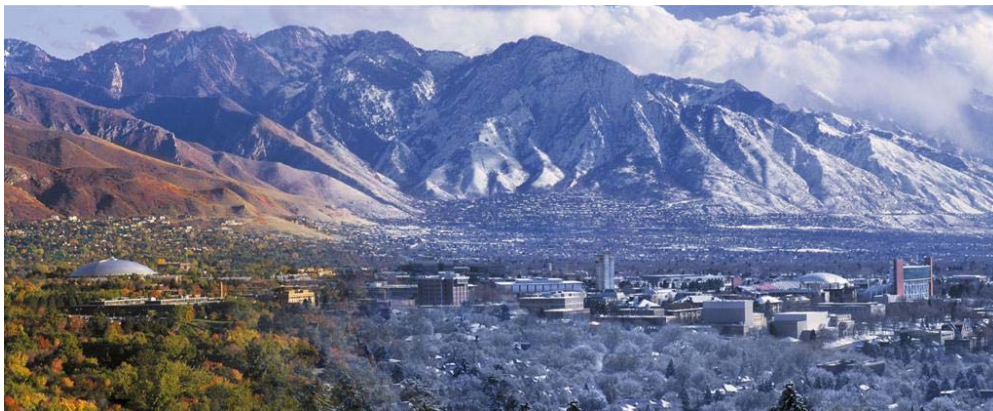


STUDENT INVESTMENT FUND

2007-2008



ANNUAL REPORT

May 9, 2008



<http://org.business.utah.edu/investmentfund>

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2007-2008 STUDENT MANAGERS

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HISTORY

In October 1998, David Eccles School of Business finance students joined the D.A. Davidson Student Investment Fund program, which allows students to invest \$50,000 in a working stock portfolio. The purpose of this program is to bolster student learning in a real-world setting. The original \$50,000 remains intact year to year, supported by D.A. Davidson. Any returns above five percent are split in half and shared by the firm and the Student Investment Fund. D.A. Davidson guarantees students against any losses below the original \$50,000 mark, which will be replenished year to year if necessary. Since October 1998, D.A. Davidson has given over \$20,000 directly to the student portfolio and Bill Child, CEO of R.C. Willey Home Furnishings, has donated another \$5,000 to the fund. In March 2004, U students received an additional \$50,000 from Hal Milner in a program similar to D.A. Davidson's. Mr. Milner has donated over \$7,000 to the School fund based on his portfolio's performance.

Beginning in December 1998, students formed a Student Investment Fund Club and met regularly to develop an investment strategy, research and invest in specific stocks, listen to investment professionals, and to track their investments. The original club that first year was comprised of 12 students and their advisor, Finance Professor Liz Tashjian.

That first year, the students eventually selected a strategy of investing in volatile stocks in the technology and finance sectors. Between January and April 1999, the portfolio realized returns of more than 40 percent. In April, the students voted to sell a third of their equity positions to reduce the fund's risk over the summer.

In the fall of 1999, the Student Investment Fund developed from a club into a restricted-enrollment class. This class is limited to 18 students, and students wishing to take it must apply for acceptance. Tashjian teaches the year-round class. The class meets once a week to track the Fund and to research potential investments. Each year, students are required to publish an annual report listing the Fund's activities. In 2003, the class was designated as an honors class. The Fund is subject to an annual audit by fellow students in the accounting society Beta Alpha Psi.

In September 1999, D.A. Davidson calculated earnings from the first year of the Fund, and students earned more than a 35% return. The 2000-2001 class learned some painful lessons about diversification and selling strategies. The group had significant holdings in Global Crossing and Exodus Communications, both telecom companies that eventually filed for bankruptcy. The 2004-2005 class earned returns of about 20%. Over the time they managed the fund, the S&P gained less than 10% and the NASDAQ index was up about 16%. The last three classes have outperformed the NASDAQ and have outperformed the S&P in two of the last three years.

In March 2003, the class made a brief live appearance on CNBC's *Power Lunch* and in January 2004, the class again appeared on CNBC in a segment on D.A. Davidson's Investment Fund program. Since 2001, the class has made regular presentations to distinguished members of the Salt Lake business community.

STRATEGY

Davidson & Milner Portfolios

Prior student managers adopted a strategy of investing in small cap stocks in the Davidson and Milner portfolios. They believed that small caps held the greatest potential for the following reasons.

1. Small cap stocks' aggregate performance over the last 80 years has yielded 17% annualized returns compared to the overall market return of 11%.
2. Small caps have the highest volatility and as each class's management tenure lasts only 12 months, small cap stocks present a better opportunity for us to see the results of our actions.
3. Small cap companies are typically more focused in scope and are more easily understood.

Last year's class held onto one large cap stock they inherited, Occidental Petroleum, and we have continued to hold that stock.

The 2007-2008 Student Investment Fund continued to look for opportunities in small cap stocks but also made purchases in larger cap stocks such as Research In Motion (RIMM) with a market cap of nearly \$74 billion. Other purchases included Astronics (ATRO), Cybersource (CYBS), ABX Holdings Inc. (ATSG), and an India/China/Brazil ETF (BIK). Indeed, the 2007-2008 fund was more opportunistic in that it looked for opportunities in many different areas.

When we received the Milner money in 2004, initially we made identical investments in the Milner and Davidson portfolios. On September 1, 2005, the Davidson portfolio's value was reset to \$50,000. Mr. Milner generously chose not to reset his portfolio and left the prior year's gains under our management. Consequently, the value of the Milner portfolio was about 1.2 times the value of the Davidson portfolio. The 2004-2005 managers had bought equal amounts of stock in the two portfolios. To maintain similar return performance on the two portfolios, the 2005-2006 managers voted to allocate future investments 45% to the Davidson portfolio and 55% to the Milner portfolio and the 2006-2007 managers continued that policy. In order to equalize the amount of cash between the Davidson and Milner portfolios, on March 14, 2007, the prior managers purchased 75 shares of IVE, an ETF based on the S&P 500 value index, for the Milner portfolio.

Because of gains in the portfolio values during the 2006-2007 year, we voted to allocate purchases between the two funds 60% to Milner and 40% to Davidson. However, given weak market conditions, we did not invest the extra cash remaining in the Milner portfolio after the Davidson portfolio's value was reset on September 1. Consequently, for example, on January 2, the Davidson portfolio had less than 2% in cash while the Milner portfolio was about 15% in cash.

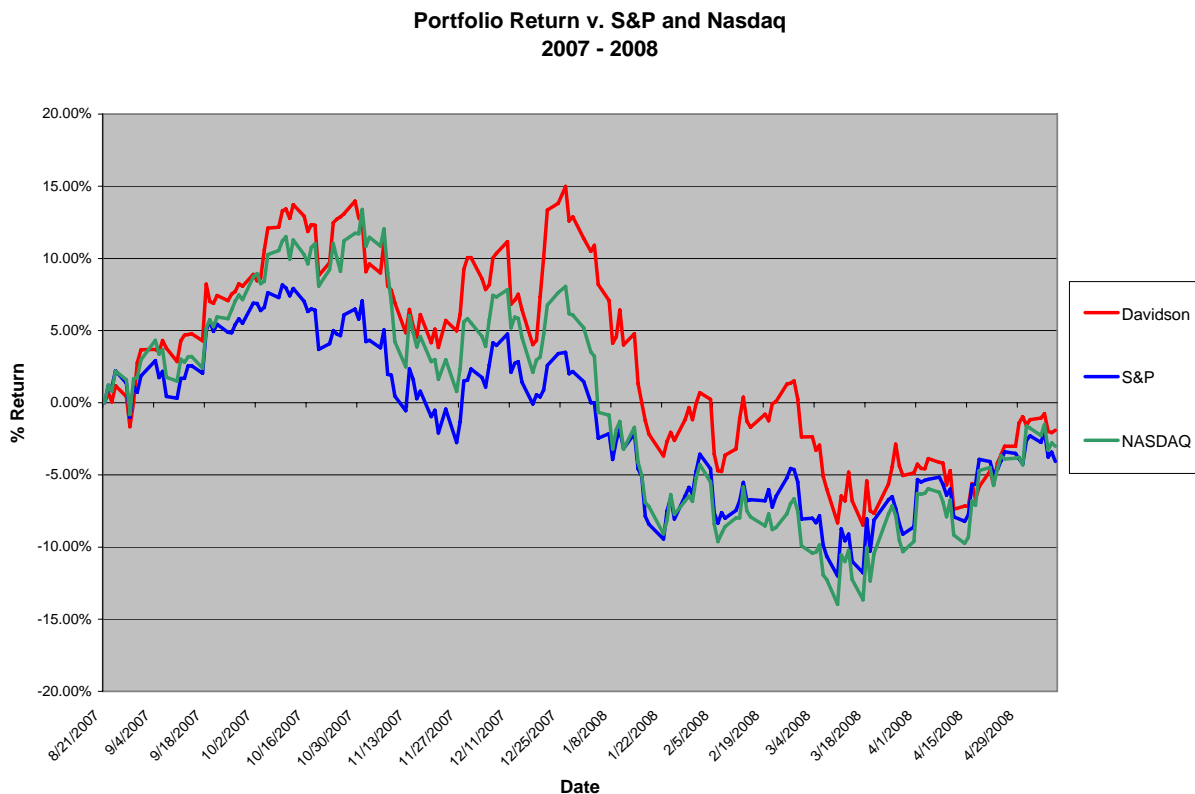
School Portfolio

The School portfolio has been funded by donations to the Student Investment Fund. The capital belongs to the school and we bear losses as well as enjoying gains. This fund is governed by our bylaws, which are reproduced at the end of the annual report. The investment objective for the School portfolio is growth, with a three-to-five year investment horizon. When we inherited the portfolio, its value was \$33,169.23. The 2007-2008 purchased a few different stocks in the School portfolio, but each with a longer-term horizon consistent with the strategy of past funds.

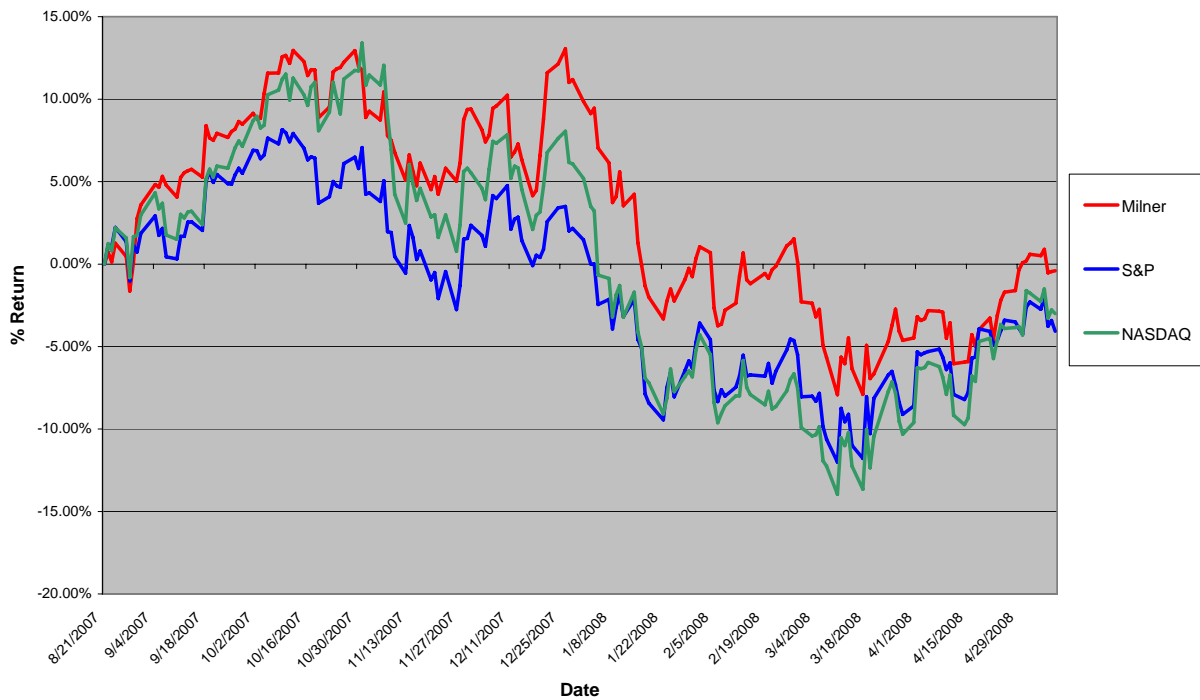
DAVIDSON AND MILNER PERFORMANCE

Overall

From August 21, 2007, when we assumed control of the portfolio, to May 9, 2008, the S&P 500 lost 4.1% and the NASDAQ index declined 3.0%. Over that interval, the Davidson portfolio lost only 1.9% and the Milner portfolio declined by only 0.4%. The holdings in the Davidson and Milner portfolios are essentially identical, with the exception of iShares S&P 500 value index (IVE) that the Davidson portfolio does not hold. Differences in performance are therefore due to IVE and the different levels of cash in the two portfolios.



**Portfolio Return v. S&P and Nasdaq
2007 - 2008**



Individual Stock Performance

In analyzing our performance, we distinguish between the stocks we inherited from prior managers and the stocks we acquired.

Davidson Portfolio							
Ticker	Shares	Date Acquired	Initial Price	Date Sold or Valued	Final Price	Dividend	Gross Return
Inherited Stocks							
AIR	200	21-Aug-07	31.33	17-Apr-08	21.294	0	-32.03%
IWO	125	21-Aug-07	82.68	16-Jan-08	75.972	0.313	-7.73%
ICLR*	150	21-Aug-07	43.19	9-May-08	73.010	0	69.04%
TINY	75	21-Aug-07	10.80	12-Sep-07	10.134	0	-6.17%
OXY*	54	21-Aug-07	54.56	9-May-08	87.850	0.75	62.39%
CERN	45	21-Aug-07	57.61	9-May-08	46.250	0	-19.72%
ADES	225	21-Aug-07	10.49	9-May-08	9.560	0	-8.87%
ININ	135	21-Aug-07	20.97	4-Oct-07	20.980	0	0.05%
WAB	45	21-Aug-07	38.00	9-May-08	44.350	0.02	16.76%
CYTC**	90	21-Aug-07	41.00	5-May-08	24.489	17.067	1.36%
GRMN	45	21-Aug-07	102.50	9-May-08	42.080	0	-58.95%
ALDA	115	21-Aug-07	16.21	9-May-08	9.950	5.6	-4.07%
SBUX	90	21-Aug-07	27.35	30-Aug-07	27.250	0	-0.37%
LRV	45	21-Aug-07	38.59	30-Aug-07	37.573	0	-2.64%

Acquired Stocks							
RIMM	25	14-Nov-07	115.53	9-May-08	132.770	0	14.92%
ATRO	40	28-Nov-07	52.2	1-Apr-08	20.260	0	-61.19%
CYBS	120	28-Nov-07	15.16	9-May-08	17.000	0	12.14%
BIK	100	16-Jan-08	29.3644	9-May-08	32.240	0	9.79%
ATSG	565	20-Feb-08	3.3999	9-May-08	2.540	0	-25.29%

* split adjusted

** acquired by HOLX; split-adjusted

Milner Portfolio							
Ticker	Shares	Date Acquired	Initial Price	Date Sold or Valued	Final Price	Dividend	Gross Return
Inherited Stocks							
AIR	200	21-Aug-07	31.33	6-May-08	24.522	0	-21.73%
IWO	125	21-Aug-07	82.68	16-Jan-08	75.972	0.313	-7.73%
ICLR*	150	21-Aug-07	43.19	9-May-08	73.010	0	69.04%
TINY	75	21-Aug-07	10.80	12-Sep-07	10.134	0	-6.17%
OXY*	66	21-Aug-07	54.56	9-May-08	87.850	0.75	62.39%
CERN	55	21-Aug-07	57.61	9-May-08	46.250	0	-19.72%
ADES	275	21-Aug-07	10.49	9-May-08	9.560	0	-8.87%
ININ	165	21-Aug-07	20.97	4-Oct-07	20.980	0	0.05%
WAB	55	21-Aug-07	38.00	9-May-08	44.350	0.02	16.76%
CYTC**	110	21-Aug-07	41.00	6-May-08	22.500	16.616	-4.59%
GRMN	55	21-Aug-07	102.50	9-May-08	42.080	0	-58.95%
IVE	75	21-Aug-07	78.42	9-May-08	71.740	1.4409	-6.68%
ALDA	135	21-Aug-07	16.21	9-May-08	9.950	5.6	-4.07%
SBUX	110	21-Aug-07	27.35	30-Aug-07	27.250	0	-0.37%
LRY	55	21-Aug-07	38.59	30-Aug-07	37.573	0	-2.64%
Acquired Stocks							
RIMM	40	14-Nov-07	115.53	9-May-08	132.770	0	14.92%
ATRO	60	28-Nov-07	52.2	1-Apr-08	20.260	0	-61.19%
CYBS	180	28-Nov-07	15.16	9-May-08	17.000	0	12.14%
BIK	150	16-Jan-08	29.3644	9-May-08	32.240	0	9.79%
ATSG	1135	20-Feb-08	3.3999	9-May-08	2.540	0	-25.29%

* split adjusted

** acquired by HOLX; split-adjusted

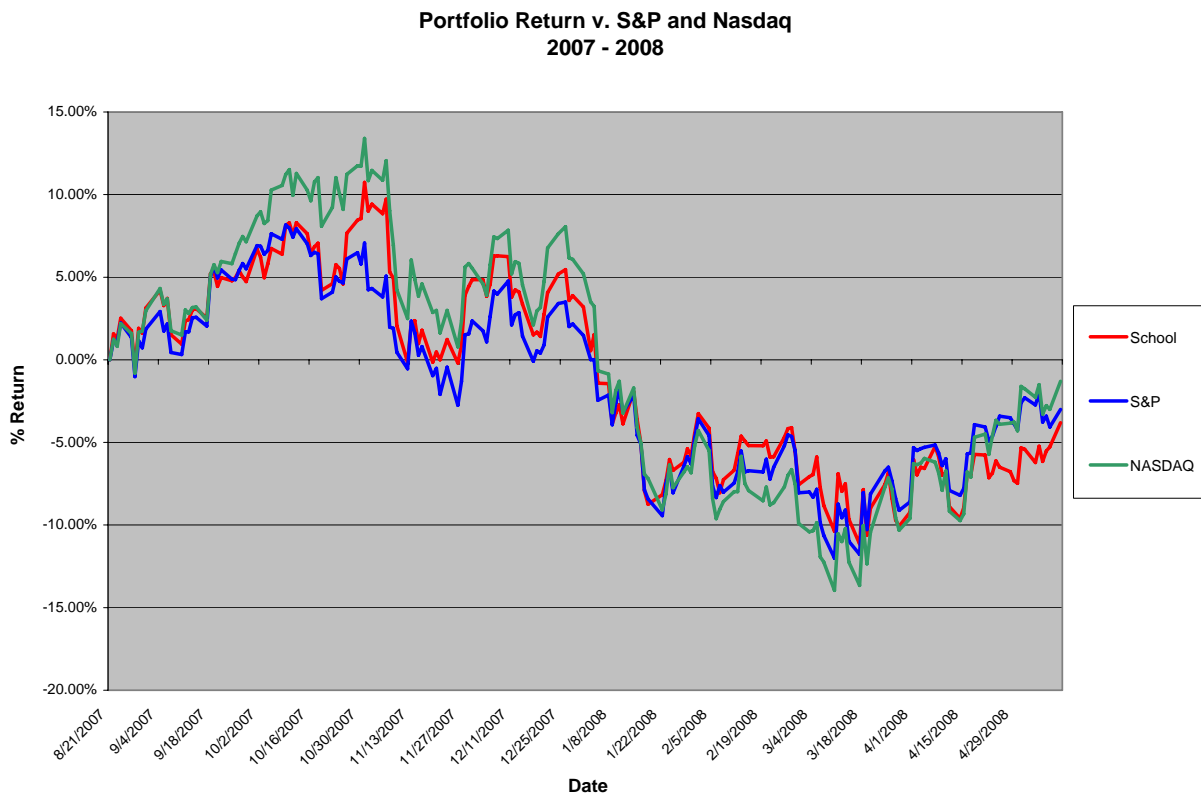
Like the overall indexes from August 21, 2007 to May 9, 2008, most of the stocks in the two portfolios had a negative gross return over this time period. A few of the notable losers were AIR, CERN, GRMN, ATRO, and ATSG. The biggest loser was GRMN, whose price steadily declined from \$102.50 to \$42.08 over the period representing a loss of nearly 59%. Both AIR and ATRO were sold due to a significant decrease in value. The reasons for this decrease appear below in the “Analysis of Stocks Sold” section. Both portfolios continue to hold CERN, GRMN, and ATSG and the analysis of these stocks appear in the “Summary of Portfolio Holdings” section. Fortunately despite losses of most of the stocks in the portfolios, the overall performance

of both portfolios was bolstered by two stocks, ICLR and OXY. The performance of ICLR is based on the company’s remarkable and continued growth in its outsourced clinical trials services and OXY’s performance is largely due to the record prices in oil and natural gas.

SCHOOL PERFORMANCE

Overall

From August 21, 2007, when we assumed control of the portfolio, to May 9, 2008, the S&P 500 lost 4.1% and the NASDAQ index declined 3.0%. Over that interval, the School portfolio fell by 5.3%.



Individual Stock Performance

The table below contains individual stock performances for both inherited and acquired stocks for the School portfolio.

School Portfolio

Ticker	Shares	Date Acquired	Initial Price	Date Sold or Valued	Final Price	Dividend	Gross Return
Inherited Stocks							
MSFT	200	21-Aug-07	28.07	9-May-08	29.39	0.32	5.84%
AMC	200	21-Aug-07	8.70	16-Jan-08	1.03	0.225	-85.57%
STX	100	21-Aug-07	24.25	9-May-08	20.23	0.32	-15.26%
MTX	50	21-Aug-07	65.46	5-May-08	66.86	0.15	2.37%
DE*	70	21-Aug-07	64.65	9-May-08	86.31	0.75	34.66%
GHL	35	21-Aug-07	57.58	9-May-08	60.78	1.21	7.66%
TTI	100	21-Aug-07	18.78	16-Jan-08	15.00	0	-20.13%
CMCSA*	150	21-Aug-07	24.52	9-May-08	21.68	0.0625	-11.33%
LUX	150	21-Aug-07	33.60	9-May-08	28.97	0	-13.78%
Acquired Stocks							
WFMI	80	23-Jan-08	37.79	9-May-08	32.78	0.2	-12.73%
ATSG	600	20-Feb-08	3.405	9-May-08	2.54	0	-25.40%
BK	67	5-Mar-08	45.19	9-May-08	43.08	0.24	-4.14%
ATVI	100	7-Mar-08	27	9-May-08	31.64	0	17.19%

* split adjusted

Over the period August 21, 2007 to May 9, 2008, the School portfolio declined more than both the NASDAQ and S&P 500 indexes. This greater decline can be attributable to double-digit percentage losses in seven of the 13 stocks in the portfolio over this time period. The most notable loser is AMC, which declined from \$8.70 to \$1.03 when the fund sold it on January 16, 2008. AMC was a purchaser and originator of mortgages on multi-family and commercial properties. Of the seven notable losers, the fund sold AMC and TTI; the fund continues to hold STX, CMCSA, LUX, WFMI, and ATSG. (The analyses of these stocks appear in the sections below.) The notable gainers in the School portfolio over the period were DE and ATVI at 34.66% and 17.19% respectively. DE continues to benefit from the flourishing agriculture business and ATVI has continued to see increasing sales in its hit software titles. (See analysis in the sections below.)

SUMMARY OF PORTFOLIO HOLDINGS

ABX Holdings (ATSG)

Portfolio: School, Davidson, and Milner
Purchased: Feb 20, 2008
Purchase Price: \$3.399 (Davidson/Milner) \$3.405 (School) Current Price: \$2.54

ABX Holdings, Inc., formerly ABX Air, Inc., is a holding company that has two principal operating businesses: ABX Air, Inc. and Cargo Holdings International, Inc. (CHI). ABX Air is an air cargo services provider operating out of Wilmington, Ohio, and 14 hubs throughout the United States. CHI is a provider of air cargo transportation and related services to domestic and

foreign air carriers, and other companies that outsource their air cargo lift requirements. ABX Air is a Part 121 operator and holds a Part 145 FAA Repair certificate. In January 2008, the Company announced that it has completed its holding company reorganization and acquired CHI. Immediately prior to the closing of the acquisition of CHI, it created a new holding company structure, with ABX Air becoming a wholly owned subsidiary of ABX Holdings, Inc.

ABX was incorporated in 1980 and provides its air cargo transportation services through a fleet of Boeing 767 and McDonnell Douglas DC-9 aircraft. ABX complements its air transport capabilities with package handling and warehousing services. Between 1980 and August 2003, ABX was an affiliate of Airborne, Inc., a publicly traded, integrated delivery service provider. On August 15, 2003, ABX was separated from Airborne in conjunction with the acquisition of Airborne by an indirect wholly owned subsidiary of DHL Worldwide Express, B.V. The merger agreement required Airborne to separate its air operations from its ground operations with the air operations being retained by ABX. At that time, ABX became an independent publicly traded company. Airborne was subsequently merged into DHL.

In 2007, ABX completed the acquisition of Orlando, Florida based Cargo Holdings International, Inc., the privately-owned parent company of CCIA and ATI. ABX acquired all of the outstanding stock, stock options and warrants of CHI for a combination of cash, shares of the Company, and debt repayment. The overall transaction value was approximately \$340 million. ABX financed the deal partially through a \$270 million unsubordinated term loan.

ABX Air is DHL's primary U.S. business partner, generating approximately \$1.1 billion in DHL revenues (ASTAR their largest competitor, generates approximately \$300-\$400 million in DHL revenue). The agreement with DHL is set to expire in 2010, but it carries an automatic three year renewal unless either party states otherwise. On a pro-forma basis, for 2007 DHL represented approximately 73% of ABX's revenue with BAX Schenker being the next largest component at 14%.

We valued ABX using two different methodologies. First we used a DCF combined with a scenario analysis. We utilized three different scenarios each representing a different level of DHL business reduction (0%, 50%, and 100%). Under these three scenarios we arrived at an average target price of \$7.32 which is 115% above our purchase price. In the event that DHL reduces or ends its business dealings with ABX, ABX holds a put right on its planes and can sell them to DHL at the higher of book or market. We conducted this liquidation analysis and arrived at a fair value of \$4.89 per share which is 43% above our purchase price.

The market is substantially discounting the company due to its revenue concentration, arbitration issues with DHL, and debt load associated with the CHI acquisition. The air-cargo industry has fantastic long-term growth prospects (particularly in Asia, where ABX has recently become a large player) which should further enhance our investment in ABX.

ADA-ES (ADES)

Portfolio:	Davidson and Milner		
Purchased:	Sept 21, 2006		
Purchase Price:	\$11.30		
Inherited Price:	\$10.49	Current Price:	\$9.56

ADES is an energy company that focuses on two main products, mercury emission control (MEC) and refined coal. These products target coal-fired power plants and are intended to reduce harmful emissions. The future of these products is dependent upon state and federal legislation. ADES recently completed tests with its Activated Carbon (AC) product which reduced mercury emissions by more than 90%. ADES expects to penetrate the AC market during the last half of 2008. With the upcoming election and ADES entering the AC market, the outlook for 2008 appears promising.

Activision, Inc. (ATVI)

Portfolio:	School		
Purchased:	Mar 7, 2008		
Purchase Price:	\$27.00	Current Price:	\$31.64

Activision Inc. (ATVI) is a leading developer and publisher for video game software. It produces games for play on hardware platforms such as Xbox, Playstation, and Nintendo, as well as portable devices and personal computers. Through the years, the company has relied primarily on a strategy of acquiring and partnering with strong developers and intellectual property right owners. This has allowed Activision to create one of the strongest product portfolios in the industry with titles including Guitar Hero, Call of Duty, and the Tony Hawk series. In December 2007, Activision announced a merger with Vivendi Games, publisher of the most popular multi-player online game (MMOG), World of Warcraft. The deal is expected to close in the first half of calendar year 2008 and the new entity, Activision Blizzard (under Activision's current ticker, ATVI) is expected to be one of the most profitable companies in the video game software publishing industry.

Aldila (ALDA)

Portfolio:	Davidson and Milner		
Purchased:	Apr 4, 2007		
Purchase Price:	\$15.93		
Inherited Price:	\$16.21	Current Price:	\$9.95

Aldila, Inc. was inherited by this class. The Company manufactures graphite golf shafts and sells them to golf club manufactures, distributors, and repair shops. The Company began manufacturing carbon fiber golf shafts in 1972 and has since developed a reputation for consistent performance. The one year target stock price from the date of purchase was set at \$19.00. Though the stock recently dropped in price, a \$5 special cash dividend was distributed on March 10, 2008. A good portion of the dividend was paid with funds received from the selling a 50% interest in Carbon Fiber Technology. The remainder was financed with a credit line from Key Bank.

Bank of New York Mellon Corp (BK)

Portfolio:	School		
Purchased:	Mar 5, 2008		
Purchase Price:	\$45.19	Current Price:	\$43.08

The class purchased shares of the Bank of New York Mellon Corporation this year as a long-term investment in the School portfolio. This school year, the market was hit hard by the “credit crunch.” Companies in the financial industry were hit the hardest. We made this purchase because we felt that all financials were being discounted while some of them had limited exposure to the sub-prime meltdown. The Bank of New York Mellon Corporation fit this description perfectly. It offered diversity in the financial sector and also a long term opportunity to capitalize on the recent unstable markets. The Bank of New York Mellon Corporation’s primary services include wealth and asset management, asset servicing, issuer services, and clearing and execution services.

Cerner Corp. (CERN)

Portfolio:	Davidson and Milner		
Purchased:	Feb 10, 2006		
Purchase Price:	\$42.10		
Inherited Price:	\$57.61	Current Price:	\$46.25

Cerner Corporation is a supplier of healthcare information technology, devices and services. The company targets organizations that range from hospitals to single-doctor practices by offering technology solutions. The company has designed software that allows doctors to access patient records electronically in a secure fashion. All software provided by the firm is tailored to meet the needs of each individual medical user. Cerner Corporation was inherited by the 2007-2008 class at a price of \$42.10. The class held the stock with belief that Cerner offered a solid business model with a growing market.

Comcast (CMCSA)

Portfolio:	School		
Purchased:	Jan 17, 2007		
Purchase Price:	\$29.99		
Inherited Price:	\$24.52	Current Price:	\$21.68

Comcast provides cable, internet, and telephony services in the U.S. It is the largest cable company in terms of number of subscribers in the U.S. Fears concerning increasing competition and future capital-spending needs have made some investors wary of Comcast. These issues require careful attention, but we believe that the strength of its competitive position will enable the firm to earn attractive returns over time.

Competition for television customers has been tough for the past several years. Satellite competitors DirecTV and EchoStar have taken virtually all of the growth across the industry,

hitting smaller and weaker cable companies particularly hard. Comcast has fared better than most, holding the number of customers served roughly flat. Given the maturity of this business, though, Comcast will probably continue to lose TV market share over the next few years as telephone companies like AT&T and Verizon more aggressively offer the service.

What clearly sets Comcast apart from its rivals, in our view, is the capability of its networks, which can offer a full complement of television, Internet, and phone services. The phone companies are entering the TV business in response to the success Comcast and other cable firms have had stealing phone customers--nearly 10% of the households in Comcast's territory have signed on for its phone service, and that figure is advancing rapidly. The phone companies are upgrading their networks to match Comcast's capability, but these efforts are time-consuming and in many cases won't produce networks superior to Comcast's. For example, Verizon, which has the most ambitious upgrade plans, currently offers TV service via its own network to less than 5% of Comcast's territory. We believe Comcast's network will be able to evolve at a reasonable cost as technology advances. In addition, nearly three fourths of the firm's current capital budget is dedicated to items that directly generate additional revenue, like new equipment in customers' homes.

Comcast's size is also an advantage. The firm's cable networks reach nearly 50 million U.S. homes--around 45% of the total--and serve 24 million customers, about 45% more than its nearest pay TV competitor. We think Comcast's size is an advantage in acquiring content and that customers benefit from the firm's ability to negotiate programming fees paid to media giants like Disney. Comcast also has deep experience creating content, particularly on a local level. While Comcast's relative size will shrink some over the next couple of years, we don't expect it to lose its leadership position, given the increased fragmentation in the industry.

Our fair value estimate is \$35 per share. We expect Comcast's television customer base will shrink only modestly over the next few years, despite increased competition, as a growing percentage of customers subscribe to multiple services, making them less likely to switch to a phone or satellite company. This assumption implies that these rivals capture all growth in the industry, though. With customers increasingly subscribing to additional services, including Internet access and digital video recorders, we think revenue growth will be strong through 2008. Beyond that, we expect that growth in subscriptions to new services will slow and competition will limit price increases, pushing revenue growth down to about 5% annually. We've included only slight growth from commercial services, but this business could prove to be a source of upside to our estimates. We expect margins to expand a bit as more customers subscribe to more than one service and slowing growth turns management's attention to cost-cutting. We think the firm's ability to use its scale to manage programming costs will be a benefit, but we do expect competition and customer demand will push this cost up as a percentage of television revenue. The firm has finished most of its network upgrades, but it will have to put more equipment in customers' homes to enable new services. The cost of this equipment is capitalized, and we expect capital spending to increase as a result. We also assume modest network upgrade spending over the next few years.

Cybersource (CYBS)

Portfolio:	Davidson and Milner		
Purchased:	Nov 28, 2007		
Purchase Price:	\$15.16	Current Price:	\$17.00

Cybersource was founded in 1996, at the beginning of E-commerce, and is considered to be the first online payment processor. Cybersource started by creating electronic payment and fraud detection technology. Products and services offered by Cybersource to assist merchants in managing transactions include payment processing services, enterprise software, and professional services.

Online retailers which largely started with accepting credit cards as a form of payment must now adapt to new forms of payment including debit cards, electronic checks, gift cards, PayPal™, and Bill Me Later® for customer satisfaction and security purposes. As E-commerce grows and expands, more merchants are going global with their online services. However, with international expansion comes greater requirements and risks, such as supporting more payment options, currency conversion, meeting regulatory requirements, and increased fraud risk. This gives fraud detection technology developers and payment processors, like Cybersource, a positive outlook for growth far into the future.

Deere & Company (DE)

Portfolio:	School Fund		
Purchased:	Nov 30, 2005		
Purchased Price:	\$34.635 (split-adjusted)		
Inherited Price:	\$64.65	Current Price:	\$86.31

John Deere has three main business segments in which it operates. Through its agricultural equipment manufacturing subsidiary, Deere manufactures and distributes a line of farm equipment and related service parts, including tractors; combine, cotton and sugarcane harvesters; tillage, seeding and soil preparation machinery; sprayers; hay and forage equipment; integrated agricultural management systems technology, and precision agricultural irrigation equipment. Through its two subsidiaries, commercial and consumer equipment, Deere manufactures and distributes equipment for commercial and residential use. Because of its big exposure to the agricultural industry, we believe this company provides the School portfolio with long term growth and exposure to a booming industry.

Garmin Ltd. (GRMN)

Portfolio:	Davidson and Milner		
Purchased:	Mar 8, 2007		
Purchase Price:	\$53.03		
Inherited price:	\$102.50	Current Price:	\$42.08

Garmin is a provider of Global Position System (GPS) technology that is found in a variety of navigation, communication, and information devices. Garmin provides GPS systems for a variety of outdoor and fitness equipment, automotive, aviation, and marine navigation equipment.

Currently there are few players in the GPS market, including Magellan and Navico Holding which are both privately held. The overall GPS market has been growing and is expected to expand. Since there are few players, the Fund believed that Garmin was well positioned to expand with the growing industry.

At the beginning of this year Garmin (GRMN) had been one of the Fund's best performers. With a beginning price of \$102, Garmin experienced approximately 20% growth. Much of this growth occurred during the last phase of the overall expanding US economy. With the significant slowing of the economy starting in the December months, Garmin was hit hard. As Garmin's value began to slip, we attributed the poor performance to generally poor market conditions and specifically to declines in the technology industry which as a whole was hit particularly hard. Garmin however, continued to plummet much lower than the industry and the market.

There are a couple of reasons for this continued decline. One reason is that Garmin was well positioned in the automotive market providing GPS technology for a variety of automotive manufactures. With the slowing market, the automotive industry has been down, which has created losses for Garmin. The other factor is that more players are starting to enter in the industry. For example cell phone providers are beginning to offer GPS in phones. While Garmin does offer some personal handheld devices, many analysts believe that it is not well positioned in the handheld market.

Since its peak in November 2007 of \$125.68 Garmin has lost approximately 66% of its value. If there are shifts in the GPS industry Garmin may not be able to regain its original position in the market. However, since Garmin does still have a strong position in some segments of the industry, mainly the automotive and aviation markets, the long-term potential of Garmin does show promise to regain value.

Greenhill and Co. (GHL)

Portfolio:	School		
Purchased:	Nov 15, 2006		
Purchase price:	\$69.73		
Inherited price:	\$57.58	Current price:	\$60.78

The 2007-2008 Student Investment Fund inherited GHL from the previous year's class. Greenhill and Co. is an independent investment banking firm with two principal divisions: financial advisory and merchant banking. Its financial advisory division focuses primarily on financial advisory services including mergers, acquisitions, and restructurings, and constitutes roughly 90% of its revenues. GHL's merchant banking funds—Greenhill Capital Partners I and

II—focus on financial services, energy, and telecommunications companies and constitute 10% of revenues.

The Student Investment Fund decided to continue to hold GHL both because of its solid management and consistent revenue growth and because it was the fund's only exposure to the financial industry. The fund also felt that it would be immune to the increasing credit problems in the financial industry. Since inheriting the stock, its price has been volatile, trading between \$60 and \$80 despite beating estimates in 3Q and 4Q 2007. The fund may want to consider selling GHL on an upswing near \$80.

Icon PLC. (ICLR)

Portfolio:	Davidson and Milner		
Purchased:	Feb 3, 2005		
Purchase price:	\$16.97 (split adjusted)		
Inherited price:	\$43.19	Current price:	\$73.01

Icon PLC is a contract research organization offering outsourced clinical trial services to the pharmaceutical, medical devices, and biotechnology industries. Headquartered in Dublin, Ireland, Icon provides services covering the entire spectrum of product trials and introduction ranging from drug compound selection through phase IV of the clinical drug trial series and FDA or comparable governmental approval. The company has seen remarkable growth over the past few years and is currently pursuing entrance into the Japanese Pharmaceutical industry.

This year the fund inherited Icon from the previous managers at \$43.19 split-adjusted. The Fund continued to hold the stock based on its continued strong corporate performance.

iShares S&P 500 Value Index (IVE)

Portfolio:	Milner		
Purchased:	Mar 14, 2007		
Purchase price:	\$75.49		
Inherited price:	\$78.42	Current price:	\$71.74

IVE is an exchange traded fund of S&P 500 value stocks. The proportion of cash in the Milner portfolio exceeded the proportion of cash in the Davidson portfolio. To keep the relative weighting and performance of the two portfolios equal, we needed to find place for the excess cash. IVE balances the cash in the two portfolios and gives us exposure to the market without creating an advantage for either portfolio.

Luxottica Group SpA (LUX)

Portfolio:	School		
Purchased:	Feb 14, 2007		
Purchase Price:	\$31.65		
Inherited Price:	\$33.60	Current price:	\$28.97

Luxottica Group SpA designs, manufactures, and distributes designer prescription glasses and sunglasses. Headquartered in Italy, the company distributes its products worldwide through mid- to premium-priced retailers under the brand names of Prada, Versace, DKNY, Anne Klein, and many others. The company recently acquired Oakley Inc., a leading manufacturer of high-end sunglasses, which is expected to contribute significantly to Luxottica's overall sales.

Microsoft (MSFT)

Portfolio:	School		
Purchased:	Mar 15, 2004		
Purchase Price:	\$25.23		
Inherited Price:	\$28.07	Current price:	\$29.39

In the past Microsoft has focused primarily on software products including Windows operating systems, server software, personal communication services and online information, online advertising, and Microsoft office. In recent years Microsoft has expanded into the entertainment industry with both hardware and software. Main hardware products include the Xbox, Xbox 360, and the Zune, while software includes third party games, publishing games under the Microsoft brand, Xbox Live, PC games, and online games. On February 1, 2008, Microsoft announced a \$44 billion, \$31 a share bid for Yahoo. As of April 15, no agreement has been made by the two parties. Some at Yahoo value the shares at \$40, while Microsoft management is being criticized by pursuing Yahoo and not putting the money to better use.

Occidental Petroleum (OXY)

Portfolio:	Davidson and Milner		
Purchased:	Jan 30, 2006		
Purchase Price:	\$47.15 (split-adjusted)		
Inherited Price:	\$54.56	Current Price:	\$87.85

Occidental Petroleum, based out of Los Angeles, CA, specializes in oil and natural gas exploration and development within the United States and internationally. Current operations are based in several areas throughout the world, with the largest sites located in the USA, Qatar, Yemen, Colombia, and Ecuador. The company's long-term growth is driven by the acquisition of smaller oil and gas companies, as well as the acquisition of development contracts with Middle Eastern countries. In addition to OXY's oil and natural gas division, the company also manufactures and markets basic chemicals and other chemical products, but this division makes

up a small percentage (approximately 11% pre-tax operating profits) of the company's operations.

OXY's earnings have soared due to record oil prices, coupled with higher gas prices, and consequently its share price has soared as well. OXY recently reported record first quarter 2008 earnings, with a jump of 52% over first quarter 2007.

Research in Motion (RIMM)

Portfolio:	Davidson and Milner		
Purchased:	Nov 14, 2007		
Purchase Price:	\$115.53	Current Price:	\$132.77

Research in Motion provides wireless solutions and platforms for the mobile communications market. It also develops hardware, software, and service for most wireless network carriers. The company specializes in providing time sensitive information to clients, and offers a wide variety of third party applications to enhance their product base. RIM is known for BlackBerry solutions and organizational technologies. The class purchased 65 shares at \$115.53 with expectations to diversify its investments in technology.

Seagate Technology (STX)

Portfolio:	School		
Purchased:	Nov 3, 2005		
Purchase Price:	\$15.54		
Inherited Price:	\$24.25	Current Price:	\$20.23

Seagate Technology (STX) is a manufacturer of hard disc drives that can be primarily be found in servers, desktops, notebooks, and external drives. Seagate also provides products for mobile devices, DVRs, and gaming devices. STX sells a large portion of its drives to Original Equipment Manufacturers (OEMs), who in turn market the drives under the company's own brand name. In the FYE 2007 approximately 64% of its sells have come from OEMs.

At the beginning of the year STX's stock hovered in the mid \$20s before it eventually climbed to a high of \$28.91. After its peak in November it eventually has cycled up and down and since March it has experienced a downward trend and is currently in the \$19 range. In analyzing the stock's price over the last three years, it is pretty common for Seagate to cycle to the upper \$20s towards the end of the calendar year and down to the lower \$20s entering the summer months.

Currently Seagate has been developing nanotechnology that would allow the company to build larger storage drives that are physically smaller than its current product. The success of this nanotechnology is expected to bring significant value to the firm. Most analysts suggest that Seagate has a high target stock price of \$38 and a low of \$18, with a median of \$24.

It is recommended that the fund hold Seagate in order to allow the stock price to follow the cycle back up in value. Over the past three years Seagate has safely held its value, but has not made money. Since there currently is sufficient cash in the fund, we recommend holding Seagate, as there is potential for the nanotechnology to come online for significant profits. If the fund runs low on cash, Seagate would be a good investment to cash out and apply towards an investment that may have higher returns.

SPDR S&P BRIC 40 (BIK)

Portfolio:	School		
Purchased:	Jan 16, 2008		
Purchase Price:	\$29.344	Current Price:	\$32.24

BIK is an ETF designed to track the total return performance of the S&P Bric 40 index, a market cap weighted index of 40 leading companies based in the emerging markets of Brazil, Russia, India, and China. Due to the superior returns of the emerging markets and the slowdown in the U.S. economy, the Fund decided to purchase BIK to further diversify the School Fund.

Westinghouse Air Brake Technologies Corp. (WAB)

Portfolio:	Davidson and Milner		
Purchased:	Nov 8, 2006		
Purchase Price:	\$31.48		
Inherited Price:	\$38.00	Current Price:	\$44.35

The 2007-2008 Student Investment Fund inherited WAB from the previous year's class. Westinghouse provides original equipment manufacturing and aftermarket services for the rail industry worldwide. It's business has two main segments: freight group and transit group. Its freight group manufactures and services components for new and existing freight cars and locomotives. Its transit group manufactures and service components for passenger transit vehicles, primarily subway cars and buses.

The Student Investment Fund decided to continue to hold WAB for a few reasons. First, its transit growth outlook was strong based on high fuel costs, environmental concerns, federal funding for public transportation, and increasing public transit ridership. Second, WAB continued to acquire new contracts and its backlog was high (well above \$1 billion) with projects guaranteed through 2016. Third, in 2007, the Federal Government proposed a new brake rule that would cost the rail industry \$1.5 billion to update and install brakes and WAB was one of two companies to manufacture and install the new brakes. Also in 2007, WAB's "Electronic Train Management System" which is considered the next big thing in rail to improve stopping distance and handling, gained approval.

WAB's outlook continues to remain positive. Recently, in Q1 2008, WAB beat estimates by 27% and raised its 2008 outlook based on strong growth in both its transit and freight business.

Whole Food Market Inc. (WFMI)

Portfolio:	School		
Purchased:	Jan 23, 2008		
Purchase price:	\$37.97	Current price:	\$32.78

Whole Foods Market Inc. is the largest natural and organic grocer in the US. It also operates in the UK, and Canada. Whole Foods not only distributes products but it also produces its own organic food lines. The chain offers produce, seafood, grocery, meat and poultry, baked goods, prepared foods, as well as specialty products and nutritional supplements. Whole Food also carries household, pet, garden, and educational products. Last year the company continued its aggressive growth strategy through the acquisition of its largest competitor, Wild Oats. The company currently operates over 270 stores, and is in the process of converting the former Wild Oats properties into Whole Foods Markets. Whole Foods is a leading green company on all fronts and capitalizes on the social and demographic movements sweeping the US.

SUMMARY OF STOCKS SOLD

This section describes stocks we sold during the year.

AAR Corp. (AIR)

Portfolio:	Davidson and Milner		
Purchased:	Oct 14, 2004	Sold:	Apr 17, 2008 (Davidson)
Purchase Price:	\$11.20		May 6, 2008 (Milner)
Inherited Price:	\$31.33	Sale price:	\$21.294 (Davidson)
			\$24.522 (Milner)

AAR Corp was inherited by this class and its successful history in the portfolio prompted us to continue to hold it. AAR Corp maintains and supplements aircraft that are already in service as well as sells and leases new aircraft. AAR Corp operates in four divisions: aviation supply chain, maintenance/repair, structures and systems, and aircraft sales and leasing. The US military accounts for approximately one-third of its revenue. Nearly half of its revenue is generated from the sale of aircraft parts. We recently sold AAR Corp as a result of an extreme decline in share price. The sharp decline in value was due to the release of an FAA report dating back to 2001. The report noted an AAR Corp. service center in Miami had improperly maintained landing gear parts and returned them approved for service. Following the release of the report, shares steadily declined. We sold our position in April and May, anticipating poor future earnings performance.

American Mortgage Acceptance Company (AMC)

Portfolio:	School		
Purchased:	Mar 16, 2007	Sold:	Jan 16, 2008
Purchase Price:	\$9.84		
Inherited Price:	\$8.70	Sale price:	\$1.03

American Mortgage Acceptance Company is an REIT that purchases and originates mortgages on multi-family and commercial properties. Its loan portfolio is primarily dominated by first mortgage loans, with a smaller emphasis on mezzanine and bridge loans. The company's stock dropped to almost one tenth of its purchase price, due almost entirely to the ongoing mortgage crisis. We sold it on January 16, 2008, at \$1.03 to avoid experiencing a complete loss.

Astronics Corporation (ATRO)

Portfolio:	Davidson and Milner		
Purchased:	Nov 28, 2007	Sold:	Apr 1, 2008
Purchase Price:	\$52.20	Sale Price:	\$20.26

Astronics Corporation is a supplier of lighting, electronic and power distribution systems in the aerospace industry. The company sells its products to a vast range of consumers including the US military, major airlines, and private-jet manufacturers all around the world. In recent years Astronics developed a patented technology for outside aircraft lighting that has no battery or recharging needs. Major contracts were won across the private-jet industry suggesting high growth and improving revenues in year to come. Unfortunately, two months after buying the stock, the company lost two major contracts with the military to its biggest competitor beating the stock down to \$20 a share. We believe this was a buy that was timed badly and decided to sell because we foresee bigger gains in other industries.

Cytec (CYTC)

Portfolio:	Davison and Milner		
Purchased:	Feb 20, 2007	Sold:	Oct 22, 2007
Purchase price:	\$30.50		
Inherited price:	\$41.00	Sale Price:	\$16.50 cash plus 0.52 shares Hologic per share Cytec*

*Cytec was acquired by Hologic on October 22, 2007 (HOLX closed at \$32.81 that day)

Cytec Corporation was involved in the design, development, and manufacturing of diagnostic and surgical instruments, with a focus on the screening and treatment of cancer in women. Cytec produces screening instruments for cervical cancer, breast cancer, and other women's health related products. Cytec's ThinPrep cervical cancer diagnostic system is the most widely used cancer screening system in the US and it continues to show strong growth globally.

Harris and Harris Group (TINY)

Portfolio:	Davidson and Milner		
Purchased:	Feb 16, 2005	Sold:	Sept 12, 2007
Purchase Price:	\$14.08		
Inherited price:	\$10.76	Sale Price:	\$10.134

Harris & Harris is a publicly traded venture fund that invests in “tiny” technologies including nanotechnology, microsystems, and microelectromechanical systems (MEMS). The company operates as a Business Development Company (BDC) under the Investment Company Act of 1940. The Company makes investments in small and start up private companies. Its investment portfolio consists of 27 companies including Chlorogen, Nanosys, and Optiva Incorporated.

The fund chose to purchase Harris & Harris on the premise that nanotechnology had strong growth and new technology potential. A venture fund was chosen in order to diversify among many companies and technologies as well as utilizing the venture fund’s technical knowledge of nanotechnologies.

We sold Harris & Harris because of underperformance with a negative outlook for future earnings potential. Also, the private companies it held were virtually impossible to price because of the lack of public information.

Hologic Inc. (HOLX)

Portfolio:	Davidson and Milner	Sold:	May 5, 2008 (Davidson)
Purchased:	Oct 22, 2007		May 6, 2008 (Milner)
Purchase price:	\$32.81 (split adjusted)	Sale Price:	\$24.489 (Davidson) \$22.50 (Milner)

Hologic Inc. is a diversified medical technology company that specializes in women’s health products. Hologic develops, manufactures and distributes advanced medical imaging systems as well as cancer screening and pre-term birth diagnostic tests. It also produces products used for bone density testing as well as several products used in the treatment of breast cancer. Hologic distributes its products through a combination of direct sales and an international network of independent distributors. Hologic and its subsidiaries operate in the US, Europe, Latin America, and the Pacific Rim. We sold after the company experienced poor stock price performance on weak earnings.

Interactive Intelligence (ININ)

Portfolio:	Davidson and Milner		
Purchased:	Nov 1, 2006	Sold:	Oct 4, 2007
Purchase Price:	\$16.90		
Inherited price:	\$20.97	Sale Price:	\$20.98

Interactive Intelligence, Inc. provides communication software to businesses to integrate customer service over telephone, fax, and internet. The software runs with software from major business application programs and allows companies to use Voice over IP technology, thereby lowering costs. The company offers a product that improves performance and lowers the cost for companies with significant customer interaction. We believed this market would grow significantly and the market had not fully priced the growth opportunities. Eleven months after

our purchase, we reexamined the future outlook of Interactive Intelligence and decided the stock price had already captured all of the future value of the company's operations. We sold a total of 300 shares at approximately 24% above our purchase price at \$20.98 excluding transaction fees of \$84.51 and \$95.90 for Davidson portfolio and Milner portfolio respectively.

iShares Russell 2000 Growth Index (IWO)

Portfolio:	Davidson and Milner		
Purchased:	Dec 8, 2004	Sold:	Jan 16, 2008
Purchase Price:	\$65.23		
Inherited Price:	\$82.68	Sale Price:	\$75.97

IWO is an exchange-traded fund of Russell 2000 growth stocks. Prior managers had invested in the ETF to increase the fund's market exposure in December 2004 intending to eventually sell the shares and invest in specific companies. The high level of uncertainty that prevailed in the market throughout the year, combined with an expectation of further bad news, prompted us to sell this position on January 16, 2008.

Liberty Property Trust (LRY)

Portfolio:	Davidson and Milner		
Purchased:	Apr 25, 2007	Sold:	Aug 30, 2007
Purchase Price:	\$49.19		
Inherited Price:	\$38.59	Sale Price:	\$37.573

We took over the fund in the middle of a widespread credit crisis in which loans were scarcely available for firms and individuals interested in investing. In the midst of a financial contagion which began domestically and has now spread globally, we hypothesized that REITs would suffer as a result of a softening real estate market, beginning with residential values and continuing by the erosion of land values and values associated with certain types of commercial real estate properties.

In response to this thesis, we sold our position in Liberty Property Trust (LRY), a publicly-traded real estate investment trust which manages a portfolio of industrial and office properties through leasing, property management, development, acquisition, and other tenant-related activities. LRY was purchased at \$49.19 a share on April 25, 2007. Our fund acquired the stock at \$36.17 per share. We chose to sell the shares on August 31, 2007. This proved to be beneficial to the fund, as the share price would continue to drop to \$25.35 per share at one point. Rising slightly over several months, the stock would close at \$33.22 per share on April 15, 2008.

Minerals Technologies, Inc (MTX)

Portfolio:	School		
Purchased:	Nov 16, 2005	Sold:	May 5, 2008
Purchase Price:	\$55.91		
Inherited Price:	\$65.46	Sale Price:	\$66.86

Minerals Technologies, Inc. was purchased by the 2005 Student Investment Fund. The firm produces and markets specialty synthetic products through its mineral and refractories divisions. The mineral division produces precipitated calcium carbonate (PCC) which is used to whiten paper, polymers, and teeth. Many of the firm's facilities are adjacent to paper mills, as paper mills are the heaviest consumers of PCC. The refractories division produces monolithic and pre-cast refractory products, which are used to coat steel, cement, and glass production surfaces with high-temperature-resistant material.

The share price remained relatively flat until the end of December, at which point a Chinese competitor (Shengdatech, Inc.) announced that it had developed a process for nano PCC production which could make old methods of production obsolete. This news had a significant impact on the share price of Minerals Technologies, but the price recovered as it was found that the Shengdatech reports may have been overly ambitious.

The fund decided to hold its position in Minerals Technologies, Inc. because it brought exposure to the basic materials sector, combined with potential for higher margins due to its specialized products. In May, we decided to sell our position, as it appears Minerals Technology is not developing new technology at the same pace as its competitors.

Starbucks (SBUX)

Portfolio:	Davidson and Milner		
Purchased:	Apr 25, 2007	Sold:	Aug 30, 2007
Purchase Price:	\$31.76		
Inherited Price:	\$27.35	Sale Price:	\$27.25

Starbucks is known for its gourmet coffee, although it has expanded its products to include coffee accessories, premium teas, CDs, ready-to-drink beverages, and ice cream. Since the market downturn last fall Starbucks has faced serious challenges including increased ingredient costs and the weak consumer environment, particularly in the U.S. As a result Starbucks has cut back on its plans to open new stores in the U.S. We sold the stock shortly after inheriting the portfolio in anticipation of softening demand. The stock price has dropped 36% to \$17.32 from \$27.25, the price at which we sold the stock.

Tetra Technologies (TTI)

Portfolio:	School Fund		
Purchased:	Nov 1, 2006	Sold:	Jan 16, 2008
Purchased Price:	\$24.56		
Inherited Price:	\$18.78	Sale Price:	\$15.00

Tetra Tech competes in the oil and gas industry. The company has three divisions: fluids, well abandonment and decommissioning (WA&D), and product enhancement. Its fluids division manufactures and markets brine fluids, additives, and other associated products and services to the oil and gas industry for use in well drilling, completion, and workover operations both domestically and internationally. The WA&D division consists of two operating segments: WA&D Services and Maritech. The production enhancement division provides production testing services to the Texas, New Mexico, Louisiana, offshore Gulf of Mexico, and certain international markets. The stock took significant decrease in price through July 2007 after announcing a decrease in revenues and earnings because of the balance sheet impact recent hurricanes had had on its infrastructure.

PRESENTATIONS TO PROFESSIONALS

In January 2001, the University of Utah Student Investment Fund made its first presentation to members of Utah's business and investment community. Dick Pratt, Chairman of Richard T. Pratt Associates, hosts what has become a biannual event. The presentations give the Student Fund Managers the opportunity to prepare and deliver stock market recommendations to a highly respected professional audience and to receive feedback on their work. During the 2007-2008 school year, students gave two presentations to local professionals, pitching ABX Holdings, Inc. (ATSG) and Activision, Inc. (ATVI).

ABX Holdings, Inc (ATSG)

On February 12, 2008, we presented a recommendation to buy ABX Holdings. The following community members attended our presentation.

Brad Baldwin	Commerce CRG
Phil Clinger	Merrill Lynch
Matt Crouse	Western Investment LLC
Paul Dougan	Equity Oil Company
Fred Fairclough, Jr.	Bonneville Mortgage Co.
Hal Milner	Kensington Company
Rich Potashner	Merrill Lynch
Dick Pratt	Richard T. Pratt Associates
Don Rands	Zions Bank
Greg Schow	Lunt Capital Management
Jon Shear	University of Utah Investments Office

Ryan Snow
Greg Thornton
Rex Thornton
Bill Wirthlin

Wasatch Advisors
D.A. Davidson
D.A. Davidson
Assoc. Title/First American Title

ABX Holdings, Inc. provides cargo-shipping services throughout the world. Currently most of their operations are domestic; however the company has been expanding internationally. Recently ABX Air secured a contract with All Nippon Airways (ANA), a Japanese Carrier. This partnership marks the first time the Japanese Civil Aviation Bureau has approved a foreign carrier. ABX has found its niche in the packaging industry in the business-to-business market. Larger delivery companies, such as Federal Express and United Parcel Service, focus on the business-to-consumer and consumer-to-consumer markets. A major component of ABX Holdings is its ACMI services (aircraft, crew, maintenance, insurance) that it contracts with most of its partners.

ABX Holdings' subsidiary, ABX Air, Inc. has been in operation since 2003 when the company spun off from Airborne Express, Inc. ABX Air provides overnight services throughout the United States and Canada and delivers to most locations in Central and South America. Currently, ABX Air's largest customer is DHL Worldwide Express, B.V., which accounts for approximately 90% of ABX Air's revenues. While globally DHL has been very profitable, it has had difficulty expanding into the United States. ABX Air is one of two companies with which DHL contracts for deliveries.

The other major carrier for DHL's North American operations is ASTAR Air Cargo. ASTAR offered to purchase ABX Air in July 2007 for approximately \$450 million, or \$7.75 a share. ABX Air along with Goldman Sachs felt that the price was insufficient, and therefore ABX Air rejected the bid. Since turning down the bid, ABX's stock price has steadily declined.

In addition to rejecting the buyout bid, another contributing factor to the declining price of ABX has been the uncertainty of its relationship with DHL. DHL was a strong proponent of the buyout, and the rejection has further strained the relationship of the two companies. This is evidenced by the fact that DHL has requested the repayment of a \$92 million promissory note, which ABX currently only pays interest of 5%. Also, since the North American operations of DHL have yet to be profitable, many feel that there is potential for DHL to pull its operations from North America.

In an attempt to diversify from its major partner, DHL, ABX acquired Cargo Holdings International (CHI) at the end of 2007 for a purchase price of \$332 million. The acquisition adds approximately \$300 million in revenue, and ABX management has indicated that the acquisition will be accretive in 2008. Not only will the acquisition of CHI provide additional revenue, but it also allows ABX to diversify its services. One of the largest customers of CHI is the US government, with CHI providing military passenger transport services. The acquisition was financed by Suntrust Bank, and included refinancing of the aircraft for both ABX and CHI. Suntrust has also promised to refinance the \$92 million DHL promissory note if it becomes necessary. Currently \$61 million is being held in escrow for this purpose.

Going forward from the CHI purchase, ABX can be broken into three main business segments: the DHL business, the non-DHL charter business, and the CHI business. Each of these segments is expected to grow at a different rate. Over the last three years the DHL business has had an average growth of approximately 3%. That growth however includes a 15% decline in the last fiscal year reported. DHL's North American operations are struggling, and the future growth of the segment is expected to be stagnant. While the DHL business consists of 90% of the revenues for ABX, it provides the lowest margins, 1.6% in the last fiscal year. In contrast, the non-DHL revenues for ABX have experienced rapid growth. In the last year, revenue growth of the non-DHL business was approximately 140% and revenue growth is expected to continue in the future. In addition to its strong growth rates, the non-DHL segment provides higher net margins of about 28%. Since CHI was privately held, less information is available on its financials. CHI revenues were approximately \$300 million at the acquisition date with margins of about 6%.

The following key recent events have affected ABX's recent stock price. (Red Mountain Capital described in the timeline is a California-based hedge fund that has recently invested in the stock.)

- Nov. 5, 2007 - DHL overhead expense dispute
- Dec. 31, 2007 - CHI Acquisition closes
- Jul. 2, 2007 - ASTAR bids for ABX
- Jan. 14, 2008 - DHL demands payment of promissory note
- Jan. 23, 2008 - All Nippon Airways extends ACMI agreement
- Feb. 7, 2008 - Red Mountain Capital signs confidentiality and standstill agreement

As of the close of the market on February 11, 2008, the price of ABX was \$3.30. We recommend that the Student Investment Fund purchase \$6,000 worth of stock with the Davidson and Milner Funds, and purchase \$2,000 worth of stock in the School Fund. This recommendation is based on our projected value of the firm in the range from \$5.31 to \$7.01 per share.

Activision, Inc. (ATVI)

On April 8, 2008, we presented a recommendation to buy Activision. The following community members attended our presentation.

Brad Baldwin	Commerce CRG
Dave Broadbent	Ivory Homes
Matt Crouse	Western Investment LLC
Jono Gardner	Gardner Development
Jake Garn	Summit Venures
Sterling Jenson	Wells Fargo
Adam Martin	Richard T. Pratt Associates
Brent Maxfield	KPMG (retired)
Hal Milner	Kensington Company

Mori Paulsen
Rich Potashner
Don Rands
Greg Schow
Rex Thornton

Morgan Stanley
Merrill Lynch
Zions Bank
Lunt Capital Management
D.A. Davidson

Activision Inc. (ATVI) is a leading developer and publisher for video game software. A \$9.5 billion industry in 2007, the video game software industry experienced 28% growth over the last year and is the fastest growing industry within the entertainment sector. Activision is an \$8 billion company within this industry and generated \$1.51 billion in revenue and \$86 million in net income in 2007. Activision produces games for play on hardware platforms such as Xbox, Playstation, and Nintendo, as well as portable devices and personal computers. The company relies primarily on a strategy of acquiring and partnering with strong developers and intellectual property right owners. In seeking strong companies, Activision looks for products that can appeal to a wide range of players, create successful sequels, and produce high margins. Activision uses a "Greenlight process" that ensures it produces only high-quality games, such as Guitar Hero, Call of Duty, and the Tony Hawk series.

In December 2007, Activision announced a merger with Vivendi Games to create a new entity, Activision Blizzard under Activision's current ticker, ATVI. The deal is expected to close in the first half of calendar year 2008 and is expected to make Activision Blizzard one of the most profitable companies in the video game software publishing industry. The most important rationale behind the merger is the complementary nature of Activision's and Vivendi's product line. The merger brings together Activision's solid franchise titles and strength in console games with Vivendi's Blizzard unit, that is the creator of World of Warcraft, the largest massive multi-player online game (MMOG) in the world. Activision's strong titles lend themselves well to hit sequels, while World of Warcraft provides consistent revenues through its over 10 million subscribers. Activision also hopes to penetrate its hit titles into the rapidly growing Asian market, where Blizzard currently has a stronger position.

In addition to the strength of Activision Blizzard's product portfolio, the merger will also create operational synergies that will create some of the best operating margins in the industry. We value Activision as a stand-alone entity and Activision Blizzard in order to compare Activision against the combined revenues and operational synergies of Activision Blizzard. Based on discounted cash flow and multiples analysis, we achieve a price range of \$28.18 to \$34.20 for Activision and \$30.32 to \$35.70 for Activision Blizzard.

Based on our analysis of Activision and Activision Blizzard, we presented a BUY recommendation for Activision based on our per share value of \$28.18 at the low end and \$35.70 at the high end with Activision Blizzard. We purchased Activision for the Fund at \$27 per share.

R.I.S.E. VIII GLOBAL STUDENT INVESTMENT FORUM

The annual RISE Forum is a student investment education conference held in Dayton, Ohio and is sponsored by the University of Dayton. The 2008 conference was held from March 27-29 and 11 members of the Student Investment Fund and the Top Jobs Finance Honor Society represented the University of Utah at the event. The mission of the forum is to bring leading students, faculty, and investment professionals together in an interactive learning environment to discuss issues facing today's and tomorrow's investment professionals.

The first day of the conference consisted of discussions from several panels of internationally renowned industry experts and leaders. The panels focused on topics such as the domestic and global economies, securities markets, corporate governance, and regulatory issues. The day was also historic as visitors participated in the first remote closing of the NASDAQ stock exchange from a college campus.

On the second day of the conference, participants attended a variety of workshops with panel discussions from industry professionals. Topics included portfolio management, equity research, forensic accounting methods, principles of socially responsible investing, and the future of the investment management profession. Following the four workshop sessions, participants attended a dinner at the nearby National Museum of the U.S. Air Force where Mark S. Casady offered a special keynote presentation about the state of the financial services industry.

On the final day of the conference participants attended two sessions of career strategy forums. Topics included careers in sales and trading, venture capital, banking and capital markets, and wealth and asset management.

SPEAKERS

Ray Phillips

Fund Alumnus

August 21, 2007

Topic: Intro to Student Investment Fund/Lessons Learned

Ray Phillips started the year off, by giving an introduction and background to the Student Investment Fund. He gave an overview of the funds holdings and gave sell/hold suggestions for a few of the stocks in the fund. Mr. Phillips also gave a brief lesson on different investment strategies in which the fund could engage. As an alumnus of the fund, he also briefly mentioned a few lessons learned from the previous year's fund.

Ryan Snow

Portfolio Manager, Wasatch Advisors

September 4, 2007

Topic: Evaluating Stocks/Investment Philosophy

Ryan Snow shared with us his investment philosophy, emphasizing that earnings growth is the most highly correlated with stock price in the long run. He gave the fund advice on how to find what he called, “America’s Best Growth Companies” (ABGCs). According to Snow, ABGCs were companies with historical economic excellence, an intriguing business model, capable management, compelling growth opportunities, sustainable competitive advantages, and reasonable valuation. He also emphasized the importance of identifying big picture themes (such as outsourcing or going green), that could lead to an industry or company outperforming the market in the next few years or over the next decade.

Fred H. Dickson

Chief Market Strategist, D.A. Davidson & Co.

November 6, 2007

Topic: 2008 Market Outlook

Fred Dickson provided his market outlook for 2008, including both bull and bear issues. He began by emphasizing the simple principle that changes in expectations is the main driver behind why people buy and sell. Mr. Dixon pointed out that to analyze the market is to determine how expectations will change. Some of Mr. Dickson’s 2008 bull issues included increased M&A activity, global economic expansion, attractive valuation levels, and high liquidity in the market. His bear issues included slowing economic growth, credit and housing troubles, and a weak dollar and inflation. He also emphasized larger trends such as nanotechnology, alternative energy, agribusiness, and development in China/India. In retrospect, many of the issues Mr. Dickson emphasized have been major drivers in the market and will likely continue for the rest of 2008.

Hal Milner

April 22, 2008

Topic: Business Ethics and Life Lessons

Hal Milner spoke on ethics and provided a few words of wisdom for the future. Mr. Milner began by making the point that we as students and soon-to-be graduates have already won a lottery in life due to our very fortunate conditions, and that our opportunities for the future are bright. He began by telling of his Uncle Lester who worked for the carnival and used skills to tempt carnival goers to play a rigged game. Yet despite the competitive and seemingly unethical business environment that Mr. Milner described, he provided a few thoughts on how to operate ethically and still win. He summed up his advice by sharing a quotation from Apple CEO, Steve Jobs: “We don’t get a chance to do that many things and every one should be really excellent. Life is brief and then you die. So it’d better be damn good.”

RECEPTION HONORING D.A. DAVIDSON AND HAL MILNER

On November 19, 2007, we hosted a reception to thank D.A. Davidson and Hal Milner for their generous donations to the Student Investment Fund. As part of the profit-sharing arrangement, the Student Investment Fund received donations of over \$8,000, which we invested in the School portfolio.



ANALYSIS OF HOLD AND SELL DECISIONS

The tables below analyze our decisions to sell or hold the stocks in the Davidson, Milner, and School portfolios. For stocks we sold, the table uses the May 9, 2008, closing price to compute the percentage loss avoided (if the stock price fell) or implicit loss (if the stock price rose) from our selling point. For the stocks we held at some point during our tenure, we compute the implicit percentage loss from the 2008 closing high (or, for stock we acquired in 2008, the highest price from the date we acquired the stocks) either as of the date we sold or as of May 9, for stocks still in our portfolio. This implicit loss calculation for stocks we currently hold represents the implicit cost of holding a stock past its 2008 peak.

Davidson and Milner Portfolios

Davidson Portfolio							
Ticker	Shares	Date Sold	Sales Price	Current Price (May 9)	% Gain (Loss) from Sale	2008 High Price	% Loss from 2008 High
Stocks We Sold							
SBUX	90	30-Aug-07	27.250	15.86	41.80%	20.45	33.25%
LRY	45	30-Aug-07	37.573	35.19	6.34%	36.14	3.97%
TINY	75	12-Sep-07	10.134	7.96	21.45%	8.66	17.02%
ININ	135	4-Oct-07	20.980	11.73	44.09%	26.06	-19.49%
IWO	125	16-Jan-08	75.972	77.51	-2.02%	82.10	-7.46%
ATRO	40	1-Apr-08	20.260	16.35	19.30%	41.87	-51.61%
AIR	200	17-Apr-08	21.294	20.44	4.01%	37.38	-43.03%
HOLX*	90	5-May-08	24.489	22.18	9.43%	35.66	-31.33%
Stocks We Hold							
ICLR*	150	N/A	73.01	N/A	N/A	74.170	-1.56%
OXY*	54	N/A	87.850	N/A	N/A	89.170	-1.48%
CERN	45	N/A	46.250	N/A	N/A	59.590	-22.39%
ADES	225	N/A	9.560	N/A	N/A	11.300	-15.40%
WAB	45	N/A	44.350	N/A	N/A	44.44	-0.20%
GRMN	45	N/A	42.080	N/A	N/A	92.1	-54.31%
ALDA	115	N/A	9.950	N/A	N/A	17.28	-42.42%
RIMM	25	N/A	132.770	N/A	N/A	133.18	-0.31%
CYBS	120	N/A	17.000	N/A	N/A	18.5	-8.11%
BIK	100	N/A	32.240	N/A	N/A	32.8	-1.71%
ATSG	565	N/A	2.540	N/A	N/A	3.47	-26.80%

* split adjusted

Milner Portfolio							
Ticker	Shares	Date Sold	Sales Price	Current Price (May 9)	% Gain (Loss) from Sale	2008 High Price	% Loss from 2008 High
Stocks We Sold							

SBUX	90	30-Aug-07	27.250	15.86	41.80%	20.45	33.25%
LRV	45	30-Aug-07	37.573	35.19	6.34%	36.14	3.97%
TINY	75	12-Sep-07	10.134	7.96	21.45%	8.66	17.02%
ININ	135	4-Oct-07	20.980	11.73	44.09%	26.06	-19.49%
IWO	125	16-Jan-08	75.972	77.51	-2.02%	82.10	-7.46%
ATRO	40	1-Apr-08	20.260	16.35	19.30%	41.87	-51.61%
AIR	200	6-May-08	24.522	20.44	16.65%	37.38	-34.40%
HOLX*	90	6-May-08	22.500	22.18	1.42%	35.66	-36.90%
Stocks We Hold							
ICLR*	150	N/A	73.01	N/A	N/A	74.170	-1.56%
OXY*	54	N/A	87.850	N/A	N/A	89.170	-1.48%
CERN	45	N/A	46.250	N/A	N/A	59.590	-22.39%
ADES	225	N/A	9.560	N/A	N/A	11.300	-15.40%
WAB	45	N/A	44.350	N/A	N/A	44.44	-0.20%
GRMN	45	N/A	42.080	N/A	N/A	92.1	-54.31%
IVE	75	N/A	71.740	N/A	N/A	75.35	-4.79%
ALDA	115	N/A	9.950	N/A	N/A	17.28	-42.42%
RIMM	25	N/A	132.770	N/A	N/A	133.18	-0.31%
CYBS	120	N/A	17.000	N/A	N/A	18.5	-8.11%
BIK	100	N/A	32.240	N/A	N/A	32.8	-1.71%
ATSG	565	N/A	2.540	N/A	N/A	3.47	-26.80%

* split adjusted

Generally, the stocks we sold were worth less on May 9 than on the day we sold them. Of the eight stocks we sold, only IWO increased from the sale date to May 9, but only by 2.02%. Obviously the seven other stocks represent a good sell decision. Four of the five stocks we sold in 2007 were all sold at prices exceeding their 2008 high prices. However, of the four stocks we sold in 2008, three of the four stocks were sold at discounts in excess of 30% of their 2008 highs.

Of the 12 stocks we hold in the Davidson and Milner portfolios, half are within 2% of their 2008 closing high, indicating that our decision to hold these stocks has, thus far, been a good one. However, a third of the stocks we hold are at least 20% off of their 2008 closing high. One of those four stocks, Aldila (ALDA) paid a substantial dividend of about 30% of its high price for 2008, which partly explains the significant price drop.

School Portfolio							
Ticker	Shares	Date Sold	Sales Price	Current Price (May 9)	% Gain (Loss) from Sale	2008 High Price	% Loss from 2008 High
Stocks We Sold							
AMC	200	16-Jan-08	1.03	1.21	-17.48%	2.59	-60.23%
TTI	100	16-Jan-08	15.00	18.61	-24.07%	18.98	-20.97%
MTX	50	5-May-08	66.86	69.37	-3.75%	70.78	-5.54%
Stocks We Hold							
MSFT	200	N/A	29.39	N/A	N/A	36.610	-19.72%
STX	100	N/A	20.23	N/A	N/A	27.980	-27.70%
DE*	70	N/A	86.31	N/A	N/A	94.690	-8.85%
GHL	35	N/A	60.78	N/A	N/A	78.300	-22.38%

CMCSA*	150	N/A	21.68	N/A	N/A	22.31	-2.82%
LUX	150	N/A	28.97	N/A	N/A	33.58	-13.73%
WFMI	80	N/A	32.78	N/A	N/A	41.74	-21.47%
ATSG	600	N/A	2.54	N/A	N/A	3.47	-26.80%
BK	67	N/A	43.08	N/A	N/A	46.39	-7.14%
ATVI	100	N/A	31.640	N/A	N/A	31.64	0.00%

* split adjusted

Our decisions to hold or sell in the School portfolio were significantly worse than our decisions in the Davidson and Milner portfolios. The sale prices of the three stocks that we sold are all below both the current price (at May 9) and 2008 high price. The sale price for AMC and TTI are significantly lower. This represents a bad decision to sell. Nine of ten stocks we hold have prices (valued at May 9) that are lower than the 2008 high price. Again, ignoring the potential for a rebound, the stocks that we hold that are significantly lower than their 2008 high prices, represent a bad decision to hold. The stock trading at the greatest discount to its 2008 high is STX at -27.70%.

LESSONS LEARNED

Perhaps one of the most difficult lessons learned for the 2007-2008 Student Investment Fund was one of timing. In the world of active investing, timing is king. The ability to predict the ideal time to buy or sell a stock can be the difference between profitability and loss or loss and greater loss. Timing is also incredibly difficult to predict.

On April 17, 2008, we sold AIR at \$21.294 in the Davidson portfolio. On May 6, we sold AIR in the Milner portfolio. But in this time, its price had risen to \$24.52. Whether intentional or not, by waiting three weeks, our loss was cut by roughly 10%. Although our long-term expectations for AIR were negative and our decision to sell correct, we may have sold after a sharp sell-off, when waiting for a slight rebound would have been better. In fact, based on our analysis of our decisions to sell or hold, all three of the stocks that we sold in the School portfolio rebounded after we sold. AMC, for example, which was sold on January 16, 2008, for \$1.03, rebounded by 60% to its 2008 price high of \$2.59, which was set just two weeks later on January 30. Of course, nothing has changed for our long-term outlook of AMC and its price is continuing to drop from its 2008 high. It is now trading below our sale price. Market timing—difficult to predict—is a critical factor in performance.

Of course, market timing is usually a technique for active investors and not for those who invest for the long run. If our strategy in the Student Investment Fund is to invest for the long run, then our decisions to sell AIR and AMC when we did were not necessarily bad. And as long as we are holding stocks for a longer time horizon, the fact that most of the stocks we hold are trading at well below their 2008 price highs, is not necessarily bad either. Perhaps it is an opportunity to add more to our positions. Yet, we also have to make sure not to confuse investing for the long run with consistent and legitimate declines. Garmin (GRMN) for example, steadily declined from \$102.50 on August 21, 2007 to \$42.08 on May 9, 2008. So unless we believe Garmin to be good for the long run, we have continually missed the opportunity to sell and cut our losses. Yet, if we really want to learn from our mistakes, maybe we should try to *time* a slight pullback.

ACKNOWLEDGEMENTS

We would like to thank the speakers who spent time sharing their advice and insights with the class. The professionals who attended our presentations provided extremely useful feedback and inspired us to work harder. Thanks to Dick Pratt and Ramona Stromness for sponsoring our presentations. Hal Milner generously gave each of us a copy of Tom Friedman's book, *The World is Flat*. We are especially indebted to D. A. Davidson & Co. and to Hal Milner for making the funds available for us to invest as well as for their generous contributions to the School Fund.

We would also like to thank those who provided financial support for the 2007-2008 Student Investment Fund.

- David Eccles School of Business
- D. A. Davidson & Co.
- Hal Milner

Bylaws

1. Purpose

The Student Investment Fund (Fund) provides students in the David Eccles School of Business (DESB) at the University of Utah with “hands on” investment experience. Students participating in the Fund will learn how to evaluate potential investments and how to structure a portfolio.

The focus of the Fund will be on growth, with a three-to-five year investment horizon.

The Fund will operate as a not-for-profit organization.

2. Types of Investments

Investments are limited to securities listed on US exchanges, including NASDAQ or other major international exchanges. Fund investments are limited to common and preferred stock, including ADRs and other exchange-traded collateralized equity instruments, exchange-listed corporate bonds, mutual funds and money market accounts, and US Treasury instruments. Margin purchases, short sales, and investment in derivatives are not permitted.

3. Annual Report

Each year, the students will prepare an Annual Report of the Fund’s activities. The report will be distributed to the Dean of the DESB, the Finance Department Chair, and to other interested parties.

4. Annual Audit

The Fund will be audited annually by a group of students from the accounting society Beta Alpha Psi under the supervision of their faculty advisor.

5. Support for the Fund

The Finance Department and the DESB will provide reasonable support for the Fund, including the type of support offered for regular departmental classes such as photocopying, computer support, etc.

6. Faculty Advisor

An advisor to the Fund will be selected each Spring for the following academic year. Students will be consulted formally in choosing the advisor and every reasonable effort will be made to accommodate the students’ recommendation. The faculty advisor will be a faculty member of the Finance Department. The advisor will be responsible for ensuring that the fund offers an appropriate learning experience for students possibly including an investment class, speakers, and appropriate projects. The Advisor and the Chair of the Finance Department will designate two faculty members of the DESB who are authorized to make trades if the Faculty Advisor is unavailable. The Advisor is responsible for maintaining complete records of all transactions made on behalf of the Fund, as well as original statements from the Fund’s brokers. These records shall be made available to the Fund’s auditors, the Finance Department Chair, and the Dean of the DESB on request. The Advisor is responsible for supervising the students in preparing an annual report of the Fund’s activities.

7. Investment Decisions

Recommendations to buy or sell a security will be decided by a simple majority of students present at a regularly scheduled Fund meeting, after careful consideration of the investment decision's contribution to the investment goals of the Fund. In addition, a member of the group may move to recommend selling a security or increasing the quantity of a security currently in the portfolio at any time by notifying the group electronically. The motion shall remain open for the minimum of either (a) the time required for a majority of participants of vote "for" or "against" or (b) for 24 hours. If the motion has not carried within 24 hours, the motion will die. The Faculty Advisor retains the right not to carry out student recommendations if, in his or her considered opinion, the recommendations are grossly inconsistent with the investment philosophy of the Fund. The Faculty Advisor, or, in his or her absence, the designated alternative, will place trades through a registered broker.

8. Distribution of Funds

The Fund shall operate on an annual period from May 1 to April 30. In general, earnings and appreciation will remain invested in the Fund, subject to the following. If, on April 30, the value of the Fund net of new contributions exceeds the value of the Fund the previous year, the excess, defined as the increase in Fund value net of new contributions, will be distributed as follows.

Fifty percent of the excess will be remain in the Fund. The remaining 50 percent may be reinvested in the Fund, used to purchase materials or services used by the students for research or for Fund management, used to support student scholarships, or used to support student organizations in the DESB. Student participants shall make a recommendation on the distribution of any excess at the end of each fund year. The final decision on any distributions will lie with the Faculty Advisor, the DESB Dean, and the Finance Department Chair, although there should be a strong presumption that a recommendation by a majority of the student participants is in the best interest of the Fund.

9. Amendments

Amendments to the Student Investment Funds by-laws will be at the recommendation of a two-thirds majority of student members.

10. Dissolution

Should a majority of the student members of the Fund, the Fund's advisor, the Finance Department Chair, and the DESB Dean decide to dissolve the Fund, the cash and securities in the Fund would revert to a Finance Endowment Fund.

Approved October 26, 1999

Amended September 25, 2000