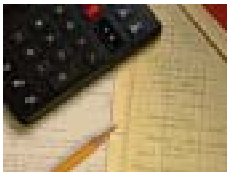
SISR Strategic International Securities Research Inc.

An Independent Research Firm



Economics & Financial Markets

United States Equity Markets

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May 3, 2009

May Update: 2009 SISR Recommendation List

Figure I: The SISR Recommendation List as of the Close of Trading April 30, 2009

Companies, Initiation Date and Price and Percentage Change

#	Company	Initiation Date	Initiation Price	Close March 31, 2009	Close April 30, 2009	March to April % Δ	Since Inception
1	The Mosaic Company (MOS)	Oct. 18, 2008	$33.66	$45.64	$45.61	-0.07%	35.50%
2	Holly Corporation (HOC)	Oct. 23, 2008	$16.75	$21.20	$20.96	-1.13%	25.13%
3	Abercrombie (ANF)	Nov. 3, 2008	$28.96	$23.80	$27.06	13.70%	-6.56%
4	Aeropostale (ARO)	Nov. 3, 2008	$24.18	$26.56	$33.97	27.90%	40.49%
5	Harris (HRS)	Jan. 25, 2009	$42.80	$28.94	$30.58	5.67%	-28.55%
6	Caterpillar (CAT)	Jan. 28, 2009	$32.32	$27.96	$35.58	27.25%	10.09%
7	Accenture (ACN)	Feb. 4, 2009	$33.11	$27.49	$29.43	7.06%	-11.11%
8	Polo Ralph Lauren (RL)	Feb. 18, 2009	$36.97	$42.25	$53.84	27.43%	45.63%
9	Darden Restaurants (DRI)	Mar. 16, 2009	$33.11	$34.26	$36.97	7.91%	11.66%
10	Cheesecake Factory Inc. (CAKE)	Mar. 16, 2009	$9.48	$11.45	$17.37	51.70%	83.23%
11	Applied Materials (AMAT)	Mar. 16, 2009	$10.43	$10.75	$12.21	13.58%	17.07%
12	L-3 Communication Holdings (LL	Mar. 16, 2009	$61.29	$67.80	$76.15	12.32%	24.25%
13	Wells Fargo & Co. New (WFC)	Mar. 16, 2009	$13.70	$14.24	$20.01	40.52%	46.06%
14	Bank of America (BAC)	Mar. 16, 2009	$6.18	$6.82	$8.93	30.94%	44.50%
15	Lowes Companies Inc. (LOW)	Mar. 19, 2009	$17.19	$18.25	$21.50	17.81%	25.07%
16	J.B. Hunt Transport (JBHT)	Mar. 31, 2009	$23.61	$24.11	$28.12	16.63%	19.10%
17	Infosys Technologies (INFY)	Apr. 17, 2009	$27.98	$30.81	$30.70	-0.36%	9.72%
18	China Life Insurance (LFC)	Apr. 17, 2009	$54.72	$52.95	$53.27	0.60%	-2.65%
19	Granite Construction Inc. (GVA)	Apr. 17, 2009	$40.12	$39.45	$39.19	-0.66%	-2.32%
20	Texas Industries Inc. (TXI)	Apr. 17, 2009	$31.81	$31.98	$31.81	-0.53%	0.00%
21	China Medical Technology (CME	Apr. 20, 2009	$19.28	$19.54	$19.89	1.79%	3.16%
	Average					14.29%	18.55%
	S&P 500	Oct. 18, 2008	940.55	797.87	873.64	9.50%	-7.11%

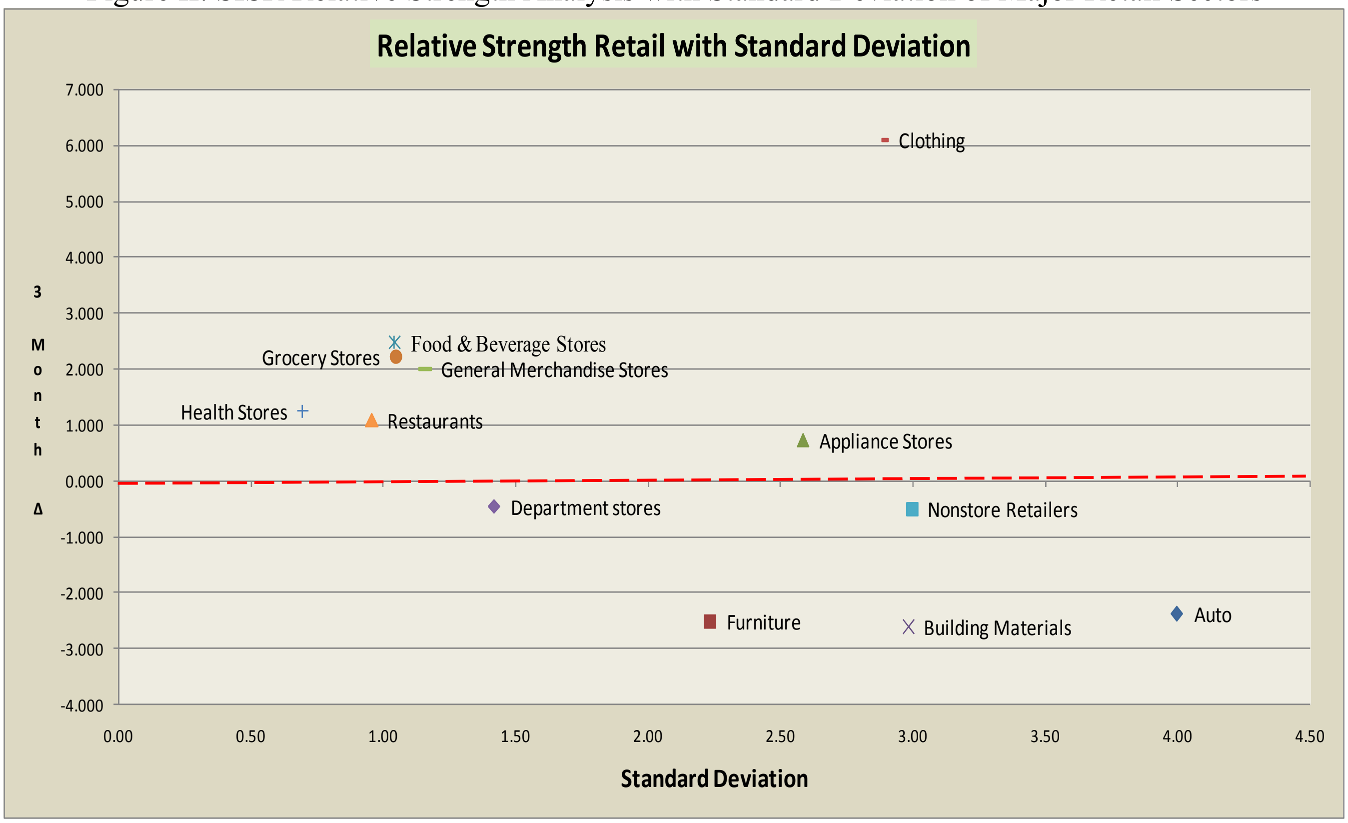
Source: Reuters, SISR

I. Method

A. Relative Strength

For the past several years we have been publishing reports based on 1) the Commerce Department's Report on Manufactures Shipments, Inventories and New Orders; 2) Retail and Food service sales; and 3) wholesale inventories and sales. From these report we perform a relative strength analysis on sectors of interest. We have found that these reports are absolutely invaluable, and when overlapped with the PPI report while tracking the same industry groupings, we have over the years reported on numerous new and emerging trends well before the market has picked them up. This information has been shown to be very insightful and have a high degree of correlation to the company's stock performance..

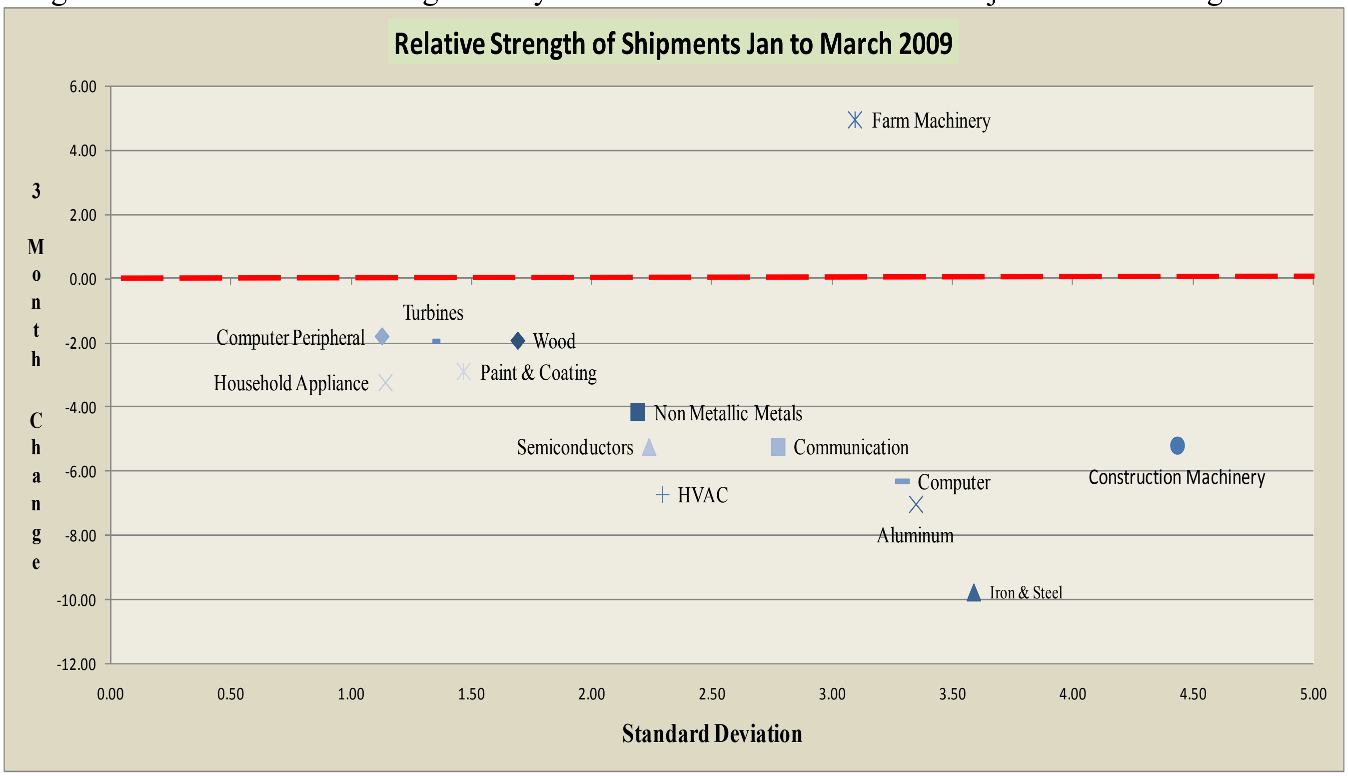
Figure II: SISR Relative Strength Analysis with Standard Deviation of Major Retail Sectors



Source: DOC, SISR

The Commerce Department Retail report contains 23 Retail groupings by the North American Industry Classification System (NAICS) Codes. Each sub industry has a 6 digit code with the report being a grouping of various codes. We have selected 18 of these groupings that we have found over the years to have a high degree of utility. The advantage of this grouping as opposed to the GICS is that the CIGS are not pure groupings and they do not speak directly to the data, whereas the NAICS Codes are the codes that are used by the Commerce Department a division of the U.S. Census to survey the companies in question. Over the years we have found that the purity of this data is amazingly good in that the Commerce Department Surveys these companies and there does not appear any reason for bias when the Government asked these companies for their monthly shipments, new orders, inventories and unfilled orders, since their reporting is grouped with many other companies and in principle their information appears invisible. To address that problem we have devised a methodology that we have identifies as CEFA (Cross- Sectional Economic Factor Analysis) that we have used in various reports to econometrically track via factor analysis the relationship between large companies in the given sector to the retail sales, shipments and new orders, in an attempt to determine how well this data speaks to those companies.

Figure III: SISR Relative Strength Analysis with Standard Deviation of Major Manufacturing Sectors



Source: DOC, SISR

We look at the relative strength of each of these industries in the different order of the production to sale of final good along the food chain from manufacturing to wholesale to retail.

B. Energy Considerations

Given that gasoline prices have significantly skewed the household budget in recent months, and to a prominent but lesser degree in the past couple years, in Figure II we test the proposition that non essentials suffer during periods of gasoline price increases. We correlate the change in the price of gasoline from both 1992 to 2008, and from 2006 to 2008 on a 12M change basis against each of the retail sectors. The correlations as seen in Figure II are quite similar between the two data periods with the 2006 to 2008 frame showing a bit more impact on the price of gasoline on the respective sectors.

Figure IV: Correlation Table of the Impact of the Price of Gasoline on the Retail Sector

Sector 12 M Δ 1992 to 2008	Gasoline	Sector 12 M Δ 2006 to 2008	Gasoline	
Gasoline	1.00	Gasoline	1.00	Essentials
Gasoline Stations	0.97	Gasoline Stations	0.98	
Nonstore retailers	0.46	Discount and other General Merchan	0.17	
Women's Clothing	0.31	Grocery Stores	0.12	
Grocery Stores	0.30	Automotive Parts	0.08	
Men and Family Clothing Stores	0.12	Nonstore retailers	0.04	
Restaurants	0.09	Shoe Stores	-0.01	Non Essentials
Furniture	0.04	Women's Clothing	-0.04	
Jewelry Stores	0.00	Furniture	-0.11	
Automotive Parts	-0.01	Jewelry Stores	-0.13	
Discount and other General Merchan	-0.08	Restaurants	-0.19	
Shoe Stores	-0.10	Computer & Software stores	-0.34	
Pharmacies & Drug Stores	-0.21	Department stores	-0.45	
Computer & Software stores	-0.25	Men and Family Clothing Stores	-0.50	
Department stores	-0.29	Pharmacies & Drug Stores	-0.55	
Automobile Dealers	-0.30	Automobile Dealers	-0.64	

Source: Department of Commerce, SISR

The significance of the table is the negative correlation between the non essential and the positive correlation for the essentials, indicating that as the price of gasoline increases household will shift their purchasing to the more essentials at the expense of the less essential retail items. This is the exact and dominant pattern that we have been seeing in the retail space in the last few months, since we have started this retail sector scorecard.

II. Additions and Deletions Since March 31, 2009

Additions since March 31, 2009:

April 17, 2009

1. Infosys Technologies - (INFY)
2. China Life Insurance - (LFC
3. Texas Industries – (TXI)
4. Granite Construction Inc. –(GVA)

April 20, 2009

5. China Medical Technology (CMED)

April 30, 2009

6. Hewlett Packard (HPQ)
7. Nokia (NOK)

Deletions since March 31, 2009:

April 8, 2009

1. The Mosaic Company (MOS)

April 30, 2009

2. Bank of America (BAC
3. Cheesecake Factory Inc. (CAKE)
4.

III. Rational

A. Additions to Portfolio

1. Infosys Technologies (INFY)

Current Price $27.98
P.E.: 12.46
Market Cap: 16.0B
Recommendation: Market Outperform

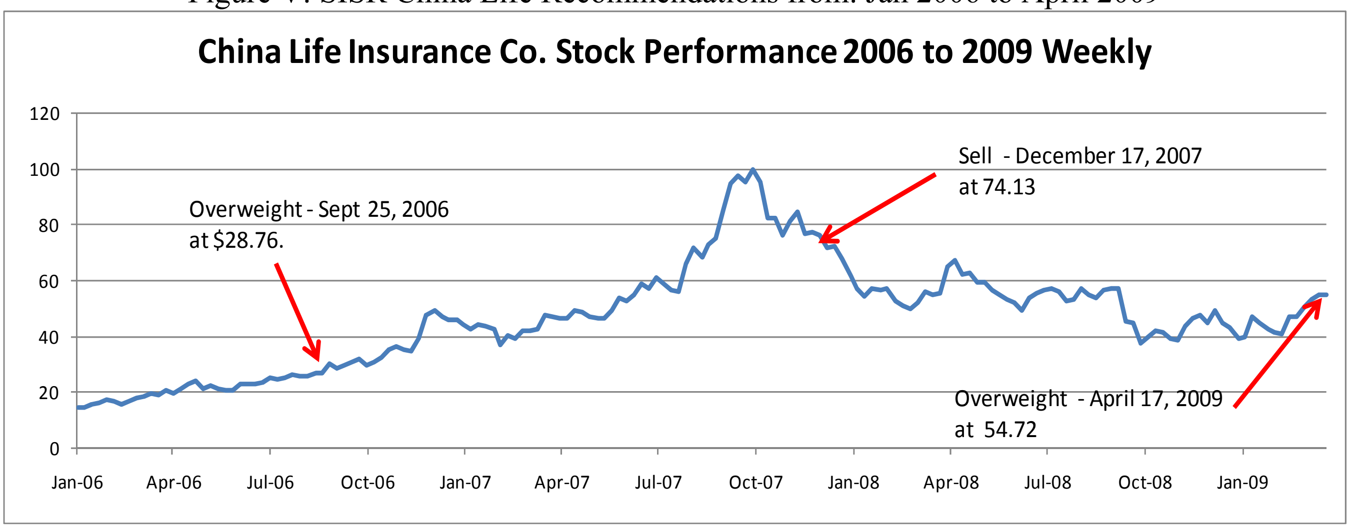
Infosys is a global technology service firm that designs information technology (IT) services for its clients. One of their main areas of specialty is in the banking and insurance area where they have captured a significant share of the markets. We are basing our recommendation of INFY on the fact that as we emerge from this recession, the banking industry will likely see major changes from integration of banks to the need for much stricter controls which will follow the regulations that are coming. Infosys is extremely well positioned to capture a large share of that business.

The expected changes in regulations and controls will not only be implemented in the U.S. but will have a broad reach across the globe. Infosys' global reach in the financial implementation domain will help this company grow significantly over the next few years.

2. China Life Insurance Company (LFC)

Current Price: $54.72
P.E. ttm.: 36.23
Market Cap: 103.1B
Recommendation: Market Outperform

Figure V: SISR China Life Recommendations from: Jan 2006 to April 2009



On September 25, 2006 we had recommended China Life Insurance (LFC) with an overweight rating. At the time LFC was trading at $28.76. On December 17, 2007 we removed LFC from our recommended list and suggest a sale of the company. The company was trading at $74.13 at the time and our rational at the time was that:

> For the past two years China Life's revenues have nearly doubled with growth of nearly 50% per year. Looking more closely we find that the greatest growth area has been their investment income whereas premium income has not kept pace. If the Chinese economy or stock market weakens the revenue growth of LFC will similarly decline. **This is one the questions we raised in our initiation report on the China 40: how reasonable are the valuations of these Chinese companies**, and in this instance will the Shanghai market affect the revenue growth of LFC.

Nearly one and one half year later after the Shanghai market declined as much as 70% the company's investment portfolio had sustained that decline. We expect that the Shanghai market will now continue to appreciate and that China Life will continue to grow both from their rapid increase in premiums as China continues to industrialize, and the risk to their portfolio will be greatly reduced.

3. <u>Granite Construction Inc.</u> (GVA)

Current Price: $40.12
P.E. ttm.: 12.44
Market Cap: 1.55B
Recommendation: Market outperform

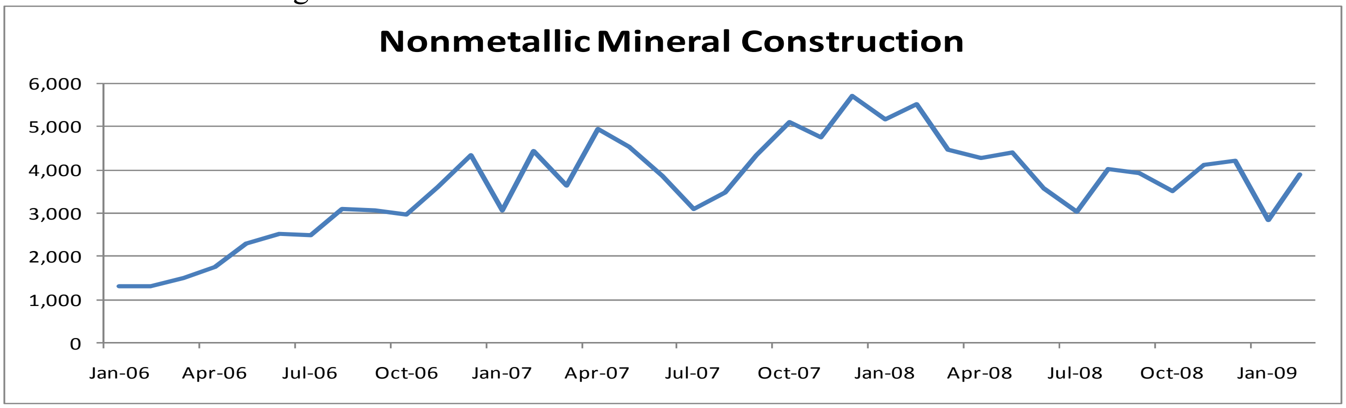
Granite Construction operates in both the public and private sectors with the public sector primarily involved in infrastructure of roads, highways, bridges, dams, canals and airports. Its private segments focus on preparation and infrastructure services for residential development, commercial and industrial buildings, plants and other facilities. They are also a large producer of construction materials such as aggregates, asphalt, and concrete.

The primary basis for our recommendation of GVA is that they are extremely well positioned for the next few years to benefit from the governments stimulus program, particularly as related to the infrastructure budget that has been allocated to the states for rebuilding of roads, bridges and the like. In addition we believe that as housing begins to turnaround they will also be a beneficiary of such construction infrastructure. Both reasons are not likely to become prominent until late in 2009 if not early 2010, however we are recommending GVA now because it is likely to benefit from the anticipation of these projects sooner rather than later.

4. <u>Texas Industries Inc.</u> (TXI)

Current Price: $31.81
P.E. ttm.: 17.58
Market Cap: 881.2M
Recommendation: Market outperform

Figure VI: Nonmetallic Mineral Construction 2006 to Feb 2009



Source: DOC, SISR

Texas Industries Inc. supplies heavy construction materials in the U.S. centered on cement products like aggregates, sand, gravel and crushed limestone, shale and clay, and various consumer products such as ready-mix concrete, mortar and sand.

We are recommending TXI primarily because of their ability to survive one of the worst construction downturns in U.S. history with a reported profit of $0.37 per share on revenues of 178.7M in Q309 down from 230.5M in Q308 but with COGS down from 191.0M to 150.0M and even trimming SGA for the quarter. They have survived a terrible period basically intact and should be perched for significant appreciation as the stimulus package kicks in and housing turns around. In addition we have seen a slight uptick in investment in construction of facilities in the nonmetallic mineral construction area which is likely in anticipation of greater demand from the stimulus bill (Figure II).

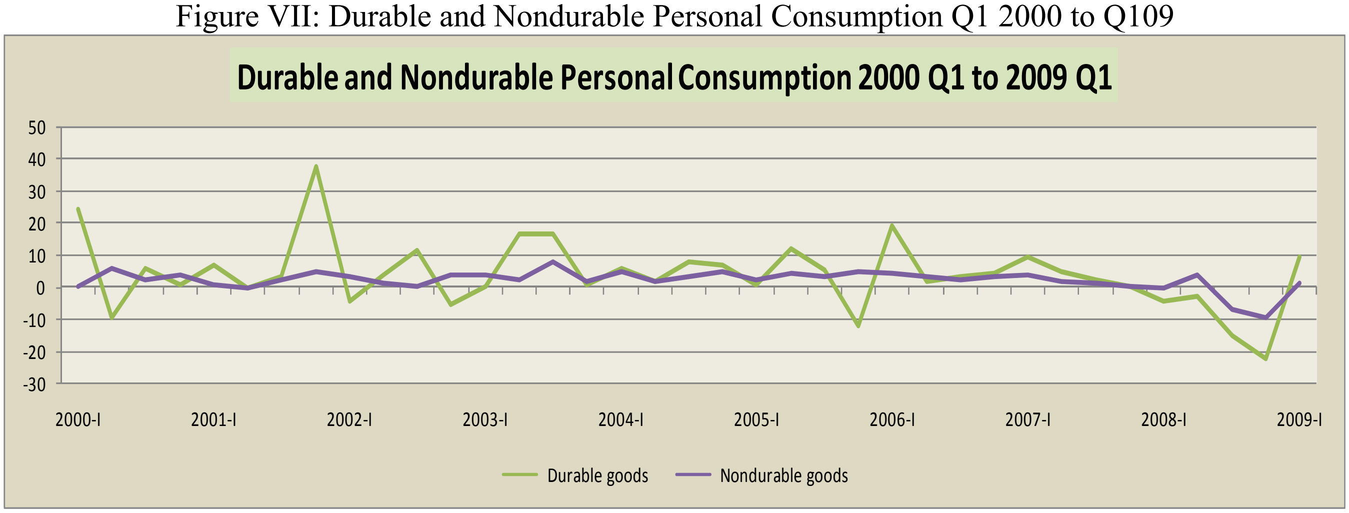
5. **Hewlett-Packard** (HPQ)

Current Price $35.98
P.E: 11.40
Market Cap: 87.3B
Recommendation: Market Outperform

6. **Nokia**

Current Price: $14.14
P.E. ttm.: 13.60
Market Cap: 51.4B
Recommendation: Market Outperform

Figure VII: Durable and Nondurable Personal Consumption Q1 2000 to Q109



Source: BEA, SISR

There was a real break between consumption and GDP in Q109 but it was not as clean as we would have expected. Most of it came from durable consumption and not nondurable consumption like we have been seeing. The nondurable analysis of clothing and restaurants is still in play, but we now need to expand our analysis to start looking for durable lower cost items as also showing strength.

Both of the companies that we are adding to the recommended list are in the durable consumer sector. HPQ crosses the business development space but as the economy progresses that will also drive the HPQ's revenues.

Hewlett-Packard (HPQ) is well positioned to benefit when this recession is over with almost half of their revenues coming from IT services where their margins remain strong. HP is also the standard when it comes to printers and the cartridge/ink business is a real money maker. Essentially giving away printers for the sale of ink appears illogical but this is the world we live in. There will be few things holding back HPQ the way they are currently positioned. We do not believe this company will create return massive returns but it is solid and in this recovery we will expect that it will not only outperform the S&P but it will produce a lower risk positive return. It appears good for the portfolio, particularly since we are not yet balancing with short positions.

Nokia (NOK) - Blackberry and Apple have captured the mobile phone space in the last year or so, but new devices from Nokia have the potential of taking share away from both. The intermediate high end smart phone users appear to prefer the blackberry for business, while preferring the iphone for personal use. The new Nokia E-71 smart phones joins both preferences with a blackberry type device and a iphone with 3G internet capacity. Given their recent struggles we would not be surprised if Nokia regains some of it luster in the higher end smart phone arena.

On a pure valuation basis and with the likelihood that this new line of phones will drive revenues and take share from blackberry and apple we are recommending Nokia.

B. Deletions from Portfolio

1. The Mosaic Company (MOS)

Price: $45.61
Price when added: $33.66
Date Added/Deleted: October 18, 2008/April 8, 2009
Change: 35.50%

We removed Mosaic from our recommended list on the basis of their current earnings and expected earnings going forward. We are recommending a sell on the stock with a projected price target of $30 in the intermediate future, or lower.After the close today Mosaic reported their Q309 earnings with net earnings of $58.8M or $0.13 on sales of 1375.5. This compared to Q308 with net income of $520.80 or $1.17 on sales of 2147.2.

Our greatest concern was that the sales of phosphates tonnage was down 50% year over year and their sales of potash tonnage were down 63%. Of greater concern was that their average selling prices of phosphates were down y/y from $487 per ton to $413 per ton or 15%. That would not trouble us as much if their Q209 price was not $1083 or a 61.9% decline q/q, from last quarter. Potash was better, but perhaps a disaster ready to happen in that their average price for potash actually increased from Q209 to the current quarter, from $529 to $565 or a 7% increase.

In essence we are finding a 67% drop in per unit sales of both potash and phosphates but more startling a 62% decline in price in phosphates, their main product in one quarter. Even worse despite the fact that their net sales were down 35.9% their COGS were down only 15.0%. Then we have forward quarters where they will have very difficult price comparisons since there was nearly a 200% price increase last

2. Cheese Cake Factory Inc. (CAKE)

Current Price: $17.37
Price when added: $9.48
Date Added: March 16, 2009
Change: 83.23%

We added CAKE in mid march with the following rational: “The logic here is similar to that for DRI in that as disposable income increases, the current data has been indicating that individuals spending have increase on the lower ticket items in the retail space, like restaurants and clothing stores. Also traditionally restaurants and clothing are the one of the early movers in a post recession economy.” We have seen an 83% increase in the price of the company in 6 weeks, our price target has been more than exceeded, so we have decided to remove this company from the list at this point.

3. Bank of America (BAC)

Current Price: $8.93
Price when added: $6.18
Date Added: March 16, 2009

Change: 44.50%

We added BAC with the following justification:

> "We have been arguing for the past few weeks that U.S. banks are currently bullet proof in terms of their likelihood of survival given the existing programs in place between the TARP, TALF, and additional funding for the FDIC. The remaining question is how much more capital if any will it take to keep these banks supported further diluting their stocks, and how likely is profitability going forward in Q109.
>
> Whenever the FFBond (10 year note less FF rate) spread approaches current levels of 2.5% or greater these are very supportive level for banks to attain profitability. With the likelihood of Wells Fargo and B of A being profitable in Q109 and going forward, barring another catastrophe, it is likely that they will significantly outperform the markets. Historically, the financials have significantly outperformed the markets from the market lows coming out of a recession.

All this remains correct, and it is likely that BAC will significantly increase in value from this point forward with financials traditionally appreciating much more than 100% from their lows within 24 months of a market bottom.

At SISR, however, we take a simple view of the world, why look for trouble, trouble will find you soon enough. There is no need to look for it and if it is at your doorstep take action before it engulfs you. The stress test results, the problems with CEO Lewis, the Cuomo investigation, culture problems with Merrill, employment losses from Merrill, are enough for us to bail ship, why look for trouble especially when it has produced a 44.5% return in 6 weeks. Our view is run and run fast.

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.

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7. directorships
8. market making and/or specialist role.

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