

130 30 Investing Comments

Performance of Top 25 Market Caps of the S&P 500 Index since 2008

as of August 15, 2012

Highlighting Strength of the Recovery in Large Cap Stocks

The charts on the next pages detail performance of the top 25 Market Caps in the S&P 500 Index from December 31, 2008 to this week, highlighting the strength of the recovery to date. In fact, the average of today's top 25 market caps showed 75% increase over this period of three years and 8 1/2 months, outperforming the S&P 500 Index, up 51% for that period.

Phenomenal Emergence of Apple

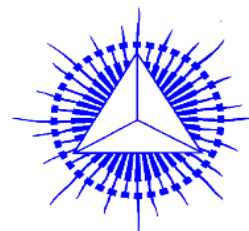
We should all take note of the amazing performance of **Apple**. Ranked #24 in 2008 with a stock price of \$85 per share and a market cap of \$77 billion, **Apple** now trades at \$631 per share, with a market cap of \$597 billion. The stock has appreciated more than +600% since December, 2008. **Apple's** market cap today is #1 among the elite S&P 500 large cap stocks, exceeding the market cap of **Exxon** by almost 50%. Not a bad trade on the success of innovation, powered by **Apple's** reinvention of the cell phone with the introduction of iPhone and redefining of mobile computing with iPad. Now that **Apple** is promising to reinvent television, investors may expect even more performance from **Apple**.

Technology Drives the Economy

Were we to view this ranking of top companies as those driving the US economy, we would see the importance of technology. In addition to **Apple**, technology is represented in the top 25 market caps by **IBM** up +136%, **Google** up +117%, **Intel** up +79%, **Oracle** up +78% and **Microsoft** up +56%. Technology is not without risk, of course. Note disappointments among this powerful group of technology companies: **Cisco**, up only 6%, while **Hewlett-Packard** fell off the top list completely, down (47%) as competition in low end PCs and printers drove HP to attempt to maintain margins through diversification, with acquisition of software and service companies.

Telecom has been strong but has not kept pace with technology. **AT&T** is up +30%, thanks to a commitment to Apple's iPhone, while **Verizon Communications** is also up +30%. Cable and media company **Comcast** did better, up +90% to reach a spot on the list of the top 25 market caps.

Note: This report is for information only. It is not a solicitation or an offer to buy or sell securities of any company mentioned herein. Atlantis Investment does not make markets in the securities mentioned herein and does not have investment banking relationships with any company mentioned herein. The views expressed are those of the authors, and are based on a diligent review of available information. The report is based on information which is believed to be accurate, but we do not guarantee its accuracy or completeness. Atlantis Investment, its officers, employees and stockholders (and members of their families) and its customers may have long/short positions or holdings in the securities mentioned, and they may at any time hold, increase or decrease these positions. Neither the authors of this report nor any related household members are officers, directors, or advisory board members of any company mentioned herein. Atlantis Investment or any of its employees do not own shares equal to 1% or more of any company mentioned herein. Copyright 2012 Atlantis Investment



130 30 Investing Comments

S&P 500 Top 25 Market Caps
ranking as of 08/15/2012

Rank 2012	Rank 2008	Ticker	Company	Price 12/31/2008	Price 08/15/2012	% change	# shares last qtr	Mkt Cap
1	24	AAPL	Apple Inc.	\$85	\$631	639%	947.1	\$597.4
2	1	XOM	Exxon Mobil Corp.	\$80	\$88	10%	4657.0	\$409.8
3	4	MSFT	Microsoft Corp.	\$19	\$30	56%	8388.0	\$253.6
4	2	WMT	Wal-Mart Stores	\$56	\$74	33%	3398.0	\$253.0
5	10	IBM	International Business Machines	\$84	\$198	136%	1161.9	\$230.5
6	8	CVX	Chevron Corp.	\$74	\$113	52%	1968.0	\$221.5
7	7	GE	General Electric	\$16	\$21	29%	10552.6	\$221.2
9	15	GOOG	Google Inc.	\$308	\$668	117%	330.8	\$220.8
8	6	T	AT&T	\$29	\$37	30%	5876.0	\$217.9
10	3	PG	Procter & Gamble	\$62	\$67	8%	2930.0	\$195.3
11	5	JNJ	Johnson & Johnson	\$60	\$68	14%	2798.2	\$191.3
12	13	WFC	Wells Fargo	\$29	\$34	15%	5369.9	\$182.4
13	9	PFE	Pfizer	\$18	\$24	36%	7537.0	\$181.2
14	19	PM	Philip Morris	\$44	\$93	114%	1710.0	\$159.0
15	17	ORCL	Oracle Corp.	\$18	\$32	78%	5027.0	\$158.6
16	11	JPM	JPMorgan Chase & Co.	\$32	\$37	18%	3820.5	\$141.7
17	23	INTC	Intel Corp.	\$15	\$26	79%	5199.0	\$136.6
18	unrated	MRK	Merck	\$31	\$44	42%	3072.0	\$135.4
19	16	VZ	Verizon Communications	\$34	\$44	30%	2830.0	\$125.1
20	21	PEP	PepsiCo Inc.	\$55	\$73	33%	1581.0	\$114.8
21	22	ABT	Abbott Laboratories	\$53	\$66	24%	1589.0	\$105.5
22	unrated	CMCSA	Comcast	\$18	\$34	90%	2789.0	\$95.4
23	14	CSCO	Cisco Systems	\$16	\$17	6%	5354.0	\$92.9
24	unrated	DIS	Disney	\$24	\$50	109%	1812.0	\$90.4
25	12	KO	Coca Cola Co.	\$23	\$39	71%	2296.0	\$90.3

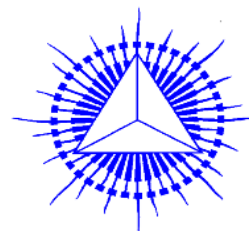
NOTE: current market caps calculated with prices as of August 15, 2012, with fully diluted average shares for most recent quarter

Energy and Financial Sectors Disappoint

Energy stocks have not delivered consistent performance to match technology. We see **Exxon** up only +10%, while **Chevron** barely exceeded the S&P 500 Index performance with a +52% gain. **ConocoPhillips** fell off the list of the top 25 market caps with a gain of only +11%.

What about banks? Mergers placed both **JP Morgan Chase** and **Wells Fargo** on the list of the top 25 market caps during 2008, while divestitures forced **Citi** off the list. Now we see that **JP Morgan Chase** is up +18% and **Wells Fargo** up +15%, trailing the S&P 500 Index by a wide margin.

Note: This report is for information only. It is not a solicitation or an offer to buy or sell securities of any company mentioned herein. Atlantis Investment does not make markets in the securities mentioned herein and does not have investment banking relationships with any company mentioned herein. The views expressed are those of the authors, and are based on a diligent review of available information. The report is based on information which is believed to be accurate, but we do not guarantee its accuracy or completeness. Atlantis Investment, its officers, employees and stockholders (and members of their families) and its customers may have long/short positions or holdings in the securities mentioned, and they may at any time hold, increase or decrease these positions. Neither the authors of this report nor any related household members are officers, directors, or advisory board members of any company mentioned herein. Atlantis Investment or any of its employees do not own shares equal to 1% or more of any company mentioned herein. Copyright 2012 Atlantis Investment



130 30 Investing Comments

Lackluster Health Care Performance May Improve

Health care stocks have been lackluster performers. **Johnson & Johnson**, the largest cap health care stock, is up +14%, while **Pfizer** is up +36% and **Abbott Laboratories** is up +24%. We also see **Merck** now back on the list of the top 25 market caps, showing a gain of +42%. All these large cap health care stocks underperformed the S&P 500 Index. Surprise Supreme Court approval of the Affordable Care Act in July 2012 clears the way for improved performance for health care stocks.

Variable Consumer Stocks

Among consumer stocks, we must go to international markets to see good growth, with US consumer demand lagging. **Philip Morris International** is up +114% as increased wealth in emerging economies allows international consumers to develop a taste for tobacco. Next best performance among consumer stocks is entertainment, theme park and resort operator **Disney**, up +109%, vaulting back onto the list of the top 25 market caps. **Wal-Mart Stores** is the largest consumer market cap, #4 on the list of the top 25 with a market cap of \$253 billion, showing stock price performance up +33%. **Coca-Cola** is up +71%, while **Pepsico** is up +33%. Household products company **Procter & Gamble** is up only +8%. Now #26 with a gain of +41%, **McDonald's** has a \$90 billion market cap (almost the same as **Disney** #24 and **Coca-Cola** #25) and should be viewed as a contender for a permanent spot on the list.

Fallen From the Top 25 Market Caps									
Rank 2012	Rank 2008	Ticker	Company	Price 12/31/2008	Price 08/15/2012	% change	# shares last qtr	Mkt Cap	
26	25	MCD	McDonald's	\$62	\$88	41%	1023.9	\$90	
27	20	COP	ConocoPhillips	\$52	\$57	11%	1445.5	\$83	
unrated	18	HPQ	Hewlett-Packard	\$36	\$19	-47%	1987.0	\$38	

NOTE: current market caps calculated with prices as of August 15, 2012, with fully diluted average shares for most recent quarter

Which Direction From Here?

We should consider these charts showing performance of the top 25 market caps of the S&P 500 Index as informative mostly for what they show us is still missing in today's economy. We have yet to see a full scale consumer recovery supported by normal activity in the financial sector. Assuming no sudden disruptions due to war or financial crisis, the course of the next several years should show incremental improvement in performance by these large cap stocks. If **Apple** can successfully deliver such phenomenal growth during an incomplete economic recovery, other companies should be able to deliver growth in more mundane businesses. Particularly at a time when fixed income has so little to offer, investors should ensure that US equities play a central role in their portfolios.

Note: This report is for information only. It is not a solicitation or an offer to buy or sell securities of any company mentioned herein. Atlantis Investment does not make markets in the securities mentioned herein and does not have investment banking relationships with any company mentioned herein. The views expressed are those of the authors, and are based on a diligent review of available information. The report is based on information which is believed to be accurate, but we do not guarantee its accuracy or completeness. Atlantis Investment, its officers, employees and stockholders (and members of their families) and its customers may have long/short positions or holdings in the securities mentioned, and they may at any time hold, increase or decrease these positions. Neither the authors of this report nor any related household members are officers, directors, or advisory board members of any company mentioned herein. Atlantis Investment or any of its employees do not own shares equal to 1% or more of any company mentioned herein. Copyright 2012 Atlantis Investment