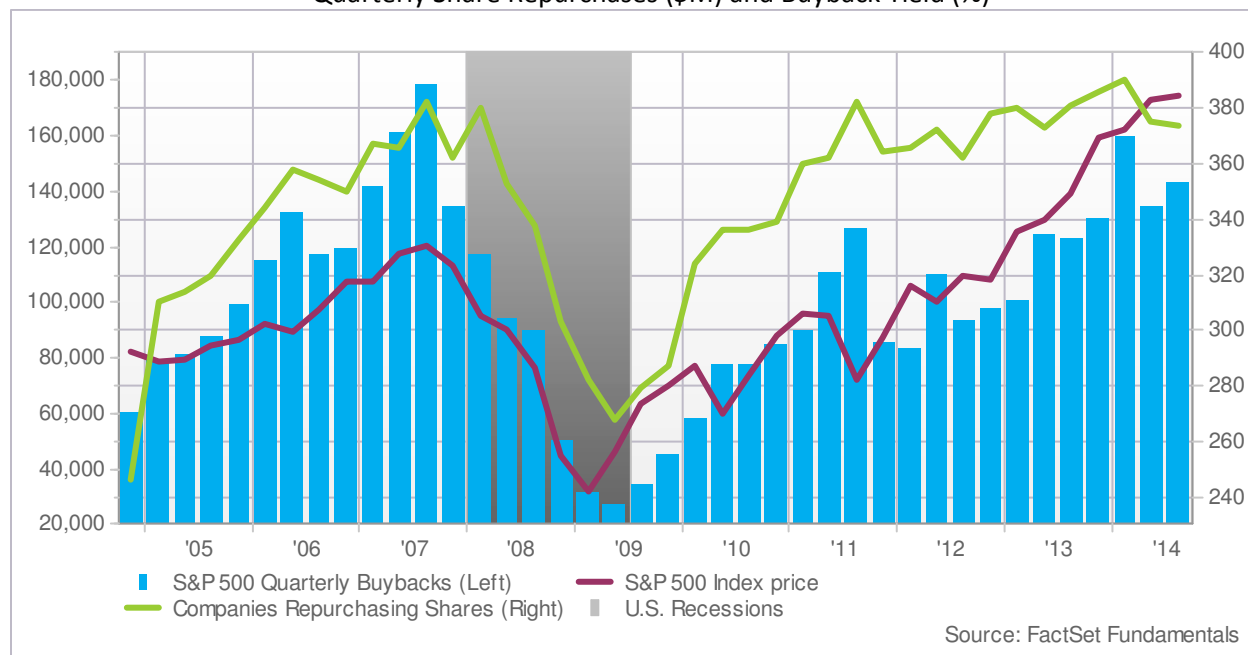


Key Metrics:

- + **Aggregate Dollar-Level Buybacks:** Companies in the S&P 500 spent \$143.4 billion on share repurchases during the third quarter, which was a year-over-year increase of 16%. On a trailing 12-month basis, companies spent \$567.2 billion on share repurchases, which was a year-over-year increase of 27%.
- + **Company-Level Buybacks:** At the company level, Apple was the largest contributor to year-over-year increase in buyback spending by S&P 500 companies for the third quarter. The company spent \$17 billion on share repurchases during the quarter.
- + **Buyback Participation:** Overall, 374 companies (or 75% of the index) participated in share buybacks during the third quarter.
- + **Sector-Level Buybacks:** Seven of the ten sectors witnessed year-over-year growth in spending on share repurchases, led by the Materials, Information Technology, and Financials sectors. On the other hand, the Telecom Services sector saw the largest year-over-year decrease in spending on buybacks for the quarter.

Quarterly Share Repurchases (\$M) and Buyback Yield (%)



"Buyback Quarterly" is one part of three reports ("Dividend Quarterly" and "Cash & Investments Quarterly") analyzing cash and discretionary spending within the S&P 500. The other reports can be found at <http://www.factset.com/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 or 1-877-FACTSET for more information.

Share Buybacks Rebound in Q3, led by Apple

Fourth-Highest Quarter for Spending on Buybacks Since 2005

Quarterly Buybacks: \$143.4 billion (+16%)

For the third quarter, aggregate share buybacks amounted to \$143.4 billion. This dollar level reflected a year-over-year increase of 16.0% and a quarter-over-quarter increase of 6.6%. This quarter also marked the fourth highest quarter for spending on buybacks by companies in the S&P 500 since 2005 (when FactSet started tracking the data), trailing only Q3 2007 (\$178.7 billion), Q2 2007 (\$161.7 billion), and Q1 2014 (\$160.4 billion).

Trailing 12-Month Buybacks: \$567.2 billion (+27%)

On a trailing 12-month basis (TTM), spending on buybacks by S&P 500 companies totaled \$567.2 billion. This amount reflected a year-over-year increase of 26.9% compared to the spending over the prior (year-ago) 12-month period. Again, the third quarter reflected the fourth highest quarter for spending on buybacks on a trailing 12-month basis since 2005, behind only Q4 2007 (\$618.0 billion), Q3 2007 (\$603.3 billion), and Q1 2008 (\$593.6 billion)

Company-Level Buybacks: Apple Drives Increase with 2nd Highest Quarterly Repurchase

Apple: \$17 billion (+240%)

At the company level, Apple was the largest contributor to the increase in dollar-level share repurchases on a year-over-year basis. The company spent \$17.0 billion in share repurchases during Q3 2014, which was the highest amount spent by any company in the index and reflected a 240% increase over the year-ago quarter (\$5 billion). It is important to note that \$9 billion of the \$17 billion dollar total was a payment for a new accelerated share repurchase arrangement ("ASR") initiated in August. This marked the second-highest dollar amount spent on buybacks during a quarter by an individual company since 2005 (when FactSet started tracking the data), trailing only Apple's \$18.6 billion dollar purchase during Q1 2014. On a trailing 12-month basis (TTM), Apple has now spent the highest amount on buybacks of all the companies in the index. Apple's total spending over this time frame (\$55.9 billion) is nearly three times higher than IBM's total spending (\$19.3 billion), which is the second-highest amount in the index.

Aside from Apple (+\$12.0 billion), a number of other companies were also significant contributors to the dollar-level increase in buybacks compared to the year-ago quarter, including Monsanto (+\$4.5 billion), Intel (+\$3.6 billion), CBS Corporation (+\$2.8 billion), Merck (+\$2.5 billion), and Johnson & Johnson (+\$2.3 billion). On the other hand, companies that recorded substantial year-over-year declines in dollar-level spending on buybacks included Halliburton (-\$3.0 billion), Pfizer (-\$2.5 billion), and QUALCOMM (-\$2.1 billion).

Buyback Participation: 75%

Overall, 374 companies (or 75% of the index) participated in share buybacks during Q3 2014. Despite the increase in dollar-level spending on share repurchases compared to the year-ago quarter, the number of companies that participated in share repurchases fell by 2% (to 374 from 381) relative to Q3 2013. On a sequential basis (compared to Q2 2014), the number of companies that participated in a share repurchases dropped by 1 (to 374 from 375).

Sector Trends: Materials, Information Technology, and Financials Report Highest Growth

At the sector level, seven of the ten sectors recorded a year-over-year increase in spending on share repurchases, led by the Materials, Information Technology, and Financials sectors. On the other hand, the Telecom Services sector witnessed the largest drop in spending on share repurchases for the quarter.

The Materials sector witnessed a whopping 237% increase in spending on buybacks in Q3, which was the largest increase of all 10 sectors. It is important to note that this sector (along with the Utilities and Telecom Services sectors) has not historically been a large spender on buybacks, which makes it susceptible to large swings in quarterly growth rates. Most of the growth was concentrated in a few companies. Monsanto was by far the largest contributor to the increase in share buybacks in the Materials sector, accounting for more than two-thirds of the rise. The company spent nearly \$5 billion on share buybacks in Q3 2014, compared to \$517 million in Q3 2013. Aside from Monsanto, diversified chemical companies Dow Chemical (+\$946 million) and Du Pont (+\$763 million) were significant contributors to the increase in spending on buybacks for the Materials sector.

The Information Technology sector saw a 32.5% increase in spending on buybacks in Q3, which was the second largest increase of all 10 sectors. Again, much of the increase was concentrated in a few companies. Apple (+\$17 billion) and Intel (+\$3.6 billion) were the largest contributors to the rise in buyback spending in the sector, while QUALCOM (-\$2.1 billion), Oracle (-\$1.1 billion), and Intuit (-\$1.0 billion) were the largest detractors to the jump in share repurchases for the sector in Q3 2014.

In the Financials sector, companies in aggregate reported a 30.0% rise in spending on share repurchases, which was the third highest percentage of all ten sectors. Companies that were significant contributors to the increase in buyback spending in this sector include AIG (+\$1.2 billion) and JPMorgan Chase (\$749 million).

On the other hand, the Telecom Services sector witnessed the largest decrease in spending in share repurchases of all ten sectors at -87.6%. As noted earlier, this sector has not historically been a large spender on buybacks, which makes it susceptible to large swings in quarterly growth rates. Most of the decline in this sector can be attributed to AT&T, which spent only \$221 million on buybacks in Q3 2014, compared to \$1.9 billion in Q3 2013.

Energy Sector: Impact of Falling Price of Oil on Buybacks

Given the continued decline in the price of oil, the Energy sector will likely be a focus sector for the markets regarding spending on buybacks during Q4. For the third quarter, year-over-year spending on buybacks declined by 13.1%, which was the third largest decline of all ten sectors in the index. How will the falling price of oil impact spending on buybacks in this sector in Q4? Some companies in this sector discussed this issue during their earnings conference calls for the quarter.

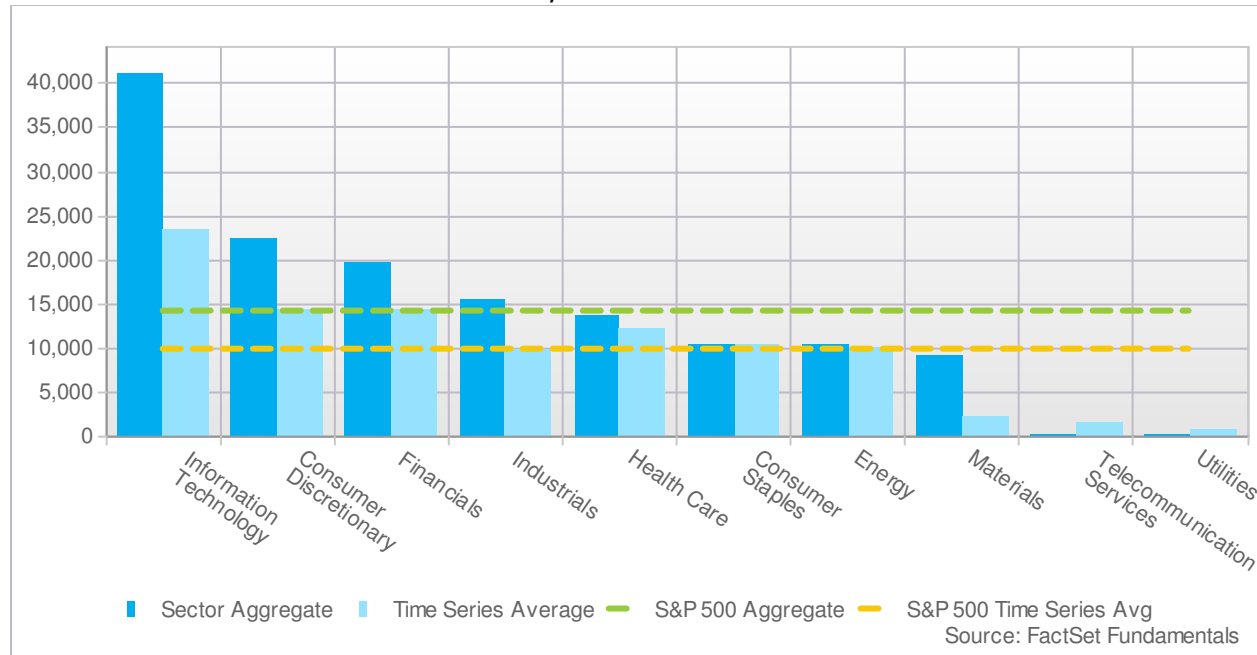
“Our financial priorities haven't changed. They start with growing an attractive dividend. Next, we look to invest in economic projects that create value and allow us to sustain and grow the dividend for years to come. Third, we want to maintain a strong balance sheet, precisely for times like this. And finally, any available cash is distributed to our shareholders through our share repurchase program. Our program is scalable and could be adjusted in a period of low prices. We'll continue to make that assessment each quarter, and our future actions will obviously be influenced by how low prices stay and for how long.” – Chevron (Oct. 31)

“So if you think about our capital allocation approach, it's first and foremost to invest in all of our attractive business opportunities that are accretive to average unit profitability and returns. Second is to continue to pay our reliable and growing dividends, and I'll remind everybody that our dividends have grown about 10% a year over the last ten years. And then lastly is to return cash to our shareholders through our share buyback program. As we've said in the past our operating cash flows remain the primary source of funding for both our capital requirements and our shareholder distributions, but we'll access the financial markets when and if needed, to meet commitments or capture opportunities.” – Exxon Mobil (Oct. 31)

Dollar-Value Buybacks: Quarterly

All aforementioned and forthcoming values are in millions, unless otherwise designated. Quarterly data is organized by adjusted calendar quarters with Q4 ending in January.

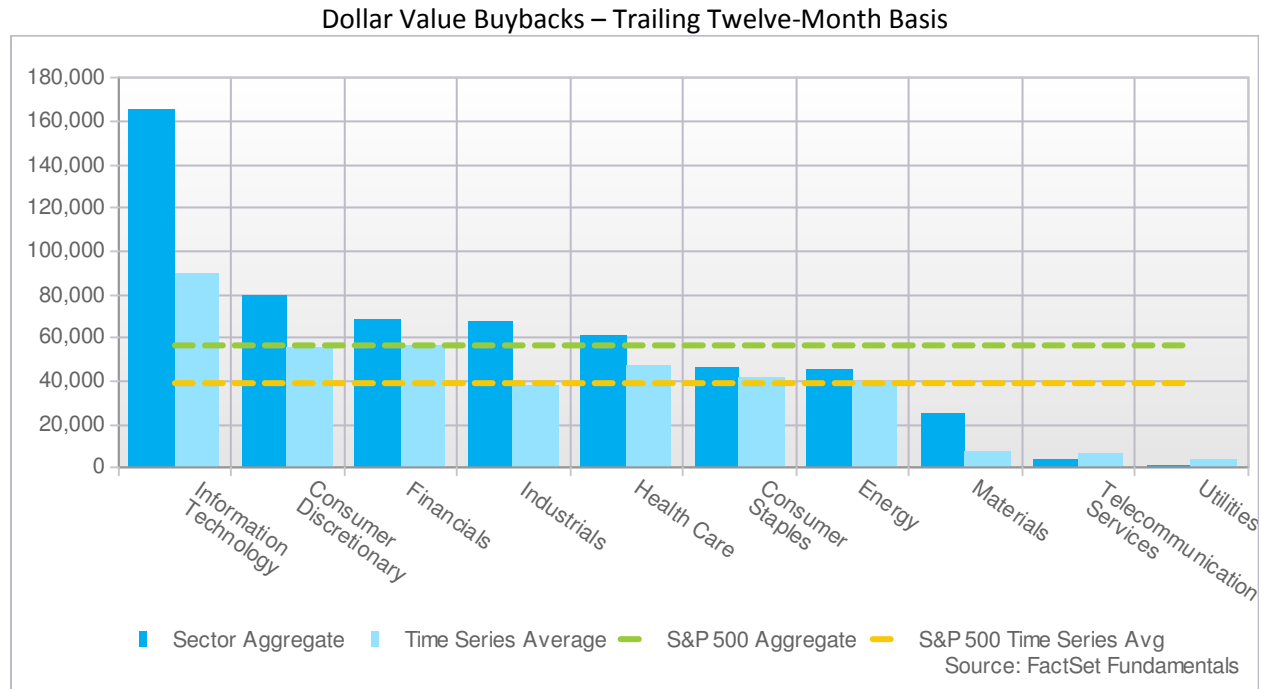
Dollar Value Buybacks – Most Recent Quarter



Top 10 Companies by Dollar-Value Buybacks – Most Recent Quarter

Company	Sector	Quarter's Buybacks (\$M)	% Change in Shares (Qtr)	Dividend Outflows	1 Year Total Return
Apple Inc.	Information Technology	\$17,000	(2.1%)	\$2,829	39.9%
Monsanto Company	Materials	\$4,977	(7.5%)	\$225	8.6%
Intel Corporation	Information Technology	\$4,097	(1.8%)	\$1,095	52.8%
CBS Corporation Class B	Consumer Discretionary	\$3,120	(8.8%)	\$69	(7.2%)
Exxon Mobil Corporation	Energy	\$3,002	(0.7%)	\$2,946	(6.6%)
Merck & Co., Inc.	Health Care	\$2,670	(1.3%)	\$1,282	23.1%
Procter & Gamble Co.	Consumer Staples	\$2,642	(0.3%)	\$1,806	12.2%
Home Depot, Inc.	Consumer Discretionary	\$2,622	(2.1%)	\$627	29.8%
Caterpillar Inc.	Industrials	\$2,503	(3.6%)	\$440	8.6%
Wells Fargo & Company	Financials	\$2,490	(0.7%)	\$2,145	26.9%

Dollar-Value Buybacks: Trailing Twelve Months



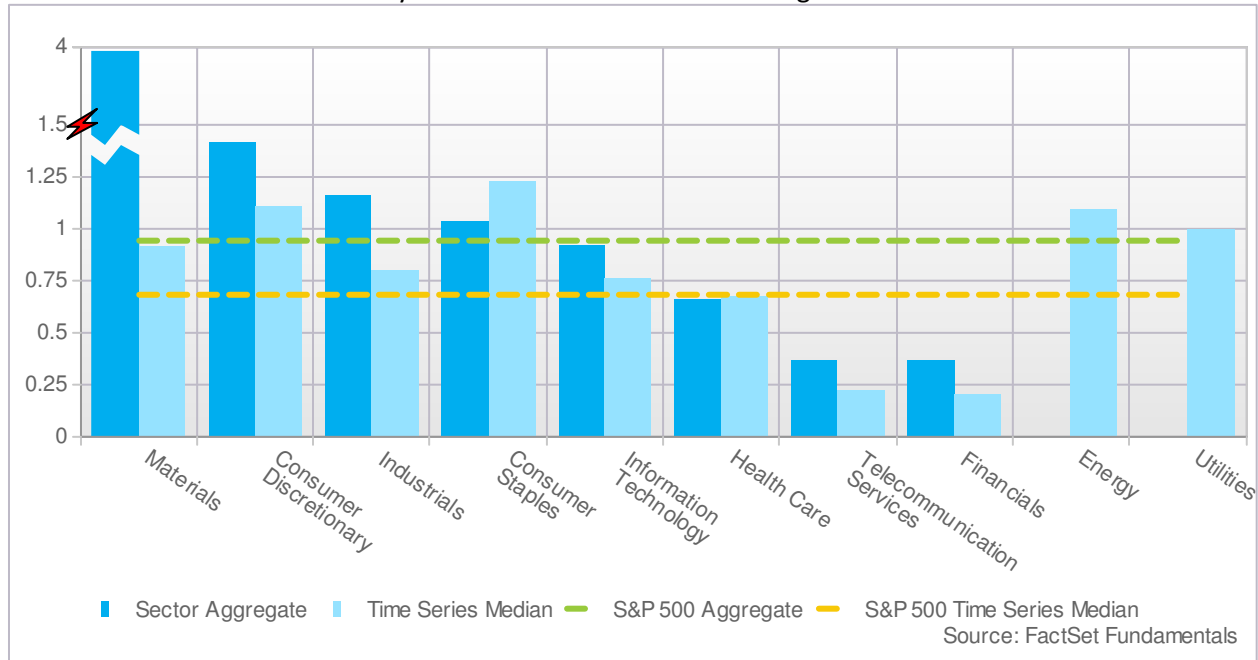
Top 10 Companies by Dollar-Value Buybacks – Trailing Twelve Months

Company	Sector	TTM Buybacks (\$M)	% Change in Shares (TTM)	Dividend Outflows	1 Year Total Return
Apple Inc.	Information Technology	\$55,949	(6.8%)	\$11,126	39.9%
IBM	Information Technology	\$19,270	(8.9%)	\$4,201	(8.2%)
Exxon Mobil Corporation	Energy	\$13,167	(3.1%)	\$11,394	(6.6%)
Cisco Systems, Inc.	Information Technology	\$8,898	(4.5%)	\$3,817	35.1%
Oracle Corporation	Information Technology	\$8,791	(2.9%)	\$2,161	20.4%
Pfizer Inc.	Health Care	\$8,648	(2.2%)	\$6,524	5.9%
Home Depot, Inc.	Consumer Discretionary	\$8,166	(6.4%)	\$2,456	29.8%
Intel Corporation	Information Technology	\$7,618	(2.3%)	\$4,461	52.8%
Wells Fargo & Company	Financials	\$7,246	(1.1%)	\$7,810	26.9%
Microsoft Corporation	Information Technology	\$6,909	(1.1%)	\$9,270	29.6%

Buybacks to Adjusted Free Cash Flow: Trailing Twelve Months

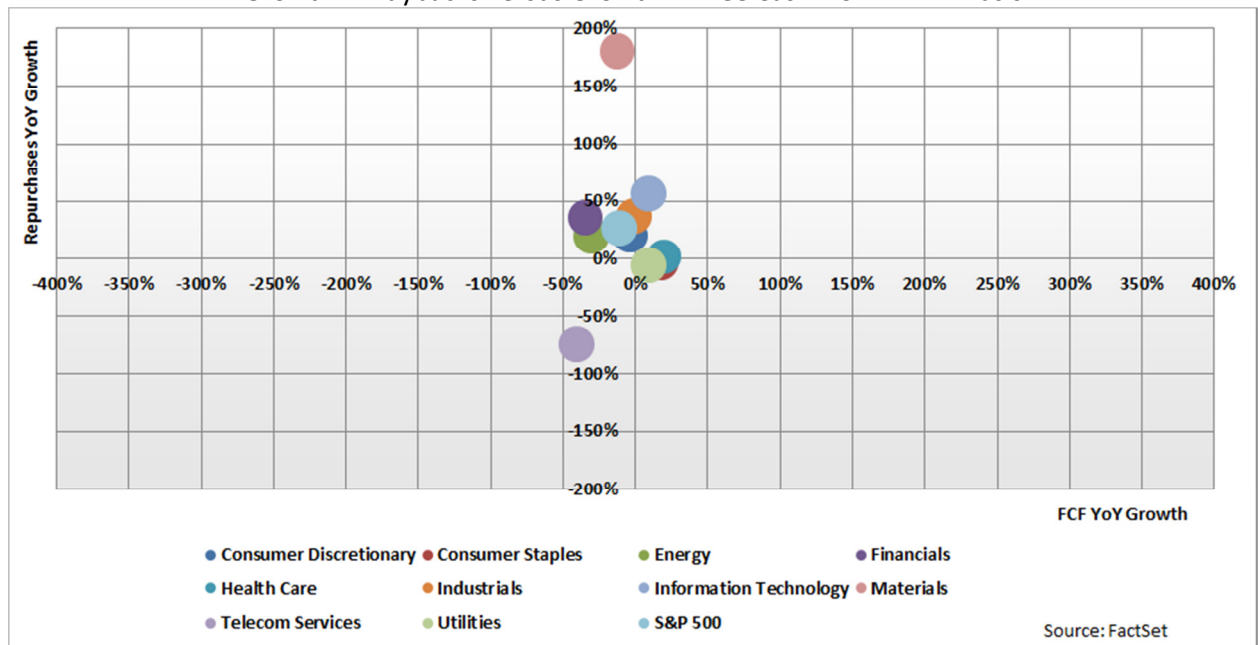
Adjusted free cash flow to equity is defined as cash from operating activities minus capital expenditures from fixed assets and cash dividends paid. Periods where aggregate free cash flow is negative have been removed from the charts below.

Dollar-Value Buybacks to Free Cash Flow – Trailing Twelve Month Basis



The following chart shows sector-level year-over-year growth in trailing twelve months of adjusted free cash flow (x-axis) and dollar-value buybacks (y-axis).

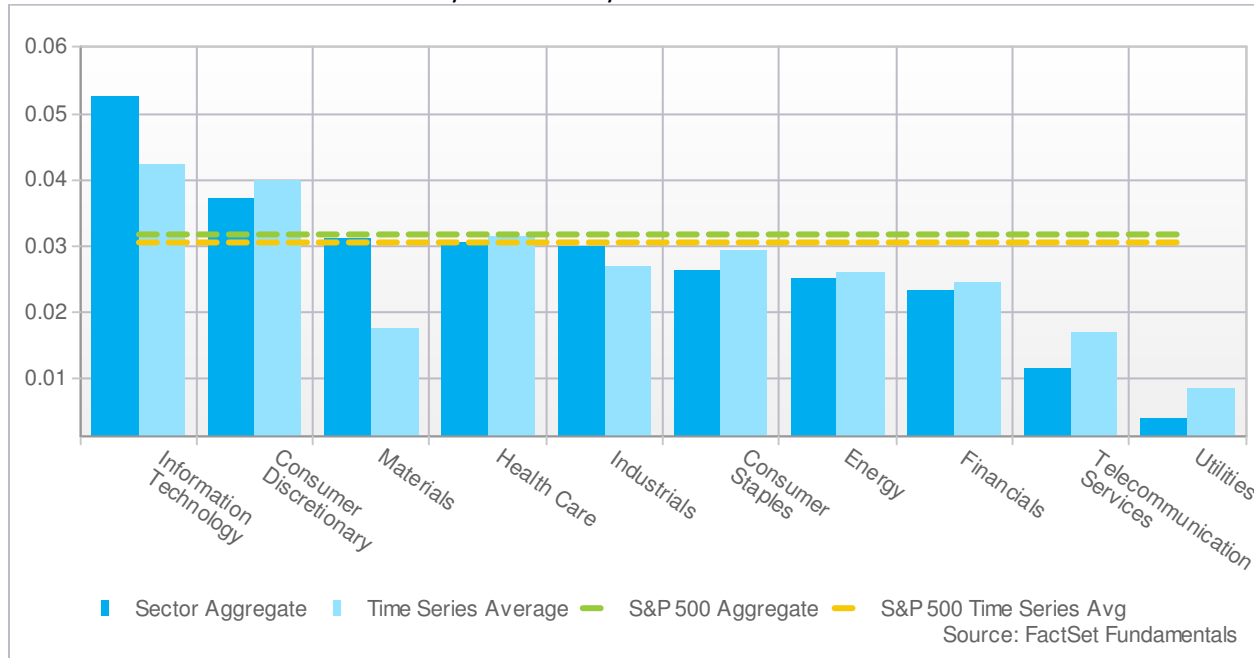
Growth in Buybacks versus Growth in Free Cash Flow – TTM Basis



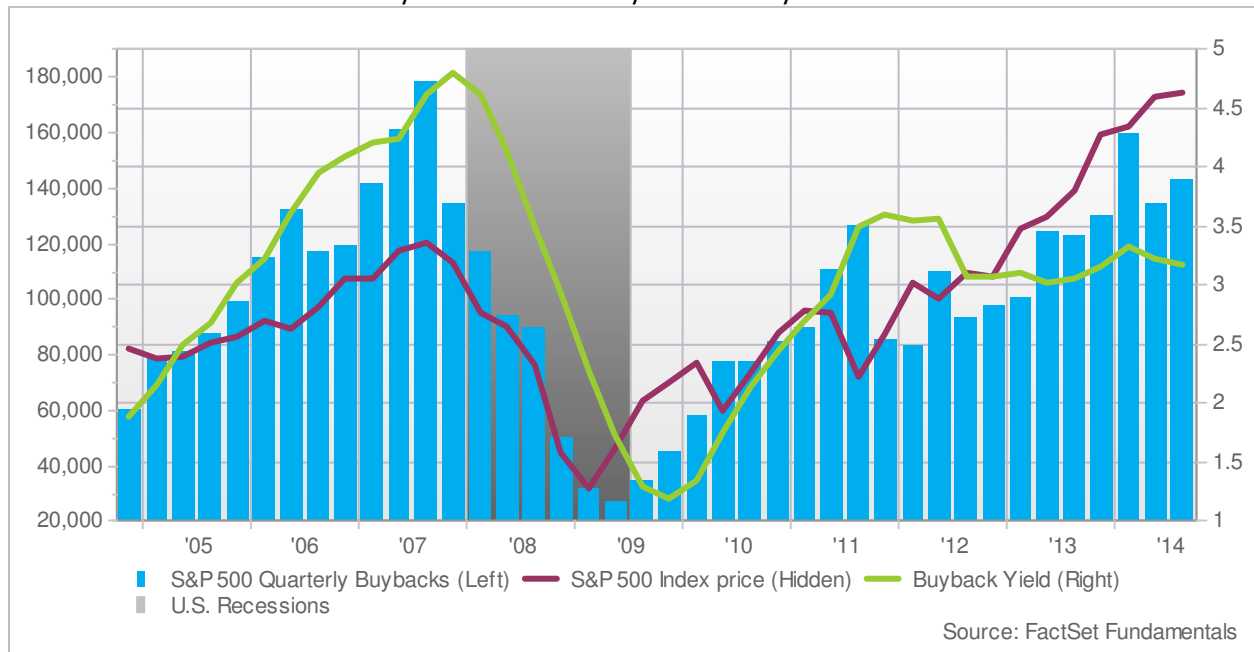
Buyback Yield

Buyback yield is calculated by dividing the TTM shares repurchased by the company's current shares outstanding. It's also important to note the relationship between dividend and share yields. Share repurchases decrease the dividend burden of a company by reducing shares outstanding, and can reduce dividend yield by increasing a stock's price.

Buyback Yield by Sector – TTM Basis



Historical Buyback Yield with Buyback Activity and S&P 500 Price

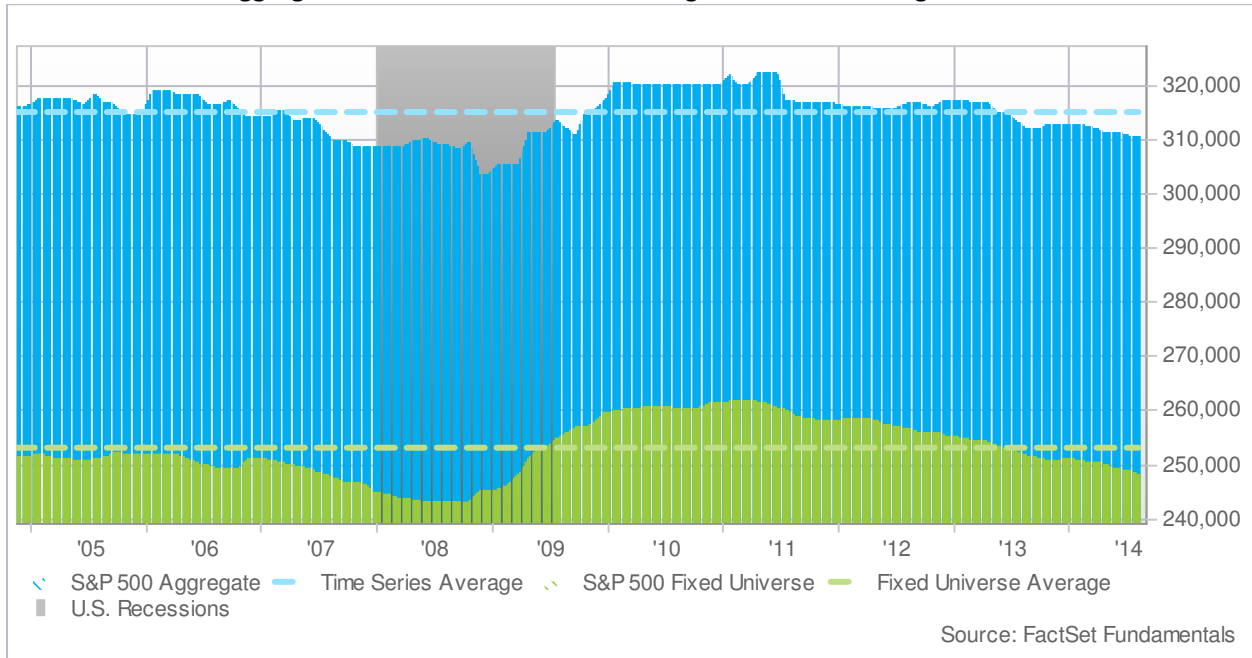


Trends in Common Shares Outstanding

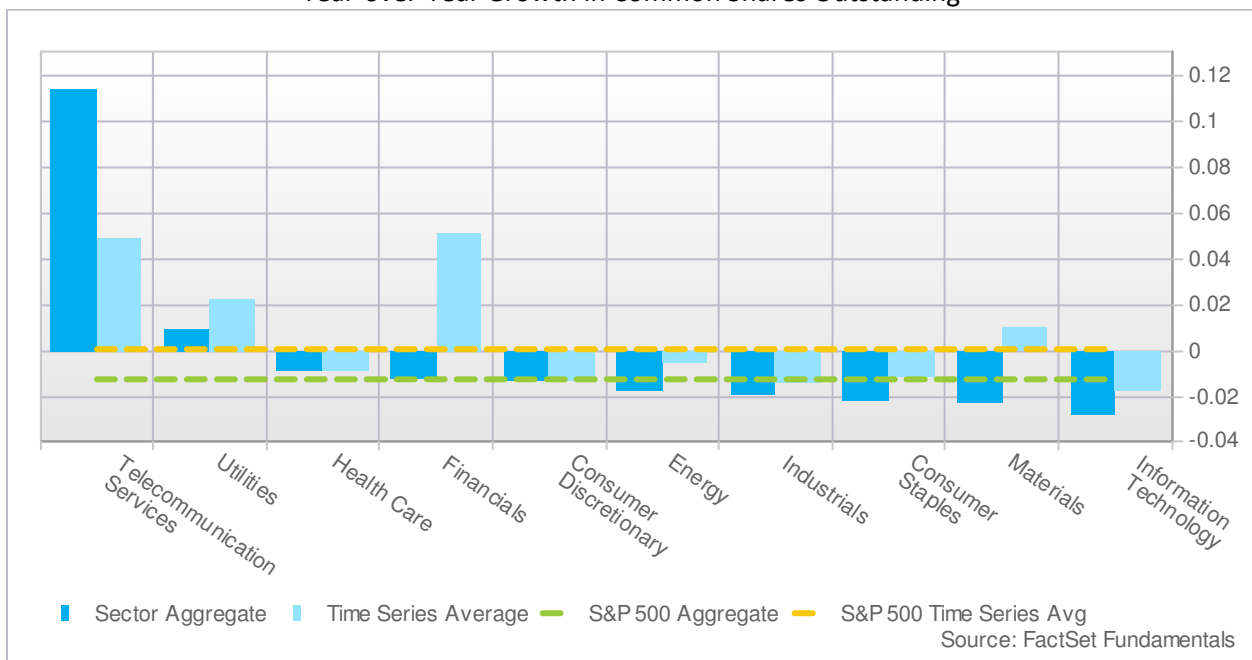
While share repurchases are a large factor in determining the change in share count of a company, they do not capture such activities as exchange of common stock for debentures, conversion of preferred stock, convertible securities, or stock options, or the issuance of stock for acquisitions. Therefore, the charts below are included to show the aggregate change in shares outstanding.

The first chart shows aggregate common shares outstanding in the S&P 500 using a rolling universe and a universe of only the companies that were in the index throughout the time series. The latter view is intended to isolate the trend in share count from constituent changes.

Aggregate Common Shares Outstanding – Fixed and Rolling Universe



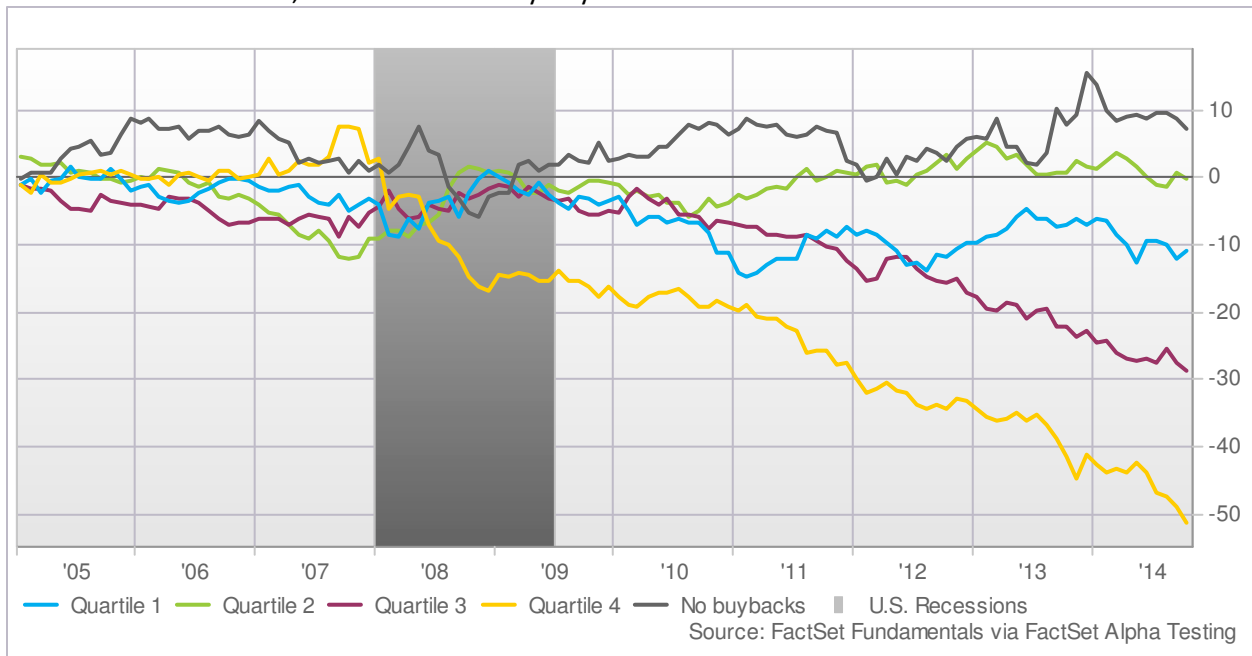
Year-over-Year Growth in Common Shares Outstanding



Historical, Forward Performance: Share Repurchase Activity

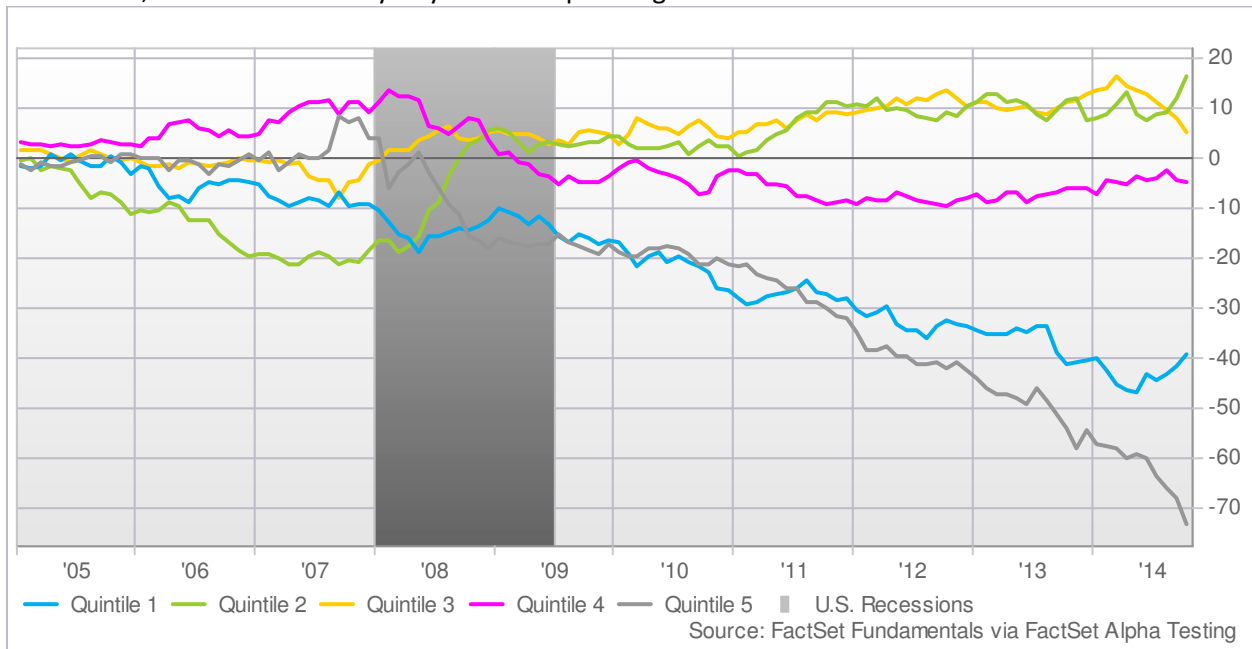
For this back test, S&P 500 companies were broken into quartiles by their buyback yield. Companies were placed into four equal-sized groups based on trailing twelve-month activity, with a fifth group for stocks that didn't repurchase shares over the period. It's important to note that the companies repurchasing shares actually outperformed both the S&P 500 and those companies that did not make repurchases on an equal-weighted basis. Quartile 1 includes companies with the highest buyback yields.

Historical, Forward Returns by Buyback Yield – Relative to S&P 500 TR Index



For this back test, S&P 500 companies were broken into groups by their buyback spending relative to operating cash flow on a trailing twelve month bases. Companies that had negative operating cash flow or that did not repurchase shares over the trailing twelve months were excluded. Quintile 1 includes companies with the highest ratio of buybacks to operating cash flow.

Historical, Forward Returns by Buybacks to Operating Cash Flow Ratio – Relative to S&P 500 TR Index



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