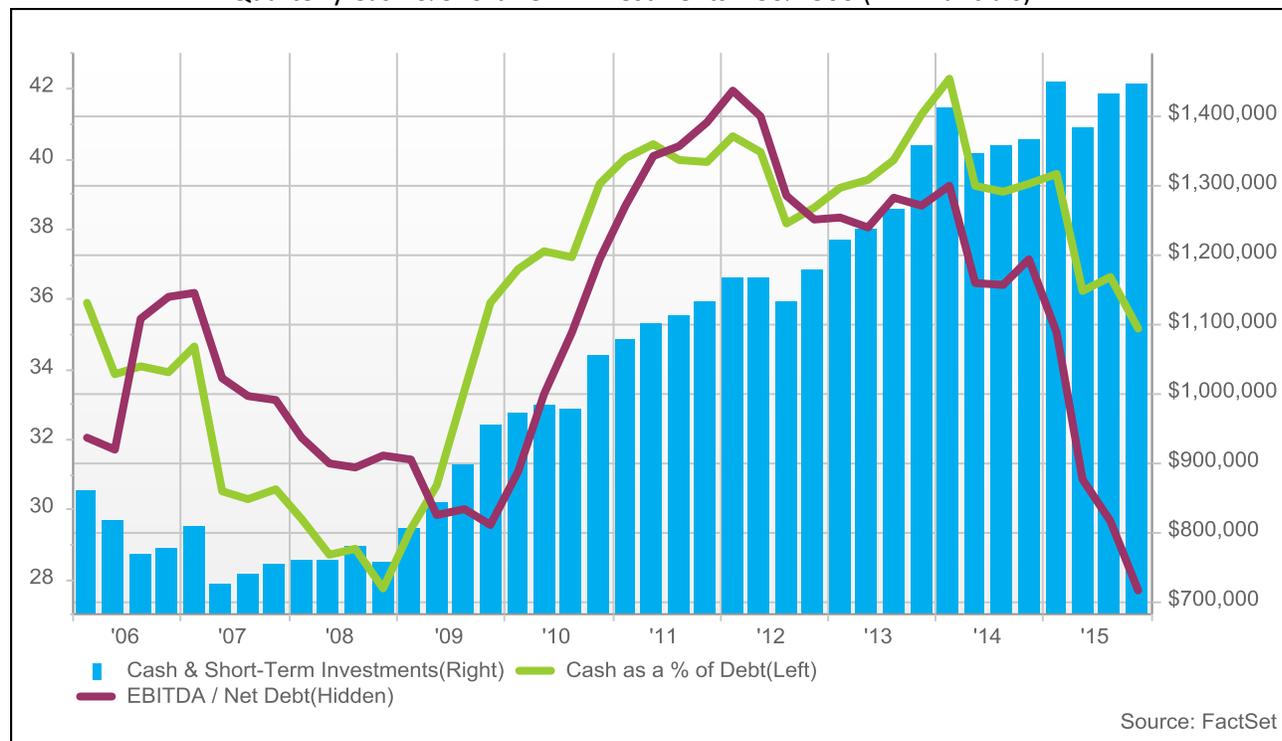


### Key Metrics:

- + **Cash Balance Grows in Q3:** The S&P 500 (ex-Financials) cash and short-term investments balance was \$1.45 trillion at the end of the third quarter (October), which represented a 5.8% increase year-over-year. The quarter-over-quarter growth rate for the aggregate cash balance was 0.95%.
- + **Energy Sector Continues to Lead Decline in Fixed Capital Expenditures:** Fixed capital expenditures (“CapEx”) amounted to \$157.1 billion in Q3, which represented a 4.7% decrease from the year ago quarter. The Energy sector led the decline in CapEx with a 33.3% year-over-year decrease.
- + **Cash Flows Decrease YoY, but Remain at Healthy Levels:** Operating cash flow in Q3 decreased 3.4% YoY (\$357.2 billion), while free cash flow declined 1.9% (\$201.3 billion). Both amounts were not far off their ten year highs.
- + **Research & Development Spending and Acquisition of Business Assets Increase:** The amount of capital spent on R&D (\$56.2 billion) and the acquisition of business assets (\$127.9 billion) reached new highs in Q3.
- + **Net Shareholder Distributions Climb to New High:** Quarterly net shareholder distributions amounted to \$196.3 billion in Q3, which was the highest total in at least ten years.

Quarterly Cash & Short-Term Investments – S&P 500 (Ex-Financials)



Cash & Investments Quarterly is one part of three reports ([Buyback Quarterly](#) and [Dividend Quarterly](#)) analyzing cash and discretionary spending within the S&P 500.

All data published in this report is available on FactSet. Please contact media\_request@factset.com or 1-877-FACTSET for more information.

## Cash Balance Grows 5.8% in Third Quarter

### Seven out of Nine Sectors Grow their Cash Balance

The S&P 500 (ex-Financials) cash and short-term investments balance amounted to \$1.45 trillion in the third quarter, which was the second highest level in ten years. This amount reflected 5.8% growth on a year-over-year basis and 0.95% growth quarter-over-quarter. Seven out of nine sectors posted positive year-over-year growth, with the Consumer Staples (-2.3%) and Energy (-7.5%) sectors being the only decliners.

The Information Technology sector had the largest cash balance (\$566.7 billion) at the end of Q3, which has been the norm over the past ten years. Five of the top ten companies ranked by quarterly cash were in this sector: Microsoft (\$99.4 billion), Alphabet (\$72.8 billion), Cisco Systems (\$59.1 billion), Oracle (\$55.9 billion), and Apple (\$41.6 billion). The full top ten list can be seen on page 5 of this report.

### Upstream Energy Companies Lead CapEx Decline; Consumer Discretionary Tops Growth

Fixed capital expenditures totaled \$157.1 billion in Q3, which represented a 4.7% decrease from the year ago period. The third quarter was the second consecutive quarter that capital spending in the S&P 500 (ex-Financials) declined on a year-over-year basis.

At the sector level, the Energy, Consumer Staples, and Information Technology groups experienced CapEx decreases in Q3 on a year-over-year basis. The Energy sector once again led the decline and saw a YoY decrease in fixed capital expenditures of 33.3%, which was even steeper than the decrease in Q2. On a quarter-over-quarter basis, fixed capital expenditures fell 7.4% in the Energy sector. With oil prices down 32.3% year-to-date, energy companies have been forced to cut capital expenditures in order to preserve cash. In the third quarter, ConocoPhillips and Apache cut CapEx by over \$2 billion compared to the year ago quarter, while Exxon, Occidental Petroleum, and Chevron decreased spending by over \$1 billion. By the end of Q3, the Energy sector made up 22.8% of CapEx for the S&P 500 (ex-Financials), which was 2.7 percentage points less than the weight in Q2. It is interesting to note that the larger cuts to fixed capital expenditures have come from companies classified as Upstream Energy. The classification is based on The Revere Business Industry Classification System ("RBICS"). Firms classified as Downstream or Midstream Energy by RBICS, such as Marathon Petroleum or Columbia Pipelines, have generally seen less severe cuts to capital spending. On a trailing twelve-month basis, Upstream companies in the S&P 500 Energy sector saw a 29.6% YoY decline in fixed CapEx, while Downstream and Midstream companies only saw an 8% decline. This is illustrated in the top chart on page 7 of this report.

On the other end of the spectrum, the Consumer Discretionary sector posted the largest year-over-year growth in fixed capital expenditures in Q3 (+23.5%). The third quarter marked the twelfth consecutive quarter that the Consumer Discretionary sector has experienced positive YoY growth in CapEx. General Motors was the largest contributor, as it more than doubled its capital spending from the year ago quarter to \$6.4 billion in total. Two media companies, Comcast and Disney, were additional contributors (+\$238 million and +\$141 million).

In the next twelve months, analysts are predicting year-over-year declines in CapEx for the Energy sector and the index as a whole. As of Friday's close, the Energy, Materials, Industrials, Utilities, and Consumer Staples sectors are estimated to see cuts to fixed capital expenditures over the next twelve months. The Health Care sector is forecasted to have the highest growth rate of any other group (+6.6%), while the downward trend in the Energy sector is expected to continue. CapEx in the Energy sector is estimated to decline 15.7% in the NTM, with Upstream Energy companies decreasing 23.1%, and Downstream and Midstream Energy companies falling 8.4%. This can be seen in the bottom chart on page 7 of this report.

## Operating Cash Flow and Free Cash Flow Decline YoY, but Remain at Healthy Levels

### Energy Sector Struggles as Consumer Discretionary Sector Flourishes

Companies in the S&P 500 (ex-Financials) generated \$357.2 billion in operating cash flow (OCF) in Q3, which represented a year-over-year decline of 3.4%. The decline was a bit deceiving given the high water mark set in October 2014, which was the third largest OCF total in ten years (\$369.8 billion). On a sequential basis, Q3 operating cash flow grew 6.3%, and was only 10.7% off the index's ten year high. With the exception of the Energy sector, each group posted quarterly operating cash flow that was greater than its ten-year average. After subtracting fixed capital expenditures, aggregate free cash flow amounted to \$201.3 billion, which reflected a 1.9% decline YoY. The Q3 free cash flow total was the fifth largest amount in ten years.

At the sector level, five of the nine sectors showed YoY increases in operating cash flow (Consumer Discretionary, Health Care, Materials, Telecom, and Utilities). The Consumer Discretionary sector led the way, posting YoY growth of 22.5%. On the other hand, the Energy, Consumer Staples, Industrials, and Information Technology groups experienced declines, with the Energy sector seeing a 35.6% decline in operating cash flows. Similar to Q2, the macro headwinds for the Energy sector have dampened revenue. Aggregate quarterly revenue for the sector dropped more than 37% year-over-year in Q3. The Energy group has been the worst performing sector in 2015, and is down 25.3% year-to-date, as of Friday's close.

While the Energy sector has struggled, the Consumer Discretionary sector has flourished. Aggregate quarterly revenue increased 8.8% from the year ago quarter, which helped push operating cash flow to the sector's second highest total in ten years. The Consumer Discretionary group grew fixed CapEx by more than any other sector in Q3, while also increasing free cash flow by 21.3% year-over-year. The Consumer Discretionary sector has been the best performing sector in 2015, and is up 7.4% year-to-date, as of Friday's close.

## R&D Spending and Acquisition of Business Assets Increase

### Research & Development Spending Reaches Another New High in Q3

As mentioned earlier in this report, companies in the S&P 500 (ex-Financials) decreased their spending on fixed assets in Q3 compared to the year ago quarter. However, these companies invested their capital in other areas. The amount of capital spent on research and development amounted to 56.2 billion in Q3 and \$257.8 billion over the trailing twelve months. Both numbers represented 10-year highs for the S&P 500 (ex-Financials) index. Aside from the Telecom group, all sectors spent more on research and development in Q3 than their 10-year averages. The Information Technology (\$112.7) and Healthcare (\$68.7) sectors dominated all other groups in terms of R&D spending, with nine out of the top ten companies ranked by R&D expenses, coming from these two sectors. This makes sense as these two groups consistently had the largest cash balances, and companies in these sectors constantly innovate in order to stay ahead of their competitors. Microsoft (\$11.9 billion), Intel (\$11.9 billion), and Alphabet (\$11.6 billion) were the top three spenders on R&D in the TTM ending in Q3. Amazon was the only company outside of the Information Technology and Healthcare groups that was on the top ten list.

### Investing Activities: Asset Acquisitions Up, Divestitures Down, Sale of Investment Securities Beat Buys

The amount of cash spent on assets acquired from acquisitions was \$127.9 billion, which was a 10-year high for the index, and more than double the 10-year average. The spending in Q3 was concentrated in the Healthcare (\$54.4 billion), Industrials (\$22.6 billion), and Consumer Staples (\$20.3 billion) sectors. Spending on assets acquired from acquisitions in these three sectors made up 76% of the total spending in the S&P 500 (ex-Financials). Some of the big spenders in these sectors were: Pfizer, United Health, Danaher, 3M, CVS Health, and Kraft Heinz.

Looking at other investing activities, cash flows from the sale of business assets declined 10.5% from the year ago period to \$23.7 billion. NiSource and Mondelez International were at the top of the list for cash inflows from business divestitures, as the companies sold off \$3.8 billion and \$3.7 billion worth of assets, respectively. Companies in the S&P 500 (ex-Financials) sold more investment securities than they purchased for the first time since January 2014. Cash inflows from the net sale of investment securities amounted to \$5 billion in Q3, while the 10-year average was \$19.3 billion in cash outflows from the net purchases of investment securities.

### **Financing Activities: Shareholder Distributions Grow; Net Debt Issuance Slows**

#### **Quarterly Net Shareholder Distributions Climb to New High**

Quarterly net shareholder distributions, which are calculated by adding dividend payments and net purchases of stock, amounted to \$196.3 billion in Q3. This represented a 2.9% increase year-over-year and an 11.8% increase quarter-over-quarter. The third quarter total was the largest amount of net shareholder distributions for the S&P 500 (ex-Financials) in at least ten years. This was driven by record levels of dividend payments and growing dollar-value share repurchases in Q3, which are discussed in further detail in the [FactSet Dividend Quarterly](#) and [FactSet Buyback Quarterly](#) reports. At the company level, firms in the Information Technology and Consumer Discretionary sectors dominated the top ten list ranked by quarterly net shareholder distributions, with Apple and Microsoft leading the way. The full top ten list can be seen on page 11 of this report.

#### **Cash Flows from Net Debt Issuance Slows in Q3**

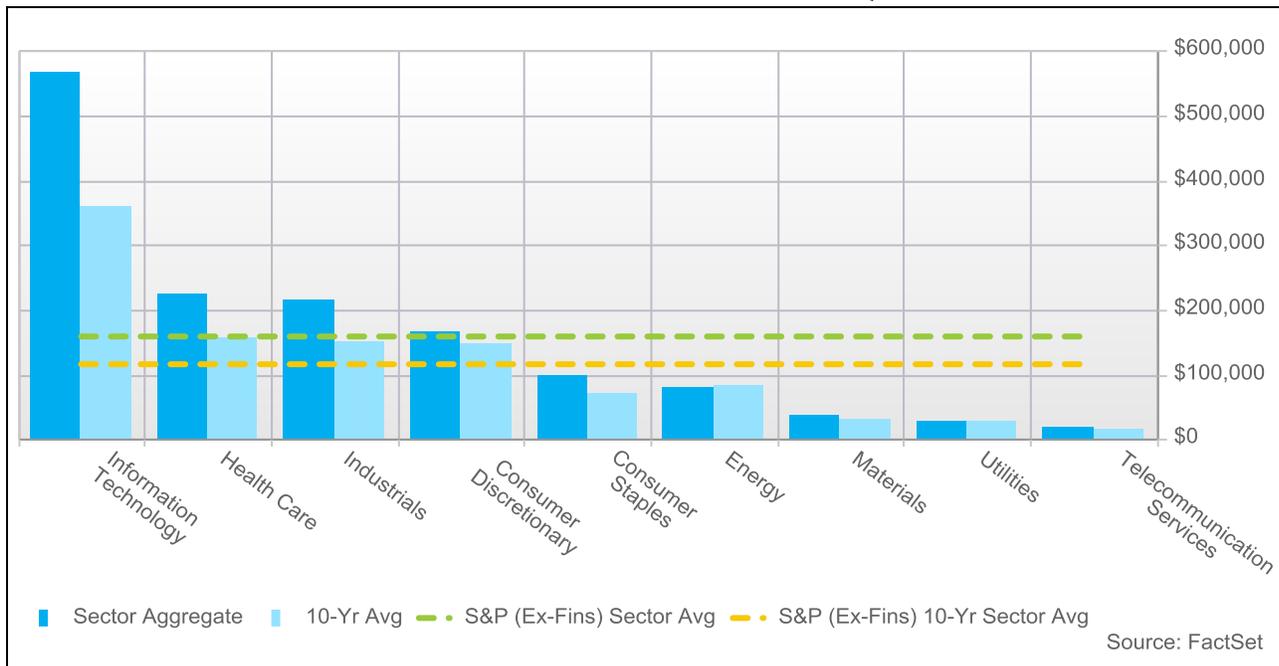
On the debt financing side, cash inflows from net debt issuance were positive for the 21<sup>st</sup> consecutive quarter. That being said, net debt issuance slowed to \$93.2 billion in Q3, which was nearly 30% lower than the amount in Q2. As shown in the first chart on page 12 of this report, companies have been taking advantage of near zero interest rates by increasing their rate of borrowing. With the Federal Reserve raising interest rates for the first time since 2006 last week, it will be interesting to see if companies continue to issue debt to fund activities such as buybacks and dividends.

## Cash & Short-Term Investments

In this report, cash, cash & equivalents, and cash & short-term investments are used interchangeably. **Companies in the Financials sector have been excluded throughout this report.**

All aforementioned and forthcoming values are in millions, unless otherwise designated. Quarterly data is generally organized by adjusted calendar quarters with **Q3** ending in **October**. (**Q1:Apr, Q2:July, Q3:Oct, Q4:Jan**)

Cash & Short-term Investments- Most Recent Quarter



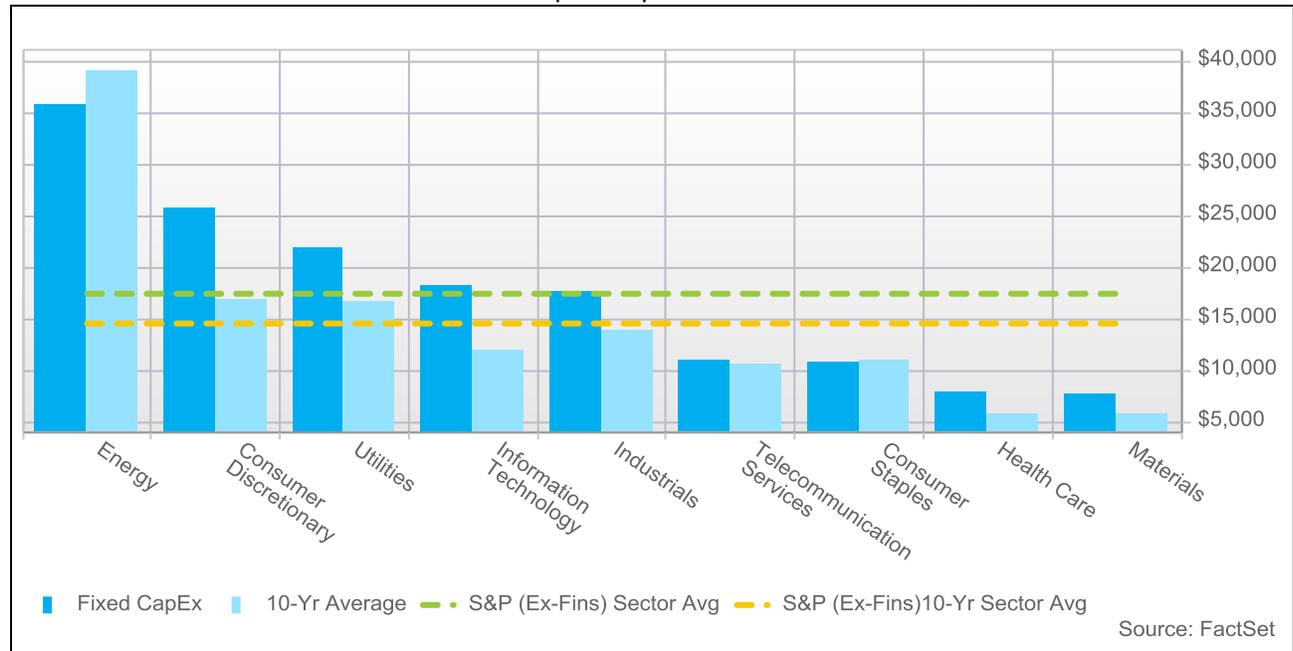
Top 10 Companies by Cash and Short-Term Investments

| ID    | Company                  | Sector                 | Cash (Qtr) | 1 Year Growth | Cash to Debt | 1 Yr Total Return |
|-------|--------------------------|------------------------|------------|---------------|--------------|-------------------|
| MSFT  | Microsoft Corporation    | Information Technology | \$99,355   | 11.4%         | 257.6%       | 17.0%             |
| GE    | General Electric Company | Industrials            | \$99,105   | 9.4%          | 34.0%        | 24.6%             |
| GOOGL | Alphabet Inc. Class A    | Information Technology | \$72,767   | 15.5%         | 1391.1%      | 47.1%             |
| CSCO  | Cisco Systems, Inc.      | Information Technology | \$59,107   | 13.4%         | 240.1%       | (2.1%)            |
| ORCL  | Oracle Corporation       | Information Technology | \$55,930   | 8.4%          | 133.0%       | (18.7%)           |
| AAPL  | Apple Inc.               | Information Technology | \$41,601   | 65.9%         | 64.5%        | (4.3%)            |
| JNJ   | Johnson & Johnson        | Health Care            | \$37,306   | 13.0%         | 188.9%       | (1.7%)            |
| F     | Ford Motor Company       | Consumer Discretionary | \$31,847   | (6.2%)        | 25.2%        | (3.1%)            |
| AMGN  | Amgen Inc.               | Health Care            | \$31,120   | 10.8%         | 98.0%        | (3.8%)            |
| GM    | General Motors Company   | Consumer Discretionary | \$24,981   | (13.9%)       | 43.5%        | 10.4%             |

## Investing Cash Flows: Quarterly Fixed Capital Expenditures

Fixed capital expenditures ("CapEx") represent funds used to acquire fixed assets other than those associated with acquisitions. This includes, but is not restricted to, additions and investments in property, plant, machinery and equipment.

Cash Outflows from Fixed Capital Expenditures – Most Recent Quarter



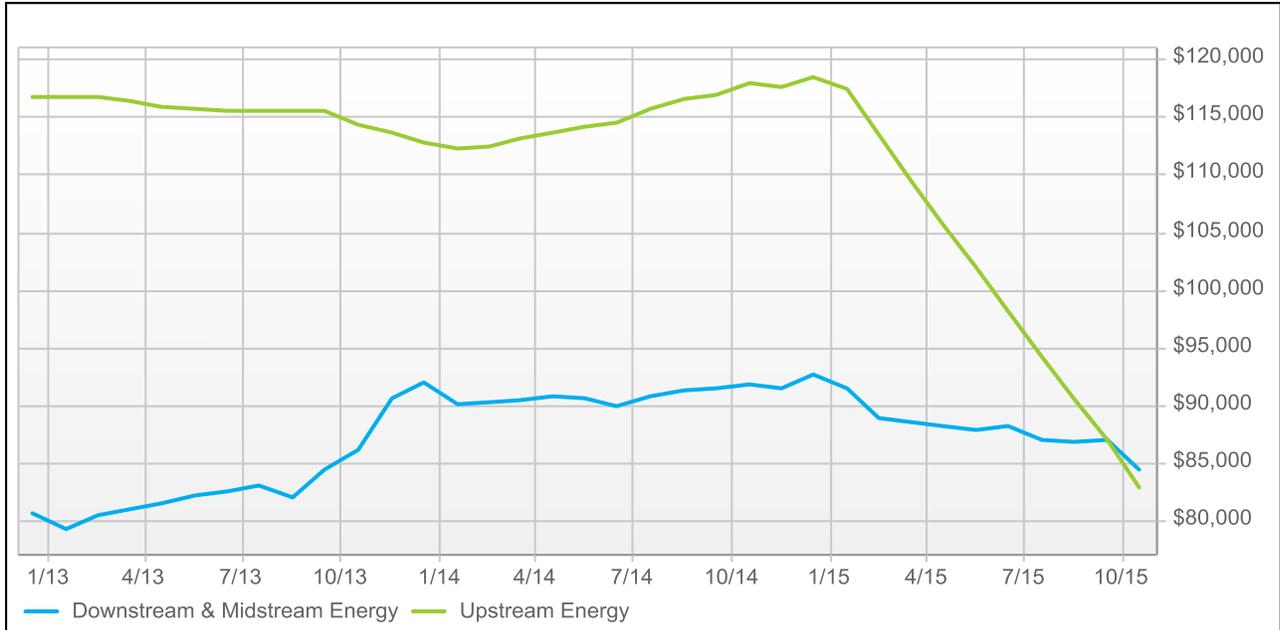
Top 10 Companies by Fixed Capital Expenditures – Most Recent Quarter

| ID    | Company                     | Sector                     | CapEx (Most Recent Qtr) | CapEx Qtrly Growth (YoY%) | CapEx to Sales (TTM basis) | 1 Yr Total Return |
|-------|-----------------------------|----------------------------|-------------------------|---------------------------|----------------------------|-------------------|
| CVX   | Chevron Corporation         | Energy                     | \$6,703                 | (17.7%)                   | 21.7%                      | (13.9%)           |
| XOM   | Exxon Mobil Corporation     | Energy                     | \$6,401                 | (21.9%)                   | 11.2%                      | (12.3%)           |
| GM    | General Motors Company      | Consumer Discretionary     | \$6,367                 | 110.1%                    | 13.1%                      | 10.4%             |
| T     | AT&T Inc.                   | Telecommunication Services | \$5,255                 | 0.3%                      | 13.2%                      | 6.0%              |
| VZ    | Verizon Communications Inc. | Telecommunication Services | \$4,387                 | 6.2%                      | 13.1%                      | 1.5%              |
| AAPL  | Apple Inc.                  | Information Technology     | \$3,618                 | (5.4%)                    | 4.9%                       | (4.3%)            |
| WMT   | Wal-Mart Stores, Inc.       | Consumer Staples           | \$3,179                 | 1.6%                      | 2.5%                       | (29.6%)           |
| GOOGL | Alphabet Inc. Class A       | Information Technology     | \$2,373                 | (1.8%)                    | 16.0%                      | 47.1%             |
| CMCSA | Comcast Corporation Class A | Consumer Discretionary     | \$2,216                 | 12.0%                     | 11.2%                      | 1.9%              |
| COP   | ConocoPhillips              | Energy                     | \$2,174                 | (52.6%)                   | 35.7%                      | (30.9%)           |

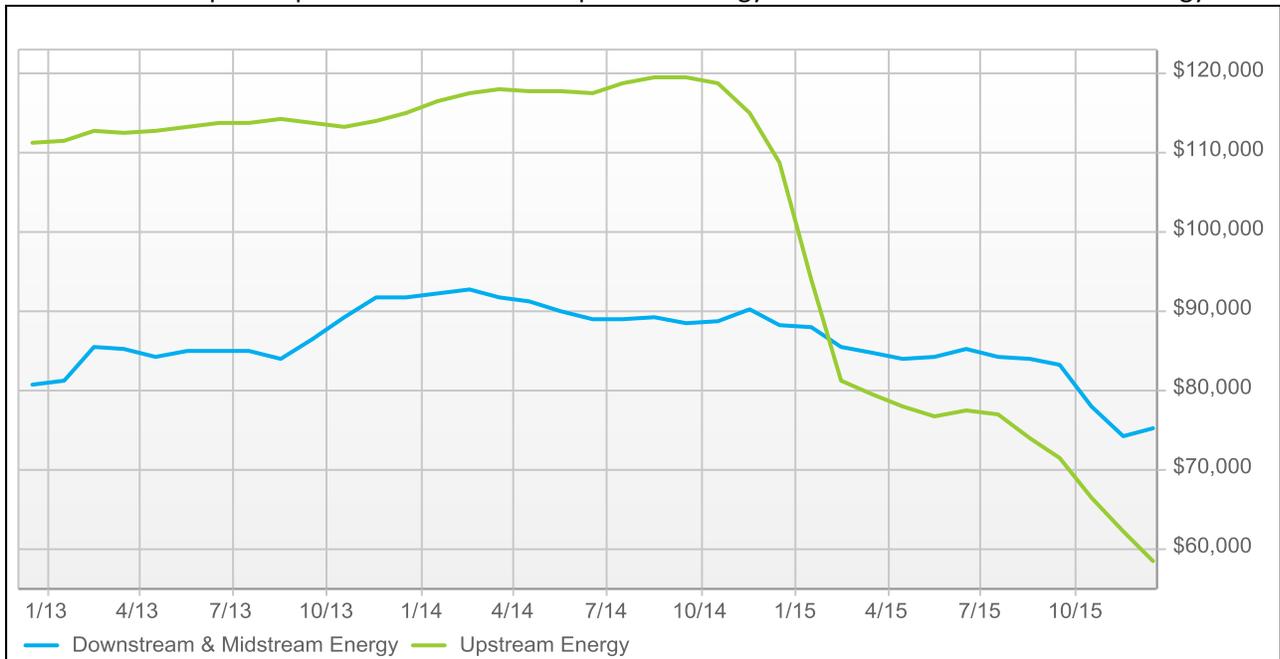
## Fixed Capital Expenditures: Energy Sector

This section groups companies in the GICS Energy sector by Upstream Energy, Midstream Energy, and Downstream Energy. Midstream and Downstream Energy are combined to analyze the trend in data against the Upstream Energy group, which represents the majority of companies in the sector. Companies that are not classified by RBICS as Upstream, Midstream, or Downstream are excluded from this analysis. These classifications are derived from The Revere Business Industry Classification System (RBICS). RBICS is a comprehensive structured taxonomy that offers single sector mapping of publicly traded companies based on their primary lines of business.

LTM Fixed Capital Expenditures: Upstream Energy vs Downstream & Midstream Energy

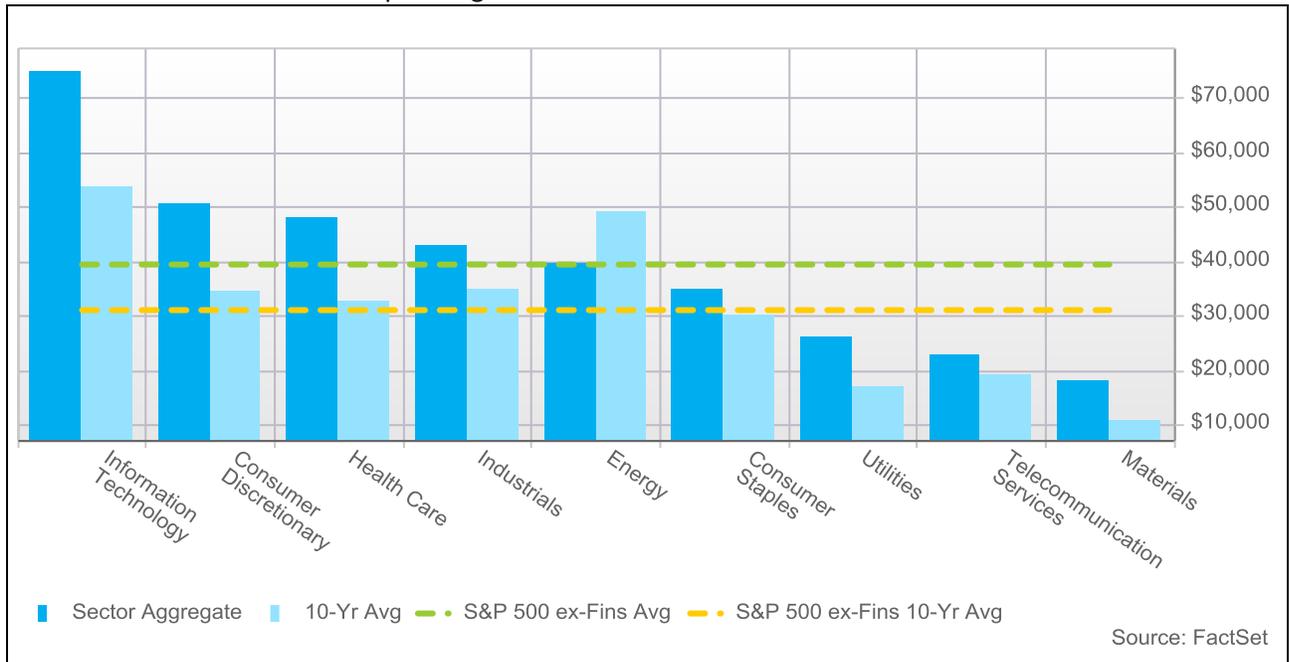


NTM Fixed Capital Expenditures Estimates: Upstream Energy vs Downstream & Midstream Energy

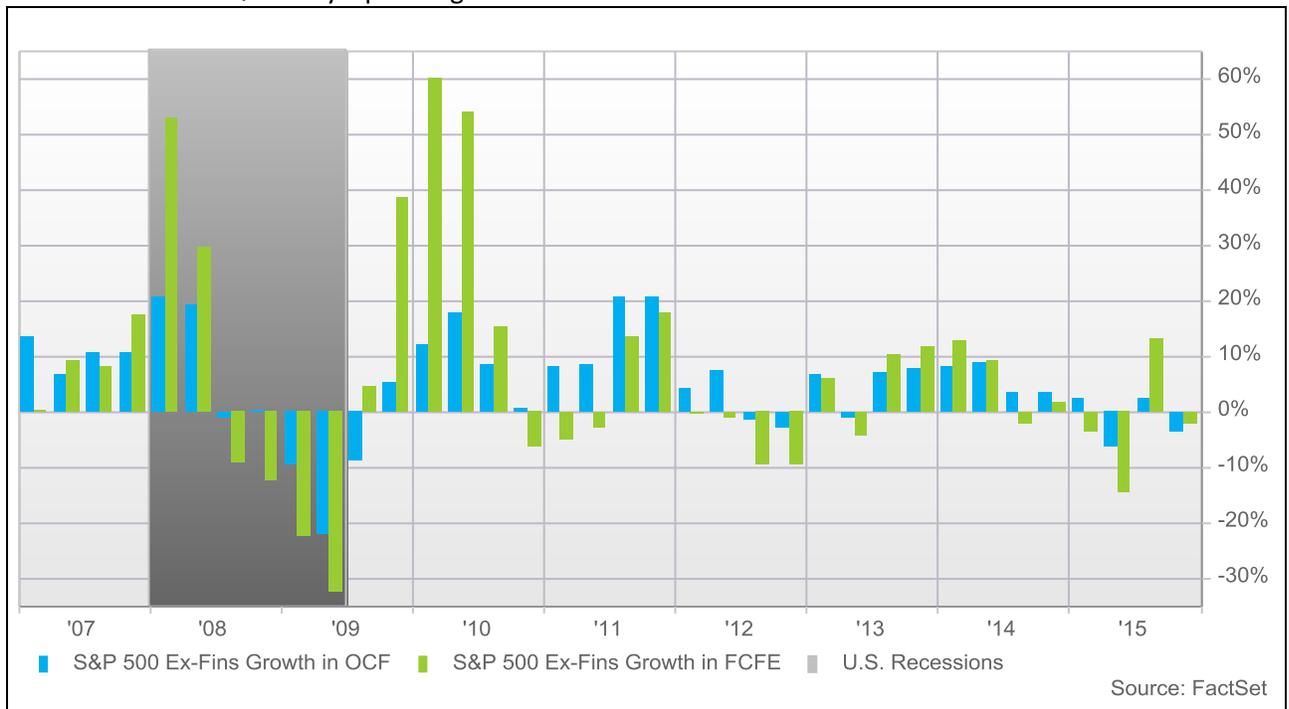


## Operating Cash Flow and Free Cash Flow

Operating Cash Flow – Most Recent Quarter

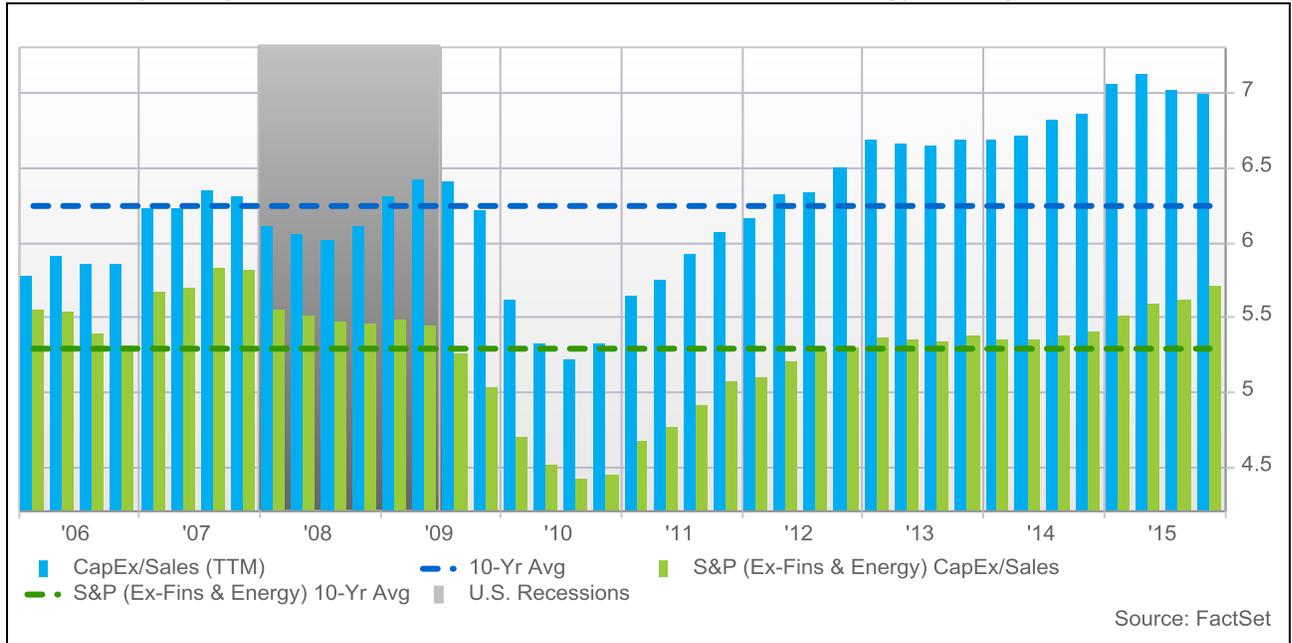


Quarterly Operating and Free Cash Flow – Year-over-Year % Growth

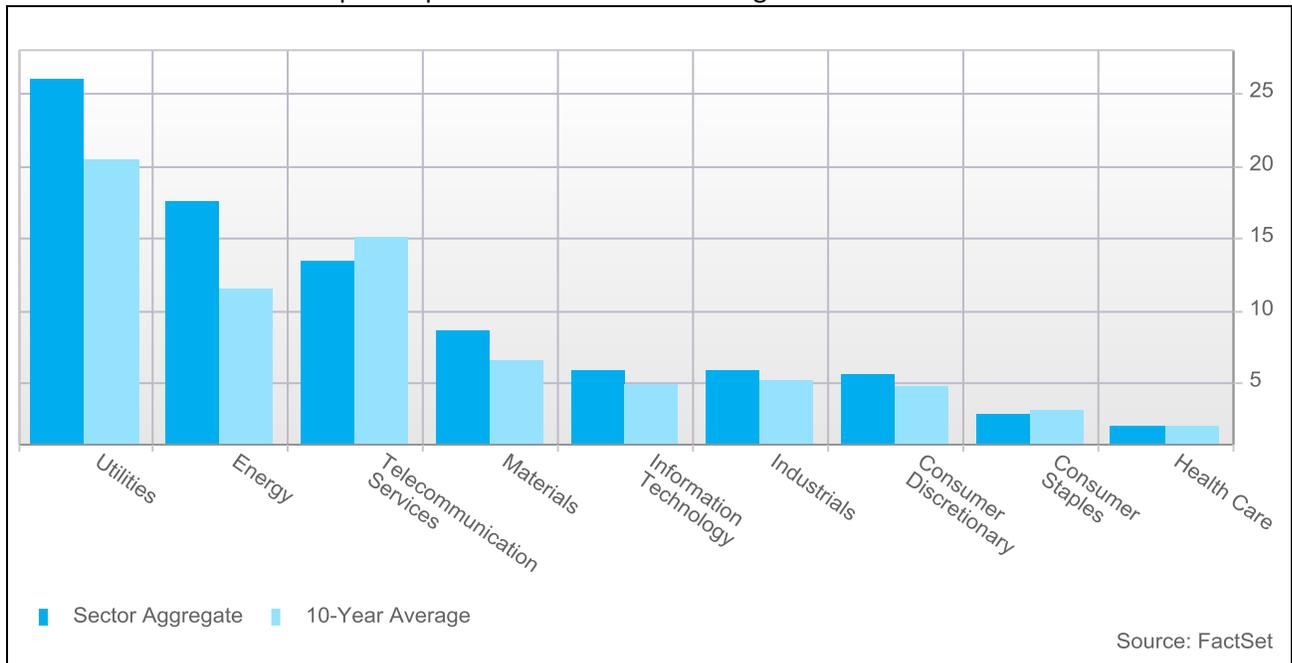


## Investing Cash Flows: Fixed Capital Expenditures to Sales

Fixed Capital Expenditures to Sales – S&P 500 ex-Financials and ex-Energy (Trailing Twelve Months)



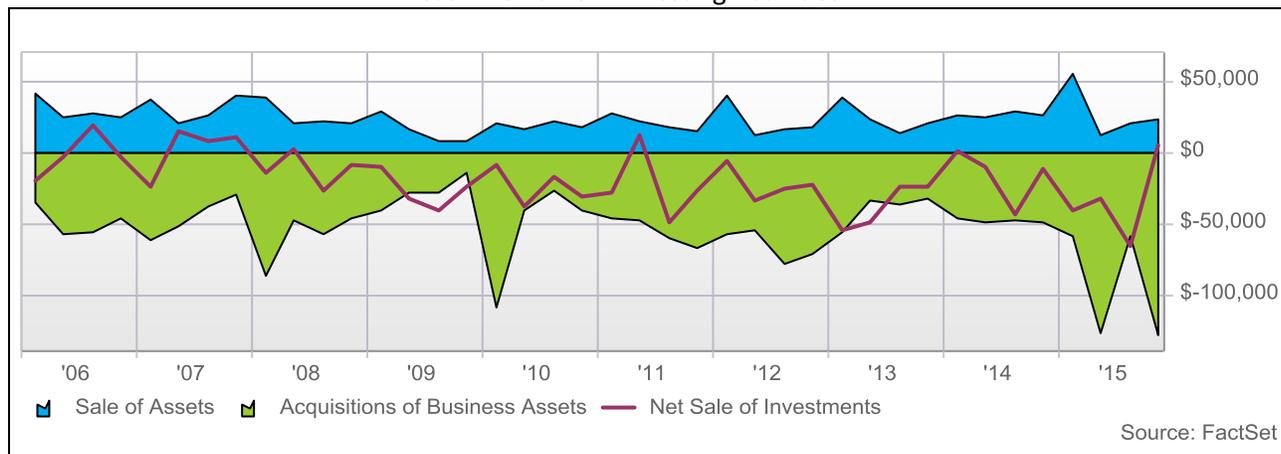
Fixed Capital Expenditures to Sales – Trailing Twelve-Month Basis



## Investing Cash Flows: Sales and Acquisitions

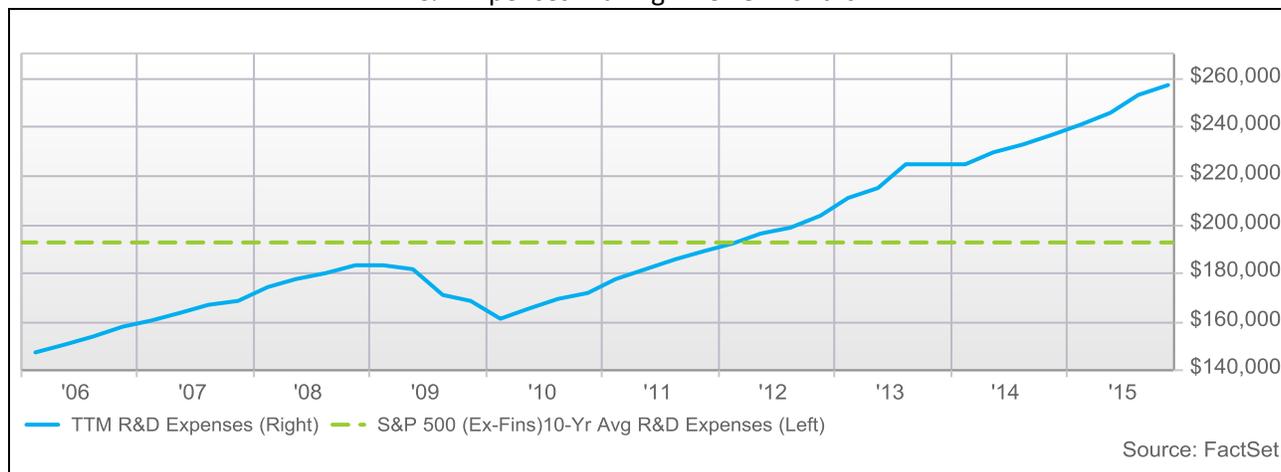
Disposal of fixed assets represents the amount a company received from the sale or disposal of assets, businesses, property, plant, and equipment. Purchase and sale of investments is a net figure representing proceeds from changes in portfolio investments, short-term investments, marketable securities, or proceeds from maturities of securities. Net assets from acquisitions represent assets acquired through pooling of interests or mergers, excluding capital expenditures of acquired companies.

Cash Flows from Investing Activities



## Research and Development Spending

R&D Expenses Trailing Twelve-Months



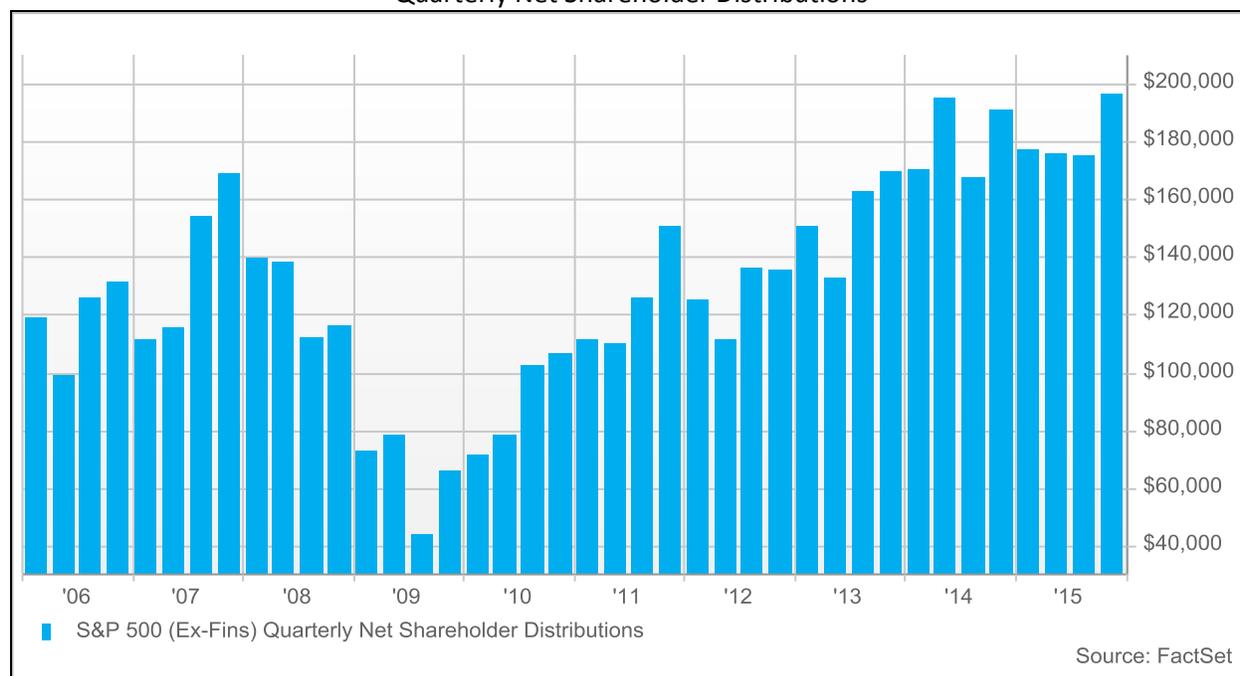
Top 10 Companies by Research and Development Expenses (TTM)

| ID    | Company               | Sector                 | R&D Expenses (TTM) | R&D Expenses (YoY \$Chg) | R&D as % of Sales (TTM) | 1 Yr Total Return |
|-------|-----------------------|------------------------|--------------------|--------------------------|-------------------------|-------------------|
| MSFT  | Microsoft Corporation | Information Technology | \$11,943           | 2.3%                     | 13.2%                   | 17.0%             |
| INTC  | Intel Corporation     | Information Technology | \$11,854           | 3.9%                     | 21.5%                   | (5.8%)            |
| GOOGL | Alphabet Inc. Class A | Information Technology | \$11,585           | 26.7%                    | 16.3%                   | 47.1%             |
| AMZN  | Amazon.com, Inc.      | Consumer Discretionary | \$11,447           | 41.5%                    | 11.4%                   | 123.1%            |
| JNJ   | Johnson & Johnson     | Health Care            | \$8,815            | 6.7%                     | 12.5%                   | (1.7%)            |
| PFE   | Pfizer Inc.           | Health Care            | \$8,534            | 23.6%                    | 17.8%                   | 3.4%              |
| AAPL  | Apple Inc.            | Information Technology | \$8,067            | 33.5%                    | 3.5%                    | (4.3%)            |
| MRK   | Merck & Co., Inc.     | Health Care            | \$6,586            | 2.2%                     | 16.8%                   | (9.5%)            |
| CSCO  | Cisco Systems, Inc.   | Information Technology | \$6,184            | (1.7%)                   | 12.5%                   | (2.1%)            |
| ORCL  | Oracle Corporation    | Information Technology | \$5,584            | 6.5%                     | 14.7%                   | (18.7%)           |

## Financing Cash Flows: Net Shareholder Distributions

Dividends paid represent the total common and preferred dividends paid to shareholders. Net purchases of stock equal the funds used to decrease the outstanding shares of common or preferred stock (purchase of treasury shares, repurchase or retirement of stock, etc.) minus the proceeds from the sale/issuance of stock (sale of treasury shares, proceeds from stock options, etc.). Additional analysis on gross buybacks and dividends can be found within the [“Buyback Quarterly”](#) and [“Dividend Quarterly”](#) reports.

Quarterly Net Shareholder Distributions



Top 10 Companies by Net Shareholder Distributions – Most Recent Quarter

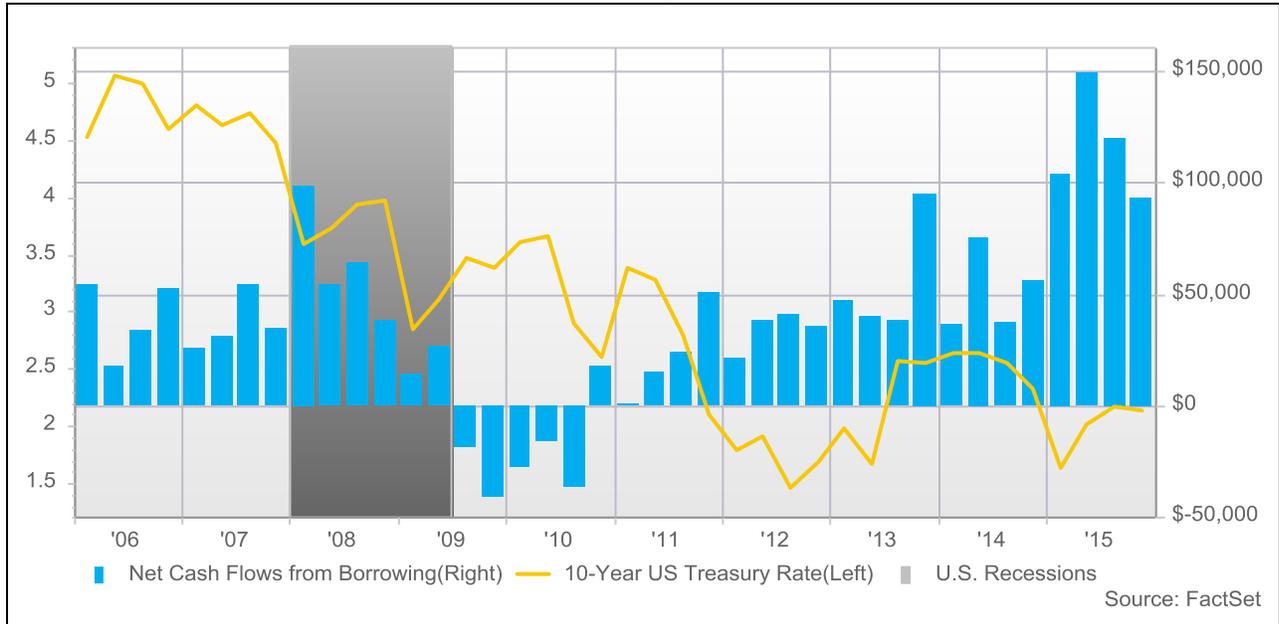
| ID    | Company                         | Sector                 | Qtr Net Shareholder Distributions | Dividends Paid (Qtr) | Net Stock Purchases | Combined Yield |
|-------|---------------------------------|------------------------|-----------------------------------|----------------------|---------------------|----------------|
| AAPL  | Apple Inc.                      | Information Technology | \$15,998                          | 2,964                | 13,034              | 6.6%           |
| MSFT  | Microsoft Corporation           | Information Technology | \$7,013                           | 2,475                | 4,538               | 5.6%           |
| DIS   | Walt Disney Company             | Consumer Discretionary | \$4,350                           | 1,115                | 3,235               | 7.1%           |
| GILD  | Gilead Sciences, Inc.           | Health Care            | \$3,598                           | 627                  | 2,971               | 5.1%           |
| XOM   | Exxon Mobil Corporation         | Energy                 | \$3,561                           | 3,060                | 501                 | 5.2%           |
| ORCL  | Oracle Corporation              | Information Technology | \$3,270                           | 636                  | 3,075               | 5.5%           |
| MCD   | McDonald's Corporation          | Consumer Discretionary | \$3,146                           | 789                  | 2,357               | 8.7%           |
| BIIB  | Biogen Inc.                     | Health Care            | \$2,945                           | -                    | 2,945               | 5.6%           |
| CMCSA | Comcast Corporation Class A     | Consumer Discretionary | \$2,805                           | 623                  | 2,182               | 6.2%           |
| IBM   | International Business Machines | Information Technology | \$2,763                           | 1,270                | 1,493               | 5.6%           |

\*Combined yield is the sum of dividend yield and share yield. Share yield is the trailing twelve month percent reduction in shares and operates under the assumption that the price to earnings multiple remains constant (i.e. the percent reduction in shares translates to an equivalent percent increase in EPS, which is assumed to translate to a percent increase in price).

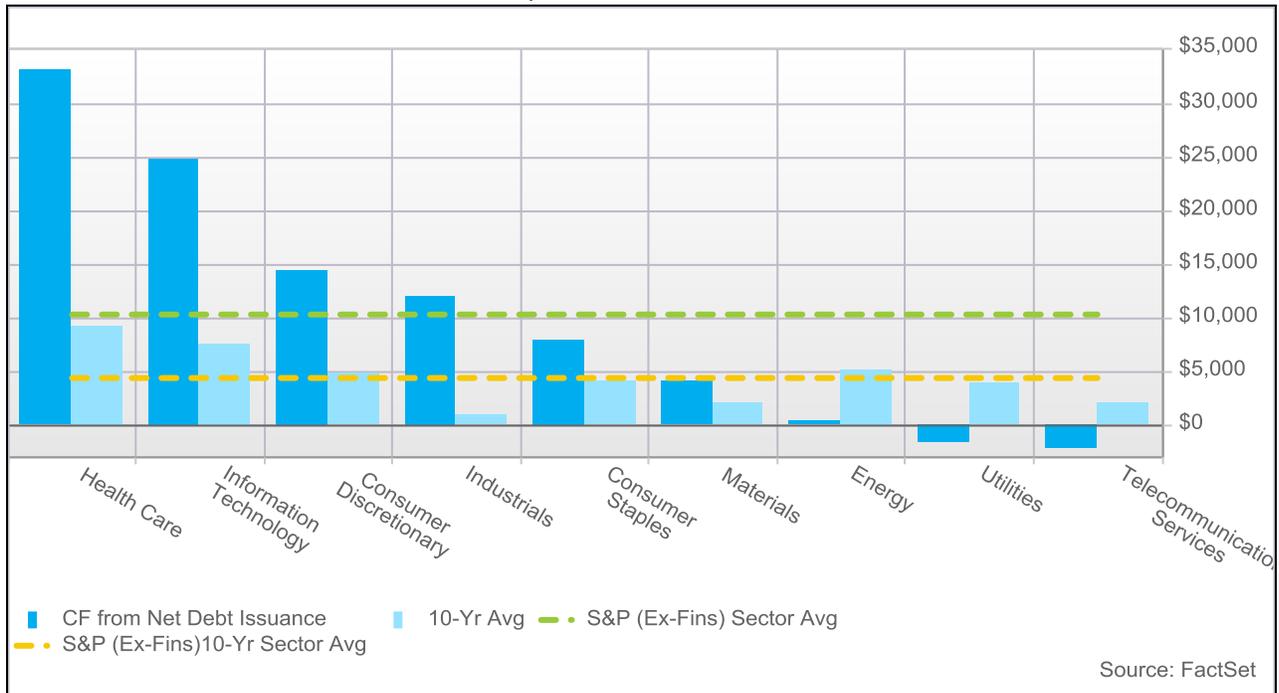
## Financing Cash Flows: Net Debt Issuance/Reduction

Net debt issued is the measure of aggregate, net funds from issuance (reduction) of debt and increases (decreases) in capitalized lease obligations. Also included are the increase in debt from acquisitions and the decrease in debt from the conversion of debentures into common stock.

Net Debt Issuance/Reduction



Net Debt Issuance/Reduction – Most Recent Quarter



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FactSet Fundamentals gives you access to current, comprehensive, and comparative information on securities worldwide. The comprehensive coverage available includes more than 69,000 companies from over 70 countries, with 20 years of historical data, and up to 2,000 data items on each company record. Comprised of annual and interim/quarterly data, detailed historical financial statement content, per share data, calculated ratios, pricing, and textual information, FactSet Fundamentals provides you with the information you need for a global investment perspective.

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Alpha Testing is FactSet’s back testing tool. Alpha Testing lets you test ideas about which quantitative and qualitative factors drive returns. Use our robust and flexible interface to create custom models and communicate results. Alpha Testing is fully integrated into the FactSet workstation. Model scores can be used in real time portfolio contribution or for portfolio construction.