Rating: Buy S&P 500: 1389

Suncor Energy Next Milestone 2008

Symbol	SU	Ebitda Next Twelve Months ending 9/30/07 (US\$mm)	3,900
Rating	Buy	North American Natural Gas/Ebitda (%)	0
Price (US\$/sh)	77.79	Natural Gas and Oil Production/Ebitda (%)	87
Pricing Date	10/26/06	Adjusted Reserves/Production NTM	20.8
Shares (mm)	461	EV/Ebitda	10.0
Market Capitalization (US\$mm)	35,900	PV/Ebitda	12.1
Debt (US\$mm)	2,700	Undeveloped Reserves (%)	23
Enterprise Value (EV) (US\$mm)	38,500	Natural Gas and Oil Ebitda (US\$/boe)	33.50
Present Value (PV) (US\$mm)	46,500	Present Value Proven Reserves(US\$/boe)	18.70
Net Present Value (US\$/share)	95	Present Value Proven Reserves(US\$/mcfe)	3.12
Debt/Present Value	0.06	Earnings Next Twelve Months (US\$/sh)	4.25
McDep Ratio - EV/PV	0.83	Price/Earnings Next Twelve Months	18
Dividend Yield (%/year)	0.4	Indicated Annual Dividend (US\$/sh)	0.28

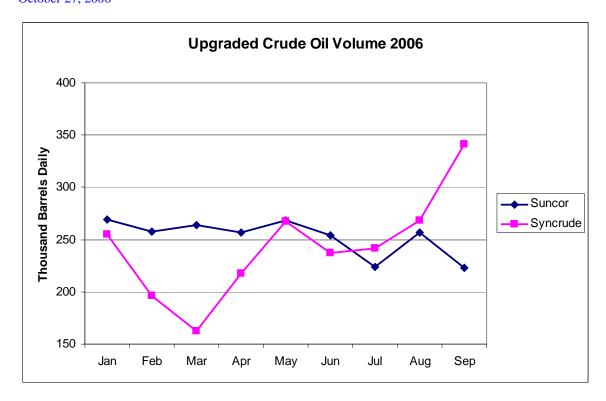
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.

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\$60 a barrel and natural gas, \$10 a million btu.

Summary and Recommendation

At a McDep Ratio of 0.83, buy-recommended **Suncor** (**SU**) offers unlevered appreciation potential of 21% to estimated present value. Futures prices for oil averaging \$66 a barrel for delivery over the next six years seem to validate estimated present value. Buy-recommended **Royal Dutch Shell** (**RDS**)'s offer to buy the minority interest in Shell Canada (SHC.TO) immediately makes investors wonder if another buyer might want to acquire Suncor. Our valuation of all of Suncor, Canada's first oil sands miner/upgrader, equates to 92% of our value of Syncrude, 35.5% owned by buy-recommended **Canadian Oil Sands Trust** (**COSWF**). In two years, Suncor expects to be producing 350,000 barrrels daily, the level Syncrude nearly reached in September for the first time (see chart). Whether Suncor should become a trust is another timely question as that structure spreads throughout Canadian industry. Possibly returning to favor with investors as stock price crosses its 200-day average, Suncor has a half weighting in our illustrative energy portfolio concentrated on real assets that promise a high return providing clean fuel for global growth.

Kurt H. Wulff, CFA



Suncor Functional Cash Flow and Present Value

	NTM Ebitda (US\$mm)	Adjusted <u>R/P</u>	PV/ <u>Ebitda</u>	Present Value <u>(US\$mm)</u>			
North American Natural Gas	220	8.2	7.7	1,700	4%		
Oil	3,110	22.1	13.4	41,800	90%		
Downstream	520		5.8	3,000	6%		
	3,850	20.8	12.1	46,500	100%		
Debt (US\$mm)					2,700		
Net Present Value (US\$mm)					43,800		
Shares (mm)							
Net Present Value - Standard Estimate (US\$/sh)							

Suncor Next Twelve Months Operations (Canadian Dollars)

Part				`	,					Next
Volume										Twelve
Natural Gas (mmcfd)			~	~	~		~	~	~	
Natural Gas (mmcfd)	Volumo	9/30/03	0/30/00	9/30/06	12/31/00	2000E	3/31/0/	0/30/0/	9/30/07	9/30/07
Dit (mbd)		200	180	101	101	102	101	101	101	101
Total gas & oil (bet)	* /									
Price Price Natural gas (s/mcf) 181 300 273 273 273 273 273 273 273 273 273 273 273 273 273 273 273 273 273 273 273 274 8.19 2.76 2.78 2.78 2.78 2.78 2.71 8.19 7.61 7.81 7.83 7.80 0.88 0.89 0.88 0.89 0.89 0.88 0.89 0.89 0.88 0.89 0.89 0.88 0.89 0.89 0.88 0.89 0.89 0.89 0.89 0.88 0.89 0.89 0.88 0.89 0.89 0.88 0.89 0.89 0.88 0.89 0.89 0.88 0.89 0.89 0.88 0.89 0.89 0.88 0.89 0.88 0.89 0.89 0.88 0.89 0.89 0.88 0.83 0.89 0.89 0.88 0.10 0.81 0.81 0.81 0.81 0.81 0.81										
Price Natural gas (S/mcf) Henry Hub (S/mmbu) 8.56 6.81 6.58 6.30 7.17 8.19 7.61 7.81 7.48 Currency (USS/CS) 0.83 0.89 0.89 0.89 0.88 0.89	e v									
Natural gas (S/mer)	• , ,,	101	300	213	213	209	213	213	213	213
Henry Fub (S/mmbtu)										
Curency (US\$/C\$) 0.83 0.89 0.89 0.89 0.89 0.89 0.89 0.89 0.89 0.89 0.89 0.89 0.89 0.89 0.89 0.89 0.89 4.30 0.20 7.63 7.38 7.10 8.11 9.24 8.57 8.80 8.43 U.S. (or North America) 8.34 6.22 6.13 7.59 7.65 7.67 7.12 7.31 7.00 Oil (\$\triangle (\$\triangl		8 56	6.81	6.58	6.30	7 17	Q 10	7.61	7.81	7.49
Henry Hub (CS/mibbu) 10.29 7.63 7.38 7.10 8.11 9.24 8.57 8.80 8.43 U.S. (or North America) 8.34 6.22 6.13 5.90 6.75 7.67 7.12 7.31 7.00 7.00 7.00 7.00 7.00 7.10 7.31 7.00	• • • • • • • • • • • • • • • • • • • •									
U.S. (or North America) 8.34 6.22 6.13 5.90 6.75 7.67 7.12 7.31 7.00 Oil (S/bbl) 7.514 70.42 58.64 65.71 61.56 63.85 65.29 62.34 WTI Cushing (C\$\(^{\cent{b}}\)b) 75.14 79.00 78.95 66.10 74.21 69.39 71.98 73.60 70.27 Company 67.78 75.19 71.86 60.17 68.30 63.17 65.52 67.00 63.96 Total gas & oil (\$\(^{\cent{b}}\)bi) 16.70 15.39 11.67 6.84 10.32 7.57 11.57 11.80 9.44 Revenue (\$\(^{\cent{bm}}\) 16.70 15.39 1.67 6.84 10.32 7.57 11.57 11.80 9.44 Revenue (\$\(^{\cent{bm}}\) 919 1,839 1.592 1,333 6,409 1,369 1,436 1,484 5,622 Other 2,069 2,124 2,414 2,414 9,011 2,414 2,414 9,677	• • • • • • • • • • • • • • • • • • • •									
Oil (\$\sigmath{0}\sigmath{0}\sigmath{0}{\sigmath{0}}\$ 62.52 bigs and proper to the prope	•									
WTI Cushing 62.52 70.47 70.42 58.64 65.71 61.56 63.85 65.29 62.34 WTI Cushing (C\$\chib\)) 75.14 79.00 78.95 66.10 74.21 69.39 71.98 73.60 70.27 Company 67.78 75.19 71.86 60.17 68.30 63.17 65.52 67.00 63.96 NY Harbor 3-2-1 (\$r\theta) 16.70 15.39 11.67 6.84 10.32 7.57 11.57 11.80 9.44 Revenue (\$mmc) NY 18.33 107 108 104 473 132 124 128 488 Oil 919 1,839 1,592 1,333 6,409 1,369 1,436 1,448 5,622 Other 2,069 2,124 2,414 2,414 9,011 2,414 2,414 2,414 2,414 2,414 2,414 2,414 2,414 2,414 2,414 2,414 2,414 2,414 2,214 2,214	*	0.54	0.22	0.13	3.70	0.75	7.07	7.12	7.51	7.00
WTI Cushing (C\$/bbl) 75.14 79.00 78.95 66.10 74.21 69.39 71.98 73.60 70.27 Company 67.78 75.19 71.86 60.17 68.30 63.17 65.52 67.00 63.96 Total gas & oil (\$/mcf) 10.75 11.87 11.29 9.55 10.87 10.19 10.48 10.72 10.23 NY Harbor 3-2-1 (\$/bbl) 16.70 15.39 11.67 6.84 10.32 7.57 11.57 11.80 9.44 Revenue (\$mm) 153 107 108 104 473 132 124 128 488 Oil 919 1,839 1,592 1,333 6,409 1,369 1,436 1,484 5,622 Other 2,069 2,124 2,414 2,414 9,011 2,414 2,414 9,657 Total 3,142 4,070 4,114 3,851 15,893 3,915 3,97 309 309 309 1,262 <t< td=""><td></td><td>62.52</td><td>70.47</td><td>70.42</td><td>58 64</td><td>65 71</td><td>61.56</td><td>63.85</td><td>65.20</td><td>62 34</td></t<>		62.52	70.47	70.42	58 64	65 71	61.56	63.85	65.20	62 34
Company 67.78 75.19 71.86 60.17 68.30 63.17 65.52 67.00 63.96 Total gas & oil (\$/mcf) 10.75 11.87 11.29 9.55 10.87 10.19 10.48 10.72 10.23 NY Harbor 3-2-1 (\$/bbl) 16.70 15.39 11.67 6.84 10.32 7.57 11.57 11.80 9.44 Revenue (\$mm) 153 107 108 104 473 132 124 128 488 Oil 919 1,839 1,592 1,333 6,409 1,369 1,436 1,484 5,622 Other 2,069 2,124 2,414 2,414 9,011 2,414 2,414 9,677 Total 3,142 4,070 4,114 3,851 15,893 3,915 3,974 4,027 15,767 Expense 15 203 373 309 2,61 1,214 273 284 293 838 Other 1,	2									
Total gas & oil (\$/mcf) 10.75 11.87 11.29 9.55 10.87 10.19 10.48 10.72 10.34 NY Harbor 3-2-1 (\$/bbl) 16.70 15.39 11.67 6.84 10.32 7.57 11.57 11.80 9.44 Revenue (\$mm) Natural Gas 153 107 108 104 473 132 124 128 488 Oil 919 1,839 1,592 1,333 6,409 1,369 1,436 1,484 5,622 Other 2,069 2,124 2,414 2,414 9,011 2,414 2,414 9,657 Total 3,12 4,070 4,114 3,851 15,893 3,915 3,94 4,027 15,667 Expense 7 1,124 2,313 309 309 1,262 309 309 309 880 Other 293 373 309 261 1,214 273 284 293 838 Other	• • • • • • • • • • • • • • • • • • • •									
NY Harbor 3-2-1 (\$\rightarrow{\rightarro										
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Natural Gas 153 107 108 104 473 132 124 128 488 Oil 919 1,839 1,592 1,333 6,409 1,369 1,436 1,484 5,622 Other 2,069 2,124 2,414 2,414 9,011 2,414 2,414 2,414 9,657 Total 3,142 4,070 4,14 3,851 15,893 3,915 3,974 4,027 15,767 Expense Fixed 293 373 309 201 1,214 273 284 293 880 Other 293 373 309 2,61 1,214 273 284 293 88 Other 1914 1,921 2,230 2,837 8,999 2,949 2,804 2,932 8,117 Exploration and Production 487 1,199 1,082 866 4,405 919 967 1,010 3,763 <		10.70	13.37	11.07	0.04	10.52	7.57	11.57	11.00	2.77
Oil 919 1,839 1,592 1,333 6,409 1,369 1,436 1,484 5,622 Other 2,069 2,124 2,414 2,414 9,011 2,414 2,414 2,414 9,657 Total 3,12 4,070 4,114 3,851 15,893 3,915 3,974 4,027 15,767 Expense Fixed 293 373 309 309 1,262 309 309 309 880 Variable 293 373 309 261 1,214 273 284 293 838 Other 1,914 1,921 2,230 2,837 8,999 2,949 2,804 2,832 8,117 Ebitda (Smm) Exploration and Production 487 1,199 1,082 866 4,405 919 967 1,010 3,763 Total Ebitda 642 1,403 1,266 1,014 4,987 966 1,170 1,195 4,345		153	107	108	104	473	132	124	128	488
Other 2,069 2,124 2,414 2,414 9,011 2,414 2,414 2,414 9,657 Total 3,142 4,070 4,114 3,851 15,893 3,915 3,974 4,027 15,767 Expense Fixed 293 373 309 309 1,262 309 309 309 880 Variable 293 373 309 261 1,214 273 284 293 838 Other 1,914 1,921 2,230 2,837 8,999 2,949 2,804 2,832 8,117 Ebitda (Smm) Exploration and Production 487 1,199 1,082 866 4,405 919 967 1,010 3,763 Other 155 203 184 147 582 48 203 184 582 Total Ebitda 642 1,403 1,266 1,014 4,987 966 1,170 1,195 4,345										
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Variable Other 293 373 309 261 1,214 273 284 293 838 Other 1,914 1,921 2,230 2,837 8,999 2,949 2,804 2,832 8,117 Ebitda (\$mm) Exploration and Production A487 1,199 1,082 866 4,405 919 967 1,010 3,763 Other 155 203 184 147 582 48 203 184 582 Total Ebitda 642 1,403 1,266 1,014 4,987 966 1,170 1,195 4,345 Exploration 29 31 18 18 98 18	•	293	373	309	309	1.262	309	309	309	880
Other 1,914 1,921 2,230 2,837 8,999 2,949 2,804 2,832 8,117 Ebitda (\$mm) Exploration and Production Other 487 1,199 1,082 866 4,405 919 967 1,010 3,763 Other 155 203 184 147 582 48 203 184 582 Total Ebitda 642 1,403 1,266 1,014 4,987 966 1,170 1,195 4,345 Exploration 29 31 18 18 98 18 18 18 72 Deprec., Deplet., & Amort. 174 175 189 189 711 189 189 189 756 Hedging and Insurance (53)						,				
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Exploration and Production Other 487 1,199 1,082 203 184 147 582 48 203 184 582 Other 155 203 184 147 582 48 203 184 582 Total Ebitda 642 1,403 1,266 1,014 4,987 966 1,170 1,195 4,345 Exploration 29 31 18 18 18 98 18 18 18 18 18 72 Deprec., Deplet., & Amort. Hedging and Insurance 174 175 189 189 711 189 189 189 189 756 Ebit 492 1,197 1,059 807 4,178 759 963 988 3,517 Interest 45 33 30 30 30 131 30 30 30 30 30 121 Ebt 447 1,163 1,029 777 4,047 729 933 957 3,396 Income Tax 156 407 360 272 1,416 255 327 335 1,189 Net Income (\$mm) 277 1,169 595 440 2,966 460 511 537 1,948 Other 67 120 87 75 298 24 107 98 304 Unallocated (54) (533) (13) (10) (633) (10) (12) (12) (44) Total 290 756 669 505 2,630 474 606 622 2,207 Shares (millions) 461 461 461 461 461 461 461 461 461 461		-,	-,	_,	_,	-,	-,	_,	-,	-,
Other 155 203 184 147 582 48 203 184 582 Total Ebitda 642 1,403 1,266 1,014 4,987 966 1,170 1,195 4,345 Exploration 29 31 18 18 98 18 18 18 72 Deprec., Deplet., & Amort. 174 175 189 189 711 189 189 189 756 Hedging and Insurance (53) -	\· /	487	1.199	1.082	866	4.405	919	967	1.010	3,763
Exploration 29 31 18 18 98 18 18 18 72 Deprec., Deplet., & Amort. 174 175 189 189 711 189 189 189 756 Hedging and Insurance (53) -	1			,		,			,	,
Deprec., Deplet., & Amort. 174 175 189 189 711 189 189 756 Hedging and Insurance (53) - - - - - Ebit 492 1,197 1,059 807 4,178 759 963 988 3,517 Interest 45 33 30 30 131 30 30 30 121 Ebt 447 1,163 1,029 777 4,047 729 933 957 3,396 Income Tax 156 407 360 272 1,416 255 327 335 1,189 Net Income (\$mm) 2 77 440 2,966 460 511 537 1,948 Other 67 120 87 75 298 24 107 98 304 Unallocated (54) (533) (13) (10) (633) (10) (12) (12) (44)	Total Ebitda	642	1,403	1,266	1,014	4,987	966	1,170	1,195	4,345
Deprec., Deplet., & Amort. 174 175 189 189 711 189 189 756 Hedging and Insurance (53) - - - - - Ebit 492 1,197 1,059 807 4,178 759 963 988 3,517 Interest 45 33 30 30 131 30 30 30 121 Ebt 447 1,163 1,029 777 4,047 729 933 957 3,396 Income Tax 156 407 360 272 1,416 255 327 335 1,189 Net Income (\$mm) 2 77 440 2,966 460 511 537 1,948 Other 67 120 87 75 298 24 107 98 304 Unallocated (54) (533) (13) (10) (633) (10) (12) (12) (44)	Exploration	29				,	18			
Hedging and Insurance (53) - <td>1</td> <td>174</td> <td></td> <td></td> <td></td> <td>711</td> <td></td> <td>189</td> <td></td> <td>756</td>	1	174				711		189		756
Ebit 492 1,197 1,059 807 4,178 759 963 988 3,517 Interest 45 33 30 30 131 30 30 30 121 Ebt 447 1,163 1,029 777 4,047 729 933 957 3,396 Income Tax 156 407 360 272 1,416 255 327 335 1,189 Net Income (\$mm) 595 440 2,966 460 511 537 1,948 Other 67 120 87 75 298 24 107 98 304 Unallocated (54) (533) (13) (10) (633) (10) (12) (12) (44) Total 290 756 669 505 2,630 474 606 622 2,207 Shares (millions) 461 461 461 461 461 461 461 <td></td> <td>(53)</td> <td></td> <td></td> <td></td> <td>-</td> <td></td> <td></td> <td></td> <td>-</td>		(53)				-				-
Ebt 447 1,163 1,029 777 4,047 729 933 957 3,396 Income Tax 156 407 360 272 1,416 255 327 335 1,189 Net Income (\$mm)	Ebit	492	1,197	1,059	807	4,178	759	963	988	3,517
Income Tax 156 407 360 272 1,416 255 327 335 1,189 Net Income (\$mm) Exploration and Production 277 1,169 595 440 2,966 460 511 537 1,948 Other 67 120 87 75 298 24 107 98 304 Unallocated (54) (533) (13) (10) (633) (10) (12) (12) (44) Total 290 756 669 505 2,630 474 606 622 2,207 Shares (millions) 461 46	Interest	45	33	30	30	131	30	30	30	121
Income Tax 156 407 360 272 1,416 255 327 335 1,189 Net Income (\$mm) Exploration and Production 277 1,169 595 440 2,966 460 511 537 1,948 Other 67 120 87 75 298 24 107 98 304 Unallocated (54) (533) (13) (10) (633) (10) (12) (12) (44) Total 290 756 669 505 2,630 474 606 622 2,207 Shares (millions) 461 46	Ebt	447	1,163	1,029	777	4,047	729	933	957	3,396
Exploration and Production 277 1,169 595 440 2,966 460 511 537 1,948 Other 67 120 87 75 298 24 107 98 304 Unallocated (54) (533) (13) (10) (633) (10) (12) (12) (44) Total 290 756 669 505 2,630 474 606 622 2,207 Shares (millions) 461	Income Tax	156	407	360	272	1,416	255	327	335	
Other 67 120 87 75 298 24 107 98 304 Unallocated (54) (533) (13) (10) (633) (10) (12) (12) (44) Total 290 756 669 505 2,630 474 606 622 2,207 Shares (millions) 461 <t< td=""><td>Net Income (\$mm)</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></t<>	Net Income (\$mm)									
Unallocated (54) (533) (13) (10) (633) (10) (12) (12) (44) Total 290 756 669 505 2,630 474 606 622 2,207 Shares (millions) 461	Exploration and Production	277	1,169	595	440	2,966	460	511	537	1,948
Total 290 756 669 505 2,630 474 606 622 2,207 Shares (millions) 461	Other	67	120	87	75	298	24	107	98	304
Shares (millions) 461	Unallocated	(54)	(533)	(13)	(10)	(633)	(10)	(12)	(12)	(44)
Per share (\$) 0.63 1.64 1.45 1.09 5.70 1.03 1.32 1.35 4.79 Ebitda Margin 20% 34% 31% 26% 31% 25% 29% 30% 28%	Total	290	756	669	505	2,630	474	606	622	2,207
Ebitda Margin 20% 34% 31% 26% 31% 25% 29% 30% 28%	Shares (millions)	461	461	461	461	461	461	461	461	461
	Per share (\$)	0.63	1.64	1.45	1.09	5.70	1.03	1.32	1.35	4.79
Tax Rate 35% 35% 35% 35% 35% 35% 35% 35% 35%	Ebitda Margin	20%	34%	31%	26%	31%	25%	29%	30%	28%
	Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

McDep Associates Independent Stock Idea October 27, 2006

security. Past performance is no guarantee of future results.

Disclaimer: This analysis was prepared by Kurt Wulff doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

Research Methodology/Ratings Description: McDep Associates is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.