Creative Global Investments

Apple (NYSE: AAPL $99.99) SELL

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Objectivity

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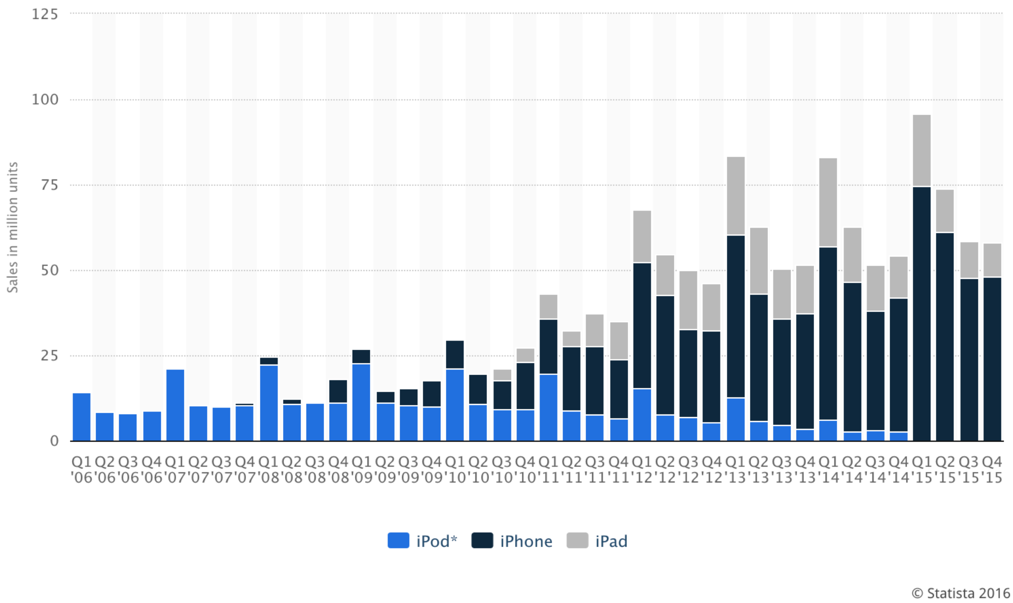
Apple's Q4 results which were announced after the market close yesterday were disappointing, and forward guidance by Tim Cook is confirming our past long term views, that Apple's business & product innovation, its industry lead and business strategy has peaked in 2013. Apple did not grow unit sales y-o-y in any of its major product categories during the crucial Q4 holiday sales. The number of iPhones sold was basically flat from a year ago, Mac unit sales declined -4% y-o-y, and iPad unit sales plunged -25%.

We continue to see increasing evidence that Apple's iPhone sales, which still represented 68% of the Apple's Q4 revenues, and which are the highest margin product in Apple's product line, have peaked. We do not believe that given the dramatically changed negative macro economic circumstances affecting emerging market economies and their consumers' psychology and diminishing their purchasing power very negatively are going to lead to any substantial volume growth for Apple. Our immediate concerns are heightened due to the significant price premium Apple has charged for iPhones (US$ 691 average price for all iPhone sales in Q4 versus an average of US$ 200 for all other smart phones sold in 2015). Our other concerns regarding Apple,

- Fundamentals slowing
- New product cycle & pipeline slowing
- Phone and tablet buyers psychology changing
- Pricing pressures increasing (too many competitors with lower priced products)
- Margin pressures in 2016 becoming major investors concern

which we have reiterated repeatedly since October in 2013 are starting to become evident, as Apple is no longer leading in product innovation and that several new products, such as Apple TV, Apple Watch and have clearly failed to achieve the expected revenues and returns



Apple's 2015 Q4 official revenue by product line:

	Q1 2016		Q4 2015		Q1 2015		Sequential Change		Year/Year Change	
Product Summary	Units	Revenue	Units	Revenue	Units	Revenue	Units	Revenue	Units	Revenue
iPhone (1)	74,779	$51,635	48,046	$32,209	74,468	$51,182	56%	60%	0%	1%
iPad (1)	16,122	7,084	9,883	4,276	21,419	8,985	63%	66%	- 25%	- 21%
Mac (1)	5,312	6,746	5,709	6,882	5,519	6,944	-7%	- 2%	- 4%	- 3%
Services (2)		6,056		5,086		4,799		19%		26%
Other Products (1)(3)		4,351		3,048		2,689		43%		62%
Total Apple		$75,872		$51,501		$74,599		47%		2%

(1) Includes deferrals and amortization of related software upgrade rights and non-software services.
(2) Includes revenue from Internet Services, AppleCare, Apple Pay, licensing and other services.
(3) Includes sales of Apple TV, Apple Watch, Beats products, iPod and Apple-branded and third-party accessories.

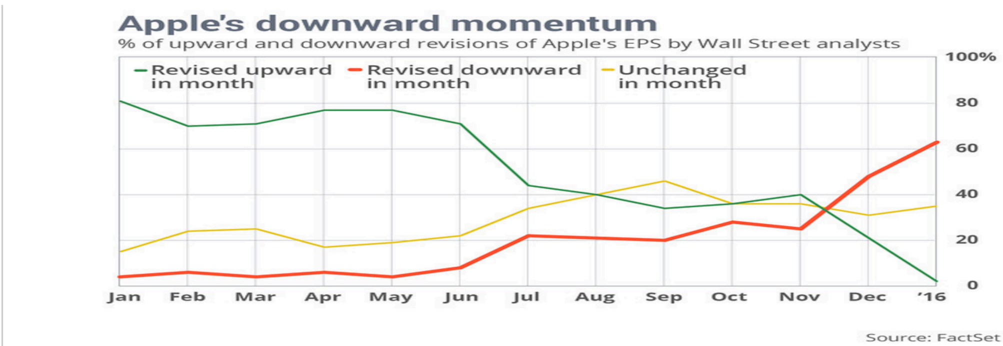
Apple has about $16.7 BN in cash and equivalents on its balance sheet. Additionally, most of Apple's other assets included in its reserve are invested in long-term marketable securities. These total about $177.7 BN, and are currently accruing interest for more than a year, and this at a non accretive rate of return, given where global interest rates are. However, as noted in earlier notes, almost all of Apple's cash and securities are held outside of the US; proceeds from sales outside the US that Apple cannot bring back due to the implication of that transfer being subject to a 38% US corporate tax Apple would have to pay in that case. Over 92% of Apple's cash is held outside of the US, and as we mentioned in 2013, we see little chance for investors, given that 38% US tax rate, that Apple management will consider in the near-term a partial or entire repatriation of this cash.

And for acquisitions, given where global stocks are valued, particularly excessively high US company valuations, there is just no acquisition target and strategy currently that would be enhancing Apple's long term earnings outlook positively.

Do not take is wrongly, we still see Apple as a good company, and its products to continue to sell well in the premium segment market, however, the sales growth prospects in emerging markets have shrunk substantially over the past 18 months.

When looking at the sell side analysts' recommendations on Apple stock for the past year, we are seeing a good investment case for investors to still sell Apple stock at current prices of US$ 99.99/sh.

According to FactSet data showing analysts covering AAPL and their latest earnings estimates and outlook, we believe that Apple analysts are way to bullish on AAPL earnings outlook for 2016, and that AAPL as a stock faces a similar outlook as in 2013, when we were the only firm of 59 analysts that saw AAPL facing a -50% downside risk.



The overall investment case for Apple shares has become clearly questionable, particularly given the very diversified shareholder base globally, and the fact that Apple shares are now included in all major equity indices.

The chart-technical outlook for AAPL shares is negative for the short & medium term. All short term indicators are negative (RSI, TSI and 14-day, 50-day and 200-day MVA's are clearly negative.

From a technical aspect, we see significant risks for AAPL shares move down towards the $ 70/sh level.

- Death Cross formation
- Long Term Head & shoulder pattern in formation
- MACD indicates a Bearish Trend
- Chart pattern indicates a Strong Downward Trend
- Relative Strength is Bearish
- Up/Down volume pattern indicates that the stock is under Distribution
- The 50-day Moving Average is falling which is Bearish
- The 200-day Moving Average is falling, which is Bearish
- Margin requirements hitting stock
- Foreign investors have stronger case for selling AAPL, due to big gains including recent gains due to strength of US$

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