

Automatic Data Processing Inc.

S&P Recommendation **BUY** ★★★★★

Price
\$54.25 (as of Feb 17, 2012)

12-Mo. Target Price
\$63.00

Investment Style
Large-Cap Growth

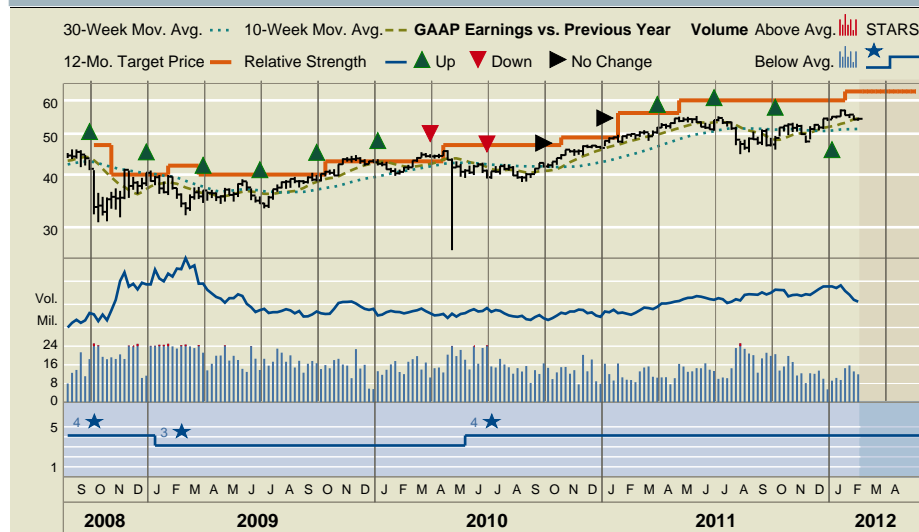
GICS Sector Information Technology
Sub-Industry Data Processing & Outsourced Services

Summary ADP, one of the world's largest independent computing services companies, provides a broad range of data processing services.

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

| | | | | | | | |
|--------------------------|-----------------------|----------------------------|--------------|-----------------------------|-----------------|-----------------------------|-------------|
| 52-Wk Range | \$57.10– 44.72 | S&P Oper. EPS 2012E | 2.73 | Market Capitalization(B) | \$26.614 | Beta | 0.68 |
| Trailing 12-Month EPS | \$2.71 | S&P Oper. EPS 2013E | 2.99 | Yield (%) | 2.91 | S&P 3-Yr. Proj. EPS CAGR(%) | 10 |
| Trailing 12-Month P/E | 20.0 | P/E on S&P Oper. EPS 2012E | 19.9 | Dividend Rate/Share | \$1.58 | S&P Credit Rating | AAA |
| \$10K Invested 5 Yrs Ago | \$13,647 | Common Shares Outstg. (M) | 490.6 | Institutional Ownership (%) | 76 | | |

Price Performance



Options: ASE, CBOE, P, Ph

Analysis prepared by Equity Analyst **Dylan Cathers** on Jan 31, 2012, when the stock traded at **\$54.78**.

Highlights

- We look for revenue increases of 8.0% in FY 12 (Jun.), aided by a strong first-quarter gain and three recent acquisitions, and 5.0% in FY 13. Pays per control, which is ADP's version of a same-store sales metric, were up modestly in the December quarter, despite an ongoing soft employment market. This gives us confidence in the company's core Employer Services segment, given increasing average client fund balances and client growth in the small business space. We think sales in the Dealer Services unit will remain solid. We see low prevailing interest rates reducing income from funds held for clients, but this should be partially offset by lower borrowing costs.
- We think operating margins will narrow slightly in FY 12. We believe investments in the sales force and in new technologies, as well as acquisitions and lower yields on funds held for clients, will offset improving operational metrics and cost controls.
- Aided by a modest level of share buybacks, EPS was \$2.52 in FY 11. For FY 12, we assume just enough buyback activity to offset share issuance, and we expect EPS of \$2.73. We forecast EPS of \$2.99 in FY 13.

Investment Rationale/Risk

- Our buy opinion on the shares is based on valuation. Despite the major headwinds of continued high levels of unemployment and low prevailing interest rates, we believe conditions are improving. U.S. vehicle sales are gaining strength, despite being below the levels of a few years ago, which should aid the Dealer Services unit. Over the longer term, we think the market for payroll outsourcing is relatively untapped, especially in the small and medium-sized business market and overseas, providing opportunities for future growth.
- Risks to our recommendation and target price include increased competition in the business process outsourcing market, an area into which ADP is venturing, which could lead to downward pressure on pricing and profit margins; a decrease in payrolls due to a weak economy; and failure of ADP to expand further into small- and mid-sized businesses and international markets.
- Our 12-month target price of \$63 is based on our relative valuation analysis, applying a roughly peer-average multiple of 22X to our calendar 2012 EPS estimate of \$2.85.

Qualitative Risk Assessment

LOW **MEDIUM** **HIGH**

Our risk assessment reflects what we see as the company's strong balance sheet, steady cash inflow, and recurring revenue stream, offset by intense competition in payroll processing and the threat of new entrants into the marketplace.

Quantitative Evaluations

S&P Quality Ranking **A**

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

Relative Strength Rank **MODERATE**

LOWEST = 1 **30** HIGHEST = 99

Revenue/Earnings Data

| Revenue (Million \$) | 1Q | 2Q | 3Q | 4Q | Year |
|----------------------|-------|-------|-------|-------|-------|
| 2012 | 2,523 | 2,583 | -- | -- | -- |
| 2011 | 2,229 | 2,406 | 2,737 | 2,507 | 9,880 |
| 2010 | 2,096 | 2,198 | 2,443 | 2,190 | 8,928 |
| 2009 | 2,182 | 2,203 | 2,375 | 2,108 | 8,867 |
| 2008 | 1,992 | 2,150 | 2,427 | 2,207 | 8,777 |
| 2007 | 1,755 | 1,874 | 2,171 | 2,000 | 7,800 |

| Earnings Per Share (\$) | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------------------------|------|------|--------------|--------------|--------------|------|
| | 0.61 | 0.76 | E0.89 | E0.55 | E2.73 | |
| | | 0.56 | 0.62 | 0.85 | 0.48 | 2.52 |
| | | 0.56 | 0.62 | 0.79 | 0.42 | 2.40 |
| | | 0.54 | 0.59 | 0.80 | 0.69 | 2.63 |
| | | 0.45 | 0.53 | 0.77 | 0.44 | 2.20 |
| | | 0.39 | 0.45 | 0.65 | 0.35 | 1.83 |

Fiscal year ended Jun. 30. 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 |
|-------------|------------|--------------|----------------|--------------|
| 0.360 | 04/28 | 06/08 | 06/10 | 07/01/11 |
| 0.360 | 08/09 | 09/07 | 09/09 | 10/01/11 |
| 0.395 | 11/08 | 12/07 | 12/09 | 01/01/12 |
| 0.395 | 01/26 | 03/07 | 03/09 | 04/01/12 |

Dividends have been paid since 1974. Source: Company reports.

Automatic Data Processing Inc.

Business Summary January 31, 2012

CORPORATE OVERVIEW. Automatic Data Processing (ADP) is the largest global provider of payroll outsourcing services based on revenue. The company also offers human resources outsourcing, tax filing, and benefits administration, with a broad range of data processing services in two business segments: employer and dealer.

Employer Services provides payroll, human resource, benefits administration, time and attendance, and tax filing and reporting services to more than 570,000 clients in North America, Europe, Australia, Asia and Brazil. Dealer Services provides transaction systems, data products and professional services to automobile and truck dealers and manufacturers worldwide.

MARKET PROFILE. The market for HR management services, which is the largest segment of ADP's Employer Services division, totaled \$101.5 billion worldwide in calendar 2010, according to market researcher IDC. Between 2010 and 2015, IDC expects this area to expand at a compound annual growth rate (CAGR) of 4.4%, with the market in the U.S. increasing 3.5%, from \$51.0 billion in 2010. For the more narrow processing services market, where ADP is the dominant company, IDC sees a CAGR of 2.5% in the U.S. between 2010 and 2015. In contrast, in the market for business process outsourcing (BPO) services, an area in which we see ADP expanding further, IDC expects a CAGR of 3.4% over the same time frame.

IMPACT OF MAJOR DEVELOPMENTS. In April 2006, ADP completed the sale of its Claims Services business for \$975 million in cash, netting \$480 million after taxes. In August 2006, ADP announced its intention to spin off its Brokerage Services business. The new public company, Broadridge Financial Services, which began trading on April 2, 2007, had sales of about \$2 billion in FY 07 (Jun.), a high level of recurring revenues, and a revenue growth rate in the mid-single digits. This growth rate is below what we think the remaining Employer Services and Dealer Services units are capable of, especially given what we believe are strong overseas prospects. Further, the disposition of the Brokerage business (as well as the Claims sale) allows management to better concentrate on its two remaining businesses, in our opinion. With the Brokerage business spinoff complete, the new company distributed \$690 million to ADP, which it used primarily for share buybacks, acquiring 40 million shares at a cost of about \$2 billion in FY 07.

COMPETITIVE LANDSCAPE. We believe that market penetration is high, as are the barriers to entry, since payroll outsourcing requires a sizable infrastructure to process a large number of employees. Looking ahead, we think competition will likely become intense as more companies that specialize in BPO move into HR outsourcing and may infringe on the payroll space, since BPO companies have begun to offer a full slate of HR BPO functions, either through acquisitions or business partnerships. We note that ADP offers its own BPO services through its comprehensive outsourcing services solution.

Further, acquisitions are common in this sector, as market leaders have been buying smaller companies in an effort to expand their offerings. The company made several significant acquisitions in the past few years, including ProBusiness; the U.S. Clearing Operations of Bank of America; Tesoft Automocion, S.A., a provider of dealer management systems to about 1,500 automotive dealers in Spain, Portugal and France; and the retirement services record-keeping operations of Scudder Investments; and Cobalt, a provider of digital marketing solutions for the automotive industry.

FINANCIAL TRENDS. We believe ADP's balance sheet is solid, with a debt-to-total capital ratio of under 1% and over \$1.4 billion in cash and short-term securities at the end of FY 11. In our opinion, this will continue to aid ADP, as we expect the company to increase its reach via acquisitions and to likely continue to repurchase shares with the cash. ADP repurchased 40 million of its shares in FY 07, 33 million in FY 08, 13.8 million in FY 09, 18.2 million in FY 10, and 10.4 million in FY 11.

Corporate Information

Office
1 Adp Blvd, Roseland, NJ 07068-1728.

Telephone
973-974-5000.

Website
<http://www.adp.com>

Officers

Chrmn
L.A. Brun

Pres & CEO
C.A. Rodriguez

CFO
C.R. Reidy

Chief Acctg Officer & Cntrl
A. Sheiness

Treas
M.C. Eberhard

Board Members

E. Alemany
G. D. Brennehan
L. A. Brun
R. T. Clark
E. C. Fast
L. R. Gooden
R. G. Hubbard
J. P. Jones, III
C. A. Rodriguez
E. T. Salem
G. L. Summe

Domicile
Delaware

Founded
1949

Employees
51,000

Stockholders
352,759

Automatic Data Processing Inc.

Quantitative Evaluations

| | | | | | | |
|--------------------------------|----|--------|---|---|---|---|
| S&P Fair Value Rank | 1+ | 1 | 2 | 3 | 4 | 5 |
| | | LOWEST | | | | |

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

| | | |
|-------------------------------|---------|---|
| Fair Value Calculation | \$43.20 | Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that ADP is overvalued by \$11.05 or 20.4%. |
|-------------------------------|---------|---|

| | |
|--|---|
| Investability Quotient Percentile | 88 |
| | LOWEST = 1 HIGHEST = 100 |
| | ADP scored higher than 88% of all companies for which an S&P Report is available. |

| | | | |
|-------------------|-----|---------|------|
| Volatility | LOW | AVERAGE | HIGH |
|-------------------|-----|---------|------|

| | |
|-----------------------------|----|
| Technical Evaluation | NA |
|-----------------------------|----|

| | | | |
|-------------------------|-------------|---------|-----------|
| Insider Activity | UNFAVORABLE | NEUTRAL | FAVORABLE |
|-------------------------|-------------|---------|-----------|

Expanded Ratio Analysis

| | 2011 | 2010 | 2009 | 2008 |
|--------------------------------|-------|-------|-------|-------|
| Price/Sales | 2.72 | 2.61 | 2.44 | 2.36 |
| Price/EBITDA | 12.55 | 11.20 | 10.13 | 11.32 |
| Price/Pretax Income | 13.93 | 12.51 | 11.37 | 11.45 |
| P/E Ratio | 21.46 | 19.31 | 16.31 | 17.85 |
| Avg. Diluted Shares Outstg (M) | 498.3 | 503.7 | 505.8 | 527.2 |

Figures based on calendar year-end price

Key Growth Rates and Averages

| Past Growth Rate (%) | 1 Year | 3 Years | 5 Years | 9 Years |
|----------------------|--------|---------|---------|---------|
| Sales | 10.66 | 3.69 | 2.75 | 3.26 |
| Net Income | 3.88 | 1.35 | -9.28 | 2.08 |

Ratio Analysis (Annual Avg.)

| | | | | |
|-----------------------------|-------|-------|-------|-------|
| Net Margin (%) | 12.69 | 13.73 | 13.51 | 15.33 |
| % LT Debt to Capitalization | 0.57 | 0.68 | 0.77 | 1.01 |
| Return on Equity (%) | 21.83 | 23.23 | 22.14 | 23.78 |

Company Financials Fiscal Year Ended Jun. 30

| Per Share Data (\$) | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Tangible Book Value | 4.53 | 5.19 | 4.72 | 3.97 | 3.93 | 5.21 | 4.55 | 4.23 | 4.57 | 5.25 |
| Cash Flow | 3.16 | 3.01 | 3.24 | 2.40 | 2.35 | 5.35 | 2.30 | 2.07 | 2.13 | 2.19 |
| Earnings | 2.52 | 2.40 | 2.63 | 2.20 | 1.83 | 1.85 | 1.79 | 1.56 | 1.68 | 1.75 |
| S&P Core Earnings | 2.45 | 2.37 | 2.58 | 2.11 | 1.78 | 1.85 | 1.60 | 1.38 | 1.42 | 1.49 |
| Dividends | 1.42 | 1.35 | 1.28 | 1.10 | 1.06 | 0.71 | 0.61 | 0.54 | 0.48 | 0.45 |
| Payout Ratio | 56% | 56% | 49% | 50% | 58% | 38% | 34% | 35% | 28% | 26% |
| Prices:High | 55.12 | 47.17 | 44.50 | 45.97 | 51.50 | 49.94 | 48.11 | 47.31 | 40.81 | 59.53 |
| Prices:Low | 44.72 | 26.46 | 32.03 | 30.83 | 43.89 | 42.50 | 40.37 | 38.60 | 27.24 | 31.15 |
| P/E Ratio:High | 22 | 20 | 17 | 21 | 28 | 27 | 27 | 30 | 24 | 34 |
| P/E Ratio:Low | 18 | 11 | 12 | 14 | 24 | 23 | 23 | 25 | 16 | 18 |

Income Statement Analysis (Million \$)

| | | | | | | | | | | |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue | 9,880 | 8,928 | 8,867 | 8,777 | 7,800 | 8,882 | 8,499 | 7,755 | 7,147 | 7,004 |
| Operating Income | 2,144 | 2,081 | 2,138 | 1,832 | 1,795 | 1,967 | 1,948 | 1,745 | 1,793 | 1,952 |
| Depreciation | 318 | 309 | 308 | 106 | 289 | 289 | 304 | 307 | 275 | 279 |
| Interest Expense | 8.60 | 8.60 | 33.3 | 80.5 | 94.9 | 72.8 | 32.3 | Nil | Nil | 21.2 |
| Pretax Income | 1,933 | 1,863 | 1,905 | 1,812 | 1,624 | 3,486 | 1,678 | 1,495 | 1,645 | 1,787 |
| Effective Tax Rate | 35.1% | 35.2% | 30.3% | 35.9% | 37.1% | 19.2% | 37.1% | 37.4% | 38.1% | 38.4% |
| Net Income | 1,254 | 1,207 | 1,328 | 1,162 | 1,021 | 2,815 | 1,055 | 936 | 1,018 | 1,101 |
| S&P Core Earnings | 1,222 | 1,193 | 1,302 | 1,115 | 992 | 1,077 | 940 | 824 | 857 | 940 |

Balance Sheet & Other Financial Data (Million \$)

| | | | | | | | | | | |
|------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Cash | 1,426 | 1,671 | 2,296 | 1,584 | 1,817 | 2,269 | 1,671 | 1,129 | 2,344 | 2,750 |
| Current Assets | 28,584 | 22,317 | 20,704 | 18,809 | 3,364 | 4,760 | 4,441 | 2,762 | 3,676 | 2,817 |
| Total Assets | 34,238 | 26,862 | 25,352 | 23,734 | 26,649 | 27,490 | 27,615 | 21,121 | 19,834 | 18,277 |
| Current Liabilities | 26,787 | 20,052 | 18,756 | 17,342 | 1,791 | 2,593 | 2,801 | 1,768 | 1,999 | 1,411 |
| Long Term Debt | 34.2 | 39.8 | 42.7 | 52.1 | 43.5 | 74.3 | 75.8 | 76.2 | 84.7 | 90.6 |
| Common Equity | 6,010 | 5,479 | 5,323 | 5,087 | 5,148 | 6,012 | 5,784 | 5,418 | 5,371 | 5,114 |
| Total Capital | 6,045 | 5,519 | 5,620 | 5,309 | 5,319 | 6,210 | 6,150 | 5,778 | 5,777 | 5,442 |
| Capital Expenditures | 182 | 103 | 158 | 181 | 173 | 292 | 196 | 196 | 134 | 146 |
| Cash Flow | 1,572 | 1,517 | 1,636 | 1,268 | 1,310 | 3,104 | 1,360 | 1,242 | 1,293 | 1,380 |
| Current Ratio | 1.1 | 1.1 | 1.1 | 1.1 | 1.9 | 1.8 | 1.6 | 1.6 | 1.8 | 2.0 |
| % Long Term Debt of Capitalization | 0.6 | 0.7 | 0.8 | 1.0 | 0.8 | 1.2 | 1.2 | 1.3 | 1.5 | 1.7 |
| % Net Income of Revenue | 12.7 | 13.5 | 15.0 | 13.2 | 13.1 | 31.7 | 12.4 | 12.1 | 14.2 | 15.7 |
| % Return on Assets | 4.1 | 4.6 | 5.4 | 4.6 | 3.8 | 10.2 | 4.3 | 4.6 | 5.3 | 6.1 |
| % Return on Equity | 21.8 | 22.4 | 25.5 | 22.7 | 18.3 | 47.7 | 18.8 | 17.3 | 19.4 | 22.4 |

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.

Automatic Data Processing Inc.

Sub-Industry Outlook

Our fundamental outlook for the data processing & outsourced services sub-industry is neutral. We expect providers of these services to post earnings growth in 2012, benefiting from growth of outsourcing, the prevalence of electronic transactions, and entry into international markets. However, we remain concerned that consolidation, increased regulation and anticipated revenue loss for clients in major end markets like financial services could result in business delay or price erosion.

As economic conditions recover, we see transaction volumes for credit and debit cards and other payment methods dependent on consumer spending improving. Persistent unemployment and other economic difficulties (including the struggles in Europe) may dampen growth for payroll processors.

We view diversification into overseas regions favorably, particularly as an offset to the slower growth in the mature domestic market. Our enthusiasm for international growth is tempered somewhat by rising competition that we see, particularly as companies compete for acquisitions and other means of entry.

We believe that many data processors garner recurring revenues, generate free cash flow, and generally have healthy balance sheets. We also think these stocks provide an opportunity to participate in the IT sector without the risk associated with unproven business models. There remains potential for consolidation among market participants, in our view, as we have seen interest in the sub-industry from buyout firms in the past.

We think companies will continue to outsource to

third parties to focus on core competencies and to seek greater profitability. Globally, companies spent an estimated \$147.2 billion on business outsourcing in 2010, and IDC, a market research firm, forecasts that this will rise to \$191 billion by 2015. Also, we expect the proportion of electronic payments to rise at the expense of paper-based payments. We believe these trends bode well for data processors, although we think regulatory changes remain a concern.

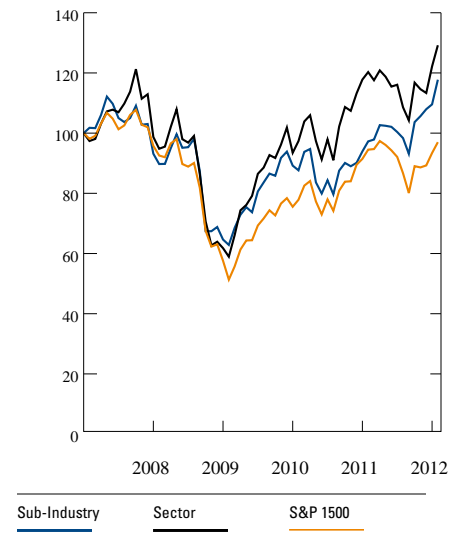
The S&P Data Processing & Outsourced Services Index rose 7.8% year to date through February 10, while the S&P 1500 was up 7.1%. In 2011, it was up 19.8% versus the S&P 1500's 0.3% decline. We note that recurring revenues, long-term contracts, and cash flows that many in the group have offer support in turbulent times.

--Dylan Cathers

Stock Performance

GICS Sector: Information Technology
Sub-Industry: Data Processing & Outsourced Services

Based on S&P 1500 Indexes
Month-end Price Performance as of 01/31/12



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

Sub-Industry : Data Processing & Outsourced Services Peer Group*: Billing & Payroll Services

| 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 (%) |
|----------------------------|--------------|-------------------------|------------------------|----------------------|-------------|------------|-----------|----------------------|-----------------|-------------|-----------------------|----------------|
| Automatic Data Proc | ADP | 26,614 | 54.25 | 57.10/44.72 | 0.68 | 2.9 | 20 | 43.20 | A | 88 | 12.7 | 0.6 |
| CSG Systems Intl | CSGS | 521 | 16.13 | 21.59/12.13 | 0.94 | Nil | 13 | 21.30 | B | 94 | 5.8 | 48.4 |
| Calian Technologies | CTY.C | 147 | 19.10 | 20.84/17.00 | NA | 5.4 | 11 | NA | B | NA | 6.3 | NA |
| Convergys Corp | CVG | 1,593 | 13.26 | 14.66/8.49 | 1.45 | Nil | 5 | 13.20 | C | 74 | 14.5 | 7.9 |
| Paychex Inc | PAYX | 11,409 | 31.48 | 33.91/25.12 | 0.84 | 4.1 | 21 | 27.20 | A | 95 | 24.7 | NA |

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.

Automatic Data Processing Inc.**S&P Analyst Research Notes and other Company News****January 25, 2012**

ADP posts \$0.76 vs. \$0.62 Q2 EPS on 7% revenue rise. Expects FY 12 EPS to increase 8%-9% from \$2.52 in FY 11, vs. previous forecast range of an 8%-10% increase. Anticipates that continued low interest rates will further pressure margins and earnings throughout the remainder of the fiscal year.

January 25, 2012

11:21 am ET ... S&P MAINTAINS BUY OPINION ON SHARES OF AUTOMATIC DATA PROCESSING (ADP 56.64****): Dec-Q operating EPS of \$0.68, vs. \$0.62, is \$0.01 above our estimate. We expect revenue growth of 7.5% in FY 12 (Jun.), reflecting gains from acquisitions, with solid results from the PEO Services and Dealer Services segments. We anticipate headwinds from currency, the sales of assets, and lower interest on funds held for clients. We see some margin pressure from acquisition integration costs and the loss of a large client. We cut our FY 12 operating EPS estimate by \$0.02 to \$2.73, but keep FY 13's \$2.99. We raise our 12-month target price by \$3 to \$63 on higher peer valuations. /D. Cathers

December 19, 2011

On December 14, 2011, Ellen Alemany was elected to Automatic Data Processing, Inc.'s Board of Directors. Ms. Alemany is Head of RBS Americas and Chairman and Chief Executive Officer of Citizens Financial Group, Inc.

November 14, 2011

Automatic Data Processing, Inc. at its annual meeting of the stockholders held on November 8, 2011, the shareholders approved the appointment of Gary C. Butler to Board of Directors.

November 11, 2011

Automatic Data Processing, Inc. announced the appointment of Peng-Wei Tan as president and general manager of Asia Pacific. Peng-Wei Tan joined ADP Dealer Services as the vice president of Asia Pacific. In this new appointment, Peng-Wei leads a team of 400 associates operating out of offices in China, Korea, Japan, Singapore and Thailand to provide dealer management solutions and services to clients in over 15 countries within the Asia Pacific region. Prior to joining ADP, he was the general manager for HP Enterprise Services Applications in China.

November 10, 2011

Automatic Data Processing, Inc. announced that its Board of Directors has promoted Carlos A. Rodriguez, the Company's President and Chief Operating Officer, to President and Chief Executive Officer and has elected him to the ADP Board of Directors. Mr. Rodriguez succeeds Gary C. Butler, 65, who has retired after 37 years at ADP. Mr. Rodriguez, 47, has been with ADP since 1999 and has served as President and Chief Operating Officer since earlier this year, responsible for the Company's day-to-day operations. He had previously served as President of several key businesses: National Accounts Services, Employer Services International, and Small Business operations. Under the succession plan previously established by the Board of Directors, Mr. Rodriguez was to succeed Mr. Butler upon his retirement. Mr. Butler informed the Board of his decision to retire as Chief Executive Officer and to resign from the Board.

October 26, 2011

09:39 am ET ... S&P MAINTAINS BUY OPINION ON SHARES OF AUTOMATIC DATA PROCESSING INC. (ADP 52.07****): ADP posts Sep-Q EPS of \$0.61, vs. \$0.56, \$0.01 above our estimate. We continue to see revenue growth of 8.0% in FY 12 (Jun.). We anticipate steady expansion despite the still weak employment market, aided by sales of additional services, acquisitions, and good growth in Dealer Services. Still, lower interest rates are providing a headwind to interest income on funds held for clients. Given our expectation of incremental operating margin gains this year and next, we keep our FY 12 and FY 13 EPS estimates of \$2.75 and \$2.99. We reiterate our 12-month target price of \$60. /D. Cathers

October 13, 2011

03:11 pm ET ... S&P MAINTAINS BUY OPINION ON SHARES OF AUTOMATIC DATA PROCESSING (ADP 50.96****): ADP is scheduled to report Sep-Q results on October 26, and we look for EPS of \$0.60 on revenues of \$2.4B. For the full fiscal year 2012 (Jun.), we expect revenue growth of 8.0%. We believe the company will continue to show low-teens growth rates in both payroll and PEO services, and think pay per control will be up slightly. We see some operating margin improvement this fiscal year. We look for FY 12 EPS of \$2.75, and we are

introducing our FY 13 EPS forecast of \$2.99. We reiterate our P/E-based 12-month target price of \$60. /D. Cathers

September 26, 2011

On September 23, 2011, Ms. Sharon T. Rowlands, a director of the Automatic Data Processing, Inc. since 2008, notified the company that she will resign from the company's Board of Directors effective September 23, 2011.

September 13, 2011

On September 12, 2011, Richard T. Clark was elected to Automatic Data Processing, Inc.'s Board of Directors. Mr. Clark is Chairman of Merck & Co., Inc. This election increases the size of the Registrant's Board to 11 directors.

August 11, 2011

Automatic Data Processing, Inc. announced that on August 9, 2011, Leon G. Cooperman has retired from the company's Board of Directors.

July 28, 2011

ADP posts \$0.48 vs. \$0.42 Q4 EPS from cont. ops on 14% revenue rise. The Capital IQ consensus forecast was \$0.49. For FY 12, ADP sees EPS from cont. ops rising 8%-10% from FY 11's \$2.52, total revenues increasing 7%-9%.

July 28, 2011

10:22 am ET ... S&P MAINTAINS BUY OPINION ON SHARES OF AUTOMATIC DATA PROCESSING (ADP 52.19****): ADP posts Jun-Q EPS of \$0.48, vs. \$0.42, \$0.02 below our estimate. We look for revenue growth of 8% in FY 12 (Jun.), reflecting solid gains across all segments, particularly beyond payroll and PEO services. After narrowing last fiscal year, we think operating margins will rebound as most of the integration expenses from two acquisitions are behind the company. Given low prevailing interest rates, we see income from funds held for clients falling again. Still, we lift our FY 12 EPS forecast by \$0.03 to \$2.75. We reiterate our 12-month target price of \$60. /D. Cathers

June 13, 2011

ADP's board authorizes the purchase of an additional 35M ADP shares. Notes this is in addition to the approximately 15.4M shares remaining to be purchased under previous share repurchase authorizations, resulting in a total authorization of approximately 50.4M shares.

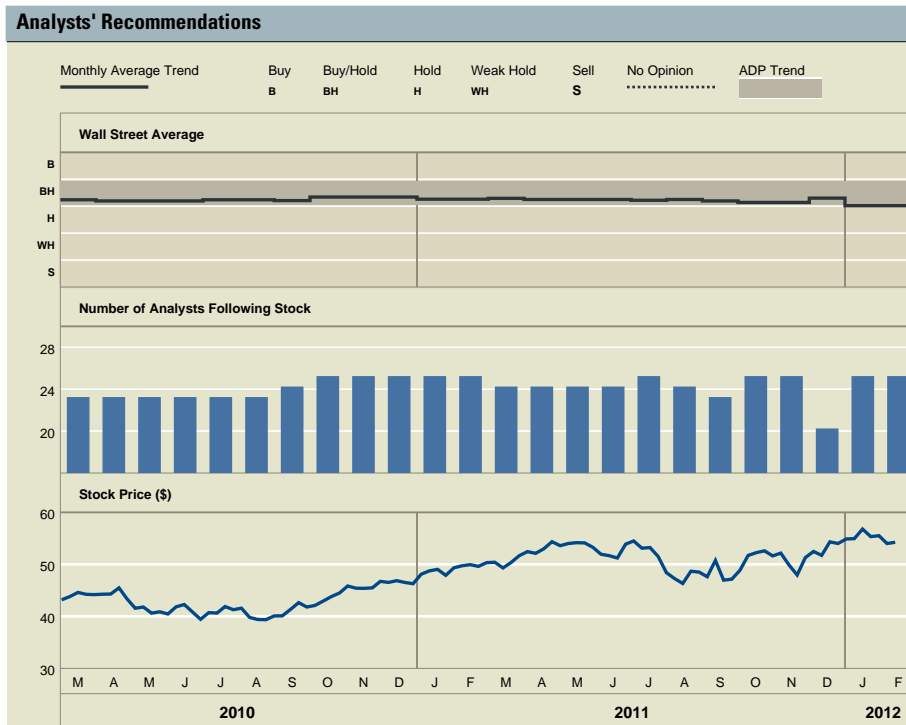
May 20, 2011

Automatic Data Processing, Inc. has appointed Carlos A. Rodriguez to the position of president and chief operating officer. Mr. Rodriguez will assume his new role effective June 1, 2011. Mr. Rodriguez has been with ADP since 1999, most recently as President of National Accounts Services and Employer Services International.

May 3, 2011

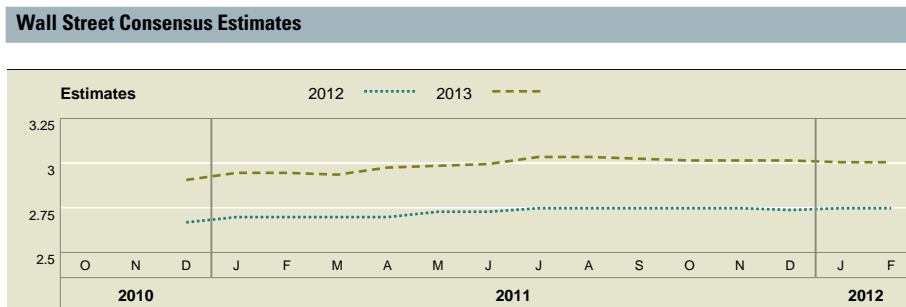
07:39 am ET ... S&P REITERATES BUY OPINION ON SHARES OF AUTOMATIC DATA PROCESSING INC (ADP 54.7****): Mar-Q EPS of \$0.85, vs. \$0.79, is \$0.04 above our estimate. We continue to see slowly improving fundamentals, as the employment market solidifies. Also, we believe the company is making some strides expanding overseas and into the small and medium business segment. We see revenue growth of 9.5% in FY 11 (Jun) and 6.5% in FY 12. We look for narrower margins this year on recent acquisitions, but expect a rebound next fiscal year. We lift our FY 11 EPS forecast to \$2.53 from \$2.49 and FY 12's to \$2.71 from \$2.65. We also boost our P/E-based 12-month target price to \$60 from \$56. /D. Cathers

Automatic Data Processing Inc.



Of the total 30 companies following ADP, 25 analysts currently publish recommendations.

| | No. of Ratings | % of Total | 1 Mo. Prior | 3 Mos. Prior |
|--------------|----------------|------------|-------------|--------------|
| Buy | 6 | 24 | 6 | 8 |
| Buy/Hold | 4 | 16 | 4 | 3 |
| Hold | 13 | 52 | 13 | 12 |
| Weak Hold | 1 | 4 | 1 | 1 |
| Sell | 1 | 4 | 1 | 1 |
| No Opinion | 0 | 0 | 0 | 0 |
| Total | 25 | 100 | 25 | 25 |



| Fiscal Years | Avg Est. | High Est. | Low Est. | # of Est. | Est. P/E |
|----------------------|-------------|--------------|-------------|-----------|--------------|
| 2013 | 3.01 | 3.10 | 2.86 | 24 | 18.0 |
| 2012 | 2.75 | 2.82 | 2.72 | 24 | 19.7 |
| 2013 vs. 2012 | ▲ 9% | ▲ 10% | ▲ 5% | 0% | ▼ -9% |

Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

- Argus Research Company
- Barclays Capital
- BofA Merrill Lynch
- Citigroup Inc
- Cowen and Company, LLC
- Credit Agricole Securities (USA) Inc.
- Credit Suisse
- Deutsche Bank
- First Analysis Securities Corporation
- Goldman Sachs
- HSBC
- JP Morgan
- Janney Montgomery Scott LLC
- Jefferies & Company, Inc.
- Lazard Capital Markets
- Morgan Stanley
- Morningstar Inc.
- Northcoast Research
- Oppenheimer & Co. Inc.
- RBC Capital Markets
- Raymond James & Associates
- Robert W. Baird & Co.
- S&P Equity Research
- Sanford C. Bernstein & Co., Inc.
- Societe Generale Cross Asset Research
- Stifel, Nicolaus & Co., Inc.
- Thomas Weisel Equity Research
- UBS Investment Bank
- Wells Fargo Securities, LLC
- William Blair & Company L.L.C.

Wall Street Consensus vs. Performance

For fiscal year 2012, analysts estimate that ADP will earn \$2.75. For fiscal year 2013, analysts estimate that ADP's earnings per share will grow by 9% to \$3.01.

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.

Automatic Data Processing Inc.

Glossary

S&P STARS

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

S&P 12-Month Target Price

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

Investment Style Classification

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

S&P EPS Estimates

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

S&P Core Earnings

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

Qualitative Risk Assessment

The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment

is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations

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

S&P Quality Ranking

Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to 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: Automatic Data Proc

| | Raw Score | Max Value |
|-------------------------------|------------|------------|
| Proprietary S&P Measures | 55 | 115 |
| Technical Indicators | 31 | 40 |
| Liquidity/Volatility Measures | 17 | 20 |
| Quantitative Measures | 9 | 75 |
| IQ Total | 112 | 250 |

Volatility

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

Technical Evaluation

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

Relative Strength Rank

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

Global Industry Classification Standard (GICS)

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

S&P Issuer Credit Rating

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

Exchange Type

ASE - American Stock Exchange; AU - Australia Stock Exchange; BB - Bulletin Board; NGM - Nasdaq Global Market; NNM - Nasdaq Global Select Market; NSC - Nasdaq Capital Markets; 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 Standard & Poor's LLC's offices in Singapore,

Automatic Data Processing Inc.

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, 2011, research analysts at Standard & Poor's Equity Research Services North America recommended 39.1% of issuers with buy recommendations, 57.4% with hold recommendations and 3.5% with sell recommendations.

In Europe: As of December 31, 2011, research analysts at Standard & Poor's Equity Research Services Europe recommended 31.5% of issuers with buy recommendations, 50.6% with hold recommendations and 17.9% with sell recommendations.

In Asia: As of December 31, 2011, research analysts at Standard & Poor's Equity Research Services Asia recommended 43.8% of issuers with buy recommendations, 51.0% with hold recommendations and 5.2% with sell recommendations.

Globally: As of December 31, 2011, research analysts at Standard & Poor's Equity Research Services globally recommended 38.3% of issuers with buy recommendations, 55.7% with hold recommendations and 6.0% 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 Europe: As of December 31, 2011, Standard & Poor's Quantitative Services Europe recommended 49.0% of issuers with buy recommendations, 19.0% with hold recommendations and 30.0% with sell recommendations.

In Asia: As of December 31, 2011, Standard & Poor's Quantitative Services Asia recommended 43.8% of issuers with buy recommendations, 20.0% with hold recommendations and 33.0% with sell recommendations.

Globally: As of December 31, 2011, Standard & Poor's Quantitative Services globally recommended 44.0% of issuers with buy recommendations, 20.0% with hold recommendations and 34.0% with sell recommendations.

Additional information is available upon request.

Other Disclosures

This report has been prepared and issued by Standard & Poor's and/or one of its affiliates. In the United States, research reports are prepared by Standard & Poor's Investment Advisory Services LLC ("SPIAS"). In the United States, research reports are issued by Standard & Poor's ("S&P"); in the United Kingdom by McGraw-Hill Financial Research Europe Limited, which is authorized and regulated by the Financial Services Authority and trades as Standard & Poor's; in Hong Kong by Standard & Poor's Investment Advisory Services (HK) Limited, which is regulated by the Hong Kong Securities Futures Commission; in Singapore by Standard & Poor's LLC, which is regulated by the Monetary Authority of Singapore; in Malaysia by Standard & Poor's Malaysia Sdn Bhd ("S&PM"), which is regulated by the Securities Commission; in Australia by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIS"), which is regulated by the Australian Securities & Investments Commission; and in Korea by SPIAS, which is also registered in Korea as a cross-border investment advisory company.

The research and analytical services performed by SPIAS, McGraw-Hill Financial Research Europe Limited, S&PM, and SPIS 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 Standard & Poor's index, such as the S&P 500. In cases where Standard & Poor's or an affiliate is paid fees that are tied to the amount of assets that are invested in the fund or the volume of trading activity in the fund, investment in the fund will generally result in Standard & Poor's or an affiliate earning compensation in addition to

the subscription fees or other compensation for services rendered by Standard & Poor's. A reference to a particular investment or security by Standard & Poor's and one of its affiliates is not a recommendation to buy, sell, or hold such investment or security, nor is it considered to be investment advice.

Indexes are unmanaged, statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index.

Standard & Poor's and its affiliates provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

S&P Capital IQ and/or one of its affiliates has performed services for and received compensation from this company during the past twelve months.

Disclaimers

With respect to reports issued to clients in Japan and in the case of inconsistencies between the English and Japanese version of a report, the English version prevails. With respect to reports issued to clients in German and in the case of inconsistencies between the English and German version of a report, the English version prevails. Neither S&P nor its affiliates guarantee the accuracy of the translation. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not necessarily indicative of future results.

Standard & Poor's, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees, or agents (collectively S&P Parties) do not guarantee the accuracy, completeness or adequacy of this material, and S&P Parties shall have no liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of the information provided by the S&P Parties. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the information contained in this document even if advised of the possibility of such damages. Capital IQ is a business of Standard & Poor's.

Ratings from Standard & Poor's Ratings Services are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. Standard & Poor's assumes no obligation to update its opinions following publication in any form or format. Standard & Poor's ratings should not be relied on and are not substitutes for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. Standard & Poor's rating opinions do not address the suitability of any security. Standard & Poor's does not act as a fiduciary. While Standard & Poor's has obtained information from sources it believes to be reliable, Standard & Poor's does not perform an audit and

Automatic Data Processing Inc.

undertakes no duty of due diligence or independent verification of any information it receives.

Standard & Poor's keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of Standard & Poor's may have information that is not available to other Standard & Poor's business units. Standard & Poor's has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

Standard & Poor's Ratings Services did not participate in the development of this report. Standard & Poor's may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. Standard & Poor's reserves the right to disseminate its opinions and analyses. Standard & Poor's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via Standard & Poor's publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only current as of the stated date of their issue. Prices, values, or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material is not intended for any specific investor and does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

This document does not constitute an offer of services in jurisdictions where Standard & Poor's or its affiliates do not have the necessary licenses.

For residents of the U.K. - This report is only directed at and should only be relied on by persons outside of the United Kingdom or persons who are inside the United Kingdom and who have professional experience in matters relating to investments or who are high net worth persons, as defined in Article 19(5) or Article 49(2) (a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, respectively.

For residents of Singapore - Anything herein that may be construed as a recommendation is intended for general circulation and does not take into account the specific

investment objectives, financial situation or particular needs of any particular person. Advice should be sought from a financial adviser regarding the suitability of an investment, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

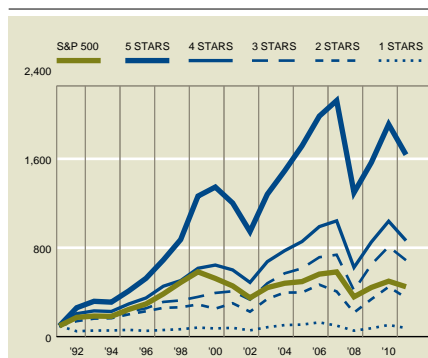
For residents of Malaysia - All queries in relation to this report should be referred to Ching Wah Tam.

For residents of Indonesia - This research report does not constitute an offering document and it should not be construed as an offer of securities in Indonesia, and that any such securities will only be offered or sold through a financial institution.

For residents of the Philippines - The securities being offered or sold have not been registered with the Securities and Exchange Commission under the Securities Regulation Code of the Philippines. Any future offer or sale thereof is subject to registration requirements under the Code unless such offer or sale qualifies as an exempt transaction.

U.S. STARS Cumulative Model Performance

Hypothetical Growth Due to Price Appreciation of \$100 For the Period 12/31/1986 through 01/31/2012



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

For model performance calculation purposes, the equities within each STARS category at December 31,

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

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

The Standard & Poor's 500 index is the benchmark for U.S. STARS. The S&P 500 index is calculated in U.S. dollars and does not take into account the reinvestment of dividends. Indexes are unmanaged, statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index. The S&P 500 index includes a different number of constituents and has different risk characteristics than the STARS equities. Some of the STARS equities may have been included in the S&P 500 index for some (but not necessarily all) of the period covered in the chart, and some such equities may not have been included at all. The S&P 500 excludes ADRs and ADSs. The methodology for calculating the return of the S&P 500 index differs from the methodology of calculating the return for STARS. Past performance of the S&P 500 index is no guarantee of future performance.

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.

For residents of Australia - This report is distributed by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIS") in Australia. The entirety of this report is approved by Charles Baumann, who has reviewed and authorised its content as at the date of publication.

Any express or implied opinion contained in this report is limited to "General Advice" and based solely on consideration of the investment merits of the financial product(s) alone. The information in this report has not been prepared for use by retail investors and has been

Automatic Data Processing Inc.

prepared without taking account of any particular person's financial or investment objectives, financial situation or needs. Before acting on any advice, any person using the advice should consider its appropriateness having regard to their own or their clients' objectives, financial situation and needs. You should obtain a Product Disclosure Statement relating to the product and consider the statement before making any decision or recommendation about whether to acquire the product. Each opinion must be weighed solely as one factor in any investment decision made by or on behalf of any adviser and any such adviser must accordingly make their own assessment taking into account an individual's particular circumstances.

SPIS holds an Australian Financial Services Licence Number 258896. Please refer to the SPIS Financial Services Guide for more information at www.fundsinsights.com.au.