

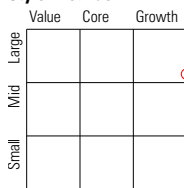
# Netflix, Inc. NFLX

## Quote/Snapshot

**Stock Type** Cyclical **Last Close Price** \$241.11 ( 8/5/2011 ) **Fair Value Est** \$150.00 **Morningstar Rating™** ★★

### Morningstar Investment Style

#### Style Breakdown



### Valuation 8/5/2011

	Stock	Industry	S&P 500
Price/Earnings	61.00	25.10	13.80
Forward P/E	35.30	—	12.40
Price/Book	37.90	3.70	1.90
Price/Cash Flow	38.20	12.90	7.70
Price/Sales	4.90	0.90	1.20
Fwd Div Yld %	0.0		2.18

### Quick Stats

Morningstar Style	Industry	Sector	Stock Type
Large Growth	Specialty Retail	Consumer Cycl	Cyclical

Price/Cash Flow	Price/Earnings	Price/Sales	Sales (\$Mil)
38.20	61.00	4.90	2,656

52-Wk Range	Avg. Volume	Fwd Div Yld	Market Cap (\$Mil)
304.79-105.50	5,407,146 ( 8/5/2011 )	0.0	12,667

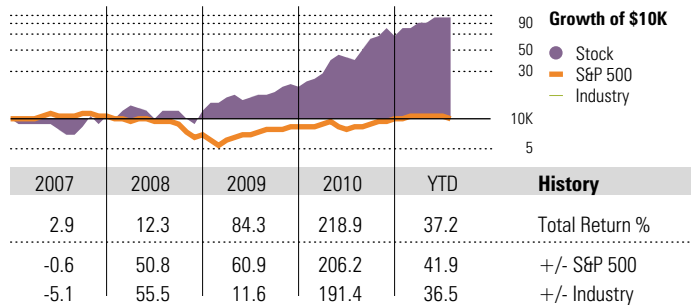
### Profitability 6/30/2011

	Stock	Industry	S&P 500
ROA %	18.90	7.10	9.30
ROE %	83.60	15.90	24.30
Net Margin %	8.00	3.90	13.80
Asset Turnover	2.30	1.80	0.80
Fin Leverage	—	5.60	4.40
Sales/Employee \$Thousands	613.60	—	—

### Growth 12/31/2010

	% 1 Yr	% 3 Yr	S&P 500
Sales	29.50	21.50	6.60
Net Income	38.80	33.90	6.30
EPS	49.50	45.00	6.70
Equity/Share	47.50	-5.60	8.10
Dividends	—	—	3.20

### Performance



### Morningstar Stock Grades

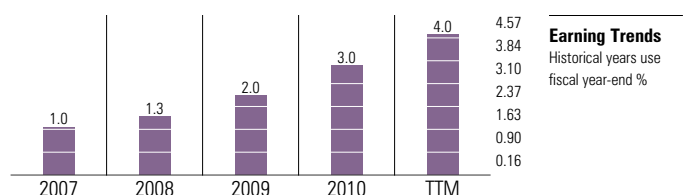
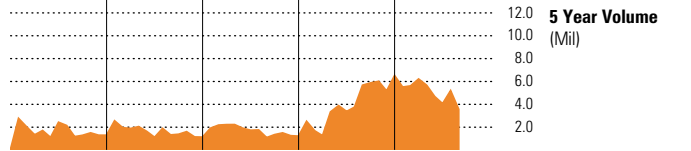
Growth	B
Profitability	A
Financial Health	B

### Industry Peers

	Market Cap \$Mil	TTM Sales \$Mil
Amazon.com Inc	92,013	40,277.00
eBay Inc	37,761	10,050.72
Metro AG	14,342	93,930.60
Bed Bath & Beyond, Inc.	13,186	8,945.40
AutoZone Inc	11,585	7,876.14

### Fund Ownership

	Morningstar Rating™	% Share Held	% Fund Assets
Morgan Stanley Inst Mid Cap Growth I	★★★★★	1.66	2.83
Columbia Select Large Cap Growth Z	★★★★★	1.40	3.64
Vanguard Mid Cap Index Ins	★★★★★	1.01	0.43
PowerShares QQQ	★★★★★	0.89	0.54
Vanguard US Total Market Shares (AU) ETF		0.92	0.07



### Operations

#### What Does This Company Do?

Netflix operates a fast-growing DVD rental and video streaming service available in the United States, Canada, and eventually Central and South America. Netflix delivers digital content to PCs, Internet connected TVs, and consumer electronic devices including but not limited to the Xbox 360, Playstation, and Wii. In July 2011, the company changed its \$10 per month price for 1 DVD at a time plus streaming. This combination now costs \$16 per month, with streaming or 1 DVD at a time priced at \$8 per month.

#### Contact Information

**Address** 100 Winchester Circle  
Los Gatos, CA 95032  
**Phone** 1 408 399-3700  
**Website** <http://www.netflix.com>  
**Direct Investment** No  
**Dividend Reinvestment** No

# Netflix, Inc. NFLX

## Analysis

<b>Stock Type</b>	<b>Last Close Price</b>	<b>Fair Value Est</b>	<b>Morningstar Rating™</b>
Cyclical	\$241.11 ( 8/5/2011 )	\$150.00	★★

### Trailing One-Year Price



**Analysis** by Michael Corty, CFA 7/26/2011

Netflix is a dominant player in the DVD rental business and has a head start in translating that success to a streaming video offering. However, we don't assign the firm an economic moat as we expect competition to intensify as the company transitions into to a streaming aggregator. The Netflix management team has done an outstanding job of using the First Sale Doctrine to carve out a dominant DVD rental franchise to the detriment of its brick-and-mortar competitors as well as movie studios selling DVDs for \$20. In a nutshell, the First Sale Doctrine allows anyone who buys a DVD to sell, exchange, or rent them over and over again. As technology improves, more consumers will be able to download video content to televisions or the plethora of smaller devices now available. Netflix has been quick to realize this shift to digital and has made its streaming service available on laptops, tablets, game consoles like Xbox 360, and Internet-enabled televisions. The transition to digital delivery levels the playing field for Netflix's competitors. Streaming content doesn't require a nationwide network of distribution centers, so barriers to entry are much lower relative to the DVD rental business. Several larger companies that already sell or rent digital content such as Apple AAPL and Amazon AMZN could emerge as strong competitors to Netflix. For example, Amazon Prime offers streaming video in addition to expedited shipping for \$79 annually and recently announced plans to start selling a tablet device later in 2011, likely at a much lower price point than Apple's iPad. We view Amazon's push beyond the Kindle as a sign that it intends to invest more in the streaming video business. Apple is the elephant in the room as it is the most successful hardware firm of the past 25 years and its recent growth has pushed its cash balance above \$70 billion dollars (over 20 times Netflix sales). We view Netflix's growing subscriber base as a head start as opposed to a sustainable competitive advantage. The firm agreed to a five-year deal with EPIX, a new pay TV channel that offers Paramount, MGM, and Lionsgate movies for streaming rights that reportedly cost as much as \$200 million annually. The movies are available for streaming 90 days after they are first shown in the pay-TV window--usually several months after the DVD release. In order to obtain each incremental subscriber, Netflix needs to offer a great value proposition, which means it must consistently improve its content menu or stay competitive on price. For example, we expect Netflix to pay significantly

more to Starz (a premium cable channel which currently owns streaming rights to Disney and Sony movies) after the current agreement ends in early 2012, especially if it wants to maintain exclusivity. The existing Starz-Netflix licensing agreement was struck before Netflix's subscribers skyrocketed. In fact, we believe part of the motivation for Netflix's recent change in pricing plans, which segregated streaming and DVD customers, is that content owners with valuable content are likely to seek some kind of variable pricing with their licensing deals. Starz may look to get compensated with a flat amount plus a per-subscriber fee so it can share in the economic upside if Netflix continues to grow. We think owners of valuable and sought-after content hold the upper hand in the emerging streaming business as they have the ability to sign shorter licensing deals, which allows them to consistently reprice their content. A long-term threat, which is often overlooked, is the cable and satellite operators, which have admittedly suffered from inertia in building out a more attractive video-on-demand product for pay-TV subscribers. However, we believe this will change as they work closer with content owners to offer a better video on demand experience including a deeper catalog of library TV shows. Furthermore, TV Everywhere, an authentication system for pay-TV subscribers whereby cable network content is accessible for streaming on a variety of devices, is another likely solution to satisfy growing demand for accessing content on multiple devices. We acknowledge that Netflix is a great business with a solid management team, but it has become a high expectations stock. The business could perform well and still fall short of the lofty expectations necessary to justify the rich valuation.

**Analyst Note** by Michael Corty, CFA 7/26/2011

Netflix's NFLX second-quarter results continued to show impressive growth in subscribers, margins, and earnings and a step-up in cash spent on content. In our view, the key takeaway was the company's guidance around its recent price increase. Management's expectations for the percentage of subscribers who will take hybrid plans at the end of the third quarter are higher than we would have anticipated. We plan to lower our subscriber forecast and assume higher average revenue per user, but we remain comfortable with our \$150 fair value estimate. Our thesis is that Netflix is a high-expectations stock that faces too many challenges from competitors and rising content costs to justify such a lofty valuation. The quarter's results were strong, with 2.0 million net subscriber additions, which lifted the global count to 25.6 million. Sales improved 48% to \$770 million, driven by a 60% increase in paid subscribers offset by a 7% decline in average revenue per sub to \$11.49 per month. The lower ARPU is the result of 75% of new customers electing the \$8 streaming-only service. The quarterly operating margin was about flat at 14.6% and the company indicated that is maintaining its 14% margin target for the full year. Netflix expects a slowdown in third-quarter subscriber growth because of the price increase. The largest increase occurs for customers who bundle DVDs and streaming. To get one DVD

# Netflix, Inc. NFLX

## Analysis continued

at a time and streaming will cost \$16, a 60% increase from the prior \$10 price point. The most interesting takeaway from management's quarterly letter to shareholders was the expectation that 48% of subscribers will remain on a bundled plan, 40% on streaming only, and only 12% on DVD only. While this may be the breakout in the near term, we're skeptical that half of incremental subscribers will take the bundled package; we expect people to gravitate to either streaming or DVDs. We agree that a price increase was necessary in order to invest more in streaming content, but we think the company is overestimating the value proposition of a bundled package. To satisfy its current customers and attract each incremental customer, Netflix will have to move up the quality ladder, as the current portfolio of library content will not be enough. In reviewing the cash flow statement, Netflix increased its second-quarter streaming content acquisition to \$613 million from \$192 million in the first quarter. This was not much of a surprise, given the flow of licensing deals that Netflix has announced. For example, we expect Netflix to pay significantly more to Starz (a premium cable channel that currently owns streaming rights to Disney and Sony movies) after the current agreement ends in early 2012, especially if it wants to maintain exclusivity as an over-the-top provider. We believe part of the motivation for Netflix's recent change in pricing plans, which segregated streaming and DVD customers, is that content owners with valuable content are likely to seek some kind of variable pricing with their licensing deals. Starz may look to get compensated with a flat amount plus a per-subscriber fee so it can share in the economic upside if Netflix continues to grow. We think owners of valuable and sought-after content hold the upper hand in the emerging streaming business as they have the ability to sign shorter licensing deals, which allows them to consistently reprice their content. We acknowledge Netflix's growing subscriber base and progress in building a streaming business. However, we think the optimism currently priced into the shares does not account for the heightened competition as well as costs for licensing the higher-quality content necessary to expand the subscriber base.

### Valuation

<b>Fair Value Estimate</b>	\$150.00
<b>Stock Price</b>	\$266.91
<b>Consider Buying</b>	90.00
<b>Consider Selling</b>	255.00
<b>Uncertainty Risk</b>	Above Avg
<b>Economic Moat</b>	None
<b>Stewardship Grade</b>	B

Our fair value estimate of \$150 implies forward 2012 price/earnings of about 25 times, and a free cash flow yield of 5%. Our valuation model assumes that Netflix's total subscriber count reaches about 52 million by 2015, with about 20% coming from outside the U.S. This would imply

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Cyclical	\$241.11 ( 8/5/2011 )	\$150.00	★★

that, by 2015, roughly one third of U.S. TV households would be Netflix subscribers. We don't believe the non-U.S. business will add materially to profitability in the next five years, as the company's success in Canada will be hard to replicate in other regions. We forecast 23% average annual revenue growth over the next five years. Although it's much cheaper to deliver digital content than it is to ship physical DVDs, we expect acquiring digital content to be significantly more expensive than DVDs for Netflix. Also, we see heightened competition for securing content, so we see a greater portion of the economic profits shifting to the content owners. We also expect Netflix to increase its marketing efforts to both attract subscribers internationally, and retain subscribers in the U.S. We project the company's operating margin to average about 15% over the next five years, higher than the 2010 margin of 13%. We think the scale achieved in the U.S. will allow for some margin expansion, but ultimately think that most of the economics will accrue to the content owners. Emerging competition from larger competitors will keep Netflix from the significant margin expansion that usually comes with such strong top-line growth. We expect the international business to weigh down profitability as well. The future of digital content delivery--and Netflix's ultimate position in the market--are very difficult to predict with precision. For this reason, we assign Netflix's shares a high uncertainty rating. ■■

### Other Opinions

#### Bulls Say

- ▶ As customers transition from DVD to streaming content, Netflix's postage and packaging expenses will fall and allow the company to devote more money to securing digital content.
- ▶ Netflix's internal recommendation software and large subscriber base could give the company an edge on new competitors when deciding which content to acquire in future years.
- ▶ The company's deep library of DVDs serves as an effective differentiator from potential entrants into the streaming business. While Netflix's streaming content is limited, customers can rely on mail by DVD in order to access a more complete programming menu.

#### Bears Say

- ▶ Netflix relies on unlimited bandwidth for its streaming offering. Its subscribers reportedly generate as much as 20% of all Internet traffic during peak periods. Broadband providers could move to a pay-for-use model that increases the cost for subscribers.
- ▶ Potential competitors in content aggregation are more likely to enter the market as they witness Netflix's recent impressive financial results.
- ▶ Digital content will be more expensive than DVDs as the First Sale Doctrine does not apply to digital content. This could limit profit margin growth even if subscriber growth continues for Netflix.
- ▶ Central and South America could turn out to be unprofitable, and any material level of profitability will take at least five years to achieve. In major markets like Brazil and Mexico, pay TV distribution is more concentrated than the U.S., which could make it easier for the dominant pay TV providers to compete with supplemental content providers like Netflix.

# Netflix, Inc. NFLX

## Analysis continued

**Stock Type**  
Cyclical

**Last Close Price**  
\$241.11 ( 8/5/2011 )

**Fair Value Est**  
\$150.00

**Morningstar Rating™**  
★★

### Additional Commentary 7/26/2011

#### Financial Health

Netflix appears to be in solid financial shape due to strong cash generation and no near-term debt maturities. Although some of its cash is earmarked for share repurchases and investment in its digital download initiative, the company has more cash than debt. Debt/capital and total debt/adjusted EBITDA were 0.41 and 0.62, respectively, at the end of 2010. We expect adjusted EBITDA to cover interest an average of 30 times over the next five years, and the company's Cash Flow Cushion (cash on the balance sheet and future cash flow divided by debt and debtlike commitments) is about 12 times. We assign Netflix an issuer credit rating of BB+.

#### Profile

Netflix operates a fast-growing DVD rental and video streaming service available in the United States, Canada, and eventually Central and South America. Netflix delivers digital content to PCs, Internet connected TVs, and consumer electronic devices including but not limited to the Xbox 360, Playstation, and Wii. In July 2011, the company changed its \$10 per month price for 1 DVD at a time plus streaming. This combination now costs \$16 per month, with streaming or 1 DVD at a time priced at \$8 per month.

#### Management

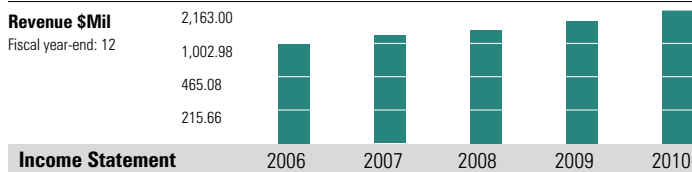
Reed Hastings has done a great job in building Netflix from scratch. He founded Netflix in 1998 after getting charged a substantial late fee for Apollo 13 by a video store. He owns about 6% of the company and currently serves as chairman and CEO. Longtime CFO Barry McCarthy resigned in late 2010 and was replaced by David Wells, who has a long history with Netflix. Hastings has transitioned the company from DVDs to streaming, which has allowed Netflix to emerge as a major player in content distribution. Collectively, all directors and executive officers own over 20% of the company, which we believe is sufficient to keep the interests of management aligned with those of shareholders. Cash compensation to officers is quite low, and directors do not receive any cash compensation.

#### Risk

As technology improves, more consumers will be able to quickly download content via the web and play them on their televisions or alternative devices. The advantage Netflix developed in the DVD rental market may not translate to digital delivery. The cost of licensing content will rise as competitors emerge and bid for content that Netflix desires. Netflix's possible expansion outside the U.S. and Canada could be unprofitable and drag on cash flow as foreign markets have different tastes and watch less video content than the average U.S. consumer.

# Netflix, Inc. NFLX

## Financials



### Income Statement

Financials	2006	2007	2008	2009	2010
Revenue \$Mil	996.66	1,205.34	1,364.66	1,670.27	2,162.63
Gross Margin %	37.09	34.78	33.30	35.38	37.24
Oper Income \$Mil	64.41	91.16	121.51	191.94	283.64
Operating Margin %	6.46	7.56	8.90	11.49	13.12
Net Income \$Mil	49.08	66.95	83.03	115.86	160.85
Earnings Per Share	0.71	0.97	1.32	1.98	2.96
Dividends \$ \$Mil	—	—	—	—	—
Shares Mil	69	69	63	58	54
Book Value Per Share \$	6.05	6.55	5.92	3.73	5.50

Oper Cash Flow \$Mil	247.86	291.82	284.04	325.06	276.40
Cap Spending \$Mil	-197.45	-44.81	-207.70	-45.93	-33.84
Free Cash Flow \$Mil	50.42	247.02	76.34	279.13	242.56

### Profitability

Return on Assets %	10.08	10.66	13.13	17.86	19.36
Return on Equity %	15.33	15.85	21.35	42.42	65.75
Net Margin %	4.92	5.55	6.08	6.94	7.44
Asset Turnover	2.05	1.92	2.16	2.57	2.60
Assets/Equity	1.47	1.50	1.78	3.41	3.38

### Financial Health

Working Capital \$Mil	234.97	203.95	145.43	184.64	252.39
Long Term Debt \$Mil	—	—	—	200.00	200.00
Total Equity \$Mil	414.21	430.75	347.16	199	290
Debt/Equity	—	—	0.11	1.19	0.81

### Cash Flow

Cash From Operations	247.86	291.82	284.04	325.06	276.40
Cap Ex	-197.45	-44.81	-207.70	-45.93	-33.84
<b>Free Cash Flow</b>	<b>50.41</b>	<b>247.01</b>	<b>76.34</b>	<b>279.13</b>	<b>242.56</b>

### Cash Flows Ratios

Operating Cash Flow Growth-YOY	52.08	17.74	-2.67	14.44	-14.97
Free Cash Flow Growth-YOY	-61.91	390.00	-69.09	265.64	-13.10
Cap Ex as a % of Sales	19.81	3.72	15.22	2.75	1.56
Free Cash Flow/Sales	5.06	20.49	5.59	16.71	11.22
Free Cash Flow/NetIncome	1.03	3.69	0.92	2.41	1.51

<b>Stock Type</b>	<b>Last Close Price</b>	<b>Fair Value Est</b>	<b>Morningstar Rating™</b>
Cyclical	\$241.11 ( 8/5/2011 )	\$150.00	★★

### Balance Sheet

Assets \$Mil	2009	2010	Current
Cash and Equiv	134.22	194.50	175.21
Short Term Investments	186.02	155.89	201.20
Accts Rec	—	—	—
Inventory	37.33	181.01	499.43
Other Current Assets	53.44	109.57	93.60
<b>Total Current Assets</b>	<b>411.01</b>	<b>640.97</b>	<b>969.44</b>
Net PP&E	131.65	128.57	136.95
Intangibles	108.81	182.56	425.25
Other Long-Term Assets	28.26	29.97	39.05
<b>Total Assets</b>	<b>679.73</b>	<b>982.07</b>	<b>1,570.69</b>

### Liabilities and Stockholder's Equity \$Mil

Accts Payable	91.48	222.82	533.44
Short Term Debt	—	—	—
Income Tax Payable	—	—	—
Accrued Liabilities	33.39	36.49	44.14
Other Short Term Liabilities	101.50	129.27	149.13
<b>Total Current Liabilities</b>	<b>226.37</b>	<b>388.58</b>	<b>726.71</b>
Long Term Debt \$Mil	200.00	200.00	200.00
Other Long Term Liabilities	54.22	103.32	309.95
<b>Total Liabilities</b>	<b>480.59</b>	<b>691.90</b>	<b>1,236.66</b>
<b>Total Stockholder's Equity</b>	<b>199.14</b>	<b>290.16</b>	<b>334.03</b>
<b>Total Liabilities &amp; Equity</b>	<b>679.73</b>	<b>982.06</b>	<b>1,570.69</b>

### Quarterly Results

Sales	9/2010	12/2010	3/2011	6/2011
Current	553.00	596.00	719.00	789.00
% Change From Year Earlier	30.70	34.10	45.60	51.70
<b>Net Income</b>				
Current	38.00	47.00	60.00	68.00
% Change From Year Earlier	26.00	52.30	86.60	56.70
<b>Earnings/Share</b>				
Current	0.70	0.87	1.11	1.26
% Change From Year Earlier	34.60	58.00	88.10	57.50

# Netflix, Inc. NFLX

## Valuation/Estimates

**Stock Type** Cyclical **Last Close Price** \$241.11 ( 8/5/2011 ) **Fair Value Est** \$150.00 **Morningstar Rating™** ★★

### Valuation Ratios

	Stock	Industry	S&P 500	*Stock's 5 Yr Average
Price/Earnings	61.00	25.10	13.80	34.8
Price/Book	37.90	3.70	1.90	12.0
Price/Sales	4.90	0.90	1.20	2.2
Price/Cash Flow	38.20	12.90	7.70	11.8
Dividend Yld %	—	—	2.00	—

\* Price/Cash Flow uses 3-year average.

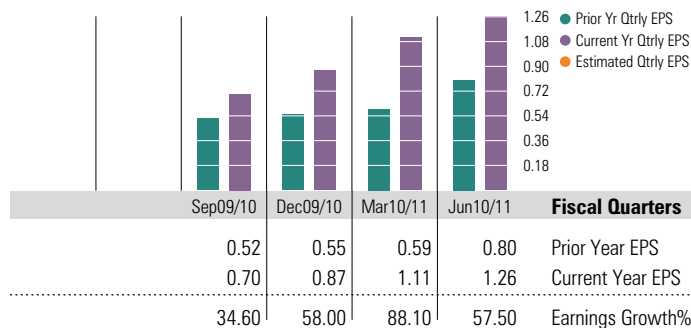
### Forward Valuation Ratios

	Stock	Industry	S&P 500
Forward Price/Earnings	35.30	—	12.40
PEG Ratio	1.00	—	1.40
PEG Payback (Yrs)	7.60	—	—

### Earnings Surprises %

By what percentage did the company beat consensus analyst earnings estimates?

### Quarterly Earnings



### Annual Earnings Estimates

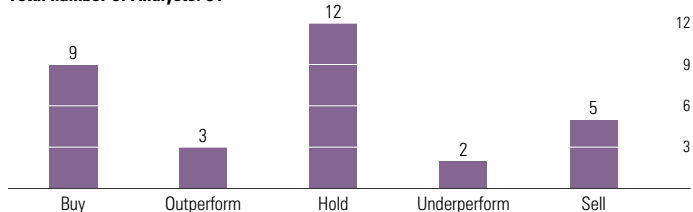
Earnings Type	12/2011		12/2012	
	\$	Growth %	\$	Growth %
High	5.38	81.76	11.23	108.74
Low	3.96	37.83784	5.50	38.89
Mean	4.68	58.11	6.99	49.36
30 Days Ago	4.51	52.36	6.56	45.45
60 Days Ago	4.51	52.36	6.58	45.90
90 Days Ago	4.47	51.01	6.50	45.41
Number of Estimates	28		28	

Five Year Growth Forecast: 31.25%

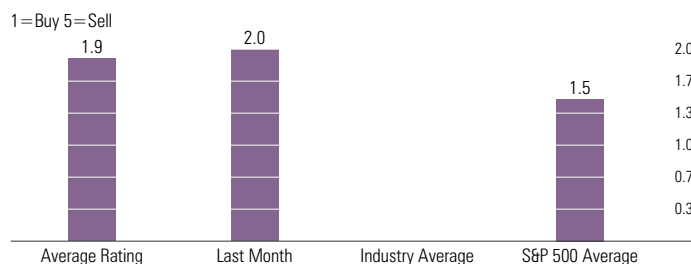
Industry Average: 15.79%

### Range of Analyst Opinions

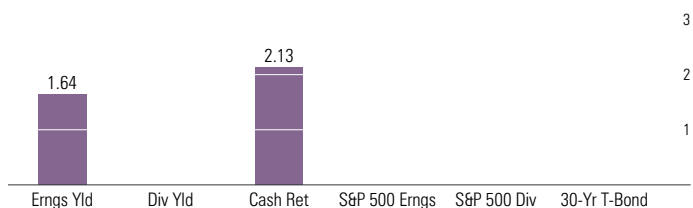
Total number of Analysts: 31



### Analyst Opinion Trends



### Current Rates of Return %



# Netflix, Inc. NFLX

## Ownership

**Stock Type**  
Cyclical

**Last Close Price**  
\$241.11 ( 8/5/2011 )

**Fair Value Est**  
\$150.00

**Morningstar Rating™**  
★★

### Fund Ownership Summary

Shares Outstanding	Fund Ownership	Total of Funds	Average Star Rating
52,536,246.00	20,910,583.00	1,237.00	4.0

### Insider Activity

Date	Name/Position	Shares	Transaction
11/1/2010	A. (SKIP) GEORGE BATTLE/Director	299	Acquisition (including grants/awards) 299 Shares.
11/1/2010	CHARLES H. GIANCARLO/Director	299	Acquisition (including grants/awards) 299 Shares.
11/1/2010	JAY C. HOAG/Director	299	Acquisition (including grants/awards) 299 Shares.
11/1/2010	LESLIE J. KILGORE/Chief Marketing Officer	1,929	Acquisition (including grants/awards) 1,929 Shares.
11/1/2010	MR. ANDREW RENDICH/Chief Service/DVD Ops Officer	249	Acquisition (including grants/awards) 249 Shares.
11/1/2010	MS. ANN MATHER/Director	209	Acquisition (including grants/awards) 209 Shares.
11/1/2010	NEIL HUNT/Chief Product Officer	1,079	Acquisition (including grants/awards) 1,079 Shares.
11/1/2010	PATTY MCCORD/Chief Talent Officer	498	Acquisition (including grants/awards) 498 Shares.
11/1/2010	REED HASTINGS/Director, Chief Executive Officer	4,979	Acquisition (including grants/awards) 4,979 Shares.
11/1/2010	RICHARD N. BARTON/Director	299	Acquisition (including grants/awards) 299 Shares.
11/1/2010	TED SARANDOS/Chief Content Officer	1,494	Acquisition (including grants/awards) 1,494 Shares.
11/1/2010	TIMOTHY M. HALEY/Director	299	Acquisition (including grants/awards) 299 Shares.
11/1/2010	W. BARRY MCCARTHY, JR/Chief Financial Officer	2,116	Acquisition (including grants/awards) 2,116 Shares.
10/27/2010	A. (SKIP) GEORGE BATTLE/Director	1,536	Sold at \$180.00/Share.
10/27/2010	A. (SKIP) GEORGE BATTLE/Director	1,536	Exercised Options at \$26.05/Share.
10/27/2010	A. (SKIP) GEORGE BATTLE/Director	1,536	Exercised Options at \$0.00/Share.
10/27/2010	A. (SKIP) GEORGE BATTLE/Director	1,000	Sold at \$180.00/Share.
10/26/2010	PATTY MCCORD/Chief Talent Officer	777	Sold at \$175.00/Share.
10/26/2010	PATTY MCCORD/Chief Talent Officer	777	Exercised Options at \$107.29/Share.
10/26/2010	PATTY MCCORD/Chief Talent Officer	777	Exercised Options at \$0.00/Share.

### Top Funds Largest Stake

Fund Name	Morningstar Rating™	Shares Held	% Fund Assets	Chng(000) in Ownrshp	Date of Portfolio
Morgan Stanley Inst Mid Cap Growth I	★★★★★	1.66	2.83	0.00	3/31/2011
Columbia Select Large Cap Growth Z	★★★★	1.40	3.64	0.00	5/31/2011
Vanguard Mid Cap Index Ins	★★★★	1.01	0.43	15.00	3/31/2011
PowerShares QQQ	★★★★	0.89	0.54	-23.00	6/30/2011
Vanguard US Total Market Shares (AU) ETF		0.92	0.07	15.00	3/31/2011
American Century Heritage Inv	★★★★	0.90	2.98	-31.00	3/31/2011
Fidelity Contrafund	★★★★	0.81	0.14	120.00	6/30/2011
Vanguard 500 Index Investor	★★★	0.75	0.09	9.00	3/31/2011
American Century Ultra Inv	★★★★	0.70	1.33	18.00	3/31/2011
Vanguard Institutional Index Instl	★★★	0.66	0.09	14.00	3/31/2011
Calvert Equity A	★★★★	0.57	4.42	0.00	6/30/2011
CREF Growth	★★★	0.54	0.53	80.00	5/31/2011
SPDR S&P 500	★★★	0.55	0.10	-4.00	8/5/2011
Fidelity Growth Company	★★★★	0.54	0.18	0.00	6/30/2011
Calamos Growth A	★★★★	0.58	0.73	0.00	4/30/2011
AST First Trust Capital Apprec Target	★★	0.46	1.33	1.00	6/30/2011
Janus Growth & Income D	★★★	0.42	1.44	20.00	6/30/2011
Morgan Stanley Focus Growth B	★★★★	0.46	3.21	63.00	3/31/2011
American Century Vista Inv	★★	0.45	2.44	-30.00	3/31/2011
Janus Balanced D	★★★★★	0.40	0.80	21.00	6/30/2011

### Top Funds Owners Largest Concentration

Fund Name	Morningstar Rating™	Shares Held	% Fund Assets	Chng(000) in Ownrshp	Date of Portfolio
First Trust Value Line Target 25	★	0.02	12.87	-2.00	9/30/2010
Allianz RCM All Alpha A		0.00	12.64	0.00	6/30/2011
Virtus Market Neutral A	★	0.00	11.51	0.00	6/30/2011
Eaton Vance Atlanta Capital Focused Gr I	★★★★	0.05	8.54	1.00	6/30/2011
Danske Invest Global Tech K	★★★★★	0.04	5.70	-1.00	7/31/2011
JNL/Mellon Cap Mgmt S&P 24 A	★★★	0.21	5.58	15.00	6/30/2011
Wells Fargo Advantage Specialized Tech A	★★★★	0.10	5.27	1.00	6/30/2011
Danske Invest Teknologi	★★★★	0.04	5.17	0.00	6/30/2011
Met Invt Ser RCM Technology E	★★★★★	0.16	5.02	8.00	3/31/2011
Dynamic Power American Growth A	★★★★★	0.00	4.97	0.00	6/30/2010
PowerShares Dynamic Retail	★★★★	0.00	4.95	2.00	6/30/2011
Berkshire Focus	★★★	0.02	4.92	2.00	3/31/2011
London Life American Growth (AGF)	★★★★	0.07	4.71	0.00	7/31/2011
Calvert Large Cap Growth I	★★★	0.21	4.65	-5.00	6/30/2011
IG AGF US Growth B	★★★★	0.07	4.65	0.00	5/31/2011
Thrivent Partner Ser Socially Resp Stk A	★★★★	0.00	4.63	0.00	5/31/2011
Apex Mid Cap Growth	★	0.00	4.58	0.00	4/30/2011
Great-West Life American Growth (A) NL	★★★★	0.01	4.53	0.00	7/31/2011
Dynamic US Growth I		0.02	4.52	9.00	5/31/2011
Calvert VP SRI Equity	★★★★	0.00	4.51	0.00	6/30/2011