



Agenda

Employees' Retirement System Board Meeting

April 10, 2013 at 11:00 AM
Conference Room C

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

Roll Call

Minutes from the March 13, 2013 Meeting

Retirement Requests

Other Business

Investment Consultant Interviews

11:00 AM Interview with Graystone Consulting (Morgan Stanley)

12:00 PM Interview with Fund Evaluation Group

1:00 PM Interview with UBS Institutional Consulting Group

Investments

Public Comment

Adjourn

NOTICE OF TIME CHANGE

Employees' Retirement System Board Meeting

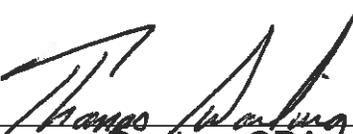
Wednesday, April 10, 2013

Starting at 11:00 am instead of 12:00 pm

Conference Room C

Be advised that the Employees' Retirement System Board meeting will be starting at 11:00 am on Wednesday, April 10, 2013, in conference room C at Troy City Hall, 500 W. Big Beaver, Troy, Michigan, (248) 524-3330.

This notice is hereby posted as required by Section 4 of the Open Meetings Act, (MCLA 15.261 et seq.).



Thomas Darling, CPA
Pension Administrator

Posted: April 4, 2013

NOTICE: People with disabilities needing accommodations for effective participation in this meeting should contact the City Clerk (248) 524-3317 at least two working days in advance of the meeting. An attempt will be made to make reasonable accommodations.

A meeting of the Employees' Retirement System Board of Trustees was held on Wednesday March 13, 2013 at Troy City Hall, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting was called to order at 12:08 p.m.

Trustees Present: Mark Calice
Thomas J. Gordon, II
Thomas Darling, CPA
Milton Stansbury
Dave Henderson
Steve Pallotta

Trustees Absent: William R. Need (Ex-Officio)
Brian Kischnick

Also Present: Justin Breyer

Minutes

Resolution # ER – 2013-03-8

Moved by Pallotta
Seconded by Gordon

RESOLVED, That the Minutes of the February 13, 2013 meeting be approved.

Yeas: All-6
Absent: Kischnick

Retirement Request – Raymond Piper

Resolution # ER – 2013-03-9

Moved by Pallotta
Seconded by Stansbury

RESOLVED, That the following retirement requests be approved as amended:

Name	Raymond M. Piper
Pension Program	DB
Retirement Date	4/18/13
Department	Police
Service Time	22 yrs, 0 mo

Yeas: All-6
Absent: Kischnick

Retirement Request**Resolution # ER – 2013-03-10**

Moved by Pallotta

Seconded by Gordon

RESOLVED, That the following retirement requests be approved:

Name	Paul Monacelli	James M. Feld
Pension Program	DB	DB
Retirement Date	3/8/13	3/22/13
Department	Police	Police
Service Time	25 yrs, 0 mo	25 yrs, 0 mo

Yeas: All-6

Absent: Kischnick

Other Business – Status of Evaluations for the Responses to RFI for Investment Consultant

The Board discussed and selected investment consultants to interview based on the Evaluations of the Responses to RFI for Investment Consultant. The Board also discussed interview questions and interview procedure.

Resolution # ER – 2013-03-11

Moved by Pallotta

Seconded by Gordon

RESOLVED, That the Board directs the Pension Administrator to invite representatives from UBS, Greystone Consulting and the Fund Evaluation Group for Investment Consultant interviews.

Yeas: All-6

Absent: Kischnick

Other Business – Status of Evaluations for the Responses to RFI for Investment Consultant**Resolution # ER – 2013-03-12**

Moved by Stansbury

Seconded by Pallotta

RESOLVED, That the Board change the time of the April 10, 2013 Retirement Board Meeting from 12:00 pm to 11:00 am.

Yeas: All-6

Absent: Kischnick

INVESTMENTS

No discussion

Public Comment

None

The next meeting is April 10th, 2013 at 11:00 a.m. at Troy City Hall, Conference Room C, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting adjourned at 1:35 p.m.

Mark Calice, Chairman

Tom Darling, Pension Administrator



April 3, 2013

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:

<u>Purchase</u>	<u>Price</u>	<u>Dividend</u>	<u>Yield</u>
FedEx Corp. (FDX)	\$97.12	\$.56	.57%
Apache Corporation (APA)	\$76.16	\$.80	1.05%

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)



April 2, 2013

Investment Recommendation

Purchase

FedEx Corp. (FDX)

Price \$97.12

Annual Dividend \$.56

Yield .57%

FedEx pioneered overnight delivery in 1973 and remains the world's largest express delivery firm. Revenue for the fiscal year ended May 2012 totaled \$43 billion. The express delivery business accounted for 62% of total revenues, of which about 48% were from international deliveries. FedEx Express serves over 220 countries. The FedEx Ground segment, 22% of revenue, delivers small parcels at a lower cost than express to the entire United States and Canada. The FedEx Freight segment, 15% of revenue, provides less-than-truckload (LTL) freight services across North America and FedEx Office provides document production and shipping services.

The company recently announced disappointing third quarter earnings of \$1.23 per share, before restructuring adjustments of \$.09 per share. This caused the stock price to sell off about 11%. Management stated the "third quarter was challenging due to continued weakness in international freight, pressure on yields due to industry overcapacity and customers selecting less expensive and slower transit services." The company also stated that earnings for the year ended May 31, 2013 are estimated to be between \$6.00 and \$6.20 per share, prior to restructuring cost of \$.89 to \$1.09.

The company has announced a strategic cost reduction plan, designed to reduce costs, improve efficiency and realign services with areas of growth. Initiatives include consolidating service and distribution centers, a newer and more cost efficient plane fleet, a reduction of personnel through the offer of voluntary early retirement offerings as well realigning assets to focus on growth areas. Upon completion of the restructuring, the company will be better positioned to participate in the growth we see coming from international markets as well as the continued growth in shipments generated from e-commerce.

While sluggish economic growth in the US and recessionary conditions in Europe have been pressuring freight flows, we think the long term trends are positive. We see industry trends toward global supply sourcing among manufacturers continuing to make supply chain management more complex and important. Consensus analysts' earnings estimates for 2013 and 2014 are currently \$6.07 and \$7.54 respectively. With FedEx now selling at about 13 times next year's earnings, we feel the recent pull back has provided a good opportunity to purchase FedEx in anticipation of improved global economic growth.

FedEx Corp.

S&P Recommendation **STRONG BUY** ★★☆☆

Price
\$97.78 (as of Apr 1, 2013)

12-Mo. Target Price
\$129.00

Investment Style
Large-Cap Growth

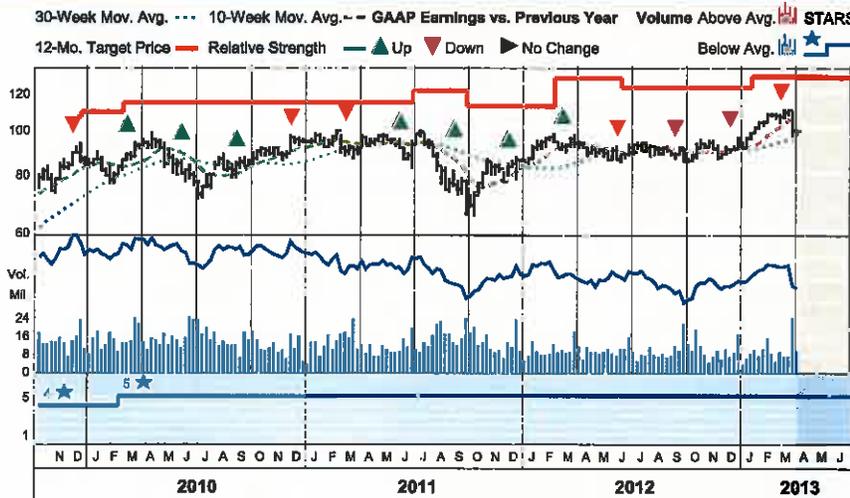
GICS Sector Industrials
Sub-Industry Air Freight & Logistics

Summary This company provides guaranteed domestic and international air express, residential and business ground package delivery, heavy freight and logistics services.

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

52-Wk Range	\$109.66– 83.80	S&P Oper. EPS 2013E	6.02	Market Capitalization(B)	\$30.74B	Beta	1.29
Trailing 12-Month EPS	\$5.71	S&P Oper. EPS 2014E	7.81	Yield (%)	0.57	S&P 3-Yr. Proj. EPS CAGR(%)	16
Trailing 12-Month P/E	17.1	P/E on S&P Oper. EPS 2013E	16.2	Dividend Rate/Share	\$0.56	S&P Credit Rating	BBB
\$10K Invested 5 Yrs Ago	\$10,939	Common Shares Outstg. (M)	314.5	Institutional Ownership (%)	78		

Price Performance



Qualitative Risk Assessment

LOW **MEDIUM** **HIGH**

Our risk assessment reflects our view of the company's strong and stable balance sheet, healthy cash flow generation and strong earnings growth in an inherently cyclical business.

Quantitative Evaluations

S&P Quality Ranking **B+**
D C B- B B+ A- A A+

Relative Strength Rank **WEAK**
24
LOWEST = 1 HIGHEST = 99

Revenue/Earnings Data

Revenue (Million U.S. \$)

	1Q	2Q	3Q	4Q	Year
2013	10,792	11,107	10,953	--	--
2012	10,521	10,587	10,564	11,008	42,680
2011	9,457	9,632	9,663	10,552	39,304
2010	8,009	8,596	8,701	9,428	34,734
2009	9,970	9,538	8,137	7,852	35,497
2008	9,199	9,451	9,437	9,866	37,953

Earnings Per Share (U.S. \$)

	1Q	2Q	3Q	4Q	Year
2013	1.45	1.39	1.13	E1.95	E6.02
2012	1.46	1.57	1.65	1.73	6.41
2011	1.20	0.89	0.73	1.75	4.57
2010	0.58	1.10	0.76	1.33	3.76
2009	1.23	1.58	0.31	-2.82	0.31
2008	1.23	1.54	1.26	-0.78	3.60

Fiscal year ended May 31. Next earnings report expected: Mid June. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

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

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.140	06/04	06/14	06/18	07/02/12
0.140	08/17	09/06	09/10	10/01/12
0.140	11/02	11/19	11/21	12/17/12
0.140	02/15	03/07	03/11	04/01/13

Dividends have been paid since 2002. Source: Company reports.

Analysis prepared by Equity Analyst **Jim Corridore** on Apr 01, 2013, when the stock traded at **\$97.90**. Options: ASE, CBOE, P, PH

Highlights

- ▶ We see revenues rising 5% in both FY 13 (May) and FY 14 after a 9% increase in FY 12. We think FedEx Ground is likely to benefit from market share gains and increased penetration of its home delivery business. We see Express revenues in FY 13 up 3% on weak international express volumes, but we see international strengthening in the second half of the fiscal year. We expect Ground to grow 11% and see Freight up 6%. FDX recently announced a 5.9% general rate increase, and we think the company will be able to get good traction on these price increases domestically.
- ▶ We believe lower volumes in the international network are likely to have a negative effect on Express operating margins. In addition, the company is seeing pressure on personnel and purchased transportation costs, and faces pension cost headwinds. FDX unveiled a cost savings program in October 2012, and recently accelerated the retirement of some planes as part of a network realignment.
- ▶ We forecast FY 13 operating EPS of \$6.02, an 8.6% drop from FY 12 operating EPS of \$6.59. For FY 14, we see EPS of \$7.81, up nearly 30% from our FY 13 estimate.

Investment Rationale/Risk

- ▶ We are positive on FDX's profit improvement program, which seeks to add \$1.7 billion to operating income by FY 16, with up to 75% of this target expected to be achieved by FY 15. We think the goal is realistic, using a combination of cost savings, efficiency improvements and incremental revenue generating ideas. We also expect the company to benefit from improvement in the U.S. and global economies over the next year, which we believe will lead to increased volumes across FDX's entire network. We think the shares will benefit from increased investor interest in logistics stocks on concrete signs of economic improvement.
- ▶ Risks to our recommendation and target price include a possible price war on excess industry capacity. If recent challenges to the company's independent contractor model bear fruit, or attempts to overturn the U.S. Railway Labor Act succeed, the company would likely incur higher labor costs.
- ▶ Our 12-month target price of \$129 values the shares at about 16.5X our FY 14 EPS estimate of \$7.81, toward the low end of FDX's ten-year historical P/E range of 9X-34X.

Please read the Required Disclosures and Analyst Certification on the last page of this report.

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FedEx Corp.**Business Summary April 01, 2013**

CORPORATE OVERVIEW. FedEx Corp. provides global time-definite air express services for packages, documents and freight in more than 220 countries, and ground-based delivery of small packages in North America. In addition, the company offers expedited critical shipment delivery, customs brokerage solutions, less-than-truckload (LTL) freight transportation, and customized logistics. In February 2004, FDX paid \$2.4 billion in cash for Kinko's, which operates about 1,200 copy centers that also provide business services. This business was subsequently renamed FedEx Office.

CORPORATE STRATEGY. The company intends to leverage and extend the FedEx brand and to provide customers with seamless access to its entire portfolio of integrated transportation services. Sales and marketing activities are coordinated among operating companies. Advanced information technology makes it convenient for customers to use the full range of FedEx services and provides a single point of contact for customers to access shipment tracking, customer service and invoicing information. The company intends to continue to operate independent express, ground and freight networks, but has increased its emphasis on having the individual business units work together to compete more effectively.

PRIMARY BUSINESS DYNAMICS. FedEx Express is the world's largest provider of guaranteed express delivery services. It provides same-day, overnight and deferred delivery services for documents, packages and freight, using a network of 52,400 ground vehicles, 660 aircraft, and 58,400 drop-off boxes. In FY 12 (May), FedEx Express accounted for 62% of revenues. About 52% of FedEx Express's revenues in FY 12 were from U.S. services. FDX had two service contracts with the U.S. Postal Service that run through 2013 providing for air transport of Priority, Express and First Class mail. The USPS has informed FDX that it intends to solicit other proposals for this business upon expiration of the contract. FDX also has about 5,000 drop boxes at U.S. post offices in about 340 metropolitan locations under an agreement that expired in June 2012. FDX is currently preparing to remove these boxes.

The International business (48% of FedEx Express revenues in FY 12) delivers packages and documents to more than 220 countries. In FY 07, FedEx Express began new flights into China, and now has the authority to operate 30 weekly flights into China, the most of any U.S.-based carrier, and now serves 400 cities across the country.

FedEx Ground (21% of total revenues in FY 12) is North America's second largest ground package delivery company. In FY 12, FedEx Ground continued to improve the speed, reach and reliability of its network by reducing transit time for many of its lanes and introducing or expanding overnight ground service in many metropolitan areas. FedEx Ground is in the midst of a major network capacity expansion, which is expected to have increased daily pick-up capacity to about five million packages. FedEx Ground operations are conducted with 30,770 owner-operated vehicles and 35,000 company-owned trailers. FedEx Freight (12% of total revenue in FY 12) provides regional and interregional less-than-truckload (LTL) freight service throughout the U.S. FedEx Office (formerly named FedEx Kinko's), acquired in February 2004, accounted for the remaining 5% of FY 12 revenues.

IMPACT OF MAJOR DEVELOPMENTS. On October 9, 2012, FDX announced a profit improvement program that targets \$1.7 billion in profit enhancement, with 75% of this expected to be achieved by FY 15 with the rest slated for FY 16. The plan targets a combination of cost reductions, efficiency improvements and service repositionings. The company is also retiring older less efficient aircraft and redeploying its fleets to more productive routes. A major part of the program is technology streamlining, and reduction of redundant operations. Another key part of the program is a yield management strategy that seeks to provide the correct balance between pricing and volumes, and to move package volumes into the correct delivery channel. FDX expects to record a total of \$600 million in restructuring charges, with half to come in FY 13 and the rest in FY 14.

On June 2, 2008, FedEx announced that it would discontinue use of the Kinko's name and rebrand all its FedEx Kinko's stores under the new name FedEx Office. As a result of this decision, FDX recorded an \$891 million noncash impairment charge in its fiscal fourth quarter to write down goodwill and the value of the Kinko's trade name.

FINANCIAL TRENDS. Over the 10 years through FY 12, FDX revenues increased at a compound annual growth rate (CAGR) of 6.6%. Cash balances rose to \$2.8 billion at the end of FY 12, from \$538 million at the end of FY 03. Long-term debt was 10% of total capital at the end of FY 12, versus 17% at the end of FY 03. Return on assets reached a 10-year high of 8.6% in FY 07, and was 6.8% in FY 12, while return on equity reached a 10-year high of 16.7% in FY 07 and was 13.8% in FY 12.

Corporate Information**Investor Contact**

A.B. Graf, Jr. (901-818-7388)

Office

942 South Shady Grove Road, Memphis, TN 38120.

Telephone

901-818-7500.

Website<http://www.fedex.com>**Officers****Chmn. CEO & Pres**
F.W. Smith**EVP, Secy & General Counsel**
C.P. Richards**COO & EVP**

K. Dixon

EVP & CFO

A.B. Graf, Jr.

Board Members

J. L. Barksdale

J. A. Edwardson

S. A. Jackson

S. R. Loranger

G. W. Loveman

R. B. Martin

J. C. Ramo

S. C. Schwab

F. W. Smith

J. I. Smith

D. P. Steiner

P. S. Walsh

Domicile

Delaware

Founded

1971

Stockholders

13,863

FedEx Corp.



Quantitative Evaluations

S&P Fair Value Rank	4	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	\$101.00	Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that FDX is slightly undervalued by \$3.22 or 3.3%.
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Investability Quotient Percentile	98
	LOWEST = 1 HIGHEST = 100

FDX scored higher than 98% of all companies for which an S&P Report is available.

Volatility	LOW	AVERAGE	HIGH
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Technical Evaluation	BEARISH	Since March, 2013, the technical indicators for FDX have been BEARISH.
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Insider Activity	UNFAVORABLE	NEUTRAL	FAVORABLE
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Expanded Ratio Analysis

	2012	2011	2010	2009
Price/Sales	0.68	0.67	0.84	0.73
Price/EBITDA	5.35	5.87	7.35	6.63
Price/Pretax Income	9.26	11.69	15.42	38.46
P/E Ratio	14.31	18.23	24.67	NM
Avg. Diluted Shares Outstg (M)	317.0	317.0	314.0	312.0

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	8.59	7.00	3.03	6.39
Net Income	39.94	NM	9.88	0.96

Ratio Analysis (Annual Avg.)	1 Year	3 Years	5 Years	9 Years
Net Margin (%)	4.76	3.95	3.02	3.86
% LT Debt to Capitalization	7.62	9.36	9.82	13.16
Return on Equity (%)	13.57	10.73	8.24	11.37

Company Financials Fiscal Year Ended May 31

Per Share Data (U.S. \$)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Tangible Book Value	38.93	40.55	36.98	36.15	35.92	29.73	28.39	22.36	17.45	21.03
Cash Flow	13.08	10.80	10.01	6.64	9.84	12.20	10.83	9.48	7.28	7.20
Earnings	6.41	4.57	3.76	0.31	3.60	6.48	5.83	4.72	2.76	2.74
S&P Core Earnings	6.17	4.68	3.55	-0.16	2.77	6.32	5.60	4.48	2.61	1.38
Dividends	NA	0.48	0.44	0.44	0.36	0.36	0.32	0.28	0.22	0.20
Payout Ratio	NA	11%	12%	142%	10%	6%	5%	6%	8%	7%
Calendar Year	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Prices:High	98.66	97.75	92.59	99.46	121.42	120.01	105.82	100.92	78.05	61.35
Prices:Low	64.07	69.78	34.02	53.90	89.01	96.50	76.81	64.84	47.70	42.75
P/E Ratio:High	15	21	25	NM	34	19	18	21	28	22
P/E Ratio:Low	10	15	9	NM	25	15	13	14	17	16

Income Statement Analysis (Million U.S. \$)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenue	42,680	39,304	34,734	35,497	37,953	35,214	32,294	29,363	24,710	22,487
Operating Income	5,433	4,506	3,974	3,926	4,903	5,018	4,564	3,933	3,250	2,822
Depreciation	2,113	1,973	1,958	1,975	1,946	1,742	1,550	1,462	1,375	1,351
Interest Expense	52.0	77.0	71.0	156	182	136	142	160	136	118
Pretax Income	3,141	2,265	1,894	677	2,016	3,215	2,899	2,313	1,319	1,338
Effective Tax Rate	35.3%	35.9%	37.5%	85.5%	44.2%	37.3%	37.7%	37.4%	36.5%	38.0%
Net Income	2,032	1,452	1,184	98.0	1,125	2,016	1,806	1,449	838	830
S&P Core Earnings	1,952	1,482	1,115	-49.6	868	1,966	1,733	1,376	790	415

Balance Sheet & Other Financial Data (Million U.S. \$)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Cash	2,843	2,328	1,952	2,292	1,539	1,569	1,937	1,039	1,046	538
Current Assets	9,056	8,285	7,284	7,116	7,244	6,629	6,464	5,269	4,970	3,941
Total Assets	29,903	27,385	24,902	24,244	25,633	24,000	22,690	20,404	19,134	15,385
Current Liabilities	5,374	4,882	4,645	4,524	5,368	5,428	5,473	4,734	4,732	3,335
Long Term Debt	1,250	1,667	1,668	1,930	1,506	2,662	1,592	2,427	2,837	1,709
Common Equity	14,727	15,220	13,811	13,626	14,526	12,656	11,511	9,588	8,036	7,288
Total Capital	16,394	16,905	15,741	16,209	16,534	16,215	14,470	13,221	12,054	9,879
Capital Expenditures	4,007	3,434	2,816	2,459	2,947	2,882	2,518	2,236	1,271	1,511
Cash Flow	4,145	3,425	3,142	2,073	3,071	3,758	3,356	2,911	2,213	2,181
Current Ratio	1.7	1.7	1.6	1.6	1.4	1.2	1.2	1.1	1.1	1.2
% Long Term Debt of Capitalization	7.6	9.9	10.6	11.9	8.7	16.4	11.0	18.3	23.5	17.2
% Net Income of Revenue	4.8	3.7	3.4	0.3	3.0	5.7	5.6	4.9	3.4	3.7
% Return on Assets	7.1	5.6	4.8	0.4	4.5	8.6	8.4	7.3	4.9	5.7
% Return on Equity	13.6	10.0	8.6	0.7	8.3	16.7	17.1	16.4	10.9	11.8

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.

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FedEx Corp.

Sub-Industry Outlook

We have a positive fundamental outlook for the air freight and logistics industry for the next 12 months. We believe fundamentals in domestic shipping are likely to strengthen over the next year and think the valuations of many logistics companies are likely to expand on improved investor sentiment should signs emerge that the U.S. and global economy is improving. Although customers are currently using lower-priced delivery methods, we see improving volume and yield trends on expanding shipping demand and improved pricing over the next year. We expect demand for international shipping over the next several years to be driven by export activity out of Asia and developing economies throughout the world.

We believe the volume of activity coming out of Asia, and particularly China, should act as a natural support to air freight volumes over the next couple of years. Air Freight companies United Parcel Service (UPS 85, Buy) and FedEx Corp. (FDX 107, Strong Buy) are both increasing their presence in these markets by adding facilities and flights to and from Asia. We think the current expansion in these markets could continue for longer than many investors think. In addition, most carriers have been successful in pushing through price increases and recouping rising fuel costs through fuel surcharges.

According to data from the U.S. Board of Transport Statistics, total cargo (measured in revenue ton-miles) fell 3.6% in 2012 through November, with international down 5.7% and domestic up 2.2%. In 2011, cargo fell 0.6%, to 64.7 billion, with international down 0.74% and domestic down 3.2%. Total cargo rose 18.8% in 2010, to 58.6 billion, with international up 24.4% and domestic up 5.7%.

We believe the strongest performers in the industry will be those companies offering total logistics and

information services to their customers. We think they are best positioned to capitalize on the strengthening demand we foresee, and we believe these companies would be able to offset higher fuel costs with rate increases and/or fuel surcharges.

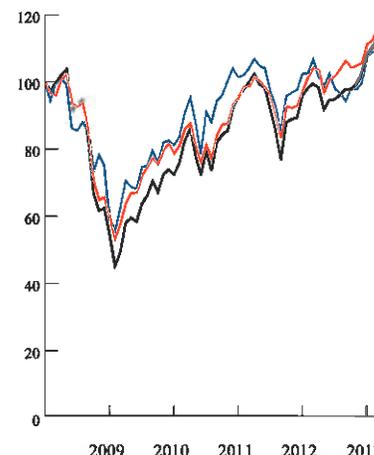
Year to date through March 1, the S&P Air Freight and Logistics Index rose 9.6%, versus a 6.6% rise for the S&P 1500. In 2012, the S&P Air Freight and Logistics Index rose 1.9%, underperforming the 13.7% rise in the 1500.

--Jim Corridore

Stock Performance

**GICS Sector: Industrials
Sub-Industry: Air Freight & Logistics**

Based on S&P 1500 Indexes
Month-end Price Performance as of 3/29/13



Sub-Industry Sector S&P 1500

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

Sub-Industry : Air Freight & Logistics Peer Group*: Air Freight & Couriers

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 (%)
FedEx Corp	FDX	30,748	97.78	109.66/83.80	1.29	0.6	17	101.00	B+	98	4.8	7.6
Air T	AIRT	23	9.22	9.77/7.76	0.63	2.7	18	NA	B	88	1.5	NA
Air Transport Services Group	ATSG	366	5.69	6.09/3.38	NM	Nil	9	6.20	B-	15	6.9	51.9
Atlas Air Worldwide Holdings	AAWW	1,057	39.98	57.00/39.30	2.36	Nil	8	52.60	NR	10	7.9	44.3
C.H. Robinson Worldwide	CHRW	9,438	58.80	67.93/50.81	0.68	2.4	21	64.10	A+	99	5.2	NA
Expeditors Intl,Wash	EXPD	7,304	35.37	47.48/34.20	0.91	1.6	23	32.50	A	97	5.6	NA
Forward Air	FWRD	1,093	36.94	39.58/29.65	1.11	1.1	21	38.90	B+	96	9.0	NA
Hub Group 'A'	HUBG	1,406	37.91	41.18/27.26	1.11	Nil	21	40.90	B+	90	2.2	NA
Pacer International	PACR	176	5.03	7.04/3.00	2.13	Nil	42	5.50	B-	35	0.3	NA
PostNL NV ADS	PNLY	867	1.97	5.60/1.92	1.78	Nil	1	5.70	NR	5	15.5	59.7
United Parcel 'B'	UPS	61,693	84.47	85.95/69.56	0.89	2.9	NM	86.50	B	96	1.5	62.4

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.

FedEx Corp.

S&P Analyst Research Notes and other Company News

March 20, 2013

FDX posts \$1.23 vs. \$1.55 Q3 EPS despite 4% revenue rise. Says decline in profitability at FedEx Express due to accelerating demand shift toward lower-yielding intl svcs, lower intl export yields. Also, results negatively impacted by the business realignment costs, fewer operating days in each transportation segment. Capital IQ consensus forecast is \$1.38. Sees \$1.90-\$2.10 adj. Q4 EPS.

March 20, 2013

08:50 am ET ... S&P MAINTAINS STRONG BUY OPINION ON SHARES OF FEDEX CORP. (FDX 106.46****): We cut our FY 13 (May) and FY 14 EPS estimates to \$6.02 and \$7.81, respectively, from \$6.67 and \$8.07. We keep our target price at \$129, 16.5X our FY 14 estimate, toward the low end of FDX's historical P/E range to reflect the current weak environment. Feb-Q EPS of \$1.23, vs. \$1.55, misses our \$1.46 estimate and the Capital IQ consensus of \$1.38. We still find the shares attractively valued, and see P/E expansion on good economic news. We believe the current environment validates FDX's profit improvement program, which is intended to react to a changing business environment. /J. Corridore

January 4, 2013

05:23 am ET ... S&P MAINTAINS STRONG BUY OPINION ON SHARES OF FEDEX CORP. (FDX 94.60****): We raise our FY 13 (May) and FY 14 EPS estimates to \$6.67 and \$8.07 from \$6.50 and \$8.02. We raise our 12-month target price by \$7 to \$129, valuing the shares at 16X our FY 14 EPS estimate, toward the low end of the company's 10-year historical P/E range. While overall retail sales seem to have been disappointing, online sales surged 16% from November 1-December 21 according to comScore, which surpassed our expectations. We also think the shares could benefit from the near-term resolution of the fiscal cliff, though there is still uncertainty related to the U.S. debt ceiling. /J. Corridore

December 19, 2012

FDX posts \$1.39 vs. \$1.57 Q2 EPS on 5% revenue rise. Capital IQ consensus forecast was \$1.41 EPS, \$10.82B revenue (vs. reported \$11.1B). Sees Q3 EPS in the range of \$1.25-\$1.45, reaffirms FY 13 EPS forecast of \$6.20-\$6.60.

December 19, 2012

09:38 am ET ... S&P MAINTAINS STRONG BUY OPINION ON SHARES OF FEDEX CORP. (FDX 93.93****): We maintain our FY 13 (May) and FY 14 EPS estimates of \$6.50 and \$8.02, respectively, and our target price of \$122, 15X our FY 14 estimate, in the middle of FDX's 10-yr. historical range. Nov-Q EPS of \$1.39, vs. \$1.57, was \$0.01 below our estimate. However, FDX said Superstorm Sandy detracted \$0.11 from the quarter. FDX continues to experience a negative mix shift at express and strong growth at ground, and we expect both of these trends to continue. We remain positive on FDX's ongoing profit improvement plan, and believe it will lead to lower costs in FY 14 and beyond. /J. Corridore

December 3, 2012

FDX announces that it will be increasing shipping rates for FedEx Ground and FedEx Home delivery by a net average of 4.9% effective January 7, 2013.

October 11, 2012

11:03 am ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF FEDEX CORP. (FDX 91.32****): We are positive on the company's \$1.7B cost cutting plan, which FDX expects to achieve through voluntary headcount reductions, new fleet deployments, technology streamlining and yield and revenue actions. FDX displayed a proactive approach to the current state of the shipping market and showed off its deep management bench. We think it will be able to hit its profitability improvement targets and believe FDX will gain a competitive advantage if successful. FDX expects \$600M in charges, half in FY 13 and half in FY 14 as it implements this plan. /J. Corridore

October 10, 2012

FDX announces programs targeting annual profitability improvement of \$1.7B during next three years, with a significant portion of benefits achieved by FY 15. Notes these profit improvement initiatives do not include ongoing base profit improvements at FedEx Ground and FedEx Freight. Reaffirms Q2 EPS outlook of \$1.30-\$1.45, FY 13 of \$6.20-\$6.60. Also announces David Rehholz, president and chief executive officer of FedEx Ground, will retire effective May 31, 2013.

October 10, 2012

09:02 am ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF FEDEX (FDX 85.58****): FDX announced that it is targeting \$1.7 billion in cost savings through a variety of actions in technology, staffing and asset deployment. FDX will give details today at investor meeting we are attending. The magnitude of the cost savings are larger than we were expecting. FDX has also reaffirmed FY 13 (May) guidance of \$6.20-\$6.60. We are positive on the size of the savings and will update after meeting. /J. Corridore

September 25, 2012

05:04 am ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF FEDEX CORP. (FDX 84.86****): We reiterate our FY 13 (May) EPS estimate of \$6.50 but raise our FY 14 estimate to \$8.02 from \$7.25 after adjusting our model for improved demand next year. Our 12-month target price stays \$122, 19X our FY 13 estimate, near the middle of the company's 10-year historical range. FDX is expected to unveil a new cost savings program at its investors meeting on October 9 and 10; we think it should be able to improve operating margins with cost cuts and more efficient use of assets. We also think stronger than expected demand for iPhones could aid near-term revenues. /J. Corridore

September 18, 2012

FDX posts \$1.45 vs. \$1.46 Q1 EPS despite 3% revenue rise. Sees \$1.30-\$1.45 Q2 EPS, \$6.20-\$6.60 FY 13, compared to its previous forecast of \$6.90-\$7.40.

September 18, 2012

09:09 am ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF FEDEX CORP. (FDX 89.28****): We cut our FY 13 (May) EPS estimate to \$6.50 from \$7.20. Our 12-month target price remains \$122, 19X our FY 13 estimate, the low end of its historical range. Q1 EPS of \$1.45 vs. \$1.46 tops our \$1.41 estimate and is at the high end of recently lowered guidance. FDX cuts FY 13 EPS guidance to \$6.20-\$6.60 from \$6.90-\$7.40. FDX plans to announce network changes at meeting in October; our estimates do not include any benefits from that program. While we view the global picture as weak, we see FDX as well positioned to leverage increased demand into profit improvement when it occurs. /J. Corridore

September 5, 2012

FDX expects Q1 EPS to bwe in the range of \$1.37-\$1.43, vs. prior guidance of \$1.45-\$1.60. Says weakness in the global economy constrained revenue growth at FedEx Express more than expected in the earlier guidance.

September 5, 2012

10:05 am ET ... S&P MAINTAINS STRONG BUY OPINION ON SHARES OF FEDEX (FDX 86.19****): We lower our FY 13 (May) EPS forecast \$0.10 to \$7.20, after FDX cuts Q1 guidance to a range of \$1.37-\$1.43, from its earlier \$1.45-\$1.60. We keep our target price at \$122, 16.9X our FY 13 forecast, and the bottom half of FDX's range of the past decade. FDX's less positive outlook stems from challenges in the global economy. However, despite these near-term issues, we think the company remains well positioned for solid results once economic conditions turn more positive. We also believe global challenges will bring government stimulus over the coming year. /J. Corridore, /M. Jaffe

FedEx Corp.



Analysts' Recommendations

Wall Street Consensus Opinion

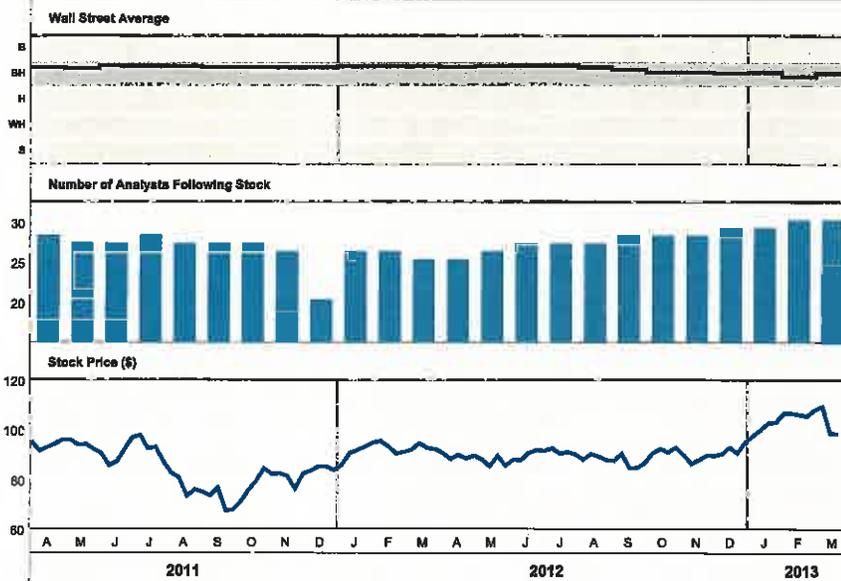
BUY/HOLD

Companies Offering Coverage

Over 30 firms follow this stock; not all firms are displayed.

- Argus Research Company
- Atlantic Equities LLP
- Avondale Partners, LLC
- BB&T Capital Markets
- Barclays
- BofA Merrill Lynch
- Citigroup Inc
- Credit Suisse
- Dahiman Rose & Company, LLC
- Day By Day
- Deutsche Bank
- Goldman Sachs
- HSBC
- JP Morgan
- Jefferies & Company, Inc.
- Jesup & Lamont Securities Corporation
- Jyske Bank A/S
- Lazard Capital Markets
- Macquarie Research
- Morgan Keegan & Company
- Morgan Stanley
- Morningstar Inc.
- Nomura Securities Co. Ltd.
- Oppenheimer & Co. Inc.
- Piper Jaffray Companies
- RBC Capital Markets
- Raymond James & Associates
- Robert W. Baird & Co.
- S&P Equity Research
- Sanford C. Bernstein & Co., Inc.

Monthly Average Trend Buy Buy/Hold Hold Weak Hold Sell No Opinion FDX Trend



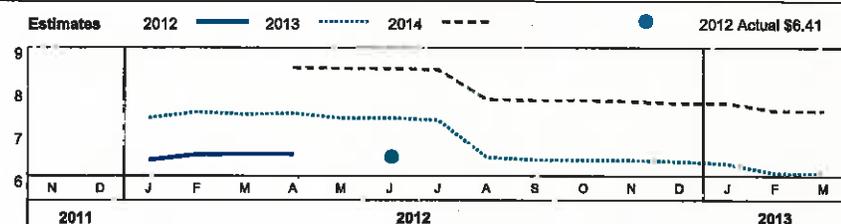
Of the total 37 companies following FDX, 30 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	13	43	13	13
Buy/Hold	7	23	7	7
Hold	9	30	9	8
Weak Hold	0	0	0	0
Sell	1	3	1	1
No Opinion	0	0	0	0
Total	30	100	30	29

Wall Street Consensus vs. Performance

For fiscal year 2013, analysts estimate that FDX will earn \$6.07. For the 3rd quarter of fiscal year 2013, FDX announced earnings per share of \$1.13, representing 19% of the total annual estimate. For fiscal year 2014, analysts estimate that FDX's earnings per share will grow by 24% to \$7.54.

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2014	7.54	8.10	6.70	30	13.0
2013	6.07	6.35	5.83	28	16.1
2014 vs. 2013	▲ 24%	▲ 28%	▲ 15%	▲ 7%	▼ -19%
Q4'14	2.31	2.52	2.17	15	42.3
Q4'13	1.98	NA	1.83	26	49.4
Q4'14 vs. Q4'13	▲ 17%	NA	▲ 19%	▼ -42%	▼ -14%

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.

FedEx Corp.



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 capture 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:

FedEx Corp	Raw Score	Max Value
Proprietary S&P Measures	33	115
Technical Indicators	23	40
Liquidity/Volatility Measures	19	20
Quantitative Measures	65	75
IQ Total	140	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

FedEx Corp.

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 December 31, 2012, research analysts at Standard & Poor's Equity Research Services North America recommended 35.2% of issuers with buy recommendations, 58.5% with hold recommendations and 6.3% with sell recommendations.

In Europe: As of December 31, 2012, research analysts at Standard & Poor's Equity Research Services Europe recommended 28.2% of issuers with buy recommendations, 51.8% with hold recommendations and 20.0% with sell recommendations.

In Asia: As of December 31, 2012, research analysts at Standard & Poor's Equity Research Services Asia recommended 34.7% of issuers with buy recommendations, 51.6% with hold recommendations and 13.7% with sell recommendations.

Globally: As of December 31, 2012, research analysts at Standard & Poor's Equity Research Services globally recommended 34.0% of issuers with buy recommendations, 56.8% with hold recommendations and 9.2% 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

In North America: As of December 31, 2012, Standard & Poor's Quantitative Services North America recommended 40.1% of issuers with buy recommendations, 29.0% with hold recommendations and 30.9% with sell recommendations.

In Europe: As of December 31, 2012, Standard & Poor's Quantitative Services Europe recommended 43.3% of issuers with buy recommendations, 29.9% with hold recommendations and 33.8% with sell recommendations.

In Asia: As of December 31, 2012, Standard & Poor's Quantitative Services Asia recommended 51.0% of issuers with buy recommendations, 19.6% with hold recommendations and 29.4% with sell recommendations.

Globally: As of December 31, 2012, Standard & Poor's Quantitative Services globally recommended 45.6% of issuers with buy recommendations, 20.6% with hold recommendations and 33.8% with sell recommendations.

Additional information is available upon request.

Other Disclosures

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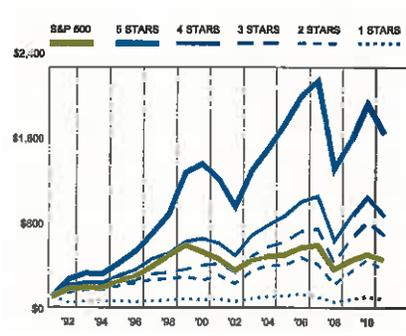
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U.S. STARS Cumulative Model Performance
Hypothetical Growth Due to Price Appreciation of \$100
For the Period 12/31/1986 through 03/31/2013



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 \$1,500), 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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An investment based upon the models should only be made after consulting with a financial advisor and with an understanding of the risks associated with any investment in securities, including, but not limited to, market risk, currency risk, political and credit risks, the risk of economic recession and the risk that issuers of securities or general stock market conditions may worsen, over time. Foreign investing involves certain risks, including currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity and the potential for market volatility and political instability. As with any investment, investment returns and principal value will fluctuate, so that when redeemed, an investor's shares may be worth more or less than their original cost.

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April 3, 2013

Investment Recommendation

Purchase

Apache Corporation (APA)

Price \$76.16

Annual Dividend \$.80

Yield 1.05%

Apache Corporation is an independent energy company, which explores for, develops, and produces natural gas, crude oil, and natural gas liquids. Apache has exploration and production interests in six countries: the United States, Canada, Egypt, and Australia, offshore the United Kingdom in the North Sea, and Argentina. In 2012 Apache's oil production was equally balanced between North America and international sources, the company produced twice as much gas domestically as they did internationally.

We have been encouraged by Apache's recent acquisitions. Over the past two years the company has spent over \$14 billion strategically adding proven reserves to its portfolio, including major transactions from BP, Exxon Mobil and Devon Energy. Under the management of C.E.O. Steven Farris Apache has an excellent record integrating and growing acquired assets.

Apache earned \$4.92 per share in 2011. The consensus estimates for 2013 is \$9.10 and \$10.14 for 2014. Analyst estimates are forecasting revenue growth through 2014 of 5-7% per year. The stock currently trades at a discount to its peer group and is trading almost 25% below its 52 week high.

We have a positive outlook on the oil and gas segment and expect to see continued growth both domestically, as the economic recovery gains momentum and in emerging markets. Apache has a proven management team, a strong balance sheet and a well-balanced production portfolio of oil and gas worldwide. Trading at 15 times earnings we think that the shares represent a good value.

Apache Corp

S&P Recommendation **STRONG BUY** ★★★★★

Price
\$77.16 (as of Mar 28, 2013)

12-Mo. Target Price
\$116.00

Investment Style
Large-Cap Blend

UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE COMPANY NEWS SECTION

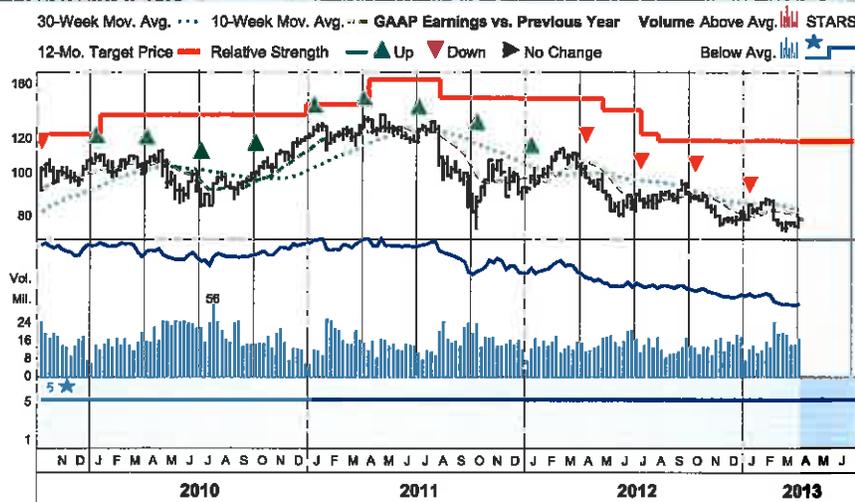
GICS Sector Energy
Sub-Industry Oil & Gas Exploration & Production

Summary Apache, one of the largest independent exploration and production companies in the U.S., explores for, develops and produces natural gas, crude oil and natural gas liquids.

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

52-Wk Range	\$102.13–72.20	S&P Oper. EPS 2013E	10.39	Market Capitalization(B)	\$30,228	Beta	1.31
Trailing 12-Month EPS	\$4.92	S&P Oper. EPS 2014E	11.40	Yield (%)	1.04	S&P 3-Yr. Proj. EPS CAGR(%)	-2
Trailing 12-Month P/E	15.7	P/E on S&P Oper. EPS 2013E	7.4	Dividend Rate/Share	\$0.80	S&P Credit Rating	A-
\$10K Invested 5 Yrs Ago	\$6,598	Common Shares Outstg. (M)	391.8	Institutional Ownership (%)	83		

Price Performance



Analysis prepared by Equity Analyst **Michael Kay** on Jan 30, 2013, when the stock traded at **\$85.51**.

Highlights

- Production grew 14% in 2011, and APA sees 6%-9% multi-year organic growth. It runs about 100 rigs globally and has increased U.S. on-shore oil activity. APA benefits from crude (70% of oil volumes) differentials versus the U.S. WTI benchmark. APA has ramped drilling at acquired North Sea assets and has extended its holdings in the Western Desert of Egypt (23 rigs). In 2012, APA acquired Cordillera Energy for \$2.85 billion, more than doubling its acreage in the Anadarko Basin (Granite Wash, Tonkawa, Cleveland, Marmaton), with 53% of production being liquids. It runs 23 rigs in the Anadarko Basin and 34 in the Permian Basin; production from these areas was up significantly in 2012. North America now represents 57% of production (46% in 2010).
- Capex for 2012 was set at \$9.5 billion, up from \$8 billion (ex-acquisitions) in 2011. Renewed Gulf of Mexico (GOM) drilling and a deep prospect inventory across all regions provide ample exploratory targets, in our view. We see capex of about \$10 billion in 2013.
- We see EPS of \$9.45 in 2012 and \$10.39 in 2013, versus adjusted EPS of \$12.01 in 2011, reflecting lower domestic natural gas prices.

Investment Rationale/Risk

- We believe acquisitions have added significant value in core regions. APA has a proven record of unlocking value from acquired assets, and has focused on integrating/exploiting mature reserves and directing capital to large projects. Its reserves are balanced between liquids and gas (46/54) and are geographically diverse. We expect the Midcontinent/Permian programs to garner more attention and drive onshore U.S. volumes. It is one of the largest operators in the highly active Permian. APA's onshore U.S. rig count is now 58, versus 36 in early 2012. We expect APA to fund capex with free cash flow for the foreseeable future.
- Risks to our opinion and target price include unfavorable changes to economic, industry and operating conditions, including increased costs, and difficulty replacing reserves.
- Recent share prices reflect a discount to peer valuations. Based on our net asset value estimate (\$122), a target multiple of 4X EV to 2013 EBITDA and 4X 2013 cash flow per share, our 12-month target price is \$116. We expect the shares to close the valuation gap on increased U.S. exposure, production and cash flow growth and a quality asset base.

Qualitative Risk Assessment

LOW **MEDIUM** **HIGH**

Our risk assessment for APA reflects its participation in a highly capital-intensive industry that derives value based on commodity prices that can be highly volatile. This is partly offset by APA's widely dispersed operations across major producing regions.

Quantitative Evaluations

S&P Quality Ranking **B+**

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

Relative Strength Rank **MODERATE**

34
LOWEST = 1 HIGHEST = 88

Revenue/Earnings Data

	1Q	2Q	3Q	4Q	Year
2012	4,481	3,972	4,179	4,309	16,834
2011	3,925	4,338	4,328	4,297	16,888
2010	2,673	2,972	3,013	3,434	12,092
2009	1,634	2,093	2,332	2,570	8,615
2008	3,188	3,900	3,365	1,937	12,390
2007	1,997	2,468	2,499	3,014	9,978

Earnings Per Share (U.S. \$)

2012	2.00	0.86	0.41	1.64	4.92
2011	2.86	3.17	2.50	2.98	11.47
2010	2.08	2.53	2.12	1.77	8.46
2009	-5.25	1.31	1.30	1.72	-0.87
2008	3.03	4.28	3.52	-8.80	2.10
2007	1.47	1.89	1.83	3.19	8.39

Fiscal year ended Dec. 31. Next earnings report expected: Early May. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

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

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.170	05/30	07/19	07/23	08/22/12
0.170	09/28	10/18	10/22	11/21/12
0.170	11/19	01/17	01/22	02/22/13
0.200	02/12	04/18	04/22	05/22/13

Dividends have been paid since 1965. Source: Company reports.

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Apache Corp

**STANDARD
& POOR'S**

Business Summary January 30, 2013

CORPORATE OVERVIEW. One of the largest independent exploration and production (E&P) companies in the U.S., Apache Corp. (APA) explores for, develops and produces natural gas, crude oil and natural gas liquids (NGLs). APA has E&P operations in seven countries, the U.S., Canada, Egypt, the U.K., Australia, Argentina and Chile. Acquisitions in 2010 substantially added to its asset base in the U.S., Canada, and Egypt.

In North America, APA's interests are focused on the Gulf of Mexico, the Gulf Coast, Permian and Central regions of the U.S. and Canada. Outside of North America, APA has interests in Egypt, offshore Western Australia, offshore the U.K. in the North Sea, and onshore Argentina and Chile.

APA's North American asset base comprises the U.S. Central region, the U.S. Gulf Coast region, the Permian region, the Anadarko Basin, Alaska and the Canada region. In 2011 North America assets contributed 51% of production and 69% of estimated proved reserves at year end. APA has 7.5 million net acres across Canada, including approximately 1.3 million net in Western Alberta and British Columbia acquired from BP in 2010. APA and EnCana Corporation (ECA) are 50% partners and control more than 400,000 acres in the Horn River Basin shale-gas play in northeast British Columbia.

Egypt holds APA's largest acreage position, with more than 9.7 million gross acres that provide considerable exploration and development opportunities. In addition to being the largest acreage holder in Egypt's Western Desert, APA believes it is also the largest producer of liquid hydrocarbons and natural gas in the Western Desert and the third largest in all of Egypt. In 2011, Egypt contributed 22% of total production and 10% of total estimated proved reserves.

In Australia, exploration activity is focused in the offshore Carnarvon, Exmouth and Browse Basins, where APA holds 8.8 million gross acres. In 2011, the region saw production fall 13%, as a result of several cyclones and repairs at the Van Gogh field, and accounted for approximately 9% of total production and 11% of year-end estimated proved reserves.

Proved oil and gas reserves grew 1%, to 2.99 billion barrels of oil equivalent (BOE; 67% developed; 46% liquids) in 2011. Oil and gas production grew 14%, to 747,000 BOE per day (46% liquids). In 2011, APA participated in drilling 1,087 gross wells, up from 904 in 2010, with a 92% success rate.

At year-end 2011, the U.S. held 43% of APA's estimated proved reserves, Canada 25%, Egypt 10%, Australia 11%, U.K. 7%, and Argentina 4%.

IMPACT OF MAJOR DEVELOPMENTS. On January 23, 2012, APA agreed to acquire Cordillera Energy Partners III LLC, a privately held company with substantial operations that include approximately 254,000 net acres in the prolific Granite Wash, Tonkawa, Cleveland and Marmaton plays in western Oklahoma and the Texas Panhandle, for \$2.85 billion. In addition to estimated proved reserves of 71.5 MMBOE and current net production of 18,000 BOE/d, Cordillera holds an acreage position with significant resource potential including 14,000 potential drilling locations in liquids-rich Anadarko Basin plays. The deal closed on May 1, 2012.

At 2011 year end, APA acquired Exxon Mobil's North Sea assets, including the Beryl field and related properties, for \$1.75 billion. The field's net production had been about 19,000 b/d of oil and natural gas liquids and 58 MMcfd of natural gas when the deal was first announced in September. At year-end 2010, estimated proved reserves totaled 68 MMBOE.

In late 2010, APA acquired BP's operations, acreage and infrastructure in the Permian Basin and Egypt's Western Desert, and substantially all of BP's upstream natural gas business in western Alberta and British Columbia. APA paid about \$6.4 billion for the assets, which include estimated proved reserves of 385 MM-BOE and production of 83 MBOE/day.

On June 10, 2010, APA completed the acquisition of Devon Energy Corporation's assets in the shallow waters of the Gulf of Mexico Shelf for \$1.05 billion. APA estimated net proved and probable reserves of 83 MMBOE at year-end 2009.

FINANCIAL TRENDS. Since early 2010, APA has ramped up activity as it moved into development stages at Horn River, increased drilling in the Granite Wash formation, and doubled oil drilling activity in the Permian Basin. With capital expenditures at \$8 billion in 2011, up from \$5.3 billion in 2010, excluding acquisitions, production was up 14%, and we see 7% and 9% growth in 2012 and 2013, on capex of \$9.5 billion and \$10 billion, respectively. APA is planning to divest \$1.0 billion of properties, likely legacy conventional properties in Canada.

We believe APA's project development inventory and strong balance sheet should provide built-in production growth and acquisition opportunities going forward. At September 30, 2012, APA's debt-to-capitalization ratio was 25%. APA's strong balance sheet and cash flow generation provide it with flexibility with respect to acquisitions and asset development that many peers lack.

Corporate Information

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COO & Co-Pres
R.J. Eichler

EVP & General Counsel
P.A. Lannie

EVP & CFO

T.P. Chambers

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A. D. Frazier, Jr.
C. Joung
G. D. Lawrence, Jr.
R. D. Patton

Domicile

Delaware

Founded

1954

Employees

5,976

Stockholders

444,000

Apache Corp

Quantitative Evaluations

S&P Fair Value Rank	5	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 **\$89.90** Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that APA is slightly undervalued by \$12.74 or 16.5%.

Investability Quotient Percentile	60
	LOWEST = 1 HIGHEST = 100

APA scored higher than 60% of all companies for which an S&P Report is available.

Volatility	LOW	AVERAGE	HIGH
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Technical Evaluation **BEARISH** Since February, 2013, the technical indicators for APA have been BEARISH.

Insider Activity	UNFAVORABLE	NEUTRAL	FAVORABLE
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Expanded Ratio Analysis

	2012	2011	2010	2009
Price/Sales	1.80	2.17	3.54	4.02
Price/Pretax Income	6.29	4.48	8.22	NM
P/E Ratio	15.94	7.90	14.12	NM
Avg. Diluted Shares Outstg (M)	391.0	400.0	359.0	335.9

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	2.44	26.80	11.84	15.16
Net Income	-58.01	NM	NM	-49.24

Ratio Analysis (Annual Avg.)

	2012	2011	2010	2009
Net Margin (%)	11.27	21.28	13.26	21.24
% LT Debt to Capitalization	26.05	23.25	22.63	20.35
Return on Equity (%)	6.65	13.15	8.44	14.97

Company Financials Fiscal Year Ended Dec. 31

Per Share Data (U.S. \$)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Tangible Book Value	73.58	69.38	57.84	46.34	48.63	46.49	39.30	31.06	24.18	19.25
Cash Flow	18.77	21.89	17.25	6.57	25.68	15.41	13.19	12.22	8.81	6.67
Earnings	4.92	11.47	8.46	-0.87	2.10	8.39	7.64	7.84	5.04	3.35
S&P Core Earnings	4.92	11.46	8.46	-0.87	2.08	8.38	7.30	7.60	5.19	3.29
Dividends	0.66	0.60	0.60	0.60	0.70	0.60	0.60	0.34	0.32	0.21
Payout Ratio	13%	5%	7%	NM	33%	7%	8%	4%	6%	6%
Prices:High	112.09	134.13	120.80	106.46	149.23	109.32	76.25	78.15	55.16	41.68
Prices:Low	74.50	73.04	81.94	51.03	57.11	63.01	56.50	47.45	36.79	26.26
P/E Ratio:High	23	12	14	NM	71	13	10	10	11	12
P/E Ratio:Low	15	6	10	NM	27	8	7	6	7	8

Income Statement Analysis (Million U.S. \$)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenue	17,078	16,672	12,092	8,615	12,390	9,978	8,289	7,584	5,333	4,190
Operating Income	NA	NA	NA	NA	8,988	7,224	5,753	5,792	4,119	3,241
Depreciation, Depletion and Amortization	5,415	4,249	3,194	2,500	7,952	2,348	1,816	1,416	1,222	1,073
Interest Expense	182	175	229	242	166	312	158	122	120	127
Pretax Income	4,877	8,093	5,206	326	932	4,673	4,010	4,206	2,663	1,922
Effective Tax Rate	59.0%	43.4%	41.8%	187.1%	23.6%	39.8%	36.3%	37.6%	37.3%	43.0%
Net Income	1,925	4,584	3,032	-284	712	2,812	2,552	2,624	1,670	1,095
S&P Core Earnings	1,926	4,505	3,000	-292	701	2,805	2,434	2,539	1,713	1,069

Balance Sheet & Other Financial Data (Million U.S. \$)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Cash	160	295	134	2,048	1,973	126	141	229	111	33.5
Current Assets	4,962	4,803	3,480	4,586	4,451	2,752	2,490	2,162	1,349	899
Total Assets	60,737	52,051	43,425	28,186	29,186	28,635	24,308	19,272	15,502	12,416
Current Liabilities	5,536	4,963	3,524	2,393	2,615	2,665	3,812	2,187	1,283	820
Long Term Debt	11,355	6,785	8,095	4,950	4,809	4,227	2,020	2,192	2,588	2,327
Common Equity	30,104	27,766	24,377	15,779	16,509	15,280	13,093	10,443	8,106	6,434
Total Capital	43,585	36,178	32,472	20,839	24,484	23,315	18,830	12,733	10,793	8,880
Capital Expenditures	9,531	7,078	4,922	3,631	5,973	5,807	3,892	3,716	2,456	1,595
Cash Flow	7,340	8,757	6,194	2,208	8,658	5,154	4,363	4,034	2,887	2,163
Current Ratio	0.9	1.0	1.0	1.9	1.7	1.0	0.7	1.0	1.1	1.1
% Long Term Debt of Capitalization	26.1	18.8	24.9	23.9	19.6	20.7	13.3	17.2	24.0	26.3
% Return on Assets	3.6	9.6	8.5	NM	2.5	10.6	11.7	15.1	12.0	10.0
% Return on Equity	6.7	17.7	15.1	NM	4.5	19.8	21.6	28.2	22.9	19.4

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

Apache Corp

Sub-Industry Outlook

Our fundamental outlook for the oil & gas exploration & production (E&P) sub-industry for the next 12 months is positive. U.S. E&Ps are emphasizing oil/liquids production, which we think grew 21% in 2012, and we forecast 18% growth in 2013 for our coverage universe. This compares to more subdued natural gas production, estimated to have risen 3% in 2012, and for which we forecast 2% growth in 2013. Lower gas prices drove group cash flow 5% lower in 2012, we think, but on higher-margin oil and rising gas price comparisons, we see cash flow up 10% in 2013. We believe our universe increased capital expenditures by 17% in 2012 and we project a 12% rise in 2013 (gas-directed capex down 6%, liquids-directed up 17%). We are focused on oil/liquids growth and remain cautious on natural gas, where funding gaps are prevalent and cash flow growth more difficult. Global M&A activity remains focused on onshore North America oil.

The U.S. Energy Information Administration (EIA) estimates that global oil demand grew by 0.82 million barrels per day (MMb/d) in 2012, to 89.12 MMb/d, and, as of March 2013, sees growth of 1.01 MMb/d in 2013, to 90.13 MMb/d, and 1.40 MMb/d in 2014, to 91.53 MMb/d. The EIA estimates global oil supply grew by 1.92 MMb/d in 2012, to 89.03 MMb/d, and forecasts supply growth of 0.81 MMb/d in 2013 and 1.92 MMb/d in 2014. The EIA expects OPEC to produce at least 30 MMb/d through 2014.

Global supply growth, mainly stemming from North America, is expected to outpace higher global demand in 2013 and 2014. As of March 2013, using S&P Capital IQ estimates based on data from IHS Global Insight, West Texas Intermediate (WTI) spot oil prices were projected to average \$90.70 per barrel in 2013 and \$88.14 in 2014, versus \$94.21 in 2012. The price differential for WTI versus Brent had

narrowed to under \$14 per barrel as of March 27.

For U.S. natural gas, we look for low prices to keep U.S. gas drilling activity minimal. According to the EIA, after growing 8% and 4% in 2011 and 2012, respectively, natural gas production is expected to rise 1% in 2013, before a modest decline in 2014. Natural gas working inventories, as of March 15, 2013, were 10% above the five-year average. As of March, based on data from IHS Global Insight, S&P Capital IQ expects Henry Hub spot prices to average \$3.72 per million Btu in 2013, rising to \$5.00 in 2014, as markets begin to balance in late 2013, versus \$2.58 in 2012.

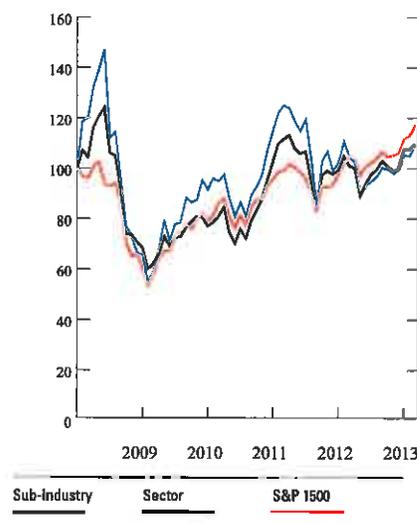
Year to date to March 22, the S&P Oil & Gas Exploration & Production Index was up 9.7%, versus a 9.4% rise in the S&P 1500 Composite Index. In 2012, the sub-industry index was up 0.7%, while the 1500 advanced 13.7%.

--Michael Kay

Stock Performance

GICS Sector: Energy
Sub-Industry: Oil & Gas Exploration & Production

Based on S&P 1500 Indexes
Month-end Price Performance as of 3/29/13



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

Sub-Industry : Oil & Gas Exploration & Production Peer Group*: Exploration & Production - Large

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 (%)
Apache Corp	APA	30,228	77.16	102.12/72.20	1.31	1.0	16	89.90	B+	60	11.3	26.1
Anadarko Petroleum	APC	43,774	87.45	89.20/56.42	1.52	0.4	18	72.20	B	31	17.8	39.8
CNOOC Ltd ADS	CEO	85,498	191.50	226.77/171.58	1.29	2.8	9	210.80	NR	86	25.7	7.9
Canadian Natural Resources	CNQ	35,187	32.13	35.40/25.01	1.62	1.5	15	NA	A-	38	19.2	20.9
Devon Energy	DVN	22,907	56.42	73.14/50.89	1.21	1.6	NM	52.70	B-	25	NM	28.4
EOG Resources	EOG	34,803	128.07	138.20/82.48	1.05	0.6	61	102.90	B	94	4.9	30.0
EnCana Corp	ECA	14,328	19.46	24.29/17.45	1.03	4.1	NM	NA	B-	23	1.5	27.1
Talisman Energy	TLM	12,516	12.25	15.21/9.46	1.53	2.2	13	NA	B	27	9.4	30.1

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.

Apache Corp**S&P Analyst Research Notes and other Company News****March 18, 2013**

Scott D. Josey resigned from his position as a director of Apache Corporation in order to pursue other opportunities in the energy industry.

February 15, 2013

08:36 am ET ... S&P MAINTAINS STRONG BUY RECOMMENDATION ON SHARES OF APACHE CORP. (APA 80.33****): We keep our '13 EPS estimate at \$10.39 and set '14's at \$11.40. Q4 EPS of \$2.27, vs. \$2.94, beats our \$2.22 estimate. Capex is set at \$10.5B in '13 with an aggressive U.S. plan. We see cash flow up 22%, funding capex. We see production up 3%-5% in '13, 6%-9% long term. APA looks to sell \$2B in assets to cut debt. Q4 U.S. volume grew 16%, now 43% of total, mitigating some Egypt risk (yet to be impacted by political unrest). APA trades below historical multiples, despite production/cash flow growth expectations, a mix of 53% liquids and high exposure to premium oil prices. /M. Kay

January 28, 2013

Apache Corporation has appointed Faron J Thibodeaux as managing director of the company's operating unit in Australia. Apache is developing the Julimar natural gas project which will feed the Chevron-operated Wheatstone joint venture liquified natural gas (LNG) development in Western Australia. Mr. Thibodeaux will work in his new role as region vice president and managing director of Apache Energy Limited. He has worked as Apache Energy's director of operations since 2011 and replaces Thomas M Maher, who is moving to Cairo to lead Apache's operations in Egypt. Mr. Thibodeaux joined Apache in 2008 and served most recently as director of operations in Australia.

January 25, 2013

Apache Corp. has promoted executives to lead new growth initiatives. In addition, Chevron recently joined the Kitimat LNG project -- a move that is expected to help Apache monetize two natural gas resources in North America -- Horn River and Liard in British Columbia, Canada -- through a planned liquefied natural gas project on the province's northwest coast. To accommodate this growth, Thomas E. Voytovich will assume the newly created position of executive vice president of international operations, with responsibility for all of Apache's regional activities outside the U.S. Lower 48, excluding the Kitimat gas monetization project. Voytovich has served as region vice president and general manager of Apache's Egypt operations since 2009. Thomas M. Maher, currently vice president and managing director of Apache's operations in Australia, will assume the role of vice president and general manager of Apache's Egypt operations. Prior to his promotion to vice president in Australia in 2010, Faron J. Thibodeaux has been promoted to vice president and managing director in Australia. He joined Apache in 2008 and served most recently as director of operations in Australia. As a result of the change in operatorship of Kitimat LNG and Apache's continued focus on the upstream development of Horn River and Liard, Timothy O. Wall will lead the initiative as president of Kitimat Upstream Operations. Wall has served as region vice president and president of Apache Canada Limited since 2009. Robert Spitzer will join the Kitimat Upstream Operations team as executive vice president of development. Spitzer has held leadership positions in Apache's exploration program in Canada since joining the company in 1999. Janine J. McArdle will continue as senior vice president of gas monetization and president of Kitimat LNG. McArdle served as vice president of oil and gas marketing from 2002 to 2010, directing Apache's worldwide crude oil and natural gas marketing activities.

December 26, 2012

On December 17, 2012, Dr. Patricia Albjerg Graham notified Apache Corp. of her intention to retire from her position as a director of Apache, effective as of Apache's 2013 Annual Meeting. Dr. Graham is a member of the Corporate Governance and Nominating Committee of Apache's board of directors.

November 6, 2012

02:36 pm ET ... S&P MAINTAINS STRONG BUY RECOMMENDATION ON SHARES OF APACHE CORP. (APA 82.83****): After review of Q3 results (APA posted EPS of \$2.16, vs. \$2.95, \$0.06 above our forecast), we raise our '12 EPS estimate \$0.12 to \$9.45, but cut '13's estimate \$0.25 to \$10.39, on updated price assumptions. Our target price remains \$116. Q3 production of 771,000 BOE/day fell short of forecast, as deferred production (mostly North Sea) amounted to 25,000 BOE/d. APA continues to highlight onshore U.S. progress. It runs 56 rigs in the Permian/Anadarko basins, all targeting liquids, and production is up 30% there. About 70% of crude production is linked to premium prices vs. WTI. /M. Kay

August 24, 2012

Apache Corp. announced that Alfonso Leon has been promoted to senior vice president and chief of staff and Brady Parish joins the company as vice president, investor relations. In his new role as chief of staff, Alfonso Leon will support the delivery of the company's growth strategy, performance and portfolio management, partner relationships and new business opportunities. He will continue to report to Chairman and Chief Executive Officer Steve Farris. Leon previously served as vice president, planning and strategy. He joined the company in 2009 and has built and led a dynamic team of professionals who have expanded the company's planning, strategic analysis and investor relations capabilities to match the company's portfolio and growth. Brady Parish will join the company as vice president, investor relations reporting to President and Chief Corporate Officer Roger Plank. Parish most recently served as a managing director at Moelis & Company since 2011.

August 2, 2012

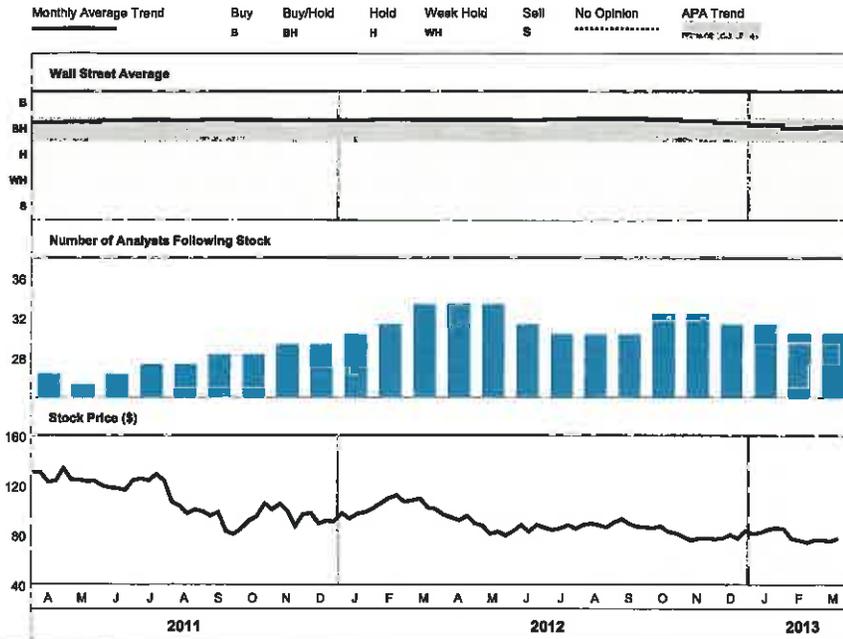
04:33 pm ET ... S&P MAINTAINS STRONG BUY RECOMMENDATION ON SHARES OF APACHE CORP. (APA 82.58****): On Q2 report and lower oil prices, we cut our '12 EPS est. \$0.53 to \$0.33, '13's \$1.01 to \$1.04, and our target price \$4 to \$116, reflecting our net asset value est. (\$122) and relative metrics. Q2 adj. EPS of \$2.07, vs. \$3.22, missed our est. by \$0.56 on oil prices, notably in Egypt (down 20% vs. Q1). Shares trade below similar peers on most metrics we follow. Low debt levels, top tier EBITDA margin (71% in Q2), production growth (forecast 6% in '12, accelerating in H2), oil mix (50% of volume) and positive free cash flow, warrant a valuation more in line with peers, we think. /M. Kay

August 2, 2012

04:33 pm ET ... S&P MAINTAINS STRONG BUY RECOMMENDATION ON SHARES OF APACHE CORP. (APA 82.58****): On Q2 report and lower oil prices, we cut our '12 EPS est. \$0.53 to \$0.33, '13's \$1.01 to \$1.04, and our target price \$4 to \$116, reflecting our net asset value est. (\$122) and relative metrics. Q2 adj. EPS of \$2.07, vs. \$3.22, missed our est. by \$0.56 on oil prices, notably in Egypt (down 20% vs. Q1). Shares trade below similar peers on most metrics we follow. Low debt levels, top tier EBITDA margin (71% in Q2), production growth (forecast 6% in '12, accelerating in H2), oil mix (50% of volume) and positive free cash flow, warrant a valuation more in line with peers, we think. /M. Kay

Apache Corp

Analysts' Recommendations



Of the total 38 companies following APA, 30 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	14	47	14	16
Buy/Hold	5	17	5	5
Hold	11	37	11	10
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	30	100	30	31

Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

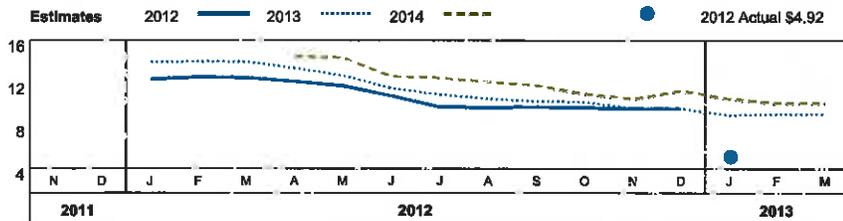
Over 30 firms follow this stock; not all firms are displayed.

- Argus Research Company
- Axia Financial research
- BMO Capital Markets, U.S. Equity Research
- BMO Capital Markets, Canadian Equity Research
- Barclays
- BofA Merrill Lynch
- Buckingham Research Group Inc.
- Capital One Southcoast, Inc
- Citigroup Inc
- Credit Agricole Securities (USA) Inc.
- Credit Suisse
- Deutsche Bank
- FBR Capital Markets & Co.
- Global Hunter Securities, LLC
- Goldman Sachs
- Guggenheim Securities, LLC
- Howard Weil Incorporated
- JP Morgan
- Johnson Rice & Company, L.L.C.
- Macquarie Research
- Morgan Stanley
- Morningstar Inc.
- Oppenheimer & Co. Inc.
- Pritchard Capital Partners, LLC
- RBC Capital Markets
- Raymond James & Associates
- Robert W. Baird & Co.
- S&P Equity Research
- Sanford C. Bernstein & Co., Inc.
- Scotiabank Global Banking and Market

Wall Street Consensus vs. Performance

For fiscal year 2013, analysts estimate that APA will earn \$9.12. For fiscal year 2014, analysts estimate that APA's earnings per share will grow by 12% to \$10.20.

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2014	10.20	13.43	6.54	24	7.6
2013	9.12	10.39	7.60	28	8.5
2014 vs. 2013	▲ 12%	▲ 29%	▼ -14%	▼ -14%	▼ -11%
Q1'14	2.40	2.91	1.74	11	32.1
Q1'13	2.21	2.65	1.91	21	34.9
Q1'14 vs. Q1'13	▲ 9%	▲ 10%	▼ -9%	▼ -48%	▼ -8%

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.

Apache Corp



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 encapsulate 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:

Apache Corp	Raw Score	Max Value
Proprietary S&P Measures	37	115
Technical Indicators	17	40
Liquidity/Volatility Measures	19	20
Quantitative Measures	16	75
IQ Total	89	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; OB - OTCQB; OX - 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

Apache Corp

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 December 31, 2012, research analysts at Standard & Poor's Equity Research Services North America recommended 35.2% of issuers with buy recommendations, 58.5% with hold recommendations and 6.3% with sell recommendations.

In Europe: As of December 31, 2012, research analysts at Standard & Poor's Equity Research Services Europe recommended 28.2% of issuers with buy recommendations, 51.8% with hold recommendations and 20.0% with sell recommendations.

In Asia: As of December 31, 2012, research analysts at Standard & Poor's Equity Research Services Asia recommended 34.7% of issuers with buy recommendations, 51.8% with hold recommendations and 13.7% with sell recommendations.

Globally: As of December 31, 2012, research analysts at Standard & Poor's Equity Research Services globally recommended 34.0% of issuers with buy recommendations, 56.8% with hold recommendations and 9.2% 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

In North America: As of December 31, 2012, Standard & Poor's Quantitative Services North America recommended 40.0% of issuers with buy recommendations, 20.1% with hold recommendations and 39.9% with sell recommendations.

In Europe: As of December 31, 2012, Standard & Poor's Quantitative Services Europe recommended 43.3% of issuers with buy recommendations, 22.9% with hold recommendations and 33.8% with sell recommendations.

In Asia: As of December 31, 2012, Standard & Poor's Quantitative Services Asia recommended 51.0% of issuers with buy recommendations, 19.8% with hold recommendations and 29.4% with sell recommendations.

Globally: As of December 31, 2012, Standard & Poor's Quantitative Services globally recommended 45.6% of issuers with buy recommendations, 20.6% with hold recommendations and 33.8% with sell recommendations.

Additional information is available upon request.

Other Disclosures

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The research and analytical services performed by SPIAS, McGraw-Hill Financial Research Europe Limited, MHFSPL, S&PM, and SPIA are each conducted separately from any other analytical activity of Standard & Poor's.

Standard & Poor's or an affiliate may license certain intellectual property or provide pricing or other services to, or otherwise have a financial interest in, certain issuers of securities, including exchange-traded investments whose investment objective is to substantially replicate the returns of a proprietary

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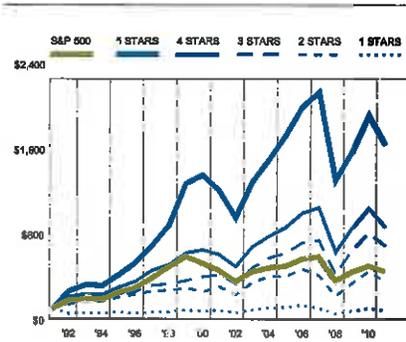
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U.S. STARS Cumulative Model Performance
Hypothetical Growth Due to Price Appreciation of \$100 For the Period 12/31/1986 through 02/28/2013



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CITY OF TROY MEMBERS OF THE BOARD

APRIL 2013

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

SCANA Corporation	(SCG...\$51.27)*
Industry:	Multi-Utilities
Economic Sector:	Utilities
Exchange:	NYSE
P/E = 16.33*	Yield = 3.959%*
Ratings:	
WF Securities	Outperform
S&P	Hold
ValueEngine	Buy

We appreciate your continued support and consideration.

Sincerely,

Doug Wegner
Financial Consultant

Enclosures

* as of April 2, 2013

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April 3, 2013

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February 22, 2013



Equity Research

SCANA Corporation

SCG: Guidance Tops Expectations--EPS Outlook Revised

Outperform

Sector: Regulated Electric Utilities

Market Weight

Earnings Estimates Revised Up

EPS	2012A	2013E		2014E	
		Curr.	Prior	Curr.	Prior
Q1 (Mar.)	\$0.91	\$1.09		NE	
Q2 (June)	0.54	0.45		NE	
Q3 (Sep.)	0.91	1.00		NE	
Q4 (Dec.)	0.78	0.82		NE	
FY	\$3.15	\$3.37	3.33	\$3.50	NC
CY	\$3.15	\$3.37		\$3.50	
FY P/E	15.4x	14.4x		13.9x	
Rev.(MM)	\$4,176	\$4,662		\$4,851	

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

- **Summary.** Modifying our 2013-15E EPS to \$3.37, \$3.50 and \$3.70 from \$3.33, \$3.50 and \$3.80. Changes reflect revised new nuclear capex and equity needs. Reiterate Outperform rating. Shares of SCG trade at 5% discounts to regulated peers based on our 2014E and 2015E EPS. We continue to believe an in-line multiple is warranted given the attractive rate base growth the new nuclear project represents. Increasing our 12-18 month valuation range to \$53-54/share from \$50-51/share due to higher peer group multiple.

- **Guidance Tops Expectations.** Management offered 2013 EPS guidance of \$3.25-3.45 with an internal target of \$3.35. SCG also increased the top end of its 3-5 year target EPS growth range to 6% (now 3-6% vs. 3-5% previously). Importantly, the underlying assumptions appear reasonable in our opinion and in adherence with management's typically conservative nature. The 2013 midpoint and the implied 2014 and beyond midpoints exceed consensus expectations. We view the guidance positively as it affirms our belief that a 5-year EPS CAGR of 5%+ is achievable.

- **Economic Optimism?** SCG was rather upbeat on its economic outlook for its service territory. 2012 customer growth was solid at all three utilities (SCE&G electric +0.9% and gas +1.1%; PSNC +2.0%) as was weather-normalized electric usage growth of 2% (residential +2.4%, commercial +1.7% and adjusted-industrial +1.4%). Despite expectations for similar customer growth levels, SCG's 2013 outlook assumes a conservative +0.5% electric usage growth due to energy efficiency, in particular CFL bulb adoption rates.

- **EPS Outlook.** Our new 2013-15E EPS are \$3.37, \$3.50 and \$3.70. In addition, our 5-year EPS CAGR of 5% falls within the upper half of SCG's revised 3-6% target range. Primary changes to our model revolve around SCG's new 2013-15 capex budget, including the new nuclear capex forecast from the 2/13 BLRA quarterly report. The BLRA report incorporates the most recent timing shifts and lower escalation rates. Offsetting the lower CWIP balance is decreased equity needs in 2013 as a result of the capex shift.

- **New Nuclear.** V.C. Summer Units 2 & 3 are on track for March 2017 and May 2018 in service dates and the political and regulatory support in SC remains strong. The current total cost estimate (including inflation assumptions) is expected to be \$5.7B vs. an original cost estimate of \$6.3B as the project has benefitted from lower than originally expected cost inflation and debt financing costs. While new nuclear construction risk remains our chief concern, management appears to be doing everything in its power to mitigate it.

Valuation Range: \$53.00 to \$54.00 from \$50.00 to \$51.00

Our \$53-54/sh valuation range is based on a P/E multiple (apply the 13E Regulated Electric group median of 15.5X to our '14E of \$3.50) and dividend discount analysis. Risks to SCG shares include regulatory risk, construction risk and a slower-than-expected Southeastern economy.

Investment Thesis:

We rate shares Outperform. SCG offers investors a low-risk profile with 5% annual EPS growth potential, in our view. Given constructive regulatory environments, as SCG's capex escalates (including new nuclear) and the investments are recognized into rate base, regulated earnings power should grow.

Please see page 2 for rating definitions, important disclosures and required analyst certifications

All estimates/forecasts are as of 02/22/13 unless otherwise stated.

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Ticker	SCG
Price (02/21/2013)	\$48.54
52-Week Range:	\$43-51
Shares Outstanding: (MM)	131.5
Market Cap.: (MM)	\$6,383.0
S&P 500:	1,502.42
Avg. Daily Vol.:	555,456
Dividend/Yield:	\$2.03/4.2%
LT Debt: (MM)	\$4,976.0
LT Debt/Total Cap.:	51.6%
ROE:	10.0%
3-5 Yr. Est. Growth Rate:	5.0%
CY 2013 Est. P/E-to-Growth:	2.9x
Last Reporting Date:	02/21/2013
	Before Open

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

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Together we'll go far

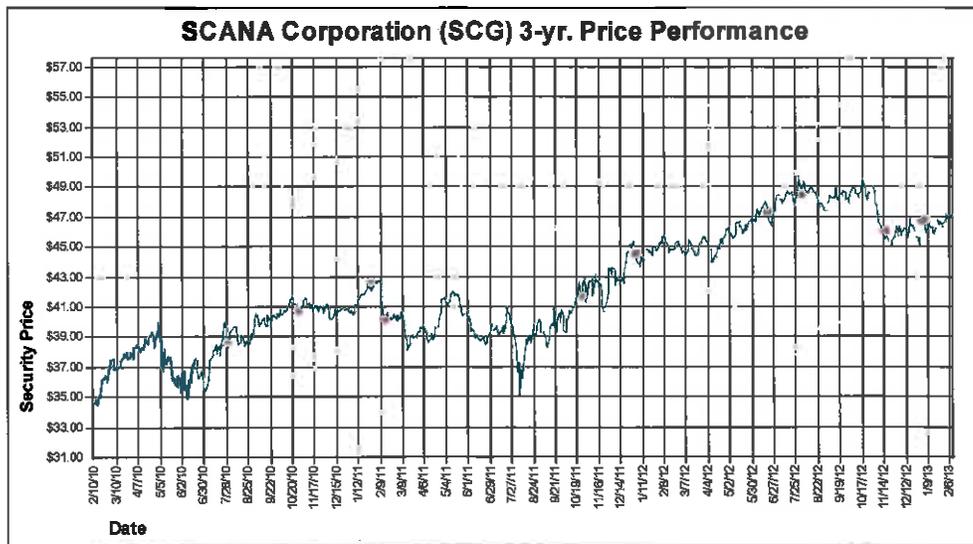


Utilities

Company Description:

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Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
2/10/2010		Kalton			
2/10/2010	NA	1	40.00	41.00	34.63
7/29/2010	38.62	1	42.00	43.00	38.62
10/27/2010	40.35	1	43.00	44.00	40.76
1/27/2011	42.67	1	47.00	48.00	42.67
2/14/2011	40.67	1	44.00	45.00	40.14
10/26/2011	41.76	1	45.00	46.00	41.76
1/3/2012	45.06	1	50.00	51.00	44.46
6/20/2012	47.32	1	51.00	52.00	47.32
8/2/2012	48.57	1	52.00	53.00	48.57
11/16/2012	45.51	1	49.00	50.00	46.10
1/2/2013	45.64	1	50.00	51.00	46.81

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key		Rating Code Key	
▼ Rating Downgrade	◆ Initiation, Resumption, Drop or Suspend	1 Outperform/Buy	SR Suspended
▲ Rating Upgrade	■ Analyst Change	2 Market Perform/Hold	NR Not Rated
● Valuation Range Change	□ Split Adjustment	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

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O=Overweight: Industry expected to outperform 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.

Utilities

As of: February 22, 2013

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April 03, 2013

Portfolio Report

Prepared for:
CITY OF TROY

Prepared by:
The Zatkun Financial Group
Wells Fargo Advisors, LLC

255 E. Brown St. Ste. 400
Birmingham, MI 48009

This report is not complete unless all pages, as noted, are included. Please read the information in 'Disclosures' found within this report for an explanation of the terms and concepts presented in this report.

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Accounts Included in the Report

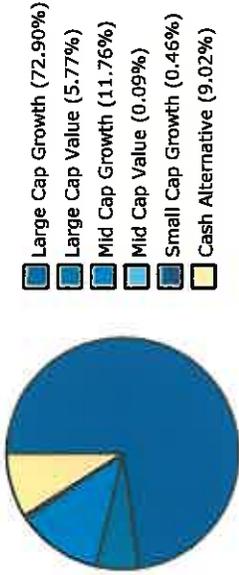
Account Number	Account Name	Account Nickname	Tax Status	Int/Ext
[REDACTED]	CITY OF TROYDARLING THOMAS	CITY OF TROY	Exempt	Internal



Account Summary

CITY OF TROY
 (CITY OF TROYDARLING THOMAS) (INTERNAL)

Asset Allocation



Security Level - Long Positions

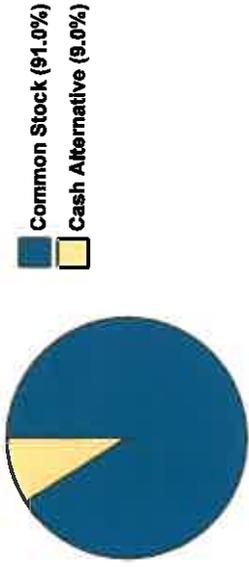
Name	Amount	%
DIRECTV	\$ 117,468.00	2.69
DISCOVERY COMMUNICATIONS	\$ 36,410.40	0.83
DISCOVERY COMMUNICATN A	\$ 40,918.80	0.94
DISNEY WALT COMPANY	\$ 172,380.00	3.95
GENERAL ELECTRIC COMPANY	\$ 252,072.00	5.77
GLOBAL PAYMENTS INC	\$ 245,050.00	5.61
INTUITIVE SURGICAL INC	\$ 2,454,000.00	56.20
LIBERTY MEDIA CORP A	\$ 20,245.29	0.46
PEPSICO INCORPORATED	\$ 398,700.00	9.13
RESMED INC	\$ 232,000.00	5.31
STARZ - SER A	\$ 3,859.47	0.09

Long Mkt Value: \$ 3,973,103.96
Short Mkt Value: \$ 0.00
Cash Alternative Balance: \$ 393,828.63
Account Value: \$ 4,366,932.59

Security-Level Holdings: \$4,366,932.59
Asset Class-Level Holdings: \$0.00
Asset Class and Security Level Holdings: \$0.00
Total Holdings: \$4,366,932.59

Portfolio Summary

By: Security Sub Type



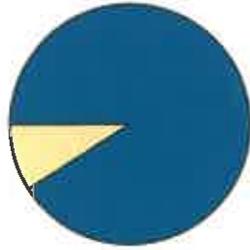
	\$	Total %
Common Stock CITY OF TROY (XXXXXX)	3,973,104	91.0%
Cash Alternative CITY OF TROY (XXXXXX)	393,829	9.0%
Portfolio Summary Total	4,366,933	100.0%

Total Portfolio Value as of 04/02/13: \$ 4,366,933

This report is not complete without the Understanding Your Portfolio report which contains important terms and definitions.

Portfolio Summary - Security Detail

By: Security Sub Type



■ Common Stock (91.0%)
■ Cash Alternative (9.0%)

ID	Description	Quantity	Price	Total \$	Total %
Common Stock					
CITY OF TROY (XXXX4707)					
DTV	DIRECTV	2,080	56.48	117,468	2.7%
DISK	DISCOVERY COMMUNICATIONS	520	70.02	36,410	0.8%
DISCA	DISCOVERY COMMUNICATN A	520	78.69	40,919	0.9%
DIS	DISNEY WALT COMPANY GENERAL ELECTRIC COMPANY	3,000	57.46	172,380	3.9%
GE	GENERAL ELECTRIC COMPANY	10,800	23.34	252,072	5.8%
GPN	GLOBAL PAYMENTS INC	5,000	49.01	245,050	5.6%
ISRG	INTUITIVE SURGICAL INC	5,000	490.80	2,454,000	56.2%
LMCA	LIBERTY MEDIA CORP A	183	110.63	20,245	0.5%
PEP	PEPSICO INCORPORATED	5,000	79.74	398,700	9.1%
RMD	RESMED INC	5,000	46.40	232,000	5.3%
STRZA	STARZ - SER A	183	21.09	3,859	0.1%
Cash Alternative					
CITY OF TROY					
-	Cash Alternative	393,829	1.00	393,829	9.0%

Portfolio Summary Total

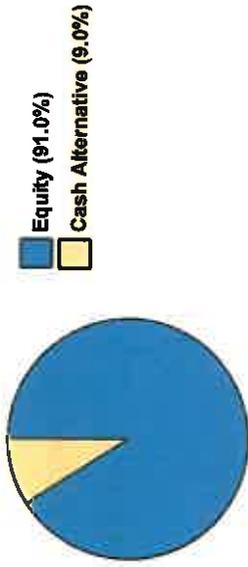
4,366,933 100.0%

Total Portfolio Value as of 04/02/13: \$ 4,366,933

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Allocation View - Asset Class

By: Asset Class



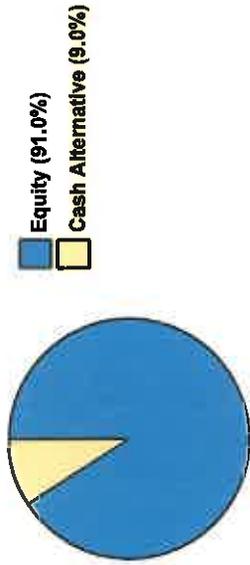
	Total	%
	\$	
Equity	3,973,104	91.0%
Cash Alternative	393,829	9.0%
Portfolio Summary Total	4,366,933	100.0%

Total Portfolio Value as of 04/02/13: \$ 4,366,933

This report is not complete without the Understanding Your Portfolio report which contains important terms and definitions.

Allocation View - Asset Class with Securities

By: Asset Class



ID	Description	Quantity	Price	Total \$	Total %
Equity				3,973,104	91.0%
DTV	DIRECTV	2,080	56.48	117,468	2.7%
DISCK	DISCOVERY COMMUNICATIONS	520	70.02	36,410	0.8%
DISCA	DISCOVERY COMMUNICATN A	520	78.69	40,919	0.9%
DIS	DISNEY WALT COMPANY	3,000	57.46	172,380	3.9%
GE	GENERAL ELECTRIC COMPANY	10,800	23.34	252,072	5.8%
GPN	GLOBAL PAYMENTS INC	5,000	49.01	245,050	5.6%
ISRG	INTUITIVE SURGICAL INC	5,000	490.80	2,454,000	56.2%
LMCA	LIBERTY MEDIA CORP A	183	110.63	20,245	0.5%
PEP	PEPSICO INCORPORATED	5,000	79.74	398,700	9.1%
RMD	RESMED INC	5,000	46.40	232,000	5.3%
STRZA	STARZ - SER A	183	21.09	3,859	0.1%
Cash Alternative				393,829	9.0%
-	Cash Alternative	393,829	1.00	393,829	9.0%

Portfolio Summary Total

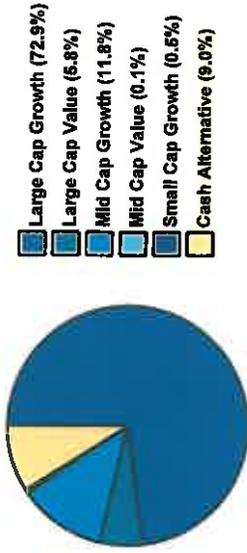
4,366,933 100.0%

Total Portfolio Value as of 04/02/13: \$ 4,366,933

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Allocation View - Asset Class Detail

By: Asset Class Detail



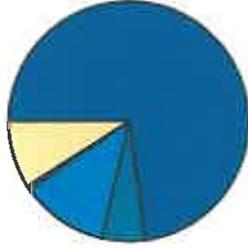
	\$	Total %
Large Cap Growth	3,183,467	72.9%
Large Cap Value	252,072	5.8%
Mid Cap Growth	513,460	11.8%
Mid Cap Value	3,859	0.1%
Small Cap Growth	20,245	0.5%
Cash Alternative	393,829	9.0%
Portfolio Summary Total	4,366,933	100.0%

Total Portfolio Value as of 04/02/13: \$ 4,366,933

This report is not complete without the Understanding Your Portfolio report which contains important terms and definitions.

Allocation View - Asset Class Detail with Securities

By: Asset Class Detail



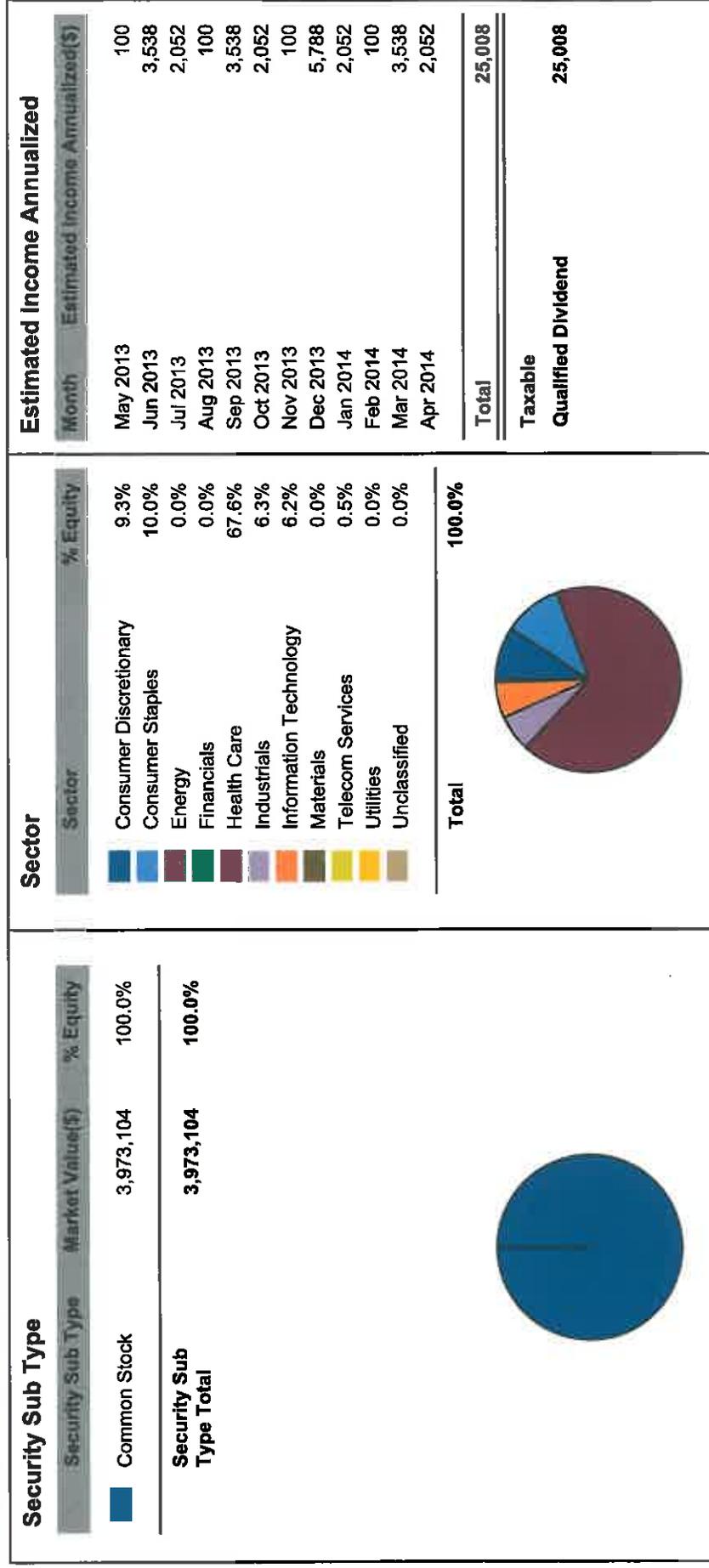
- Large Cap Growth (72.9%)
- Large Cap Value (6.8%)
- Mid Cap Growth (11.8%)
- Mid Cap Value (0.1%)
- Small Cap Growth (0.5%)
- Cash Alternative (9.0%)

ID	Description	Quantity	Price	Total \$	Total %
Large Cap Growth					
DTV	DIRECTV	2,080	56.48	3,183,467	72.9%
DISCA	DISCOVERY COMMUNICATN A	520	78.69	117,468	2.7%
DIS	DISNEY WALT COMPANY	3,000	57.46	40,919	0.9%
ISRG	INTUITIVE SURGICAL INC	5,000	490.80	172,380	3.9%
PEP	PEPSICO INCORPORATED	5,000	79.74	2,454,000	56.2%
Large Cap Value					
GE	GENERAL ELECTRIC COMPANY	10,800	23.34	398,700	9.1%
Mid Cap Growth					
DISCK	DISCOVERY COMMUNICATIONS	520	70.02	252,072	5.8%
GPN	GLOBAL PAYMENTS INC	5,000	49.01	252,072	5.8%
RMD	RESMED INC	5,000	46.40	513,460	11.8%
Mid Cap Value					
STRZA	STARZ - SER A	183	21.09	36,410	0.8%
Small Cap Growth					
LMCA	LIBERTY MEDIA CORP A	183	110.63	245,050	5.6%
Cash Alternative					
-	Cash Alternative	393,829	1.00	232,000	5.3%
				3,859	0.1%
				3,859	0.1%
				20,245	0.5%
				20,245	0.5%
				393,829	9.0%
				393,829	9.0%
Portfolio Summary Total				4,366,933	100.0%

Total Portfolio Value as of 04/02/13: \$ 4,366,933

This report is not complete without the Understanding Your Portfolio report which contains important terms and definitions.

Equity Overview



Total Portfolio Value as of 04/02/13: \$ 4,366,933

The securities included in the Sector section are Stocks, REITs, MLPs, Mutual Funds, ETFs, CEFs, sector specific UITs, Options and Warrants.

Funds include open end mutual funds, exchange-traded funds and closed end funds. Equity sectors are fully defined in the Equity Analysis section of the Understanding Your Portfolio report.

Estimated Income Annualized (EIA) takes your current income, based on the current dividends or interest paid by your securities and multiplies it to create an annualized hypothetical figure. It does not reflect actual or future performance and should not be relied upon when making financial decisions. All annualizations are based upon current positions using a simple mathematical calculation and assumes all figures remain constant for a year; any subsequent position changes will affect these calculations. Calculations for certain types of securities could include a return of principal or capital gain, in which case the figures would be overstated. Past performance is not a guarantee of future results. Dividend payments are made solely at the discretion of the issuer and are subject to be changed or eliminated at any time. Estimated income is an estimate and the actual income might be lower or higher than the estimated amount. Estimated income reflects only the income generated by an investment. It does not reflect changes in price, which may fluctuate.

This report is not complete without the Understanding Your Portfolio report which contains important terms and definitions.

Equity Sector Weightings - Security Detail

By: Sector

Subtotals and totals are weighted averages based on market value

ID	Description	Fund%	\$	Market Value	%
Consumer Discretionary					
DTV	DIRECTV		371,037		9.3%
			117,468		3.0%
DISCK	DISCOVERY COMMUNICATIONS		36,410		0.9%
DISCA	DISCOVERY COMMUNICATN A		40,919		1.0%
DIS	DISNEY WALT COMPANY		172,380		4.3%
STRZA	STARZ - SER A		3,859		0.1%
Consumer Staples					
PEP	PEPSICO INCORPORATED		398,700		10.0%
			398,700		10.0%
Energy					
Financials					
Health Care					
ISRG	INTUITIVE SURGICAL INC		2,686,000		67.6%
			2,454,000		61.8%
RMD	RESMED INC		232,000		5.8%
Industrials					
GE	GENERAL ELECTRIC COMPANY		252,072		6.3%
			252,072		6.3%
Information Technology					
GPN	GLOBAL PAYMENTS INC		245,050		6.2%
			245,050		6.2%
Materials					
Telecom Services					
LMCA	LIBERTY MEDIA CORP A		20,245		0.5%
			20,245		0.5%
Utilities					
Unclassified					
Equity Sector Weightings Total			3,973,104		100.0%

Total Portfolio Value as of 04/02/13 : \$4,366,933

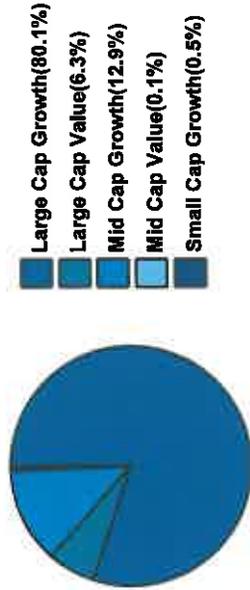
Cost information for some tax lots will not be reported to the IRS.

This report is not complete without the Understanding Your Portfolio report which contains important terms and definitions.

Stock Statistics

By: Asset Class Detail

Subtotals and totals are weighted averages based on market value of underlying securities



Description	Mkt Value(\$)	Div Yld	EPS(\$)	1 Yr Fwd	P/E Current	P/E 1 Yr Fwd	LT Earnings Growth 3-5 yr	PEG Ratio	P/B Ratio	BETA 2-3 yr	Mkt Cap \$ in blns	Percent of Stocks	Port
Large Cap Growth	3,183,467	0.63%	15.26	28.0x	24.2x	15.71%	1.6x	4.9x	0.95	0.95	37.47	80.1%	72.9%
Large Cap Value	252,072	3.29%	1.73	17.1x	13.5x	11.00%	1.2x	2.0x	1.41	1.41	239.78	6.3%	5.8%
Mid Cap Growth	513,460	0.74%	2.87	21.0x	15.2x	12.62%	1.1x	3.2x	0.86	0.86	4.87	12.9%	11.8%
Mid Cap Value	3,859		1.75	1.6x	12.6x	-1.60%		0.4x	0.69	0.69	2.44	0.1%	0.1%
Small Cap Growth	20,245		2.13	23.5x	51.9x	5.00%	10.4x	3.7x			12.28	0.5%	0.5%
Stock Statistics Total	3,973,104	0.81%	12.72	26.4x	22.5x	14.94%	1.6x	4.5x	0.96	0.96	45.93	100.0%	91.0%

Total Portfolio Value as of 4/2/13: \$ 4,366,933

EPS 1 Year Fwd - is the estimated earnings per share for the next 12 months. There is no assurance that any forward looking statistics will be achieved.

Div Yld - Dividend Yield is calculated by dividing the indicated dividend by the market price. Dividends are not guaranteed and are subject to change or elimination. Past performance is not a guarantee of future results.

P/E Current - is the price-to-earnings ratio as calculated by dividing the market price by the last 12 months' earnings per share. As with any ratio, it should not be used on a stand-alone basis but instead should be compared with its industry peers.

P/E 1 Yr Fwd - is the price-to-earnings ratio as calculated by dividing the market price by the estimated earnings for the next 12 months. There is no assurance that any forward looking statistics will be achieved.

LT Earnings Grwth 3-5 yr - is the estimated 3-5-year earnings growth rate provided by First Call, a division of Thomson Reuters. This number represents the mean of analysts' long-term annual estimates for the specific holding. There is no assurance the earnings estimates stated will be achieved.

PEG Ratio - is the P/E to growth ratio as calculated by dividing the P/E 1 Yr Fwd by the LT Earnings Grwth 3-5 yr.

P/B Ratio - is Price to Book Ratio used to compare a stock's market value to its book value. It is calculated by dividing the current market price of the stock by the most recent quarter's book value (book value equals total assets minus intangible assets and liabilities).

BETA 2-3 yr - is a measure of volatility, or systematic risk, of a security in comparison to the S&P 500. The BETA of the S&P 500 is 1.00.

Market Cap is market price multiplied by the number of shares outstanding.

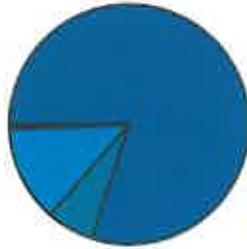
All statistical data on this report is provided by Thomson Reuters.

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Stock Statistics - Security Detail

By: Asset Class Detail

Subtotals and totals are weighted averages based on market value of underlying securities



Description	Mkt Value(\$)	Div Yld	EPS(\$)	P/E	P/E	P/E	LT Earnings	PEG P/B Ratio	BETA	Mkt Cap	Percent of	
											1 Yr Fwd	Current
ID	Quantity	Mkt Price					3-5 yr					
Large Cap Growth		3,183,467	0.63%	15.26	28.0x	24.2x	15.71%	1.6x	0.95	37.47	80.1%	72.9%
DIRECTV		117,468		5.11	12.4x	11.0x	19.90%	0.6x	0.86	32.43	3.0%	2.7%
DTV	2,080	56.48					3					
DISCOVERY COMMUNICATN A		40,919		3.68	28.8x	21.4x	20.20%	1.1x	1.15	11.41	1.0%	0.9%
DISCA	520	78.69					7					
DISNEY WALT COMPANY		172,380	5.28%	3.59	18.4x	15.8x	12.10%	1.3x	1.08	102.55	4.3%	3.9%
DIS	3,000	57.46					7					
INTUITIVE SURGICAL INC		2,454,000		18.51	30.7x	26.5x	17.00%	1.6x	1.04	19.84	61.8%	56.2%
ISRG	5,000	490.80					10					
PEPSICO INCORPORATED		398,700	2.72%	4.51	20.2x	17.7x	7.60%	2.3x	0.35	122.05	10.0%	9.1%
PEP	5,000	79.74					3					
Large Cap Value		252,072	3.29%	1.73	17.1x	13.5x	11.00%	1.2x	1.41	239.78	6.3%	5.8%
GENERAL ELECTRIC COMPANY		252,072	3.29%	1.73	17.1x	13.5x	11.00%	1.2x	1.41	239.78	6.3%	5.8%
GE	10,800	23.34					7					
Mid Cap Growth		513,460	0.74%	2.87	21.0x	15.2x	12.62%	1.1x	0.86	4.87	12.9%	11.8%
DISCOVERY COMMUNICATIONS		36,410									0.9%	0.8%
DISCK	520	70.02										
GLOBAL PAYMENTS INC		245,050	0.16%	3.84	21.8x	12.8x	12.25%	1.0x	1.03	3.91	6.2%	5.6%
GPN	5,000	49.01					6					
RESMED INC		232,000	1.47%	2.30	23.4x	20.2x	15.00%	1.3x	0.81	6.65	5.8%	5.3%
RMD	5,000	46.40					4					

Description	Mkt Value(\$)	Div Yld	EPS(\$)	P/E		LT Earnings Growth	PEG Ratio	BETA	Mid Cap \$ in bins	Percent of	
				Current	1 Yr Fwd					Stocks	Port
ID	Quantity	Mkt Price	1 Yr Fwd	Current	1 Yr Fwd	3-5 yr	Ratio	2-3 yr			
Mid Cap Value			1.75	1.6x	12.6x	-1.60%	0.4x	0.69	2.44	0.1%	0.1%
STARZ - SER A			1.75	1.6x	12.6x	-1.60%	0.4x	0.69	2.44	0.1%	0.1%
STRZA	183	21.09				2					
Small Cap Growth			2.13	23.5x	51.9x	5.00%	10.4x		12.28	0.5%	0.5%
LIBERTY MEDIA CORP A			2.13	23.5x	51.9x	5.00%	10.4x		12.28	0.5%	0.5%
LMCA	183	110.63				1					
Stock Statistics Total			3,973,104	26.4x	22.5x	14.94%	1.6x	0.96	45.93	100.0%	91.0%

Total Portfolio Value as of 4/2/13: \$ 4,366,933

EPS 1 Year Fwd - is the estimated earnings per share for the next 12 months. There is no assurance that any forward looking statistics will be achieved.

Div Yld - Dividend Yield is calculated by dividing the indicated dividend by the market price. Dividends are not guaranteed and are subject to change or elimination. Past performance is not a guarantee of future results.

P/E Current - is the price-to-earnings ratio as calculated by dividing the market price by the last 12 months' earnings per share. As with any ratio, it should not be used on a stand-alone basis but instead should be compared with its industry peers.

P/E 1 Yr Fwd - is the price-to-earnings ratio as calculated by dividing the market price by the estimated earnings for the next 12 months. There is no assurance that any forward looking statistics will be achieved.

LT Earnings Growth 3-5 yr - is the estimated 3-5-year earnings growth rate provided by First Call, a division of Thomson Reuters. This number represents the mean of analysts' long-term annual estimates for the specific holding. There is no assurance the earnings estimates stated will be achieved.

PEG Ratio - is the P/E to growth ratio as calculated by dividing the P/E 1 Yr Fwd by the LT Earnings Growth 3-5 yr.

P/B Ratio - is Price to Book Ratio used to compare a stock's market value to its book value. It is calculated by dividing the current market price of the stock by the most recent quarter's book value (book value equals total assets minus intangible assets and liabilities).

BETA 2-3 yr - is a measure of volatility, or systematic risk, of a security in comparison to the S&P 500. The BETA of the S&P 500 is 1.00.

Market Cap is market price multiplied by the number of shares outstanding.

All statistical data on this report is provided by Thomson Reuters.

This report is not complete without the Understanding Your Portfolio report which contains important terms and definitions.

Stock Ratings

By: Security Type Detail

ID	Description	Market Value(\$)	RS	QG	QC	QV	CS*	S&P	SB	WFS	S&P E&D Rating	% Stock	% Port
Stock-Consumer Discretionary													
DIV	DIRECTV	117,468	54	3	3	4	2	3	1	2	B	8.4%	7.7%
DISA	DISCOVERY COMMUNICATN A	40,919	59	4	4	4	3	4	1			3.0%	2.7%
DIS	DISNEY WALT COMPANY	172,380	52	2	2	2	1	5	1	1	A+	4.0%	0.9%
STRZA	STARZ - SERA	3,859	1	1	1	1						4.3%	3.9%
			1	1	1	1						0.1%	0.1%
Stock-Consumer Staples													
PEP	PEPSICO INCORPORATED	398,700	51	3	3	4		4	1	2	A	10.0%	9.1%
Stock-Health Care													
ISRG	INTUITIVE SURGICAL INC	2,686,000	15	3	3	3						67.6%	61.5%
RMD	RESMED INC	232,000	72	2	2	2	3	4				61.8%	56.2%
												5.8%	5.3%
Stock-Industrials													
GE	GENERAL ELECTRIC COMPANY	252,072	44	1	1	1	1	4	2			6.3%	5.8%
												6.3%	5.8%
Stock-Information Technology													
GPN	GLOBAL PAYMENTS INC	245,050	50	3	3	3	1	3	1	1	A	6.2%	5.6%
												6.2%	5.6%
Unassigned Stock													
DISCK	DISCOVERY COMMUNICATIONS	56,656										1.4%	1.3%
LMCA	LIBERTY MEDIA CORP A	36,410	92									0.9%	0.8%
		20,245										0.5%	0.5%
Stock Ratings Total												100.0%	91.0%

Total Portfolio Value as of 04/02/13: \$ 4,366,933

RS - Relative Strength (Price Momentum): The 9-month relative strength measures each stock's price performance over a combination of the past 3, 6, and 9 months relative to a universe of approximately 7000 stocks. Since it is a percentile score, 1 is the worst, 99 is the best. A stock with a 70 indicates that it ranks better than 70% of the approximately 7,000 equities universe it is evaluated against with respect to its price movement.

(QV) Quantitative Value, (QG) Quantitative Growth and (QC) Quantitative Core represent Quantitative Analysis (QA) based on models from the Prudential Equity Group. The quantitative recommendations are below:

- QV1, QG1, QC1: (Positive)
- QV2, QG2, QC2: (Positive)
- QV3, QG3, QC3: (Neutral)
- QV4, QG4, QC4: (Negative)

QV5, QG5, QC5: (Negative)

* Investment decisions should not be completed without a thorough reading of the correspondent research report.

CS (Credit Suisse): Outperform (1), Neutral (2), Underperform (3)

S&P (Standard and Poor's): Strong Buy (5), Buy (4), Hold (3), Sell (2), Strong Sell (1)

SB (Sanford Bernstein): Outperform (1), Market Perform (2), Underperform (3)

WFS (Wells Fargo Securities, LLC): Outperform (1), Market Perform (2), Underperform (3)

Wells Fargo Securities, LLC is a separate, nonbank affiliate of Wells Fargo & Company and an affiliate of Wells Fargo Advisors.

S&P Earnings & Dividend (Quality) Rank - S&P's appraisal of the growth and stability of earnings and dividends over the past 10 years for individual companies are indicated by the following quality ranks. Quality Rankings are not intended to predict stock movements.

This report is not complete without the Understanding Your Portfolio report which contains important terms and definitions.

Stock Returns

By: Security Type Detail

Security	Securities	Market Value(\$)	Unrealized Gain/Loss(\$)	Total Return Percentage				%Stock	%Port
				1 Mo	3 Mo	YTD	52 Week		
Stock-Consumer Discretionary	4	334,626	252,565	7.85%	15.25%	15.25%	29.40%	8.4%	7.7%
Stock-Consumer Staples	1	398,700	252,072	4.17%	16.42%	16.42%	22.86%	10.0%	9.1%
Stock-Health Care	2	2,686,000	2,012,591	-10.82%	-0.05%	-0.05%	-5.16%	67.6%	61.5%
Stock-Industrials	1	252,072	190,034	-0.47%	10.86%	10.86%	19.90%	6.3%	5.8%
Stock-Information Technology	1	245,050	50,429	2.31%	8.52%	8.52%	3.64%	6.2%	5.6%
Unassigned Stock	2	56,656	44,738	5.74%	19.61%	19.61%	49.25%	1.4%	1.3%
Stock Returns Total	11	3,973,104	2,802,430	-6.10%	4.32%	4.32%	3.17%	100.0%	91.0%

Total Portfolio Value as of 04/02/13: \$ 4,366,933

Total returns reflect market returns of securities and not holding returns based on your portfolio. Total Return percentage is provided by FactSet and takes into account price appreciation/depreciation and dividends paid.

This report is not complete without the Understanding Your Portfolio report which contains important terms and definitions.

Stock Returns - Security Detail

By: Security Type Detail

ID	Description	Market Value(\$)	Unrealized Gain/Loss(\$)	1 Mo	3 Mo	YTD	52 Week	%Stock	%Port
Stock-Consumer Discretionary									
DIV	DIRECTV	117,468	85,265	16.87%	13.12%	13.12%	15.00%	8.4%	7.7%
DISCA	DISCOVERY COMMUNICATI	40,919	32,576	4.14%	22.84%	22.84%	54.11%	3.0%	2.7%
DIS	DISNEY WALT COMPANY	172,380	131,469	2.46%	13.86%	13.86%	31.47%	1.0%	0.9%
STRZA	STARZ - SER A	3,859	3,256	13.33%	61.95%	61.95%	113.14%	4.3%	3.9%
Stock-Consumer Staples									
PEP	PEPSICO INCORPORATED	398,700	252,072	4.17%	16.42%	16.42%	22.86%	10.0%	9.1%
Stock-Health Care									
ISRG	INTUITIVE SURGICAL INC	2,686,000	2,012,591	-10.82%	-0.05%	-0.05%	-5.16%	67.6%	61.5%
RMD	RESMED INC	2,454,000	1,937,748	-12.44%	-1.18%	-1.18%	-10.55%	61.8%	56.2%
Stock-Industrials									
GE	GENERAL ELECTRIC COMP	252,072	190,034	-0.47%	10.86%	10.86%	18.90%	6.3%	5.8%
Stock-Information Technology									
GPN	GLOBAL PAYMENTS INC	245,050	50,429	2.31%	8.52%	8.52%	3.64%	6.2%	5.6%
Unassigned Stock									
DISCK	DISCOVERY COMMUNICATI	36,410	44,738	5.74%	19.61%	19.61%	49.25%	1.4%	1.3%
LMCA	LIBERTY MEDIA CORP A	20,245	28,919	5.74%	19.61%	19.61%	49.25%	0.9%	0.8%
Stock Returns Total		3,973,104	2,802,430	-6.10%	4.32%	4.32%	3.17%	100.0%	91.0%
Total Portfolio Value as of 04/02/13:		\$ 4,366,933							

Total returns reflect market returns of securities and not holding returns based on your portfolio. Total Return percentage is provided by FactSet and takes into account price appreciation/depreciation and dividends paid.

This report is not complete without the Understanding Your Portfolio report which contains important terms and definitions.

Understanding Your Portfolio

General Information

Investing involves risk, including the possible loss of principal. This report is intended to provide you with a descriptive overview of your current portfolio. The report may encompass one account or multiple accounts as specified in the report. The material has been prepared or is distributed solely for information purposes and does not supersede the proper use of your Wells Fargo Advisors client statements and/or trade confirmations, which are considered to be the official and accurate records of your account activity. Any market prices are only indications of market values, are subject to change, and may not reflect the value at which the securities could be sold. Reported prices should not be considered actual bids. For these reports, in certain groupings, Corporate Bonds includes Certificates of Deposit. Additionally, the report is prepared as of trade date, rather than settlement date, and may be prepared on a different date than your statement. The information contained in this report may not reflect all holdings or transactions, their costs, or proceeds in your account.

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Sector Analysis

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The sectors in this report are based on the Global Industry Classification Standard ("GICS"). These sectors may be different than those of other institutions or sources. The sector of each security is as of the date of this report and subject to change at any time and without notice.

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S&P provides sector classification for common stocks only. The 10 sectors used in this analysis are: Energy, Materials, Consumer Discretionary, Consumer Staples, Health Care, Financials, Information Technology, Telecom Services and Utilities. For sector-specific unit investment trusts, Wells Fargo Advisors, LLC has determined the sector assignment. Equity sectors are provided by Morningstar, Standard & Pooors and FT Interactive. Equity positions for which sectors are unavailable through Standard & Pooors and FT Interactive will be reflected in Unclassified.

Stock Ratings Report

Analysts' stock ratings are defined as follows:

Credit Suisse Rating System:

- 1. Outperform:** The stock's total return is expected to exceed the industry average by at least 10-15% (or more, depending on perceived risk) over the next 12 months.
- 2. Neutral:** The stock's total return is expected to be in line with the industry average (range of plus or minus 10%) over the next 12 months.
- 3. Underperform:** The stock's total return is expected to underperform the industry average by 10-15% or more over the next 12 months.

Sanford Bernstein Rating System:

Bernstein rates stocks based on relative performance for the next 6-12 months versus the S&P 500.

- 1. Outperform:** Stocks should outpace the market index by more than 15% in the year ahead.
- 2. Market Perform:** Stock should perform in line with the market index to within +/-15% in the year ahead.

3. Underperform: Stock should trail the performance of the market index by more than 15% in the year ahead.

Standard & Poor's STARS(Stock Appreciation Ranking System)

5-STARS: STRONG BUY - Total return is expected to outperform the total return of the S&P 500 Index 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 the S&P 500 Index over the coming 12 months, with shares rising in price on an absolute basis.

3-STARS: HOLD - Total return is expected to closely approximate that of the total return of the S&P 500 Index 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 the S&P 500 Index over the coming 12 months, and share price is not anticipated to show a gain.

1-STAR: STRONG SELL - Total return is expected to underperform the total return of the S&P 500 Index by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Wells Fargo Securities, LLC Rating System

1. Outperform: The stock appears attractively valued, and they believe the stock's total return will exceed that of the market over the next 12 months. *Buy*

2. Market Perform: The stock appears appropriately valued, and they 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 they believe the stock's total return will be below the market over the next 12 months. *Sell*

There is no assurance that all expectations will be achieved.

Asset Class Descriptions

The asset class descriptions below are included solely to provide insight into how individual securities are tied to specific asset classes. We use our best efforts to correctly classify investments. However, no warranty of accuracy is made.

Equity Investments: Equity investments refer to buying stocks of United States companies. The investment return to the owner of stock (shareholder) is in the form of dividends and/or capital appreciation. The market capitalization of companies is used to group large, medium (Mid), and small companies. Shareholders share in both the upside potential and the downside risk.

Capitalization: Market capitalization definitions differ but one example of capitalization methodology is that of Morningstar, which defines "large-capitalization" stocks as those stocks that form the top 70% of the market capitalization of the stocks eligible to be included in the Morningstar US Market Index (a diversified broad market index that represents approximately 97% of the market capitalization of publicly traded U.S. Stocks). The Morningstar index methodology defines "mid-capitalization" stocks as those stocks that form the 20% of market capitalization between the 70th and 90th percentile of the market capitalization and "small-capitalization" stocks as those

stocks that form the 7% of market capitalization between the 90th and 97th percentile of the market capitalization of the stocks eligible to be included in the Morningstar US Market Index.

Style: Blend (sometimes referred to as Core) investing is generally characterized as a strategy that seeks to balance the portfolio of stocks between the Growth and Value styles as market conditions fluctuate. Stocks in the underlying index are designated as "growth" as they are issued by companies that typically have higher than average historical and forecasted earnings, sales, equity and cash flow growth. Stocks in the underlying index are weighted according to the total number of shares that are publicly owned and available for trading. Stocks in the underlying index are designated as "value" as they are issued by companies that typically have relatively low valuations based on price-to-earnings, price-to-book value, price-to-sales, price-to-cash flow and dividend yields. The stocks in the underlying index are weighted according to the total number of shares that are publicly owned and available for trading.

Cash Alternatives: Cash Alternatives include liquid, short term and interest bearing investments. Examples are money market funds, Treasury bills and commercial paper. It is possible to lose money by investing in cash alternatives.

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