2013-2014

Alexander Anisimov

Robert Bailey

Thomas Blankemeier

David Boudreau

Eric Bourassa

Michael Cox

Joseph Grieco

Duston Hodgkins

Matthew Mastrogiorgio

Lina Posada

Executive Summary

Investment Philosophy

The Student Managed Fund engages in value investing similar to that of Warren Buffett, Charles Munger, and many others. The Fund works to find companies that carry a high degree of probability to grow over a long period of time and be able to generate value for shareholders. The Fund conducts quantitative and qualitative research to determine the value of a company by looking at such factors as management capability, previous financial performance, and expected future risks.

Investment Strategy

The Fund will benchmark itself against the S&P 500. The Fund plans to beat the index by using the aforementioned value investing approach to invest in mostly U.S. equities. Some of the factors that the Fund looks into when evaluating a business are:

- Intrinsic Business Value vs. Market Value
- Cash Flow Yield
- Return on Equity and Return on Invested Capital
- Competitive Advantage
- Expected Growth Opportunities
- Management
- Aggregation Risk

Current Market Conditions

With the Dow Jones and S&P 500 at all-time highs and interest rates low, we believe the market is being artificially stimulated by Quantitative Easing. This monetary policy has seemingly adjusted equity prices to fair value making it more difficult to discover undervalued investments. Along with an artificially stimulated market, our nation's GDP growth has stagnated within the 2-3% range. Despite this environment, the Fund has invested in companies with strong fundamentals at fair prices that we believe can weather any storm. The Fund has a long-term investment outlook, and understands that business valuation and growth are the two main drivers on which the market relies. For these reasons, we choose companies that are undervalued and have a reasonable margin of safety.

Process

Each manager specializes in at least two sectors and works with at least one other manager within that sector. These teams then research their sector for as long as necessary to determine which companies have the most significant mispricing from their true intrinsic value.

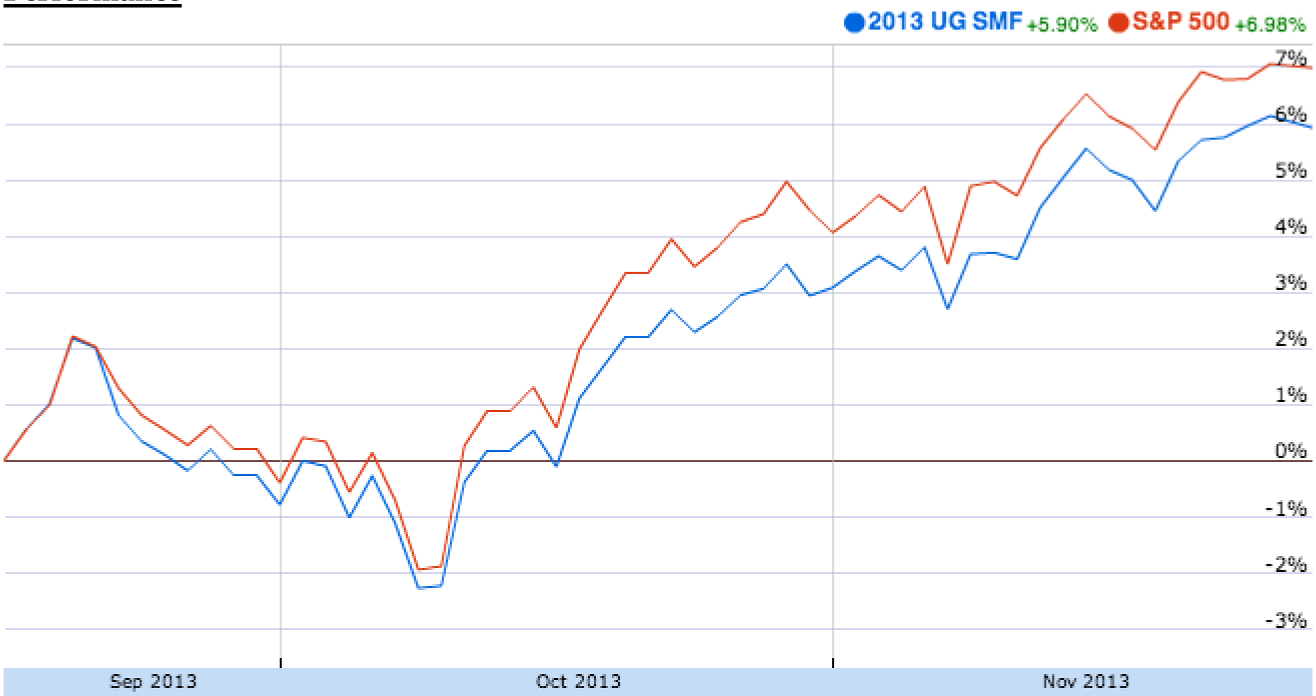
The Fund then conducts weekly meetings for the teams to pitch their stocks before the group and both Professor Terrion and Jeff Annello. The Fund then discusses the merits and risks of investing in the business, and then decides whether more information is needed or if the fund is ready to invest.

In order for a stock to be invested in, it must get at least 70% of the managers approval. After the Fund decides to invest in a business, the group determines how much capital to allocate based on the risks and growth potential of the business. Each company will receive between 3%-8% of the total capital available to the fund.

Investment Managers:

Alexander Anisimov	Eric Bourassa	Duston Hodgkins
Robert Bailey	Michael Cox	Matthew Mastrogiorgio
Thomas Blankemeier	Joseph Grieco	Lina Posada
David Boudreau		

Performance



The Fund has underperformed compared to the S&P 500 by **108** basis points since we started managing the portfolio on September 13, 2013. Our investments in the financial sector lead in performance while the transportation and consumer discretionary sectors have underperformed.

Investment Philosophy

The Student Managed Fund approaches investing based on the principles of value investing. In the valuation of investments, the Fund has adopted an approach similar to that of investors such as Benjamin Graham, Warren Buffett, and Charles Munger. The primary goal of the Fund is to identify undervalued stocks across a variety of industries. The Fund conducts in-depth quantitative and qualitative research. Quantitative research consists primarily of the assessment of a company's financial performance and how the strength of that financial performance is affected by the company's business model. Qualitative research focuses on risk factors affecting the success of the business model and the quality of management. Global and domestic news is also considered by the Fund when assessing the merit of a prospective investment.

Investment Strategy

The Student Managed Fund will use the S&P 500 as the main benchmark for the undergraduate portfolio. The Fund will utilize a value investing philosophy with the goal of outperforming the S&P 500. Every investment will be evaluated on their merits separately in order to determine an appropriate allocation amount.

Although each investment will be evaluated independently, each security will be analyzed based on similar criteria. The following key quantitative and qualitative metrics will be adopted to help construct the undergraduate portfolio:

- Business Models
- Returns on Equity and Invested Capital
- Free Cash Flow Yield
- Distribution to Shareholders (via buybacks and dividends)
- Competitive Advantages in Industry
- Long Term Growth Prospects
- Management Team
- Revenues and Earnings Growth
- Balance Sheet
- Downside Risk
- Intrinsic Business Value (versus current market price)

The undergraduate portfolio is composed of U.S. equities and cash. In addition to the above criteria, each manager will need to properly understand the risks of each security. The following risks are of the highest importance:

- **Business Model Risk** – the risk a company's business model is unsustainable or easily duplicated

- **Balance Sheet Risk** – the risk a company has leverage well above industry average

- **Management Risk** – the risk a company may have unreliable management

- **Aggregation Risk** – the risk involved with a portfolio sharing common risks among its holdings

The portfolio currently contains mostly large cap equities. Our investment philosophy does not limit us to exclusively large cap stocks, it just so happens that thus far these securities have been the best investment decisions we have found. Going forward we hope to increase the number of small and mid-cap stocks in the portfolio without compromising our aforementioned investment criteria.

Investment Process

All managers were given a choice to specialize in two sectors. We determined the allocation of coverage prior to the start of the investment process. From this point, the managers began to conduct research on their assigned sectors with the goal of finding one or two companies within each sector that were worthy of presentation to the group.

After selecting a company through the use of research, the managers presented their selections to both the group, Professor Terrion and Jeffrey Annello during weekly meetings. Following the presentation, the managers collectively discussed both the benefits and major risks associated with the investment. After thorough discussion, the managers determined if a vote should be held or if the business should be revisited after further research.

If it is determined that the presentation and following discussion produced enough valuable information about the proposed business, the group then voted on whether the investment should be approved. For official approval, 70% of the managers must approve of the proposed business for investment. If a decision is made to invest, the group then discussed how much capital should be allocated to the business. Typically, each company will receive approximately 3%-8% of the available capital, with the most attractive investments, as determined by our collective judgment, receiving the greatest amount of capital.

The sectors and the corresponding analysts are listed below:

- **Basic Materials-** Michael Cox, Matthew Mastrogiorgio
- **Consumer Discretionary**- Robert Bailey, David Boudreau
- **Consumer Staples**- Thomas Blankemeier, Duston Hodgkins
- **Energy**- Alexander Anisimov, Michael Cox, Lina Posada
- **Financials**- Thomas Blankemeier, David Boudreau, Joseph Grieco
- **Healthcare-** Alex Anisimov, Eric Bourassa, Robert Bailey
- **Industrials**- Matthew Mastrogiorgio, Lina Posada
- **Real Estate-** Eric Bourassa, Michael Cox
- **Transportation-** Michael Cox
- **Technology**- Joseph Grieco, Duston Hodgkins
- **Utilities-** None (See note below)

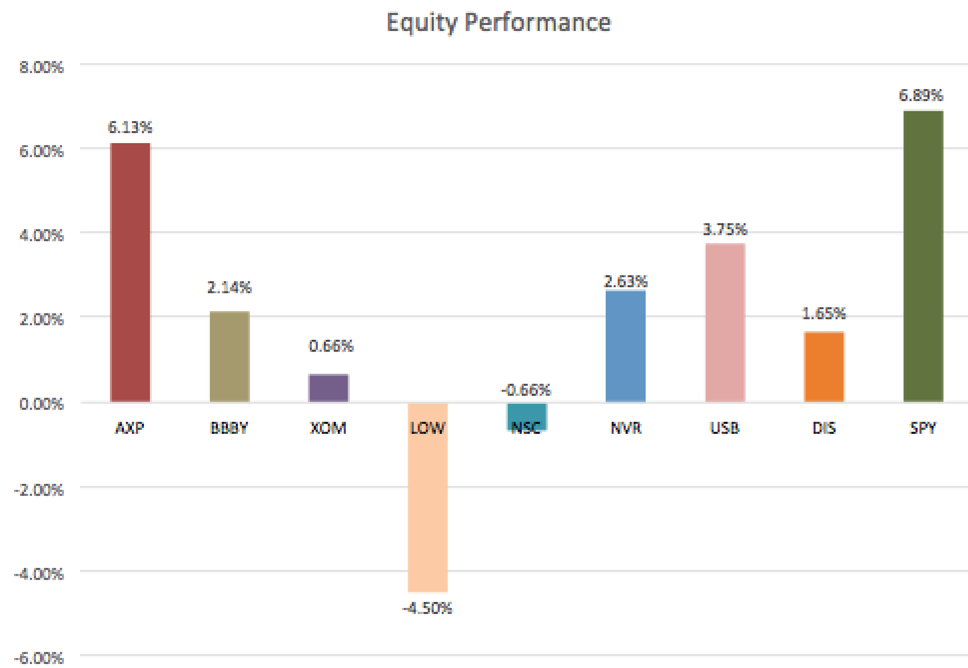
***Note (Utilities):** We discussed as a group that for the first semester, our time would best be spent without doing significant research on this particular sector, due to certain restrictions that impose limitations on growth. However, we will reevaluate our position on this sector at the start of the second semester.

For the Fall semester, the officers for the Undergraduate Student Managed Fund are:

Lead Manager: Alexander Anisimov
Portfolio Manager: Eric Bourassa
Treasurer/Secretary: Lina Posada

Undergraduate Supervisor: Patrick Terrion
Fund Director: Chinmoy Ghosh

Company Name	Date Invested	Symbol	Shares	Cost Basis	Price	Current Stock Value	Current Position Valu	Dollar Gain/Loss	% of Account	% Loss/Gain
American Express	11/12/13	AXP	1350	$109,142.95	$80.84	$85.80	$115,830.00	$ 6,687.05	6.98%	6.13%
Bed Bath & Beyond	11/12/13	BBBY	1320	$100,843.75	$76.39	$78.03	$102,999.60	$ 2,155.85	6.21%	2.14%
Exxon Mobil	11/6/13	XOM	1391	$129,177.21	$92.86	$93.48	$130,030.68	$ 853.47	7.83%	0.66%
Lowe's	11/12/13	LOW	1507	$74,921.92	$49.71	$47.48	$71,552.36	$ (3,369.56)	4.31%	-4.50%
Norfolk Southern	10/29/13	NSC	1413	$124,734.46	$88.27	$87.69	$123,905.97	$ (828.49)	7.47%	-0.66%
NVR	11/6/13	NVR	80	$75,608.95	$945.00	$969.98	$77,598.40	$ 1,989.45	4.68%	2.63%
U.S. Bancorp	10/24/13	USB	2631	$99,460.75	$37.80	$39.22	$103,187.82	$ 3,727.07	6.22%	3.75%
Walt Disney	11/6/13	DIS	724	$50,240.07	$69.38	$70.54	$51,070.96	$ 830.89	3.08%	1.65%
SPDR S&P 500	9/13/13	SPY	4834	$818,550.17	$169.33	$181.00	$874,954.00	$ 56,403.83	52.72%	6.89%
Cash		$		$ 8,530.00			$8,530.00		0.51%	
Portfolio Total Value	9/13/13			$ 1,567,133.91			$1,659,659.79	$92,525.88	100%	5.90%



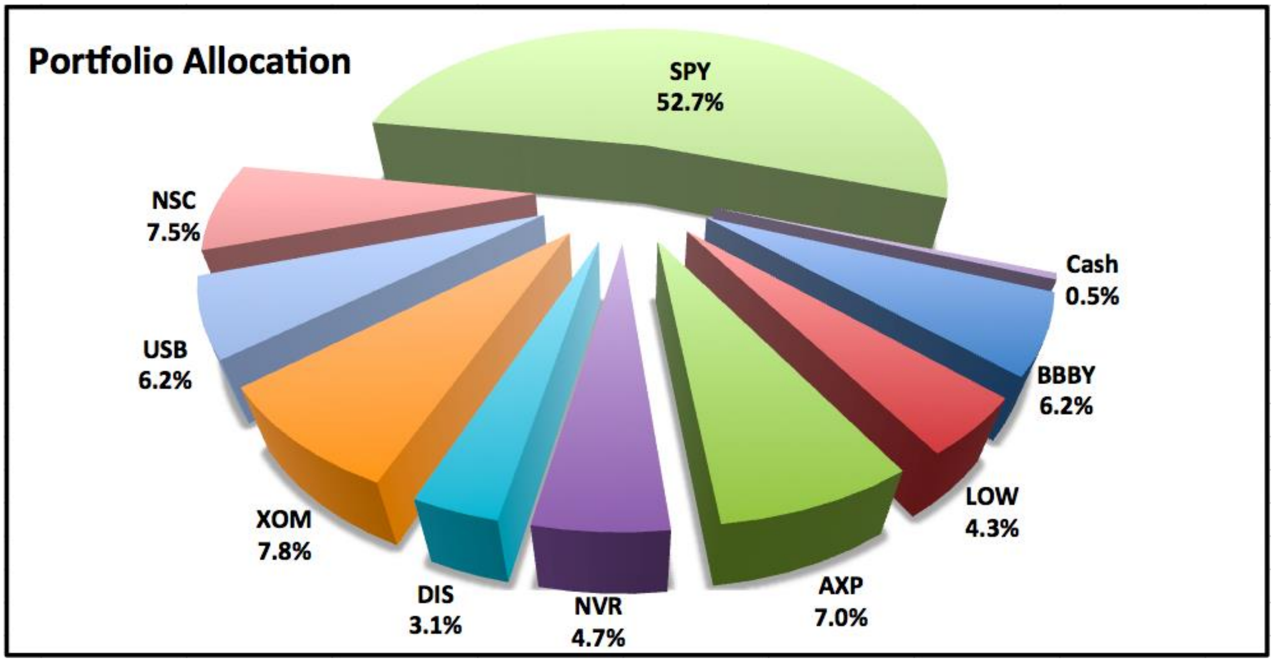
Over the past few months, we have seen strong returns in our investments in Energy, Real Estate and Financials. Our largest gain has been realized in AXP, with a 6.13% gain and our largest loss has been realized in LOW with a 4.50% loss. The large decline in LOW was realized on November 20th after the company announced earnings before the market open and the stock decreased 6.17%. We caution against making conclusions based on a short period of results. We believe that all of our holdings continue to pose strong value cases and will produce strong returns in the long term. The majority of our underperformance has been realized due to the time when we have to liquidate cash and wait three days for settlement before buying our new position. We have missed out on significant upside movements in the market during this timing issue.

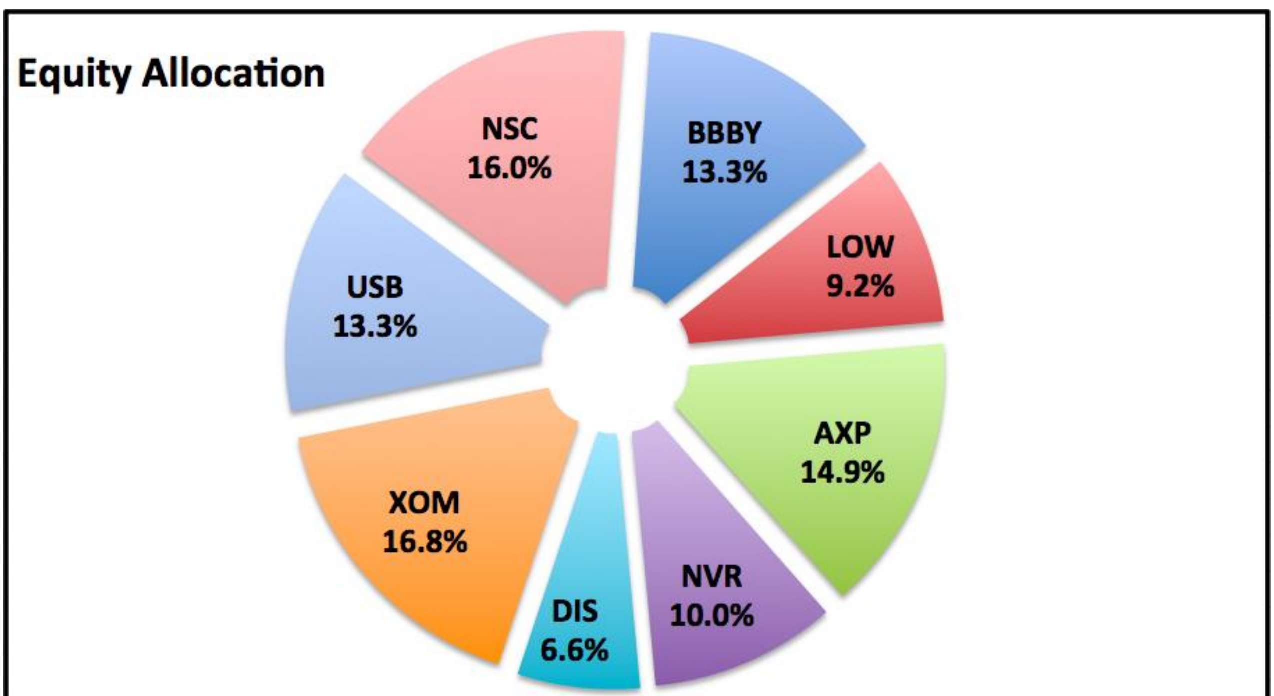
Equity Portfolio & Breakdown Approach

As of now, we have roughly half of our portfolio invested, while the other half remains in the S&P 500 ETF. As we look ahead into the second half of the year, we are very satisfied with our portfolio allocation. As of now, our average weight per stock is roughly 6%. When we decide to purchase a new stock, we typically decide the amount in dollar terms instead of percent terms. We strive to take a $100k position in each company, but this varies company to company. We took a smaller than $100k position in LOW ($75k), NVR ($75k), and DIS ($50k). We believe these companies expose us to more risks based on their industry, valuation, or business model. We have taken larger than $100k positions in AXP ($110k), XOM ($130k), and NSC ($125k) because we believe there is more potential for these companies and less associated risks.

We are currently invested in eight different companies and plan to be invested in 18-20 companies by May 2014. This may vary because if a company that we own becomes more attractive, we will not hesitate to add to our current position. We believe that owning 18-20 different positions will sufficiently diversify our portfolio. Our goal is to diversify enough to limit our risks while also outperforming our benchmark.

Due to high prices in the market, we have had to reject half of our pitches. Many of these companies had strong business models and would be good investments; however we believed the current price would not generate sufficient yield to justify investment. Aside from those rejected pitches, many more companies were rejected earlier in the process due to high market prices.





Sector Allocation

The manner in which our portfolio was allocated by sector stems from our team's investment philosophy. As previously mentioned, the focus of our investment decisions were based primarily on selecting companies that exhibited strong business models and that are trading at a discount relative to their intrinsic value. We did not limit our investment decisions by requiring a certain allocation of the portfolio into specific sectors. We believed that certain sectors (i.e. utilities) holistically contained companies that would not create as much value as other sectors, so we did not make it a requirement to allocate into that area.

While our team did not set any floor for sector allocation, there was a cap set on the percentage that could be allocated to any one sector. Our team is aware of sector allocation in order to minimize aggregate risk and diversify our portfolio. Upon fully investing our fund, we aim to minimize risk and diversify our portfolio through allocating no more than 30% of the portfolio into any one sector. Looking forward, we plan to maintain this cap so that our portfolio is not overly exposed to aggregation risk.

The following table highlights the sector breakdown and sector performance of our portfolio as of November 29, 2013:

Undergraduate Portfolio as of November 29, 2013

Sector	% of Total Portfolio	% of Invested Portfolio	% Return
Consumer Discretionary/Services	14.07%	30.04%	-0.08%
Financials	12.82%	27.38%	4.87%
Energy	7.86%	16.79%	0.66%
Transportation	7.56%	16.14%	-0.66%
Real Estate	4.52%	9.65%	2.63%
Total	**46.83%**	**100.00%**	

Risk Management

We are maintaining a high level of risk management by putting each selected stock through a rigorous screening and analysis process before committing to a purchase. This process includes analysis of the overall business model, the competitor landscape, an industry analysis, and corporate social responsibility. Specifically, we take a long-term forward-looking approach to assess whether any competitive advantages are sustainable, as well as the company's financial situation revolving around debt levels, intelligent allocation of capital, and the ability to consistently generate cash for shareholders. The rigorousness of this process becomes apparent as up to this point, we have only decided to purchase slightly over half of the stocks that were analyzed or pitched.

With multiple managers specializing in different sectors, we have been able to successfully diversify our portfolio holdings across multiple sectors to avoid significant aggregation risk. Thus, in the event of a single industry experiencing a downturn, the majority of the portfolio remains unaffected. We continue to monitor the portfolio on a daily basis and are continuously reevaluating our existing positions. In the event of any single security or the market as whole taking a highly significant and unexpected downturn, we hold a 20% stop-loss from the purchase price to cap potential losses. We implemented this in order to protect the portfolio from a possible catastrophic market downturn. Our risk management focus is centered on long-term performance and capital preservation, so we are generally not overly concerned with short-term volatility in the market.

Economic Outlook

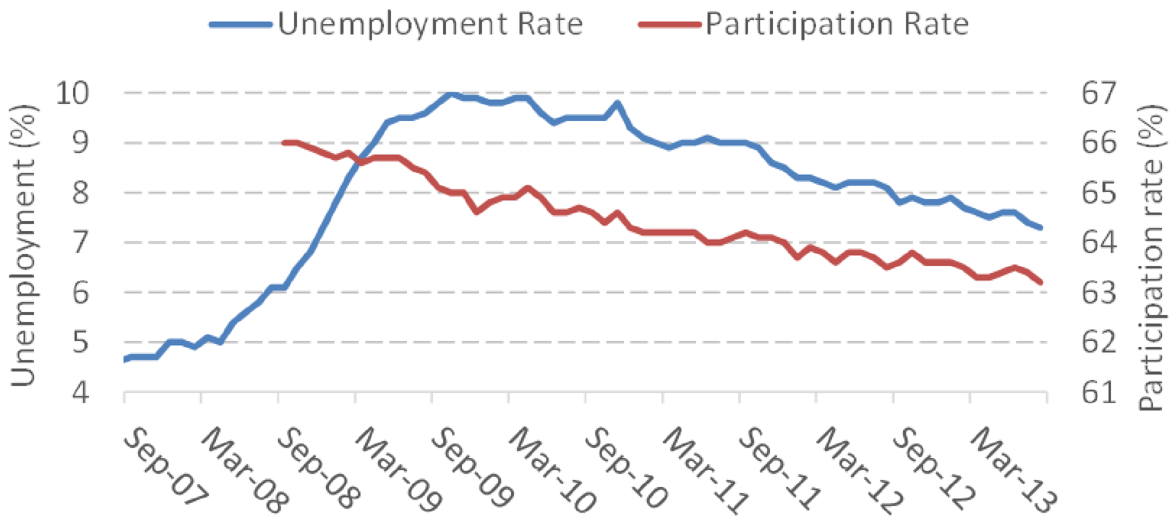
Introduction

The United States has experienced very sluggish growth during the last five years, especially when compared to prior recoveries after a recession. This can be illustrated with a look at GDP growth rates for the United States during 2013 with readings of 1–2% YOY. Major concerns facing the domestic economy are the unemployment rate, the tapering of Quantitative Easing, debt ceiling negotiations, and a slow recovery in the Eurozone. Today, economies are more global than ever and any disruptions overseas can put a damper on the US economy. In this low interest rate environment that is being synthetically stimulated by Quantitative Easing, the equity market has seemingly adjusted to fair prices, making it difficult to find undervalued investments. However, our team has found companies with strong fundamentals that we believe can weather any storm that may come about from the aforementioned economic concerns.

Unemployment Rate

The unemployment rate is one of the most important statistics used by the Fed to gauge the strength of the US economy. The basis behind this is 70% of GDP is due to consumer spending, which is only able to grow with the increase in jobs. Manufacturing and construction jobs were hit the hardest as a result of the 2008 Financial Crisis. These losses have been offset by increases in education and healthcare positions, and more recently leisure, hospitality, and retail. The problem with this is these jobs do not pay as well as manufacturing and construction, which has a negative impact on consumer spending.

Although the unemployment rate has improved from 10.0% to around 7.3% currently, the chart below shows that this improvement may be due to a decrease in the participation rate.



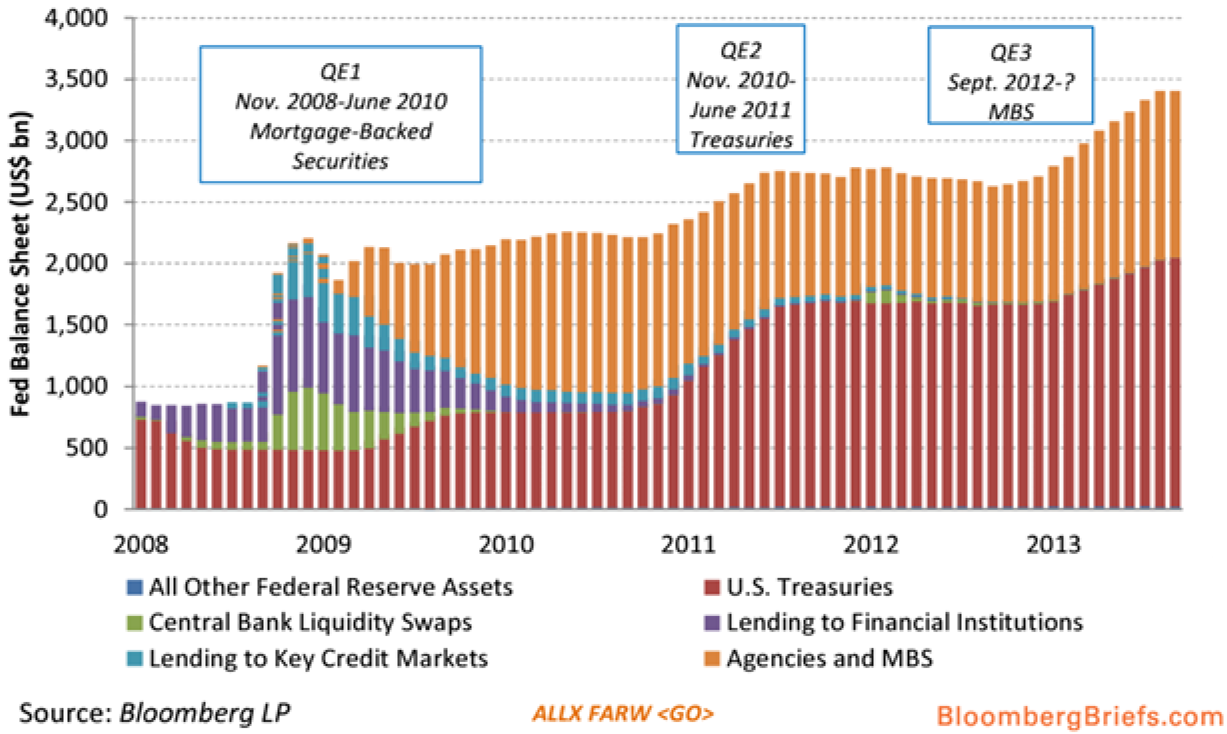
Source: Bloomberg LP

Chairman of the Federal Reserve Ben Bernanke hinted that QE will not change until the unemployment rate drops to 6.5%. With his retirement at the end of January 2014, it will be up to Janet Yellen to decide the continuation of Quantitative Easing.

Quantitative Easing

Quantitative Easing has continued to be a major factor stimulating the economy, allowing corporations to borrow at low interest rates. It is our opinion that the Fed will continue to purchase $85 billion worth of mortgage-backed securities and 30-year Treasuries each month, which in turn drives interest rates down and the equity market up. This is exemplified through the Dow Jones and S&P 500 reaching record levels and the 10-year Treasury yielding 2.71% compared to the 50 year average of approximately 6.50%. Until the economy can show that it is truly recovered, we believe the Fed will continue to feed the economy and promote growth in the United States.

As shown by the chart below, the Fed's balance sheet has increased from $1 trillion to $3.5 trillion. We are aware that inflation could be a repercussion of this monetary policy at some point in the future, however do not see it affecting our team at this time.



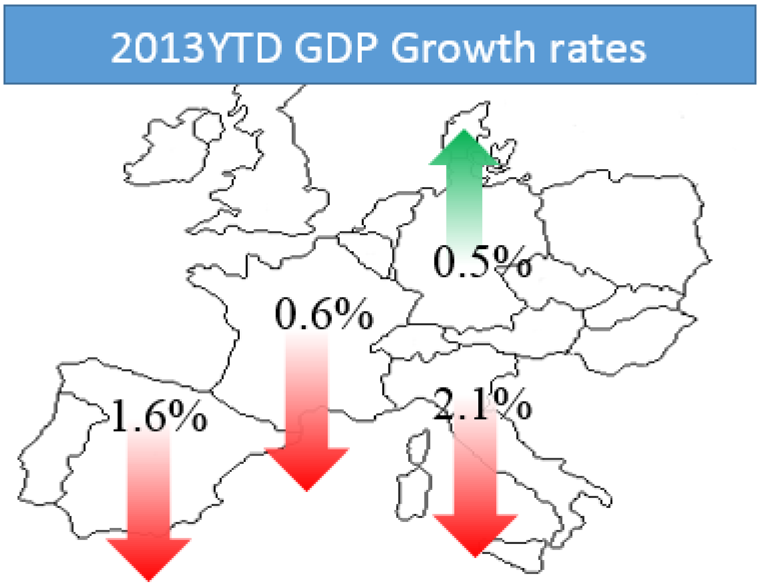
Debt Ceiling

Negotiations on the debt ceiling have continued to be a headline in the news as Congress has once again decided to delay addressing the underlying issues and make a decision on February 7, 2014. As value investors, we avoid being influenced by news headlines and politics. The debt limit has been altered 75 times since 1962 and 11 times since 2001. Because of this, we do not see the debt ceiling affecting our team's stock selections at this time.

Slow Eurozone Recovery

The Eurozone is experiencing a similar problem to that of the United States. The unemployment rate for the 17 countries in the zone is 12.2% and the European Central Bank has cut its benchmark interest rate to a record low of 0.25%. Continuing with unemployment, the percentage of youth (15 to 24 years old) that are jobless in the Eurozone is at a staggering 24.1%. Countries such as Spain, Italy, and Greece are to blame with unemployment rates for youths reaching 40% in Italy.

Even Germany, the largest economy in the Eurozone, slowed in growth from 0.07% to 0.03% from second to third quarter this year. With France now back in a recessionary state, this makes 9 of the 17 countries in the Eurozone in a recession. Although the financial crisis may be in the past, recovery is slow and unemployment rates are at unhealthy levels. There are several issues causing the current crisis, due in part to lagging demand, which is reflected in declining GDP for most countries in the zone.



It is important to understand what is occurring overseas, because as value investors we aim to invest in companies that are looking to grow globally if they have not already. These companies, which are looking to expand, must consider the economic state of the countries they wish to enter.

1.6 Conclusion

In our opinion, we are in a difficult investing period where many securities are either fairly valued or overvalued. This has made it difficult to find investments that are undervalued. We believe that the economy is in a weakened state, which could be subject to a significant downturn should either the Federal Reserve pull back on quantitative easing, the U.S. government default, or the Eurozone crisis worsens. Should such an event occur, we believe our portfolio will have a negative short term impact, but will maintain long term profitability. However, we believe that through our security selection process, we have a good opportunity to outperform our benchmark. Our fund has a long-term investment outlook, and understands that business valuation and growth are the two main drivers that the market relies on. We choose companies that are undervalued and have a reasonable margin of safety.

Sector Analysis

Basic Materials

The basic materials sector is heavily tied to the general financial markets, and thus company performance is mainly driven by market movements, and not individual performance. This is because for most companies operating in this sector, their outputs are commodities. This means that the revenues companies earn will be a result of price fluctuations in the commodity markets. This in effect makes cash flows into the future difficult to predict, as predictions would require assumptions of what future commodity prices will be.

For the Student Managed Fund our investment philosophy is to operate as value investors. In order to uphold this investment style we are required to analyze companies based on the criteria laid out in our investment strategy section. This criterion includes sustainable business models, significant free cash flow, long term growth prospects and minimal downside risk. In the basic materials sector, regardless of operational efficiencies, end performance will be a result of commodity movements. This makes it incredibly difficult to analyze the required criteria. Additionally, this sector carries bleak long-term growth prospects for individual companies and significant downside risk in the form of company hardship.

For the reasons discussed above, the Fund has decided against investing in the basic materials sector. However, this decision is subject to change if we believe there is sufficient evidence to determine a basic materials company satisfies the criterion laid out in our investment strategy section.

Current Holdings: None

Consumer Discretionary

The consumer discretionary sector is a large sector that encompasses a number of different kinds of companies, covering areas such as textiles and apparel, household durable goods, automobiles, and leisure services and goods. This sector tends to be the most sensitive to fluctuations in economic stability. With the economy still slowly recovering from the recession in 2008, we focused our efforts on companies within this sector that are relatively less sensitive to changes in economic conditions. In our analysis of companies within the consumer discretionary sector, one major area of focus has been how each company within this sector performed through the last economic recession in 2008. We believe that this is a strong indicator that the company is positioned well to handle another recession in the future.

Uncertainty surrounding the political showdown in Washington D.C. and the policies of the Federal Reserve regarding Quantitative Easing has caused many to question how consumer spending will progress in the near future. Most recently, consumer confidence in November fell to its lowest level since December 2011, being negatively affected by the controversy in

Washington D.C. regarding the government shutdown. However, despite these uncertainties, the consumer discretionary sector has outperformed the overall market this year, with the S&P 500 Consumer Discretionary Sector returning 38.05% year to date, while the overall S&P 500 has returned 26.62% year to date.

With the record highs that the market is currently experiencing, we have focused our efforts on the research of large companies within the consumer discretionary sector with the proven ability to maintain profitability through periods of economic recession. With this strategy, we expect our selections within this sector to continue with strong performance and be relatively immaterially affected by any changes in consumer spending patterns.

Current Holdings: BBBY, DIS, LOW

Financial Services

The financial sector contains companies that provide financial services to both retail and commercial customers. The financial sector includes banks, insurance companies, credit card companies, and investment funds. The S&P 500 index contains 16.3% financial companies.

The past several years have been difficult for the financial sector. The Financial Crisis of 2008 caused the majority of the sector to take major losses, and though our economy has recovered, the financial sector is still dealing with the aftermath of the crisis. Since 2008, regulation within the financial sector has significantly increased. With the implementation of Dodd-Frank and Basel III, banks will likely suffer reduced revenues and profits over time due to capital requirements.

Litigation fees also continue to remind this sector of the financial crisis. Since the financial crisis, U.S. banks have paid over $100 billion in legal bills combined. While litigation fees have dwarfed profits of many banks in recent quarters, these settlements are a step closer to recovering and overcoming the events of 2008.

Despite these recent struggles, the financial sector has performed well this year. The S&P Financials (SPF) has year to date returns of 30.59% while the overall S&P 500 has returned 26.62% year to date. The Federal Reserve's Quantitative Easing in recent years has enabled banks to recover from the Financial Crisis, but the concern now is how much longer the program will last. Historically low interest rates are allowing for growth in our economy, but with the recent threat of rising rates, the financial sector is already beginning to experience lower profitability. For example, with the fear of rising rates, mortgage application numbers have lowered this past quarter for major banks.

As our economy continues to recover, the financial sector will continue to regain its strength and position prior to the financial crisis. Pending regulations and the decisions from the Federal

Reserve will have profound effects on this sector. It will be critical that the Federal Reserve smoothly transition out of Quantitative Easing for the financial sector.

Current Holdings: AXP, USB

Healthcare

Healthcare spending makes up a large part of any modern country. In 2010, the average OECD member country spent 9% of GDP on healthcare. In the United States, 17.9% of GDP was spent on healthcare costs for a total of $2.7 trillion for 2011. This is projected to grow annually at 5.8% for the next decade, approximately over 1% higher than GDP growth. In emerging markets with growing middle classes, per capita spending on healthcare is increasing. The IMS Institute for Healthcare Informatics estimates that by 2016, 30% of global spending on medicines will come from emerging markets, compared with 20% in 2011.

Most healthcare costs are paid by governments, with different governments paying different percentages. In the United States, 60-65% of healthcare spending is paid by the government through Medicare, Medicaid, and other programs. In the United States, 83.7% of residents are covered by a health insurance plan.

Overall, there are many qualities that make this market look like an attractive environment for investing. There is high growth in demand that does not show any sign of diminishing, even in economic downturns. Governments and insurance companies are paying for these products and services, and have a large capacity to pay for increasing prices. There are high barriers to entry in many of the sectors' industries due to government regulation and large amount of capital needed to start a business.

However, despite these positive features, investment in this sector has many risks that has made us highly critical of proposed investments. Government austerity measures around the world are looking for ways to cut health care spending, which threatens to negatively affect revenues for all healthcare companies. This year in the United States, the sequestration already caused a mandatory 2% cut in Medicare spending, and the government is looking for more ways to save money. Also, as the Patient Protection and Affordable Care Act is implemented in 2014, significant changes will begin to take place in the healthcare sector in the United States. The effects of these changes are difficult to determine.

Additional risks specific to pharmaceutical and biotech companies involve patent expirations, outcomes of research, and government approval of medicines. These risks have also deterred us from making investments in these types of companies.

Current Holdings: None

Consumer Staples

The consumer staples sector is an important sector to the market, which encompasses businesses that are less sensitive to economic conditions than many of the other market sectors. The largest areas of the sector include manufacturers and distributors of food and beverages, tobacco producers, personal products, and non-durable home goods. The consumer staples sector encompasses multiple large-cap companies such as Coca-Cola and Proctor & Gamble.

The consumer staple is a product or service that cannot be eliminated if economic outlook faces a downturn. Items such as food and beverages must still be purchased regardless of economic conditions. For this reason, companies in this sector tend to continue to perform well in an economic downturn. When the economy slows, investors tend to flock to companies with proven and steady cash flow and financial results, such as a consumer staple company. When the economy is performing well, however, these companies tend to underperform. Consumer staple companies tend to have slower growth through economic booms, and so investors tend to reallocate their capital into higher growth stocks. Overall, consumer staples tend to offer investors companies with proven business models and consistent growth and results. Consumer staples are valued as a long-term outlook investment strategy that will remain profitable throughout multiple business cycles.

So far, the consumer staples industry has underperformed the S&P 500. The consumer staples sectors has increased by 22.40% YTD as opposed to 26.62% YTD from the S&P 500. Despite having some protection from economic downturns, consumer staples requires constant innovation updating to follow consumer trends in order to remain viable amidst stiff competition. So far, we have not invested in a consumer staple company. Many of these are low-margin companies that produce low return on equity. Throughout the recovering economy, consumer staples will be able to expand their top-line, but they will struggle to see significant growth in their bottom line. As investors flock to these companies throughout the financial crisis their prices saw significant appreciation, and remain highly valued, and so we were unable to find adequate investment ideas at the sector's current prices.

Current Holdings: None

Energy

In the face of an expanding population, economic growth, new technological developments and fluctuating energy resource prices, the energy sector constantly evolving. While we are becoming more energy-efficient and moving to cleaner fuels, the world's growing demand for energy poses great challenges and attractive investment opportunities for this sector. The global population is expected to increase to nine billion people by 2040, up from approximately seven billion today, and with this expansion comes an increasing demand for electricity. This is important because today, electricity generation represents the largest driver of demand for energy, and this trend is expected to continue in the coming decades. As our economies continue to grow, commercial activity will drive growth in the transportation sector, which subsequently affects demand for energy as well. However, given the trend toward fuel-efficiency, this growth will play a gradually smaller role in the world's increasing demand for energy.

Innovation in technology is now enabling us to produce energy from once hard-to-reach energy resources, causing major shifts in the supply story. Increasing availability of unconventional energy resources, such as shale oil and shale gas, has many energy executives now believing that energy independence is on the horizon. These fuel sources will play a continuingly greater role in meeting global energy demand, and the relatively recent successes of deepwater and oil sands developments attest to that. Along with energy independence, economic growth and the environment are additional critical issues in the industry, resulting in the rapidly growing interest in natural gas due to its availability and versatility. Natural gas is the fastest-growing major fuel, and is expected to overtake coal as the No. 2 source of energy in the coming decades, while oil is expected to remain as the No. 1 global fuel. Together, these liquid fuels currently supply 55 percent of global energy demands, and are expected to gradually increase going forward.

Current Position: XOM

<u>Real Estate</u>

We are now five years past the housing bubble that resulted in the worst economic downturn since the Great Depression and the real estate market has continued to improve over the past few years. The monetary policy of the Federal Reserve has kept short-term interest rates at all time lows allowing for individuals to refinance and take on loans at low costs. The multifamily market continues to be the outperforming sector with commercial real estate lagging. We think that the multifamily market will begin to slow down as individuals regain employment and start looking to purchase individual homes once again. Real estate is one of the more cyclical industries and is highly affected by the condition of the economy.

We predict that the housing market will continue its strong performance going into 2014. It still remains unclear how much tapering will affect the mortgage market and ultimately the housing market in its entirety, but the overall market should see housing price appreciation in the realm of 3% per annum.

Current Holdings: NVR

<u>Industrials</u>

Industrials is a diverse sector that relates to producing goods used in construction and manufacturing. Performance in the industrial goods sector is largely driven by supply and demand for construction and demand for manufactured goods. The sector follows the business cycle which makes it dependent on the state of the economy. Industrial based companies will outperform during economic expansion, but will underperform during bad economic conditions.

Industrial’s YTD has gained 32.29%. The outlook for the industrials sector is dependent on future economic outlook, which is currently positive but still uncertain.

Global expansion and development in the BRIC countries has increased demand for industrial based companies. This growth is likely going to have a positive effect on the industrial sector and will have a positive outlook in the future. In the United States, demand for new homes is on the rise and the housing market is picking up pace. The long term low interest rate horizon makes homes that much cheaper for consumers, which in turn may fuel a rise in new home construction. Global expansion and all time low borrowing costs gives this sector large opportunities for growth.

Current Holdings: None

Technology

This year the technology sector is not performing as well as some of the other sectors. However, it has continued to recover following the recession in 2008. According to data provided by the Financial Times, the technology sector is up 19.57% this year. Despite the positive returns, the technology sector is only outperforming the basic materials, utilities, and the telecommunications sectors this year. Micron (MU), TripAdvisor (TRIP), Hewlett-Packard (HPQ), LinkedIn (LNKD), Facebook (FB) and Yahoo (YHOO) all have generated returns above 70% this year and are the top performers in this sector.

The technology sector is broken up into seven different industries. These industries are electronic office equipment, internet, software, telecommunications equipment, semiconductors, computer services, and computer hardware. The technology sector contains 4,820 companies and has a market capitalization of $5.26 trillion. The largest industry by market capitalization is the semiconductors, which is up 31.26% for this year. The best performing industry is electronic office equipment, which is up 77% and the worst performing industry is computer services, up only 1.21% this year.

We view this sector as one of the most competitive sectors in the market. We believe that this sector is very risky as a long-term investment. In this sector, new companies can grow extremely fast while other companies can fail very fast. As of now, we are unsure about what this industry will look like in ten years. We have not identified a company in this sector that has a strong competitive advantage. For this reason, we could not agree with a high degree of probability which companies will be sector leaders in ten years. Currently, we do not own a company in this sector because of the intense competition and uncertainty about future sector leaders.

Current Holdings: None

Transportation

The transportation sector consists of three main industries; railroad, trucking, and airline. The largest sector is the trucking industry followed by railroad. Intermodal transportation has continued to show growth over the past years due to its environmentally friendly nature and cheap shipping costs in relation to other shipping methods. A 2008 study from the U.S. Energy Information Administration showed the transportation sector accounts for 27% of greenhouse gas emissions, second to electricity at 35%. The transportation sector also consumes about 25% of energy each year. However, rail energy demand is only 2% of the sector demand for energy.

The railroad transportation industry relies heavily on three main revenue streams; coal, general merchandise, and intermodal transport. There has been a recent push away from coal, the biggest revenue producer for NSC. To counter this push, shale regions have become more reliant on Crude-by-Rail (CBR) transportation. The railroad industry will continue to grow with their new "double track double stack" approach, allowing their already cost effective business to increase shipment volume, driving profits to all-time highs. According to the Department of Transportation, demand for rail freight transportation will increase approximately 88% by 2035. For these reasons, we are optimistic of this industry and have invested in Norfolk Southern.

Trucking is a cyclical industry that provides shipping services using tractor trailers. The majority of revenue is domestically generated which leaves little exposure to foreign currency fluctuations. Factors that affect trucking negatively include high maintenance costs, Hours-of-Service law, and the price of fuel. We believe that rail has a clear advantage over trucking due to fuel efficiency and environmental impact. With increased fuel prices and public awareness of greenhouse gas emissions, rail has the opportunity to increase its share of the freight shipping market.

The airline industry has been plagued with economic and regulatory changes, which have caused many to declare bankruptcy, consolidate, or leave the market. This can be attributed to excess capacity, a weak economy, and low cost competition. The airline industry is not appealing to our team due to its volatile nature, unprofitability at times, and cost issues pertaining to labor unions and fuel costs.

Current Holding: NSC

Utilities

The Utilities industry handles the administration of public services such as water and power. Utilities are essential to economic and consumer growth, and will not fluctuate to economic booms or economic recession. In addition, companies in the utilities sector are subject to stringent regulations that control their prices. Therefore, companies in this sector tend to have very stable fundamentals. Utilities industry is undergoing big changes due to regulatory changes, demand fluctuations, and price volatility from new competition.

The YTD movement of the Utilities sector on an aggregate level has underperformed the S&P 500 by 18.45%. Most utility based companies are also overvalued. Current speculations drive weary investors into holding Utility shares due to their stability, and through that drive stock prices upwards. Investors' positions in Utilities drive up average share prices and makes them highly valued. For this reason the Fund will not be investing in Utilities for this semester, but will continue to monitor the sector and may seek to invest if an opportunity aligns with our investment goals.

Current Holdings: None.

Individual Position Analysis

American Express

On November 11, 2013 we purchased 1,350 shares of American Express for $80.84 per share. The stock price was slightly off of its 52-week high of $83.83 and well above its 52-week low of $52.02. We continued with our purchase of AXP because we believe the company is undervalued at its current price and should earn 8%-10% a year.

In addition, we purchased American Express because of their business model and their competitive edge over other major competitors such as Visa and MasterCard. The first edge that American Express has is their closed-looped model. American Express is responsible for building both their cardholder and merchant network. Visa and MasterCard operate under an opened-loop model where they allow third parties such as banks to build their cardholder and merchant network. We believe that American Express has an edge because their model allows them to have a closer relationship with the cardholders and merchants. They offer their cardholders attractive incentives through their premier reward and other incentive programs. They focus on customer service, which resulted in them winning J.D. Power & Associates award six straight years for highest customer satisfaction. They offer their merchants competitive analytics about consumer spending habits, such analytics that neither Visa nor MasterCard could provide. We believe their closed-loop model will provide a significant edge as American Express continues to expand their cardholder and merchant networks.

We also view their spend-centric model more favorably than Visa and MasterCard's lend-centric model. Visa and MasterCard focus on transaction volume. They try to issue cards to as many consumers as possible and a large amount of revenue from interest charged on cardholder balances. American Express is more selective in who they issue cards to. They tend to target wealthy customers who spend a lot in comparison to Visa and MasterCard who target the regular consumer. Most of American Express' cards are charge cards, which means less of their cardholders carry a balance when compared to Visa or MasterCard. Because American Express cardholders are wealthier, the bad debt and accounts receivable are less than Visa and MasterCard. American Express has a lot less transaction volume than Visa or MasterCard. Visa leads the industry with 3.77 trillion transactions in 2012. MasterCard follows with 2.43 trillion transactions and American Express is behind them with only 888 billion transactions. Although this could be viewed as a concern, American Express has the largest spending per card. In fact, American Express holders spend eight times more than Visa or MasterCard. This gives them the ability to charge their merchants double what Visa and MasterCard charge. American Express's quality spending over quantity spending results in larger revenues and profits when compared to Visa and MasterCard. Despite the 3.77 and 2.43 trillion transactions, American Express has triple the amount of revenue than Visa and MasterCard does.

We strongly believe American Express is the best positioned company in the card service industry. They are also much cheaper with a P/E ratio of 18 verses Visa and MasterCard's P/E ratios of 30 and 28 respectfully. We believe that paying by credit will continue to be the preferred choice of consumers. As that trend continues, we will continue to be very satisfied with our position in American Express.

As of November 29th, we have realized a 6.13% gain on AXP

Bed Bath & Beyond

We purchased 1,320 shares of Bed Bath and Beyond on November 11, 2013 at an average price of $76.39 a share.

Bed Bath and Beyond is a home-furnishing retailer that sells merchandise for bedrooms, kitchens, and bathrooms through multiple stores. The company operates stores under its namesake, along with Christmas Tree Shops, Cost-Plus World Market, buybuyBaby, and others. Currently BBBY operates 1,471 stores through its entire brand, the largest store in number being Bed Bath and Beyond with 1,004 stores. BBBY sells a wide assortment of domestic merchandise, including bed linens and bath items, and home furnishings, including kitchen and tabletop items. BBBY focuses on excellent customer service, an extensive breadth, depth and differentiated assortment and introduction of new merchandising offerings.

BBBY is a company that is well positioned for significant growth. Over the past few years the company has seen consistent growth in same store comparable sales. The company possesses the ability to increase the amount of sales that each store produces, through the use of expanding merchandise offerings and quality. The company also believes it is in the position to continue expansion. BBBY has consistently grown stores at a rate of 3-4% a year, and see room for this growth level to continue for the next ten years before the possibility of overpopulation of stores may occur. Outside of organic sales growth, the company has been able to grow through acquisition. BBBY purchased Cost-Plus World Market in 2012, and has grown the subsidiary's number of stores, and also same store comparable sales.

BBBY is a cash-flush company, which will produce an estimated $1 billion in free cash flow for the 2013 fiscal year. This represents a free cash flow yield of 6.5% The company has no debt, and has been able to finance expansions and acquisitions through the cash the company generates. Management has intentions to continue this trend of expansion without debt. The company has produced significant and consistent cash flows over the past decade, and has used this cash flow to reward shareholders through significant share buy backs. Over the past decade, the company has removed $7.5 billion of stock, and the board has authorized the purchase of another $1.8 billion over the next 2 years.

BBBY is a retailer, which is a highly competitive industry. Many retailers face significant competition, with narrow margins. BBBY, on the other hand, is a market leader that has a consistent record of profitability. The company is a leader through its large and dominant wedding registry business. Through the recession, the company was also able to continue store expansion and revenue growth. The company also maintained its large margin for the retailer through the recession. In total, the company is a retailer that is well positioned for all markets and to continue its growth. The business generates good cash flow, which will allow it to continue its expansion plans without debt financing, and to reward shareholders through significant share repurchase programs.

As of November 29th, we have realized a 2.14% gain on BBBY

Exxon Mobil

We purchased 1,391 shares of Exxon on November 6, 2013 at an average price of $92.86 per share.

Exxon is in the business of energy – it explores, produces, transports, and sells crude oil, natural gas, petroleum products, and a wide variety of specialty products. Exxon invests heavily in its growth to meet the world’s growing demand for energy, while at the same time improving its operating efficiency. It grows through acquisitions and contracting new projects in geographically diverse areas, as well as in a wide variety of different types of exploration projects – including conventional and unconventional oil and gas sources. Exxon also has a strong focus on developing proprietary technology. It holds approximately 10,000 active patents and licenses many of them to third parties. Through the constant improvement of its operating technology, Exxon is able to produce its goods more efficiently.

With Exxon’s vast resource base, financial strength, disciplined investment approach, and large technology portfolio, it is well positioned to outperform its competitors in the energy market. It has a dividend yield of 2.8% which has increased consecutively for the past 30 years, a 2012 FCF of $43.7 billion, and a market cap of $395.4 billion, giving it a free cash flow yield of 10.1%.

Exxon maintains multiple competitive advantages in its industry. It has superior technology compared to its competitors, boasting an operating uptime on deep-water assets of 93% versus competitors’ average uptime of 86%. Exxon has the most profitable downstream and chemical businesses in the industry, and produces the highest free cash flow yield out of all of its main competitors.

The industry as a whole is in a period of high capital investment to meet the world's growing demand for energy. Over the next three decades, the world's population is expected to increase to approximately 8.7 billion people, and energy demand is expected to subsequently increase significantly as well. We believe that Exxon is better positioned to capitalize on this growth than any of its competitors. Just last year, Exxon invested nearly $40 billion in capital expenditures—$3 billion of which went to acquisitions. It has approximately 30 different projects due to start-up in the next half-decade, with the expectation of delivering an additional one million net barrels of production per day by 2017.

As of November 29th, we have realized a 0.66% gain on XOM

Lowe's

We purchased 1,320 shares of Lowe's on November 12, 2013 at an average price of $49.71 a share.

Lowe's Companies is the second largest home improvement company with a $51 billion market cap behind Home Depot who has a $108 billion market cap. Lowe's operates 1,758 building materials and home improvement superstores in the United States, Canada and Mexico. In Lowe's 2012 annual report, management stated that they currently operate 1,715 stores in the United States, 34 stores in Canada, and five stores in Mexico. Lowe's products include: appliances, lumber/plywood, paint, flooring, millwork, building materials, seasonal living, fashion plumbing, tools, hardware and lighting.

Lowe's produced $3 billion in LTM free cash flow and is using this free cash flow to buyback shares and to issue a $.18 quarterly dividend. Lowe's is looking to expand internationally to continue to grow their top line with a significant portion of store growth to occur over the next five years in Canada and Mexico. They are also in a joint venture with Australia's largest retailer, Woolworths Limited, to develop a network of home improvement store for customers in Australia.

With the housing market continuing to develop and build on its improvements over the past few years, we believe that Lowe's is positioned to capitalize and profit in the coming years. We also believe that Lowe's will be able to increase its net margins from 4.0% to 5.5% through operating efficiencies. Just over the past quarter, the CFO commented during the quarterly conference call that quarter over quarter EBIT margins had increased by 110 basis points. Last, Lowe's announced a new stock buyback program in February 2013, in which they plan to buy up to $5 billion worth of stock over the next two years. This equates to 10% of the outstanding shares at today's valuation.

As of November 29th, we have realized a 4.50% loss on LOW.

Norfolk Southern

We purchased 1,413 shares of NSC on October 29th, 2013 at an average price of $88.27 per share.

Norfolk Southern is a railroad transportation company that shares the East and Southeast of the United States with its main competitor, CSX Corp. Management has a proven record of returning equity to shareholders through their stock buyback programs. With a consistent ROE of 17% and the highest dividend yield of all industry competitors, long-term investors should find it difficult to ignore this value creating business.

Specializing in shorter-haul transport compared to Union Pacific and Burlington Northern, NSC relies heavily on coal, chemical, automotive, and intermodal transport. Intermodal transport is increasing due to a widening of the Panama Canal, which will allow for wider ships to have easier access to the East Coast. The Marcellus Shale region in the heart of Pennsylvania is a great advantage over its closest competitor, CSX. With the decline in demand for coal, natural gas coming from Marcellus Shale, along with the necessary products needed to extract the natural gas, have countered any losses in revenue. In the long-term we look for Norfolk Southern to grow 12% annually.

The industry outlook is optimistic with extremely high barriers to entry, persistent pricing power, Crude-by-Rail in growing demand, and the all-important "double stack, double track" method to increase transport volume and in turn increase revenues year to year. Potential risks we will be tracking are the possibility of government regulation, decreasing pricing power and low demand for coal driving down profits.

As of November 29th, we have realized a 0.66% loss on NSC.

NVR

We purchased 80 shares of NVR on November 12, 2013 at an average price of $945 a share.

NVR, Inc. is a homebuilder with a current market capitalization of $4.2 billion. NVR constructs and markets single-family detached homes, townhouses, and condominium buildings. NVR also works as a mortgage lender through its wholly owned subsidiary, NVR Mortgage Finance, Inc. NVR operates in the Mid-Atlantic, Northeast, Mideast and Southeast, with nearly half of revenues originating from the Washington D.C. and Baltimore metro areas, as of fiscal year end 2012.

NVR has demonstrated excellence in the past, having been profitable for the last sixteen years. More importantly, NVR is positioned well for the future. NVR has shown strong growth in backlogs, with home sales under contract up 33% year over year. This statistic should continue to remain positive as the housing sector recovers from the financial meltdown in 2008. On top of this, management has shown a commitment to buying back shares, having bought back 6% of shares outstanding in the latest quarter. We also predict NVR to have a strong free cash flow of around $300 million in 2014, giving it a 7.5% free cash flow yield.

NVR is unique from its competitors in its lot acquisition strategy. As opposed to developing lots on their own, NVR acquires finished lots at market prices from various third party land developers. Typically, these lot purchases are executed with fixed price purchase agreement. With this method, NVR is able to avoid the burden of developing lots and is able to operate with less capital, maximizing returns on both equity and invested capital.

As of November 29th, we have realized a 2.63% gain on NVR.

U.S. Bancorp

We purchased 2,631 shares of U.S. Bancorp at an average of $37.80 per share on October 24, 2013.

U.S. Bancorp is a multi-state financial services holding company based in Minneapolis, Minnesota. With a market cap of $69 billion, U.S. Bancorp is the fifth largest bank in the United States. Company operations are divided into consumer and small business banking, payment services, wholesale banking, and wealth management. Consumer and business banking operations cover 25 states primarily in the Midwest and Western United States. Wholesale banking and wealth management is operated nationally and payment services business operates internationally. The majority of the bank's revenue is sourced from traditional banking, including loans and deposits. Business revenues are sourced primarily from consumer and small business banking, consisting of 47% of revenues, and payment services, generating 25% of revenues.

U.S. Bancorp is a leader in performance ratios, with the highest ROA, ROE, and lowest efficiency ratio in the industry. The company has low revenue volatility, with approximately 50% of revenues being non-interest/fee-based. U.S. Bancorp's net interest margin (NIM), though slightly declining year over year is also ranked highest in the industry alongside Wells Fargo.

U.S. Bancorp has established much growth through acquisition in recent years. After the 2008 Financial Crisis, unlike many major banks in the United States, U.S. Bancorp grew through selectively acquiring several distressed regional banks including First Citizens Bancshares Inc. and BB&T Corporation. In 2001 U.S. Bancorp acquired Elavon, formerly known as NOVA, a major card processing company, that makes up a significant portion of the company's payment services segment. Elavon is the fourth largest card processor in the United States and the sixth largest card processor in Europe.

U.S. Bancorp has developed a strong focus on returning earnings to shareholders. Over the next several years U.S. Bancorp plans to return 60-80% of earnings to shareholders through dividends and share buybacks. Recently, U.S. Bancorp has displayed this commitment through an 18%

increase in dividend from 1Q13 to 2Q13 and a 20% increase to $2.25 billion in the company's buyback plan from 2012. The conservative nature of the company coupled with strong management and a concern for customers and shareholders make U.S. Bancorp well positioned for long-term success.

As of November 29th, we have realized a 3.75% gain on USB.

The Walt Disney Company

We purchased 724 shares of The Walt Disney Company at an average price of $69.38 per share on November 6, 2013.

The Walt Disney Company is the world's largest media conglomerate. As a media conglomerate, Disney is a diversified company that spreads its business across five different business segments. These segments include Media Networks, Parks and Resorts, Studio Entertainment, Consumer Goods, and Interactive.

Disney has gone through a major capital cycle over the past few years, acquiring Marvel Entertainment in 2009 for $4 billion, and Lucasfilm in 2012 for $4.05 billion. Currently, Disney is positioned to capitalize on these acquisitions through its proven capability of nurturing strong brands. The acquisitions of both Marvel and Lucasfilm place Disney in a strong position to lead the box office for several years into the future, as these are two of the most valuable franchises in the entertainment industry and have historically drawn large audiences, spread throughout the multiple films in each franchise. Recently, Disney announced that the first of its Star Wars films, Episode VII, will be released in December 2015. Most importantly, these franchises grant Disney access to a large library of characters, whether it be the vast array of Star Wars characters or the superheroes present in various Marvel films. Access to these characters enables Disney to strengthen profitability across all of its brands. Disney is able to leverage this content through activities such as the licensing of consumer goods and the incorporation of characters into theme park attractions.

The construction of the Disney Shanghai Resort, which is scheduled to open by the end of 2015, marks a significant accomplishment for Disney internationally as it represents the company's first entry into mainland China, one of the world's largest economies. The Media Networks segment has continued to produce significant amounts of cash, led primarily by the consistently high affiliate fees generated by ESPN. This translated into a strong performance for fiscal 2013, with free cash flow of $6.65 billion, or approximately a 5.3% free cash flow yield, which will fuel Disney's consistent return to shareholders through share repurchases and dividends. Recently, the company announced that they expect to repurchase $6 billion to $8 billion in common stock during fiscal 2014. Through the strong leadership of its management team, headed by current CEO, Bob Iger, Disney is positioned for strong results going into the future.

As of November 29th, we have realized a 1.65% gain on DIS.

Lessons Learned

Over the first period of our tenure, our group has encountered a number of difficulties in both the selection of securities and the purchase process. Regarding the selection of securities, we have had a number of setbacks due to the record high levels that the market is currently experiencing. In terms of the purchasing process, recently adopted measures regarding Corporate Social Responsibility have slowed the purchase process on multiple occasions. The difficulties we encountered over this first period have been:

- **Selection of Securities:** In a market that is at record high levels throughout all sectors it has been difficult to find stocks that are selling at a price that will generate a significant enough return. Many of the stocks that we researched and valued were significantly overvalued in the market. Since many companies were so overvalued, the difficulty that we encountered here was attempting to find companies that fit our investment criteria outlined above, while also selling at a price that was not overvalued.

- **Purchase Process:** The Foundation has recently encouraged the Fund to evaluate companies based on Corporate Social Responsibility (CSR). The recent implementation of CSR evaluation has caused our group to stumble in the purchase process. There has been some confusion about how to satisfy this new requirement. This has delayed our purchase of securities that we have approved, and on a couple of occasions, we have missed some upside due to this delay. Our group, however, has learned how to evaluate companies on CSR. Throughout the semester, we have also had multiple occasions where managers had to do extensive research in the area of CSR. As a group we have learned how to research this new area of importance.

Going forward, we plan to implement or continue to implement the following initiatives:

- **Rigorous evaluation of companies:** Implementation of our investment criteria has allowed us to identify companies that will be successful and prosperous for many years to come. We will continue to ensure that the companies that we invest are not only an excellent investment decision, but are at a price that will allow the Fund to generate an adequate return. We have used multiple methods of valuing companies in order to ensure that the price is positioned well, including the Discounted Cash Flow Method and the Plowback method. We will continue to implement these measures of valuation, and only invest in good companies where we believe that the price is at an adequate level. If the market sees a significant pullback, we believe that prices will be more in line with our valuation of companies, and we foresee more investment opportunities being available.

- **Corporate Social Responsibility Initiative:** We have incorporated the evaluation of a company's CSR into our one-page investment reports. This has allowed our group to quickly make judgment on a company's merit in the area of CSR, and whether we will need to perform in depth research. We have also created a template for how to research and evaluate companies in the area of CSR if their reported metrics are inadequate. For the next period we plan to continue to incorporate our research into CSR as a part of our initial research and one-page report. We foresee the number of difficulties that we encounter will be significantly lessened during the next period due to this initiative.

- **Continue company research and price tracking:** The high price of the market has not discouraged our research. We have identified a number of companies that we believe are strong investments. We have also set price targets for a number of companies that we feel are strong companies but are experiencing significantly inflated prices. Throughout this next period we will continue our research to identify these significant companies. We will continue to track company prices for those that we have investment targets. Therefore, we have also decided that we do not want to invest in companies that we believe are good investments, unless we feel that the price is at an adequate point as well. We plan to continue to hold these criteria in the next semester.

We are very confident about our strategy moving into the final semester. Throughout this first semester we have seen significant improvement in terms of our knowledge about companies, and what defines a good company in which to invest. We have also worked out many of the problems regarding how to quickly follow through on the purchase of a security. For the next period, we foresee the Fund managers continuing to work efficiently together to produce high quality research and investment ideas.