STANDARD & POOR'S

The Outlook

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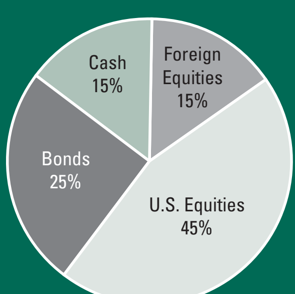
What's Inside

S&P Equity Research Recommended Asset Allocation



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Occupying Problems

Protesters and investors face the same problems.

Vaughan Scully
S&P Capital IQ
Editorial

Protesters collectively identified as "Occupy Wall Street" have been camped in lower Manhattan, a stone's throw away from the New York Stock Exchange, for weeks now, though they have yet to articulate any demands more specific than "tax the rich." Ironically, the investors these protesters are at least partially targeting are themselves suffering from the very same problems that are driving the protests — the lack of economic growth strong enough to generate new jobs (and higher profits). And like the protesters, investors have little at their disposal that will remedy this unpleasant situation.

Since the domestic equity market reached its high for the year in late April, reports showing the already fragile U.S. economic recovery was weakening and could expire completely have coupled with the inability of European policy makers to solve their sovereign debt crisis to wipe out the year's gains and push stocks into negative territory. By the start of October, the market had fallen a demoralizing 19% from its April peak, bringing back unwelcome memories of the bad old days in 2008 and early 2009. More recently, encouraging signs have emerged that that Europe may eventually succeed in getting its debt-laden house in order and the U.S. economy may avoid an imminent recession. This has helped the market recover its losses, but there is little confidence that a real solution to either problem is at hand, or that the economic picture will brighten much before year's end.

"The odds favor, but don't guarantee, a down-year for the S&P 500" says S&P

(Continued on page 3)

S&P 500 GICS SECTOR PERFORMANCES AND RECOMMENDED SECTOR WEIGHTINGS

S&P 500 SECTOR	% CHANGE OCT.	YTD	2010	P/E ON E2011 EPS	E2011 P/E TO PROJ. 5-YR. EPS GROWTH	ACTUAL SECTOR % WEIGHTINGS	RECOMMENDED S&P SECTOR EMPHASIS	OVER/UNDER WEIGHT
Consumer Discretionary	8.0	0.7	25.7	14.6	0.9	10.8	Marketweight	0%
Consumer Staples	2.3	3.4	10.7	14.8	1.5	11.4	Overweight	+1%
Energy	8.1	-5.5	17.9	9.7	0.9	11.9	Marketweight	0%
Financials	5.1	-22.2	10.8	10.2	1.0	13.5	Underweight	-2%
Health Care	2.4	3.3	0.7	11.2	1.3	11.8	Marketweight	0%
Industrials	7.5	-9.8	23.9	12.8	0.9	10.5	Marketweight	0%
Information Technology	7.6	0.6	9.1	12.4	0.8	19.8	Marketweight	0%
Materials	10.8	-14.7	19.9	11.3	1.1	3.5	Marketweight	0%
Telecommunication Services	-0.3	-5.5	12.3	16.1	2.3	3.1	Marketweight	0%
Utilities	0.2	7.3	0.9	13.4	2.9	3.8	Overweight	+1%
S&P Composite 1500	**5.7**	**-5.4**	**14.2**	**12.6**	**1.1**			
S&P 500	**5.7**	**-4.9**	**12.8**	**12.0**	**1.0**			
S&P MidCap 400	**6.0**	**-8.7**	**24.8**	**15.8**	**1.2**			
S&P SmallCap 600	**7.1**	**-8.4**	**25.0**	**17.6**	**1.2**			

Sector recommendations are market-cap weighted, influenced by economic, fundamental, and technical considerations.

Data as of 10/11/11. E-Estimated. Source: MarketScope Advisor.

Intelligencer

Headlines, Highlights, and What's on Our Minds

PORTFOLIO CHANGES: Aeropostale (ARO 13 ★★★), Fifth Third Bancorp (FITB 11 ★★★★), and Fiserv (FISV 56 ★★★) were deleted from the Platinum Portfolio effective October 11, 2011.

DIVIDENDS UP: Stock market investors had something positive to cling to while they watched the S&P 500 fall 14.2% over the past three months: cash. In the 2011 third quarter, 350 publicly-traded companies raised their dividend payments compared to 299 during the same period a year ago period, says Howard Silverblatt, Senior Index Analyst at S&P Indices. That put an additional $9.6 billion in investors' collective pockets.

For the rest of the year, Silverblatt expects to see more dividend increases across all sectors, with relatively few decreases.

"We expect to see dividend increases continue across the board for all sectors during the fourth quarter of 2011, on pace with what we saw during the third quarter," he says.

Some of the biggest dividend increases in September included Fifth Third Bancorp (FITB 11 ★★★★), Host Hotels & Resorts (HST 12 ★★★★), and Lockheed Martin (LMT 76 ★★★) — which all raised their payouts by one-third. / Art Epstein

EUROPE'S RECESSION RISK: The possibility of a recession next year in Western Europe is about 40%, says S&P European Economist Jean-Michel Six in a recent report, identical to S&P Economics' recession projection for the U.S.

"We still do not expect a genuine double dip to occur in the eurozone as a whole or in the U.K., but we recognize that the probability of another recession in Western Europe has continued to grow," said Six.

Along with the increased risk of a double-dip, S&P Economics lowered its 2012 forecasts for gross domestic product growth in Europe's four largest economies: Germany to 1.5% from 2.0%, the U.K. to 1.7% from 1.8%, France to 1.3% from 1.7%, and Italy to 0.5% from 0.8%.

Factors contributing to the lower projections include declining business confidence, reflecting the slowdown in the manufacturing and service sectors across Europe; a U.S. slowdown that may result in weaker demand for eurozone exports; and potential increased financing costs for European corporate borrowers due to European banks' sovereign debt exposure. / Art Epstein ■

S&P 500 TOTAL RETURN (%) ENDED SEPTEMBER 30, 2011

5-YEAR*	10-YEAR*	YEAR-TO-DATE	LAST 12 MONTHS	LAST MONTH
-1.18	2.82	-8.68	1.14	-7.03

Monthly total return statistics for all S&P indices are available at *www.standardandpoors.com.* *Annualized average through 9/30/11.

MARKET MEASURES

INDEX	CLOSE FRI. 10/14/11	% CHG. YEAR TO DATE	% CHG. PAST 52 WKS.	‡OPERATING —EARNINGS— A2010	E2011	†P/E RATIO FRI. 10/14/11	INDICATED ANNUAL DIVIDEND	% YIELD
S&P 500 Composite	1224.58	-2.6	4.1	83.77	97.33	12.58	27.12	2.21
S&P MidCap 400	855.84	-5.7	4.4	43.91	52.24	16.38	12.80	1.50
S&P SmallCap 600	392.47	-5.6	5.0	17.00	21.56	18.20	5.09	1.30
S&P SuperComposite 1500	282.19	-3.0	4.2	18.64	21.76	12.97	5.99	2.12
Dow Jones Industrials	11644.49	0.6	5.3	857.59	...	...	...	...
Nasdaq Composite	2667.85	0.6	8.1	...	...	...	...	...
BBB Indus. Bond Yield (10-yr.)	4.94	-0.61 ◊	0.04 ◊			...	...	...

Data through 10/14/11. A-Actual. E-Estimated. †Based on estimated 2011 earnings. ‡Before special factors. ◊Actual change in yield (not percentage change).

Standard & Poor's *The Outlook*

EDITORIAL

Managing Editor Beth Piskora

Senior Editorial Manager Vaughan Scully

Statistician Chris Peng

OPERATIONS

Managing Director, Global Business Operations Robert Barriera

Vice President, Operations Frank LoVaglio

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S&P CAPITAL IQ EVALUATION SYMBOLS

STARS Rankings

Our evaluation of the 12-month potential of stocks is indicated by STARS:

★★★★★ **Strong Buy**—Total return is expected to outperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★ **Buy**—Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★ **Hold**—Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★ **Sell**—Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

★ **Strong Sell**—Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

NR **Not ranked.**

Quality Rankings (QR)

Our appraisals of the growth and stability of earnings and dividends over the past 10 years for STARS and other companies are indicated by Quality Rankings:

A+	Highest	**B+**	Average	**C**	Lowest
A	High	**B**	Below Avg.	**D**	In reorganization
A-	Above Avg.	**B-**	Lower	**NR**	Not Ranked

Quality Rankings are not intended to predict stock price movements.

The Observatory

Selected actions for October 7 through October 13.

NAME	SYMBOL	CURRENT PRICE ($)	NEW STARS	OLD STARS	STARS CHANGE DATE	QUALITY RANK
Adtran	ADTN	28	4	3	10/12/11	B+
Affymetrix	AFFX	5	1	3	10/7/11	C
Baidu	BIDU	130	4	5	10/11/11	NR
DemandTec	DMAN	7	NR	3	10/11/11	NR
Host Hotels & Resorts	HST	11	3	4	10/12/11	B-
Illumina	ILMN	26	4	5	10/7/11	B-
MBIA	MBI	8	1	3	10/10/11	B-
99 Cents Only Stores	NDN	21	3	4	10/11/11	NR
Royal Caribbean Cruises	RCL	25	3	4	10/7/11	NR
Superior Energy Services	SPN	24	4	3	10/10/11	B

For daily STARS changes, subscribers can call *The Outlook* hotline, 800-618-7827, and put in your subscriber access code.

The Observatory provides a selection of analytical actions — upgrades, downgrades, initiations — from S&P Capital IQ. Stocks featured in the Observatory are selected by *The Outlook* according to factors including, but not limited to, newsworthiness, capitalization, and inclusion in a portfolio published by *The Outlook*. Please note that all investments carry risks. Investors should seek financial advice before investing.

All of the views expressed in this research report accurately reflect the research analysts' personal views regarding any and all of the subject securities or issuers. No part of the analysts' compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Occupying Problems *(Continued from cover)*

Capital IQ Chief Equity Strategist Sam Stovall. "Although the bottom may have been recorded earlier this month, we believe it may be too soon to say a new, cyclical surge is at hand," he says, in part because there are just too many negative factors influencing the investment outlook. "A weak housing market, soft spending and investment levels due to bleak consumer confidence, and jitters about economic uncertainty overseas will likely keep a lid on the recovery," he says.

Third quarter earnings reports have begun to trickle in, and will begin arriving in earnest very soon. Sectors that are expected to post the strongest year-on-year gains in the third quarter include energy, seen advancing by 50.1%, and materials, by 29%; financials, with a 2.1% rise, and utilities, with a 2.3% drop, will lag.

Earnings expectations have already been shaved considerably to reflect the slowdown, with consensus estimates for the third quarter now predicting 12.5% earnings per share growth for the S&P 500 compared to a 16.9% gain seen in late July. "As a result, the bar has been set quite low," Stovall says, and some companies could deliver surprisingly strong results. Even so, he says, there is little chance of the market making a sustained move higher until there are clear signs that the economy is beginning to strengthen.

With the economic outlook for 2012 darker than it was for 2011 at this time last year — S&P Economics predicts real GDP growth of 1.6% in 2011 and 1.9% in 2012 — Wall Street is less interested in how well companies performed in the third quarter than what they see for the fourth and for 2012.

"S&P Capital IQ equity analysts believe their groups will be adversely impacted by a general slowdown in U.S. and global economic growth, yet supported by continued cost-cutting efforts, share repurchases and the year-over-year decline in the value of the U.S. dollar," Stovall says. In that case, investors will keep finding themselves struggling with the same problems as the protesters. ■

FUND STRATEGIES

Mutual Fund Excellence Awards

The 30 S&P Capital IQ Mutual Fund Excellence Award finalists.

Todd Rosenbluth
S&P Capital IQ
Mutual Fund Analyst

The S&P Capital IQ Mutual Fund Awards is an annual awards program designed to recognize U.S. mutual funds (outside the New and Notable category) that have achieved the highest overall ranking on the most consistent basis during the 12-month period ended August 2011, based on S&P's quantitative research methodology. The 30 finalists (three each listed alphabetically within 10 different categories) are listed in the table. This year's list of finalists includes 11 funds making a second appearance in their respective categories.

Among the factors the S&P Capital IQ proprietary mutual fund ranking research process seeks to identify are consistently strong performance; high quality holdings as measured by the S&P Capital IQ STARS, S&P Credit Ratings (which are derived independently of S&P Capital IQ), and S&P Quality Rankings; favorable cost factors; and risk considerations.

As with last year, these finalists might not be the top three performers in their respective categories, but they have achieved the highest overall ranking on the most consistent basis as we looked beyond past performance to include factors such as manager tenure, expense ratio, risk considerations of holdings, and more. The Gold, Silver, and Bronze recipients in each category will be announced on October 17 at *www.spfundawards.com*. S&P Capital IQ's mutual fund analysts will discuss the award winners on a free conference call on October 19, at 4 p.m.; to join, dial 1-866-803-2143. Profiles of the 10 gold award recipients (one in each category) will be published in *The Outlook* next week. ■

MUTUAL FUND EXCELLENCE AWARD FINALISTS

CATEGORY/FUND NAME/TICKER	RANKING	RETURN 1-YEAR	CURRENT PRICE	NET EXPENSE RATIO
Domestic Equity Large Cap				
BBH Core Select / BBTEX	5	7.3	15	1.00
Dreyfus Appreciation / DGAGX	5	7.8	39	0.99
Invesco Disciplined Equity / AWEIX	5	6.9	10	0.75
Domestic Equity Mid Cap				
Fidelity Low-Priced Stock / FLPSX	5	4.3	35	0.99
Meridian Growth / MERDX	5	6.1	42	0.84
Vanguard Selected Value / VASVX	5	2.1	18	0.47
Domestic Equity Small Cap				
Homestead Small Company / HSCSX	5	4.0	21	1.18
Janus Triton / JATTX	5	8.4	16	1.00
T. Rowe Price Small-Cap Stock / OTCFX	5	4.9	32	0.95
Domestic Equity Multi Cap				
Nicholas Fund / NICSX	5	4.8	42	0.89
Sequoia Fund / SEQUX	5	8.0	134	1.04
Wasatch Heritage Growth / WAHGX	5	6.8	12	0.95
Global Equity				
Tweedy Browne Value / TWEBX	5	-1.2	18	1.40
Tweedy Browne Worldwide High Divid. Yield / TBHDX	5	3.1	9	1.38
USAA World Growth / USAWX	5	-0.6	18	1.34
International Equity				
Harding Loevner International Equity / HLMNX	5	-5.1	14	1.25
Manning & Napier International / EXITX	5	-7.1	8	1.16
Schwab Fundamental Int'l Large Co. Index / SFNNX	4	-10.0	7	0.35
Taxable Fixed Income				
DWS GNMA / SGINX	5	4.7	16	0.54
TCW Core Fixed Income / TGCFX	5	4.2	11	0.44
USAA Short-Term Bond / USSBX	5	1.5	9	0.63
Blended — Fund of Funds				
T. Rowe Price Retirement Income / TRRIX	5	1.7	13	0.59
Vanguard STAR / VGSTX	5	2.1	19	0.34
Vanguard LifeStrategy Moderate Growth / VSMGX	5	1.4	19	0.19
Blended — Individual Securities				
Vanguard Balanced Index / VBIAX	5	4.6	21	0.12
Vanguard Tax-Managed Balanced / VTMFX	5	3.4	20	0.15
Vanguard Wellington / VWELX	5	2.9	30	0.30
New and Notable				
Cook & Bynum / COBYX	3	13.6	13	1.91
Manning & Napier Dividend Focus / MNDFX	3	7.1	12	0.60
T. Rowe Price US Large-Cap Core / TRULX	3	4.2	13	NA

Data through 10/13/11. *Total returns include reinvested dividends and capital gains, all annualized; calculations do not reflect the effect of sales charges. NA-Not available. Sources: S&P MarketScope Advisor.

ETF STRATEGIES

Looking for Yield in Non-Sector Equity ETFs

Tom Graves, CFA
S&P Capital IQ
Equity Analyst

13 highly ranked funds that yield more than 3.0%.

With interest rates near record lows, S&P Capital IQ believes that many investors are starved for income. As a result, we think more attention has been given to dividend-yielding stocks.

S&P Capital IQ's ETF database includes more than 1,100 exchange-traded products (ETPs), most of which are exchange traded funds (ETFs). Among this selection, as of October 7, 2011, we found 202 ETPs with a trailing 12-month yield of at least 3.0%, of which 139 were classified as equity funds and 51 were in the fixed income category.

Among the 139 equity ETPs, 65 were sector ETPs, including 36 in the financial sector and another 13 in the utility area. With a view toward diversification, we chose to focus on the 74 remaining non-sector equity ETPs that had a yield of at least 3.0%. While these 74 funds were not concentrated enough for us to classify them as a sector fund, holdings in just one of 10 sectors could still account for more 20% of an ETF's assets, and the mix of holdings varied among the ETFs.

As of October 7, S&P Capital IQ Equity Research had an Overweight ranking on 64 of the non-sector funds with a 12-month trailing yield of 3.0% or more. While yield is not one of the 10 analytical elements use to determine those rankings, we thought it could be helpful to view higher-yielding, non-sector ETFs in the context of S&P Capital IQ's overall rankings. However, we think it important to keep in mind that historical yields are not necessarily indicative of what a future yield will be.

Of the higher-yielding non-sector ETPs, S&P Capital IQ had, as of October 7, an Overweight ranking on 13 of them, a Marketweight ranking on 38, and an Underweight ranking on 13. There was no ranking available on the remaining 10.

Among the 13 Overweights, seven of them had an international or global emphasis, while the other six were classified as

(Continued on page 10)

SELECTED ETFs

FUND NAME / TICKER	S&P RANKING	YTD	*TOTAL RETURN 1-YEAR	3-YEAR	5-YEAR	CURRENT PRICE	EXPENSE RATIO
BLDTS Developed Markets 100 ADR Index / ADRD	OW	-8.7	-7.9	3.9	-3.4	19	0.30
BLDRS Europe Select ADR Index / ADRU	OW	-7.1	-8.0	3.9	-3.2	19	0.54
iShares Morningstar Large Value / JKF	OW	-5.2	0.4	5.0	-4.1	56	0.25
iShares MSCI EAFE Index / EFA	OW	-9.8	-7.5	4.7	-2.8	52	0.35
iShares MSCI EAFE Value Index / EFV	OW	-9.7	-8.5	4.0	-4.3	45	0.40
iShares S&P Global 100 Index / IOO	OW	-5.8	-3.1	4.5	-1.5	58	0.40
SPDR S&P Dividend ETF / SDY	OW	0.4	2.0	9.7	0.7	51	0.35
Vanguard European Stock Index Vanguard MSCI / VGK	OW	-9.2	-8.9	4.2	-2.8	45	0.14
Vanguard High Dividend Yield; ETF Shares / VYM	OW	2.7	8.9	2.9	NA	43	0.18
WisdomTree Equity Income / DHS	MW	5.2	8.9	8.5	-2.6	40	0.38
WiscomTree LargeCap Dividend / DLN	OW	2.0	8.0	8.1	-0.9	47	0.28
WisdomTree Total Dividend / DTD	OW	1.0	7.2	9.2	-0.7	47	0.28

Data through 10/13/11. *Total returns include reinvested dividends and capital gains, all annualized; calculations do not reflect the effect of sales charges. MW-Marketweight. OW-Overweight. Sources: S&P MarketScope Advisor.

Consumer Staples Outlook: Moderate Gains

Tom Graves, CFA
S&P Capital IQ
Equity Analyst

Raw material costs will pressure margins, price hikes may slow volumes.

Although earnings growth for consumer staples companies has lagged that in other sectors, investors haven't had much reason to complain: through October 5, consumer staples stocks in the S&P Composite 1500 Index were up 1.2% compared to a 9.5% decline for the broader market.

In our opinion, this outperformance reflects the sector's defensive appeal in a choppy environment. Overall, S&P Capital IQ views consumer staples companies as less vulnerable to economic weakness than companies in most other sectors, and S&P Capital IQ's U.S. Investment Policy Committee recommends investors overweight the sector in their portfolios. Large consumer staples companies also tend to have above-average dividend yields, and there could also be some stock support from repurchase activity, in our view.

We see the fundamentals for consumer staples companies as mixed. We look for moderate growth in third-quarter operating earnings, as we anticipate some pressure on profit margins from higher commodity prices compared with last year. Although we think these companies have been raising their own prices to offset such pressure, we believe there is often a lag effect. Also, if companies raise prices too much or too fast, we see a risk that volumes will decline.

While a stronger U.S. dollar may help to restrain prices for commodities that are denominated in the U.S. currency, it could be negative for the earnings of some of the sector's large U.S.-based multinationals.

On a more favorable note, we think emerging international markets still offer growth opportunities, as packaged goods companies can benefit from rising incomes and changing lifestyles. In the U.S., we expect relatively weak economic conditions to bolster sales for discounters and less expensive private label products.

In the retail part of the sector — food, drug, and discounters — S&P Capital IQ equity analyst Joseph Agnese sees an acceleration in food price inflation and weaker consumer spending negatively impacting demand for wider-margin discretionary products. He expects this will be partially offset by increased purchases of lower-priced, private label (store brand) goods. He also anticipates that retailers who focus on middle and lower-income customers will be most negatively impacted. Agnese believes that retailers who cater to higher-income customers, such as Whole Foods Markets, are best positioned. Overall, Agnese expects company guidance for the fourth quarter to reflect these trends, with retailers taking a cautious stance on consumer demand during the end-of-year holiday season.

Drug retailers may also be suffering from reduced discretionary purchases, and profit margin pressure from lower drug reimbursements. However, Agnese believes that company guidance will be more favorable heading into 2012, due to the expected benefits from increased sales of generic drugs. Additionally, he looks for CVS Caremark to report market share gains within its pharmacy benefit management business.

As for Wal-Mart Stores, Agnese look for the company to experience near-term sales and margin pressures, as low and middle-income customers trade down or forego discretionary purchases. However, he expects Wal-Mart to highlight both international expansion and margin expansion opportunities. Additionally, he anticipates earnings-per-share gains will be driven by share repurchases.

For soft drink companies, S&P Capital IQ equity analyst Esther Kwon sees second-half 2011 pricing accelerating from the first half of the year. However, she thinks commodity price pressures have eased a bit. She sees Coca-Cola as likely to gain market share in North America, and that investors are likely to focus on PepsiCo's efforts to turn beverages around in North America. For multinational soft drink companies, a weak U.S. dollar helped boost earnings in the first of half of 2011, however a stronger dollar could turn currency conversion into a headwind in 2012.

For beer, we expect to see weak volumes, as the industry has raised pricing, but Kwon thinks pricing momentum is waning. She says that 2011 is looking like it will be the third consecutive year of volume declines. Kwon adds that wine and spirits should keep gaining share, especially as price hikes have been much less aggressive than at beer manufacturers. For tobacco, Kwon expects mid-single digit volume declines. ■

SELECTED CONSUMER STAPLES STOCKS

COMPANY / TICKER	‡STARS	‡QUALITY RANKING	*RISK	STYLE	CURRENT PRICE	12-MONTH TARGET PRICE	†P/E RATIO	YIELD (%)
• Coca-Cola / KO	4	A+	Low	Growth	67	79	17.3	2.8
• CVS CareMark / CVS	5	A+	Low	Blend	35	44	12.5	1.4
PepsiCo / PEP	4	A+	Low	Growth	62	70	14.1	3.3
• Wal-Mart Stores / WMT	5	A+	Low	Blend	55	68	12.4	2.7
Whole Foods Market / WFM	4	A+	Low	Blend	68	75	35.4	0.6

• Master List issue. *Based on our analysts' assessment of qualitative factors, including financial strength, potential share volatility, competitive position, industry cyclicality, regulatory/legal issues, and other factors. Please note that all investments carry risks. ‡See definitions on page 2. †Based on S&P estimated fiscal 2011 earnings. Source: S&P MarketScope Advisor.

Las Vegas Strip Still Pulling Visitors In

Esther Kwon, CFA
S&P Capital IQ
Equity Analyst

Visitors and gaming revenue on the upswing despite a weak economy.

This month, S&P Capital IQ attended the Global Gaming Expo, the annual gaming trade show held in Las Vegas. Despite the weak economy, our sense was visitation has been relatively strong. Year-to-date through August, visitor volume rose 4.7% and convention attendance advanced 6.4%, according to statistics from the Las Vegas Convention and Visitors Authority. With room inventory growth of just 1% through August, the average daily room rate jumped 10.2% from a year ago. For calendar year 2011, we expect room inventory to rise fractionally, which we believe will keep room rates buoyant going into 2012.

Gross gaming revenue, as reported by the Nevada Gaming Control Board, was up more than 5.2% on the Las Vegas Strip and 2.9% for Nevada overall year-to-date through August. We expect results from the Las Vegas Strip to lead Nevada and the industry total, driven by a recovery in convention visitation and leisure travel. We think Strip properties offer among the most attractive values for rooms given their relative newness.

Although MGM Resorts International gained majority control of its Macau joint venture, MGM China Holdings, in June, we still forecast that more than 60% of its revenue (and more than 50% of its property EBITDA) will be derived from its properties on the Las Vegas Strip.

We recently revisited the Aria Hotel & Casino at CityCenter, MGM's 50%-owned joint venture with Dubai World. CityCenter, which opened in late 2009 and comprises Aria, Vdara, Crystals, Mandarin Oriental, Veer and the Aria convention center, is one of the world's largest privately-owned green developments. The CityCenter complex earned six LEED Gold (Leadership in Energy and Environmental Design) awards from the U.S. Green Building Council.

On our previous visit about a year ago, we were surprised to have encountered several issues with housekeeping, and on the day of checkout, the complex's computer systems were down, leaving a crowd stranded in the lobby. After our visit, Aria was awarded the AAA Five Diamond Award, which we felt was undeserved given our difficulties at the property. However, guest relations was responsive to our complaints at that time. We are pleased to report the second time around our experience was very good, with none of the snafus encountered earlier. If anything, we thought service had been significantly improved, judging from our interactions with the staff.

We also took the opportunity to visit the Cosmopolitan of Las Vegas next door. With its official opening in December 2010, the nearly $4 billion Cosmopolitan is the last of the large casino resort projects funded during the boom years. The Cosmopolitan has 2,995 rooms that opened in two phases, with the last 995 rooms opened this September. Interestingly, the property has been very successful in keeping its occupancies high even while charging average room rates that are significantly higher than the rest of the city. It posted an occupancy rate exceeding 91% in the second quarter of 2011, up from 85.7% in the first quarter. Its average daily rate was $246 in the second quarter and $241 in the first quarter, compared to an average daily rate for all Strip rooms of approximately $104 year to date as of August. However, the Cosmopolitan has been a money loser for its owner, Deutsche Bank, losing over $110 million in the first six months of 2011.

Overall, we expect Las Vegas Strip operators to benefit from the economic recovery. We see higher end properties, like the Aria, the Cosmopolitan, Wynn Resort's Wynn and Wynn Encore, and Las Vegas Sands' Venetian and Palazzo, improving disproportionately. Our hold recommendation on MGM Resorts shares reflects its exposure to middle and lower market properties, which we see having a less pronounced recovery. ■

SELECTED STOCKS

COMPANY / TICKER	‡STARS	‡QUALITY RANKING	*RISK	STYLE	CURRENT PRICE	12-MONTH TARGET PRICE	†P/E RATIO	YIELD (%)
Las Vegas Sands / LVS	4	NR	High	Growth	44	57	19.2	Nil
MGM Resorts International / MGM	3	C	High	Growth	10	13	NM	Nil
Wynn Resorts / WYNN	4	NR	High	Growth	131	189	25.2	1.5

*Based on our analysts' assessment of qualitative factors, including financial strength, potential share volatility, competitive position, industry cyclicality, regulatory/legal issues, and other factors. Please note that all investments carry risks. ‡See definitions on page 2. †Based on S&P estimated fiscal 2011 earnings. NM-Not meaningful. Source: S&P MarketScope Advisor.

Enterprise Products Partners

Tanjila Shafi
S&P Capital IQ
Equity Analyst

Master limited partnership seen raising cash distributions in 2011 and 2012.

With a market capitalization of $34.9 billion, Enterprise Products Partners is the largest publicly-traded pipeline limited partnership in the U.S. The partnership is engaged in providing midstream energy services to producers and consumers of natural gas, natural gas liquids (NGLs), crude oil, refined products, and petrochemicals. It carries S&P Capital IQ's highest investment recommendation of 5-STARS, or Strong Buy.

We view EPD as a core master limited partnership holding, given its integrated assets that connect energy supply sources to end-markets, its large geographic footprint, and what we consider the sustainability of its cash distributions. We see EPD benefiting from a strong presence in current and emerging shale plays, a favorable environment for natural gas liquids, and its $6 billion of major growth projects in development.

As a master limited partnership, EPD distributes much of its cash flow to its unitholders. From 2006 to 2010, cash distributions rose at a compound annual growth rate of 15.2%. We estimate that EPD will increase its cash distributions by 4.6%, to $2.42 per unit in 2011, and by another 4.9% to $2.54 per unit in 2012. We believe that increases in distributions are sustainable given contributions from the new projects coming into service.

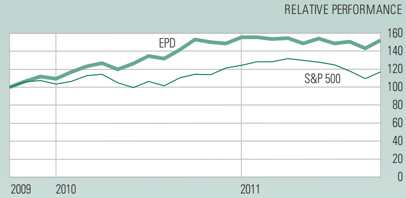
The partnership's assets include 50,200 miles of onshore and offshore pipelines; 192 million barrels of storage capacity for NGLs, refined products and crude oil; and 27 billion cubic feet of natural gas storage capacity. EPD also provides crude oil and refined products storage and transportation; offshore production platform services; petrochemical transportation and storage; and it owns a marine transportation business that operates on the U.S. inland and Intracoastal Waterway systems and in the Gulf of Mexico.

EPD has a strong presence in shale plays such as the Haynesville, Eagle Ford and Permian Basin, which we believe gives it a competitive advantage versus its peers in meeting the demand for infrastructure build-out. The partnership has also recently established a new fundamentals group to identify potential opportunities at shale plays such as the Niobrara and San Juan Basin that are near existing EPD assets.

We also believe that EPD is poised to benefit from the favorable NGL environment that is being driven by increased demand from the petrochemical industry. The high oil/gas price ratio is also prompting exploration and production companies to increase natural gas liquids drilling. We think that EPD will benefit from increased drilling activity through its current NGL pipelines and processing centers and its future investments in this area.

ENTERPRISE PRODUCTS PARTNERS

RELATIVE PERFORMANCE



STATISTICS

Ticker: EPD

S&P Ranking: ★★★★★

Current Price: 43

12-Month Target Price: 51

Market Cap: $38.3 billion

Investment Style: Large Cap

We expect rising pipeline volumes to boost earnings and cash flow over the next several years, as EPD has a large portfolio of projects that we believe offer potentially high returns at relatively low risk. In 2011, we expect operating income to experience double-digit growth and exceed $2.6 billion, aided by growth at its onshore crude oil pipelines and services segment, and its NGL pipeline and services segment.

In our view, the expected increase in demand for natural gas liquids will improve EPD's NGL transportation and fee-based gas processing volumes. We see a single-digit increase in EPD's average NGL transportation volumes to 2.43 million barrels per day in 2011. Approximately 70% of its businesses are fee-based, which we view positively as it reduces EPD's vulnerability to commodity price volatility.

Our 12-month target price of $51 is based on a blend of our P/E and enterprise value/EBITDA analyses, using multiples higher than the five-year historical average. We believe that EPD warrants a premium valuation given its growth prospects, strategically located assets, and sustainable distribution.

The primary risk we see to our recommendation and target price is a decline in economic activity that reduces demand for energy commodities and EPD's transportation services. Other risks include increasing interest rates, rendering investments in EPD less attractive in comparison to fixed income securities. ■

Garbage Stocks to Weather a Downturn

Isabelle Sender
S&P Capital IQ
Editorial

"There's always garbage that needs to be picked up."

Can garbage stocks help get your portfolio out of the dumps?

S&P Capital IQ views the solid-waste industry as recession resistant because trash removal and recycling are services that residents and businesses really can't do without, even during lean times.

"We view solid-waste companies as recession-resistant, but not recession proof," says S&P Capital IQ Equity Analyst Stewart Scharf. "They are impacted by a downturn, but to a lesser degree, as there's always garbage that needs to be picked up."

Historically, solid waste volumes tend to track gross domestic product growth, which S&P Capital IQ is forecasting at 1.7% in 2011 and 1.9% in 2012. After a recession, the waste collection industry's stock performance tends to lag an economic recovery by six to nine months, according to Scharf.

S&P Capital IQ follows several solid-waste companies, including Waste Management, Republic Services, Casella Waste Systems, Waste Connections, and WCA Waste. Scharf has a neutral view on the group as a whole, mostly due to competitive pricing pressures, though he sees these companies as having many positive attributes, including strong cash flow generation, share repurchases, debt reduction, and ability to make new acquisitions. Overall, he sees the industry's revenue rising by 3% to 5% next year.

While the violent storms and tornadoes around the U.S. this summer had some temporary negative impact on the group by hindering collection, collection volumes tend to rebound in the clean-up stage as debris is removed, Scharf says, and more volume equates to more revenue.

Several companies, including Waste Management and Republic Services, are benefitting from their expansion into landfill waste-to-energy facilities, which capture landfill methane gas and burn it to generate electricity. WM has 17 W-T-E plants, five power production plants and nearly 130 landfill gas projects. It expanded into China in 2010, acquiring a 40% stake in a waste-to-energy company, and plans to build additional facilities there in the future.

Other bright spots Scharf sees for the trash business include the group's increasingly healthy balance sheets. Following several mega-mergers in the early 1990s that burdened some companies with significant debt, these companies have focused on de-levering their balance sheets. "The major players are basically cash cows, generating a lot of cash targeted for share buybacks, dividends, 'tuck-in' acquisitions and debt pay downs in an effort to enhance shareholder value," he explains. "They also continue to divest underperforming assets while acquiring profitable niche businesses that better fit their collection routes and regional landfill locations."

Scharf believes medical-waste industry leader Stericycle is even more recession-resistant than other trash haulers. The medical-waste business has been growing, and both Stericycle and Waste Management have made acquisitions to enter this health-care related business.

Meanwhile, Waste Connections is also focusing on acquisitions, mainly in the Northwest but more recently in other regions as well, Scharf says. The solid waste hauler differs from some of its peers in that it targets exclusive markets in less dense rural and suburban communities, rather than larger, more competitive urban areas. According to Waste Age (January 2011), Waste Connections only gets 15% of its revenues from areas that overlap Waste Management and Republic Services' markets.

S&P Capital IQ believes that a prolonged economic downturn in the U.S. economy would likely impact solid-waste haulers as well, as the housing market remains weak while soft consumer spending hurts collection volume.

In addition to economic conditions, risks for the solid-waste group include tightened environmental landfill and vehicle emissions regulations, heightened price competition, and, until recently, rising energy and other input costs, Scharf says. Many companies, though, have hedging programs and fuel surcharges to offset rising fuel expenses. ■

SELECTED GARBAGE STOCKS

COMPANY / TICKER	‡STARS	‡QUALITY RANKING	*RISK	STYLE	CURRENT PRICE	12-MONTH TARGET PRICE	†P/E RATIO	YIELD (%)
Casella Waste Systems / CWST	3	C	Medium	Value	6	6	NM	Nil
Kaiser Group / KGHI	NR	NR	NA	NA	25	NA	NA	Nil
Perma Fix Enviro. Services / PESI	NR	B-	NA	Blend	1	NA	NA	Nil
Republic Services / RSG	3	B+	Low	Growth	28	33	15.1	3.1
Stericycle / SRCL	4	B+	Low	Growth	84	102	30.0	Nil
US Ecology / ECOL	NR	B	NA	Blend	17	NA	NA	4.2
Waste Connections / WCN	4	B+	Medium	Growth	34	37	23.1	0.9
Waste Management / WM	3	B+	Medium	Blend	33	37	14.0	4.1
WCA Waste / WCAA	3	NR	High	Blend	4	6	NM	Nil

*Based on our analysts' assessment of qualitative factors, including financial strength, potential share volatility, competitive position, industry cyclicality, regulatory/legal issues, and other factors. Please note that all investments carry risks. ‡See definitions on page 2. †Based on S&P estimated fiscal 2011 earnings. NA-Not available. NM-Not meaningful. Source: S&P MarketScope Advisor.

Technology Growth Stocks with Yield

Isabelle Sender
S&P Capital IQ
Editorial

Investors want yield, and technology companies are raising their dividends.

The information technology (IT) sector has outperformed major S&P indices this year and S&P Capital IQ equity analysts still see reasonable growth prospects for the sector, reflecting a corporate refresh cycle for personal computers and significant spending related to mobile and cloud computing.

Furthermore, S&P Capital IQ equity analysts think technology companies will use their strong balance sheets to raise dividend payouts, internal investments, stock buybacks, and to make acquisitions. S&P Capital IQ believes dividends are becoming a more predominant theme for the sector, and expects to hear about additional payout initiations and increases in conjunction with third-quarter results.

Technology stocks are not without risks, however. S&P Capital IQ equity analysts have a neutral fundamental outlook on the IT sector. They are concerned about the adverse impact of tablets on the consumer PC market, and the lingering effects of the Japan earthquake on supplies of key components.

For investors who also think techs will outperform in the future but would also appreciate garnering current income, we have identified highly ranked large-cap technology stocks that recently paid a dividend that was competitive with the yield on Treasuries. The screen we have chosen to run therefore includes techs that S&P Capital IQ equity analysts believe have the best chance at outperformance over the next 12 months with 4 STARS or better, and yielded at least 2%.

The screen returned a list of nine tech concerns that may satisfy investors who appreciate a blended growth and value approach to investing in this traditionally growth-focused sector. ■

TECHS WITH BLENDED APPEAL

COMPANY / TICKER	‡STARS	‡QUALITY RANKING	*RISK	STYLE	CURRENT PRICE	12-MONTH TARGET PRICE	†P/E RATIO	YIELD (%)
Applied Materials / AMAT	5	B-	Medium	Blend	12	14	9.2	2.7
Automatic Data Processing / ADP	4	A	Medium	Growth	51	60	18.5	2.8
Corning / GLW	4	B	Medium	Blend	14	18	7.4	2.1
Harris / HRS	5	A-	Medium	Growth	36	47	7.1	3.1
KLA-Tencor / KLAC	4	B	High	Growth	44	48	9.8	3.2
• Microsoft / MSFT	4	A-	Medium	Growth	27	35	9.1	3.0
Paychex / PAYX	4	A	Medium	Growth	28	33	18.4	4.4
Xerox / XRX	5	B	High	Blend	8	10	7.3	2.1

•Master List issue. *Based on our analysts' assessment of qualitative factors, including financial strength, potential share volatility, competitive position, industry cyclicality, regulatory/legal issues, and other factors. Please note that all investments carry risks. ‡See definitions on page 2. †Based on S&P estimated fiscal 2011 earnings. Source: S&P MarketScope Advisor.

Looking for Yield in Non-Sector Equity ETFs *(Continued from page 5)*

U.S. domestic. The largest of the 13 Overweight ranked funds, the iShares MSCI EAFE Index Fund, had a market capitalization of almost $36 billion, while the smallest, the BLDRS Europe Select ADR Index Fund, had just $17 million.

Also, there were differences in how volatile, as measured by beta, the share price had been for the 13 Overweight-ranked ETFs over a recent three-year period. The least volatile, SPDR S&P Dividend ETF, had a beta of 0.91 (versus 1.0 for the S&P 500), and the most volatile, Vanguard MSCI Europe, had a beta of 1.31. Nine of the 13 had been more volatile than the S&P 500, including all seven of the ETFs with more of an international or global emphasis.

The highest yielding of the Overweight-ranked ETFs was VGK, at 5.7%. Two of the Overweight-ranked ETFs, iShares MSCI EAFE Value Index Fund and WisdomTree Equity Income Fund, also each had a 12-month trailing yield of more than 4.0%.

Year-to-date through October 6, five of the 13 Overweight-ranked ETFs had outperformed the S&P 500 on a total return basis, led by a positive return of 2.6% from DHS. Four other ETFs in this group, the Vanguard High Dividend Yield Index Fund, WisdomTree LargeCap Dividend Fund, WisdomTree Total Dividend Fund, and SDY, had a negative total return that was better than the negative 5.9% for the S&P 500.

The remaining higher-yielding equity ETFs with an Overweight rank, as of October 7, were BLDRS Developed Markets 100 ADR Index Fund, iShares Morningstar Large Value Index Fund, iShares S&P Europe 350 Index Fund, and iShares S&P Global 100 Index Fund. ■

High-Quality Capital Appreciation Portfolio

12/31/2010 — 10/07/2011
Base Currency: US Dollar

To enter the High-Quality Capital Appreciation Portfolio, a stock must have an S&P Quality Ranking of A- or better, which indicates an above-average 10-year history of earnings and dividend growth and stability. A recent S&P study showed that over the long term, stocks with the best S&P Quality Rankings outperform lower quality stocks on a risk-adjusted basis. Stocks must have a four- or five-STARS ranking to enter this portfolio. S&P's Senior Portfolio Group may replace any stock in the portfolio with another stock at any time, for reasons that can include a downgrade in the S&P STARS and S&P Quality Ranking of the constituents or other fundamental factors.

The High-Quality Capital Appreciation Portfolio outperformed its benchmark from the beginning of the year through October 7, falling 4.1% vs. an 8.1% drop in the S&P 500. The data we have provided show which stocks contributed to, or detracted from, the portfolio's performance year to date through October 7. ■

HIGH-QUALITY CAPITAL APPRECIATION PORTFOLIO

COMPANY / TICKER	‡STARS	‡QUALITY RANKING	*RISK	STYLE	CURRENT PRICE	12-MONTH TARGET PRICE	†P/E RATIO	YIELD (%)
Apache / APA	5	A-	High	Blend	90	145	7.2	0.7
C.H. Robinson Worldwide / CHRW	4	A+	Low	Growth	72	95	27.4	1.6
Church & Dwight / CHD	5	A+	Low	Growth	45	44	20.5	1.5
CVS Caremark / CVS	5	A+	Medium	Blend	35	44	12.5	1.4
Express Scripts / ESRX	5	A-	Medium	Growth	40	48	13.3	Nil
Fastenal / FAST	5	A	Medium	Growth	34	48	27.9	1.5
Hudson City Bancorp / HCBK	4	A	Medium	Blend	6	10	7.6	5.3
International Business Machines / IBM	5	A+	Medium	Growth	189	205	14.1	1.6
McKesson / MCK	5	A-	Medium	Blend	74	100	11.8	1.1
Mylan / MYL	5	A-	Medium	Growth	18	29	9.0	Nil
Nike / NKE	4	A+	Medium	Growth	92	100	18.3	1.3
Nordstrom / JWN	4	A-	Medium	Growth	49	49	15.3	1.9
Oracle / ORCL	5	A-	Medium	Growth	31	40	13.2	0.8
United Technologies / UTX	4	A+	Low	Growth	74	98	13.7	2.6
Wal-Mart Stores / WMT	5	A+	Low	Blend	55	68	12.1	2.7

*Based on our analysts' assessment of qualitative factors, including financial strength, potential share volatility, competitive position, industry cyclicality, regulatory/legal issues, and other factors. Please note that all investments carry risks. †Price/earnings ratios are based on Standard & Poor's estimated fiscal 2011 per-share earnings. ‡See definitions on page 2. Source: S&P MarketScope Advisor.

LEADERS

COMPANY NAME	YTD RETURN (%)
VF**	30.95
Church & Dwight	27.90
International Business Machines	24.28
Fastenal	12.00
Nike	3.20
Occidental Petroleum*	0.46
McKesson	0.00

LAGGARDS

COMPANY NAME	YTD RETURN (%)
Wal-Mart Stores	-0.43
Proctor & Gamble***	-0.51
Nordstrom	-2.56
CVS CareMark	-2.85
Oracle	-4.44
United Technologies	-9.22
C.H. Robinson Worldwide	-11.62
Mylan	-18.03
Express Scripts	-28.15
Apache	-33.49
Hudson City Bancorp	-57.30

The Outlook
Intelligence for the Individual Investor

The YTD Return column represents the performance for the period of time the security was in the portfolio, so if the security was not in the portfolio for the full YTD period, it's the performance of the security from when it was added to the portfolio to 10/7/11, or from the end of 2010 until it was removed from the portfolio. *Replaced on January 18. **Replaced on July 18. ***Replaced on April 18.

S&P's Platinum Portfolio

This portfolio potentially offers the best of both worlds: S&P's STARS ranking system, based on fundamental analysis, and Fair Value, S&P's proprietary quantitative model.

Each Platinum stock initially carries the highest possible investment ranking from Standard & Poor's equity analysts and our Fair Value system.

S&P's STARS rankings are based on expected total return potential. Stocks with the five-STARS ranking are expected to outperform the total return of the S&P 500 index by a wide margin over the coming 12 months.

S&P STARS rankings are based on expected total return potential.

S&P's Fair Value model employs a proprietary algorithm to calculate the price at which a stock should be trading at current market levels. Fair Value ranks stocks in five tiers; those with the "5" designation are considered to be the most undervalued and to have the greatest price appreciation potential.

Stocks are removed only if they lose the top ranking in both systems.

Year to date through October 7, the portfolio fell 10.7%, vs. a drop of 8.1% in the S&P 500 on a capital appreciation basis. ■

PLATINUM PORTFOLIO

	TICKER	RANKINGS FAIR-VALUE	‡STARS	‡QUALITY	CURRENT PRICE
Advance Auto Parts	AAP	4	5	A-	60
Apple	AAPL	5	5	B	417
Aspen Insurance	AHL	5	4	NR	23
Atwood Oceanics	ATW	5	5	B	39
Avnet	AVT	4	5	B-	29
Celgene	CELG	4	5	B-	66
• Chevron	CVX	4	5	A	98
Chubb	CB	4	5	A	62
Cisco Systems	CSCO	5	3	B+	17
Cliffs Natural Resource	CLF	5	5	B	62
Coach	COH	2	5	B+	61
Computer Sciences	CSC	5	3	B+	30
CSG Systems Int'l	CSGS	5	4	B	14
• CVS Caremark	CVS	5	5	A+	35
Dell	DELL	5	5	B+	16
DreamWorks Animation	DWA	3	5	NR	19
• Express Scripts	ESRX	5	5	A-	40
• ExxonMobil	XOM	4	5	A+	76
FedEx	FDX	5	5	B+	74
GameStop	GME	5	4	B+	25
General Mills	GIS	2	5	A+	39
Gilead Sciences	GILD	5	4	B	41
Google	GOOG	5	3	NR	592
Harris	HRS	5	5	A-	36
Hewlett-Packard	HPQ	5	3	A-	26
HollyFrontier	HFC	5	5	B+	32
• Int'l Business Machines	IBM	4	5	A+	189
Jacobs Engineering	JEC	5	5	B+	37
Johnson Controls	JCI	3	5	A	31
Kyocera	KYO	5	5	NR	91
Marvell Technology	MRVL	5	5	NR	15
Medtronic	MDT	5	3	A	33
MEMC Electronic	WFR	5	1	B-	6
MetroPCS	PCS	5	5	NR	9
• Microsemi	MSCC	5	5	B	18
Monolithic Power Sys.	MPWR	5	3	NR	12
• Mylan	MYL	5	5	A-	18
NICE-Systems	NICE	5	5	NR	33
• Oracle	ORCL	5	5	A-	31
Philip Morris	PM	3	5	NR	66
Randgold Resources	GOLD	5	4	NR	103
Rio Tinto	RIO	5	5	NR	52
Thermo Electron	TMO	5	5	B	54
Travelers	TRV	4	5	A-	50
• Wal-Mart Stores	WMT	4	5	A+	55
Xerox	XRX	5	5	B	8

• Master List issue. ‡See definitions on page 2.

Performance calculations do not take into account reinvestment of dividends, capital gains taxes, or brokerage commissions and fees. If the foregoing had been factored into the portfolio's investment performance, it would have been lower. This performance calculation also does not take into account timing differences between the portfolio selections and purchases made based on those selections by actual investors. Over certain periods, the portfolio incurred losses and over time the portfolio is expected to continue to pose a risk of negative investment returns. Because the portfolio has a high turnover rate, we believe it is best suited for tax-deferred accounts such as IRAs and is less suited for other accounts. Investors should seek financial advice before investing based on the portfolio. This portfolio does not address the specific investment objectives, financial situation, and particular needs of any person. Stocks in the portfolio will not be suitable for all investors. Past performance is not a valid indicator of future results. Source: S&P Equity Research.