December 6, 2010

Analysts' Best Picks® for 2011

Allscripts Healthcare Solutions Inc.
(MDRX:NASDAQ)

Bank of America Corporation
(BAC:NYSE)

CONSOL Energy Inc.
(CNX:NYSE)

Covidien plc
(COV:NYSE)

Digital Realty Trust, Inc.
(DLR:NYSE)

Equinix
(EQIX:NASDAQ)

Halliburton
(HAL:NYSE)

HealthSouth Corporation
(HLS:NYSE)

Lincoln National Corp.
(LNC:NYSE)

NVIDIA Corporation
(NVDA:NASDAQ)

Panera Bread Co.
(PNRA:NASDAQ)

Pioneer Natural Resources, Inc.
(PXD:NYSE)

Stanley Black & Decker
(SWK:NYSE)

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2011 Analysts' Best Picks®

December 6, 2010

Dear Investors,

We are pleased to present our sixteenth annual Analysts' Best Picks® (ABP) list.

The purpose of the annual Analysts' Best Picks® list is to identify and select stocks likely to produce above-average price appreciation over the next 55 weeks. Finding stocks able to outperform following the major market move since March 2009 remains challenging given the expected relative slow recovery of the U.S. economy next year. Over the first fifteen ABP lists, fourteen outperformed the S&P 500 (this includes ABP10 through December 2, 2010). It is worthy to note, as shown on page 3, that double-digit excess returns were produced in twelve of the fourteen years that ABP outperformed the S&P 500. The 2010 list is significantly ahead of the S&P 500 through December 2, 2010's close with a total return of 27.3% from the December 3, 2009 launch prices versus the S&P 500's 13.3% total return for the same period.

What accounted for ABP10's outstanding performance? Seven of the thirteen stocks (53.9%) have outperformed the S&P 500 through the close of December 2. The best performer from the ABP10 list was Concho Resources (up 108.5%). Two stocks increased by 50% or more (Altera Corporation and Sybase, Inc.) while four others increased in the range of 15-49% (Aflac, Alpha Natural Resources, National Oilwell Varco, and Nuance Communications). Three stocks declined in value (Bank of America, FLIR Systems, and TD Ameritrade Holding Corp.) and the rest were up less than 15%. We have updated our fifteen-year performance table on the next page with the inclusion of the year-to-date ABP10 results through December 2.

As in all ABP selections, the analyst's judgment about the company's fundamentals, its growth prospects, and the risks associated with the stock's anticipated appreciation are based largely on their knowledge of the industry and the company, as well as the accuracy of growth expectations.

Equity markets around the world have improved this year with U.S. equity markets as measured by the S&P 500 increasing 9.5% year-to-date and 11.1% (on a price appreciation only basis) since the pricing of the ABP10 list on 12/3/09. The encouraging elements of the recovery are that corporate earnings and cash flows are strongly rebounding, the financial strength and liquidity of most companies have improved, and interest rates and inflation remain muted. The negative issues that remain for 2011 and 2012 are stubbornly high U.S. unemployment and expected weak GDP growth. Given relatively weak revenue growth for many companies, managements have continued to focus on cost-reduction programs and other profit improvement initiatives aimed at increasing profit margins, profitability, and cash flow generation. More companies are now more active in the acquisition market and find it more financially advantageous to go to the capital markets in order to raise new equity, along with the option of long-term debt, to finance acquisitions, refinance high cost debt or increase working capital/dividends.

Once again our analysts have been challenged to find the best stocks to own in 2011 from among the 800 companies we actively follow. A brief discussion of the selections comprising the Analysts' Best Picks® for 2011 is presented on pages 8-20 of this publication. All of these selections currently carry a Strong Buy rating. These selections will remain on the list until December 31, 2011, unless the company is acquired and no longer trades publicly.

I extend my best wishes for a happy holiday season and for your prosperity next year.

David A. Henwood, CFA
Chief Investment Officer

Best Picks Performance Record

Year	Best Picks List [a]	S&P 500 [h]	Excess Return [f]	Best Picks CY Basis [c]
1996 [b]	37.2%	22.6%	14.7%	33.2%
1997	53.5	37.1	16.4	44.8
1998	38.9	30.8	8.2	32.9
1999	143.9	25.4	118.6	93.0
2000	46.9	-4.8	51.7	31.8
2001	11.6	-15.0	26.6	3.9
2002	-0.6	-22.7	22.2	-5.2
2003	37.2	24.3	12.9	36.4
2004	27.7	14.9	12.9	19.7
2005	17.2	7.1	10.1	10.4
2006	5.9	14.9	-9.0	1.9
2007	30.5	6.2	24.2	30.7
2008	-35.0	-38.6	3.5	-34.3
2009	62.5	35.4	27.1	38.2
2010 [d]	27.3	13.3	14.0	22.3
5 Yr. Avg. [e]	18.2	6.3	11.9	11.7
10 Yr. Avg. [g]	18.4	4.0	14.4	12.4

a. On a total return basis with performances averaged as if an equal dollar allocation was made to each stock at the beginning of the period and held until 12/31 of the following year.

b. This was the first year performance of the *Analysts' Best Picks®* list.

c. Total return performance for the calendar years indicated.

d. Picks 2010 and 2010's S&P 500 represent total return performance through the close of 12/2/10.

e. Years 2006, 2007, 2008, 2009, and 2010 with total returns averaged.

f. Annual average Best Picks total return performance minus the comparable S&P 500 performance. Figures may not total due to rounding.

g. Years 2001 through 2010 with total returns averaged.

h. S&P 500 on a total return basis for comparable ABP lists' time periods.

S&P total return with gross dividends reinvested is from Bloomberg LLC.

Since 1996 a total of 171 stocks have been recommended through the *Analysts' Best Picks®* list. Of this total, 117 advanced (68.4%) and 54 declined (31.6%) within the recommended holding period. The holding period for each year's list is approximately 55 weeks from the inception date to 12/31 of the following year.

An investor would incur commissions (and interest charges if transacted in a margin account) to transact these recommendations. The results presented should not and cannot be viewed as an indicator of future performance. Individual results will vary and transaction costs related to investing in these stocks will affect overall performance. There is no assurance that the list will achieve the results expected and investors may incur profits or losses. The performance returns in 1999 were extraordinary and it is unlikely that these unrealistically high returns will be repeated. The S&P is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. A complete list of all Analysts' Best Picks® since 1996 is available upon request.

Equity-Linked Note

Raymond James & Associates created an equity-linked note in December 2009, issued by Societe Generale, designed to offer our retail clients a vehicle to invest in the names on the *Analysts' Best Picks®* report published by our Equity Research department. The note was structured to offer clients with $10,000 - $75,000 the ability to invest in the ideas in a more cost-efficient manner than purchasing the stocks individually. The following paragraphs specifically review the performance of the note through December 2, 2010, in comparison to the returns published by Equity Research and the broader equity markets.

Investors who own the equity-linked note in their accounts show a gain of 22.71% as of December 2, 2010, assuming a $10,000 notional investment. Each client's specific return will depend on how many notes were purchased originally, as the impact of the $4.95 ticket charge will vary as the number of notes changes. A comparison of the 2010 note assuming a $10,000 notional investment versus the major equity indices is below.

	Total Return
2010 ABP Note *	22.71%
S&P 500 Index	14.11%
NASDAQ Composite	19.91%
Russell 2000 Index	27.25%

*Beginning date of note performance is 12/8/2009

Each year, the list is intended to be a group of stocks that our research analysts believe will outperform the broader equity markets for a one-year period. The final performance of this year's note will be determined by what happens between now and the note's maturity date of 12/17/2010.

The *Analysts' Best Picks® for 2010* as published by Equity Research shows a total return of 27.31% using the closing prices from December 3, 2009 as its cost basis. The 4.6% spread between the returns is comprised of two factors: commissions and different dates of initiation. The first factor in the spread is the commissions paid on the note. Investors in the note paid 2.75% in upfront commissions along with a $4.95 ticket charge.

Thus, the return shown in accounts is reflective of a $1,027.50 investment per note ($1,000 x 1.0275) plus $4.95. We limit the amount of notes that can go into any one account to a notional range of $10,000 - $75,000. We developed this range by comparing the fees to buy the note versus the individual stocks, assuming standard commission levels. In this comparison, the note costs investors less. Of course, advisors and clients should review their account's cost structure when selecting the appropriate investment vehicle for their situation. As is consistent with most research reports across the Street, commissions are ignored when computing returns. The reason for this is that commissions can vary widely across different types of accounts. Issues such as institutional versus retail accounts, fee-based versus commission-based accounts, and full commissions versus different discount rates all make it difficult to choose an appropriate level of fees to build into a report that would apply to the various recipients of our research.

The other factor in the spread is the difference in cost basis recognized by Equity Research versus what is achieved in the note. When the report is published, Research must choose a price for calculating returns, and no matter what day or price they use, there will always be a difference between that return and what investors actually receive. Research is using the closing price from the Thursday prior to the list's announcement day, December 3, 2009. The list was published after the close on Monday, December 7, 2009. The cost basis in the note was determined by the prices achieved when buying the stocks over the four-day period immediately following the list's release.

Please contact Equity Linked Securities with any questions.

Equity Linked Securities
Equity Capital Markets
Ext. 71857

Economic Outlook for 2011

Recovery to Continue in 2011, Better in Second Half

The U.S. economic recovery continued in 2010, but the pace of growth, while positive, was not enough to reduce the unemployment rate. This was not expected to be a v-shaped recovery. In a typical recession/recovery, the Fed raises short-term interest rates to cool inflation pressures, the economy slows, pent-up demand for homes and vehicles builds during the downturn, the Fed lowers interest rates, the economy starts to improve, and the satisfaction of the pent-up demand results in a rapid recovery. However, this is a different kind of animal. Recessions that are caused by financial crises are more severe, and the recovery process is much more gradual as it takes time to repair the financial damage. Fiscal and monetary policy efforts can limit the downside, but they cannot by themselves jumpstart a strong recovery.

Looking ahead to 2011, the economic outlook is "more of the same." That is, growth should remain positive, but will be limited in the near term by a continuation of economic headwinds including: lingering problems in residential real estate, strains in state and local government budgets, and the unwinding of the federal fiscal stimulus. The economy appears to have enough positive momentum to avoid a double-dip recession, but a slow to moderate pace of growth will leave us open to any downside shocks (such as substantially higher oil prices or weaker growth abroad).

A renewed recession is possible, but not likely. The housing sector, for example, is already very weak and does not have much room to fall further. However, a continued decline in home prices would worsen foreclosures and dampen consumer spending growth (through the effect on household wealth).

Improvement in the job market has been slow. Labor market data suggest that the rate of job destruction has been relatively limited in recent months. Announced corporate layoff intentions are trending low. The problem in the labor market has been a lack of job creation. Corporate profits have recovered significantly since the recession, helping to fuel business fixed investment and preventing large-scale job losses, but they have not induced new hiring. Much of the job growth in an expansion tends to come from smaller and newer firms. Bank credit for small firms remains tight and many do not want to borrow.

The pace of job growth, while not enough to push the unemployment rate down, has been strong enough to fuel growth in aggregate wage income, which has helped fuel moderate growth in consumer spending. Households have generally reduced debt levels. An increase in the personal savings rate worsened the economic downturn, but the rate appears to have stabilized in recent months (to 5.5-6.0%, although the measured savings rate is a flawed statistic). The savings rate is an important wildcard in the 2011 economic outlook. An additional increase in savings would further dampen the pace of consumer spending and overall growth.

The bank rescue and the federal fiscal stimulus have been widely criticized, but the downturn would have been much more severe if these steps had not been taken. Ultimately, recovery will depend on the private sector. The fiscal stimulus simply acts as a bridge, giving the private sector time to recover. In hindsight, that bridge should have been larger. Now the public mood is against further fiscal stimulus and such support is politically unavailable.

The fiscal stimulus has added to the federal budget deficit, but the sharp worsening of the deficit in recent years has been due to the loss of revenue and added transfer payments (extended unemployment insurance benefits, food stamps, etc.) associated with the recession. Revenues will recover as the economy improves. The real problem with the budget deficit is longer-term, and is centered on surging costs in Medicare (where costs are set to rise sharply 10 to 20 years out).

Calls for budget austerity are well intentioned, but misguided in the near term. Budget strains have been clear in state and local governments (note that some of the federal fiscal stimulus was aid to the states). Unlike the recoveries from previous recessions, state and local government payrolls have been contracting over the last several months (down 250,000 in the 12 months ending in November), which is a moderate drag on overall economic growth.

In August, the Federal Open Market Committee (FOMC) announced that it would reinvest principal payments from its mortgage portfolio into long-term Treasury securities (purchasing about $35 billion per month). On November 3, the FOMC announced its intention to purchase an additional $600 billion in long-term Treasury securities. This plan was met by a surprisingly wide range of criticism (so much, in fact, that it caught senior Fed officials off guard). Some of this is just the usual debate that occurs whenever the Fed eases monetary policy (i.e., the fear that the Fed may be fueling higher inflation down the line). However, the Fed is confident that it can drain bank reserves when appropriate and prevent inflation from taking off. Indeed, the Fed spent much of 2010 testing its exit paths (reverse repos and time deposits for depository institutions) and remains committed to keeping inflation low over the long term. Note that Japan's quantitative easing is seen as a failure, but that is because the Bank of Japan was late and did not do enough.

The Fed's asset purchase program works through a number of channels. Lower interest rates should encourage more risk taking and bank lending. Perhaps more important is the impact on inflation expectations. Real (inflation-adjusted) interest rates are what matters for the economy. All else equal, lower inflation means higher real interest rates, which dampen growth. Somewhat higher inflation (2% rather than below 1%) would lower real rates, which stimulate growth. Judging by the spread between inflation-adjusted and fixed-rate Treasuries, inflation expectations drifted lower from the spring to the early summer, but began to rebound once the Fed started to discuss additional asset purchases. The Fed's asset purchase commitment is open-ended – it could be cut short if the economy were to recover more rapidly, but it could be expanded if growth remains lackluster and inflation continues to trend lower.

Despite worries that the fiscal stimulus and accommodative monetary policy would fuel higher inflation, measures of core inflation trended lower in 2010. Ex-food and energy, the CPI rose 0.6% in the 12 months ending in October, which is a record low. Inflation is driven partly by inflation expectations (act as an anchor) and largely by the amount of slack in the economy. Excess capacity may put further downward pressure on inflation in early 2011. As inflation falls, the threat of deflation (a general decline in the price level) increases. The Fed sees only a small chance of deflation, but the consequences for the economy would be severe.

Commodity prices are higher, but commodity price inflation is not the same as consumer price inflation (most of the CPI is services, and labor and other expenses are generally more important to the prices of finished goods). Easier monetary policy tends to boost commodity prices, which are also being driven by expectations of strong global demand, along with speculation.

The base-case scenario is for moderate economic growth in the first half of 2011, with the pace picking up in the second half of the year and into 2012. However, the level of uncertainty is high. The U.S. economy is dynamic, meaning that much depends on what came before. In early 2010, it appeared that positive feedback loops were about to get started (a little more job growth, a little more consumer spending, and a little more bank lending, all feeding on each other). However, growth was held back by a number of headwinds. 2011 may be seen as an extended contest between these two forces. Most likely, the positive forces will eventually gain the upper hand, but it still may take some time.

Scott Brown, Ph.D.
Senior Economist

Analysts' Best Picks® for 2011

Statistical Overview

Company Name	Sym.	RJ&A Rank	SR	12/02/2010 Close	12 Mo. Trail. Price Range High	12 Mo. Trail. Price Range Low	Proj. 12-Mo. Price Target	Current Year P/E	2009A	2010E	2011E	Div. Yld.	BV/ Shr.	FY	Mkt. Cap. (Mil)
S&P 500 #	SPX	NA	NA	1221.53	1227.08	1010.91	NA	14.6x	56.86	83.55	94.45	1.7%	NA	Dec	NA
Allscripts Healthcare Solutions Inc. (hn,m,ng,o)	MDRX	1	AG	17.94	22.55	15.65	23.00	24.2x	0.66	0.74	0.88	0.0%	9.35	Dec	2,652
Bank of America Corporation (hs,ng,o)	BAC	1	AG	11.68	19.86	10.91	21.00	11.7x	0.10	1.00	1.66	0.3%	21.17	Dec	116,520
CONSOL Energy Inc. (hn,ng,o)	CNX	1	AG	44.43	58.00	31.08	60.00	18.9x	2.95	2.35	2.65	0.9%	13.76	Dec	10,034
Covidien plc (ng,o)	COV	1	G	43.04	52.48	35.12	50.00	12.7x	2.78	3.38A	3.58	1.9%	17.91	Sep	21,563
Digital Realty Trust, Inc. (h,hn,o,x,z)	DLR	1	TR	53.79	64.17	46.21	68.00	16.3x	2.93	3.30	3.84	3.9%	15.62	Dec	5,105
Equinix (g,h,m,o)	EQIX	1	AG	81.52	110.57	69.42	110.00	NM	1.75	0.72	1.74	0.0%	39.70	Dec	3,807
Halliburton (hs,ng,o)	HAL	1	AG	40.61	40.77	21.10	55.00	20.1x	1.28	2.02	2.90	0.9%	10.83	Dec	36,936
HealthSouth Corporation (hn,ng,o)	HLS	1	AG	18.61	22.22	16.20	25.00	16.6x	1.03	1.12	1.21	0.0%	NM	Dec	2,015
Lincoln National Corp. (hn,ng,o)	LNC	1	AG	25.12	33.55	20.65	31.50	8.0x	3.18	3.13	3.75	0.8%	42.78	Dec	7,961
NVIDIA Corporation (g,m,o)	NVDA	1	AG	14.38	18.96	8.65	19.00	NM	(0.05)	(0.15A)	0.29	0.0%	4.94	Jan	8,378
Panera Bread Co. (m,ng,o)	PNRA	1	AG	104.47	104.67	63.36	120.00	28.9x	2.86	3.62	4.50	0.0%	18.28	Dec	3,186
Pioneer Natural Resources, Inc. (ng,o)	PXD	1	AG	83.92	84.81	39.13	107.00	49.4x	(0.10)	1.70	2.24	0.1%	36.07	Dec	9,743
Stanley Black & Decker (ng,o)	SWK	1	TR	62.41	66.27	47.99	80.00	16.6x	3.00	3.75	4.63	2.2%	41.23	Dec	10,541

g - EPS is GAAP EPS.

h - Raymond James & Associates managed/co-managed a public/follow-on offering of these shares or has provided investment banking services within the last three years.

hn - Raymond James & Associates received non-securities-related compensation from these stocks within the past 12 months.

hs - Raymond James & Associates received non-investment banking securities-related compensation from these stocks within the past 12 months.

m - Raymond James & Associates makes a NASDAQ market in shares of these stocks.

ng - EPS is Non-GAAP EPS.

o - Security is optionable.

x - EPS is Funds From Operations (FFO).

z - Book value represents the depreciated value of real estate. Real Estate values increase with inflation, widening the gap between real value and book value over time. Thus, we regard stated book value as not meaningful.

- S&P 500 EPS estimates are bottom up operating estimates from S&P.

Allscripts Healthcare Solutions Inc. (MDRX:NASDAQ)

12-Month Target Price **$23.00**
Current Price (12/02/2010) **$17.94**
Suitability .... **Aggressive Growth**

Hist. 12-month Price Range .... $22.55-$15.65
Dividend/Yield $0.00/0.0%
Market Capitalization (mil.) $2,652
Shares Outstanding (mil.) 147.8
Book Value (09/10) $9.35
ROE (TTM) 8%
LT Debt (mil.) $507/37%

FY (Dec)	2009A	2010E	2011E
EPS	$0.66	$0.74	$0.88
P/E	27.2x	24.2x	20.4x
Revenue (mil.)	$1,188	$1,296	$1,429

Non-GAAP EPS excludes FAS123, deal-related amortization, merger-related costs and one-time charges/includes Eclipsys contributions. Revenues are non-GAAP revenue.

Allscripts Healthcare Solutions Inc. is a leading provider of software, services, information, and connectivity solutions for physicians and other healthcare providers. The company's professional solutions, enterprise solutions, health systems group, and medication services units serve to enhance patient safety, clinical outcomes, and financial results. Over 150,000 physicians and 700 hospitals use Allscripts' solutions. Allscripts is headquartered in Chicago, Illinois, and employs 2,500 individuals in the U.S.

MDRX: Undervalued, Diversified Stimulus Play

Allscripts is our top pick within our healthcare information technology coverage group. Following the company's recently completed merger with Eclipsys, we believe that Allscripts offers an enhanced value proposition to the healthcare community that, importantly, covers the ambulatory and inpatient ends of the care spectrum. While we acknowledge integration risk, we perceive this go-forward offering will provide a complete level of market coverage relative to its publicly traded peers. Attractively, this can expose investors to office-based physician and hospital market purchasing activity as the industry readies for meaningful use.

The industry backdrop for healthcare information technology remains attractive, primarily driven by the Health Information Technology for Economic and Clinical Health (HITECH) portion of the American Recovery and Reinvestment Act. The program incentivizes the meaningful use (specifically defined through core and menu set objectives) of certified electronic health record programs through Medicare and Medicaid-based bonus payments, according to a schedule from 2011 to 2015 (after which penalties for non-meaningful users go into effect). The first incentive payments are expected to be sent out in the spring of 2011. In anticipation, industry-wide bookings activity has generally accelerated over the trailing-twelve month (TTM) period.

We believe that Allscripts, primarily through recurring revenue (about 70% of revenue) growth, can expand its top line at a high single digit to low double digit pace over the long term, while driving operating leverage and cost synergies to produce annual non-GAAP EPS growth of approximately 20%. At 20x our 2011 non-GAAP EPS estimate and 17x our 2012 model, valuation for MDRX now appears to be the most attractive within our clinical healthcare information technology coverage group. Ending 3Q10, Allscripts held $530 million of debt (primarily term debt), under 2x TTM EBITDA, which the company should be able to pay down through free cash flow generation.

Our price target of $23 is supported through the use of a ~22x EPS multiple on our 2012 non-GAAP EPS estimate of $1.06. Our target multiple remains conservatively positioned relative to the current average next-twelve month consensus P/E of over 25x of its healthcare information technology peers. We believe that shares currently offer a particularly attractive opportunity following share weakness off of a 12.5 million share secondary offering from Misys (a majority holder of Allscripts prior to the merger with Eclipsys; it divested its strategic position through the merger transaction). Investors also received a positive data point through the announcement of Allscripts' selection as vendor of choice for the public health system of South Australia, as current and future business combination efforts (vendor and/or client) did not prove to be a distraction.

— *Alexander Y. Draper, CFA*

Bank of America Corporation (BAC:NYSE)

12-Month Target Price.. **$21.00**
Current Price (12/02/2010)... **$11.68**
Suitability.. **Aggressive Growth**

FY (Dec)	2009A	2010E	2011E
EPS	$0.10	$1.00	$1.66
P/E	NM	11.7x	7.0x
Revenue (mil.)	$107,756	$113,365	$106,004

Hist. 12-month Price Range ....$19.86-$10.91
Dividend/Yield $0.04/0.3%
Market Capitalization (mil.) $116,520
Shares Outstanding (mil.) 9,976.0
Book Value (09/10)..$21.17
ROE (TTM)..NM
LT Debt (mil.) ....NM/NM

Bank of America Corporation, headquartered in Charlotte, North Carolina, is one of the nation`s largest banks with $2.3 trillion total assets, $933 billion loans, and $977 billion deposits. It serves individual consumers, small- and middle-market businesses, and large corporations with a full range of banking, investing, asset management, and other financial and risk management products and services. It has more than 6,000 retail banking offices and 18,000 ATMs. Bank of America is among the world's leading wealth management companies and is a global leader in corporate and investment banking and trading across a broad range of asset classes serving corporations, governments, institutions, and individuals around the world. In 3Q10, the company reported total revenue of $27 billion from seven business segments: Global Banking, Global Card Services, Global Markets, Global Wealth & Investment Management, Home Loans & Insurance, Deposits, and All Other.

BAC: 2011 Should Be a Bounce-Back Year as Regulatory and Macroeconomic Clouds Clear


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In our opinion, Bank of America represents an outstanding buying opportunity trading at only 55% of book value ($21.17), 90% of tangible book value ($12.92), and 7.0x 2011E EPS of $1.66.

Bank of America shares have been hit hard given the recent mortgage foreclosure mess and concerns surrounding private-label mortgage put-backs. While the company's ranking as a leading mortgage servicer has put it at the center of these concerns, we believe these fears are largely overblown. Government-sponsored entities and private-label repurchase risk appears manageable. We conservatively model put-back risk from private label securitizations at about $5.0 billion (or about $0.34 per share) over several quarters.

Despite the challenging low interest rate environment, we believe Bank of America is poised to grow operating EPS 66% in 2011 and 37% in 2012. The net interest margin (NIM), at 2.72% in 3Q10, appears to be stabilizing. Mortgage banking income (8% of core revenue) will likely remain strong through 4Q10 and into 2011. The impact of regulatory reform on core fee income should start to bottom out in 4Q10 as FinReg mitigation efforts gain momentum in 2011. Credit quality continues to improve, and we expect the provision for loan losses to decrease to $13.4 billion in 2011E from $51.2 billion in 2010E. Net charge-offs (NCOs) appear to have peaked in 1Q10 at $10.8 billion (4.36% of average loans) and nonaccrual loans continue to decline. The company has significant excess reserves with an allowance-to-loans ratio of 4.67% at September 30, 2010, and the company released about $1.7 billion reserves during the quarter. Bank of America's capital position also remains strong with a tangible common equity (TCE) ratio of 5.78%, a Tier 1 common ratio of 8.45%, and a Tier 1 ratio of 11.16% at September 30, 2010. Furthermore, the company appears to be well-positioned to meet new capital requirements under Basel III.

We believe 2011 could be a "bounce-back" year as regulatory and macroeconomic uncertainty subsides. An oligopoly has formed at the top of the U.S. banking system with three of the largest banks dominating the mortgage market and controlling about one-third of the nation's deposits. Bank of America ranks among the best in risk-based pricing and is well-positioned to benefit from a slow growth recovery. Our $21 target price assumes BAC trades at only 94% of 3Q11E book value per share of $22.37. We expect BAC's P/B ratio to improve and get closer to the normalized industry average (for the nation's 40-largest banks) of 150% as its fundamental outlook improves.

— *Anthony Polini*

CONSOL Energy Inc. (CNX:NYSE)

12-Month Target Price.. **$60.00**
Current Price (12/02/2010)... **$44.43**
Suitability.. **Aggressive Growth**

FY (Dec)	2009A	2010E	2011E
EPS	$2.95	$2.35	$2.65
P/E	15.1x	18.9x	16.8x
Revenue (mil.)	$4,646	$5,270	$5,461

Non-GAAP EPS represents continuing operations.

Hist. 12-month Price Range ....$58.00-$31.08
Dividend/Yield $0.40/0.9%
Market Capitalization (mil.) $10,034
Shares Outstanding (mil.) 225.8
Book Value (09/10)...$13.76
ROE (TTM)..33%
LT Debt (mil.) $3,198/54%

CONSOL Energy Inc., headquartered in Pittsburgh, Pennsylvania, is predominantly a producer of coal and natural gas. The company is the largest U.S. producer of high-Btu bituminous coal, operating 16 mining complexes and maintaining the second largest U.S. coal reserve base of 4.5 billion tons. The company produced ~59 million tons of coal in 2009. CONSOL is also the second largest producer of natural gas in the Appalachian basin, with more than 1.9 Tcf of natural gas reserves and recent annual production of more than 94 Bcf. Through its extensive network of customers and land ownership, the company also participates in several other ventures, including land development and a joint venture power plant project.

CNX: Low Cost Natural Gas & Coal Producer with Attractive Valuation

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A leading diversified energy producer in the eastern U.S. CONSOL Energy is the largest coal producer east of the Mississippi River and controls the second largest U.S. coal reserve base with 4.5 billion tons. Following its $3.5 billion acquisition of Dominion Appalachian E&P, CONSOL's total proved gas reserves increased by more than 50% from 1.9 Tcf to 3 Tcf and its potential gas resource base doubled to 41 Tcf. CONSOL also tripled its Marcellus Shale acreage to 750,000 acres with the addition of Dominion. CONSOL is now one of the biggest players in the Marcellus with the third most net acres.

Attractive valuation. We believe the current market value of CONSOL remains sharply below what we estimate is the long-term asset value potential of the coal, gas, and other inherent assets within the company. From an E&P company standpoint, we have considered CONSOL's current proved reserves and very large acreage position in the Marcellus Shale. For CONSOL's 2.9 Tcfe of proved natural gas reserves, we have assumed a $1.33/Mcfe "in the ground" value, accounting for nearly $3.9 billion. As for the company's Marcellus acreage, we derive another $4.2 billion in value. We have not factored in any upside value for the Huron or Utica Shale plays (the latter of which has had some limited early success), CBM potential, or the higher-than-average royalty interest ownership. In addition, the company states that over 95% of the acreage is already held by production. Thus, our more than $8 billion value for CONSOL's E&P asset base could actually prove to be conservative. Considering that the current total enterprise value of CONSOL is slightly over $13 billion, the $8 billion value for its E&P assets implies that the rest of the company is currently only valued for approximately $5 billion. For that $5 billion, investors get 4.5 billion tons of coal reserves, a barge transportation fleet, a coal export terminal in Baltimore, and other untold hidden assets sure to be contained within this 150+ year-old company. If we back out the E&P EBITDA contribution and asset value calculated above, we arrive at the conclusion that the "rest" of the company is trading for less than 3x EBITDA on our 2011 and 2012 estimates for "non-gas EBITDA" (quite the bargain compared to the rest of the peer group that has averaged in the range of 4-8x over the last several years). Note that our $60 target price is based on a sum-of-the-parts valuation assuming a roughly $8 billion value for CONSOL's E&P assets and applying a 5x 2011 EBITDA multiple for the coal and other businesses, which fits within its trading range of 3-6x over the last several years.

Potential catalysts could unlock shareholder value. We have identified two potential catalysts that could help narrow the value gap that we believe currently exists. The nearest-term possibility would be the potential sale of a little over 300 million tons of underutilized coal reserves that reside in southern West Virginia. The second potential catalyst would be a joint venture agreement with another party on some portion of CONSOL's Marcellus acreage position. All in, CONSOL is our top pick for 2011 given its low cost structure and what we believe is an underappreciated recognition of the inherent asset value of the coal, gas, and other assets within the company.

— *James M. Rollyson*

Covidien plc (COV:NYSE)

12-Month Target Price **$50.00**
Current Price (12/02/2010) **$43.04**
Suitability .... **Growth**

Hist. 12-month Price Range .... $52.48-$35.12
Dividend/Yield $0.72/1.9%
Market Capitalization (mil.) $21,563
Shares Outstanding (mil.) 501.0
Book Value (09/10) $17.91
ROE (TTM) 20%
Net Debt (mil.) $3,141/34%

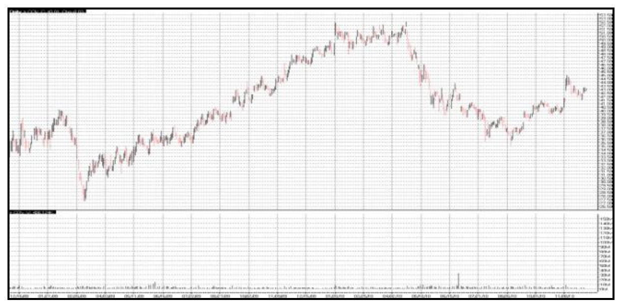
FY (Sep)	2010A	2011E	2012E
EPS	$3.38	$3.58	$3.96
P/E	12.7x	12.0x	10.9x
Revenue (mil.)	$10,429	$11,239	$11,728

Non-GAAP EPS exclude one-time items. Historical results restated to reflect the divestiture of the Specialty Chemicals business.

Covidien plc is a diversified healthcare company focused on the medical device market. The company's segments include: Medical Devices (~57% of sales), Pharmaceuticals (~25%), and Medical Supplies (~17%). Covidien separated from Tyco in July 2007 and is based in Ireland.

COV: Playing Defense with Some Offensive Potential

We believe that Strong Buy-rated Covidien offers one of the most attractive risk/reward profiles in our universe. Covidien addresses large ($52 billion) and growing (+4-6%) markets with favorable competitive dynamics. Its diversified portfolio of medically-necessary devices, medicines, and supplies is less exposed to significant pricing pressure and healthcare reform measures than its peers. In addition, the business is relatively less exposed to elective procedures, which have been impacted by the weaker global economy. With FY11 guidance issued, we believe there is relatively less risk in the name and we find its current valuation attractive.



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Several cyclical and transient issues depressed the organic sales growth profile in FY10 to a low single-digit level from the mid single-digit range in FY09. However, during the year, Covidien divested several slower growth businesses (sleep diagnostics, sleep therapy, oxygen therapy, and radiopharmacies) and acquired faster growth and higher margin product lines. With a renewed portfolio, we believe that Covidien is positioned for accelerating organic growth in FY11. We see potential revenue upside from the Medical Device and Pharmaceuticals segments. In particular, over the last three years, Covidien has gradually built a vascular franchise, comprised of legacy products (dialysis and compression devices) and acquired businesses (Bacchus Vascular in March 2009, VNUS in June 2009, and ev3 in July 2010). We believe the vascular business will continue to grow organically in the double-digit range, and the acquired product lines offer an additional source of potential upside.

Despite the challenging healthcare environment and launch expenses associated with new medicines, FY10 earnings still grew in the double digits. Medical Devices is Covidien's largest, fastest growing, and most profitable segment. We expect this mix shift to drive continued improvement in gross margin; therefore, we expect upside to our estimates. While it is a non-fundamental catalyst, we also believe that Covidien could be added back into the S&P index in 2011. We suspect that a few pending deals involving S&P companies will close in the next few months and that should yield an opportunity for re-entry. Covidien was dropped from the index in mid-CY09 after it had moved to Ireland from Bermuda for tax reasons. Our price target of $50 assumes a 13.5x multiple applied to our CY11 Non-GAAP EPS estimate of $3.70, which is in-line with its peer group of large cap healthcare companies. In the long term, we believe Covidien is a low to mid single-digit top-line grower and a double-digit bottom-line grower. Potential sources of downside include an increase in pricing pressure, further deterioration in procedure volume and utilization rates, additional competition in the generic pharmaceuticals space, and a weaker U.S. dollar.

— *Jayson Bedford*

Digital Realty Trust, Inc. (DLR:NYSE)

12-Month Target Price.. **$68.00**
Current Price (12/02/2010).. **$53.79**
Suitability... **Total Return**

FY (Dec)	2009A	2010E	2011E
FFO	$2.93	$3.30	$3.84
P/E	18.4x	16.3x	14.0x
Revenue (mil.)	$638	$867	$1,038

Hist. 12-month Price Range ....$64.17-$46.21
Dividend/Yield $2.12/3.9%
Market Capitalization (mil.) $5,105
Shares Outstanding (mil.) 94.9
Book Value (09/10)...$15.62
NAV..$51.33
LT Debt (mil.) $2,722/29%

Digital Realty Trust, Inc. is a REIT headquartered in San Francisco, California that owns, acquires, repositions, and manages technology-related real estate. Digital Realty targets high quality, strategically located properties containing applications and operations critical to the day-to-day operations of technology industry tenants and corporate and institutional data center users. As of November 4, 2010, the company owned a portfolio of 95 properties comprising a total of 16.4 million rentable square feet, including 1.9 million square feet held for redevelopment.

Fundamentals and Execution Combine to Make DLR a Best Pick

Digital Realty Trust is the leader among the data center REITs in terms of portfolio size, global footprint, market capitalization, and historical dividend growth.

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While the recessionary economic backdrop has taken a noticeable toll on demand for most commercial real estate sectors, the data center space has been largely insulated and as a result remains positioned to sustain strong fundamentals during the next several years. The demand for server power in data centers is expected to readily surpass new supply growth for the next several years, which should drive increasing pricing power on new and renewal leases.

In addition to impressive organic growth, Digital's value-added acquisition/redevelopment platform, growing global footprint, and strong balance sheet allow the company to tally among the highest levels of cash flow, NAV, and dividend growth in the REIT space. Since July 2009, Digital has increased its payout four times, representing a cumulative 61% increase.

DLR shares reflect the strong fundamental backdrop, expectations for robust 2011-2012 FFO per share and AFFO per share growth, powerful NAV growth potential, the high likelihood of future dividend increases, and a recent retrenchment in DLR's share price that we believe is overdone.

Our NAV estimate for Digital at the end of the third quarter was $51.33, up 27% from a year earlier. DLR shares currently trade at a small 5% premium to NAV and at a fairly attractive 7.2% implied cap rate. Our 12-month target price of $68.00 is based on 19x our 2012 AFFO per share estimate of $3.61, which is a slight expansion from the current 17x 2011 AFFO multiple as the company broadens its presence across domestic and foreign markets.

— *William A. Crow*

Equinix (EQIX:NASDAQ)

12-Month Target Price.. **$110.00**
Current Price (12/02/2010)... **$81.52**
Suitability.. **Aggressive Growth**

FY (Dec)	2009A	2010E	2011E
EPS	$1.75	$0.72	$1.74
P/E	46.6x	NM	46.9x
Revenue (mil.)	$883	$1,217	$1,517

Hist. 12-month Price Range ....$110.57-$69.42
Dividend/Yield $0.00/0.0%
Market Capitalization (mil.) $3,807
Shares Outstanding (mil.) 46.7
Book Value (09/10)...$39.70
ROE (TTM)...NM
LT Debt (mil.) $2,101/39%

Equinix, headquartered in Foster City, California, provides carrier neutral data center solutions, primarily colocation and interconnection, to enterprises, content and digital media providers, system integrators, and network providers in major metropolitan markets in the U.S. and abroad. The company operates 90 data centers in 35 markets through a combination of company owned and leased facilities.

EQIX: Beep! Beep! Beep!
The Trucks Are Backing Up to Data Center Names (Again)

Dominant position. Following the acquisition of Switch and Data, Equinix has a dominant position in the U.S. colocation market and remains one of the only colocation providers that can offer its services on a global level (91 data centers in 35 cities spanning 11 countries and four continents). These factors, combined with the company's large base of customers (approximately 3,700) and interconnection ecosystems, give Equinix a significant advantage, as it would be very difficult for new entrants to match this scale.

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Strong industry backdrop. Equinix continues to benefit from strong industry dynamics in the data center sector bolstered by the continued adoption of outsourcing by corporate and government entities, along with the rapid movement toward a digital universe. Outsourcing makes sense for a majority of enterprises as IT is rarely core to the business and significant cost savings can be realized. The digital universe is expected to grow 44x by 2020, aided by growth in IP traffic (4x by 2014), mobile data (39x by 2014), business IP (21% by 2014), and Ethernet services (2x by 2014). Equinix estimates that its target market will grow 12-14% per year to $19 billion in 2013, with the supply/demand imbalance remaining favorable over that time frame.

Conclusion. Our $110 price target is based on 9.7x 2011E EV/EBITDA versus the data center group at 9.7x and its historical average of 10.1x, which we believe is warranted given Equinix's superior growth (38% in 2010E), dominant position in the colocation space, and our belief that it is a highly investable name given its sizeable market cap that has historically commanded a premium. The data center space, and Equinix in particular, has longer-term growth opportunities that far exceed other telecom service providers in our coverage universe. As such, we expect shares of Equinix to continue to appreciate.

Balance Sheet. Equinix's balance sheet remains strong as the company has $389 million in cash and $2.1 billion in debt. Equinix is currently 2.6x levered, which is below its stated 3-4x leverage target, giving the company ample room to pursue acquisitions and organic growth opportunities.

— *Frank G. Louthan IV*

Halliburton (HAL:NYSE)

12-Month Target Price.. **$55.00**
Current Price (12/02/2010)... **$40.61**
Suitability.. **Aggressive Growth**

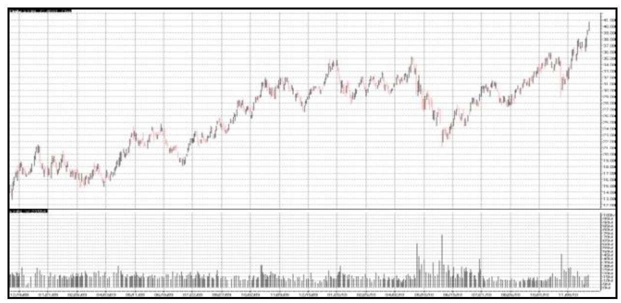
FY (Dec)	2009A	2010E	2011E
EPS	$1.28	$2.02	$2.90
P/E	31.7x	20.1x	14.0x
Revenue (mil.)	$14,675	$17,614	$19,830

Non-GAAP EPS excludes non-recurring items.

Hist. 12-month Price Range ....$40.77-$21.10
Dividend/Yield $0.36/0.9%
Market Capitalization (mil.) $36,936
Shares Outstanding (mil.) 909.5
Book Value (09/10) $10.83
ROE (TTM)... 14%
LT Debt (mil.) $3,824/39%

Halliburton was founded in 1919 and is one of the world's largest providers of products and services to the energy industry. With over 50,000 employees in approximately 70 countries, the company, based in Houston, Texas, serves the upstream oil and gas industry throughout the life cycle of the reservoir - from locating hydrocarbons and managing geological data to drilling and formation evaluation, well construction and completion, and optimizing production through the life of the field.

HAL: Pressure Pumping Market Stays Stronger for Longer



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Poised to outperform in 2011. Halliburton's superior operational execution has left it best positioned to benefit from two prominent themes facing the oil service universe in 2011: **1)** near-term earnings momentum from North American operations (mainly pressure pumping), and **2)** a 2H11 rebound in international activity. Add an attractive valuation and we have our top pick for 2011.

Pressure pumping remains strong. Without a doubt, U.S. pressure pumping has been the hottest oilfield market in recent quarters and Halliburton is the biggest name in the game. The sudden increase in unconventional drilling, along with the subsequent increase in frac stages and horizontal laterals, has driven demand for these services through the roof. Despite the ongoing influx of frac horsepower into the market, we believe pressure pumping will remain tight throughout 2011. Shale plays are tougher on equipment, driving attrition rates from less than 5% to as high as 15% currently, and the industry has underinvested in pumping horsepower over the past couple years. The lead time to secure new fracking horsepower is now up to nine months for many operators, which underscores our bullish outlook on the market through at least the middle of 2011 and possibly longer.

U.S. shale plays also fueling growth in other product lines. Halliburton has the highest exposure to North America within its diversified peer group (about 50% of total revenues). Roughly half is pressure pumping, with the rest being a combination of other services such as drilling and completion fluids and directional drilling. While the market is expecting for activity to be flat to down slightly in 2011, we are calling for a 10% increase in the rig count as continued drilling in oily and liquids-rich basins more than offsets declines in gassier regions. As a result, these other product lines will also see the benefits of increased activity. Moreover, Halliburton has recently begun to leverage its strength in pressure pumping by bundling services in an attempt to increase market share and drive pricing improvements in its other product lines.

International revival. Given our bullish outlook on crude, we have naturally favored companies with exposure to the "oily" international markets. However, project delays, high start-up costs, and general market turmoil have delayed the recovery in international activity following the 2009 market collapse. Nevertheless, Halliburton aggressively built infrastructure in Iraq, expanded its footprint in Brazil's deepwater market, and addressed the underserved Russian market. As a result, Halliburton has a strong position in all of the high growth regions ahead of the recovery. We expect international activity to ramp in 2H11, which is roughly the same time North American results should peak. At the company's Analyst Day, management laid out a plan to close the international margin gap behind one of its peers, which could boost our 2012 EPS estimate by up to 10%.

Attractive valuation. On virtually any valuation metric, Halliburton trades at a discount to its diversified peer group. It is approximately 15% below the group on 2011 EPS and EBITDA multiples and 10% below the group on 2012 numbers. Our $55 price target is based on a 16x multiple to our 2012 EPS estimate of $3.40, which is well below the historical (last twenty years) mid-cycle diversified peer group average of 20x.

— *J. Marshall Adkins*

HealthSouth Corporation (HLS:NYSE)

12-Month Target Price **$25.00**
Current Price (12/02/2010)........ **$18.61**
Suitability .... **Aggressive Growth**

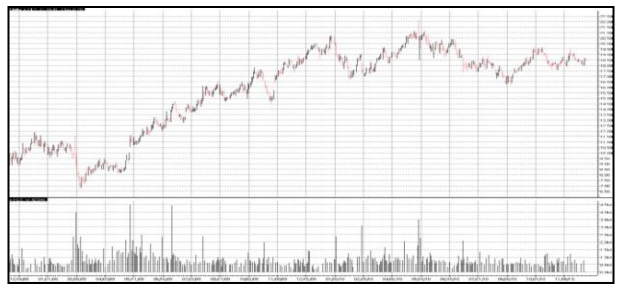
Hist. 12-month Price Range .... $22.22-$16.20
Dividend/Yield $0.00/0.0%
Market Capitalization (mil.) $2,015
Shares Outstanding (mil.) 108.3
Book Value (06/10) .... NM
LT Debt (mil.) $1,633/100%

FY (Dec)	2009A	2010E	2011E
P/E	18.1x	16.6x	15.4x
Revenue (mil.)	$1,911	$1,983	$2,060

Non-GAAP EPS is adjusted fully-taxed net income (before preferred dividends) divided by diluted shares.

HealthSouth Corporation, headquartered in Birmingham, Alabama, is one of the largest providers of inpatient rehabilitation care in the United States, with 96 inpatient facilities and six long-term acute care hospitals.

HLS: Growing Free Cash Flow + Cheap Valuation = Healthy Investment for 2011



While shares had an uneventful 2010 (flattish year-to-date), we believe HealthSouth, one of the largest inpatient rehabilitation facility (IRF) operators, offers an attractive investment opportunity heading into 2011 based on: (1) solid operational momentum (and limited industry regulatory/reimbursement headwinds); (2) a more flexible balance sheet; (3) attractive FCF growth (could increase 50+% over the next two years); and (4) valuation (~16% 2012 FCF yield – the second highest in our coverage universe).

Top-Line Visibility, Industry-Leading Margins to Drive Operations
With continued market share gains (discharge growth several points above the industry average), further capacity expansion (de novos and M&A), intermediate-term pricing visibility (healthcare reform cuts; the IRF industry is no longer a CMS target), and disciplined cost management (margins double that of the industry average), we believe HealthSouth is poised to achieve 5-8% annual EBITDA growth for 2011 and 2012. There is a possibility for upside if industry volumes recover and operational initiatives (such as TeamWorks) gain further traction (note HealthSouth has averaged +9% EBITDA growth since 2008).

De-Leveraging Remains #1 Priority; Balance Sheet Well Positioned Following Recent Refinancing
Through its focus on EBITDA growth and debt repayment, management has lowered the company's leverage profile from 6x in 2007 to an expected 3.8x for 2010 with hopes to reach the 3x target over the next few years. Furthermore, the company's recent balance sheet refinancing [extending the revolver and issuing new senior notes to pay down nearer-term term loans (nearest maturity now 2015)] provides additional financial flexibility to repurchase the company's high cost debt in June 2011, to pursue share repurchases, and/or to take advantage of strategic opportunities over the coming years as management looks to expand beyond the IRF industry when regulatory visibility improves.

Attractive Free Cash Flow Growth, Healthy Yield Offer Attractive Valuation…E&Y to Provide Additional Upside?
Importantly, as a result of the aforementioned operating momentum and balance sheet refinancing, HealthSouth should see significant FCF growth over the coming years. Specifically, in addition to the healthy expected EBITDA growth, FCF will benefit from 1) the roll-off of $44 million of interest rate swap payments by 2012, 2) lower interest expense from incremental debt repayment of the company's 10.75% senior notes (callable in June 2011), and 3) virtually no cash taxes as a result of NOLs. We conservatively forecast FCF of $281 million in 2012 ($100 million above expected 2010 levels), or a ~16% yield at current levels, which is the second highest yield in our coverage universe. Finally, the possibility of a better-than-expected outcome in the Ernst & Young arbitration in 1H11 would act as a near-term catalyst for shares and could drive incremental FCF growth.

Overall, we believe the combination of solid operational momentum/visibility and growing levels of FCF, along with a potential near-term catalyst in the E&Y arbitration, makes shares of HLS an attractive investment for 2011, especially with shares currently offering a mid-teens FCF yield. Our $25 target price represents an 11% yield off of our 2012 FCF per share estimate of $2.89, which is toward the low end of typical healthcare services' yields (high single digits to low teens).

— *John W. Ransom*

Lincoln National Corp. (LNC:NYSE)

12-Month Target Price.. **$31.50**
Current Price (12/02/2010).. **$25.12**
Suitability.. **Aggressive Growth**

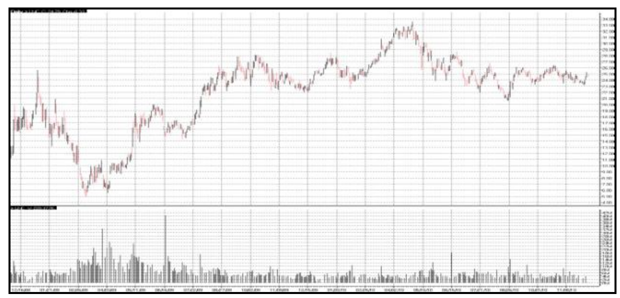
Hist. 12-month Price Range ....$33.55-$20.65
Dividend/Yield $0.20/0.8%
Market Capitalization (mil.) $7,961
Shares Outstanding (mil.) 316.9
Book Value (09/10)..$42.78
ROE (TTM).. 7%
LT Debt (mil.) $5,943/33%

FY (Dec)	2009A	2010E	2011E
EPS	$3.18	$3.13	$3.75
P/E	7.9x	8.0x	6.7x
Revenue (mil.)	$9,700	$10,434	$11,215

Non-GAAP EPS reflects GAAP EPS less realized gains & losses on investments, non-operating benefits & charges, and discontinued operations.

Lincoln National Corporation is a leading provider of life insurance, savings, retirement, and supplemental health insurance products to retail and institutional customers throughout the United States as well as a provider of radio and television sports programming on a more regional basis. The company, which was founded in 1905, has executive headquarters in Philadelphia, Pennsylvania.

LNC: Substantial Undervaluation as Trends Favor Life Insurance



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Reflecting current valuation levels and strong operating fundamentals, we believe Lincoln National Corp. has the potential for substantial share price appreciation.

As a top-ten player in a number of life insurance product arenas, Lincoln is well-suited to continue to benefit from the investment and insurance guarantees that only the life insurance industry can provide. The company will prosper as risk aversion continues to drive the demand for life insurance and annuity products, as the retirement asset accumulation story continues, and as the retirement income distribution story plays out.

We expect the variable annuity market to become increasingly concentrated. As a major player in this arena, we expect Lincoln to hold or gain share.

The company is sitting on substantial excess capital (more than enough to weather any reasonable economic scenario), which is available to increase the dividend, make acquisitions, or repurchase shares. The company has an excess of $1.9 billion of capital at the insurance company level, which is over and above a 400% risk-based capital (RBC) ratio. In addition, the company holds $500 million of liquidity at the holding company level. The company's plan includes managing its capital conservatively through 2013, using about half this excess capital to repurchase shares and pay dividends, and using capital generated through operations (roughly $500 million per year) to pay down debt and reduce leverage. Down payment on this program began on November 11 when the company announced that it would repurchase $125 million of shares over the next five quarters, repurchase $150 million of trust preferreds, and raise its quarterly dividend to $0.05 per share.

While the company does have spread sensitivity to the current low interest rate environment, we believe these headwinds are manageable.

Our price target of $31.50 assumes that LNC shares can sell at a P/E multiple of 8.7x our 2011 EPS estimate of $3.75 less roughly $1.20 per share of after-tax investment losses. This multiple is a 34% discount to the current S&P 500 multiple of 13.2x 2011E EPS (according to Thomson Reuters). Our relative P/E (66%) is based on the average historical relative multiple for LNC shares during the period of January 1, 2003 through June 30, 2007 (a time frame during which we believe valuation tendencies were normalized).

— *Steven D. Schwartz, CFA*

NVIDIA Corporation (NVDA:NASDAQ)

12-Month Target Price.. **$19.00**
Current Price (12/02/2010)... **$14.38**
Suitability.. **Aggressive Growth**

FY (Jan)	2010A	2011E	2012E
EPS	$(0.15)	$0.29	$0.90
P/E	NM	49.6x	16.0x
Revenue (mil.)	$3,326	$3,535	$3,640

Hist. 12-month Price Range ....$18.96-$8.65
Dividend/Yield $0.00/0.0%
Market Capitalization (mil.) $8,378
Shares Outstanding (mil.) 582.6
Book Value (10/10)..$4.94
ROE (TTM).. 12%
LT Debt (mil.) $0/0%

NVIDIA Corporation, headquartered in Santa Clara, California, is a leading supplier of graphics processing units (GPUs), media and communications processors (MCP), handheld GPUs, and graphics technologies supporting game consoles and other digital consumer electronics devices, such as the PlayStation3 and Xbox.

NVDA: Market Share Gains, Tegra2 Ramp, Gross Margin Tailwinds

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In our view, the Street is underestimating NVIDIA's ability to exceed its peak gross margin of 46%. NVIDIA has perhaps the strongest portfolio of high-margin products ramping in its history heading into 2011, making the prospect of a 50+% gross margin next year quite feasible.

NVIDIA has come back strong after the delay in introducing its Fermi architecture from late 2009 to early 2010 (due to issues at its foundry partner) with the introduction of seven new Fermi-based GPUs and the inclusion of these GPUs into every segment of the desktop, notebook, and workstation product lines. The company is also experiencing an easing of the consumer market headwinds (slowdown in Europe and China, where it has a high market share) seen in the July quarter. NVIDIA continues to be cautious on consumer PCs but is confident in workstation and high performance computing, as well as market share gains in discrete GPUs and the upcoming ramp of Tegra2 (smartphones and tablets) pending the ramp of Google’s (GOOG/$571.82/Outperform) Honeycomb operating system in early 2011. From a product portfolio perspective, NVIDIA is in a strong position with its Fermi architecture. In addition, historically the company has shown a consistent ability to rebound off of poor product transitions or adverse competitive dynamics, which we witnessed in the fall of 2008 when the stock nearly hit $6 and proceeded to triple a year later.

Much has and will be debated regarding the future of discrete GPUs vs. “integrated” graphics [Intel’s (INTC/$21.70/Outperform) Sandy Bridge or AMD’s (AMD/$7.54/Market Perform) Fusion], with the implied imminent demise of the discrete GPU as we saw ten years ago when Intel created the category. While there will clearly be cycles in which integrated solutions are favored (as we just saw this summer, and always in the low-end segments), the secular trend, in our view, points to increasing graphics transistor counts in computing systems, which is a trend that is a friend of Moore’s Law. Therefore, NVIDIA appears to be well positioned.

Look for NVIDIA to finally start to see sales momentum early next year in the mobile handset and tablet space with Tegra2, which is a new growth vector for the company. In addition, we expect NVIDIA to gain share in 2011 with its refreshed Fermi GPU line-up, Tegra2 volume ramp in smartphones and tablets, stable growth in Tesla HPC (high-performance computing), and a more modest decline than expected at Apple in the “chipset/ION” category.

NVIDIA has a clean balance sheet with $2.0 billion in cash and short-term investments ($3.41 per share) and no debt. Over the past 12 months, the company has generated an ROE of approximately 12% and the stock is up nearly 5%. Shares of NVDA remain one of our favorite ideas with a 12-month target price of $19, based on a mid-teens forward P/E multiple (toward the low end of NVDA’s historical five-year P/E range of 11-33x) on our FY13 GAAP EPS estimate of $1.30. We believe it is reasonable to adopt a more conservative approach to valuation given the recent revenue pressure.

— *Hans Mosesmann*

Panera Bread Co. (PNRA:NASDAQ)

12-Month Target Price **$120.00**
Current Price (12/02/2010) **$104.47**
Suitability .... **Aggressive Growth**

FY (Dec)	2009A	2010E	2011E
EPS	$2.86	$3.62	$4.50
P/E	36.5x	28.9x	23.2x
Revenue (mil.)	$1,353	$1,547	$1,801

Hist. 12-month Price Range .... $104.67-$63.36
Dividend/Yield $0.00/0.0%
Market Capitalization (mil.) $3,186
Shares Outstanding (mil.) 30.5
Book Value (09/10) $18.28
ROE (TTM) 16%
LT Debt (mil.) $0/0%

Non-GAAP EPS exclude one-time items. 2010 and 2011 EPS estimates include impact of $0.12 and $0.18, respectively, based on assumed share repurchase activity.

Panera Bread Company, based in Richmond Heights, Missouri, owns and franchises a fast-growing chain of over 1,400 bakery-cafes. The company has become the leader in the emerging "quick casual" segment via its fresh baked specialty bread, high-quality sandwich ingredients, and more upscale setting compared to traditional fast food.

PNRA: Emerging Power Brand in Restaurant Space

At the beginning of this decade, Panera Bread consisted of 101 restaurants doing $200 million in annual retail sales. At the end of 2010, the chain will exceed 1,450 units and produce annual retail sales in excess of $3 billion. We believe the chain's explosive growth over this time has been driven by a combination of steady product quality and menu breadth evolution, strong store-level operations, smart site selection, and steady enhancements of the design and ambiance of new units. This has allowed average per-store sales and average per-store cash flow to generally rise over this time period.

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We believe Panera is essentially an upscale fast food concept. As such it competes in a market with $200 billion in annual retail sales. We see no reason why the chain cannot eventually achieve an upscale, niche market share of around 5%. If we are correct, the chain could still grow by over three times its current size before reaching maturity in the U.S.

The company has recently undergone a management transition which we believe enhances the likelihood that the company will realize its full potential. The company's founder, Ron Shaich, recently stepped down from day-to-day management (he maintains his role of chairman). His direction, passion, and vision were instrumental in driving the company's exceptional growth to date. However, at over $3 billion in sales currently, we believe Panera has entered a stage in its life cycle where professional rather than entrepreneurial management will best serve shareholders going forward. Panera's new CEO Bill Moreton has significant financial and operating experience across several industries, including the last 10+ years of direct experience in the quick-casual restaurant sector.

We are optimistic that the chain can sustain strong EPS growth in 2011, and we also believe upside EPS surprise potential remains well above average. Among the factors supporting this view is the potential for Panera to benefit from steadily increasing advertising support. In 2010, we estimate total advertising spending for the chain (company and franchisees) will approach $100 million. We believe advertising and marketing (including internet and loyalty program spending) could grow by 20-25% per year in the 2011-2014 time frame. If we are correct, by the middle of the new decade Panera could be a ubiquitous national advertiser. Other chains that have reached that status have historically enjoyed a measurable per-store sales (and profit) lift from said spending.

Our 12-month price target of $120 equates to 26x our 2011 EPS estimate of $4.50, which is in-line with the stock's three-year average historical multiple range of 20-26x. We note our belief that our 2011 EPS expectations could prove to be conservative on sales and margins. We also believe further P/E multiple surprises could occur given the clear shortage of visible, high-quality consumer unit growth companies in the current economic environment.

— *Bryan C. Elliott, CFA*

Pioneer Natural Resources, Inc. (PXD:NYSE)

12-Month Target Price.. **$107.00**
Current Price (12/02/2010)... **$83.92**
Suitability.. **Aggressive Growth**

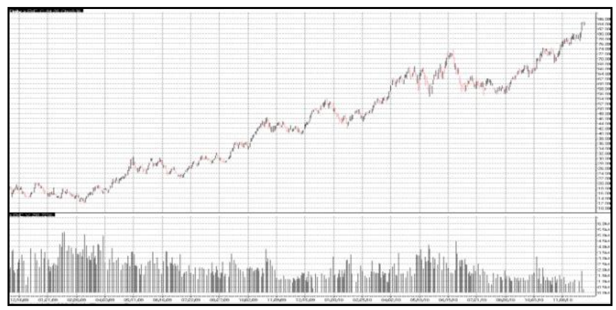
FY (Dec)	2009A	2010E	2011E
EPS	$(0.10)	$1.70	$2.24
P/E	NM	49.4x	37.5x
Revenue (mil.)	$1,816	$2,027	$2,439

Hist. 12-month Price Range ....$84.81-$39.13
Dividend/Yield $0.08/0.1%
Market Capitalization (mil.) $9,743
Shares Outstanding (mil.) 116.1
Book Value (09/10)...$36.07
ROE (TTM)...NM
LT Debt (mil.) $2,539/63%

Non-GAAP EPS excludes non-operating items such as asset sales and non-cash mark-to-market hedging activity.

Pioneer Natural Resources, Inc. is an independent oil and gas exploration and production company, headquartered in Irving, Texas. Major operating areas include the Permian Basin, Texas, Alaska, Tunisia, and South Africa. At year-end 2009, proved reserves were 899 MMboe (54% liquids and 58% developed).

PXD: High-Return Growth in the Permian Basin and Eagle Ford Shale



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Pioneer Natural Resources is a growth-oriented E&P company focused on maximizing the economic return of its large and diversified domestic asset base. As a result of depressed gas prices, the company has not drilled a single natural gas well in over a year, instead focusing its capital on higher-return liquids (oil and NGLs) drilling. Pioneer currently has 899 MMboe of proved reserves, on top of 2.3 Bboe of additional resource potential. Moreover, the company's expansive drilling inventory is over 75% liquids weighted.

Pioneer is the largest acreage holder in the Permian Basin and holds one of the biggest and most enviable positions in the Eagle Ford Shale (two of the highest return plays in the country). In 2011, the company will continue to accelerate its oil-focused drilling in the Spraberry field and will also be accelerating the development of the Eagle Ford (as part of a joint venture with Reliance). Pioneer represents one of the few companies we cover that can deliver multi-year, double-digit organic production growth within cash flow. The company is forecasting a 15+% production CAGR for the next three years and also expects operating cash flow to double by 2013 (using current strip pricing).

In order to protect its margins against the backdrop of escalating service costs, Pioneer is very active in the vertical integration of its operations. The company currently owns nine of its 25 operated drilling rigs and will soon be adding its third and fourth frac fleet to the Spraberry field. This vertical integration should save Pioneer upwards of $200,000-300,000 per well. All in, the company plans to be 30-60% self-sufficient with service requirements by 2012. In addition, the company has a very attractive hedging book with approximately 80% of gas hedged at a floor of $5.80 for the next two years (versus current strip pricing of closer to $4/Mcf).

On the catalyst front, 2011 should be a very active year for Pioneer. The company will have results on its first two horizontal Wolfcamp wells by January and will also have a plateful of Eagle Ford well results in early 2011 (once the midstream build-out is in place and the company begins to eat through its completion backlog). Recall that Pioneer has drilled five of the six best publicly announced wells in the Eagle Ford. In addition, we believe the company will show healthy proved reserve growth in 2010 as a result of the continued success in drilling deeper Spraberry wells into the Strawn interval, along with improved commodity prices.

PXD remains one of our favorite ideas in the E&P space and we believe the stock still has ample upside from current trading levels. Our $107 target price is based on a 10x 2011 EV/EBITDA multiple, above the traditional E&P range of 5-7x, but warranted given the company's healthy growth outlook, oil weighting, and low-risk drilling profile. Moreover, the 10x multiple is in-line with current trading multiples for similar large-cap oily peers and is further supported by our total company NAV of $107, which we ran using strip pricing ($5/Mcf and $85/Bbl).

— *John Freeman, CFA*

Stanley Black & Decker (SWK:NYSE)

12-Month Target Price **$80.00**
Current Price (12/02/2010) **$62.41**
Suitability .... **Total Return**

FY (Dec)	2009A	2010E	2011E
EPS	$3.00	$3.75	$4.63
P/E	20.8x	16.6x	13.5x
Revenue (mil.)	$3,737	$8,380	$9,783

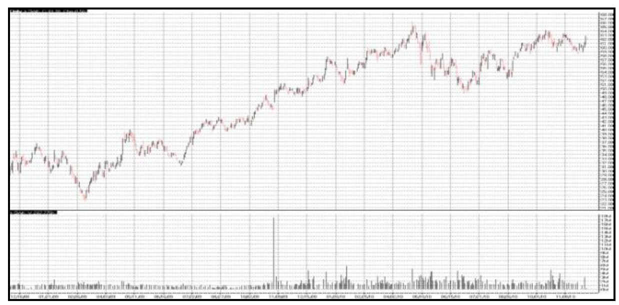
Non-GAAP EPS excludes Black & Decker acquisition-related one-time charges and items.

Hist. 12-month Price Range .... $66.27-$47.99
Dividend/Yield $1.36/2.2%
Market Capitalization (mil.) $10,541
Shares Outstanding (mil.) 168.9
Book Value (10/10) $41.23
ROE (TTM) 10%
LT Debt (mil.) $3,447/33%

Stanley Black & Decker, based in New Britain, Connecticut, is a leading global producer of power tools, hand tools, security hardware, and security systems for professional, industrial, and consumer use. Stanley has three business segments: Construction and Do-it-Yourself (power tools, hand tools, tool boxes, hardware, and mechanics' tools), Industrial (fastening, storage, laser tools, etc.), and Security (commercial doors, residential security hardware, and security systems).

SWK: Black & Decker Integration Remains an Excellent Source of Cash and EPS Growth

Stanley's diverse business makes it especially attractive given continued uncertainty about the nature of the economic recovery and likely slow U.S. housing market growth. The Industrial segment gives the company increased exposure to heavy manufacturing and automotive repair, thereby reducing its direct dependence on consumers. The Security segment, which is less affected by restocking and contains the subscription-based monitoring business, provides a less cyclical source of revenue and high, stable margins, thereby adding further stability to cash flows.



Cost-saving synergies from the Black & Decker integration continued to come in above expectations in 3Q, and management has already stated that prior guidance for $350 million in cost savings over three years would likely be surpassed. These "built-in" savings provide further support to future EPS. We expect cost savings alone to boost 2011 EPS by $0.65 and 2012 EPS by $0.42. Management is expected to provide details regarding revenue synergies (i.e., Brazil, STAFDA, auto repair, etc.) as part of its 4Q earnings report early in 2011, which could be an additional catalyst for the shares.

Strong free cash flow generation is also an important part of the story. Management expects to reach $1 billion of annual free cash flow generation by 2012 as a result of the Black & Decker acquisition. The company has a history of shareholder-friendly cash use. Management's long-standing goal is to invest one-third of the company's capital growth in dividends and share repurchases. Stanley increased its dividend again in 2010, as it has done for the last 43 consecutive years.

Stanley rolled out a new line of 12-volt lithium ion power tools in 2010. These new tools fill a significant gap in the company's product offering. Now that its range of products is more comparable to that of its competitors, Stanley should be able to more easily defend market share and even take back some of the share lost by the legacy Black & Decker business.

Our price target of $80 is based on our previously published estimate of intrinsic value (based on DCF). A share price of $80 implies a 12x multiple to our 2012 "cash" EPS estimate of $6.61 (we view "cash" as more relevant given high non-cash amortization expenses). This multiple exceeds current levels (the stock trades at about 11x 2011 cash EPS of $5.63), but is still below the ten-year median of 14x.

— *Sam Darkatsh*

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Market Perform (MP3) The stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities.

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