Creative Global Investments

Morning Market Commentary

Wednesday, February 27th, 2013

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Objectivity

Integrity

Creativity

5 pictures worth more than 5 Million words

(***Actually, the pictures/charts below prove the past 5,000,000 words, or more, that the sell-side has written on one of those two securities have been a total waste)***

We thought that today, we create value, not only on a serious note, but also by realistically looking at the “value added “ perception and reality of most of the “sell-side” content to institutional investors. Here we give clients a bit of guesswork to enjoy, which we think is fun, and explaining how that some deliver value, or alpha, and most do not. The majority of sell-side analysts have been bullish on one of these two securities.

We have been recommending to “buy” one of the two securities charted on the on the next page for the past 5 years. We guess you can relate to which one we still are recommending:

- today
- just like 5 years ago
- just like 3 years ago
- just like 1 year ago
- just like 6 months ago
- just like 3 months ago

However, take a look how now, and for the past 5 years the analyst community did view the other security:

Average Recommendation:	OVERWEIGHT	Average Target Price:	87.55
Number of Ratings:	**27**	Current Quarters Estimate:	**1.18**
FY Report Date:	**12 / 2012**	Current Year's Estimate:	**4.99**
Last Quarter's Earnings:	**1.35**	Median PE on CY Estimate:	**15.07**
Year Ago Earnings:	**4.51**	Next Fiscal Year Estimate:	**5.20**

Earnings per share	This Quarter	Next Quarter	This Fiscal	Next Fiscal
# of Estimates	24.00	12.00	23.00	25.00
Mean Estimate	1.18	1.23	4.99	5.21
High Estimates	1.28	1.39	5.12	5.87
Low Estimates	1.02	1.12	4.79	4.68
Coefficient Variance	5.29	6.12	1.86	6.35

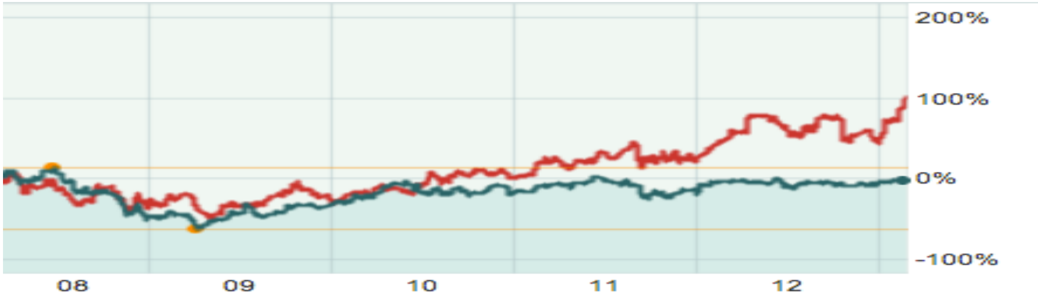
Analysts recommendations	Current	1 Month Ago	3 Months Ago
BUY	**18**	21	22
OVERWEIGHT	**2**	1	1
HOLD	**5**	4	4
UNDERWEIGHT	**1**	0	0
SELL	**1**	1	1
MEAN	**OVERWEIGHT**	BUY	BUY

And yes, it is not the one, which we have been recommending as a "buy" since 2005.

So, the question we have is: How have those 26 “sell-side” analysts and their “buy” recommendations benefitted anyone at any time in the past 5 years?

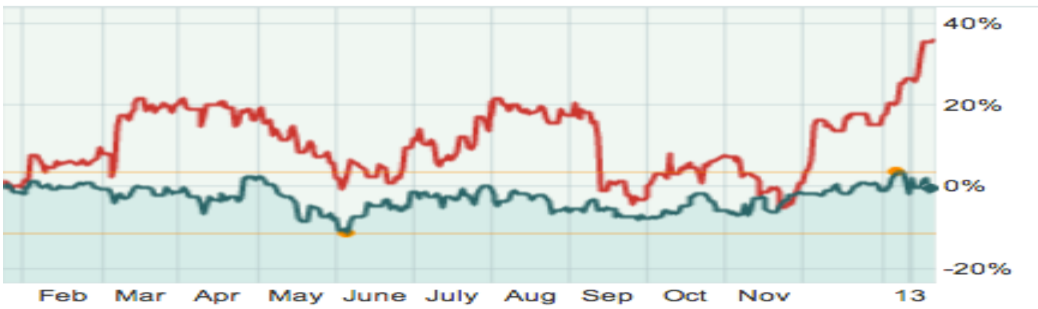
Look below for 5 pictures (charts) worth more than 5,000,000 words:

5-Year chart



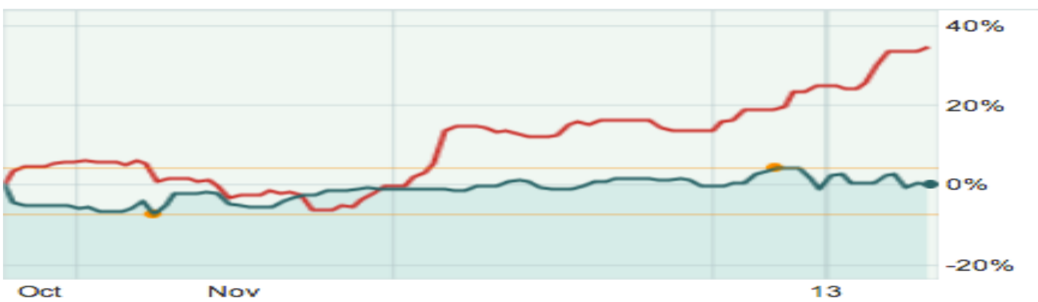
3-Year Chart

1-Year chart



6-month chart

3-month chart



Well, what do you see?

Besides the fact that 5 years is a long time, and trying to comprehend how most of the analysts and the market can be wrong for 5 years.

One stock which has had over 85% of the sell-side's love (i.e. sell-side analyst having "buy" recommendations), and yet, which has absolutely gone nowhere, flat, and not looking different today than 5 years ago, 3 years ago, 1 year ago, 6 months ago, and three months ago.

And another stock, not so loved, but up, and up, and up, and up and up, to the total of +102.9%, has been missed by the same 26 analysts that cover the stock, which they loved, but which has been flat for all those 5 years.

Our question is simple, what could they have thought, and what are they telling clients now, considering their complete and utterly useless analysis?

Why are investors still looking at "sell-side" research, or the majority thereof, if they cannot get two stocks right, in a duopoly-based global market?

The irony is, that the sector has barely 5 major stocks to consider being investable. This makes for even less excuses of those 27 analysts and their senseless investment conclusions.

Actually, this sector universe is comprised of only two major global competitors, accounting for over 90% of the sector's market capitalization, but foremost, accounting for over 95% of

The sector is one of the only "true" global sectors.

The sector indicates in our opinion the "true" competitiveness of each company in the world, and yet, one is incorporated in the USA, the other one in a seemingly highly uncompetitive place called Europe.

One has benefited from a weakening currency, the other one has had the difficulty of an appreciating currency, and yet, the one with the appreciating currency has significantly grown its global market share, despite all currency handicaps over the past decade.

You are getting close to guessing which companies these charts are representing?

EADS (DE: EAD EUR 36.73 +1.73) BUY

EADS today reported a rise in profits and sales in 2012, boosted by a strong performance from its aircraft maker Airbus. Net profit for 2012 at EADS rose 19% to EUR 1.23bn (US$1.61bn). Revenues rose 15% to EUR 56.48bn. Revenues at Airbus rose 17% to EUR 38.59bn, mostly due to commercial sales.

EADS today told investors today that it was going focus more on growing profits in the coming years. For 2013, it is targeting an operating profit of EUR 3.5bn and expects to see moderate growth in revenues, though results will be affected by problems with its A350 XWB model. Another positive factor for EADS is that the current temporary weakness in the EUR/US$ 1.31 is enabling the company to hedge its future incoming orders, and continue to gain competitive advantages against its rival Boeing.

Clearly, the EADS management has executed its corporate strategy very well over the past 10 years, and particularly in the past 5 years, as reflected in the outperformance of EADS share price, both against the DAX, and CAC, but also against its biggest rival from the US, Boeing.

We see no change in the near and medium term future of this assuring fact. So from an investment case point we continue to recommend to "buy" EADS shares.

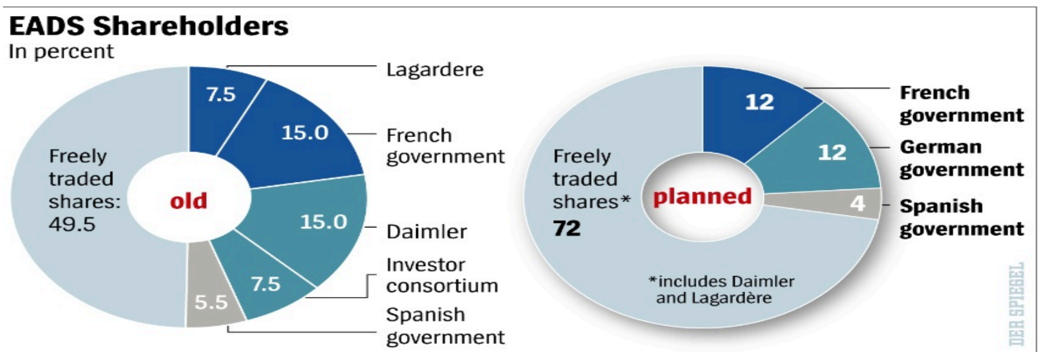
In 2012 EADS's order intake showed "continuing commercial momentum across the entire commercial and defense portfolio. At the end of 2012, its order book had increased by 5% to EUR 566.5BN, with Airbus contributing for most of the increase. Airbus order book increased 6% to EUR 523.4bn, although it took fewer orders in 2012 than the year before. In 2012 EADS focused on deliveries, which helped to significantly improve cash generation during the fourth quarter,

Earlier this month, Airbus said it would not use lithium-ion batteries in its forthcoming A350 plane because of problems that have grounded Boeing's 787 Dreamliner. Airbus's A350, which was intended to challenge the Dreamliner, has been delayed because of a problem with its wings. The A350 XWB program remains challenging, and if there will be further schedule delays, it could lead to increasingly higher impact on provisions. According to the most recent figures, Boeing surpassed your subsidiary Airbus in terms of orders and deliveries last year.

Nevertheless, EADS had a record year in 2012, in every respect and with every program. For the first time in 10 years, Boeing took the lead again in 2012 by a nose. They already set out to achieve that two years ago, and now they've managed to increase their production figures with the Dreamliner. But EADS still has the largest order book in the industry, which, going forward is more important for investors.

Boeing accelerated it's manufacturing a bit too quickly, and tat is why over the past few months, there has been a steady stream of terrible news about exploding batteries and fuel leaks.

EADS with the development of new aircraft may also face launch problems. Nobody can anticipate everything when breaking new ground technologically. EADS has two new major fleet products launching in the coming two years, firstly the A330, and soon after also the A350, which will make life difficult for Boeing for them as it is.

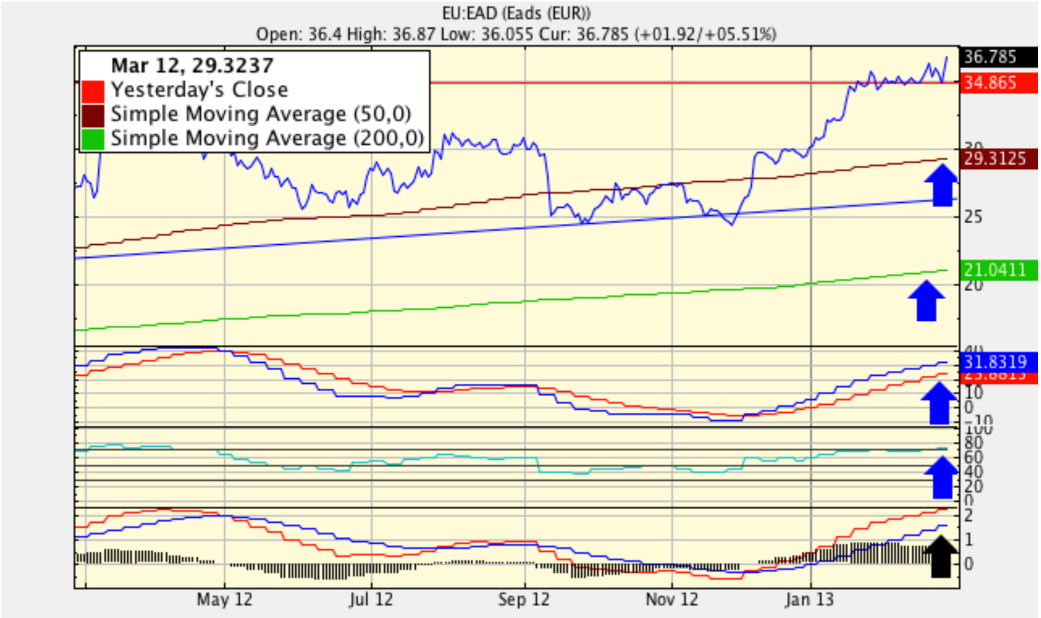


EADS Chart technical outlook

EADS shares broke out today post 2012 results announcement. We maintain our 3 - 6 months EADS price target of EUR 42 per share, and raise our long-term price target for EADS shares from EUR 42 to EUR 46 a share.

The short-, medium-and long-term technical outlook for EADS shares is positive.

All short-term indicators are favorable, and pointing upwards, RSI, TSI, MACD, and both 50-dmva and 200-dmva are sloping higher, and accelerating.



We maintain our 3 - 6 months EADS price target of EUR 42 per share, and raise our long-term price target for EADS shares from EUR 42 to EUR 46 a share.

BOEING (NYSE: BA US$ 75.65)

Shares of Boeing have performed in-line with the broader market over the past few months. BA is up 5% since September.

We continue to have concerns about BA's near- and long-term growth prospects. We believe that a number of domestic and foreign airlines currently have the financial flexibility and operating results to consider replacing their aging fleets with new, more fuel-efficient and technologically advanced aircraft. Boeing continues to increase production schedules for some of its most popular models, including the 737, 777, and 787. Boeing's backlog currently at an all time high, exceeds 4,100 airplanes valued at more than $307 billion, which should support full production for many years, and lead to healthy annual bottom-line advances to the 2015-2017 period.

Possible cuts to the Defense Budget remain a concern. As it stands now, mandatory tax hikes and spending cuts will take hold on January 2nd, unless Congress can come to an agreement. In our view, a deal, or a delay of the sequestrations, will be secured. However, military spending ought to remain a hot-button issue for Congress and the White House, and we believe that some programs will eventually be reduced or eliminated. We believe that there is a good possibility that Boeing will lose some business over the next several years.

Boeing's Commercial Aircraft division should continue to perform well, which ought to help offset any military weakness. So, like for the past 5 years that we have been negative on BA shares, we see no real outperform potential for BA shares for the next 1 – 2 year total return potential.

A greater growing concern is the impact the latest scares might have on its own order book, which currently contains some 800 Dreamliners scheduled for production and delivery over the next decade. A worst-case scenario would be one where airlines started backing away from their orders, though given that no-one currently makes a similar aircraft they are unlikely to do so - not least since there are no guarantees a forthcoming rival plane, the A350 from Airbus, will be introduced without problems of its own.

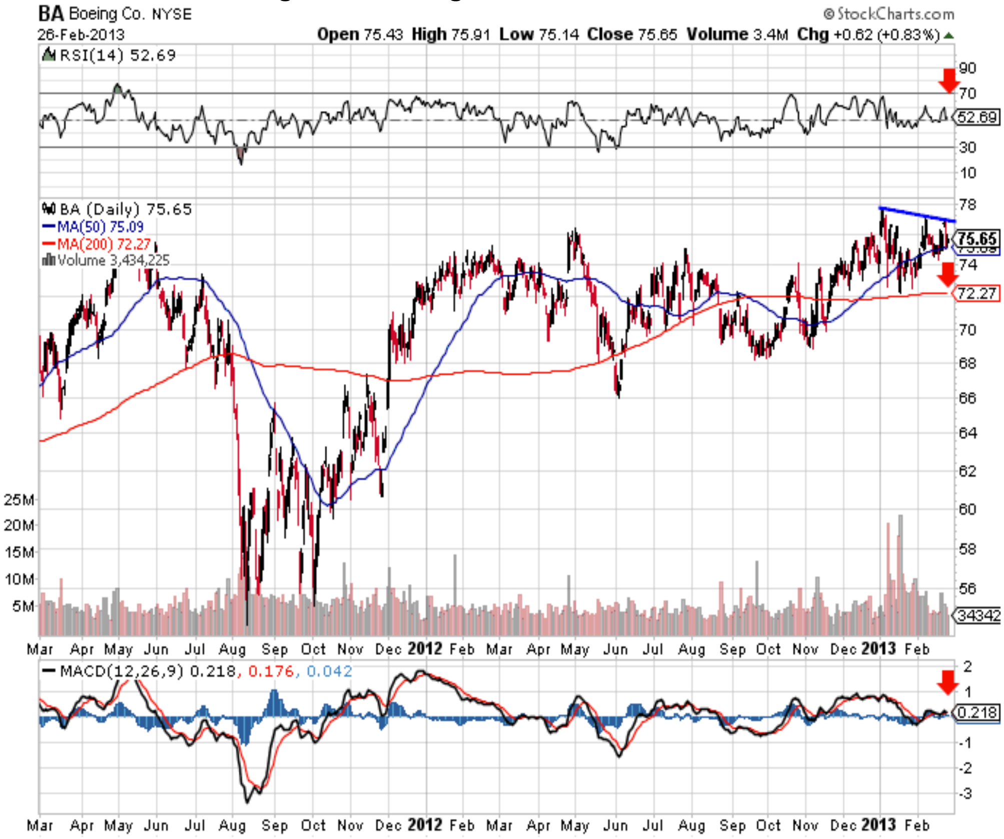
Another painful scenario would result from regulators discovering serious problems that would require time-consuming work that could delay future deliveries, perhaps resulting in demands for compensation payments or discounts on a vast scale.

That would not only threaten Boeing's break-even target of 1,100 Dreamliner deliveries over the next decade, but also sour its relations with airline customers at a time when there is much talk of the emergence of new rival aircraft manufacturers in Russia and China.

Against such scenarios, the best outcome for everyone - whether plane makers, airlines or end-customers - is one where faults are quickly identified, resulting in repairs being carried out within months.
And whatever the investigations throw up, everyone concerned is eager to stress that although cost concerns are deemed important, the only thing that really matters is that flights are safe.

Chart technical outlook for BA shares

BA shares are showing deteriorating technical conditions on t short term.



Moving Average Convergence/Divergence (MACD) indicates a Bearish Trend.

Chart pattern indicates a Possible Trend Reversal.

Relative Strength is Bearish.

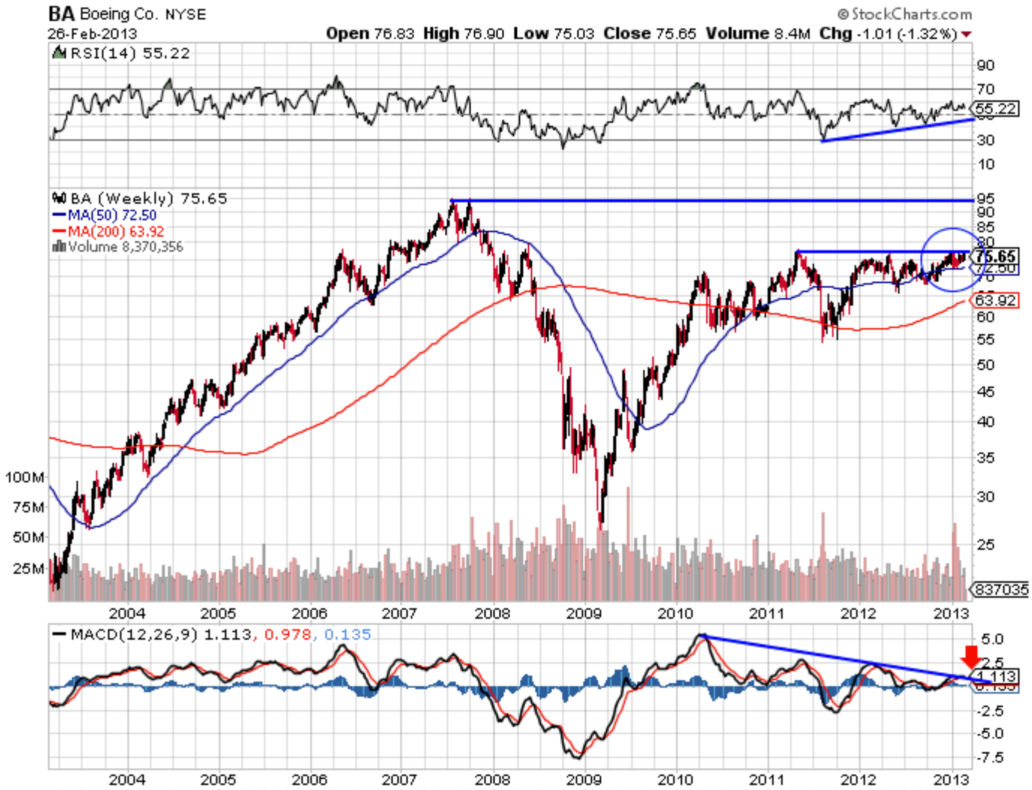
Up/Down volume pattern indicates that the stock is under Distribution.

T
The 50-day Moving Average is rising, which is still bullish, however, we see signs of momentum reverse.

The 200-day Moving Average is flat, and seemingly could turn down, and give a bearish signal.

Look for Support at 73.77

The long-term chart technical for BA is a bit more positive. We think that if and when positive announcement from the FAA regarding the 787 Dreamliner investigation and results will be made, that BA shares might be good for a 5% to 15% bounce. However, we see the 2007 top of US$ 95 being a strong resistance for BA shares.



2013 and 2014 Aircraft Manufacturing Sector Outlook

We are generally positive on commercial aerospace for the next 1 – 3 years. However, with more austerity programs in Europe and the US, and Japan, we remain neutral on the defense contractors for the next 2 years. Conventional military equipment (planes, ships, tanks, etc.) In the US and Europe is aging, and we see a need for equipment replacement/repair as US troops are withdrawn from Iraq. However, the 2011 deficit reduction plan in the US that calls for $487 billion of defense cuts over 10 years, will weigh on the defense side of operations for both Boeing and EADS.

The largest driver of the global aircraft manufactures industry's prospects is global GDP growth, which we expect to strengthen only slightly to 3.3% in 2013.

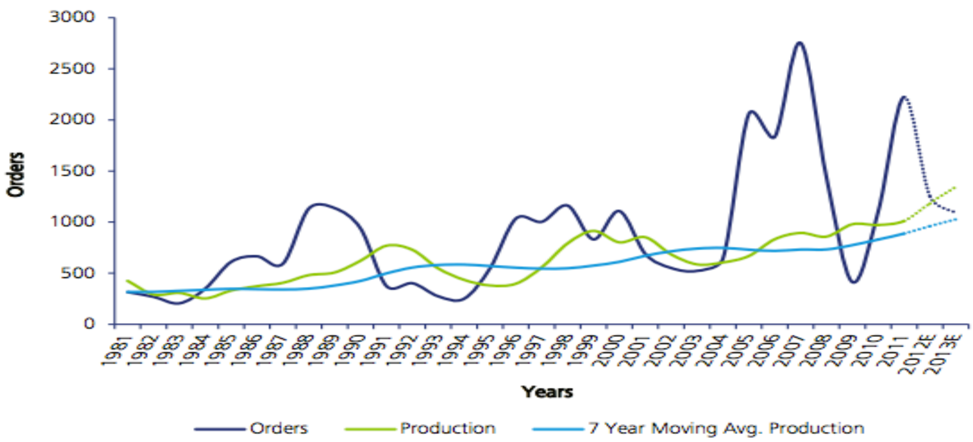
We see global passenger demand to grow by about 4-5% in 2013 (which is below industry consensus of 5.3% forecast for 2013).

We continue to see moderate improvement in the global economy and growth in commercial air traffic aiding results in commercial aerospace. IATA,'s latest data shows global passenger air traffic grew 5.3% in 2012 through November; it rose 5.9% for all of 2011. Long-term demand for new commercial jets remains intact, fueled by fleet growth in the developing markets and a need to replace aging and less fuel-efficient aircraft in developed markets, and particularly in the US. IATA estimates global airlines earned a collective US$6.7 BN net profit in 2012.

Order books at Boeing and Airbus are at all time highs, with six to seven years of production at current levels. Both companies have announced significant production rate increases that stretch through mid-2014, with both expecting deliveries to increase by about 40% from 2011 to 2014.

The global corporate jet market has been mixed in the past 5 years, both by falling corporate profits and political headwinds. However, with interest rates at historically low levels, and corporate credit environment improving, we see the corporate jet demand improving significantly in 2013, as one can already see in the improving aftermarket parts and service business. In 2013, we expect an increase of demand and increasing flight hours for business jets and large commercial airplanes, and hence increasing maintenance and servicing needs.

Figure 2: Thirty-year history and forecast for large commercial aircraft orders and production (1981-2013E)



The largest driver of the global aircraft manufactures industry's prospects is global GDP growth, which we expect to strengthen only slightly to 2.5% in 2013. We see global passenger demand to grow by about 4-5% in 2013 (which is below industry consensus of 5.3% forecast for 2013). We are expecting for Oil prices to rise slightly to $108/barrel (down $5.5/barrel. The premium paid for jet fuel refining, however, will result in a smaller drop in jet fuel prices to $124.3/barrel (down $5.2 from 2012).

We expect the global Cargo demand to increase by 1.5% (not enough to make up for the 2012 decline of -2.0%.

The North American airline market are expected to post a combined net profit of US $3.4 BN, the largest absolute profit among the regions, and a US$1.0 BN

improvement on 2012. The EBIT margin will grow to 3.8% (up from 3.4% in 2012). With the US commercial fleet still being the highest in the global industry, the replacement market and incoming orders for both commercial and cargo should be favorable for 2013 and 2014.

European airlines are expected to have a second consecutive year at breakeven. The EBIT margin will also remain unchanged from 2012 at 0.6%. The continuing uncertainty in the European economy, high taxes and inefficient infrastructure continue to plague the industry in Europe. We expect new commercial aircraft orders from Europe to remain weak, however at least not to deteriorate from current levels for 2013 and 2014.

Asia-Pacific airlines are expected to see net profits grow by $200 million to $3.2 billion in 2013. While this is the second highest absolute profit among the regions, EBIT margins for Asia Pacific airlines are expects to grow significantly to 4.7% (the strongest among the regions). We expect for Asian aircraft orders to show the strongest growth in 2013 and 2014. Economies in this region remain the most dynamic and we are also expecting the demand from Asian cargo markets to gain momentum in 2013 and 2014.

Middle East airlines are expected to see profits rise by $300 million to $1.1 billion and EBIT margins improve to 3.0%. Aircraft demand in this region, and indigenous airlines are forecast to continue to expand their share of international markets. Macro-economic, geopolitical and policy risks to the outlook remain high and largely negative.

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