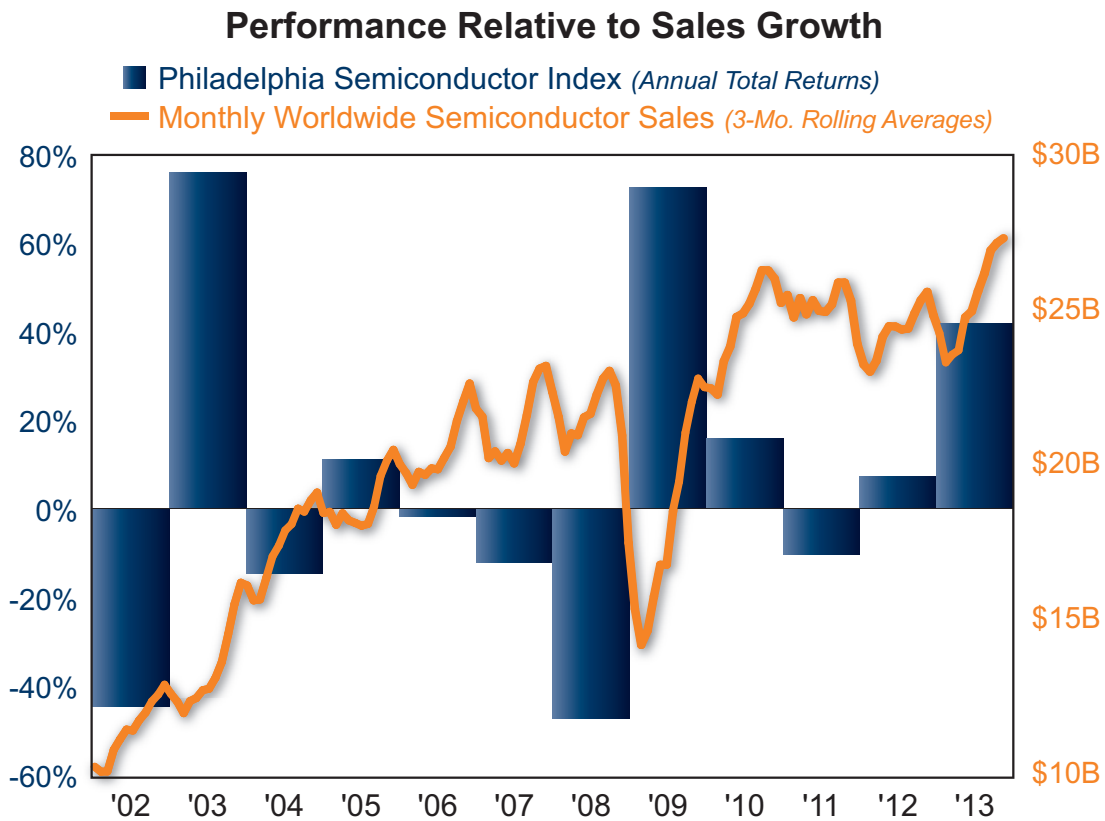


Semiconductor Sales Were A Good Barometer For The Technology Sector In 2013



Sources: Bloomberg, Semiconductor Industry Association. Sales data through November 2013. Past performance is no guarantee of future results.

View from the Observation Deck

1. Today's blog post is an update of a post we did on 2/2/12 where we encouraged investors to monitor the recovery in semiconductor sales and use it as a barometer for the overall health of the technology sector.
2. Semiconductors play an integral role in most tech-oriented products, especially in today's high-demand mobile device product lines, such as smartphones and tablets.
3. While we were actually looking for a bigger uptick in sales than we saw in 2012 (companies curbed their spending due in part to the uncertainty coming from the "Do nothing Congress"), it did materialize in 2013.
4. The Philadelphia Semiconductor Index (SOX) posted a total return of 41.8% in 2013, while the S&P 500 Information Technology Index was up 28.4%.
5. The SOX's earnings grew by an estimated 30.2% (y-o-y), according to Bloomberg. It currently has its 2014 earnings growth rate estimate at 58.3%.
6. On a valuation basis, the index's estimated price-to-earnings ratio for 2014 is 15.34, well below its 3-Year average of 18.77.
7. The World Semiconductor Trade Statistics organization is forecasting annual sales of \$304.3 billion in 2013, which would represent a record high, and sees sales rising 4.0% to \$316.6 billion in 2014.

This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The Philadelphia Semiconductor Index is a modified capitalization-weighted index comprised of companies that are involved in the design, distribution, manufacturing, and sale of semiconductors.