Agenda

Employees' Retirement System Board Meeting

December 12, 2012 at 1:30 PM
Conference Room C

Troy City Hall
500 West Big Beaver
Troy, Michigan 48084
(248) 524-3330

Don't forget the Holiday lunch at **12:00 pm**!
It will be held at Picano's Italian Grille.
3775 Rochester Road
Reservation is under Justin.

Roll Call

Minutes from the November 14, 2012 Meeting

Retirement Requests

Name	Pietro E. Pizzorni
Pension Program	DB
Retirement Date	1-12-13
Department	Police
Service Time	25 yrs, 5 mo.

Other Business

Review of Fiscal Year End Report 6/30/12
Review of 1st Qtr ending 9/30/12
Review of Investment Manager Search
Approval of 2013 Meeting Schedule

Investments

Public Comment

Adjourn

A meeting of the Employees' Retirement System Board of Trustees was held on Wednesday November 14, 2012 at Troy City Hall, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting was called to order at 12:04 p.m.

Trustees Present:	Mark Calice Thomas J. Gordon, II Steve Pallotta Dave Henderson Thomas Darling, CPA
Trustees Absent:	Michael Culpepper Milton Stansbury William R. Need (Ex-Officio)
Also Present:	Justin Breyer John Grant, UBS Rebecca Sorrenson, UBS

Minutes

Resolution # ER – 2012-11-28
Moved by Pallotta
Seconded by Henderson

RESOLVED, That the Minutes of the October 10, 2012 meeting be approved.

Yeas: All-5
Absent: Culpepper, Stansbury

Other Business – UBS Quarterly Report

Rebecca Sorrenson and John Grant reviewed the UBS Quarterly Report, Fixed Income Recommendations, and Portfolio Performance Review.

(John Grant and Rebecca Sorrenson left the meeting after presentation)

Retirement Request

Resolution # ER – 2012-11-29
Moved by Darling
Seconded by Gordon II

RESOLVED, That the following retirement requests be approved:

Name	Maryann Hays	Pamela Huffman
Pension Program	DC	DB
Retirement Date	01-09-13	12-1-12
Department	Building Operations	Assessing
Service Time	18 yrs, 7 mo	17 yrs, 10 mo

Yeas: All-5
Absent: Culpepper, Stansbury

Other Business – RFI for Investment Consultant Responses Evaluation Form

The Board reviewed the Draft RFI for an Investment Consultant Evaluation Form as presented by Tom Darling. Tom Darling discussed the evaluation measures and how final scoring would take place.

INVESTMENTS

The Board recommended that it revisit CAT and BTU equities in the spring of 2013, and that AVD be added to the watch list.

Resolution # ER – 2012-11-30
Moved by Pallotta
Seconded by Gordon II

RESOLVED, That the board authorizes the Pension Administrator to execute the following:

Sell: 10,000 shares of Alcoa
7,546 shares of Microsoft

Buy: $1,500,000 of Templeton Global Total Return Fund A
$1,500,000 of BlackRock High Yield Bond Fund A
$1,500,000 of Alliance Bernstein High Income Fund

Yeas: All-5
Absent: Culpepper, Stansbury

Other Business- Change in time for December Meeting

Resolution # ER – 2012-11-31
Moved by Pallotta
Seconded by Gordon II

RESOLVED, That the board change the time of the December 12, 2012 Retirement Board Meeting from 12 pm to 1:30 pm:

Yeas: All- 5
Absent: Culpepper, Stansbury

Public Comment

None.

The next meeting is December 12, 2012 at 1:30 p.m. at Troy City Hall, Conference Room C, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting adjourned at 3:07 p.m.

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Mark Calice, Chairman

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Tom Darling, Pension Administrator

Employee Retirement System

Year Ended June 30, 2012

Excerpts from the City's Comprehensive Annual Financial Report

Prepared by:
The Department of Financial Services
City of Troy, Michigan

CITY OF TROY, MICHIGAN

Combining Statement of Net Position

Employees' Retirement System
June 30, 2012

	Employees' Retirement System
Assets	
Cash	$ 16,845,997
Interest receivable	92,364
Investments	
U.S. government securities	9,904,150
Corporate bonds	9,325,864
Corporate equities, preferred	397,800
Corporate equities, common	101,628,434
Mutual funds	36,522,970
Municipal bonds	1,671,394
Total assets	**176,388,973**
Liabilities	
Accounts payable	5,170
Net position	
Held in trust for pension benefits	146,047,162
Held in trust for postemployment healthcare benefits	30,336,641
Total net position	**$ 176,383,803**

Combining Statement of Changes in Net Position

Employees' Retirement System
For the Year Ended June 30, 2012

	Employees' Retirement System
Additions	
Contributions	
Employer contributions	$ 2,195,476
Employee contributions	9,094,494
Total contributions	11,289,970
Investment income	
Interest	2,336,597
Dividends	3,052,035
Net adjustment in fair value of investments	(6,857,965)
Total investment earnings	(1,469,333)
Total additions	**9,820,637**
Deductions	
Benefits	14,229,015
Administrative expenses	107,789
Total deductions	**14,336,804**
Change in net position	**(4,516,167)**
Net position held in trust, beginning of year for	
Pension benefits	146,670,307
Postemployment healthcare benefits	34,229,663
Total net position held in trust, beginning of year	180,899,970
Net position held in trust, end of year for	
Pension benefits	146,047,162
Postemployment healthcare benefits	30,336,641
Total net position held in trust, end of year	**$ 176,383,803**

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13. RETIREMENT SYSTEM AND PLAN

Employee Retirement System

The City of Troy, Michigan, under the authorization of the City ordinance, maintains employee retirement plans covering all full-time employees. The single-employer defined benefit plan provides retirement benefits based on credited service time and average compensation with death and disability benefits, and under some circumstances, payments to dependents. Normal retirement age is 65 with provisions for early and late retirement. Participants under such plan are required to contribute a fixed percentage of their total compensation, with the City's contribution being an amount sufficient to cover current service costs and prior service costs which are being funded and charged to operations over the average expected active future working life time. The plan is closed to new participants. Current membership in the system is as follows:

Group	December 31, 2011
Retirees and beneficiaries currently receiving benefits	322
Vested terminated employees	11
Active employees	70

The employee retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2012 were determined using the aggregate cost method. Unfunded actuarial liabilities were amortized as a level percent of payroll on an open basis over the expected future service and pay for service of active members.

For the year ended June 30, 2012, contributions totaling $11,289,970 ($2,195,476 employer and $9,094,494 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2010, which was net of the amortization of assets in excess of unfunded actuarial accrued liability. Employer and employee contributions were based on 26.6 percent and 1.5 to 4.0 percent, respectively, of covered payroll in the amount of $7,094,490 for the year then ended. All contributions pertain to the pension plan only.

Significant actuarial assumptions are (a) a 6.5% investment return compounded annually, (b) salary increases of 3.5% per year compounded annually (c) additional projected salary increases of 0.0%-2.5% attributable to seniority/merit, and (d) no cost of living adjustments after retirement The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five year period.

Three-Year Trend Information				
Employee Retirement System ($ Amounts in Thousands)				
Fiscal Years Ended June 30,	Actuarial Valuation Date December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	2008	$ 1,361	100%	$ -
2011	2009	2,484	100%	-
2012	2010	2,195	100%	-

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Plan was 95 percent funded. The actuarial accrued liability for benefits was $153,564,000, and the actuarial value of assets was $145,523,000, resulting in an unfunded actuarial accrued liability (UAAL) of $8,041,000. The covered payroll (annual payroll for active employee covered by the Plan) was $5,428,000 and the ratio for the UAAL to the covered payroll was 148.1%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. Because the system uses the aggregate cost method which does not identify or separately amortize unfunded actuarial accrued liabilities, funded status and funding progress are reported using the entry age actuarial cost method and the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

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CITY OF TROY, MICHIGAN

Required Supplementary Information
Employee Retirement System

Schedule of Funding Progress
Employee Retirement System Trust Fund
(amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2006	$ 132,168	$ 119,299	$ (9,755)	107.9%	$ 11,472	-19.1%
12/31/2007	132,917	123,162	(2,111)	101.7%	11,046	64.4%
12/31/2008	128,249	126,138	7,054	94.9%	10,953	55.6%
12/31/2009	132,465	139,519	5,832	95.8%	10,483	65.1%
12/31/2010	133,400	139,232	5,832	95.8%	8,959	65.1%
12/31/2011	145,523	153,564	8,041	94.8%	5,428	148.1%

Schedule of Employer Contributions
Employee Retirement System Trust Fund
(amounts in thousands)

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2007	$ 273	100.0%
2008	273	100.0%
2009	428	100.0%
2010	1,361	100.0%
2011	2,484	100.0%
2012	2,195	100.0%

CITY OF TROY - Employee Retirement System for the Three Months Ended September 30, 2012

Account	Account Description	YTD Transactions	Prior Year Total
Fund **731 - Employee's Retirement System**			
REVENUE			
Department **000 - Revenue**			
4665	Interest Income	264,517.32	2,050,054.35
4666	Dividend Income	653,506.77	3,052,034.58
4669	**Investment Income**		
4669.010	Investment Income Gain on Sale of Investments	781,335.37	1,827,639.41
4669.020	Investment Income Investment Income	6,697,488.42	(8,685,607.63)
	4669 - Investment Income Totals	$7,478,823.79	($6,857,968.22)
4670	Option Income	54,848.05	286,543.01
4674	**Contributions**		
4674.100	Contributions Employees	40,990.46	9,094,494.15
4674.200	Contributions City Contr General	148,988.36	653,624.22
4674.400	Contributions PS	452,284.28	1,541,852.39
	4674 - Contributions Totals	$642,263.10	$11,289,970.76
	Department **000 - Revenue** Totals	$9,093,959.03	$9,820,634.48
	REVENUE TOTALS	$9,093,959.03	$9,820,634.48
EXPENSE			
Department **852 - Employee Retirement System**			
7801	**Professional Services**		
7801.010	Professional Services Adm & Prof	14,468.96	55,900.00
7801.060	Professional Services Actuary Fees	.00	30,270.00
	7801 - Professional Services Totals	$14,468.96	$86,170.00
7874	**Retirement Allowances**		
7874.010	Retirement Allowances Benefits	2,664,979.22	10,335,991.50
7874.020	Retirement Allowances Hospitalization	1,055,224.85	3,893,022.56
	7874 - Retirement Allowances Totals	$3,720,204.07	$14,229,014.06
7962	Other	2,339.12	21,619.47
	Department **852 - Employee Retirement System** Totals	$3,737,012.15	$14,336,803.53
	EXPENSE TOTALS	$3,737,012.15	$14,336,803.53
	Fund **731 - Employee's Retirement System** Totals		
	REVENUE TOTALS	9,093,959.03	9,820,634.48
	EXPENSE TOTALS	3,737,012.15	14,336,803.53
	Fund **731 - Employee's Retirement System** Totals	**$5,356,946.88**	**($4,516,169.05)**

Employees' Retirement System Meeting Dates for 2013:

Meetings take place at 12:00pm in City Hall, 500 W. Big Beaver Road, Conference Room C

Wednesday, January 9th, 2013
Wednesday, February 13th, 2013
Wednesday, March 13th, 2013
Wednesday, April 10th, 2013
Wednesday, May 8th, 2013
Wednesday, June 12th, 2013
Wednesday, July 10th, 2013
Wednesday, August 14th, 2013
Wednesday, September 11th, 2013
Wednesday, October 9th, 2013
Wednesday, November 13th, 2013
Wednesday, December 11th, 2013

Retiree Healthcare Benefits Plan & Trust Meeting Dates for 2013:

Meetings take place at 1:00pm in City Hall, 500 W. Big Beaver Road, Conference Room C

Wednesday, January 9th, 2013
Wednesday, April 10th, 2013
Wednesday, July 10th, 2013
Wednesday, October 9th, 2013

Portfolio

Name	Ticker ...	Shares	Cost Basis	Quote/Price	Market Value	Gain/Loss	Gain/Los...	52-Week Ra...	P/E ratio
Large Cap Stocks			*		**74,120,978.96**	*	*		
3M COMPANY X	MMM	5,000	443,493.23	91.13	455,650.00	12,156.77	2.74	77.51-95.46	14.58
ABBOTT LABORATORIES X	ABT	23,000	463,436.14	64.5899	1,485,567.70	1,022,131.56	220.55	53.80-72.47	15.75
ADT CORP COM	ADT	625	0.00	44.18	27,612.50	27,612.50	0.00	34.68-45.98	26.46
AFLAC INC X	AFL	25,000	360,357.96	53.6801	1,342,002.50	981,644.54	272.41	38.13-53.75	8.90
ALCOA INC X	AA	10,000	129,882.87	8.61	86,100.00	-43,782.87	-33.71	7.97-10.92	N/E
AMERICAN TOWER CORP SBI	AMT	5,000	318,090.87	74.61	373,050.00	54,959.13	17.28	56.99-76.22	42.15
AMGEN INC X	AMGN	3,100	160,274.49	89.29	276,799.00	116,524.51	72.70	56.00-89.95	16.00
APPLE INC X	AAPL	6,750	1,939,414.26	545.26	3,680,505.00	1,741,090.74	89.77	377.68-705.07	12.35
AT&T INC COM X	T	20,000	467,191.29	34.05	681,000.00	213,808.71	45.76	28.51-38.58	44.80
AUTOMATIC DATA PROCESSING INC.	ADP	3,000	114,228.86	57.24	171,720.00	57,491.14	50.33	50.89-59.96	20.23
BANK OF AMER CORP X	BAC	10,000	168,536.26	10.455	104,550.00	-63,986.26	-37.97	4.92-10.56	27.51
BARD C R INC	BCR	5,000	401,462.03	97.62	488,100.00	86,637.97	21.58	82.22-108.31	16.46
BED BATH & BEYOND INC	BBBY	2,500	134,595.33	57.54	143,850.00	9,254.67	6.88	55.58-75.84	13.44
BOEING CO X	BA	5,000	364,115.95	74.06	370,300.00	6,184.05	1.70	66.82-77.83	12.79
C S X CORP X	CSX	26,000	394,706.68	20.25	526,500.00	131,793.32	33.39	18.88-23.71	11.31
CATALYST HEALTH SOLUTIONS INC	CHSI	5,000	118,588.81	89.50 e	447,500.00	328,911.19	277.35	-	
Caterpillar Inc X	CAT	5,000	359,277.67	86.384	431,920.00	72,642.33	20.22	78.25-116.95	8.84
CELGENE CORP	CELG	4,000	225,746.44	79.47	317,880.00	92,133.56	40.81	58.53-81.24	22.08
CHESAPEAKE ENERGY CORP	CHK	12,000	431,511.51	16.97	203,640.00	-227,871.51	-52.81	13.32-26.09	N/E
CHEVRON CORP X	CVX	16,900	952,506.84	105.39	1,781,091.00	828,584.16	86.99	95.73-118.53	8.64
CHEVRON CORP NEW X	CVX	8,000	284,761.85	105.39	843,120.00	558,358.15	196.08	95.73-118.53	8.64
CISCO SYS INC X	CSCO	20,000	640,103.11	19.202	384,040.00	-256,063.11	-40.00	14.96-21.30	12.39
CIT GROUP INC X	CIT	9,162	435,487.64	37.28	341,559.36	-93,928.28	-21.57	32.29-43.35	N/E
CIT GROUP INC NEW COM NEW X	CIT	3,047	*	37.28	113,592.16	*	*	32.29-43.35	N/E
CLIFFS NAT RESOURCES INC X	CLF	12,000	406,067.53	29.818	357,816.00	-48,251.53	-11.88	28.05-78.85	2.98
COCA COLA CO X	KO	24,000	239,435.81	37.33	895,920.00	656,484.19	274.18	32.94-40.66	19.54
COLGATE-PALMOLIVE CO	CL	10,000	421,673.47	107.25	1,072,500.00	650,826.53	154.34	87.22-110.97	21.03
CORNING INC	GLW	10,000	99,139.24	12.435	124,350.00	25,210.76	25.43	10.62-14.62	9.87
Costco Wholesale Corp	COST	5,000	422,060.72	105.595	527,975.00	105,914.28	25.09	78.81-105.80	27.15
CUMMINS INC	CMI	2,000	194,811.59	101.55	203,100.00	8,288.41	4.25	82.20-129.51	10.61
DANAHER CORP	DHR	12,000	259,890.35	53.41	640,920.00	381,029.65	146.61	45.06-57.15	17.17
DIRECTV X	DTV	4,920	0.00	49.65	244,278.00	244,278.00	0.00	41.45-55.17	12.23
DIRECTV COM USD0.01 X	DTV	10,080	0.00	49.65	500,472.00	500,472.00	0.00	41.45-55.17	12.23
DISCOVERY COMMUNICATIONS X	DISCK	520	7,491.05	56.95	29,614.00	22,122.95	295.33	35.55-58.29	
DISCOVERY COMMUNICATIONS 25470F...	DISCA	520	8,343.07	61.665	32,065.80	23,722.73	284.34	39.33-63.20	22.42
DOMINION RESOURCES INC. 8.375%	DRU	10,000	250,000.00	27.9301	279,301.00	29,301.00	11.72	26.57-29.74	
DOVER CORP X	DOV	9,000	336,204.77	63.555	571,995.00	235,790.23	70.13	50.27-67.20	13.91

Portfolio

Name	Ticker ...	Shares	Cost Basis	Quote/Price	Market Value	Gain/Loss	Gain/Los...	52-Week Ra...	P/E ratio
DOW CHEMICAL CO X	DOW	15,000	465,165.62	29.63	444,450.00	-20,715.62	-4.45	25.23-36.08	22.79
DUKE ENERGY CORP COM USD0.001 (P...	DUK	3,200	0.00	64.58	206,656.00	206,656.00	0.00	59.63-71.13	20.50
DUKE ENERGY CORP NEW X	DUK	8,841	0.00	64.58	570,951.78	570,951.78	0.00	59.63-71.13	20.50
E M C CORP MASS X	EMC	2,000	27,723.00	25.16	50,320.00	22,597.00	81.51	21.25-30.00	20.62
EBAY INC	EBAY	5,000	138,547.45	52.09	260,450.00	121,902.55	87.99	29.08-53.15	17.78
EMC CORP MASS X	EMC	17,000	209,532.02	25.16	427,720.00	218,187.98	104.13	21.25-30.00	20.62
EMERSON ELECTRIC CO	EMR	4,000	161,023.63	50.83	203,320.00	42,296.37	26.27	43.59-53.78	19.04
EXPRESS SCRIPTS HLDG CO COM	ESRX	4,050	0.00	54.30	219,915.00	219,915.00	0.00	43.02-66.06	29.67
EXXON MOBIL CORP X	XOM	4,000	4,724.61	87.90	351,600.00	346,875.39	7,341.88	77.13-93.67	9.28
FASTENAL CO	FAST	8,000	159,461.13	41.61	332,880.00	173,418.87	108.75	37.61-55.05	29.94
FIDELITY NATIONAL INFORMATION SER...	FIS	1,000	6,493.26	36.73	36,730.00	30,236.74	465.66	24.94-36.91	20.99
FISERV INC X	FISV	8,000	317,883.66	79.41	635,280.00	317,396.34	99.85	56.29-80.40	18.77
FLUOR CORP NEW X	FLR	5,000	266,815.15	53.72	268,600.00	1,784.85	0.67	44.99-64.67	14.88
FORD MTR CO DEL COM X	F	10,000	167,073.80	11.35	113,500.00	-53,573.80	-32.07	8.82-13.05	2.62
FRANKLIN RES INC	BEN	3,000	303,299.19	127.74	383,220.00	79,920.81	26.35	92.08-133.91	14.27
FREEPORT-MCMORAN COPPER & G...	FCX	20,000	344,809.31	32.04	640,800.00	295,990.69	85.84	31.08-48.96	10.40
GENERAL DYNAMICS CRP X	GD	4,000	292,920.00	66.99	267,960.00	-24,960.00	-8.52	61.09-74.54	9.97
GENERAL ELECTRIC CO X	GE	16,000	47,910.68	21.32	341,120.00	293,209.32	611.99	16.18-23.18	16.40
GENERAL MOTORS CO X	GM	2,037	228,544.97	25.0999	51,128.50	-177,416.47	-77.63	18.72-27.68	9.40
GENERAL MOTORS COMPANY X	GM	6,997	394,100.00	25.0999	175,624.00	-218,476.00	-55.44	18.72-27.68	9.40
GENL ELECTRIC CO X	GE	10,000	357,402.80	21.32	213,200.00	-144,202.80	-40.35	16.18-23.18	16.40
GENL MILLS INC	GIS	5,000	190,632.65	40.98	204,900.00	14,267.35	7.48	36.75-41.06	16.01
GENUINE PARTS CO	GPC	5,000	316,434.00	64.25	321,250.00	4,816.00	1.52	55.58-66.91	16.14
GILEAD SCIENCES INC X	GILD	10,000	323,035.51	74.67	746,700.00	423,664.49	131.15	36.98-76.28	23.19
GOOGLE INC CL A X	GOOG	3,000	1,640,952.14	687.85	2,063,550.00	422,597.86	25.75	556.52-774.38	21.54
HALLIBURTON CO HOLDING CO FRMLY ...	HAL	10,000	90,007.95*	33.53	335,300.00	*	*	26.28-39.19	10.75
HARTFORD FINCL SERVICES GROU...	HIG	5,000	337,662.20	21.55	107,750.00	-229,912.20	-68.09	14.95-23.29	17.96
HARTFORD FINL SVCS GROUP INC ...	HIG	5,200	52,076.40	21.55	112,060.00	59,983.60	115.18	14.95-23.29	17.96
HEALTH CARE REIT INC X	HCN	7,000	184,525.41	59.04	413,280.00	228,754.59	123.97	49.32-62.80	109.33
HESS CORP X	HES	2,000	112,204.73	49.53	99,060.00	-13,144.73	-11.71	39.67-67.86	11.11
HONEYWELL INTL INC X	HON	14,172	720,472.29	61.65	873,703.80	153,231.51	21.27	51.42-63.89	20.55
INTEL CORP X	INTC	8,000	170,016.84	19.8685	158,948.00	-11,068.84	-6.51	19.23-29.27	8.68
INTUITIVE SURGICAL INC	ISRG	5,000	516,251.62	520.85	2,604,250.00	2,087,998.38	404.45	420.84-594.89	33.65
JOHNSON CTLS INC X	JCI	6,000	52,142.82	27.44	164,640.00	112,497.18	215.75	23.37-35.95	15.42
JPMORGAN CHASE & CO X	JPM	5,000	113,523.16	41.37	206,850.00	93,326.84	82.21	30.42-46.49	8.57
KRAFT FOODS INC CLASS A X	KFT	5,000	154,406.59	25.6065	128,032.50	-26,374.09	-17.08	23.56-28.48	13.69
LIBERTY MEDIA CORP	LMCA	183	5,030.35	106.52	19,493.16	14,462.81	287.51	72.70-116.10	7.27
LKQ CORP	LKQX	6,000	16,922.10	21.75	130,500.00	113,577.90	671.18	14.09-22.29	25.29

Portfolio

Value

Name	Ticker ...	Shares	Cost Basis	Quote/Price	Market Value	Gain/Loss	Gain/Los...	52-Week Ra...	P/E ratio
MCDONALDS CORP	MCD	21,100	988,961.81	86.9999	1,835,697.89	846,736.08	85.62	83.31-102.22	16.38
MCKESSON CORP	MCK	5,000	393,168.79	94.45	472,250.00	79,081.21	20.11	74.89-97.23	15.64
MERCK & CO INC NEW COM X	MRK	16,147	0.00	44.50	718,541.50	718,541.50	0.00	34.86-48.00	20.32
METTLER-TOLEDO INTL	MTD	5,000	386,376.45	185.57	927,850.00	541,473.55	140.14	142.82-190.02	21.26
MICROSOFT CORP X	MSFT	22,546	805,324.31	26.70	601,978.20	-203,346.11	-25.25	25.29-32.95	14.35
MORGAN STANLEY	MS	8,340	101,081.02	17.0405	142,117.77	41,036.75	40.60	12.26-21.19	N/E
NORFOLK SOUTHERN CORP	NSC	8,000	449,719.06	61.79	494,320.00	44,600.94	9.92	56.05-78.50	11.26
O REILLY AUTOMOTIVE INC NEW COM	ORLY	4,000	94,174.23	91.20	364,800.00	270,625.77	287.37	75.61-107.13	20.00
OMNICOM GROUP X	OMC	2,000	79,140.93	49.765	99,530.00	20,389.07	25.76	41.04-54.76	14.47
OMNICOM GROUP INC X	OMC	8,000	274,205.25	49.765	398,120.00	123,914.75	45.19	41.04-54.76	14.47
ONEOK INC NEW X	OKE	30,000	403,242.36	44.475	1,334,250.00	931,007.64	230.88	39.32-49.79	26.95
ORACLE CORP X	ORCL	10,000	131,772.17	31.88	318,800.00	187,027.83	141.93	24.91-33.29	15.86
ORACLE CORPORATION X	ORCL	15,000	169,473.85	31.88	478,200.00	308,726.15	182.17	24.91-33.29	15.86
PANERA BREAD CO CL A	PNRA	10,000	677,619.70	156.95	1,569,500.00	891,880.30	131.62	130.37-175.26	28.80
PEABODY ENERGY CORP X	BTU	5,000	378,864.58	26.14	130,700.00	-248,164.58	-65.50	18.78-39.74	8.95
PENTAIR LTD COM USD0.16 3/4 X	PNR	299	0.00	48.21	14,414.79	14,414.79	0.00	32.50-48.99	100.44
PEPSICO INC	PEP	35,000	1,224,345.80	69.79	2,442,650.00	1,218,304.20	99.51	62.15-73.66	18.61
PERRIGO CO X	PRGO	8,000	290,240.24	104.815	838,520.00	548,279.76	188.91	90.18-120.78	23.04
PERRIGO COMPANY X	PRGO	5,000	497,217.21	104.815	524,075.00	26,857.79	5.40	90.18-120.78	23.04
PFIZER INC X	PFE	7,000	63,480.04	25.71	179,970.00	116,489.96	183.51	19.73-26.09	20.24
PNC FINANCIAL SCVS GRP 6.125% FIX/...	PNUFL	5,000	125,000.00	27.26	136,300.00	11,300.00	9.04	24.29-100.25	
PRAXAIR INC	PX	6,000	249,987.48	106.11	636,660.00	386,672.52	154.68	100.00-116.93	18.91
PROCTER & GAMBLE CO X	PG	22,625	224,489.81	69.53	1,573,116.25	1,348,626.44	600.75	59.07-70.83	22.29
PROGRESS ENERGY INC	PGN	8,000	346,785.36	57.40 e	459,200.00	112,414.64	32.42	-	
PVH CORPORATION COM USD1.00	PVH	5,000	370,614.45	111.61	558,050.00	187,435.55	50.57	66.36-117.22	19.21
RAYMOND JAMES FIN INC 6.90%	RJD	1,200	30,000.00	27.526	33,031.20	3,031.20	10.10	25.20-28.28	
REPUBLIC SERVICES INC CL A	RSG	5,000	136,304.01	29.1716	145,858.00	9,553.99	7.01	25.15-31.32	17.06
RESMED INC	RMD	5,000	157,157.54	40.73	203,650.00	46,492.46	29.58	23.37-42.30	21.66
ROPER INDS INC	ROP	14,000	443,423.89	110.50	1,547,000.00	1,103,576.11	248.88	81.16-113.25	23.81
SCANA CORP NEW X	SCG	5,000	174,228.40	46.39	231,950.00	57,721.60	33.13	42.28-50.34	14.96
SCHLUMBERGER LIMITED COM STK US...	SLB	24,000	417,120.56	71.51	1,716,240.00	1,299,119.44	311.45	59.12-80.78	
SIGMA ALDRICH CORP	SIAL	8,000	46,954.88	72.53	580,240.00	533,285.12	1,135.74	61.36-74.94	19.60
SMUCKER J M CO NEW X	SJM	4,000	241,085.93	88.41	353,640.00	112,554.07	46.69	70.50-89.39	20.42
SPECTRA ENERGY CORP X	SE	5,200	104,737.84	27.485	142,922.00	38,184.16	36.46	26.56-32.27	17.85
SPECTRA ENERGY CORP COM X	SE	13,800	0.00	27.485	379,293.00	379,293.00	0.00	26.56-32.27	17.85
ST JUDE MEDICAL INC	STJ	5,000	167,454.45	34.59	172,950.00	5,495.55	3.28	30.25-44.80	14.41
STAPLES INC X	SPLS	5,000	110,520.10	11.335	56,675.00	-53,845.10	-48.72	10.57-16.93	1,133.50
Starbucks Corp X	SBUX	5,000	278,067.05	50.81	254,050.00	-24,017.05	-8.64	42.67-62.00	28.39

Portfolio

Name	Ticker ...	Shares	Cost Basis	Quote/Price	Market Value	Gain/Loss	Gain/Los...	52-Week Ra...	P/E ratio
STRYKER CORP	SYK	20,000	95,643.89	54.28	1,085,600.00	989,956.11	1,035.04	45.61-57.15	14.59
SYSCO CORP	SYY	20,000	250,669.51	31.72	634,400.00	383,730.49	153.08	27.05-31.90	16.87
T ROWE PRICE GROUP INC X	TROW	5,000	251,288.72	64.35	321,750.00	70,461.28	28.04	53.57-66.66	20.11
TAIWAN SEMICONDUCTOR MANUFACT...	TSM	5,000	55,263.45	16.93	84,650.00	29,386.55	53.18	12.14-17.47	
TARGET CORP X	TGT	5,000	257,157.95	62.25	311,250.00	54,092.05	21.03	47.25-65.80	13.83
TEVA PHARMACEUTICAL INDS LTD ADR...	TEVA	2,000	68,320.60	41.66	83,320.00	14,999.40	21.95	37.40-46.65	14.99
TEVA PHARMACEUTICALS IND LTD I...	TEVA	9,000	275,754.65	41.66	374,940.00	99,185.35	35.97	37.40-46.65	14.99
TEXTRON INC	TXT	8,000	0.00	23.28	186,240.00	186,240.00	0.00	16.86-29.18	16.28
THE GOLDMAN SACHS GROUP INC PFD...	GSF	10,000	250,000.00	26.09	260,900.00	10,900.00	4.36	24.30-27.02	
TOTAL S.A SPONS ADR	TOT	5,000	396,646.85	50.455	252,275.00	-144,371.85	-36.40	41.75-57.06	
TRACTOR SUPPLY COMPANY	TSCO	4,000	81,375.30	84.41	337,640.00	256,264.70	314.92	68.50-103.74	23.13
TRANSOCEAN LTD SWITZERLAND NEW...	RIG	20,050	1,146,568.24	46.62	934,731.00	-211,837.24	-18.48	38.21-59.03	
UNION PACIFIC CORP	UNP	5,000	232,104.24	123.26	616,300.00	384,195.76	165.53	97.82-129.27	15.29
UNITED PARCEL SERVICE CL B X	UPS	10,000	618,507.38	73.59	735,900.00	117,392.62	18.98	69.56-81.79	21.21
UNITED TECHNOLOGIES CORP X	UTX	17,000	572,110.61	80.35	1,365,950.00	793,839.39	138.76	70.71-87.50	14.30
URBAN OUTFITTERS INC	URBN	5,000	77,065.25	36.39	181,950.00	104,884.75	136.10	23.42-40.65	27.36
US BANCORP 6.00% SERIES G	UBDLP	5,000	*	27.82	139,100.00	*	*	24.47-29.19	
VARIAN MEDICAL SYSTEMS INC X	VAR	5,000	176,963.75	69.87	349,350.00	172,386.25	97.41	52.90-71.95	18.58
VERIZON COMMUNICATIONS X	VZ	15,420	373,967.92	44.18	681,255.60	307,287.68	82.17	36.80-48.77	40.91
VISA INC CL A	V	4,000	377,027.06	147.91	591,640.00	214,612.94	56.92	95.05-150.72	46.81
VISA INC COM CL A	V	5,000	394,366.14	147.91	739,550.00	345,183.86	87.53	95.05-150.72	46.81
WALGREEN CO X	WAG	5,000	196,513.07	35.67	178,350.00	-18,163.07	-9.24	28.53-37.34	14.74
WALGREEN CO NEW X	WAG	10,000	339,582.10	35.67	356,700.00	17,117.90	5.04	28.53-37.34	14.74
WALMART STORES INC X	WMT	10,000	538,761.04	71.85	718,500.00	179,738.96	33.36	57.18-77.60	14.78
WALT DISNEY CO X	DIS	10,000	152,049.30	49.66	496,600.00	344,550.70	226.60	34.51-53.40	15.87
WASTE MANAGEMENT INC	WM	10,000	162,506.96	33.61	336,100.00	173,593.04	106.82	30.51-36.35	18.07
WATERS CORP	WAT	10,000	739,217.91	84.27	842,700.00	103,482.09	14.00	70.88-94.47	17.93
WATSCO INC X	WSO	5,000	306,014.09	71.74	358,700.00	52,685.91	17.22	61.46-80.34	24.15
WEATHERFORD INTERNATIONAL LIMIT...	WFT	5,000	97,405.56	10.77	53,850.00	-43,555.56	-44.72	8.84-18.33	
WELLS FARGO & CO NEW X	WFC	5,000	27,288.16	32.99	164,950.00	137,661.84	504.47	25.18-36.60	10.37
YUM! BRANDS INC	YUM	27,800	279,636.04	66.01	1,835,078.00	1,555,441.96	556.24	56.41-74.75	19.41
Small Cap Stocks			**7,324,223.76**		**8,610,402.50**	**1,286,178.74**	**17.56**		
ALMOST FAMILY INC	AFAM	5,000	200,124.66	21.02	105,100.00	-95,024.66	-47.48	14.01-26.87	10.41
AMERICAN SCIENCE & ENGINEE...	ASEI	3,000	259,595.93	66.30	198,900.00	-60,695.93	-23.38	46.30-78.99	29.73
ARES CAPITAL CORP COM STK USD0.0...	ARCC	5,000	79,468.68	17.49	87,450.00	7,981.32	10.04	14.60-17.77	8.45
BIO-REFERENCE LABS INC NEW ...	BRLI	5,000	110,670.39	27.25	136,250.00	25,579.61	23.11	12.08-32.86	19.33
BRADY CORP CL A	BRC	4,000	64,506.67	31.89	127,560.00	63,053.33	97.75	24.72-34.94	N/E

Name	Ticker ...	Shares	Cost Basis	Quote/Price	Market Value	Gain/Loss	Gain/Los...	52-Week Ra...	P/E ratio
BRUKER CORP X	BRKR	5,000	78,022.84	14.22	71,100.00	-6,922.84	-8.87	9.91-17.10	22.94
CLEAN ENERGY FUELS CORP X	CLNE	5,000	101,643.37	12.98	64,900.00	-36,743.37	-36.15	10.90-24.75	N/E
COGNEX CORP X	CGNX	5,000	169,104.43	36.46	182,300.00	13,195.57	7.80	29.24-44.80	22.37
COPANO ENERGY LLC COM UNITS ...	CPNO	10,000	298,179.02	30.65	306,500.00	8,320.98	2.79	24.24-38.03	N/E
CULLEN FROST BANKERS INC X	CFR	5,000	240,511.85	53.7672	268,836.00	28,324.15	11.78	50.05-61.11	14.22
DARLING INTL INC	DAR	10,000	66,595.12	17.11	171,100.00	104,504.88	156.93	12.07-18.82	15.41
DECKERS OUTDOOR CORP	DECK	12,000	206,692.11	41.43	497,160.00	290,467.89	140.53	28.53-109.36	10.28
DIAMOND FOODS INC	DMND	5,000	391,490.70	15.1399	75,699.50	-315,791.20	-80.66	12.85-40.71	N/E
DIEBOLD INC X	DBD	5,000	228,607.62	30.21	151,050.00	-77,557.62	-33.93	27.66-42.93	11.49
FACTSET RESEARCH SYSTEMS INC	FDS	1,500	26,270.06	93.07	139,605.00	113,334.94	431.42	85.38-109.20	22.59
FACTSET RESH SYSTEMS INC	FDS	2,000	62,713.03	93.07	186,140.00	123,426.97	196.81	85.38-109.20	22.59
Flowers Foods Inc	FLO	7,500	127,229.34	23.61	177,075.00	49,845.66	39.18	18.39-24.20	26.83
GAMESTOP CORP NEW (HOLDIN...	GME	1,000	24,452.66	26.025	26,025.00	1,572.34	6.43	15.32-28.00	N/E
GAMESTOP CORP NEW CL A	GME	5,000	126,433.80	26.025	130,125.00	3,691.20	2.92	15.32-28.00	N/E
GFI GROUP INC X	GFIG	5,000	38,710.45	2.775	13,875.00	-24,835.45	-64.16	2.20-4.93	N/E
GLOBAL PAYMENTS INC	GPN	8,000	349,288.46	44.54	356,320.00	7,031.54	2.01	39.37-53.93	20.53
GREEN MTN COFFEE ROASTER...	GMCR	13,000	182,521.65	41.80	543,400.00	360,878.35	197.72	17.11-71.15	18.33
HILLENBRAND INC X	HI	5,000	97,745.28	21.01	105,050.00	7,304.72	7.47	16.75-24.18	12.51
IDEX CORP	IEX	10,500	215,255.25	44.91	471,555.00	256,299.75	119.07	34.06-45.25	18.41
IDEX CORPORATION	IEX	2,250	29,507.37	44.91	101,047.50	71,540.13	242.45	34.06-45.25	18.41
INTERNATIONAL GAME TECHNOLOGY ...	IGT	20,000	469,182.13	14.65	293,000.00	-176,182.13	-37.55	10.92-18.10	17.03
JOS A BANK CLOTHIERS INC	JOSB	10,000	316,007.42	42.92	429,200.00	113,192.58	35.82	39.54-54.99	12.33
LENDER PROCESSING SVCS INC COM ...	LPS	500	5,045.66	24.255	12,127.50	7,081.84	140.36	14.09-30.88	25.80
LENNOX INTL INC	LII	5,000	210,437.94	51.76	258,800.00	48,362.06	22.98	31.96-53.52	23.42
MANITOWOC INC	MTW	10,000	150,593.40	15.0008	150,008.00	-585.40	-0.39	8.30-16.97	24.19
MEDNAX INC X	MD	5,000	361,070.85	79.78	398,900.00	37,829.15	10.48	59.24-80.22	16.94
NEUSTAR INC CL A	NSR	5,000	132,566.45	41.05	205,250.00	72,683.55	54.83	30.08-41.31	20.42
PENGROWTH ENERGY CORP	PGH	10,000	203,637.46	5.085	50,850.00	-152,787.46	-75.03	5.00-11.17	
PERKINELMER INC	PKI	5,000	140,405.95	31.11	155,550.00	15,144.05	10.79	17.73-31.92	1,037.00
PORTFOLIO RECOVERY ASSOC INC	PRAA	4,000	192,314.39	99.30	397,200.00	204,885.61	106.54	60.12-106.85	14.52
QUALITY SYSTEMS INC X	QSII	5,000	36,690.60	18.14	90,700.00	54,009.40	147.20	15.04-45.00	16.05
REINSURANCE GROUP OF AMERICA	RGA	5,000	230,659.06	52	260,000.00	29,340.94	12.72	48.36-60.69	6.77
SODASTREAM INTL LTD ORD X	SODA	5,000	359,589.59	40.605	203,025.00	-156,564.59	-43.54	28.28-48.13	
SOUTH JERSEY IND INC	SJI	5,000	187,934.87	50.88	254,400.00	66,465.13	35.37	45.81-57.99	14.79
SYNNEX CORP X	SNX	5,000	179,012.80	32.99	164,950.00	-14,062.80	-7.86	28.37-44.25	7.84
SYNTEL INC	SYNT	5,000	167,334.95	56.345	281,725.00	114,390.05	68.36	44.29-65.19	13.10
TESORO LOGISTICS LP	TLLP	100	2,100.00	44.94	4,494.00	2,394.00	114.00	28.39-47.24	26.59
THORATEC CORP NEW	THOR	5,000	148,140.05	37.43	187,150.00	39,009.95	26.33	28.70-38.76	25.99

Name	Ticker ...	Shares	Cost Basis	Quote/Price	Market Value	Gain/Loss	Gain/Los...	52-Week Ra...	P/E ratio
TRUE RELIGION APPAREL INC	TRLG	5,000	56,159.45	23.79	118,950.00	62,790.55	111.81	20.22-37.82	12.72
International Stocks			**2,311,689.37**		**2,324,636.50**	**12,947.13**	**0.56**		
BAIDU INC SPONS ADS REPR 0.10 ORD ...	BIDU	5,000	590,629.90	88.5701	442,850.50	-147,779.40	-25.02	88.35-154.15	89.46
Bank of Nova Scotia	BNS	5,000	267,163.70	56.4502	282,251.00	15,087.30	5.65	46.36-57.57	16.13
BP PLC SPONS ADR X	BP	5,000	276,165.38	41.36	206,800.00	-69,365.38	-25.12	36.25-48.34	6.16
DIAGEO PLC NEW GB SPON ADR ...	DEO	2,000	128,034.73	119.58	239,160.00	111,125.27	86.79	83.52-120.72	
GENPACT LTD X	G	5,000	79,583.73	15.75	78,750.00	-833.73	-1.05	14.11-19.52	
RENESOLA LTD X	SOL	5,000	117,135.18	1.28	6,400.00	-110,735.18	-94.54	1.08-3.38	
RESEARCH IN MOTION LTD-CAD	RIMM	5,000	327,864.86	11.99	59,950.00	-267,914.86	-81.72	6.22-17.96	2.16
RIO TINTO PLC SPON ADR	RIO	10,000	107,399.61	52.04	520,400.00	413,000.39	384.55	41.59-63.18	
SHIRE PLC ADR	SHPGY	5,000	351,945.37	90.4475	452,237.50	100,292.13	28.50	80.09-108.79	N/E
TYCO INTERNATIONAL LTD(SWITZERLA...	TYC	1,250	65,766.91	28.67	35,837.50	-29,929.41	-45.51	26.17-58.12	12.69
Cash			**1,752,796.40**		**1,752,796.40**	**0.00**	**0.0**		
Cash			1,752,796.40		1,752,796.40				
Other			**687,500.00**		**766,184.33**	**78,684.33**	**11.44**		
ENTERGY MISSISSIPPI INC. 6.20%	EFM	10,000	250,000.00	26.9735	269,735.00	19,735.00	7.89	26.17-30.00	
ENTERGY TEXAS INC 7.875%	EDT	10,000	250,000.00	28.79	287,900.00	37,900.00	15.16	27.03-30.95	
MOTORS LIQ CO GUC TR UBI	MTLQU	511	0.00	19.03	9,724.33	9,724.33	0.00	10.00-20.20	
QWEST CORPORATION 7.00%	CTX	7,500	187,500.00	26.51	198,825.00	11,325.00	6.04	24.81-27.35	
Unclassified			*		**20,066,200.68**	*	*		
Asset Mixture			*		**22,233,312.95**	*	*		
Totals:		A=avg cost	77,447,245....		129,874,512.32	52,427,267....	67.69*		

OLD MISSION **INVESTMENT** COMPANY
OLD MISSION **TRUST** COMPANY

866.587.4100 or 231.929.4100
web: www.omico.net

December 5, 2012

Thomas Darling, CPA
Director of Financial Services
City of Troy Retirement Plan Board
500 W Big Beaver Rd
Troy, MI 48084

Dear Tom,

We are currently recommending two purchases:

Purchase	Price	Dividend	Yield
Eagle Materials Inc. (EXP)	$53.22	$.40	.75%
American Campus Communities (ACC)	$44.23	$1.35	3.10%

Please find the attached summary of our rationale for the above recommendations. Feel free to call if you have any questions or would like additional information.

Thank you for the opportunity to provide you with our financial services.

Sincerely,

Robert W. Stibbs, CPA, CFP
Principal

Daniel McNamara, MBA, CFP
Financial Advisor

Encls. (2)

OLD MISSION **INVESTMENT** COMPANY
OLD MISSION **TRUST** COMPANY

866.587.4100 or 231.929.4100
web: www.omico.net

December 3, 2012

Investment Recommendation

Purchase

Eagle Materials Inc. (EXP)

Price $53.22 Annual Dividend $.40 Yield .75%

Eagle Materials Inc. is a leading U.S. manufacturer and distributor of building materials including cement, concrete and aggregates, gypsum wallboard and recycled paperboard.

Gypsum wallboard and paperboard combined to produce 58% of revenue in the quarter ended September 30, 2012, which was up 33% from the same quarter of the prior year. Eagle is a low cost producer of wallboard and has been gaining market share. The Company has already announced a 25% price increase for 2013. Residential construction is the primary driver of wallboard demand. The inventory of new homes is low, home prices are starting to rise, and homes are more affordable due to low interest rates. We expect construction growth to be strong for several years following 5 years of low levels of construction.

Operating earnings for Eagle's cement segment in the September quarter were up 15% from the same quarter a year ago. Cement revenues, including the 50% owned joint venture with Texas Lehigh Cement, were up 8% from the year ago quarter. We expect growth in residential housing to drive volume growth in the cement segment. Also, the company is pursuing growth opportunities in the oil and gas industry where specialty cement is used to cement well casing. Eagle recently announced the acquisition of two cement plants from Lafarge and the company expects the purchase to close late in 2012. Eagle expects the acquisition to increase annual cement capacity by 60%.

The current consensus of analysts' earnings estimates for fiscal years ending March 31, 2013 and 2014 are $1.62 and $2.54, respectively. Over the last few months, we have recommended MDC Holdings, a home builder, Weyerhaeuser Company, a lumber supplier, and now Eagle. We continue to think that all three of these companies will benefit as residential construction continues to fight back toward normal levels. Although the stock's price is well off its lows, we feel the recovery in home building is in its early stages and we recommend its purchase.

STANDARD
&POOR'S

Eagle Materials

Quantitative Stock Report
Dec 1,2012
NYSE SYMBOL:**EXP**

S&P Quality Ranking: **B** Standard & Poor's Fair Value Rank : **1-**

EXP has an approximate 0.49% weighting in the **S&P SmallCap**

Sector: Materials
Sub-Industry: Construction Materials
Peer Group: Construction (Cement & Aggregates)

Summary: This company manufactures, distributes, and sells gypsum wallboard and cement primarily in the United States.

Quantitative Evaluations

S&P Quality Ranking : B

D	C	B-	B	B+	A-	A	A+

S&P Fair Value Rank: 1-

1	2	3	4	5

Lowest Highest

Fair Value Calc: $40.40 (Overvalued)

S&P Investability Quotient Percentile

84%

1 Lowest Highest 100

EXP scored higher than 84% of all companies for which an S&P Report is available.

Volatility: Average

Low	Average	High

Technical Evaluation: BULLISH

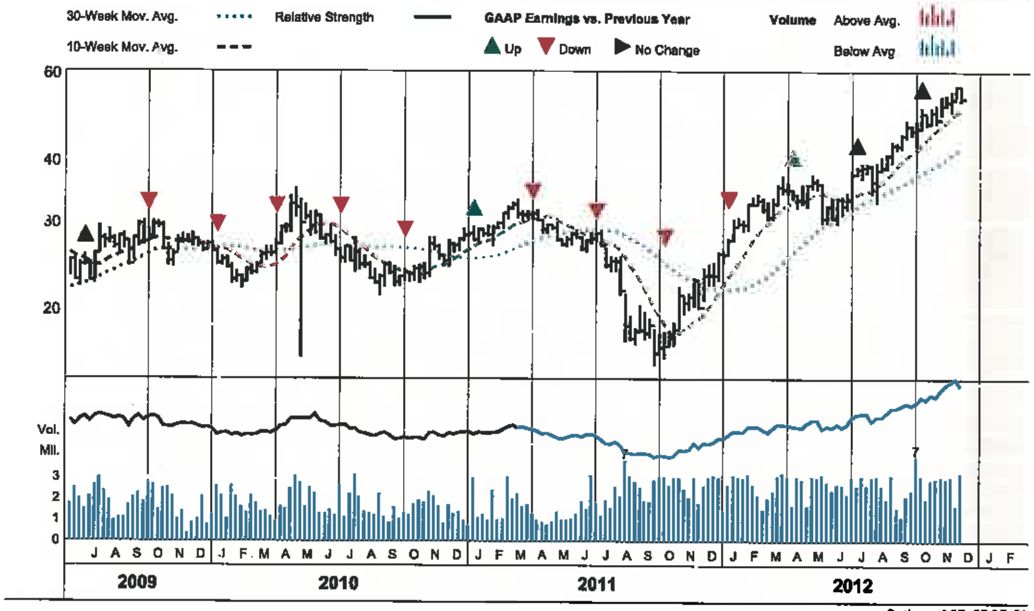
Since August, 2012, the technical indicators for EXP have been BULLISH.

Relative Strength Rank: Strong

87

1 Lowest Highest 99

Price as of Nov 30,2012: $53.22 | **52-Week Range: $56.40 - $22.28**



Options: ASE, CBOE, Ph

Investment Strategy

Key financial variables to consider in assessing the investment merits of an industrial company are the following:

Sales: What is the trend? Is future sales growth expected to be greater than the past 5-year and 9-year growth average? Accelerating sales growth ultimately provides the fuel behind earnings growth.

Net Margin: As a key measure of company profitabilty, a rising net margin assesses management capability to wring out more net income from incremental sales.

% LT Debt to Capitalization: A rising percentage implies greater financial risk, all else being equal. Rising debt leverage without a concomitant rise in Return on Equity should raise warning signals of potential cash flow problems. Percentages above 40%-50% should also be considered a warning.

% Return on Equity: A key perfomance measurement of capital efficiency assesses what investment returns management can earn on a company's existing capital base. A sustained percentage above 20% is considered above average.

Revenues/Earnings Data Fiscal year ending Mar. 31

Revenues (Million $)

	2013	2012	2011	2010	2009	2008
1Q	154.0	119.8	130.8	127.8	176.8	221.2
2Q	164.7	134.8	132.1	138.2	178.9	210.5
3Q	--	123.6	103.9	104.6	137.8	173.0
4Q	--	116.8	95.38	97.39	108.9	144.9
Year	--	495.0	462.2	467.9	602.2	749.6

Earnings per Share ($)

	2013	2012	2011	2010	2009	2008
1Q	0.31	0.07	0.24	0.27	0.18	0.77
2Q	0.40	0.14	0.22	0.28	0.36	0.73
3Q	--	0.07	0.12	0.11	0.26	0.50
4Q	--	0.20	-0.25	0.04	0.16	0.04
Year	--	0.42	0.34	0.66	0.95	2.12

Next earnings report expected: Early February

Historical GAAP earnings are as reported.

Key Growth Rates and Averages

Past Growth Rate (%)	**1 Year**	**3 Year**	**5 Year**	**9 Year**
Sales	7.11	-5.83	-12.85	-2.01
Net Income	26.13	-26.46	-40.08	-17.60
Ratio Analysis (Average)				
Net Margin	3.78	4.39	6.63	11.61
%LT Debt to Capitalization	35.47	38.13	40.61	29.97
% Return on Equity	4.02	4.64	8.90	17.35

Key Stock Statistics

Average Daily Volume	**0.723 mil.**	Beta	**1.30**
Market Capitalization	**$2.392 Bil.**	Trailing 12 Month EPS	**$0.98**
Institutional Holdings (%)	**77**	12 Month P/E	**54.3**
Shareholders of Record	**2,000**	Current Yield (%)	**0.75**

Value of $10,000 Invested five yrs Ago : **$14,941**

STANDARD &POOR'S

Quantitative Stock Report
Dec 1,2012
NYSE SYMBOL:EXP

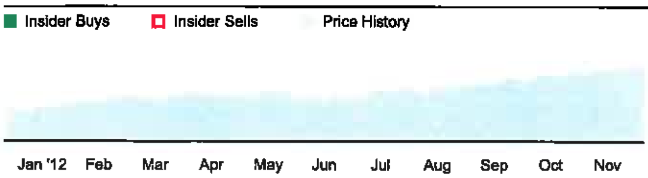
Eagle Materials

S&P Quality Ranking: B   Standard & Poor's Fair Value Rank : 1-

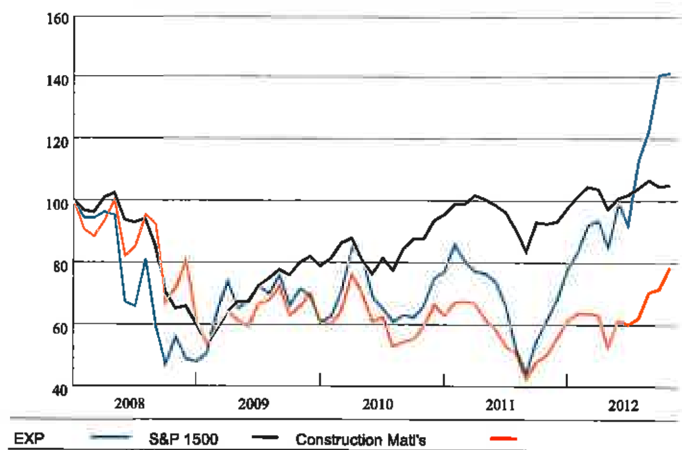
Wall Street Opinions/Average (Mean) Opinion: Hold

	No. of Ratings	% of Total	1 Mo. Prior	3 Mo. Prior
Buy	0	0	0	1
Buy/Hold	1	9	0	0
Hold	10	91	10	11
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	11	100	10	12

Insider Moves



Stock Performance



	Company(%)	Industry(%)	S&P 1500(%)
YTD Return	109.1	41.3	12.7
One Year Return	132.8	56.0	13.5
Three Year Return (% Annualized)	27.3	6.1	9.5
Five Year Return (% Annualized)	8.4	-7.0	-0.4
Value of $10,000 Invested 5 Years Ago	$14,941	$6,966	$9,782

Dividend Data Dividend have been paid since 1996

Amount($)	Date Decl.	Ex. Div. Date	Stock of Record	Payment Date
0.100	Feb.7	Apr.4	Apr.9	May.01 '12
0.100	May.24	Jun.20	Jun.22	Jul.20 '12
0.100	Sep.6	Sep.28	Oct.2	Nov.02 '12
0.100	Nov.8	Dec.19	Dec.21	Jan.23 '13

Company Financials Fiscal year ending Mar. 31

Per Share Data & Valuation Ratios ($)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Tangible Book Value	7.10	6.93	6.69	6.31	5.81	9.93	7.89	7.65	7.08	7.97
Cash Flow	1.55	1.45	1.81	2.10	3.08	5.07	3.74	2.58	1.77	1.70
Earnings	0.42	0.34	0.66	0.95	2.12	4.07	3.02	1.91	1.19	1.04
Dividends	NA	0.40	0.40	0.60	0.35	0.10	0.30	0.15	0.07	0.07
Payout Ratio	NA	95%	61%	63%	17%	2%	10%	8%	6%	6%
Calendar Year	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Prices:High	33.22	34.99	30.09	38.89	52.16	74.55	42.06	29.02	20.40	15.08
Prices:Low	15.36	15.91	16.22	13.01	33.81	31.76	24.83	17.60	10.82	10.06
P/E Ratio:High	79	NM	46	41	25	18	14	15	17	15
P/E Ratio:Low	37	NM	25	14	16	8	8	9	9	10
Income Statement Analycis (Million $)										
Revenue	495	462	468	602	750	922	860	617	503	501
Operating Income	71.3	69.0	84.9	101	174	317	259	169	155	133
Depreciation	50.1	49.2	50.8	50.6	44.2	40.0	38.6	34.5	33.0	36.8
Interest Expense	17.0	16.5	21.5	29.4	9.05	5.43	6.34	3.29	3.81	9.59
Pretax Income	21.9	16.8	39.3	62.2	144	304	241	158	102	86.6
Effective Tax Rate	15%	11%	26%	33%	32%	33%	33%	33%	34%	33%
Net Income	18.7	14.9	29.0	41.8	97.8	203	161	107	66.9	57.6
Balance Sheet & Other Financial Data (Million $)										
Cash	6.48	1.87	1.42	17.8	19.0	17.2	54.8	7.22	3.54	13.6
Current Assets	192	175	161	175	181	174	217	142	107	124
Total Assets	985	983	1,014	1,067	1,115	971	889	780	693	712
Current Liabilities	77.0	70.4	71.9	64.3	107	108	105	122	94.2	96.2
Long Term Debt	262	287	303	355	400	200	200	54.0	58.7	55.6
Common Equity	473	460	445	428	406	546	465	485	440	480
Total Capital	739	747	748	783	923	863	784	658	600	616
Capital Expenditures	26.1	17.2	13.8	16.1	96.9	137	72.9	22.4	12.4	14.3
Cash Flow	68.9	64.1	79.7	92.4	142	243	200	141	100	94.4
Current Ratio	2.5	2.5	2.2	2.7	1.7	1.6	2.1	1.2	1.1	1.3
% Long Term Debt of Capitalization	35.5	38.4	40.5	45.4	43.3	23.2	25.5	8.2	9.8	9.0
% Net Income of Revenue	3.8	3.2	6.2	6.9	13.0	22.0	18.7	17.3	13.3	11.5
% Return on Assets	1.9	1.5	2.8	3.8	9.4	21.8	19.3	14.5	9.6	7.9
% Return on Equity	4.0	3.3	6.6	10.0	20.6	40.1	33.9	23.1	14.5	12.7

Data as orig. reptd; bef. results of disc opers/spec. items. Per share data adj. for stk. divs. as of ex-div date. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

Office: **3811 Turtle Creek Blvd Ste 1100, Dallas, TX, 75219-4487**
Tel: **214-432-2000**
Website: **http://www.eaglematerials.com**
Chrmn: **L. E. Hirsch**
Pres & CEO: **S. R. Rowley**

Dirs: **F. W. Barnett, E. H. Bowman, Jr., R. L. Clarke, L. E. Hirsch, M. R. Nicolais, D. W. Quinn, S. R. Rowley, R. R. Stewart**
Chief Admin Officer & CFO: **D. C. Kesler**
General Counsel, Secy & EVP: **J. H. Graass**
Chief Acctg Officer, Cntlr & SVP: **W. R. Devlin**

Investor Contact: **Arthur R. Zunker, Jr.(214-432-2000)**
Investor Contact: **Mark V. Dendle(214-432-2000)**
Founded: **1994**
Domicile: **Delaware**
Employees: **1,350**

Eagle Materials

S&P Quality Ranking: **B** Standard & Poor's Fair Value Rank : **1-**

Sub-Industry Outlook

Our fundamental outlook for the construction materials sub-industry for the next 12 months is positive. We believe that housing starts have begun a recovery that will be significant but gradual over the next several years. In addition, a rebound in the commercial construction sector should eventually follow the improvement in the housing sector. Additionally, infrastructure projects should broaden in scope now that a new transportation bill has been passed. Pricing for aggregates is likely to increase because of the restrictions being placed on mining due to environmental concerns.

In 2011, total construction spending fell 2.0%, the fifth consecutive year of decline, although the retracement was not as steep as the 10.3% drop in 2010, according to statistics compiled by the U.S. Census Bureau. Conditions in 2011 improved slightly in private construction, which edged up 0.7%, while public construction fell 6.5%. Residential construction fell 1.7% in 2011, and nonresidential construction was down 2.1%. Construction is improving in 2012, with total construction spending up 9.0% year to date through August on an actual basis. Residential construction in August 2012 increased 16.1% on a seasonally adjusted annual basis versus a year ago. We expect continued weakness in the commercial sector in coming months, but we believe residential spending has bottomed and will improve gradually into 2013.

The U.S. Geological Survey (USGS) reported that the estimated output of aggregates produced for consumption in 2011 was 1.95 billion metric tons, equal to the output in 2010. However, momentum increased late in the year as the estimated output of total construction aggregates in the fourth quarter of 2011 was 480 million metric tons, up 3.0%, year to year. Even stronger improvement was recorded in the first half of 2012, with estimated shipments of 898 million metric tons, a 5.6% increase from the prior year. We expect shipment comparisons to continue to rebound over the next several months as the economy grows and infrastructure projects increase. We think earnings bottomed in 2009 for companies in this sector. Profits recovered modestly in 2010, but experienced little growth in 2011, with further recovery expected in 2012 and 2013.

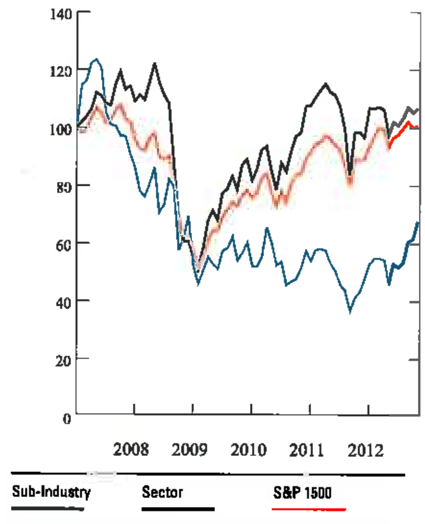
As of October 12, the S&P Construction Materials Index was up 25.3% year to date, compared to a 13.3% increase in the S&P 1500 Composite Index and a 9.1% rise in the Materials Index. In 2011, the S&P Construction Materials Index dropped 16.4%, versus a 0.3% decline for the S&P 1500 and a 10.1% decrease in the S&P Materials Index.

--Stuart J. Benway, CFA

Stock Performance

GICS Sector: Materials
Sub-Industry: Construction Materials

Based on S&P 1500 Indexes
Month-end Price Performance as of 11/30/12



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Construction Materials Peer Group*: Construction (Cement & Aggregates)

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. $)	Recent Stock Price($)	52 Week High/Low($)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.($)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Eagle Materials	**EXP**	**2,392**	**53.22**	**56.40/22.28**	**1.30**	**0.8**	**54**	**40.40**	**B**	**84**	**3.8**	**35.5**
CEMEX S.A.B ADR	CX	972	8.90	9.48/4.41	2.43	Nil	NM	NA	NR	15	NA	50.6
CRH plc ADR	CRH	13,265	18.37	22.31/16.22	1.18	4.3	16	18.20	NR	16	3.3	28.6
James Hardie Ind plc ADS	JHX	4,197	47.74	49.98/31.00	1.88	Nil	37	NA	NR	13	48.8	NA
Martin Marietta Materials	MLM	4,117	90.00	93.71/63.64	1.08	1.8	56	67.50	B	93	4.6	42.0
Monarch Cement	MCEM	59	23.00	28.50/20.50	0.61	4.0	18	NA	B-	17	1.3	6.7
Texas Indus	TXI	1,300	46.42	47.33/26.70	1.97	Nil	NM	NA	C	20	1.2	48.5
U.S. Lime & Minerals	USLM	273	43.93	67.40/41.25	1.07	Nil	15	NA	B	80	15.6	15.7
Vulcan Materials	VMC	6,837	52.84	53.10/31.87	1.39	0.1	NM	28.70	B-	21	NA	40.6

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Eagle Materials

S&P Quality Ranking: **B**   Standard & Poor's Fair Value Rank : **1-**

S&P Analyst Research Notes and other Company News

October 30, 2012
Eagle Materials Inc. reported unaudited consolidated financial results for the second quarter and six months ended September 30, 2012. For the quarter, the company reported earnings before interest and income taxes of $29.67 million, earnings before income taxes of $26.12 million and net earnings of $17.95 million or $0.40 per diluted share on revenues of $164.66 million compared to earnings before interest and income taxes of $12.3 million, earnings before income taxes of $7.74 million and net earnings of $6.02 million or $0.14 per diluted share on revenues of $134.82 million reported a year ago. Adjusted EPS was $0.49, up 250%. For the six months, the company reported earnings before interest and income taxes of $53.35 million, earnings before income taxes of $46.04 million and net earnings of $31.93 million or $0.71 per diluted share on revenues of $318.70 million compared to earnings before interest and income taxes of $17.92 million, earnings before income taxes of $8.78 million and net earnings of $6.83 million or $0.15 per diluted share on revenues of $254.62 million reported a year ago. Operating cash flow during the first six months of the year increased to 143% to $66.8 million with capital spending of approximately $8.6 million. Excess cash flow was used to pay dividends and reduce outstanding borrowings to further improve financial flexibility.

September 27, 2012
EXP in deal with Lafarge North America to purchase Lafarge's Sugar Creek, MO, and Tulsa, OK cement plants, related assets, for $446M, subj. to customary post-closing adj. Commences underwritten public offering of 3M EXP shares, and will grant to underwriters 30-day option to purchase up to addl 450,000 EXP shares to cover overallotments, if any. Intends to use net proceeds from offering, together with borrowings under its bank credit facility, to fund acquisition.

August 3, 2012
Eagle Materials Inc. reported unaudited consolidated earnings results for the first quarter ended June 30, 2012. The company reported revenue of $154,042,000, EBIT of $23,679,000, EBT of $19,914,000, net earnings of $13,978,000 or $0.31 per diluted share against revenue of $119,807,000, EBIT of $5,624,000, EBT of $1,039,000, net earnings of $807,000 or $0.02 per diluted share a year ago. First quarter sales volumes improved across all business lines and wallboard net sales prices increased 32% as compared to the prior year's first quarter. Operating cash flow during the first quarter increased to $19.1 million with capital spending of approximately $4.7 million. The company announced the improved first quarter operating cash flow was used to fund capital expenditures, pay dividends and reduce debt which further strengthened its financial position. Eagle ended the quarter with a healthy net debt-to-capitalization ratio of 34%.

May 17, 2012
Eagle Materials Inc. reported unaudited consolidated earnings results for the fourth quarter and full year ended March 31, 2012. For the quarter, the company reported revenues of $116.801 million against $95.381 million a year ago. Earnings before interest and income taxes was $15.914 million against loss before interest and income taxes of $11.430 million a year ago. Earnings before income taxes was $12.645 million against loss before income taxes of $14.846 million a year ago. Net earnings were $9.003 million or $0.20 per basic and diluted share against net loss of $10.805 million or $0.25 per basic and diluted share a year ago. For full year, the company reported revenues of $495.023 million against $462.180 million a year ago. Earnings before interest and income taxes was $40.627 million against $33.282 million a year ago. Earnings before income taxes was $21.912 million against $16.762 million a year ago. Net earnings were $18.732 million or $0.42 per basic and diluted share against $14.849 million or $0.34 per basic and diluted share a year ago. Operating earnings improved 14% with increases coming in each business segment, except for concrete and aggregates. Operating cash flow during fiscal 2012 increased 38% to $60.9 million, with annual capital spending of approximately $26.1 million.

February 3, 2012
Eagle Materials Inc. reported consolidated unaudited earnings results for the third quarter and nine months ended December 31, 2011. For the quarter, the company reported revenues of $123.596 million compared to $103.870 million a year ago. Other operating loss was $0.464 million compared to operating income of $0.192 million a year ago. Earnings before interest and income taxes were $6.793 million compared to $11.286 million a year ago. Earnings before income taxes were $0.489 million compared to $6.620 million a year ago. Net earnings were $2.897 million compared to $5.496 million a year ago. Diluted earnings per share were $0.07 compared to $0.12 a year ago. Adjusted EPS was $0.20. Cash flow from operations were $16.2 million, up 45%. Capital spending was approximately $15.4 million. Majority of capital spending during the quarter was used to acquire additional sand and aggregates reserves. For the nine months, the company reported revenues of $378.222 million compared to $366.799 million a year ago. Other operating loss was $0.428 million compared to operating income of $1.084 million a year ago. Earnings before interest and income taxes were $27.713 million compared to $44.712 million a year ago. Earnings before income taxes were $12.267 million compared to $31.608 million a year ago. Net earnings were $11.979 million compared to $25.653 million a year ago. Basic and diluted earnings per share were $0.27 compared to $0.58 a year ago.

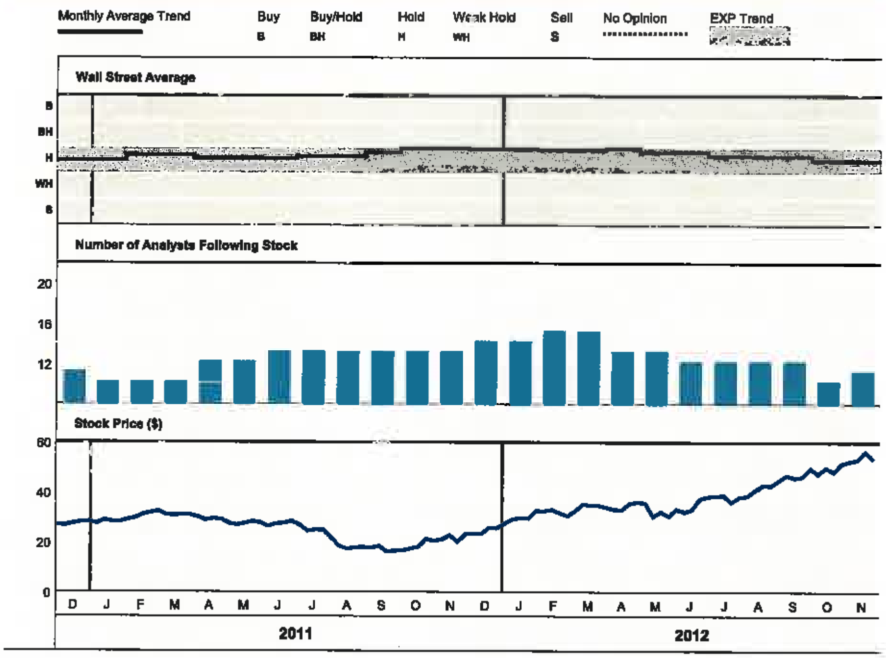
STANDARD
&POOR'S

Eagle Materials

Quantitative Stock Report
Dec 1,2012
NYSE SYMBOL:**EXP**

S&P Quality Ranking: B **Standard & Poor's Fair Value Rank : 1-**

Analysts' Recommendations



Of the total 16 companies following EXP, 11 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	0	0	0	1
Buy/Hold	1	9	0	0
Hold	10	91	10	11
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	11	100	10	12

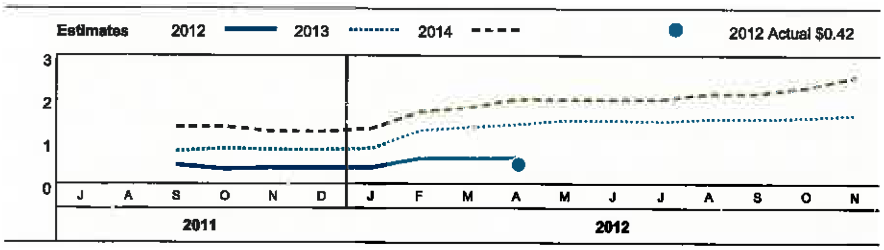
Wall Street Consensus Opinion

HOLD

Companies Offering Coverage

BB&T Capital Markets
CL King & Associates, Inc.
D.A. Davidson & Co.
Davenport & Company
JP Morgan
Jefferies & Company, Inc.
KeyBanc Capital Markets Inc.
Longbow Research LLC
Morgan Keegan & Company
Morningstar Inc.
Northcoast Research
Sidoti & Company, LLC
Stephens, Inc.
Sterne Agee & Leach Inc.
Stifel, Nicolaus & Co., Inc.
Thompson Research Group, LLC.

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2014	2.54	3.25	1.90	11	21.0
2013	1.62	1.72	1.53	11	32.9
2014 vs. 2013	▲ 57%	▲ 89%	▲ 24%	0%	▼ -36%
Q3'14	0.66	0.74	0.51	5	80.6
Q3'13	0.43	0.49	0.36	11	NM
Q3'14 vs. Q3'13	▲ 53%	▲ 51%	▲ 42%	▼ -55%	NA

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Street Consensus vs. Performance

For fiscal year 2013, analysts estimate that EXP will earn $1.62. For the 2nd quarter of fiscal year 2013, EXP announced earnings per share of $0.40, representing 25% of the total annual estimate. For fiscal year 2014, analysts estimate that EXP's earnings per share will grow by 57% to $2.54.

Source: S&P, Capital IQ Estimates, Inc.

Eagle Materials

S&P Quality Ranking: **B** Standard & Poor's Fair Value Rank : **1-**

Glossary

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

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

S&P Fair Value Rank - Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stock with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

Funds From Operations (FFO) - FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Fair Value Calculation - The current price at which a stock should sell today as calculated by S&P's computers using our quantitative model based on the company's earnings, growth potential, return on equity relative to the S&P 500 and its industry group, price to book ratio history, current yield relative to the S&P 500, and other factors.

Investability Quotient (IQ) - The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long-term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

Standard & Poor's IQ Rationale:
Eagle Materials

	Raw Score	Max Value
Proprietary S&P Measures	15	115
Technical Indicators	18	40
Liquidity/Volatility Measures	19	20
Quantitative Measures	56	75
IQ Total	108	250

Volatility - Rates the volatility of the stock's price over the past year.

Technical Evaluation - In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank - Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS) - An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups , 67 Industries, and 147 Sub-Industries.

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Required Disclosures

All of the views expressed in this research report reflect Standard & Poor's Quantitative Services' research models regarding the above issuer and securities. No part of Standard & Poor's Quantitative Services compensation was, is or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

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OLD MISSION **INVESTMENT** COMPANY
OLD MISSION **TRUST** COMPANY

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December 4, 2012

Investment Recommendation

Purchase

American Campus Communities Inc. (ACC)

Price $44.23 Annual Dividend $1.35 Yield 3.10%

American Campus Communities Inc. operates as a real estate investment trust that owns, manages and develops high quality student housing properties in the United States. The company currently operates 116 student housing properties with over 71,000 beds and 22,900 apartments units. The company was established in Austin Texas during 1996 and in 2004 became the first publicly traded student housing REIT.

American Campus Communities has been growing aggressively, both organically and by acquisition. This summer ACC added over 6,000 beds to its portfolio through the $627 million purchase of Campus Acquisitions LLC. In October the company announced the purchase of an $863 million student housing portfolio from Kayne Anderson Capital, that will add over 12,000 beds in new and existing markets for ACC. We are encouraged by these two transactions as both of the portfolios are very high quality properties and should contribute to strong 2013 earnings growth.

Revenue and earnings growth have increased year over year for the past six years. The current consensus earnings estimate for 2012 and 2013 are $2.02 and $2.26 respectively. The consensus revenue estimate is calling for revenues to increase 16% in 2012 and 38% in 2013. The company is currently trading at 19 times next year's earnings estimate which we view as reasonable given the growth prospects.

We believe that the student housing segment has the capacity to continue to deliver solid returns well into the future. ACC has an enviable portfolio of extremely high quality, prestigious universities, excellent locations, desirable amenities, highest occupancy rates and lowest default rates. Given these advantages plus the management team's proven ability to deliver returns, we believe the shares will move higher.

American Campus Communities Inc

STANDARD &POOR'S

S&P Recommendation BUY ★★★★

Price $43.80 (as of Nov 30, 2012)

12-Mo. Target Price $53.00

Investment Style Mid-Cap Blend

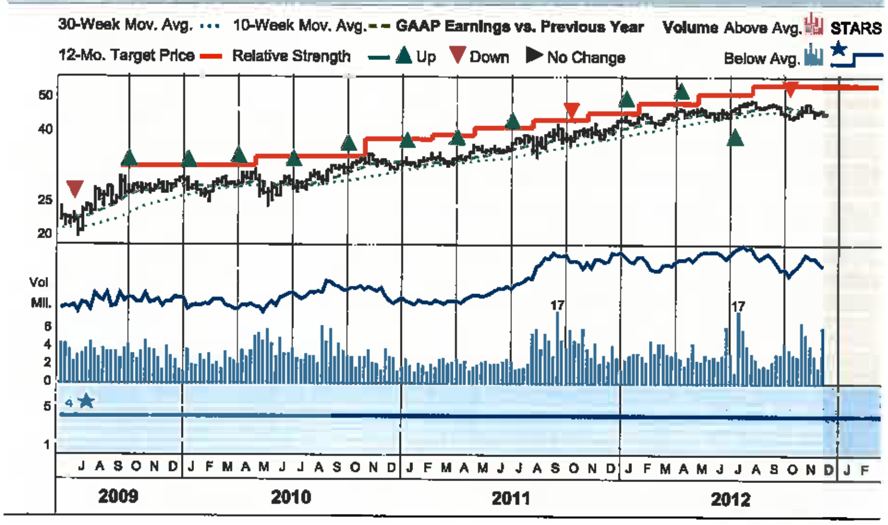
GICS Sector Financials
Sub-Industry Residential REITS

Summary This real estate investment trust, formed from predecessor entities in 2004, is a leading developer and operator of off-campus student housing properties.

Key Stock Statistics (Source S&P, Vickers, company reports)

52-Wk Range	$48.10–38.28	S&P FFO/Sh. 2012E	1.97	Market Capitalization(B)	$4.583	Beta	0.74
Trailing 12-Month FFO/Share	$1.85	S&P FFO/Sh. 2013E	2.36	Yield (%)	3.08	S&P 3-Yr. FFO/Sh. Proj. CAGR(%)	10
Trailing 12-Month P/FFO	NA	P/FFO on S&P FFO/Sh. 2012E	22.2	Dividend Rate/Share	$1.35	S&P Credit Rating	NA
$10K Invested 5 Yrs Ago	$21,189	Common Shares Outstg. (M)	104.6	Institutional Ownership (%)	89		

Price Performance



Options: CBOE, P, Ph

Analysis prepared by Equity Analyst **R. Shepard, CFA** on Nov 16, 2012, when the stock traded at **$43.27**.

Highlights

- The Capital IQ consensus forecast is for a 40% advance in 2013 revenues. We think this primarily reflects recent acquisitions, including the July 2012 purchase of Campus Acquisitions LLC for $627 million. The deal adds 15 new student housing properties, including several new student housing markets. In addition, ACC expects to close in the fourth quarter on the acquisition of 19 properties from Kayne Anderson Capital Advisors for $863 million. Rent increases at established student housing properties are expected to average about 2.5%.
- We expect a higher earnings contribution from a growing pipeline of student housing projects scheduled for delivery in autumn 2013. As of September 30, the trust had 3,945 beds scheduled for second-half 2013 completion at a total estimated cost of $303 million.
- The Capital IQ consensus funds from operations (FFO) per share forecast is $1.97 for 2012, expanding to $2.36 in 2013. We think the outlook reflects recently announced acquisitions, anticipated rent hikes, and more shares outstanding from recent equity issuances.

Investment Rationale/Risk

- We think ACC is well positioned in Sunbelt markets with an expanding college-age population. We expect the trust to pursue new ground leases to develop projects located directly on university campuses. We think third-party development and management contracts are also building critical mass that will drive earnings growth in 2013 and beyond. ACC's newly constructed properties are rapidly reaching full capacity due, we believe, to a shortage of student housing in many college markets. As the U.S. economy recovers, we also expect higher rental rates at established facilities.
- Risks to our recommendation and target price include unexpected problems integrating recent acquisitions. In addition, a sharp increase in long-term interest rates could lower the value of ACC's student housing properties.
- Our 12-month target price of $53 reflects a 22.5X multiple of the Capital IQ consensus 2013 FFO per share estimate of $2.36, a premium multiple to apartment REITs focused on traditional, post-graduate renters. We believe the valuation is warranted in view of ACC's above-average growth prospects and a nationwide shortage of student housing.

Qualitative Risk Assessment

LOW | **MEDIUM** | HIGH

Our risk assessment reflects our view of ACC's relatively steady income stream from high-occupancy properties, offset by its somewhat small size and what we consider a leveraged balance sheet.

Quantitative Evaluations

S&P Quality Ranking NR

D | C | B- | B | B+ | A- | A | A+

Relative Strength Rank MODERATE

33

LOWEST = 1 HIGHEST = 99

Revenue/FFO Data

Revenue (Million $)

	1Q	2Q	3Q	4Q	Year
2012	112.2	107.0	118.8	--	--
2011	101.6	90.22	97.23	105.3	389.7
2010	81.54	76.68	88.63	98.14	345.0
2009	77.74	72.79	77.54	82.63	307.5
2008	41.44	43.55	72.13	78.29	235.4
2007	34.95	33.37	36.52	42.30	147.1

FFO Per Share ($)

	1Q	2Q	3Q	4Q	Year
2012	0.59	0.49	0.32	E0.57	E1.97
2011	0.59	0.42	0.34	0.54	1.90
2010	0.37	0.35	0.39	0.52	1.64
2009	0.47	0.33	0.24	0.49	1.54
2008	0.45	0.28	0.12	0.38	1.12
2007	0.08	0.27	0.27	0.44	1.08

Fiscal year ended Dec. 31. Next earnings report expected: Mid February. FFO Estimates based on S&P Funds From Operations Est.

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

Amount ($)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.338	01/27	02/09	02/13	02/24/12
0.338	05/02	05/11	05/15	05/29/12
0.338	08/01	08/10	08/14	08/28/12
0.338	10/31	11/08	11/13	11/27/12

Dividends have been paid since 2004. Source: Company reports.

American Campus Communities Inc

STANDARD &POOR'S

Business Summary November 16, 2012

American Campus Communities, Inc. (ACC) is a real estate investment trust formed in March 2004 as the successor to certain businesses under common control and engaged in the student housing business since 1993. ACC went public in August 2004 with an initial public offering of 12.6 million shares. Through its controlling interest in American Campus Communities Operating Partnership L.P. and American Campus Communities Services, Inc. (its taxable REIT subsidiary, or TRS), ACC engages in the ownership, management and development of student housing properties.

As of December 31, 2011, the trust's property portfolio contained 116 student housing properties with approximately 71,800 beds and 22,900 apartment units, consisting of 101 owned off-campus properties that are in close proximity to colleges and universities, 14 on-campus participating properties operated under ground/facility leases with the related university systems, and one retail property. The on-campus properties include 10 operated under the American Campus Equity (ACE) program, designed to obtain premier on-campus locations with marketing and operational assistance from the university. The subject university benefits by increasing its housing capacity with modern, well-amenitized student housing. In addition, the new development has no or minimal impact on the university's own credit ratios, preserving its credit capacity to fund academic and research facilities.

ACC's investment strategy is based on building relationships with university systems and individual educational institutions that enable the development or acquisition of new student housing properties. Its development staff also identifies and acquires land parcels in close proximity to colleges and universities that offer location advantages for the development of new product. The trust also maintains relationships with certain developers with which it has previously collaborated. Student housing properties are typically leased by the bed rather than by the unit and typical leases can range from nine to 12 months.

Through the TRS, the trust also provides construction management and leasing services for student housing properties owned by colleges and universities, charitable foundations and others. As of December 31, 2011, the trust provided third-party management and leasing services for 31 student housing properties that represented approximately 24,200 beds in about 9,600 units and one joint venture with about 600 beds in 200 units. ACC assumes responsibility for all aspects of operations, including marketing, leasing administration, facilities maintenance, business administration, accounts payable, accounts receivable, financial reporting, capital projects, and residence life student development. The trust's third-party management and leasing services are typically provided pursuant to management contracts that have initial terms that range from one to five years.

ACC also provides development and construction management services for third-party owners, including colleges and universities. ACC's development services include pre-development, design and financial structuring services. As of December 31, 2011, ACC was under contract for four third-party development projects.

The trust is active in acquiring and developing new student housing communities, targeting markets with stable or increasing student populations, significant barriers to entry, and locations in close proximity to campuses. In 2011, ACC acquired controlling interests in four off-campus properties containing 1,211 units and 3,403 beds, and one retail shopping center designated for development into a mixed-use community. In 2010, ACC acquired two properties with 1,355 beds for an aggregate purchase price of $55.3 million. In addition, it purchased the remaining 90% interest in 15 communities with 9,062 beds previously owned in a joint venture for an aggregate price of $350.3 million. During 2011, ACC completed the development of two off-campus properties containing 626 units and 2,480 beds. As of December 31, 2011, it was in the process of constructing five owned off-campus properties and six ACE on-campus properties.

ACC operates in the student housing sub-sector of the multi-family market. These properties are unique in that they are typically leased by the bed and on an individual lease liability basis. Leases are usually for 12 months, but in some instances coincide with the academic term. ACC has concentrated its expansion on states that it believes have the highest enrollment growth rates, including Arizona, Florida and Texas. Competition in these markets is highly fragmented, and ACC estimates that the top eight providers service less than 2% of total demand. We believe the greatest level of competition will continue to come from on-campus properties, owned and operated by schools, which offer lower rental rates but fewer amenities.

Corporate Information

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SVP & CTO
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SVP & General Counsel
B.N. Winger

SVP & Cntlr
K.K. Voss

Board Members
W. C. Bayless, Jr.
G. Dawson
E. Lowenthal
R. Burck
C. C. Donnell
W. W. Walker

Domicile
Maryland

Auditor
ERNST & YOUNG

Founded
2004

Employees
2,387

Stockholders
29,800

American Campus Communities Inc

STANDARD &POOR'S

Quantitative Evaluations

S&P Fair Value Rank NR

1	2	3	4	5

LOWEST HIGHEST

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation NA

Investability Quotient Percentile 87

LOWEST = 1 HIGHEST = 100

ACC scored higher than 87% of all companies for which an S&P Report is available.

Volatility LOW AVERAGE HIGH

Technical Evaluation NEUTRAL Since November, 2012, the technical indicators for ACC have been NEUTRAL.

Insider Activity UNFAVORABLE NEUTRAL FAVORABLE

Expanded Ratio Analysis

	2011	2010	2009	2008
Price/FFO	22.08	19.37	18.25	18.29
FFO/Revenue (%)	0.34	0.28	0.24	0.18
Interest Coverage Ratio	NA	2.51	NM	NM
% LT Debt to Capitalization	NA	NA	0.52	0.56
Avg. Diluted Shares Outstg (M)	69.8	59.3	48.7	38.3

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Revenue	13.62	17.60	28.36	NA
Net Income	68.31	NM	NM	NM
Ratio Analysis (Annual Avg.)				
FFO/Payout Ratio (%)	71.05	80.34	97.31	78.14
Interest Coverage Ratio	NA	NA	NM	NM

Company Financials Fiscal Year Ended Dec. 31

Per Share Data ($)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Tangible Book Value	18.90	18.15	17.22	18.60	16.29	16.13	12.99	10.96	NM	NA
Earnings	0.58	0.41	-0.06	-0.35	-0.07	0.08	0.26	0.14	-0.03	NA
S&P Core Earnings	0.57	0.33	-0.08	-0.34	-0.07	0.08	0.22	-0.17	-0.08	-0.18
Dividends	1.35	1.35	1.35	1.35	1.35	1.35	1.35	0.17	Nil	NA
Payout Ratio	NM	NM	NM	NM	NM	NM	NM	118%	Nil	NA
Prices:High	42.63	33.63	29.09	37.00	32.52	30.23	26.49	23.06	NA	NA
Prices:Low	30.60	23.62	14.88	15.05	23.18	22.40	19.04	17.00	NA	NA
P/E Ratio:High	74	82	NM	NM	NM	NM	NM	NM	NM	NA
P/E Ratio:Low	53	58	NM	NM	NM	NM	NM	NM	NM	NA
Income Statement Analysis (Million $)										
Rental Income	NA	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	NA
Mortgage Income	NA	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	NA
Total Income	390	345	310	235	147	120	87.5	76.6	59.9	55.5
General Expenses	NA	181	168	138	89.5	64.3	50.4	44.5	33.3	NA
Interest Expense	NA	60.7	62.7	50.0	27.9	27.3	18.5	20.0	18.5	NA
Provision for Losses	NA	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	NA
Depreciation	87.0	77.2	76.2	57.6	30.4	24.9	16.5	14.6	9.21	8.41
Net Income	40.7	24.2	-2.77	-13.0	-1.69	1.66	3.78	-1.80	-0.94	-2.14
S&P Core Earnings	40.2	19.0	-3.42	-13.0	-1.69	1.66	3.35	-2.03	-0.94	-2.14
Balance Sheet & Other Financial Data (Million $)										
Cash	22.4	114	66.1	25.6	25.9	90.4	532	13.9	5.23	10.6
Total Assets	3,009	2,693	2,235	2,184	1,076	884	551	368	331	308
Real Estate Investment	NA	2,780	2,254	2,169	1,020	771	497	341	294	NA
Loss Reserve	NA	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	NA
Net Investment	NA	2,496	2,081	2,056	1,020	771	497	341	294	NA
Short Term Debt	NA	NA	194	231	8.43	7.47	Nil	Nil	NA	NA
Capitalization:Debt	NA	NA	1,034	1,050	525	425	267	198	264	NA
Capitalization:Equity	1,375	1,214	899	788	444	369	223	138	27.6	35.5
Capitalization:Total	NA	NA	1,973	1,866	1,001	841	493	339	292	NA
% Earnings & Depreciation/Assets	NA	4.1	3.3	2.7	2.9	3.6	NA	3.6	NA	NA
Price Times Book Value:High	NA	1.9	1.7	2.0	2.0	1.9	NA	2.1	NA	NA
Price Times Book Value:Low	NA	1.3	0.9	0.8	1.4	1.4	NA	1.6	NA	NA

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

American Campus Communities Inc

Sub-Industry Outlook

Our fundamental outlook for the residential REITs sub-industry is positive. We believe a lower homeowner rate, despite government incentives, and modest new supply (construction) are both working in favor of multi-family operators. REITs reported average occupancy figures of over 95% for the first quarter of 2012, allowing a push on new rents to higher levels. We think increased rents will continue to roll through apartment portfolios in 2012 as U.S. job markets slowly recover. Many apartment REITs are also expressing renewed interest in acquisitions. The number of bidders and property valuations have increased in recent months.

The downturn in the domestic single-family housing market has provided some positive benefit for multi-family apartment operators. We think renters are staying put longer, holding off on new home purchases and contributing to a generally high level of occupancy. A downtrend in new multi-family construction starts also turned in landlords' favor during 2010 and 2011, by our analysis. We expect new apartment supply to remain subdued in 2012, providing limited new competition for existing property owners, including REITs. For the next 12 months, we expect the best performance in markets with high barriers to entry as well as positive local job growth.

Longer term, we think fundamentals for residential REITs are also positive. We expect a moderate level of new multi-family housing completions could help keep supply and demand in balance through at least 2013. We also see steady growth in household formation due to increased immigration and as "echo-boomers" enter the work force. According to the U.S. Census Bureau, the population of young adults aged 20-34 will grow by over three million people, or just over 5%, between 2010 and 2015.

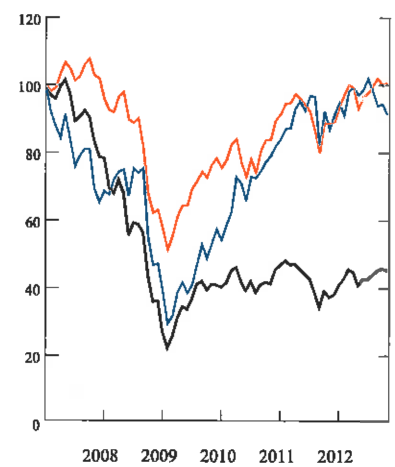
Equity prices for apartment REITs are underperforming broader market averages in 2012, reflecting, we think, unwarranted concerns with a rebounding single-family housing market. Through October 5, the S&P Residential REITs Index rose 1.8% compared to a 15.8% gain for the S&P 1500 Index. On average, residential REITs yielded 2.9% as of August 31, below the 3.3% average yield for all equity REITs.

--Royal Shepard

Stock Performance

GICS Sector: Financials
Sub-Industry: Residential REITS

Based on S&P 1500 Indexes
Month-end Price Performance as of 11/30/12



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Residential REITS Peer Group*: Based on market capitalizations within GICS Sub-Industry

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. $)	Recent Stock Price($)	52 Week High/Low($)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.($)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Amer Campus Communities	**ACC**	**4,583**	**43.80**	**48.10/38.28**	**0.74**	**3.1**	**71**	**NA**	**NR**	**87**	**10.5**	**50.0**
Apartment Investment & Mgmt'A'	AIV	3,649	25.07	28.30/20.73	2.00	3.2	NM	NA	B-	86	NM	80.8
BRE Properties Cl'A'	BRE	3,739	48.65	53.57/46.07	1.26	3.2	40	NA	B	90	16.6	50.6
Boardwalk Real Estate Tr*Unit	BOWFF	3,410	64.88	67.01/48.95	0.93	3.0	57	NA	NR	19	11.7	NA
Camden Property Trust	CPT	5,526	65.70	71.99/55.93	1.46	3.4	29	40.70	B-	86	3.8	55.8
Canadian Apt Prop REIT	CAR.UN	1,607	24.03	26.49/20.51	NA	4.6	69	NA	NR	NA	4.8	0.8
Colonial Properties Tr	CLP	1,781	20.40	23.64/18.80	2.02	3.5	NM	NA	B-	82	NM	50.4
Education Realty Tr	EDR	1,165	10.31	11.81/9.05	1.35	3.9	NM	NA	NR	60	NM	32.9
Equity Lifestyle Properties	ELS	2,720	65.64	73.26/61.23	0.82	2.7	61	NA	B-	71	4.5	68.5
Essex Property Trust	ESS	5,132	140.49	161.53/130.19	1.01	3.1	54	NA	B	92	10.5	59.3
Home Properties	HME	3,018	58.89	66.98/52.86	1.04	4.5	37	NA	B	84	8.2	65.4
Mid-Amer Apart Communities	MAA	2,634	62.32	70.22/56.01	0.96	4.2	25	NA	B+	88	8.4	68.9
Post Properties	PPS	2,673	49.13	52.98/39.11	1.47	2.0	40	NA	B-	86	8.3	43.2
Sun Communities	SUI	1,148	38.60	47.84/33.34	1.57	6.5	NM	NA	B-	70	NM	1.1
UDR Inc	UDR	5,756	23.01	27.75/22.31	1.19	3.8	20	NA	B-	59	NM	60.5

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

STANDARD &POOR'S

S&P Analyst Research Notes and other Company News

November 14, 2012
11:22 am ET ... S&P MAINTAINS BUY OPINION ON SHARES OF AMERICAN CAMPUS COMMUNITIES (ACC 44.51****): Following Q3 results, the consensus 2012 FFO forecast from Capital IQ has fallen $0.04 to $1.97, and 2013's has risen by $0.04 to $2.36. Our $53 target price is 22.5X the 2013 consensus and a premium to peers. We think the negative revision for 2012 FFO reflects near-term dilution from the late October offering of 11 million common shares. For 2013, we think the positive revision reflects the expected Q4 closing on the purchase of 19 properties with 12,049 beds for $863 million. We also expect an expanding pipeline of new development projects. /Royal Shepard, CFA

November 14, 2012
American Campus Communities, Inc. announced that the company's board of directors has promoted William Talbot to chief investment officer. In this role, Talbot will provide strategic direction and executive oversight of the investment platform, which includes acquisition and development activity, as well as dispositions and asset management, for the Austin-based company with $4.5 billion in gross assets. Talbot has served American Campus for more than 11 years, most recently as executive vice president of investments.

October 23, 2012
08:59 am ET ... S&P REITERATES BUY OPINION ON SHARES OF AMERICAN CAMPUS COMMUNITIES (ACC 44.05****): ACC posts third quarter operating FFO of $0.38, vs. $0.34, $0.01 below the Capital IQ consensus estimate. We think the shortfall may reflect timing on the closing of recent acquisitions, including 16 communities purchased in September. We expect a stronger fourth quarter earnings contribution from acquisitions as well 11 newly development communities. In our view, a steady backlog of construction projects will help maintain strong earnings growth through 2013. We also think ACC is achieving rent increases of over 3% at established properties. /Royal Shepard, CFA

July 30, 2012
09:57 am ET ... S&P REITERATES BUY OPINION ON SHARES OF AMERICAN CAMPUS COMMUNITIES (ACC 47.18****): We lift our 12-month target price by $3 to $53, 22.8X the Capital IQ consensus 2013 FFO forecast of $2.32, which rises $0.05 after Q2 results, representing a modest premium to peers. The 2012 consensus FFO forecast slips $0.02, to $2.01. We think the revised consensus numbers reflect some shift in the timing of third party fees. We expect an expanding backlog of 17 wholly-owned development projects to drive 2013 earnings. In addition, we expect a positive 2013 earnings contribution from the pending purchase of Campus Acquisitions, LLC, expected to close in Q4. /Royal Shepard, CFA

July 25, 2012
01:19 pm ET ... S&P MAINTAINS BUY OPINION ON SHARES OF AMERICAN CAMPUS COMMUNITIES (ACC 46.98****): We keep our $50 target price, based on 24.6X the current Capital IQ consensus '12 FFO forecast of $2.03 a share, a premium to peers. Q2 FFO of $0.49, vs. $0.43, beats the Capital IQ consensus by $0.01. We think ACC is building an impressive backlog of development projects, including six communities scheduled for delivery in the second half of '13. In addition, the $627 million purchase of Campus Acquisitions, LLC is set for closing in early Q4. We believe the addition of 15 properties from Campus Acquisitions will provide entry into several new student housing markets. /Royal Shepard, CFA

July 10, 2012
10:04 am ET ... S&P REITERATES BUY OPINION ON SHARES OF AMERICAN CAMPUS COMMUNITIES (ACC 45.06****): We keep our $50 target price, after ACC's agreement to acquire privately-held Campus Acquisitions, LLC for $627 million in cash and assumed debt. Our target price is 24.6X the Capital IQ consensus '12 FFO forecast of $2.03, up $0.01, and a premium to peers. The '13 consensus FFO estimate is $2.27, also up $0.01. We look for earnings estimates to rise further following the expected closing of the transaction in Q3, subject to various lender consents. The merger will add 15 student housing properties, with the deal to be financed with a planned 15 million common share offering. /Royal Shepard, CFA

April 30, 2012
11:20 am ET ... S&P MAINTAINS BUY OPINION ON SHARES OF AMERICAN CAMPUS (ACC 44.45****): Following Q1 results, the consensus 2012 FFO forecast from Capital IQ has rose $0.02 to $2.02 per share. The consensus 2013 FFO estimate also increased by $0.02 to $2.26. We think the positive revisions reflect strong demand for student housing and ACC's expanding backlog of wholly-owned housing developments. As of March 31, it had 14 communities under construction with 9,133 units scheduled for delivery in 2012 and 2013. We raise our 12-month target price by $3 to $50, an updated 24.8X our 2012 FFO outlook and a premium to residential REIT peers. /Royal Shepard, CFA

April 25, 2012
01:23 pm ET ... S&P REITERATES BUY OPINION ON SHARES OF AMERICAN CAMPUS (ACC 44.21****): Q1 FFO of $0.55, vs. $0.54, matches the consensus FFO forecast from Capital IQ. Reported results benefited from lower interest expenses, partially offset by 10.8% more shares outstanding. On a same property basis, income rose 3.8%. ACC has a growing backlog of construction projects and we expect over 9,000 new beds to be added to the portfolio by the end of 2013. Third party development fees should decline as ACC focuses on wholly-owned development. For established properties, we expect an average rent increase of about 3.5% for the 2012-2013 academic year. /Royal Shepard, CFA

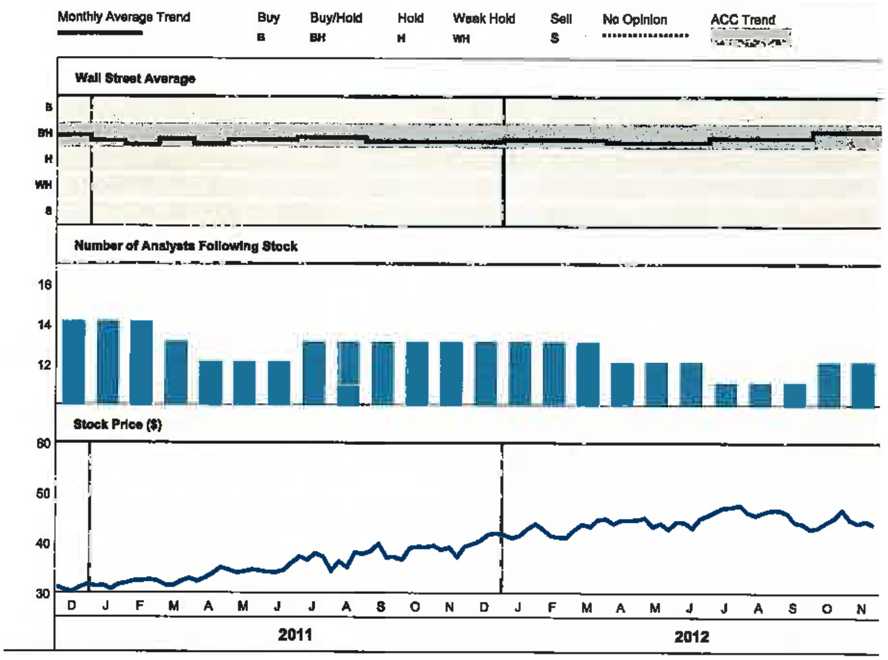
March 21, 2012
American Campus Communities Inc. announced that Joseph M. Macchione declined to stand for re-election to the board of directors due to time demands of his business activities. At the time of the Annual Meeting of Stockholders scheduled to be held on May 3, 2012, the size of the board will be reduced to six members, although the board may determine to add one or more additional members to the board in the future.

February 21, 2012
10:13 am ET ... S&P REITERATES BUY OPINION ON SHARES OF AMERICAN CAMPUS COMMUNITIES (ACC 41.14****): Following Q4 results, the consensus 2012 FFO forecast from Capital IQ has risen $0.04 to $2.00. We expect an increased earnings contribution from recent acquisitions and new development projects, including 11 wholly-owned student housing projects scheduled for delivery in August 2012. We also expect ACC to push rental rates on new leases for the 2012-13 academic year due to strong demand at existing facilities. Our target price of $47 is based on a multiple of 23.5X the 2012 FFO consensus estimate, a premium to student-housing peers. /Royal Shepard, CFA

February 15, 2012
09:53 am ET ... S&P REITERATES BUY OPINION ON SHARES OF AMERICAN CAMPUS COMMUNITIES (ACC 42.92****): Q4 FFO of $0.50, vs. $0.45, is ahead of the consensus forecast of $0.48 from Capital IQ. We think operating results benefited from recent acquisitions and four completed development projects in 2011. This year, we think average rental rates will increase about 3.5% due to strong pre-leasing activity for the 2012-13 academic year. In addition, ACC has 11 wholly-owned development with 1,915 beds scheduled for August 2012 delivery. We also expect management fees from three new third party development projects scheduled to begin during 2012. /Royal Shepard, CFA

American Campus Communities Inc

Analysts' Recommendations



Of the total 17 companies following ACC, 12 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	6	50	6	4
Buy/Hold	2	17	2	2
Hold	4	33	4	5
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	**12**	**100**	**12**	**11**

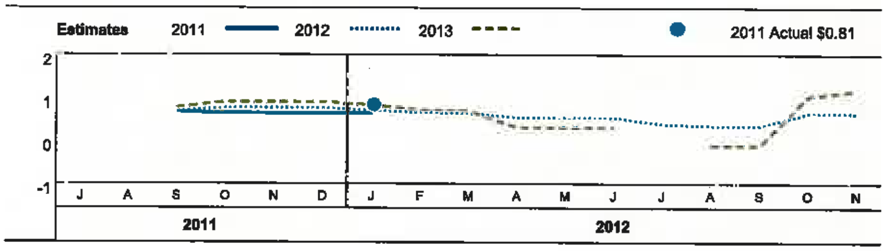
Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

Argus Research Company
BofA Merrill Lynch
Citigroup Inc
Deutsche Bank
Hilliard Lyons
ISI Group Inc.
JP Morgan
Janney Montgomery Scott LLC
Keefe, Bruyette, & Woods, Inc.
KeyBanc Capital Markets Inc.
Macquarie Research
McNicoll, Lewis & Vlak LLC
Moody?s
Morgan Keegan & Company
Robert W. Baird & Co.
S&P Equity Research
UBS Investment Bank

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2013	1.18	1.36	1.01	2	37.1
2012	0.65	0.65	0.65	1	67.4
2013 vs. 2012	▲ 82%	▲ 109%	▲ 55%	▲ 100%	▼ -45%
Q4'13	0.38	0.43	0.33	2	NM
Q4'12	0.25	0.40	0.17	3	NM
Q4'13 vs. Q4'12	▲ 52%	▲ 7%	▲ 94%	▼ -33%	**NA**

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Street Consensus vs. Performance

For fiscal year 2012, analysts estimate that ACC will earn $0.65. For the 3rd quarter of fiscal year 2012, ACC announced earnings per share of $0.01, representing 2% of the total annual estimate. For fiscal year 2013, analysts estimate that ACC's earnings per share will grow by 82% to $1.18.

American Campus Communities Inc

Glossary

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

S&P 12-Month Target Price
The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Fair Value.

Investment Style Classification
Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

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

S&P Core Earnings
Standard & Poor's Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the Standard & Poor's definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

Qualitative Risk Assessment
The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations
In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

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

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

S&P Fair Value Rank
Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation
The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity
Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO
FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investability Quotient (IQ)
The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P's IQ Rationale:
Amer Campus Communities

	Raw Score	Max Value
Proprietary S&P Measures	18	115
Technical Indicators	32	40
Liquidity/Volatility Measures	18	20
Quantitative Measures	44	75
IQ Total	**112**	**250**

Volatility
Rates the volatility of the stock's price over the past year.

Technical Evaluation
In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank
Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)
An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

S&P Issuer Credit Rating
A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type
ASE - American Stock Exchange; AU - Australia Stock Exchange; BB - Bulletin Board; NGM - Nasdaq Global Market; NNM - Nasdaq Global Select Market; NSC - Nasdaq Capital Market; NYS - New York Stock Exchange; OTN - Other OTC (Over the Counter); OTC - Over the Counter; QB - OTCQB; QX - OTCQX; TS - Toronto Stock Exchange; TXV - TSX Venture Exchange; NEX - NEX Exchange.

S&P Equity Research Services
Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes McGraw-Hill Financial Research Europe Limited trading as Standard & Poor's; Standard & Poor's Equity Research Services Asia includes McGraw-Hill Financial Singapore Pte. Limited's

offices in Singapore, Standard & Poor's Investment Advisory Services (HK) Limited in Hong Kong, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

Abbreviations Used in S&P Equity Research Reports
CAGR- Compound Annual Growth Rate; **CAPEX**- Capital Expenditures; **CY**- Calendar Year; **DCF**- Discounted Cash Flow; **EBIT**- Earnings Before Interest and Taxes; **EBITDA**- Earnings Before Interest, Taxes, Depreciation and Amortization; **EPS**- Earnings Per Share; **EV**- Enterprise Value; **FCF**- Free Cash Flow; **FFO**- Funds From Operations; **FY**- Fiscal Year; **P/E**- Price/Earnings ; **PEG Ratio**- P/E-to-Growth Ratio; **PV**- Present Value; **R&D**- Research & Development; **ROE**- Return on Equity; **ROI**- Return on Investment; **ROIC**- Return on Invested Capital; **ROA**- Return on Assets; **SG&A**- Selling, General & Administrative Expenses; **WACC**- Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Required Disclosures

In contrast to the qualitative STARS recommendations covered in this report, which are determined and assigned by S&P equity analysts, S&P's quantitative evaluations are derived from S&P's proprietary Fair Value quantitative model. In particular, the Fair Value Ranking methodology is a relative ranking methodology, whereas the STARS methodology is not. Because the Fair Value model and the STARS methodology reflect different criteria, assumptions and analytical methods, quantitative evaluations may at times differ from (or even contradict) an equity analyst's STARS recommendations. As a quantitative model, Fair Value relies on history and consensus estimates and does not introduce an element of subjectivity as can be the case with equity analysts in assigning STARS recommendations.

S&P Global STARS Distribution

In North America: As of September 28, 2012, research analysts at Standard & Poor's Equity Research Services North America recommended 37.9% of issuers with buy recommendations, 55.9% with hold recommendations and 6.2% with sell recommendations.

In Europe: As of September 28, 2012, research analysts at Standard & Poor's Equity Research Services Europe recommended 31.8% of issuers with buy recommendations, 50.8% with hold recommendations and 17.4% with sell recommendations.

In Asia: As of September 28, 2012, research analysts at Standard & Poor's Equity Research Services Asia recommended 38.3% of issuers with buy recommendations, 52.3% with hold recommendations and 9.4% with sell recommendations.

Globally: As of September 28, 2012, research analysts at Standard & Poor's Equity Research Services globally recommended 37.0% of issuers with buy recommendations, 54.8% with hold recommendations and 8.2% with sell recommendations.

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

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

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

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

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

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

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

S&P Global Quantitative Recommendations Distribution

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In Europe: As of September 28, 2012, Standard & Poor's Quantitative Services Europe recommended 43.0% of issuers with buy recommendations, 20.1% with hold recommendations and 36.9% with sell recommendations.

In Asia: As of September 28, 2012, Standard & Poor's Quantitative Services Asia recommended 51.6% of issuers with buy recommendations, 20.0% with hold recommendations and 28.4% with sell recommendations.

Globally: As of September 28, 2012, Standard & Poor's Quantitative Services globally recommended 45.8% of issuers with buy recommendations, 20.0% with hold recommendations and 34.2% with sell recommendations.

Additional information is available upon request.

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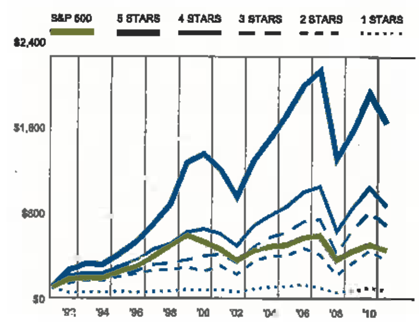
U.S. STARS Cumulative Model Performance
Hypothetical Growth Due to Price Appreciation of $100
For the Period 12/31/1986 through 09/30/2012



The performance above represents only the results of Standard & Poor's model portfolios. Model performance has inherent limitations. Standard & Poor's maintains the models and calculates the model performance shown, but does not manage actual assets. The U.S. STARS model performance chart is only an illustration of Standard & Poor's (S&P) research; it shows how U.S. common stocks, ADRs (American Depositary Receipts) and ADSs (American Depositary Shares), collectively "equities", that received particular STARS rankings performed. STARS categories are models only; they are not collective investment funds. The STARS performance does not show how any actual portfolio has performed. STARS model performance does not represent the results of actual trading of investor assets. Thus, the model performance shown does not reflect the impact that material economic and market factors might have had on decision-making if actual investor money had been managed. Performance is calculated using a time-weighted rate of return. While model performance for some or all STARS categories performed better than the S&P 500 for the period shown, the performance during any shorter period may not have, and there is no assurance that they will perform better than the S&P 500 in the future. STARS does not take into account any particular investment objective, financial situation or need and is not intended as an investment recommendation or strategy. Investments based on the STARS methodology may lose money. High returns are not necessarily the norm and there is no assurance that they can be sustained. Past model performance of STARS is no guarantee of future performance.

For model performance calculation purposes, the equities within each STARS category at December 31, 1986 were equally weighted. Thereafter, additions to the composition of the equities in each STARS category are made at the average value of the STARS category at the preceding month end with no rebalancing. Deletions are made at the closing price of the day that the deletion is made. Performance was calculated from inception through March 31, 2003 on a monthly basis. Thereafter, performance is calculated daily. Equities in each STARS category will change over time, and some or all of the equities that received STARS rankings during the time period shown may not have maintained their STARS ranking during the entire period.

The model performance does not consider taxes and brokerage commissions, nor does it reflect the deduction of any advisory or other fees charged by advisors or other parties that investors will incur when their accounts are managed in accordance with the models. The imposition of these fees and charges would cause actual performance to be lower than the performance shown. For example, if a model returned 10 percent on a $100,000 investment for a 12-month period (or $10,000) and an annual asset-based fee of 1.5 percent were imposed at the end of the period (or $1,650), the net return would be 8.35 percent (or $8,350) for the year. Over 3 years, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.1%, a total fee of $5,375 and a cumulative net return of 27.2% (or $27,200). Fees deducted on a frequency other than annual would result in a different cumulative net return in the preceding example.

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American Campus Communities Inc

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MEMBERS OF THE BOARD

DECEMBER 2012

We recommend ***adding*** the following position to our equity portfolio:

Cabela's Inc	**(CAB...$48.00)***
Industry:	***Specialty Stores***
Economic Sector:	***Consumer Discretionary***
Exchange:	***NYSE***
P/E = 19.6*	**Yield = n/a***
Ratings:	
WF Securities	**Outperform**
Credit Suisse	**Outperform**

We appreciate your continued support and consideration.

Sincerely,

Doug Wegner
Financial Consultant

Enclosures

* as of December 3, 2012

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November 19, 2012

WELLS FARGO SECURITIES

Equity Research

Cabela's Inc.

CAB: Loaded For Growth At A Low Caliber Multiple

Outperform / V

Sector: Specialty Hardlines
Market Weight

Company Note

- **Summary:** We are reiterating our Outperform rating on Cabela's as we see upside potential from gun sales that our analysis suggests could last well into 2013, which adds a near-term benefit to our longer-term conviction on the shares. Our in-depth look at background checks for firearms suggests that Cabela's comps could accelerate with the election in Q4 to the mid to high single digits and that the continued tail of stronger firearm sales likely extends through H1 2013. Dick's also recently confirmed that it has seen a "spike" in firearm sales post-election. In addition to the near-term driver of firearm sales, we view the recent pullback in CAB shares (down 20% since reporting Q3 results vs. the S&P 500 down 4%) as an opportunity to purchase one of the most compelling long-term growth stories in retail at a multiple in line with its square footage growth rate (14x 2013E EPS for 14% footage growth), versus other high growth hardlines retailers trading at an average of more than 2x footage growth.

- **Historical firearm sales analysis suggests upside potential in Q4:** In the 2008 election, background checks spiked up 48% in November and were up 20-30% for the next 5 months, which could bring upside to CAB's Q4 and H1 2013. If we see 30-40% growth in total background checks in Q4, our sensitivity analysis suggests this could lead to an approximate 5.5-7.5% Q4 comp for Cabela's assuming underlying ex-firearm comps of 3-4%. In the last election, Cabela's comps improved from -9.0% in Q3 2008 to up 2.2% in Q4 2008 (more than 3% of which was driven by firearm-related categories) and accelerated again to up 8.2% in Q1 2009 (more than 8% of which was driven by firearm-related categories).

- **Longer term, the Cabela's growth opportunity is about much more than guns:** (1) Cabela's is accelerating growth with a "next generation" prototype (80-100K sq. ft. vs. up to 250K historically) which is much more productive than older stores (sales per square foot are meaningfully higher than the 30-40% lift communicated previously), and will comprise 27% of total square footage by the end of 2013 and 38% by the end of 2014 vs. 10% at the end of 2011. (2) The company also recently opened an even smaller (40K sq. ft.) "Outpost" concept to enter smaller markets with a high concentration of target customers (i.e. Montana) which we believe could represent an entire new growth opportunity. (3) Cabela's capital efficient direct business (40% of merchandise sales) has been down 17 quarters in a row, but a turnaround is underway to replicate the unique store experience online. (4) The company is well insulated from Amazon, in our view, with prices only about 2% higher and little overlap in the firearms category.

EPS	2011A	2012E Curr.	2012E Prior	2013E Curr.	2013E Prior
Q1 (Mar.)	$0.25	$0.40 A	NC	$0.44	NC
Q2 (June)	0.32	0.47 A	NC	0.57	NC
Q3 (Sep.)	0.50	0.60 A	NC	0.67	NC
Q4 (Dec.)	1.06	1.21	NC	1.43	NC
FY	$2.12	$2.68	NC	$3.10	NC
CY	$2.12	$2.68		$3.10	
FY P/E	21.2x	16.8x		14.5x	
Rev.(MM)	$2,811	$3,070		$3,486	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful
V = Volatile, = Company is on the Priority Stock List

Ticker	CAB
Price (11/16/2012)	$45.02
52-Week Range:	$21-57
Shares Outstanding: (MM)	71.6
Market Cap.: (MM)	$3,223.4
S&P 500:	1,448.68
Avg. Daily Vol.:	701,226
Dividend/Yield:	$0.00/0.0%
LT Debt: (MM)	$451.6
LT Debt/Total Cap.:	26.0%
ROE:	12.0%
3-5 Yr. Est. Growth Rate:	20.0%
CY 2012 Est. P/E-to-Growth:	0.8x
Last Reporting Date:	10/25/2012 Before Open

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

Valuation Range: $57.00 to $60.00

Our valuation range for CAB shares is based on a 2-tier framework utilizing: (1) 17-18x our 2013E EPS and (2) our 5-year DCF, which assumes a WACC of 8.0% and 8-8.5x terminal multiple. Risks include macroeconomic and market risks and increased competition from both offline and online competitors.

Investment Thesis:

Cabela's has one of the strongest consumer followings in retail and is insulated from competition via a unique market niche and high percentage of exclusive products. We see opportunity for upside from a turnaround in the direct business, gross margin drivers, and an improving finance business.

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Please see page 5 for rating definitions, important disclosures and required analyst certifications

All estimates/forecasts are as of 11/19/12 unless otherwise stated.

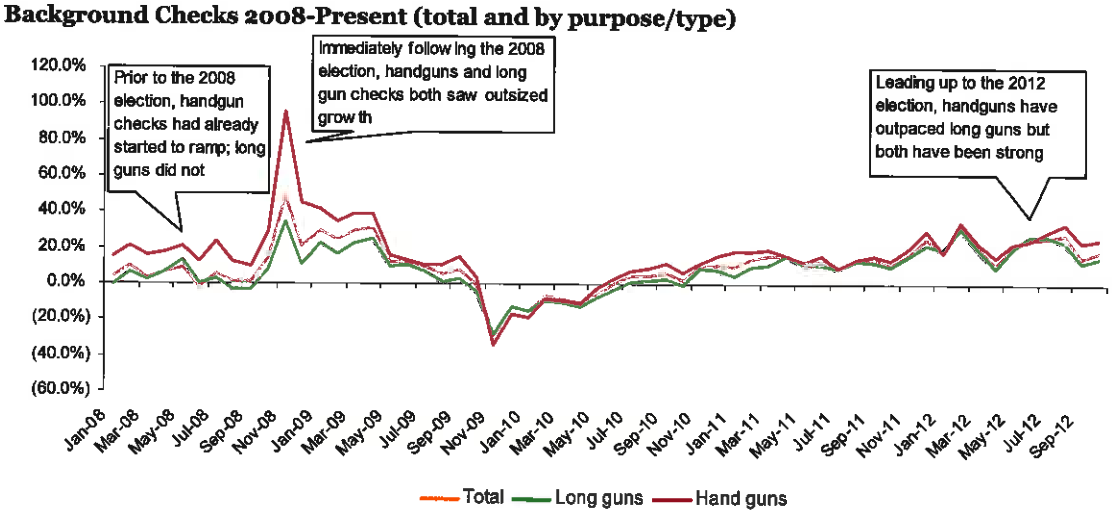
Company Description:

Cabela's Inc. is the world's largest direct marketer and a leading specialty retailer of hunting, fishing, camping, and related outdoor equipment and merchandise. Cabela's employs a fully integrated multi-channel retailing strategy that includes its direct business (catalogs and e-commerce), retail destination stores, and financial services segment (Cabela's CLUB Visa card).

Analyses suggest firearms could drive upside to Cabela's comps in Q4 and H1 2013: Our analysis of adjusted FBI background check trends (99% of which are tied to firearm sales) from the last democratic presidential win suggests that firearm sales could accelerate this month and remain elevated through the first half of 2013, which should be an incremental comp driver for Cabela's (approximately 10% of retail sales come from firearms, not including ammunition). A look at background check data shows that while hand gun sales saw a bigger bounce from the last election, long gun sales also accelerated, and we found substantially greater correlation with Cabela's comp dollars and total background checks (long and hand gun) than long guns only. If we see 30-40% growth in total background checks in Q4, our sensitivity analysis suggests that this could lead to an approximate 5.5-7.5% Q4 comp for Cabela's assuming underlying ex-firearm comps of 3-4% (the Street average Q4 comp is currently 3.6%).

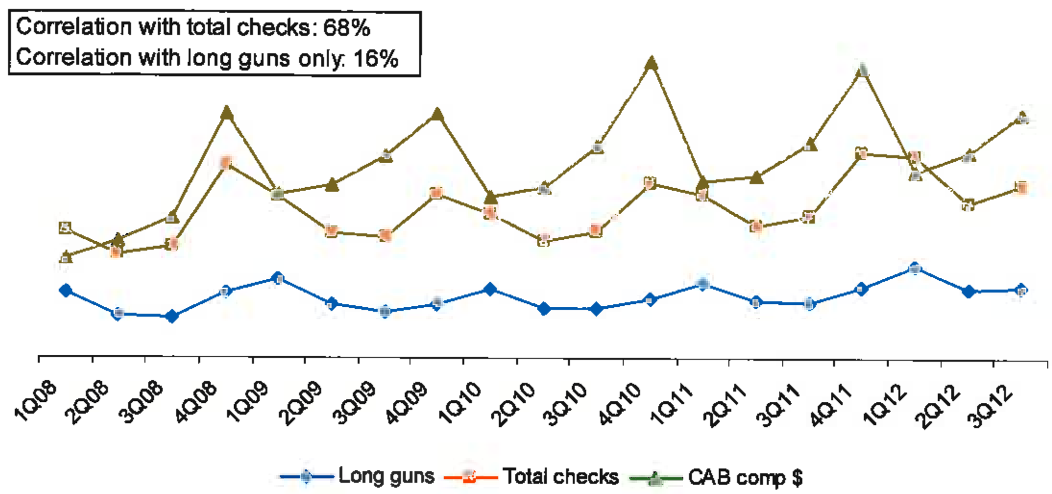
- We looked at total background check data as well as growth in long guns versus hand guns and found that hand guns were stronger and saw more of a bounce post-election than long guns, although both accelerated. Cabela's assortment is more geared towards long guns, although the company sells both types, and our analysis shows that historical comp dollars are more closely tied to total checks (long gun and hand gun combined) with a 68% correlation versus a 16% correlation with long guns only. In the 2008 election, total background checks spiked after flat growth in August and September and 14% growth in October to up 48% in November. Hand gun checks saw a significant acceleration in the election month, up 95%, while long guns were up 36% (also note that long guns are off of a bigger base, approximately 2-3x larger in terms of volume than hand guns typically). The tail also did not immediately drop off, with growth of 20-30% in the 5 months following the election. In fact, looking back to Cabela's results during the last election, comps improved from down 9.0% in 3Q08 to up 2.2% in 4Q08, more than 3% of which was driven by firearm-related categories. Furthermore, comps accelerated to up 8.2% in 1Q09 of which firearm-related categories boosted comps by more than 8%. Note that at the same time, gross margin declined 252bps in 4Q08 and 188bps in 1Q09, with Cabela's noting that approximately 40% of the gross margin compression in 4Q08 was related to the mix shift towards the lower margin firearms-related categories.
- So far this year, demand for both long guns and handguns has been strong, although hand gun growth has outpaced long gun growth by about 4.6%. Last election, hand guns started to ramp ahead of the election (up 17.2% from Jan-October ahead of the election) but long guns did not see a similar build up (up only 2.6% ahead of the election). This election, hand guns have been similarly strong (up 24.6%) but long guns have also seen a ramp, up 19.5%. As a result, it's possible that the bounce from this election could be somewhat less pronounced given that demand has already ramped ahead of the election, although fears that laws could change also appear to be greater given this is the President's second term.

Background Checks 2008-Present (total and by purpose/type)



Source: NSSF and Wells Fargo Securities, LLC

Cabela's Estimated Comp Dollar Volume vs. Total and Long Gun-only Background Checks



Source: NSSF, Company reports, and Wells Fargo Securities, LLC estimates

Sensitivity Analysis: Implied Total Comps with Varying Firearm and Underlying Comp Growth

CAB comp ex-guns	Firearm sales growth						
	20.0%	25.0%	30.0%	35.0%	40.0%	45.0%	50.0%
1.5%	3.4%	3.9%	4.4%	4.9%	5.4%	5.9%	6.4%
2.0%	3.8%	4.3%	4.8%	5.3%	5.8%	6.3%	6.8%
2.5%	4.3%	4.8%	5.3%	5.8%	6.3%	6.8%	7.3%
3.0%	4.7%	5.2%	5.7%	6.2%	6.7%	7.2%	7.7%
3.5%	5.2%	5.7%	6.2%	6.7%	7.2%	7.7%	8.2%
4.0%	5.6%	6.1%	6.6%	7.1%	7.6%	8.1%	8.6%
4.5%	6.1%	6.6%	7.1%	7.6%	8.1%	8.6%	9.1%
5.0%	6.5%	7.0%	7.5%	8.0%	8.5%	9.0%	9.5%

Source: Wells Fargo Securities, LLC estimates

Easy compares again in 4Q with merchandise margin guidance providing additional cushion: We are currently forecasting a 5.0% comp in 4Q and while this appears to represent an acceleration on a 2-year (from 2.3% to 6.7%) and 3-year trend (from 4.7% to 14.0%), the implied sequential change in comp dollars of 34.9% is in line with last year's 34.2% increase from 3Q to 4Q and only slightly higher than the 5-year sequential average (ex-recession) of 32.6%. In the 2008 election, comp dollars were up 75% sequentially. As previously discussed, we not only believe firearms sales could provide upside potential to our estimates but also note that many cold-weather related categories were softer last year as a result of warmer weather. In direct, we are modeling a 4.0% y/y decline in revenue, an improvement from the 6.7% decline in 3Q but again only slightly above the average historical sequential trend (our forecast is up 84.8% sequentially vs. the average of up 82.3%; last quarter also beat its historical trend despite the weaker than expected results). On merchandise margin we believe Cabela's indication that merchandise margins could be flat to last year may prove conservative, as merchandise margin was up 129bp in 3Q on top of a 138bp increase last year and we are forecasting flat on top of only a 27bp increase in 4Q last year. On a sequential basis, our estimates only imply merchandise gross profit dollars up 48% sequentially vs. a 51% increase last year in Q4 and a 5-year average (ex-recession) of a 65% increase. While a mix shift to lower margin firearms could affect this number, we believe there appears to be plenty of cushion for the company to execute on its more aggressive strategy with respect to promotions and price this holiday.

Longer term, the Cabela's growth opportunity is about much more than guns:

(1) **Cabela's has one of the highest square footage growth rates in retail and yet trades at one of the lowest premium to footage growth.** Cabela's has the opportunity to grow to at least 220 stores vs. 39 today and is accelerating square footage growth from 9.8% in 2012 to 13.7% in 2013 and 16.5% in 2014. Given the recent pullback in the shares, CAB now trades in line with its 2013

square footage growth (only 14x 2013E EPS vs. 14% square footage growth), which compares to other hardlines growth retailers at an average multiple of 2x their growth rate.

P/E to Square Footage Growth for Selected High Growth Hardlines Retailers

Ticker	2013 P/E	2013 Sq. Ft. Growth	P/E to Sq. Ft. Growth
ULTA	26.5x	18.0%	1.5x
FIVE	39.8x	24.7%	1.6x
TFM	34.4x	14.7%	2.3x
TSCO	20.3x	9.0%	2.3x
VSI	24.4x	9.0%	2.7x
Average	*29.1x*	*15.1%*	*2.1x*
CAB	**14.3x**	**13.7%**	**1.1x**

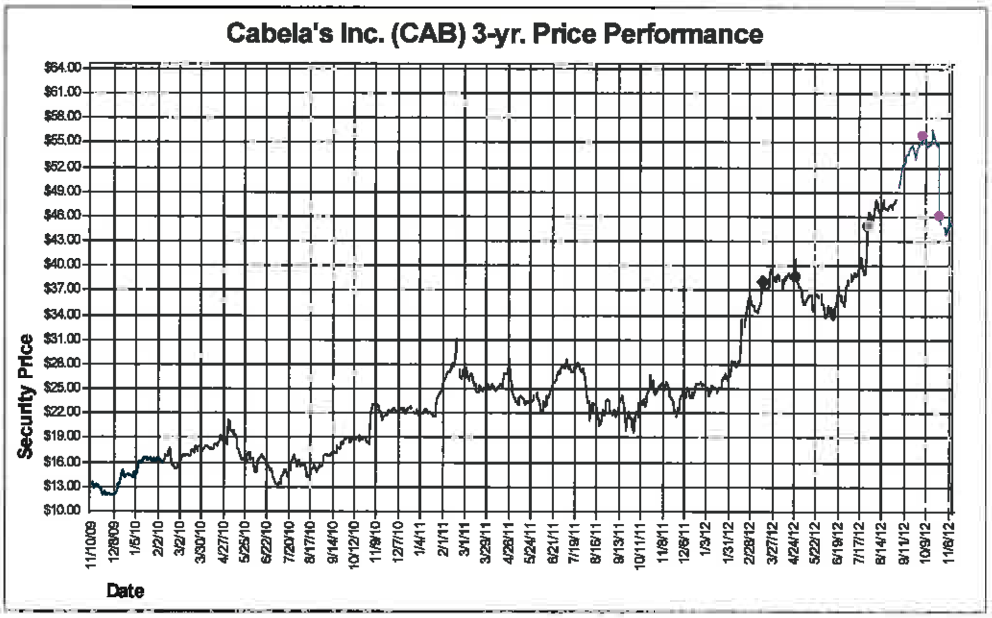
Source: Company reports and Wells Fargo Securities, LLC estimates. Note: ULTA is covered by Wells Fargo Securities analyst Evren Kopelman.

(2) **The company is accelerating growth with a more productive "next generation" prototype that should significantly improve returns and could drive comps.** The company's downsized "next generation" stores (80-100K square feet vs. older stores as large as 250K square feet) are significantly beating the company's expectations with sales per square foot that are meaningfully higher than the 30-40% lift communicated previously. These more productive stores will comprise 27% of total square footage by the end of 2013 and 38% by the end of 2014 vs. 10% at the end of 2011. Next generation stores are also comping several hundred basis points higher than the chain average, which means that the stores just starting to enter the comp base could provide upside potential to comps in Q4 (when Allen, TX and Springfield, OR plus a month of Edmonton are added to the comp base) and to a greater extent in 2013. Cabela's also recently opened its first "Outpost" store in Yakima, WA which is only 40K square feet and targets smaller markets which have a high concentration of Cabela's target customers (i.e. locations in Montana and Michigan are coming next year). We believe the Outpost store concept could represent an entire new growth opportunity which would allow Cabela's to enter markets with a more flexible real estate model, drive higher margins given both the greater focus on Cabela's branded product in these stores and generally less competition, and leverage its current infrastructure (Outpost stores are located within 300 miles of a larger store to gain distribution, operational, and inventory/clearance benefits).

(3) **Direct business (40% of merchandise sales) has been down 17 quarters in a row and a turnaround is underway.** Cabela's is in the process of turning around its direct (catalog and eCommerce) business, which has been declining for over 4 years and has been a significant drag on revenue growth and profitability. While we have learned the turnaround is likely not a one or two quarter fix, the company has hired an experienced eCommerce executive to head up the transformation and plans to open an eCommerce office in Denver next year to attract additional talent. We see significant opportunity to translate the excellent in-store experience to online by improving the user experience, content, search, as well as targeted marketing. Even with declining revenue, Cabelas.com already generates the most traffic in sporting goods category with the exception of Nike. Web traffic to cabelas.com has been strong recently, according to data from comScore, with unique visitors up 20% in October versus basspro.com up 10%, dicksportinggoods.com up 8%, and gandermountain.com up 1%.

(4) **Insulated from Amazon and with a unique niche and strong brand.** We believe Cabela's is well insulated from Amazon with a unique market niche and high percentage of private label and exclusive products that have fostered an extremely passionate customer base. Cabela's differentiation is driven by its high concentration of private label and exclusive products (estimated 50+% of sales and growing) and mix geared towards hunting and fishing (54% of sales). Note that firearms cannot be shipped directly to consumers, and therefore are not sold by Amazon. Our prior proprietary analyses show that (1) CAB's core product prices were only 2.2% higher than Amazon's; (2) CAB ranked very well in natural search (first page for 93% of hunting, 76% of fishing, and 57% of camping terms); and (3) Hunting is one of the least competitive categories online, with only 36% of terms featuring paid search results versus 96% for athletic clothing and footwear.

Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	11/10/2009	NA	SR	NE	NE	13.38
	3/15/2012		Nemer			
◆	3/15/2012	38.07	1	42.00	44.00	38.06
●	4/26/2012	38.69	1	44.00	46.00	38.69
●	7/26/2012	44.91	1	53.00	56.00	44.91
●	10/4/2012	55.97	1	60.00	63.00	55.97
●	10/25/2012	46.10	1	57.00	60.00	46.10

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ● Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- □ Split Adjustment

Rating Code Key

1	Outperform/Buy	SR	Suspended
2	Market Perform/Hold	NR	Not Rated
3	Underperform/Sell	NE	No Estimate

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2=Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

3=Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

SECTOR RATING

O=Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

M=Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

U=Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: November 18, 2012

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December 5, 2012

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WELLS FARGO ADVISORS

A Time for Action

2013 Economic and Market OUTLOOK

A special publication from our Investment Strategy Committee

Economy

What's beyond the fiscal cliff?

Our Chief Macro Strategist looks at how we see the debate playing out and our outlook for the economy.

U.S. equities

Where is the stock market headed?

Our Chief Equity Strategist looks at what may lie ahead for the stock market.

Fixed income

What's ahead for interest rates?

Our Chief Fixed Income Strategist examines what impact rates may have on fixed-income portfolios.

International

Where are the opportunities?

Our Chief International Strategist checks up on the international markets as well as commodities and currencies.

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Forecasts and recommendations in this report are produced by analysts and strategists on Wells Fargo Advisors' Investment Strategy Committee.

Economic and market forecast

As of November 29, 2012, unless otherwise noted

Economy		2011 year end	2012 latest	2013 year end forecast
Inflation-adjusted GDP	*rolling four quarters*	2.0%	2.7% [1]	2.5%
Inflation-adjusted GDP	*latest quarter percent change annual rate*		2.5% [1]	
Unemployment	*end of period/latest*	8.5%	7.9% [2]	7.5%
CPI inflation	*12-month average*	3.0%	2.3% [2]	2.5%
Federal deficit	*rolling 12-months*	$1.2 tril.	$1.1 tril. [2]	$0.8 tril
Existing home sales (SAAR*)	*end of period/latest*	4.4 mil.	4.8 mil. [2]	5.5 mil.
Total vehicle sales (SAAR*)	*end of period/latest*	13.5 mil.	14.2 mil [2]	15.5 mil.

U.S. equity		2011 year end	2012 latest	2013 year end forecast
S&P 500 index	*latest (as of 11/29/12)*	1,257.64	1,415.95	1,525-1,575
S&P operating earnings	*trailing four quarters*	$96.44/shr.	$99.42/shr. [1]	$108.00/shr
S&P 500 price/earnings	*trailing four quarters operating earnings*	13.04	14.24 [1]	14.35

Fixed income		2011 year end	2012 latest	2013 year end forecast
Target federal funds rate	*latest (as of 11/29/12)*	0.12%	0.12%	0.12%
10-year Treasury yield	*latest (as of 11/29/12)*	1.88%	1.62%	2.50%
30-year Treasury yield	*latest (as of 11/29/12)*	2.89%	2.80%	3.75%

International, commodities and currency		2011 year end	2012 latest	2013 year end forecast
MSCI EAFE index	*latest (as of 11/29/12)*	1,412.55	1,554.47	1,575-1,625
MSCI Emerging Markets index	*latest (as of 11/29/12)*	916 39	1,003.79	1,110-1,160
Oil (per barrel)	*latest (as of 11/29/12)*	$98.83	$88.07	$100.00
Gold (per troy ounce)	*latest (as of 11/29/12)*	$1,563 70	$1,725.70	$1,850
U.S. dollars per euro	*latest (as of 11/29/12)*	$1.29	$1.30	$1.25

*SAAR = Seasonally adjusted annual rate 1 = Data as of third-quarter 2012 2 = Data as of October 2012 **Source:** Bloomberg, Wells Fargo Advisors

Recommended portfolio weightings

As of December 4, 2012

Asset classes

Overweight	Evenweight	Underweight
Short-term IG† bonds	Commodities	International developed fixed income
	Dollar	Long-term IG† bonds
	Emerging-market stocks	
	High-yield securities	
	Intermediate-term IG† bonds	
	International developed stocks	
	International emerging market fixed income	
	REITs	
	U.S. large-cap stocks	
	U.S. mid-cap stocks	
	U.S. small-cap stocks	

Note: Weightings are relative to current firm asset allocation models. **Source:** Bloomberg, Wells Fargo Advisors

†IG – Investment grade – Treasuries, agency securities, mortgage-backed securities, corporate bonds and municipal bonds.

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A time for action

We believe the year ahead will be a time for action. Lawmakers will need to take action to avoid the fiscal cliff. Businesses will need to look beyond the near-term problems toward longer-term opportunities. And investors will need to recognize that a defensive investment strategy can be costly, particularly if economic momentum continues to build and the equity market moves ahead as we anticipate.

Many parts of the U.S. economy are getting better, and if Congress reaches a compromise on tax hikes and spending cuts as we anticipate, we expect the economy to continue to grow slowly. Given the current environment, we expect stocks to continue to offer a good investment opportunity while fixed income, faced with extremely low rates, may struggle a bit. Finally, a combination of global economic and moderate earnings growth and inflation should benefit international and commodity markets in the coming year.

History suggests that the year after an election is often a time when policymakers finally get around to addressing pressing problems. We believe that 2013 is more likely to be a year when leaders finally take action rather than kick the can down the road again. As a result, the year is also likely to be a time when investor and business confidence increases as the underlying health of the U.S. economy continues to improve slowly.

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Economic momentum likely to build during 2013

Consumer spending should be primary driver of economic activity

Gary Thayer
Chief Macro Strategist

2013 year-end forecasts

2.5% inflation-adjusted GDP
Rolling four quarters

7.5% unemployment
End of period

2.5% CPI inflation
12-month average

Source: Wells Fargo Advisors

What will Congress do about the fiscal cliff?

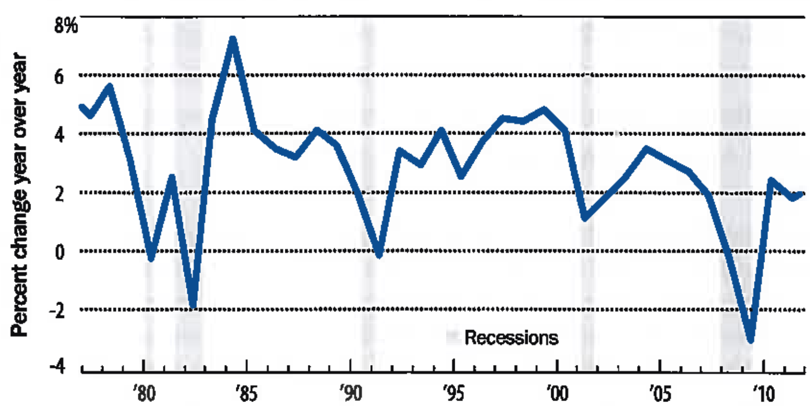
The U.S. economy faces a potential recession in 2013 if Congress does not take action to avoid the fiscal cliff. The Congressional Budget Office estimates that U.S. economic output could contract 0.5% next year if all tax increases and spending cuts begin to be implemented as scheduled in early 2013. At this point, we do not expect this worst-case scenario to happen. Both parties favor avoiding the fiscal cliff. Of course, their proposals are different.

We believe there are three scenarios for the fiscal cliff. First, Congress could do nothing, sending the economy into recession in 2013. We believe this is the least-likely scenario. Second, Congress could simply decide to postpone the tax increases and spending cuts and move the fiscal cliff forward another year or two. This strategy would probably look irresponsible and could lead to a downgrade of the U.S. debt rating. The third and most likely scenario would be a late-December or early-January compromise on modest tax hikes and spending cuts that limits the damage to the U.S. economy but dampens economic growth in the short run.

Changing public attitudes are a main reason we expect a compromise. A recent *Wall Street Journal*/NBC news poll asked survey participants how they preferred congressional leaders to address the deficit problem. The responses suggest that the public is tired of a divided government, with 75% of respondents saying that they would prefer congressional leaders to compromise over the deficit while only 15% said that they want leaders to stick with their positions. This suggests that the newly elected Congress has strong public support to find some middle ground and avoid going over the cliff. We don't expect a wave of bipartisanship to develop between the two major parties but do believe that lawmakers recognize the risk to the economy and the need to address this serious problem.

We expect continued economic growth

U.S. gross domestic product (GDP) – a measure of all products and services the country produces – continues to grow slowly as it has since mid-2009. We expect a modest improvement in 2013.



Source: Bureau of Economic Analysis, Haver Analytics, Wells Fargo Advisors

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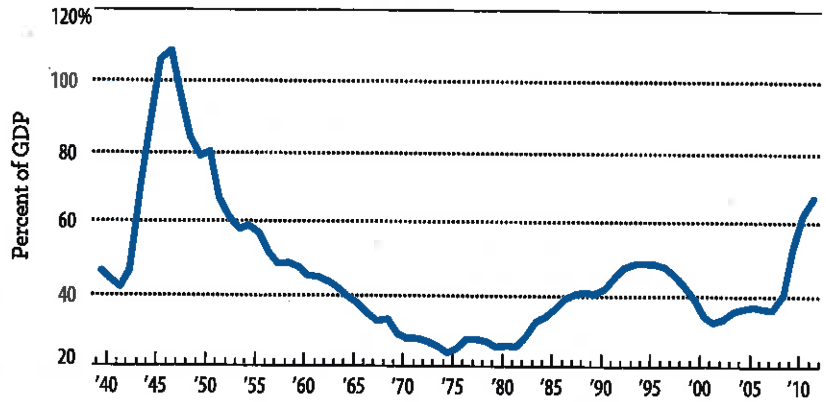
U.S. debt level appears sustainable — for now

U.S. debt held by the public as a percent of GDP is increasing but is still well below its historic high. However, Washington continues to need a credible plan to rein in the deficit.



Source: Office of Management and Budget, Haver Analytics, Wells Fargo Advisors

We expect economic momentum to build over the course of 2013 as the economy moves beyond the uncertainty of the fiscal cliff.

What will drive economic growth and inflation in 2013?

We expect inflation-adjusted gross domestic product (GDP) to increase 2.5% in 2013, still slightly below the 30-year average of 2.8%. At this point, the greatest threat to growth would probably come early in the year as Congress addresses the fiscal cliff. However, we would expect economic momentum to build over the course of the year as the economy moves beyond the fiscal cliff.

Consumer spending will likely be the primary driver of economic activity. If the country avoids the fiscal cliff as we anticipate, then modest job and income growth are likely to support an increase in consumer spending. In addition, the housing market should contribute positively to economic growth in 2013 as previously reluctant buyers take advantage of low interest rates and affordable home prices. Businesses are also likely to increase investment after holding back in 2012 when weak profit growth and uncertainty over taxes and regulations dampened capital spending. Finally, we expect foreign trade to add to growth later in 2013 as the global economy responds to the easy-money policies of 2012.

On the inflation front, we look for the yearly average consumer price index to increase 2.5% in 2013. This is a bit higher than the Federal Reserve's stated 2.0% inflation target. Nevertheless, we expect that policymakers are more willing to err on the side of slightly higher inflation until the economy is strong again. We continue to expect inflation to average 3.0% during the next 10-15 years.

Has U.S. debt hit unsustainable levels?

Total federal debt outstanding surpassed the $16 trillion mark in 2012, but we believe this debt level is not yet unsustainable. The good news is that only about two-thirds of that debt is held by the public and needs to be financed by selling bonds to investors. The remaining one-third is non-marketable debt held in government trust funds. This high debt level has increased concerns that the United States could face problems like several European countries within a few years if it does not get the debt under control. Unfortunately, there is no magic threshold beyond which Treasury debt would be excessive and unsustainable. That depends on how large the economy is and how much of the debt is held by foreign investors and governments. Marketable-Treasury debt is equal to about 68% of U.S. gross domestic product. This compares with 163.3% of GDP for Greece in 2011 and 99.6% of GDP for Italy in 2011. At this point, foreign holdings of U.S. Treasury debt are equal to approximately 47% of marketable debt but only 33% of the total $16 trillion outstanding debt. At these levels, the United States is probably not at an immediate risk of hitting an unsustainable Treasury debt level. But Congress and the White House will need to find a credible plan to reduce the deficit so the debt does not grow faster than GDP. If they succeed in slowing the upward trajectory, the demand for U.S. government debt is likely to remain good and U.S. debt levels will be sustainable.

Policy and geopolitical events likely to continue to drive the markets

Large-cap and growth stocks may offer the best opportunities

Stuart Freeman, CFA®
Chief Equity Strategist

2013 year-end **forecasts**

$108
S&P 500 earnings

1,525-1,575
S&P 500 index

Source: Wells Fargo Advisors

What are the base fundamentals underlying the equity markets?

There are a variety of favorable, more forward-looking factors that should work to benefit investors next year. Importantly, the Conference Board's Composite of Ten Leading Economic Indicators points to more growth in 2013. Building permits and homebuilder sentiment are rising. Some categories of manufacturers' new orders for consumer goods and materials and nondefense capital goods (excluding aircraft) are also increasing. In addition, consumer sentiment has been lifting as consumers have deleveraged and are beginning to borrow and spend. Even vehicle sales are improving.

Globally, interest rates have come down. Moreover, there are some very early indications that Europe's economy could bottom during 2013 and that China's growth rate may be stabilizing. Together, these are generally more favorable features than those that existed as we entered 2012; they suggest more growth opportunities abroad, more revenue growth opportunities for cyclically sensitive, multinational domestic companies and for the continuation of a second leg of this cyclical bull market. Consequently, we believe investor sentiment is likely to play catch-up with consumer sentiment during 2013. Our early target range for year-end 2013 for the S&P 500 index is 1,525-1,575, up from our 1,400-1,450 target range for 2012. Our 2013 range represents a price/earnings (P/E) valuation of 14.1 to 14.6 times operating earnings. This is a modest valuation relative to a long-term average of 16.5 times and represents a particularly modest valuation relative to inflation and the yields on long-term fixed-income vehicles.

Where are the risks in the equity markets?

The risks to a moderate pickup in domestic growth continue to be geopolitical threats that could result in higher energy prices, a return to consumer uncertainty, a slowing in consumer spending and waning progress in the housing market. However, given the global economy's modest growth rate and/or expectations for continued growth in U.S. energy production, we do not expect energy to otherwise represent a drag on growth.

Of course, it would clearly be a material negative for stocks if Congress appears not to be working together to build a long-term budget plan addressing both revenues and expenses. Even if some pieces of the deficit problem are pushed out months or even longer, some level of honest progress would be welcomed by the private sector and equity markets, in our opinion.

In addition, any extension in the European recession due to inadequate economic reforms could negatively impact our expectation for 2.5% GDP growth and continuing slow earnings growth next year. We are currently targeting just under a 5% increase in S&P 500 operating earnings for 2013 (from $103 to $108); however, this estimate could be conservative if we see signs of a bottoming in the global economy.

2013 opportunities in equities

As of November 29, 2012

Overweight	% of S&P 500	Guidance	Evenweight	% of S&P 500	Guidance	Underweight	% of S&P 500	Guidance
Consumer Discret.	11.4%	13.3%	Consumer Staples	11.0%	11.0%	Energy	11.0%	10.2%
Info. Tech.	19.2%	23.5%	Industrials	10.1%	10.5%	Financials	15.0%	12.7%
Materials	3.5%	5.0%				Health Care	12 2%	9.8%
Telecom.	3.1%	4.0%				Utilities	3.4%	0.0%

Note: S&P 500 weightings as of November. May not add to 100% due to rounding.

Source: Bloomberg, Wells Fargo Advisors

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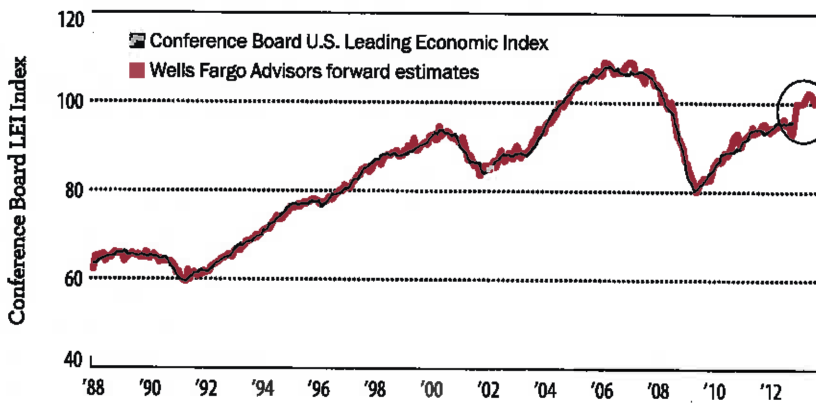
How should equity investors be positioned for 2013?

We believe the greatest beneficiaries in 2013 should be the more cyclically sensitive sectors whose revenues and earnings have been negatively impacted by sluggish global growth. We currently recommend investors overweight the Consumer Discretionary, Technology and Materials sectors as well as the Telecommunications Services sector (for some dividend yield). However, if more favorable signs of a bottoming in Europe and growth in China emerge, we would lean even more aggressively toward additional cyclical sectors and away from defensive sectors. If revenue growth increases even modestly, greater confidence in an extended recovery would likely unleash some corporate expansion plans as well as investment cash that have been sitting on the sidelines for years.

As less liquid and more domestically focused smaller-cap stocks tend to underperform during the last half of a recovery, we continue to favor large-cap multinational issues for this later-cycle period. Our cyclical bias on the growth-versus-value style scale remains tilted toward growth. However, should lending begin to show persistent signs of a pickup, some Financial sector issues could benefit, which could favorably impact value-oriented relative performance for a period of time.

Economic indicators are positive

The Conference Board's Composite of Ten Leading Economic Indicators has been on an upswing, and our estimates point toward more growth in 2013.

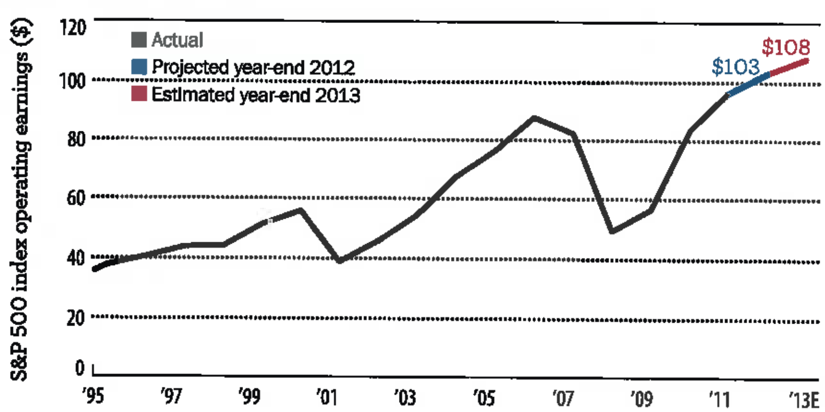


Past performance is not an indication of future results.

Source: Conference Board, Wells Fargo Advisors

Operating earnings should still move higher in 2013

S&P 500 operating earnings are currently at record highs, and we think they'll be even better in 2013.



Past performance is not an indication of future results. An index is not managed and is unavailable for direct investment. Estimates are not guaranteed and subject to change.

Source: Haver Analytics, Wells Fargo Advisors

Low interest rates may present challenges

Fixed-income investors should continue to focus on diversification

Brian Rehling, CFA®
Chief Fixed Income Strategist

2013 year-end forecasts

0.12%
target federal funds rate

2.50%
10-year Treasury yield

3.75%
30-year Treasury yield

Source: Wells Fargo Advisors

What impact will the Federal Reserve have in 2013 and beyond?

The Fed should remain active in 2013 with an expansion of current quantitative easing (QE) bond purchases likely as "Operation Twist" winds down near the end of 2012. The Fed is currently implementing its latest open-ended QE policy – $40 billion of new monthly mortgage-backed securities (MBS) purchases – announced in September 2012. With no definitive end date, we look for the Fed to continue to expand its balance sheet until we see both stronger economic growth and unemployment below 7.0%. Given the labor market's current status, we think it is unlikely that we will meet conditions that would appease the Fed in 2013. The Fed is clearly focused on the here and now, but its actions will have consequences for investments far into the future.

Do fixed-income investors need to adjust their expectations?

With interest rates hovering near historically low levels, the risk-return profile for bonds is clearly asymmetric. Over the past three decades, yields moved lower as bond prices moved higher because bond prices and bond yields have an inverse relationship. Now with interest rates bounded by zero percent, the total return on fixed-income investments may struggle in the years ahead.

We do not expect a significant increase in interest rates next year, our year-end target on the 10-year Treasury yield is 2.50%. It would take a major market disruption to push interest rates significantly lower, in our opinion. Such a disruption is always possible, with the leading candidates being a disorderly Greek euro exit, Washington gridlock that leads us over the fiscal cliff, a debt-ceiling impasse leading to further downgrades of the U.S. credit rating, a global recession or a Mideast war. The uncertainty surrounding these potential events has pushed investors to increase cash and short-term fixed-income positions. We don't think that any of these events has a particularly high probability of materializing. In our opinion, it is more likely that several of these uncertainties will resolve themselves over the coming year, providing a reason for investors to move into risk-based assets at the expense of fixed income. The timing of significant interest rate moves often takes the market and investors by surprise. Bottom line, investors should avoid chasing past returns or using recent history as their basis for fixed-income return assumptions.

What is our advice for fixed-income investing in 2013?

First and foremost, have a good asset allocation investment plan. In an uncertain world with many potential outcomes, investors should be prepared for any possibility. The uncertainties facing the market are difficult to handicap, and we are not inclined to be overly aggressive with fixed-income investment positioning at this time. The risk of an unexpected outcome or event in the current market appears to be significant. Given yields near historical lows in most sectors, there is little opportunity of reward for investors who take significant outlying bets on the market. But the downside risk is meaningful should investors make the wrong assumptions. We urge investors to move toward their benchmark positions during this period of heightened uncertainty.

We encourage fixed-income investors who need to increase yield within their fixed-income portfolio to do so by adding allocations to credit-sensitive sectors, such as corporate bonds, rather than moving too far out the interest rate curve. Investors with a short investment horizon should use caution in adding to the more credit-sensitive sectors, such as high-yield (junk) bonds and preferred securities given the potentially volatile nature of these sectors. Investors should refrain from "reaching for yield" by moving lower in credit quality than is appropriate for their risk tolerance. Investors focused on income should give significant consideration to income investment vehicles outside of the traditional fixed-income universe, such as dividend equity solutions. We recommend that taxable investors target a duration of 4.25 years.

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What is our outlook for the municipal bond market?

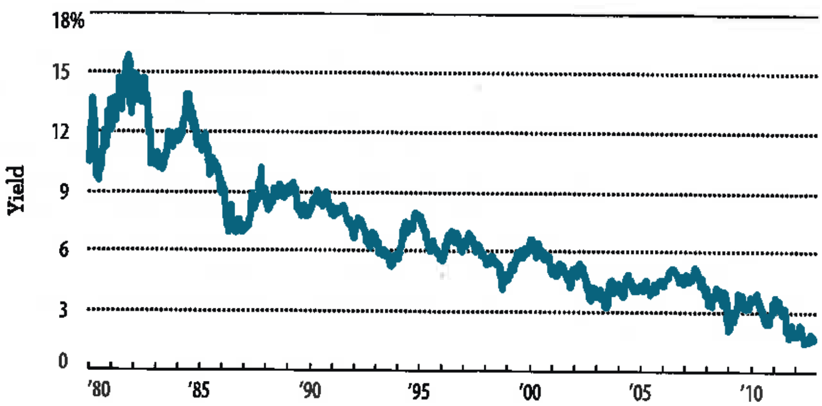
Despite significant and well-publicized budget problems in the municipal market, we continue to believe the primary risk will be ratings migration (downgrades) rather than actual default risk. We advise municipal investors to maintain well-diversified portfolios and focus on single-A-rated or better general obligation and essential-purpose revenue debt of larger, more visible and active issuers. In our opinion, municipal bankruptcies will continue to be rare events. The uncertainty regarding changes in the tax code will continue to be an issue that impacts municipal investors until a fiscal solution is in place. We do not rule out the possibility of some tinkering with the tax code relating to municipals as part of a plan to close loopholes and address certain exemptions. Prior proposals have suggested capping the municipal exemption at 28%. We do not anticipate that any potential tax changes will significantly alter the value proposition for municipal securities, but changes could impact an investor's particular situation. Overall, we anticipate higher taxes in the future, which should be supportive of municipal valuations. We recommend tax-exempt fixed-income investors target a 6.75 year duration. In our opinion, many clients would benefit from professionally managed, well-diversified solutions rather than attempting to select individual issues for purchase.

Cash is expensive

[illegible]

10-year Treasury yields remain historically low

Investors may want to think carefully before locking in today's historically low rates for significant periods of time.



Past performance is not an indication of future results.

Source: Bloomberg

2013 opportunities in fixed income

As of December 4, 2012

Overweight	Slight overweight	Evenweight	Slight underweight	Underweight	Duration
Corporate bonds		Agency securities	Treasury Inflation-Protected Securities	International developed-market debt	Slightly short*
		Emerging-market debt		U.S. Treasuries	
		High-yield securities			
		Preferred securities			
		Mortgage-backed securities			
		Municipal bonds			

Source: Wells Fargo Advisors

**We recommend a duration slightly short of an investor's target duration. If an investor does not have a target duration, then we recommend a duration of approximately 4.25 years in taxable portfolios, and 6.75 years for tax-exempt portfolios. Duration, stated in years, can be used to estimate the percentage change in a bond's value that results from a 1% change in interest rates. The longer (higher) the duration, the more prices will fluctuate as interest rates rise and fall.*

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Things may be looking up for international investments

Investors should allocate across countries and commodities

Paul Christopher, CFA®
Chief International Strategist

Will the international investment outlook improve in 2013?

International financial and commodity market performance generally improved in the second half of 2012, and further improvement in 2013 is likely. Global economic activity cooled in 2012, but a slower economic expansion as government stimulus winds down is not unusual. The waning stimulus slowed buying, and excess inventories accumulated in many parts of the world. As global inventories are eventually sold off and normalize, economic activity should perk up and spark new global economic activity. Global leading indicators tend to anticipate industrial production (a proxy for overall economic activity) by several months. The data for the most recent six months point to a likely end to the slowdown that began in March 2010. If this trend holds, industrial production could remain soft into the end of 2012 but, following the leading indicators, should steady and turn higher in 2013.

How should investors think about opportunity and risk in a changing world?

The Cold War arguably accustomed investors to a stable geopolitical environment, and the further the world moves into the new century, the more investors must adjust to rising global political instability. During the Cold War era, NATO and the Soviet Union asserted their competing interests around the world, and the standoff produced a degree of stability. The Soviet Union's demise upset the balance, and 20 years into the new era, local tensions have reemerged to register a global impact. This dynamic may be seen in China's military assertiveness in the western Pacific, Iran's resurgent bid for regional dominance, Turkey's renewed reach for its Ottoman-era influence, and new demands for autonomy and ethnic freedom across Europe and elsewhere. The United States remains the world's sole superpower but increasingly grapples with new

2013 year-end forecasts

1,575-1,625
MSCI EAFE equity index

1,110-1,160
MSCI Emerging-market equity index

$100 crude oil
per barrel

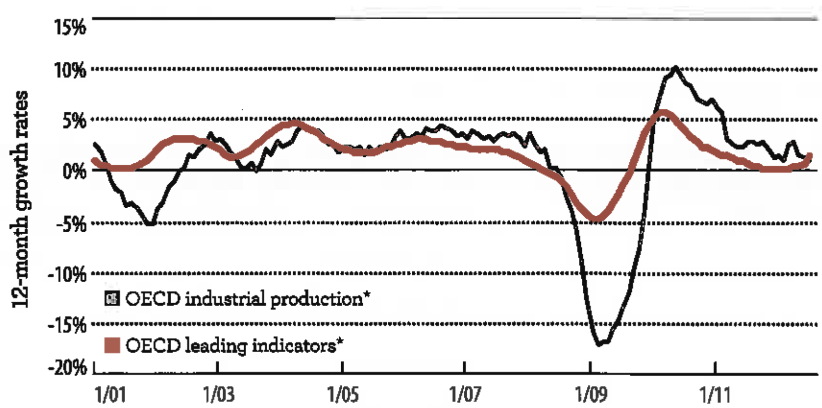
$1,850 gold
per troy ounce

$1.25
euro exchange rate

Source: Wells Fargo Advisors

Global slowdown may be ending

The historical relationship between the global economic leading indicators and industrial production continues to imply that the global economic slowdown may be ending.



*Data are the composite totals for the countries in the Organization for Economic Cooperation and Development (OECD)

Source: Bloomberg and Wells Fargo Advisors

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international realities that complicate diplomacy and challenge old ways of doing business in an increasingly global economy.

Some international tensions may spill over into 2013 and restrain confidence or distract investors from generally improving economic conditions. For example, large debt burdens continue to undercut activity in Europe, the United States and Japan. Secondly, in many emerging economies, the growth slowdown was a reversion to trend growth (following stimulus-driven surges in 2009-2010) implying that new stimulus may be moderate. Meanwhile, European promises to preserve the euro have bolstered investor confidence, but implementing the promises may produce new disappointments. Finally, social upheaval now directly or indirectly affects the entire Middle East.

In this adjustment period, international events frequently may produce unexpected implications for global financial and commodity markets, including U.S. markets. Relative valuation should remain an important metric for making investments, but global trends and events must also figure more prominently into investment decisions. Anticipating events is difficult, so investors should:

Diversify: Diversification does not eliminate losses but can reduce the risk from a loss in any one market. (See page 13 for more detail on asset allocation.)

Keep a long-term focus: Events may temporarily move markets in one direction, but events pass and people adjust, meaning that longer-term trends can reassert themselves.

Be selective: Tactically exploiting short-term regional opportunities can reduce portfolio volatility and allow the investor to benefit from being selective.

Where are the international and commodity opportunities?

International equity and debt. The main features of our international outlook include a modest reacceleration in economic growth but with the continued risk that European political disappointments may temporarily distract investors from improving economic activity. Our targets anticipate moderate global earnings growth and inflation and relatively better opportunities in emerging-market equities and sovereign debt.

Currencies. Emerging-market currencies should add another advantage to investments in emerging-market financial markets. We believe the dollar will slip against emerging-market and commodity-based currencies (i.e., Canada's and Australia's). By contrast, U.S. economic outperformance and likely additional policy easing in Europe and Japan should lead the U.S. dollar to outperform the euro and the yen (and, to a lesser extent, the British pound).

Commodities. Moderately improved global economic growth should also benefit metals and petroleum (and refined product) prices. If in addition, emerging economies outperform, industrial commodities may outperform other commodities. Also, monetary stimulus by the Fed and other central banks should boost gold prices. Gold investors should also find encouragement if, as we expect, the euro zone holds together in 2013. Commodity price gains should be modest by comparison with past years. Although demand should improve with economic growth, prices may struggle to gain traction early in the year until petroleum and industrial metals inventories are worked down. Inventories should also remain a strong weight on natural gas prices in 2013. Finally, agricultural commodity prices should underperform industrial commodities.

Finding opportunity in increased food demand

2013 opportunities in international equity and sovereign debt investments*

Equities	Sovereign debt
South Korea	Canada
	Norway

**Wells Fargo Advisors currently has no stand-alone commodity or currency recommendations.*

What are the greatest risks to our economic and market outlook?

The biggest risk to our outlook would be a failure by Washington to resolve the fiscal cliff problem. If congressional leaders cannot find some middle ground and instead allow the country to go over the fiscal cliff, the economy would be considerably weaker than we project. In other words, the substantial tax hikes and spending cuts could push the economy into a recession. A secondary risk would be a loss of European political will to resolve their fiscal crisis after several years in which northern European countries bailed out southern European countries. If the bailout funds were cut off and banks in southern European countries needed to be bailed out, the European financial crisis could escalate again.

Finally, unexpected events have a greater risk of derailing a slow economic recovery like the one we are experiencing. So a major unexpected event, like a war between Israel and Iran, could push the economy back into recession. At this point, we believe the probabilities of the above risks are relatively low. Instead, we expect 2013 to be a year when lawmakers begin to take some action and investors and businesses become more confident in long-term economic prospects. As a result, we would anticipate that stocks are likely to perform better than bonds as investors turn less defensive. Obviously, if we are wrong and investors turn out to be more risk averse, then a flight to the perceived safety of bonds could cause bonds to outperform stocks.

What are the key investment themes for 2013?

- Global economic growth is being fueled by growing middle-class consumers. High debt levels and deleveraging have hurt many developed countries with aging populations, but more favorable demographics and lower debt levels are creating growth opportunities in much of the rest of the world.
- Many parts of the U.S. economy are improving but not at the optimal speed. Policymakers are taking action, albeit very slowly, to address global problems. The global economy is expanding, although at a slower pace than in previous periods. On the positive side, innovation is progressing at a rapid rate, helping support the global economy through this difficult time.
- Generally favorable conditions suggest more growth opportunities abroad, more revenue growth for cyclically sensitive multinational domestic companies and for the continuation of a second leg up for this cyclical bull market. We favor cyclical sectors with a tilt toward large-cap and growth-oriented stocks.
- With interest rates at historically low levels, the total return on fixed-income investments may struggle in the coming years. We recommend investors move toward their benchmark positions during this period of uncertainty. Fixed-income investors who need to increase yield within their portfolios should do so by adding allocations to credit-sensitive sectors, such as corporate bonds. Also, cash is expensive. We do not expect short-term rates to rise materially for several years, and holding cash leads to eroding purchasing power; so unless an investor has near-term liquidity needs, we would not be overweight cash in a portfolio.
- We expect continued improvement in international financial and commodity markets in the year ahead. We expect a modest reacceleration in economic growth as well as moderate global earnings growth and inflation. This environment should benefit emerging-market equities, currencies, and sovereign debt as well as metals, petroleum, industrial commodities, and gold.
- In a rapidly changing world, it is important to be flexible. Investors should not get locked into a single perspective and assume that conditions will not change. However, trading in and out of the markets based on the news of the day puts investors at risk of missing important long-term opportunities. Investors need to look for new opportunities while still focusing on their long-term strategy. Most importantly, investors should stay focused on asset allocation and ensure investment portfolios remains properly diversified.
- Investors should consider more than just market risk. A defensive strategy that reduces market risk could open a portfolio to the risk that it will not keep pace with inflation. To achieve long-term financial goals, investors should balance the need to take risk to get higher return against their aversion to market volatility risk.

Please see page 15 for important disclaimers.

Focus on asset allocation

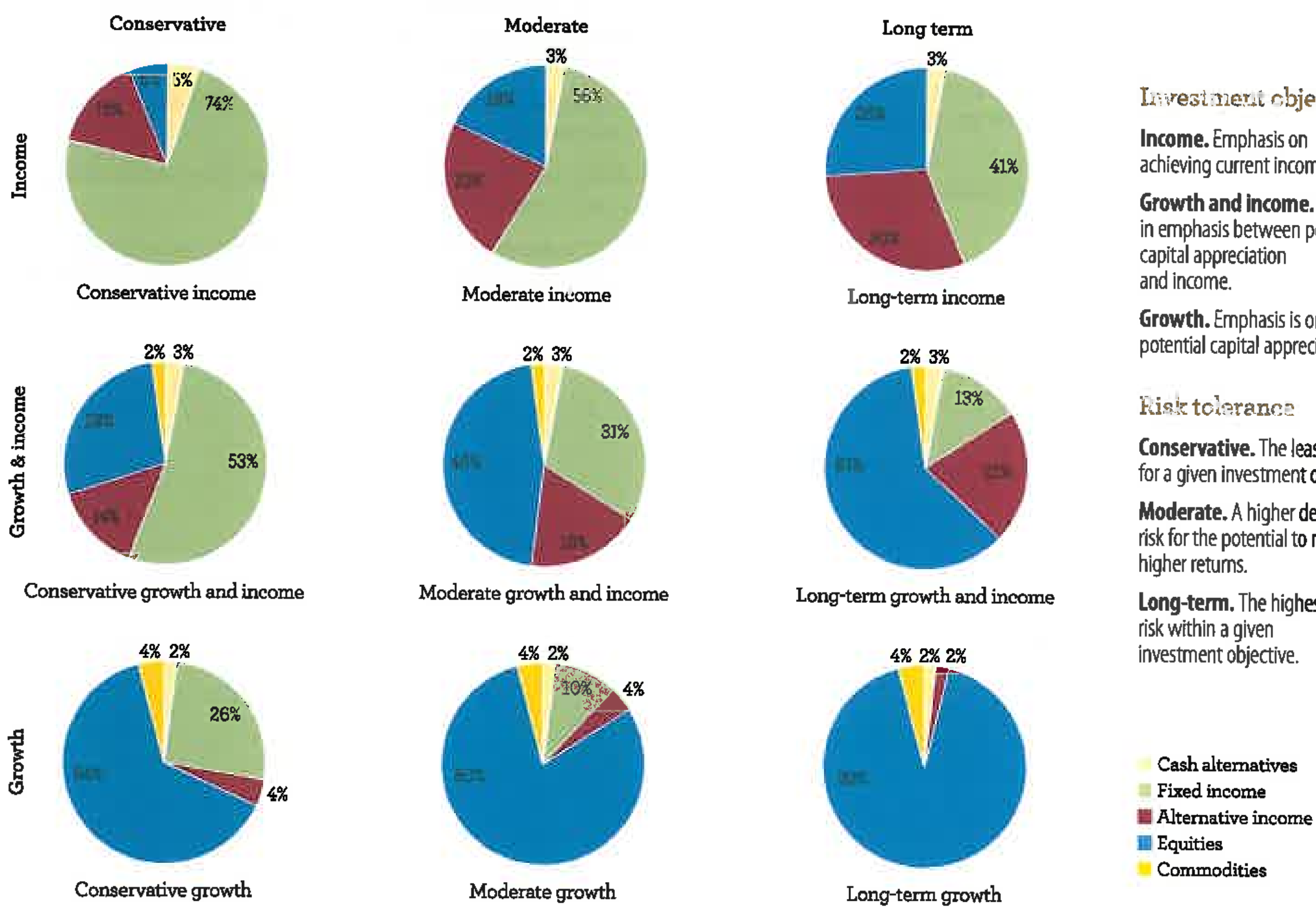
Our models can help you and your Financial Advisor get started

Assessing and possibly making adjustments to your investments based on expectations for the near future can be an effective approach. However, we believe that this should be done within the context of an overall investment strategy designed to help you work toward your long-term goals.

Asset allocation can be an effective way for investors to balance a portfolio among various types of investments and help shield it against offsetting losses. To make the process of developing your overall strategy easier, Wells Fargo Advisors has crafted nine asset allocation models (shown below) that cover a wide range of objectives from conservative income to long-term growth. Using the appropriate model as a starting point, your Financial Advisor can work with you to create a custom asset allocation (investment mix) specifically addressing your situation and goals.

For more information and to start or update your strategy, contact your Financial Advisor with Wells Fargo Advisors, or go to wellsfargoadvisors.com to locate a branch near you.

Strategic asset-allocation models



Investment objectives

Income. Emphasis on achieving current income.

Growth and income. Balance in emphasis between potential capital appreciation and income.

Growth. Emphasis is on potential capital appreciation.

Risk tolerance

Conservative. The least risk for a given investment objective.

Moderate. A higher degree of risk for the potential to receive higher returns.

Long-term. The highest risk within a given investment objective.

Please see page 15 for important disclaimers.

Definitions

A-rated obligations are considered upper-medium grade and are subject to low credit risk.

Alternative income includes international fixed income, high yield, emerging-market debt and real estate investment trusts.

Commodities are basic goods used in commerce that are generally interchangeable with other commodities of the same type. Commodities are most often used as inputs in the production of other goods or services.

Consumer Price Index (CPI) is a measure of the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.

Emerging markets are financial markets in countries with developing economies. These markets are typically immature compared to those of the world's major financial centers but are becoming increasingly sophisticated and integrated into international markets; they provide potentially higher returns but are intensely volatile.

High yield is noninvestment-grade fixed-income securities (rated Ba1 or lower by Moody's and/or BB+ or lower by S&P). These investments are considered to be speculative and are subject to a higher degree of risk.

Intermediate-term fixed income includes instruments that mature in six to 12 years.

International investing involves putting money into financial markets in developed economies outside of the United States.

Large-cap growth stocks have a market cap greater than $10 billion and a price-to-book ratio greater than 2.3.

Large-cap value stocks have a market cap greater than $10 billion and a price-to-book ratio less than or equal to 2.3.

Long-term fixed income includes instruments whose maturities are greater than 12 years.

MSCI EAFE (Europe, Australasia and Far East) index compiled by Morgan Stanley Capital International (MSCI) is a value-weighted index of the equity performance of major foreign markets. In effect, it is a non-American world index of more than 1,000 stocks.

MSCI Emerging-market index was created by MSCI and designed to measure equity market performance in global emerging markets.

Mid-cap growth stocks have a market cap between $2 billion – $10 billion and a price-to-book ratio greater than 2.3.

Mid-cap value stocks have a market cap between $2 billion – $10 billion and a price-to-book ratio less than or equal to 2.3.

Real estate investment trusts (REITs) trade on the major exchanges and invest in real estate directly, either through properties or mortgages.

Short-term fixed income includes instruments that mature in one to six years.

Small-cap growth stocks have a market cap less than $2 billion and a price-to-book ratio greater than 2.3.

S&P 500 index consists of 500 industrial, financial, utility and transportation companies with market capitalizations of $4 billion or more.

Important disclaimers

Some information contained in this report was prepared by or obtained from sources that Wells Fargo Advisors believes to be reliable. Any market prices are only indications of market values and are subject to change.

Wells Fargo Advisors may not offer direct investments into the products mentioned in this report.

Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuations, political and economic instability, and different accounting standards. This may result in greater share price volatility. These risks are heightened in emerging markets.

Dividends can be increased, decreased or totally eliminated at any point without notice.

Technology and Internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market.

The prices of small- and mid-cap company stocks are generally more volatile than large-company stocks. They often involve higher risks because smaller companies may lack the management expertise, financial resources, product diversification and competitive strengths to endure adverse economic conditions.

Investing in fixed-income securities involves certain risks, such as market risk if sold prior to maturity and credit risk, especially if investing in high-yield bonds, which have lower ratings and are subject to greater volatility. All fixed-income investments may be worth less than original cost upon redemption or maturity. Income from municipal securities is generally free from federal taxes and state taxes for residents of the issuing state. While the interest income is tax-free, capital gains, if any, will be subject to taxes. Income for some investors may be subject to the federal alternative minimum tax (AMT).

High-yield bonds, also known as junk bonds, are subject to greater risk of loss of principal and interest, including default risk, than higher-rated bonds. The prices of these bonds may be volatile, and they are generally only suitable for aggressive investors.

Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline of the value of your investment.

There are special risks associated with investing in preferred securities. Preferred securities generally offer no voting rights with respect to the issuer. Preferred securities are generally subordinated to bonds or other debt instruments in an issuer's capital structure, subjecting them to a greater risk of non-payment than more senior securities. In addition, the issue may be callable, which may negatively impact the return of the security. Preferred dividends are not guaranteed and are subject to deferral or elimination.

The interest rate for Treasury Inflation-Protected Securities (TIPS), which is set at auction, remains fixed throughout the term of the security. The principal amount of the security is adjusted for inflation, but the inflation-adjusted principal will not be paid until maturity although the adjustment will be subject to income tax in the year it was earned. Wells Fargo Advisors is not a tax advisor. TIPS have special tax consequences, generating phantom income on the "inflation compensation" component of the principal. A holder of TIPS may be required to report this income annually although no income related to "inflation compensation" is received until maturity.

There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions. Distributions from REIT investments are taxed at the owner's tax bracket.

While stocks generally have a greater potential return than government bonds and Treasury securities, they involve a higher degree of risk. Government bonds and Treasury bills, unlike stocks, are guaranteed as to payment of principal and interest by the U.S. government if held to maturity. Although Treasuries are considered free from credit risk, they are subject to other types of risks. These risks include interest rate risk, which may cause the underlying value of the bond to fluctuate inversely to a change in interest rates.

Investing in commodities is not suitable for all investors. Exposure to the commodities markets may subject an investment to greater share price volatility than an investment in traditional equity or debt securities. The prices of various commodities may fluctuate based on numerous factors, including changes in supply and demand relationships, weather and acts of nature, agricultural conditions, international trade conditions, fiscal, monetary and exchange control programs, domestic and foreign political and economic events and policies, and changes in interest rates or sectors affecting a particular industry or commodity. Products that invest in commodities may employ more complex strategies which, may expose investors to additional risks, including futures roll yield risk.

There is no assurance that any of the target prices or other foward-looking statements mentioned will be attained. Any market prices are only indications of market values and are subject to change.

Investments that are concentrated in a specific sector or industry may be subject to a higher degree of market risk than investments that are more diversified.

Stay informed

Our strategists will be following all the latest developments in the news to determine their potential impact on the U.S. and global economy, the markets, and political events overseas. There are a number of ways to access our advice and commentary to stay informed about how developments may affect you financially.

Talk to your Financial Advisor

He or she can provide research and advice from Wells Fargo Advisors as well as review your current investment strategy and goals and help ensure that you are prepared to act if anything should change.

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Be sure to visit our website for the latest market commentary and economic reports. There you'll find our top economic, market and investment strategists' insights on what's happening today and how you might prepare for what's ahead. You'll also find videos, investment tools and other resources to help you stay fully informed.

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