USF Student Managed Investment Fund

# Annual Report 2013

University of South Florida
College of Business

## PROSPECTUS

The Student Managed Investment Fund is a sub-portfolio of the overall portfolio of assets managed by the University of South Florida (USF) Foundation. The Fund is expected to perform in a manner consistent with the performance of a focused equities fund with a time horizon of 3-5 years. Diversification across all equity markets and/or asset classes is not an objective.

## INVESTMENT STRATEGY AND GUIDELINES

The Fund will invest exclusively in US equities, ADRs, and near cash assets such as money market funds or securities.

Investments in US equities and ADRs should be consistent with an expected holding period of 3-5 years at the time an investment is made. This is not to imply that any stocks purchased must be held for the complete term.

The Fund may invest in large-cap stocks ($10 billion + market cap), mid-cap stocks ($2-10 billion market cap), and/or small cap stocks ($300 million to $2 billion market cap).

Stocks may or may not pay dividends. Stocks may be in any industry group as defined in the Industry Classification Benchmark (ICB) system. Short-selling is prohibited. Leverage will not be used to magnify returns. Derivatives will not be used.

The Fund's assets may be invested in individual securities as defined above or in the Dreyfus S&P 500 Index Fund. Any cash that is not in the S&P 500 Index fund or invested in the stocks will be swept into the Foundation's cash sweep vehicle, the Dreyfus Government Cash Management Fund.

The maximum investment in the equity of a single issuer is 10% of fund assets at the time of the investment. Shares held in the fund's core equity index fund are not counted against this limit.

The maximum investment in the stocks of a single industry (one of the 10 defined in the Industry Classification Benchmark (ICB) System) is 25% of fund assets. This constraint is binding on individual stock purchases that would otherwise exceed the allowable maximum. Shares held in the fund's core equity index fund are not counted against this limit.

Students present their best stock investment ideas to members of the Student Managed Investment Fund Advisory Board/Outside Advisors Group and selected faculty. Following the presentation, the floor is open for questions that the students are expected to answer in an accurate, thorough manner. Once the discussion is over, a vote determines whether the recommended stock will be purchased.

The decision to sell a holding is handled in a similar manner.

## ECONOMIC OVERVIEW

2013 was a year characterized by frothy equity markets, a mending US economy, and renewed vigor in energy production.

Political infighting between divided houses of Congress led to fiscal dysfunction that resulted in the consolidated spending by the US Government. The 2013 Fiscal Budget fell short of tax reforms and spending cuts desired. Instead, Congress's simple compromise resulted in increased taxes for the top 2% of income earners, the expiration of the payroll tax holiday, and accelerated sequestermeasures. Conversely, states' financial positions improved dramatically, and many states are starting to return these windfalls to their constituents through increased spending in areas, like education, cut during the Financial Crisis of 2008-2009.

The Federal Reserve Bank (Fed) experienced an active year with the departure of its well-respected chairman, Ben Bernanke, and the rise of Janet Yellen to the Fed's top spot. As unemployment fell below 7%, the Bank began unwinding its Quantitative Easing (QE) program, which involved $85 billion in bond purchases each month. Although the economy's growth accelerated in the latter part of 2013, mixed unemployment, trade, wage, and manufacturing data led the Federal Open Market Committee (FOMC) to keep the Federal Funds Rate at the historically low levels of 0.0-0.25%. Reports published by the Board of Governors and FOMC paint a picture of an uneven recovery across the US economy.

As key fiscal and monetary changes took place in the US, many global economies were influenced directly by economic changes and events. The introduction of contractionary monetary policy in the US by the Fed and strengthening economy resulted in foreign currency and government asset devaluation, especially towards the end of the year. A noticeable exception to this trend was Japan, whose loose monetary policies jumpstarted growth in its long-stagnant economy. The world's second largest economy, China, implemented several free market reforms that will loosen monetary policy and trade. China also recognized the overcapacity of recent urban development, state-sponsored infrastructure, and the production of certain raw materials and responded accordingly by enacting policy to contract these sectors.

The passage of the Volcker Rule and the implementation of the Dodd-Frank Act and JOBS Act of 2012 will have wide effects for the financial markets. Although the full scope and effects of these and other legislation initatives are unknown by the industry and regulators, increased oversight and usage of controls will continue to revolutionize the financial markets. The largest piece of industry-changing legislation in 2013 was the enactment of the Affordable Care Act. Affecting the healthcare sector by testing the profitably of firms and viability of hospitals, the rollout of this new law is certain to have both unexpected benefits and detriments.

### SMIF Holdings (Active)

(Percentage of Assets as of December 2013)

| | |
|---|---|
| Las Vegas Sands Corp (2) | 6% |
| Gentex Corp (2) | 6% |
| Encore Capital Group Inc (2) | 5% |
| Precision Castparts Corp (2) | 5% |
| Visa Inc | 5% |
| United Natural Foods Inc | 4% |
| Zimmer Holdings Inc | 4% |
| Intuit Inc (1) | 4% |
| National Oilwell Varco Inc | 4% |
| Chevron Corp | 3% |
| Sygenta AG (2) | 3% |
| Fluor Corp | 3% |
| CSX Corp | 3% |
| Cummins Inc | 3% |
| Tiffany & Co | 3% |
| Corning Inc | 3% |
| Global Payments Inc | 3% |
| Cisco Systems Inc (1) | 2% |
| Brown Forman Corp (1) | 2% |
| Intel Corp | 2% |
| Bank of New York Mellon Corp | 2% |
| Silver Wheaton Corp | 1% |
| Rio Tinto PLC (1) | 1% |

(1) Sold on January 2, 2014
(2) Sold 50% on January 2, 2014

**…ICS**

…3)

| | |
|---|---|
| …Return<br>…tfolio) | 37.4%<br>($88151) |
| …3 Annual Return<br>…Active Portfolio) | 53.3%<br>($66274) |
| …2013 Benchmark Return | 29.6% |
| …alue as of 12/31/2013 | $33973… |
| …ocks in Portfolio | … |

The DJIA ros…

## OUTLOOK

Since the economic recession in 2007-2008, the global recovery has been the slowest and most problematic of this century. Over the next five years, economic growth in the US is expected to continue between the 2% and 3% annualized mark as the private sector restructures and financial health conditions of firms improve. Further, unconventional energy exploration and production efforts in the US are expected to greatly bolster growth as low energy costs both encourage domestic growth and attract foreign investment in manufacturing and other industrialized, energy-intensive segments. Economic risk factors affecting the United States moving forward are as follows:

- An unprecedented amount of total debt, particularly in the public sector
- Comprehensive fiscal and monetary stimulus programs fueling asset bubbles (QE and US equities)
- Socio-political disruptions caused by the Arab Spring phenomena (somewhat mitigated by US progress in energy independence)

In the North Americas region, economic growth is expected to annualize between 2-3%, with the US likely to lead the three nations (Canada, US and Mexico), Mexico likely to benefit from growth in its northern neighbor, and Canada likely to lag behind the two others. In Mexico, privatization of its energy sector is likely to rekindle growth in the region. While Canada has a relatively more advanced economy than Mexico, its growth is likely to be hindered by consumer indebtedness and its overvalued housing market.

With uneven growth distributed amongst its member states and overall expected growth of around 1.8% annualized through 2017, Europe is expected to be a global growth laggard during the next couple years. The principal concern for Eurozone growth is the political instability of the union itself as leaders in key economies change and dispute treaty changes. Uncomfortably high levels of public debt in some economies have been and will likely continue to be a factor for the Eurozone outlook in the future. Lastly, austerity reforms in troubled economies are likely to not only hinder growth but also introduce political instability as its leadership changes and has to adapt to these measures.

In Asia, export-heavy economies such as South Korea, Indonesia, and Vietnam have been hurt by the slowdown in Europe. Further, demographic trends in economies such as Japan and South Korea are shrinking the workforce and shrinking the workforce while the governments struggles to support an older population with revenues from a smaller tax base. Overall, the Asia-Pacific region is expected to see around 4% annualized growth overall as these economies continue to develop. China's economy is unlikely to see the strong growth figures it saw in the past decade as it struggles to control local government debt and shadow financing activities, though it is likely to grow at one of the higher rates among the group.

Overall, the International Monetary Fund expects 3.6% global economic growth in 2014, up from 2.9% in 2013. Asia-Pacific and Latin American economies are expected to experience high growth while North American economies and Europe lag behind to varying degrees.

Following a historical bull year for stocks, many financial experts are expecting a more volatile year in 2014. While some argue that stocks are overvalued by between 30 and 40 percent, it isn't likely that 2014 will experience a correction of those magnitudes given expected growth in earnings. Experts expect a 10% gain in 2014, with a year-end price target of around 1900 for the S&P 500.

For 2014 and beyond, we would not be surprised to see steady growth in the US economy after a slow recovery the past few years. We expect real GDP to grow at roughly 3% in 2014 and nearly similar growth rates after that. This however will depend on the strength of the recovering labor market. Unemployment has been decreasing and we expect this to continue, moving from the mid-6% range closer to 6% in the next few years.

With Janet Yellen now leading the Fed, we expect Quantitative Easing to stay in place for some time, well after the 6.5% unemployment threshold rate. Continued tapering in 2014 will likely push 10-year Treasuries into the mid-3% range by year end, however, short-term interest rates are still expected to remain near zero. We also expect inflation to remain low in 2014, but eventually passing the 2% mark well into 2015 and 2016. With consumers spending more and businesses spending more on capital expenditures, we see discretionaries and information technology being top performing sectors in 2014.

## NEW POSITIONS

| Company | Date Bought | Price Bought | Year-End Price | Yield | Gain/ Loss | Capital Gain | Total Return |
|---|---|---|---|---|---|---|---|
| Bank of New York Mellon (BK) | 2/21/2013 | $27.52 | $34.94 | 1.9% | $7.42 | $1632.40 | 27.0% |
| Encore Captial Group Inc (ECPG) | 2/21/2013 | $32.10 | $50.26 | - | $18.16 | $6719.20 | 56.6% |
| Gentex (GNTX) | 2/21/2013 | $19.06 | $32.98 | 1.7% | $13.92 | $8769.60 | 73.0% |
| Global Payments (GPN) | 4/9/2013 | $46.02 | $64.99 | 0.1% | $18.97 | $2466.10 | 41.2% |
| Intuit Inc (INTU) | 2/1/2013 | $62.57 | $76.32 | 1.0% | $13.75 | $2612.50 | 22.0% |
| National Oil Well Varco (NOV) | 3/18/2013 | $69.14 | $79.53 | 1.4% | $10.39 | $1766.30 | 15.0% |
| Precision Castparts Corp (PCP) | 4/9/2013 | $184.13 | $269.30 | 0.1% | $85.17 | $5536.05 | 46.3% |
| Visa (V) | 4/9/2013 | $165.05 | $222.68 | 0.7% | $57.63 | $4034.10 | 34.9% |

## NEW POSITIONS

For the period ending December 2013, eight new positions were added to the portfolio. Our analysts and advisory board vetted these positons before being selected for purchase. Several themes were used to capture each stock, including deep value, growth at a reasonable price, and mega trends.

Of the eight new positions, four of them are in the financial sector, one is in industrials, one is in energy, one is in technology and one is in consumer durables (discretionary). Our analysts wanted to play the recovery in the financial sector and saw growth in this area. Names such BNY Mellon, Encore Capital, Global Payments, and Visa were added to the portfolio. Analysts also found strength in the recovering automobile industry and decided to play suppliers of that industry rather than the dealers when it came to the purchase of Precision Castparts and Gentex. The energy industry has been experiencing a major reconstruction because of the oil and natural gas shale boom. The increasing trend of offshore drilling intrigued our analysts; we capitalized on this through the addition of National Oilwell Varco. Lastly, our analysts found value in the business and financial management solutions industry through Intuit's technological products.

## SOLD POSITIONS

| Company | Date Sold | Price Sold | Date Purchased | Price Bought | Yield | Gain/ Loss | Total Return |
|---|---|---|---|---|---|---|---|
| Mosaic Co (MOS) | 7/31/2013 | $41.23 | 12/12/2011 | $49.96 | 2.2% | -$8.73 | -17.5% |
| Nike Inc (NKE) | 3/28/2013 | $58.56 | 4/19/2011 | $39.54 | 1.3% | $19.02 | 48.1% |

## SOLD POSITIONS

Mosaic Co

We sold Mosaic because of the threat of massive supply coming into the market in late July from Uralkali, a Russian-based company which controls half of the global exports of phosphate. Uralkali's objective was to tremendously lower the price of phosphate and undercut other phosphate distributors to become the dominant supplier globally. Reaction to this news in the market adversely affected Mosaic's stock price and altered our investment thesis.

Nike Inc

We liquidated our position in Nike because of concerns of growth in China as well as because of our belief that the investment thesis had played out.

## DENIED POSITIONS (2013)

| Company | Date Pitched | Price | Year-End Price | Yield | Gain/ Loss | Total Return |
|---|---|---|---|---|---|---|
| ADT Corporation (ADT) | 3/7/2013 | $48.35 | $40.47 | 2.7% | -$7.88 | -16.3% |
| Calpine Corporation (CPN) | 10/8/2013 | $19.70 | $19.51 | - | -$0.19 | -1.0% |
| Capital One Financial Corp (COF) | 11/12/2013 | $69.68 | $76.61 | 1.7% | $6.93 | 9.9% |
| CBRE Group Inc (CBG) | 3/7/2013 | $24.54 | $26.30 | - | $1.76 | 7.2% |
| Lear Corporation (LEA) | 1/22/2013 | $48.02 | $80.97 | 0.9% | $32.95 | 68.6% |
| McKesson Corporation (MCK) | 1/22/2013 | $103.98 | $161.40 | 0.6% | $57.42 | 55.2% |
| Sanmina Corp (SANM) | 11/12/2013 | $15.36 | $16.70 | - | $1.34 | 8.7% |
| Seadrill Ltd (SDRL) | 10/8/2013 | $46.29 | $41.08 | 9.0% | -$5.21 | -11.3% |
| StealthGas Inc (GASS) | 10/8/2013 | $10.94 | $10.19 | - | -$0.75 | -6.9% |
| Tesco Corporation (TESO) | 1/22/2013 | $12.00 | $19.78 | - | $7.78 | 64.8% |
| Wellpoint Inc (WLP) | 11/12/2013 | $87.93 | $92.39 | 2.0% | $4.46 | 5.1% |

## DENIED POSITIONS

After each presentation, the advisory board, guests, and students vote on whether or not to initiate a position in the proposed investment. The results are tallied and weighted among the three classes of voting parties, with the advisory board having the most weight, followed by guests of the presentation, and then the student analysts. Student analysts are not allowed to vote for their own investment idea, only on the other analysts' presentations.

The denied positions are stocks that have been rejected by the advisory board. Keeping track of the denied positions is essential to making sure the correct decision was made and the SMIF did not miss out on positive alpha positions. The denied positions are stocks pitched by two different analyst groups.

During the year of 2013 there were eleven positions that were denied. Of the companies that the student analysts pitched in the spring of 2013, the advisory board voted negatively on five. All of the stocks that were pitched in the fall of 2013 were rejected by the advisory board. Many factors influenced the rejections, including the inability to portray the investment thesis, mitigation of risks associated with the company, and lack of conviction in presenting the stocks.

## BIGGEST MISSES FROM DENIED POSITIONS

At the end of every year the student analysts look back on stocks that were denied from the fund. They then calculate how the stock would have performed if the decision would have been reversed. Below are a few stocks pitched in 2013 that were denied:

The investment thesis of Lear was the recovering automotive industry, as well as increased demand for alternative technology in vehicles. Risks associated with the stock included cyclical economic fluctuations domestically and in Europe.

Tesco's investment thesis wanted to play the boom in domestic oil production. Tesco has the premier suite of technological innovations needed for this industry. Risks associated with the investment include a downturn in the global economy, environmental regulations, and operational incidents.

McKesson's investment thesis was the expectation of the shift in drug spending from brand names to generic drugs. Risks associated with the stock were its heavy concentration in customers making up a significant portion of its revenues and the impending Affordable Care Act uncertainty.

## BIGGEST RETURNS FROM BOUGHT POSITIONS

The student analysts continue to monitor the stocks that were purchased and their performance in the portfolio. Of the stocks bought, some have performed exceptionally well against the fund's benchmark. Below are a few stocks that were added in 2013:

## BIGGEST MISSES AND RETURNS

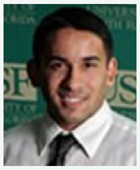
| Company | Bought/ Denied | Total Return |
|---|---|---|
| Flowserve Corp (FLS) | Denied | 115.7% |
| Tenneco Inc (TEN) | Denied | 101.0% |
| Gentex (GNTX) | Bought | 73.0% |
| Lear (LEA) | Denied | 68.6% |
| Activision Blizzard (ATVI) | Denied | 66.5% |
| Las Vegas Sands (LVS) | Bought | 65.1% |
| Tesco (TESO) | Denied | 64.8% |
| Encore Capital Group Inc (ECPG) | Bought | 56.6% |
| McKesson (MCK) | Denied | 55.2% |
| Zimmer Holdings (ZMH) | Bought | 51.7% |
| Precision Castparts Corp (PCP) | Bought | 46.3% |
| Global Payments (GPN) | Bought | 41.2% |
| Visa (V) | Bought | 34.9% |

The investment thesis for Gentex was the growth in automobile sales as well as the market share for auto-dimming mirrors. The passing of KTSA in Europe added further growth for the company. The thesis played out perfectly and the stock outperformed the broader market. Risks for Gentex included the competition from an alternative technology as well as a slowdown in the auto industry. At the beginning of 2014 a 50% portion of the postion was sold to lock in profit and capitalize on this successfull investment decision.

Las Vegas Sands' investment thesis wanted to play the recovery of consumer discretionary spending in the gaming industry. Risks associated with the stock included the rise of online gambling as opposed to brick and mortar casinos, impending litigation by the Department of Justice, and competition from other casinos there by eroding its market share.

Encore Capital Group is in the business of purchasing consumer debt portfolios and collecting on these assets. The investment thesis called for a rebound in the economy, which would allow for consumers to repay their previously unpaid delinquent debt or tax liens. Risks associated with the stock include regulation, economic downturns, and the inability to collect on these portfolios.

## Analyst Class Spring 2013



Joshua Ali is a first-generation college student from New York who moved to Florida in 2009 to attend USF. The finance major is frequently featured on the dean's list and serves as treasurer of Phi Sigma Pi national honor fraternity. He has a passion for security analysis and hopes to pursue a career in asset management in Florida or New York.

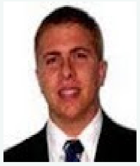
Vita Bobelis is a senior majoring in finance and a student of the USF Honors College. She balances schoolwork with working for the Tampa Bay Buccaneers, where she was hired as a member relationship associate after an internship. Bobelis is fluent in English and Lithuanian and recently spent time in Argentina, Uruguay, and Brazil for a Young Lithuanians of the World Congress working to spread Lithuanian culture to other parts of the world.

Evan Burroughs has interned with the MacDill Air Force Base 6 Force Support Squadron and is now with Jacobs Technology, USOG. He is a senior finance major set to graduate in May 2013. Burroughs is pursuing a career in the Foreign Service and also serves as treasurer of USF's international studies society. He also enjoys spending time in the community, where he volunteers as a big brother with Big Brothers Big Sisters, Tampa Bay.

A United States Army veteran, Santiago Correa has more than 13 years of experience as a strategic and operational intelligence analyst. His experience serving around the world includes tours in Europe and Southwest Asia, and as a defense contractor conducting due diligence on non-US owned companies. The first-generation college student and finance major intends on pursuing a career in the financial services industry and earning the CFA designation.

A major in finance, Carl-Harry Doirin is a member of the Student Finance Association who frequently makes the Dean's List. Having spent most of his life in Haiti, he is also fluent in French, English, and Creole. Doirin's goal is to become a security analyst and eventually manage his own fund. His ultimate dream is to open an entrepreneurship school in Haiti and help to change the economic conditions for millions of people.

## Analyst Class Spring 2013 Continued



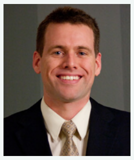
David Garrett is a finance major, minoring in international business. He has experience in management with specialty and big-box retail. Garrett has sales and marketing experience in both general and new construction properties. He holds a Florida real estate license. He is committed to relationship building with clients of diverse backgrounds and has a real estate certification in that area.

Christopher Gryniewicz is a senior majoring in finance. He serves as the CFO for USF's Student Government, where he manages the department that oversees more than $13 million in Activity and Service fees. As an intern with CrossTree Capital Partners, he works with

## Analyst Class Fall 2013

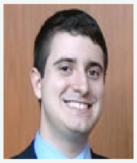
Lorena de Almeida is a senior majoring in finance. Having spent most of her life in Brazil, she worked hard to pursue her dream of getting a college degree abroad. She is fluent in Portuguese, Spanish, and English. Lorena has concentrated her studies on emerging markets after working with Brazilian investors. In her spare time, she volunteers coaching a handball team for a non-profit children's organization in Brazil, and she participates in Red Cross events in third-world countries. After graduation in the spring of 2013, she plans to pursue an MBA and the CFA designation.

Glenn Gutierrez is a double major in accounting and finance. He is a member of the Student Finance Association and a tax intern at Quality Distribution Inc. Also fluent in Spanish, Gutierrez plans to earn the CFA designation and eventually an MBA. He aspires to be a portfolio manager and eventually start and manage his own fund.



A United States Air Force reservist, Eric McNew has five years of experience as a munitions systems craftsman. During his time in the military, he has gained valuable experience in leadership that enables him to work in team settings to accomplish the mission at hand. A finance major, McNew hopes to become a first-generation college graduate and establish a career in the finance industry.

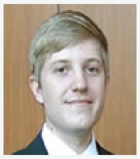
Julio Novo is a junior majoring in finance. He has traveled widely, having studied in the capital of Slovakia and backpacked through eleven countries. During the summer of 2012 he interned at JPMorgan Chase as a business banking analyst, creating business profiles and assisting in company analyses. He is currently an intern at Ballast Point Ventures, a growth equity investment firm, where he sources investments and conducts initial company analysis and viability research.



Klenton Perry is pursuing a double major in finance and economics with a minor in mathematics. He has held positions as a public finance intern at Tindale-Oliver & Associates, an actuarial intern at Transamerica, and a compliance analyst for Busch Gardens. Perry possesses numerous technical skills, such as knowledge in the VBA, C, and Java programming languages, proficiency in statistical and financial modeling software, and advanced technical writing skills. Perry also is dedicated to improving his local community through participation in student organizations, such as the Student Finance Association and Economic Scholars Society, and volunteering activities.

## Analyst Class Fall 2013 Continued

Chris Powell is a senior with a double major in mechanical engineering and finance. He has made the dean's list while maintaining a near-perfect GPA in finance. His plans include using the quantitative skills and mechanical background from his engineering education to provide him with additional perspective for assessing potential investment opportunities. Powell's goal is to manage an active portfolio as a private investor, as well as assist charity organizations with their investment portfolios.



Brian Rohl, a senior finance major, belongs to numerous academic honor societies including Beta Alpha Psi, Golden Key International, Phi Kappa Phi, and Delta Epsilon Iota. His desire to help others succeed has led him to pursue employment tutoring finance, accounting and economics courses at the USF Library. In addition, Rohl interned in the finance department of a LexisNexis subsidiary this past summer. He plans to pursue a position in investment banking after graduation.

Cassandra Sanchez is a first-generation college student earning degrees in finance, accounting, and Spanish. She has been recognized by the College of Business with a recurring position on the dean's list and as a 2013 honoree of the 25 Under 25 program. Sanchez also prides herself on her extensive volunteer efforts and professional experiences. She has studied abroad in six countries, has held two internship positions, and will graduate in May with more than 180 credit hours, a cum laude designation, and an honors diploma.

Michael Schopler is a senior double majoring in finance and accounting. Schopler has achieved a 4.0 GPA in his finance core courses while simultaneously working at internships with JPMorgan Chase, Scottrade, and Lambeth Co. CPA. Having made his first investment at the age of 12, Schopler passionately advocates the benefits of investing at an early age. After he graduates in the fall of 2014, Michael aims to pursue a career in the wealth management field and earn the CFA designation.

Finance major James Steger passed the June 2013 CFA Level I Exam and is a 2014 Level II candidate. He is currently interning at Morgan Stanley, where he reviews and sends equity and fixed income research and specific bond offerings to institutional clients. Before returning to school, Steger was a professional swim coach at various locations around the country assisting elite athletes in setting new world and American records and helping beginners increase their confidence in the water. He expects to graduate in May.

## STUDENTS' TAKEAWAYS

The Applied Securities & Analysis course is regarded as one of the toughest courses at the University. We all fill the role of a professional financial analyst and the quality of our work is expected to be nothing less than that of a professional Wall Street analyst. With many of us taking several additional courses, working a job or internship and participating in extracurricular activities, the intensity of the workload may become almost overwhelming. However, the offering of this course at the undergraduate level is a once in a lifetime opportunity that allows us to gain hands-on experience in the investment industry. It changes the way we look at the markets and the economy and transforms our minds from thinking like students into thinking like analysts.

A great investment idea is nothing if we cannot sell it and that is where our presentation skills come into play. Being able to present our idea effectively as well as answer difficult questions during the Q&A session only happens when we have done one thing: prepare. This course, more than any other course, has taught us about the importance of preparation. Being the most knowledgeable person about our investment idea is crucial. Being a part of the Student Managed Investment Fund has given us the necessary skills to succeed in the investment industry with a head start on the rest of the competition.

## BROWN FORMAN (BF.B)

Brown-Forman Corporation engages in the manufacturing, bottling, importing, exporting, marketing, and selling of alcoholic beverages.

Since Purchase


2013


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 27.1 |
| Fwd P/E | 23.9 |
| P/S | 5.7 |
| P/B | 9.0 |
| Dividend Yield | 1.6% |

### Performance Since Purchase

(11/1/2011 – 12/31/2013)

| | |
|---|---|
| Brown-Foreman (BF.B) | 56% |
| Sector Index (XLY) | 75% |
| S&P 500 | 51% |
| Russell 2000 (IWM) | 62% |
| Russell 3000 (IWW) | 55% |

### 2013 Performance

| | |
|---|---|
| Brown-Foreman (BF.B) | 18% |
| Sector Index (XLY) | 38% |
| S&P 500 | 26% |
| Russell 2000 (IWM) | 33% |
| Russell 3000 (IWW) | 26% |

## ORIGINAL THESIS

The company is focusing long term; it plans to increase its growth rate by organic growth and geographic expansion

Brown-Forman's is implementing new strategies to drive sustainable growth in order to double the size of its business within the next decade

Sales for Brown-Forman's new product "Jack Daniel's Tennessee Honey Whiskey" have been outperforming other industry products

We believe the firm's exposure, growth, and new products in the emerging markets will increase sales by a greater amount than anticipated by the market

## RISK

Commodity Pricing- Commodities are affected by weather, supply and demand, geopolitical factors, and economic conditions. Future contracts and options are used by Brown-Forman to diversify risk

Interest Rates- A one percentage point decrease in cash and cash equivalents, variable-rate debt, and fixed-to- floating interest rate swaps would increase interest expense by 2 million dollars

Foreign Exchange- Strength relative to the U.S. dollar affects sales and cost of goods sold. Operations would improve if the dollar weakened compared to foreign currencies

## BANK OF NEW YORK MELLON (BK)

The Bank of New York Mellon Corporation provides various financial products and services worldwide. It operates through Investment Management, Investment Services, and Other segments.

Since Purchase

### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 18.6 |
| Fwd P/E | 11.9 |
| P/S | 2.4 |
| P/B | 1.0 |
| Dividend Yield | 1.9% |

### Performance Since Purchase

(2/8/13 – 12/31/13)

| | |
|---|---|
| Bank of N.Y. Mellon(BK) | 27% |
| Financials ETF (XLF) | 24% |
| S&P 500 Index | 22% |
| Russell 2000 (IWM) | 27% |
| Russell 3000 (IWW) | 20% |

## ORIGINAL THESIS

BK's stock has experienced difficultes. Weakness can be traced back to 2008 and 2009 when losses plagued their investment portolio and provisions for loan losses rose. Revenues fell as lower market volatility reduced securities lending and Foreign Exchange revenues. The anticipation of persistent low-interest rates, concerns in Europe, and litigation have compounded the negativity reflected in the current stock price. Although we realize these are serious and legitimate concerns in the near-term, we feel that the market is overly pessimistic on BK's medium to long-term potential. We think that the stock is undervalued today and that BK possesses important drivers of growth that should eventually peer through, via favorable market sentiment. Given our long-term outlook, we believe BK provides reasonable growth at a depressed price.

## RISK

Risks to our thesis include economic conditions leading to a continued low interest rate environment, slower fee growth, depressed equity values and transaction volumes, a lack of volatility in foreign exchange, higher than expected expenses, harsh regulatory environments, litigation, as well as credit deterioration.

## CISCO (CSCO)

Cisco Systems, Inc. designs, manufactures, and sells Internet protocol (IP) and other products related to the communications and information technology industry worldwide.

Since Purchase


2013


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 11.9 |
| Fwd P/E | 10.6 |
| P/S | 2.4 |
| P/B | 2.0 |
| Dividend Yield | 3.1% |

### Performance Since Purchase

(12/3/2012 – 12/31/2013)

| | |
|---|---|
| Cisco Systems (CSCO) | 18% |
| Technology Sector (XLK) | 23% |
| S&P 500 | 31% |
| Russell 2000 (IWM) | 41% |
| Russell 3000 (IWW) | 32% |

### 2013 Performance

| | |
|---|---|
| Cisco Systems (CSCO) | 10% |
| Technology Sector (XLK) | 20% |
| S&P 500 | 26% |
| Russell 2000 (IWM) | 33% |
| Russell 3000 (IWW) | 26% |

## ORIGINAL THESIS

Cloud Computing: Growth in cloud computing presents opportunities for growth in revenues. Technology will combine applications to offer cloud infrastructure.

Growing data usage: Mobile data and video are expected to increase at a CAGR of 78% from 2011 to 2016, data center traffic at 31% and cloud data traffic at 43% during the same time frame.

Economies of Scale: Cisco has managed to keep its costs low relative to its growth. Cisco is larger than its top 5 competitors put together—providing the company with the resources to develop innovative products.

Great Multiples: Cisco is currently trading at a historically low price to earnings ratio of 11.29 and price to book of 1.75.

## RISK

Competition: Rapid technology changes could invite competition or make it difficult to penetrate market regions with pre-established companies. Additionally, competition may become highly specialized in products or services that Cisco does not have yet.

Supply: Cisco is highly dependent on its suppliers and manufacturers for its products. Cisco's reliance on others in its supply chain could lead to product shortages and damaged reputation if there is a delay upstream.

Macroeconomic: The networking and communication device industry is very dependent on its customers who need to have the resources to purchase more advanced network equipment and services. Therefore, any major downturn in the economy will affect Cisco's growth and revenue.

## CSX CORP. (CSX)

CSX Corporation, together with its subsidiaries, provides rail-based transportation services. It offers traditional rail services and transports intermodal containers and trailers.

Since Purchase


2013


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 14.6 |
| Fwd P/E | 12.4 |
| P/S | 2.2 |
| P/B | 2.7 |
| Dividend Yield | 2.3% |

### Performance Since Purchase

(4/9/2012 – 12/31/2013)

| | |
|---|---|
| CSX Corp (CSX) | 33% |
| Sector Index (XLY) | 50% |
| S&P 500 | 34% |
| Russell 2000 (IWM) | 44% |
| Russell 3000 (IWW) | 38% |

### 2013 Performance

| | |
|---|---|
| CSX Corp (CSX) | 43% |
| Sector Index (XLY) | 38% |
| S&P 500 | 26% |
| Russell 2000 (IWM) | 33% |
| Russell 3000 (IWW) | 26% |

## ORIGINAL THESIS

Continued expansion of fracking operations in the U.S. will drive demand for sand shipments

Higher diesel prices will cause manufacturers and distributors to shift from trucking to railroads to transport goods

An improving U.S. economy will drive demand for durable goods which will drive continued earnings growth

Strong cash flows will benefit shareholders in the form of stock buybacks and dividend increases

## RISK

New regulations could affect the railroad industry's ability to negotiate prices and could negatively affect earnings

Failure to complete collective bargaining negotiations would result in strikes or work stoppages

The transportation of hazardous materials could subject CSX to significant costs and claims

A severe recession would negatively affect railcar volumes and in turn earnings

## CHEVRON (CVX)

Chevron Corporation, through its subsidiaries, engages in petroleum, chemicals, mining, power generation, and energy operations worldwide in two segments, Upstream and Downstream.

Since Purchase


2013


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 9.5 |
| Fwd P/E | 10.0 |
| P/S | 1.0 |
| P/B | 1.5 |
| Dividend Yield | 3.4% |

### Performance Since Purchase

(1/22/2011 – 12/31/13)

| | |
|---|---|
| Chevron (CVX) | 33% |
| Energy (XLE) | 26% |
| S&P 500 Index | 44% |
| Russell 2000 (IWM) | 50% |
| Russell 3000 (IWW) | 42% |

### 2013 Performance

| | |
|---|---|
| Chevron (CVX) | 13% |
| Energy (XLE) | 22% |
| S&P 500 | 26% |
| Russell 2000 (IWM) | 33% |
| Russell 3000 (IWW) | 26% |

## ORIGINAL THESIS

Increased global energy demand

Rising oil prices

New technology utilization

Ability to adapt to U.S. engineering practices worldwide

## RISK

Oil prices fall below $90 a barrel

Global energy demand falls

Gulf of Mexico production continues to be negated

Chevron is found liable for the Ecuador oil hazard

## CORNING (GLW)

Corning Incorporated produces and sells specialty glasses, ceramics, and related materials worldwide. It operates through five segments: Display Technologies, Telecommunications, Environmental Technologies, Specialty Materials, and Life Sciences.

Since Purchase


2013


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 14.4 |
| Fwd P/E | 10.7 |
| P/S | 3.1 |
| P/B | 1.1 |
| Dividend Yield | 2.2% |

### Performance Since Purchase

(4/9/2012 – 12/31/2013)

| | |
|---|---|
| Corning, Inc. (GLW) | 32% |
| Technology Sector (XLK) | 19% |
| S&P 500 | 34% |
| Russell 2000 (IWM) | 44% |
| Russell 3000 (IWW) | 38% |

### 2013 Performance

| | |
|---|---|
| Corning, Inc. (GLW) | 39% |
| Technology Sector (XLK) | 20% |
| S&P 500 | 26% |
| Russell 2000 (IWM) | 33% |
| Russell 3000 (IWW) | 26% |

## ORIGINAL THESIS

Strong growth in Specialty Materials segment

Government regulation on emissions standards will drive Environmental Technology sales growth

Increased standards of living in emerging markets will drive sales growth of all segments; focus on thinner screens for televisions, PCs and tablets

Life sciences demand increases

High Barriers to entry

## RISK

Sales may be negatively impacted by the actions or financial condition of one or more of their key customers

Currency fluctuations

Legal Proceedings

## CUMMINS (CMI)

Cummins Inc. designs, manufactures, distributes, and services diesel and natural gas engines and engine-related component products. It operates in four segments: Engine, Components, Power Generation, and Distribution.

Since Purchase


2013


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 17.0 |
| Fwd P/E | 13.9 |
| P/S | 1.4 |
| P/B | 3.4 |
| Dividend Yield | 2.0% |

### Performance Since Purchase

(4/9/2012 – 12/31/2013)

| | |
|---|---|
| Cummins Inc. (CMI) | 22% |
| Industrial Sector (XLI) | 44% |
| S&P 500 | 34% |
| Russell 2000 (IWM) | 44% |
| Russell 3000 (IWW) | 38% |

### 2013 Performance

| | |
|---|---|
| Cummins Inc. (CMI) | 24% |
| Industrial Sector (XLI) | 35% |
| S&P 500 | 26% |
| Russell 2000 (IWM) | 33% |
| Russell 3000 (IWW) | 26% |

## ORIGINAL THESIS

Network effects provide repeat business for Cummins customers who utilize Cummins extensive network of dealers

Fuel efficiency is a demand driver given higher fuel costs

Innovative engines leading to higher margin products and new sales avenues

Above average GDP growth in developed countries driven by replacement cycles

## RISK

Research and development represents a significant expense for maintaining competitiveness

Global growth slowdown especially in India and China could lead to lower than expected sales

$375 million of net income is derived from joint ventures and alliances where Cummins does not have unilateral control over management

## ENCORE CAPITAL GROUP (ECPG)

Encore Capital Group, Inc. provides debt management and recovery solutions for consumers and property owners in a range of assets primarily in the United States. The company conducts its operations through two segments, which include Portfolio Purchasing and Recovery and Tax Lien Transfer.

Since Purchase

### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 16.8 |
| Fwd P/E | 11.0 |
| P/S | 1.8 |
| P/B | 2.2 |
| Dividend Yield | N/A |

### Performance Since Purchase

(2/12/13 – 12/31/13)

| | |
|---|---|
| Encore Capital Group(ECPG) | 57% |
| Financials ETF (XLF) | 23% |
| S&P 500 Index | 22% |
| Russell 2000 (IWM) | 27% |
| Russell 3000 (IWW) | 19% |

## ORIGINAL THESIS

ECPG has utilized foreign operations, and an industry-low cost of debt to grow EBITDA at a faster rate than revenues. It also has a high collection multiple compared with competitors.

ECPG has utilized R&D well in order to create a large competitive moat based around data quality. The creation of the Consumer Credit Research Institute increases this advantage.

As the economy improves, more Americans will begin taking on new debt and as a result, delinquent accounts will increase.

## RISK

The industry faces many regulatory pressures on the national and state levels. Encore is attempting to minimize its exposure to these regulatory pressures by emphasizing its more consumer friendly business model in comparison to traditional debt collectors.

Encore is exposed to macro economic risks associated with downturns in the U.S. and Europe. Also, Encore is vulnerable to allowance chargers.

## FLUOR CORP. (FLR)

Fluor Corporation, through its subsidiaries, provides engineering, procurement, construction, maintenance, and project management services worldwide. The company operates in five segments: Oil & Gas, Industrial & Infrastructure, Government, Global Services, and Power.

Since Purchase


2013


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 25.3 |
| Fwd P/E | 17.3 |
| P/S | 0.4 |
| P/B | 3.3 |
| Dividend Yield | 0.8% |

### Performance Since Purchase

(4/9/2012 – 12/31/2013)

| | |
|---|---|
| Fluor Corp. (FLR) | 36% |
| Industrial Sector (XLI) | 44% |
| S&P 500 | 34% |
| Russell 2000 (IWM) | 44% |
| Russell 3000 (IWW) | 38% |

### 2013 Performance

| | |
|---|---|
| Fluor Corp. (FLR) | 32% |
| Industrial Sector (XLI) | 35% |
| S&P 500 | 26% |
| Russell 2000 (IWM) | 33% |
| Russell 3000 (IWW) | 26% |

## ORIGINAL THESIS

Over the next 25 years world economies will spend over $40 trillion on infrastructure projects

Current backlog has exceeded $39 billion, substantially higher than most of its competitors

Continuing to increase exposure in emerging economies

Fluor has minimal exposure to government sponsored projects

The firm has a strong balance sheet with excessive cash and equivalents, and low debt relative to its competitors

## RISK

Contract costs may increase above estimates, resulting in reduced margins

Revenues and earnings are highly dependent on awarded contracts; the firm does not directly control new awards

Increased competition in the engineering and construction segment could reduce market share

Demand for Fluor’s services and products is cyclical

## GENTEX (GNTX)

Gentex Corporation designs, develops, manufactures, and markets electro-optical products for the automotive, commercial building, and aircraft industries primarily in the United States, Germany, and Japan.

Since Purchase


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 24.4 |
| Fwd P/E | 18.8 |
| P/S | 4.3 |
| P/B | 3.8 |
| Dividend Yield | 1.7% |

### Performance Since Purchase

(2/14/13 – 12/31/13))

| | |
|---|---|
| Gentex (GNTX) | 73% |
| Automotive (CARZ) | 29% |
| S&P 500 Index | 22% |
| Russell 2000 (IWM) | 27% |
| Russell 3000 (IWW) | 20% |

## ORIGINAL THESIS

Gentex will profit from continuing growth in the automotive industry fueled by the old age of the vehicle fleet, increasing demand by both governments and consumers for more safety features, and low interest rates.

Gentex has a wide competitive moat in the form of 650 patents related to its mirror products and technology keeping competition from taking market share.

Gentex has some of the best margins in the auto parts industry because of its 88% market share in the auto-dimming mirror segment that has 20% penetration of all vehicle mirrors, leaving significant room for growth.

Gentex generates strong free cash flows and the company has a history of increasing shareholder value by issuing a healthy dividend payout ratio and a share buyback program.

## RISK

Increased competition could decrease the Gentex's market share and margins.

In-dash RCD could become the predominate location for the RCD technology.

A new or superior technology could reduce the demand for auto-dimming mirrors.

Slower than anticipated demand in the European light vehicle market.

## GLOBAL PAYMENTS (GPN)

Global Payments Inc. provides electronic payments transaction processing services worldwide. The company serves as the processing intermediary between the merchant, the credit and debit networks, and the financial institutions that issue cards.

Since Purchase


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 21.5 |
| Fwd P/E | 15 |
| P/S | 2.0 |
| P/B | 4.4 |
| Dividend Yield | 0.1% |

### Performance Since Purchase

(4/1/13 – 12/31/13)

| | |
|---|---|
| Global Payments (GPN) | 41% |
| Financials ETF (XLF) | 20% |
| S&P 500 Index | 18% |
| Russell 2000 (IWM) | 24% |
| Russell 3000 (IWW) | 24% |

## ORIGINAL THESIS

Global Payment Inc. has been lagging the market and is trading at a discount to its intrinsic value. News of a security breach led to GPN being taken off lists of Payment Card Industry Data Security Standard-compliant service providers. We expect the company to be placed back on the list during summer 2013.

We believe GPN will:
Benefit from new payment technologies that will improve efficiency in global payments

Experience growth from the continuing of a trend towards electronic payments

GPN has the best exposure to emerging markets in the industry, with operations in Russia, China, India, and recently Brazil

## RISK

Loss of key ISO partner, client and/or pricing pressure. GPN's growth rate would be challenged if it lost a key domestic ISO or if ISO contracts are renewed at a greater than expected discount

Increased regulation of the card industry. The most damaging outcome would be some form of regulation of merchant discount fees.

Foreign currency market fluctuations

## INTUIT (INTU)

Intuit Inc. provides business and financial management solutions for small businesses, consumers, and accounting professionals in the United States, Canada, the United Kingdom, Australia, India, and Singapore.

Since Purchase


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 25.8 |
| Fwd P/E | 18.6 |
| P/S | 4.9 |
| P/B | 9.4 |
| Dividend Yield | 1.0% |

### Performance Since Purchase

(2/1/2013 – 12/31/2013)

| | |
|---|---|
| Intuit Inc. (INTU) | 22% |
| Technology ETF | 22% |
| S&P 500 Index | 35% |
| Russell 2000 | 29% |
| Russell 3000 | 24% |

## ORIGINAL THESIS

Intuit possess four key drivers of long-term growth and value that are underappreciated by the market:

Emergence of online/cloud solutions and the applicability to small business

One-of-kind product portfolio, pipeline, and strategy to cross-sell by offering add-ons to current products

Position to capitalize in under-penetrated markets in the payments and payroll segments

Rapid growth in online and mobile use of their services

## RISK

Intuit faces fierce competition in its Consumer Tax division from retail tax stores and traditional tax preparers such as H&R Block, Jackson Hewitt, and Liberty Tax

An adverse macroeconomic event could hurt small businesses, impairing Intuit's ability to grow

Failure to monetize mobile software across highly competitive platforms

Government regulations regarding tax filing processes could potentially hurt Intuit's future prospects

# INTEL (INTC)

Intel Corporation designs, manufactures, and sells integrated digital technology platforms worldwide. The company operates through PC Client Group, Data Center Group, Other Intel Architecture, Software and Services, and All Other segments.

Since Purchase


2013


## Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 13.1 |
| Fwd P/E | 12.4 |
| P/S | 2.3 |
| P/B | 2.1 |
| Dividend Yield | 3.6% |

## Performance Since Purchase

(11/17/2010 – 12/31/2013)

| | |
|---|---|
| Intel (INTC) | 21% |
| Technology ETF (XLK) | 47% |
| S&P 500 Index | 54% |
| Russell 2000 (IWM) | 60% |
| Russell 3000 (IWW) | 52% |

## 2013 Performance

| | |
|---|---|
| Intel (INTC) | 27% |
| Technology ETF (XLK) | 26% |
| S&P 500 | 26% |
| Russell 2000 (IWM) | 33% |
| Russell 3000 (IWW) | 26% |

## ORIGINAL THESIS

Increased Global Corporate, PC and smartphone demand

Innovative processors leading mobile technology

Value added in acquisitions

Continued growth in tablet market

Cloud computing will be the future of information retrieval

## RISK

Inability for Intel's processors to gain tablet and smartphone market share

Tablet and Smartphone manufacturers not accepting new processor

Companies not wanting new cloud technology capabilities

Divestment away from cloud computing R&D

Global corporate PC demand waning

## Key Statistics

(As of December 2013)

P/E (TTM)

## NATIONAL OILWELL VARCO (NOV)

National Oilwell Varco, Inc. provides equipment and components for oil and gas drilling and production, oilfield services; and supply chain integration services to the upstream oil and gas industry worldwide.

Since Purchase


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 13.5 |
| Fwd P/E | 11.9 |
| P/S | 1.4 |
| P/B | 1.4 |
| Dividend Yield | 1.4% |

### Performance Since Purchase

(3/18/2013 – 12/31/2013)

| | |
|---|---|
| National-Oilwell Varc (NOV) | 15% |
| Energy ETF (XLE) | 11% |
| S&P 500 Index | 18% |
| Russell 2000 (IWM) | 22% |
| Russell 3000 (IWW) | 16% |

## ORIGINAL THESIS

National Oilwell Varco (NOV) is trading at low and undeserving multiples in comparison to its peers, as well as a steep discount to its intrinsic value. The company is a dominant force within the rig market, most notably in deepwater rigs. Its equipment is in 90% of existing rigs around the world. In fact, one may be hard-pressed to construct a rig without buying at least some of the parts and equipment from NOV.

Our thesis relies on a compelling valuation supported by:
Favorable macro outlook— short-term and long-term catalysts

Strong industry drivers— increase in drilling activity, manufactured rigs, and the shift towards more complex drilling environments

Attractive corporate characteristics — large competitive moat, sagacious management, and the potential for expanding margins in the medium-term

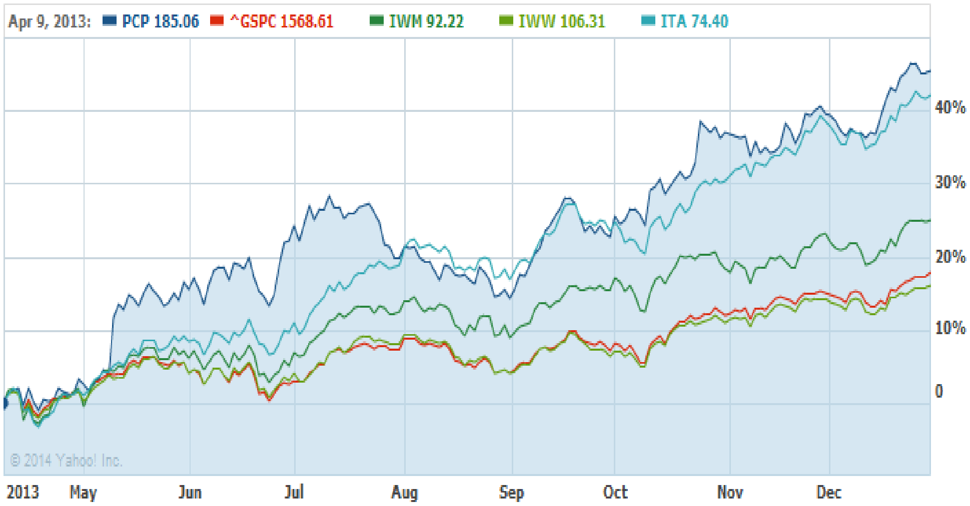
## RISK

Risks to our thesis include crude oil and nature gas prices, a slow down in drilling and well servicing activity, customer concentration, increased competition, unfavorable legislation, and impairment of goodwill.

## PRECISION CASTPARTS (PCP)

Precision Castparts Corp. manufactures metal components and products worldwide

Since Purchase




### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 21.8 |
| Fwd P/E | 18.0 |
| P/S | 4.0 |
| P/B | 3.5 |
| Dividend Yield | N/A |

### Performance Since Purchase

(4/9/2013 – 12/31/2013)

| | |
|---|---|
| Precision Castparts (PCP) | 46% |
| Aero and Defense Fund | 28% |
| S&P 500 Index | 18% |
| Russell 2000 | 25% |
| Russell 3000 | 19% |

## ORIGINAL THESIS

PCP is a low-cost supplier of components to every jet aircraft engine program in production or under development by the majority of turbine manufacturers.

PCP has built a franchise in its space by manufacturing components that require a high level of technical expertise.

Management is giving FY2016 guidance of $15.50 -16.50 EPS.

We believe that PCP's current stock price provides a reasonable margin of safety considering the solidity of the business and the visible, long runway for growth.

## RISK

PCP has little control over pricing as it serves an oligopolistic jet engine-making customer base, which itself remains pressured by the intensely competitive large aircraft manufacturers Boeing and Airbus. If PCP is unable to offset decreased pricing with cost-cutting measures, margins could suffer.

The power generation market currently has excess capacity; new turbine demand could be further out than calendar 2014.

Delays in production rate increases can leave a hole for PCP's products and result in lower incremental margins as its plants are underutilized.

## RIO TINTO (RIO)

Rio Tinto plc engages in finding, mining, and processing mineral resources worldwide.

Since Purchase


2013


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | N/A |
| Fwd P/E | 9.8 |
| P/S | 2.0 |
| P/B | 2.2 |
| Dividend Yield | 3.3% |

### Performance Since Purchase

(4/19/2011 – 12/31/2013)

| | |
|---|---|
| Rio Tinto (RIO) | -19% |
| Metals & Mining ETF (XME) | -42% |
| S&P 500 | 41% |
| Russell 2000 (IWM) | 40% |
| Russell 3000 (IWW) | 38% |

### 2013 Performance

| | |
|---|---|
| Rio Tinto (RIO) | -6% |
| Metals & Mining ETF (XME) | -9% |
| S&P 500 | 26% |
| Russell 2000 (IWM) | 33% |
| Russell 3000 (IWW) | 26% |

## ORIGINAL THESIS

High demand for metals in Asia, particularly China, which is Rio's largest market

New projects to be fully operational by 2013 will lower production costs and increase further tightening supplies

Global commodity prices expected to rise as demand increases faster than supply, due to exhaustion of existing mines and the time delays to increased production

Rio Tinto's current mine upgrades will extend productivity and allow them to meet demand

Top of the line exploration team

## RISK

Future volatility in commodity prices

Future volatility in exchange rates

Rising transportation costs

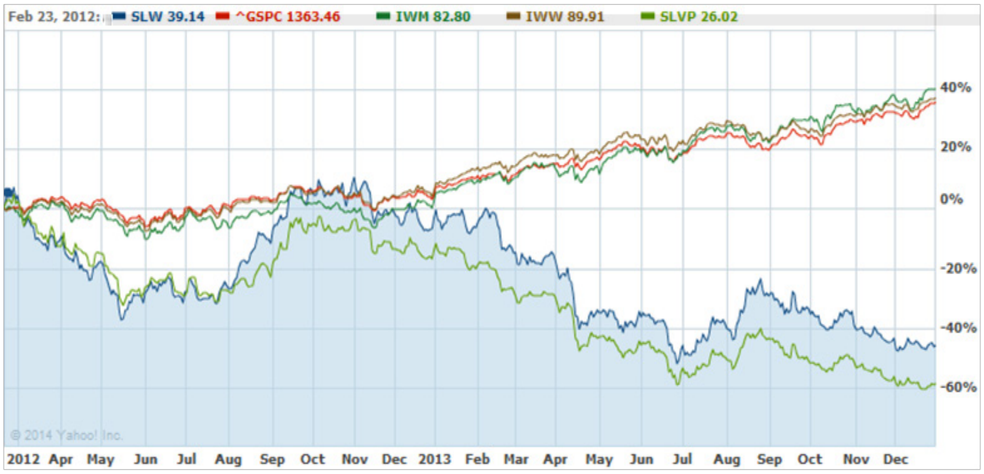
Government regulations

High debt ratio

## SILVER WHEATON (SLW)

Silver Wheaton Corp., together with its subsidiaries, operates as a silver and gold streaming company worldwide.

Since Purchase




2013


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 16.9 |
| Fwd P/E | 23.1 |
| P/S | 9.5 |
| P/B | 2.4 |
| Dividend Yield | 1.6% |

### Performance Since Purchase

(2/21/2012 – 12/31/13)

| | |
|---|---|
| Silver Wheaton (SLW) | -46% |
| Global Silver Mine (SLVP) | -58% |
| S&P 500 Index | 36% |
| Russell 2000 (IWM) | 40% |
| Russell 3000 (IWW) | 37% |

### 2013 Performance

| | |
|---|---|
| Silver Wheaton (SLW) | -45% |
| Global Silver Mine (SLVP) | -52% |
| S&P 500 | 26% |
| Russell 2000 (IWM) | 33% |
| Russell 3000 (IWW) | 26% |

## ORIGINAL THESIS

Silver production expected to increase 65% by 2015 from 26 million ounces to 43 million ounces

Business model generates huge margins and consistent cash flows

Investors benefit from lifetime agreements signed when silver was trading at $6—$15 per ounce

No exploration or on going cap ex costs

Industrial demand will strengthen as the economy recovers

Global investment demand will remain strong due to negative real interest rates, budget deficits, inflation fears and currency depreciation

## RISK

Economic contraction reduces industrial demand

Increased supply pressure silver prices

Central banks raise interest rates reducing investment demand

Volatility of the relatively small silver market

## SYNGENTA (SYT)

Syngenta AG, an agribusiness company, engages in the discovery, development, manufacture, and marketing of a range of products designed to enhance crop yields and food quality worldwide.

Since Purchase


2013


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 18.3 |
| Fwd P/E | N/A |
| P/S | 2.3 |
| P/B | 3.7 |
| Dividend Yield | 2.3% |

### Performance Since Purchase

(3/6/2012 – 12/31/2013)

| | |
|---|---|
| Syngenta (SYT) | 29% |
| Materials Sector (XLB) | 29% |
| S&P 500 | 37% |
| Russell 2000 (IWM) | 47% |
| Russell 3000 (IWW) | 40% |

### 2013 Performance

| | |
|---|---|
| Syngenta (SYT) | -2% |
| Materials Sector (XLB) | 20% |
| S&P 500 | 26% |
| Russell 2000 (IWM) | 33% |
| Russell 3000 (IWW) | 26% |

## ORIGINAL THESIS

Arable land is a scarce resource that needs to be increasingly productive to meet the growing world population

Market-share leader in crop protection and an emerging leader in seed genomics

Reached scale economies in the production of seeds resulting in profit accelerating

Huge expansion potential to sell into additional countries

## RISK

Research and development is fundamental to success of growing seeds business segment

Political challenges in gaining acceptance of genetically modified seed products

European exposure could temporarily harm earnings

Volatility in commodity prices could put pricing pressureson products

## TIFFANY (TIF)

Tiffany & Co., through its subsidiaries, designs, manufactures, and retails jewelry worldwide. The company operates through Americas, Asia-Pacific, Japan, Europe, and Other segments.

Since Purchase


2013


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 27.1 |
| Fwd P/E | 23.9 |
| P/S | 5.7 |
| P/B | 9.0 |
| Dividend Yield | 1.6% |

### Performance Since Purchase

(5/2/2012 – 12/31/2013)

| | |
|---|---|
| Tiffany & Co. (TIF) | 31% |
| Discretionary ETF (XLY) | 44% |
| S&P 500 Index | 31% |
| Russell 2000 (IWM) | 40% |
| Russell 3000 (IWW) | 35% |

### 2013 Performance

| | |
|---|---|
| Tiffany & Co. (TIF) | 61% |
| Discretionary ETF (XLY) | 42% |
| S&P 500 | 26% |
| Russell 2000 (IWM) | 33% |
| Russell 3000 (IWW) | 26% |

## ORIGINAL THESIS

Growth opportunities through expansion in Asia Pacific region, especially China

The fine jewelry market should see a strong year due to the economic recovery and a strong stock market return

Tiffany had a strong brand name and customers are willing to pay premiums for its products

Management has been strong at cutting costs and managing inventory, which has led to higher profit margins

## RISK

Diamond price fluctuations could cause downward pressure on prices and margins

Although the company has pricing power, there could be an increase in competition, especially from the online sector

Recessions could put pressure on the high-end jewelry market, which could put a strain on sales

## UNITED NATURAL FOODS (UNFI)

United Natural Foods, Inc., together with its subsidiaries, distributes and retails natural, organic, and specialty foods, as well as non-food products primarily in the United States and Canada.

Since Purchase

2013


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 29.6 |
| Fwd P/E | 23.6 |
| P/S | 0.5 |
| P/B | 2.9 |
| Dividend Yield | N/A |

### Performance Since Purchase

(3/6/2012 – 12/31/2013)

| | |
|---|---|
| United Natural Foods(UNFI) | 70% |
| Staples ETF (XLP) | 30% |
| S&P 500 Index | 35% |
| Russell 2000 (IWM) | 40% |
| Russell 3000 (IWW) | 37% |

### 2013 Performance

| | |
|---|---|
| United Natural Foods (UNFI) | 42% |
| Staples ETF (XLP) | 25% |
| S&P 500 | 26% |
| Russell 2000 (IWM) | 33% |
| Russell 3000 (IWW) | 26% |

## ORIGINAL THESIS

Rapidly growing natural, organic and specialty food products industry driven by demand for a healthy lifestyle, food safety and consumer environmental awareness

In 2010, the natural products industry grew 7%:

United Natural Foods continues to secure contracts with major supermarkets and natural food stores

Largest competitor, KeHe Distributors, is half its size and UNFI locked in KeHe's expiring contracts with Safeway

Acquires regional companies to quickly adapt to consumer tastes

The company has an experienced and motivated management

## RISK

Whole Foods Market—Heavily dependent on its ability to grow, as it makes up 36% of 2011 sales. Distribution agreement was extended to 2020

Sensitive to downturns—Grocery industry is affected by economic downturns

Low Margins—Profits may decrease due to consolidation in the grocery industry

Subject to significant regulation—Business is heavily regulated on the federal, state and local level. Products, warehouses and trucking operations are all inspected by agencies

## VISA (V)

Visa Inc., a payments technology company, operates as a retail electronic payments network worldwide. The company facilitates commerce through the transfer of value and information among financial institutions, merchants, consumers, businesses, and government entities.

Since Purchase


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 29.1 |
| Fwd P/E | 221.3 |
| P/S | 11.7 |
| P/B | 5.2 |
| Dividend Yield | 0.7% |

### Performance Since Purchase

(4/1/13 – 12/31/13)

| | |
|---|---|
| Visa (V) | 35% |
| Financials ETF (XLF) | 20% |
| S&P 500 Index | 18% |
| Russell 2000 (IWM) | 24% |
| Russell 3000 (IWW) | 16% |

## ORIGINAL THESIS

Visa is the leading credit and debit processor and the company benefits from the ongoing global secular trend toward electronic payments.

Opportunity for expansion in foreign markets where electronic transactions have just begun to rapidly penetrate the market

The company's over $6 billion in cash could facilitate the purchase of Visa Europe put options leading to a consolidated global network.

Undervalued 15% based on our analysis.

## RISK

Additional regulation of interchange reimbursement fees and the Dodd-Frank Act may have an adverse impact on overall business performance.

Depressed consumer and business confidence may decrease cardholder spending.

An increase in fraudulent or illegal activity involving Visa cards could lead to reputational damage.

Increased competition from alternative payment processing mediums and providers may take market share away from Visa.

Deceleration in global purchase volume growth could hinder Visa's ability to retain share in emerging markets.

## ZIMMER HOLDINGS (ZMH)

Zimmer Holdings, Inc., through its subsidiaries, engages in the design, development, manufacture, and marketing of orthopedic reconstructive devices, spinal and trauma devices, biologics, dental implants, and related surgical products in the Americas, Europe, and the Asian Pacific.

Since Purchase


2013


### Key Statistics

(As of December 2013)

| | |
|---|---|
| P/E (TTM) | 23.6 |
| Fwd P/E | 15.0 |
| P/S | 3.5 |
| P/B | 2.6 |
| Dividend Yield | 0.9% |

### Performance Since Purchase

(2/9/2012 – 12/31/2013))

| | |
|---|---|
| Zimmer Holdings (ZMH) | 49% |
| Healthcare ETF (XLV) | 55% |
| S&P 500 Index | 40% |
| Russell 2000 (IWM) | 45% |
| Russell 3000 (IWW) | 42% |

### 2013 Performance

| | |
|---|---|
| Zimmer Holdings (ZMH) | 42% |
| Healthcare ETF (XLV) | 40% |
| S&P 500 | 26% |
| Russell 2000 (IWM) | 33% |
| Russell 3000 (IWW) | 26% |

## ORIGINAL THESIS

An aging population

Deferrals winding down

Overseas growth

Over-discounted medical devices sector

Working for shareholder's through big share buybacks

## RISK

Pricing pressure

Product liabilities

Eurozone collapse

Economic weakness domestically and abroad

USF Student Managed Investment Fund

Prepared by: May 2014 Analyst Group
For more information please visit: http://www.usf.edu/business/departments/finance/smif/
Disclousures:

University of South Florida
College of Business