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# Crummer/SunTrust Portfolio Spring 2007

David Archer
*Rollins College*

Eric Bass
*Rollins College*

Justin Drahl
*Rollins College*

Dieter Hinrich
*Rollins College*

Shawn Read
*Rollins College*

***See next page for additional authors***

**Authors**
David Archer, Eric Bass, Justin Drahl, Dieter Hinrich, Shawn Read, Rie Ryo, and Jakub Prozner

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## Crummer Graduate School of Business


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*Jakub Prozner*

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## History of the Crummer/SunTrust Portfolio

The Crummer/SunTrust Investment Portfolio found its start in 1999 when SunTrust donated the first of five annual contributions of $100,000 from the SunTrust Bank of Central Florida Foundation to the Crummer Graduate School of Business. Totaling up to an endowment of $500,000, this money is used to fund a scholarship program where well-deserving Crummer students can obtain $5,000 in scholarships and be known as “SunTrust Scholars.” The number of scholarships available is based on the performance of the portfolio in preceding years. Current policy is that 4.5 percent of the most recent three-year moving average is to be distributed to provide for the scholarships. In addition to the benefits the endowment from SunTrust provides to deserving “SunTrust Scholars”, the portfolio also provides students the exciting opportunity of gaining real-world knowledge and experience in portfolio management. The class which manages the endowment is the Portfolio Management/Theory and Applications course led by Dr. Moses. The class employs the methods of modern portfolio theory and is guided by the Rollins College Endowment Fund Pool Statement of Investment Objectives and Policies as well as the Crummer/SunTrust Portfolio Investment Policy, which is revised by the class yearly.

## Policy Guidelines

To ensure proper diversification among equity, fixed income, and international segments, the following asset classes have been identified and should be considered by the managing director while making allocation decisions. In addition, with the exception of mutual funds, it is required that no one asset makes up more than 5% of the portfolio.

| Asset Class | Minimum Weight | Benchmark |
|---|---|---|
| Large Cap Growth | 5% | S&P/BARRA 500 Large Growth TR |
| Large Cap Value | 5% | S&P/BARRA 500 Large Value TR |
| Mid Cap | 10% | Russell Mid Cap TR |
| Small Cap | 10% | Russell 2000 |
| International Equity | 5% | MSCI EAFE TR |
| Fixed Income | 5% | US 30 Day T-Bill<br>LB Gvt/Credit TR |

## Specific Functions of the Class and the Oversight Committee

Throughout the semester the class performed sector, industry, and security analysis and made recommendations to the managing director. The class shares important functions with the Oversight Committee which helps ensure the portfolio is managed within the boundaries of a prudent investor. These functions are:

1. Establish investment objectives for the portfolio.
2. Maintain its spending policy consistent with Rollins College.
3. Set strategic asset allocation for the Crummer/SunTrust Portfolio.
4. Establish and continue to update the investment policy.
5. Establish, monitor, and update the investment process.
6. Review investment performance in accordance with its performance measurement policy.
7. Review investment activity to insure compliance with investment policy.

## Investment Goals

Following the industry practices and the standards of prudent investments, the class constructed an Investment Policy Statement that explicitly states the goal for the portfolio.

> *"The investment goal is to provide a long-term, real total rate of return that will increase the purchasing power of the Crummer/SunTrust Portfolio assets net of expenses and distributions. In order to achieve its investment goal, the Crummer/SunTrust Portfolio will adopt a strategic asset allocation that will achieve its long-term return goal with a prudent level of risk.*"

Consequently, as a next step, the class established a target rate of return that is consistent with the prudent level of risk that the class is willing to accept. Following is the derivation of the target/expected rate of return and its components, together with their marginal value assumptions:

| | |
|---|---|
| Administrative and Trading Expenses | ½ - 1 % |
| Allowance for Inflation | 2 - 3 % |
| Distribution from Portfolio | 3 ½ - 5 ½ % |
| Portfolio Real Growth | 2 - 2 ¼ % |
| Target Total Return | 8 - 11¾ % |

## Asset Allocation Methodology

The main method of security analysis adopted by the class was a top-down approach. First, the managing director together with the class researched and discussed the current state of the economy, as well as future expectations of major economic issues and variables. This economic analysis was used as a basis for more detailed analysis of specific sectors, industries, and securities.

Each student was assigned a specific economic sector and was responsible for analyzing industries in that sector, and securities within those industries that he/she believed would perform well under the previously discussed economic conditions. The team constructed a unique screen that was used by all the analysts to guide the analysis of specific securities. Because the portfolio consisted of about 60 securities, and there were only six analysts and one managing director, the group focused their analysis on the fundamentals of specific securities and catalysts that were expected to drive the performance of particular stocks or mutual funds. The financials as well as future price expectations were taken from trusted source including Standard & Poor's, Bloomberg, or Reuters among others. Using this methodology, the analysts reviewed all the current as well as prospective securities and assigned them a "Buy", "Hold", or "Sell" recommendation. In addition to the existing assets in the portfolio, the analysts undertook an analysis of additional assets meeting the screen criteria.

The managing director's role was to create the macro-economic framework that was used by the analysts, as well as to make final decisions regarding sector allocation, asset class diversification, and risk management. After the analysts proposed their recommendations to the class, the managing director began an iterative process of constructing the proposed portfolio that would be consistent with proper level of risk, diversification, and other prudent practices of portfolio management set forward in the Investment Policy Statement. This process was repeated until satisfactory recommendations were achieved.

## Current State of the Economy

The U.S. economy grew at an annual rate of 2.2% during the last quarter of 2006, according to the Bureau of Economic Analysis, up from 2% in the previous quarter. Average annual growth for the entire year 2006 was 3.3%.

The fast economic growth in the fourth quarter of 2006 reflected increased personal consumption expenditures, federal government spending, and net exports powered by sluggish imports and very strong exports. These were offset by low inventory investment and substantial decrease in the housing market.

It is expected that the economy will expand at a moderate pace over the years 2007 and 2008. This would mean that the Fed has finally executed a wise monetary policy resulting in the possibility of a soft landing after four years of strong economic growth. Furthermore, the Federal Reserve Committee strongly believes that they have the economy in a "Goldilocks" mode, and would certainly like to keep it there.

*Personal Consumption Expenditures*

Personal Consumption Expenditures currently remains as the main driver of the economy. As the Federal Reserve Chairman Ben Bernanke believes, consumer spending is the mainstay of the economy that adds about two thirds to the gross domestic product. Consumer confidence is at its highest level since 2002, according to the Conference Board's consumer-optimism index.

A major threat to the continuous personal consumption expenditures is the slowing housing markets. American consumer is no longer able to tap into home equity loans to fund their lifestyle, which has been cited as a main reason for continuous extensive spending and negative savings rate. However, the sluggish housing market doesn't seem to slow the consumer confidence, and continuing spending is supported by high household wealth, generated from the stock market's strength, and relatively high employment levels. Somewhat lower energy prices might be another reason supporting the current rate of personal expenditures, but it doesn't seem to influence consumer spending habits, as record high energy prices in 2006 didn't stop the American consumer from their ongoing shopping spree.

The question remains: How long can the consumers keep spending more then they actually earn? The answer, even though unclear, lies in the state of the sources for their wealth, including housing, level of the stock market, energy prices, and strength of the labor market, among others.

*Housing Market*

The risk of deterioration in the housing market seems to be the biggest threat to economic growth for 2007. The recent readings on the state of housing market are very volatile and it is hard to predict the market's direction. The home builders have been lowering prices and giving away various incentives to liquidate the current inventory and increase sales. Market response has been very unstable with new home sales increasing by the end of 2006 and plummeting again in January 2007. This will result in many builders cutting back production plans for 2007 and decreasing the bottom line of building-materials and home improvement suppliers.

It appears the housing market will continue to weight on the nation's economic growth, subtracting an average of one percent from the GDP over the last three quarters of 2006. Even though it is commonly believed that the current state of the housing market might be near its bottom, we think that it might well be continuing its decline.

*U.S. Trade and Budget Deficits*

U.S. trade deficit was another force offsetting a decline in the housing markets. Net exports contributed 1.5% to the fourth quarter GDP, with exports rising by a strong 10% and imports declining about 2%. The combination of accelerating exports and sluggish imports results in narrowing of the enormous international trade deficit that the U.S. has been trying to unwind for decades. Firm economic activity in foreign economies and improving consumer confidence overseas is affecting the foreign demand for U.S. products. Continuing this trend of demand will largely depend on the value of the dollar against the basket of currencies of U.S. major trade partners.

One of the major threats to the economy is the U.S. large budget deficit. Federal Reserve Chairman Ben Bernanke, as well as his predecessor Alan Greenspan, believes that the nation's increasing debt will affect the risk-averse international investors who in turn will require higher interest rates to compensate them for the increasing risk. Consequently, the long-term economic stability, and standard of living depend on the level of nation's debt. Recent reports, however, show that the budget deficit is shrinking faster than expected. The current budget deficit for the year 2006 declined by almost 50% from its record high level of $413 billion in 2004, and the President's budget proposal assumes a level of about $239 billion for the year 2008. This may reduce pressure on the Federal Reserve for increasing interest rates.

*The Inverted Yield Curve*

Of concern to many economists is the belief the inverted yield curve portends an upcoming recession for the U.S. economy. We do not prescribe to this belief. It is our feeling the inverted yield curve is related directly to the imbalance in the U.S. trade deficit, particularly with China. Recently, China has begun the process of reassessing its investment allocations, particularly with respect to U.S. Treasury securities. Much of China's excess cash investments have been in U.S. 10-year Treasuries. It is our feeling there will be a shift in China's investment policy to more risky investments and the result will be their selling or at least reducing its investments in Treasury securities. This shift in policy will result in lower prices and higher rate on intermediate Treasury securities with a resulting more normal, upward sloping yield curve.

*Inflation and Interest Rates*

The Federal Reserve believes that they have the economy in the "Goldilocks" mode and would like to maintain this state. Although the core Consumer Price Index is still outside the Fed's comfort zone of 1-2%, the Federal Reserve recently decided to keep the interest rates unchanged for the fifth time and maintained the current federal funds rate level at 5.25%. The most recent readings of the Consumer Price Index, however, exceeded even further the Fed's target and elevated the inflationary pressures, and rate hike possibility. Inflation stays the primary worry of the Fed, which would suggest that a rate hike or at least maintaining the current level in the near future is more likely than a rate cut.

Adding to the inflationary pressures are the most recent readings from the labor market. Worker productivity has increased at a lower rate while labor cost has increased dramatically. Taking under consideration that the labor cost is almost two-thirds of the total production cost of goods and services, higher wages and lower productivity might raise the possibility that the producers will pass these elevating costs to the consumers, through further price increases.

On the other hand, bullish labor market is one of the reasons for the lofty consumer confidence and their continuous spending, which in turn remains the mainstay for the moderate economic growth in the near future. Consequently, unless there are clear signs of increasing core inflation, the Fed might continue their tightening bias, but may restrain from further rate hikes.

## Sector Weighting

Consistent with the top-down approach, the analysts performed sector analysis which concluded with their recommendations on specific economic sectors' expected performance. The managing director, during the allocation process, made a final decision about the sector weighting based on the provided analyses. If the proposed sector allocation was within 0.5% of the S&P500 sector weight, the sector was considered to be marketweight. If the proposed sector allocation was between 0.5% and 1.5% greater or smaller than S&P500 weights, the sector was considered to be modestly overweight or modestly underweight, respectively. Finally, if the proposed sector allocation was more than 1.5% greater or smaller than S&P500 weights, the sector was considered to be overweight or underweight, respectively.

*Consumer Discretionary – modest underweight*
Our fundamental analysis of this sector is rather neutral. We have major concerns that the slowing housing market and anticipated default rate on consumer credit will slow down consumer spending particularly in the discretionary sector. On the other hand, consumer spending should be bolstered by relatively low energy prices (vs. 2006), and a strong labor market. The sector's neutral / modest underweight reflects our belief that consumers are still a major force behind an inevitably slowing economy.

*Consumer Staples – overweight*
Consumer staples is a defensive sector that is resilient to economic downturns, as the demand for its products is very inelastic. We have some concerns about the mature stage of most of the companies within the sector, but it is a valuable, defensive addition to our portfolio in case of an economic downturn.

*Energy – modest overweight*
Our fundamental outlook on the sector is neutral with a positive bias, as we expect continuing strength in energy prices versus historical averages. Although year-over-year EPS comparisons for energy related companies will not show major growth, due to extremely high profits in 2006, we believe this fact is already reflected in market prices. Furthermore, we strongly believe in the long-term growth of the sector. Our expectations of increasing energy prices reflect fundamental concerns related to concentration of oil sources in politically unstable areas, the scarcity of oil on a global scale, the consequence of increasing costs for oil exploration, and the increasing world demand for energy.

*Financials – modest underweight*
The financials sector is pressured by a very tight credit spreads, inverted yield curve, and consequently deteriorating margins of financial institutions. In addition, we are experiencing credit quality erosion of financial institutions, particularly due to high default rate on subprime mortgages. On the positive is the low valuation and above average dividends yields of financial institutions.

*Healthcare – modest overweight*
Healthcare is another sector with defensive characteristics and is expected to outperform during economic downturns. A modest overweight of this sector reflects our belief that pharmaceuticals companies will continue to profit from the aging population and build upon their extensive research and development spending over the past few years. We think this sector is well positioned to outperform the overall market and we like its defensive nature in case of an economic downturn.

*Industrials – modest overweight*
We believe that this sector will outperform the market, particularly due to the market fears of sector cyclicality and its underperformance in 2006. We believe that the economy is poised for a soft landing, and the market fears are not fully justifiable. Furthermore, it turns out that over 40%

of the sector's revenue is derived from international markets, which are still fairly strong in their economic expansion.

*Information Technology – marketweight*
We have relatively high expectations of the information technology sector. We think that the industry did not see a major technological advancement that would have spurred an upgrade cycle over the past few years, but we are expecting a broad array of new products and technologies being introduced to the market relatively soon.

*Materials – modest underweight*
This sector had a very strong performance over the past 12 months, and we believe that commodity prices have peaked and we expect a healthy correction in the near future.

*Telecommunication Services – marketweight*
We believe that the wireless services continue to be the driver in this sector. We expect strong cash flow from telecommunication services providers despite continuing consolidation and acquisition expenses.

*Utilities – underweight*
Utilities is probably the most overbought sector, and current valuations reflect high expectations of profit increases for utility companies. We would like to establish a position in utilities, taking under consideration that this sector is currently not represented in our portfolio, but we will remain cautious in selecting the right candidate in this heavily overpriced sector.

## Proposed Allocation

In most cases the managing director followed the security recommendations as provided by the analysts though the managing director retained the discretion to decide which securities would be bought, sold, or simply held as well as the total volume movement for each position.

Below are the proposed transactions by the managing director, including the securities that have been retained in the portfolio. Consequently, the dollar value of each security and the percentage of the total portfolio value reflect the proposed allocation of all the assets in the portfolio, based on the market closing price as of March 30, 2006.

| Name | Ticker | Existing Shares | Sell | Buy | Ending Share Balance | Total Investment Value | % of Total Portfolio Value |
|---|---|---|---|---|---|---|---|
| 3M Company | MMM | 100 | - | - | 100 | $7,643 | 1.14% |
| Abercrombie & Fitch Co. | ANF | 100 | - | - | 100 | $7,568 | 1.13% |
| Accenture Ltd. | ACN | 200 | - | - | 200 | $7,708 | 1.15% |
| Acme Packet Inc. | APKT | - | - | 100 | 100 | $1,478 | 0.22% |
| Advanced Micro Devices | AMD | 670 | 670 | - | - | $0 | 0.00% |
| Affiliated Computer Services, Inc. | ACS | 100 | - | - | 100 | $5,888 | 0.88% |
| Allstate Corporation | ALL | 100 | - | - | 100 | $6,006 | 0.90% |
| Altana | AAA | 200 | 200 | - | - | $0 | 0.00% |
| Anheuser-Busch Companies, Inc. | BUD | 100 | - | - | 100 | $5,046 | 0.76% |
| Automatic Data Processing | ADP | 100 | - | - | 100 | $4,840 | 0.72% |
| Avon Products | AVP | - | - | 100 | 100 | $3,726 | 0.56% |
| Bank of America Corporation | BAC | 67 | - | - | 67 | $3,418 | 0.51% |
| BP PLC | BP | 150 | 150 | - | - | $0 | 0.00% |
| Brooks Automation, Inc. | BRKS | 444 | - | - | 444 | $7,615 | 1.14% |
| Caterpillar Inc. | CAT | - | - | 50 | 50 | $3,352 | 0.50% |
| Charming Shoppes | CHRS | 400 | - | - | 400 | $5,180 | 0.78% |
| Chevron Corp. | CVX | - | - | 50 | 50 | $3,698 | 0.55% |
| Chicago Bridge & Iron | CBI | - | - | 100 | 100 | $3,075 | 0.46% |
| China Mobile Ltd | CHL | - | - | 200 | 200 | $8,970 | 1.34% |
| Citigroup Inc. | C | - | - | 100 | 100 | $5,134 | 0.77% |
| Constellation Brands, Inc. | STZ | 260 | - | - | 260 | $5,507 | 0.82% |
| Covance Inc. | CVD | 100 | - | 100 | 200 | $11,868 | 1.78% |
| CVS/Caremark Corp. | CVS | - | - | 100 | 100 | $3,414 | 0.51% |
| Danaher Corporation | DHR | 100 | - | - | 100 | $7,145 | 1.07% |
| Dell Inc. | DELL | 100 | 100 | - | - | $0 | 0.00% |
| Dow Chemical | DOW | 100 | - | - | 100 | $4,586 | 0.69% |
| Exelon Corp. | EXC | - | - | 100 | 100 | $6,871 | 1.03% |
| Exxon Mobil Corp. | XOM | 100 | - | 50 | 150 | $11,318 | 1.69% |
| Fidelity Diversified International | FDIVX | 902 | - | - | 902 | $34,375 | 5.15% |
| First Trust Amex Biotech Index Fund | FBT | - | - | 150 | 150 | $3,582 | 0.54% |
| Flextronics International Ltd. | FLEX | 800 | - | - | 800 | $8,752 | 1.31% |
| Foster's Group | FBRWY | 500 | 500 | - | - | $0 | 0.00% |
| General Electric | GE | 300 | - | - | 300 | $10,608 | 1.59% |
| Heico Corp. | HEI | - | - | 100 | 100 | $3,649 | 0.55% |
| Helmerich & Payne | HP | 400 | - | 100 | 500 | $15,170 | 2.27% |
| Hennessy Cornerstone Growth | HFCGX | 1,698 | - | - | 1,698 | $31,348 | 4.69% |
| Hewlett-Packard Company | HPQ | 200 | - | - | 200 | $8,028 | 1.20% |
| Home Depot, Inc. | HD | 200 | - | - | 200 | $7,348 | 1.10% |
| Indymac Bancorp | NDE | 200 | 200 | - | - | $0 | 0.00% |
| Intel Corp. | INTC | - | - | 100 | 100 | $1,913 | 0.29% |
| Inverse Gov Lond Bond Fund | RYJUX | 1,464 | 1,464 | - | - | $0 | 0.00% |
| iShares Cohen & Steers Realty Maj. | ICF | 200 | - | - | 200 | $20,638 | 3.09% |
| iShares Global Healthcare | IXJ | 495 | - | - | 495 | $28,532 | 4.27% |
| iShares Nasdaq Biotech Index | IBB | 50 | 50 | - | - | $0 | 0.00% |
| iShares S&P Global Materials | MXI | - | - | 100 | 100 | $6,264 | 0.94% |
| Jackson Hewitt Tax Service Inc. | JTX | 100 | - | - | 100 | $3,218 | 0.48% |
| Jacobs Engineering Group Inc. | JEC | 200 | - | - | 200 | $9,330 | 1.40% |
| Kenneth Cole Productions | KCP | 200 | 200 | - | - | $0 | 0.00% |
| LaSalle Hotel Properties | LHO | 100 | - | - | 100 | $4,636 | 0.69% |
| Lincoln National Corporation | LNC | 300 | - | - | 300 | $20,337 | 3.05% |
| Magna international | MGA | 100 | 100 | - | - | $0 | 0.00% |
| Marathon Oil Corporation | MRO | 200 | - | - | 200 | $19,766 | 2.96% |
| Matthews Pacific Tiger | MAPTX | 2,354 | - | - | 2,354 | $55,408 | 8.30% |
| Merck & Co., Inc. | MRK | 100 | - | - | 100 | $4,417 | 0.66% |
| Morgan Stanley India Fund | IIF | 325 | 325 | - | - | $0 | 0.00% |
| Movado Group, Inc. | MOV | 100 | - | - | 100 | $2,945 | 0.44% |
| Nvidia Corp. | NVDA | - | - | 200 | 200 | $5,756 | 0.86% |
| Perrigo Company | PRGO | 295 | - | - | 295 | $5,210 | 0.78% |
| Pfizer Inc. | PFE | 160 | - | - | 160 | $4,042 | 0.61% |

| Name | Ticker | Existing Shares | Sell | Buy | Ending Share Balance | Total Investment Value | % of Total Portfolio Value |
|---|---|---|---|---|---|---|---|
| PNC Financial Services | PNC | 200 | - | - | 200 | $14,394 | 2.16% |
| Procter & Gamble | PG | 300 | - | - | 300 | $18,948 | 2.84% |
| Robert Half International Inc. | RHI | 200 | - | - | 200 | $7,402 | 1.11% |
| Royce Special Equity Inv | RYSEX | 1,006 | - | - | 1,006 | $20,467 | 3.06% |
| Semiconductor HOLDRs Trust | SMH | 100 | - | 100 | 200 | $6,678 | 1.00% |
| Software HOLDRs Trust | SWH | 100 | - | 100 | 200 | $7,752 | 1.16% |
| SSgA Emerging Markets | SSEMX | 2,229 | - | - | 2,229 | $53,684 | 8.04% |
| Sysco Corporation | SYY | 500 | - | - | 500 | $16,915 | 2.53% |
| T. Rowe Price Short-Term Bond | PRWBX | 1,186 | - | - | 1,186 | $5,574 | 0.83% |
| Target Corp | TGT | - | - | 50 | 50 | $2,963 | 0.44% |
| Telecom Corp of New Zealand (ADR) | NZT | 200 | - | - | 200 | $5,440 | 0.81% |
| Teva Pharmaceuticals | TEVA | 200 | 200 | - | - | $0 | 0.00% |
| The Student Loan Corp. | STU | 50 | - | - | 50 | $9,296 | 1.39% |
| The Walt Disney Co. | DIS | - | - | 100 | 100 | $3,443 | 0.52% |
| T-Rowe Price Short Term Bond Fund | RTPIX | 800 | - | - | 800 | $24,936 | 3.73% |
| United Overseas Bank Ltd. (ADR) | UOVEY | 300 | - | - | 300 | $8,265 | 1.24% |
| Urban Outfitters, Inc. | URBN | 200 | - | - | 200 | $5,302 | 0.79% |
| Vodafone Group | VOD | 175 | 175 | - | - | $0 | 0.00% |

## Sector Composition

The S&P 500 serves as the primary benchmark for the Crummer/SunTrust Portfolio, and accordingly the proposed security allocations were grouped into their respective economic sectors so that a comparison between the S&P 500 and the proposed portfolio weights could be performed. It is important to mention that the sector allocation have been weighted in respect to just part of the portfolio, which included only the securities that could be assigned into specific economic sectors. Consequently, the weights below exclude all the mutual funds, and fixed income securities, and reflect the allocation of the common stocks of companies, traded on the U.S. stock exchanges, which the Crummer/SunTrust portfolio has or is willing to acquire.

| **Sector** | **Proposed Portfolio Weights** | **S&P500 (Market) Weights** | **Overweight/ Underweight** |
|---|---|---|---|
| Consumer Discretionary | 9.43% | 10.49% | Modest underweight by 1.1% |
| Consumer Staples | 11.27% | 9.57% | Overweight by 1.7% |
| Energy | 11.30% | 10.09% | Modest overweight by 1.2% |
| Financials | 20.84% | 21.63% | Modest underweight by 0.8% |
| Healthcare | 13.04% | 11.90% | Modest overweight by 1.1% |
| Industrials | 11.81% | 10.91% | Modest overweight by 0.9% |
| Information Technology | 15.02% | 14.87% | Marketweight |
| Materials | 2.45% | 3.08% | Modest underweight by 0.6% |
| Telecommunication Services | 3.26% | 3.73% | Marketweight |
| Utilities | 1.55% | 3.73% | Underweight by 2.2% |

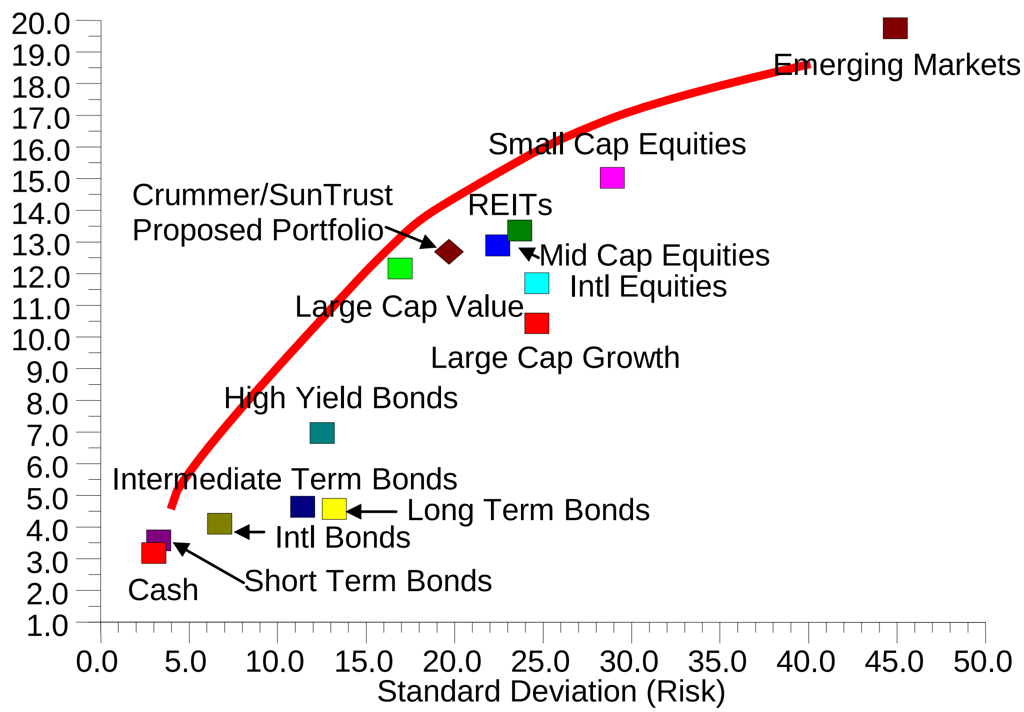
## Asset Class Composition

Proper asset class diversification is an important element of prudent portfolio management practices. As such, the following asset class composition didn't happen by chance, but has been strategically engineered to obtain a rate of return consistent with the investment goals and with the prudent level of risk, while ensuring proper diversification. Below is the proposed asset allocation of the Crummer/SunTrust portfolio.

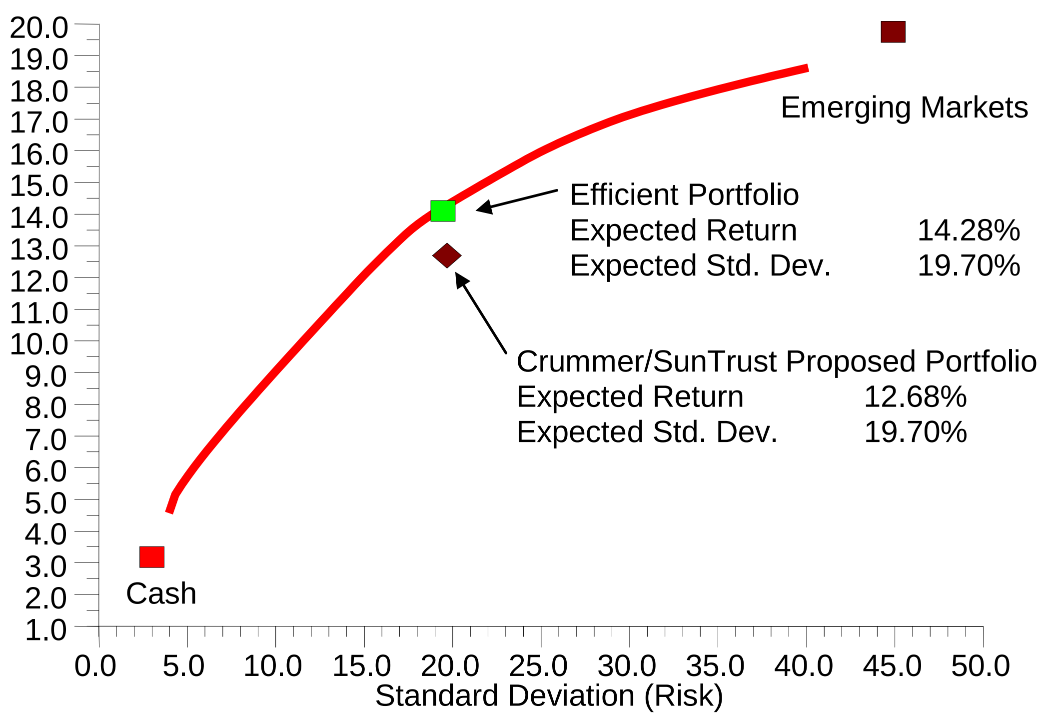
| AssetClass | Asset Class Value | % of Total Portfolio |
|---|---|---|
| Large Cap Growth | $ 168,991.80 | 25.54% |
| Large Cap Value | $ 115,008.74 | 17.38% |
| Mid Cap Equities | $ 88,102.49 | 13.32% |
| Small Cap Equities | $ 52,859.53 | 7.99% |
| Intl Equities | $ 82,849.00 | 12.52% |
| Emerging Markets | $ 94,510.08 | 14.28% |
| REITs | $ 25,274.00 | 3.82% |
| Intermediate Term Bonds | $ 7,150.00 | 1.08% |
| Short Term Bonds | $ 3,162.58 | 0.48% |
| High Yield Bonds | $ 1,054.19 | 0.16% |
| Intl Bonds | $ 3,792.38 | 0.57% |
| Cash | $ 18,851.02 | 2.85% |

* The value of the total portfolio does not include the $20,000 set aside for SunTrust Scholarships and roughly $25,000 invested in the 10-year Treasury Note contra fund

The asset class composition has tremendous implications when determining the expected return and the risk (standard deviation) of a portfolio. Modern portfolio theory employs quantitative measures such as mean-variance optimization (MVO) to calculate the highest possible expected returns at any given level of risk. The model can find this point of highest possible returns at a given risk level by cycling through virtually all the asset class combinations available to find which set will perform the best for any given level of risk. When this model is run for a whole series of risk points, the efficient frontier is generated which marks the highest expected return available to investors for any series of asset combinations. Below is a reasonable estimation of that frontier as well as the plot points of many of the asset classes available in the investment community.




Finally, the model allows us to classify each asset in our portfolio and position it relative to the efficient frontier. Below is the comparison of the proposed Crummer/SunTrust portfolio characteristics versus the efficient portfolio with the same level of risk.



The Cummer/SunTrust portfolio does not lie on the efficient frontier, but instead is positioned just below it. It is worth mentioning that the efficient portfolios are often not properly diversified, and the majority of their allocation is often composed of just one or two asset classes. The efficient frontier is not designed to tell investors a precise composition of asset classes in their portfolio. Instead, it is just another tool, or mathematical model, to help investors make prudent decisions. Consequently, we believe that the Crummer/SunTrust portfolio is well positioned relative to the efficient frontier, which ensures high expected return for the assumed level of risk, and at the same time provides proper diversification. The portfolio's expected return is slightly above the higher limit of required return developed in the Investment Policy Statement and the risk level is well within the level considered appropriate by the class.

## Conclusion

We believe that the proposed allocation of the Crummer/SunTrust portfolio has been strategically positioned to outperform the market as measured by the S&P 500 in 2007. During our analysis, we have followed prudent practices of portfolio management and employed various tools adherent to the principals of modern portfolio theory.

We would like to take this opportunity to thank Dr. Moses for his constant support, leadership, and dedication to the investment profession, SunTrust for their support of the Crummer School of Business, and the investment professionals for their advice and useful insights into the portfolio management practices.

# Analysts Recommendations

The pages to follow are one page summaries of the security recommendations researched by the analysts. They have been ordered by economic sectors, each preceded by the sector and specific industries analyses.

These forms were designed to capture the most vital elements of the security analysis process while balancing the need to be concise. To achieve this goal the forms were setup to address these areas:

1. General information and market statistics
2. Analyst recommendation
3. Profile
4. Catalysts and risks
5. ROE type analysis and company specific statistics
6. Graph of historical return

## Consumer Discretionary

**Sector/Industry Report**
Analyst: *Shawn Read*
Sector: *Consumer Discretionary*
Recommendation: *Modest Underweight*

**Sector Overview**

For the first two months of 2007, consumer confidence was the highest it's been in five and a half years, reaching 112.5. The major contributors to the increase in consumer confidence were the decrease in gas prices from the year prior, the low unemployment rate, and the low interest rates. However, looking to the latter half of 2007, there are many indicators that suggest these factors may actually turn in the opposite direction, placing downward pressure on consumer confidence. The tightening labor market may cause an increase in labor costs, which will in turn cause higher consumer prices. As well, the housing downturn produced unprecedented results, as for the first time ever, home sales have stalled and prices declined despite low mortgage rates and solid job growth. This has caused a ripple effect on mortgage lenders, primarily issuers of adjustable rate mortgages and sub-prime mortgages, who are experiencing a greater level of defaults from individuals suffering due to lower discretionary income; also causing the foreclose rate to hit a 30 year high (1.23%).

**Sub-Industry Overview**

Retailing – Apparel: *Modest Overweight*

Retailers such as luxury-end department stores will be less affected from a slowing economy because of the consumer demographics they serve. Moderate department stores will depend on holiday sales. While the big box discounters, such as Wal-Mart and Target, will experience the greatest shift from low cost seeking consumers

Home Improvement: *Modest Underweight*

The weakening housing market will have a negative effect on the overall industry. However, as individuals look to improve their existing home instead of purchasing a new one, they will likely flock to stores such as Home Depot and Lowes.

Personal Services: *Modest Overweight*

This industry is highly dependant on healthy consumer discretionary income. As discretionary income decreases, consumer will first cut back on the number of services they use.

Auto & Auto Parts: *Underweight*

It is projected that Auto sales for the highly profitable light vehicle will decrease by approximately 1% in 2007. Coupled with the increase in material costs, caused by the increase in oil and demand from China, and heavy price competition, profitability is a concern for the up coming year.

SECURITY RECOMMENDATION

SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# Urban Outfitters, Inc. (NASDAQ: URBN)

Review Date: 3/22/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 200 | Price | $25.03 | P/E (F) | 25.79 |
| Recommendation | Hold | Marketperform | EPS (TTM) | $0.69 | P/E (TTM) | 37.19 |
| Sector | Consumer Discretionary - Apparel | | 52-week High | $29.15 | P/E (Peer Group) | 20.78 |
| Asset Class | Mid Cap | Growth | 52-week Low | $13.65 | PEG Ratio | 1.068 |
| S&P Consensus | Buy | | Dividend Yield | 0.0% | Insiders | Neutral |
| S&P Target Price | $30.00 | | Beta | 1.41 | | |

## Profile

Urban Outfitters, Inc. (Urban Outfitters), incorporated in 1976, is a lifestyle merchandising company that operates specialty retail stores under the Urban Outfitters, Anthropologie and Free People brands, as well as a wholesale division under the Free People brand. In addition to its retail stores, it offers products and markets its brands directly to the consumer through e-commerce Websites, and Urban Outfitters, Anthropologie and Free People catalogs. It operates two business segments: a lifestyle merchandising retailing segment and a wholesale apparel business. The retailing segment consists of Urban Outfitters, Anthropologie and Free People stores and the direct-to-consumer operations consist of a catalog and Website for each of these brands.

## Catalysts

- No Dividends; Industry Dividend Yield = 1.22%
- increased productivity, visibility and product flow in its supply chain and improved collaboration with trading partners
- Job market is currently healthy, inflation is under control (according to the Fed), and consumer confidence is the highest it's been in five years
- If the economy head toward recessionary levels, retailers offering luxury/specialty items are in a better position

## Risks

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 36.90% | 39.65% |
| EBITDA Margin | 17.94% | 13.86% |
| Operating Margin | 13.39% | 11.12% |
| EBT Margin | 13.89% | 11.39% |
| Net Profit Margin | 9.49% | 7.09% |
| ROA | 13.93% | 12.57% |
| ROE | 18.80% | 24.19% |
| ROI | 16.61% | 17.41% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.47X | 1.87X |
| Inventory Turnover | 5.24X | 4.46X |
| Receivables Turnover | 62.14X | 52.12X |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | NM | 26.93 |
| Long term debt/equity | 0% | 18.00% |
| Long term debt/Total capital | | |
| FCF ($million) | -$24.6 | |
| Current Ratio | 2.39 | 2.24 |

**SECURITY RECOMMENDATION**

**SUNTRUST PORTFOLIO**
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# Abercrombie & Fitch Co (NYSE: ANF)

Review Date: 3/22/2007

| | | | | | |
|---|---|---|---|---|---|
| Current Position | Held 100 | Price | $76.00 | P/E (F) | 14.34 |
| Recommendation | Buy Outperform | EPS (TTM) | $4.59 | P/E (TTM) | 16.39 |
| Sector | Consumer Discretionary - Apparel | 52-week High | $83.82 | P/E (Peer Group) | 20.88 |
| Asset Class | Large cap Growth | 52-week Low | $49.98 | PEG Ratio | 0.934 |
| S&P Consensus | Strong Buy | Dividend Yield | 0.93% | Insiders | Unfavorable |
| S&P Target Price | $95.00 | Beta | 1.11 | | |

## Profile

Abercrombie & Fitch Co. (A&F) is a specialty retailer that operates stores selling casual apparel, such as knit shirts, graphic t-shirts, jeans, woven shirts, shorts, as well as personal care and other accessories for men, women and kids under the Abercrombie & Fitch, abercrombie, Hollister and RUEHL brands. As of January 28, 2006, the Company operated 851 stores in the United States and Canada. During the fiscal year ended January 28, 2006 (fiscal 2005), A&F purchased merchandise from approximately 246 factories and suppliers located throughout the world, primarily in Southeast Asia and Central and South America. In fiscal 2005, the Company did not source more than 5% of its apparel from any single factory or supplier. A&F pursues global sourcing that includes relationships with vendors in 40 countries and the United States.

## Catalysts

- Job market is currently healthy, inflation is under control (according to the Fed), and consumer confidence is the highest it's been in five years
- Strong financial performance
- If the economy head toward recessionary levels, retailers offering luxury/specialty items are in a better position
- New lines, Hollister and Ruehl represent great potential for growth and diversification

## Risks

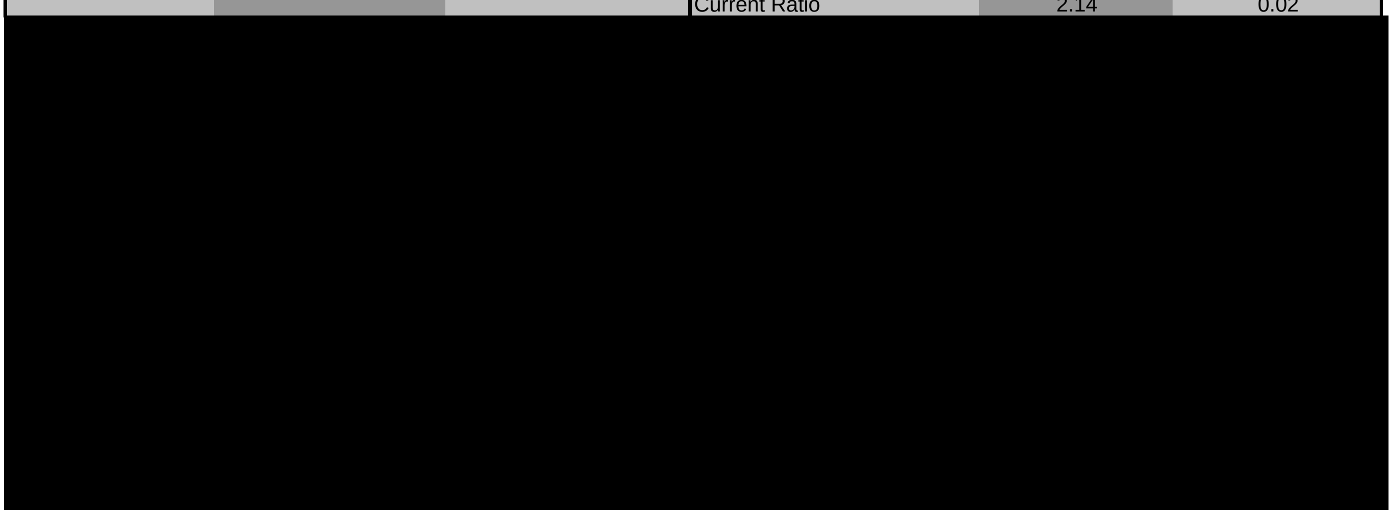
- Both the U.S. House and Senate have passed bills that will raise the hourly minimum wage from $5.15 to $7.25 over two years; this will

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 66.57% | 39.65% |
| EBITDA Margin | 22.70% | 13.86% |
| Operating Margin | 19.83% | 11.12% |
| EBT Margin | 20.25% | 11.39% |
| Net Profit Margin | 12.72% | 7.17% |
| ROA | 20.91% | 12.57% |
| ROE | 35.18% | 24.43% |
| ROI | 27.82% | 17.52% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.64X | 1.87X |
| Inventory Turnover | 2.81X | 4.46X |
| Receivables Turnover | 77.99X | 52.12X |
| **Leverage Measures & Other** | **Company** | **Industry** |
| Interest Coverage | N/A | 24.64 |
| Long term debt/equity | 40% | 18.00% |
| Long term debt/Total capital | | |
| FCF ($million) | $198.0 | |
| Current Ratio | 2.14 | 0.02 |



SECURITY RECOMMENDATION

SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# Charming Shoppes Inc (NASDAQ: CHRS)

Review Date: 3/22/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 400 | Price | $12.20 | P/E (F) | 12.31 |
| Recommendation | Hold | Market Perform | EPS (TTM) | $0.78 | P/E (TTM) | 16.87 |
| Sector | Consumer Discretionary - Apparel | | 52-week High | $15.57 | P/E (Peer Group) | 21.78 |
| Asset Class | Mid Cap | Blend | 52-week Low | $9.69 | PEG Ratio | 1.051 |
| S&P Consensus | Hold | | Dividend Yield | 0.0% | Insiders | Neutral |
| S&P Target Price | $15.00 | | Beta | 0.96 | | |

## Profile

Charming Shoppes, Inc., incorporated in 1969, is a multi-channel, multi-brand specialty apparel retailer primarily focused on plus-size women's apparel. The Company's Retail Stores segment operates retail stores and related E-commerce websites through its three distinct brands: LANE BRYANT, FASHION BUG and CATHERINES PLUS SIZES. Its Direct-to-Consumer segment operates numerous apparel, accessories, footwear, and gift catalogs and related E-commerce Websites through its Crosstown Traders business, which was acquired in June 2005. As of January 28, 2006, the Company operated 2,236 stores in 48 states.

## Catalysts

- No paid dividends; Industry Dividend Yield = 1.22%
- 2/3 of women in the USA are overweight or obese
- obesity is more prevalent for women and within less educated demographics
- EBITDA grew 29% in FY2006; Depreciation grew 14% in FY2006 due to new store concept (5 stores were succesfully tested - plans to expand)

## Risks

- Customer is in the low-mid income range; a weakening economy may not favor this group

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 30.23% | 39.65% |
| EBITDA Margin | 8.69% | 13.86% |
| Operating Margin | 5.44% | 11.12% |
| EBT Margin | 5.21% | 11.39% |
| Net Profit Margin | 3.45% | 7.17% |
| ROA | 6.16% | 12.57% |
| ROE | 12.11% | 24.43% |
| ROI | 8.46% | 17.52% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.79X | 1.87X |
| Inventory Turnover | 4.37X | 4.46X |
| Receivables Turnover | | 52.12X |
| **Leverage Measures & Other:** | **Company** | **Industry** |
| Interest Coverage | | |
| Long term debt/equity | 20% | 18.00% |
| Long term debt/Total capital | 19% | |
| FCF ($million) | $61.0 | |
| Current Ratio | 1.95 | 2.24 |

# SECURITY RECOMMENDATION

## SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

## Home Depot, Inc. (NYSE: HD)

Review Date: #######

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 200 | Price | $38.33 | P/E (F) | 13.86 |
| Recommendation | Hold | Marketperform | EPS (TTM) | $2.79 | P/E (TTM) | 14.74 |
| Sector | Consumer Discretionary - Home Improvement | | 52-week High | $43.95 | P/E (Peer Group) | 15.97 |
| Asset Class | Large Cap | Blend | 52-week Low | $32.85 | PEG Ratio | 1.173 |
| S&P Consensus | Strong Buy | | Dividend Yield | 2.33% | Insiders | Favourable |
| S&P Target Price | $48.00 | | Beta | 1.45 | | |

### Profile

The Home Depot, Inc., incorporated in 1978, is a home improvement retailer. As of January 29, 2006, the Company operated 2,042 stores. The Home Depot stores sell an assortment of building materials, home improvement and lawn and garden products, and provide a number of services. The Home Depot stores average approximately 105,000 square feet of enclosed space, with approximately 23,000 additional square feet of outside garden area. As of January 29, 2006, it had 1,984 The Home Depot stores located throughout the United States (including the territories of Puerto Rico and the Virgin Islands), Canada and Mexico. In addition to The Home Depot stores, the Company has a retail store format that sells products and services primarily for home decorating and remodeling projects called EXPO Design Center. It also has two retail store formats focused on professional customers called Home Depot Supply and The Home Depot Landscape Supply.

### Catalysts

- Housing  market is weakening
- People may turn to major retailers to improve their homes instead of purchasing new ones
- Service has been hurting performance; new CEO has agenda to improve service
- Stock price is currently trading $30 below pre 9/11 price

### Risks

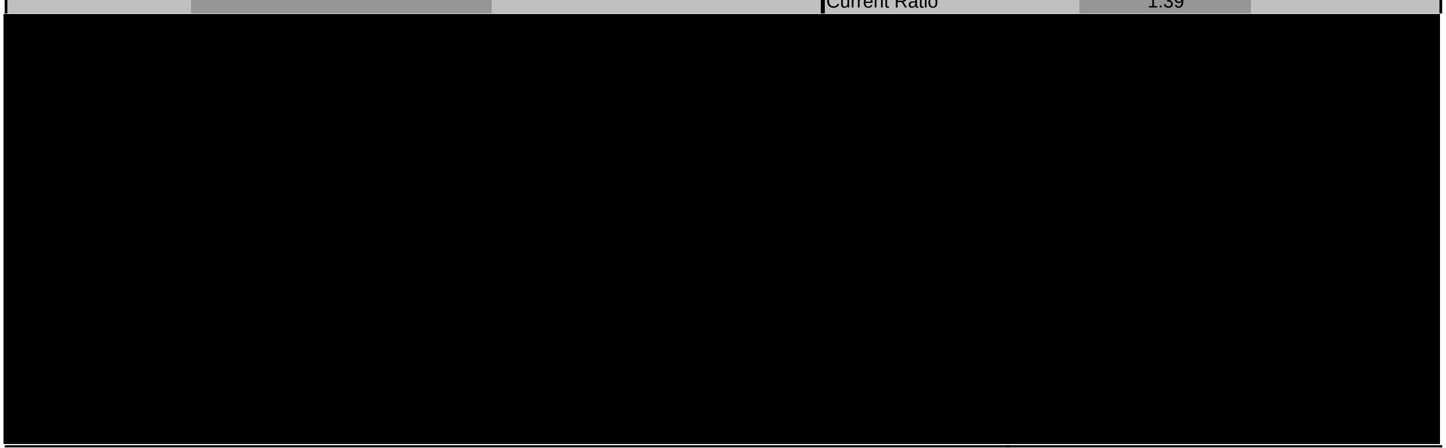
- If the new service agenda does not catch on with customers and economy drops, sales and profits may suffer

### ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 32.79% | 33.87% |
| EBITDA Margin | 12.73% | 12.62% |
| Operating Margin | 10.65% | 10.32% |
| EBT Margin | 10.25% | 10.08% |
| Net Profit Margin | 6.34% | 6.28% |
| ROA | 11.92% | 11.01% |
| ROE | 22.18% | 21.75% |
| ROI | 16.22% | 15.46% |

### ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.88X | 1.76X |
| Inventory Turnover | 5.04X | 4.54X |
| Receivables Turnover | 32.33X | 24.5X |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | 23.20 | 26.98 |
| Long term debt/equity | 47% | 38.00% |
| Long term debt/Total capital | | |
| FCF ($million) | $2,603.0 | |
| Current Ratio | 1.39 | |



SECURITY RECOMMENDATION

SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# Jackson Hewitt Tax Service Inc. (NYSE: JTX)

Review Date: 3/22/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 100 | Price | $32.42 | P/E (F) | 17.55 |
| Recommendation | Hold | Market Perform | EPS (TTM) | $1.63 | P/E (TTM) | 20.75 |
| Sector | Consumer Discretionary - Personal Services | | 52-week High | $37.44 | P/E (Peer Group) | 28.98 |
| Asset Class | Mid Cap | Growth | 52-week Low | $27.41 | PEG Ratio | |
| S&P Consensus | Buy | | Dividend Yield | 1.45% | Insiders | Neutral |
| S&P Target Price | $38.00 | | Beta | 0.70 | | |

**Profile**

Jackson Hewitt Tax Service Inc. (Jackson Hewitt), incorporated in February 2004, provides computerized preparation of federal, state and local individual income tax returns through a network of franchised and Company-owned tax offices operating under the brand name Jackson Hewitt Tax Service in the United States. The Company provides its customers with accurate tax return preparation services and electronic filing. Its customers may select various financial products to suit their needs, including refund anticipation loans (RALs). During the fiscal year ended April 30, 2006 (fiscal 2006), the Company's network consisted of 6,022 franchised and company-owned offices and prepared 3.7 million tax returns. Jackson Hewitt generates revenues from fees paid by its franchisees, service revenues earned at company-owned offices and financial product related revenues.

**Catalysts**

- Changes in legislation regarding tax rates and deductions, compelled an increasing number of consumers to seek professional help with their tax returns
- Strong performance relative to peers
- No major advancements; all information may already be captured in current price

**Risks**

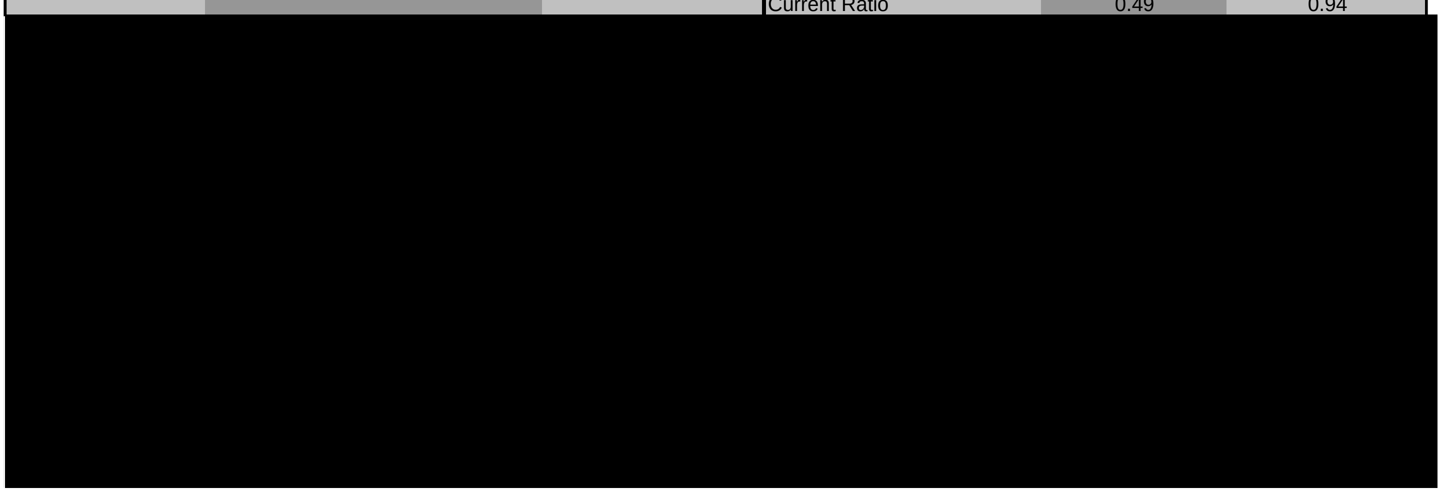
- Tax return dropped 1.1% even though total number of tax offices owned by the company grew by 8.5%; if the latter half of tax season doesn't improve, financial performance will be downgraded

**ROE Analysis**

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 70.15% | 41.16% |
| EBITDA Margin | 39.70% | 14.80% |
| Operating Margin | 35.28% | 9.22% |
| EBT Margin | 33.03% | 7.23% |
| Net Profit Margin | 19.94% | 5.15% |
| ROA | 9.75% | 7.04% |
| ROE | 18.51% | 6.42% |
| ROI | 10.40% | 8.82% |

**ROE Analysis**

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | .49X | .84X |
| Inventory Turnover | | 15.98X |
| Receivables Turnover | 69.37X | 18.22X |
| **Leverage Measures & Other** | **Company** | **Industry** |
| Interest Coverage | 14.4 | 5.48 |
| Long term debt/equity | 70% | 46.00% |
| Long term debt/Total capital | | |
| FCF ($million) | $104.6 | |
| Current Ratio | 0.49 | 0.94 |



# Kenneth Cole Productions (NYSE: KCP)

Review Date: 3/22/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 200 | Price | $26.82 | P/E (F) | N/A |
| Recommendation | Sell | Under Perform | EPS (TTM) | $1.31 | P/E (TTM) | 19.35 |
| Sector | Consumer Discretionary - Footwear | | 52-week High | $28.72 | P/E (Peer Group) | 21.57 |
| Asset Class | Small Cap | | 52-week Low | $21.75 | PEG Ratio | 1.285 |
| S&P Consensus | Hold | | Dividend Yield | 2.68% | Insiders | Unfavorable |
| S&P Target Price | | | Beta | 0.66 | | |

## Profile

Kenneth Cole Productions, Inc. (Kenneth Cole), incorporated in September 1982, designs, sources and markets a range of fashion footwear and handbags and, through license agreements, designs and markets apparel and accessories under its Kenneth Cole New York, Kenneth Cole Reaction, Unlisted, Bongo and Tribeca brand names. The Company's products are targeted to appeal to fashion conscious consumers, reflecting a casual urban perspective and a contemporary lifestyle associated with Kenneth Cole. The Company markets its products for sale to approximately 6,000 department stores and specialty store locations in the United States, as well as other locations throughout the world, through its retail and outlet store base, and its interactive Website. It also distributes consumer catalogs that feature a variety of Kenneth Cole New York and Kenneth Cole Reaction branded products.

## Catalysts

- Poor performance relative to industry
- Management announced new business model outside of normal operating practices
- Cancelling licensing agreements (Dec 2007) - the Company is expected to lose approximately $4M in royalty income and incur $3-5M in increased advertising expenditures

## Risks

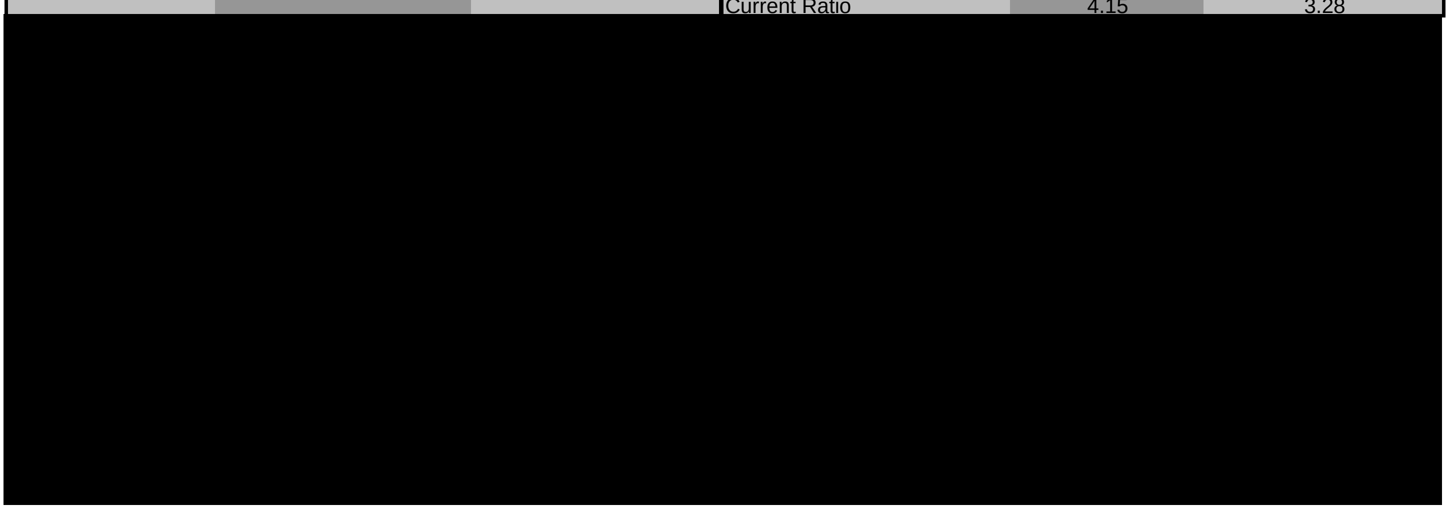
- A new tailored line for men to be launched in the fall; success of the line may spur positive reaction from the Street

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 38.35% | 43.77% |
| EBITDA Margin | 8.62% | 14.64% |
| Operating Margin | 6.69% | 13.32% |
| EBT Margin | 7.53% | 13.38% |
| Net Profit Margin | 4.91% | 9.04% |
| ROA | 7.66% | 15.05% |
| ROE | 10.71% | 23.28% |
| ROI | 9.01% | 20.90% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.56X | 1.70X |
| Inventory Turnover | 5.47X | 4.22X |
| Receivables Turnover | 37.66X | 7.51X |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | | |
| Long term debt/equity | 0% | 7.00% |
| Long term debt/Total capital | | |
| FCF ($million) | $8.1 | |
| Current Ratio | 4.15 | 3.28 |



# Magna International Inc. (NYSE: MGA)

Review Date: 3/22/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 100 | Price | $75.01 | P/E (F) | 10.42 |
| Recommendation | Sell | Underperform | EPS (TTM) | $4.78 | P/E (TTM) | 13.87 |
| Sector | Consumer Discretionary - Auto & Truck Parts | | 52-week High | $83.35 | P/E (Peer Group) | 20.28 |
| Asset Class | Large Cap | | 52-week Low | $68.40 | PEG Ratio | |
| S&P Consensus | Hold | | Dividend Yield | 1.04% | Insiders | |
| S&P Target Price | $82.00 | | Beta | 1.06 | | |

## Profile

Magna International Inc. (Magna) is a supplier of automotive systems, assemblies, modules and components. The Company designs, develops and manufactures automotive systems, assemblies, modules and components, and engineers and assembles vehicles for sale to original equipment manufacturers (OEMs) of cars and light trucks in North America, Europe, Asia and South America. As at December 31, 2005, Magna had 224 manufacturing divisions and 60 product development and engineering centers in 22 countries. On February 2, 2006, the Company acquired CTS Fahrzeug-Dachsysteme GmbH, Bietigheim-Bissingen (CTS), a manufacturer of roof systems for the automotive industry in Germany. In August 2006, Magna purchased the Magna Golf Club located in Aurora, Ontario.

## Catalysts

- Auto industry is facing many issues: rising costs (materials, health care), price competition, and lack of sales due to prior incentive driven sales
- 4th quarter profits fell 65% on higher costs
- Dividend is cut in half based on poor 4th quarter results
- Dividend is payable to shareholders on record as of March 13, 2007
- Potential buyer of the struggling Chrysler; may hurt relations with other automakers

## Risks

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 12.94% | 19.41% |
| EBITDA Margin | 6.90% | 7.19% |
| Operating Margin | 3.70% | 4.79% |
| EBT Margin | 3.70% | 4.55% |
| Net Profit Margin | 2.46% | 2.84% |
| ROA | 4.50% | 3.36% |
| ROE | 8.48% | 8.28% |
| ROI | 7.07% | 4.24% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.83X | 1.48X |
| Inventory Turnover | 13.85X | 11.96X |
| Receivables Turnover | 5.79X | 7.27X |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | | 10.58 |
| Long term debt/equity | 9% | 80.00% |
| Long term debt/Total capital | | |
| FCF ($million) | $850.0 | |
| Current Ratio | 1.49 | 2.03 |

SECURITY RECOMMENDATION

SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# Movado Group Inc. (NYSE: MOV)

Review Date: 3/22/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 100 | Price | $31.04 | P/E (F) | 15.29 |
| Recommendation | Buy | Outperform | EPS (TTM) | $1.47 | P/E (TTM) | 19.83 |
| Sector | Consumer Discretionary - Jewelry & Silverware | | 52-week High | $30.50 | P/E (Peer Group) | 25.2 |
| Asset Class | Small Cap | Blend | 52-week Low | $17.01 | PEG Ratio | 1.253 |
| S&P Consensus | Strong Buy | | Dividend Yield | 0.78% | Insiders | Neutral |
| S&P Target Price | $36.00 | | Beta | 0.83 | | |

## Profile

Movado Group, Inc., incorporated in 1967, is a manufacturer, distributor and retailer of watches and jewelry. Its portfolio of brands is comprised of Movado, Ebel, Concord, ESQ SWISS (ESQ), Coach(R) Watches, HUGO BOSS Watches, Juicy Couture Watches and Tommy Hilfiger Watches. The Company also designs, develops and markets Movado-branded jewelry, tabletop and accessory products, which it retails in its luxury Movado Boutiques. On March 21, 2005, the Company entered into a worldwide license agreement with HUGO BOSS to design, produce and market a collection of watches under the BOSS and HUGO brand names. The Company conducts its business primarily in two operating segments: Wholesale and Retail. The Company's wholesale segment includes the design, development, marketing and distribution of watches, in addition to revenue generated from after-sales service activities and shipping. The Retail segment includes the Company's Movado Boutiques and its outlet stores.

## Catalysts

- Job market is currently healthy, inflation is under control (according to the Fed), and consumer confidence is the highest it's been in five years
- If the economy head toward recessionary levels, luxury products are
- The Company has reinvested in nine new products; the Company will be represented across all major pricing categories and distribution
- New sales offices were added in China, France, Germany, Japan, UK

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 60.64% | 51.81% |
| EBITDA Margin | 13.44% | 11.97% |
| Operating Margin | 10.04% | 9.35% |
| EBT Margin | 9.77% | 9.07% |
| Net Profit Margin | 7.54% | 6.21% |
| ROA | 7.04% | 7.87% |
| ROE | 11.52% | 12.99% |
| ROI | 9.01% | 10.77% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | .93X | 1.34X |
| Inventory Turnover | .98X | 1.9X |
| Receivables Turnover | 3.4X | 7.15X |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | 28.9 | 15 |
| Long term debt/equity | 23% | 14.00% |
| Long term debt/Total capital | | |
| FCF ($million) | $12.1 | |
| Current Ratio | 4.75 | 3.21 |

[redacted]

SECURITY RECOMMENDATION

SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# Urban Outfitters, Inc. (NASDAQ: URBN)

Review Date: 3/22/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 200 | Price | $25.03 | P/E (F) | 25.79 |
| Recommendation | Hold | Marketperform | EPS (TTM) | $0.69 | P/E (TTM) | 37.19 |
| Sector | Consumer Discretionary - Apparel | | 52-week High | $29.15 | P/E (Peer Group) | 20.78 |
| Asset Class | Mid Cap | Growth | 52-week Low | $13.65 | PEG Ratio | 1.068 |
| S&P Consensus | Buy | | Dividend Yield | 0.0% | Insiders | Neutral |
| S&P Target Price | $30.00 | | Beta | 1.41 | | |

## Profile

Urban Outfitters, Inc. (Urban Outfitters), incorporated in 1976, is a lifestyle merchandising company that operates specialty retail stores under the Urban Outfitters, Anthropologie and Free People brands, as well as a wholesale division under the Free People brand. In addition to its retail stores, it offers products and markets its brands directly to the consumer through e-commerce Websites, and Urban Outfitters, Anthropologie and Free People catalogs. It operates two business segments: a lifestyle merchandising retailing segment and a wholesale apparel business. The retailing segment consists of Urban Outfitters, Anthropologie and Free People stores and the direct-to-consumer operations consist of a catalog and Website for each of these brands.

## Catalysts

- No Dividends; Industry Dividend Yield = 1.22%
- increased productivity, visibility and product flow in its supply chain and improved collaboration with trading partners
- Job market is currently healthy, inflation is under control (according to the Fed), and consumer confidence is the highest it's been in five years
- If the economy head toward recessionary levels, retailers offering luxury/specialty items are in a better position

## Risks

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 36.90% | 39.65% |
| EBITDA Margin | 17.94% | 13.86% |
| Operating Margin | 13.39% | 11.12% |
| EBT Margin | 13.89% | 11.39% |
| Net Profit Margin | 9.49% | 7.09% |
| ROA | 13.93% | 12.57% |
| ROE | 18.80% | 24.19% |
| ROI | 16.61% | 17.41% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.47X | 1.87X |
| Inventory Turnover | 5.24X | 4.46X |
| Receivables Turnover | 62.14X | 52.12X |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | NM | 26.93 |
| Long term debt/equity | 0% | 18.00% |
| Long term debt/Total capital | | |
| FCF ($million) | -$24.6 | |
| Current Ratio | 2.39 | 2.24 |

[redacted]

# Avon Products (NYSE: AVP)

Review Date: 3/12/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Not Held | | Price | $36.85 | P/E (F) | 18.57 |
| Recommendation | Buy | Outperform | EPS (TTM) | $1.05 | P/E (TTM) | 35.56 |
| Sector | Consumer Staples | | 52-week High | $40.13 | P/E (Peer Group) | 23.6 |
| Asset Class | Large Cap Growth | | 52-week Low | $26.16 | PEG Ratio | 2.2 |
| S&P Consensus | Hold | | Dividend Yield | 2.01% | | |
| S&P Target Price | $39.00 | | Beta | 0.31 | Insiders | Neutral |

**Profile**

Avon Products, Inc., incorporated on January 27, 1916, is a global manufacturer and marketer of beauty and related products. Its products fall into three product categories: Beauty, which consists of cosmetics, fragrances, skin care and toiletries (CFT); Beauty Plus, which consists of fashion jewelry, watches, apparel and accessories, and Beyond Beauty, which consists of home products and gift and decorative products.

**Catalysts**

Restructured company that is now data centric
Good dividend yield

Popularity in China and other nations as disposable income rises

**Risks**

Execution in new countries

Staying focused to avoid past mistakes

**ROE Analysis**

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 60.42% | 52.44% |
| EBITDA Margin | 10.73% | 21.16% |
| Operating Margin | 8.69% | 17.27% |
| EBT Margin | 8.03% | 16.20% |
| Net Profit margin | 5.48% | 11.32% |
| ROA | 9.60% | 8.52% |
| ROE | 60.28% | 18.94 |
| ROI | 19.40% | 11.57 |

**ROE Analysis**

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.75 | 0.85 |
| Inventory Turnover | 4.04 | 5.29 |
| Receivables Turnover | 13.01 | 11.2 |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | 8.00 | 11.08 |
| Long term debt/Equity | 1.48% | 0.65% |
| Long term debt/Total capital | | |
| FCF($million) | $1,199 | |
| Current Ratio | 1.31 | 0.95 |

[redacted]

# Walt Disney Company (The) (NYSE: DIS)

Review Date: 3/22/2007

| | | | | | |
|---|---|---|---|---|---|
| Current Position | Not Held | Price | $35.33 | P/E (F) | 18.53 |
| Recommendation | Buy Outperform | EPS (TTM) | $2.05 | P/E (TTM) | 20.82 |
| Sector | Consumer Discretionary - Media | 52-week High | $36.09 | P/E (Peer Group) | 24.58 |
| Asset Class | Large Cap Growth | 52-week Low | $26.75 | PEG Ratio | 1.328 |
| S&P Consensus | Strong Buy | Dividend Yield | 0.90% | Insiders | Favorable |
| S&P Target Price | $45.00 | Beta | 1.15 | | |

## Profile

The Walt Disney Company, together with its subsidiaries, is a diversified worldwide entertainment company. The Company operates in four segments: Media Networks, Parks and Resorts, Studio Entertainment and Consumer Products. The Media Networks segment includes a domestic broadcast television network, domestic television stations, cable/satellite networks and international broadcast operations, television production and distribution, domestic broadcast radio networks and stations, and Internet and mobile operations.

## Catalysts

- Two new cruise ships to be built
- Parks and resorts showing strong growth and profitability
- Increased dividend rate
- Bob Iger and top management

## Risks

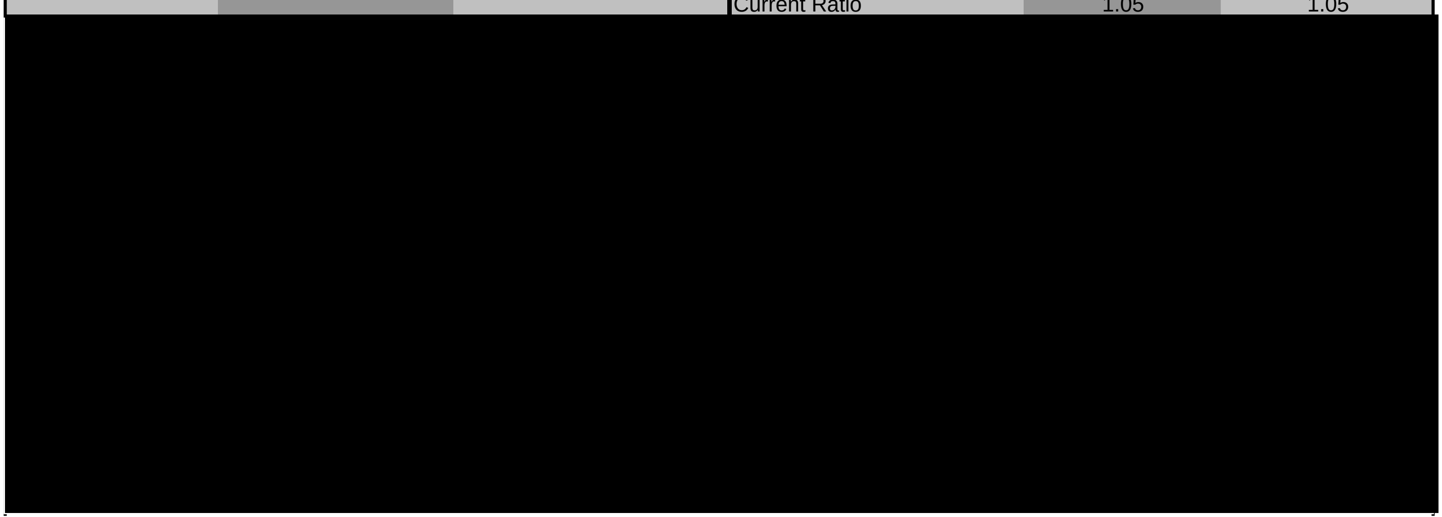
- Unexpected terrorist attacks will have a major effect on the parks and resorts (the most profitable line of business)

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 17.16% | 45.12% |
| EBITDA Margin | 21.30% | 26.67% |
| Operating Margin | 19.91% | 16.70% |
| EBT Margin | 19.91% | 14.32% |
| Net Profit Margin | 12.84% | 8.35% |
| ROA | 7.87% | 2.91% |
| ROE | 15.01% | 9.30% |
| ROI | 9.90% | 3.08% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.61X | 0.41X |
| Inventory Turnover | 45.47X | 21.69X |
| Receivables Turnover | 6.07X | 11.02X |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | NM | 4.67 |
| Long term debt/equity | 33.00% | 64.00% |
| Long term debt/Total capital | 23.34% | |
| FCF ($million) | $4,759.0 | |
| Current Ratio | 1.05 | 1.05 |



SECURITY RECOMMENDATION

SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# Target Corp (NYSE: TGT)

Review Date: 3/22/2007

| | | | | | |
|---|---|---|---|---|---|
| Current Position | Not Held | Price | $61.23 | P/E (F) | 16.42 |
| Recommendation | Buy Outperform | EPS (TTM) | $3.21 | P/E (TTM) | 18.91 |
| Sector | Consumer Discretionary | 52-week High | $64.74 | P/E (Peer Group) | 18.00 |
| Asset Class | Large Cap | 52-week Low | $44.70 | PEG Ratio | 1.092 |
| S&P Consensus | Hold | Dividend Yield | 0.79% | Insiders | Neutral |
| S&P Target Price | $65.00 | Beta | 1.23 | | |

**Profile**

Target Corporation (Target), incorporated in 1902, operates large-format general merchandise discount stores in the United States, which include Target and SuperTarget stores. As of January 28, 2006, the Company owned 1,166 stores, leased 77 stores, and operated 154 combined stores for a total of 1,397 locations. As of January 28, 2006, Target's total retail area was 178,260,000 square feet, with 150,318,000 square feet under Target general merchandise stores and 27,942,000 under SuperTarget stores. Target offers an assortment of general merchandise and a more limited assortment of food items in its stores. SuperTarget stores

**Catalysts**

- If the economy weakens, consumers will focus discount shopping on major big box stores
- Limited risk to foreign markets
- Stock repurchasing plan through FY2008
- Growth exceeded Wal-Mart by 3% due to product mix

**Risks**

- Intense competition

**ROE Analysis**

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 32.58% | 28.27% |
| EBITDA Margin | 11.03% | 8.89% |
| Operating Margin | 7.56% | 6.59% |
| EBT Margin | 7.56% | 6.21% |
| Net Profit Margin | 4.68% | 4.01% |
| ROA | 7.71% | 7.99% |
| ROE | 18.68% | 19.33% |
| ROI | 10.79% | 11.89% |

**ROE Analysis**

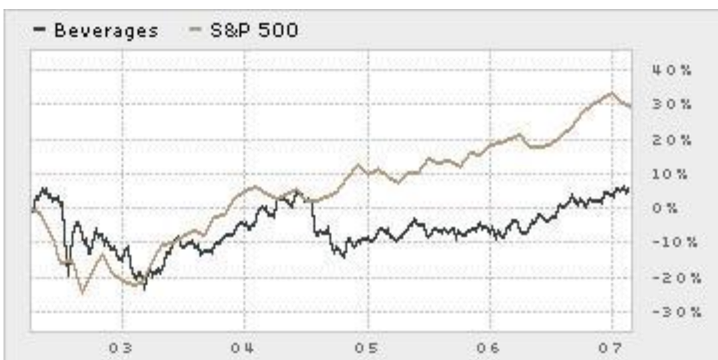
| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.65X | 2.03X |
| Inventory Turnover | 6.63X | 6.33X |
| Receivables Turnover | 10.03X | 37.34X |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | 8.88 | 11.34 |
| Long term debt/equity | 55.00% | 50.00% |
| Long term debt/Total capital | | |
| FCF ($million) | $934.0 | |
| Current Ratio | 1.32 | 1.17 |

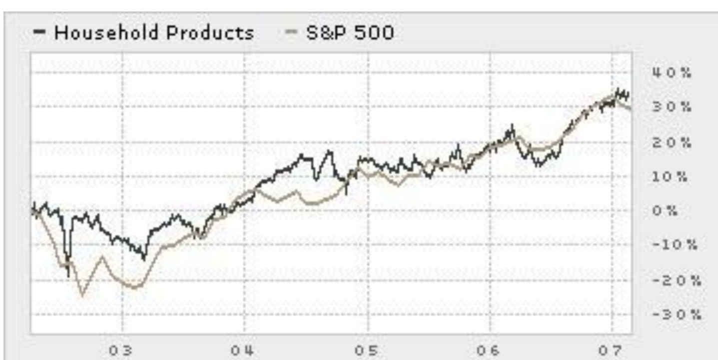
# Consumer Staples

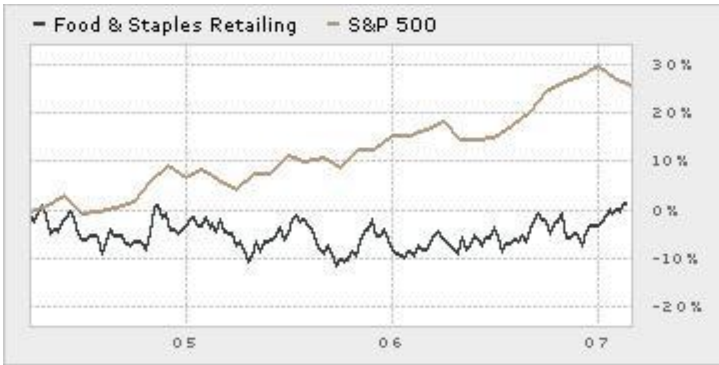
**Sector/Industry Report**
Analyst: Eric Bass
Sector: *Consumer Staples*
Recommendation: Overweight

**Sector Overview**
The consumer staples sector is made up of companies that are involved in the production of non-durable household goods and personal products, food, beverage, and tobacco distributors, food and drug retailers, hypermarkets, and consumer super centers. The consumer staples sector is generally resilient to economic downturns because the demand for its products is inelastic. Because the market is currently slowing down, I recommend that the Crummer SunTrust portfolio be slightly overweighted in this sector.

**Subsector Overview**
The current assets in the Crummer SunTrust portfolio that are in the consumer staples sector are Anheuser-Busch Companies, Inc, Constellation Brands, Inc, Fosters Group, Ltd, The Proctor and Gamble Company, and Sysco Corporation. Anheuser-Busch, Constellation Brands, and Fosters are in the beverages subsector. This subsector includes brewers, distillers and vintners, and soft drinks. Proctor and Gamble is in the household products subsector. This subsector includes producers of non-durable household products. Sysco Corporation is in the food and staples retailing subsector. This subsector includes drug retail, food distributors, food retail, hypermarkets, and super centers. The following graphs show the five year performance of each subsector against the S&P 500.



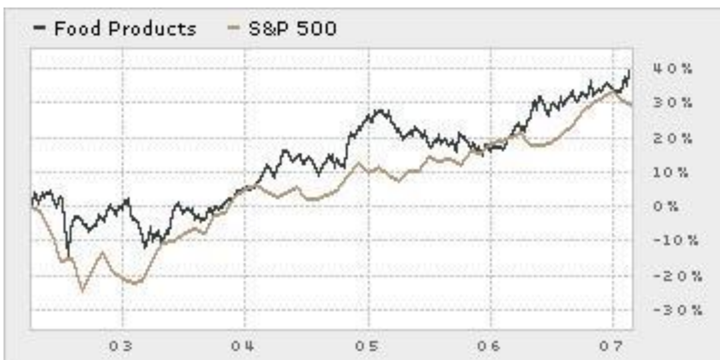



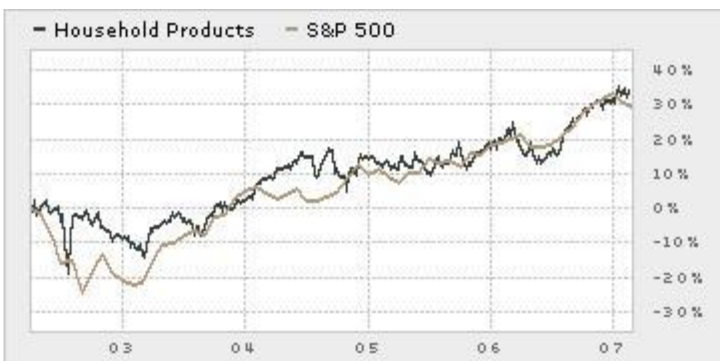


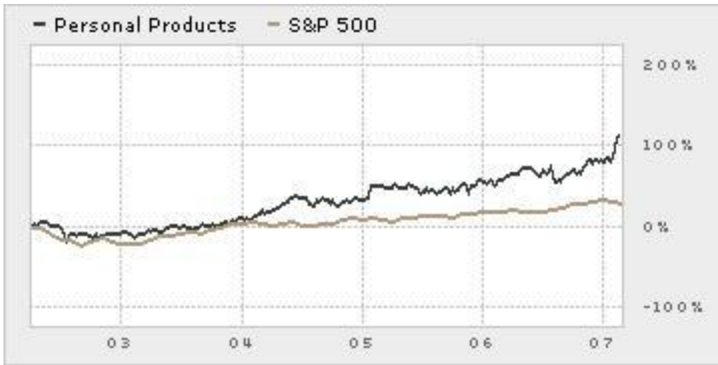

(three year data used due to five year data unavailable)

Based on the performance in the subsectors where assets are currently held, I would recommend to underweight in the beverages and food and staples retailing subsector, and marketweight in the household products subsectors. The above graphs show that the household products subsectors tend to be the most resilient in a downward economy, which can be seen in 2002. Since the economy is currently in a downward cycle, this subsector should show continued improvement against the S&P 500.

Historically, the best growth subsectors in the consumer staples sector are food products, household products, and personal products. The food products subsector includes agricultural products and packaged foods and meats. The personal products subsector includes manufacturers of personal and beauty care products. The following graphs show five year subsector comparisons to the S&P 500 index.






Food products have shown solid growth due to the continued focus on healthier eating, including organic foods.  The popular focus on self image in the United States has caused a huge growth in the personal products subsector over the past five years.  Marketing has increased in the personal products subsector, using Hollywood icons to push products.

SECURITY RECOMMENDATION

# SUNTRUST PORTFOLIO

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CRUMMER GRADUATE SCHOOL OF BUSINESS

## Anhauser Busch Companies, Inc. (NYSE: BUD)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 100 | Price | $50.20 | P/E (F) | 16.03 |
| Recommendation | Hold | Market Perform | EPS (TTM) | $2.53 | P/E (TTM) | 19.85 |
| Sector | Consumer Staples | | 52-week High | $52.25 | P/E (Peer Group) | 19.19 |
| Asset Class | Large Cap Growth | | 52-week Low | $41.89 | PEG Ratio | 1.93 |
| S&P Consensus | Buy | | Dividend Yield | 2.35% | | |
| S&P Target Price | $56.00 | | Beta | 0.29 | Insiders | Unfavorable |

**Profile**

Anheuser-Busch Companies, Inc. (Anheuser-Busch) is the holding company of Anheuser-Busch, Incorporated (ABI), a beer brewer. The Company is also the parent corporation to a number of subsidiaries that conduct various other business operations.

**Catalysts**

Successful price increases based on recent market studies

Improved export economics for Modelo (A-B 50% owner)

InBev import deal and more sales force will help cater to shifting market demands

**Risks**

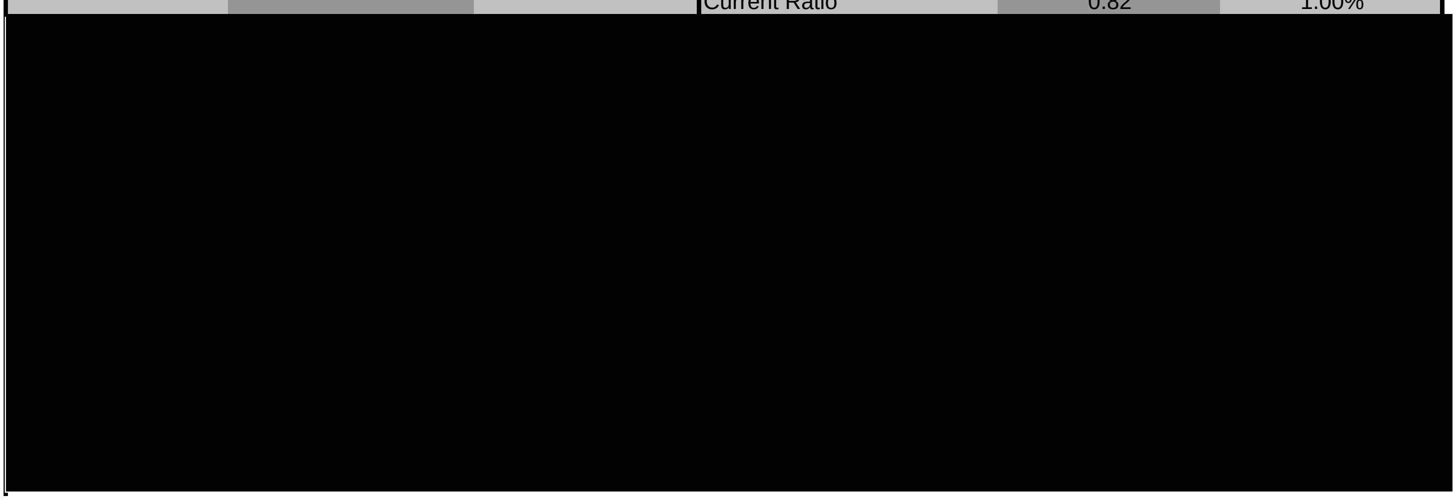
Execution risk with InBev deal due to new hig-end offerings not previously offered

**ROE Analysis**

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 35.33% | 37.80% |
| EBITDA Margin | 23.59% | 21.78% |
| Operating Margin | 17.30% | 16.51% |
| EBT Margin | 14.49% | 14.28% |
| Net Profit margin | 8.76% | 9.02% |
| ROA | 8.36% | 7.98% |
| ROE Analysis | 51.59 | 37.41 |
| ROI | 9.59% | 9.61 |

**ROE Analysis**

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.96 | 0.86 |
| Inventory Turnover | 15.07 | 11.64 |
| Receivables Turnover | 22.43 | 14.59 |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | 6.30 | 6.02 |
| Long term debt/Equity | 1.94% | 1.42% |
| Long term debt/Total capital | | |
| FCF($million) | $219 | |
| Current Ratio | 0.82 | 1.00% |



SECURITY RECOMMENDATION

SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# Fosters Group, Ltd. (OTC: FBRWY)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 500 | Price | $4.95 | P/E (F) | |
| Recommendation | Weak Hold | Market Perform | EPS (TTM) | $0.54 | P/E (TTM) | |
| Sector | Consumer Staples | | 52-week High | $5.65 | P/E (Peer Group) | |
| Asset Class | International Lage Cap | | 52-week Low | $3.70 | PEG Ratio | |
| S&P Consensus | | | Dividend Yield | 3.43% | | |
| S&P Target Price | | | Beta | | Insiders | |

**Profile**

Foster's Group Limited. The Group's principal activities are producing and marketing alcoholic beverages. Major brands include Foster's Lager, Victoria Bitter, Crown Lager, Beringer, Lindemans, Wolf Blass, Penfolds, Rosemount, Matua Valley, Wynns Coonawarrra Estate and Castello di Gabbiano,The Black Douglas scotch, SKYY vodka and Cougar Bourbon.

**Catalysts**

$400MM off market buyback announced

Dividend increased 10.3% to 10.75 cents Australian last quarter

**Risks**

Australia wine sales and growth

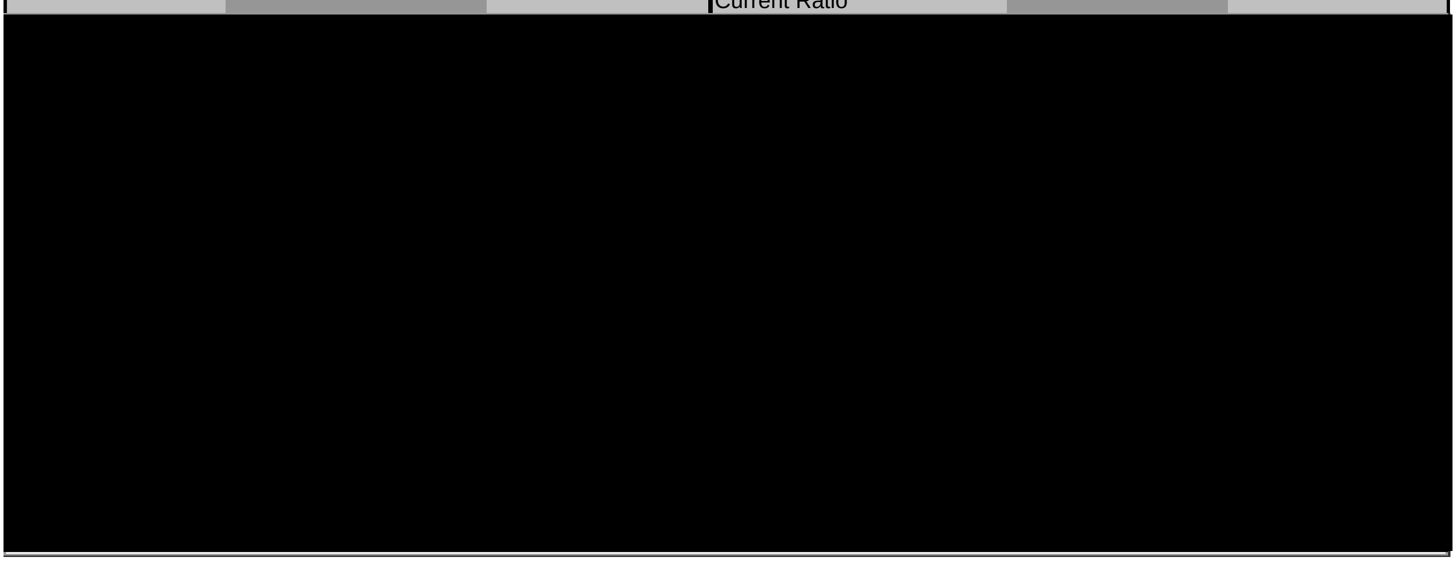
**ROE Analysis**

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | | |
| EBITDA Margin | | |
| Operating Margin | | |
| EBT Margin | | |
| Net Profit margin | | |
| ROA | | |
| ROE Analysis | | |
| ROI | | |

**ROE Analysis**

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | | |
| Inventory Turnover | | |
| Receivables Turnover | | |

| Leverage Measures & Others | Company | Industry |
|---|---|---|
| Interest Coverage | | |
| Long term debt/Equity | 0.55% | |
| Long term debt/Total capital | | |
| FCF($million) | $2.4 | |
| Current Ratio | | |



SECURITY RECOMMENDATION

# SUNTRUST PORTFOLIO
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CRUMMER GRADUATE SCHOOL OF BUSINESS

## Procter and Gamble Company (NYSE: PG)

Review Date: 3/11/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 400 | Price | $64.88 | P/E (F) | 17.95 |
| Recommendation | Buy | Outperform | EPS (TTM) | $2.81 | P/E (TTM) | 22.27 |
| Sector | Consumer Staples | | 52-week High | $66.30 | P/E (Peer Group) | 23.95 |
| Asset Class | Large Cap Growth | | 52-week Low | $52.75 | PEG Ratio | 1.61 |
| S&P Consensus | Strong Buy | | Dividend Yield | 1.99% | | |
| S&P Target Price | $77.00 | | Beta | 0.21 | Insiders | Unfavorable |

### Profile

The Procter & Gamble Company (P&G), incorporated in 1905, is focused on providing branded consumer goods products. The Company is organized into three global business units: Beauty and Health; Household Care, and Gillette GBU. Its products are sold in over 180 countries around the world primarily through mass merchandisers, grocery stores, membership club stores and drug stores. The Company owns or has licenses under patents and registered trademarks, which are used in connection with its activity in all businesses.

### Catalysts

History of focusing on strengths and profits as drivers of change

Consistent historical performance

Sector resiliency in economic downturns

### Risks

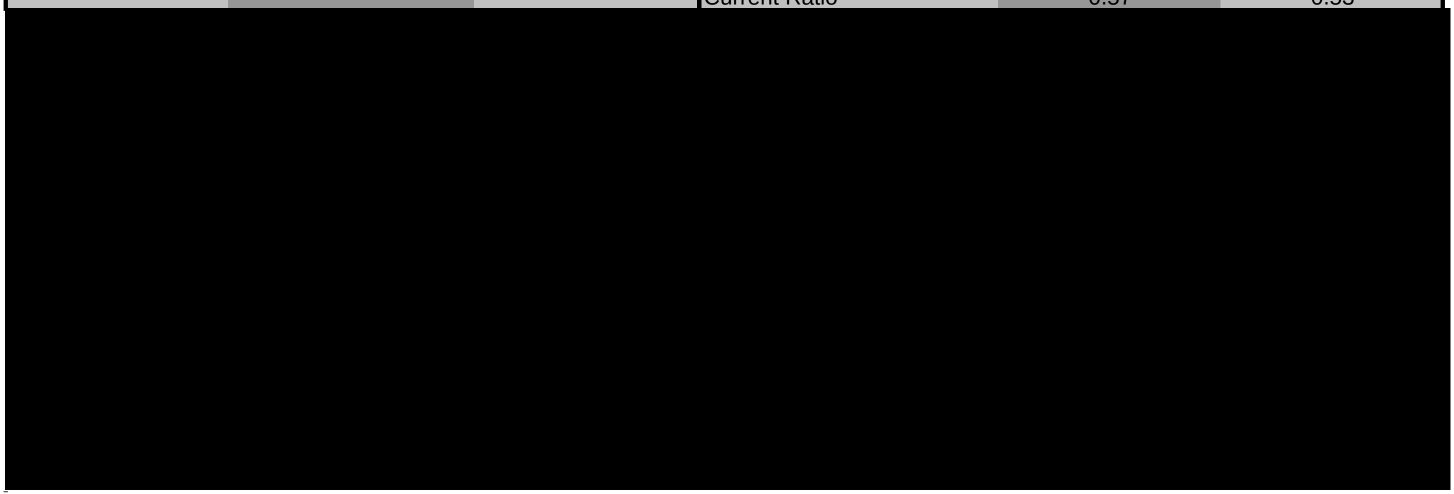
Market turns up making this stck less attractive

### ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 51.92% | 52.42% |
| EBITDA Margin | 24.23% | 21.21% |
| Operating Margin | 19.98% | 17.30% |
| EBT Margin | 18.76% | 16.22% |
| Net Profit margin | 13.14% | 11.35% |
| ROA | 7.06% | 8.52% |
| ROE Analysis | 14.83 | 18.90 |
| ROI | 8.71% | 11.57 |

### ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.54 | 0.85 |
| Inventory Turnover | 5.31 | 5.29 |
| Receivables Turnover | 0.54 | 0.85 |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | 11.33 | 11.09 |
| Long term debt/Equity | 0.36% | 0.66% |
| Long term debt/Total capital | | |
| FCF($million) | $6,693 | |
| Current Ratio | 0.57 | 0.53 |



SECURITY RECOMMENDATION

# SUNTRUST PORTFOLIO

SPRING 2006

CRUMMER GRADUATE SCHOOL OF BUSINESS

## Constellation Brands, Inc. (NYSE: STZ)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 260 | Price | $19.19 | P/E (F) | 14.01 |
| Recommendation | Sell | Underperform | EPS (TTM) | $1.33 | P/E (TTM) | 14.42 |
| Sector | Consumer Staples | | 52-week High | $29.17 | P/E (Peer Group) | 19.19 |
| Asset Class | Mid Cap | Growth | 52-week Low | $18.83 | PEG Ratio | 1.1 |
| S&P Consensus | Buy | | Dividend Yield | 0.00% | | |
| S&P Target Price | $23.00 | | Beta | 0.54 | Insiders | Neutral |

**Profile**

Constellation Brands, Inc. is an international producer and marketer of beverage alcohol brands with a portfolio across the wine, imported beer and spirits categories. The Company operates in two business segments: Constellation Wines, and Constellation Beers and Spirits.

**Catalysts**

Company recently announced lower 2008 expectations

**Risks**

Poor sales and margins in U.K.

U.S. invetory pullbacks

**ROE Analysis**

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 28.60% | 37.80% |
| EBITDA Margin | 16.08% | 21.78% |
| Operating Margin | 13.49% | 16.51% |
| EBT Margin | 9.96% | 14.28% |
| Net Profit margin | 6.25% | 9.02% |
| ROA | 3.65% | 7.98% |
| ROE Analysis | 10.03 | 37.41 |
| ROI | 4.54% | 9.61 |

**ROE Analysis**

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.58 | 0.86 |
| Inventory Turnover | 1.85 | 11.64 |
| Receivables Turnover | 4.81 | 14.59 |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | 2.93 | 6.02 |
| Long term debt/Equity | 1.19% | 1.42% |
| Long term debt/Total capital | | |
| FCF($million) | $10,878 | |
| Current Ratio | 1.97 | 1.00% |

# Sysco Corporation (NYSE: SYY)

Review Date: 3/11/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 500 | Price | $32.21 | P/E (F) | 18.09 |
| Recommendation | Hold | Outperform | EPS (TTM) | $1.46 | P/E (TTM) | 22.21 |
| Sector | Consumer Staples | | 52-week High | $37.04 | P/E (Peer Group) | 36.63 |
| Asset Class | Large Cap Blend | | 52-week Low | $26.50 | PEG Ratio | 1.46 |
| S&P Consensus | Hold | | Dividend Yield | 2.36% | | |
| S&P Target Price | $36.00 | | Beta | 0.66 | Insiders | Neutral |

## Profile

SYSCO Corporation (SYSCO) is a North American distributor of food and related products primarily to the foodservice or food-prepared-away-from-home industry. SYSCO provides its products and services to approximately 394,000 customers, including restaurants, healthcare and educational facilities, lodging establishments and other foodservice customers.

## Catalysts

Defensive nature of stock in economic downturn

Company has increased dividends 37 years in a row

## Risks

Further growth is questionable due to such a dominate business

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 19.32% | 25.61% |
| EBITDA Margin | 5.76% | 7.04% |
| Operating Margin | 4.38% | 5.07% |
| EBT Margin | 4.38% | 4.99% |
| Net Profit margin | 2.68% | 3.23% |
| ROA | 10.05% | 9.93% |
| ROE Analysis | 30.80 | 20.47 |
| ROI | 15.53% | 13.63 |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 3.75 | 3.04 |
| Inventory Turnover | 16.13 | 13.87 |
| Receivables Turnover | 13.8 | 62.33 |

| Leverage Measures & Others | Company | Industry |
|---|---|---|
| Interest Coverage | 14.34 | 8.03 |
| Long term debt/Equity | 0.55% | 0.55% |
| Long term debt/Total capital | | |
| FCF($million) | $202 | |
| Current Ratio | 1.40 | 1.11% |

# CVS Corp (NYSE: CVS)

Review Date: 3/22/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Not Held | | Price | $34.31 | P/E (F) | 17.44 |
| Recommendation | Buy | Outperform | EPS (TTM) | $1.61 | P/E (TTM) | 19.55 |
| Sector | Consumer Discretionary | | 52-week High | $36.14 | P/E (Peer Group) | 24.32 |
| Asset Class | Large Cap Blend | | 52-week Low | $27.09 | PEG Ratio | 1.16 |
| S&P Consensus | Strong Buy | | Dividend Yield | 0.62% | Insiders | Neutral |
| S&P Target Price | $40.00 | | Beta | 0.93 | | |

## Profile

CVS Corporation (CVS) operates in the retail drugstore industry in the United States. As of December 30, 2006, the Company operated 6,202 retail and specialty pharmacy stores in 43 states and the District of Columbia. CVS operates in two segments: Retail Pharmacy and Pharmacy Benefit Management (PBM). The Company sells prescription drugs and an assortment of general merchandise, including over-the-counter drugs, beauty products and cosmetics, film and photo finishing services, seasonal merchandise, greeting cards and convenience foods, through its CVS/pharmacy retail stores. The PBM business provides a range of prescription benefit management services to managed care and other organizations

## Catalysts

- Strong sales for generic drugs
- $78B in perscription drugs are threatened by generics (2008)
- Long term focus is on the pharmacy business
- Favorable synergistic and strategic purchases (Caremark RX), provides growth and exposure to new markets, and savings from combined buying power

## Risk

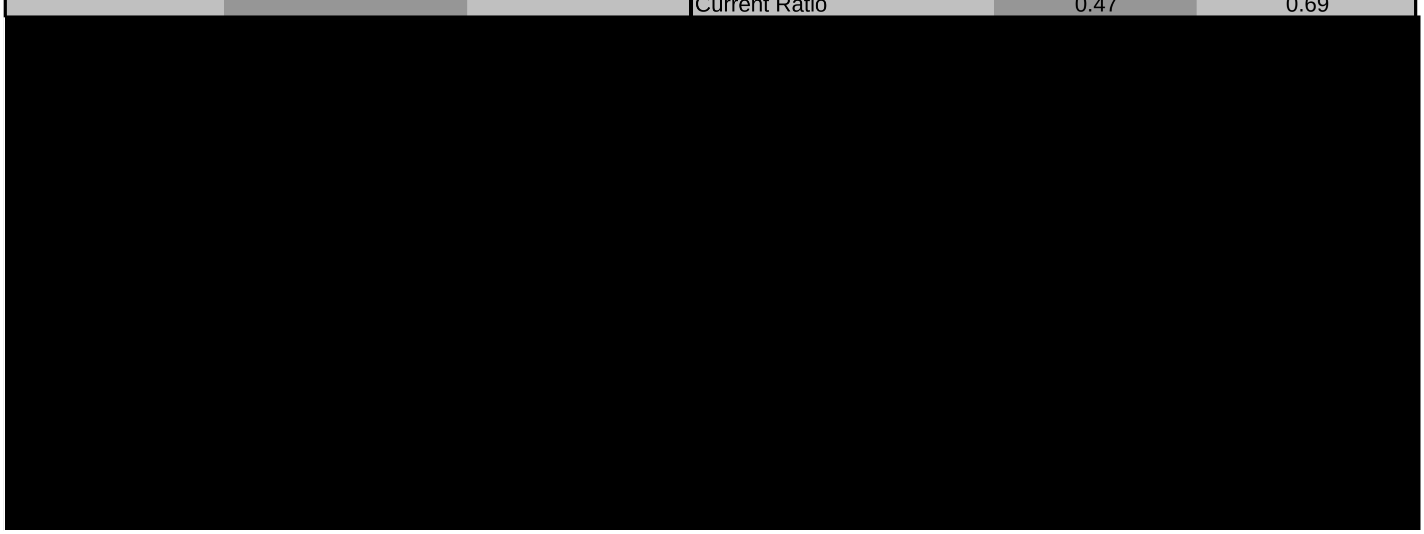
- Bush signed Deficit Reduction Act of 2005; to take effect in late spring 2007, which will lower margins on generic drugs

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 27.25% | 18.95% |
| EBITDA Margin | 7.25% | 5.86% |
| Operating Margin | 5.57% | 4.79% |
| EBT Margin | 5.08% | 4.67% |
| Net Profit Margin | 3.12% | 3.02% |
| ROA | 7.64% | 8.59% |
| ROE | 15.21% | 16.59% |
| ROI | 11.28% | 12.96% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 2.44X | 2.82X |
| Inventory Turnover | 4.97X | 26.53X |
| Receivables Turnover | 20.78X | 20.5X |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | 11.31 | 11.02 |
| Long term debt/equity | 29% | 23.00% |
| Long term debt/Total capital | 22.45% | |
| FCF ($million) | -$27.0 | |
| Current Ratio | 0.47 | 0.69 |



# Energy

**Sector/Industry Report**
Analyst: *Rie Ryo*
Sector: *Energy*
Recommendation: *Modest overweight*

**Sector Overview**

The warm temperatures in North America through early January reduced the demand for heating fuels, leading to an easing of petroleum and natural gas prices. The turn to colder weather in the second half of January contributed to increasing crude oil and natural gas prices. According to EIA (Energy Information Administration) average of WTI crude oil price in 2006 was $66.00 per barrel, and is projected to about $59.50 per barrel in 2007 and $62.50 per barrel in 2008. Also EIA indicates that average of the natural gas price was $6.90 per thousand cubic feet (mcf) in 2006, and the averages in 2007 and in 2008 are projected to $7.10 mcf and $7.60 respectively.

The fundamental outlook for the sector remains neutral, reflecting expectations for continued strength in energy prices relative to historical averages. According to S&P year-over-year gains in the sector's EPS growth will slow from 24% in 2006 to an estimated 2% decline in 2007, as EPS comparisons get tougher in light of strong 2006 profit growth. Also the sector trades at a P/E on estimated 2006 earnings of 10.6X, below the 15.3X P/E of the 500, which indicates investors are concerned about the sharp deceleration and forecast for a 2007 profit decline. Its P/E-to-projected five-year EPS growth rate (PEG) ratio of 1.0X is below the market's PEG of 1.3X.

**Sub-Industry Overview**

Integrated oil & gas: *Modest Overweight*

Global oil markets have tightened in recent weeks due to a series of production cuts by OPEC members, as well as the return of cold winter weather in North America. Oil prices are expected to remain relatively high and volatile in 2007 and 2008, reflecting strong global oil demand and continuing geopolitical tensions. According to EIA global oil consumption is expected to increase by over1.4 million bbl/d in 2007, compared with a growth rate of 1.2 million bbl/d in 2006. China accounts for about one-third of the projected growth in world oil consumption. Consumption of natural gas in residential as well as in commercial are expected to increase as temperature returns to normal in 2007. EIA estimates that residential consumption is expected to increase 10.8 percent in 2007. Similarly, commercial and industrial sector consumption are expected to increase by 6.3 and 1.9 percent, respectively, in 2007 because of a return to normal weather, lower commercial prices, and growing industrial output.
It is projected that Auto sales for the highly profitable light vehicle will decrease by approximately 1% in 2007. Coupled with the increase in material costs, caused by the increase in oil and demand from China, and heavy price competition, profitability is a concern for the up coming year.

# BP Plc (NYSE:BP)

Review Date: 3/9/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 150 | Price | $61.19 | P/E (F) | 9.87 |
| Recommendation | sell | marketperform | EPS (TTM) | $6.55 | P/E (TTM) | 9.36 |
| Sector | Energy | | 52-week High | $76.85 | P/E (Peer Group) | 12.33 |
| Asset Class | LargCap | value | 52-week Low | $60.33 | PEG Ratio | 0.85 |
| S&P Consensus | Hold | | Dividend Yield | 4.05% | Insiders | Neutral |
| S&P Target Price | 72 | | Beta | 0.61 | | |

## Profile

The Company operates through three business segments: Exploration and Production, Refining and Marketing and Gas, Power and Renewables. Exploration and Production=s activities include oil and natural gas exploration, development and production (upstream activities), together with related pipeline, transportation and processing activities (midstream activities). The activities of Refining and Marketing include oil supply and trading and the manufacture and marketing of petroleum products, including aromatics and acetyls, as well as refining and marketing. Gas, Power and Renewables activities include marketing and trading of gas and power; marketing of liquefied natural gas (LNG); natural gas liquids (NGLs), and low-carbon power generation through its Alternative Energy business. BP has operations in Europe, the United States, Canada, Russia, South America, Australasia, Asia and parts of Africa. In August 2006, it acquired Greenlight Enery, Inc.

## Catalysts

- Broad restructuring has lowered costs and improved growth rates, lifting returns relative to cost of capital,thus adding value.

-Balance sheet strengthened by debt reduction and building free cash flow.

-Returns ( ROA, ROE, and ROI) are much lower than industry average while lowering cost.

## Risk

-Cost-cutting to a fatal explosion at the company's Texas City refinery in 2005 has damaged the company's reputation. It has caused the company to commit $1.6bn for compensation claims.

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 16.96% | 32.08% |
| EBITDA Margin | 13.65% | 24.85% |
| Operating Margin | 5.57% | 17.08% |
| EBT Margin | 6.94% | 18.29% |
| Net Profit Margin | 4.65% | 8.83% |
| ROA | 5.29% | 15.10% |
| ROE | 13.48% | 29.49% |
| ROI | 9.03% | 20.78% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.14X | 1.16X |
| Inventory Turnover | 11.01X | 22.99X |
| Receivables Turnover | 6.32X | 10.07X |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | 116.5 | 26.04 |
| Long term debt/equity | 12.16% | 38.18% |
| Long term debt/Total capital | 18.82% | 20.10% |
| FCF ($million) | $5,423.00 | |
| Current Ratio | 1.03X | 1.33X |

SECURITY RECOMMENDATION

# SUNTRUST PORTFOLIO

SPRING 2006

CRUMMER GRADUATE SCHOOL OF BUSINESS

## Helmerich&Payne,Inc. (NYSE:HP)

Review Date: 3/9/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 400 | Price | $28.09 | P/E (F) | 7.08 |
| Recommendation | Hold | Outperform | EPS (TTM) | $3.35 | P/E (TTM) | 8.34 |
| Sector | Energy | | 52-week Hig | $39.95 | P/E (Peer Group) | 15.93 |
| Asset Class | MidCap | Growth | 52-week Lov | $21.75 | PEG Ratio | N/A |
| S&P Consensus | N/A | | Dividend Yie | 0.644 | Insiders | Unfavorable |
| S&P Target Price | N/A | | Beta | 0.74 | | |

### Profile

Helmerich & Payne is a leading contract driller of land rigs in the U.S. and in Latin America.The company is primarily engaged in the exploration, production, and sale of crude oil and natural gas and in contract drilling of oil and gas wells for others. These activities account for the major portion of its operating revenues. The company is also engaged in the ownership, development, and operation of commercial real estate.

### Catalysts

- New CEO: Randy A. Foutch

- Three-year contract with an exploration and production company to operate a total of four FlexRigs( HP's registered trademark) in California.

### Risk

### ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 46.86% | 38.68% |
| EBITDA Margin | 43.14% | 31.67% |
| Operating Margin | 37.83% | 26.65% |
| EBT Margin | 45.26% | 29.30% |
| Net Profit Margin | 28.67% | 21.45% |
| ROA | 19.50% | 16.71% |
| ROE | 30.39% | 32.94% |
| ROI | 22.45% | 21.67% |

### ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | .68X | .90X |
| Inventory Turnover | 28.52X | 25.66X |
| Receivables Turnover | 5.15X | 4.92X |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | N/A | 19.94 |
| Long term debt/equity | 14% | 40.56% |
| Long term debt/Total capital | 12% | 27.82% |
| FCF ($million) | -$250.2 | |
| Current Ratio | 2.39X | 2.15X |

SECURITY RECOMMENDATION

# SUNTRUST PORTFOLIO

SPRING 2006

CRUMMER GRADUATE SCHOOL OF BUSINESS

## Marathon Oil Corp. (NYSE:MRO)

Review Date: 3/9/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 200 | Price | $94.73 | P/E (F) | 8.93 |
| Recommendation | Hold | Outperform | EPS (TTM) | $13.73 | P/E (TTM) | 6.89 |
| Sector | Energy | | 52-week Hig | $98.73 | P/E (Peer Group) | 12.33 |
| Asset Class | Large Cap Value | | 52-week Lov | $67.57 | PEG Ratio | 0.71 |
| S&P Consensus | Hold | | Dividend Yie | 1.699 | Insiders | Neutral |
| S&P Target Price | $97.00 | | Beta | 0.5 | | |

### Profile

Marathon Oil Corporation is an energy company engaged in the worldwide exploration, production and transportation of crude oil and natural gas. The company refines, markets and transports petroleum products in the United States through Marathon Ashland Petroleum LLC, a joint venture company between Marathon and Ashland, Inc.

### Catalysts

- Expectations with new project in Africa and North Sea : average daily oil production growth of 6 percent to 9 percent through 2010

- The strong balance sheet and significant free cash flow are being used to fund high return growth projects.

### Risk

-exploration and production in politically challenging regions (such asWest Africa and Libya) may be considered risk while it is an opportunity

### ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 19.62% | 32.08% |
| EBITDA Margin | 16.58% | 24.85% |
| Operating Margin | 12.84% | 17.08% |
| EBT Margin | 14.34% | 18.29% |
| Net Profit Margin | 8.59% | 8.83% |
| ROA | 14.00% | 15.10% |
| ROE | 29.55% | 29.49% |
| ROI | 21.00% | 20.78% |

### ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.63X | 1.16X |
| Inventory Turnover | 13.41X | 22.99X |
| Receivables Turnover | 11.94X | 10.07X |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | N/A | 26.04 |
| Long term debt/equity | 24.13% | 38.18% |
| Long term debt/Total capital | 17.18% | 20.10% |
| FCF ($million) | $767.0 | |
| Current Ratio | 1.27X | 1.33X |

SECURITY RECOMMENDATION

SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# Exxon Mobil Corp. ( NYSE:XOM)

Review Date: 3/9/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 100 | Price | $71.12 | P/E (F) | 11.99 |
| Recommendation | Buy | Outperform | EPS (TTM) | $6.62 | P/E (TTM) | 10.85 |
| Sector | Energy | | 52-week Hig | $79.00 | P/E (Peer Group) | 12.33 |
| Asset Class | Large Cap Growth | | 52-week Lov | $56.64 | PEG Ratio | 2.03 |
| S&P Consensus | StrongBuy | | Dividend Yie | 1.781 | Insiders | Neutral |
| S&P Target Price | $89.00 | | Beta | 0.8 | | |

## Profile

Exxon Mobil Corporation's principal business is energy, involving exploration for, and production of, crude oil and natural gas, manufacturing of petroleum products and transportation and sale of crude oil, natural gas and petroleum products. Exxon Mobil is a major manufacturer and marketer of basic petrochemicals, including olefins, aromatics, polyethylene and polypropylene plastics and a wide variety of specialty products. Exxon Mobil is engaged in exploration for, and mining and sale of coal, copper and other minerals.

## Catalysts

- New chairman and CEO :RexW. Tillerson
- 20+ new global projects in the next three years that, at peak, are expected to add 1 million oil equivalent barrels per day to ExxonMobil's base volumes.

- XOM is the largest publicly traded oil company in the world.Its global functional organization and diversification help alleviate business risk and margin volatility.

## Risk

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 25.35% | 32.08% |
| EBITDA Margin | 20.40% | 24.85% |
| Operating Margin | 16.00% | 17.08% |
| EBT Margin | 19.83% | 18.29% |
| Net Profit Margin | 12.79% | 8.83% |
| ROA | 18.72% | 15.10% |
| ROE | 36.01% | 29.49% |
| ROI | 27.92% | 20.78% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.46X | 1.16X |
| Inventory Turnover | 21.54X | 22.99X |
| Receivables Turnover | 11.07X | 10.07X |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | 104.1 | 26.04 |
| Long term debt/equity | 5.62% | 38.18% |
| Long term debt/Total capital | 5.68% | 20.10% |
| FCF ($million) | $29,276.0 | |
| Current Ratio | 1.53X | 1.33X |

[redacted]

# Chevron Corp (NYSE:CVX)

Review Date: 3/16/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Not Held | | Price | $68.08 | P/E (F) | 9.37 |
| Recommendation | Buy | Outperform | EPS (TTM) | $7.80 | P/E (TTM) | 8.82 |
| Sector | Energy | | 52-week Hig | $76.20 | P/E (Peer Group) | 12.33 |
| Asset Class | LargeCap | Growth | 52-week Lov | $55.41 | PEG Ratio | 1.69 |
| S&P Consensus | Buy | | Dividend Yie | 3.06 | Insiders | Neutral |
| S&P Target Price | $85.00 | | Beta | 0.7 | | |

## Profile

Chevron is the second largest U.S. oil company, the fifth largest publicly traded oil company in the world, and it has interests in exploration, production, refining and marketing, and petrochemicals. The company manages its investments in subsidiaries and affiliates, and provides administrative, financial, management and technology support to the United States and foreign subsidiaries that engage in fully integrated petroleum operations, chemicals operations, mining operations of coal and other minerals, power generation and energy services.

## Catalysts

Acquisition of Unocal in 2005 fills a short term void in Asia and the Caspian.

- Ongoing international development projects called " Big Five" : Angola, Kazakhstan, Nigeria, the U.S. Gulf of Mexico, and Australia

## Risk

New development project in foreign countries especially Africa may be considered risk as well as a huge opportunity.

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 19.37% | 32.08% |
| EBITDA Margin | 17.12% | 24.85% |
| Operating Margin | 13.46% | 17.08% |
| EBT Margin | 15.64% | 18.29% |
| Net Profit Margin | 8.16% | 8.83% |
| ROA | 13.04% | 15.10% |
| ROE | 26.36% | 29.49% |
| ROI | 18.95% | 20.78% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.56X | 1.16X |
| Inventory Turnover | 34.53X | 22.99X |
| Receivables Turnover | 11.35X | 10.07X |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | NM | 26.04 |
| Long term debt/equity | 14.06% | 38.18% |
| Long term debt/Total capital | 10.86% | 20.10% |
| FCF ($million) | $6,114.0 | |
| Current Ratio | 1.34X | 1.33X |

[redacted]

# Financials

**Sector/Industry Report**
Analyst: *Dieter Hinrichs*
Sector: *Finance*
Recommendation: MARKETWEIGHT

**Sector Overview:**

The financial sector is currently faced with a couple challenges. First, the interest rate margin that banks and other lending institution are receiving on the loans they provide is considerably smaller than in the past. As a result smaller banks and lending institutions are seeing their earning squeezed and could be severally hurt if the margins do not increase in the near future. The second challenge is the uncertain outlook of the US economy. The yield curve for government bonds has been fluctuating between being flat and being inverted and this has caused several analysts to project an upcoming recession. However, other analysts have countered by pointing out the increased purchase of long-term US treasury bonds by foreign governments, strong consumer spending, and increasing employment as evidence that the current status of the yield curve does not guarantee a recession. The result of these challenges is uncertainty and an atmosphere of caution in corporate America.

On a more positive note, the interest rate margin for banks is expected to increase over the next 12 months as investors begin to realize the risks associated with different types of bonds. The recent troubles faced by several national mortgage companies will help point out those risks. In addition, the yield curve may take on a more normal position if China decides to become more aggressive in their investments and move out of the US Treasury Bonds. However, the normalizing of the yield curve may not alleviate recession fears since the mortgage defaults from the housing slump continue to spread and consumer spending has recently started to slow. Consequently, the uncertain outlook of the US economy and the financial markets limits this sectors recommendation to marketweight.

**Sub-Industry Overview**

Regional Banks: UNDERWEIGHT

The regional banks have been significantly hurt by the inverted yield curve. It has constrained rates on the loans they underwrite and forced them to pay higher rates to attract deposits. Consequently, the margins for these banks have been severely squeezed. An increase in short-term interest rates or a prolonged inverted yield curve will cause many of these banks to have lower earnings this year than previously expected. Plus, any regional bank with a portion of their assets in sub-prime mortgages will be hard-hit this year.

Consumer Finance: UNDERWEIGHT

This industry is comprised largely of credit card companies and other personal credit services. The level of credit card debt has increased in recent months as personal equity decreases with home values and consumer spending continues to increase. The risk is that more of these debts will default in conjunction with the sub-prime mortgage defaults.

Diversified Financial Services: OVERWEIGHT

The diversity and size of the institution in the Diversified Financial Services industry will protect them from being significantly impacted by the crumbling sub-prime mortgage market. In fact, the troubles of the sub-prime market could cause an increase in customers to this industry as customers leave the regional banks in search of something more secure. The global capital market appears strong and the international expansion of many of the institutions in this industry will result in healthy growth rates.

Insurance: MARKETWEIGHT

Since the hurricanes of 2005, several property & casualty insurance companies have been strategically dropping policies and adjusting their regional presence to reduce risk. The repositioning of these companies has caused several lawsuits, but it has also helped prepare them for the future. Another reason to favor the property & casualty insurance companies is evidence that the property & casualty claims come in waves and this year looks to be in favor of the insurance companies. However, the uncertainty of possible disasters that could cause massive outflows from the insurance companies prevents this sector from being overweighed.

Real Estate Investment Trusts: OVERWEIGHT

The strong dividends provided by REITs and their low correlation with other stocks and bonds makes them a promising investment in the face of this year’s economic uncertainty. Retail and diversified REITs will benefit from the strong consumer confidence and spending. Lodging and Industrial REITs are connected to the economy and will struggle if the economy takes a downward turn. Office REITs can be expected to do extremely well as the construction of new offices is limited and the demand continues to increase. Many of the residential REITs will be plagued by increased vacancies as the national foreclose rate recently hit a 30 year high (1.23%).

Thrifts & Mortgage Finance: UNDERWEIGHT

Similar to the regional banks, those institutions in the Thrifts & Mortgage Industry have seen their interest margins squeezed by the inverted yield curve. Plus, the weak demand for houses will continue to depress mortgage origination, despite historically low mortgage rates. Therefore, this industry should be avoided until the housing and mortgage markets begin to turn around.

Security Recommendation

SunTrust Portfolio
Spring 2006
Crummer Graduate School of Business

# Allstate Corp. (NYSE: ALL)

Review Date: 3/14/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 100 | Price | $60.13 | P/E (F) | 8 |
| Recommendation | Hold | Outperform | EPS (TTM) | $7.84 | P/E (TTM) | 7.7 |
| Sector | Financials | | 52-week High | $66.14 | P/E (Peer Group) | 12.21 |
| Asset Class | Large Cap Blend | | 52-week Low | $50.30 | PEG Ratio | 1.02 |
| S&P Consensus | Buy/Hold | | Dividend Yield | 2.5% | Insiders | Unfavorable |
| S&P Target Price | $75.00 | | Beta | 0.64% | | |

## Profile

The Allstate Corporation, through its subsidiaries, engages in the personal property and casualty insurance business, as well as in the life insurance, retirement, and investment products business in the United States and Canada. It operates in two segments, Allstate Protection, and Allstate Financial. Allstate Protection segment sells private passenger auto and homeowner's insurance under Encompass and Deerbrook brand names primarily through agencies. Allstate Financial segment provides life insurance, retirement and investment products, and supplemental accident and health insurance products to individual and institutional customers.

## Catalysts

-The property-casualty insurance industry is expected to do well this year and Allstate is a leader in this industry

Weathering lawsuits very well
Strong Fundamentals
Revenue growth
Reasonable debt levels
Good cash flow from operations

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | NM | NM |
| EBITDA Margin | NM | NM |
| Operating Margin | 20.31% | 20.20% |
| EBT Margin | 20.05% | 19.30% |
| Net Profit Margin | 13.95% | 14.15% |
| ROA | 3.18% | 3.68% |
| ROE | 23.76% | 15.37% |
| ROI | NM | 11.18% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | NM | |
| Inventory Turnover | NM | |
| Receivables Turnover | NM | |
| **Leverage & Misc.** | **Company** | **Industry** |
| Interest Coverage | NM | |
| Long term debt/equity | 0.22 | |
| Long term debt/Total capital | NM | |
| Cash from Operations ($mil) | $5,055.0 | |
| Current Ratio | 0.4 | |

[redacted]

SECURITY RECOMMENDATION

SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# Bank of America Corp. (NYSE: BAC)

Review Date: 3/14/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 67 | Price | $51.09 | P/E (F) | 10.3 |
| Recommendation | Hold | Marketperform | EPS (TTM) | $4.59 | P/E (TTM) | 11.1 |
| Sector | Financial | | 52-week High | $55.08 | P/E (Peer Group) | 12.36 |
| Asset Class | Large-Cap Blend | | 52-week Low | $45.26 | PEG Ratio | 1.14 |
| S&P Consensus | Buy/Hold | | Dividend Yield | 4.4% | Insiders | Favorable |
| S&P Target Price | 63 | | Beta | 0.55 | | |

**Profile**

Bank of America Corporation, a financial holding company, provides banking and nonbanking financial services in the United States and internationally. It operates through three segments: Global Consumer and Small Business Banking, Global Corporate and Investment Banking, and Global Wealth and Investment Management. As of December 31, 2006, the company operated approximately 5,700 retail banking offices and 17,000 automated teller machines. Bank of America Corporation was founded in 1874 and is headquartered in Charlotte, North Carolina.

**Catalysts**

The diversity of services and geographic locations for BAC will shield it form fluctuations in the economy

-Strong revenue growth in the past and expected to continue the future

Significant investments in real estate properties in AZ that are expected to grow

**ROE Analysis**

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | NM | NM |
| EBITDA Margin | NM | NM |
| Operating Margin | 44.05% | 35.95% |
| EBT Margin | 44.05% | 34.95% |
| Net Profit Margin | 29.12% | 25.94% |
| ROA | 1.54% | 1.38% |
| ROE | 18.07% | 17.78% |
| ROI | NM | 6.72% |

**ROE Analysis**

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | NM | |
| Inventory Turnover | NM | |
| Receivables Turnover | NM | |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | NM | |
| Long term debt/equity | NM | |
| Long term debt/Total capital | NM | |
| Cash from Operations ($mil) | $14,509.0 | |
| Current Ratio | NM | |

[redacted]

# Ishares TR Cohen & Steers Rty Maj In. (AMEX: ICF)

Review Date: 3/14/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 200 | NAV | $103.11 | Expense Ratio*** | 0.35% |
| Recommendation | Hold | Marketperform | 52-week High | | Alpha* | 16.44 |
| Morningstar Category | | Specialty-Real Estate | 52-week Low | | Beta* | 1.36 |
| Management Style | | N/A | Net Assets ($million) | $3,196 | R squared* | 28 |
| Management Average Tenure | | N/A | Load | No | Sharpe Ratio** | 1.33 |
| Fund Inception Date | | 1/29/2001 | | | | |

**Fund's Strategy**

Cohen & Steers Realty Majors Fund seeks investment results that correspond to the performance of large, actively traded U.S. real estate investment trusts (REITs), as represented by the Cohen & Steers Realty Majors Index. The Portfolio is broadly diversified by both geographic region and property type and is designed to provide a total investment return from both current income and the potential for capital appreciation.

**Justification for Recommendation**

- Follows the Real Estate Index closely
- Good Management Strategy
  - Follows large REITs
  - Well diversified
- Consistently provides good returns

**Top Ten Holdings**

| | Sector | 12/31/2006 |
|---|---|---|
| Simon Property Group | Regional Mall | 7.8% |
| Vornado Realty Trust | Diversified | 7.0% |
| Equity Office Prop. Trust | Office | 6.7% |
| Equity Residential | Apartment | 6.1% |
| ProLogis | Industrial | 6.0% |
| Public Storage | Self Storage | 5.4% |
| Boston Properties | Office | 5.3% |
| Archstone-Smith Trust | Apartment | 5.0% |
| General Growth Properties | Regional Mall | 4.8% |
| Host Hotels & Resorts | Hotel | 4.7% |

**Historical Performance**

| | Cohen & Steers Realty Majors | S&P 500 | Realty Majors Index |
|---|---|---|---|
| 1 Year | 39.03% | 15.80% | 39.86% |
| 3 Year | 28.98% | 10.44% | 29.84% |
| 5 Year | 24.75% | 6.20% | 25.45% |
| Inception | 22.74% | 2.38% | 23.38% |

**Asset Allocation**

| | 12/31/2006 |
|---|---|
| Equity | 99.9% |
| Bonds | 0.0% |
| Cash & Others | 0.1% |

[redacted]

SECURITY RECOMMENDATION

# SUNTRUST PORTFOLIO

SPRING 2006

CRUMMER GRADUATE SCHOOL OF BUSINESS

## IndyMac Bancorp Inc. (NYSE: NDE)

Review Date: 3/14/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 200 | Price | $29.21 | P/E (F) | 7.8 |
| Recommendation | Sell | Underperform | EPS (TTM) | $4.82 | P/E (TTM) | 6.4 |
| Sector | Financials | | 52-week High | $50.50 | P/E (Peer Group) | 27.23 |
| Asset Class | Mid Cap | Blend | 52-week Low | $28.36 | PEG Ratio | 0.63 |
| S&P Consensus | Hold | | Dividend Yield | 6.5% | Insiders | Unfavorable |
| S&P Target Price | $32.00 | | Beta | 0.82 | | |

### Profile

IndyMac Bancorp, Inc. operates as the holding company for IndyMac Bank, F.S.B., a thrift/mortgage bank, which provides mortgage products and services in Los Angeles County. The bank operates through two segments: Mortgage Banking and Thrift. The Mortgage Banking segment offers various products, such as adjustable-rate mortgages, fixed-rate mortgages, construction-to-permanent loans, subprime mortgages, and reverse mortgages. The Thrift segment principally invests in single-family residential mortgage loans; construction financing for single-family residences; home equity lines of credit; and mortgage-backed securities.

### Catalysts

-NDE is one of the largest mortgage originators in the US
The troubles of the mortgage market make this a bad position to hold
-Problems at NDE Poor operating cash flow
Declining EPS

-Still a market leader in Thrifts & Mortgage Finance industry

### ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | NM | NM |
| EBITDA Margin | NM | NM |
| Operating Margin | 40.73% | 41.16% |
| EBT Margin | 40.73% | 21.60% |
| Net Profit Margin | 25.17% | 15.17% |
| ROA | 1.35% | 0.87% |
| ROE | 19.20% | 9.09% |
| ROI | NM | 8.51% |

### ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | NM | |
| Inventory Turnover | NM | |
| Receivables Turnover | NM | |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | NM | |
| Long term debt/equity | NM | |
| Long term debt/Total capital | NM | |
| Cash from Operations ($mil) | -$7,403.0 | |
| Current Ratio | N/A | |

[redacted]

# LaSalle Hotel Properties (NYSE: LHO)

Review Date: 3/14/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 100 | Price | $45.10 | P/E (F) | 45.9 |
| Recommendation | Hold | Outperform | EPS (TTM) | $1.85 | P/E (TTM) | 24.1 |
| Sector | Financials | | 52-week High | $48.99 | P/E (Peer Group) | 38.74 |
| Asset Class | Mid Cap | Value | 52-week Low | $39.39 | PEG Ratio | 1.18 |
| S&P Consensus | Buy/Hold | | Dividend Yield | 3.8% | Insiders | Unfavorable |
| S&P Target Price | $45.00 | | Beta | 0.36 | | |

## Profile

LaSalle Hotel Properties, a real estate investment trust (REIT), engages in the purchase, ownership, and lease of upscale and luxury hotels located in convention, resort, and urban business markets in the United States. As of February 22, 2006, it owned interests in 27 hotels consisting of approximately 8,500 guest rooms in 11 states and the District of Columbia. As a REIT, LHO is not subject to federal income tax, provided that it distributes at least 90% of its REIT taxable income to its shareholders.

## Catalysts

- Focus is luxury hotel services in major urban business markets
  - Office and Commercial REITs are expected to do well this year
- Well picked assets that have consistently brought high revenue

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 31.32% | 57.77% |
| EBITDA Margin | 29.39% | 51.52% |
| Operating Margin | 16.80% | 24.23% |
| EBT Margin | 10.35% | 16.18% |
| Net Profit Margin | 10.41% | 18.67% |
| ROA | 3.58% | 3.08% |
| ROE | 7.51% | 7.27% |
| ROI | 3.92% | 3.70% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.34 | 0.21 |
| Inventory Turnover | NM | 11.08 |
| Receivables Turnover | 29.77 | 15.06 |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | 2.6 | 2.82 |
| Long term debt/equity | 0.71 | 2.02 |
| Long term debt/Total capital | | |
| Cash from Operations ($mil) | $159.0 | |
| Current Ratio | NM | 2.53 |

Security Recommendation



# Lincoln National Corp. (NYSE: LNC)

Review Date: 3/14/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 300 | Price | $67.67 | P/E (F) | 12.5 |
| Recommendation | Hold | Marketperform | EPS (TTM) | $5.13 | P/E (TTM) | 13.2 |
| Sector | Financial | | 52-week High | $71.18 | P/E (Peer Group) | 15.26 |
| Asset Class | Large-Cap Value | | 52-week Low | $53.53 | PEG Ratio | 1.09 |
| S&P Consensus | Buy/Hold | | Dividend Yield | 2.3% | Insiders | Favorable |
| S&P Target Price | $77.00 | | Beta | 1.26 | | |

## Profile

Lincoln National Corporation, through its subsidiaries, operates multiple insurance and investment management products and services in the United States and the United Kingdom. It operates through five segments: Lincoln Retirement, Life Insurance, Investment Management, Lincoln UK, and Employer Markets. The company offers its products to wire or regional firms, independent financial planners, financial institutions, general agents, and corporate specialty markets, through its financial advisors, financial distributors, and retailers.

## Catalysts

- Recently grew through acquisition of Jefferson-Pilot
  - Significantly expanded services to be provided and thus helped diversify co.
- The insurance addition should boost revenue growth this year
  - Insurance fees & insurance advisory fees
- Aggressive buy back plan authorized Feb.

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | NM | NM |
| EBITDA Margin | NM | NM |
| Operating Margin | 22.46% | 13.38% |
| EBT Margin | 19.99% | 13.09% |
| Net Profit Margin | 14.52% | 9.59% |
| ROA | 0.87% | 0.80% |
| ROE | 14.16% | 11.58% |
| ROI | NM | 8.60% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | NM | |
| Inventory Turnover | NM | |
| Receivables Turnover | NM | |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | NM | |
| Long term debt/equity | 0.33 | |
| Long term debt/Total capital | NM | |
| Cash from Operations ($mil) | $3,049.0 | |

# PNC Financial Services Group Inc. (NYSE: PNC)

Review Date: 3/14/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 200 | Price | $72.03 | P/E (F) | 13 |
| Recommendation | Hold/Sell | Underperform | EPS (TTM) | $8.73 | P/E (TTM) | 14.25 |
| Sector | Financials | | 52-week High | $76.41 | P/E (Peer Group) | 15.12 |
| Asset Class | Large-Cap Value | | 52-week Low | $65.30 | PEG Ratio | 1.29 |
| S&P Consensus | Buy/Hold | | Dividend Yield | 3.1% | Insiders | Unfavorable |
| S&P Target Price | $78.00 | | Beta | 0.89 | | |

## Profile

The PNC Financial Services Group, Inc., together with its subsidiaries, operates as a diversified financial services company in the United States. It offers retail banking, corporate and institutional banking, asset management, and global fund processing services. The company serves customers in Pennsylvania, New Jersey, Delaware, Ohio, Washington, D.C., and Kentucky, as well as in Ireland and Luxembourg. As of December 31, 2005, it operated 839 branch offices and 3,721 ATMs.

## Catalysts

- Strong fundamentals
  - Net income greater than any of its peers
  - Value purchase P/E lower than its peers
- However, PNC primarily involved with regional banking
  - Interest margins and mortgage slide are have hurt this industry

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | NM | NM |
| EBITDA Margin | NM | NM |
| Operating Margin | 46.17% | 50.75% |
| EBT Margin | 46.17% | 33.71% |
| Net Profit Margin | 30.27% | 23.83% |
| ROA | 2.68% | 1.39% |
| ROE | 26.81% | 15.05% |
| ROI | NM | 8.01% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | NM | |
| Inventory Turnover | NM | |
| Receivables Turnover | NM | |

| Leverage Measures & Othe | Company | Industry |
|---|---|---|
| Interest Coverage | NM | |
| Long term debt/equity | NM | |
| Long term debt/Total capital | NM | |
| Cash from Operations ($mil) | $2,648.0 | |
| Current Ratio | NM | |

[redacted]

# Student Loan Group (NYSE: STU)

Review Date: 3/14/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 50 | Price | $186.76 | P/E (F) | N/A |
| Recommendation | Hold | Marketperform | EPS (TTM) | $14.34 | P/E (TTM) | 12.93 |
| Sector | Financials | | 52-week High | $241.00 | P/E (Peer Group) | 14.8 |
| Asset Class | Mid Cap | Value | 52-week Low | $160.65 | PEG Ratio | N/A |
| S&P Consensus | | | Dividend Yield | 2.8% | Insiders | Favorable |
| S&P Target Price | | | Beta | 0.73 | | |

**Profile**

The Student Loan Corporation and its subsidiaries engage in origination, management, and servicing of various student loan products to students and their parents in the United States. It guarantees loans under the Federal Family Education Loan (FFEL) Program authorized by the U.S. Department of Education. The company was incorporated in 1992 and is headquartered in Stamford, Connecticut.

**Catalysts**

- Expected increases in degree-granting institutions should increase loans provided
- However, the credit services industry is likely to be hurt this year as the defaults on mortgages continue

**ROE Analysis**

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | NM | NM |
| EBITDA Margin | NM | NM |
| Operating Margin | 28.58% | 20.40% |
| EBT Margin | 28.58% | 19.06% |
| Net Profit Margin | 17.66% | 13.85% |
| ROA | 1.18% | 2.91% |
| ROE | 19.68% | 22.01% |
| ROI | 2.15% | 7.18% |

**ROE Analysis**

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | NM | |
| Inventory Turnover | NM | |
| Receivables Turnover | NM | |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | NM | |
| Long term debt/equity | 13% | 6.46 |
| Long term debt/Total capital | NM | |
| Cash from Operations ($mil) | $201.2 | |
| Current Ratio | NM | |

SECURITY RECOMMENDATION

SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# Citigroup Inc. (NYSE: C)

Review Date: 3/14/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Not held | | Price | $48.85 | P/E (F) | 10.6 |
| Recommendation | Buy | Outperform | EPS (TTM) | $4.31 | P/E (TTM) | 11.3 |
| Sector | Financials | | 52-week High | $57.00 | P/E (Peer Group) | 11.96 |
| Asset Class | Large Cap Blend | | 52-week Low | $46.22 | PEG Ratio | 1.12 |
| S&P Consensus | Buy/Hold | | Dividend Yield | 4.4% | Insiders | Favorable |
| S&P Target Price | $63.00 | | Beta | 1.27 | | |

## Profile

Citigroup, Inc., a multibank holding company, provides various financial services to customers in the United States and internationally. The company's Global Consumer segment offers banking, lending, insurance, and investment services. Its Corporate and Investment Banking segment provides various investment and commercial banking services and products. It also offers cash management and trade finance for corporations and financial institutions. The company's Global Wealth Management segment provides brokerage services.The company's Alternative Investments segment manages products across five asset classes.

## Catalysts

In the summer of 2007, they will begin trading the European energy $3.6 trillion market.

Diversity of financial products from retail lending to credit cards

Strong financial fundaments with pattern of EPS growth without anything expected to interrupt that growth

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | NM | NM |
| EBITDA Margin | NM | NM |
| Operating Margin | 33.07% | 35.99% |
| EBT Margin | 33.07% | 34.97% |
| Net Profit Margin | 24.03% | 25.97% |
| ROA | 1.27% | 1.38% |
| ROE | 18.41% | 16.80% |
| ROI | NM | 6.73% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | NM | |
| Inventory Turnover | NM | |
| Receivables Turnover | NM | |

| Leverage Measures & Othe | Company | Industry |
|---|---|---|
| Interest Coverage | NM | |
| Long term debt/equity | NM | |
| Long term debt/Total capital | 25% | |
| Cash from Operations ($mil) | $13.0 | |
| Current Ratio | N/A | |

[redacted]

# Healthcare

**Sector/Industry Report**
Analyst: *Dieter Hinrichs*
Sector: *Healthcare*
Recommendation: MARKETWEIGHT

**Sector Overview:**

The success of this sector is highly dependent on the number of products companies in each industry have in the pipeline and when they expect to receive FDA approval to release those products into the market. The strength of the pharmaceutical industry is of particular importance since it constitutes 51% of this sector. Many of the large pharmaceutical companies, like Bristol-Myers Squibb and Pfizer, have numerous products in the late stages of development. Studies have shown that R&D expenditures for the pharmaceutical companies have been steadily increasing since 1996. In addition, it is projected that several of the large pharmaceutical companies will try to increase their pipelines by acquisition of biotech firms with large pipelines. Thereby, the pharmaceutical companies, the biotech industry, and the overall sector will perform well this year. However, the complexity of this sector and risk of products failing in the market prevent a recommendation of overweighting.

**Sub-Industry Overview**

Pharmaceuticals: OVERWEIGHT

The pharmaceutical industry had strong momentum coming in to 2007 and this is projected to continue. The earnings in the fourth quarter of 2006 for many pharmaceutical companies either met or exceed analysts' expectation. This year looks to be a continuation of strong earnings for a couple reasons. First, President Bush has continuously vetoed initiatives by Democrats in Congress trying to restrict Medicare Part D drug prices. Second, the number of new molecular entities (MNEs) to be approved in 2007 is expected to be comparable to 2006's 18. Third, long-term prospects for this industry are bolstered by demographic growth in the elderly. Last, a large number of blockbuster drugs are losing their patent protection over the next few years and this will provide significant opportunities for companies in this industry.

Health Care Services: MARKETWEIGHT

The aging demographic trends will benefit most health care services, including home health care, rehabilitation services, clinical laboratory services, and dialysis. Acquisitions have been a positive means for services in this industry to supplement recent the slowing in organic growth. The planned merger between Caremark and CVS and the rival bid from Express Scripts' for Caremark holds potential for a good investment, since the resulting merger will have greater clout in dealing with drug makers. There is also the potential that this merger could spur similar mergers in this industry. There is potential for this industry, but not enough to deserve an overweight recommendation.

Biotechnology: MARKETWEIGHT

This industry underperformed last year as a result of negative sentiment associated with a more conservative FDA. Plus, the overall industry pipeline is making less progress than expected by analysts at the end of 2006. These conditions are expected to continue throughout much of 2007. In addition, few IPO's are expected this year, with most deals being mergers or acquisitions. Therefore, this industry lacks any major catalysts in the coming year. One bright spot for this industry is that as major pharmaceutical companies try to bolster their pipelines, there may be several acquisitions of biotech companies. However, the finding the companies being chosen for acquisition will be difficult to do. Therefore, an index of this industry would be the best way to stay involved in the innovation of this industry while limiting our risk exposure.

# Altana AG. ADR (NYSE: AAA)

Review Date: 3/9/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 200 | Price | $60.30 | P/E (F) | N/A |
| Recommendation | Sell | MarketPerform | EPS (TTM) | $1.49 | P/E (TTM) | 22.67 |
| Sector | Healthcare | | 52-week Hig | $63.70 | P/E (Peer Group) | 19.87 |
| Asset Class | Intl Equities | | 52-week Lov | $53.75 | PEG Ratio | N/A |
| S&P Consensus | N/A | | Dividend Yie | 2.204 | Insiders | N/A |
| S&P Target Price | N/A | | Beta | N/A | | |

## Profile

Altana is a globally operating company that develops, manufactures and markets innovative pharmaceutical and chemical products for a range of targeted, highly specialized applications. The Company's pharmaceuticals business is currently mainly driven by Pantoprazole,which is used to treat gastroesophageal reflux disease.The main markets for the drug are the United States and Europe. ALTANA uses the ALTANA brand to market products of its pharmaceuticals division on a worldwide basis. At December 31, 2005, the Company held 118 U.S., 67 European and 23 Japanese patents for various pharmaceutical inventions.

## Catalysts

- High sales growth in foreign business (operating growth: +12%) and it is expected to continue to expand in next years.

- Main sales driver Pantoprazole achieved a sales volume of EUR 1.55 billion, up 14% on the prior year's figure. Pantoprazole's worldwide market sales is expected to grow in a couple of years.

- The acquisition of the ECKART group helped sales growth in 2006 and is expected to grow in the future.

## Risk

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 37.10% | 63.83% |
| EBITDA Margin | N/A | 8.12% |
| Operating Margin | 11.98% | 3.07% |
| EBT Margin | 12.31% | 0.64% |
| Net Profit Margin | 7.06% | -3.60% |
| ROA | N/A | 11.25% |
| ROE | N/A | 21.99% |
| ROI | N/A | 13.25% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | .33X | .72X |
| Inventory Turnover | N/A | 2.85X |
| Receivables Turnover | N/A | 6.28X |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | N/A | 9.39% |
| Long term debt/equity | 1.34% | 31.92% |
| Long term debt/Total capital | 12.34% | 22.51% |
| FCF ($million) | -$366.0 | |
| Current Ratio | 1.73X | 1.97X |

# COVANCE INC (NYSE:CVD)

Review Date: 3/9/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 100 | Price | $59.70 | P/E (F) | 19.09 |
| Recommendation | Buy | Outperform | EPS (TTM) | $2.24 | P/E (TTM) | 26.65 |
| Sector | Healthcare | | 52-week High | $68.00 | P/E (Peer Group) | 58.02 |
| Asset Class | Mid Cap value | | 52-week Low | $56.46 | PEG Ratio | 1.5 |
| S&P Consensus | Strongbuy | | Dividend Yield | N/A | Insiders | Neutral |
| S&P Target Price | $79.00 | | Beta | 0.15 | | |

## Profile

Covance is a leading global contract research organization (CRO) providing a wide range of outsourced drug discovery and drug development services to the biotechnology, pharmaceutical and medical devices industry.Services provided include early development services, which account for about 47% of CVD's revenue, and last stage development services, which account for about 53% of CVD's revenue. Early development services include preclinical testing such as toxicology services and pharmaceutical chemistry services.CVD has been expanding globally and now delivers its services through its offices, regional monitoring sites, laboratories and manufacturing sites in more than 30 locations in 17 countries, and through field work in many other countries.

## Catalysts

- CRO is fast growing industry and CVD is well-positioned in the industry.

- Six consecutive years with EPS growth of 25% or greater shows the company's sustainable revenue growth.

- Stock buyback program of up to 3 million shares, or nearly 5% of the company's common stock,

## Risk

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 33.65% | 28.62% |
| EBITDA Margin | 17.82% | -21.20% |
| Operating Margin | 13.74% | -16.93% |
| EBT Margin | 14.38% | -16.10% |
| Net Profit Margin | 10.67% | -47.34% |
| ROA | 12.04% | 2.79% |
| ROE | 16.72% | 1.22% |
| ROI | 15.99% | 3.09% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.17X | .66X |
| Inventory Turnover | 21.25X | 19.41X |
| Receivables Turnover | 4.69X | 5.49X |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | N/A | 9.39 |
| Long term debt/equity | N/A | N/A |
| Long term debt/Total capital | N/A | N/A |
| FCF ($million) | $41.7 | |
| Current Ratio | 2.3X | 3.00X |

[redacted]

Security Recommendation

SunTrust Portfolio
Spring 2006
Crummer Graduate School of Business

# Ishares TR Nasdaq Biotech Index (AMEX: IBB)

Review Date: 3/14/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 50 | NAV | $73.34 | Expense Ratio*** | 0.50% |
| Recommendation | Sell | Underperform | 52-week High | | Alpha* | -10.71 |
| Morningstar Category | | Specialty-Health | 52-week Low | | Beta* | 1.48 |
| Management Style | | N/A | Net Assets ($million) | $1,589 | R squared* | 47 |
| Management Average Tenure | | N/A | Load | No | Sharpe Ratio** | -0.17 |
| Fund Inception Date | | 2/5/2001 | | | | |

## Fund's Strategy

The investment seeks investment results that correspond generally to the price and yield performance of the Nasdaq Biotechnology index. The fund uses the process of representative sampling, holding securities that have a similar investment profile to its index. The fund will normally invest at least 90% of assets in the securities of the index or in American Depository Receipts. The fund may hold up to 10% of assets in securities that are not included in the index. It is nondiversified.

## Justification for Recommendation

Follows the Nasdaq Biotech Index well, but with a slight negative margin

Great performance in 2003 and 2004 (ranked as one of the best in category), but since then IBB has had terrible performance compared to its peers (ranking in the bottom of its category).

## Top Ten Holdings

| | Sector | 12/31/2006 |
|---|---|---|
| Amgen, Inc. | Healthcare | 13.5% |
| Gilead Sciences, Inc. | Healthcare | 6.5% |
| Celgene Corporation | Healthcare | 5.0% |
| Teva Pharma. Industries | Healthcare | 4.2% |
| Biogen Idec, Inc. | Healthcare | 3.3% |
| Genzyme Corporation | Healthcare | 3.2% |
| Vertex Pharmaceuticals | Healthcare | 2.1% |
| Shire PLC ADR | Healthcare | 1.8% |
| MedImmune, Inc. | Healthcare | 1.6% |
| Sepracor, Inc. | Healthcare | 1.6% |

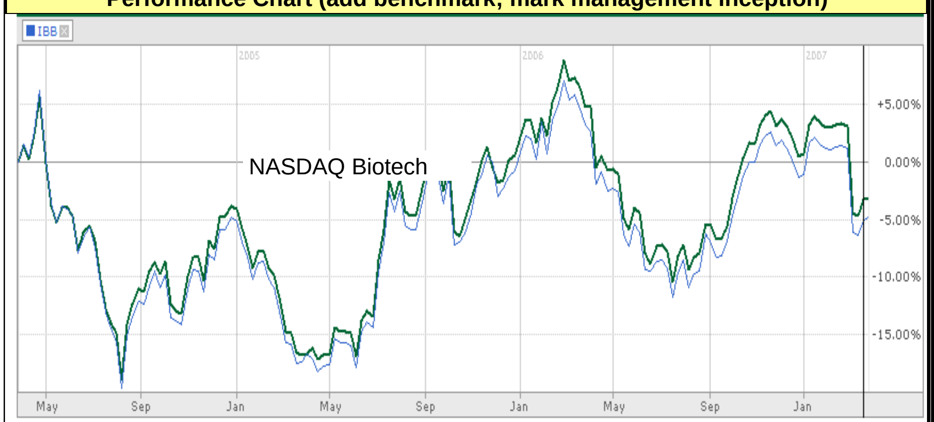
## Historical Performance

| | Nasdaq Biotech Index | S&P 500 | |
|---|---|---|---|
| 1 Year | -11.44% | 15.80% | |
| 3 Year | -1.81% | 10.44% | |
| 5 Year | -1.55% | 6.20% | |
| 10 Year | | | |

## Asset Allocation

| | 12/31/2006 |
|---|---|
| Equity | 100.0% |
| Bonds | 0.0% |
| Cash & Others | 0.0% |

## Performance Chart (add benchmark; mark management inception)



# Ishares TR S&P Global Healthcare In. (AMEX: IXJ)

Review Date: 3/14/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 495 | NAV | $56.78 | Expense Ratio*** | 0.65% |
| Recommendation | Hold | Marketperform | 52-week High | | Alpha* | 0.61 |
| Morningstar Category | | Specialty-Health | 52-week Low | | Beta* | 0.5 |
| Management Style | | N/A | Net Assets ($million) | $800.0 | R squared* | 23 |
| Management Average Tenure | | N/A | Load | No | Sharpe Ratio** | 0.46 |
| Fund Inception Date | | 11/13/2001 | | | | |

**Fund's Strategy**

The investment seeks investment results that correspond closely to the performance, before fees and expenses, of the S&P Global Healthcare Sector index. The fund invests at least 90% of assets in an aggregate sample of securities that reflect the predominant characteristics of its sector index. Its component companies include health care providers, biotech companies and manufacturers of medical supplies, and pharmaceuticals. The fund is nondiversified.

**Justification for Recommendation**

- Follows the S&P Global Healthcare Index closely
- The overall healthcare sector can be expected to do well this year
  - Large pipelines in late stages of development
  - Acquisitions expected

**Top Ten Holdings**

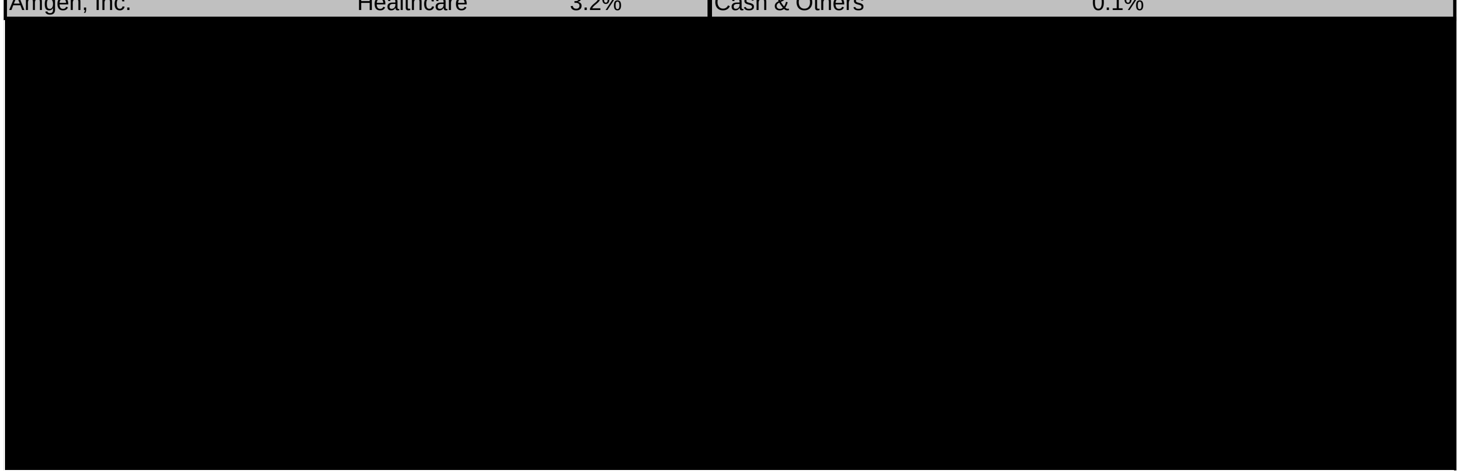
| | Sector | 12/31/2006 |
|---|---|---|
| Johnson & Johnson | Healthcare | 7.7% |
| Pfizer | Healthcare | 7.6% |
| GlaxoSmithKline PLC | Healthcare | 6.8% |
| Novartis | Healthcare | 6.4% |
| Roche Holding | Healthcare | 5.3% |
| Merch & Co. | Healthcare | 4.0% |
| AstraZeneca | Healthcare | 3.6% |
| Abbott Laboratories | Healthcare | 3.5% |
| Sanofi-Syntheolabo | Healthcare | 3.5% |
| Amgen, Inc. | Healthcare | 3.2% |

**Historical Performance**

| | S&P Global Healthcare | S&P 500 | |
|---|---|---|---|
| 1 Year | 4.94% | 15.80% | |
| 3 Year | 7.42% | 10.44% | |
| 5 Year | 3.34% | 6.20% | |
| 10 Year | | | |

**Asset Allocation**

| | 12/31/2006 |
|---|---|
| Equity | 99.9% |
| Bonds | 0.0% |
| Cash & Others | 0.1% |



SECURITY RECOMMENDATION

SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# MERCK CO (NYSE:MRK)

Review Date: 3/9/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 100 | Price | $44.61 | P/E (F) | 19.96 |
| Recommendation | Buy | Outperform | EPS (TTM) | $2.03 | P/E (TTM) | 21.85 |
| Sector | Healthcare | | 52-week Hig | $46.22 | P/E (Peer Group) | 19.87 |
| Asset Class | Large Cap Growth | | 52-week Lov | $33.14 | PEG Ratio | 2.99 |
| S&P Consensus | Buy | | Dividend Yie | 3.43 | Insiders | Neutral |
| S&P Target Price | $49.00 | | Beta | 0.8 | | |

**Profile**

Merck & Co., Inc. is a global research-driven pharmaceutical company that discovers, develops, manufactures and markets a broad range of human and animal health products, directly and through its joint ventures, and provides pharmaceutical benefit services through Merck-Medco Managed Care, L.L.C. Its operations are principally managed on a products and services basis and are comprised of two reportable segments: Merck Pharmaceutical and Merck-Medco.

**Catalysts**

- A joint venture with Schering-Plough allows MRK to market Zetia and Vytorin which  will be offset sales decrease of Zocor due to U.S. patent expiration in 2006
- R&D pipeline consisted of some 55drugs and vaccines in clinical trials or under regulatory review as of December 2006
- With a major global restructuring program designed to reduce costs and increase efficiency, the company expects pretax savings of $ 4.5 bin to $ 5.0 bin from 2006 through 2010.

**Risk**

**ROE Analysis**

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 75.10% | 63.83% |
| EBITDA Margin | 28.79% | 8.12% |
| Operating Margin | 17.56% | 3.07% |
| EBT Margin | 15.58% | 0.64% |
| Net Profit Margin | 7.84% | -3.60% |
| ROA | 10.18% | 11.25% |
| ROE | 23.16% | 21.99% |
| ROI | N/A | 13.25% |

**ROE Analysis**

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | .54X | .72X |
| Inventory Turnover | 2.37X | 2.85X |
| Receivables Turnover | 7.23X | 6.28X |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | N/A | 15.05 |
| Long term debt/equity | 31.61% | 31.92% |
| Long term debt/Total capital | 24.72% | 22.51% |
| FCF ($million) | $2,462.4 | |
| Current Ratio | N/A | 1.97X |

SECURITY RECOMMENDATION

SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# PERRIGO Company (NASDAQ:PRGO)

Review Date: 3/9/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 295 | Price | $16.55 | P/E (F) | 16.63 |
| Recommendation | Hold | Marketperform | EPS (TTM) | $0.76 | P/E (TTM) | 21.60 |
| Sector | Healthcare | | 52-week Hig | $18.54 | P/E (Peer Group) | 19.87 |
| Asset Class | MidCap | value | 52-week Lov | $14.48 | PEG Ratio | 1.70 |
| S&P Consensus | N/A | | Dividend Yie | 1.096 | Insiders | N/A |
| S&P Target Price | N/A | | Beta | 0.79 | | |

## Profile

Perrigo Company, is the nations largest manufacturer of store brand over-the-counter (non-prescription) pharmaceutical products and also manufactures store brand nutritional products. Store brand products are sold by national and regional supermarket, drugstore and mass merchandise chains under their own labels and compete with nationally advertised brands. The Company's products include analgesics, cough and cold remedies, antacids, laxatives, feminine hygiene and smoking cessation products, and vitamins, nutritional supplements and nutritional drinks.

## Catalysts

- The acquisition of Qualis,a privately-owned manufacturer of store brand pediculicide products, which will close in Jun 2007, is expected to add up to $10 million in sales on an annual basis.
- The acquisition of generic dermatological products from Glades Pharmaceuticals Inc.is expected to add more than $20 million in net sales annually and increase earnings immediately

## Risk

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 31.89% | 63.83% |
| EBITDA Margin | 12.51% | 8.12% |
| Operating Margin | 8.83% | 3.07% |
| EBT Margin | 6.84% | 0.64% |
| Net Profit Margin | 5.69% | -3.60% |
| ROA | 4.01% | 11.25% |
| ROE | 10.86% | 21.99% |
| ROI | 5.68% | 13.25% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | .80X | .72X |
| Inventory Turnover | 3.06X | 2.85X |
| Receivables Turnover | 5.97X | 6.28X |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | N/A | 9.39 |
| Long term debt/equity | 97% | 31.92% |
| Long term debt/Total capital | 46% | 22.51% |
| FCF ($million) | $74.5 | |
| Current Ratio | 1.89X | 1.97X |

SECURITY RECOMMENDATION

# SUNTRUST PORTFOLIO

SPRING 2006

CRUMMER GRADUATE SCHOOL OF BUSINESS

## PFIZER INC (NYSE:PFE)

Review Date: 3/9/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 160 | Price | $25.41 | P/E (F) | 10.82 |
| Recommendation | Hold | Outperform | EPS (TTM) | $1.52 | P/E (TTM) | 16.83 |
| Sector | Healthcare | | 52-week Hig | $28.60 | P/E (Peer Group) | 19.87 |
| Asset Class | Large Cap Value | | 52-week Lov | $22.16 | PEG Ratio | 3.51 |
| S&P Consensus | Hold | | Dividend Yie | 4.565 | Insiders | Neutral |
| S&P Target Price | $26.00 | | Beta | 0.65 | | |

### Profile

Pfizer is the world's largest pharmaceutical company, producing a wide range of drugs across a broad therapeutic spectrum. The company is a research-based, global pharmaceutical company that discovers and develops innovative, value-added products that improve the quality of life of people around the world and help them enjoy longer, healthier, and more productive lives. Pfizer has three business segments: health care, animal health and consumer health care. Its products are available in numerous countries. (Company Press Release).In December 2006, PFE sold its consumer products division to Johnson & Johnson for $16.6 billion in cash

### Catalysts

- With the company' size and financial resources PFE has a greater ability to make acquisitions and form strategic alliances with smaller pharmaceutical and biotechnology companies.

- The company's huge pipeline including some 184 novel compounds or potential new molecular entities (NMEs) indicates sustainable long-term growth

-The company expects to repurchase up to $10 billion of common stock in 2007.

' R&D productivity has trailed other big competitors.

### Risk

### ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 86.90% | 63.83% |
| EBITDA Margin | 41.94% | 8.12% |
| Operating Margin | 22.52% | 3.07% |
| EBT Margin | 13.60% | 0.64% |
| Net Profit Margin | 11.81% | -3.60% |
| ROA | 9.84% | 11.25% |
| ROE | 15.82% | 21.99% |
| ROI | 6.81% | 13.25% |

### ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | .44X | .72X |
| Inventory Turnover | .82X | 2.85X |
| Receivables Turnover | 5.09X | 6.28X |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | N/A | 15.05 |
| Long term debt/equity | 7.79% | 31.92% |
| Long term debt/Total capital | 9.14% | 22.51% |
| FCF ($million) | $6,505.0 | |
| Current Ratio | 2.08X | 1.97X |

Security Recommendation

# SunTrust Portfolio

Spring 2006

Crummer Graduate School of Business

## TEVA Pharmaceutical ADR ( NASDAQ:TEVA)

Review Date: 3/9/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 200 | Price | $36.56 | P/E (F) | 14.57 |
| Recommendation | Sell | Marketperform | EPS (TTM) | $0.69 | P/E (TTM) | 74.65 |
| Sector | Healthcare | | 52-week Hig | $43.51 | P/E (Peer Group) | 19.87 |
| Asset Class | Intl Equities | | 52-week Lov | $29.76 | PEG Ratio | 4.49 |
| S&P Consensus | Buy | | Dividend Yie | 1.032 | Insiders | N/A |
| S&P Target Price | $43.00 | | Beta | 0.53 | | |

### Profile

TEVA Pharmaceuticals USA, the business is to develop, manufacture, and market generic pharmaceuticals. Teva USA sells its products to chains, wholesalers, distributors, hospitals, managed care entities, and government agencies. The company markets a variety of dosage forms, including both extended and immediate release tablets and capsules, creams, ointments, solutions, and suspensions. Key therapeutic areas are the analgesic, anti-infective, cardiovascular, CNS, dermatological and anti-inflammatory categories.

### Catalysts

- Acquisitions, including Copley Pharmaceuticals (1999), Novopharm (2000), Sicor (2004), and IVAX (2005) have helped protect its leading market shares while adding new products.
- Teva is a low-cost generic drug producer, by expanding its production and building economies of scale.

-Teva's position as one of the largest suppliers of Active Pharmaceutical Ingredients (API) provides it with the competitive advantage of being vertically integrated.

### Risk

Decision by FDA to Uphold Teva to sell the generic vesion of Celebrex ( Pfizer's one of top selling products) until 2015 could result in Teva's finacial damage.

### ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 44.25% | 63.83% |
| EBITDA Margin | N/A | 8.12% |
| Operating Margin | 17.27% | 3.07% |
| EBT Margin | 16.77% | 0.64% |
| Net Profit Margin | 20.19% | -3.60% |
| ROA | 2.79% | 11.25% |
| ROE | 5.35% | 21.99% |
| ROI | 16.46% | 13.25% |

### ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | .45X | .72X |
| Inventory Turnover | 2.34X | 2.85X |
| Receivables Turnover | 2.49X | 6.28X |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | 8.43 | 9.39 |
| Long term debt/equity | N/A | 31.92% |
| Long term debt/Total capital | 28% | 22.51% |
| FCF ($million) | -$2,148.0 | |
| Current Ratio | 1.75X | 1.97X |

SECURITY RECOMMENDATION

# SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

## First Trust AMEX Biotechnology In. (AMEX: FBT)

Review Date: 3/14/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 200 | NAV | $22.14 | Expense Ratio*** | |
| Recommendation | | | 52-week High | | Alpha* | |
| Morningstar Category | | Healthcare | 52-week Low | | Beta* | |
| Management Style | | N/A | Net Assets ($million) | $24 | R squared* | |
| Management Average Tenure | | N/A | Load | No | Sharpe Ratio** | |
| Fund Inception Date | | 6/23/2006 | | | | |

### Fund's Strategy

The investment seeks to track the price and yield performance, before fees and expenses, of the Amex Biotechnology Index. The fund will normally invest at least 90% of assets in stocks that comprise the index. The index measures the performance of a cross section of companies in the biotechnology industry that are primarily involved in the use of biological processes to develop products or provide services. The fund is nondiversified.

### Justification for Recommendation

- Alternative to the Nasdaq Biotech Ishare
- Follows the AMEX Biotech Index, but with higher returns
- Similar investment strategy as IBB, but with different allocations

One problem is a lack of information on this Index since it is so new

### Top Ten Holdings

| | Sector | 12/31/2006 |
|---|---|---|
| InterMune, Inc. | Healthcare | 5.4% |
| Applera Corp. Celera Group | Healthcare | 5.4% |
| Invitrogen Corporation | Healthcare | 5.3% |
| Affymetrix | Healthcare | 5.1% |
| Millipore Corporation | Healthcare | 5.1% |
| MedImmune, Inc. | Healthcare | 5.1% |
| Amylin Pharmaceuticals | Healthcare | 5.1% |
| Millennium Pharmaceuticals | Healthcare | 5.0% |
| Imclone Systems, Inc. | Healthcare | 5.0% |
| Human Genome Sciences | Healthcare | 5.0% |

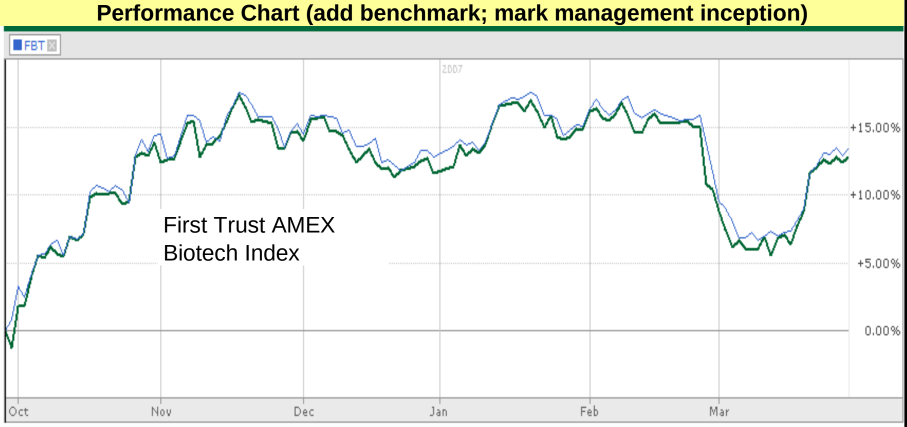
### Historical Performance

| | First Trust Biotech | S&P 500 | |
|---|---|---|---|
| 1 Year | | | |
| 3 Year | | | |
| 5 Year | | | |
| Inception | -5.90% | -2.44% | |

### Asset Allocation

| | 12/31/2006 |
|---|---|
| Equity | 100.0% |
| Bonds | 0.0% |
| Cash & Others | 0.0% |

### Performance Chart (add benchmark; mark management inception)



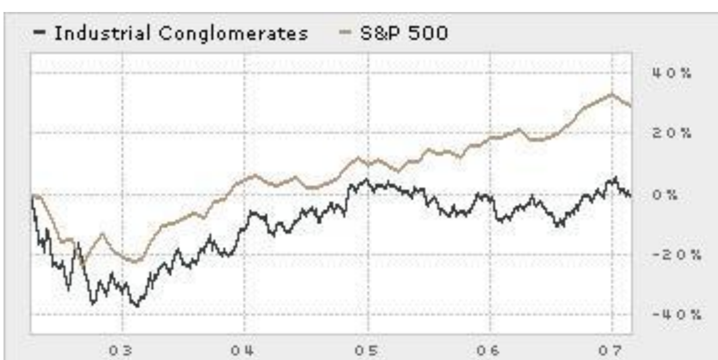
# Industrials

**Sector/Industry Report**
Analyst: Eric Bass
Sector: Industrials
Recommendation: Overweight

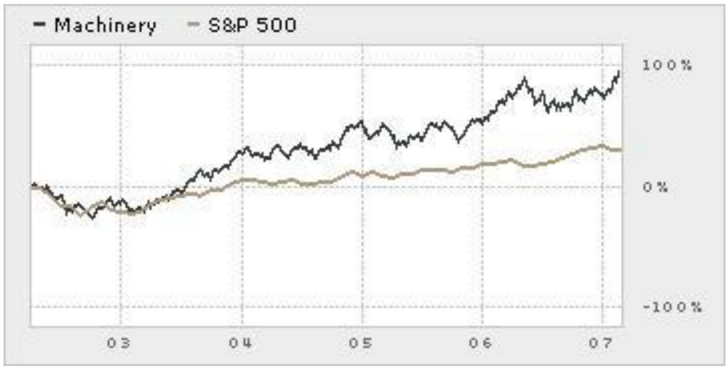
**Sector Overview**
The industrials sector is made up of companies that manufacture and distribute capital goods including aerospace and defense, construction, engineering and building products, electrical equipment and industrial machinery. Companies that provide commercial services and supplies as well as those that provide transportation services are also included in the industrials sector. Because this sector provides global products and services, and with the refocus on the aerospace industry in the United States, I recommend that the Crummer SunTrust portfolio is overweighted in the industrials sector.

**Subsector Overview**
The current assets in the Crummer SunTrust portfolio that are in the industrials sector include 3M Company, Danaher Corporation, General Electric Company, Jacobs Engineering Group, Inc, and Robert Half International, Inc. 3M Company and GE are in the industrial conglomerates subsector. The industrial conglomerates subsector includes industrial companies that have business activities in three or more sectors, none of which contributes a majority of revenues. Danaher is in the machinery subsector. The machinery subsector includes companies that manufacture construction, farm, and industrial machinery as well as heavy trucks. Jacobs Engineering Group is in the construction and engineering subsector. The construction and engineering subsector includes companies that are engaged in non-residential construction. Robert Half International is in the commercial services and supplies subsector. The commercial services and supplies subsector includes companies that provide commercial printing, diversified commercial and professional services, human resources and employment services, environmental and facilities services, and office services and supplies.

Based in the performance in the subsectors in the industrials sector, I would recommend to marketweight in the industrial conglomerates and overweight the machinery, construction and engineering, and commercial services and supplies subsector. The performance of the industrial conglomerates has been poor for the last five years, not keeping pace with the S&P 500, however, developing nations are requiring more power generators, and overseas demand is increasing 22% per year. Additionally, the demand for alternative power generators is increasing.



The overweight for machinery is justified in the fact that commercial construction is currently booming, and the need for construction equipment and heavy equipment will be required.  This subsector has shown great performance through the housing boom.




The current shift from residential to commercial construction will make the construction and engineering subsector desirable.  As more and more commercial construction is completed, this will cause demand for more commercial services and supplies.

I would recommend a buy for the aerospace and defense subsector.  With further globalization and outsourcing, demand for commercial aircrafts is likely to be on the rise.  Also, there is a global boom in the aerospace subsector, which is expected to continue.  Most of this demand is in satellites, as space defense strategies become more popular.

# Danaher Corp. (NYSE: DHR)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 100 | Price | $70.80 | P/E (F) | 16.92 |
| Recommendation | Hold | Outperform | EPS (TTM) | $3.48 | P/E (TTM) | 20.39 |
| Sector | Industrials | | 52-week High | $75.97 | P/E (Peer Group) | 31.19 |
| Asset Class | Large Cap Growth | | 52-week Low | $59.72 | PEG Ratio | 1.19 |
| S&P Consensus | Hold | | Dividend Yield | 0.11% | | |
| S&P Target Price | $76.00 | | Beta | 0.72 | Insiders | Neutral |

## Profile

Danaher Corporation derives its sales from the design, manufacture and marketing of professional, medical, industrial and consumer products. The Company operates in four segments: Professional Instrumentation, Medical Technologies, Industrial Technologies, and Tools & Components.

## Catalysts

Products have created strong core revenue growth, a notable record of EPS growth, compelling net income growth and expanding profit margins. Total revenue grew by 20% in 2006.

Recently added to Zacks.com All Star Analyst list
Strong management with focus on Kaizen

## Risks

Of DHRs avg. annual 20% sales growth in the past five years, ~14% has come through acquisitions. As M&A gets more expensive, Danaher must increase the pace of deals or swallow bigger fish.

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 44.22% | 47.91% |
| EBITDA Margin | 18.08% | 16.44% |
| Operating Margin | 15.82% | 12.71% |
| EBT Margin | 15.07% | 12.29% |
| Net Profit margin | 11.69% | 9.00% |
| ROA | 10.19% | 6.92% |
| ROE Analysis | 19.14 | 15.11 |
| ROI | 12.97% | 9.17 |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.87 | 0.79 |
| Inventory Turnover | 5.85 | 4.62 |
| Receivables Turnover | 6.23 | 5.92 |

| Leverage Measures & Others | Company | Industry |
|---|---|---|
| Interest Coverage | 21.14 | 11.67 |
| Long term debt/Equity | 0.36% | 34.00% |
| Long term debt/Total capital | | |
| FCF($million) | $318 | |
| Current Ratio | 1.38 | 2.41 |

# General Electric Company (NYSE: GE)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 300 | Price | $34.32 | P/E (F) | 13.96 |
| Recommendation | Hold | Market Perform | EPS (TTM) | $2.00 | P/E (TTM) | 17.24 |
| Sector | Industrials | | 52-week High | $38.49 | P/E (Peer Group) | 17.69 |
| Asset Class | Large Cap Blend | | 52-week Low | $32.06 | PEG Ratio | 1.55 |
| S&P Consensus | Strong Buy | | Dividend Yield | 3.26% | | |
| S&P Target Price | $45.00 | | Beta | 0.85 | Insiders | Favorable |

**Profile**

General Electric Company (GE) is a diversified industrial corporation. The Company is engaged in developing, manufacturing and marketing a variety of products for the generation, transmission, distribution, control and utilization of electricity.

**Catalysts**

Strong fundamentals

Diversity

Green energy options likely to be more widely used in the future

**Risks**

Continued growth in debt to equity versus industry

**ROE Analysis**

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 41.94% | 38.74% |
| EBITDA Margin | 21.23% | 19.76% |
| Operating Margin | 15.07% | 15.07% |
| EBT Margin | 15.07% | 14.89% |
| Net Profit margin | 12.65% | 11.67% |
| ROA | 3.02% | 5.72% |
| ROE Analysis | 18.65 | 20.23 |
| ROI | 4.28% | 8.87 |

**ROE Analysis**

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.24 | 0.52 |
| Inventory Turnover | 8.54 | 7.03 |
| Receivables Turnover | 0.49 | 3.96 |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | 28.12 | 17.95 |
| Long term debt/Equity | 2.32% | 1.57% |
| Long term debt/Total capital | | |
| FCF($million) | $14,275 | |
| Current Ratio | ? | 1.55% |

SECURITY RECOMMENDATION

# SUNTRUST PORTFOLIO

SPRING 2006

CRUMMER GRADUATE SCHOOL OF BUSINESS

## HEICO Corp (NYSE: HEI)

Review Date: 3/12/2007

| | | | | | |
|---|---|---|---|---|---|
| Current Position | Not Held | Price | $34.63 | P/E (F) | 21.32 |
| Recommendation | Buy Outperform | EPS (TTM) | $1.24 | P/E (TTM) | 29.41 |
| Sector | Aerospace and Defense | 52-week High | $40.35 | P/E (Peer Group) | 22.34 |
| Asset Class | Small Cap Growth | 52-week Low | $26.95 | PEG Ratio | 1.16 |
| S&P Consensus | Hold | Dividend Yield | 0.23% | | |
| S&P Target Price | $42.00 | Beta | 0.6 | Insiders | Neutral |

### Profile

HEICO Corporation (HEICO), through its subsidiaries, is a manufacturer of Federal Aviation Administration (FAA)-approved jet engine and aircraft component replacement parts, other than the original equipment manufacturers (OEMs) and their subcontractors. The Company is also a manufacturer of various types of electronic equipment for the aviation, defense, space, medical, telecommunications and electronics industries. It operates in two business segments: The Flight Support Group and The Electronic Technologies Group.

### Catalysts

Notable return on equity, robust revenue growth, a largely solid financial position with reasonable debt levels by most measures, an impressive record of earnings-per-share growth and compelling growth in net income

Strong cash position for further acquisitions

### Risks

Slowdown or turnaround in the airline industry recovery

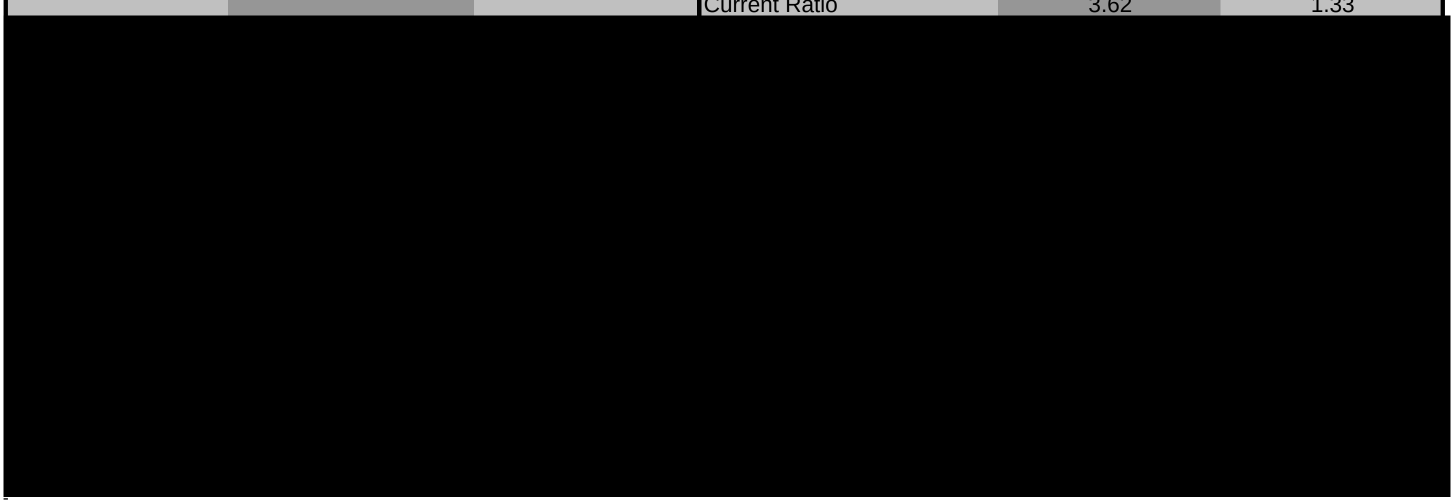
Mass airplane retirement in aging military fleet

### ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 35.41% | 24.11% |
| EBITDA Margin | 19.17% | 11.49% |
| Operating Margin | 16.45% | 8.97% |
| EBT Margin | 15.81% | 8.75% |
| Net Profit margin | 10.79% | 6.13% |
| ROA | 8.76% | 6.63% |
| ROE Analysis | 10.76 | 22.61 |
| ROI | 11.22% | 10.24 |

### ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.81 | 1.1 |
| Inventory Turnover | 3.05 | 8.97 |
| Receivables Turnover | 7.12 | 8.95 |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | 19.28 | 10.07 |
| Long term debt/Equity | 0.18% | 0.92% |
| Long term debt/Total capital | | |
| FCF($million) | $4,999 | |
| Current Ratio | 3.62 | 1.33 |






# Jacobs Engineering Group, Inc. (NYSE: JEC)

Review Date: 3/11/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 200 | Price | $45.40 | P/E (F) | 18.61 |
| Recommendation | Buy | Outperform | EPS (TTM) | $1.78 | P/E (TTM) | 25.24 |
| Sector | Industrials | | 52-week High | $47.33 | P/E (Peer Group) | 17.84 |
| Asset Class | Mid Cap | Growth | 52-week Low | $34.28 | PEG Ratio | 1.36 |
| S&P Consensus | Strong Buy | | Dividend Yield | 0.00% | | |
| S&P Target Price | $51.00 | | Beta | 0.54 | Insiders | Favorable |

## Profile

Jacobs Engineering Group Inc., incorporated on January 8, 1987, is a professional services firm that focuses on providing a range of technical, professional and construction services to a number of industrial, commercial and governmental clients worldwide. The Company provides project services, which include engineering, design, architectural, and similar services; process, scientific, and systems consulting services; operations and maintenance services, and construction services, which include direct-hire construction and construction management services.

## Catalysts

Controlled COGS and pricing up

Greater anticipated spending on economic projects like hydrocarbon, which JEC would participate

## Risks

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 12.81% | 16.23% |
| EBITDA Margin | 4.88% | 8.73% |
| Operating Margin | 4.24% | 7.53% |
| EBT Margin | 4.30% | 7.17% |
| Net Profit margin | 2.77% | 4.92% |
| ROA | 7.86% | 6.35% |
| ROE Analysis | 15.83 | 14.44 |
| ROI | 12.13% | 10.36 |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 2.84 | 1.5 |
| Inventory Turnover | ? | 10.36 |
| Receivables Turnover | 6.28 | 18.79 |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | ? | 21.32 |
| Long term debt/Equity | 0.06% | 57.00% |
| Long term debt/Total capital | | |
| FCF($million) | $434,067 | |
| Current Ratio | 1.81 | 1.29% |

SECURITY RECOMMENDATION

# SUNTRUST PORTFOLIO

SPRING 2006

CRUMMER GRADUATE SCHOOL OF BUSINESS

## 3M Company (NYSE: MMM)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 100 | Price | $74.73 | P/E (F) | 14.63 |
| Recommendation | Hold | Market Perform | EPS (TTM) | $5.07 | P/E (TTM) | 14.75 |
| Sector | Industrials | | 52-week High | $88.35 | P/E (Peer Group) | 17.69 |
| Asset Class | Large Cap Growth | | 52-week Low | $67.05 | PEG Ratio | 1.46 |
| S&P Consensus | Hold | | Dividend Yield | 2.57% | | |
| S&P Target Price | $83.00 | | Beta | 0.59 | Insiders | Neutral |

**Profile**

M Company (3M) is a diversified technology company with a global presence in various businesses, including industrial and transportation, healthcare, display and graphics, consumer and office, safety, security and protection services, and electro and communications.

**Catalysts**

Financial strength and strong dividend history

**Risks**

**ROE Analysis**

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 48.90% | 38.74% |
| EBITDA Margin | 29.56% | 19.76% |
| Operating Margin | 24.85% | 15.07% |
| EBT Margin | 24.54% | 14.89% |
| Net Profit margin | 17.02% | 11.67% |
| ROA | 18.65% | 5.72% |
| ROE Analysis | 37.84 | 20.23 |
| ROI | 26.66% | 8.87 |

**ROE Analysis**

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.1 | 0.52 |
| Inventory Turnover | 4.92 | 7.03 |
| Receivables Turnover | 7.72 | 3.96 |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | 80.22 | 17.95 |
| Long term debt/Equity | 0.11% | 1.57% |
| Long term debt/Total capital | | |
| FCF($million) | $1,447 | |
| Current Ratio | 1.22 | 1.55% |

# Robert Half International, Inc. (NYSE: RHI)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 200 | Price | $38.14 | P/E (F) | 16.76 |
| Recommendation | Hold | Market Perform | EPS (TTM) | $1.65 | P/E (TTM) | 23.11 |
| Sector | Industrials | | 52-week High | $43.94 | P/E (Peer Group) | 21.63 |
| Asset Class | Large Cap Blend | | 52-week Low | $29.91 | PEG Ratio | 0.95 |
| S&P Consensus | Strong Buy | | Dividend Yield | 1.05% | | |
| S&P Target Price | $50.00 | | Beta | 1.69 | Insiders | Unfavorable |

## Profile

Robert Half International Inc. provides specialized staffing and risk consulting services through such divisions as Accountemps, Robert Half Finance & Accounting, OfficeTeam, Robert Half Technology, Robert Half Management Resources, Robert Half Legal, The Creative Group and Protiviti. The Company, through its Accountemps, Robert Half Finance & Accounting, and Robert Half Management Resources divisions, is a specialized provider of temporary, full-time project professionals in the fields of accounting and finance.

## Catalysts

Solid client relationships and increased demand for regulatory and complaince as well as accounting and finance professionals

## Risks

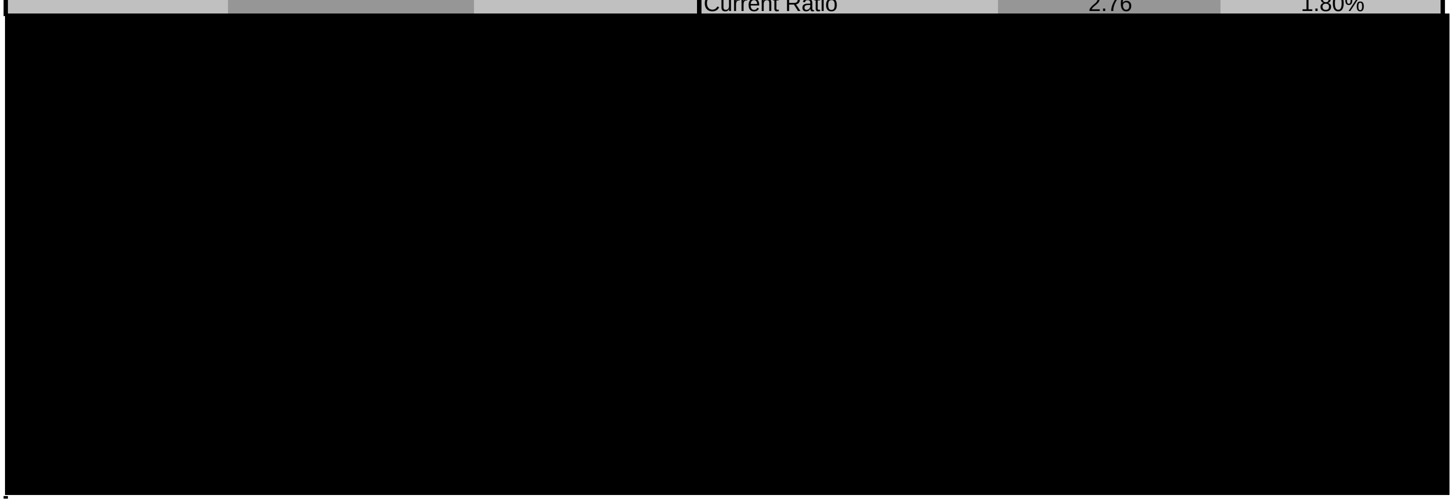
Economic slowdown or hiring slowdown

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 42.21% | 43.85% |
| EBITDA Margin | 12.72% | 21.09% |
| Operating Margin | 11.62% | 16.86% |
| EBT Margin | 11.62% | 15.09% |
| Net Profit margin | 7.06% | 11.76% |
| ROA | 20.39% | 10.28% |
| ROE Analysis | 28.13 | 22.52 |
| ROI | 27.79% | 16.7 |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 2.89 | 1.01 |
| Inventory Turnover | ? | 19.2 |
| Receivables Turnover | 8.16 | 5.15 |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | ? | 32.8 |
| Long term debt/Equity | 0.00% | 0.47% |
| Long term debt/Total capital | | |
| FCF($million) | $447 | |
| Current Ratio | 2.76 | 1.80% |



# Chicago Bridge and Iron Co (NYSE: CBI)

Review Date: 3/12/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Not Held | | Price | $29.42 | P/E (F) | 16.39 |
| Recommendation | Buy | Outperform | EPS (TTM) | $1.19 | P/E (TTM) | 24.73 |
| Sector | Construction Services | | 52-week High | $30.82 | P/E (Peer Group) | 17.28 |
| Asset Class | Mid Cap | | 52-week Low | $21.78 | PEG Ratio | 0.74 |
| S&P Consensus | Hold | | Dividend Yield | 0.54% | | |
| S&P Target Price | $31.00 | | Beta | 1.35 | Insiders | Neutral |

## Profile

Chicago Bridge & Iron Company N.V. (CB&I) is an engineering, procurement and construction (EPC) company specializing in projects for customers that produce, process, store and distribute natural resources. CB&I is an integrated EPC service provider, offering a package of conceptual design, engineering, procurement, fabrication, field erection, mechanical installation and commissioning. Its projects include hydrocarbon processing plants, liquefied natural gas (LNG) terminals and peak shaving plants, offshore structures, pipelines, bulk liquid terminals, water storage and treatment facilities, and other steel structures and their associated systems.

## Catalysts

Many new liquefied natural gas projct awards

Ability to provide services for green power services

Global expansion

## Risks

Overseas office execution (UAE location)

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 9.02% | 16.22% |
| EBITDA Margin | 5.56% | 8.95% |
| Operating Margin | 4.66% | 7.47% |
| EBT Margin | 5.16% | 7.08% |
| Net Profit margin | 3.94% | 4.89% |
| ROA | 7.67% | 6.30% |
| ROE Analysis | 22.80 | 14.23 |
| ROI | 19.64% | 10.32 |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.95 | 1.51 |
| Inventory Turnover | NM | 10.84 |
| Receivables Turnover | 7.2 | 18.13 |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | NM | 20.97 |
| Long term debt/Equity | 0.00% | 0.57% |
| Long term debt/Total capital | | |
| FCF($million EUR) | $619 | |
| Current Ratio | 1.13 | 1.68 |

# Caterpillar Inc. (NYSE: CAT)

Review Date: 3/12/2007

| | | | | | |
|---|---|---|---|---|---|
| Current Position | Not Held | Price | $63.34 | P/E (F) | 10.56 |
| Recommendation | Buy Outperform | EPS (TTM) | $5.18 | P/E (TTM) | 12.24 |
| Sector | Const. and Ag Machinery | 52-week High | $82.03 | P/E (Peer Group) | 13.5 |
| Asset Class | Large Cap Blend | 52-week Low | $57.98 | PEG Ratio | 0.79 |
| S&P Consensus | Hold | Dividend Yield | 1.89% | | |
| S&P Target Price | $65.00 | Beta | 1.38 | Insiders | Neutral |

## Profile

Caterpillar Inc. (Caterpillar) operates in three principal lines of business: Machinery, Engines and Financial Products. Machinery deals with the design, manufacture, marketing and sales of construction, mining and forestry machinery.

## Catalysts

Free trade agreements with Colombia and Peru (large farming countries)

Global farming and bidding up of American farmland for ethanol

International sales represent slightly over 50 percent of Caterpillar's revenues

## Risks

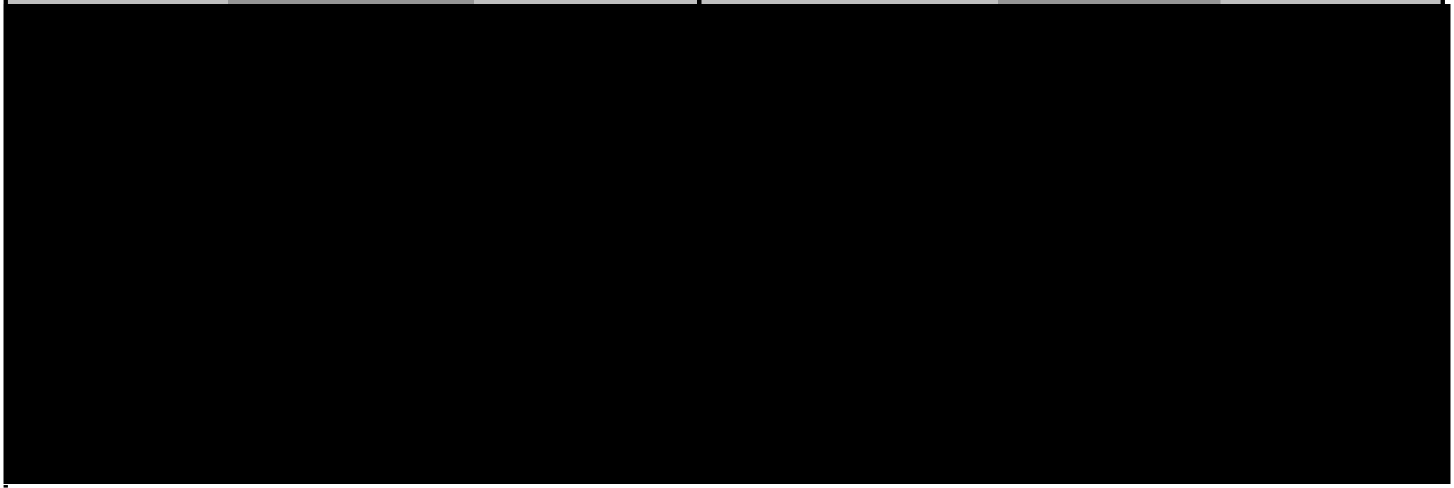
Continued fall of Cinese economy, where CAT has a large presence and reliance

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 26.36% | 26.52% |
| EBITDA Margin | 15.71% | 15.14% |
| Operating Margin | 11.85% | 12.10% |
| EBT Margin | 11.71% | 8.33% |
| Net Profit margin | 8.32% | 8.50% |
| ROA | 7.06% | 5.93% |
| ROE Analysis | 46.26 | 25.95 |
| ROI | 11.55% | 9.11 |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.85 | 0.7 |
| Inventory Turnover | 5.28 | 3.37 |
| Receivables Turnover | 2.87 | 3.02 |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | 17.96 | 16.99 |
| Long term debt/Equity | 2.58% | 1.74% |
| Long term debt/Total capital | | |
| FCF($million) | $530 | |
| Current Ratio | 1.20 | 1.55 |



# Information Technology

**Sector/Industry Report**
Analyst: *Justin Drahl*
Sector: *Information Technology*
Recommendation: *Modest Overweight*

**Sector Overview**

The Information Technology Sector should get a boost in the near future with the broad array of new products and technologies being introduced into the market. I believe in the long term the Semiconductor & Semiconductor Equipment Industry will recover, driving overall return in the sector.

**Sub-Industry Overview**

Information Technology Services: *Marketweight*

The IT Services Industry does not have any significant catalysts to suggest an over or underweight rating at this time.

Semiconductors & Semiconductor Equipment: *Overweight*

The Semiconductors and Semiconductor Equipment Industry has seen big losses in some large-cap securities over the past 5 years. These setbacks should end in Q2 ’07 when new chip technologies are released into the market, which paired with new high profile product releases in the sector and new growth from the Computers & Peripherals industry should give the Semiconductor & Semiconductor Equipment Industry a well needed boost. Worldwide semiconductor sales were up 9.2% in January (1.2% up YOY.)

Computers & Peripherals: *Modest Overweight*

Computer & Peripherals will see a boost as businesses begin to migrate over to the new Windows Vista Operating System. Hardware requirements for the OS will spur growth in computer hardware (such as motherboards, video cards, and data storage components.)

Electronics Equipment & Instruments: *Underweight*

The Electronic Equipment and Instruments Industry should continue to have good performance as new telecommunication and computer products continue to be developed. As the current sector is seeing a large amount of ‘high profile’ products this year, the industry should continue to be a stable and low risk investment.

Software : *Marketweight*

The Software Industry will continue to grow as Windows Vista hits shelves and companies in the Industry begin to develop products for the platform. Over the next few years software sales should increase as businesses and home users begin to migrate over to the new platform and software is either upgraded or purchased to support various services that are no longer supported on older platforms.

SECURITY RECOMMENDATION

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CRUMMER GRADUATE SCHOOL OF BUSINESS

# Accenture Ltd. (NYSE:ACN)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 100 | Price | $36.11 | P/E (F) | 19.29 |
| Recommendation | Hold | Outperform | EPS (TTM) | $1.69 | P/E (TTM) | 21.30 |
| Sector | IT Services | | 52-week High | $39.25 | P/E (Peer Group) | 21.63 |
| Asset Class | Large | Value | 52-week Low | $25.68 | PEG Ratio | 1.25 |
| S&P Consensus | Outperform | | Dividend Yield | 0.97% | Insiders | Selling |
| S&P Target Price | $41.17 | | Beta | 1.58 | | |

**Profile**

Accenture Ltd. (Accenture), incorporated in 2001, is a leading provider of management consulting, IT outsourcing, and systems integration services to firms worldwide. The firm's business is broadly divided into five operating groups: communications and high-tech, financial services, products, resources, and government. Roughly 40% of revenues are generated in North America, while Europe accounts for nearly half of all sales.

**Catalysts**

- Since January ACN has entered contract with AIG Europe, Kimberly-Clark, Sky Express and Fireman's Fund Insurance, as well as a Joint Venture with Atos Origin, Getronics and KPN.

- 8-K filed March 8th announced Board of Director's approval for an additional 1.5$billion in share repurchases.

- Trend toward outsourcing IT & Business services continues by companies in the U.S.

**ROE Analysis**

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 27.09% | 43.93% |
| EBITDA Margin | 12.33% | 20.99% |
| Operating Margin | 10.28% | 16.86% |
| EBT Margin | 10.83% | 14.95% |
| Net Profit Margin | 8.02% | 11.77% |
| ROA | 17.43% | 10.15% |
| ROE | 72.17% | 22.35% |
| ROI | 58.68% | 16.49% |

**ROE Analysis**

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 2.17 | 1.00 |
| Inventory Turnover | 9.29 | 19.02 |
| Receivables Turnover | 9.12 | 5.22 |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | 91.97 | 32.74 |
| Long term debt/equity | 0.02% | 0.43% |
| Long term debt/Total capital | 1.60% | |
| FCF ($million) | $2,362.0 | |
| Current Ratio | 1.22 | 1.82 |

[redacted]

SECURITY RECOMMENDATION

# SUNTRUST PORTFOLIO

SPRING 2006

CRUMMER GRADUATE SCHOOL OF BUSINESS

## Affiliated Computer Services (NYSE:ACS)

Review Date: 3/11/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 100 | Price | $50.93 | P/E (F) | 16.6 |
| Recommendation | Hold | Marketperform | EPS (TTM) | $2.65 | P/E (TTM) | 19.83 |
| Sector | IT Services | | 52-week High | $63.61 | P/E (Peer Group) | 39.28 |
| Asset Class | Large-Cap Value | | 52-week Low | $46.50 | PEG Ratio | 1.07 |
| S&P Consensus | Outperform | | Dividend Yield | 0.0% | Insiders | Selling |
| S&P Target Price | $57.85 | | Beta | 0.71 | | |

### Profile

Affiliated Computer Services, Inc., incorporated on June 8, 1988, provides business process outsourcing and information technology services to commercial and government clients. The Company has two segments based on the clients it serves: commercial and government. The Company provides services to a variety of clients worldwide, including healthcare providers and payers, manufacturers, retailers, wholesale distributors, utilities, entertainment companies, higher education institutions, financial institutions, insurance and transportation companies.

### Catalysts

-ACS has aquired contracts with Allied Waste, Alstom, GSK, and MPM securing 200$ Million revenue, plus undisclosed amounts.

- Lynn Blodgett takes over as CEO and President, taking over for Mark A. King. John H. Rexford assumes role as CFO, replacing Warren Edwards.

- Buyout bid from Cerberus for 5.9bn$ ($59.25 per Share)

### ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 30.60% | 49.24% |
| EBITDA Margin | 16.27% | 25.89% |
| Operating Margin | 10.49% | 20.84% |
| EBT Margin | 8.28% | 22.95% |
| Net Profit Margin | 5.36% | 16.60% |
| ROA | 5.25% | 11.66% |
| ROE | 12.14% | 16.73% |
| ROI | 6.22% | 14.24% |

### ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.98 | 0.74 |
| Inventory Turnover | 0 | 20.66 |
| Receivables Turnover | 4.43 | 7.94 |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | 4.22 | 7.71 |
| Long term debt/equity | 0.66% | 0.16% |
| Long term debt/Total capital | 58.0% | |
| FCF ($million) | $192.0 | |
| Current Ratio | 2.19 | 5.28 |

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SECURITY RECOMMENDATION

# SUNTRUST PORTFOLIO

SPRING 2006

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## Automatic Data Processing Inc (NYSE:ADP)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 100 | Price | $48.77 | P/E (F) | 22.35 |
| Recommendation | Buy | Outperform | EPS (TTM) | $2.23 | P/E (TTM) | 25.11 |
| Sector | IT Services | | 52-week High | $51.50 | P/E (Peer Group) | 21.83 |
| Asset Class | Large-Cap Growth | | 52-week Low | $42.50 | PEG Ratio | 4.82 |
| S&P Consensus | Outperform | | Dividend Yield | 1.89% | Insiders | Selling |
| S&P Target Price | $55.32 | | Beta | 1.22 | | |

### Profile

Automatic Data Processing, Inc. (ADP), incorporated in 1961, is one of the largest providers of computerized transaction processing, data communicatioons, and information services. Its payroll processing unit serves roughly one in six private sector workers in the U.S. It also provides human resources and benefit administration products and services, comprehensive outsourcing services, and payroll tax filing services. Its brokerage services segment offers back-office transaction processing and investor communications services.

### Catalysts

- ADP has approved a spinoff of its brokerage services group, which will be publicly traded on the NYSE. BR will pay a dividend of 690$Million to ADP which will be used for share repurchases.

-ADP has reached an agreement to aquire Intuit Inc.'s fully oursourced payroll business, representing 25,000 customers.

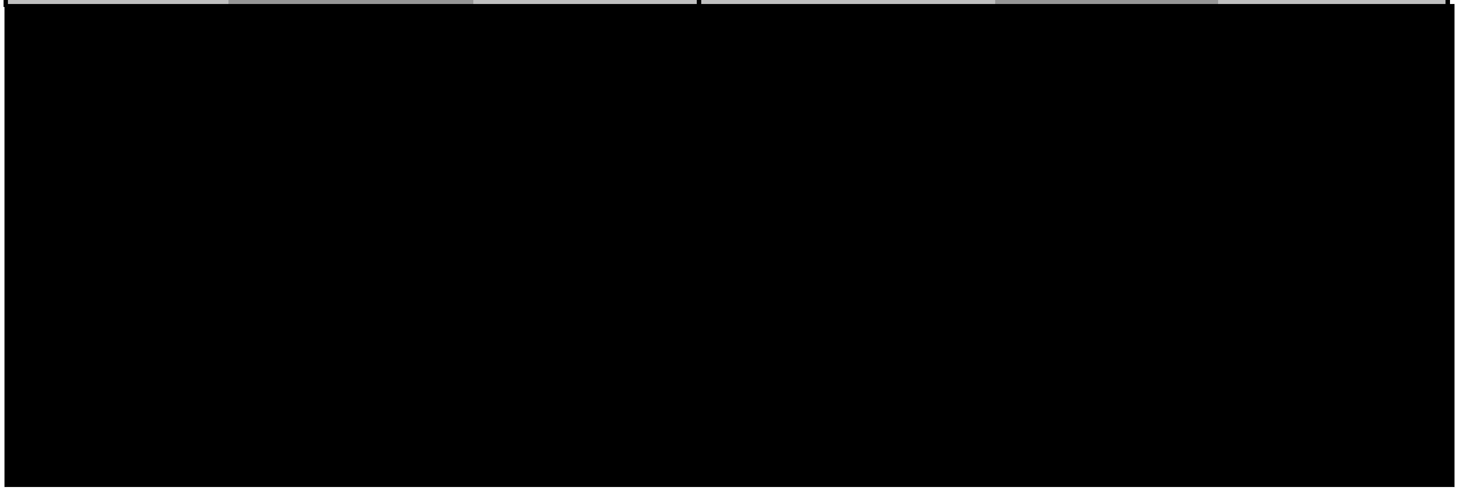
- Trend toward outsourcing IT & Business services continues by companies in the U.S.

### ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 47.77% | 43.93% |
| EBITDA Margin | 22.48% | 20.99% |
| Operating Margin | 19.71% | 16.86% |
| EBT Margin | 19.71% | 14.95% |
| Net Profit Margin | 12.16% | 11.77% |
| ROA | 3.74% | 10.15% |
| ROE | 19.50% | 22.35% |
| ROI | 4.10% | 16.49% |

### ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.31 | 1.00 |
| Inventory Turnover | 0.0 | 19.02 |
| Receivables Turnover | 7.06 | 5.22 |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | 28.5 | 32.74 |
| Long term debt/equity | 0.01% | 0.59% |
| Long term debt/Total capital | 1.2% | |
| FCF ($million) | $1,402.0 | |
| Current Ratio | 1.68 | 1.82 |



SECURITY RECOMMENDATION

SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# Advanced Micro Devices Inc. (NYSE: AMD)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 670 | Price | $14.20 | P/E (F) | 40.08 |
| Recommendation | Sell | Underperform | EPS (TTM) | -$0.34 | P/E (TTM) | 0 |
| Sector | Technology | | 52-week High | $37.38 | P/E (Peer Group) | 25.74 |
| Asset Class | Large-Cap Growth | | 52-week Low | $13.53 | PEG Ratio | NM |
| S&P Consensus | Hold | | Dividend Yield | 0.0% | Insiders | Neutral |
| S&P Target Price | $16.28 | | Beta | 3.29 | | |

## Profile

Advanced Micro Devices, Inc. (AMD), incorporated on May 1, 1969, is a semiconductor company with manufacturing or testing facilities in the United States, Europe and Asia, and sales offices throughout the world. The Company designs, manufactures and markets microprocessor solutions for the computing, communications and consumer electronics markets. These solutions include embedded microprocessors for personal connectivity devices and other consumer markets. It no longer directly participates in the Flash memory devices market. In October 2006, the Company completed the acquisition of ATI Technologies, Inc.

## Catalysts

- Aquired ATI Technologies Inc. in October 2006.
- Intel will continue price war until 2008.
- Array of new products and technologies in development - new chip to be released in Q2 '07, Torrenza in '08.
- AMD entered into a non-competition agreement, as of December 21, 2005, with Fujitsu and Spansion, pursuant to which it agreed not to directly or indirectly engage in a business that manufactures or supplies standalone semiconductor devices (including single chip, multiple chip or system devices) containing only Flash memory.

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 49.43% | 50.96% |
| EBITDA Margin | 10.48% | 20.25% |
| Operating Margin | -0.82% | 17.45% |
| EBT Margin | -2.04% | 19.51% |
| Net Profit Margin | -2.44% | 14.82% |
| ROA | -1.35% | 11.40% |
| ROE | -3.62% | 15.34% |
| ROI | -1.81% | 14.02% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.55 | 0.78 |
| Inventory Turnover | 4.75 | 5.05 |
| Receivables Turnover | 5.8 | 8.75 |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | -0.84 | 5.75 |
| Long term debt/equity | 0.63% | 0.11 |
| Long term debt/Total capital | 39.00% | |
| FCF ($million) | -$30.0 | |
| Current Ratio | 1.39 | 3.76 |

SECURITY RECOMMENDATION

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# Brooks Automation Inc. (NYSE: BRKS)

Review Date: 3/11/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 444 | Price | $16.38 | P/E (F) | 13.39 |
| Recommendation | Hold | Outperform | EPS (TTM) | $0.74 | P/E (TTM) | 21.28 |
| Sector | Semiconductor Equipment | | 52-week High | $16.63 | P/E (Peer Group) | 25.46 |
| Asset Class | Mid-Cap | Value | 52-week Low | $10.56 | PEG Ratio | 0.98 |
| S&P Consensus | Outperform | | Dividend Yield | 0.0% | Insiders | Selling |
| S&P Target Price | $16.11 | | Beta | 3.03 | | |

## Profile

Brooks Automation, Inc. (Brooks) is a supplier of automation products and solutions, primarily serving the worldwide semiconductor market. The Company supplies hardware, software and services to both chip manufacturers and original equipment manufacturers (OEMs) that make semiconductor device manufacturing equipment. Brooks' offerings range from individual hardware and software modules to integrated systems, as well as services to install and support its products worldwide. The Company is also focused on providing automation solutions for a number of related industries.

## Catalysts

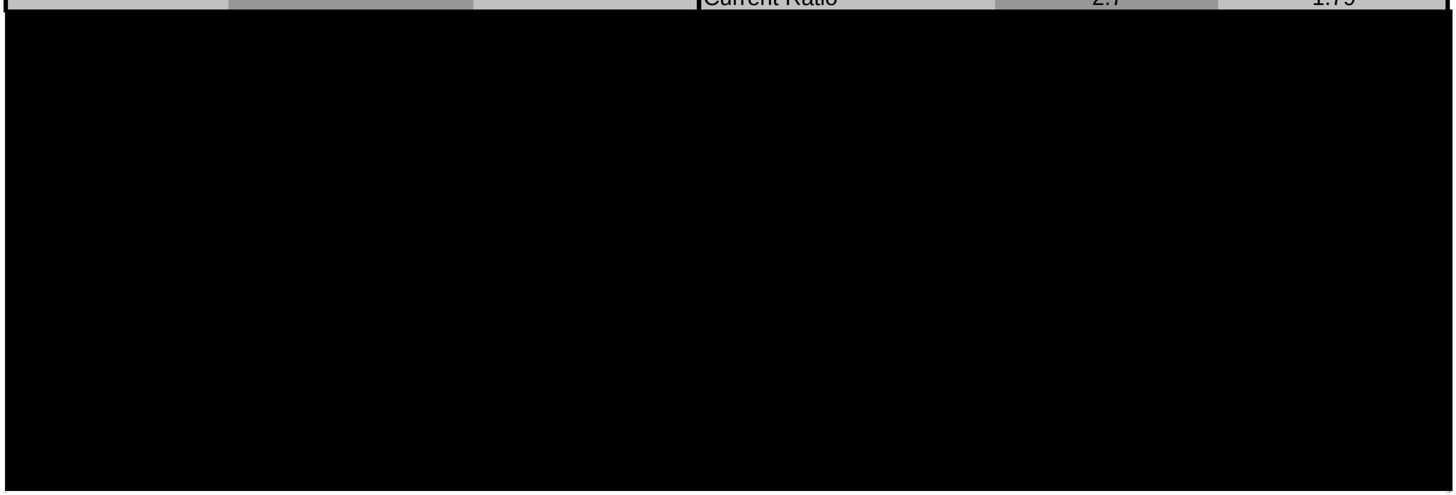
- Worldwide Semiconductor sales in January 2007 were up 9.2%
- Market Leader in Factory Automation Equipment
- On October 26, 2005, the Company acquired Helix Technology Corporation (Helix). On June 30, 2006, it acquired Synetics Solutions Inc (Synetics).
- In 2006 Brooks entered into a joint venture agreement with Yaskawa Electric Corporation to market and sell Yaskawa's semiconductor robotics products and Brooks' automation hardware products to semiconductor customers in Japan.

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 35.34% | 27.10% |
| EBITDA Margin | 11.50% | 10.01% |
| Operating Margin | 7.26% | 8.23% |
| EBT Margin | 7.26% | 8.23% |
| Net Profit Margin | 7.13% | 6.68% |
| ROA | 5.18% | 10.61% |
| ROE | 6.93% | 32.98% |
| ROI | 6.07% | 23.10% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.73 | 1.73 |
| Inventory Turnover | 5.33 | 54.99 |
| Receivables Turnover | 7.13 | 12.57 |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | 9.2 | 3.78 |
| Long term debt/equity | 0.00% | 0.08 |
| Long term debt/Total capital | 0.00% | |
| FCF ($million) | $47.2 | |
| Current Ratio | 2.7 | 1.79 |



# Dell Inc (NYSE:DELL)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 100 | Price | $22.43 | P/E (F) | 20.22 |
| Recommendation | Hold | Marketperform | EPS (TTM) | $0.00 | P/E (TTM) | 17.88 |
| Sector | Technology | | 52-week High | $30.80 | P/E (Peer Group) | 25.46 |
| Asset Class | Large-Cap Value | | 52-week Low | $18.95 | PEG Ratio | 1.45 |
| S&P Consensus | Marketperform | | Dividend Yield | 0.0% | Insiders | Neutral |
| S&P Target Price | $27.28 | | Beta | 0.98 | | |

## Profile

Dell Inc. (Dell) designs, develops, manufactures, markets, sells and supports a range of computer systems and services that are customized to customer requirements. These include enterprise systems, client systems, printing and imaging systems, software and peripherals, and global services. Dell operates principally in one industry and is managed in three geographic segments: the Americas; Europe, Middle East and Africa (EMEA), and Asia Pacific-Japan (APJ).

## Catalysts

- Michael Dell has returned as acting CEO of the company.

- The SEC and U.S. Justice Department is also reviewing the companies accounting - adding to the legal risks.

-A New investor lawsuit has been brougt against the company for improperly accounting hundreds of millions of dollars received from Intel Corp.

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 16.97% | 27.10% |
| EBITDA Margin | 7.90% | 10.01% |
| Operating Margin | 6.26% | 8.23% |
| EBT Margin | 6.65% | 9.62% |
| Net Profit Margin | 5.10% | 6.68% |
| ROA | 11.40% | 10.61% |
| ROE | 77.50% | 32.98% |
| ROI | 67.40% | 23.10% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 2.42 | 1.73 |
| Inventory Turnover | 99.12 | 54.99 |
| Receivables Turnover | NM | 12.57 |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | 0.0 | 3.78 |
| Long term debt/equity | 0.15 | 0.08 |
| Long term debt/Total capital | 13.0% | |
| FCF ($million) | $4,111.0 | |
| Current Ratio | NM | 0.0179 |

[redacted]

# Flextronics International (NYSE: FLEX)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 800 | Price | $11.07 | P/E (F) | 14.05 |
| Recommendation | Hold | Marketperform | EPS (TTM) | $0.40 | P/E (TTM) | 30.56 |
| Sector | Technology | | 52-week High | $13.26 | P/E (Peer Group) | 25.74 |
| Asset Class | Large-Cap Value | | 52-week Low | $9.62 | PEG Ratio | 0.60 |
| S&P Consensus | Outperform | | Dividend Yield | 0.0% | Insiders | Neutral |
| S&P Target Price | $14.07 | | Beta | 2.27 | | |

## Profile

Flextronics International Ltd. (Flextronics), incorporated in May 1990, is a provider of electronics manufacturing services (EMS) to original equipment manufacturers (OEMs) in industries, including computing; mobile; consumer digital; industrial, semiconductor and white goods; automotive, marine and aerospace; infrastructure, and medical. The Company provides a range of vertically integrated global supply chain services, through which it designs, builds and ships a packaged product for its OEM customers. The Company's services include printed circuit board and flexible circuit fabrication; systems assembly and manufacturing; logistics; after-sales services; design and engineering services; original design manufacturing (ODM) services, and components design and manufacturing. As of March 31, 2006, its total manufacturing capacity was approximately 15.8 million square feet in over 30 countries across four continents.

## Catalysts

- Significant room for margins improvements relative to the industry

- Flextronics entered a technology collaboration agreement with HP over digital camera modules.

- Completed acquisition of International DisplayWorks, Inc.

- Revenue up 31% to 5.42billion, Profits Triple (42M -> 119M) YOY.

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 4.46% | 50.96% |
| EBITDA Margin | 3.16% | 20.25% |
| Operating Margin | 0.98% | 17.45% |
| EBT Margin | 0.98% | 19.51% |
| Net Profit Margin | 1.22% | 14.82% |
| ROA | 1.80% | 11.40% |
| ROE | 3.72% | 15.34% |
| ROI | 2.89% | 14.02% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.48 | 0.78 |
| Inventory Turnover | 7.97 | 5.05 |
| Receivables Turnover | 9.93 | 8.75 |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | 2.75 | 5.75 |
| Long term debt/equity | 0.24 | 0.11 |
| Long term debt/Total capital | 20.00% | |
| FCF ($million) | $298.0 | |
| Current Ratio | 1.22 | 3.76 |

# HEWLETT-PACKARD (NYSE: HPQ)

Review Date: 3/11/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 100 | Price | $40.11 | P/E (F) | 14.69 |
| Recommendation | Buy | Outperform | EPS (TTM) | $2.29 | P/E (TTM) | 17.12 |
| Sector | Technology | | 52-week High | $43.72 | P/E (Peer Group) | 22.1 |
| Asset Class | Large-Cap Growth | | 52-week Low | $29.00 | PEG Ratio | 0.39 |
| S&P Consensus | Outperform | | Dividend Yield | 0.80% | Insiders | Selling |
| S&P Target Price | $46.69 | | Beta | 1.87 | | |

## Profile

Hewlett-Packard Company (HP), incorporated in 1947, is a provider of products, technologies, solutions and services to individual consumers, small and medium-sized businesses (SMBs) and large enterprises. During the fiscal year ended October 31, 2006, HP's operations were organized into seven business segments: Enterprise Storage and Servers (ESS), HP Services (HPS), Software, the Personal Systems Group (PSG), the Imaging and Printing Group (PG), HP Financial Services (HPFS) and Corporate Investments. ESS, HPS and Software are structured beneath a Technology Solutions Group (TSG).

## Catalysts

-For the 19th consecutive quarter, HP leads wordwide server market in total units shipped, with 31.6% share in the forth quarter.

- Migration of existing business servers to Microsoft Windows Vista Business (when available) will drive sales and revenues across the board.

- Increase (due to Vista) in overall hardware sales in the home and small business sector will continue to drive profits.

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 24.35% | 47.72% |
| EBITDA Margin | 10.57% | 17.88% |
| Operating Margin | 7.35% | 16.66% |
| EBT Margin | 8.11% | 18.26% |
| Net Profit Margin | 6.93% | 14.19% |
| ROA | 8.37% | 12.14% |
| ROE | 17.65% | 22.27% |
| ROI | 14.48% | 17.76% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1,21 | 0.97 |
| Inventory Turnover | 9.42 | 8.44 |
| Receivables Turnover | 7.8 | 9.27 |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | NM | 30.88 |
| Long term debt/equity | 0.07 | 0.16 |
| Long term debt/Total capital | 6.0% | |
| FCF ($million) | $8,817.0 | |
| Current Ratio | 1.21 | 2.00 |

SECURITY RECOMMENDATION

SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# Software HOLDRS Trust (SWH)

Review Date: 3/11/2007

| | | |
|---|---|---|
| Current Position | Held | 100 |
| Recommendation | Buy | Marketperform |
| Morningstar Category | Specialty Technology | |
| Management Style | | N/A |
| Management Average Tenure | | N/A |
| Fund Inception Date | | 9/27/2000 |

| | |
|---|---|
| NAV | $38.09 |
| 52-week High | $41.73 |
| 52-week Low | $32.00 |
| Net Assets ($million) | $139.34 |
| Load | No |

| | |
|---|---|
| Expense Ratio*** | N/A |
| Alpha* | N/A |
| Beta* | 1.86 |
| R squared* | N/A |
| Sharpe Ratio** | N/A |

## Fund's Strategy

The investment seeks to diversify your investment in the software industry through a single, exchange-listed instrument representing your undivided beneficial ownership of the underlying securities. The investment holds securities traded on U.S. stock markets that, when initially selected, were issued by companies involved in the software industry. Except when a reconstitution event, distribution of securities by an underlying issuer or other event occurs, the group of companies will not change. There are currently 18 companies included in the Software HOLDRS.

## Justification for Recommendation

- Large product rollout in the sector should boost performance in this industry.
- Diversification in software industry over 18 equities.
- $2.00 per 100 Shares custody fee per Quarter
- Must buy in lots of 100 Shares

## Top Ten Holdings

| | Sector | 12/31/2006 |
|---|---|---|
| Adobe Systems Inc | Software | 13.21% |
| B M C Software | Software | 5.56% |
| CA Inc | Software | 9.51% |
| Check Point Software | Software | 3.26% |
| Intuit Inc | Software | 9.04% |
| Microsoft Corp | Software | 22.12% |
| Oracle Corp | Software | 10.15% |
| SAP Aktiengesell Ads | Software | 20.99% |
| Symantec Corp | Software | 4.12% |
| Tibco Software Inc | Software | 1.16% |

## Historical Performance

| | Software HOLDRS | Specialty Technology | |
|---|---|---|---|
| 1 Year | 4.49% | 2.92% | |
| 3 Year | 1.78% | 2.97% | |
| 5 Year | -0.04% | 3.76% | |

## Asset Allocation

| | 12/31/2006 |
|---|---|
| Equity | 100.0% |
| Bonds | 0.0% |
| Cash & Others | 0.0% |

# Semiconductor HOLDRs Trust (SMH)

Review Date: 3/11/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 100 | NAV | $37.46 | Expense Ratio*** | N/A |
| Recommendation | Buy | Outperform | 52-week High | $38.81 | Alpha* | N/A |
| Morningstar Category | | Specialty-Technology | 52-week Low | $29.02 | Beta* | 2.30 |
| Management Style | | N/A | Net Assets ($billion) | $1.47 | R squared* | N/A |
| Management Average Tenure | | N/A | Load | N/A | Sharpe Ratio** | N/A |
| Fund Inception Date | | 5/4/2000 | | | | |

## Fund's Strategy

The investment to diversify your investment in the semiconductor industry through a single, exchange-listed instrument representing your undivided beneficial ownership of the underlying securities. The trust holds shares of common stock issued by specified companies that, when initially selected, were involved in the semiconductor business. Except when a reconstitution event, distribution of securities by an underlying issuer or other event occurs, the group of companies will not change. There are currently 20 companies included in the Semiconductor HOLDRS.

## Justification for Recommendation

- Instant diversification - ETF holds 20 equities inside the semiconductor industry.

- Industry should have high gains over the next few years due to sector catalysts.

- $2.00 per 100 Shares custody fee per Quarter

- Must buy in lots of 100 Shares

## Top Ten Holdings

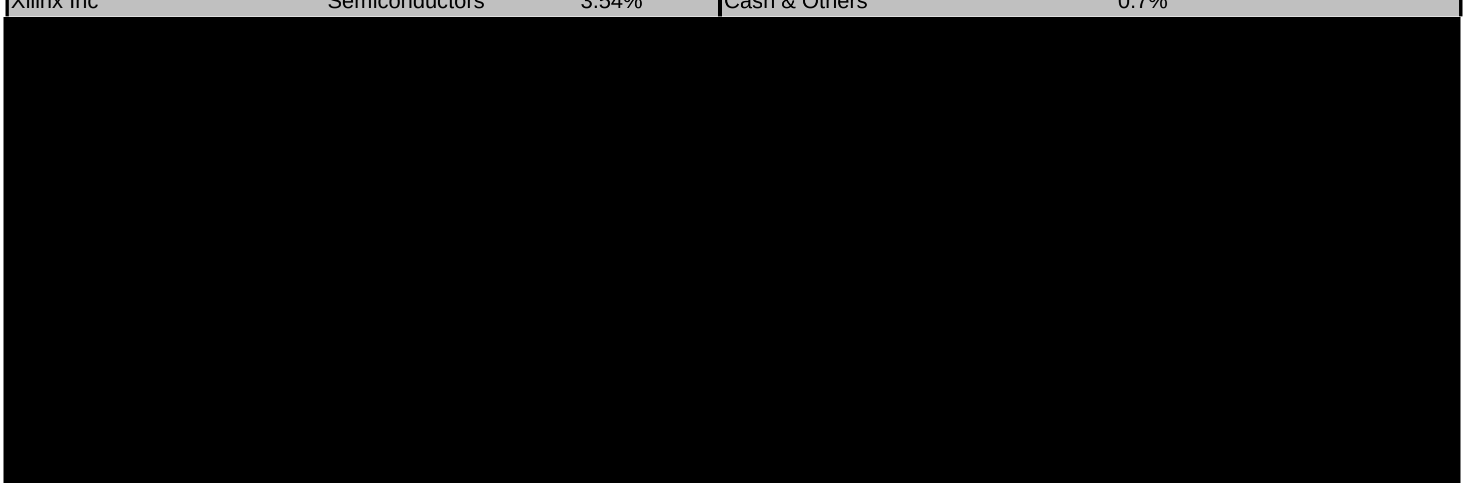
| | Sector | 12/31/2006 |
|---|---|---|
| Analog Devices | Semiconductors | 5.86% |
| Applied Materials | Semiconductors | 14.28% |
| Intel Corp. | Semiconductors | 18.08% |
| KL A-Tencor Corp | Semiconductors | 4.43% |
| Linear Technology | Semiconductors | 4.52% |
| Maxim Integrated | Semiconductors | 4.55% |
| Micron Technology | Semiconductors | 3.75% |
| National Semiconductor | Semiconductors | 4.05% |
| Texas Instruments | Semiconductors | 18.86% |
| Xilinx Inc | Semiconductors | 3.54% |

## Historical Performance

| | Semiconductor HOLDRs | Specialty Technology |
|---|---|---|
| 1 Year | -7.00% | 2.92% |
| 3 Year | -5.44% | 2,97% |
| 5 Year | -3.04% | 3.76% |

## Asset Allocation

| | 12/31/2006 |
|---|---|
| Equity | 99.0% |
| Bonds | 0.3% |
| Cash & Others | 0.7% |



# ACME Packet (NYSE:APKT)

Review Date: 3/11/2007

| | | | | | |
|---|---|---|---|---|---|
| Current Position | Not Held | Price | $14.79 | P/E (F) | 32.15 |
| Recommendation | Buy | EPS (TTM) | $0.89 | P/E (TTM) | 16.58 |
| Sector | Computer Peripherals | 52-week High | $21.97 | P/E (Peer Group) | 23.95 |
| Asset Class | Small-Cap Value | 52-week Low | $13.00 | PEG Ratio | 1.46 |
| S&P Consensus | Hold | Dividend Yield | N/A | Insiders | Buying |
| S&P Target Price | $18.83 | Beta | - | | |

## Profile

Acme Packet, Inc. develops session border control solutions for network service providers. It offers Net-Net OS, 4000, 9000, PAC, and EMS equipment and software platforms, which provide critical control functions to enable interactive communications, such as voice, video, and multimedia sessions across Internet protocol network borders. The company sells its products through distribution partners. Acme Packet, Inc. was founded in 2000 and is headquartered in Burlington, Massachusetts.

## Catalysts

- Went public in October 2006 - First 9 months of October revenue growth was 158%. Revenue in Q4 was up 87%.

- Market Leader in Session Border Controllers in a disruptive technology (VoIP)

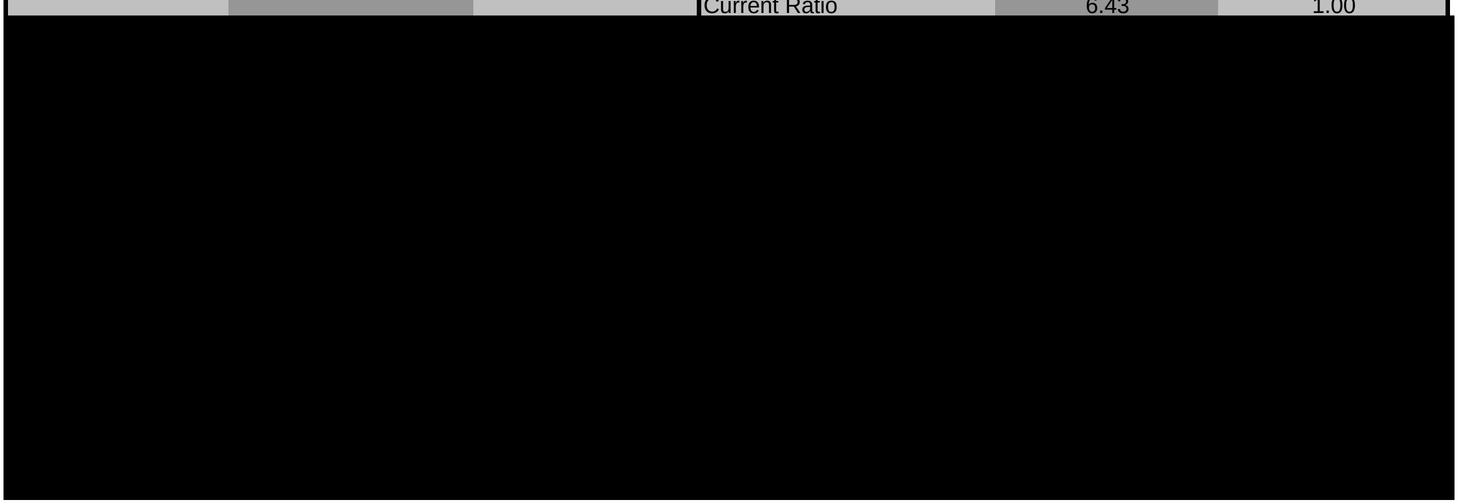
- CALEA (Communication Assistance for Law Enforcement Act) is currently a risk for VoIP technology as it is not compliant.

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 79.10% | 54.71% |
| EBITDA Margin | NM | 31.39% |
| Operating Margin | 27.58% | 13.28% |
| EBT Margin | 30.24% | 10.11% |
| Net Profit Margin | 34.33% | 6.80% |
| ROA | 31.32% | 2.80% |
| ROE | 32.77% | 9.63% |
| ROI | 38.66% | 3.34% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.91 | 0.43 |
| Inventory Turnover | 3.35 | 22.37 |
| Receivables Turnover | 7.9 | 8.75 |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | NM | 3.99 |
| Long term debt/equity | NM | 1.14 |
| Long term debt/Total capital | NM | |
| FCF ($million) | -$1.29 | |
| Current Ratio | 6.43 | 1.00 |



SECURITY RECOMMENDATION

SUNTRUST PORTFOLIO
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# Intel Corp. (NYSE:INTC)

Review Date: 3/13/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Not Held | | Price | $19.12 | P/E (F) | 14.16 |
| Recommendation | Buy | Outperform | EPS (TTM) | $0.86 | P/E (TTM) | 22.71 |
| Sector | Semiconductors | | 52-week High | $22.50 | P/E (Peer Group) | 25.77 |
| Asset Class | Large-Cap | Value | 52-week Low | $16.75 | PEG Ratio | 1.46 |
| S&P Consensus | Marketperform | | Dividend Yield | 2.40% | Insiders | Neutral |
| S&P Target Price | $24.31 | | Beta | 2.02 | | |

## Profile

Intel Corporation engages in the manufacture and sale of semiconductor chips, as well as in the development of advanced integrated digital technology platforms for the computing and communications industries worldwide. It offers microprocessor products, including dual-core microprocessors, quad-core microprocessors, 32-bit architecture microprocessors, and 64-bit architecture microprocessors used in computer systems, as well as in embedded designs, such as industrial equipment, point-of-sale systems, panel PCs, automotive information/entertainment systems, and medical equipment.

## Catalysts

- Building a new 2.5$Billion Chip plant in China
- 2007 Patents received in the past 12 months
- 1Million Quad-Core processors ready in mid '07
- New Technology in development: Penryn (45nm), CSI
- Price war with AMD planned to cease in 2008.

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 51.49% | 50.89% |
| EBITDA Margin | 29.86% | 21.09% |
| Operating Margin | 15.97% | 17.39% |
| EBT Margin | 19.98% | 19.53% |
| Net Profit Margin | 14.26% | 14.76% |
| ROA | 10.43% | 11.44% |
| ROE | 13.83% | 15.52% |
| ROI | 12.78% | 14.06% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.73 | 0.78 |
| Inventory Turnover | 4.61 | 5.06 |
| Receivables Turnover | 10.69 | 8.1 |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | 195.50 | 5.81 |
| Long term debt/equity | 0.05% | 0.11% |
| Long term debt/Total capital | 5.00% | |
| FCF ($million) | $4,881.0 | |
| Current Ratio | 2.15 | 3.77 |

# SECURITY RECOMMENDATION

## SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# NVIDIA Corp. (NYSE:NVDA)

Review Date: 3/12/2007

| | | | | | |
|---|---|---|---|---|---|
| Current Position | Not Held | Price | $29.05 | P/E (F) | 15.79 |
| Recommendation | Buy Outperform | EPS (TTM) | $1.01 | P/E (TTM) | 26.57 |
| Sector | Specialty Semiconductor | 52-week High | $38.96 | P/E (Peer Group) | 25.77 |
| Asset Class | Large Growth | 52-week Low | $17.17 | PEG Ratio | 1.09 |
| S&P Consensus | Marketperform | Dividend Yield | N/A | Insiders | Selling |
| S&P Target Price | $36.95 | Beta | 4.07 | | |

### Profile

NVIDIA Corporation (NVIDIA), incorporated in April 1993, designs, develops and markets graphics processing units (GPUs), media and communications processors (MCPs), wireless media processors (WMPs) and related software. The Company's products are integral to a wide variety of visual computing platforms, including enterprise personal computers (PCs), consumer PCs, professional workstations, notebook PCs, personal digital assistants (PDAs), cellular phones, game consoles and digital media centers.

### Catalysts

- Strategic partnership with Intel Corp puts nVidia in a favorable position against AMD (Aquired main competitor ATI in 2006.)
- Large product rollout in 2007 should boost sales - Adoption of DX10 (Windows Vista Exclusive) is a key driver.
- New Quadro Graphics Cards for developers released
- Gaming market continues strong growth on the PC platform. Windows Live (for MS Vista) will continue to promote growth on the platform.

### ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 42.38% | 50.85% |
| EBITDA Margin | 17.10% | 21.03% |
| Operating Margin | 14.78% | 17.36% |
| EBT Margin | 16.11% | 19.52% |
| Net Profit Margin | 14.60% | 14.75% |
| ROA | 19.36% | 11.43% |
| ROE | 25.59% | 15.53% |
| ROI | 25.23% | 14.06% |

### ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.33 | 0.78 |
| Inventory Turnover | 5.8 | 5.06 |
| Receivables Turnover | 7.33 | 8.71 |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | 5214.90 | 5.81 |
| Long term debt/equity | 0.00% | 0.11% |
| Long term debt/Total capital | 0.00% | |
| FCF ($million) | $366.8 | |
| Current Ratio | 3.18 | 3.76 |

# Materials

**Sector/Industry Report**
Analyst: *David Archer*
Sector: *Basic Materials*
Recommendation: *Modest Underweight*

**Sector Overview**
The Basic Materials sector has been experiencing strong price appreciation over the last 12 months due to rising commodity prices and corporate profits. However, the sector has recently seen a sharp decline in the price of plastics and petrochemicals which we believe is an indicator of a cyclical peak in commodities prices. I believe that certain commodities will begin a consolidation, if not correction, in the near future which will have a negative affect on corporate profits and the expected return of securities in this sector.

**Sub-Industry Overview**
Chemicals – Plastics & Rubber: *Modest Underweight*

I am neutral with a modest negative bias on the Chemicals sub-industry due to recent weak pricing of plastics and other petrochemicals which make up the majority of sales in the sub-industry.

# The Dow Chemical Company (NYSE: DOW)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 200 | Price | $43.00 | P/E (F) | 10.76 |
| Recommendation | Hold | Marketperform | EPS (TTM) | $3.82 | P/E (TTM) | 11.47 |
| Sector | Basic Materials | | 52-week High | $47.26 | P/E (Peer Group) | 13.98 |
| Asset Class | Large Cap | | 52-week Low | $33.00 | PEG Ratio | - |
| S&P Consensus | Overweight | | Dividend Yield | 3.48% | Insiders | Buying |
| S&P Target Price | $47.00 | | Beta | 1.12 | | |

## Profile

The Dow Chemical Company (Dow) is a diversified chemical company that offers a range of chemical, plastic and agricultural products and services. The Company is engaged in the manufacture and sale of chemicals, plastic materials, agricultural and other specialized products and services. It services customers in more than 175 countries, helping them to provide from fresh water, food and pharmaceuticals to paints, packaging and personal care. The Company has 150 manufacturing sites in 37 countries and produces more than 3,100 products. Dow operates in six segments: Performance Plastics, Performance Chemicals, Agricultural Sciences, Basic Plastics, Basic Chemicals, and Hydrocarbons and Energy. The Company is also engaged in the property and casualty insurance and reinsurance business primarily through its Liana Limited subsidiaries.

## Catalysts

High commodities prices driving high profits

Heavy insider purchasing activity

Rumors of leveraged buyout

## Risks

Plastic prices fell sharply at the beginning of 2007

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 15.47% | 21.81% |
| EBITDA Margin | 13.36% | 12.40% |
| Operating Margin | 11.00% | 10.91% |
| EBT Margin | 10.12% | 10.43% |
| Net Profit Margin | 7.77% | 8.41% |
| ROA | 8.34% | 8.16% |
| ROE | 23.00% | 25.43% |
| ROI | 10.98% | 10.51% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 1.07 | 0.98 |
| Inventory Turnover | 7.30 | 6.11 |
| Receivables Turnover | 9.72 | 5.99 |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | N/A | 8.51 |
| Long term debt/equity | 0.47 | 0.62 |
| Long term debt/Total capital | 0.32 | - |
| FCF ($million) | $2,171 | - |
| Current Ratio | 1.62 | 1.69 |

[redacted]

SECURITY RECOMMENDATION

SUNTRUST PORTFOLIO
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# iShares S&P Global Mat. Sector Index (NYSE: MXI)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Not Held | | NAV | $60.64 | Expense Ratio | 0.48% |
| Recommendation | Buy | Marketperform | 52-week High | $62.96 | Alpha | - |
| Morningstar Category | | Basic Materials | 52-week Low | $47.97 | Beta | 1.35 |
| Management Style | | ETF | Net Assets ($million) | $68.74 | R squared | - |
| Management Average Tenure | | N/A | Load | No | Sharpe Ratio | - |
| Fund Inception Date | | 9/12/2006 | | | | |

## Fund's Strategy

iShares S&P Global Materials Sector Index Fund seeks investment results that correspond generally to the price and yield performance of the S&P Global Materials Sector Index (the Index). The Index is a subset of the Standard & Poor's Global 1200 Index. Component companies of the Index include companies engaged in a variety of commodity-related manufacturing activities. As of June 30, 2006, the Index comprised stocks of companies in various countries, which included Australia, Belgium, Brazil, Canada, Chile, Finland, France, Germany, Ireland, Japan, Korea, Luxembourg, Mexico, the Netherlands, Portugal, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States.

## Justification for Recommendation

High commodity prices driving high profits

Neutral economic outlook for sector

## Top Ten Holdings

| Security Name | Sector | % |
|---|---|---|
| BHP Billiton, Ltd. | Basic Materials | 4.40% |
| Anglo American PLC | Basic Materials | 4.24% |
| Rio Tinto PLC | Basic Materials | 3.22% |
| BASF AG | Basic Materials | 3.20% |
| BHP Billiton PLC | Basic Materials | 2.86% |
| EI Du Pont de Nemours & Co. | Basic Materials | 2.82% |
| Bayer AG | Basic Materials | 2.58% |
| Nippon Steel Corp. | Basic Materials | 2.49% |
| Dow Chemical Co. (The) | Basic Materials | 2.47% |
| Arcelor Mittal | Basic Materials | 2.44% |

## Historical Performance

| | iShares S&P Global Mat. Sector Index | |
|---|---|---|
| 1 Year | 29.44% | |
| 3 Year | 25.09% | |
| 5 Year | 20.95% | |
| 10 Year | - | - |

## Asset Allocation

| | 3/9/2007 |
|---|---|
| Equity | 99.69% |
| Bonds | 0.00% |
| Cash & Others | 0.31% |

# Telecommunication Services

**Sector/Industry Report**
Analyst: *David Archer*
Sector: *Telecommunication Services*
Recommendation: *Marketweight*

**Sector Overview**
The Telecommunication Services sector has experienced significant price appreciation over the last 12 months due mostly to acquisitions and growth of wireless services. I anticipate wireless communications companies, especially those operating in fast-growing emerging economies, to continue to be the driver for the industry's returns in 2007. Existing fixed-line companies should continue to provide stable returns but the prospects for growth in fixed-line services are limited.

**Sub-Industry Overview**
Diversified Telecommunication Services: *Marketweight*

I am neutral with a modest negative bias on the Diversified Telecommunication Services sub-industry. While wireless services are predicted to be driver of major growth within the overall industry, diversified telecommunication services companies should continue to provide stable returns albeit not as high as the wireless sub-industry.

# Telecom Corp of New Zealand (NYSE: NZT)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 200 | Price | $26.22 | P/E (F) | 11.3 |
| Recommendation | Hold | Marketperform | EPS (TTM) | $1.28 | P/E (TTM) | 13 |
| Sector | Services | | 52-week High | $29.67 | P/E (Peer Group) | 16.2 |
| Asset Class | Mid Cap | | 52-week Low | $19.06 | PEG Ratio | - |
| S&P Consensus | Underweight | | Dividend Yield | 5.83% | Insiders | - |
| S&P Target Price | $27.50 | | Beta | 0.58 | | |

**Profile**

Telecom Corporation of New Zealand Limited is a supplier of telecommunications and information technology (IT) services in New Zealand and Australia. Telecom provides a full range of telecommunications and information technology products and services, including local, national, international and value-added telephone services, cellular and other mobile services, data and internet services, IT consulting, implementation and procurement, equipment sales and installation services, leased services and directories.

**Catalysts**

Joint venture with Yahoo!

Recently raised FY2007 net profit expectations by 10%

**Risks**

CEO retiring in June 2007 - No replacement announced

**ROE Analysis**

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 71.25% | 40.90% |
| EBITDA Margin | 29.74% | 31.85% |
| Operating Margin | 18.16% | 23.70% |
| EBT Margin | 13.75% | - |
| Net Profit Margin | 8.33% | 14.70% |
| ROA | 7.79% | 2.96% |
| ROE | 37.11% | 10.21% |
| ROI | 11.20% | 3.55% |

**ROE Analysis**

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.94 | 0.43 |
| Inventory Turnover | 16.27 | 22.95 |
| Receivables Turnover | 6.21 | 8.85 |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | 4.1 | 3.95 |
| Long term debt/equity | 2.23 | 1.08 |
| Long term debt/Total capital | 0.69 | - |
| FCF ($million) | $741 | - |
| Current Ratio | 0.84 | 1.69 |

[redacted]

SECURITY RECOMMENDATION

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SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# Vodafone Group PLC (NYSE: VOD)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 200 | Price | $27.04 | P/E (F) | N/A |
| Recommendation | Sell | Underperform | EPS (TTM) | -$6.96 | P/E (TTM) | -3.8 |
| Sector | Services | | 52-week High | $29.85 | P/E (Peer Group) | 16.2 |
| Asset Class | Large Cap | | 52-week Low | $20.40 | PEG Ratio | 2.8 |
| S&P Consensus | Overweight | | Dividend Yield | 4.63% | Insiders | - |
| S&P Target Price | $31.31 | | Beta | 1.13 | | |

## Profile

Vodafone Group Plc (Vodafone) is a mobile telecommunications company, with presence in Europe, the Middle East, Africa, Asia Pacific and the United States through the Company's subsidiary undertakings, joint ventures, associated undertakings and investments. It provides a range of voice and data mobile telecommunications services, including text messages, picture messages and other data services, and is developing and provides service offerings, particularly through third generation (3G) mobile technology, which is being deployed in the majority of the Company's operations.Vodafone's mobile subsidiaries and joint venture in Italy operate under the brand name Vodafone. In the United States, the Company's associated undertaking operates as Verizon Wireless.

## Catalysts

Pending acquisition of India's 4th largest wireless telecom

Partnership with Microsoft on new mobile IM network

Partnership with Google for mobile Google Maps

## Risks

May have been added to portfolio based on incorrect information

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 41.79% | 40.90% |
| EBITDA Margin | -60.95% | 31.85% |
| Operating Margin | -70.15% | 23.70% |
| EBT Margin | -72.69% | - |
| Net Profit Margin | -80.31% | 14.70% |
| ROA | -19.05% | 2.96% |
| ROE | -6.55% | 10.21% |
| ROI | -21.78% | 3.55% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.24 | 0.43 |
| Inventory Turnover | 39.67 | 22.95 |
| Receivables Turnover | 5.51 | 8.85 |
| **Leverage Measures & Othe** | **Company** | **Industry** |
| Interest Coverage | - | 3.95 |
| Long term debt/equity | 0.25 | 1.08 |
| Long term debt/Total capital | 0.20 | - |
| FCF ($million) | $13,058 | - |
| Current Ratio | 0.84 | 1.69 |

[redacted]

# China Mobile Ltd (NYSE: CHL)

Review Date: 3/11/2007

| | | | | | |
|---|---|---|---|---|---|
| Current Position | Not Held | Price | $42.59 | P/E (F) | 17.61 |
| Recommendation | Buy Outperform | EPS (TTM) | $1.88 | P/E (TTM) | 23.24 |
| Sector | Telecommunications Services | 52-week High | $51.78 | P/E (Peer Group) | 23.95 |
| Asset Class | Large Cap | 52-week Low | $23.01 | PEG Ratio | 1.49 |
| S&P Consensus | Marketweight | Dividend Yield | 1.83% | Insiders | - |
| S&P Target Price | $46.65 | Beta | 1.34 | | |

## Profile

China Mobile Ltd., formerly China Mobile (Hong Kong) Limited, provides mobile telecommunications and related services in 31 provinces, autonomous regions and directly administered municipalities in Mainland China through a unified, contiguous all-digital mobile network. Its brands include GoTone, Shenzhouxing and MZone.

## Catalysts

Partnership with Google on mobile search services

Pending acquisition of 5th largest Pakistani telecom

## Risks

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 89.84% | 40.90% |
| EBITDA Margin | 54.84% | 31.85% |
| Operating Margin | 31.00% | 23.70% |
| EBT Margin | 33.05% | - |
| Net Profit Margin | 22.54% | 14.70% |
| ROA | 14.00% | 2.96% |
| ROE | 19.35% | 10.21% |
| ROI | 22.02% | 3.55% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | 0.62 | 0.43 |
| Inventory Turnover | 10.39 | 22.95 |
| Receivables Turnover | 24.91 | 8.85 |
| **Leverage Measures** | **Company** | **Industry** |
| Interest Coverage | - | 3.95 |
| Long term debt/equity | 0.12 | 1.08 |
| Long term debt/Total cap | 0.11 | - |
| FCF ($million) | $76,546 | - |
| Current Ratio | 1.25 | 1.69 |

# Utilities

**Sector/Industry Report**
Analyst: *Shawn Read*
Sector: *Utilities*
Recommendation: *Marketweight*

**Sector Overview**

Earnings per share for investor owned utilities were up $1.92, or 8.1%, in September 2006, while the S&P electric utilities was up 19.2% in 2006. Real GDP growth, which grew by 3.5% in '05, 3.3% in '06, and is predicted to grow 2.3% in 2007, is a major indicator of the health of the utility industry.

Looking ahead, there will be a reliance on the weather for growth and profitability. In the start of the year, utility companies struggled due to the abnormally warm temperatures. Albeit, in February temperatures flipped, becoming very cold, thus increasing the use of electricity. In recent years, data collected on the weather has shown an increase in both heating and cooling-degree days. Electric Utilities are more concerned with the heating-degree days, as people use more air condition, whereas with cooling-degree days will affect the oil and gas companies.

Dividends are expected to rise over the next few years due to the reduction in expenses and government reductions on dividend taxes. The cut on federal taxes in 2003 is to be extended till 2010. Companies to look for are those with strong balance sheets and a strong credit rating, as they will likely raise dividends on a regular basis

Some negative factors that may affect the utility industry are the slow-down in housing starts, the high level of pension, other post retirement benefit costs, and insurance and other-security-related costs. An increase in interest rates will create a downward pull on profits.

**Power Sources**

Coal – cheapest and most widely used (51.3%) and is expected to hold till 2015

Natural Gas – 17.4% of use. Not a favorable source of energy over the next few years, due to high natural gas prices. If gas prices are low – gas-fired combustion turbines are more favorable because they have lower capital requirements

Nuclear Power – 20.1%, but expected to slowly decline by 2015 b/c of the commissioning costs associated with reducing radioactivity and disposing of waste. Otherwise, nuclear power is a clean and cheap source of energy

Petroleum, blast furnace gas, and propane gas is expected to decline in use

Wind Power – fastest growing; new technologies are improving the growth. This is the only power source expected to experience considerable growth over the next decade, due to the low costs and global warming concerns.

SECURITY RECOMMENDATION

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# Exelon Corp (NYSE: EXC)

Review Date: 3/22/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Not Held | | Price | $67.74 | P/E (F) | 17.14 |
| Recommendation | Buy | Outperperform | EPS (TTM) | $2.34 | P/E (TTM) | 27.61 |
| Sector | Electric Utilities | | 52-week High | $72.31 | P/E (Peer Group) | 18.39 |
| Asset Class | Large Cap | Blend | 52-week Low | $51.13 | PEG Ratio | 1.562 |
| S&P Consensus | Buy | | Dividend Yield | 2.68% | Insiders | Neutral |
| S&P Target Price | $68.00 | | Beta | 0.22 | | |

## Profile

Exelon Corporation (Exelon), incorporated in February 1999, is a utility services holding company. The Company operates through its principal subsidiaries: Exelon Generation Company, LLC (Generation), Commonwealth Edison Company (ComEd) and PECO Energy Company (PECO). Generation's business consists of its owned and contracted electric generating facilities, its wholesale energy marketing operations and its retail sales operations. ComEd's energy delivery business consists of the purchase, and regulated retail and wholesale sale of electricity, and the provision of distribution and transmission services to retail and wholesale customers in northern Illinois, including the City of Chicago. PECO's energy delivery business consists of the purchase and regulated retail sale of electricity, and the provision of distribution and transmission services to retail customers in southeastern Pennsylvania, including the City of Philadelphia, as well as the purchase and regulated retail sale of natural gas and the provision of distribution services to retail customers in the Pennsylvania counties surrounding the City of Philadelphia.

## Catalysts

- Steady growth, strong profitability, good dividend yield, financially healthy
- Divestiture of PEG (Public Svc Enterprise) is good due to the changes in New Jersey regulations; rate concessions and power plant divestitures
- Rate increase for ComEd was approved by ICC
- Lower interest rates mean higher profits

## Risks

- General assembly is fighting to undo rate approvals (ComEd)
- Wholesale energy market margins are shrinking

## ROE Analysis

| Profitability | Company | Industry |
|---|---|---|
| Gross Margin | 41.88% | 34.83% |
| EBITDA Margin | 36.94% | 27.44% |
| Operating Margin | 22.49% | 17.85% |
| EBT Margin | 17.86% | 13.80% |
| Net Profit Margin | 10.16% | 9.69% |
| ROA | 3.65% | 3.59% |
| ROE | 16.65% | 12.53% |
| ROI | 4.25% | 4.35% |

## ROE Analysis

| Asset Utilization | Company | Industry |
|---|---|---|
| Total Asset Turnover | .36X | .41X |
| Inventory Turnover | 13.07X | 13.17X |
| Receivables Turnover | 7.11X | 8.79X |
| **Leverage Measures & Others** | **Company** | **Industry** |
| Interest Coverage | 2.81 | 5.45 |
| Long term debt/equity | 120.00% | 146.00% |
| Long term debt/Total capital | | |
| FCF ($million) | $2,417.0 | |
| Current Ratio | 0.86 | 0.97 |

[redacted]

# Mutual Funds


# SSgA Emerging Markets (NASDAQ: SSEMX)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 2229.417 | NAV | $22.96 | Expense Ratio | 1.25% |
| Recommendation | Hold | Outperform | 52-week High | $24.32 | Alpha | 5.57 |
| Morningstar Category | | Emerging Markets | 52-week Low | $19.25 | Beta | 1.2 |
| Management Style | | Team | Net Assets ($million) | ####### | R squared | 74.4 |
| Management Average Tenure | | 9.7 Years | Load | No | Sharpe Ratio | 1.19 |
| Fund Inception Date | | 3/1/1994 | | | | |

### Fund's Strategy

The investment seeks total return primarily through capital appreciation. The fund typically invests at least 80% of assets in equities issued by companies domiciled in emerging-market countries. Typically 80% of assets will be invested in equity securities, equity swaps, structured equity notes, equity linked notes and depositary receipts concentrated in emerging market countries. It will diversify investments across many countries (typically at least 10).

### Justification for Recommendation

Emerging markets is a good asset class for active management

Fund has outperformed benchmark over the long term

Improves diversification of the portfolio

### Top Ten Holdings

| Security Name | Sector | % |
|---|---|---|
| Gazprom OAO (ADR) (GAZP) | Energy | 4.08% |
| Samsung Electronics (SSNLF) | Information Technolo | 2.91% |
| Petroleo Brasileiro S.A. ADR (PBR.A) | Energy | 2.84% |
| Lukoil ADR (LUKOY) | Energy | 2.40% |
| China Mobile (0941) | Services | 2.17% |
| Companhia Vale Do Rio Doce (ADR) (RIOPR) | Basic Materials | 1.83% |
| PetroChina (0857) | Energy | 1.40% |
| POSCO (005490) | Basic Materials | 1.26% |
| Kookmin Bank (060000) | Financials | 1.19% |
| Telekomunikasi Indonesia (TLKM) | Services | 1.12% |

### Historical Performance

| | SSgA Emerging Markets | MSCI EAFE |
|---|---|---|
| 1 Year | 16.83% | 21.25% |
| 3 Year | 27.69% | 19.23% |
| 5 Year | 25.36% | 16.65% |
| 10 Year | 10.00% | 8.29% |

### Asset Allocation

| | 12/31/2006 |
|---|---|
| Equity | 99.97% |
| Bonds | 0.00% |
| Cash & Others | 0.03% |

# Matthews Pacific Tiger (NASDAQ: MAPTX)

Review Date: 2/12/2007

| | | |
|---|---|---|
| Current Position | Held | N/A |
| Recommendation | Hold | |
| Morningstar Category | | Pacific/Asia ex-Japan Stk |
| Management Style | | Team |
| Management Average Tenure | | 6 Years |
| Fund Inception Date | | 9/12/1994 |

| | |
|---|---|
| NAV | $22.76 |
| 52-week High | |
| 52-week Low | |
| Net Assets ($million) | $3,315.00 |
| Load | No |

| | |
|---|---|
| Expense Ratio*** | 1.31% |
| Alpha* | 5.53 |
| Beta* | 0.9 |
| R squared* | 88 |
| Sharpe Ratio** | 1.19 |

## Fund's Strategy

The investment seeks long-term capital appreciation. The fund normally invests at least 80% of total net assets in the common and preferred stocks of companies located in the Pacific Tiger countries. It may invest up to 20% of total assets in equity and other securities of issuers located outside the Pacific Tiger economies and in non convertible bonds and other debt securities issued by foreign issuers and foreign government entities.

## Justification for Recommendation

- Fund is outperforming comparable indexes (S&P/MSCI)

| Country Exposure | % of Assets |
|---|---|
| Hong Kong | 31.9 |
| South Korea | 23.4 |
| Singapore | 12.2 |
| India | 10.5 |
| Thailand | 6.6 |

## Top Ten Holdings

| | Sector | 12/31/2006 |
|---|---|---|
| Lenovo Grp Ltd | Hardware | 3.77% |
| Advcd Info Serv | Telecommunications | 3.63% |
| Dah Sing Financial Grp | Financials | 3.12% |
| Hana Financial Group | Financials | 3.04% |
| Taiwan Semiconductor Mfg. | Hardware | 2.99% |
| Swire Pacific | Industrial Materials | 2.88% |
| DBS Grp Hldgs Ltd | Financials | 2.72% |
| Hang Lung Grp Ltd | Financials | 2.67% |
| Bangkok Bk | Financials | 2.60% |
| Fraser & Neave Ltd | Industrial Materials | 2.55% |

## Historical Performance

| | MAPTX | S&P 500 | MSCI Pacific/Asia ex-Japan |
|---|---|---|---|
| 1 Year | 14.85% | 14.51% | 1.40% |
| 3 Year | 19.78% | 10.32% | 16.70% |
| 5 Year | 21.73% | 6.82% | 13.22% |
| 10 Year | 9.06% | 7.93% | 8.83% |

## Asset Allocation

| | 12/31/2006 |
|---|---|
| Equity | 100.0% |
| Bonds | 0.0% |
| Cash & Others | 0.0% |

# Fidelity Diversified International (NASDAQ: FDIVX)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 902.455 | NAV | $36.98 | Expense Ratio | 1.01% |
| Recommendation | Hold | Marketperform | 52-week High | $39.33 | Alpha | 2.14 |
| Morningstar Category | | Foreign Large G. | 52-week Low | $32.20 | Beta | 0.92 |
| Management Style | | Individual | Net Assets ($million) | $48,309.39 | R squared | 93.91 |
| Management Average Tenure | | 6 Years | Load | No | Sharpe Ratio | 1.17 |
| Fund Inception Date | | 12/27/1991 | | | | |

## Fund's Strategy

The investment seeks capital appreciation. The fund normally invests in non-U.S. securities. It primarily invests in common stocks and allocates investments across countries and regions while considering the size of the market relative to size of the international market as a whole.

## Justification for Recommendation

International is a good asset class for active management

Fund has outperformed benchmark over the long term

Improves diversification of the portfolio

## Top Ten Holdings

| Security Name | Sector | % |
|---|---|---|
| Roche Holding (ROG) | Healthcare | 1.77% |
| Novartis AG ADR (NVS) | Healthcare | 1.64% |
| Banco Bilbao Vizcaya Argentaria SA ADR (BBV) | Financial | 1.36% |
| ORIX (8591) | Financial | 1.32% |
| Toyota Motor Corporation ADR (TM) | Consumer Cyclical | 1.25% |
| Tesco | Consumer Non-Cyclical | 1.10% |
| HSBC Holdings PLC ADR (HBC) | Financial | 1.07% |
| Mizuho Financial Grp (8411) | Financial | 1.05% |
| Fiat (F) | Consumer Cyclical | 1.04% |
| UniCredito Italiano Grp (UC) | Financial | 1.03% |

## Historical Performance

| | Fidelity Diversified International | MSCI EAFE |
|---|---|---|
| 1 Year | 16.51% | 21.25% |
| 3 Year | 17.86% | 19.23% |
| 5 Year | 17.71% | 16.65% |
| 10 Year | 12.92% | 8.29% |

## Asset Allocation

| | 12/31/2006 |
|---|---|
| Equity | 93.20% |
| Bonds | 0.40% |
| Cash & Others | 6.40% |

SECURITY RECOMMENDATION

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## Morgan Stanley India Investment Fund, Inc. (NYSE: IIF)

Review Date: 3/20/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 230 | NAV | $44.08 | Expense Ratio*** | 1.38% |
| Recommendation | Sell | Underperform | 52-week High | $57.70 | Alpha* | 7.84 |
| Morningstar Category | | Pacific/Asia ex-Japan Stk | 52-week Low | $36.45 | Beta* | 1.02 |
| Management Style | | Team | Net Assets ($million) | $892.00 | R squared* | 45 |
| Management Average Tenure | | 3 Years | Load | No | Sharpe Ratio** | 1.02 |
| Fund Inception Date | | 2/18/1994 | | | | |

### Fund's Strategy

Morgan Stanley India Investment Fund, Inc. operates as a nondiversified, closed-end management investment company. It invests primarily in common stocks and short-term investments. The fund's investment portfolio comprises investments in airlines, auto components, automobiles, chemicals, commercial banks, construction and engineering, construction materials, financials, diversified telecommunication services, electric utilities, electrical equipment, gas utilities, hotels, restaurants and leisure, household products, industrial conglomerates, internet software and services, IT services, media, metals and mining, oil and gas, paper and forest products, personal products, pharmaceuticals, road and rail, software, textiles, apparel and luxury goods,

### Justification for Recommendation

- Indian market is very volatile, which is displayed in fund
- Fund is displaying decreasing returns YOY compared to indexes
- GDP is growing 7%
- Decreasing value of the US$ represents large business opportunity for US investors

### Top Ten Holdings

| | Sector | 12/31/2006 |
|---|---|---|
| Bharat Heavy Electricals Ltd | Industrial Materials | 7.78% |
| Infosys Technologies Ltd | Software | 5.72% |
| Bharti Televentures Ltd | Telecommunications | 5.40% |
| Abb Limited (india) | Industrial Materials | 5.13% |
| Itc | Consumer Goods | 3.61% |
| HDFC Bank Ltd | Financials | 3.39% |
| ICICI Bank | Financials | 3.32% |
| The Associated Cement Compar | Industrial Materials | 2.81% |
| Mahindra & Mahindra Ltd | Consumer Goods | 2.70% |
| Punjab National Bank | Financials | 2.47% |

### Historical Performance

| | IIF | S&P 500 | MSCI US Hcare Prov & Srv |
|---|---|---|---|
| 1 Year | -12.74% | 14.51% | 1.40% |
| 3 Year | 24.18% | 10.32% | 16.70% |
| 5 Year | 37.35% | 6.82% | 13.22% |
| 10 Year | 19.74% | 7.93% | 8.83% |

### Asset Allocation

| | 12/31/2006 |
|---|---|
| Equity | 85.9% |
| Other | 1.6% |
| Cash | 12.4% |

SECURITY RECOMMENDATION

# SUNTRUST PORTFOLIO

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## Royce Special Equity Inv (NASDAQ: RYSEX)

Review Date: 3/11/2007

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Current Position | Held | 1006.237 | NAV | $19.68 | Expense Ratio | 1.14% |
| Recommendation | Hold | Marketperform | 52-week High | $21.49 | Alpha | 6.93 |
| Morningstar Category | | Small Value | 52-week Low | $18.22 | Beta | 0.6 |
| Management Style | | Individual | Net Assets ($million) | $606.00 | R squared | 41.15 |
| Management Average Tenure | | 9 Years | Load | No | Sharpe Ratio | 0.85 |
| Fund Inception Date | | 5/1/1998 | | | | |

### Fund's Strategy

The investment seeks long-term growth of capital. The fund normally invests at least 80% of assets in equity securities. It primarily invests at least 65% of assets in equities of small and micro-cap companies with market capitalizations less than $2.5 billion. It may invest up to 5% of its assets in the securities of foreign issuers.

### Justification for Recommendation

Small cap is a good asset class for active management

Fund has outperformed benchmark over the long term

Improves diversification of the portfolio

### Top Ten Holdings

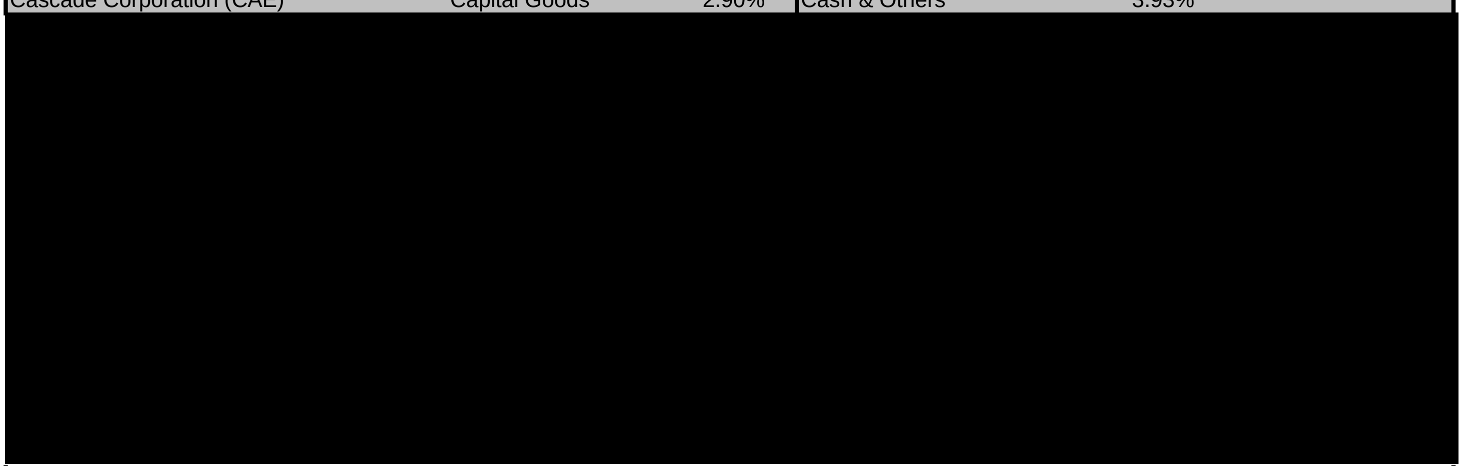
| Security Name | Sector | % |
|---|---|---|
| National Presto Industries (NPK) | Consumer Cyclical | 5.33% |
| Bio-Rad Laboratories Inc. (BIO) | Technology | 4.72% |
| Lancaster Colony Corporation (LANC) | Consumer Non-Cyclica | 3.98% |
| Claire's Stores, Inc. (CLE) | Consumer Cyclical | 3.80% |
| Rofin-Sinar Technologies, Inc. (RSTI) | Capital Goods | 3.66% |
| Lawson Products, Inc. (LAWS) | Basic Materials | 3.47% |
| Carpenter Technology Corporation (CRS) | Basic Materials | 2.95% |
| CSS Industries, Inc. (CSS) | Services | 2.91% |
| Hilb Rogal & Hobbs Company (HRH) | Financial | 2.90% |
| Cascade Corporation (CAE) | Capital Goods | 2.90% |

### Historical Performance

| | Royce Special Equity Inv | Russell 2000 |
|---|---|---|
| 1 Year | 14.00% | 18.37% |
| 3 Year | 8.74% | 13.56% |
| 5 Year | 13.61% | 11.39% |
| 10 Year | - | - |

### Asset Allocation

| | 12/31/2006 |
|---|---|
| Equity | 96.07% |
| Bonds | 0.00% |
| Cash & Others | 3.93% |



**SECURITY RECOMMENDATION**

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# Hennessy Cornerstone Growth (NASDAQ: HFCGX)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 1698.17 | NAV | $18.32 | Expense Ratio | 1.21% |
| Recommendation | Hold | Outperform | 52-week High | $23.92 | Alpha | 7.77 |
| Morningstar Category | | Mid-Cap Blend | 52-week Low | $17.53 | Beta | 0.94 |
| Management Style | | Individual | Net Assets ($million) | $1,151.63 | R squared | 42.82 |
| Management Average Tenure | | 7 Years | Load | No | Sharpe Ratio | 0.69 |
| Fund Inception Date | | 11/1/1996 | | | | |

## Fund's Strategy

The investment seeks long-term growth of capital. The fund normally invests in approximately 50 common stocks. Management selects stocks that generally possess the following criteria: annual earnings that are higher than the previous year, and price-to-sales ratios below 1.5. The stocks are selected from a universe of approximately 9,600 issuers with market capitalizations in excess of $175 million.

## Justification for Recommendation

Mid cap is a good sector for active management

High returns and low beta relative to sector

Improves diversification of the portfolio

## Top Ten Holdings

| Security Name | Sector | % |
|---|---|---|
| Allegheny Technologies Corp. (ATI) | Basic Materials | 4.20% |
| General Cable Corporation (BGC) | Basic Materials | 3.72% |
| Manitowoc Company, Inc. (MTW) | Capital Goods | 3.69% |
| Holly Corporation (HOC) | Energy | 2.99% |
| Emcor Group, Inc. (EME) | Capital Goods | 2.78% |
| Quanta Services, Inc. (PWR) | Capital Goods | 2.78% |
| Payless ShoeSource, Inc. (PSS) | Services | 2.59% |
| Frontier Oil Corporation (FTO) | Energy | 2.56% |
| Banco Itau Holding Financeira SA ADR (ITU) | Financial | 2.47% |
| Foster Wheeler, Ltd. (FWLT) | Capital Goods | 2.45% |

## Historical Performance

| | Hennessy Cornerstone Growth | S&P 400 Mid-Cap Index |
|---|---|---|
| 1 Year | 10.42% | 7.11% |
| 3 Year | 12.98% | 10.73% |
| 5 Year | 14.91% | 9.23% |
| 10 Year | 16.07% | - |

## Asset Allocation

| | 12/31/2006 |
|---|---|
| Equity | 97.50% |
| Bonds | 0.00% |
| Cash & Others | 2.50% |

**SECURITY RECOMMENDATION**

**SUNTRUST PORTFOLIO**
SPRING 2006
CRUMMER GRADUATE SCHOOL OF BUSINESS

# Rydex Inverse Gvt Long Bond (NASDAQ: RYJUX)

Review Date: 3/11/2007

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Position | Held | 637.78 | NAV | $18.97 | Expense Ratio | 4.66% |
| Recommendation | Hold | Marketperform | 52-week High | $20.98 | Alpha | -8.3 |
| Morningstar Category | | Bear Market | 52-week Low | $18.66 | Beta | 0.31 |
| Management Style | | Team | Net Assets ($million) | $311,789.95 | R squared | 9.42 |
| Management Average Tenure | | 3 Years | Load | No | Sharpe Ratio | -0.55 |
| Fund Inception Date | | 3/3/1995 | | | | |

### Fund's Strategy

The investment seeks total return, before expenses and costs, that inversely correlates to the price movements of the 30-year Treasury bond. The fund normally invests at least 80% of net assets in financial instruments with economic characteristics that should perform opposite to fixed income securities issued by the U.S. government. It is a nondiversified master feeder fund.

### Justification for Recommendation

Improves portfolio diversification

Fund should increase when inverted yield curve subsides

High expense ratio

### Top Ten Holdings

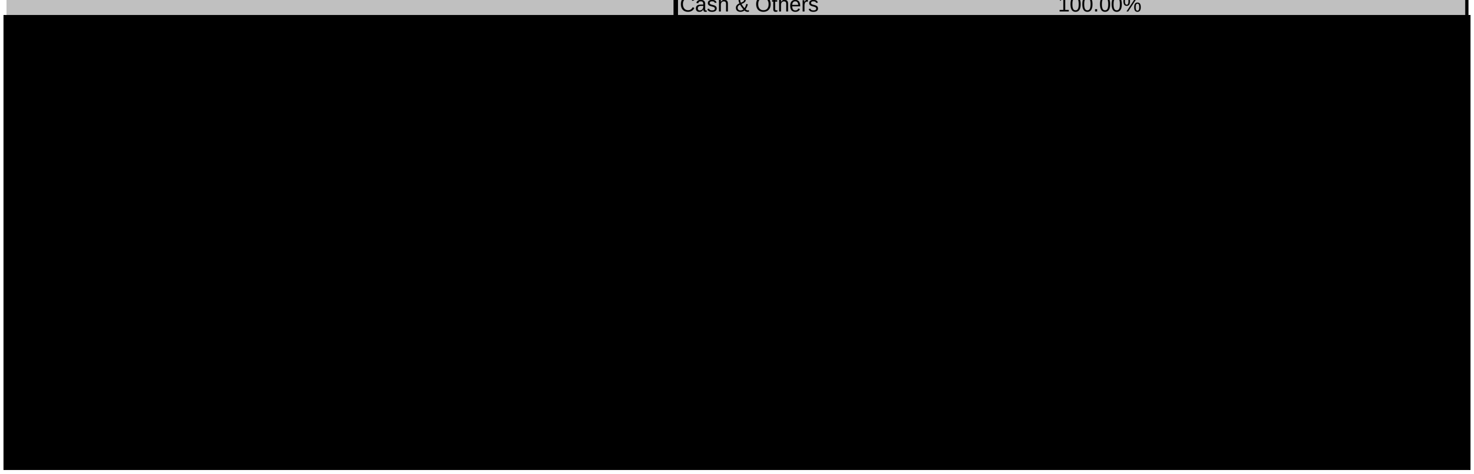
| Security Name | % |
|---|---|
| US Treasury Bond (Fut) | 100.00% |

### Historical Performance

| | Rydex Inverse Government Long Bond |
|---|---|
| 1 Year | 8.33% |
| 3 Year | -2.04% |
| 5 Year | -5.15% |
| 10 Year | -3.12% |

### Asset Allocation

| | 12/31/2006 |
|---|---|
| Equity | 0.00% |
| Bonds | 0.00% |
| Cash & Others | 100.00% |



# ProFunds Rising Rates Oppor 10 (NASDAQ: RTPIX)

Review Date: 3/12/2007

| | | | | | |
|---|---|---|---|---|---|
| Current Position | Not Held | NAV | $30.91 | Expense Ratio | 1.46% |
| Recommendation | | 52-week High | $32.11 | Alpha | -2.44 |
| Morningstar Category | Bear Market | 52-week Low | $30.57 | Beta | 0.03 |
| Management Style | Team | Net Assets ($million | $33.12 | R squared | 0.17 |
| Management Average Tenure | 1 Year | Load | No | Sharpe Ratio | -0.45 |
| Fund Inception Date | 2/4/2005 | | | | |

### Fund's Strategy

inverse of the daily movement of the most recently issued 10-year U.S. Treasury Note. The fund takes positions in debt instruments and/or financial instruments that should have similar daily return characteristics as the inverse of the daily return of the Note. It is

### Justification for Recommendation

Improves portfolio diversification

Fund should increase when inverted yield curve subsides

### Top Ten Holdings

| Security Name | % |
|---|---|
| Profunds Swap Security | 14.64% |
| US Treasury Note (Fut) | 85.36% |

### Historical Performance

| | Inverse 10-year U.S. Treasury Note |
|---|---|
| 1 Year | 1.68% |
| 3 Year | N/A |
| 5 Year | N/A |
| 10 Yea | N/A |

### Asset Allocation

| | 12/31/2006 |
|---|---|
| Equity | 0.00% |
| Bonds | 0.00% |
| Cash & Others | 100.00% |