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Investor Advisory SERVICE

December 2008

FactSet Research Systems Inc. (FDS)
Pharmaceutical Product Development Inc. (PPDI)
Urban Outfitters, Inc. (URBN)

INVESTMENT COMMENTS

There is now little doubt that the U.S. economy is in recession. Since World War II, there have been 10 recessions, each lasting between 6-16 months. The S&P 500 has declined an average of 24% during past recessions, and the recent 45% drop puts us among the very worst recession-driven bear markets. Sometimes it only took months to recover from a shallow bear market. However, during the two worst downturns, it took 5-1/2 years for the market to regain its previous highs. While that might not be an encouraging prospect, it would represent an approximate doubling from where we are now. Markets recover well in advance of renewed economic growth. On average, the market has been 24% higher six months after a recession low.

This entire mess started when homeowners with low credit scores started defaulting on their mortgages. Housing prices were already weak, and foreclosures promoted further weakness. The economy continued to grow despite this drag, perhaps until late summer. By late summer, Wall Street problems had spread to Main Street. The value of mortgage-related investments continued to slide, ultimately leading to the demise of Fannie Mae, Freddie Mac and Lehman. These insolvencies triggered a severe loss of confidence among banks and consumers. The worst point in the stock market in October coincided with the height of the credit freeze.

We tend to focus on more stable companies than the overall market. About one-quarter of our recommendations are in the medical industry, double the S&P's allocation to medical stocks. We also have significant representation in service companies, which tend to operate under long-term contracts with stable cash flow even in times of economic weakness. We have no exposure to automotive companies. Even popular holding O'Reilly Automotive is a retailer of after-market parts that should do well since consumers are not buying new cars. It is not a manufacturer of parts or in any way related to new car sales.

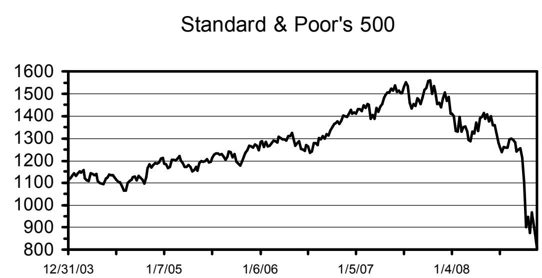
Our focus on more stable companies certainly helped our selections perform well early in the downturn, until October. In October, even the good stuff went down. We suspect that speculative hedge funds needed to sell securities to make up for losses on riskier investments and mutual funds needed to raise cash to meet redemption requests. As the market declined in October, we suspect that these investors sold stocks that had held up relatively well because on some days we could see the higher quality stocks going down as much, or in some cases even more, than the lower quality ones.

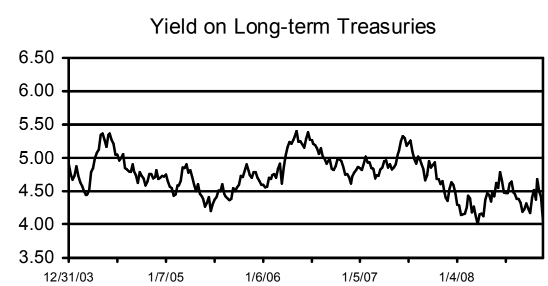
We took a sample of our most common selections. These stocks experienced a collective 6% increase in third quarter profits while reports show that the S&P 500 profits declined 24%. The outlook for these same companies is for 7% growth in profits next year, despite the ongoing recession. We don't know yet what the outlook is for the companies comprising the S&P 500.

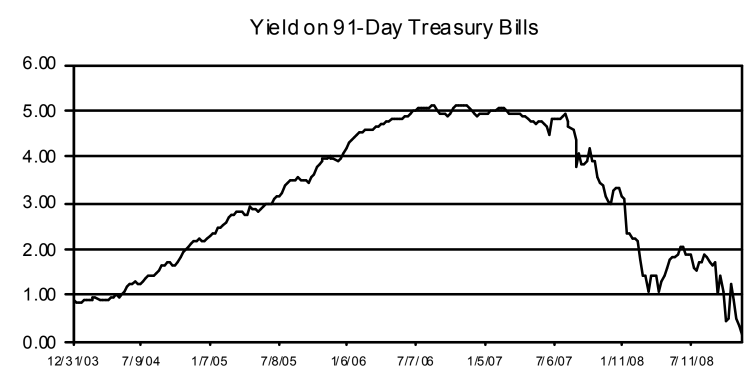
There are signs that the $700 billion bank bailout is starting to work. We cringe when we hear the popular media term "Wall Street bailout" because the truth is that the money is going to regular banks, not to big Wall Street firms like Goldman Sachs and Merrill Lynch (although both stand to benefit given changes that they have recently made.) Since early October, the premium charged when banks lend to one another has fallen in half, which is a very good sign. It is still elevated, indicating that banks aren't totally trusting in one another. However, the bank bailout was designed to get banks working together again and it seems that this is starting to work.

The bottom line is that we've seen many recessions and bear markets. They can be quite painful at the time, but they do end. This market decline rivals severe bear markets in the past, but our companies are typically finding ways to grow despite the economy and this gives us encouragement while we look forward to future economic growth and a higher market.

Key Market Indicators
(through Nov. 19, 2008)







Special Update

Note: There are no new items since the November *IAS* update that was distributed online to all subscribers. All prices in News of Companies and on the company sort pages have been updated to reflect the most recent information.

NEWS OF COMPANIES

Sale of Stock Recommended

Coventry Health Care (CVH)
Jack Henry and Associates (JKHY)
L-3 Communications (LLL)
SEI Investments (SEIC)
SkyWest, Inc. (SKYW)
Tempur-Pedic (TPX)
Zimmer Holdings (ZMH)

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Coventry Health Care (CVH) reported third quarter 2008 results that were very similar to the second quarter. While receipts for the quarter were up 18%, earnings per share were down dramatically to $0.58 per share. This was a drop of 46% from the same quarter in the prior year. While the discussion of problems last quarter focused on mis-pricing which could get corrected quickly, the unchanged results for this quarter, plus almost identical guidance for the fourth quarter, is of great concern. There is a whole range of items that changed for the worse. Furthermore, the company has historically provided guidance for the next year at the time of the third quarter earnings call, but did not this year. The company is not making optimistic projections about 2009 either as it has cancelled its Investor Day which was previously scheduled for December 4. In the face of all this uncertainty, it is hard to feel confident of what is going on. We will therefore remove **CVH** (11.32) from the *Advisory Service* and discontinue coverage.

Jack Henry and Associates reported its second very slow quarter in a row, as sales increased 5% for the fiscal first quarter ended September 30. Of this, 2% growth was from acquisitions. EPS was flat at $0.26. Software license sales declined 2% as banks delayed spending due to the credit crunch. Hardware sales declined a steep 25% as scanner sales fell markedly. Increases in spending for Research and Development and employee benefit costs contributed to a 2% decline in operating income.

Given the problems in the banking sector, we don't expect **Jack Henry's** growth to bounce back soon and the current level of

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growth is unattractive based on the stock's valuation. We recommend selling **JKHY** (16.16) and will discontinue coverage.

The third quarter for **L-3 Communications** saw sales increase 6%, including 4% from organic growth. EPS grew 11% to $1.73. The Command, Control, Communications, Intelligence, Surveillance, and Reconnaissance segment grew 20%, offsetting slower growth in other areas. The firm held its guidance for 2008, expecting 5% sales growth and EPS of $6.75, up 13%.

While present results for **L-3 Communications** are acceptable, we believe the election of Barack Obama will mean lower long-term defense spending as the new President embarks on domestic spending initiatives and accelerates a wind-down of the war in Iraq. We recommend sale of **LLL** (65.16) and will discontinue coverage.

Although only 75% of **SEI Investments**' revenue is tied to financial markets, the revenue and earnings declines in the third quarter rivals what we're seeing from pure-play investment management companies. **SEI Investments** offers a variety of investment management and operational outsourcing to different service providers in the investment arena. Some of these have held up surprisingly well in the recent downturn. However, the overall results aren't encouraging. Third quarter EPS fell 16%, excluding a significant charge to guarantee troubled assets within one of its money market funds. Revenue fell 10%. Good expense control kept the results from being even worse. However, as we consider the sales and profit declines in companies directly exposed to the market (such as Eaton Vance, Franklin Resources and T. Rowe Price), we see that these firms faired only slightly worse, even though they are directly exposed to the financial markets. We think that these other firms are better-positioned for the inevitable upturn, and are recommending that **SEI Investments** be sold as it is not providing us shelter in the downturn that we expected from a company that derives 25% of its revenue from activities that are not sensitive to changing asset values. Coverage of **SEIC** (13.63) will be discontinued.

With the economy most likely in recession, the current market decline allows investors to buy into America's best companies at prices not seen in years. It also represents an opportunity to fund those new investments with proceeds from selling companies that are not making the grade. **SkyWest** is still the pick of the litter in the airline industry, but it is, of course, a difficult industry. **SkyWest** has been less affected by rising fuel prices since 94% of its fuel costs are paid for by its large airline partners. The longer-lasting threat is that **SkyWest**'s aircraft fleet, while still relatively young, continues to age. Maintenance expenses have been rising, and will continue to do so. A case in point was this year's third quarter. Revenue rose 7%, primarily due to higher fuel reimbursement. Two indicators of **SkyWest**'s output, block hours flown and available seat miles, fell 8% and 7% respectively. Despite lower aircraft utilization, maintenance expenses skyrocketed 25%. The bottom line is that there are better, lower-risk investments than **SkyWest**. We recommend that **SKYW** (12.51) be sold and will discontinue follow-up.

Tempur-Pedic reported results which are not too bad considering the present state of the economy and, particularly, housing. However, at this point, we are concerned that the present uncertainty of sales and profits make the future unpredictable and, thus, not appropriate for the *Advisory Service*. The company has discontinued its cash dividend. Also of concern, is the fact that the company is repatriating profits which have been earned in other countries, even though there is a considerable tax penalty in this repatriating. Liquid cash must be in short supply. The CFO comments that this should give the company flexibility to operate "without risk of breaching our credit facility covenants even if the market continues to deteriorate…" While sales are declining at a mid-teens pace and profit margins are being impacted, the company still expects earnings per share for 2008 to be about $0.95. While we believe that a holder of these shares could wake up several years from now with an extremely impressive profit, the trajectory along which this might happen is just unknowable at present. We would recommend the stock only for our most aggressive speculators, rather than the typical *Advisory Service* investor and are, thus, discontinuing follow-up of **TPX** (5.91).

Zimmer Holdings reported some progress for the quarter ended in September 2008, but the growth was not particularly impressive and does not show any indication of the new growth trajectory that we have been hoping for. **Zimmer Holdings** is still a solid company, both in its products and in its financial situation, and is currently available at a give-away price. However, we are also following Stryker Corporation, which we see as offering much more solid prospects for ongoing growth. While Stryker's stock is not as cheap as **Zimmer**, it is still very reasonably priced, and we believe the investor would be best served by investing in the situation with the highest quality potential. We are, therefore, discontinuing **ZMH** (37.47) from further consideration and recommend that owners of this stock move to Stryker.

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Abbott Laboratories reported an 18% increase in sales for the third quarter of 2008. However, 5% of this was the result of currency exchange factors. Diluted earnings per share were up 18%, excluding one-time items. The company also increased its guidance for the full year of 2008 of expecting adjusted earnings per share of about $3.32, up from its previous forecast of $3.26. Pharmaceutical sales were the leaders in terms of product sales growth. The international consistency of pharmaceutical sales showed itself in an increase in international sales of 21.5%, including 10.3% from currency exchange. In its quarterly report the company states, "We're well-positioned to continue to deliver double-digit earnings growth, while investing to sustain growth into 2009 and beyond. We believe we provide a unique blend of both safety and growth in this difficult market environment." We see this as a big advantage – being able to provide a dependable level of steady growth, particularly in the present financial turmoil. The stability of results is aided by the company's broad range of varied products. In addition to pharmaceuticals, a very highly successful recent product has been the XIENCE drug-eluting stent which, including the version distributed by Boston Scientific, now has more than 50% share of the stent market, even though it has been in existence for only three years.

ABT (54.52) is a buy to 67.

Affiliated Computer Services is getting back to what it does best: producing steady results that investors appreciate most in difficult times. EPS rose 16% in the September quarter, excluding one-time items in both periods. Revenue increased 8%, excluding divestitures, and internal revenue growth was 5%. New business signings remain strong and were at record levels over the past twelve months. Growth was relatively evenly balanced between Commercial and Government segments. The company is entering into an interesting transition where it will move approximately 7% of its total employee count out of the U.S. and into low cost locations throughout the world. What makes this more remarkable is that these are management positions rather than basic functions. The stated reason for the move is to free up money to reinvest in sales and product development to accelerate internal growth. We believe that these are all positives for the company going forward.

ACS (38.07) is a buy up to 53.

When evaluating the quarterly results of insurance companies, we typically exclude capital gains from our comparisons since this can meaningfully distort short-term results. Even **Aflac**, usually a pillar of investment quality, had significant write-offs in the third quarter. Excluding these write-offs and impairments, **Aflac**'s EPS rose 22% in the quarter. If realized losses and impairments are counted, they would have substantially wiped out **Aflac**'s third quarter profit. The company is also off to a poor start to the fourth quarter with write-downs on three Icelandic banks that were placed in receivership. Revenue increased 10%, but would have gone up less than 5%, excluding favorable foreign currency translation. The company feels confident that it can increase its operating EPS by 15% in 2008 excluding currency translation, and another 13%-15% next year on the same basis. We are a little concerned about the rising level of investment losses, but for now we will consider it a reflection of the times rather than a new direction for **Aflac**.

AFL (35.91) is a buy up to 54.

Akamai Technologies reported a strong quarter but, like a lot of firms in a difficult economy, a cautious fourth quarter outlook. Sales grew 22% and EPS was up 39%, to $0.18. The company reported accelerating growth for its value added services, including the Dynamic Site Solutions and Application Performance Solutions applications. The firm has high hopes for its Advertising Decision Solutions offering and is excited about its recent acquisition of Acerno, a leader in online shopping data. The company is cautious with respect to the fourth quarter, expecting sales in the range of $202-$210 million, up 10%-15%. EPS is expected to come in about the same as last year's $0.20 per share.

Akamai generates high levels of employee stock option compensation cost, masking the strength of its cash flow from operations, which registered 47% of sales during the third quarter. The company has almost $800 million of cash and is actively seeking acquisitions to bolster its value added offerings, a strategy we think will help it weather this economic downturn and emerge a stronger, faster growing competitor when the global economy turns around. The current share price represents an interesting opportunity to purchase what has traditionally been a highly valued firm.

AKAM (10.63) is a buy up to 15.5.

Alliant Techsystems has been suggesting that margins would go up, and results in the second quarter bore this out. EPS rose 30% even though sales increased just 6%. Operating profit rose faster than sales in each of its three segments. The strongest growth came from Armament Systems, with 19% sales growth and 34% growth in operating profit. Ammunition for law enforcement and international sales rose strongly in the quarter. Renewal of the R&D tax credit and a lower share count caused **ATK** to increase its profit growth forecast for the year ending March 31, 2009 to 15%-17%.

ATK (72.05) is a buy up to 102.

Amdocs produced mixed results to end its fiscal year. Sales for the fourth fiscal quarter advanced a strong 14%, but EPS adjusted for restructuring charges was down 2%, largely due to a loss incurred on foreign currency translation of various balance sheet items. The company reported seeing strong new orders, but is turning cautious given the emerging global recession. For the moment, the firm is not seeing any cancellation in existing contracts, but believes this may change as the year progresses. It is for that reason that the firm is managing expenses on the assumption that Fiscal 2009 will see low single-digit to flat sales growth. For the first fiscal quarter, the company expects sales of $785-$810 million, up 8%-12%. Profitability growth will likely be in a similar range.

DOX (17.92) is a buy up to 30.

Amedisys' results for the third quarter of 2008 were overwhelmingly influenced by the large acquisitions made by the company. These large acquisitions and the one-time associated expenses and profits that go with them make ongoing comparison difficult. Sales for the third quarter were up 78% from the prior year. Adjusted diluted earnings per share increased 46% abstracting one-time items. Even on an annual basis, the company's guidance of expecting earnings per share of about $3.22 would be an increase of 41% from the prior year. Future growth depends on the ongoing consolidation of the home medical services industry. The industry is so fragmented that there remains impressive opportunity for a larger, more efficient acquirer and operator. In today's complicated financial atmosphere, the fact that **Amedisys**' work has little or no relationship to the current economy is a positive for investors. Also, interesting in today's environment, is that the company has accumulated statistics showing that discharging Medicare patients to home healthcare services does indeed result in less medical expense. **Amedisys** gives every indication of being a well-managed company concerned with the welfare of the patients it deals with, as well as business results. We see no reason why this company should not be able to continue to produce excellent results.

AMED (44.00) is a buy up to 62.

Amgen's report for the third quarter of 2008 was positive because the numbers showed progress in every category, even though the progress was moderate in some areas. Compared to the concerns of recent quarters, which involved alternatives that could have been disastrous, the present report is quite encouraging. EPS were up 35%. Overall company sales for the quarter were up 7%. U.S. sales were up 4% with international sales increasing by 20%, although 11% of that was a result of currency exchange factors. All eyes have been focused on sales of Aranesp which has been under severe attack because of potential side effects and competition entering the field. U.S. sales of Aranesp decreased 12% in the third quarter compared to the prior year, but this is much less than had been feared. Epogen sales increased 5% while combined sales of Neulasta and Neupogen were up 8%. Enbrel experienced competition during the quarter, but sales were still up 9%.

It appears that the company's core products are continuing on at an established level, although the future, as with any pharmaceutical company, depends on new products being introduced. For **Amgen**, the most immediate prospect is Denosumab, a potentially very significant product for increasing bone density. Nplate is a product to increase platelet production in the blood. It is in the process of being approved in many jurisdictions, although the sales potential is not very large, as Denosumab could be. A variety of other products are in the developmental pipeline for the longer term. The company is raising its projected sales guidance for the full year of 2008 to a level of approximately 15.15 billion, up from the prior expectation of 14.75 billion. Expected earnings per share guidance is also raised from earnings of about $4.35 per share to $4.50 for the full year.

AMGN (53.64) is a buy up to 72.

AmSurg reported excellent third quarter sales growth from acquisitions. Revenues increased 18% for the quarter with almost all coming from increased procedures performed, rather than price increases. Of this, 4% was from increased same-center revenue and the balance from acquisitions. Earnings per share were reported up 12%. However, the company categorizes two small centers as discontinued operations up for sale. On the basis of continuing operations, earnings per share were up 18%. The company indicates that for the fourth quarter of the year, it expects same-center revenue growth of about 4% with earnings per share of about $0.40, an increase of about 8% from the prior year. The company provides guidance of expecting earnings of about $1.54 for the full year, up 8%. All of these figures reflect the cutbacks in reimbursement instituted by Medicare. The company looks for future growth primarily from acquisitions allowing **AmSurg** to implement greater efficiencies from acquired companies.

AMSG (20.58) is a buy up to 29.

While **Automatic Data Processing** saw good growth in the September quarter, weakening employment trends are likely to take a toll as the fiscal year goes on. Revenue rose 10% in the September quarter, including a 1% benefit from foreign exchange. EPS rose 20%. Employer Services produced 8% revenue growth and a higher profit margin due to expense controls. New sales were down, and the company expects a further softening in coming quarters. Revenue in Dealer Services increased 2%, but auto dealers are clearly having a difficult time and are reluctant to commit. **ADP** reduced its revenue guidance for the year, but believes that it can maintain the expected 10%-14% growth in EPS.

ADP (34.11) is a buy up to 43.

Business continues to slow down for **Baldor Electric**, but the company is still showing growth. Third quarter EPS increased just 4%, with sales up 5%. Profit margin suffered as price increases occurred after materials costs had already risen. There will be a catch-up effect in the fourth quarter and the company is optimistic that mid single-digit sales growth will continue into the fourth quarter. However, the general industrial slowdown suggests that 2009 might be more difficult, and the company is taking steps to reduce expenses.

BEZ (12.50) is a buy up to 21.

Although lower insurance pricing is still affecting the revenue and profits of **Brown & Brown**, total results are starting to pick up because the weak business environment has enabled it to make more acquisitions than in the past. Core revenue growth was -5% in the September quarter, but total revenue increased 7%. This is the fastest rate of the past four quarters. EPS declined 3%, excluding a non-recurring gain last year. Softness in insurance pricing is widespread and most of its geographies and product lines are seeing negative internal growth. However, concerns about the pricing environment and potential for a higher capital gains tax have encouraged business owners to consider selling to **Brown & Brown**.

BRO (18.98) is a buy up to 24.

Cardinal Health continues its process of working its way through a considerable variety of problems and turmoil. The difficulties that resulted from having inadequate control of some of the controlled pharmaceuticals are now pretty well resolved. Interestingly, the company made very great efforts in its distribution area to switch from its traditional role as a wholesaler, buying drugs at wholesale and selling them for whatever was doable, to instead providing a fee for service to drug manufacturers. Some 80% of the company's drug distribution has been transferred over to the new model. However, there seems to be a considerable question as to whether this has really resulted in any improved profitability for the business.

Cardinal is going ahead with its plan to spin off its varied medical equipment divisions into a separate corporation. These divisions have been showing much more impressive growth recently. Many observers expect that this process of separating out the growth part of the business from the more steady service-oriented type of work will result in an increase in motivation and profitability. This really remains to be seen.

For the September quarter, which is the first quarter of the company's Fiscal Year 2009, sales were up 11%, but earnings per share were down 10%. It appears that all this turmoil at least presents a tremendous amount of distraction. No matter how good a buy the stock is presently, however, we must confess to some concern about whether management will finally be able to get its act together and provide some reward for shareholders. With the significant corporate reorganization so near at hand, we will remain an extremely interested observer of the impact of these changes.

CAH (31.92) is a buy up to 46.

Considering the weak retail environment, **Coach** reported a solid quarter. Sales for the first fiscal quarter increased 11% and EPS was $0.44, up 7%. North American comparable store sales were weak, increasing only 1%. In Japan, sales rose 22%, with 10% coming from currency translation. The company is holding to its guidance of $2.25 EPS for Fiscal 2009, but will reduce its sales growth forecast to 10% from 13%. We are impressed with the level of new product development and launches, including the November introduction of handbags priced in the $278-$298 range. **Coach** has responded well to the difficult economic environment.

COH (13.91) is a buy up to 24.

CVS Caremark Corporation enjoyed another strong earnings quarter, but sales growth is getting more challenging for the pharmacy behemoth. Sales advanced just 2%, split between a 5% increase from the firm's retail stores and a 1% decline from its Pharmacy Benefit Management (PBM) business. However, earnings from continuing operations advanced a strong 24%, to $0.56, as the firm continues to enjoy the benefits of the mix shift to more profitable generic drugs and lower overhead due to company size. The company recorded a $0.06 cent charge due to guaranteed lease obligations of Linens 'n Things and categorized the charge as a discontinued operation. As of September 27, the firm operated 6,347 retail pharmacy stores.

On October 30, **CVS Caremark** closed its acquisition of Longs, a drug chain with 521 stores in California, Hawaii, Nevada and Arizona, plus the RX America PBM subsidiary. For the full year 2008, the company expects sales growth of 13%-15% and EPS from continuing operations of $2.40-$2.47, which includes $0.01-$0.02 of dilution from the Longs acquisition.

CVS (27.84) is a buy up to 38.

Danaher continued to grow during the recent economic slowdown, but it was clearly starting to feel the effects of a weaker global economy. Third quarter EPS rose 13%, excluding one-time items from both periods. This is equal to the slowest growth rate the company has seen in any quarter since the aftermath of the recession earlier this decade. Revenue increased 17%, including 4% internal revenue growth. Internal growth was positive in each of its four segments. In its comments to securities analysts, **Danaher** is clearly expressing concern over the economic environment in 2009. It hasn't made a forecast for the year, but indicated that it plans to accelerate certain restructuring activities into the fourth quarter. Earnings growth in the fourth quarter is expected to moderate from recent results, but remain positive.

DHR (51.45) is a buy up to 70.

EMC had a reasonable quarter, but the firm's outlook has weakened as the credit crisis slows growth. Sales for the third quarter increased 13% and EPS, adjusted for a tax gain, was $0.19, up 12%. Sales in the U.S. grew 7%, while overseas operations grew 19%. EMC has some buffer from the slowing U.S. economy with 46% of total sales coming from outside the U.S.

VMware continues to be a great story, enjoying growth of 32% during the third quarter. **EMC** believes that the fourth quarter will be slower, revising its forecast down to sales growth of about 4% and EPS of $0.23-$0.24, flat when measured against last year's fourth quarter. The company is examining its cost structure in order to streamline operations. While **EMC** is not immune to a slowdown in technology spending, it is far better prepared for economic weakness than it was during the dot-com bubble of the early 2000's and should weather the storm better than other technology companies.

EMC (9.80) is a buy up to 13.

Emerson's results remained impressive for the fourth fiscal quarter that ended September 30, but the company gave muted guidance for Fiscal 2009. In the September quarter, sales grew 11% including 7% organic growth. Four of its five business segments produced higher sales and profits in the quarter, with a lone exception being the difficult and cyclical Appliance and Tools business. Organic sales increased in each geographical area, ranging from just 1% in the United States to 25% in Latin America. EPS was up 13%.

The challenge is Fiscal 2009. Without giving specific figures, it is clear that more of **Emerson**'s business segments are experiencing slowing orders that will affect the company increasingly over the next twelve months. **Emerson** management has been through this before. It is aware of the cyclical aspects of its business, and has been acting early to reduce costs. For fiscal 2009, sales growth is expected to be in the range of -0.6% to +2.0%. Included in that is a decline of about 4% due to foreign currency translation. Organic sales growth is expected to be in the range of -0.4% to +4%. EPS is expected to range from a decline of 10% to growth of 3%. Much of the earnings decline will come from the effect of currency translation on profits, and will be exacerbated by additional restructuring charges. **Emerson** has changed its business mix since the last recession to emphasize more international growth, particularly in emerging markets that now make up 30% of its total sales. Emerging markets are expected to continue growing, despite the likely recession in the U.S. and Europe. We expect the company to handle the downturn well and emerge a stronger company for the next cycle.

EMR (31.63) is a buy up to 42.

The fourth fiscal quarter saw sales growth of 18% and EPS growth of 8%, to $0.28, for **F5 Networks**. Both periods had special items that impacted earnings; this year, it was a loss on the exit of a facility and last year, it was an R&D impairment charge. The company is seeing great growth from its core internet traffic products based on a product refresh completed last quarter. However, the virtual storage hardware product, ARX, continues to show weakness due to its dependence on the financial sector. The company is optimistic about 2009, even in the face of economic weakness, and sees fiscal first quarter sales advancing 18%-20% and EPS of $0.26-$0.27, up 24%-29%.

FFIV (21.37) is a buy up to 28.

Fiserv's third quarter results were acceptable, but a little below expectations. Revenue increased 17%, all due to acquisitions. Internal revenue growth was flat. Adjusted profit margins rose, causing EPS from continuing operations to rise 16%. Earnings from continuing operations exclude increased tax expense associated with the sale of **Fiserv** Insurance, restructuring charges and intangibles amortization from the purchase of CheckFree late last year. The company hopes to report renewed internal revenue growth in the fourth quarter and higher earnings as well.

FISV (30.42) is a buy up to 46.

Franklin Resources had a soft September quarter. Analysis is complicated by **Frank-**

lin’s income, gains and losses on various funds managed by its subsidiaries. There is also a one-time tax charge to repatriate some foreign cash to the United States. We consider the investment gains and losses to be part of its business, but not the non-recurring tax charge. Excluding just this tax charge, EPS fell 19%. Revenue declined an identical 19%. The **Franklin** mutual fund complex has been seeing inconsistent investor flows for many quarters now. In the September quarter, there was a modest outflow of investor assets. Investment performance has generally been above average so hopefully this movement will come back. We believe that **Franklin** remains a quality company at a cheap price, although it is highly dependent on the stock market.

BEN (50.98) is a buy up to 73.

Garmin reported a better quarter than expected, but warned that Personal Navigation Device (PND) sales will be weaker in the fourth quarter. Sales advanced 19% and EPS came in at $0.83, down 7%. Product margin fell, but this was largely due to currency translation. Average selling prices declined only 3% for the quarter, bringing the year-over-year decline to 17%, an improvement from the second quarter. **Garmin** estimates the company increased market share in North America to 54% and in Europe to greater than 20%. The company plans to release the Nuviphone during the first half of 2009 and reports it has signed up several telecommunications providers for its launch.

The company expects a challenging holiday season given the difficult sales environment for consumer electronic products. It expects sales to decline 5% and an EPS drop of 25% due to seasonally lower product margins and a more promotional sales environment. The company also expects heightened competition to remove some competitors from the market that are currently selling at minimal product margin, and we agree. While we are not pleased to see this weakness, we think the firm’s valuation is very low and a better holiday season could easily lead to a P/E multiple expansion.

GRMN (15.98) is a buy up to 34.

A write-off of exposure to bankrupt Lehman Brothers, plus the cost of relocating offices and restructuring designed to reduce ongoing expenses, all combined to produce a third quarter loss for **GFI Group**. As perhaps a better indicator of ongoing business results, EPS would have declined 27%, excluding these various initiatives. Revenue declined 1% on an adjusted basis. These represent sharp slowdowns from preceding quarters. **GFI** expects weakness to continue until credit markets become significantly unfrozen. **GFI** has a strong balance sheet with significant equity, a high level of cash and modest levels of debt. In fact, the stock is trading for less than book value and only modestly above its cash holdings on a per share basis.

It takes a lot of courage to buy a stock under these conditions, and this is probably not a straightforward *NAIC*-type company, but may be worth the risk for more aggressive investors. For those investors,

GFIG (2.81) is a buy up to 6.50.

Gilead reported another excellent quarter. Sales for the third quarter advanced 30%, led by the firm’s HIV drugs, Atripla and Truvada. EPS was $0.52, up 24%. Foreign currency translation helped profits, accounting for about 7% of the increase. The company is reporting that new HIV patients are largely being placed on Atripla now, a strong indication that current growth can continue.

Due to the strong results, **Gilead** believes that sales for the year will now run $4.9-$5.0 billion. **Gilead** did receive somewhat of a setback during the quarter, as in September the FDA could not approve an application of Aztreonam Lysine for inhalation, an investigative therapy in development for people with cystic fibrosis. The company is in discussions with the FDA regarding the application.

GILD (43.20) is a buy up to 53.

Upheaval in the financial markets and natural disasters produced several nonstandard items in **HCC Insurance Holdings**' third quarter report. EPS declined 26% in the quarter, excluding realized investment losses. Profits would have actually risen excluding all nonstandard items, but some of these are recurring in nature so we just focus on results, excluding realized capital gains. Revenue increased just 3%. Premium income rose in its key categories as pricing has improved. Business deteriorated in a couple of smaller product lines due to inadequate pricing and other considerations. **HCC** appears to be quite optimistic that pricing will continue to improve and that financial problems affecting rivals might cause customers to increase their business with **HCC**.

HCC (20.86) is a buy up to 26.

Incentives built into **Heartland Payment Systems**' sales program more than offset lower charged volumes from the merchants for which it processes. EPS was up 17% in the third quarter. Third quarter revenue increased 48%, mostly due to the acquisition of Network Services. Organic growth was still robust at 14%. New sales increased 11%. Same-store sales, the processing revenue generated by its existing merchant base, fell 2% in the quarter, reflecting retail difficulties. Given the challenging environment, **Heartland** slightly reduced its 2008 sales and profit figures and is now looking for 15%-16% organic revenue growth and 18%-21% EPS growth.

HPY (13.46) is a buy up to 24.

Hologic reported a doubling of sales for the third quarter of 2008, mostly as a result of the acquisition of product lines from Cytyc Corporation. Earnings per share for the quarter were a loss of $0.56 on a GAAP basis because of a writedown of a considerable list of one-time items relating to the acquisitions. On an adjusted basis, excluding one-time items, earnings per share were $0.30, exactly equal to one year ago. The company provides guidance for Fiscal Year 2009, ending in September 2009, expecting sales up about 10%. The company's earnings guidance for 2009 of about $1.23 on an adjusted nonrecurring basis compares to about $0.74 on a GAAP basis, when some of the intangible amount of $2.6 billion is amortized (in addition to $4.4 billion goodwill.) The company's convertible debt of almost $2 billion dollars is another factor looking toward the future. This is an aggressive situation suitable for investors who wish to take risk with the hope of outstanding results.

HOLX (12.89) is a buy up to 19.50.

IDEX announced continued steady results for the third quarter, but a weakened fourth quarter outlook. Third quarter sales rose 9%, with organic growth of just 1%. Orders rose a comparable 8%, with flat organic growth. EPS grew 13%, excluding a restructuring charge. Business appeared to be fairly strong in three of its four segments. The fourth segment was quite problematic, however. Dispensing Equipment saw a 17% decline in sales and a 60% drop in operating profit. The division lost a major customer, and is working through a previously announced plan to close a plant.

IEX (19.96) is a buy up to 28.

J2 Global Communications recorded a third quarter sales advance of 11% and EPS of $0.42, up 20%. The company added 36,100 Direct Inward Dial (DID) lines during the third quarter as domestic sales grew 9% and international sales grew 18%. The company is doing well in voice services, a newer offering. **J2** completed its stock repurchase program during the third quarter and, going forward, has decided to use its strong cash flow to pursue acquisitions, including two small ones expected to close in the fourth quarter. The company reaffirmed its guidance for 2008, expecting sales growth of 9%-22% and EPS growth of 7%-22%.

JCOM (14.24) is a buy up to 21.

Kinetic Concepts Inc. reported an impressive revenue increase of 22% for the third quarter of 2008. On an adjusted basis after eliminating certain acquisition related expenses, earnings for the quarter were up 17%. During the quarter, the sales of Vacuum Assisted Closure (V.A.C.) wound treatment equipment rose 6%, while revenue from the LifeCell regenerative tissue program was up 29%. As expected, sales of the core V.A.C. products are slowing primarily because of competition and shorter average treatment periods with increased efficiency of the treatment. In contrast, LifeCell is continuing the strong growth that was the reason for the acquisition of this firm in the second quarter.

The company provides guidance of expecting total revenue for the full year 2008 to be up 17%-18% from the prior year. It forecasts adjusted diluted earnings per share on a non-GAAP basis to be up 13%-16% for the full year. The company continues its efforts to develop new and improved products with these efforts being particularly germane for the former LifeCell business. The company was able to pay down $75 million of its acquisition debt this quarter. The company states that the primary use of free cash flow will continue to be the repayment of debt, but interestingly it has also announced that the board has approved a share repurchase program of up to $100 million. Free cash flow for nine months of 2008 was $137 million or, excluding acquisition items, $195 million. This kind of cash flow should allow for ongoing implementation of the company's growth.

KCI (20.96) is a buy up to 38.

Laboratory Corporation of America reported that for the third quarter of 2008, revenues were up 11%, with almost all of this coming from increased procedures and only 0.6% from price increases. Earnings per share, adjusted for one-time items, increased only 3% for the quarter, however. The company increased guidance for the full year expecting diluted earnings per share of about $4.59, excluding special items. In addition, preliminary guidance was provided for 2009 of expecting sales growth of about 4.5% and diluted earnings per share of about $5.12 which would be up 12% from the expected numbers for 2008. In a big picture sense, the company's prospects for increased growth in the future depend on technical developments, giving the advantage to larger sophisticated operations such as **Laboratory Corporation** compared to the smaller labs. Of particular interest are developments in genetics showing that some individuals with certain genetic make-up respond to certain therapeutic treatments and others do not. A statement from the company's quarterly reports states, "The next ten years, we'll see the evolution of the clinical laboratory from a provider of numbers to a provider of diagnostic intelligence and **LabCorp** will lead that transformation." The company reported that 8.4% of its volume this last quarter was what it would categorize as esoteric testing and its goal is to increase this to 40% of revenue in the next three to five years.

LH (60.36) is a buy up to 80.

Considering the slowing economic environment, **Life Time Fitness** enjoyed a solid quarter. Sales for the third quarter increased 17%, net income advanced 18%, and EPS was $0.55, up 15%. The EPS growth rate was slower than the sales or net income growth rate due to the additional shares in the present quarter from **Life Time**'s August 2007 stock offering. During the quarter, the company opened three new clubs. Net membership growth increased 13.2% and same-center sales increased 3.9%. The company was able to raise $162 million in cash from the sale and leaseback of properties, reducing its debt outstanding to $647 million, about 53% of total capital.

Given the more difficult environment, the firm reduced its guidance for 2008 to an increase in sales of 18%-19% and EPS of $2.01-$2.04, up 13%-15%. With the credit markets tight, the company will slow new center growth to six per year for both 2009 and 2010, translating into approximately 8% per year of square footage growth. If the credit markets open up for additional debt, the firm plans to expand at a faster rate.

LTM (10.92) is a buy up to 23.

Lincare's heavy dependency on Medicare showed its impact in the third quarter of 2008. While there was a 5% internal growth in unit sales, this was offset by Medicare price reductions of about 6% taking effect during the year. The net result was substantially flat sales numbers, although earnings per share were able to be increased by 15%. **Lincare**'s future depends on it being the most efficiently organized firm in this field of basically government controlled services. The CEO says, "We continue to demonstrate the ability to expand our market share and drive strong upward results… We have been consistently able to generate internal revenue gains of about twice the underlying growth in the market for our services while containing the growth of our operating and overhead expenses." However, cutbacks in Medicare reimbursement levels will hit the company in 2009 and growth will have to pick itself up from a lower level. In the long-term picture, however, it remains one of the largest and most efficient providers of a medically essential service.

LNCR (24.14) is a buy up to 34.

Third quarter results for **LKQ Corporation** were strong, but weak commodity prices will lead to poor fourth quarter earnings. Sales for the quarter advanced 102%, with most of the increase due to the Keystone Automotive acquisition, as results for Keystone were not included in last year's third quarter. Non-acquisition sales for the firm grew 12%. The growth was led by the firm's auto parts recycling business. Earnings advanced a strong 39%. The company is seeing more acquisition opportunities as the economy slows.

The firm expects a weak fourth quarter for earnings due to falling commodity prices since cars purchased in the third quarter were far more expensive and parts/scrap are not fetching the same high prices. Earnings are expected in the range of $0.11-$0.16 against last year's $0.16.

LKQX (9.12) is a buy up to 15.

Weakness in the Americas region led to a slowdown in **Logitech's** results. Sales for the second fiscal quarter increased 12%, with 3% of that coming from foreign currency translation. Retail sales advanced 5% and OEM sales increased 56%, the latter due to strength in microphones and console gaming. However, retail sales in the Americas region declined 11%, reflecting a slowing of purchase orders from retailers during the last weeks of September. The company was unable to adjust expenses since weakness occurred at quarter end, resulting in flat operating income and EPS of $0.39, down 7%.

The firm does not expect conditions in the Americas to improve and forecasts weakening conditions in Europe as well. **Logitech** lowered its guidance for Fiscal Year 2009 to a sales increase of 6%-8% and a 3%-5% increase in operating income.

LOGI (11.75) is a buy up to 19.

Mettler-Toledo International reported a 15% increase in sales for the third quarter of 2008, but 5% of this was due to currency translation effects, leaving a 10% sales increase on a local currency basis. Earnings per share, adjusted by the removal of one-time items, was up 25%. The company provides guidance of expecting earnings per share for the full year to be up about 23% from 2007. The company forecasts a recessionary atmosphere in 2009 based on general economic factors, plus a sudden decline in orders observed in October. Because of this situation, it is projecting earnings of about $6.30 for 2009, which would be an increase of 10% over this year. **Mettler-Toledo** expects only marginal sales growth in 2009 of about 3% on a local currency basis. The company continues some moderate buy-back of shares, but in the present uncertain economic turmoil they are focusing on maintaining a solid cash position.

MTD (66.55) is a buy up to 96.

NeuStar saw slowing growth in the third quarter and issued a cautious outlook for the balance of 2008. Total sales increased 12%, led by growth from Number Portability, UltraDNS, and Common Short Codes. EPS was up 19%. However, the Next Generation Messaging (NGM) service is doing poorly. **NeuStar** is not seeing carriers introduce the service as rapidly as it had expected. The company has responded to the problems with new management and expects to reap cost savings by consolidating research and development staffs of NGM with **NeuStar**'s.

Because of weakness in NGM and caution in a recessionary economy, **NeuStar** cut its 2008 sales guidance to an increase of 13%, down from growth of 17%-20%. The firm maintained its guidance for EPS growth of 12%, excluding the NGM charge in the first quarter of $1.30. This translates into fourth quarter sales growth of 2%-6% and EPS of roughly $0.30, down 19%. We think the company is being too conservative and we would not be surprised to see far better fourth quarter growth, especially in profitability given the efforts to manage costs in this more difficult economic environment.

NSR (16.92) is a buy up to 22.

NVIDIA showed some recovery during the current quarter. Sales declined 20%, but were actually up slightly from the second quarter. EPS, adjusted for restructuring charges, was $0.13, down 66%. The company improved non-GAAP product margins due to the launch of 55-nanometer chips. A new graphics notebook chipset is being introduced for Apple laptops as a standard item. The company expects sales to be down 5% for the fourth quarter.

NVDA (6.23) is a buy up to 7.50.

Omnicom reports straightforwardly that although present results for their business continue to be solid, if we should be slipping into a broad scale recession, this would have an impact on the company. For the third quarter of 2008, sales increased 7%, while EPS were up 11%. The company is very acutely focused on expense management particularly in the present economic environment. The advertising business continues to transition away from traditional print presentations, now down to 42% of the company's revenue. Instead, the greater emphasis is on digital vehicles of presentation and a whole range of marketing and public relations programs. In considering a company in an industry like advertising, it is important to maintain one's focus on the overall long-term history and potential and not to get overly concerned about implications of the present immediate economic picture.

OMC (22.68) is a buy up to 36.

The big news for **O'Reilly Automotive** is the closing of its purchase of CSK on July 11tt. The combined company recorded a 68% sales advance in the third quarter, with all but 8% of the increase coming from CSK, whose results were not included in last year's third quarter. Comparable store sales were up 1.5% for **O'Reilly** stores and down 4.3% for CSK's. Adjusted EPS declined to $0.40, down 13%, as the higher cost structure of CSK was combined with

O'Reilly's. The company is moving well on its plans to integrate the stores with a timeline for them all to be converted to the **O'Reilly** brand by the end of 2010. The firm sees many opportunities for driving further sales volume through CSK stores, including the addition of typical hard line automotive parts and commercial sales. The company opened 35 new stores during the fourth quarter and is on plan to open 150 new stores for 2008.

Due to higher state tax rates in states with CSK stores, **O'Reilly** has reduced 2008 guidance to $1.45-$1.49. Included in this number is earnings dilution of $0.15 due to items related to the CSK acquisition. Comparable store sales growth for the fourth quarter are expected to be 1%-3% for **O'Reilly** stores and flat to negative 1% for CSK stores.

ORLY (22.62) is a buy up to 28.

Panera Bread's strategy of raising prices to offset food cost increases and lower traffic continues to provide solid growth for the company. Sales for the third quarter, ended September 23, increased 15% and EPS advanced 22%, to $0.45. Company-owned same-store sales increased 3.0%, composed of a price increase of 6.5%, offset by 3.5% lower transaction volume and food item mix. The company is concerned about the economy, but recent reductions in wheat and fuel costs will help going forward.

The firm expects fourth quarter EPS of $0.82-$0.86, up 46%-54% from last year's disastrous fourth quarter. For Fiscal 2009, the company is comfortable with analyst EPS estimates of $2.55-$2.71, implying EPS growth of 15%-22%.

PNRA (37.20) is a buy up to 51.

PetMed Express enjoyed the benefits of advertising money spent in the prior quarter, as sales for the second quarter, ended September 30, rose 16% and EPS was $0.25, up 39%. The firm's product margins advanced as a change in shipping from priority to standard more than offset the drag on higher product acquisition costs. The company enjoyed leverage from its relatively fixed cost base, recording lower employee stock compensation expense and constraining the growth of advertising spending. The company added 239,000 new customers during the quarter, an advance of 8%. The firm has only $2.8 million left on its $20 million stock repurchase authorization and with its substantial cash flow, it would not be surprising to see an increase in repurchase authorization after its next board meeting at the end of October.

PETS (17.74) is a buy up to 17.

Quarterly reports from **Pharmaceutical Product Development** were somewhat mixed. Some results depend on the achievement of milestones and these milestones are a matter of all or nothing. The big factor for this quarter was a delay by the FDA in its review of the new drug Alogliptin. **PPDI** will not receive a fourth quarter $24 million targeted milestone payment from Takeda since the drug was not approved. The FDA does not provide a new expected date for review completion. In addition to this, **PPDI** reports that there was a general new authorization shortfall compared to the previously expected shortfall for North America. On the other hand, new authorizations for future business were strong with the business backlog presently up just over $3 billion dollars, 20% higher than the 2007 quarter.

The pharmaceutical contract research industry is rather unusual in that often up to 25% of contracts originally signed are subsequently cancelled for a variety of different reasons. This makes the industry more "lumpy" than other healthcare businesses. The company now provides guidance of expecting slightly lower sales growth for 2008 at $1.46-$1.49 billion, an increase of only 7% over 2007 sales. Total earnings for the year are now projected at about $1.72, up 26% from 2007. The $0.43 earnings per share reported for the third quarter of 2008 is up 34%. Looking back over the last couple years of earnings results, we see the growth varying tremendously from quarter-to-quarter.

PPDI's financial structure shows solid cash flow, no outstanding debt and the company holding some half a billion dollars in cash and investments. This has allowed for share repurchases and an increase in dividends. International business continues to be the area of strong emphasis with non-U.S. revenue now at 38% total, up from 34% last year. The globalization of pharmaceutical trials is an asset for a company like **PPDI** which can offer large and diverse alternatives.

PPDI (23.90) is a buy up to 37.

Praxair's third quarter results don't reflect any significant slowdown like the one reported in national economic statistics. EPS growth was 18%. Sales rose 20%, including underlying organic growth of 10%. Organic growth was a strong 9% in North America. Organic sales growth and operating profits rose in all geographies. The surge of the U.S. dollar is expected to negatively impact fourth quarter sales and profits by about 8%. As a result, **Praxair** is forecasting EPS growth of 5%-10% in the quarter. Looking into 2009, based on its impressive backlog of projects for 2009-2011, **Praxair** confidently says that, "No matter what 2009 brings us in terms of the global macro picture, we expect to deliver growth in earnings and cash flow."

PX (53.84) is a buy up to 70.

Precision Castparts had a good quarter, but near-term results will be affected by disruptions from the Boeing strike. Sales rose 6% in the September quarter while EPS grew 13%. Strong results in Investment Cast and Fasteners were somewhat offset by weakness in Forged Products. Forged Products' results were impacted by planned downtime for maintenance at one forge, but unplanned damage to the other forge, and by reduced orders due to Hurricane Ike. This segment seems like a candidate for a quick rebound. There will be some drag in the December quarter due to the recently ended, eight-week strike at Boeing.

PCP (52.34) is a buy up to 94.

Improvement at **Progressive Corp**. is hard to detect, but it is there. Pricing trends and premiums written both turned positive in the third quarter for the first time in two years. Policy count increased 3% in the quarter, an improvement. Still, third quarter revenue fell 2%, due to the combined effect of a 1% decline in earned premiums and lower interest income. Net income was driven to a loss because of write-downs in the value of its investment portfolio. Absent these write-downs, EPS would have declined 17%.

While it might be tempting to sell on this news, the company shows signs of bottoming out and turning around. For investors willing to hang on, **PGR** (13.15) is a buy up to 15.50.

More signs of a broader economic slowdown are evident in **Roper Industries**' third quarter results and near-term forecast. Total revenue increased 11%, with 4% pure organic growth, 1% favorable impact from currency translation and 6% from acquisitions. EPS rose 17%, excluding a charge related to a very favorable and timely debt refinancing in July. Orders increased 9% and backlog was up 16%. Sales and profit growth were positive in each of the company's four business segments, although results moderated somewhat in three of the four. The fourth segment, RF Technology, had 29% sales growth and 38% profit growth, including substantial help from acquisitions.

Order growth was positive, and in fact ahead of sales growth, in three of the four segments. The exception here was Energy Systems & Controls where there were some interruptions due to Hurricane Ike and some foreign orders that appeared to have just been postponed as certain overseas customers are awaiting a renewed decline in the value of the dollar. Because of higher interest rates on its floating debt and "a more uncertain global economy," the company reduced its earnings guidance for the first time in our memory now projecting growth of 8%-12% in the fourth quarter. Management continues to make bold and impressive statements about its confidence in the durability of its business model, strong cash flow and recurring revenue, even in a slowdown.

ROP (38.36) is a buy up to 55.

Sandisk results were largely in line with the poor forecast the firm put out last quarter. Sales declined 21% and a substantial inventory write-off led to an EPS loss of $0.69. Overcapacity in the industry continues to be a problem, leading to a decline in average price per megabyte of 63%. The company is taking steps to reduce output and costs for 2009. **Sandisk** and its partner Toshiba agreed to a new capacity sharing arrangement, with Toshiba taking 70% of output and **Sandisk** taking the remaining 30%. **Sandisk** will reduce its capital outlays by approximately $1.0 billion in 2009 due to the new agreement. The fourth quarter outlook is weak, with sales expected in the range of $875-$725 million, down 30%-42%.

In mid-September, **Sandisk** rejected Samsung's $26.00 per share acquisition offer, explaining that the offer undervalues the firm's vast intellectual property portfolio and the savings that Samsung can receive by forgoing royalty payments to **Sandisk**. After seeing fourth quarter results, Samsung dropped its offer to purchase **Sandisk**. The market reacted negatively by driving the share price down, but in the long run we think that **Sandisk** is correct. We see little choice for Samsung but to continue making high royalty payments to **Sandisk** or to get out of the flash memory business entirely, with either event benefiting **Sandisk** when supply and demand come back into balance.

SNDK (6.30) is a buy up to 7.

SAP's third quarter results met market expectations, but the credit crisis has slowed worldwide growth noticeably. Sales increased 15% in GAAP terms, but increased 22% when adjusting for currency translation and deferred revenue from the acquisition of Business Objects. However, costs from the acquisition increased, causing EPS to be flat at $0.40. The company saw a sharp decline in orders from medium and small businesses related to the late September economic environment.

SAP expects to cut over 200 million euro in costs during the fourth quarter. The firm has cut 2008 sales projections from 24%-27% growth to 20%-22% growth and expects operating margins to come in at 28% versus the previous guidance of 28.5%-29%.

SAP (31.49) is a buy up to 41.

ScanSource reported disappointing results for the September quarter. EPS declined 16% as sales fell 3%. North American sales were down 4%, exclusively due to trouble with one supplier, even as other business units in North America saw improvement. International sales grew 5%, but were down 1%, excluding currency effects. The problem here was sluggish business in Europe. **ScanSource** issued weak guidance for the fourth quarter, calling for sales to decline 4%-7% and EPS to be down 18%-26%. Additionally, we are disappointed by **ScanSource**'s decision to draw down $75 million of its $250 million credit facility. The company was anxious about future funding availability in the event that customers and vendors are unable to find credit. We would be more concerned about this last development, except that during the third quarter the company generated $30 million in cash and used it to completely pay off that same credit line.

SCSC (15.47) is a buy up to 24.

StanCorp Financial Group outperformed most other insurance companies in the third quarter. Although earnings were flat at $1.29 per share, excluding capital gains and losses, this is in comparison to a strong period one year ago. A slightly greater concern is that revenue increased just 1%, due to the loss of a couple large insured cases in a very competitive market. **StanCorp**'s discipline shows through in its unwillingness to pursue customers at any price, taking only the business where it can earn its expected rate of return. It is possible that revenue and profit growth may be muted for a while, but this compares favorably against companies experiencing genuine trouble.

SFG (28.11) is a buy up to 43.

Stratasys accelerated sales growth for the third quarter due to a new parts prototyping product. Sales advanced 16%, but the advance was actually a stronger 20% when excluding discontinued product sales from both periods. EPS was $0.18, up 20%. The company introduced the 900mc, a high end prototype manufacturing system which has experienced strong orders and sales. However, 3-D printing system sales declined 3% as customers become more cautious during the economic downturn. We are still concerned about inventory, which has grown 55% year-over-year. The company is seeing strength from the 900mc continuing into the fourth quarter and maintained 2008 guidance of sales growth of 11%-16% and EPS of $0.75-$0.80, up 10%-18%.

SSYS (9.56) is a buy up to 14.50.

Poor stock market conditions lowered **T. Rowe Price Group**'s assets under management and also held back net inflows of investor deposits. Third quarter EPS fell 11% on a 3% decline in revenue. The company is highly dependent on market values to drive assets under management and ultimately its fees. In the short-term, it is not possible for the company to reduce expenses enough to offset the impact of a softer market. As we warned over the past several quarters, its growth in 2008 (and now beyond) will be highly dependent on market conditions which thus far have been difficult to say the least. We continue to have confidence that his is the best run asset management company.

TROW (26.40) is a buy up to 31.

Teva Pharmaceutical Industries reported sales up 20% for the third quarter of 2008. Diluted earnings per share were also up 20% for the quarter. The company's sales continue to be led by Copaxone which was up a rather amazing 28%, even though several other competing products for the treatment of multiple sclerosis have been introduced recently. The U.S. remains the company's biggest market for pharmaceutical sales, constituting some 60% of total sales. U.S. pharmaceutical sales showed an increase of 23% this quarter, compared to the prior year. The company has some 145 product applications in process for approval in the U.S. R&D was up to 6.8% of sales, inline with the company's stated goal to double generic R&D output by 2012. The company indicates that the acquisition of Barr Pharmaceuticals continues and that finalization is expected by the end of the year.

TEVA (41.80) is a buy up to 52.

Tractor Supply is doing an excellent job weathering the soft retail environment. For the third quarter ended September 27, sales increased 17% and same-store sales advanced 6.2%, with 1.0%-1.5% coming from additional spending caused by Hurricane Ike. The firm's strategy of offering a wider and deeper consumables assortment also helped. Earnings per share came in at

$0.53, up 21%. The firm opened 20 new stores during the quarter and expects to open 91 stores for the entire fiscal year. The company reiterated its Fiscal Year 2008 guidance, with sales up 10%-11% and EPS of $2.49-$2.55, up 4%-6%.

TSCO (32.49 is a buy up to 40.

ViaSat reported a solid quarter and increasing sales backlog. Sales for the fiscal second quarter ended October 3, increased 9% and EPS was $0.29, up 7%. The growth was led by the Government Systems segment, which grew 22%, while the Commercial Network segment declined 9%. A positive for future quarterly results is an increase in new orders of 35% and sales backlog of 19%. The company issued a bit of caution for Fiscal 2010, expecting sales and earnings growth to slow to a 10% rate as a result of the credit crisis.

VSAT (18.62) is a buy up to 24.

The stronger U.S. dollar had much more impact on **Waters**' third quarter results than global financial problems did. Sales rose 10% in the quarter, with about 7% growth excluding currency. Currency added three percentage points to sales growth in the third quarter, a smaller contribution than earlier in the year when the dollar was weak. EPS rose 28%, excluding a couple of small items from both periods. Instrument sales remain strong, particularly in emerging markets. There was some weakness in the U.S., but this was against a very strong year-ago report. For the fourth quarter, the company forecasts a slight slowdown in organic sales growth to 6%, with currency subtracting two percentage points from sales, rather than adding to them. EPS growth is expected to be about 15%. In an interesting comment, the CEO, Doug Berthiaume said, "We feel that we have the ability to manage our P&L and balance sheet to generate double-digit earnings growth and continued strong free-cash flow" even under "more challenging market conditions."

WAT (36.18) is a buy up to 52.

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"Est. EPS" on the ranking tables found before this month's company write-ups were updated to reflect estimated earnings for the twelve months ending 12/31/09. Other individual adjustments are made when circumstances deem it necessary. Any of these changes can affect the buy and sell prices.

December 2008 Addendum

The *Investor Advisory Service* uses calculations based on recent years' experience and judgment of what can reasonably be expected. However, it is no news to any investor that we are going through a period of extreme and erratic price changes. It is typical for present stock prices to be at levels not seen for a great many years. In many cases, present prices are below the expected low price. In particular, this throws off the expected upside/downside. In order not to have meaningless numbers, we have somewhat arbitrarily adjusted the expected low price. However, the reader should be advised that the present calculations of upside/downside do not have the specific meaning that they might otherwise have. Other calculations – particularly the P/E – should not be affected by the stock price situation and should be able to be relied on, although, of course, there is uncertainty about what the economy will do in the future. Although the present turmoil makes calculations difficult, it also provides immensely appealing low prices for stocks. The price of almost any stock you have been interested in is probably presently available at an extremely attractive price.

Recent Earnings Reports - December 2008

Company	Qtr end	EPS This Year	EPS Last Year	% chng.	Company	Qtr end	EPS This Year	EPS Last Year	% chng.
Abbott Labs	9/26	0.79	0.67	17.9	Kinetic Concepts	9/30	0.96	0.82	17.1
AFLAC *	9/30	1.00	0.82	22.0	L-3 Communications	9/30	1.73	1.56	10.9
Affiliated Computer *	9/30	0.89	0.77	15.6	Laboratory Corp	9/30	1.10	1.07	2.8
Akami	9/30	0.18	0.13	38.5	Lifetime Fitness	9/30	0.55	0.48	14.6
Alliant Techsystems	9/30	1.87	1.44	29.9	LKQ Corporation	9/30	0.18	0.13	38.5
Amdocs *	9/30	0.42	0.43	-2.3	Logitech	9/30	0.39	0.42	-7.1
Amedisys	9/30	0.89	0.61	45.9	Lincare Holdings*	9/30	0.76	0.66	15.2
AmSurg	9/30	0.38	0.34	11.8	Mettler-Toledo	9/30	1.44	1.15	25.2
Amgen*	9/30	1.23	0.91	35.2	NeuStar	9/30	0.38	0.32	18.8
Automatic Data Proc.	9/30	0.54	0.45	20.0	NVIDIA *	10/26	0.13	0.38	-65.8
Baldor Electric	9/30	0.55	0.53	3.8	Omnicom	9/30	0.69	0.62	11.3
Brown & Brown *	9/30	0.29	0.30	-3.3	O'Reilly Automotive	9/30	0.40	0.46	-13.0
Cardinal Health	9/30	0.74	0.82	-9.8	Panera Bread	9/23	0.45	0.37	21.6
Coach	9/30	0.44	0.41	7.3	PetMed Express	9/30	0.25	0.18	38.9
CVS	9/27	0.56	0.45	24.4	Pharm Prod Dev	9/30	0.43	0.32	34.4
Danaher *	9/30	1.14	1.01	12.9	Praxair	9/30	1.11	0.94	18.1
EMC *	9/30	0.19	0.17	11.8	Precision Castparts	9/30	1.89	1.67	13.2
Emerson	9/30	0.88	0.78	12.8	Progressive *	9/30	0.30	0.36	-16.7
F5 Networks *	9/30	0.28	0.26	7.7	Roper Industries *	9/30	0.82	0.70	17.1
Fiserv *	9/30	0.81	0.70	15.7	SAP	9/30	0.40	0.40	0.0
Franklin Resources *	9/30	1.40	1.73	-19.1	Sandisk	9/30	-0.69	0.36	-291.7
GFI Group *	9/30	0.16	0.22	-27.3	ScanSource	9/30	0.47	0.56	-16.1
Garmin	9/30	0.82	0.88	-6.8	StanCorp *	9/30	1.29	1.29	0.0
Gilead	9/30	0.52	0.42	23.8	Stratsys	9/30	0.18	0.15	20.0
HCC Insurance Hldg. *	9/30	0.62	0.84	-26.2	Teva	9/30	0.77	0.64	20.3
Heartland Payment Sys.	9/30	0.35	0.30	16.7	Tractor Supply	9/27	0.53	0.44	20.5
Hologic Inc.	9/30	0.30	0.30	0.0	T. Rowe Price	9/30	0.56	0.63	-11.1
IDEX *	9/30	0.53	0.47	12.8	ViaSat	10/3	0.29	0.27	7.4
j2 Global	9/30	0.42	0.35	20.0	Waters *	9/30	0.77	0.60	28.3

** Excludes the effects of nonrecurring items*

Dividend Changes

Company	New	Old	% Chng.	Date Payable	Record Date
AFLAC	0.280	0.240	16.7	03/02	02/18
Brown & Brown	0.075	0.070	7.1	11/09	11/05
Eaton Vance	0.155	0.150	3.3	11/10	10/31
Emerson	0.330	0.300	10.0	12/10	11/14
StanCorp Financial	0.750	0.720	4.2	12/05	11/14
Pharmaceutical Prdt Dev	0.125	0.100	25.0	12/29	12/15

Stock Splits

None

P/E Ratio Sort

November 19, 2008

QUAL	Sym	Company Name	Price	Div	% Yld	Est. EPS	Tot. Ret.	% Gr.	Curr P/E	RV	Buy Up to	BUY	Over-valued At	US/DS Ratio	P/E as % Growth	Date Rec.
3	GFIG	GFI Group	2.81	0.12	4.3%	0.65	58.2	20%	4.3	33%	6.50	B	12.50	10.2	22%	7/08
3	GRMN	Garmin Ltd.	15.98	0.75	4.7%	3.42	54.3	15%	4.7	31%	34.00	B	68.00	10.4	31%	6/08
3	LTM	Life Time Fitness	10.92	0.00	0.0%	2.20	47.8	15%	5.0	33%	23.00	B	44.00	10.3	33%	12/07
2	SFG	StanCorp Financial	28.11	0.72	2.6%	5.27	34.4	12%	5.3	46%	43.00	B	71.00	9.7	44%	3/07
3	KCI	Kinetic Concepts	20.96	0.00	0.0%	3.74	41.6	14%	5.6	39%	38.00	B	71.00	9.9	40%	7/08
1	BEZ	Baldor Electric	12.50	0.68	5.4%	2.13	43.3	10%	5.9	37%	21.00	B	43.00	10.0	59%	1/01
2	COH	Coach	13.91	0.00	0.0%	2.30	39.1	12%	6.0	40%	24.00	B	46.00	9.9	50%	11/07
3	PCP	Precision Castparts	52.34	0.12	0.2%	8.69	41.4	14%	6.0	43%	94.00	B	174.00	9.9	43%	4/08
2	COF	Capital One Financial	26.50	1.50	5.7%	4.06	30.6	12%	6.5	60%	36.00	B	51.00	9.8	54%	12/07
3	HCC	HCC Insurance	20.86	0.44	2.1%	3.11	26.8	13%	6.7	57%	26.00	B	39.00	6.1	52%	11/07
3	LOGI	Logitech International	11.75	0.00	0.0%	1.65	34.6	12%	7.1	47%	19.00	B	33.00	9.9	59%	2/05
2	CAH	Cardinal Health	31.92	0.56	1.8%	4.31	30.7	10%	7.4	62%	46.00	B	78.00	10.3	74%	3/08
3	OMC	Omnicom Group	22.68	0.50	2.2%	3.07	36.8	13%	7.4	46%	36.00	B	61.00	10.1	57%	9/06
2	AFL	AFLAC Inc.	35.91	1.12	3.1%	4.57	33.7	13%	7.9	49%	54.00	B	84.00	10.1	61%	12/06
2	FISV	Fiserv, Inc.	30.42	0.00	0.0%	3.77	31.1	13%	8.1	48%	46.00	B	72.00	10.4	62%	10/07
1	GE	General Electric	14.45	1.24	8.6%	1.79	35.3	10%	8.1	58%	20.00	B	32.00	10.1	81%	7/07
2	EBAY	eBay	11.69	0.00	0.0%	1.43	33.7	15%	8.2	55%	18.50	B	35.00	10.4	55%	9/06
2	EV	Eaton Vance	13.35	0.62	4.6%	1.62	43.0	15%	8.2	44%	23.00	B	39.00	10.2	55%	6/04
3	SCSC	ScanSource	15.47	0.00	0.0%	1.89	31.7	14%	8.2	51%	24.00	B	36.00	10.3	59%	5/07
3	JCOM	J2 Global Communic	14.24	0.00	0.0%	1.66	29.7	12%	8.6	57%	21.00	B	31.00	10.2	72%	9/05
3	ATK	Alliant Techsystems Inc.	72.05	0.00	0.0%	8.16	27.6	14%	8.8	56%	102.00	B	149.00	10.1	63%	10/03
3	DOX	Amdocs Ltd	17.92	0.00	0.0%	2.00	29.5	13%	9.0	60%	30.00	B	53.00	9.7	69%	10/08
2	URBN	Urban Outfitters	13.59	0.00	0.0%	1.48	26.5	15%	9.2	68%	18.50	B	27.00	8.5	61%	12/08
1	MDT	Medtronic, Inc.	31.20	0.56	1.8%	3.35	37.4	14%	9.3	49%	51.00	B	85.00	10.0	66%	9/08
3	INFY	Infosys Tech	22.38	0.27	1.2%	2.38	31.2	15%	9.4	63%	33.00	B	50.00	10.0	63%	10/07
2	ACS	Affiliated Computer Svcs	38.07	0.00	0.0%	3.95	25.8	14%	9.6	67%	53.00	B	75.00	10.2	69%	7/05
3	IEX	IDEX Corp.	19.96	0.48	2.4%	2.09	29.3	12%	9.6	64%	28.00	B	42.00	9.2	80%	6/99
3	HOLX	Hologic	12.89	0.00	0.0%	1.33	31.8	15%	9.7	61%	19.50	B	30.00	9.8	65%	8/08
2	HPY	Heartland Payment	13.46	0.36	2.7%	1.38	42.4	20%	9.8	49%	24.00	B	40.00	9.7	49%	8/08
2	BEN	Franklin Resources	50.98	0.80	1.6%	5.07	29.5	14%	10.1	59%	73.00	B	107.00	10.3	72%	5/08
2	HIBB	Hibbett Sporting Goods	11.93	0.00	0.0%	1.18	25.5	12%	10.1	67%	16.50	B	24.00	9.6	84%	1/04
3	PGR	Progressive Corp.	13.15	0.15	1.1%	1.30	20.5	12%	10.1	72%	15.50	B	21.00	6.0	84%	7/04
2	WAT	Waters Corp.	36.18	0.00	0.0%	3.58	28.2	15%	10.1	61%	52.00	B	76.00	9.7	67%	6/08
2	CVS	CVS/Caremark Corp.	27.84	0.24	0.9%	2.73	26.2	12%	10.2	60%	38.00	B	55.00	9.9	85%	4/02
2	SPLS	Staples Inc.	15.26	0.33	2.2%	1.49	27.4	12%	10.2	68%	21.00	B	30.00	10.0	85%	9/05
1	EMR	Emerson	31.63	1.32	4.2%	3.00	27.5	10%	10.5	59%	42.00	B	62.00	9.5	105%	10/08
3	LKQX	LKQ Corp.	9.12	0.00	0.0%	0.87	36.6	20%	10.5	54%	15.00	B	24.00	10.0	53%	11/08
2	MTD	Mettler-Toledo	66.55	0.00	0.0%	6.32	28.7	14%	10.5	56%	96.00	B	142.00	10.2	75%	11/08
3	LNCR	Lincare Holdings Inc.	24.14	0.00	0.0%	2.27	27.6	16%	10.6	63%	34.00	B	50.00	10.2	66%	5/07
2	SSYS	Stratasys	9.56	0.00	0.0%	0.85	31.2	15%	11.2	56%	14.50	B	22.00	9.7	75%	12/06

Recommended companies are highlighted

P/E Ratio Sort

November 19, 2008

QUAL	Sym	Company Name	Price	Div	% Yld	Est. EPS	Tot. Ret.	% Gr.	Curr P/E	RV	Buy Up to	BUY	Over-valued At	US/DS Ratio	P/E as % Growth	Date Rec.
3	AMED	Amedisys	44.00	0.00	0.0%	3.88	29.9	18%	11.3	66%	62.00	B	96.00	7.9	63%	5/08
3	NSR	NeuStar	16.92	0.00	0.0%	1.50	25.4	15%	11.3	75%	22.00	B	32.00	7.2	75%	4/08
2	AMGN	Amgen	53.64	0.00	0.0%	4.69	31.3	12%	11.4	45%	72.00	B	133.00	5.6	95%	8/07
2	DHR	Danaher	51.45	0.12	0.2%	4.50	25.3	15%	11.4	71%	70.00	B	99.00	10.1	76%	4/07
3	ROP	Roper Ind.	38.36	0.29	0.8%	3.36	29.2	16%	11.4	65%	55.00	B	81.00	10.2	71%	2/08
2	SAP	SAP AG	31.49	0.62	2.0%	2.76	27.1	15%	11.4	76%	41.00	B	61.00	10.0	76%	2/08
3	CPRT	Copart, Inc.	25.00	0.00	0.0%	2.17	27.8	12%	11.5	58%	36.00	B	54.00	10.1	96%	12/05
1	SYK	Stryker Corp.	38.83	0.33	0.8%	3.37	35.0	19%	11.5	58%	62.00	B	97.00	10.1	61%	7/08
3	VSAT	ViaSat	18.62	0.00	0.0%	1.61	24.8	15%	11.6	77%	24.00	B	35.00	7.8	77%	10/08
2	LH	Laboratory Corp	60.36	0.00	0.0%	5.12	25.3	14%	11.8	67%	80.00	B	115.00	7.8	84%	1/08
3	TSCO	Tractor Supply	32.49	0.00	0.0%	2.76	21.7	12%	11.8	79%	40.00	B	55.00	6.4	98%	9/07
2	AMSG	AmSurg Corp.	20.58	0.00	0.0%	1.71	27.6	13%	12.0	55%	29.00	B	43.00	9.9	92%	6/06
2	PPDI	Pharmaceutical PDI	23.90	0.50	2.1%	2.00	36.5	17%	12.0	49%	37.00	B	60.00	9.1	71%	12/08
3	PX	Praxair, Inc.	53.84	1.20	2.2%	4.49	24.7	12%	12.0	66%	70.00	B	96.00	10.1	100%	12/97
1	EMC	EMC Corp.	9.80	0.00	0.0%	0.81	24.5	12%	12.1	67%	13.00	B	18.50	9.8	101%	9/08
2	FDS	FactSet Research Sys	35.83	0.72	2.0%	2.93	31.0	15%	12.2	61%	50.00	B	76.00	8.1	81%	12/08
3	ORLY	O'Reilly Automotive	22.62	0.00	0.0%	1.85	20.8	12%	12.2	81%	28.00	B	39.00	9.8	102%	3/08
3	CRAI	CRA International	26.56	0.00	0.0%	2.15	20.6	12%	12.4	83%	30.00	B	43.00	4.3	103%	7/06
1	JNJ	Johnson & Johnson	58.12	1.84	3.2%	4.67	28.2	11%	12.4	49%	75.00	B	117.00	7.1	113%	8/03
3	AKAM	Akamai Technologies	10.63	0.00	0.0%	0.85	30.2	17%	12.5	63%	15.50	B	24.00	9.3	74%	11/08
3	NVDA	Nvidia	6.23	0.00	0.0%	0.49	20.7	13%	12.7	85%	7.50	B	10.50	9.5	98%	5/08
3	GPN	Global Payments	33.51	0.08	0.2%	2.59	27.1	18%	12.9	68%	47.00	B	68.00	10.2	72%	10/06
1	ADP	Automatic Data Proc.	34.11	0.92	2.7%	2.49	23.9	13%	13.7	74%	43.00	B	59.00	9.0	105%	5/97
3	TEVA	Teva Pharmaceuticals	41.80	0.50	1.2%	3.04	24.8	17%	13.8	76%	52.00	B	75.00	6.3	81%	8/08
2	PNRA	Panera Bread	37.20	0.00	0.0%	2.60	26.8	17%	14.3	72%	51.00	B	75.00	8.8	84%	2/08
1	ABT	Abbott Labs	54.52	1.44	2.6%	3.68	22.9	14%	14.8	79%	67.00	B	90.00	7.2	106%	11/07
3	BRO	Brown & Brown	18.98	0.30	1.6%	1.28	25.0	16%	14.8	72%	24.00	B	34.00	6.2	93%	2/04
2	PHLY	Philadelphia Consol Hld	59.05	0.00	0.0%	3.80	12.5	15%	15.5	120%	45.00		65.00	1.3	103%	3/08
1	TROW	T. Rowe Price	26.40	0.96	3.6%	1.70	24.3	16%	15.5	84%	31.00	B	45.00	9.4	97%	7/06
1	FAST	Fastenal Co.	32.44	0.54	1.7%	1.99	26.1	18%	16.3	82%	40.00	B	61.00	9.9	91%	1/07
3	SNDK	Sandisk Corp.	6.30	0.00	0.0%	0.35	23.6	20%	18.0	90%	7.00	B	11.50	9.1	90%	9/06
2	GILD	Gilead Sciences	43.20	0.00	0.0%	2.38	25.4	17%	18.2	72%	53.00	B	80.00	5.3	107%	2/07
3	FFIV	F5 Networks	21.37	0.00	0.0%	1.10	22.0	15%	19.4	78%	28.00	B	38.00	9.9	129%	1/08
3	PETS	Petmed Express	17.74	0.00	0.0%	1.03	15.2	15%	21.8	132%	17.00		23.00	2.6	145%	9/08

Recommended companies are highlighted

Symbol Sort

Q U A L	Sym	Company Name (November 19, 2008)	Price	Div	% Yld	Est. EPS	Tot. Ret.	% Gr.	Curr P/E	RV	Buy Up to	B U Y	Over-valued At	US/ DS Ratio	P/E as % Growth	Date Rec.
1	ABT	Abbott Labs	54.52	1.44	2.6%	3.68	22.9	14%	14.8	79%	67.00	B	90.00	7.2	106%	11/07
2	ACS	Affiliated Computer Svcs	38.07	0.00	0.0%	3.95	25.8	14%	9.6	67%	53.00	B	75.00	10.2	69%	7/05
1	ADP	Automatic Data Proc.	34.11	0.92	2.7%	2.49	23.9	13%	13.7	74%	43.00	B	59.00	9.0	105%	5/97
2	AFL	AFLAC Inc.	35.91	1.12	3.1%	4.57	33.7	13%	7.9	49%	54.00	B	84.00	10.1	61%	12/06
3	AKAM	Akamai Technologies	10.63	0.00	0.0%	0.85	30.2	17%	12.5	63%	15.50	B	24.00	9.3	74%	11/08
3	AMED	Amedisys	44.00	0.00	0.0%	3.88	29.9	18%	11.3	66%	62.00	B	96.00	7.9	63%	5/08
2	AMGN	Amgen	53.64	0.00	0.0%	4.69	31.3	12%	11.4	45%	72.00	B	133.00	5.6	95%	8/07
2	AMSG	AmSurg Corp.	20.58	0.00	0.0%	1.71	27.6	13%	12.0	55%	29.00	B	43.00	9.9	92%	6/06
3	ATK	Alliant Techsystems Inc.	72.05	0.00	0.0%	8.16	27.6	14%	8.8	56%	102.00	B	149.00	10.1	63%	10/03
2	BEN	Franklin Resources	50.98	0.80	1.6%	5.07	29.5	14%	10.1	59%	73.00	B	107.00	10.3	72%	5/08
1	BEZ	Baldor Electric	12.50	0.68	5.4%	2.13	43.3	10%	5.9	37%	21.00	B	43.00	10.0	59%	1/01
3	BRO	Brown & Brown	18.98	0.30	1.6%	1.28	25.0	16%	14.8	72%	24.00	B	34.00	6.2	93%	2/04
2	CAH	Cardinal Health	31.92	0.56	1.8%	4.31	30.7	10%	7.4	62%	46.00	B	78.00	10.3	74%	3/08
2	COF	Capital One Financial	26.50	1.50	5.7%	4.06	30.6	12%	6.5	60%	36.00	B	51.00	9.8	54%	12/07
2	COH	Coach	13.91	0.00	0.0%	2.30	39.1	12%	6.0	40%	24.00	B	46.00	9.9	50%	11/07
3	CPRT	Copart, Inc.	25.00	0.00	0.0%	2.17	27.8	12%	11.5	58%	36.00	B	54.00	10.1	96%	12/05
3	CRAI	CRA International	26.56	0.00	0.0%	2.15	20.6	12%	12.4	83%	30.00	B	43.00	4.3	103%	7/06
2	CVS	CVS/Caremark Corp.	27.84	0.24	0.9%	2.73	26.2	12%	10.2	60%	38.00	B	55.00	9.9	85%	4/02
2	DHR	Danaher	51.45	0.12	0.2%	4.50	25.3	15%	11.4	71%	70.00	B	99.00	10.1	76%	4/07
3	DOX	Amdocs Ltd	17.92	0.00	0.0%	2.00	29.5	13%	9.0	60%	30.00	B	53.00	9.7	69%	10/08
2	EBAY	eBay	11.69	0.00	0.0%	1.43	33.7	15%	8.2	55%	18.50	B	35.00	10.4	55%	9/06
1	EMC	EMC Corp.	9.80	0.00	0.0%	0.81	24.5	12%	12.1	67%	13.00	B	18.50	9.8	101%	9/08
1	EMR	Emerson	31.63	1.32	4.2%	3.00	27.5	10%	10.5	59%	42.00	B	62.00	9.5	105%	10/08
2	EV	Eaton Vance	13.35	0.62	4.6%	1.62	43.0	15%	8.2	44%	23.00	B	39.00	10.2	55%	6/04
1	FAST	Fastenal Co.	32.44	0.54	1.7%	1.99	26.1	18%	16.3	82%	40.00	B	61.00	9.9	91%	1/07
2	FDS	FactSet Research Sys	35.83	0.72	2.0%	2.93	31.0	15%	12.2	61%	50.00	B	76.00	8.1	81%	12/08
3	FFIV	F5 Networks	21.37	0.00	0.0%	1.10	22.0	15%	19.4	78%	28.00	B	38.00	9.9	129%	1/08
2	FISV	Fiserv, Inc.	30.42	0.00	0.0%	3.77	31.1	13%	8.1	48%	46.00	B	72.00	10.4	62%	10/07
1	GE	General Electric	14.45	1.24	8.6%	1.79	35.3	10%	8.1	58%	20.00	B	32.00	10.1	81%	7/07
3	GFIG	GFI Group	2.81	0.12	4.3%	0.65	58.2	20%	4.3	33%	6.50	B	12.50	10.2	22%	7/08
2	GILD	Gilead Sciences	43.20	0.00	0.0%	2.38	25.4	17%	18.2	72%	53.00	B	80.00	5.3	107%	2/07
3	GPN	Global Payments	33.51	0.08	0.2%	2.59	27.1	18%	12.9	68%	47.00	B	68.00	10.2	72%	10/06
3	GRMN	Garmin Ltd.	15.98	0.75	4.7%	3.42	54.3	15%	4.7	31%	34.00	B	68.00	10.4	31%	6/08
3	HCC	HCC Insurance	20.86	0.44	2.1%	3.11	26.8	13%	6.7	57%	26.00	B	39.00	6.1	52%	11/07
2	HIBB	Hibbett Sporting Goods	11.93	0.00	0.0%	1.18	25.5	12%	10.1	67%	16.50	B	24.00	9.6	84%	1/04
3	HOLX	Hologic	12.89	0.00	0.0%	1.33	31.8	15%	9.7	61%	19.50	B	30.00	9.8	65%	8/08
2	HPY	Heartland Payment	13.46	0.36	2.7%	1.38	42.4	20%	9.8	49%	24.00	B	40.00	9.7	49%	8/08
3	IEX	IDEX Corp.	19.96	0.48	2.4%	2.09	29.3	12%	9.6	64%	28.00	B	42.00	9.2	80%	6/99
3	INFY	Infosys Tech	22.38	0.27	1.2%	2.38	31.2	15%	9.4	63%	33.00	B	50.00	10.0	63%	10/07
3	JCOM	J2 Global Communic	14.24	0.00	0.0%	1.66	29.7	12%	8.6	57%	21.00	B	31.00	10.2	72%	9/05

Recommended companies are highlighted

Symbol Sort

QUAL	Sym	Company Name	Price	Div	% Yld	Est. EPS	Tot. Ret.	% Gr.	Curr P/E	RV	Buy Up to	BUY	Over-valued At	US/DS Ratio	P/E as % Growth	Date Rec.
		November 19, 2008														
1	JNJ	Johnson & Johnson	58.12	1.84	3.2%	4.67	28.2	11%	12.4	49%	75.00	B	117.00	7.1	113%	8/03
3	KCI	Kinetic Concepts	20.96	0.00	0.0%	3.74	41.6	14%	5.6	39%	38.00	B	71.00	9.9	40%	7/08
2	LH	Laboratory Corp	60.36	0.00	0.0%	5.12	25.3	14%	11.8	67%	80.00	B	115.00	7.8	84%	1/08
3	LKQX	LKQ Corp.	9.12	0.00	0.0%	0.87	36.6	20%	10.5	54%	15.00	B	24.00	10.0	53%	11/08
3	LNCR	Lincare Holdings Inc.	24.14	0.00	0.0%	2.27	27.6	16%	10.6	63%	34.00	B	50.00	10.2	66%	5/07
3	LOGI	Logitech International	11.75	0.00	0.0%	1.65	34.6	12%	7.1	47%	19.00	B	33.00	9.9	59%	2/05
3	LTM	Life Time Fitness	10.92	0.00	0.0%	2.20	47.8	15%	5.0	33%	23.00	B	44.00	10.3	33%	12/07
1	MDT	Medtronic, Inc.	31.20	0.56	1.8%	3.35	37.4	14%	9.3	49%	51.00	B	85.00	10.0	66%	9/08
2	MTD	Mettler-Toledo	66.55	0.00	0.0%	6.32	28.7	14%	10.5	56%	96.00	B	142.00	10.2	75%	11/08
3	NSR	NeuStar	16.92	0.00	0.0%	1.50	25.4	15%	11.3	75%	22.00	B	32.00	7.2	75%	4/08
3	NVDA	Nvidia	6.23	0.00	0.0%	0.49	20.7	13%	12.7	85%	7.50	B	10.50	9.5	98%	5/08
3	OMC	Omnicom Group	22.68	0.50	2.2%	3.07	36.8	13%	7.4	46%	36.00	B	61.00	10.1	57%	9/06
3	ORLY	O'Reilly Automotive	22.62	0.00	0.0%	1.85	20.8	12%	12.2	81%	28.00	B	39.00	9.8	102%	3/08
3	PCP	Precision Castparts	52.34	0.12	0.2%	8.69	41.4	14%	6.0	43%	94.00	B	174.00	9.9	43%	4/08
3	PETS	Petmed Express	17.74	0.00	0.0%	1.03	15.2	15%	21.8	132%	17.00		23.00	2.6	145%	9/08
3	PGR	Progressive Corp.	13.15	0.15	1.1%	1.30	20.5	12%	10.1	72%	15.50	B	21.00	6.0	84%	7/04
2	PHLY	Philadelphia Consol Hld	59.05	0.00	0.0%	3.80	12.5	15%	15.5	120%	45.00		65.00	1.3	103%	3/08
2	PNRA	Panera Bread	37.20	0.00	0.0%	2.60	26.8	17%	14.3	72%	51.00	B	75.00	8.8	84%	2/08
2	PPDI	Pharmaceutical PDI	23.90	0.50	2.1%	2.00	36.5	17%	12.0	49%	37.00	B	60.00	9.1	71%	12/08
3	PX	Praxair, Inc.	53.84	1.20	2.2%	4.49	24.7	12%	12.0	66%	70.00	B	96.00	10.1	100%	12/97
3	ROP	Roper Ind.	38.36	0.29	0.8%	3.36	29.2	16%	11.4	65%	55.00	B	81.00	10.2	71%	2/08
2	SAP	SAP AG	31.49	0.62	2.0%	2.76	27.1	15%	11.4	76%	41.00	B	61.00	10.0	76%	2/08
3	SCSC	ScanSource	15.47	0.00	0.0%	1.89	31.7	14%	8.2	51%	24.00	B	36.00	10.3	59%	5/07
2	SFG	StanCorp Financial	28.11	0.72	2.6%	5.27	34.4	12%	5.3	46%	43.00	B	71.00	9.7	44%	3/07
3	SNDK	Sandisk Corp.	6.30	0.00	0.0%	0.35	23.6	20%	18.0	90%	7.00	B	11.50	9.1	90%	9/06
2	SPLS	Staples Inc.	15.26	0.33	2.2%	1.49	27.4	12%	10.2	68%	21.00	B	30.00	10.0	85%	9/05
2	SSYS	Stratasys	9.56	0.00	0.0%	0.85	31.2	15%	11.2	56%	14.50	B	22.00	9.7	75%	12/06
1	SYK	Stryker Corp.	38.83	0.33	0.8%	3.37	35.0	19%	11.5	58%	62.00	B	97.00	10.1	61%	7/08
3	TEVA	Teva Pharmaceuticals	41.80	0.50	1.2%	3.04	24.8	17%	13.8	76%	52.00	B	75.00	6.3	81%	8/08
1	TROW	T. Rowe Price	26.40	0.96	3.6%	1.70	24.3	16%	15.5	84%	31.00	B	45.00	9.4	97%	7/06
3	TSCO	Tractor Supply	32.49	0.00	0.0%	2.76	21.7	12%	11.8	79%	40.00	B	55.00	6.4	98%	9/07
2	URBN	Urban Outfitters	13.59	0.00	0.0%	1.48	26.5	15%	9.2	68%	18.50	B	27.00	8.5	61%	12/08
3	VSAT	ViaSat	18.62	0.00	0.0%	1.61	24.8	15%	11.6	77%	24.00	B	35.00	7.8	77%	10/08
2	WAT	Waters Corp.	36.18	0.00	0.0%	3.58	28.2	15%	10.1	61%	52.00	B	76.00	9.7	67%	6/08

Recommended companies are highlighted

Total Return Sort

November 19, 2008

QUAL	Sym	Company Name	Price	Div	% Yld	Est. EPS	Tot. Ret.	% Gr.	Curr P/E	RV	Buy Up to	BUY	Over-valued At	US/DS Ratio	P/E as % Growth	Date Rec.
3	GFIG	GFI Group	2.81	0.12	4.3%	0.65	58.2	20%	4.3	33%	6.50	B	12.50	10.2	22%	7/08
3	GRMN	Garmin Ltd.	15.98	0.75	4.7%	3.42	54.3	15%	4.7	31%	34.00	B	68.00	10.4	31%	6/08
3	LTM	Life Time Fitness	10.92	0.00	0.0%	2.20	47.8	15%	5.0	33%	23.00	B	44.00	10.3	33%	12/07
1	BEZ	Baldor Electric	12.50	0.68	5.4%	2.13	43.3	10%	5.9	37%	21.00	B	43.00	10.0	59%	1/01
2	EV	Eaton Vance	13.35	0.62	4.6%	1.62	43.0	15%	8.2	44%	23.00	B	39.00	10.2	55%	6/04
2	HPY	Heartland Payment	13.46	0.36	2.7%	1.38	42.4	20%	9.8	49%	24.00	B	40.00	9.7	49%	8/08
3	KCI	Kinetic Concepts	20.96	0.00	0.0%	3.74	41.6	14%	5.6	39%	38.00	B	71.00	9.9	40%	7/08
3	PCP	Precision Castparts	52.34	0.12	0.2%	8.69	41.4	14%	6.0	43%	94.00	B	174.00	9.9	43%	4/08
2	COH	Coach	13.91	0.00	0.0%	2.30	39.1	12%	6.0	40%	24.00	B	46.00	9.9	50%	11/07
1	MDT	Medtronic, Inc.	31.20	0.56	1.8%	3.35	37.4	14%	9.3	49%	51.00	B	85.00	10.0	66%	9/08
3	OMC	Omnicom Group	22.68	0.50	2.2%	3.07	36.8	13%	7.4	46%	36.00	B	61.00	10.1	57%	9/06
3	LKQX	LKQ Corp.	9.12	0.00	0.0%	0.87	36.6	20%	10.5	54%	15.00	B	24.00	10.0	53%	11/08
2	PPDI	Pharmaceutical PDI	23.90	0.50	2.1%	2.00	36.5	17%	12.0	49%	37.00	B	60.00	9.1	71%	12/08
1	GE	General Electric	14.45	1.24	8.6%	1.79	35.3	10%	8.1	58%	20.00	B	32.00	10.1	81%	7/07
1	SYK	Stryker Corp.	38.83	0.33	0.8%	3.37	35.0	19%	11.5	58%	62.00	B	97.00	10.1	61%	7/08
3	LOGI	Logitech International	11.75	0.00	0.0%	1.65	34.6	12%	7.1	47%	19.00	B	33.00	9.9	59%	2/05
2	SFG	StanCorp Financial	28.11	0.72	2.6%	5.27	34.4	12%	5.3	46%	43.00	B	71.00	9.7	44%	3/07
2	EBAY	eBay	11.69	0.00	0.0%	1.43	33.7	15%	8.2	55%	18.50	B	35.00	10.4	55%	9/06
2	AFL	AFLAC Inc.	35.91	1.12	3.1%	4.57	33.7	13%	7.9	49%	54.00	B	84.00	10.1	61%	12/06
3	HOLX	Hologic	12.89	0.00	0.0%	1.33	31.8	15%	9.7	61%	19.50	B	30.00	9.8	65%	8/08
3	SCSC	ScanSource	15.47	0.00	0.0%	1.89	31.7	14%	8.2	51%	24.00	B	36.00	10.3	59%	5/07
2	AMGN	Amgen	53.64	0.00	0.0%	4.69	31.3	12%	11.4	45%	72.00	B	133.00	5.6	95%	8/07
3	INFY	Infosys Tech	22.38	0.27	1.2%	2.38	31.2	15%	9.4	63%	33.00	B	50.00	10.0	63%	10/07
2	SSYS	Stratasys	9.56	0.00	0.0%	0.85	31.2	15%	11.2	56%	14.50	B	22.00	9.7	75%	12/06
2	FISV	Fiserv, Inc.	30.42	0.00	0.0%	3.77	31.1	13%	8.1	48%	46.00	B	72.00	10.4	62%	10/07
2	FDS	FactSet Research Sys	35.83	0.72	2.0%	2.93	31.0	15%	12.2	61%	50.00	B	76.00	8.1	81%	12/08
2	CAH	Cardinal Health	31.92	0.56	1.8%	4.31	30.7	10%	7.4	62%	46.00	B	78.00	10.3	74%	3/08
2	COF	Capital One Financial	26.50	1.50	5.7%	4.06	30.6	12%	6.5	60%	36.00	B	51.00	9.8	54%	12/07
3	AKAM	Akamai Technologies	10.63	0.00	0.0%	0.85	30.2	17%	12.5	63%	15.50	B	24.00	9.3	74%	11/08
3	AMED	Amedisys	44.00	0.00	0.0%	3.88	29.9	18%	11.3	66%	62.00	B	96.00	7.9	63%	5/08
3	JCOM	J2 Global Communic	14.24	0.00	0.0%	1.66	29.7	12%	8.6	57%	21.00	B	31.00	10.2	72%	9/05
2	BEN	Franklin Resources	50.98	0.80	1.6%	5.07	29.5	14%	10.1	59%	73.00	B	107.00	10.3	72%	5/08
3	DOX	Amdocs Ltd	17.92	0.00	0.0%	2.00	29.5	13%	9.0	60%	30.00	B	53.00	9.7	69%	10/08
3	IEX	IDEX Corp.	19.96	0.48	2.4%	2.09	29.3	12%	9.6	64%	28.00	B	42.00	9.2	80%	6/99
3	ROP	Roper Ind.	38.36	0.29	0.8%	3.36	29.2	16%	11.4	65%	55.00	B	81.00	10.2	71%	2/08
2	MTD	Mettler-Toledo	66.55	0.00	0.0%	6.32	28.7	14%	10.5	56%	96.00	B	142.00	10.2	75%	11/08
2	WAT	Waters Corp.	36.18	0.00	0.0%	3.58	28.2	15%	10.1	61%	52.00	B	76.00	9.7	67%	6/08
1	JNJ	Johnson & Johnson	58.12	1.84	3.2%	4.67	28.2	11%	12.4	49%	75.00	B	117.00	7.1	113%	8/03
3	CPRT	Copart, Inc.	25.00	0.00	0.0%	2.17	27.8	12%	11.5	58%	36.00	B	54.00	10.1	96%	12/05
3	LNCR	Lincare Holdings Inc.	24.14	0.00	0.0%	2.27	27.6	16%	10.6	63%	34.00	B	50.00	10.2	66%	5/07

Recommended companies are highlighted

Total Return Sort

November 19, 2008

QUAL	Sym	Company Name	Price	Div	% Yld	Est. EPS	Tot. Ret.	% Gr.	Curr P/E	RV	Buy Up to	BUY	Over-valued At	US/DS Ratio	P/E as % Growth	Date Rec.
2	AMSG	AmSurg Corp.	20.58	0.00	0.0%	1.71	27.6	13%	12.0	55%	29.00	B	43.00	9.9	92%	6/06
3	ATK	Alliant Techsystems Inc.	72.05	0.00	0.0%	8.16	27.6	14%	8.8	56%	102.00	B	149.00	10.1	63%	10/03
1	EMR	Emerson	31.63	1.32	4.2%	3.00	27.5	10%	10.5	59%	42.00	B	62.00	9.5	105%	10/08
2	SPLS	Staples Inc.	15.26	0.33	2.2%	1.49	27.4	12%	10.2	68%	21.00	B	30.00	10.0	85%	9/05
3	GPN	Global Payments	33.51	0.08	0.2%	2.59	27.1	18%	12.9	68%	47.00	B	68.00	10.2	72%	10/06
2	SAP	SAP AG	31.49	0.62	2.0%	2.76	27.1	15%	11.4	76%	41.00	B	61.00	10.0	76%	2/08
3	HCC	HCC Insurance	20.86	0.44	2.1%	3.11	26.8	13%	6.7	57%	26.00	B	39.00	6.1	52%	11/07
2	PNRA	Panera Bread	37.20	0.00	0.0%	2.60	26.8	17%	14.3	72%	51.00	B	75.00	8.8	84%	2/08
2	URBN	Urban Outfitters	13.59	0.00	0.0%	1.48	26.5	15%	9.2	68%	18.50	B	27.00	8.5	61%	12/08
2	CVS	CVS/Caremark Corp.	27.84	0.24	0.9%	2.73	26.2	12%	10.2	60%	38.00	B	55.00	9.9	85%	4/02
1	FAST	Fastenal Co.	32.44	0.54	1.7%	1.99	26.1	18%	16.3	82%	40.00	B	61.00	9.9	91%	1/07
2	ACS	Affiliated Computer Svcs	38.07	0.00	0.0%	3.95	25.8	14%	9.6	67%	53.00	B	75.00	10.2	69%	7/05
2	HIBB	Hibbett Sporting Goods	11.93	0.00	0.0%	1.18	25.5	12%	10.1	67%	16.50	B	24.00	9.6	84%	1/04
3	NSR	NeuStar	16.92	0.00	0.0%	1.50	25.4	15%	11.3	75%	22.00	B	32.00	7.2	75%	4/08
2	GILD	Gilead Sciences	43.20	0.00	0.0%	2.38	25.4	17%	18.2	72%	53.00	B	80.00	5.3	107%	2/07
2	LH	Laboratory Corp	60.36	0.00	0.0%	5.12	25.3	14%	11.8	67%	80.00	B	115.00	7.8	84%	1/08
2	DHR	Danaher	51.45	0.12	0.2%	4.50	25.3	15%	11.4	71%	70.00	B	99.00	10.1	76%	4/07
3	BRO	Brown & Brown	18.98	0.30	1.6%	1.28	25.0	16%	14.8	72%	24.00	B	34.00	6.2	93%	2/04
3	TEVA	Teva Pharmaceuticals	41.80	0.50	1.2%	3.04	24.8	17%	13.8	76%	52.00	B	75.00	6.3	81%	8/08
3	VSAT	ViaSat	18.62	0.00	0.0%	1.61	24.8	15%	11.6	77%	24.00	B	35.00	7.8	77%	10/08
3	PX	Praxair, Inc.	53.84	1.20	2.2%	4.49	24.7	12%	12.0	66%	70.00	B	96.00	10.1	100%	12/97
1	EMC	EMC Corp.	9.80	0.00	0.0%	0.81	24.5	12%	12.1	67%	13.00	B	18.50	9.8	101%	9/08
1	TROW	T. Rowe Price	26.40	0.96	3.6%	1.70	24.3	16%	15.5	84%	31.00	B	45.00	9.4	97%	7/06
1	ADP	Automatic Data Proc.	34.11	0.92	2.7%	2.49	23.9	13%	13.7	74%	43.00	B	59.00	9.0	105%	5/97
3	SNDK	Sandisk Corp.	6.30	0.00	0.0%	0.35	23.6	20%	18.0	90%	7.00	B	11.50	9.1	90%	9/06
1	ABT	Abbott Labs	54.52	1.44	2.6%	3.68	22.9	14%	14.8	79%	67.00	B	90.00	7.2	106%	11/07
3	FFIV	F5 Networks	21.37	0.00	0.0%	1.10	22.0	15%	19.4	78%	28.00	B	38.00	9.9	129%	1/08
3	TSCO	Tractor Supply	32.49	0.00	0.0%	2.76	21.7	12%	11.8	79%	40.00	B	55.00	6.4	98%	9/07
3	ORLY	O'Reilly Automotive	22.62	0.00	0.0%	1.85	20.8	12%	12.2	81%	28.00	B	39.00	9.8	102%	3/08
3	NVDA	Nvidia	6.23	0.00	0.0%	0.49	20.7	13%	12.7	85%	7.50	B	10.50	9.5	98%	5/08
3	CRAI	CRA International	26.56	0.00	0.0%	2.15	20.6	12%	12.4	83%	30.00	B	43.00	4.3	103%	7/06
3	PGR	Progressive Corp.	13.15	0.15	1.1%	1.30	20.5	12%	10.1	72%	15.50	B	21.00	6.0	84%	7/04
3	PETS	Petmed Express	17.74	0.00	0.0%	1.03	15.2	15%	21.8	132%	17.00		23.00	2.6	145%	9/08
2	PHLY	Philadelphia Consol Hld	59.05	0.00	0.0%	3.80	12.5	15%	15.5	120%	45.00		65.00	1.3	103%	3/08

Recommended companies are highlighted

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Investor Advisory SERVICE

December 2008

FACTSET RESEARCH SYSTEMS INC. (FDS)
Fiscal Year ends August 31

Recent Price	37.14	**ESTIMATES**	
Buy up to	50	E/S Growth	15%
52 Week Price Range	32.00 to 67.96	Dividend Payout Ratio	15%
Quality	High	**5 YEAR RISK REWARD ESTIMATE**	
Current Yield	1.9%	Price Gain	172% to 101
Shares Outstanding	48.0 Mil.	Risk of Loss	33% to 25
Total Debt	None	Potential Gain/Loss	5.2 to 1

EARNINGS PER SHARE & P/E RATIOS

FISCAL YEAR	E/S	P/E RATIO	RV	P/E AS % GROWTH
August 2008	2.50	14.9	99	99
August 2009 (Est.)	2.71	13.7	91	91
August 2010 (Est.)	3.18	11.7	78	78

The credit crisis and resulting bear market in the U.S. has put many fine companies on sale, including **FactSet Research Systems**. The company provides global economic and financial data and analytics to analysts, investment banks, and other investment professionals. The firm combines more than 500 databases from multiple sources into a single online source of information, including fundamental data on tens of thousands of American and international companies and securities. **FactSet** acquires financial information from more than 85 database vendors and over 100 exchanges and news sources.

FactSet is a well run company with a very attractive business. The company sells its software and data on a subscription basis, typically billing its clients monthly for the services they use. Clients use the firm's software platform to access its various data offerings and are able to customize information to their needs. This has led to a renewal rate of over 95% on a historical basis. Margins for the firm's services are around

67%. The firm has no debt outstanding and generates substantial yearly cash flow that it uses for acquisitions, dividends (which have increased yearly), and stock repurchases. Return on equity hit a high of 25.8% for fiscal year 2008.

FactSet has grown rapidly through the years by a combination of strong internal growth and acquisitions. For the quarter ended August 31, 2008, the firm increased its Average Subscription Value (ASV) by 19%, to $615 million. ASV represents sales under long term contract and is a good forward-looking proxy for expected sales. Acquisitions add sales on top of this growth. The company recently completed the purchase of the Thompson Fundamentals Database (TFD), a collection of historical financial information (i.e. income statement, balance sheet and cash flows) and related underlying data from the footnotes to a firm's financial statements. The TFD is a preeminent global financial database with coverage of over 43,000 companies and history back to 1980. **FactSet** paid $58.7 million in cash. While the acquisition only increases annual sales by $2.0 million, the company estimates the market opportunity from its existing client base alone is $100 million annually.

International expansion is an important part of **FactSet's** future growth. For the quarter ended August 31, 2008, the firm saw international sales increase 23% in constant currency, faster than the U.S. market's growth of 16%. Several acquisitions of international data providers have made **FactSet's** offerings more attractive, particularly in Europe.

The stock market's slide has hit **FactSet** hard as investors worry about firms that sell to the crippled financial industry. At a stock price around 37, the trailing P/E is roughly 15, very inexpensive for a firm with such high quality recurring sales. The company has done a good job of building its investment management business, which now accounts for 79% of yearly sales, versus the more transactional investment banking segment. While it is true that stock markets are depressed, we don't expect investment management clients to give up their access to information, cushioning the blow on **FactSet**.

While market analysts expect **FactSet** earnings to grow 18% per year over the next five years, we are more conservative and believe that EPS growth of 15% is possible based on internal growth, acquisitions, international growth and share repurchases. If achieved, EPS could reach $5.03 in fiscal 2013. If the downwardly adjusted high P/E ratio of 20 occurs (versus the 30.6 average achieved over the prior five years), we could see a 172% appreciation to as high as 101.

The downside risk is about 33% to a price as low as 25, based on a downwardly adjusted low P/E ratio of 10 (compared to the 19.6 average achieved over the prior five years) times 2008 EPS of $2.50. Total annual return based on the above assumptions could reach 22.9% made up of 0.8% from dividends and 22.1% from share price appreciation.

FactSet Research Systems Inc. is listed on the NYSE under the symbol **FDS**.

Investor contact is:

Investor Relations
FactSet Research Systems Inc.
601 Merritt 7
Norwalk, CT 06851

Telephone: 203/810-1000

Website: www.factset.com

Company FACTSET RESEARCH		Date Last Analyzed 11/13/08	
Prepared by IAS		Data From Other	
Exchange NYSE		Industry Application Software	

Stock Study

CAPITALIZATION --- Outstanding Amounts

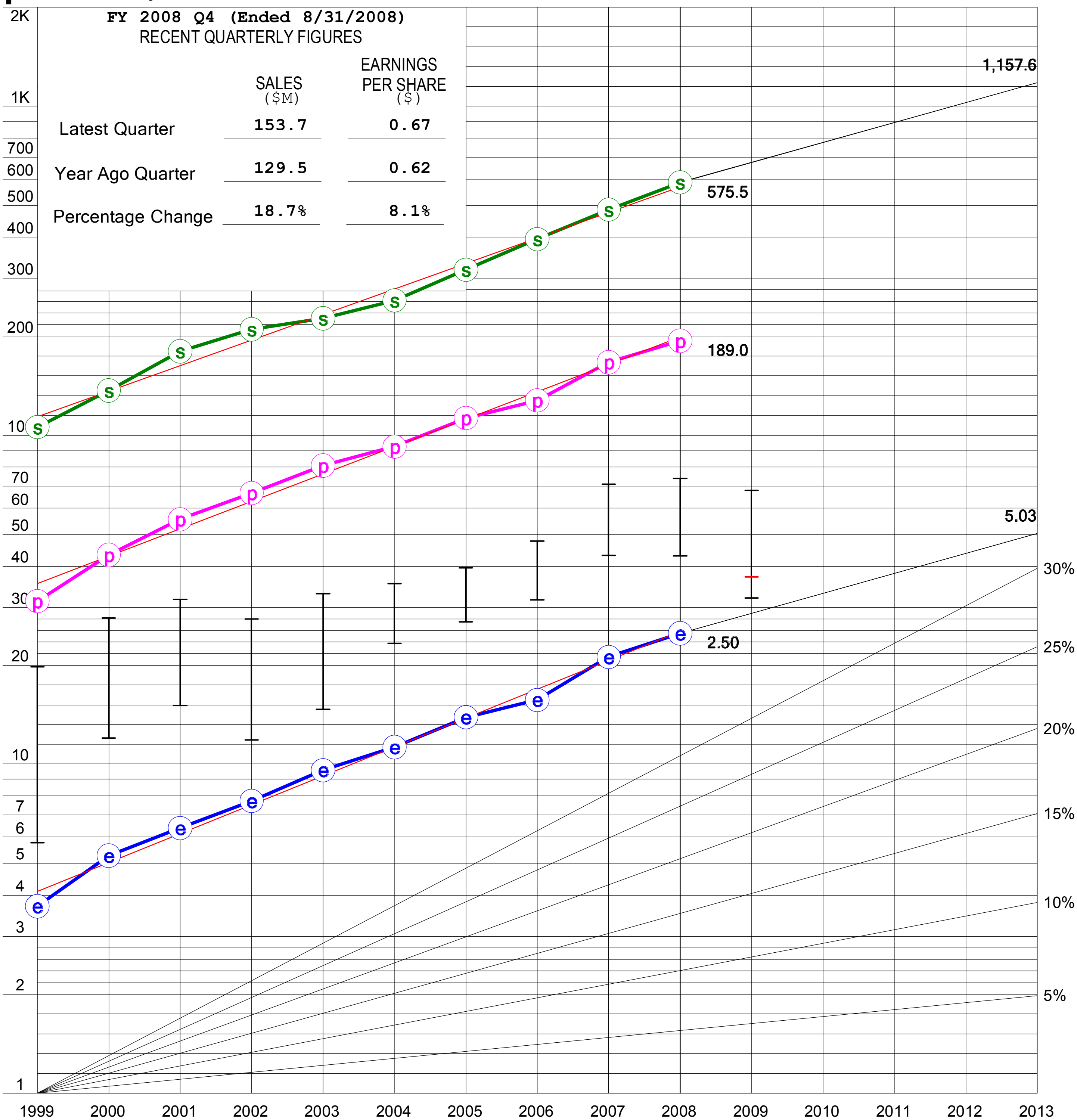
		Reference	
Preferred ($M)	0.0	% Insiders	22.2
Common (M Shares)	48.0	% Institutions	97.4
Debt ($M)	0.0	% to Tot.Cap.	0.0

1 Growth Analysis

FDS

FY 2008 Q4 (Ended 8/31/2008)
RECENT QUARTERLY FIGURES

	SALES ($M)	EARNINGS PER SHARE ($)
Latest Quarter	153.7	0.67
Year Ago Quarter	129.5	0.62
Percentage Change	18.7%	8.1%



(1) Historical Sales Growth 19.6 %
(2) Estimated Future Sales Growth 15.0 %
(3) Historical Earnings Per Share Growth 22.4 %
(4) Estimated Future Earnings Per Share Growth 15.0 %

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2 QUALITY ANALYSIS

Company FACTSET RESEARCH SYSTEMS INC (FDS) 11/13/08

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	5 YEAR AVG.	TREND UP / DOWN
A % Pre-tax Profit on Sales	29.5	31.5	30.7	31.6	35.5	35.8	35.2	32.2	34.2	32.8	34.1	DOWN
B % ROE (Prev. Year)		32.1	30.6	28.0	27.5	26.8	39.5	28.3	28.9	29.5	30.6	DOWN
C % Debt/Equity (Prev. Year)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	EVEN

3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

CURRENT PRICE 37.140 52-WEEK HIGH 67.960 52-WEEK LOW 32.000

	Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield
1	2004	35.4	23.3	1.13	31.4	20.7	0.173	15.4	0.7
2	2005	39.5	27.1	1.39	28.4	19.5	0.197	14.2	0.7
3	2006	47.8	31.6	1.57	30.4	20.1	0.220	14.0	0.7
4	2007	70.9	43.2	2.12	33.4	20.4	0.360	17.0	0.8
5	2008	74.0	43.0	2.50	29.6	17.2	0.600	24.0	1.4
6	AVERAGE		33.6		30.6	19.6		16.9	

AVERAGE P/E RATIO	25.1	PROJECTED P/E RATIO	13.0	TTM EPS	2.49
CURRENT P/E RATIO	14.9	PEG RATIO	0.86	FTM EPS	2.86

4 EVALUATING REWARD and RISK over the next 5 years

A FUTURE HIGH PRICE ANALYSIS -- NEXT 5 YEARS

Selected High P/E ~~30.6~~ 20.0 X Estimated High Earnings/Share 5.03 = Forecast High Price $ 100.6

B FUTURE LOW PRICE ANALYSIS -- NEXT 5 YEARS

(a) Avg. Low P/E ~~19.6~~ 10.0 (as adj.) X Estimated Low Earnings/Share 2.50 = $ 25.0

(b) Average 5-Year Low Price = 33.6

(c) Recent Severe Low Price = 32.0

(d) Price Dividend Will Support = Present Divd. ÷ High Yield = 0.720 ÷ 0.014 = 51.6

Selected Estimated Low Price = $ 25.0

C PRICE RANGES

Forecast High Price 100.6 - Estimated Low Price 25.0 = Range 75.6 25% of Range = 18.9

BUY (Lower 25% of Range) = 25.0 to 43.9

MAYBE (Middle 50% of Range) = 43.9 to 81.7

SELL (Upper 25% of Range) = 81.7 to 100.6

Current Price 37.140 is in the Buy Range

D REWARD/RISK ANALYSIS (Potential Gain vs. Risk of Loss)

(Forecast High Price 100.6 - Current Price 37.140) ÷ (Current Price 37.140 - Estimated Low Price 25.0) = 5.2 To 1

Relative Value: 59.4% Proj. Relative Value: 51.7%

5 TOTAL RETURN ANALYSIS

A CURRENT YIELD

Present Full Year's Dividend $ 0.720 ÷ Current Price of Stock $ 37.140 = 1.9 % Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

(Avg. EPS Next 5 Years 3.80 X Avg. % Payout 16.9) ÷ Current Price $ 37.140 = 1.7 %

C % COMPOUND ANNUAL TOTAL RETURN

Average Yield 0.8 % + Annual Appreciation 22.1 % = Compound Annual Total Return 22.9 %

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Investor Advisory SERVICE

December 2008

PHARMACEUTICAL PRODUCT DEVELOPMENT INC. (PPDI)
Fiscal Year ends December 31

Recent Price	23.90	**ESTIMATES**	
Buy up to	37	E/S Growth	17%
52 Week Price Range	22.16 to 49.39	Dividend Payout Ratio	15%
Quality	High	**5 YEAR RISK REWARD ESTIMATE**	
Current Yield	2.1%	Price Gain	271% to 89
Shares Outstanding	118.3 Mil.	Risk of Loss	37% to 15
Total Debt	None	Potential Gain/Loss	7.3 to 1

EARNINGS PER SHARE & P/E RATIOS

FISCAL YEAR	E/S	P/E RATIO	RV	P/E AS % GROWTH
2007	1.36	17.6	72	103
2008 (Est.)	1.71	14.0	58	82
2009 (Est.)	2.00	12.0	49	71

Pharmaceutical Product Development has been a steady contributor to the *Advisory Service* for a good many years. It is a contract research organization (CRO) which basically conducts drug research under contract to the big pharmaceutical companies. **PPDI** is a high quality company with no debt. It recently increased its annual dividend to $0.50.

The big drug companies are finding that it is often more efficient to outsource part of their research rather than to gear up with new hiring and facilities whenever there is pressure to get a particular project accomplished. In addition to letting out contracts for research work because of capacity constraints, pharmaceutical companies also do this because they may not be geared up for work in certain types of drugs and a CRO may offer an attractive alternative. Medical research involves building a network of relationships with physicians and medical organizations and, in particular, diagnostic areas so that patients with specific problems can be contacted for research purposes. A CRO may have background and relationships in a particular area of research that can be valuable to a pharmaceutical company.

Within the CRO industry, **PPDI** is viewed as the premier firm. It has shown the most ongoing consistency in its business and is now at a level of over a billion and a half dollars in annual sales. With the more thorough and detailed research now required to evaluate a drug molecule, research contracts are larger and of longer duration than they used to be. This is because of the tremendous concern about safety and the complexity of the research being done. As a result, **PPDI**'s contracts are typically of a 35-month duration. These long-term contracts tend to give the business stability and therefore increase investor confidence as the future cash flow is more visible.

In addition to doing research work on contract, **PPDI** will sometimes operate, to a moderate extent, as a partner, receiving royalties if the work results in a profitable drug. This is a very small part of the company's present income, but does offer interesting, unique potential for the future. **PPDI** invests about 1.5% of receipts in its own R&D efforts.

Probably nowhere is our global economy more truly international than in drug and medical services. Drugs are commonly researched in many countries simultaneously in order to speed up the process of getting the research work done. Some 30% of **PPDI**'s sales come from non-U.S. firms. The company has 72 facilities in 40 countries. From the investor's viewpoint, this provides an interesting element of international diversification.

Analysts following the company, as reported by First Call, expect 19% per year EPS growth. However, in order to be conservative, we will reduce this to 17% expected growth for the next five years. We also reduced the expected high P/E to use in our calculations to 25 even though the high P/E actually exceeded this level in recent years in every year but one. In our calculations, we eliminated some very high P/Es for the stock price as perhaps not being likely to recur. We somewhat arbitrarily use 15 as our expected low considering that the stock is down by half from its high price. We feel we are thus giving conservative estimates in light of the fact that the CRO industry is rather volatile and the investor should be prepared for price fluctuations. Using these numbers for our calculation results in a 7.3-to-1 ratio for expected return versus potential loss.

Pharmaceutical Product Development, Inc. is listed on the NASDAQ under the symbol **PPDI**.

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Investor Relations
PPD, Inc.
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Wilmington, NC 28401-3331

Telephone: 910/558-7585

Fax: 910/558-7056

Website: www.ppdi.com

Stock Study

Company PHARMACEUTICAL PR. Date Last Analyzed 11/17/08

Prepared by ______ Data From Other

Exchange NASDAQ Industry Life Sciences Tools & Servic

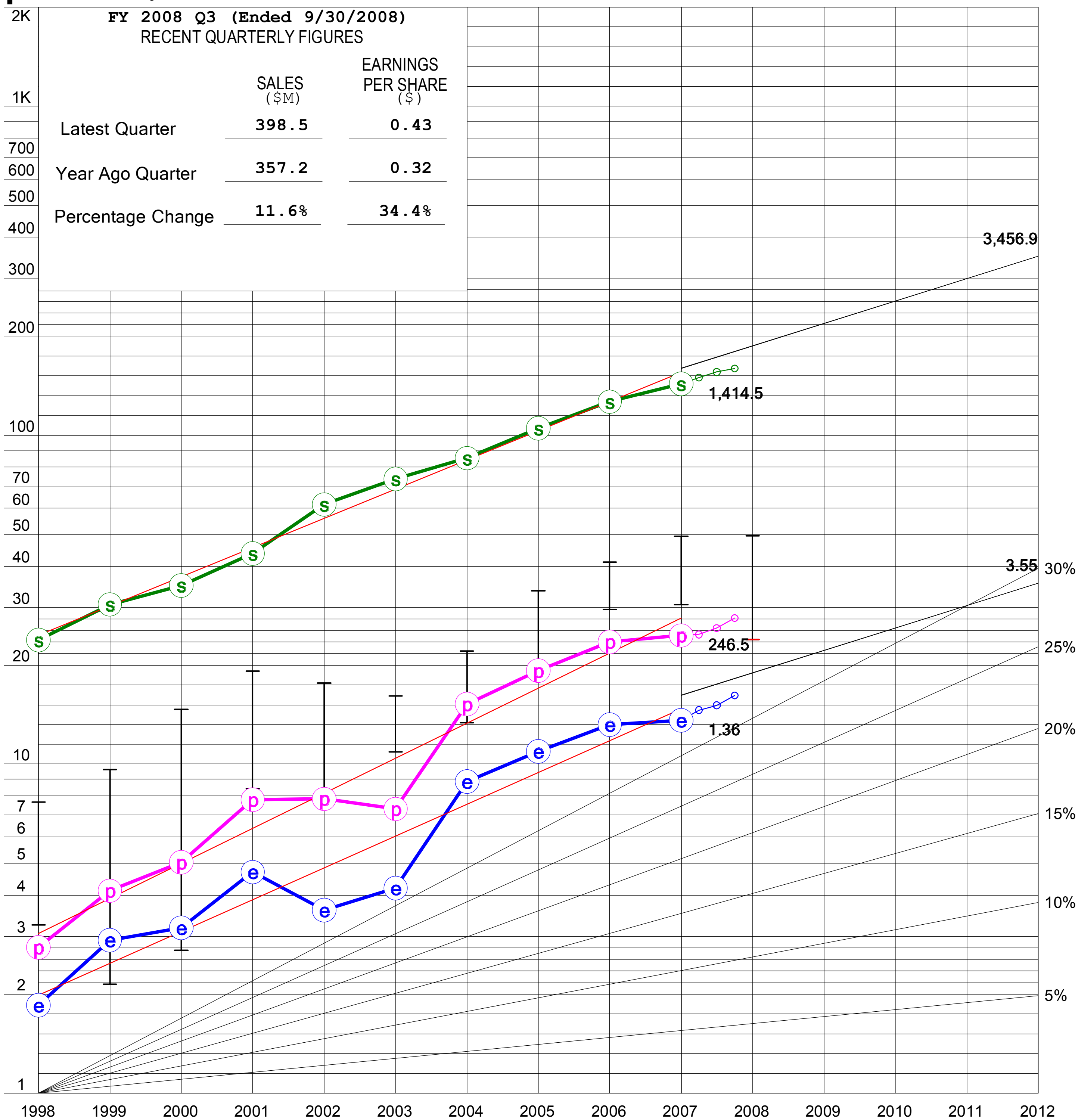
CAPITALIZATION --- Outstanding Amounts		Reference	
Preferred ($M)	0.0	% Insiders	10.7
Common (M Shares)	118.3	% Institutions	76.1
Debt ($M)	0.0	% to Tot.Cap.	0.0

1 Growth Analysis

PPDI

FY 2008 Q3 (Ended 9/30/2008)
RECENT QUARTERLY FIGURES

	SALES ($M)	EARNINGS PER SHARE ($)
Latest Quarter	398.5	0.43
Year Ago Quarter	357.2	0.32
Percentage Change	11.6%	34.4%



(1) Historical Sales Growth 22.7 %

(2) Estimated Future Sales Growth 17.0 %

(3) Historical Earnings Per Share Growth 24.9 %

(4) Estimated Future Earnings Per Share Growth 17.0 %

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2 QUALITY ANALYSIS

Company **PHARMACEUTICAL PROD DEV INC (PPDI)** 11/17/08

		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	5 YEAR AVG.	TREND UP / DOWN
A	% Pre-tax Profit on Sales	11.8	13.6	14.6	18.1	12.9	10.1	18.1	18.6	18.9	17.4	16.6	UP
B	% ROE (Prev. Year)		17.6	16.3	20.4	12.4	10.6	19.4	19.5	20.6	16.9	17.4	EVEN
C	% Debt/Equity (Prev. Year)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	EVEN

3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

CURRENT PRICE 23.900 52-WEEK HIGH 49.390 52-WEEK LOW 23.900

	Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield
1	2003	16.1	10.9	0.42	~~38.3~~	~~26.0~~	0.000	0.0	0.0
2	2004	22.1	13.4	0.89	25.0	15.1	0.000	0.0	0.0
3	2005	33.7	19.9	1.10	30.8	18.2	0.530	48.4	2.7
4	2006	41.2	29.6	1.32	31.2	22.4	0.100	7.6	0.3
5	2007	49.4	30.5	1.36	~~36.3~~	22.4	0.190	14.0	0.6
6	AVERAGE		20.9		29.0	19.5		23.3	

AVERAGE P/E RATIO	24.3	PROJECTED P/E RATIO	12.6	TTM EPS	1.62
CURRENT P/E RATIO	14.8	PEG RATIO	0.74	FTM EPS	1.90

4 EVALUATING REWARD and RISK over the next 5 years

A FUTURE HIGH PRICE ANALYSIS -- NEXT 5 YEARS

Selected High P/E ~~29.0~~ 25.0 X Estimated High Earnings/Share 3.55 = Forecast High Price $ 88.7

B FUTURE LOW PRICE ANALYSIS -- NEXT 5 YEARS

(a) Avg. Low P/E 19.5 (as adj.) X Estimated Low Earnings/Share 1.36 = $ 26.5

(b) Average 5-Year Low Price = 20.9

(c) Recent Severe Low Price = 23.9

(d) Price Dividend Will Support = Present Divd. ÷ High Yield = 0.125 ÷ 0.027 = 4.7

Selected Estimated Low Price = $ 15.0

C PRICE RANGES

Forecast High Price 88.7 - Estimated Low Price 15.0 = Range 73.7 25% of Range = 18.4

BUY (Lower 25% of Range) = 15.0 to 33.4

MAYBE (Middle 50% of Range) = 33.4 to 70.3

SELL (Upper 25% of Range) = 70.3 to 88.7

Current Price 23.900 is in the Buy Range

D REWARD/RISK ANALYSIS (Potential Gain vs. Risk of Loss)

(Forecast High Price 88.7 - Current Price 23.900) ÷ (Current Price 23.900 - Estimated Low Price 15.0) = 7.3 To 1

Relative Value: 60.9% Proj. Relative Value: 51.9%

5 TOTAL RETURN ANALYSIS

A CURRENT YIELD

Present Full Year's Dividend $ 0.125 ÷ Current Price of Stock $ 23.900 = 0.5 % Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

(Avg. EPS Next 5 Years 2.59 X Avg. % Payout ~~23.3~~ 15.0) ÷ Current Price $ 23.900 = 1.6 %

C % COMPOUND ANNUAL TOTAL RETURN

Average Yield 0.6 % + Annual Appreciation 30.0 % = Compound Annual Total Return 30.6 %

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Investor Advisory SERVICE

December 2008

URBAN OUTFITTERS, INC. (URBN)
Fiscal Year ends January 31

Recent Price	13.59	**ESTIMATES**	
Buy up to	18.50	Growth	15%
52 Week Price Range	13.35 to 38.40	Dividend Payout Ratio	0%
Quality	Average	**5 YEAR RISK REWARD ESTIMATE**	
Current Yield	0%	Price Gain	214% to 43
Shares Outstanding	167.0 Mil.	Risk of Loss	26% to 10
Total Debt	None	Potential Gain/Loss	8.1 to 1

EARNINGS PER SHARE & P/E RATIOS

FISCAL YEAR	E/S	P/E RATIO	RV	P/E AS % GROWTH
2008 (Est.)	1.31	10.4	77	69
2009 (Est.)	1.48	9.2	68	61

With just about every retailer under significant stress, it might seem rather unusual to feature a retailer at this stage of the economy. However, **Urban Outfitters** has been producing outstanding results even in the weak October retail environment, and we feel that it can at least beat the competition in a down market. Most retailers experienced a decline in comparable store sales in the fall quarter, but **Urban Outfitters** had 10% growth in this metric.

As of October 31, **Urban Outfitters, Inc**. operated 140 **Urban Outfitters** stores, 118 Anthropologie stores, 27 Free People stores and wholesale operations that distribute products through 1,700 specialty and department stores. The **Urban Outfitters** store concept (about 42% of Fiscal 2008 sales) targets young adults with fashion clothing and apartment-type home goods. Anthropologie (37% of sales) offers clothing and home goods targeted to women aged 30-45. Free People stores (1% of sales) offer clothing, accessories and gift items targeted to women aged 25-30 through very small (1,600 square feet) stores. Catalogue and Internet sales from the various brands make up 14% of total sales. The remaining 6% of sales come through wholesaling its private label apparel lines to specialty and department stores, including Bloomingdales, Nordstrom, Lord & Taylor and its own **Urban Outfitters** and Free People stores.

As with any fashion-forward retailer, success depends on its ability to connect with its customers and market products in a fun and exciting atmosphere. **Urban Outfitters** has shown an ability to succeed in this through its two primary store configurations, and its relatively small size suggests that it has a good chance of continuing to expand.

It is rather impressive that results remain strong even in the tumultuous fall quarter. Total company sales increased 26% in the quarter ended October 31. Comparable store sales were up 10% overall, with positive comps at each of the three core concepts. Despite lower department store sales overall, **Urban Outfitters** reported 26% growth in its wholesale operations. Direct-to-consumer sales were up an outstanding 41%. Gross profit margin increased and the company was able to grow operating expenses at a slower rate than sales. EPS grew 30%, despite a significantly higher tax rate and a small charge related to a loss in its securities portfolio. Inventory management was quite good: inventories were up 19% going into the Christmas season, while sales in the just-completed quarter were up 26%. Most of the inventory was to stock new stores, with comparable store inventory increasing 2%.

Urban Outfitters seems like quite a disciplined company considering that it is engaged in the fickle market of young adult fashion. **Urban Outfitters**' objectives are to grow revenue by at least 20%, to grow profits faster than sales and to obtain a minimum 20% operating margin. In any kind of normal environment, we would have little doubt that **Urban Outfitters** could achieve its goals. Considering the current economic environment, there's always the potential for near-term weakness that might weigh-down the 20% growth goals in our five year horizon. Therefore, we are targeting a more conservative rate of 15% growth in light of potential for near-term weakness. Such growth could produce EPS as high as $2.51 in five years.

We had to totally scrap the historical valuation metrics because the trailing P/E ratio of 10.9 is so far below the historical highs in the 40s and even below the lows in the teens and 20s. We established a high P/E ratio of 17 to represent a PEG ratio (price-to-growth) of a modest 110. If the company earns $2.51 per share in five years and trades at a P/E of 17, the price could reach almost 43. The potential total annual return exceeds 25%. We see the potential downside risk as 26% to a price of 10. This potential low could result from our downwardly-adjusted low P/E ratio of 10 multiplied by a potential low EPS of $1.00. This rate of earnings would suggest a poor fourth quarter, which we're not implying, but are just acknowledging as a possibility over the next several quarters. The company operates with zero debt and has substantial cash on its books.

Urban Outfitters, Inc. is traded on the NASDAQ under the symbol **URBN**.

Contact the company at:

Investors Relations
Urban Outfitters, Inc.
5000 South Broad Street
Philadelphia, PA 19112

Telephone: 215/454-5500

Web site: www.urbanfittersinc.com

Stock Study

Company	Urban Outfitters,..	Date Last Analyzed	11/19/08
Prepared by	IAS	Data From	StkCntrl
Exchange	NASDAQ	Industry	Apparel Stores

CAPITALIZATION --- Outstanding Amounts — Reference Morningstr

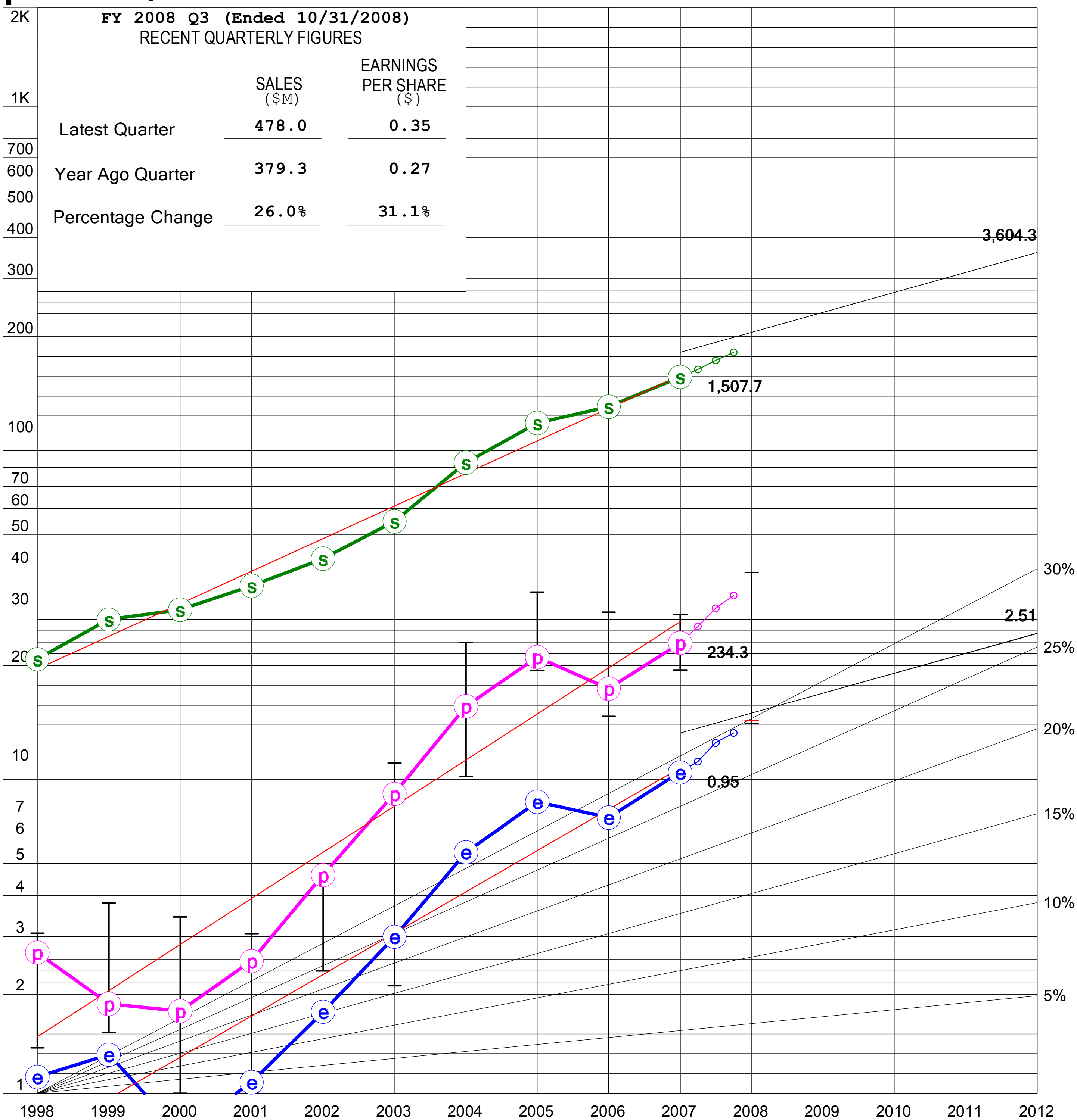
Preferred ($M)	0.0	% Insiders	4.5
Common (M Shares)	167.0	% Institutions	91.0
Debt ($M)	0.0	% to Tot.Cap.	0.0

1 Growth Analysis

URBN

FY 2008 Q3 (Ended 10/31/2008)
RECENT QUARTERLY FIGURES

	SALES ($M)	EARNINGS PER SHARE ($)
Latest Quarter	478.0	0.35
Year Ago Quarter	379.3	0.27
Percentage Change	26.0%	31.1%



(1) Historical Sales Growth 25.6 %

(2) Estimated Future Sales Growth 15.0 %

(3) Historical Earnings Per Share Growth 33.6 %

(4) Estimated Future Earnings Per Share Growth 15.0 %

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2 QUALITY ANALYSIS

Company Urban Outfitters, Incorporat (URBN) 11/19/08

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	5 YEAR AVG.	TREND UP / DOWN
A % Pre-tax Profit on Sales	12.8	6.8	6.0	7.2	10.9	14.8	18.2	19.4	13.9	15.5	16.4	DOWN
B % ROE (Prev. Year)		17.5	8.7	11.5	16.9	20.6	29.7	31.2	20.3	23.1	25.0	DOWN
C % Debt/Equity (Prev. Year)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	EVEN

3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

CURRENT PRICE 13.590 52-WEEK HIGH 38.400 52-WEEK LOW 13.350

	Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield
1	2003	10.1	2.1	0.30	33.8	7.0	0.000	0.0	0.0
2	2004	23.5	9.2	0.54	43.4	17.0	0.000	0.0	0.0
3	2005	33.4	19.3	0.77	43.4	~~25.1~~	0.000	0.0	0.0
4	2006	29.1	14.0	0.69	42.2	20.3	0.000	0.0	0.0
5	2007	28.6	19.4	0.95	30.3	20.5	0.000	0.0	0.0
6	AVERAGE		12.8		38.6	16.2		0.0	

AVERAGE P/E RATIO	27.4	PROJECTED P/E RATIO	9.5	TTM EPS	1.25
CURRENT P/E RATIO	10.9	PEG RATIO	0.63	FTM EPS	1.44

4 EVALUATING REWARD and RISK over the next 5 years

A FUTURE HIGH PRICE ANALYSIS -- NEXT 5 YEARS

Selected High P/E ~~38.6~~ 17.0 X Estimated High Earnings/Share 2.51 = Forecast High Price $ 42.7

B FUTURE LOW PRICE ANALYSIS -- NEXT 5 YEARS

(a) Avg. Low P/E ~~16.2~~ 10.0 (as adj.) X Estimated Low Earnings/Share ~~0.95~~ 1.00 = $ 10.0

(b) Average 5-Year Low Price = 12.8

(c) Recent Severe Low Price = 13.4

(d) Price Dividend Will Support = Present Divd. ÷ High Yield = 0.000 ÷ 0.000 = 0.0

Selected Estimated Low Price = $ 10.0

C PRICE RANGES

Forecast High Price 42.7 - Estimated Low Price 10.0 = Range 32.7 25% of Range = 8.2

BUY (Lower 25% of Range) = 10.0 to 18.2

MAYBE (Middle 50% of Range) = 18.2 to 34.5

SELL (Upper 25% of Range) = 34.5 to 42.7

Current Price 13.590 is in the Buy Range

D REWARD/RISK ANALYSIS (Potential Gain vs. Risk of Loss)

(Forecast High Price 42.7 - Current Price 13.590) ÷ (Current Price 13.590 - Estimated Low Price 10.0) = 8.1 To 1

Relative Value: 39.8% Proj. Relative Value: 34.5%

5 TOTAL RETURN ANALYSIS

A CURRENT YIELD

Present Full Year's Dividend $ 0.000 ÷ Current Price of Stock $ 13.590 = 0.0 % Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

(Avg. EPS Next 5 Years 1.90 X Avg. % Payout 0.0) ÷ Current Price $ 13.590 = 0.0 %

C % COMPOUND ANNUAL TOTAL RETURN

Average Yield 0.0 % + Annual Appreciation 25.7 % = Compound Annual Total Return 25.7 %