

# Abbott Laboratories

**S&P Recommendation** **HOLD** ★★☆☆☆

**Price**  
\$34.41 (as of Feb 8, 2013)

**12-Mo. Target Price**  
\$36.00

**Investment Style**  
Large-Cap Growth

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

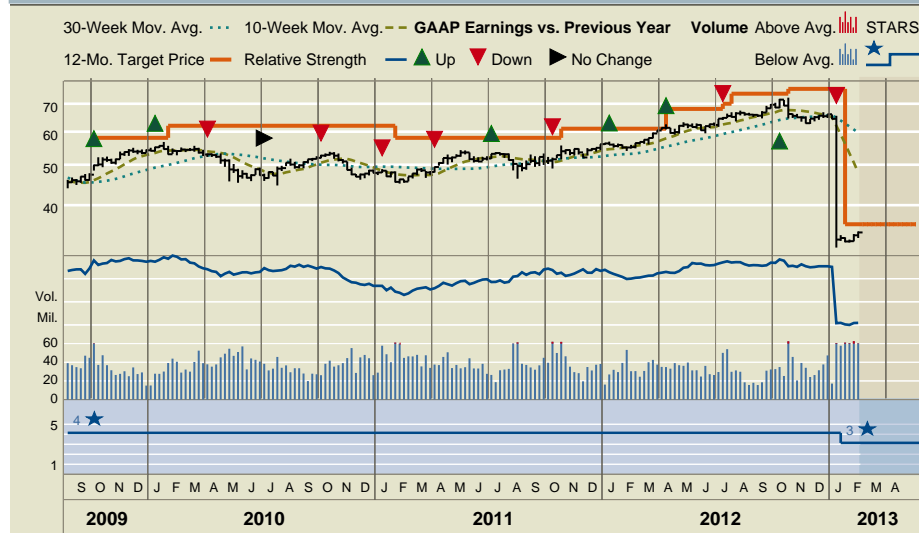
**GICS Sector** Health Care  
**Sub-Industry** Health Care Equipment

**Summary** This diversified healthcare products company is now focused on nutritionals, diagnostics, generic drugs, and medical devices, following the spinoff of its R&D based prescription pharmaceuticals business at the beginning of 2013.

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

|                          |                      |                            |                |                             |                 |                             |             |
|--------------------------|----------------------|----------------------------|----------------|-----------------------------|-----------------|-----------------------------|-------------|
| 52-Wk Range              | <b>\$72.47–31.64</b> | S&P Oper. EPS 2013E        | <b>2.00</b>    | Market Capitalization(B)    | <b>\$54.391</b> | Beta                        | <b>0.32</b> |
| Trailing 12-Month EPS    | <b>\$3.72</b>        | S&P Oper. EPS 2014E        | <b>2.20</b>    | Yield (%)                   | <b>1.63</b>     | S&P 3-Yr. Proj. EPS CAGR(%) | <b>8</b>    |
| Trailing 12-Month P/E    | <b>9.3</b>           | P/E on S&P Oper. EPS 2013E | <b>17.2</b>    | Dividend Rate/Share         | <b>\$0.56</b>   | S&P Credit Rating           | <b>A+</b>   |
| \$10K Invested 5 Yrs Ago | <b>NA</b>            | Common Shares Outstg. (M)  | <b>1,580.7</b> | Institutional Ownership (%) | <b>65</b>       |                             |             |

**Price Performance**



Options: ASE, CBOE, P, Ph

Analysis prepared by Equity Analyst **Herman Saftlas** on Jan 15, 2013, when the stock traded at **\$33.36**.

**Highlights**

- We project sales of about \$22.8 billion in 2013, up from an estimated pro forma of \$21.7 billion in 2012. We think nutritional products should rank among ABT's faster growing segments, helped by new products and greater penetration of foreign markets. We also see growth for diagnostics, driven by strong demand for molecular diagnostic products and core laboratory diagnostics. New products such the Xience Expedition stent, absorbable stent and MitraClip mitral valve repair system should spur volume in medical devices, while greater expansion in emerging markets should bolster sales of generic drugs.
- Gross margins this are likely to approximate or rise modestly from the pro forma 54% that we estimate for 2012, helped by better volume and efficiencies. We also see synergies accruing on the SG&A line, but new product costs will likely push up R&D spending. However, interest expense will probably be lower.
- Following a rise in the tax rate (reflecting the new medical device tax), we project EPS in 2013 of \$2.00. Helped by new products, we see EPS reaching \$2.20 in 2014.

**Investment Rationale/Risk**

- Effective January 1, 2013, ABT spun off to shareholders its research-based pharmaceuticals business in the form of shares of a new publicly traded company called Abbvie (ABBV 34 NR). Abbvie's products include Humira treatment for rheumatoid arthritis, a portfolio of other branded drugs, and a fairly robust R&D pipeline. Abbott has retained its established nutritionals, diagnostics, devices and branded generics operations. While we see Abbott well situated in solid global healthcare markets, we believe that many of those markets are relatively mature, with future growth likely to be driven primarily through margin expansion.
- Risks to our recommendation and target price include greater than expected competitive and pricing pressures in the company's principal markets, as well as possible pipeline setbacks.
- Our 12-month target price of \$36 applies a premium-to-peers P/E of 18X our 2013 EPS estimate, which we believe is reasonable given ABT's dominant positions in many of its markets. Our sum-of-the-parts analysis also indicates inherent worth of about \$36. The \$0.56 annual dividend presently yields 1.7%.

**Qualitative Risk Assessment**

**LOW** **MEDIUM** **HIGH**

Our risk assessment reflects Abbott's operations in competitive markets and its exposure to rising pricing pressures in global markets. However, we believe the company has relatively strong positions in key healthcare product categories, with prospects brightened by ongoing launches of new medical products, and expansion in emerging markets. We also view the company as financially strong, with a sound balance sheet.

**Quantitative Evaluations**

**S&P Quality Ranking** **A**

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

**Relative Strength Rank** **WEAK**

**3**  
LOWEST = 1 HIGHEST = 99

**Revenue/Earnings Data**

**Revenue (Million U.S. \$)**

|      | 1Q    | 2Q    | 3Q    | 4Q     | Year   |
|------|-------|-------|-------|--------|--------|
| 2012 | 9,457 | 9,807 | 9,773 | 10,837 | 39,874 |
| 2011 | 9,041 | 9,616 | 9,817 | 10,377 | 38,851 |
| 2010 | 7,698 | 8,826 | 8,675 | 9,968  | 35,167 |
| 2009 | 6,718 | 7,495 | 7,761 | 8,790  | 30,765 |
| 2008 | 6,766 | 7,314 | 7,498 | 7,950  | 29,528 |
| 2007 | 5,290 | 6,371 | 6,377 | 7,221  | 25,914 |

**Earnings Per Share (U.S. \$)**

|      | 1Q   | 2Q   | 3Q   | 4Q   | Year |
|------|------|------|------|------|------|
| 2012 | 0.78 | 1.08 | 1.21 | 0.66 | 3.72 |
| 2011 | 0.55 | 1.23 | 0.19 | 1.02 | 3.01 |
| 2010 | 0.64 | 0.83 | 0.57 | 0.92 | 2.96 |
| 2009 | 0.92 | 0.83 | 0.95 | 0.98 | 3.69 |
| 2008 | 0.60 | 0.85 | 0.69 | 0.89 | 3.03 |
| 2007 | 0.41 | 0.63 | 0.46 | 0.77 | 2.31 |

Fiscal year ended Dec. 31. Next earnings report expected: Mid April. 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 |
|-------------|------------|--------------|----------------|--------------|
| 0.510       | 09/13      | 10/11        | 10/15          | 11/15/12     |
| Stk.        | 11/28      | 01/02        | 12/12          | 01/01/13     |
| 0.140       | 12/14      | 01/11        | 01/15          | 02/15/13     |
| 0.140       | 12/14      | 01/11        | 01/15          | 02/15/13     |

Dividends have been paid since 1926. Source: Company reports.

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**Abbott Laboratories****Business Summary** January 15, 2013

**CORPORATE OVERVIEW.** Abbott Laboratories is a leading player in several growing health care markets. Through acquisitions, product diversification and R&D programs, ABT offers a wide range of infant and adult nutritionals, diagnostics, medical devices and generic drugs. The company's research-based pharmaceuticals business, which included Humira and other branded pharmaceuticals, was spun off to shareholders at the beginning of 2013.

During 2011, pharmaceuticals accounted for 58% of operating revenues, while nutritionals represented 15%, diagnostics contributed 11%, and vascular represented 9%. Sales of other products represented 7% of 2011 sales. Foreign sales accounted for 59% of total sales in 2011.

Nutritionals fall under U.S.-based Ross Products and Abbott Nutrition International. Products include leading infant formulas sold under the Similac and Isomil names, as well as adult nutritionals, such as Ensure and ProSure for patients with special dietary needs, including cancer and diabetes patients. ABT also markets enteral feeding (tube feeding) items.

Abbott Diabetes Care markets the Precision and FreeStyle lines of hand-held glucose monitors for diabetes patients. This division also markets data management and point-of-care systems, insulin pumps and syringes, and Glucerna shakes and nutrition bars tailored for diabetics.

Abbott Vascular markets coronary and carotid stents, catheters and guide wires, and products used for surgical closure. The principal product is the new Xience drug-eluting stent (DES), which is presently the leading product in the domestic DES market. Boston Scientific has marketed the Xience stent manufactured by Abbott under the Promus name under a distributor agreement with ABT. However, Boston Scientific is moving to replace Promus sales with its own proprietary Promus Element stent.

ABT offers a wide range of tests and diagnostic systems for blood banks, hospitals, and labs. Principal products include screening tests for hepatitis, HIV, and other infectious diseases, and for cancer; clinical chemistry systems; diagnostic instruments and chemical reagents; immunoassay test kits; hematology systems and reagents; and pregnancy tests.

In February 2009, Abbott completed the acquisition of Advanced Medical Optics (AMO) for about \$2.8 billion in cash. AMO is a leader in ophthalmic care with the No. 1 position in LASIK surgical devices, the No. 2 position in cataract surgical products, and the No. 3 slot in contact lens care products. AMO's total sales are about \$1 billion.

The company's continuing established pharmaceuticals business comprise branded generics which are sold in emerging markets (60% of this division's sales) and developed markets (40%). Branded generics typically command higher margins than conventional generics, especially in emerging markets, as their branded labels afford them a sense of quality and reliability over unbranded drugs. ABT's growth strategy for this business comprises efforts to increase the breadth of product offerings by launching new and improved formulations, and registering products across multiple geographic regions.

**FINANCIAL TRENDS.** In early 2013, Abbott noted that it had significant cash flow generation potential, upwards of \$4 billion, which should enable the company with ample resources for investments in future growth and returns to shareholders. We believe Abbott also has a fairly robust balance sheet, with cash and investments of over \$9 billion, and long-term debt of about \$5.4 billion.

**Corporate Information****Investor Contact**

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**Website**<http://www.abbott.com>**Officers****Chrmn & CEO**

M.D. White

**Chief Acctg Officer & Cntrl**

G.W. Linder

**EVP & CFO**

T.C. Freyman

**Treas**

V. Yien

**EVP, Secy & General Counsel**

H.L. Allen

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E. M. Liddy

N. McKinsty

P. N. Novakovic

W. A. Osborn

S. C. Scott, III

G. F. Tilton

M. D. White

**Domicile**

Illinois

**Founded**

1888

**Employees**

91,000

**Stockholders**

62,939

# Abbott Laboratories

## Quantitative Evaluations

|                                |   |        |   |         |   |   |
|--------------------------------|---|--------|---|---------|---|---|
| <b>S&amp;P Fair Value Rank</b> | 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).

|                               |                |   |
|-------------------------------|----------------|---|
| <b>Fair Value Calculation</b> | <b>\$44.00</b> | Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that ABT is Undervalued by \$9.59 or 27.9%. |
|-------------------------------|----------------|---|

|  |            |                          |
|--|------------|--------------------------|
| <b>Investability Quotient Percentile</b>   | <b>100</b> | LOWEST = 1 HIGHEST = 100 |
| ABT scored higher than 100% of all companies for which an S&P Report is available. |            |                          |

|                   |            |         |      |
|-------------------|------------|---------|------|
| <b>Volatility</b> | <b>LOW</b> | AVERAGE | HIGH |
|-------------------|------------|---------|------|

|                             |                |  |
|-----------------------------|----------------|--|
| <b>Technical Evaluation</b> | <b>BULLISH</b> | Since January, 2013, the technical indicators for ABT have been BULLISH. |
|-----------------------------|----------------|--|

|                         |                    |         |           |
|-------------------------|--------------------|---------|-----------|
| <b>Insider Activity</b> | <b>UNFAVORABLE</b> | NEUTRAL | FAVORABLE |
|-------------------------|--------------------|---------|-----------|

## Expanded Ratio Analysis

|                                | 2011    | 2010    | 2009    | 2008    |
|--------------------------------|---------|---------|---------|---------|
| Price/Sales                    | 2.27    | 2.12    | 2.73    | 2.82    |
| Price/EBITDA                   | 7.93    | 8.33    | 9.65    | 10.02   |
| Price/Pretax Income            | 16.95   | 13.05   | 11.67   | 14.22   |
| P/E Ratio                      | 18.64   | 16.12   | 14.61   | 17.59   |
| Avg. Diluted Shares Outstg (M) | 1,567.4 | 1,556.0 | 1,555.1 | 1,560.8 |

Figures based on calendar year-end price

## Key Growth Rates and Averages

| Past Growth Rate (%) | 1 Year | 3 Years | 5 Years | 9 Years |
|----------------------|--------|---------|---------|---------|
| Sales                | 10.48  | 10.04   | 11.13   | 9.09    |
| Net Income           | 2.23   | -2.18   | 18.72   | 8.26    |

## Ratio Analysis (Annual Avg.)

|                             | 2011  | 2010  | 2009  | 2008  |
|-----------------------------|-------|-------|-------|-------|
| Net Margin (%)              | 12.17 | 14.67 | 14.79 | 14.09 |
| % LT Debt to Capitalization | 32.03 | 33.00 | 33.42 | 29.93 |

## 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      | NA    | NM    | NM    | 2.17  | 1.51  | 1.24  | NM    | 2.89  | 2.22  | 2.90  |
| Cash Flow                | NA    | 4.96  | 4.66  | 5.04  | 4.21  | 3.50  | 2.13  | 3.02  | 2.84  | 2.56  |
| Earnings                 | 3.72  | 3.01  | 2.96  | 3.69  | 3.03  | 2.31  | 1.12  | 2.16  | 2.02  | 1.75  |
| S&P Core Earnings        | NA    | 3.82  | 3.05  | 3.60  | 2.86  | 2.31  | 1.16  | 2.01  | 1.90  | 1.95  |
| Dividends                | 2.01  | 1.88  | 1.72  | 1.56  | 1.41  | 1.27  | 1.16  | 1.09  | 1.03  | 0.97  |
| Payout Ratio             | 54%   | 63%   | 58%   | 42%   | 46%   | 55%   | 104%  | 50%   | 51%   | 55%   |
| Prices:High              | 72.47 | 56.44 | 56.79 | 57.39 | 61.09 | 59.50 | 49.87 | 50.00 | 47.63 | 47.15 |
| Prices:Low               | 53.96 | 45.07 | 44.59 | 41.27 | 45.75 | 48.75 | 39.18 | 37.50 | 38.26 | 33.75 |
| P/E Ratio:High           | 19    | 19    | 19    | 16    | 20    | 26    | 45    | 23    | 24    | 27    |
| P/E Ratio:Low            | 15    | 15    | 15    | 11    | 15    | 21    | 35    | 17    | 19    | 19    |

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

|                    | 2012 | 2011   | 2010   | 2009   | 2008   | 2007   | 2006   | 2005   | 2004   | 2003   |
|--------------------|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue            | NA   | 38,851 | 35,167 | 30,765 | 29,528 | 25,914 | 22,476 | 22,338 | 19,680 | 19,681 |
| Operating Income   | NA   | 11,119 | 8,954  | 8,698  | 8,316  | 7,378  | 6,419  | 5,738  | 5,187  | 4,597  |
| Depreciation       | NA   | 3,044  | 2,624  | 2,090  | 1,839  | 1,855  | 1,559  | 1,359  | 1,289  | 1,274  |
| Interest Expense   | NA   | 445    | 448    | 520    | 528    | 593    | 416    | 241    | 200    | 146    |
| Pretax Income      | NA   | 5,199  | 5,713  | 7,194  | 5,856  | 4,479  | 2,276  | 4,620  | 4,126  | 3,734  |
| Effective Tax Rate | NA   | 9.04%  | 19.0%  | 20.1%  | 19.2%  | 19.3%  | 24.6%  | 27.0%  | 23.0%  | 26.3%  |
| Net Income         | NA   | 4,729  | 4,626  | 5,746  | 4,734  | 3,606  | 1,717  | 3,372  | 3,176  | 2,753  |
| S&P Core Earnings  | NA   | 5,985  | 4,739  | 5,595  | 4,473  | 3,609  | 1,787  | 3,158  | 2,972  | 2,971  |

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

|                                    | 2012 | 2011   | 2010   | 2009   | 2008   | 2007   | 2006   | 2005   | 2004   | 2003   |
|------------------------------------|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Cash                               | NA   | 8,097  | 5,451  | 9,932  | 5,080  | 2,821  | 521    | 2,894  | 1,226  | 995    |
| Current Assets                     | NA   | 23,769 | 22,318 | 23,314 | 17,043 | 14,043 | 11,282 | 11,386 | 10,734 | 10,290 |
| Total Assets                       | NA   | 60,277 | 59,462 | 52,417 | 42,419 | 39,714 | 36,178 | 29,141 | 28,767 | 26,715 |
| Current Liabilities                | NA   | 15,480 | 17,262 | 13,049 | 11,592 | 9,103  | 11,951 | 7,416  | 6,826  | 7,640  |
| Long Term Debt                     | NA   | 12,040 | 12,560 | 11,484 | 8,713  | 9,488  | 7,010  | 4,572  | 4,788  | 3,452  |
| Common Equity                      | NA   | 24,440 | 22,388 | 22,856 | 17,480 | 17,779 | 14,054 | 14,415 | 14,326 | 13,072 |
| Total Capital                      | NA   | 37,593 | 37,169 | 34,594 | 26,193 | 27,266 | 21,064 | 19,570 | 19,334 | 16,525 |
| Capital Expenditures               | NA   | 1,492  | 1,015  | 1,089  | 1,288  | 1,656  | 1,338  | 1,207  | 1,292  | 1,247  |
| Cash Flow                          | NA   | 7,772  | 7,250  | 7,835  | 6,573  | 5,461  | 3,276  | 4,731  | 4,465  | 4,027  |
| Current Ratio                      | NA   | 1.5    | 1.3    | 1.8    | 1.5    | 1.5    | 0.9    | 1.5    | 1.6    | 1.3    |
| % Long Term Debt of Capitalization | NA   | Nil    | 33.8   | Nil    | 33.3   | 34.8   | 33.3   | 23.4   | 24.8   | 20.9   |
| % Net Income of Revenue            | NA   | 12.2   | 13.2   | 18.7   | 16.0   | 13.9   | 7.6    | 15.1   | 16.1   | 14.0   |
| % Return on Assets                 | NA   | NA     | NA     | NA     | 11.5   | 9.5    | 5.3    | 11.6   | 11.6   | 10.8   |
| % Return on Equity                 | NA   | NA     | NA     | NA     | 26.9   | 22.7   | 12.1   | 23.5   | 23.2   | 23.2   |

Data as orig reprinted; 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.

# Abbott Laboratories

## Sub-Industry Outlook

Our fundamental outlook for the health care equipment sub-industry for the next 12 months is neutral. We continue to view many product categories as historically recession-resistant, and we expect they will continue to grow, albeit more slowly than they did prior to the recent recession. We remain concerned about continued weak demand for elective medical procedures. In addition, procedure rates have declined in areas we would not normally view as elective, such as cardiac rhythm management, interventional cardiology and orthopedics, partly due to a U.S. Justice Dept. probe of improper defibrillator implantation, impacting the first category, and a still-soft economy. On the other hand, a number of makers of products in the latter two categories have been expressing the view that procedure rates for such products appear to be stabilizing and/or recovering modestly.

We believe the new medical device tax required by the health care reform law and that took effect this year has prompted the sub-industry to align its cost structure to partially offset the impact of the tax. We note, though, that since the levy is income tax deductible, its after-tax effect will be lower, and we therefore view the impact of health care reform as manageable. Many equipment makers have implemented cost reduction initiatives to help offset the levy.

We expect 2013 revenues to rise in constant currency at a mid- to high single digit pace, aided by expansion into emerging markets, and, in some cases, acquisitions. Still, we expect extended replacement cycles at U.S. hospitals in some areas, pricing pressures, the continuation of European austerity measures, lower demand in certain important product categories and unfavorable currency exchange to continue to affect growth.

However, we are seeing sales gains, albeit uneven ones, in equipment that hospitals believe can differentiate them from one another and/or offer a possible high return on investment.

We see positive longer-term fundamentals, including increasing global demand for quality health care, aging populations and rising R&D outlays, leading to a steady flow of new diagnostic and therapeutic products in cardiology, orthopedics, and other areas.

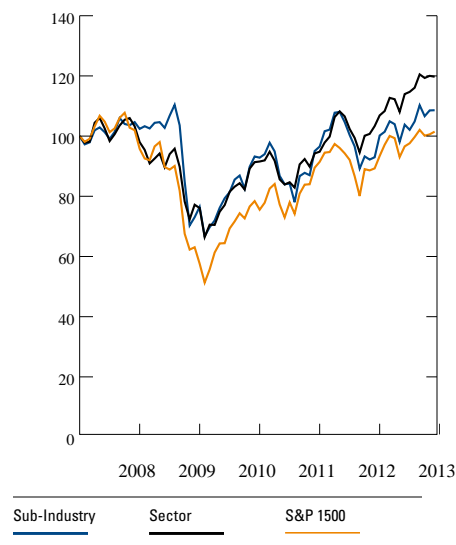
Year to date to January 25, the S&P Health Care Equipment Index was up 9.0%, versus a 5.6% increase in the S&P 1500 Composite Index. In 2012, the sub-industry index rose 16.8%, versus a 13.7% increase in the 1500. The advances in 2012 and so far in 2013 suggest to us that investors have been generally pleased with the health care equipment makers' performance in 2012 and may view the momentum as sustainable through 2013.

--Phillip M. Seligman

## Stock Performance

**GICS Sector: Health Care**  
**Sub-Industry: Health Care Equipment**

Based on S&P 1500 Indexes  
Month-end Price Performance as of 12/31/12



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

## Sub-Industry : Health Care Equipment Peer Group\*: Based on market capitalizations within GICS Sub-Industry

| Peer Group                 | Stock Symbol | Stk.Mkt. Cap. (Mil. \$) | Recent Stock Price(\$) | 52 Week High/Low(\$) | Beta        | Yield (%)  | P/E Ratio | Fair Value Calc.(\$) | Quality Ranking | S&P IQ %ile | Return on Revenue (%) | LTD to Cap (%) |
|----------------------------|--------------|-------------------------|------------------------|----------------------|-------------|------------|-----------|----------------------|-----------------|-------------|-----------------------|----------------|
| <b>Abbott Laboratories</b> | <b>ABT</b>   | <b>54,391</b>           | <b>34.41</b>           | <b>72.47/31.64</b>   | <b>0.32</b> | <b>1.6</b> | <b>9</b>  | <b>44.00</b>         | <b>A</b>        | <b>100</b>  | <b>12.2</b>           | <b>NA</b>      |
| CareFusion Corp            | CFN          | 7,090                   | 31.85                  | 32.57/23.77          | NA          | Nil        | 25        | 33.00                | NR              | 31          | 10.0                  | 17.6           |
| DexCom Inc                 | DXCM         | 1,014                   | 14.79                  | 15.61/9.36           | 1.10        | Nil        | NM        | NA                   | NR              | 78          | NM                    | NA             |
| Edwards Lifesciences       | EW           | 10,066                  | 87.22                  | 110.79/67.86         | 0.54        | Nil        | 39        | 84.30                | B               | 95          | 14.1                  | 10.1           |
| Globus Medical             | GMED         | 1,238                   | 13.58                  | 19.93/10.26          | NA          | Nil        | 18        | NA                   | NR              | 84          | 18.3                  | NA             |
| HeartWare International    | HTWR         | 1,239                   | 86.87                  | 97.31/61.00          | -0.32       | Nil        | NM        | NA                   | NR              | 72          | NA                    | NA             |
| Insulet Corp               | PODD         | 1,089                   | 22.88                  | 24.28/16.85          | 1.53        | Nil        | NM        | NA                   | NR              | 13          | NA                    | 60.3           |
| MAKO Surgical              | MAKO         | 469                     | 11.06                  | 45.15/10.35          | 0.53        | Nil        | NM        | NA                   | NR              | 73          | NM                    | NA             |
| Masimo Corp                | MASI         | 1,173                   | 20.13                  | 25.35/18.20          | 0.83        | Nil        | 19        | 25.30                | NR              | 88          | 14.6                  | NA             |
| NxStage Medical            | NXTM         | 668                     | 11.99                  | 21.87/10.15          | 0.86        | Nil        | NM        | NA                   | NR              | 43          | NM                    | 22.2           |
| Sirona Dental Sys          | SIRO         | 4,065                   | 72.94                  | 73.98/40.59          | 1.59        | Nil        | 31        | 68.10                | NR              | 79          | 13.7                  | 7.0            |
| Sunshine Heart             | SSH          | 7,448                   | 7.31                   | 22.90/2.50           | NA          | Nil        | NM        | NA                   | NR              | 19          | NM                    | NA             |
| Teleflex Inc               | TFX          | 3,137                   | 76.63                  | 77.20/57.26          | 0.79        | 1.8        | NM        | 61.70                | B+              | 42          | 7.9                   | 32.5           |
| Tornier NV                 | TRNX         | 717                     | 17.18                  | 25.91/14.53          | NA          | Nil        | NM        | NA                   | NR              | 40          | NA                    | 4.8            |
| Volcano Corp               | VOLC         | 1,345                   | 25.43                  | 30.59/23.08          | 0.27        | Nil        | 40        | 15.30                | NR              | 77          | 11.1                  | 22.0           |

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.

**Abbott Laboratories****S&P Analyst Research Notes and other Company News****January 30, 2013**

**TH A HOLD OPINION (ABBV 37.34\*\*\*):** This spin-off from Abbott Laboratories (ABT 33\*\*\*) ranks among the world's leading drugmakers. Still, we note that some 45% of sales comes from one drug- Humira, a rheumatoid arthritis treatment whose patent expires in 2016. We also see generics impacting ABBV's lipid lowering and HIV franchises. On the plus side, we like ABBV's robust pipeline, which we think has promising therapies for hepatitis C, Parkinson's disease and cancer. Our target price of \$40 applies a modest premium-to-peers P/E of 12.8X to our 2013 EPS estimate of \$3.12. The \$1.60 dividend provides a 4.3% yield. /H. Saftlas

**January 23, 2013**

**12:03 pm ET ... S&P REITERATES HOLD OPINION ON SHARES OF ABBOTT LABORATORIES (ABT 32.88\*\*\*):** We maintain our target price of \$36, and our 2013 operating EPS estimate of \$2.00, near the midpoint of ABT's new \$1.98-\$2.04 guidance range. Q4 EPS of \$1.51, vs. \$1.45, was \$0.01 below our forecast. While sales rose 4.4%, we attribute most of the gain to strength in drugs such as Humira that are now booked by recently spun-off Abbvie (ABBV 37, NR). For 2013, we see mid-single top line growth, helped by new products such as Absorb vascular scaffold and MitraClip valve repair system, as well as by greater penetration of emerging markets. The dividend presently yields 1.7%. /H. Saftlas

**January 14, 2013**

**05:44 pm ET ... S&P DOWNGRADES OPINION ON SHARES OF ABBOTT LABORATORIES TO HOLD FROM BUY (ABT 33.37\*\*\*):** We are reducing our 12-month target price by \$40, to \$36, to reflect the recent spin-off of the company's research-based pharmaceuticals business as shares of a new publicly traded firm called AbbVie, Inc. (ABBV 34, NR). Our new target price applies a premium-to-peers P/E multiple of 18X to our new \$2.00 EPS estimate for 2013 (versus our prior pre-spinoff estimate of \$5.55). While we view ABT as well positioned in diversified health care products markets, we think many of those markets are relatively mature, with future EPS growth likely coming largely from margin expansion. /H. Saftlas

**November 29, 2012**

ABT announces that its Board has approved the separation of its research-based pharmaceuticals business, which will be known as AbbVie Inc., and declared a special dividend distribution of all the outstanding shares of AbbVie common stock. For every 1 share of ABT held, ABT holders will get 1 share of AbbVie common stock.

**November 29, 2012**

**11:33 am ET ... RETRANSMIT - S&P REITERATES BUY OPINION ON SHARES OF ABBOTT (ABT 64.87\*\*\*):** ABT's board approves the spin-off of its research-based pharmaceutical business named AbbVie Inc. ABT shareholders will receive one share of Abbvie (NYSE symbol ABBV) for each share of ABT held. The distribution will be on Jan. 1, 2013, to stockholders of record on Dec. 12. Our \$76 target for the presently combined firm remains unchanged. We see shareholder values of legacy Abbott and Abbvie enhanced by the split, with investors now able to better focus on the growth potentials of each firm. ABBV plans to pay a \$1.60 annual dividend, and ABT a \$0.56 annual dividend. /H. Saftlas

**October 17, 2012**

**03:14 pm ET ... S&P REITERATES BUY OPINION ON SHARES OF ABBOTT LABORATORIES (ABT 69.11\*\*\*):** We are raising our target price by \$2 to \$76, following robust Q3 non-GAAP EPS and enhanced valuations that we see for the planned split of ABT into two separate companies, effective Jan 1, 2013. Helped by better gross margins, Q3 EPS rose 10% to \$1.30, \$0.02 above our forecast. Operating sales rose 4.1%, but were down slightly after negative forex. We raise our 2012 estimate \$0.03 to \$5.08. We like the R&D pipeline of the new Abbvie pharmaceuticals company, which also plans to pay a \$1.60 annual dividend. The legacy Abbott unit is expected to pay a \$0.56 annual dividend. /H. Saftlas

**July 18, 2012**

**11:53 am ET ... S&P REITERATES BUY OPINION ON SHARES OF ABBOTT LABORATORIES (ABT 66.25\*\*\*):** We are raising our target price by \$4 to \$74, following robust Q2 operational results, and enhanced valuations that we see for the planned split-up of ABT into two separate companies. Q2 non-GAAP EPS climbed 9.8%, to \$1.23 (\$0.02 above our estimate), with sales gains in Humira arthritis treatment, Xience stent, and nutritionals more than offsetting negative

forex comparisons. Q2 sales rose 2.0%, after a 4.7% hit from a stronger dollar. The split-up is to be accomplished later this year with the spinoff of the R&D-based drug business to be called AbbVie. The dividend yields 3.0%. /H. Saftlas

**July 16, 2012**

Abbott Laboratories announced that Greg W. Linder, Vice President and Controller will retire from the company effective February 28, 2013. Robert E. Funck has been appointed Vice President and Controller, effective March 1, 2013.

**June 29, 2012**

**11:23 am ET ... S&P REITERATES BUY OPINION ON SHARES OF ABBOTT LABORATORIES (ABT 63.75\*\*\*):** We are raising our target price on by \$2 to \$70, in view of an upward revision in our evaluation of ABT's new drug pipeline. ABT's key Humira autoimmune drug recently received a positive opinion from European regulators to add several new uses to its label. Boosted by new indications, we expect sales of Humira to rise 14% to \$9B in this year. While we expect it to be the dominant drug of AbbVie, the planned spinoff of ABT's R&D-based drug business, we also see much promise for a next-generation Humira, and new treatments for hepatitis C and multiple sclerosis. /H. Saftlas

**June 5, 2012**

**10:36 am ET ... S&P MAINTAINS BUY OPINION ON SHARES OF NEUROCRINE BIOSCIENCES (NBIX 6.78\*\*\*):** Abbott Labs (ABT 60, Buy) initiates Phase III study on Elagolix, licensed from NBIX, in female patients with endometriosis. ABT plans for a second pivotal study and regulatory filings in '16. We see program timeline as slower than we had projected, providing NBIX with fewer near-term milestone revenues. Though we see NBIX as increasingly reliant on wholly-owned NBI-98854 for tardive dyskinesia, which we expect to start Phase IIb launch in '12, we view NBIX as being on solid financial footing. On revised Elagolix launch assumptions, we trim our NPV-based target price by \$1 to \$10. /S.Silver

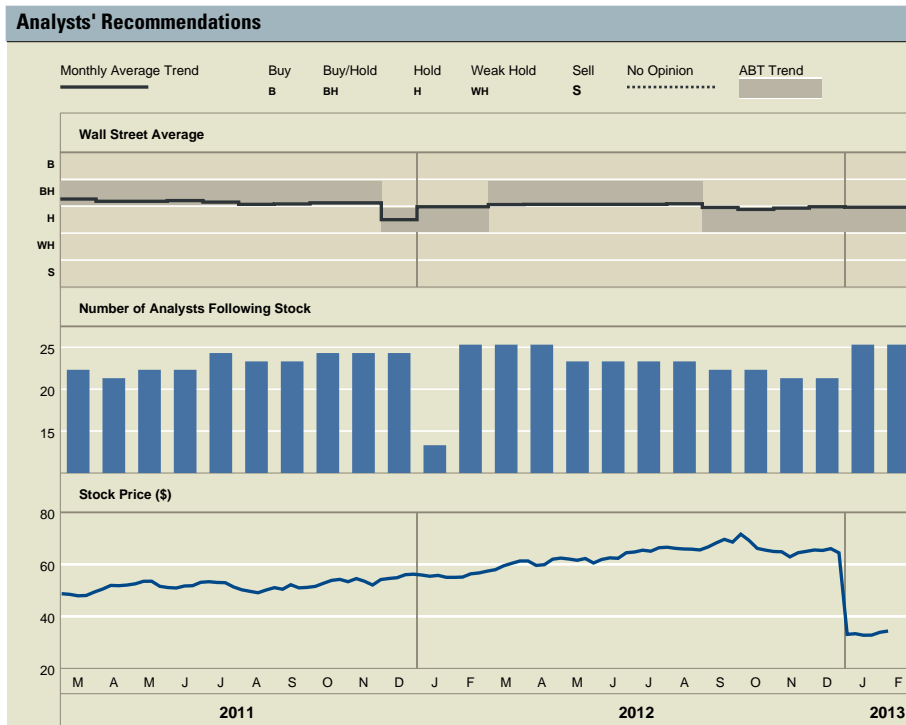
**June 4, 2012**

Abbott Laboratories announced that effective from June 1, 2012, Brian J. Blaser is the company's Executive Vice President, Diagnostic Products, replacing Edward L. Michael, whose previously-announced retirement will be effective June 30, 2012.

**May 3, 2012**

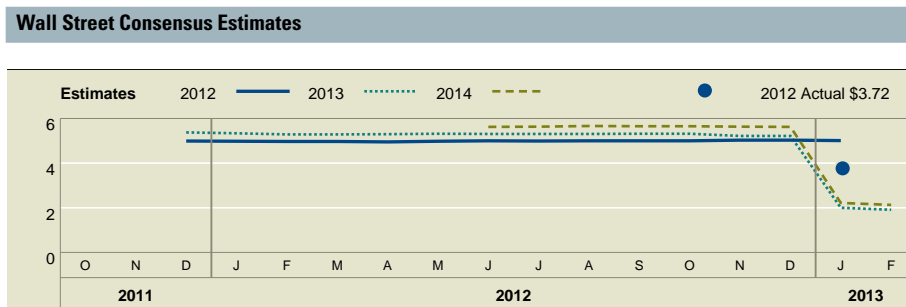
Edward L. Michael, Executive Vice President, Diagnostics Products, has announced the Abbott Laboratories that he will be retiring from the company within the next couple of months.

# Abbott Laboratories



Of the total 34 companies following ABT, 27 analysts currently publish recommendations.

|              | No. of Ratings | % of Total | 1 Mo. Prior | 3 Mos. Prior |
|--------------|----------------|------------|-------------|--------------|
| Buy          | 6              | 22         | 5           | 4            |
| Buy/Hold     | 2              | 7          | 4           | 2            |
| Hold         | 16             | 59         | 15          | 14           |
| Weak Hold    | 0              | 0          | 0           | 0            |
| Sell         | 1              | 4          | 1           | 1            |
| No Opinion   | 2              | 7          | 1           | 1            |
| <b>Total</b> | <b>27</b>      | <b>100</b> | <b>26</b>   | <b>22</b>    |



| Fiscal Years           | Avg Est.     | High Est.    | Low Est.     | # of Est.     | Est. P/E      |
|------------------------|--------------|--------------|--------------|---------------|---------------|
| 2014                   | 2.15         | 2.55         | 1.67         | 16            | 16.0          |
| 2013                   | 1.93         | 2.10         | 1.54         | 20            | 17.8          |
| <b>2014 vs. 2013</b>   | <b>▲ 11%</b> | <b>▲ 21%</b> | <b>▲ 8%</b>  | <b>▼ -20%</b> | <b>▼ -10%</b> |
| Q1'14                  | 0.46         | 0.52         | 0.35         | 4             | 74.8          |
| Q1'13                  | 0.38         | 0.43         | 0.30         | 15            | 90.6          |
| <b>Q1'14 vs. Q1'13</b> | <b>▲ 21%</b> | <b>▲ 21%</b> | <b>▲ 17%</b> | <b>▼ -73%</b> | <b>▼ -17%</b> |

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

### Wall Street Consensus Opinion

**HOLD**

### Companies Offering Coverage

- Over 30 firms follow this stock; not all firms are displayed.
- Argus Research Company
  - Atlantic Equities LLP
  - Axia Financial research
  - BMO Capital Markets, U.S. Equity Research
  - Barclays
  - BofA Merrill Lynch
  - Brean Capital LLC
  - Citigroup Inc
  - Cowen and Company, LLC
  - Credit Suisse
  - Daiwa Capital Markets America Inc.
  - Daiwa Securities Capital Markets Co. Ltd.
  - Davenport & Company
  - Day By Day
  - Deutsche Bank
  - Erste Group Bank AG
  - First Global Stockbroking (P) Ltd.
  - Goldman Sachs
  - Hilliard Lyons
  - JP Morgan
  - Jefferies & Company, Inc.
  - Leerink Swann LLC
  - Morgan Keegan & Company
  - Morgan Stanley
  - Morningstar Inc.
  - Noble Financial Group
  - RBC Capital Markets
  - Raymond James & Associates
  - S&P Equity Research
  - Sanford C. Bernstein & Co., Inc.

### Wall Street Consensus vs. Performance

For fiscal year 2013, analysts estimate that ABT will earn \$1.93. For fiscal year 2014, analysts estimate that ABT's earnings per share will grow by 11% to \$2.15.



**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 capitalize 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:  
Abbott Laboratories**

|                               | Raw Score  | Max Value  |
|-------------------------------|------------|------------|
| Proprietary S&P Measures      | 47         | 115        |
| Technical Indicators          | 31         | 40         |
| Liquidity/Volatility Measures | 17         | 20         |
| Quantitative Measures         | 63         | 75         |
| <b>IQ Total</b>               | <b>158</b> | <b>250</b> |

**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

**Abbott Laboratories**

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 40.0% 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 39.8% of issuers with buy recommendations, 23.1% with hold recommendations and 37.1% with sell recommendations.

**In Asia:** As of December 31, 2012, Standard & Poor's Quantitative Services Asia recommended 52.1% of issuers with buy recommendations, 18.8% with hold recommendations and 29.1% with sell recommendations.

**Globally:** As of December 31, 2012, Standard & Poor's Quantitative Services globally recommended 45.3% of issuers with buy recommendations, 20.3% with hold recommendations and 34.4% with sell recommendations.

**Additional information is available upon request.**

**Other Disclosures**

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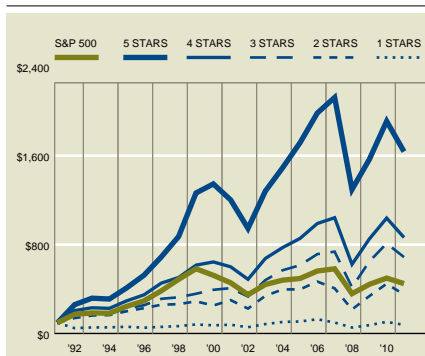
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**U.S. STARS Cumulative Model Performance**  
Hypothetical Growth Due to Price Appreciation of \$100  
For the Period 12/31/1986 through 01/31/2013



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

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

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