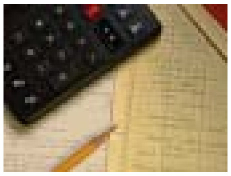
SISR Strategic International Securities Research Inc.
An Independent Research Firm



Economics & Financial Markets

United States Equity Markets

Philip L. Miller – 646-415-9141
Chief Strategist
pmiller@sisresearch.com
www.sisresearch.com

February 9, 2009

February Update: 2009 SISR Recommendation List

I. Introduction

Starting in September of 2008 we began to formally initiate coverage on several Companies. These included:

A. The Mosaic Company (MOS)
B. Holly Corporation (HOC)
C. Abercrombie (ANF)
D. Aeropostale (ARO)

We have also issued recommendations on several companies which we have identified as companies on our recommended list, but did not formally initiate coverage on these companies for first call and Bloomberg estimates with formal estimates. These include:

E. Harris (HRS)
F. Caterpillar (CAT)
G. Accenture (ACN)

II. Monthly Update and Justification

A. The Mosaic Company (MOS)

Initiated Coverage: October 18, 2008
Initiation Price: $33.66; S&P 500: 868.60
Current Price: $45.05; S&P 500: 940.55
Change: MOS: 33.84%; S&P 500 -7.65%

<u>Recommendation</u>: Strong Buy/Market Outperform

<u>Original Justification:</u>

Mosaic Price Chart January 2006 through October 2008 weekly

July 16, 2007 Overweight $40.79 Price Target $45; January 6, 3008 Overweight; June 11, 12, 2008, Sell; October 2, 2008 Overweight, Recommendation List.

We changed our recommendation officially with a full report with estimates on October 18, 2008 recommending the reversal our sell recommendation to a strong buy recommendation. We had seen the price of Mosaic fall from $161 in June to the mid to low 30ies in October, without any reduction in the price of the fertilizers. Fertilizers had been increasing at triple digit price increase over the past few years while the company did not produce more output, but simply benefited from the high price of their fertilizers.

At that point in October the company was still projecting that there would not be price reductions. We however projected that:

> We believe that there will be a period of readjustment for Mosaic with both price declines and output reduced. Mosaic and the industry however are very effective at holding prices up by reducing output. We expect this to be the pattern for the coming months and even year or so as the price of these commodities adjusts to the international condition of a worldwide slowdown. Our projections are that output will be reduced by about 10% with prices declining by 20% to 30% over the next year. Given that price have increased by more than 400% this decline is relative by comparison.

Our analysis was based almost exclusively on: 1) the price of the fertilizers; 2) the company's proclivity to attempt to maintain high prices while limiting product; and 3) the expected level of demand destruction worldwide, given a slowing world economic situation with relatively high prices. We reasoned that even if net income was cut in half of current projections, with a historic PE of 12 for the industry, we felt that a valuation of $60 per share would be very reasonable.

Current Opinion:

Since October we have reiterated our price target lowered our estimates and met with management during their analyst day in New York last month. We still feel comfortable with our price target, the company has tried to maintain the price of the fertilizer as we had projected and there was some price slippage as we had anticipated. The level of demand destruction was a bit under estimated, but well within our very conservative requirements for out price target to be met by year end 2009.

With the closing price of $45.05 on Friday we would not as strongly recommend additional purchases unless the stock fell back to the high 30's. We however are maintaining our $60 price target and feel that Mosaic will struggle through this recession and come out on the other side very strong and continue to be a major growth company. Within two years we would expect that Mosaic will be increasing its output at higher prices than the current levels.

B. Holly Corporation (HOC)

Initiated Coverage: October 23, 2008
Initiation Price: $16.75: S&P 500: 908.11
Current Price: $25.54; S&P 500: 868.60
Change: HOC 52.48%: S&P 500 – 7.65%
Recommendation: Strong Buy/Market Outperform

Original Justification:

We argued that given a historical PE of 10 to 11 as the crack spread normalizes Holly should be able to easily make $3.00 next year and achieve our 12 month price target. For the year we are currently projecting that they will earn $2.12, with substantial improvement next year. In 2007 they earned $6.09 and in 2006 they earned 4.33. This was a terrible year for refiners and we are projecting that the crack spreads will be returning closer to its historical parity.

Historically as the price of crude oil has come down we have seen that the price of gasoline has come down at a slower pace. This period was somewhat different in that when crude came down initially gasoline was declining at a slower pace, but the severity of the recession brought gasoline down at a pace compatible with the price of crude leading to a diminutive crack spread. In fact the crack spread on gasoline over the past quarter was negative for much of the quarter.

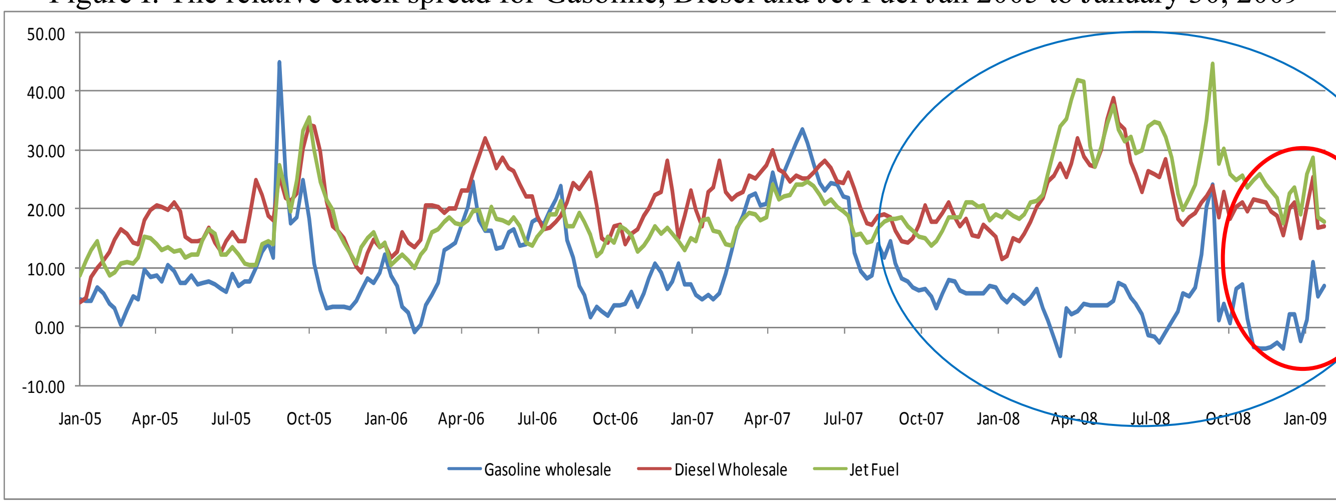
We found an unusual pattern with the crack spread on gasoline at historic lows and the crack on diesel/jet fuel at historic highs. We argued that the different demand elasticity helped the refiners with respect to diesel and jet fuel, while the crack spread on gasoline was extremely low. Additionally, we argued that as the multinational were unable to show profits compatible with past years, when the price of crude was extremely high from their drilling operations, they would look to refining for a more balanced revenue stream. We are beginning to see this scenario play out. It is for these reasons that we have seen the refiners all appreciate in price over the past month.

Current Opinion:

A. Crack Spread returning to Historical Parity

Figure III plots the changing relationship between the crack spread for wholesale jet, diesel, and gasoline. In the Figure we can observe that the large gap created in early 2008 between diesel/jet and gasoline beginning to close over the past two to three weeks. This is a significant improvement in the gasoline crack spread which only a month ago had been negative. It is also an indication of stability in that the refiners were keeping diesel and Jet fuels components with less elasticity of demand at record high crack spreads while they were selling gasoline at a net loss after refining expenses because there was so much demand destruction in gasoline. The fact that the gasoline crack is improving is a real sign that the level of demand destruction is abating and there more normal patterns are returning

Figure I: The relative crack spread for Gasoline, Diesel and Jet Fuel Jan 2005 to January 30, 2009



Source: EIA, SISR

Recently we have seen a return to greater parity with the crack spread on gasoline rising and the crack spread on diesel and jet fuel coming down. As we begin to see greater parity we anticipate the crack spread to improve. The crack spread over the past three weeks has been above last year's average and at times close to the average for 2007 and 2006 which were very good years for the refiners.

C. Abercrombie & Fitch (ANF)

Initiated Coverage: November 3, 2008
Initiation Price: $28.96; S&P 500: 966.30
Current Price: $20.96; S&P 500: 868.60
Change: ANF: -27.62; S&P 500: -10.11
Recommendation: Strong Buy/Market Outperform

Original Justification:

We initiated Abercrombie & Fitch Co with an overweight rating and a price target of $50. We were encouraged by lower price for gasoline helping the household budget, and the retail sales reports which showed that individuals were using that additional income for small ticket items like clothing. Our logic was that as gasoline stabilized at a much lower level that individuals would spend that additional disposable income on restaurants and small ticket retail. In addition we argued that there was a Wal-Mart effect which during bad times there is a substitution effect away from higher priced good, shifting to similar styles from competitors, but at lower prices. We were looking for a reversal of this trend as the economy improves.

We had projecting Oct08Q net earnings per share to be $0.78E which is 2 cents higher than lowered guidance on revenues of 914.2 million, with $1.67 and 1,179.8 million for Jan09Q. This translates to $4.01 and 3,740.2M for the full year 2008. We felt that given a historical PE of over 14 since 2000 and current annual earnings of over $4.00 a $50 price target is well within reach. Particularly given that this year may be the worst year going forward.

Current Opinion:

We were correct that as gasoline became a less significant component of the household budget that households would spend more in the low cost item retail sector. All this was working until 3 months ago when individual began to panic as the economy turned significantly worse and began to use their additional disposable income on savings. The savings rate went from a rate of 0.45 in 2007 to 3.6% in December of 2008. Small ticket item retail are outperforming durable retail, however the savings rate is impacting ANF.

Abercrombie

Abercrombie

Buckle

Buckle

We believe as the economy improves that the more nuanced designs from Abercrombie will again bring back market share from companies like Buckle and Aeropostale.

We continue to maintain a strong buy on ANF despite their weaker than expected holiday season sales. They were one of the few retailers that did not discount their products attempting to preserve their reputation as a mid to high end teen/tween up scale store. They did not want to damage their reputation and discount aggressively as did the competitors. January sales were better than expected, and we expect that as the economy gains some traction and confidence returns ANF will again be a segment leader.

D. Aeropostale Inc. (ARO)

Initiated Coverage: September 23, 2008
Initiation Price: $24.18: S&P 500 966.30
Current Price: $23.60; S&P 500: 868.60
Change: ARO: -2.40; S&P 500 -10.11
Recommendation: Neutral – Market Perform

Original Justification:

We initiated Aeropostale Inc. with a Neutral rating and a price target of $30. We were encouraged by the better retail surveys in recent weeks as well as a significantly lower price for gasoline helping the household budget, but were concerned about the possibility of the Wal-Mart effect.

We are projecting Oct08Q net earnings per share to be $0.59E which is 3 cents lower than consensus on revenues of 311.2 million, with $1.04 and 653.7 million for Jan09Q. This translates to $2.21E and 1852.1M for the full year 2008. We feel that the recent 20% y/y monthly sales growth will not continue both due to the substitution effect back to the higher priced products as the economy improves.

If this is correct the second derivative of growth will slow and the markets will not be kind to slowing growth in light of an improving economy. The Wal-Mart effect implies that during bad times there is a substitution effect away from higher priced good, shifting to similar styles from competitors, but at lower prices. We are looking for a reversal of this trend as the economy improves away from ARO.

Current Opinion:

We are maintaining our Neutral rating on Aeropostale and our price target of $30 despite their extraordinary recent sales return despite a very difficult economy. In the past three months they have put up y/y sales gains 12.9% in January, 25.3% in December, and 4.5% in November. We are concerned that they have achieved these returns by discounting more extensively than they had in past years and that once the Wal-Mart effect kicks in as the economy gets better their discounter advantage will wane.

Our observations and discussions with the Aeropostale management have confirmed some of our expectations. We believe that there is a clear indication of the Wal-Mart or discounter effect for Aeropostale. Their base items are more generously priced than those of American Eagle, Buckle and Abercrombie, and they aggressively discounted this season. In response to a direct question they indicated that they had discounted deeper than they had last season. Our question is that as the discounter effect goes back to normal, will they continue to outperform? Our expectation is that they will not continue to outperform, because their recent success is a function of the discounters effect in a weak economy, and not a consequence of changing preferences for their product

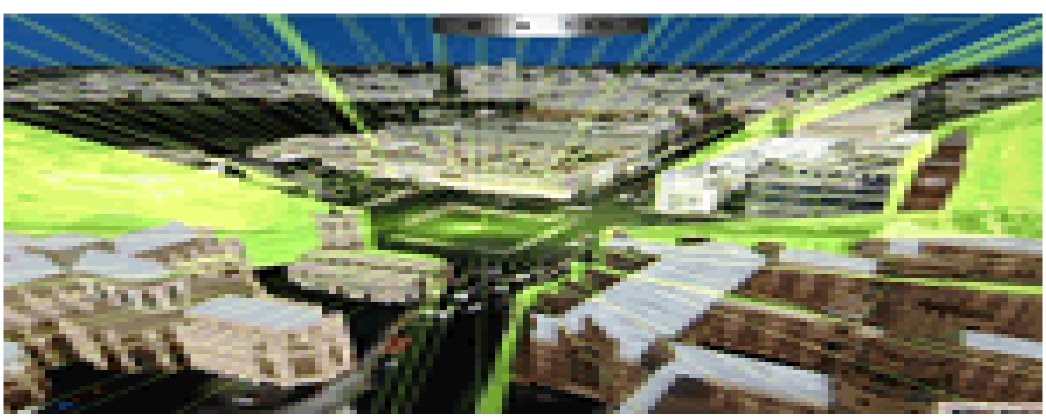
E. Harris Corporation (HRS)

Initiated Coverage: January 25, 2009
Initiation Price: $42.8; S&P 500; 831.95
Current Price: $44.86; S&P 500 868.60
Change: HRS: 4.81%; S&P 500 4.41
Recommendation: Strong Buy/Market Outperform

Original Justification:

There are various facts that we at SISR believe have a extremely high probability of occurring going forward: 1) the defense budget will be brought in somewhat, but the communication defense budget will continue to expand; 2) the level of surveillance that was developed under the Bush administration which includes everyone and everything, will continue at the same pace, if not faster, as technology improves (the groups that are targeted may change, but the level of surveillance will only increase); 3) the war in Afghanistan will not be over for at least the next two years (Russia could not solve Afghanistan, Pakistan is not willing to currently have American troops fighting on their land, and the population in Pakistan is currently putting pressure on their leadership in different and significant ways, not to allow U.S. or Allied forces to enter their country); and 4) the drug trade out of Afghanistan is way to profitable for those participants to easily let that revenue go; 5) President Obama opposed the war in Iraq because he believed, that was not where the war on terror emanated from. He however, is not a Bertrand Russell type pacifist, and if anything, good diplomacy is always associated with good information, derived from communication technology.

Current Opinion:



Harris Corp. 3D urban Model Full situation awareness Urban Model

We made the recommendation only two weeks ago and there have been little changes except that they reported earnings beating consensus by 6 cents and on revenue growth of 16%. They were also awarded a new $500 million 5 year contract for land mobile radios for the Department of Agriculture.

F. Caterpillar Inc. (CAT)

Initiated Coverage: January 28, 2009
Initiation Price: $32.32; S&P 500: 874.09
Current Price: $ 33.28; S&P 500: 868.60
Change: CAT: 2.97%; S&P 500: -0.63
Recommendation: Strong Buy/Market Outperform

Original Justification:

When conditions look the worst often times the price of stocks mimic those sentiments, especially when the company issues dismal outlook for next year. Historically, these are often the best buying opportunities, because all the bad news is generally out there, and new news releases will either reiterate the bad news or be better news than the already really bad news. Everyone has know for months that the international trade for CAT will be declining because of the World Recession, and a slowdown in the emerging market growth mostly China and India, that is why CAT despite a record year is selling at less than 40% of its highs. There was nothing unexpected from the earnings report.

As dismal as construction appears there are positive signs that conditions will get better sooner rather than later: 1) there has been very limited new home building meaning that this number can go nowhere but up, 2) residential inventories have been coming down and are at the mid 2007 levels, 3) meaning that there will be demand for new homes soon, given that inventories of existing homes has been declining and 4) new home prices last month increased indicating. again that new home inventories are low and the market is stabilizing.

Total construction which surprisingly has held up all year, but is expected to come down, during the next few months is still at elevated levels, and if the stimulus package becomes a reality, as is expected, the economy should begin to turnaround. Construction in 6 months will likely be showing real signs of a major turnaround. To the extent that the market outlook is 6 to 9 months out, and CAT's stock price has been hammered it is likely that we are very close to multiyear lows for this company with major upside potential of as high as 50 to 70% in 2009, with limited downside risk.

Current Opinion:

Not much has changed in the week since we issued the original report.

G. Accenture (ACN)

Initiated Coverage: February 4, 2009
Initiation Price: $33.11; S&P 500: 832.23
Current Price: $33.12; S&P500: 868.60
Change: ACN: 0.03%; S&P 500: 5.51%
Recommendation: Strong Buy/Market Outperform

Original Justification:

H.R. 1 and S.R.1 the House and Senate versions of the American Recovery and Reinvestment Act of 2009 for the 111th Congress are beginning to take shape. At SISR our role is not to editorialize about public policy, but to understand how the reader can benefit from whatever comes out of the beltway. We have been arguing infrastructure for the past few months. Here is a different idea and one that we like very much. One part of the bill that we found to be of great interest was the $23.9 Billion in the" Job creating investment in Health" for "Electronic Health Records (EHR)." In April 2004 President Bush signed a 'Presidential directive which was directed toward the Office of Health Information Technology, to build an electronic health records (EHR) network, for all citizens by 2014."

In November 2005 the Department of Health and Human Services awarded Accenture Health and Life Sciences a contract to "Create a fully-integrated Health Information system to connect healthcare communities." In late November Chairman and CEO Bill Green of Accenture "brainstorms with fellow CEO's on key priorities for Obama" a group assembled by the Wall Street Journal which strongly recommended that a major stimulus package be passed during the early part of the new administration. H.R.1 provides for $20 Billion for Health Information Technology to "jumpstart efforts to computerize health records to cut costs and reduce medical errors," essentially the 2004 directive by President Bush. S.R. 1 calls for a $23.9 "investment and incentives in health information technology (IT) which will grow jobs in the information technology sector, and will jumpstart efforts to increase the use of health IT in doctors' offices and other medical facilities. This will reduce health care costs and improve the quality of health care for all Americans." Again, this section in essence funds the 2004 directive.

Accenture (ACN) has been making investments in the health technology space over the past few years. In April of 2005 Accenture purchased the U.S. health care practice of Capgemini the largest health consulting company in Europe. Given the level of government contracts that ACN receives and given the fact that ACN is already involved in this implementation of the EHR program, it is highly likely that ACN will be a significant beneficiary from this part of the Stimulus bill.

ACN's revenues were over $25 Billion last year, and their Health and Life Sciences segment we estimate accounted for 12 to 13% of their total revenues. That would make this segment is approximately a 3 Billion dollar segment currently. We know that H&L is part of ACN's Products Segment which accounted for 26% of their total revenues, a segment which also includes consumer goods, auto and retail. There are no better breakouts for these sub segments expect that it was one of their fastest growing sub segments in products. Making assumptions it would be hard to see how this segment would not be significantly impacted, assuming that the bill's final passage is similar to the early proposal in the Senate, and the bill passed by the House.

Throughout 2008 ACN's revenues have been flat in the $6.1 Billion to $6.5 Billion range. Let us further assume that the global economy begins to affect ACN's revenues since they are truly a Global company. This boost from the "Recovery and Reinvestment ACT" likely will be enough to help ACN maintain their current level of revenues, and as the world economies begin to improve, this segment will likely become a major growth area of growth.

Based on this component of the Stimulus Bill we at SISR are Recommending ACN as a market outperform and as a safe core holding during this difficult period for Global Economies

<u>Current Opinion:</u>

All week Congress has been struggling with the Stimulus bill and on Saturday February 7, 2009 everyone believed that the bill would be passed. The Health Technology portion of the bill is still intact and our views are little changed. .

Certification:

I, Philip L. Miller (or any research analysts at SISR Inc.) certify/certifies that the views expressed in this report accurately reflect my personal views about the subject companies and securities. In addition no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Recommendation Scale:

Stock Rating:
1 – Recommended List – The stock has our highest recommendation and is expected to outperform the average equal weighted expected total return of the overall Market irrespective of sector. Our investment horizon is 12 – 18 months except as specified by the reporting analyst.
2 – Overweight – The stock is expected to outperform the equal weighted expected total return of the sector coverage. Our investment horizon is 12 – 18 months except as specified by the reporting analyst.
3 – Neutral – The stock is expected to perform in line with the equal weighted expected total return of the sector coverage. Our investment horizon is 12 -18 months except as specified by the reporting analyst.
4 – Underweight – The stock is expected to under-perform the equal weighted expected total return of the sector coverage. Our investment horizon is 12 -18 months except as specified by the reporting analyst.
5 – Rating Suspended – The rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when SISR Inc. is acting in an advisory capacity in a merger or strategic transaction involving the company.

Sector Ratings:
1 - Recommended Sector – The sector has the highest recommendation with continued improving valuations and rapid growth.
2 – Positive – The sector fundamentals and valuations are improving with a positive second derivative.
3 – Neutral – The sector fundamentals and valuations are flat with the second derivative close to zero or with a neutral slope.
4. Negative – The sector fundamentals and valuations are negative with a negative second derivative.
5 – Rating Suspended – The rating and sector targets have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when SISR Inc. is acting in an advisory capacity in a merger or strategic transaction involving the company.

Price Chart:

A price chart, with changes of ratings and price targets in prior periods, is included above, for all securities covered in this report.

Additional Disclosures:

This report is for information purposes only and should not be construed as a solicitation or an offer to buy the securities or other instruments mentioned in the report. This report may not be reproduced in any manner, without the written permission of SISR Inc.

This research report is based on current public information, with the possible exception of disclosures relating to SISR Inc., that SISR Inc. deems to be reliable and as accurate as reasonably possible. SISR Inc., however, makes no claim to the accuracy and completeness of this reports, and this report should not be relied on as such, or as a statement of factual content.

This research report is prepared for general information purposes only. In addition this information does not consider the specific investment objectives, financial situation and particular needs of any individual, or institution. Investors and/or institution should seek financial advice and or internal due diligence for institutional investors, as to the appropriateness of investing in any securities or investment strategies mentioned or recommended.

Analyst as Officer or Director: No analyst will serve as an Officer or Director. SISR Inc. prohibits its analysts, persons reporting to analysts or members of their households from serving as an officer, director, advisory board member or employee of any company in the analyst's area of coverage.

Ownership and Material Conflicts of Interests: SISR Inc. permits ownership of the recommended securities subject to all the NASD rules regarding the ownership of securities by analysts. Since our analysis is economic in origin and subsector driven we expect all analysts to cover the universe of all stocks and as a consequence limiting the analyst or the firm to ownership of the underlying securities would in essence require these entities to reframe from investing in the equity market.

Analyst Compensation: Analysts are paid in part based on the profitability of SISR Inc., some of which may include investment banking and consulting revenues.

Disclosures are required in the United States for any of the following:

1. acting as a financial advisor,
2. manager or co-,manager in a pending transaction
3. 1% or other ownership, long or short
4. compensation for certain services
5. types of client relationships
6. managed/co managed public offerings in prior periods
7. directorships
8. market making and/or specialist role.

These disclosures are included in the company-specific disclosures above for any of the above disclosures that are required.