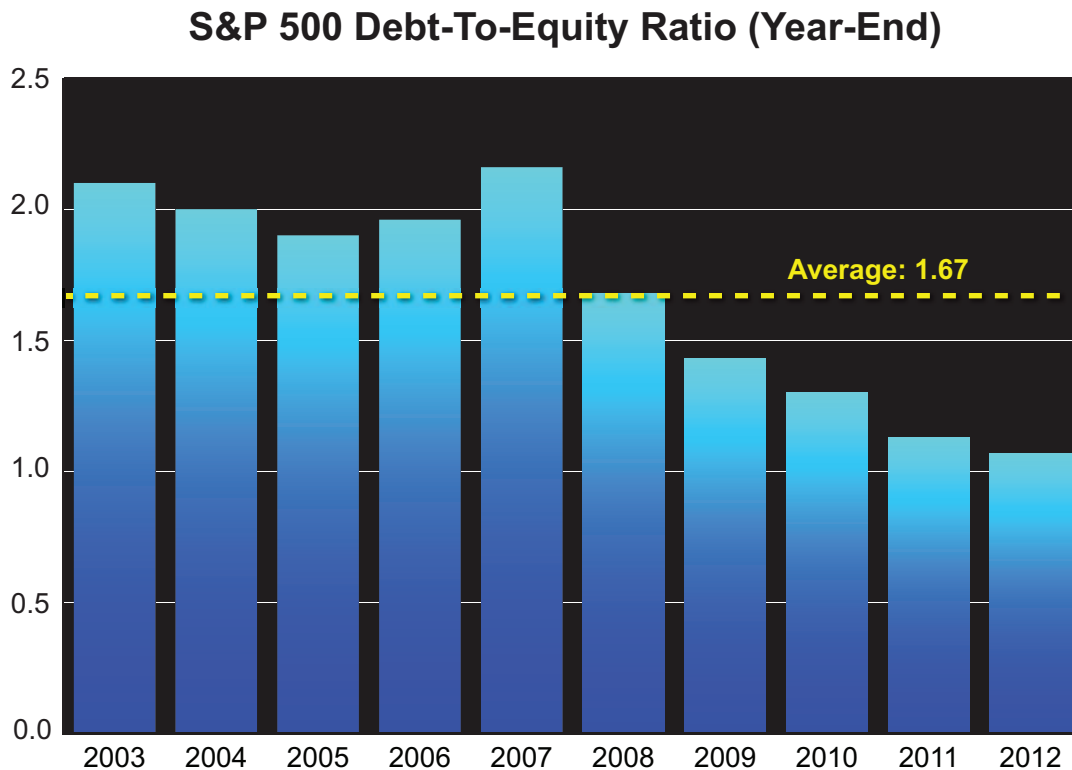


Corporate America Getting Its Fiscal House In Order



Source: FactSet

View from the Observation Deck

1. Corporate America has spent the better part of the last decade fixing up its collective balance sheet.
2. Companies have taken advantage of the low interest rate climate in recent years to refinance existing debt to lower their cost of capital.
3. The amount of cash holdings held by the nonfinancial companies in the S&P 500 totaled \$1.05 trillion in Q3'12, up from \$499.85 billion in 2003, according to S&P Capital IQ.
4. At the close of 2012, the S&P 500 posted a debt-to-equity ratio of just 1.07, half of what it was in 2007, just prior to the financial crisis (see chart).
5. Extraordinarily high levels of cash holdings provides companies with additional flexibility to react to changes in economic activity, and possibly avoid having to first tap the capital markets.
6. S&P 500 earnings reached an estimated \$98.85 in 2012, a record high, according to Standard & Poor's. As of 1/17/13, S&P estimated that 2013 earnings will reach \$112.49.

This chart is for illustrative purposes only and not indicative of any actual investment. Investors cannot invest directly in an index. The S&P 500 is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.

