**Why You Should Make This Trade**

1. Earnings Strength/Valuation
2. Globalization
3. Emerging Market Exposure
4. Capital Expenditures Boom

| Position                          | Buy
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Current Price</td>
<td>$24.00</td>
</tr>
<tr>
<td>Entry Price</td>
<td>$23.75</td>
</tr>
<tr>
<td>Target Price</td>
<td>$27.50</td>
</tr>
<tr>
<td>Stop Loss Price or Percentage</td>
<td>$23.00</td>
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**Investment Style/Strategy**

We take a fundamental approach to investing by focusing on global economies and growth trends in order to implement a semi-active investment strategy over a 6 month – 1 year time horizon. When choosing an investment we first take note of a strong economic and/or global trend. We then determine which industry is best positioned to take advantage of that trend and which company in the selected industry is poised to create the greatest return over our investment time horizon. For the reasons outlined below, Cisco Systems (CSCO) fits perfectly into our investment portfolio.

**Earnings Strength/Valuation**

Cisco [CSCO] ($24, P/E 23) has a market cap of $138 billion. In the 1st quarter for the fiscal year 2010, it reported earnings of $.36 a share, beating analyst’s expectations by 16%. Now analysts estimate it will earn $.38 a share, a 12.5% increase over the previous year. Within the last year, it has outperformed the NASDAQ by about 5%. When compared to competitors Polycom (PLCM), Juniper Networks (JNPR) and Oracle (ORCL), CSCO has consistently outperformed. While PLCM has a similar price when compared to CSCO, its P/E is nearly double, at 43. JNPR has a price of $25.45 yet a P/E of 60. Meanwhile, ORCL has a similar price and P/E but CSCO has outperformed it by 15% when compared for the last full year. Current EPS of CSCO is 1.04 but analysts expect that number to climb to 1.54 for the current year and rise to 1.72 for next year. Analysts estimate growth for CSCO at 14% for the year and 12% for next year.

**Globalization**

As laid out in Thomas Friedman’s book, the world is indeed getting flatter and more competitive. In line with our investment strategy of capitalizing on global economic trends, we believe CSCO is well positioned to take advantage of globalization. As the world becomes increasingly smaller and business operations increasingly global, we believe demand for Cisco’s global networking and communications products will also steadily increase.

**Emerging Market Exposure**

CSCO has well established business segments in emerging markets around the world including substantial operations and commitments to Brazil, Russia, India, and China. Following our global economic growth trend investment strategy, we believe that companies which have exposure to emerging markets, especially the BRICS, are positioned to experience tremendous growth over our investment horizon.

**Capital Expenditures Boom**

As the global economy emerges from a deep recession, earnings start to grow, and credit markets begin to thaw, firms are looking to make their business more efficient and profitable by upgrading infrastructure, technology, and networking equipment. William Strauss, a senior economist for the Federal Reserve Bank of Chicago, stated that in 2010, “businesses plan to spend money on computers and communications but hold back on building costs”1. The combination of these factors points towards a global boom in capital expenditures. We believe the type and quality of products Cisco offers puts them in the ideal position to profit from a global increase in capital spending.