



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

April 15, 2011

Whiting Petroleum (WLL)

New Buy on Chairman Volker's Prudhoe Bay


<i>Symbol</i>	WLL	<i>Ebitda Next Twelve Months ending 3/31/12 (US\$m)</i>	1,409
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	8
<i>Price (\$/sh)</i>	69.81	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/14/11	<i>Adjusted Reserves/Production NTM</i>	9.6
<i>Shares (mm)</i>	119	<i>EV/Ebitda</i>	6.7
<i>Market Capitalization (\$mm)</i>	8,310	<i>PV/Ebitda</i>	8.4
<i>Debt (\$mm)</i>	1,180	<i>Undeveloped Reserves (%)</i>	29
<i>Enterprise Value (EV) (\$mm)</i>	9,490	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	52.10
<i>Present Value (PV) (\$mm)</i>	11,890	<i>Present Value Proven Reserves(\$/boe)</i>	39.00
<i>Net Present Value (\$/share)</i>	90	<i>Oil and Gas Ebitda Margin (%)</i>	65
<i>Debt/Present Value</i>	0.10	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.68
<i>McDep Ratio - EV/PV</i>	0.80	<i>Price/Earnings Next Twelve Months</i>	15
<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\$100 a barrel and natural gas, \$8 a million btu.			

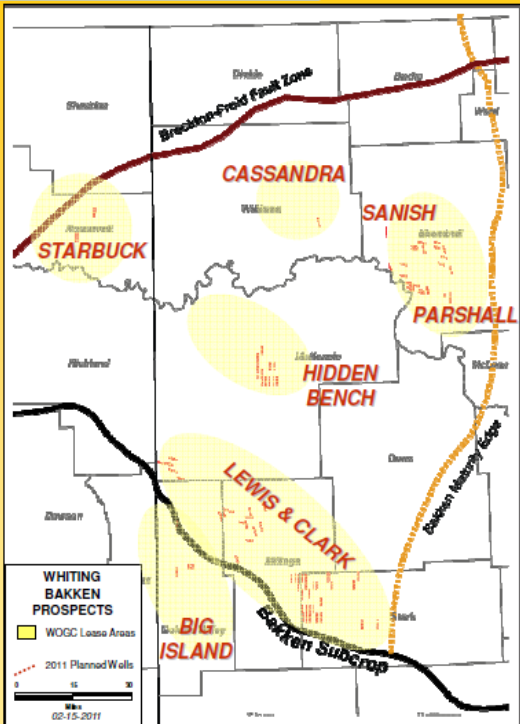
Summary and Recommendation

We recommend current purchase of the common stock of **Whiting Petroleum (WLL)** as the leading nearly pure play on rising North Dakota oil production that may surpass that of Alaska, astonishing as that may have seemed just a few years ago. The company is North Dakota's second largest producer primarily on its discovery of the Sanish field, one of the two most important sources of new production to date. A forty-year independent oil entrepreneur with a conservative financial streak, Chairman James Volker got our attention with his analysis of the resource potential in the prime Bakken/Three Forks area of west central North Dakota and eastern Montana (see map on page 2). Mr. Volker eyes the 8.4 million acres as providing for 39,000 wells on a spacing of six for each 1280 acre unit. Picking a mid-range 300,000 barrel reserve for each well, he sees almost 12 billion barrels recoverable, comparable in size to the Prudhoe Bay discovery that made Alaskan oil famous. So far, WLL has booked 75 million barrels equivalent of proven and probable reserves for the Bakken and Three Forks area, which is about 24% of its corporate total. Putting the possible quantities aside, we justify an increase in estimated Net Present Value (NPV) to \$90 a share from \$75 on the basis of proven and probable reserves (see tables Functional Cash and Present Value on page 2 and table Next Twelve Months Operating and Financial Performance on page 3). Volume growth can fuel gradual appreciation in WLL stock. On a more speculative basis, the world continues on the road to \$200 oil by November 2012 as it looks to us. Despite a doubling in stock price in the past 15 months, WLL offers competitive value by McDep Ratio and cash flow multiple (see Tables 1-4 on pages 4-8).

Kurt H. Wulff, CFA

Whiting Prospect Areas in Bakken/Three Forks Hydrocarbon System at February 1, 2011 ⁽¹⁾





Sanish / Parshall	<u>Gross Acres</u>	<u>Net Acres</u>	<u>Net Undev. Acreage</u>
<ul style="list-style-type: none"> - Bakken and Three Forks Objectives - 182M Gross, 85M Net Acres - 194 producing wells in Sanish - 127 producing wells in Parshall - 99 Wells in 2010, 106 in 2011 - \$364MM capex in 2011 	182,315	84,700	5,151
Lewis & Clark			
<ul style="list-style-type: none"> - Three Forks Objective - 361M Gross, 235M Net Acres - Control 164 1,280-acre spacing units - 12 Wells in 2010, 51 in 2011 - \$278MM capex in 2011 	360,516	234,938	175,853
Hidden Bench / Tarpon			
<ul style="list-style-type: none"> - Middle Bakken "C" Objective - 53M Gross, 29M Net Acres - Control 15 1,280-acre spacing units - 12 Wells in 2011 - \$35MM capex in 2011 	53,123	28,433	27,273
Starbuck			
<ul style="list-style-type: none"> - Middle Bakken Objective - 110M Gross, 88M Net Acres - Control 75 1,280-acre spacing units - 2 Wells in 2011 - \$13MM capex in 2011 	110,326	88,534	88,534
Cassandra			
<ul style="list-style-type: none"> - Middle Bakken Objective - 25M Gross, 12M Net Acres - Control 9 1,280-acre spacing units - 2 Wells in 2010, 2 in 2011 - \$6MM capex in 2011 	24,767	12,249	8,286
Big Island			
<ul style="list-style-type: none"> - Multiple Objectives - 98M Gross, 73M Net Acres - Control 64 1,280-acre spacing units - 1 Well in 2011 - \$4MM capex in 2011 	97,968	72,671	72,671
	829,015	521,525	377,768

(1) Whiting's total acreage cost in 580M net acres (522M + 58M net acres of other Williston Basin acreage), is approximately \$141 million, or \$243 per net acre.

Whiting Petroleum Corporation					
Functional Cash Flow and Present Value					
	NTM Ebitda	Adjusted	PV/	Present	
	(US\$mm)	R/P	Ebitda	Value	
				(US\$mm)	
North American Natural Gas	108	11.6	12.0	1,300	11%
Oil	1,301	12.6	8.1	10,590	89%
	1,409	12.4	8.4	11,890	100%
Debt (US\$mm)					1,180
Net Present Value (US\$mm)					10,710
Shares (mm)					119
Net Present Value - Standard Estimate (US\$/sh)					90
NPV Approx. by Cash Flow Multiple Depending on Proven and Probable Reserve Life (US\$/sh)					97



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

April 15, 2011

Whiting Petroleum Corporation										
Next Twelve Months Operating and Financial Estimates										
	Q1		Q4	Year	Q1E	Q2E	Q3E	Q4E	Year	Next Twelve Months
	3/31/10	12/31/10	2010	3/31/11	6/30/11	9/30/11	12/31/11	2011E	3/31/12	
Volume										
Natural Gas (bcf)	6.6	7.3	27	6.7	7.2	7.8	8.3	30	31.6	
Natural Gas (mmcf)	73	80	75	74	79	85	91	82	86	
Days	90	92	365	90	91	92	92	365	366	
Oil (mmb)	4.3	5.0	19	4.6	5.0	5.4	5.7	21	22	
Oil (mbd)	48	55	52	51	55	58	62	57	59	
Total (mb)	5.4	6.2	24	5.7	6.2	6.7	7.1	26	27	
Total (mbd)	60	68	65	63	68	73	78	70	74	
Price										
Henry Hub (\$/mmbtu)	5.32	3.80	4.40	4.11	4.42	4.59	4.83	4.49	4.60	
Differential (\$/mmbtu)	(0.31)	(0.54)	(0.46)	(0.58)	(0.63)	(0.65)	(0.69)	(0.66)	(0.66)	
Company (\$/mcf)	5.63	4.34	4.86	4.69	5.05	5.24	5.51	5.15	5.26	
WTI Cushing (\$/bbl)	78.67	85.10	79.43	93.67	103.94	105.25	105.79	102.16	104.95	
Differential	7.95	10.57	8.90	11.63	12.91	13.07	13.14	12.38	13.00	
Company (\$/bbl)	70.72	74.53	70.53	82.04	91.03	92.18	92.65	89.78	91.94	
Total (\$/bbl)	63.22	65.06	62.52	71.55	79.20	80.35	81.05	78.31	80.18	
Revenue (\$mm)										
Natural Gas	37	32	133	31	36	41	46	154	166	
Oil	303	375	1,342	377	452	495	533	1,856	2,002	
Other			-					-		
Total	340	406	1,475	408	488	536	579	2,011	2,168	
Expense										
Lease operating	61	71	269							
Production taxes	25	27	104							
General and administrative	14	16	64							
Total	100	114	437	143	171	188	202	704	759	
Ebitda										
Exploration	13	21	60	21	21	21	21	84	84	
Deprec., Deplet., & Amort.	98	104	395	104	104	104	104	416	416	
Other	9	52	78					-	-	
Ebit										
Interest	121	116	505	140	192	223	251	807	909	
Ebt										
Income Tax	16	13	60	13	13	13	13	52	52	
Preferred Dividend	105	103	445	127	179	210	238	755	857	
Net Income (\$mm)										
Per Share (\$)	37	36	156	44	63	74	83	264	300	
Shares (millions)	68	67	289	83	117	137	155	491	557	
Lease operating (\$/bbl)	0.58	0.56	2.44	0.69	0.98	1.15	1.30	4.12	4.68	
Production taxes (%rev)	118	119	118	119	119	119	119	119	119	
General and admin (\$/bbl)	11.33	11.37								
Deprec., D.& A (\$/bbl)	7.3	6.6								
Ebitda Margin	2.60	2.56								
Tax rate	18.20	16.65	16.75	18.25	16.86	15.59	14.57	16.20	15.39	
	71%	72%	70%	65%	65%	65%	65%	65%	65%	
	35%	35%	35%	35%	35%	35%	35%	35%	35%	



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

April 15, 2011

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	14-Apr	Market	Value	Nat	Oil	Ebitda	NTM	Yield	McDep		
CB (see below)	2011	Cap	(\$mm)	Gas		(\$/un)	NTM	(%)	Ratio		
Small Cap Independent Producers											
Petrohawk Energy Corporation	HK	B	25.14	1.45	10,990	87	13	11.1	-	-	1.03
Denbury Resources Inc.	DNR		22.35	1.38	12,390	12	88	8.4	-	-	1.01
Berry Petroleum Company	BRY		49.79	1.50	3,930	24	76	8.5	0.30	0.6	0.94
Cimarex Energy Company	XEC	B	107.79	1.07	9,900	45	55	7.0	0.30	0.3	0.90
Range Resources	RRC	B	52.79	1.29	10,670	72	28	14.6	0.16	0.3	0.90
Peyto Exploration and Development	PEYUF		20.33	1.16	2,980	76	24	12.3	0.75	3.7	0.87
Ultra Petroleum	UPL		48.30	1.20	8,920	92	8	11.2	-	-	0.83
Birchcliff Energy Ltd.	BIREF	B	12.60	1.23	1,960	62	38	10.8	-	-	0.82
Whiting Petroleum Corporation	WLL	B	69.81	1.14	9,490	11	89	6.7	-	-	0.80
<i>Total or Median</i>					71,200			10.8		-	0.90
Top Line Cash Payers											
Sabine Royalty Trust	SBR		63.25	1.00	920	38	62		4.64	7.3	1.07
Freehold Royalties Ltd.	FRHLF		23.20	1.06	1,440	20	80		1.76	7.6	1.05
Cross Timbers Royalty Trust	CRT		44.95	1.00	270	75	25		3.03	6.7	1.00
Permian Basin RT	PBT		21.60	1.00	1,010	31	69		1.79	8.3	0.98
Dorchester Minerals, L.P.	DMLP	B	28.58	1.00	880	61	39		1.85	6.5	0.95
<i>Total or Median</i>					4,500					7.3	1.00
Bottom Line Cash Payers											
Linn Energy, LLC	LINE		38.69	1.43	8,190	36	64	15.2	2.64	6.8	1.24
Legacy Reserves L.P.	LGCY		32.12	1.33	1,830	15	85	11.3	2.10	6.5	1.11
Vanguard Natural Resources, LLC	VNR		31.28	1.61	1,630	28	72	12.5	2.24	7.2	1.09
Hugoton Royalty Trust	HGT	B	23.30	1.00	930	89	11	14.7	1.36	5.8	1.06
San Juan Basin Royalty Trust	SJT		25.98	1.00	1,210	100	-	14.7	1.50	5.8	1.04
Encore Energy Partners, L.P.	ENP		23.69	1.23	1,310	18	82	9.7	1.80	7.6	1.02
Pengrowth Energy Corporation	PGH		13.64	1.35	5,500	28	72	7.9	0.86	6.3	0.98
Mesa Royalty Trust	MTR		49.25	1.00	92	75	25	11.6	3.56	7.2	0.93
Enerplus Corporation	ERF		30.66	1.23	6,700	34	66	7.5	2.22	7.3	0.86
<i>Total or Median</i>					27,400			11.6		6.8	1.04
Composite											
<i>Enterprise Value Weighting</i>					103,100	47	53				0.94
<i>Equal Weighting</i>						49	51				0.98
<i>Equal Weighted Buys</i>						70	30				0.96

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 \$100 a barrel for oil and \$8 a million btu for natural gas.
 Dist. = Income distribution. NTM = Next Twelve Months Ended March 31, 2012. Enterprise Value = Market Cap and Debt.



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

April 15, 2011

Table ISC-2

McDep Income and Small Cap Energy Portfolio Net Present Value and McDep Ratio

			Price (\$/sh)	Shares	Market Cap (\$mm)	Net Present Value (\$/un)	Debt/ Present Value	McDep Ratio
	Symbol/ Rating		14-Apr 2011	(mm)				
Small Cap Independent Producers								
Petrohawk Energy Corporation	HK	B	25.14	302.0	7,590	24.00	0.32	1.03
Denbury Resources Inc.	DNR		22.35	402.0	8,980	22.00	0.28	1.01
Berry Petroleum Company	BRY		49.79	52.8	2,630	55.00	0.31	0.94
Cimarex Energy Company	XEC	B	107.79	85.8	9,250	120.00	0.06	0.90
Range Resources	RRC	B	52.79	157.0	8,290	60.00	0.20	0.90
Peyto Exploration and Development Cor	PEYUF		20.33	125.7	2,560	24.00	0.12	0.87
Ultra Petroleum	UPL		48.30	154.0	7,440	60.00	0.14	0.83
Birchcliff Energy Ltd.	BIREF	B	12.60	126.0	1,590	16.00	0.16	0.82
Whiting Petroleum Corporation	WLL	B	69.81	119.0	8,310	90.00	0.10	0.80
<i>Total or Median</i>					56,640		0.16	0.90
Top Line Cash Payers								
Sabine Royalty Trust	SBR		63.25	14.6	920	59.00	-	1.07
Freehold Royalties Ltd.	FRHLF		23.20	58.4	1,360	22.00	0.06	1.05
Cross Timbers Royalty Trust	CRT		44.95	6.0	270	45.00	-	1.00
Permian Basin RT	PBT		21.60	46.6	1,010	22.00	-	0.98
Dorchester Minerals, L.P.	DMLP	B	28.58	30.7	880	30.00	-	0.95
<i>Total or Median</i>					4,440			1.00
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		38.69	148.3	5,740	28.00	0.37	1.24
Legacy Reserves L.P.	LGCY		32.12	43.0	1,380	28.00	0.27	1.11
Vanguard Natural Resources, LLC	VNR		31.28	32.4	1,010	27.00	0.41	1.09
Hugoton RoyaltyTrust	HGT	B	23.30	40.0	930	22.00	-	1.06
San Juan Basin Royalty Trust	SJT		25.98	46.6	1,210	25.00	-	1.04
Encore Energy Partners, L.P.	ENP		23.69	45.0	1,070	23.00	0.19	1.02
Pengrowth Energy Corporation	PGH		13.64	299.0	4,080	14.00	0.25	0.98
Mesa RoyaltyTrust	MTR		49.25	1.9	92	53.00	-	0.93
Enerplus Corporation	ERF		30.66	178.0	5,460	37.00	0.16	0.86
<i>Total or Median</i>					20,970			1.04
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 \$100 a barrel for oil and \$8 a million btu for natural gas.								



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

April 15, 2011

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		14-Apr 2011	Royalty (%)	Ebitda	NTM	NTM	NTM
Small Cap Independent Producers								
Range Resources	RRC	B	52.79		-	16.5	16.1	14.6
Peyto Exploration and Development Corp	PEYUF		20.33		0.44	19.7	14.2	12.3
Ultra Petroleum	UPL		48.30		-	27.1	13.5	11.2
Petrohawk Energy Corporation	HK	B	25.14		-	8.2	10.8	11.1
Birchcliff Energy Ltd.	BIREF	B	12.60		-	20.2	13.1	10.8
Berry Petroleum Company	BRY		49.79		-	11.9	9.1	8.5
Denbury Resources Inc.	DNR		22.35		-	13.1	8.3	8.4
Cimarex Energy Company	XEC	B	107.79		-	7.3	7.8	7.0
Whiting Petroleum Corporation	WLL	B	69.81		-	9.6	8.4	6.7
	<i>Median</i>					13.1	10.8	10.8
Top Line Cash Payers								
Cross Timbers Royalty Trust	CRT		44.95	80	0.97	13.7	14.4	14.4
Sabine Royalty Trust	SBR		63.25	100	1.00	7.7	12.7	13.6
Dorchester Minerals, L.P.	DMLP	B	28.58	77	0.87	7.6	14.0	13.4
Permian Basin RT	PBT		21.60	32	0.96	13.2	11.8	11.6
Freehold Royalties Ltd.	FRHLF		23.20	71	0.79	8.1	9.9	10.5
	<i>Median</i>					8.1	12.7	13.4
Bottom Line Cash Payers								
Linn Energy, LLC	LINE		38.69		1.16	19.0	12.3	15.2
Hugoton RoyaltyTrust	HGT	B	23.30		0.86	13.3	13.9	14.7
San Juan Basin Royalty Trust	SJT		25.98		0.85	9.1	14.1	14.7
Vanguard Natural Resources, LLC	VNR		31.28		0.95	13.1	11.4	12.5
Mesa RoyaltyTrust	MTR		49.25		0.84	8.8	12.4	11.6
Legacy Reserves L.P.	LGCY		32.12		0.77	13.2	10.2	11.3
Encore Energy Partners, L.P.	ENP		23.69		0.74	13.0	9.5	9.7
Pengrowth Energy Corporation	PGH		13.64		0.49	9.0	8.0	7.9
Enerplus Corporation	ERF		30.66		0.52	8.4	8.7	7.5
	<i>Median</i>					13.0	11.4	11.6
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 March 31, 2012; 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).								



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

April 15, 2011

Oil and Gas Income and Small Cap Stocks									
Rank by Enterprise Value to 200 Day Average									
			Price (\$/sh)	Enterprise Value/					
	Symbol/ Rating		14-Apr 2011	52Wk High	52Wk Low	50 Day Avg.	200 Day Avg.	McDep Ratio	
Small Cap Independent Producers									
	Whiting Petroleum Corporation	WLL	B	69.81	0.93	1.75	1.04	1.24	0.80
	Cimarex Energy Company	XEC	B	107.79	0.92	1.74	0.97	1.23	0.90
	Petrohawk Energy Corporation	HK	B	25.14	1.00	1.45	1.10	1.22	1.03
	Birchcliff Energy Ltd.	BIREF	B	12.60	0.97	1.47	1.04	1.20	0.82
	Berry Petroleum Company	BRY		49.79	0.96	1.52	1.02	1.18	0.94
	Peyto Exploration and Development C	PEYUF		20.33	0.95	1.65	1.02	1.17	0.87
	Range Resources	RRC	B	52.79	0.91	1.43	1.01	1.16	0.90
	Denbury Resources Inc.	DNR		22.35	0.89	1.37	0.97	1.14	1.01
	Ultra Petroleum	UPL		48.30	0.91	1.24	1.03	1.07	0.83
	<i>Median</i>				<i>0.93</i>	<i>1.47</i>	<i>1.02</i>	<i>1.18</i>	<i>0.90</i>
Top Line Cash Payers									
	Freehold Royalties Ltd.	FRHLF		23.20	0.96	1.55	1.03	1.20	1.05
	Cross Timbers Royalty Trust	CRT		44.95	0.93	1.45	0.97	1.12	1.00
	Sabine Royalty Trust	SBR		63.25	0.97	1.49	1.01	1.11	1.07
	Dorchester Minerals, L.P.	DMLP	B	28.58	0.95	1.27	1.03	1.07	0.95
	Permian Basin RT	PBT		21.60	0.91	1.50	1.01	1.04	0.98
	<i>Median</i>				<i>0.95</i>	<i>1.49</i>	<i>1.01</i>	<i>1.11</i>	<i>1.00</i>
Bottom Line Cash Payers									
	Legacy Reserves L.P.	LGCY		32.12	0.98	1.50	1.03	1.14	1.11
	Hugoton RoyaltyTrust	HGT	B	23.30	0.94	1.38	1.05	1.13	1.06
	Encore Energy Partners, L.P.	ENP		23.69	0.99	1.95	1.03	1.12	1.02
	Pengrowth Energy Corporation	PGH		13.64	0.95	2.06	1.03	1.11	0.98
	Enerplus Corporation	ERF		30.66	0.93	1.82	0.98	1.08	0.86
	Vanguard Natural Resources, LLC	VNR		31.28	0.96	1.40	0.99	1.08	1.09
	Linn Energy, LLC	LINE		38.69	0.98	1.90	1.00	1.08	1.24
	San Juan Basin Royalty Trust	SJT		25.98	0.91	1.25	1.02	1.06	1.04
	Mesa RoyaltyTrust	MTR		49.25	0.91	1.21	1.03	1.04	0.93
	<i>Median</i>				<i>0.95</i>	<i>1.50</i>	<i>1.03</i>	<i>1.08</i>	<i>1.04</i>

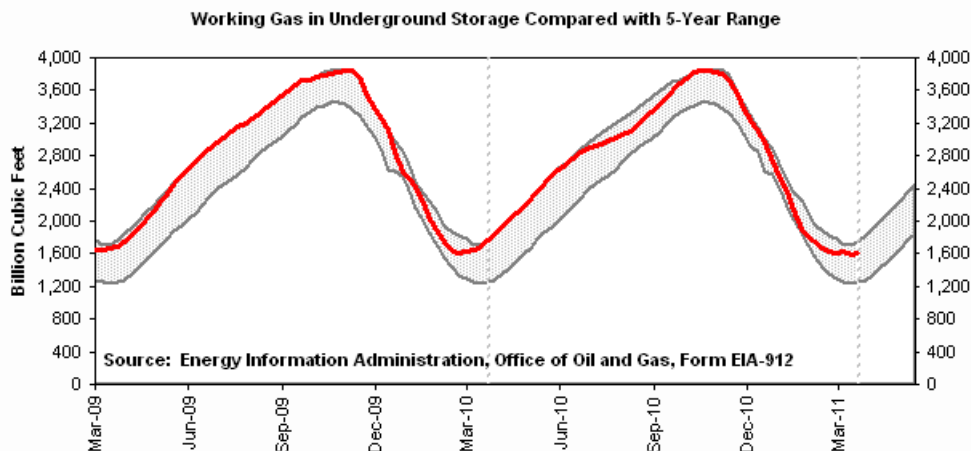
CB=Contrarian Buy, Stock Price apparently in downtrend compared to 200-day average.



Income and Small Cap Weekly

Analysis of Oil & Gas Stocks

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