



# Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

July 26, 2013

## Whiting Petroleum (WLL) Western Williston and Red Tail

<i>Symbol</i>	WLL	<i>Ebitda Next Twelve Months ending 6/30/14 (US\$m)</i>	2,064
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	4
<i>Price (\$/sh)</i>	50.44	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	7/25/13	<i>Adjusted Reserves/Production NTM</i>	8.7
<i>Shares (mm)</i>	119	<i>EV/Ebitda</i>	4.0
<i>Market Capitalization (\$mm)</i>	6,000	<i>PV/Ebitda</i>	5.4
<i>Debt (\$mm)</i>	2,270	<i>Undeveloped Reserves (%)</i>	36
<i>Enterprise Value (EV) (\$mm)</i>	8,270	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	58.00
<i>Present Value (PV) (\$mm)</i>	11,200	<i>Present Value Proven Reserves(\$/boe)</i>	29.60
<i>Net Present Value (\$/share)</i>	75	<i>Oil and Gas Ebitda Margin (%)</i>	70
<i>Debt/Present Value</i>	0.20	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.78
<i>McDep Ratio - EV/PV</i>	0.74	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	0.0	<i>Indicated Annual Dividend (US\$/sh)</i>	0.00
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$90 a barrel and natural gas, \$6 a million btu.			
For historical analysis of Whiting since 2009 see <a href="http://www.mcdep.com/4wll.htm">www.mcdep.com/4wll.htm</a>			

### Summary and Recommendation

Better fracking keeps the outlook exciting for buy- recommended **Whiting Petroleum (WLL)** while reinforcing estimated Net Present Value (NPV) of \$75 a share compared to current stock price of \$50 (see table Present Value on page 2). NPV was \$88 a share until a month ago when we scaled back our long-term oil price assumption to \$90 a barrel from \$100. Yet, operations keep getting better. Credit the gains largely to modifications to the company's fracking technique, including more "plug and perf" instead of "sliding sleeve" among other refinements. Most notably in second quarter results reported July 25, oil volumes are compounding 40% a quarter in the Western Williston area on the Montana/North Dakota border (see chart Oil and Gas Production on page 2 and slide Lease Areas in Williston Basin on page 3). At the same time, better fracks give management the confidence to announce a development program for its Red Tail prospect in the Niobrara (Mancos) formation on trend with the prolific Wattenberg field in northeast Colorado (see slide Red Tail on page 3). Meanwhile, despite the sale of a 6,500 barrels daily property effective July 15, volume growth continues for the remainder of the year (see table Operating and Financial Estimates on page 4). Compared to an elite group of peer companies that also have impressive shale prospects, Whiting has a low McDep Ratio at 0.74, high concentration on oil at 92% of present value, lowest unlevered cash flow (Ebitda) multiple at 4.0, median ratio of debt to present value of 0.20 and its stock price is in an uptrend compared to its 200-day average (see Tables ISC-1 to ISC-4 on pages 5-8).

Kurt H. Wulff, CFA

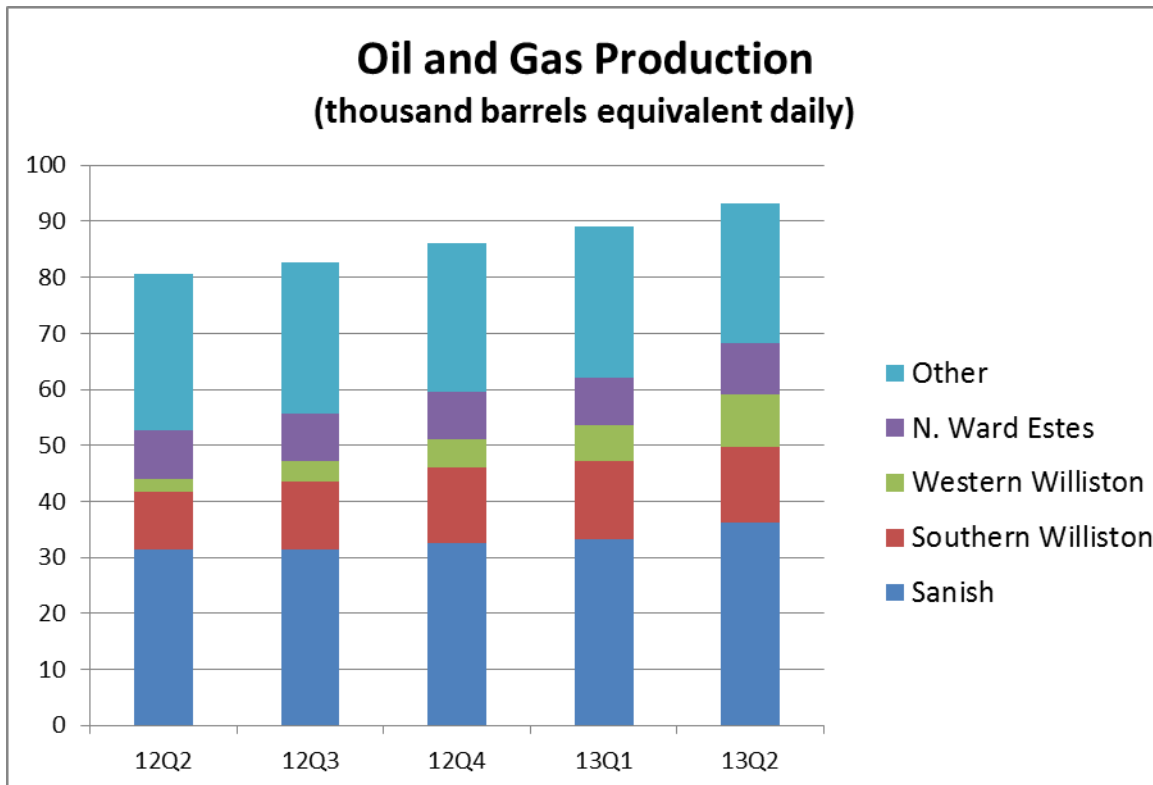


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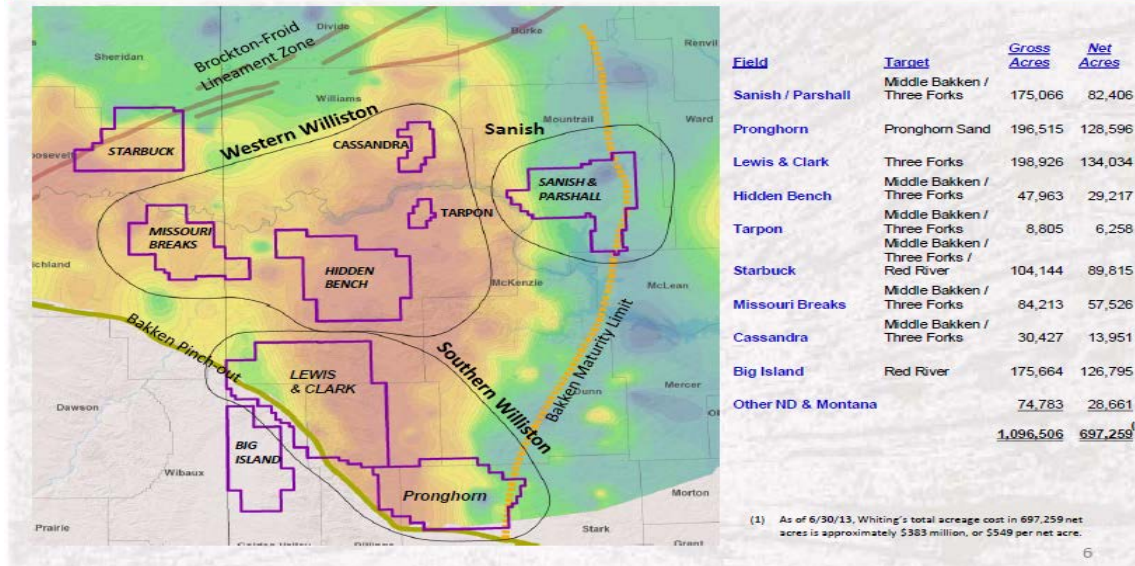
Analysis of Oil & Gas Stocks

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Whiting Petroleum Corporation					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	74	7.4	12.2	900	8%
Oil	1,991	8.9	5.2	10,300	92%
	2,064	8.7	5.4	11,200	100%
Debt (US\$mm)					2,270
Net Present Value (US\$mm)					8,930
Shares (mm)					119
Net Present Value - Standard Estimate (US\$/sh)					75
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					90

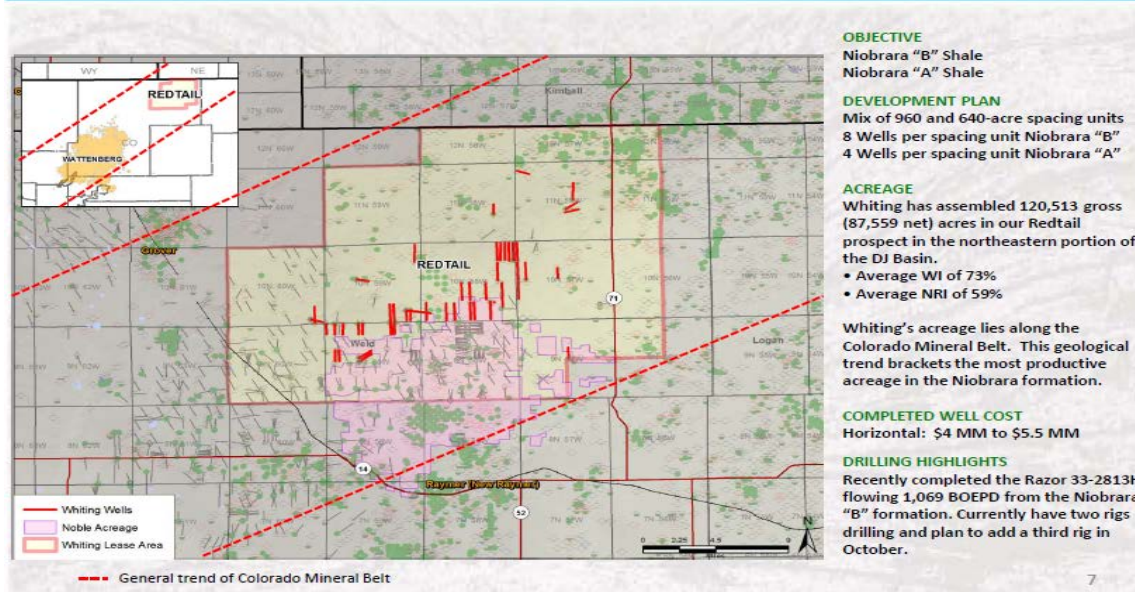


## Whiting Lease Areas in Williston Basin



## Redtail Niobrara Prospect

Weld County, Colorado (June 30, 2013)





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Whiting Petroleum Corporation										
Next Twelve Months Operating and Financial Estimates										
	Q2	Year	Q1	Q2	Q3E	Q4E	Year	Q1E	Q2E	Next Twelve Months
	6/30/12	2012	3/31/13	6/30/13	9/30/13	12/31/13	2013E	3/31/14	6/30/14	6/30/14
<b>Volume</b>										
Natural Gas (mmcf)	70	<b>71</b>	71	72	72	72	<b>71</b>	72	72	<b>72</b>
Days	91	<b>366</b>	90	91	92	92	<b>365</b>	90	91	<b>365</b>
Oil (mmb)	6.3	<b>26</b>	7.0	7.4	7.4	7.7	<b>29</b>	7.9	8.3	<b>31</b>
Oil (mbd)	69	<b>71</b>	77	81	80	84	<b>81</b>	87	91	<b>86</b>
Total (mb)	7.3	<b>30.2</b>	8.0	8.5	8.5	8.8	<b>33.8</b>	8.9	9.4	<b>36</b>
Total (mbd)	81	<b>83</b>	89	93	92	96	<b>93</b>	99	103	<b>97</b>
<b>Price</b>										
Henry Hub (\$/mmbtu)	2.21	<b>2.79</b>	3.34	4.10	3.69	3.79	<b>3.73</b>	3.98	3.89	<b>3.84</b>
Differential (\$/mmbtu)	(1.04)	<b>(0.63)</b>	(0.46)	(0.17)	(0.16)	(0.16)	<b>(0.24)</b>	(0.17)	(0.16)	<b>(0.16)</b>
Company (\$/mcf)	3.25	<b>3.42</b>	3.80	4.27	3.84	3.95	<b>3.97</b>	4.15	4.05	<b>4.00</b>
WTI Cushing (\$/bbl)	93.32	<b>94.16</b>	94.41	94.22	106.28	103.77	<b>99.67</b>	99.40	96.37	<b>101.45</b>
Differential	18.13	<b>15.05</b>	10.95	9.87	11.13	10.87	<b>10.58</b>	10.41	10.09	<b>10.76</b>
Company (\$/bbl)	75.19	<b>79.11</b>	83.46	84.36	95.15	92.90	<b>89.09</b>	88.99	86.28	<b>90.69</b>
Total (\$/bbl)	67.12	<b>70.76</b>	75.43	76.83	85.79	84.29	<b>80.69</b>	81.28	79.08	<b>82.52</b>
<b>Revenue (\$mm)</b>										
Natural Gas	21	<b>88</b>	24	28	25	26	<b>103</b>	27	26	<b>105</b>
Oil	472	<b>2,050</b>	581	623	700	718	<b>2,623</b>	700	713	<b>2,831</b>
Total	493	<b>2,138</b>	605	651	726	744	<b>2,726</b>	726	740	<b>2,936</b>
<b>Expense</b>										
Lease operating	90	<b>377</b>	100	105	104	106	<b>415</b>			
Production taxes	41	<b>173</b>	51	54	63	65	<b>233</b>			
General and administrative	25	<b>108</b>	29	29	55	32	<b>145</b>			
Total	156	<b>658</b>	180	188	221	203	<b>793</b>	221	225	<b>871</b>
<b>Ebitda</b>	337	<b>1,480</b>	425	463	504	541	<b>1,933</b>	505	514	<b>2,064</b>
Exploration	28	<b>128</b>	37	43	43	43	<b>166</b>	43	43	<b>172</b>
Deprec., Deplet., & Amort.	161	<b>685</b>	201	223	226	226	<b>877</b>	226	226	<b>905</b>
Other	(4)	<b>(16)</b>	(6)	(13)		20	<b>2</b>			<b>20</b>
<b>Ebit</b>	152	<b>683</b>	193	210	235	251	<b>889</b>	236	245	<b>967</b>
Interest	18	<b>75</b>	21	23	23	23	<b>90</b>	23	23	<b>92</b>
<b>Ebt</b>	134	<b>608</b>	172	187	212	228	<b>799</b>	213	222	<b>875</b>
Income Tax	47	<b>213</b>	60	65	74	80	<b>280</b>	74	78	<b>306</b>
<b>Net Income (\$mm)</b>	87	<b>395</b>	112	121	138	148	<b>520</b>	138	144	<b>569</b>
Per Share (\$)	0.73	<b>3.32</b>	0.94	1.02	1.16	1.25	<b>4.37</b>	1.16	1.21	<b>4.78</b>
<b>Shares (millions)</b>	119	<b>119</b>	119	119	119	119	<b>119</b>	119	119	<b>119</b>
Ebitda Margin	68%	<b>69%</b>	70%	71%	70%	73%	<b>71%</b>	70%	70%	<b>70%</b>
Tax rate	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>	35%	35%	<b>35%</b>



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Table ISC-1										
McDep Income and Small Cap Energy Portfolio										
Debt, Segments, Cash Flow, Income and McDep Ratio										
		Price								
Symbol/Rating	(US\$/sh)	EV/	Enterprise	PV(%)	EV/	Dist.	Dist.			
B = Buy	25-Jul	Market	Value	Nat	Ebitda	NTM	Yield	McDep		
CB (see below)	2013	Cap	(\$mm)	Gas	Oil	NTM	(\$/un)	(%)	Ratio	
<b>Small Cap Independent Producers</b>										
PDC Energy	PDCE	55.15	1.46	2,500	32	68	10.6	-	-	1.14
Range Resources	RRC B	81.39	1.27	16,590	74	26	14.5	0.16	0.2	0.92
Halcón Resources	HK	5.57	2.24	5,230	9	91	6.4	-	-	0.90
Continental Resources (32%)	CLR B	92.50	1.24	6,810	18	82	6.5	-	-	0.87
Peyto Exploration and Development Corp	PEYUF	28.05	1.19	4,960	80	20	9.4	0.81	2.9	0.85
Denbury Resources Inc.	DNR	17.51	1.52	9,940	5	95	5.7	-	-	0.83
Berry Petroleum Company	BRY	40.20	1.83	4,050	14	86	6.0	0.32	0.8	0.80
Cimarex Energy Company	XEC B	75.48	1.22	7,950	46	54	5.5	0.56	0.7	0.79
Whiting Petroleum Corporation	WLL B	50.44	1.38	8,270	8	92	4.0	-	-	0.74
Birchcliff Energy Ltd.	BIREF B	7.92	1.41	1,840	72	28	9.0	-	-	0.73
<i>Total or Median</i>			<i>1.40</i>	<i>68,100</i>	<i>25</i>	<i>75</i>	<i>6.4</i>			<i>0.84</i>
<b>Leveraged Cash Payers</b>										
Vanguard Natural Resources, LLC	VNR	27.89	1.59	2,870	44	56	10.6	2.46	8.8	1.15
Legacy Reserves L.P.	LGCY	28.00	1.58	2,530	28	72	10.0	2.30	8.2	1.07
Linn Energy, LLC	LINE	27.09	1.98	12,530	47	53	10.9	2.90	10.7	1.02
Enerplus Corporation	ERF	16.34	1.55	5,000	35	65	6.4	1.04	6.4	0.94
<i>Total or Median</i>			<i>1.58</i>	<i>22,900</i>	<i>40</i>	<i>60</i>	<i>10.3</i>		<i>8.5</i>	<i>1.05</i>
<b>RTF Cash Payers</b>										
Freehold Royalties Ltd.	FRHLF	23.13	TL	1,610	16	84	12.5	1.62	7.0	1.10
Dorchester Minerals, L.P.	DMLP B	24.10	TL	740	64	36	13.4	1.69	7.0	0.93
Enduro Royalty Trust (40%)	NDRO	15.09	BL	200	48	52	8.9	1.53	10.1	0.89
Sabine Royalty Trust	SBR	51.25	TL	750	52	48	11.9	4.31	8.4	0.80
San Juan Basin Royalty Trust	SJT B	16.65	BL	780	100	-	11.8	0.87	5.3	0.79
Hugoton Royalty Trust	HGT	9.12	BL	370	90	10	8.7	0.93	10.2	0.76
Permian Basin RT	PBT	13.47	TL	630	19	81	7.8	1.09	8.1	0.75
Mesa Royalty Trust	MTR	21.74	BL	41	75	25	8.8	2.05	9.4	0.73
Cross Timbers Royalty Trust	CRT	27.80	TL	170	83	17	11.1	2.25	8.1	0.66
<i>Total or Median</i>				<i>5,300</i>	<i>64</i>	<i>36</i>	<i>11.1</i>		<i>8.1</i>	<i>0.79</i>
CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.										
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses										
Present Value (PV) presumes long-term prices of \$90 a barrel for oil and \$6 a million btu for natural gas.										
Dist. = Income distribution. NTM = Next Twelve Months Ended June 30, 2014. Enterprise Value = Market Cap and Debt.										
TL = Top Line income sources, BL = Bottom Line income sources										





# Income and Small Cap Weekly

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Table ISC-2								
McDep Income and Small Cap Energy Portfolio								
Net Present Value and McDep Ratio								
			Price			Net		
			(\$/sh)		Market	Present	Debt/	
	Symbol/		25-Jul	Shares	Cap	Value	Present	McDep
	Rating		2013	(mm)	(\$mm)	(\$/un)	Value	Ratio
<b>Small Cap Independent Producers</b>								
PDC Energy	PDCE		55.15	31.0	1,710	45.00	0.36	1.14
Range Resources	RRC	B	81.39	161.0	13,100	90.00	0.19	0.92
Halcón Resources	HK		5.57	420.0	2,340	7.00	0.50	0.90
Continental Resources (32%)	CLR	B	92.50	59.2	5,480	110.00	0.17	0.87
Peyto Exploration and Development Corp.	PEYUF		28.05	149.0	4,180	34.00	0.13	0.85
Denbury Resources Inc.	DNR		17.51	373.0	6,530	23.00	0.28	0.83
Berry Petroleum Company	BRY		40.20	55.3	2,220	58.00	0.36	0.80
Cimarex Energy Company	XEC	B	75.48	86.6	6,540	100.00	0.14	0.79
Whiting Petroleum Corporation	WLL	B	50.44	119.0	6,000	75.00	0.20	0.74
Birchcliff Energy Ltd.	BIREF	B	7.92	164.0	1,300	12.00	0.21	0.73
	<i>Total or Median</i>				49,400		0.21	0.84
<b>Leveraged Cash Payers</b>								
Vanguard Natural Resources, LLC	VNR		27.89	64.8	1,810	22.00	0.43	1.15
Legacy Reserves L.P.	LGCY		28.00	57.1	1,600	25.00	0.39	1.07
Linn Energy, LLC	LINE		27.09	233.0	6,310	26.00	0.51	1.02
Enerplus Corporation	ERF		16.34	196.0	3,200	18.00	0.33	0.94
	<i>Total or Median</i>				12,920		0.41	1.05
<b>RTF Cash Payers</b>								
Freehold Royalties Ltd.	FRHLF		23.13	66.5	1,540	21.00	0.05	1.10
Dorchester Minerals, L.P.	DMLP	B	24.10	30.7	740	26.00	-	0.93
Enduro Royalty Trust (40%)	NDRO		15.09	13.2	200	17.00	-	0.89
Sabine Royalty Trust	SBR		51.25	14.6	750	64.00	-	0.80
San Juan Basin Royalty Trust	SJT	B	16.65	46.6	780	21.00	-	0.79
Hugoton Royalty Trust	HGT		9.12	40.0	370	12.00	-	0.76
Permian Basin RT	PBT		13.47	46.6	630	18.00	-	0.75
Mesa Royalty Trust	MTR		21.74	1.9	41	30.00	-	0.73
Cross Timbers Royalty Trust	CRT		27.80	6.0	170	42.00	-	0.66
	<i>Total or Median</i>				5,220			0.79
B=Buy; CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.								
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								
Present Value presumes long-term prices of \$90 a barrel for oil and \$6 a million btu for natural gas.								



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Table ISC-3

## McDep Income and Small Cap Energy Portfolio Value Multiples - Rank by EV/Ebitda

			Price (\$/sh)	Revenue	Dist/ Equity	Adjstd Resrvs/ Prod	PV/ Ebitda	EV/ Ebitda
	Symbol/ Rating		25-Jul 2013	Royalty (%)	Equity Ebitda	NTM	NTM	NTM
<b>Small Cap Independent Producers</b>								
Range Resources	RRC	B	81.39		-	13.6	15.7	14.5
PDC Energy	PDCE		55.15		-	15.0	9.2	10.6
Peyto Exploration and Development Corp	PEYUF		28.05		0.26	9.3	11.1	9.4
Birchcliff Energy Ltd.	BIREF	B	7.92		-	18.8	12.3	9.0
Continental Resources (32%)	CLR	B	92.50		-	9.8	7.4	6.5
Halcón Resources	HK		5.57		-	5.0	7.1	6.4
Berry Petroleum Company	BRY		40.20		-	12.1	7.4	6.0
Denbury Resources Inc.	DNR		17.51		-	13.9	6.8	5.7
Cimarex Energy Company	XEC	B	75.48		-	7.6	7.0	5.5
Whiting Petroleum Corporation	WLL	B	50.44		-	8.7	5.4	4.0
	<i>Median</i>					10.9	7.4	6.4
<b>Leveraged Cash Payers</b>								
Linn Energy, LLC	LINE		27.09		1.19	14.0	10.7	10.9
Vanguard Natural Resources, LLC	VNR		27.89		1.02	11.0	9.2	10.6
Legacy Reserves L.P.	LGCY		28.00		0.85	11.0	9.3	10.0
Enerplus Corporation	ERF		16.34		0.40	6.5	6.9	6.4
	<i>Median</i>					11.0	9.2	10.3
<b>RTF Cash Payers</b>								
Dorchester Minerals, L.P.	DMLP	B	24.10	77	0.95	7.0	14.5	13.4
Freehold Royalties Ltd.	FRHLF		23.13	86	0.88	4.9	11.4	12.5
Sabine Royalty Trust	SBR		51.25	100	1.00	8.9	14.8	11.9
San Juan Basin Royalty Trust	SJT	B	16.65		0.62	10.2	14.8	11.8
Cross Timbers Royalty Trust	CRT		27.80	98	0.90	13.0	16.8	11.1
Enduro Royalty Trust (40%)	NDRO		15.09		0.90	5.8	10.0	8.9
Mesa Royalty Trust	MTR		21.74		0.82	5.2	12.0	8.8
Hugoton Royalty Trust	HGT		9.12		0.89	13.0	11.4	8.7
Permian Basin RT	PBT		13.47	69	0.63	12.7	10.4	7.8
	<i>Median</i>					8.9	12.0	11.1
B=Buy; CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.								
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended June 30, 2014; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								
Top Line Cash Payers defined as those having Revenue Royalty (see fifth column from right).								



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Table ISC-4									
McDep Income and Small Cap Energy Portfolio									
Total Return and Enterprise Value Momentum									
			Price (\$/sh)	Equity Total	Enterprise Value/				
	Symbol/		25-Jul	Return	52Wk	52Wk	50 Day	200 Day	McDep
	Rating	2013	YTD (%)	High	Low	Avg.	Avg.	Ratio	
<b>Small Cap Independent Producers</b>									
PDC Energy	PDCE		55.15	64	0.97	1.65	1.03	1.19	1.14
Cimarex Energy Company	XEC	B	75.48	31	0.96	1.33	1.05	1.11	0.79
Continental Resources (32%)	CLR	B	92.50	26	0.96	1.38	1.05	1.11	0.87
Range Resources	RRC	B	81.39	28	0.96	1.28	1.04	1.10	0.92
Whiting Petroleum Corporation	WLL	B	50.44	15	0.94	1.21	1.04	1.06	0.74
Peyto Exploration and Development C	PEYUF		28.05	22	0.90	1.33	0.95	1.06	0.85
Birchcliff Energy Ltd.	BIREF	B	7.92	5	0.92	1.19	0.98	1.01	0.73
Denbury Resources Inc.	DNR		17.51	9	0.93	1.14	0.98	1.01	0.83
Berry Petroleum Company	BRY		40.20	20	0.89	1.16	0.96	1.00	0.80
Halcón Resources	HK		5.57	(21)	0.81	1.24	0.99	0.92	0.90
	<i>Median</i>			21	0.93	1.26	1.01	1.06	0.84
<b>Leveraged Cash Payers</b>									
Enerplus Corporation	ERF		16.34	31	0.96	1.24	1.04	1.09	0.94
Legacy Reserves L.P.	LGCY		28.00	23	0.96	1.15	1.03	1.04	1.07
Vanguard Natural Resources, LLC	VNR		27.89	11	0.95	1.09	1.00	1.00	1.15
Linn Energy, LLC	LINE		27.09	(20)	0.78	1.14	0.93	0.85	1.02
	<i>Median</i>			17	0.95	1.15	1.01	1.02	1.05
<b>RTF Cash Payers</b>									
Hugoton RoyaltyTrust	HGT		9.12	32	0.91	1.60	1.01	1.10	0.76
San Juan Basin Royalty Trust	SJT	B	16.65	25	0.93	1.35	1.05	1.11	0.79
Sabine Royalty Trust	SBR		51.25	34	0.91	1.32	0.98	1.06	0.80
Dorchester Minerals, L.P.	DMLP	B	24.10	25	0.94	1.21	0.98	1.05	0.93
Freehold Royalties Ltd.	FRHLF		23.13	9	0.95	1.22	1.00	1.03	1.10
Permian Basin RT	PBT		13.47	12	0.69	1.13	1.02	1.02	0.75
Cross Timbers Royalty Trust	CRT		27.80	7	0.70	1.18	1.00	0.99	0.66
Mesa RoyaltyTrust	MTR		21.74	17	0.69	1.17	0.97	0.94	0.73
Enduro Royalty Trust (40%)	NDRO		15.09	(7)	0.76	1.03	0.95	0.91	0.89
	<i>Median</i>			17	0.91	1.21	1.00	1.03	0.79

CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.



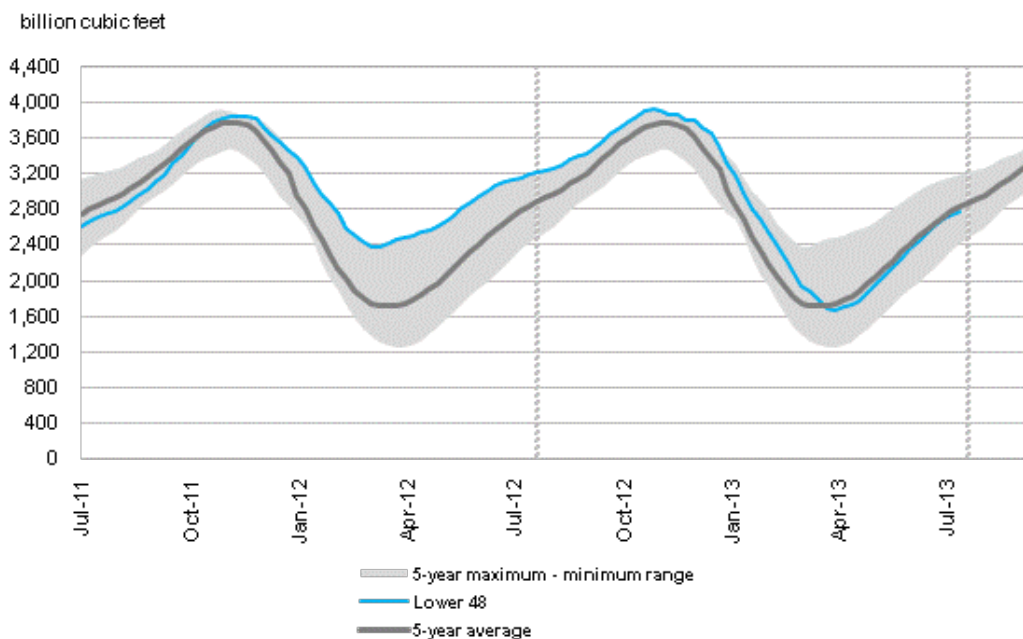


# Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

July 26, 2013

**Working gas in underground storage compared with the 5-year maximum and minimum**



Source: U.S. Energy Information Administration

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