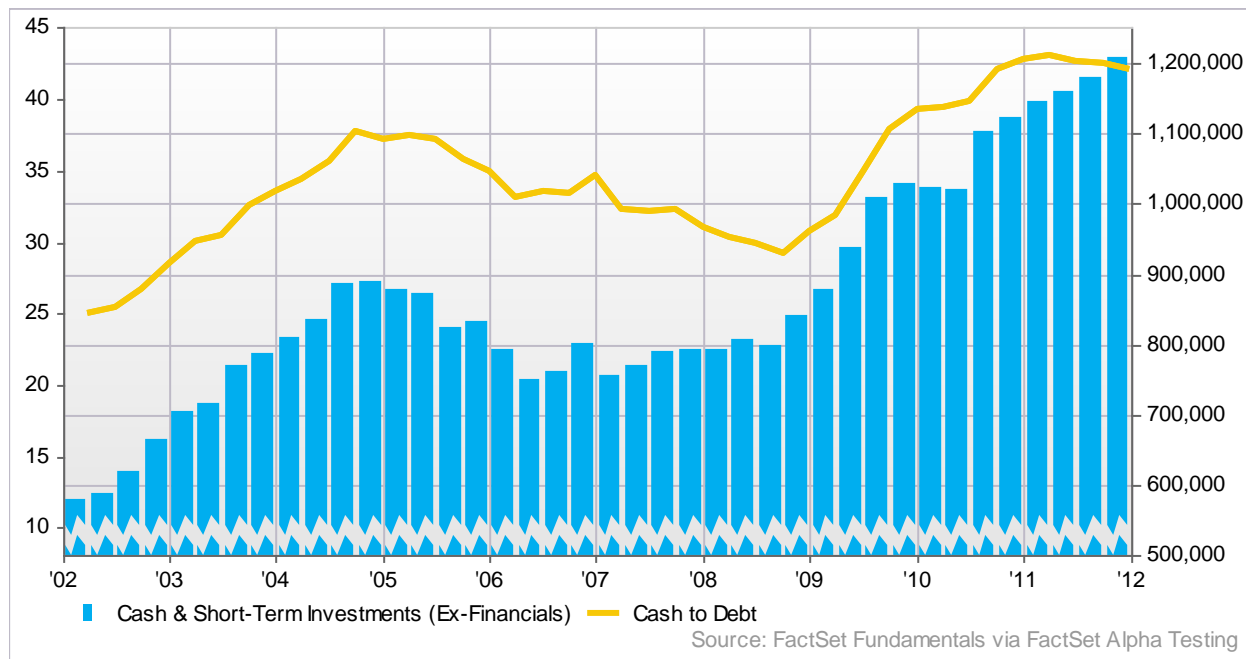


Key Metrics:

- + **Aggregate Cash and Reinvestment:** S&P 500 cash and marketable securities (ex-Financials) balances grew 9.1% year-over-year and sat at a balance of \$1.21 trillion at the end of Q4 2011. Meanwhile, investing activities in capital expenditures, share repurchases, and dividends recorded growth rates of 3.2%, -1.4% and 20.3% during this time. The quarterly spending in these three areas amounted to \$173.1 billion, \$83.3 billion, and \$74.2 billion, respectively.
- + **Net Debt Issuance:** For the eleventh straight calendar quarter, companies had more cash outflows from retiring long-term debt than inflows from its issuance (\$31.0 billion in Q4 2011). This trend was heavily driven by the Financials sector, which had \$66.0 billion in cash outflows from net long-term debt reduction over the quarter. Excluding the Financials sector, Q4 2011 would mark the third consecutive quarter of cash inflows from net long-term debt issuance (+\$35.0 billion).
- + **Historical, Forward Performance:** Companies with moderate free cash flow and cash balances have outperformed stocks at the high and low end of the spectrum in the last ten years. Within the S&P 500, stocks in the second quartile by the ratio of cash to market value outperformed the other quartiles, and companies in the middle three quintiles by free cash flow per share outperformed the top and bottom quintiles.

Quarterly Cash & Short-Term Investments – S&P 500 (Ex-Financials)



Cash & Investments Quarterly is one part of three reports ([Buyback Quarterly](#) and [Dividend Quarterly](#)) analyzing cash and discretionary spending within the S&P 500. The other reports can be found at www.factset.com/insider/product_insight or within the FactSet Market News application of your FactSet workstation. All data published in this report is available on FactSet. Please contact media_request@factset.com of 1-877-FACTSET for more information.

Ex-Fin Cash Passes \$1.2 Trillion; Falls Relative to Debt

Aggregate cash and short-term investments (excluding the Financials sector) reached new highs as the S&P 500 balance surpassed \$1.2 trillion at the end of Q4 2011. This balance is 9.1% higher than the year-ago figure, but actually only represents moderate growth for the years following the market crash. Ten of the last twelve quarters have seen double-digit growth in cash. But, given increased debt issuance (excluding the Financials sector), cash has actually started to fall relative to aggregate debt. The ratio of cash to debt peaked in Q2 2011 at 43.1 and has fallen in each successive quarter. At 42.3 for Q4, the ratio still remains 22% above the ten-year average.

It is important to note that the Financials sector has been behaving independently of the other nine sectors regarding long-term debt issuance. Including the Financials sector, the fourth quarter was the eleventh consecutive quarter of cash outflows from long-term debt reduction (-\$31 billion).

Eight Sectors Experience Increase in Cash Balance Year-Over-Year

At the sector-level, eight of nine sectors (note that cash balances in the Financials sector are excluded from this headline number) grew cash year-over-year. The largest percentage growth came from the Telecommunications Sector (52.3%), but that sector's cash balance amounts to only 2.1% of the S&P 500 ex-Financials balance. Within the Telecom Services sector, the significant year-over-year growth (94%) in cash for Verizon Communications contributed \$6.7 billion of the \$7.4 billion in aggregate year-over-year growth for the sector. The company's massive growth in cash was due in large part to net cash inflows from debt issuance in Q1 2011, which was attributed to taking advantage of low interest rates on the quarter's earnings call.

The Health Care sector (17.8%) had the second-highest year-over-year growth, and featured three of the top ten companies by quarterly growth in cash—Gilead Sciences, Express Scripts, and Amgen. These three companies raised \$18.5 billion in Q4 2011 from net debt issuance, but they also had strong free cash flow (amounting to \$2.6 billion).

The Information Technology sector had the next highest year-over-year growth in cash in the S&P 500 (11.7%). This growth contributed to the sector's massive cash balance of \$402.0 billion, which is equal to 33% of the total for the S&P 500 (ex-Financials). Due to recent growth in cash, the Information Technology sector now has the largest discrepancy in the current cash balance versus the ten-year average of any sector. The sector's Q4 2011 balance is 54% above the ten-year average balance, compared to an average of 34% for the other eight sectors.

What has driven this growth in cash in the Information Technology sector? One factor is the rapid revenue and earnings growth for companies in the sector such as Apple and Google. Combined, the two companies have added \$70.9 billion to the sector total over ten years. But the sector has also been conservative with dividend distributions—it has the lowest dividend yield and payout ratio in the S&P 500 (see Q4 2011 ["Dividend Quarterly"](#) for additional information). However, over the past five years, the Information Technology sector has averaged the second highest year-over-year growth rate for quarterly cash dividends (21.1%) of all the S&P 500 GICS sectors. The sector with the highest growth rate is the Telecommunications Services sector (84.8%).

Capital Expenditures near Recent Highs; Suffer from Strong Year-over-Year Comparisons

While aggregate dividend payments witnessed their second-highest growth rate (20.3%) since Q4 2007, growth in fixed capital expenditures and dollar-value share repurchases saw more subdued growth rates for the quarter. In fact, aggregate buybacks and capital expenditures both experienced their lowest year-over-year growth since Q2 2010 (-1.4% and 3.2% respectively). The Q4 2011 quarter marks the first time since Q4 2009 that year-over-year growth in quarterly dividend payments has exceeded year-over-year growth in capital expenditures.

But aggregate capital expenditures actually suffered from strong year-ago comparisons. Aggregate dollar-level spending in capital expenditures was \$173.1B relative to the year-ago \$169.9B. While the fourth quarter has been a seasonally high quarter for capital spending, these numbers still reflect the second and third highest quarterly spending for CapEx in the last ten years. The highest was Q4 2008 at \$174.7B. Two sectors in particular recorded high levels of CapEx spending. The Materials sector saw year-over-year growth of 41.6% in capital expenditures, the highest of any sector. In addition, the Energy sector only recorded year-over-year growth of 2.7%, but the \$52.5 billion spent on CapEx in Q4 2011 was nearly 60% greater than the ten-year Q4 average for the sector (\$32.9 billion).

Year-over-year growth in the Materials sector was more widespread among a number of industries. The Paper & Forest Products (78%), Metals & Mining (64%), and Chemicals (20%) industries saw the largest growth rates at the industry level. At the company level, only two of the twenty-six constituents in these three industries had year-over-year declines in fixed capital expenditures—United States Steel and Sigma-Aldrich.

Overall spending on capital expenditures for companies in the Energy sector was \$52.5 billion in Q4 2011, which is well above the ten-year Q4 average of \$32.9 billion. Four companies within the Energy sector—Chevron, Exxon Mobil, Occidental Petroleum, and Conoco Phillips—have increased trailing twelve month year-over-year capital expenditures by over \$3.5 billion each. Based on comments from Q4 earnings calls, most of these companies are likely to continue to increase capital expenditures in the near future. John Watson, CEO of Chevron, noted that *“We’re heading into a period of significant capital expenditures ahead of us.”* In addition, Exxon Mobil noted *“...we are in a CapEx mode now...”* and Stephen Chazen, CEO of Occidental Petroleum, stated that *“...as oil prices go up, we’re going to spend more to basically raise the bar.”*

Back Tests Support Moderate Cash Generation, Balances

A back test utilizing FactSet’s Alpha Testing application shows that, over the past ten years, stocks with the highest cash balances relative to market value have performed as well as stocks with the lowest balances relative to market value. Specifically, the second quartile by cash to market value (ex-Financials) had the strongest performance over ten years. This quartile averaged a ratio between 0.06 and 0.12, and outperformed the S&P 500 by 68.8% on a cumulative basis over ten-years.

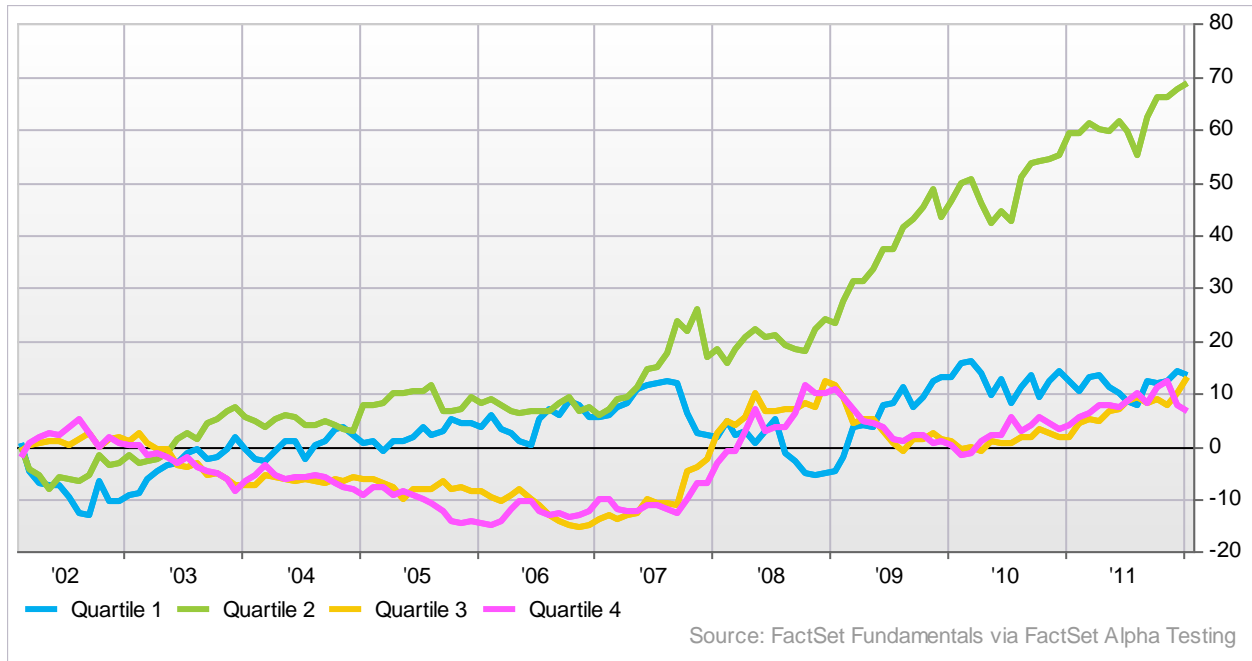
Investors’ preference for moderate liquidity is further supported by a back test of trailing twelve month free cash flow per share. Free cash flow is derived from subtracting dividends and fixed capital expenditures from operating cash flows, and can be viewed as the excess cash flow after necessary investments and distributions to shareholders. The ten-year back test shows that companies that generated moderate free cash flow—stocks that fit within the second, third, or fourth quintile—outperformed the S&P 500. However, the stocks with the highest and lowest free cash flow per share underperformed. These three quintiles primarily averaged between \$0.20 and \$3.00 in free cash flow per share.

So, how should a company spend its excess cash flows? A third, ten-year back test indicates that investors have shown a slight preference for companies that hold onto their cash flows, rather than distributing them in the form of share repurchases or dividends. The Alpha Test shows that Companies that did not pay dividends or engage in share repurchases had the best performance (140.8%). Though this smaller group’s (an average of 25 companies) return was heavily influenced by Apple, the thesis still holds true even when excluding Apple. Ex-Apple, the companies with no shareholder distributions returned 35.3% over ten years compared to a total return of 32.1% for companies that pay more in TTM buybacks and 22.3% for companies that pay more in dividends.

10-Year Forward Performance: Cash Ratios

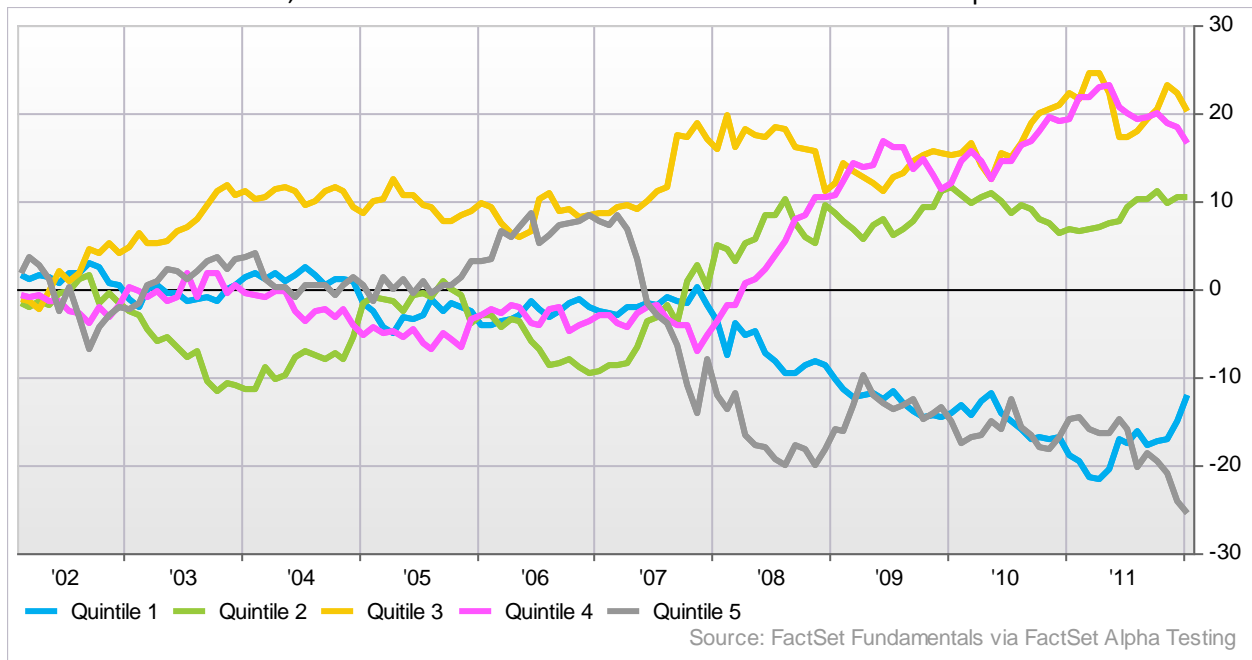
Stocks in the Financials sector were excluded from this Alpha Test. The remaining companies were grouped by quartiles based on their cash to market value ratio and back tested. For all back tests, securities are market cap weighted to ensure that historic, forward returns are not affected by differences in security weighting between the model and the benchmark.

Historical, Forward Returns - Relative to S&P 500 - Cash to Market Value (Ex-Financials)



For this back test, companies were grouped by quartiles based on their free cash flow per share. Stocks in the Financials sector were included in this back test.

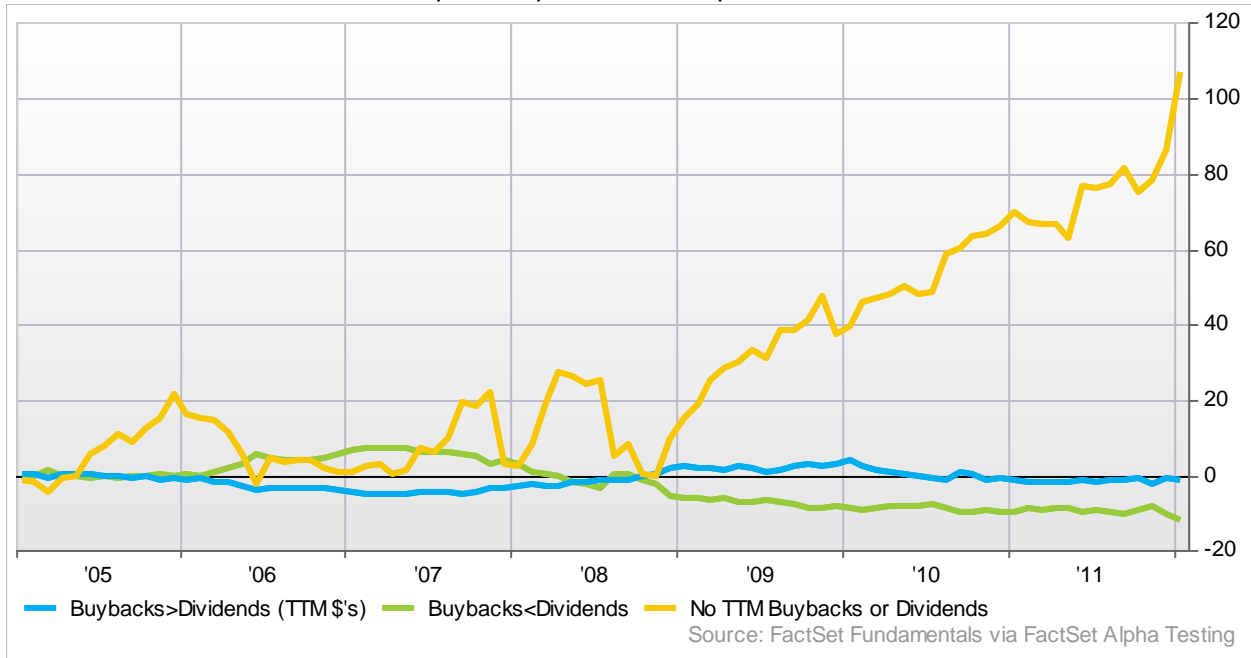
Historical, Forward Returns - Relative to S&P 500 – Free Cash Flow per Share



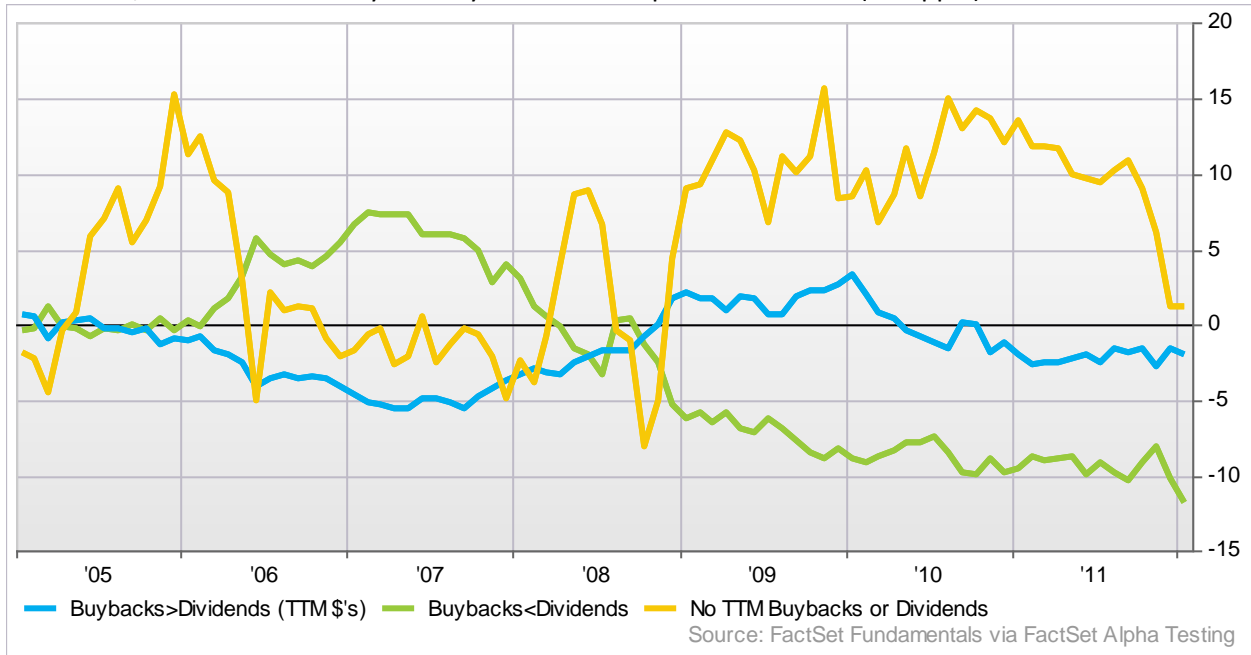
10-Year Forward Performance: Capital Distributions

Stocks were placed into three dynamic groups (for all back tests, the universe is reevaluated and rebalanced monthly) for this back test. The first group held stocks which had spent more dollars on trailing twelve month share repurchases than on dividend payments (common and preferred). The second group held companies that had the opposite characteristics and the third held companies that spent cash on neither dividends nor repurchases over the trailing twelve months.

Historical, Forward Returns by Primary Method of Capital Distribution - Relative to S&P 500



Historical, Forward Returns by Primary Method of Capital Distribution (Ex-Apple) - Relative to S&P 500

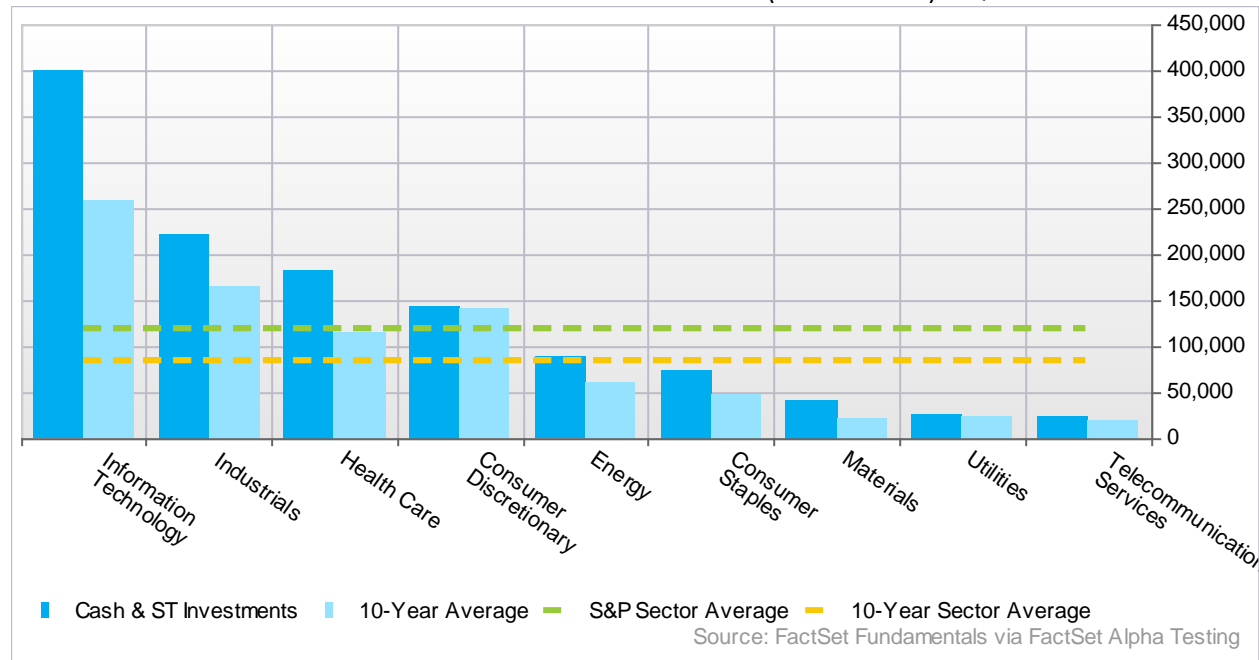


Cash & Short-Term Investments:

Within this report, cash, cash & equivalents, and cash & short-term investments are used interchangeably. Also, companies in the Financials sector have been excluded from any analysis of cash balances within this report.

All aforementioned and forthcoming values are in millions, unless otherwise designated. Data is generally organized by adjusted calendar quarters. Adjusted calendar quarters are mapped in three month denominations with 4C capturing data released in November, December, and January. The remaining data represents the most recently reported quarter originating from preliminary 8-K filings, unless a 10-Q has been released for the period.

Sector Level Cash and Short-Term Investments (ex-Financials) – Q4 2011



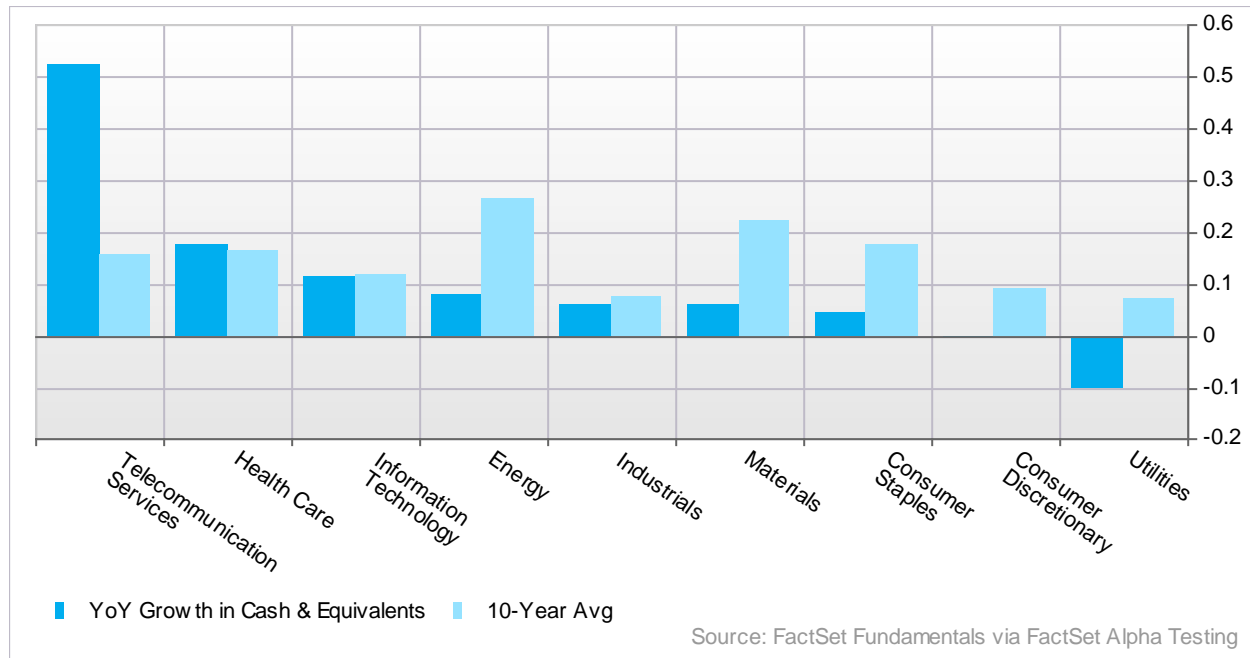
Top 10 Companies by Cash and Short-Term Investments (ex-Financials) – Q4 2011

Company	Sector	Cash (Qtr)	1 Year Growth	Relative to Curr MV	1 Yr Total Return
General Electric Co.	Industrials	\$131,875	7.3%	62.2%	5.2%
Microsoft Corp.	Information Technology	\$52,421	27.1%	19.2%	30.7%
Cisco Systems, Inc.	Information Technology	\$46,742	16.2%	41.6%	22.3%
Google, Inc.	Information Technology	\$44,626	27.6%	26.6%	12.0%
Ford Motor Co.	Consumer Discretionary	\$35,766	0.6%	76.8%	(16.5%)
Johnson & Johnson	Health Care	\$32,261	16.6%	18.0%	14.5%
Oracle Corp.	Information Technology	\$31,012	24.8%	21.4%	(10.0%)
Apple, Inc.	Information Technology	\$30,599	13.4%	5.4%	72.7%
Pfizer, Inc.	Health Care	\$26,758	(4.5%)	16.0%	13.4%
Amgen, Inc.	Health Care	\$20,641	18.5%	38.6%	29.0%
S&P 500	-	\$1,212,151	9.1%	10.8%	7.8%

*Total return provided for S&P 500 is for the entire S&P 500 index (does not exclude the Financials sector).

Growth in Cash & Short-Term Investments:

Year-over-Year Growth in Cash & Equivalents (ex-Financials) – Q4 2011



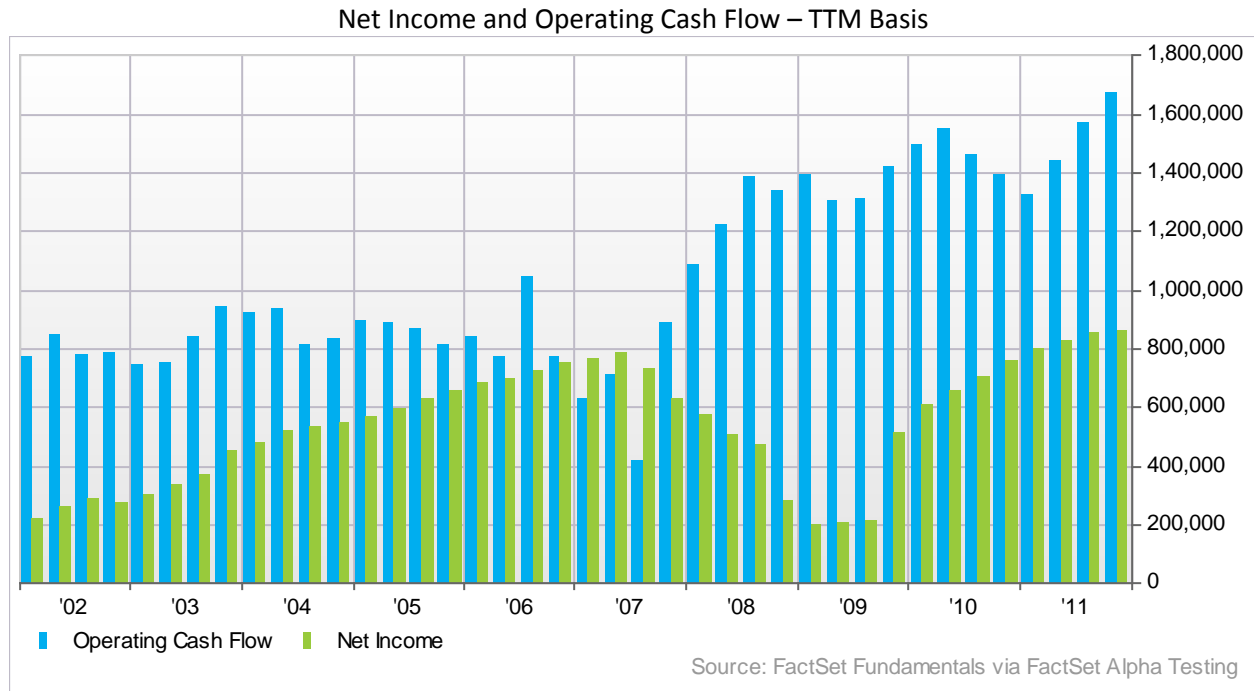
Top 10 Companies by Growth in Cash and Equivalents* (ex-Financials) – Q4 2011

Company	Sector	Cash (Qtr)	1 Year Growth	Relative to Curr MV	1 Yr Total Return
Express Scripts, Inc.	Health Care	\$5,638	944.1%	21.7%	(1.8%)
Gilead Sciences, Inc.	Health Care	\$9,900	371.7%	27.7%	12.2%
The Home Depot, Inc.	Consumer Discretionary	\$1,987	264.6%	2.6%	37.8%
PPL Corp.	Utilities	\$3,918	251.1%	24.4%	18.7%
The Southern Co.	Utilities	\$1,323	156.9%	3.4%	23.9%
Devon Energy Corp.	Energy	\$7,058	134.4%	24.0%	(21.1%)
Discovery Communications, Inc.	Consumer Discretionary	\$1,124	115.7%	9.1%	24.1%
Best Buy Co., Inc.	Consumer Discretionary	\$2,920	106.9%	30.5%	(4.1%)
Verizon Communications, Inc.	Telecommunication Services	\$13,954	93.5%	12.5%	11.2%
Macy's, Inc.	Consumer Discretionary	\$2,827	93.1%	16.9%	75.4%
S&P 500	-	\$1,212,151	9.1%	10.8%	7.8%

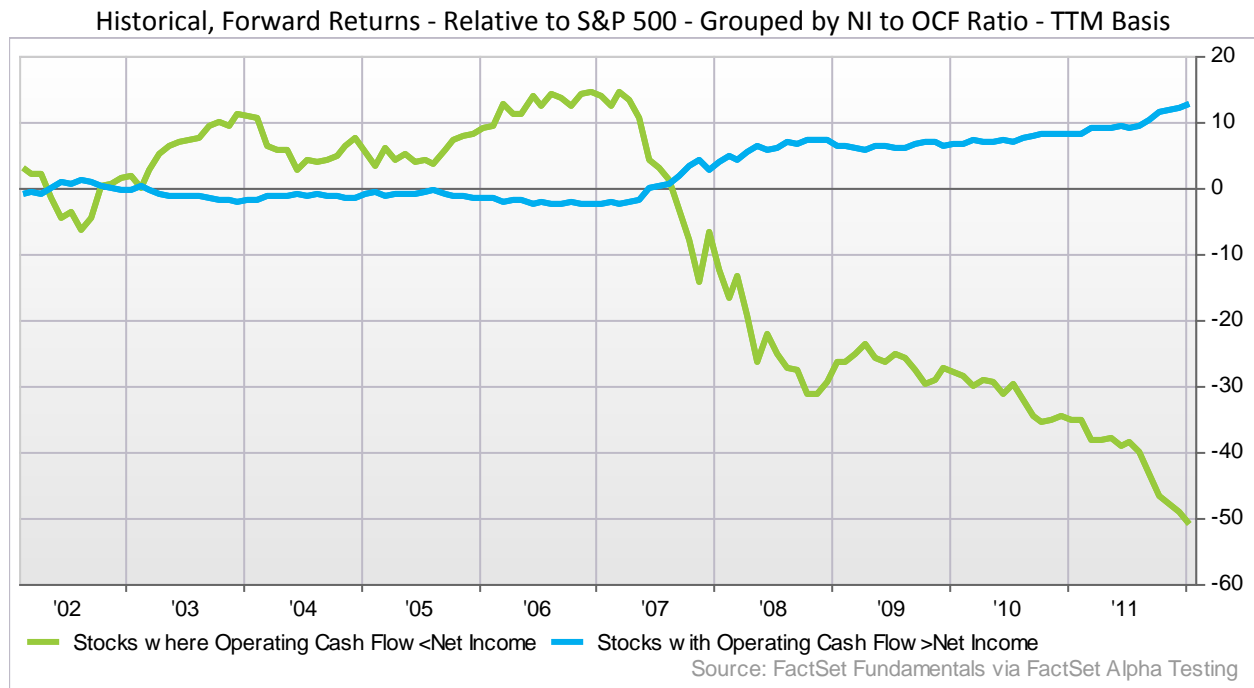
*This screen only included companies with over \$500 million in cash & short-term investments in the year-ago quarter.

**Total return provided for S&P 500 is for the entire S&P 500 index (does not exclude the Financials sector)

Net Income and Operating Cash Flow:



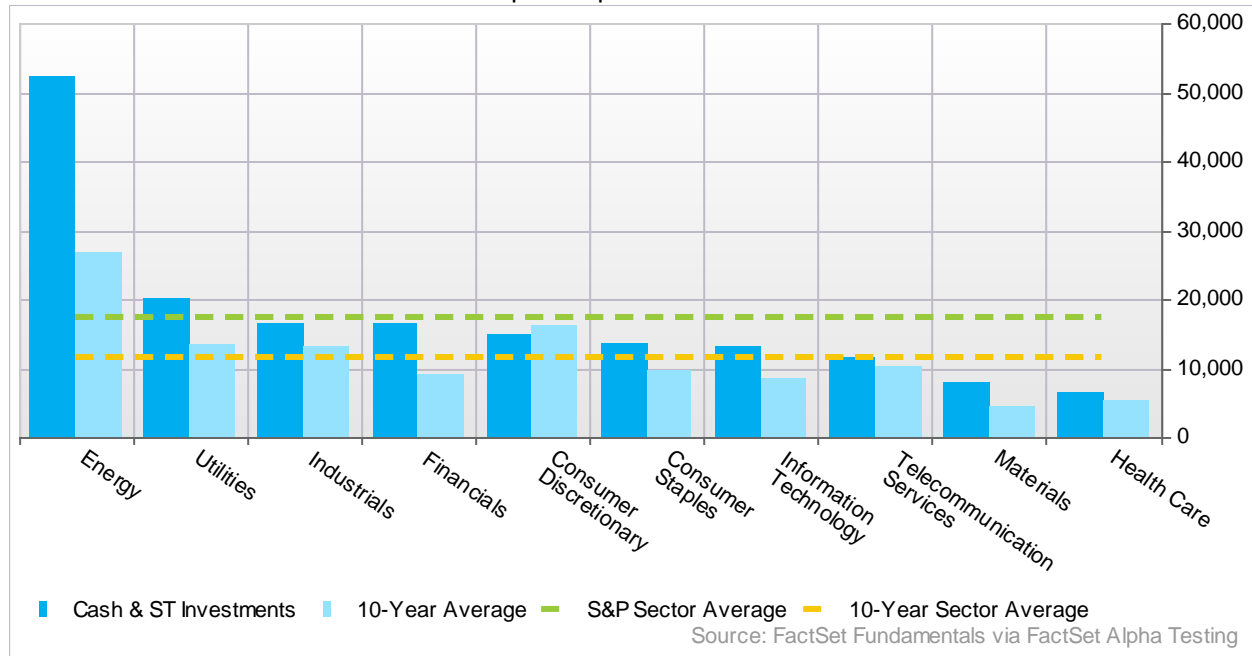
For this back test, S&P 500 companies were broken into two groups by whether their trailing twelve month (TTM) earnings (NI) were greater than TTM operating cash flow (OCF).



Fixed Capital Expenditures:

Capital expenditures represent funds used to acquire fixed assets other than those associated with acquisitions. This includes, but is not restricted to, additions and investments in property, plant, machinery and equipment.

Fixed Capital Expenditures – Q4 2011



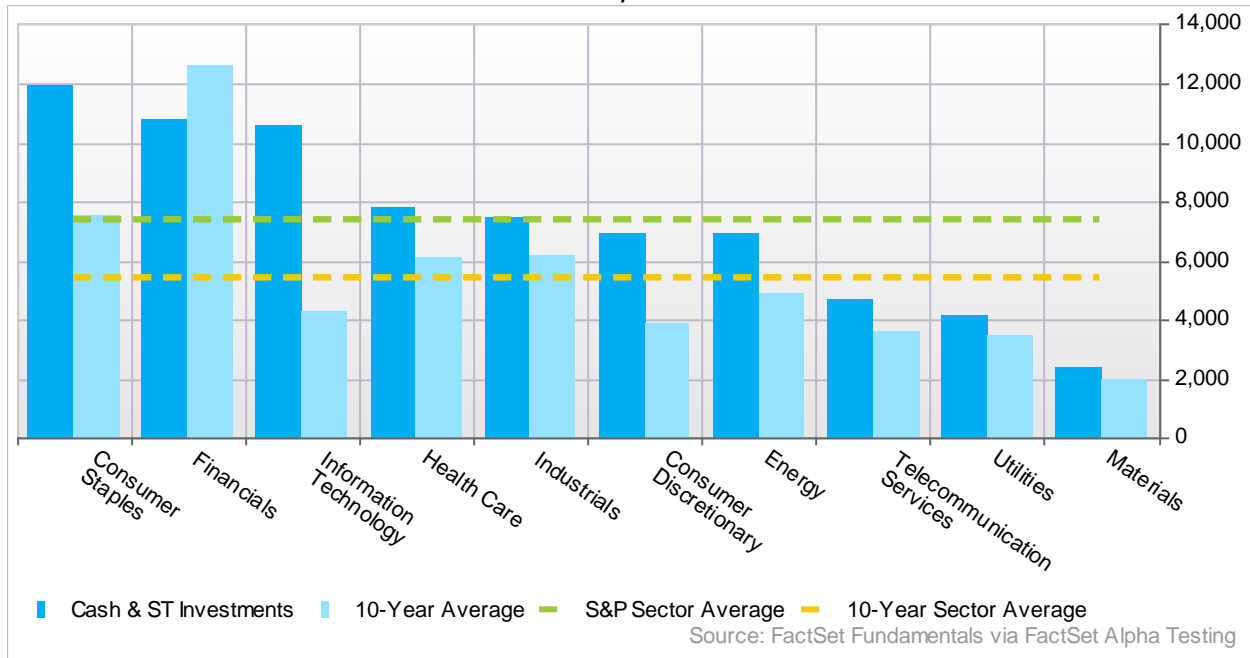
Top 10 Companies by Fixed Capital Expenditures – Q4 2011

Company	Sector	CapEx (Most Recent Qtr)	CapEx (Year Ago Qtr)	Growth (YoY%)	1 Yr Total Return
Exxon Mobil Corp.	Energy	\$8,634	\$7,670	12.6%	6.6%
Chevron Corp.	Energy	\$7,307	\$5,504	32.8%	4.2%
AIG, Inc.	Financials	\$6,675	\$7,883	(15.3%)	(20.4%)
AT&T, Inc.	Telecommunication Services	\$5,647	\$6,555	(13.9%)	16.7%
Wal-Mart Stores, Inc.	Consumer Staples	\$3,967	\$3,380	17.4%	20.1%
Chesapeake Energy Corp.	Energy	\$3,916	\$8,328	(53.0%)	(28.4%)
ConocoPhillips	Energy	\$3,872	\$3,390	14.2%	(0.0%)
General Electric Co.	Industrials	\$3,599	\$5,385	(33.2%)	5.2%
Intel Corp.	Information Technology	\$2,844	\$1,869	52.2%	43.1%
Occidental Petroleum Corp.	Energy	\$2,549	\$1,124	126.8%	0.3%
S&P 500	-	\$173,137	\$168,873	3.2%	7.8%

Financing Outflows from Dividends:

Dividends paid represent the total common and preferred dividends paid to shareholders. Additional analysis on dividends can be found within the [Dividend Quarterly](#) report.

Dividends Paid by Sector – Q4 2011



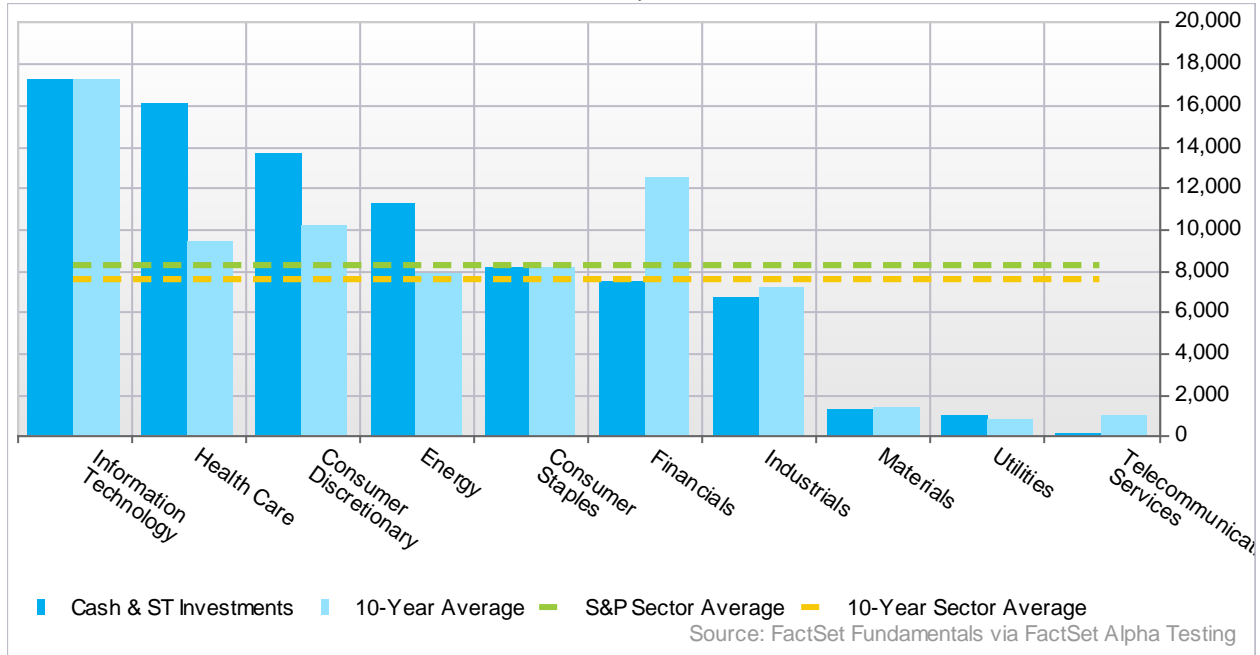
Top 10 Companies by Dividends Paid – Q4 2011

Company	Sector	Dividends Paid (Qtr)	DPS (LTM)	Dividend Yield (Current)	1 Yr Total Return
AT&T, Inc.	Telecommunication Services	\$2,545	\$1.73	5.5%	16.7%
Exxon Mobil Corp.	Energy	\$2,247	\$1.88	2.2%	6.6%
The Coca-Cola Co.	Consumer Staples	\$2,141	\$1.88	2.8%	13.4%
Microsoft Corp.	Information Technology	\$1,683	\$0.72	2.5%	30.7%
General Electric Co.	Industrials	\$1,662	\$0.64	3.4%	5.2%
Chevron Corp.	Energy	\$1,598	\$3.18	3.0%	4.2%
Johnson & Johnson	Health Care	\$1,555	\$2.28	3.5%	14.5%
Pfizer, Inc.	Health Care	\$1,524	\$0.82	4.0%	13.4%
Procter & Gamble Co.	Consumer Staples	\$1,510	\$2.10	3.1%	14.4%
Verizon Communications	Telecommunication Services	\$1,416	\$1.98	5.2%	9.3%
S&P 500	-	\$74,182	#Calc	#VALUE!	#VALUE!

Financing Outflows from Share Buybacks:

Dollar-value share repurchases represent the total common and preferred shares bought back over the quarter. Additional analysis on buybacks can be found within the [Buyback Quarterly](#) report.

Dollar-Value Share Repurchases – Q4 2011



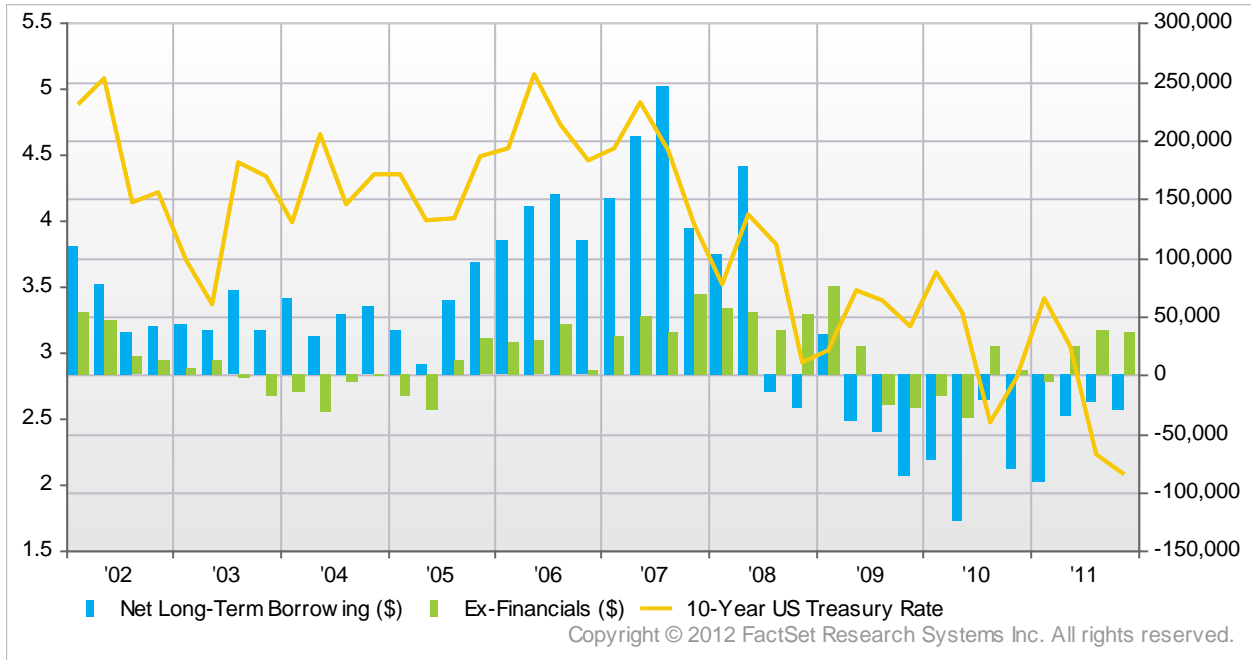
Top 10 Companies by Dollar-Value Share Buybacks – Q4 2011

Company	Sector	Buybacks (\$M - Qtr)	Buybacks (\$M - LTM)	Change in Shares Out (LTM %)	1 Yr Total Return
Exxon Mobil Corp.	Energy	\$5,422	\$22,055	(3.1%)	6.6%
Amgen, Inc.	Health Care	\$5,154	\$8,307	(3.6%)	29.0%
Intel Corp.	Information Technology	\$4,134	\$14,133	(5.0%)	43.1%
IBM Corp.	Information Technology	\$3,569	\$15,034	(3.5%)	30.3%
Pfizer, Inc.	Health Care	\$3,215	\$9,094	(2.2%)	13.4%
ConocoPhillips	Energy	\$3,151	\$11,138	(5.4%)	(0.0%)
Time Warner, Inc.	Consumer Discretionary	\$1,457	\$4,616	(5.3%)	8.3%
Chevron Corp.	Energy	\$1,251	\$4,268	(0.2%)	4.2%
News Corp.	Consumer Discretionary	\$1,204	\$2,476	(4.3%)	19.8%
The Travelers Cos., Inc.	Financials	\$1,188	\$2,982	(7.5%)	2.8%
S&P 500	-	\$83,289	\$401,192	(1.1%)	9.9%

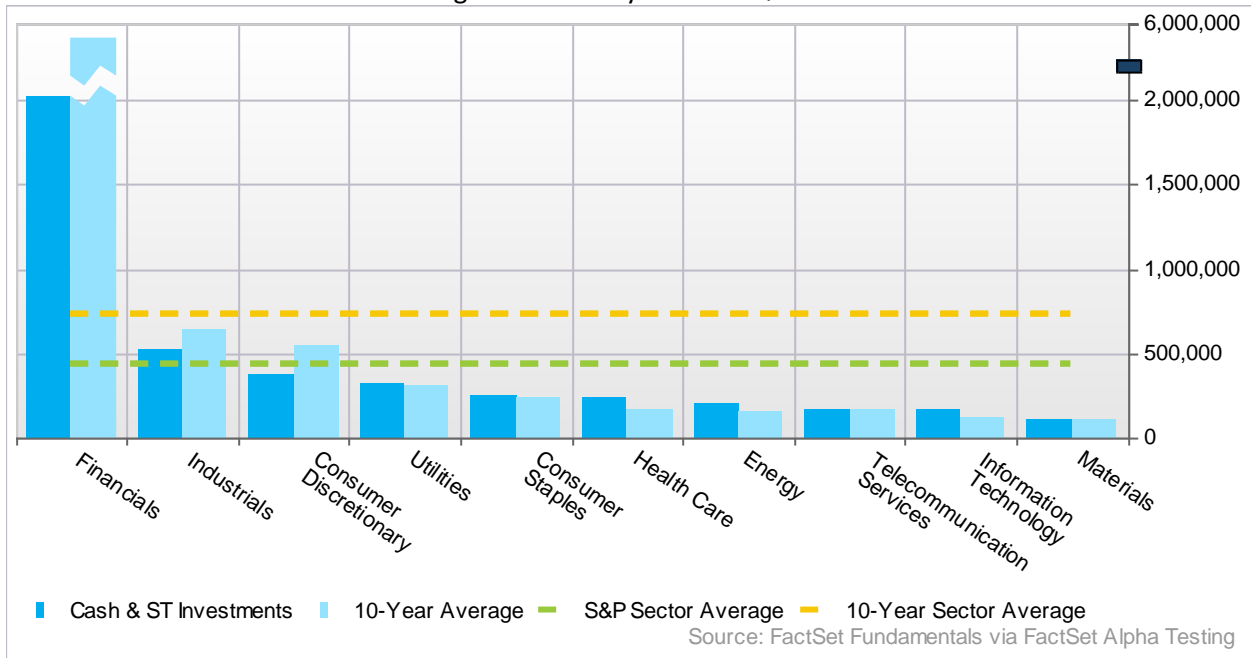
Quarterly Long-Term Debt & Cash Flows from Net Issuance:

Net debt issued is the measure of aggregate, net funds from issuance (reduction) of long-term debt and increases (decreases) in capitalized lease obligations. Also included are the increase in debt from acquisitions and the decrease in debt from the conversion of debentures into common stock.

Quarterly Cash Flows from Net Debt Issuance vs. 10 Year US Treasury Rate



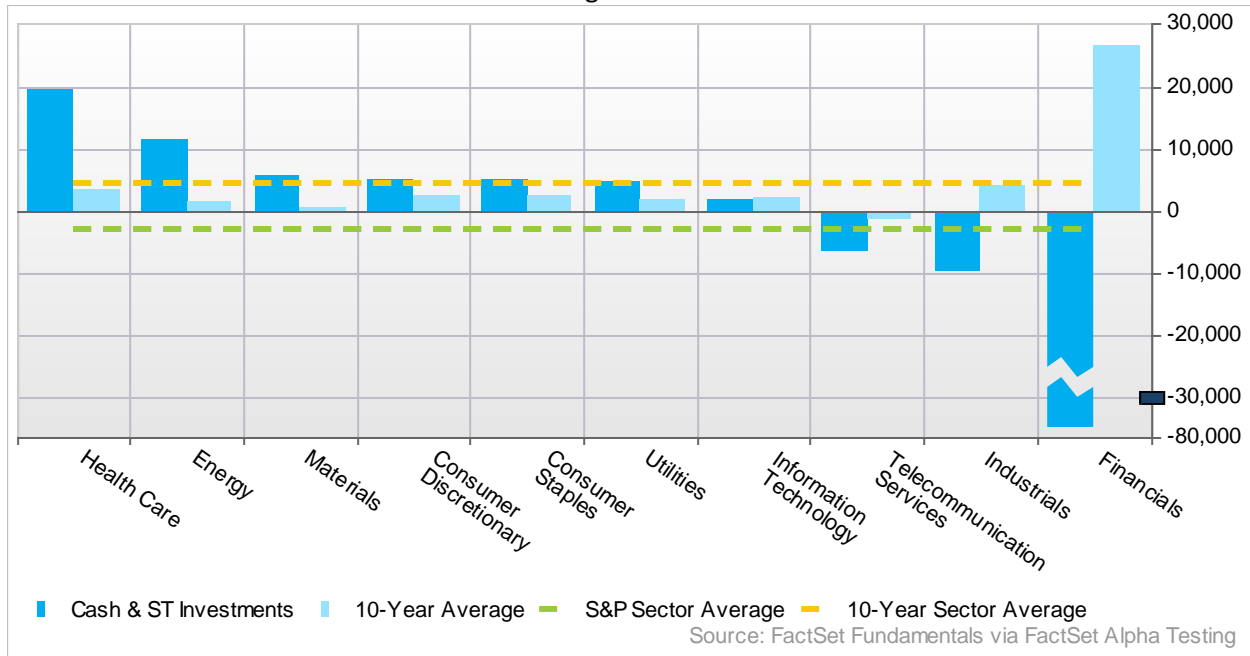
Long-Term Debt by Sector – Q4 2011



Net Long-Term Debt Issuance: Sector-Level

Net debt issued is the measure of aggregate, net funds from issuance (reduction) of long-term debt and increases (decreases) in capitalized lease obligations. Also included are the increase in debt from acquisitions and the decrease in debt from the conversion of debentures into common stock.

Cash Flows from Net Long-Term Debt Issuance – Q4 2011



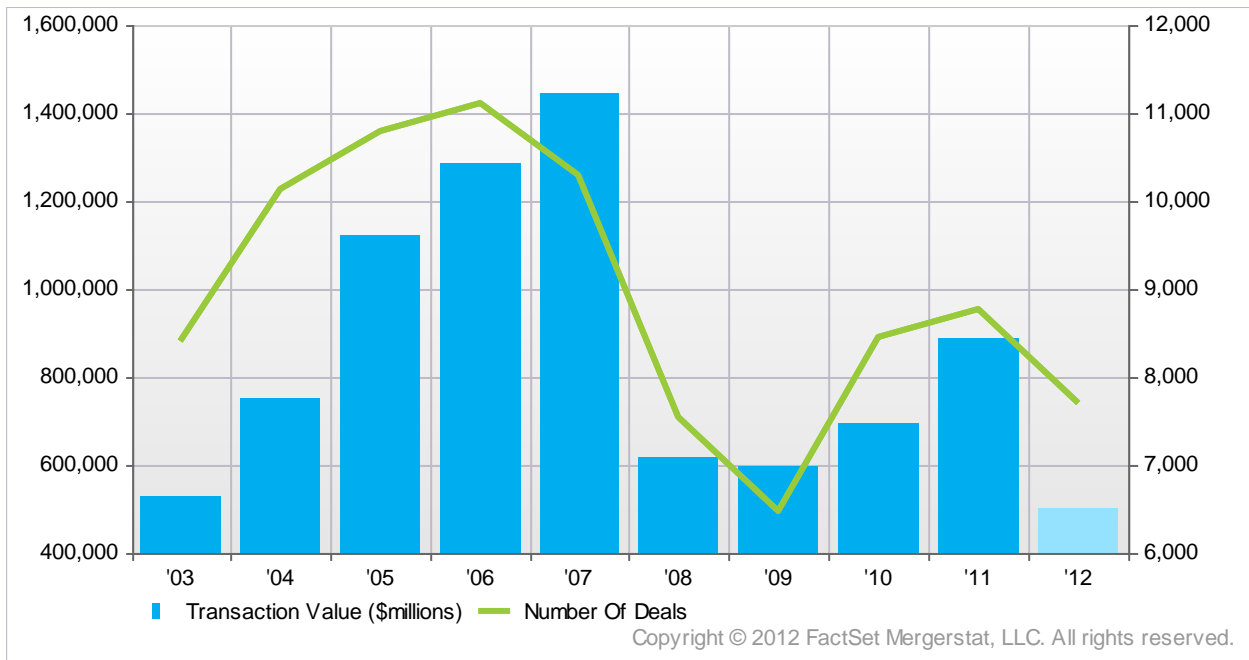
Top Five Companies by Net Debt Issuance and Reduction – Q4 2011

Company	Sector	Net Debt Issued (LTM)	Total LT Debt (Qtr)	Net Debt Issued/LT Debt	1 Yr Total Return
Amgen, Inc.	Health Care	\$10,387	\$17,613	59.0%	29.0%
Charles Schwab Corp.	Financials	\$6,775	\$29,038	23.3%	(14.3%)
Wal-Mart Stores, Inc.	Consumer Staples	\$6,210	\$47,465	13.1%	20.1%
Capital One Financial Corp.	Financials	\$5,262	\$26,993	19.5%	9.9%
MetLife, Inc.	Financials	\$5,129	\$29,738	17.2%	(13.1%)
Bank of America Corp.	Financials	(\$20,902)	\$326,037	(6.4%)	(25.2%)
JPMorgan Chase & Co.	Financials	(\$15,668)	\$266,323	(5.9%)	3.4%
Wells Fargo & Co.	Financials	(\$13,211)	\$119,982	(11.0%)	9.9%
Citigroup, Inc.	Financials	(\$9,058)	\$286,711	(3.2%)	(16.0%)
General Electric Co.	Industrials	(\$8,994)	\$286,694	(3.1%)	5.2%
S&P 500	-	(\$31,307)	\$4,595,416	(0.7%)	7.8%

US Mergers & Acquisitions Announcements:

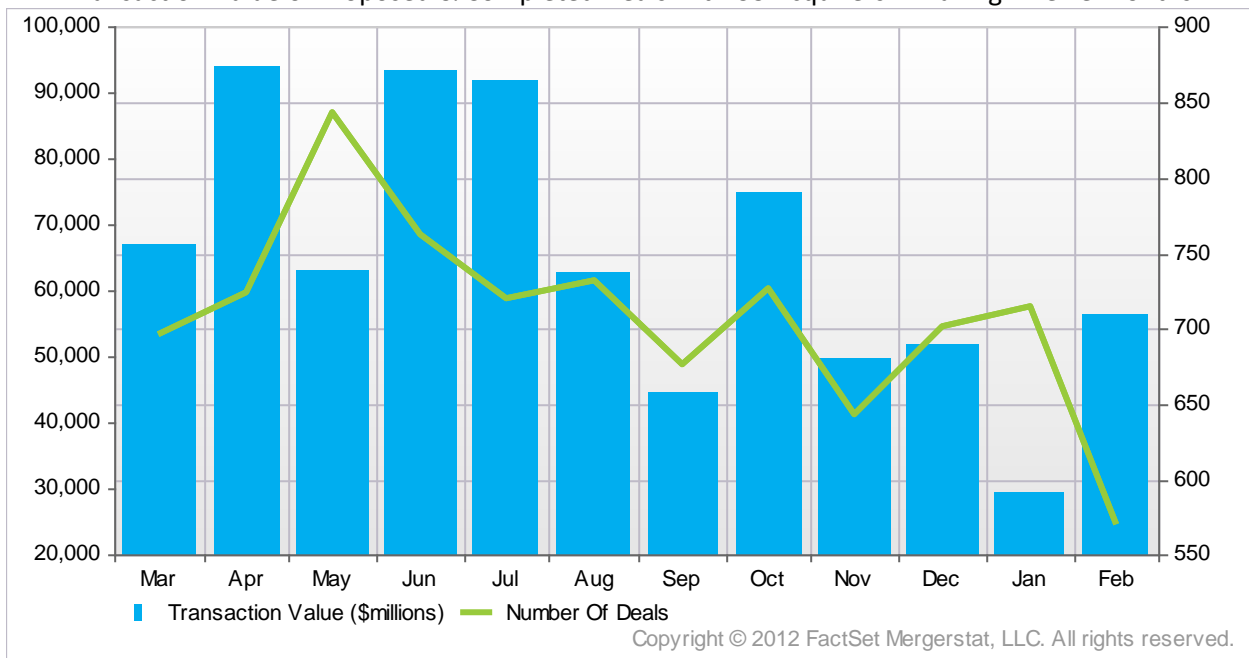
The charts below aggregates transaction values for all pending and completed mergers and acquisitions in which the acquiring company is based out of the United States. The deals are organized by announcement date. A more complete examination of US merger activity, including analysis on deal sizes, premiums, target valuations, industry-level activity, and large deal snapshots can be found in the [FactSet Flashwire Monthly](#) report.

Transaction Value of Proposed & Completed Deals with US Acquirers – Annual Periods*



*2012 figures are projected numbers generated from annualizing the deal sums in January and February of this year.

Transaction Value of Proposed & Completed Deals with US Acquirers – Trailing Twelve Months



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About FactSet Fundamentals

FactSet Fundamentals gives you access to current, comprehensive, and comparative information on securities worldwide. The comprehensive coverage available includes more than 69,000 companies from over 70 countries, with 20 years of historical data, and up to 2,000 data items on each company record. Comprised of annual and interim/quarterly data, detailed historical financial statement content, per share data, calculated ratios, pricing, and textual information, FactSet Fundamentals provides you with the information you need for a global investment perspective.

About FactSet Alpha Testing

Alpha Testing is FactSet’s backtesting tool. Alpha Testing lets you test ideas about which quantitative and qualitative factors drive returns. Use our robust and flexible interface to create custom models and communicate results. Alpha Testing is fully integrated into the FactSet workstation. Model scores can be used in real time portfolio contribution or for portfolio construction.

About FactSet Mergers

FactSet Mergers provides access to FactSet's Mergerstat and MergerMetrics products. Mergerstat gives you access to detailed information on announced mergers, acquisitions, and divestitures involving both public and private companies worldwide. MergerMetrics lets you analyze merger agreements to find highly negotiated aspects of a merger as well as precedent language and transactions.