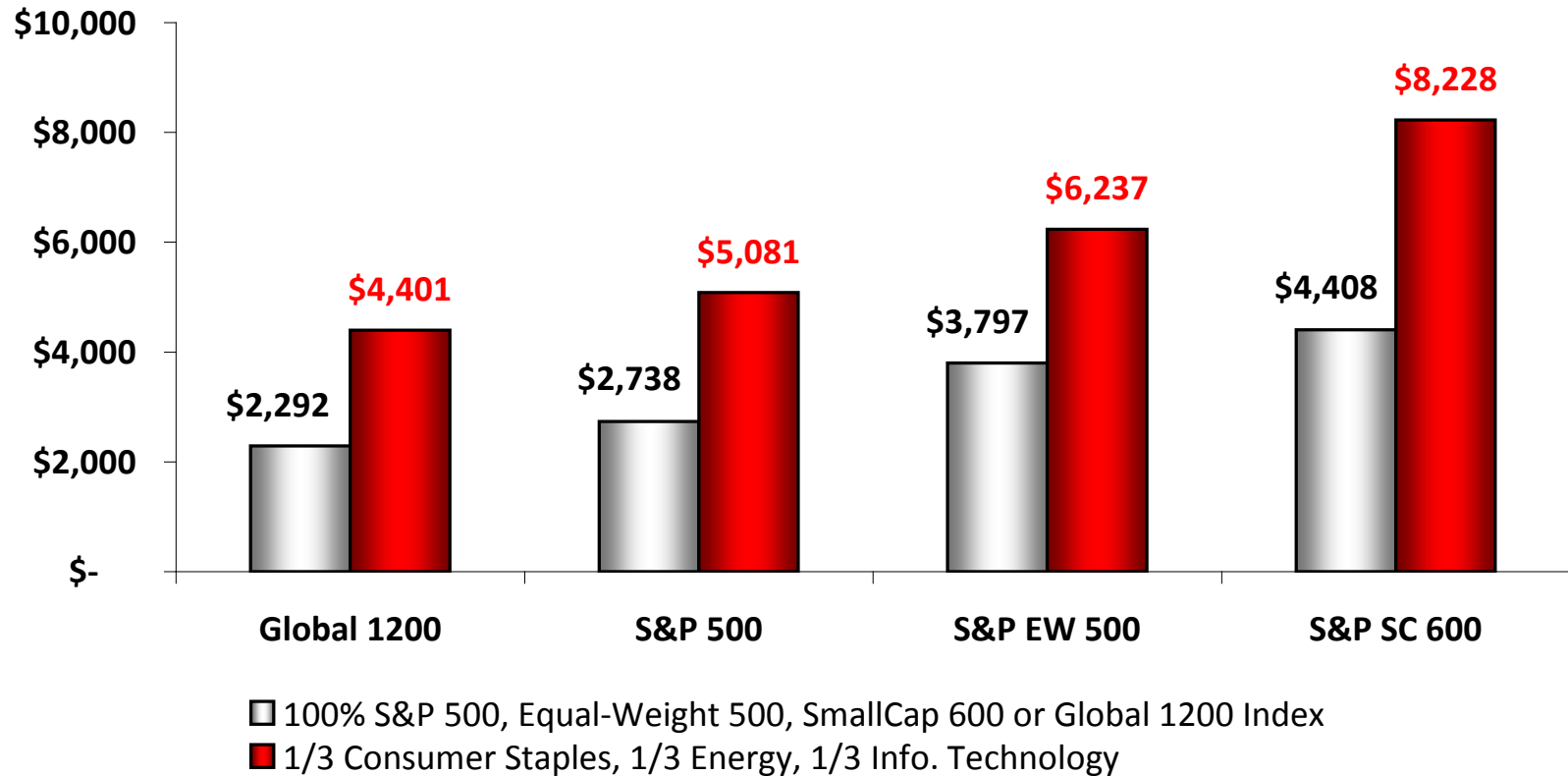


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# “Free Lunch” Strategy: 1/3 Consumer Staples, 1/3 Energy, 1/3 Technology

Hypothetical Compound Growth (Price Only): 12/31/94-12/31/11



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

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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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### **Globally**

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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.

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