



# STUDENT INVESTMENT FUND

2014-2015 Annual Report



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# ACKNOWLEDGEMENTS

We would like to thank the following individuals and organizations for their generous support.

For their financial support of the Student Investment Fund, we thank

D.A. Davidson  
Hal Milner

For their time, we thank our speakers and the community members who participated in our presentations; those individuals are identified by name later in this report

For sponsoring the local CFA Institute Research Challenge, we thank the Salt Lake CFA Society

For their financial support of our enrichment programs, we thank the following donors, whose names are recognized on the Okland Trading Floor

Kurt Larsen  
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Jamison Manwaring  
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Maulik Shah  
Cindy Vu  
Alex Wall  
David Warne  
Max Wilson

For underwriting the Trading Floor, we thank the Okland family

# BACKGROUND

## History

In October 1998, David Eccles School of Business finance students joined the D.A. Davidson & Co. 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 outside the classroom 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 \$35,000 directly to the student portfolio and Bill Child, then CEO of R.C. Willey Home Furnishings, 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 \$35,000 to the investment fund program. The fund received \$25,000 to begin a Socially Responsible Fund in the spring semester of 2011 and received another \$17,000 in the summer of 2013. This new portfolio is devoted to investments in stocks that the fund managers deem to be socially responsible based on a number of criteria. These investments must also meet the analysts' standards in terms of financial and economic performance in order to be held in the fund.

Beginning in December 1998, students formed the Student Investment Fund Club and met regularly to develop an investment strategy, research and invest in specific stocks, listen to investment professionals, and track their investments. The original club was comprised of 12 students and their advisor, finance professor Dr. Elizabeth Tashjian.

In the fall of 1999, the Student Investment Fund (SIF) developed from a club into a restricted-enrollment class. This class is limited to 18 students through a rigorous application process. More than 60 students applied to participate in the 2015-2016 academic year. Dr. Tashjian teaches the year-round class. The class meets once a week to track the fund and to research potential investments. In 2003, the class was designated as an honors class. The fund is subject to an annual audit by fellow students in the Beta Alpha Psi accounting society.

The Student Investment Fund's performance has varied widely from year to year. In 1999, the fund gained over 60% on a portfolio strong in tech, only to lose 44% in 2001 as the tech bubble burst. In the fall of 2008, the fund held a relatively high proportion of cash and then invested in the spring of 2009, leading to a gain of over 45% in calendar year 2009. Losses on oil stocks were a major drag on performance in the current academic year.

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.

SIF students and alumni have won recognition in a number of national and international competitions. Students from over 800 universities globally participate in the CFA Research Challenge's equity research competition. Competitions begin at the local level with winning teams progressing to international competitions. Many of the teams consist of MBA students; most of our teams have been exclusively undergraduates. We have won the state competition each of the last three years and progressed to the Americas regional competition, competing against teams from North, Central, and South America. The National Investment Banking Competition attracts several hundred teams of students from around the world in an investment banking case competition. Our undergraduate team has been one of the finalists twice. In 2014, we won first place in a portfolio competition at the largest student investment conference.

# Analyst Profiles

During the 2014-2015 academic year, the Student Investment Fund had 18 student analysts managing equities across four portfolios.

## **Connor Allen**

Connor will graduate in December of 2015 with a B.S. in Finance. He currently works for Achieve Wealth Advisors as an investment research analyst. He competed in the CFA Research Challenge and the National Investment Banking Competition during his time in the Student Investment Fund. This summer, Connor will be interning with JP Morgan as an Equity Research Analyst in New York City.

## **Keefer Babbitt**

Keefer is a graduating senior with a B.S. in Finance. Upon graduating, he will begin as a full-time research analyst at Grandeur Peak Global Advisors, a Salt Lake City based, small-cap mutual fund, where he hopes to contribute significantly to fund performance for clients. His career at the University of Utah has been enriched through participation in the Finance Club, Beta Theta Pi, and the Student Investment Fund. He wishes his classmates and professors the best and looks forward to hearing about their future successes.

## **Jonathan Buckwalter**

Jonathan Buckwalter is a graduating senior with a B.S. in Finance and a minor in Japanese. He has accepted a full time offer at Bank of America where he will be participating in two-year management rotational program. He has interned for a global real estate development firm in New York City and also with Merrill Lynch in its Private Wealth Management division. Jonathan enjoys playing basketball, soccer, and hiking.

## **Chad Burton**

Chad Burton is pursuing a B.S. degree in Finance and plans to graduate in December 2015. Chad is currently working for Scott Marsh Financial, a registered investment advisory firm. Chad is considering a full-time opportunity with the firm upon graduating. He will be exploring corporate finance this summer as a finance intern with Orbital ATK. In addition to his involvement in the Student Investment Fund, Chad is part of the Opportunity Scholars program at the David Eccles School of Business. Chad also participates actively in the University of Utah Skydive Club. In his free time he enjoys cycling and climbing.

## **Douglas Cabral**

Douglas Cabral is graduating with a B.S. in Finance from the University of Utah. Upon completion of his studies, he will be joining Cargill in Coral Gables, Florida, as a finance associate. In the previous

summer, Douglas interned at Google in the Financial Planning and Analysis team. Douglas will continue his career in corporate finance in Florida by pursuing a Master in Accounting and obtaining the CPA certification.

## **John Carpenter**

John is a graduating senior with B.S. degrees in Finance and Entrepreneurship. John has accepted a full time position in the Data Resources Group in the investment banking division at Goldman Sachs. During his tenure with the Student Investment Fund, John competed in the National Investment Banking competition and traveled to Atlanta to compete against teams from North and South America after winning the local CFA Institute Research Competition. John enjoys sailing and hopes to be a lifelong seaman.

## **Jacob Clark**

Jacob Clark is a junior pursuing a B.S. in Finance and will graduate December 2015. He has worked in a variety of environments within the financial services industry including wealth management with Merrill Lynch and private equity with Northgate Capital and is looking forward to interning in investment banking this summer with BMO Capital Markets in San Francisco, California. During his tenure at the University of Utah, Jacob participated as a member of the 2014 CFA Institute Research Challenge team that placed within the top 20 teams in North and South America. Jacob's professional and personal aspirations include starting his own private equity firm, attending Harvard Business School, raising a family, and coaching his future children in youth sports.

## **Angel Demirev**

Angel Demirev is a junior pursuing a B.S. in Finance and Operations and will graduate in May 2016. He served as ASUU Senator for the business school, CIO for BLInc, and founded Alpha Kappa Psi during his year in the fund. Angel has accepted an internship at Vanguard and hopes to pursue a career in corporate finance.

## **Chas Foote**

Chas Foote is a graduating senior with a B.S. in Honors Finance. Chas has accepted an offer to work in the equity research division at Credit Suisse in New York City. He will cover oilfield service stocks. Prior to the SIF, Chas worked at the Utah Governor's Office of Economic Development, the Bridge Investment Group, the Student Consulting Initiative,

and Credit Suisse. On campus, Chas served as the re-founding president of the Beta Theta Pi Fraternity and as president of the Finance Club; he was also involved in a number of other organizations.

#### **Kevin Greer**

Kevin Greer is a senior pursuing a B.S. in Finance and will graduate in May 2015. In the summer of 2014, Kevin completed an internship with the Alternative Investments & Manager Selection (AIMS) group in the Investment Management Division at Goldman Sachs. He has accepted an offer to return full time upon graduation. During his first three years of school, Kevin worked in various service, trading, and advisory roles at E\*Trade Financial and Fidelity Investments. In his free time Kevin enjoys running, playing guitar, and spending time with his wife and three kids

#### **Minh Le**

Minh Le is a senior pursuing a B.S. in Finance and will graduate in December 2015. Minh will be interning as an analyst at the University Venture Fund and Beneficial Financial Group this summer. He was involved with the Finance Club and the CFA Institute Research Challenge during his time at the University of Utah. Minh plans to pursue a master's degree in finance after working for a few years. In his free time, Minh enjoys playing basketball and hiking.

#### **Clark Measom**

Clark Measom is currently pursuing a B.S. in Finance and will graduate in May 2016. This summer, he will be interning with Goldman Sachs Asset Management working in the Private Equity group. His past experiences include interning with EBay and with the Senate Finance Committee in Washington D.C. In his free time, Clark enjoys hiking, skiing, and Utah Basketball.

#### **Kurt Moore**

Kurt Moore is a senior graduating with an Honors Bachelor of Science degree in Finance. He has spent his time at the David Eccles School of Business mentoring other students as a teaching assistant and tutor for various courses. Kurt's current interests include banking and investing, and he is taking these interests to Seattle after graduation to pursue a new life and career.

#### **Thomas Osmond**

Thomas Osmond is a senior graduating in May 2015 with a B.S. in Finance. While at the University of Utah, Thomas participated in the Student Consulting Initiative, Daniels Fund Ethics Competition, the

National Investment Banking Competition, and attended the RISE conference in Dayton Ohio. In addition, Thomas has held various leadership positions in the University of Utah Finance Club. Prior to starting his senior year, Thomas interned with the Scottish Parliament in Edinburgh Scotland. During the fall of 2014, Thomas accepted a full time offer with Goldman Sachs Global Investment Research and will be starting summer 2015. In his spare time he enjoys traveling with his family and riding his KTM motorcycle.

#### **Alex Schaaf**

Alex Schaaf is a senior pursuing a B.S. in Finance. He will graduate in May 2015. Alex has completed internships in accounting, investments, and risk management during his time at the University of Utah. He also competed in the CFA Institute Research Challenge in 2013-2014 and his team reached the semi-finals in the regional competition. He has accepted an offer to join the FDIC as a Financial Institution Specialist in September 2015. In his spare time, he enjoys playing football, basketball, and working out.

#### **Sam Skanchy**

Sam Skanchy is a graduating senior pursuing a B.S. in Finance. He has accepted a full time offer at Goldman Sachs working as an analyst for the Credit Risk Management division. Sam enjoys waterskiing, fly fishing, and playing soccer in his spare time.

#### **Clayton Spencer**

Clayton Spencer is currently pursuing a B.S. in Finance and Accounting and plans to graduate in May of 2016. This summer, he will be working for the FDIC's Division of Risk Management Supervision in Houston, Texas. He hopes in the future to continue his education after gaining some work experience. He also enjoys various activities including traveling, learning Chinese, and hiking.

#### **Andres Vergara**

Andres Vergara is a rising senior graduating in May of 2016 with a Bachelor's of Science in Finance. During the academic year, Andres participated in the National Investment Banking Competition, the CFA Institute Research Challenge, Week on Wall Street, and served as the Vice President of Communications for the Finance Club. Andres also tutored for Finance 3040 and was a TA for Finance 5610, Private Equity & Hedge Funds. This summer he will be interning as an analyst with Goldman Sachs in the Capital Markets Operations group.

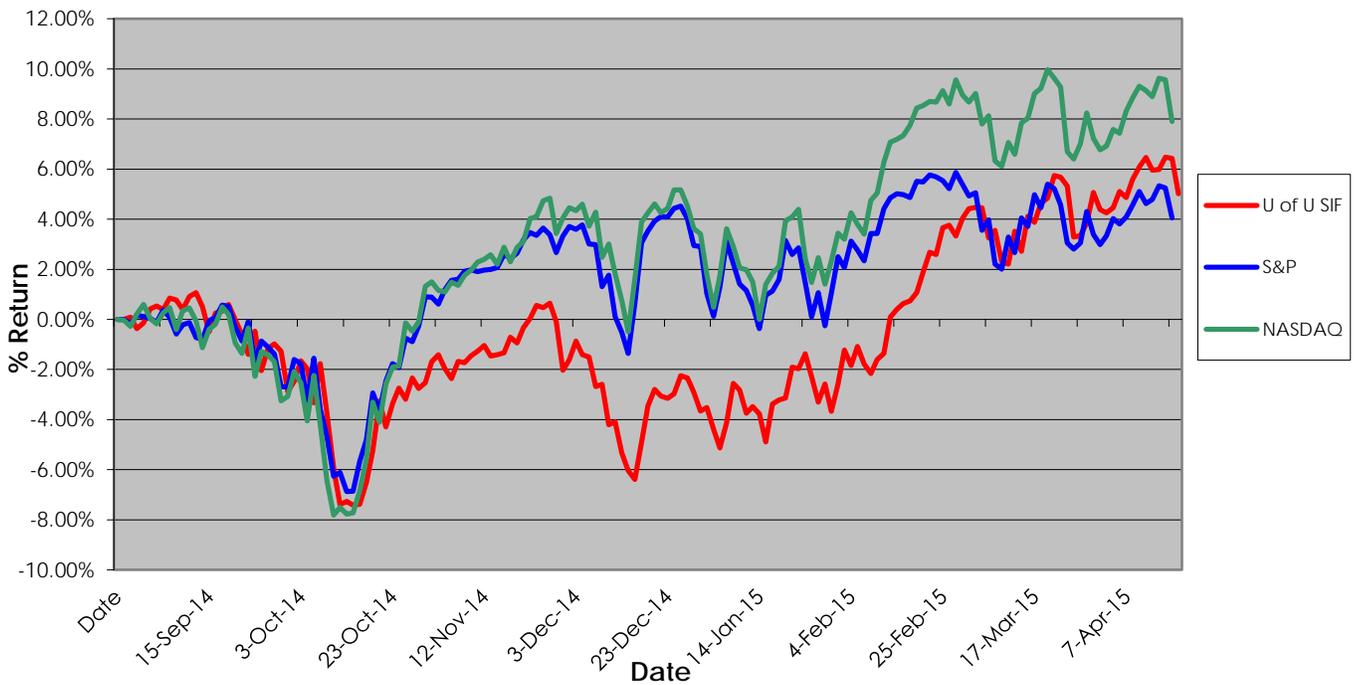
# PORTFOLIOS UNDER MANAGEMENT

## Student Investment Fund Overall

The Student Investment Fund consists of four different portfolios: Davidson, Milner, School, and Socially Responsible. The strategy of each portfolio varies based on the portfolio's ownership structure and on donor mandates. Each security purchase or sale must be ratified by a majority vote. In the School Fund, which is the school's own money, our investment horizon is longer and our focus is on less-risky and more well-established companies. In the Socially Responsible Fund, we invest in companies that make a positive impact on society. These companies must pass an additional super-majority vote on whether they are socially responsible before being purchased for this portfolio. In both the Milner and DA Davidson fund, we have a higher risk tolerance and focus more on investing in small cap companies.

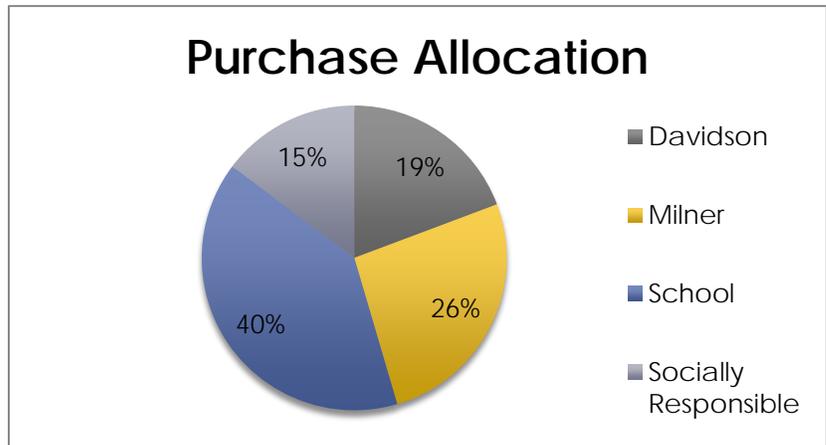
The analysis below reflects performance from August 26, 2014, when we took over the fund, to April 17, 2015.

**Portfolio Return v. S&P and Nasdaq  
2014 - 2015**



### Purchase Decision Analysis

The total value of purchases for the year totaled \$95,900. The current value of those purchases including dividends totals \$98,541 representing a 2.75% increase. Over the year, the fund made 19 different purchases. Below is a breakdown of how the dollar value of purchases was allocated across our four different funds.



During the first semester, we made seven purchases representing 31% of the dollar value of total purchases. The rest of the purchases were made during the second semester after the analysts had gained more experience. Of the 19 purchases made, 11 had gains and eight had losses as of April 17. Only eight of our purchases outperformed the S&P 500 over a matched time period. To assess the overall performance of our purchases against the S&P 500, we weighted each purchase by its percentage of our total purchases. We then multiplied that by the percent that that company either over- or under-performed relative to the S&P 500. Cumulatively, the purchases outperformed the S&P 500 by 0.89% over their matched time horizons.

| Company                           | Over/Under performance for matched investment period | Weight of total purchases | Value-weighted performance |
|-----------------------------------|--|---------------------------|----------------------------|
| Activision Blizzard               | 13.81%   | 0.08                      | 1.11%                      |
| Royal Caribbean Cruises           | -1.47%   | 0.04                      | -0.06%                     |
| Collectors Universe               | -2.83%   | 0.03                      | -0.09%                     |
| Old Dominion Freight Line         | -7.39%   | 0.04                      | -0.30%                     |
| VeriFone Systems                  | 8.54%  | 0.07                      | 0.57%                      |
| iShares Russell 2000              | 0.40%  | 0.08                      | 0.03%                      |
| Intuit                            | -2.85%   | 0.08                      | -0.22%                     |
| MagicJack VocalTec                | -18.14%  | 0.04                      | -0.64%                     |
| FedEx                             | -2.61%   | 0.04                      | -0.09%                     |
| Schlumberger                      | -1.57%   | 0.05                      | -0.08%                     |
| SVB Financial Group               | 6.77%  | 0.06                      | 0.40%                      |
| Murphy USA                        | -5.36%   | 0.06                      | -0.30%                     |
| The Walt Disney Company           | 3.47%  | 0.05                      | 0.19%                      |
| ValueShares US Quantitative Value | 3.04%  | 0.08                      | 0.26%                      |
| Moelis & Co.                      | -6.77%   | 0.06                      | -0.38%                     |
| Apple                             | 20.87%   | 0.05                      | 0.94%                      |
| Renewable Energy Group            | -16.35%  | 0.02                      | -0.35%                     |
| Cal-Maine Foods                   | 5.97%  | 0.03                      | 0.16%                      |
| Kroger                            | -5.03%   | 0.05                      | -0.27%                     |
| <b>Total</b>                      |  | <b>1.00</b>               | <b>0.89%</b>               |

While the fund is pleased to have outperformed the S&P cumulatively, we recognize that none of these purchases have been held more than a year and that long-term performance may not produce similar results.

The table below shows the performance of each of the fund's purchases. We still hold all of our purchases with the exception of CALL.

| Ticker | Return  | S&P<br>matched<br>return | Above/below | Purchase<br>date | Portfolio            |
|--------|---------|--------------------------|-------------|------------------|----------------------|
| AAPL   | 26.57%  | 5.70%                    | 20.87%      | 08-Oct-14        | Socially Responsible |
| ATVI   | 18.80%  | 4.99%                    | 13.81%      | 29-Oct-14        | Davidson             |
| SIVB   | 10.71%  | 3.95%                    | 6.77%       | 28-Jan-15        | School               |
| PAY    | 10.48%  | 1.94%                    | 8.54%       | 04-Feb-15        | Milner               |
| CALM   | 9.92%   | 3.95%                    | 5.97%       | 28-Jan-15        | Socially Responsible |
| DIS    | 2.59%   | -0.88%                   | 3.47%       | 18-Feb-15        | School               |
| QVAL   | 2.16%   | -0.88%                   | 3.04%       | 18-Feb-15        | School               |
| IWM    | 1.62%   | 1.22%                    | 0.40%       | 26-Mar-15        | Milner               |
| RCI    | 1.24%   | 2.72%                    | -1.47%      | 10-Dec-14        | Davidson             |
| SLB    | 0.48%   | 2.05%                    | -1.57%      | 13-Nov-14        | School               |
| FDX    | 0.23%   | 2.85%                    | -2.61%      | 05-Nov-14        | School               |
| MUSA   | -1.88%  | 3.48%                    | -5.36%      | 08-Jan-15        | School               |
| INTU   | -2.62%  | 0.23%                    | -2.85%      | 07-Apr-15        | Milner               |
| KR     | -3.02%  | 2.01%                    | -5.03%      | 11-Mar-15        | Socially Responsible |
| CLCT   | -3.66%  | -0.83%                   | -2.83%      | 04-Mar-15        | Davidson             |
| MC     | -6.03%  | 0.74%                    | -6.77%      | 12-Mar-15        | School               |
| ODFL   | -6.42%  | 0.98%                    | -7.39%      | 25-Mar-15        | Davidson             |
| REGI   | -13.89% | 2.46%                    | -16.35%     | 06-Nov-14        | Socially Responsible |
| CALL   | -17.74% | 0.40%                    | -18.14%     | 26-Nov-14        | Milner               |

## HOLD DECISION ANALYSIS

The fund's analysts continue to hold 31 of the stocks inherited from previous years across all portfolios. From August 26, 2014, to April 17, 2015, 18 of the stocks outperformed the S&P and 13 outperformed the NASDAQ, as well. The top five performers were AMBA, CERN, ICLR, LEAF, and WWAV.

Analysts recommended that the fund continue to hold the inherited stocks for a variety of reasons. In some cases, analysts believed that the initial investment thesis continued to apply. Analysts also chose to hold stocks that showed promising opportunities for positive returns. Over the period that the current analysts managed the fund, the market experienced fluctuations stemming from events including Greece's serious economic problems, sanctions against Russia arising from the annexation of Crimea, and a sharp drop in oil prices. Between August 26, 2014, when we took over the fund, and October 15, 2014, the S&P index declined 7.1%. Subsequently, the S&P closed at a new all-time high of 2117.38 on March 2, 2015, up 5.7% from its level when we took over the fund, and the NASDAQ closed above 5,000 for the first time since early 2000. As the market fluctuated, analysts focused on company fundamentals rather than short-term market movements.

Overall, 18 of the fund's hold decisions ended up outperforming the S&P; 20 of the 36 hold decisions generated positive returns.

## **SELL DECISION ANALYSIS**

The Student Investment Fund made a total of 16 sales during the academic year which were split fairly evenly among the Davidson, Milner, and School funds, with one sale in the Socially Responsible portfolio. The profit of the year's sales totaled to \$33,783. Ten of the sales resulted in a profit, while six positions were sold at a loss. The average gain on sale, however, was eight times larger than any loss, with the largest gain being the \$8,736 sale of Salesforce, and the largest loss being \$1,098. The large profits relative to losses suggests that our analysts quickly got out of losing positions while holding winners for longer periods.

One way to analyze our sales discipline is to examine whether the stocks we sold subsequently experienced losses that we avoided by the sales. Notable sales which contributed to avoiding loss were Resource Capital Corporation (RSO) and Bank of Ireland (IRE). RSO was in the School fund and sold at a 20% loss, but fell a further 15.7% after the sale. IRE was sold for a 9.4% loss, but the fund avoided a further 6.3% decline after the sale. Four of the six stocks sold for losses are still in the red.

An additional component of our sales discipline is whether we missed out on gains by selling stocks that subsequently experienced price gains. The largest gains forgone for the year were WhiteWave Foods (WWAV) and Aircastle (AYR). The fund still holds 35 shares of WWAV in the School fund, but we sold 100 shares early in the year. WWAV shares appreciated 25.2% after the fund sold most of its holding. Aircastle shares were sold for a 71.4% gain, yet the fund still missed out on an addition 28.5%. Amazon (AMZN) and Westinghouse Air Brake Technologies (WAB) also saw 20% price increases after they were sold. AMZN and WAB, however, were sold for respectable 46% and 152% increases.

Of the sixteen sales, ten saw price appreciation after the sale, while six sales avoided losses.

## Davidson Portfolio

### **STRATEGY**

D.A. Davidson maintains the Davidson Portfolio. The portfolio is to reset to \$50,000 each September 1. When the Student Investment Fund (SIF) experiences gains over 5%, D.A. Davidson contributes half of the gains over 5% to SIF. These donations become part of the School portfolio. SIF's strategy in the Davidson Portfolio is to invest in growth and small- to mid-cap stocks

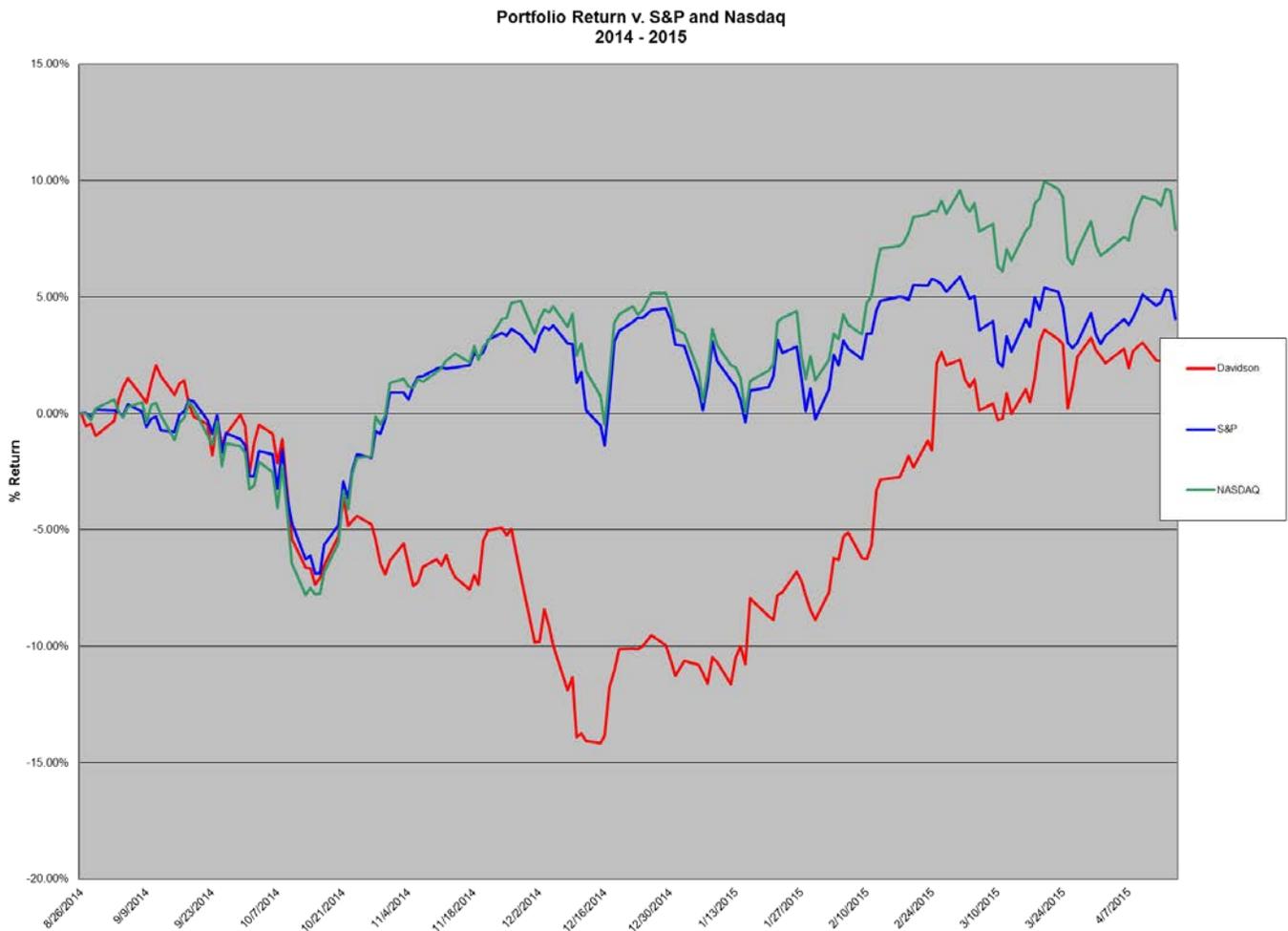
### **HIGHLIGHTS**

During our tenure managing the Davidson Fund, we underperformed both the NASDAQ Composite (+7.61) and the S&P 500 (+3.98%) posting a gain of 1.87%. We underperformed the S&P 500 by 211 basis points. As can be seen from the table below, the major detractor from fund performance was a large position in Oasis Petroleum (ticker: OAS) which 1) lost 65.1% of market value during our management period and 2) caused us to be overweight energy at 16.3% vs. the S&P 500 benchmark at 8.05%. In spite of this poor performance, we believe a sale now would ultimately prove to be a poor long-term decision as WTI oil prices have stabilized and the company recently reduced its debt levels through an equity issue. Our biggest performers in the portfolio were both in the healthcare sector as Icon returned +33.7% and Cerner returned +25.1%. In hindsight, our performance would have been significantly improved had we not immediately liquidated significant holdings in the Davidson Fund including our sale of CRM and IRE in August as well as AMZN and AYR in October. Even though, on average, we held 23.7% of our portfolio in cash while the S&P 500 sold off allowing us to maintain performance with the benchmark until October, our performance materially suffered beginning in November. In early November, the S&P 500 began to rally rising from a cumulative return of +0.98% over our holding period to +3.32% by month's end. Our cash position in the low-twenty percent range dragged on us. We believe that the fund is positioned well for the rest of 2015 with the addition of ATVI, RCL, CLCT, and ODFL, which has helped us to reduce our cash position to 2%.

The table below outlines and acts as a timeline for the holdings of the Davidson Portfolio from August 26, 2014, to April 17, 2015. We have classified the investments into three action groups: inherited, purchased, and divested.

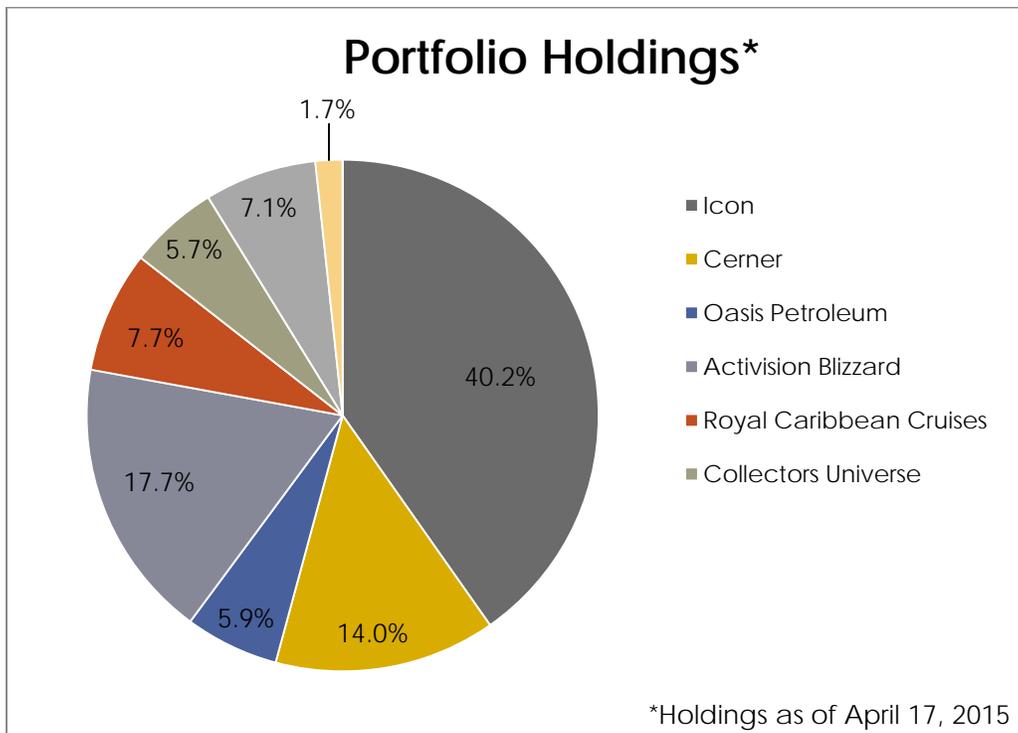
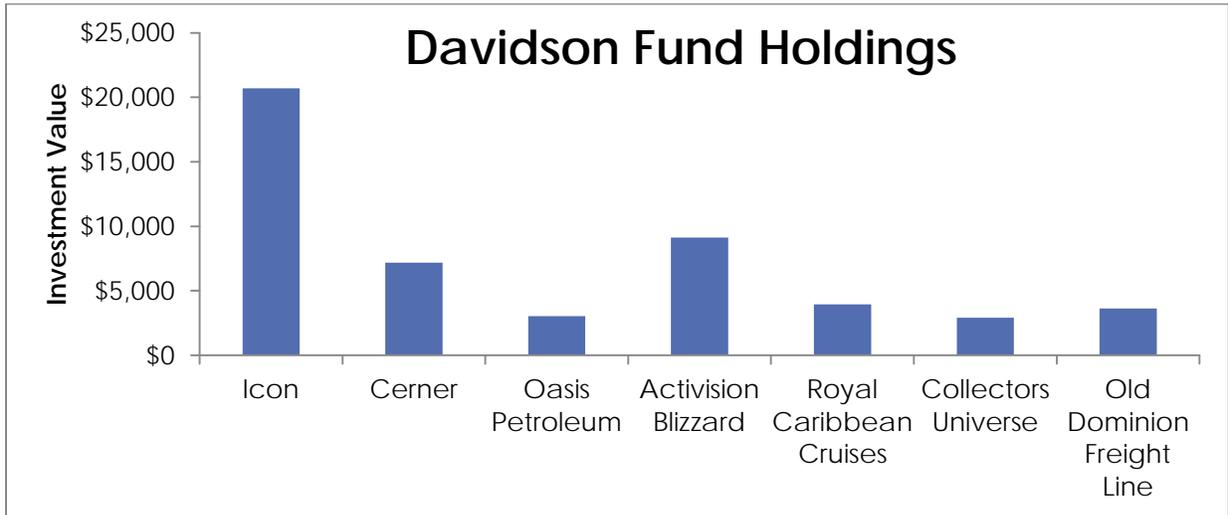
| Davidson Fund           |                           |                |                 |             |              |             |              |
|-------------------------|---------------------------|----------------|-----------------|-------------|--------------|-------------|--------------|
| <i>Inherited Stocks</i> |                           |                |                 |             |              |             |              |
| Ticker                  | Company Name              | Inherited Date | Starting Price  | Ending Date | Ending Price | Net Return* | Gross Return |
| ICLR                    | Icon                      | 8/26/2014      | \$51.38         | 4/17/2015   | \$68.98      | 33.7%       | 34.3%        |
| CERN                    | Cerner                    | 8/26/2014      | \$57.12         | 4/17/2015   | \$71.81      | 25.1%       | 25.7%        |
| OAS                     | Oasis Petroleum           | 8/26/2014      | \$49.06         | 4/17/2015   | \$17.38      | -65.1%      | -64.6%       |
| <i>Purchased Stocks</i> |                           |                |                 |             |              |             |              |
| Ticker                  | Company Name              | Purchase Date  | Purchase Price  | Ending Date | Ending Price | Net Return* | Gross Return |
| ATVI                    | Activision Blizzard       | 10/29/2014     | \$19.64         | 4/17/2015   | \$22.80      | 13.6%       | 16.1%        |
| RCL                     | Royal Caribbean Cruises   | 12/10/2014     | \$79.89         | 4/17/2015   | \$79.03      | -2.6%       | -0.3%        |
| CLCT                    | Collectors Universe       | 3/4/2015       | \$23.90         | 4/17/2015   | \$22.37      | -9.0%       | -6.4%        |
| ODFL                    | Old Dominion Freight Line | 3/25/2015      | \$79.60         | 4/17/2015   | \$72.78      | -10.6%      | -8.6%        |
| <i>Divested Stocks</i>  |                           |                |                 |             |              |             |              |
| Ticker                  | Company Name              | Purchase Date  | Inherited Price | Ending Date | Ending Price | Net Return* | Gross Return |
| CRM                     | Salesforce.com            | 8/26/2014      | \$59.64         | 8/27/2014   | \$59.95      | -1.8%       | 0.5%         |
| AMZN                    | Amazon.com                | 8/26/2014      | \$341.83        | 10/22/2014  | \$313.53     | -12.2%      | -8.3%        |
| AYR                     | Aircastle                 | 8/26/2014      | \$18.79         | 10/22/2014  | \$17.80      | -9.2%       | -5.3%        |
| IRE                     | Bank of Ireland           | 8/26/2014      | \$16.20         | 8/27/2014   | \$16.28      | -4.6%       | 0.5%         |

\*Accounts for the Transaction Fee on a per share basis



## HOLDINGS

We currently hold seven investments. We are significantly over-weighted in healthcare. The HC market has been quite strong throughout our holding period and we believe Icon and Cerner are best-in-class-quality businesses that have good avenues for sustained growth. However, we continue to watch Icon very closely due to its sizeable weight of ~40% in our portfolio. During 2014 – 2015, we tried to diversify the holdings broadly across more sectors as our large position in energy significantly affected performance adversely. With that in mind, we increased exposure to consumer discretionary and industrial end-markets citing more discretionary spending due to low oil prices and an improving U.S. macro from a strong US dollar.



## DIVESTED HOLDINGS

Over the period we managed the portfolio, we sold four stocks and, unfortunately, we did not replace these holdings with new investments until the market had risen. This proved to be a poor decision for the portfolio but we think our sales were warranted given high valuations and/or decreasing fundamentals. For example, the Bank of Ireland was a good sale as the price has declined ~10% since our sale. However, the sales of CRM, AMZN, and AYR have proven to be poor decisions as most of those stocks are up more than 10% since we sold. We continue to believe that these were appropriate choices, but our decisions have not been vindicated, yet.

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### Aircastle (NYSE: AYR)

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Portfolio: Davidson  
 Purchased: December 8, 2010  
 Purchase Price: \$10.39  
 Inherited Price: \$18.79  
 Sale Date: October 22, 2014  
 Sale Price: \$17.76  
 Analyst: Alex Schaaf

Aircastle Limited is an international aircraft leasing company, generating the majority of its revenue in Europe. At the time of the sale, AYR was trading at 45x P/E, compared to its peer group average of 9.5x. We also saw a steep decline in EPS since 2008, 23% annually. The final reason we sold AYR was its unfavorable positioning in the industry. GE Capital Aviation Services and AerCap Holdings dominate this industry and each generate over \$1 billion in revenue compared to just \$645 million for AYR in 2014.




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### Amazon.com (NASDAQGS: AMZN)

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Portfolio: Davidson  
 Purchased: October 5, 2011  
 Purchase Price: \$214.52  
 Inherited Price: \$339.04  
 Sale Date: October 21, 2014  
 Sale Price: \$315.33  
 Analyst: Andres Vergara

Amazon.com is the largest e-commerce company in the world. AMZN also provides cloud storage, online advertising, credit cards, video streaming, original video entertainment content, and its own e-reader, the Kindle. Amazon.com has been among the top ten visited websites since 2014.



Following disappointing sales in its Fire product line and guidance announcing a net loss for its third quarter, we divested our Amazon.com holdings avoiding a 10% decrease in share price caused by a negative 30.14% surprise in earnings per share announced on October 23, 2014. In addition to its financial performance, there were unfavorable decisions made by the Federal Aviation Administration regarding commercial drones, an anticipated area of growth for AMZN.

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### Salesforce.com (NYSE: CRM)

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Portfolio: Davidson  
 Purchased: October 29, 2009  
 Purchase Price: \$14.87  
 Inherited Price: \$59.75  
 Sale Date: August 28, 2014  
 Sale Price: \$59.95  
 Analyst: Thomas Osmond

Salesforce.com is a cloud computing company whose primary product is a customer relationship management (CRM) platform. Over the past few years it has diversified by expanding into other commercial applications largely through acquisitions.

Our very first class of the year we were tasked with the job of selling a portion of our holdings in the Davidson fund ensure we had sufficient cash to execute the annual fund rebalancing. A motion to sell 100 of our 200 shares of Salesforce was the first of only a few moves made by



the group. A few members of the group expressed concern regarding the SaaS platform itself, suggesting that the company didn't possess substance. The company's profit margins have been continually squeezed, yielding no return on equity or assets since fiscal year 2012. We were also of the opinion that the revenue being added to the income statement for the past two years was revenue achieved through acquisitions and not from the company's own novel platform. As our discussion progressed, a motion to sell our entire position was brought forward. This motion ultimately carried but did so with reservations from a few students.

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### Bank of Ireland (ADR NYSE:IRE)

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Portfolio: Davidson  
 Purchased: January 21, 2014  
 Purchase Price: \$17.96  
 Sale Date: August 27, 2014  
 Sale Price: \$16.28  
 Analyst: Jacob Clark

The Governor and Company of the Bank of Ireland is one of the largest full-service commercial and lending banks in Ireland. Bank of Ireland was purchased in response to improved 2014 growth outlooks for Ireland, market share opportunities, privatization trends, and a turnaround in profitability following the 2008 crisis.

IRE largely failed to capitalize on the advantageous macroeconomic environment, resulting in stagnant share price performance stabilizing around the \$16 mark. As of August 27, 2014, the Student Investment Fund held 945 shares valued at \$15,384.60. By October 3, 2014, we fully liquidated our position for a net loss of \$431.59 between the Milner and Davidson portfolios.



In February 2014, IRE de-listed from the NYSE. Its ADR shares accounted for less than 5% of total shares outstanding. IRE management concluded that "the benefits of reduced administrative complexity exceeded those of continuing the [ADR] program."

## Milner Portfolio

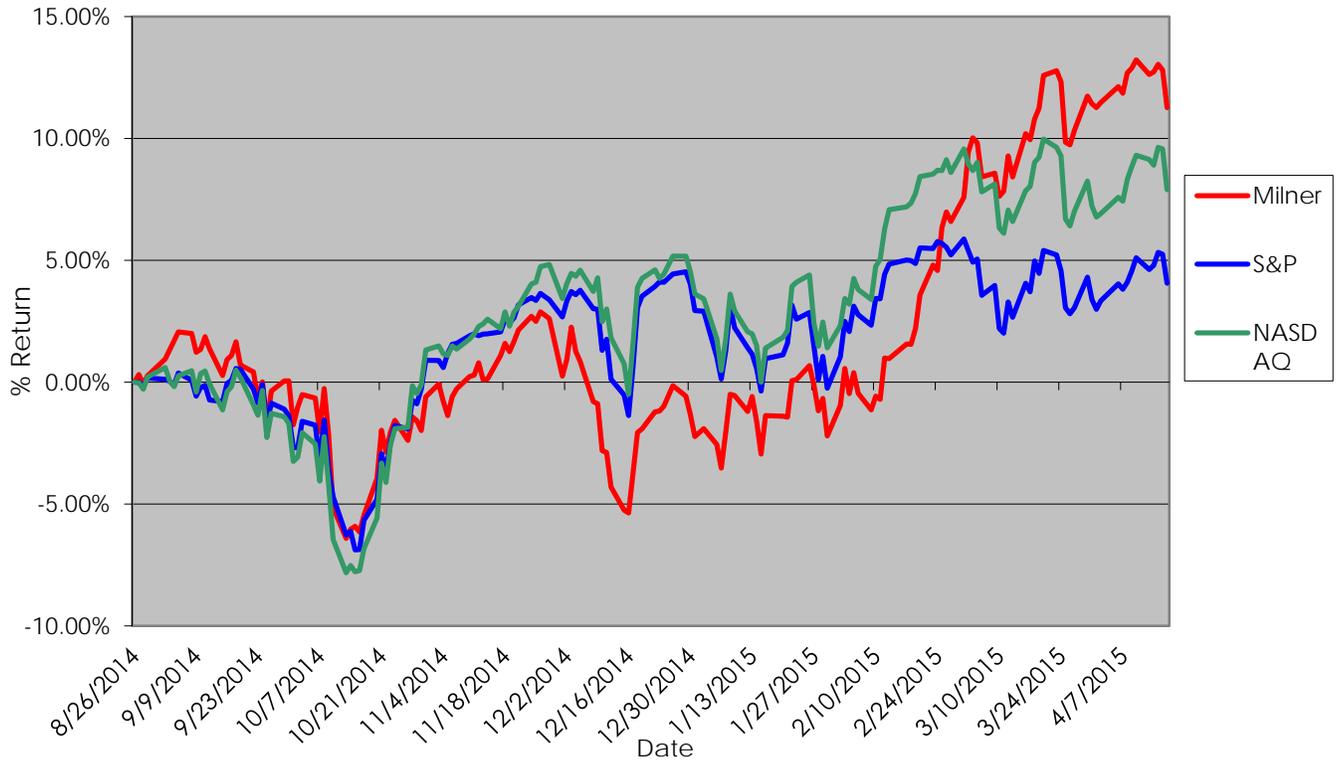
### STRATEGY

The Student Investment Fund receives a donation of half of the annual gains in excess of 5% on holdings in the Milner portfolio. Unlike the Davidson portfolio, the value is not reset each year. The focus of Milner portfolio is high-growth with current concentrations in technology, pharmaceutical, and energy companies.

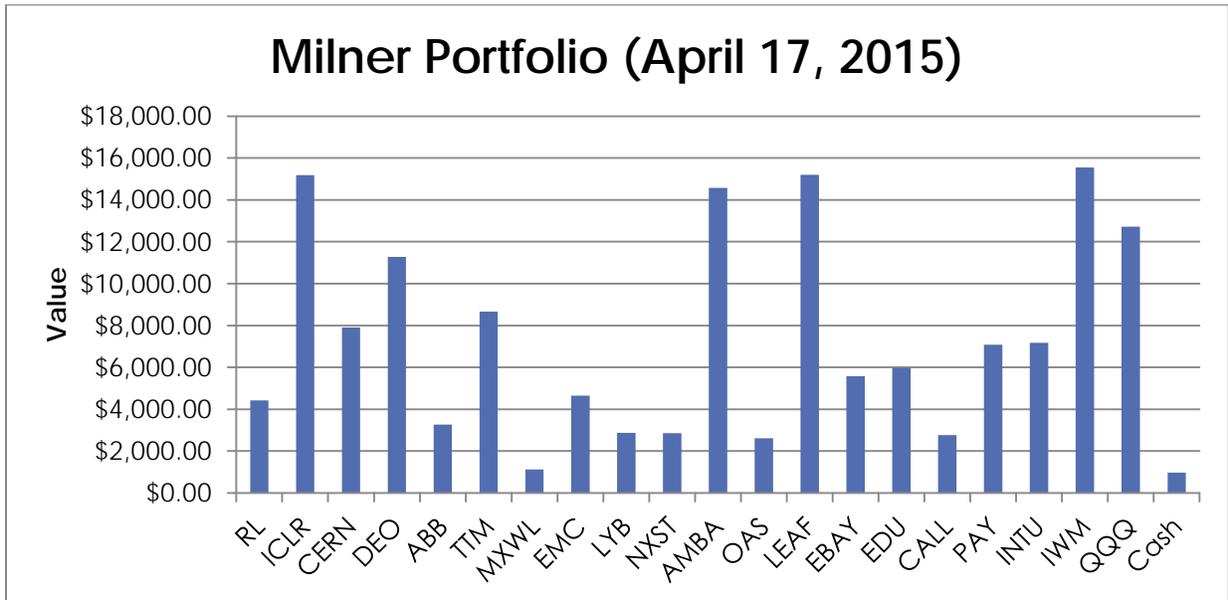
### HIGHLIGHTS

The three best-performing stocks in the portfolio this academic year (since August 26, 2014) include Ambarella Inc. with a 120% return, Springleaf Holdings Inc. with a 53% return, and Microsemi Corporation with a 29% return. The three worst performing stocks in the portfolio were Oasis Petroleum with a 63% loss, Maxwell Technologies Inc. with a 29% loss, and Ralph Lauren Corporation with a 20% loss. Of our 21 positions, nine generated a positive return. As of April 17, 2015, the Milner portfolio holds \$966.16 in cash and \$151,391.64 in equity investments, for a total value of \$153,357.80. The cumulative simple return for the Milner portfolio over the period was 11.26%, outperforming both the Nasdaq and S&P 500.

## Portfolio Return v. S&P and Nasdaq 2014- 2015



### HOLDINGS



## MILNER PORTFOLIO

| Ticker                  | Shares | Date Inherited or Acquired | Initial Price | Date Sold or Valued | Price  | Dividends Received (net of tax) | Return |
|-------------------------|--------|----------------------------|---------------|---------------------|--------|---------------------------------|--------|
| <i>Inherited Stocks</i> |        |                            |               |                     |        |                                 |        |
| RL                      | 33     | 26-Aug-14                  | 169.00        | 17-Apr-15           | 133.78 | 1.40                            | -20%   |
| ICLR                    | 300    | 26-Aug-14                  | 51.16         | 17-Apr-15           | 68.98  | 0.08                            | 35%    |
| CERN                    | 110    | 26-Aug-14                  | 57.12         | 17-Apr-15           | 71.81  |                                 | 26%    |
| DEO                     | 100    | 26-Aug-14                  | 118.15        | 17-Apr-15           | 112.69 | 3.34                            | -2%    |
| ABB                     | 150    | 26-Aug-14                  | 22.97         | 17-Apr-15           | 21.78  |                                 | -5%    |
| TTM                     | 200    | 26-Aug-14                  | 47.27         | 17-Apr-15           | 43.31  |                                 | -8%    |
| MXWL                    | 150    | 26-Aug-14                  | 10.52         | 17-Apr-15           | 7.48   |                                 | -29%   |
| EMC                     | 175    | 26-Aug-14                  | 29.57         | 17-Apr-15           | 26.61  | 0.23                            | -9%    |
| LYB                     | 30     | 26-Aug-14                  | 112.60        | 17-Apr-15           | 95.65  | 2.10                            | -13%   |
| NXST                    | 50     | 26-Aug-14                  | 45.62         | 17-Apr-15           | 57.01  | 0.34                            | 26%    |
| AMBA                    | 200    | 26-Aug-14                  | 33.07         | 17-Apr-15           | 72.84  |                                 | 120%   |
| OAS                     | 150    | 26-Aug-14                  | 49.06         | 17-Apr-15           | 17.38  |                                 | -65%   |
| LEAF                    | 300    | 26-Aug-14                  | 33.11         | 17-Apr-15           | 50.64  |                                 | 53%    |
| EBAY                    | 100    | 26-Aug-14                  | 56.25         | 17-Apr-15           | 55.79  |                                 | -1%    |
| EDU                     | 250    | 26-Aug-14                  | 22.66         | 17-Apr-15           | 23.88  |                                 | 5%     |
| QQQ                     | 120    | 26-Aug-14                  | 99.50         | 17-Apr-15           | 106.01 | 0.62                            | 7%     |
| <i>Acquired Stocks</i>  |        |                            |               |                     |        |                                 |        |
| ICLR                    | 140    | 1-Oct-14                   | 55.79         | 17-Apr-15           | 68.98  |                                 | 24%    |
| CALL                    | 400    | 26-Nov-14                  | 8.40          | 17-Apr-15           | 6.91   |                                 | -18%   |
| PAY                     | 200    | 4-Feb-15                   | 32.05         | 17-Apr-15           | 35.41  |                                 | 10%    |
| INTU                    | 75     | 7-Apr-15                   | 98.15         | 17-Apr-15           | 95.58  |                                 | -3%    |
| IWM                     | 125    | 26-Mar-15                  | 122.45        | 17-Apr-15           | 124.43 |                                 | 2%     |
| <i>Divested Stocks</i>  |        |                            |               |                     |        |                                 |        |
| ICLR                    | 220    | 1-Oct-14                   | 54.11         | 26-Mar-15           | 69.25  |                                 | 28%    |
| WAB                     | 55     | 26-Aug-14                  | 84.00         | 1-Nov-14            | 79.51  |                                 | -5%    |
| MSCC                    | 100    | 26-Aug-14                  | 25.89         | 23-Mar-15           | 36.54  |                                 | 41%    |
| BDE                     | 550    | 26-Aug-14                  | 8.61          | 8-Oct-14            | 7.75   |                                 | -10%   |
| IRE                     | 500    | 26-Aug-14                  | 15.74         | 3-Oct-14            | 15.55  |                                 | -1%    |

## DIVESTED HOLDINGS

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### Black Diamond (NASDAQ: BDE)

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Portfolio: Milner  
Purchased: February 11, 2014  
Purchase Price: \$10.24  
Inherited Price: \$8.61  
Sale Price: \$7.75  
Analyst: John Carpenter



Black Diamond Equipment is an outdoor sporting goods manufacturer headquartered in Salt Lake City, Utah. The Company's four primary product lines provide equipment for mountaineering, skiing, climbing, and cycling activities. In the fall of 2013, BDE launched a fifth product line: apparel.

The fund bought Black Diamond in anticipation of additional profits from the company's new apparel line. To date, the line is under-performing expectations. The analyst concluded that the funds could be redeployed more profitably, and Black Diamond was sold on October 8, 2014.

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### ICON (NYSE:ICLR)

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Portfolio: Milner  
Purchased: February 3, 2005  
Purchase Price: \$33.95  
Sale Date: March 26, 2015  
Sale Price: \$69.25  
Analyst: Jacob Clark



ICON PLC is a medical research company based in Ireland that provides outsourced research and development services to pharmaceutical, biotechnology, and medical device companies. It operates in the medical laboratories and research industry.

ICON is a best-in-class clinical research organization (CRO) and has consistently outperformed the market over the past several years. It operates at far higher margins than its competitors and has experienced rapid top line growth of 17.4% since 2012. ICON currently operates in a highly fragmented market with the top four players accounting for less than 27% of total industry revenues. The combination of best in class operations, rapid historical growth, and advantageous consolidation opportunity provide significant upside potential for ICON moving forward. ICON is currently trading at 25 times earnings despite optimistic growth outlooks. As of March 26, 2014, we rebalanced the Milner Portfolio to limit ICON exposure to 10% of the total portfolio value. ICON has been the key driver for growth in the Milner Portfolio YTD.

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### Bank of Ireland (ADR NYSE:IRE)

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Portfolio: Milner  
Purchased: Dec 5, 2013  
Purchase Price: \$14.19  
Sale Date: October 3, 2014  
Sale Price: \$15.55  
Analyst: Jacob Clark



The Governor and Company of the Bank of Ireland is one of the largest full-service commercial and lending banks in Ireland. Bank of Ireland was purchased in response to improved 2014 growth outlooks for Ireland, market share opportunities, privatization trends, and a turnaround in profitability following the 2008 crisis.

IRE largely failed to capitalize on the advantageous macroeconomic environment, resulting in stagnant share price performance stabilizing around the \$16 mark. As of August 27, 2014, the Student Investment Fund held 945 shares valued at \$15,384.60. By October 3, 2014, we fully liquidated our position for a net loss of \$431.59 between the Milner and Davidson portfolios.

In February 2014, IRE de-listed from the NYSE. Its ADR shares accounted for less than 5% of total shares outstanding. IRE management concluded that "the benefits of reduced administrative complexity exceeded those of

continuing the [ADR] program.”

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### Microsemi (NasdaqGS: MSCC)

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Portfolio: Milner  
Purchased: March 30, 2011  
Purchase Price: \$20.36  
Inherited Price: \$25.65  
Sale Date: March 23, 2015  
Sale Price: \$36.54  
Analyst: Chas Foote



Microsemi Corporation is a manufacturer of semiconductors and is based in California. Some of the major products the company offers include analog devices, mixed-signal and RF integrated circuits, and customizable system-on-system chips. The company sells its products to the defense, security, aerospace, enterprise communications, medical, and alternative energy industries.

Fund analysts voted to sell the stock on March 23, 2015, after the company hosted an Analyst Day where Microsemi announced the acquisition of Vitesse, a privately held semiconductor company, and an aggressive plan to expand margins. At the time of the Analyst Day, shares had appreciated ~31% year to date. Although MSCC is a high-growth semiconductor company exposed to powerful end markets, the company's premium valuation appeared unjustifiable. Analysts believed there was limited upside in the stock, accompanied by a great deal of potential downside moving forward. As a result, we voted to sell the stock.

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### Westinghouse Airbrake Technology (NYSE: WAB)

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Portfolio: Milner  
Purchased: November 8, 2006  
Purchase Price: \$31.47  
Inherited Price: \$84.00  
Sale Date: Nov 1, 2014  
Sale Price: \$79.51  
Analyst: Connor Allen



Westinghouse provides technology-based products to the railway industry. The company is broken into two segments: freight and transit. The company operates within 19 countries, and is headquartered in Pennsylvania.

Previous analysts voted to divest a portion of the fund's holdings in WAB, deciding that much of the stock's growth had been realized. A portion of the original holding was inherited, and was sold during the Fall 2014 semester. Our analysts believed that the company operated within a mature, shrinking industry with fully penetrated infrastructure. Additionally, we saw that much of the company's recent growth came from a legislative change that supported increased temporary demand.

## School Portfolio

### STRATEGY

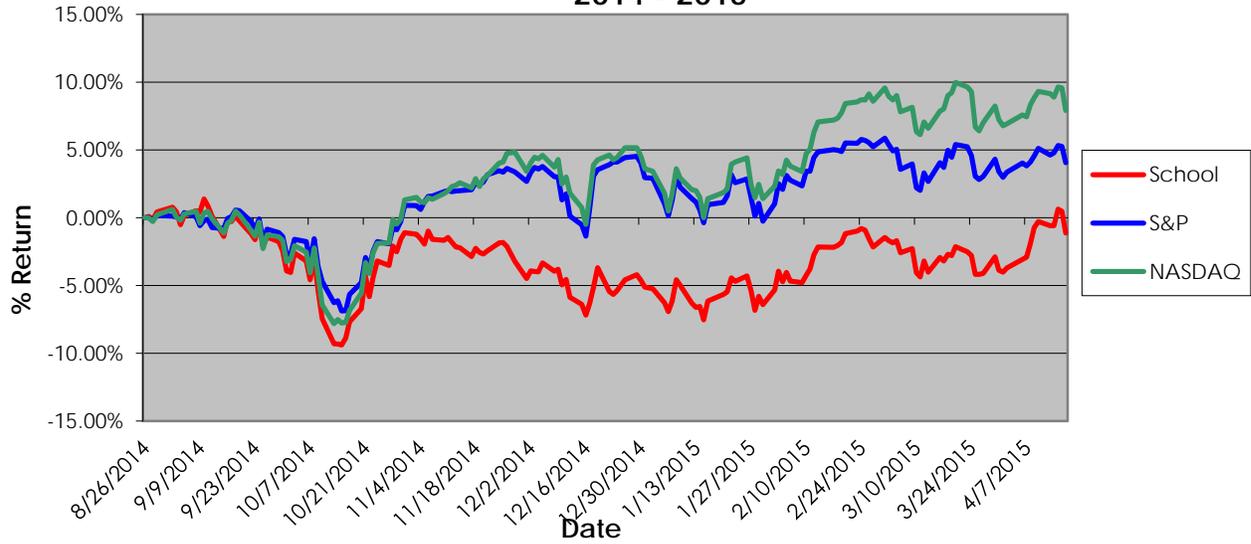
The funds in the School Portfolio come from donations to the Student Investment Fund and returns generated from the portfolio itself. This portfolio has historically focused on a long-term (3-5 year holding periods) large-cap blended strategy. We continued this strategy during the 2014-2015 school year holding 19 stocks, one ADR, and one exchange traded fund. Of those 19 stocks, 10 had a market capitalization of over \$40 billion. Over the course of the year the fund maintained a beta of 0.94.

### HIGHLIGHTS

Despite what we believe to be a sustainable long-term investment strategy, the School Portfolio remained rather stagnant during the Student Investment Fund's fiscal year beginning August 26, 2014. During that time, the School Portfolio returned -1.13%, largely due to overexposure in oil and gas (10.14% of total portfolio), Gilead Sciences (13.98% of total portfolio), and 3D Systems (4.06% of total portfolio), all of which have

performed poorly since August 2014. During this same time, the S&P500 was up 3.98% and the NASDAQ was up 7.61%. The School Portfolio underperformed the market by -4.99% (risk-adjusted).

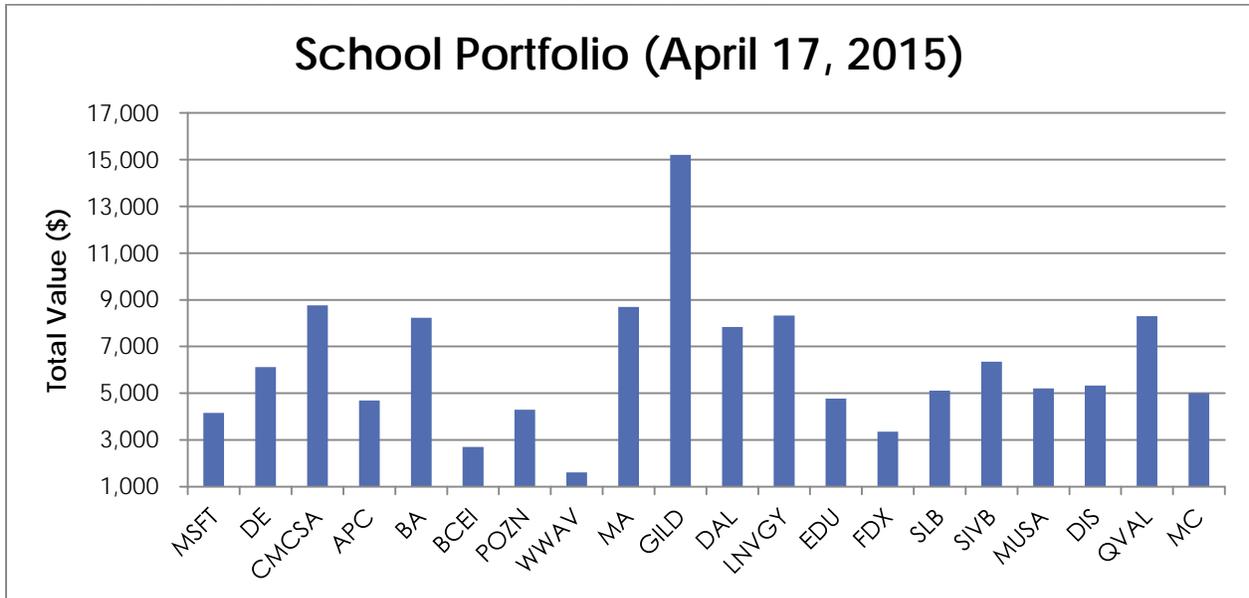
### Portfolio Return v. S&P and Nasdaq 2014 - 2015



During the course of the year, we inherited 17 stocks, acquired seven additional stocks and 1 exchange traded fund, and divested three total positions and one partial position. Of the portfolio's 28 positions held throughout the year, 16 produced positive returns. Of the portfolio's eight acquisitions, five produced positive returns, resulting in a weighted average gain of 1.11% per acquisition. Of the portfolio's 16 positive return positions, only two produced over 15% returns. Positions in GILD, APC, BCEI, and DDD accounted for 24.09% of beginning year School Portfolio (as of 8/26/15).

Those four positions accounted for a net loss of \$5,564.47 or -5.68% of the beginning total portfolio value. From August 2014 to April 2015, the School Portfolio maintained an average cash balance of \$14,495.73 (11.41% of ending portfolio value). The combination of limited gains on appreciating holdings, significant over-exposure to GILD, APC, BCEI, and DDD, and a large cash balance were a substantial drag on the School Portfolio, resulting in the negative portfolio returns. We are optimistic that the School Fund positions will realize more significant upside in the near future as our investment theses come to fruition.

### School Portfolio (April 17, 2015)



| School Portfolio        |        |               |                            |               |                     |             |                                 |              |
|-------------------------|--------|---------------|----------------------------|---------------|---------------------|-------------|---------------------------------|--------------|
| Ticker                  | Shares | Ending Shares | Date Inherited or Acquired | Initial Price | Date Sold or Valued | Final Price | Dividends Received (net of tax) | Gross Return |
| <b>Inherited Stocks</b> |        |               |                            |               |                     |             |                                 |              |
| MSFT                    | 100    | 100           | 8/26/2014                  | 45.01         | 4/17/2015           | 41.62       | 0.62                            | -6.17%       |
| DE                      | 70     | 70            | 8/26/2014                  | 84.10         | 4/17/2015           | 87.51       | 1.20                            | 5.48%        |
| CMCSA                   | 150    | 150           | 8/26/2014                  | 54.56         | 4/17/2015           | 58.42       | 0.45                            | 7.90%        |
| APC                     | 50     | 50            | 8/26/2014                  | 112.05        | 4/17/2015           | 93.68       | 0.81                            | -15.67%      |
| BA                      | 55     | 55            | 8/26/2014                  | 128.60        | 4/17/2015           | 149.60      | 1.64                            | 17.60%       |
| BCEI                    | 100    | 100           | 8/26/2014                  | 59.54         | 4/17/2015           | 26.96       |                                 | -54.72%      |
| POZN                    | 550    | 550           | 8/26/2014                  | 8.37          | 4/17/2015           | 7.80        |                                 | -6.81%       |
| WWAV                    | 135    | 35            | 8/26/2014                  | 34.75         | 4/17/2015           | 45.98       |                                 | 32.32%       |
| MA                      | 100    | 100           | 8/26/2014                  | 77.00         | 4/17/2015           | 86.93       | 0.27                            | 13.25%       |
| GILD                    | 150    | 150           | 8/26/2014                  | 106.27        | 4/17/2015           | 101.38      |                                 | -4.60%       |
| DAL                     | 175    | 175           | 8/26/2014                  | 39.90         | 4/17/2015           | 44.76       | 0.18                            | 12.63%       |
| LNVGY                   | 250    | 250           | 8/26/2014                  | 30.25         | 4/17/2015           | 33.31       | 0.13                            | 10.56%       |
| EDU                     | 200    | 200           | 8/26/2014                  | 22.66         | 4/17/2015           | 23.88       | (0.02)                          | 5.30%        |
| JAZZ                    | 50     | 0             | 8/26/2014                  | 163.56        | 11/11/2014          | 171.70      |                                 | 4.98%        |
| RSO                     | 300    | 0             | 8/26/2014                  | 5.38          | 9/17/2014           | 5.31        |                                 | -1.24%       |
| DDD                     | 90     | 0             | 8/26/2014                  | 51.44         | 3/5/2015            | 29.25       |                                 | -43.14%      |
| <b>Divested Stocks</b>  |        |               |                            |               |                     |             |                                 |              |
| JAZZ                    | 50     |               | 8/26/2014                  | 163.56        | 11/11/2014          | 171.70      |                                 | 4.98%        |
| WWAV                    | 100    |               | 8/26/2014                  | 34.75         | 9/17/2014           | 36.72       |                                 | 5.67%        |
| RSO                     | 300    |               | 8/26/2014                  | 5.38          | 9/17/2014           | 5.31        |                                 | -1.24%       |
| DDD                     | 90     |               | 8/26/2014                  | 51.44         | 3/5/2015            | 29.25       |                                 | -43.14%      |
| DDD                     | 90     |               | 2/18/2015                  | 30.40         | 3/5/2015            | 29.25       |                                 | -3.78%       |
| <b>Acquired Stocks</b>  |        |               |                            |               |                     |             |                                 |              |
| FDX                     | 20     | 20            | 11/5/2014                  | 168.01        | 4/17/2015           | 168.00      | 0.40                            | 0.23%        |
| SLB                     | 55     | 55            | 11/13/2014                 | 93.31         | 4/17/2015           | 92.86       | 0.90                            | 0.48%        |
| SIVB                    | 50     | 50            | 1/28/2015                  | 114.71        | 4/17/2015           | 127.00      |                                 | 10.71%       |
| MUSA                    | 75     | 75            | 1/28/2015                  | 70.67         | 4/17/2015           | 69.34       |                                 | -1.88%       |
| DIS                     | 50     | 50            | 2/18/2015                  | 104.00        | 4/17/2015           | 106.69      |                                 | 2.59%        |
| QVAL                    | 300    | 300           | 2/18/2015                  | 27.06         | 4/17/2015           | 27.65       | 0.07                            | 2.42%        |
| MC                      | 170    | 170           | 3/12/2015                  | 31.35         | 4/17/2015           | 29.46       |                                 | -6.03%       |
| DDD                     | 90     | 0             | 2/18/2015                  | 30.40         | 3/5/2015            | 29.25       |                                 | -3.78%       |

## DIVESTED HOLDINGS

### 3D Systems (DDD)

Portfolio: School  
Purchased: April 17, 2013 & February 18, 2015  
Purchase Price: \$30.59, \$30.40  
Inherited Price: \$52.67  
Sale Date: March 5, 2015  
Sale Price: \$29.25  
Analyst: Sam Skanchy

3D Systems develops, manufactures, and markets 3D printers and the software and support needed to operate 3D printers. 3D Systems provides industrial products to a wide range of businesses and personal printers for homes. 3D Systems uses a direct sales force and distributors. 3D Systems is commonly referred to as the founder of 3D printing. In 2014, 3D Systems made a large number of acquisitions to expand its product mix and invest in the raw materials market for 3D printing. Although these mergers and acquisitions may be fruitful in the long term, they hurt short term profits. These missed earnings, along with pressure from new entrants such as Hewitt-Packard, caused the stock to decline 65% in 2014. Management continues to focus on future investment rather than short term earnings. We sold this stock at \$29.25.



**BDSYSTEMS™**

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### Jazz Pharmaceuticals (NASDAQGS: JAZZ)

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Portfolio: School  
Purchased: February 9, 2012  
Purchase Price: \$49.52  
Inherited Price: \$163.56  
Sale Date: February 19, 2014  
Sale Price: \$171.70  
Analyst: Thomas Osmond

Jazz Pharmaceuticals is a biopharmaceutical whose business model aims to procure new drug technologies that have been shelved by other pharmaceutical companies. A company may shelve a drug that shows potential largely due to budget constraints. Jazz takes these new products through appropriate drug approval processes and commercializes them. Jazz's flagship drug is Xyrem, which is used for narcolepsy.

Jazz Pharmaceuticals was originally purchased for the potential growth of Xyrem. In the two years we have held a position in Jazz, Xyrem, as well as Defitelio, has performed well, driving share price appreciation. While quarterly results continue to outperform general analyst expectations and these drugs are still performing well, our fund's analysts are of the opinion that most of the stock's upside has already been realized. The start of what turned out to be a period of heavy insider selling was an indication that our time to exit our position had come.



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### WhiteWave Foods (NYSE: WWAV)

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Portfolio: School  
Purchased: February 27, 2013  
Purchase Price: \$15.21  
Inherited Price: \$34.75  
Sale Date: October 2, 2013  
Sale Price: \$45.98  
Analyst: Keefer Babbitt

WhiteWave produces dairy, dairy alternatives, and other organic foods for the U.S. and European markets. The company focuses on acquiring established brands with strong long-term organic growth opportunities and developing new products within existing brands.

Initially, I recommended selling the entire position but other analysts suggested reducing our position but not completely selling out. On September 17, we sold 100 shares of our 135 shares from the School fund. My rationale for selling was based on an expensive valuation at 44.4x trailing and 31x forecast 2015 earnings in spite of strong industry momentum and numerous industry-wide acquisition deals. This sale was a poor decision due to the company's sustained growth momentum but valuation continues to be high relative to other consumer discretionary names. Lesson learned.



WhiteWave is a healthy-food product company focused upon growing brands and market presence while maintaining strong organic growth. Low energy prices will increase discretionary spending and more consumers will opt to purchase healthy, more expensive alternatives. I would recommend a sale if momentum slows as multiple contractions will ensue

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### Resource Capital Corp (NYSE: RSO)

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Portfolio: School  
Purchased: March 6, 2013  
Purchase Price: \$6.65  
Inherited Price: \$5.38  
Sale Date: Sep. 17, 2014  
Sale Price: \$5.31  
Analyst: Chad Burton

Resource Capital Corporation is a real estate investment trust that purchases and maintains positions in commercial real estate-related assets as well as commercial finance assets in the United States. The company invests in bank loans, commercial mortgage-backed securities, other asset-backed securities, and several other financial assets.

Resource Capital Corporation has paid relatively high dividends;



however, we sold the stock due to poor performance and because it had very little upside potential. Over the past few years it has shown declining revenues, declining earnings per share, and overall volatile performance.

## Socially Responsible Portfolio

### **STRATEGY**

The Socially Responsible Portfolio (SRP) was formed in the spring of 2011 to give students at the University of Utah the opportunity to build and manage a socially responsible portfolio of public equities. The Fund analysts of the 2010-2011 academic year proposed the following mission statement.

*"The Student Investment Fund's Socially Responsible Portfolio targets equities that provide maximum returns while meeting our social investing criteria---ethical labor practices, respect for the environment, and equitable distribution of wealth."*

Fund analysts explored a variety of ways to define a socially responsible investment. One concept fund analysts developed to capture a socially responsible company is the idea of social alpha, defined by the 2011-2012 SIF as,

*A benefit to stakeholders above what is normally expected for a company with a similar set of stakeholders. Positive social alpha indicates a social good, whereas negative social alpha represents a social ill. Social alpha may be measured both quantitatively and qualitatively.*

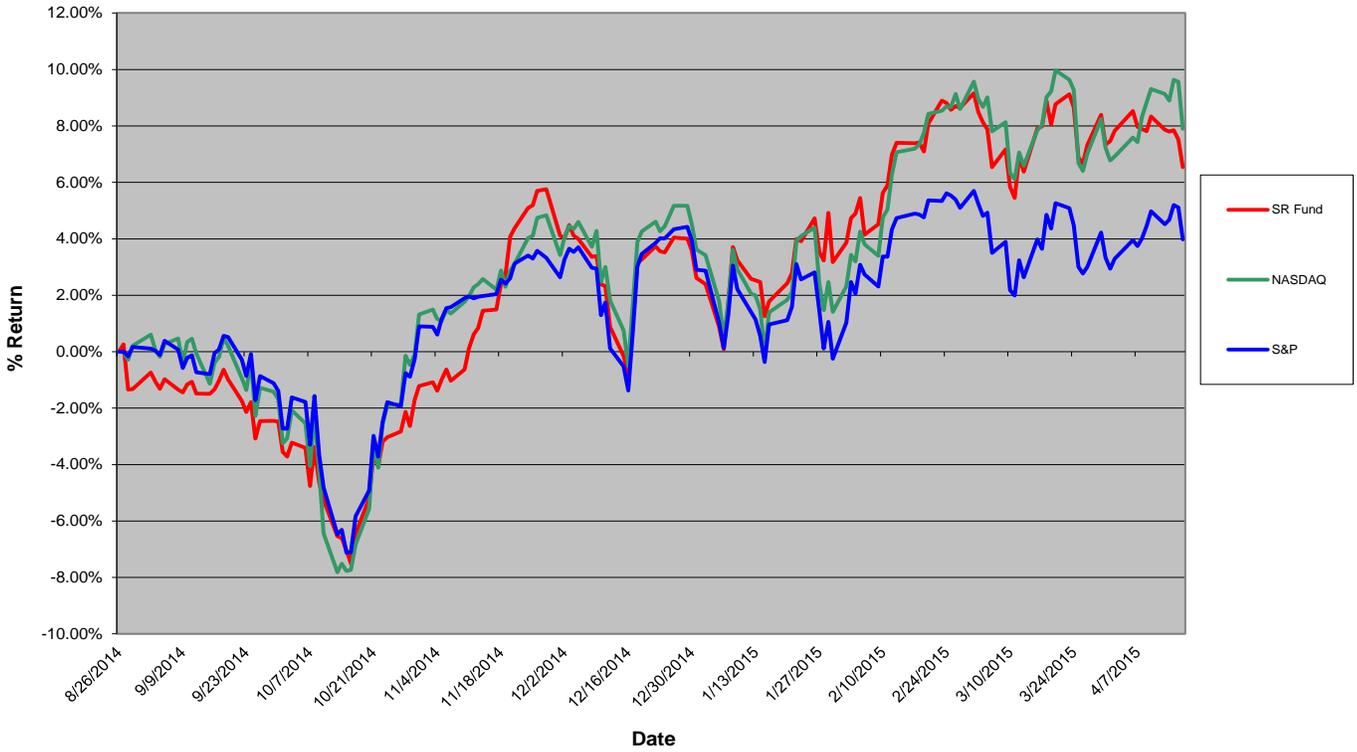
In defining social alpha more precisely, Fund analysts examine internal factors for a candidate firm as well as the firm's external activities. Items identified as important internally to a prospective investment include ethical and equitable treatment of employees, employee benefits, executive pay, corporate culture, and support for work-life balance. Important external qualities of a target firm include human rights, environmental impact, contracting with socially responsible suppliers and customers, community involvement, ethical dealings with suppliers and governments, anti-corruption policies, and animal rights.

Each investment in the SRP must clear two hurdles. When a new investment is proposed, it must first meet the Student Investment Fund's criteria for a good investment with strong potential for capital appreciation. Once the analysts determine, with a majority vote, that these criteria are met, a second vote is taken to decide whether the company qualifies as socially responsible. This second hurdle requires a two-thirds majority before an investment can be made.

### **HIGHLIGHTS**

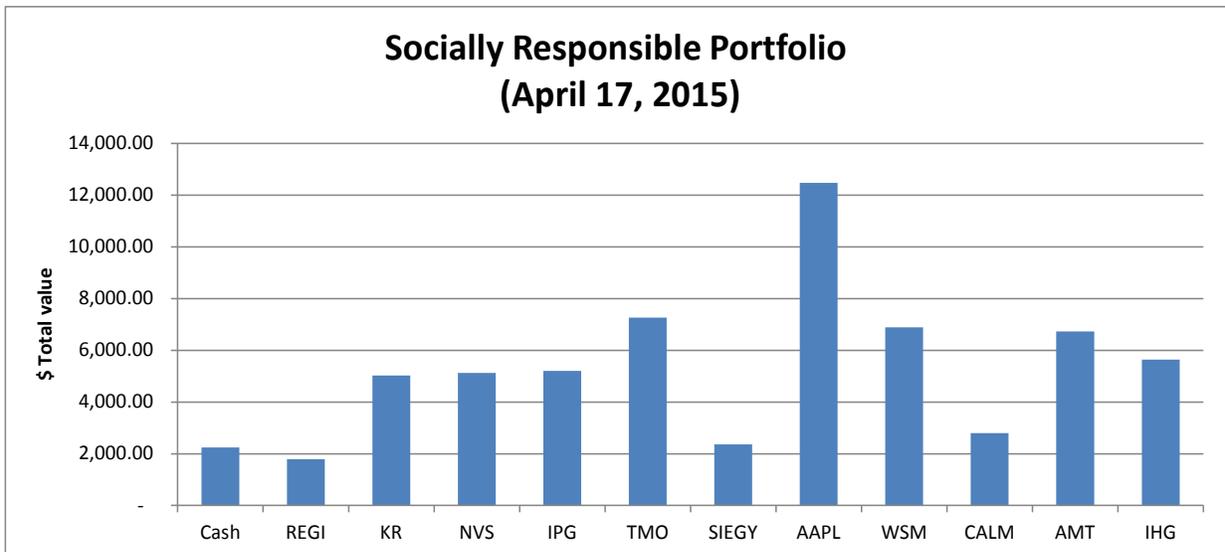
The Social Responsible Portfolio was funded on April 6, 2011. The analysis below captures the portfolio's position as of April 17, 2015. We made three new investments during the 2014-2015 school year in the Socially Responsible Portfolio: Renewable Energy Group (REGI), Cal-Maine Foods (CALM), and Kroger (KR). We also added to the portfolio's existing position in Apple (AAPL). Overall, the total return in the Socially Responsible Portfolio during the year was 6.54%. The S&P 500 and NASDAQ returned 3.98% and 7.90%, respectively, over the same time period.

**Portfolio Return v. S&P and Nasdaq  
2014 - 2015**



As of April 17, 2015, our largest holdings in the Socially Responsible Portfolio were AAPL (19.6%), TMO (11.4%), WSM (10.8%), and AMT (10.6%).

We began the 2014-2015 school year with 15.6% of the portfolio in cash. The additional investments we made during the year reduced this balance to 3.5%.



| SOCIALY RESPONSIBLE PORTFOLIO |             |                             |               |                     |                         |                    |                     |                 |
|-------------------------------|-------------|-----------------------------|---------------|---------------------|-------------------------|--------------------|---------------------|-----------------|
| Ticker                        | # of Shares | Date Inherited or Purchased | Initial Price | Date Sold or Valued | Final Price             | Dividends Received | Gross Return        | Weighted Return |
| <b>Inherited Positions</b>    |             |                             |               |                     |                         |                    |                     |                 |
| IPG                           | 250         | 26-Aug-14                   | 19.73         | 17-Apr-15           | 20.83                   | 77.50              | 7.15%               | 0.59%           |
| NVS                           | 50          | 26-Aug-14                   | 89.71         | 17-Apr-15           | 102.46                  | 0.00               | 14.21%              | 1.15%           |
| TMO                           | 55          | 26-Aug-14                   | 120.71        | 17-Apr-15           | 132.10                  | 24.75              | 9.81%               | 1.12%           |
| AAPL                          | 56          | 26-Aug-14                   | 100.89        | 17-Apr-15           | 124.75                  | 52.64              | 24.58%              | 2.70%           |
| SIEGY                         | 22          | 26-Aug-14                   | 127.15        | 17-Apr-15           | 107.18                  | 60.27              | -13.55%             | -0.50%          |
| WSM                           | 90          | 26-Aug-14                   | 74.85         | 17-Apr-15           | 76.51                   | 59.40              | 3.10%               | 0.34%           |
| AMT                           | 70          | 26-Aug-14                   | 98.60         | 17-Apr-15           | 96.10                   | 51.80              | -1.78%              | -0.19%          |
| IHG                           | 138         | 26-Aug-14                   | 38.22         | 17-Apr-15           | 40.90                   | 33.81              | 7.65%               | 0.68%           |
| <b>New Investments</b>        |             |                             |               |                     |                         |                    |                     |                 |
| AAPL                          | 44          | 8-Oct-14                    | 98.56         | 17-Apr-15           | 124.75                  | 41.36              | 27.53%              | 2.38%           |
| REGI                          | 200         | 6-Nov-14                    | 10.37         | 17-Apr-15           | 8.93                    | 0.00               | -13.89%             | -0.39%          |
| CALM                          | 70          | 28-Jan-15                   | 36.39         | 17-Apr-15           | 40.00                   | 0.00               | 9.92%               | 0.44%           |
| KR                            | 70          | 11-Mar-15                   | 74.08         | 17-Apr-15           | 71.84                   | 0.00               | -3.02%              | -0.24%          |
| <b>Divested Position</b>      |             |                             |               |                     |                         |                    |                     |                 |
| PCL                           | 170         | 26-Aug-14                   | 40.85         | 9-Oct-14            | 39.27                   | 74.80              | -2.79%              | -0.29%          |
|                               |             |                             |               |                     | Beginning Investments   | 50,361.55          |                     |                 |
|                               |             |                             |               |                     | Beginning Cash          | 9,284.07           |                     |                 |
|                               |             |                             |               |                     | Total Beginning Balance | 59,645.62          |                     |                 |
|                               |             |                             |               |                     | Ending Investments      | 61,300.86          |                     |                 |
|                               |             |                             |               |                     | Ending Cash             | 2,243.21           |                     |                 |
|                               |             |                             |               |                     | Total Ending Balance    | 63,544.07          | <b>Total Return</b> |                 |
|                               |             |                             |               |                     |                         |                    | <b>6.54%</b>        |                 |

## PERFORMANCE ATTRIBUTION

The best performing stocks in the Socially Responsible Portfolio during the 2014-2015 school year were AAPL, NVS, CALM, and TMO. The most significant contribution to the overall return came from AAPL, which produced a gross return of 25.88%. Our heavy concentration in AAPL proved beneficial, resulting in a weighted return of 5.08%. NVS produced a gross return of 14.21% and a weighted return of 1.15%. TMO produced a gross return of 11.43% and a weighted return of 1.12%. CALM produced a gross return of 9.92%, but because of its smaller weight in the portfolio, it only provided a weighted return of 0.44%. IHG and IPG each produced smaller gross returns than did CALM, but contributed more to the overall portfolio return because of the larger size of the positions.

The worst performing stocks in the Socially Responsible Portfolio during the 2014-2015 school year were REGI, which decreased by 13.89%, and SIEGY, which decreased by 13.55%. Neither position is weighted heavily in the portfolio, however, so the contributions to the overall portfolio returns were just -0.39% and -0.50%, respectively.

## DIVESTED HOLDINGS

The only position we sold in the Socially Responsible Portfolio during the 2014-2015 school year was Plum Creek Timber (PCL).

### Plum Creek Timber Co. Inc. (NYSE: PCL)

|                  |                      |   |
|------------------|----------------------|---|
| Portfolio:       | Socially Responsible | Plum Creek is a timber real estate investment trust (REIT) that owns and manages timberlands in the United States. While its products include |
| Purchased:       | March 26, 2014       | lumber, plywood, and woodchips, the trust also focuses on mineral   |
| Purchase Price:  | \$41.68              | extraction and natural gas production.  |
| Inherited Price: | \$40.85              |   |
| Sale Date:       | October 9, 2014      | Previous analysts bought PCL believing it was underpriced and   |
| Sale Price:      | \$39.27              | expected the stock to appreciate. Current fund analysts believe PCL's   |
| Analyst:         | Clark Measom         | risk profile does not fit the fund's strategy. The stock has increased  |
|                  |                      | slightly since it was sold by the fund.   |



## Current Holdings

This section includes information on positions we held on April 17 as well as information on new investments we made between April 17 and the end of the academic year. "Current prices" reflect prices on April 17, 2015.

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### ABB LTD. (NYSE: ABB)

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Portfolio: Milner  
Purchased: March 24, 2009  
Purchase Price: \$14.22  
Inherited Price: \$22.97  
Current Price: \$21.78  
Analyst: Jonathan Buckwalter

ABB is a multinational corporation based in Zurich, Switzerland, which operates in the robotics, power, and automation technology areas. The company designs and builds power products and power systems. ABB's products improve grid efficiency and decrease maintenance needs in extreme environments and constrained spaces.



Over the past few years, industry participants, including ABB, faced a slowdown in overall demand. However, the fund analysts believe that the company has growth potential and a unique product offering, particularly for developing countries. Additionally, ABB's strong balance sheet and its significant investment in its research and development could lead to innovative equipment and products in the future. We rate this stock as a strong hold as the company's upside potential in the future could be significant.

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### Ambarella (NYSE: AMBA)

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Portfolio: Milner  
Purchased: February 11, 2014  
Purchase Price: \$29.58  
Inherited Price: \$33.07  
Current Price: \$72.84  
Analyst: Connor Allen

Ambarella develops semiconductor processing solutions that are both efficient and powerful, using less energy to perform tasks faster than its competitors. The company provides products and services to sports camera and security camera makers. The stock provided exposure to GoPro prior to its IPO. GoPro is believed to be the company's single largest client. AMBA maintains strong relationships with its distributors and suppliers.



Our analysts believe that AMBA is a strong investment, and will continue to outperform the index by capturing additional market share through product and customer development. As consumers switch to smaller, more efficient mobile camera products, we believe that AMBA will continue to be the best choice for manufacturers.

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### American Tower (NYSE: AMT)

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Portfolio: Socially Responsible  
Purchased: November 6, 2013  
Purchase Price: \$79.62  
Inherited Price: \$98.60  
Current Price: \$96.10  
Analyst: Clayton Spencer

American Tower is a REIT that owns communication real estate around the globe. After it recently acquired the majority of Verizon's cellular towers, it now owns over 87,000 communication sites. This includes over 40,000 towers within the United States and over 46,500 abroad in countries including Chile, Brazil, Ghana, Mexico, India, Peru, Germany, Panama, Columbia, Uganda, Costa Rica, and South Africa. AMT continues to expand rapidly both in the US and internationally, mainly through acquisitions. It generates revenue by renting its sites to clients who install their equipment on AMT's towers. Clients mainly consist of cellular service providers such as AT&T, T-Mobile, and Verizon. Other clients include government agencies and radio and television broadcast



companies.

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### Anadarko Petroleum (NYSE: APC)

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Portfolio: School  
Purchase Date: December 3, 2008  
Purchase Price: \$36.33  
Inherited Price: \$107.39  
Current Prices: \$93.68  
Analyst: Chas Foote

Anadarko Petroleum, headquartered in Texas, is one of the largest oil and gas exploration and production companies in the world. The Company held approximately 2.9 BOE of proved reserves as of December 31, 2014. Anadarko operates in Texas and surrounding states, the Rocky Mountain region, Alaska, and the Gulf of Mexico. Internationally, Anadarko has exploration and/or production operations in Africa, Asia, South America, and the Caribbean.



In September 2014, the analyst covering Anadarko made a motion to sell all shares, citing the company's heavy exposure to North American onshore drilling and a downward trend in oil prices. Fund Analysts' voted to keep the stock in the portfolio, citing Anadarko's strong asset base and high dividend yield. Towards the end of the school year, Anadarko was rumored to be the acquisition target of a major integrated oil player (likely Exxon or BP), due to a cheap valuation and appealing international LNG (liquefied natural gas) assets. We recommend holding the stock, while keeping a close eye on commodity prices and acquisition trends.

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### Apple (NASDAQ: AAPL)

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Portfolio: Socially Responsible  
Purchased: April 18, 2011 & October 8, 2014  
Purchase Price: \$71.08 & \$98.56  
Current Price: \$124.75  
Analyst: Kevin Greer

Apple Inc. makes mobile communication and media devices, personal computers, portable digital media players, and a variety of related software, services, digital content, and applications. 50.3% of Apple's 2014 revenue came from iPhone sales, 19.8% from iPad, 14.8% from Mac, with the rest coming from iTunes, Services, iPod, and accessories. With a market cap of \$726.6 billion, Apple is the world's most valuable company.



At the beginning of fiscal year 2015, Apple announced it was entering two new product categories and introduced Apple Pay and Apple Watch. Apple Pay gives users a secure and convenient way to pay for purchases using their iPhones. Apple Watch has become the company's fastest-selling product, with an estimated one million pre-orders on launch day. We expect these new products to complement Apple's already strong product portfolio and add significantly to the company's revenues and profits.

Given these factors - and Apple's uniquely strong fundamentals - we are optimistic about the growth potential in this stock. We began the year with 56 shares and purchased an additional 44 shares on October 8, at \$98.56.

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### Avid Technology (NASDAQGS: AVID)

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Portfolio: Milner  
Purchased: April 29, 2015  
Purchase Price: \$16.45  
Current Price: N/A  
Analyst: Kevin Greer

Avid Technology produces video and audio editing software and hardware. Avid also provides cloud storage for multimedia digital files. Avid Technology is the industry standard for high-end audio and video production. The company has close to 100% market penetration in high-end users. The company is developing a



slimmer version of its products for hobbyists. Our analysts believe the new product will increase the firm's revenues significantly.

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### Boeing (NYSE: BA)

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Portfolio: School  
Purchase Date: Dec. 27, 2010  
Purchase Price: \$64.00  
Inherited Price: \$126.60  
Current Price: \$149.60  
Analyst: Chad Burton

Boeing is the world's leading aerospace company and the largest manufacturer of commercial jetliners and military aircraft.

Boeing has been one of the major performers in the school portfolio. Since it was inherited, Boeing's stock has increased in value by 18%. Boeing has shown increases in both revenue and earnings. With successful new products, such as the Dreamliner, and its leading position in the industry, we believe there is still significant upside potential for Boeing's stock.



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### Bonanza Creek Energy (NYSE: BCEI)

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Portfolio: Milner  
Purchased: Oct. 31, 2012  
Purchase Price: \$24.50  
Inherited Price: \$59.54  
Current Price: \$26.96  
Analyst: Keefer Babbitt

What they do: Bonanza Creek Energy is a small-cap exploration and production oil company. Its assets are primarily located in the Wattenberg field in Colorado with additional reserves in the Dorcheat Macedonia in Southern Arkansas. The company focuses on fracking and horizontal drilling to increase production rates and cash flows.

What we did: At the beginning of the year, we decided to hold our position in the face of a weakening oil price environment citing a better EBITDA margin and higher return on assets (ROA) than its peers. Additionally, BCEI was increasing frack stages and decreasing well space with new well drilling to increase the EOR and, therefore, improve profitability. However, the oil pricing environment became worse in late 2014 due to increasing supply in the face of weakening demand. This caused BCEI to decrease in value as commodity prices deteriorated. We held during this period and continue to hold as a sale at the bottom of the market would ultimately be a poor decision, but we are not sufficiently bullish on energy in the near term to go overweight as supply and demand in the market have not stabilized.



Thesis: BCEI has a high-quality management team that has accumulated a sizeable asset base in the Wattenberg field using better technology to increase the economics of new wells. BCEI is a good name to buy up on if we see commodity price stabilization and appreciation (strong indicators are U.S. inventory levels and rig count).

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### Boston Beer (NYSE: SAM)

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Portfolio: Milner  
Purchased: April 24, 2015  
Purchase Price: \$266.00  
Current Price: N/A

Boston Beer Company produces and sells beer, malt beverages, and hard cider. Boston Beer Co. is a large producer of craft beers, a growing segment of the beer market. In contrast to many craft brewers, Boston Beer has broad distribution. Its relatively large size makes it easier to control costs.

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**Cal-Maine Foods (NASDAQ: CALM)**

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Portfolio: Socially Responsible  
 Purchased: Jan. 28, 2015  
 Purchase Price: \$36.39  
 Current Price: \$40.00  
 Analyst: Keefer Babbitt



Cal-Maine produces, cleans, grades, packs, and sells fresh chicken eggs. CALM is an attractive investment based on its dominant market position, favorable industry product mix, and continued chicken farm consolidation. CALM makes up 16.4% of total U.S. egg production making it the largest producer in the nation with competitors Rose Acre and Land O' Lakes holding 10% and 9.8% market share, respectively. Additionally, specialty egg (e.g., free range, omega 3, cage free) demand continues to increase as customers have more discretionary spending and are more health conscious. Finally, the industry continues to consolidate offering better pricing and more predictable competitors. However, we bought a small position of 70 shares due to the commodity nature of the business. Cal-Maine Foods is the largest chicken egg producer in the U.S. A reasonable valuation, a 3% dividend yield, and a consistent growth track record make a strong case to continue holding CALM as a small position. I would continue to monitor input costs, industry supply trends, and possible anti-trust rulings when evaluating the company going forward. We benefitted significantly from an Avian Flu outbreak which harmed competitors in the spring of 2015.

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**Cerner (NYSE: CERN)**

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Portfolio: Davidson & Milner  
 Purchase Date: February 10, 2006  
 Purchase Price: \$10.53  
 Inherited Price: \$57.12  
 Current Price: \$71.81  
 Analyst: Chas Foote



Cerner is largest publically traded full-service healthcare information technology provider in the U.S. Cerner's technologies optimize processes for health care organizations and are currently licensed by approximately 18,000 facilities around the world. Cerner operates globally, however, the company primarily is exposed to the U.S. market.

Cerner has been one of the biggest winners in the history of the Student Investment Fund. The Company has a proven ability to expand organically with new bookings (17% 10-year organic revenue CAGR) and through acquisition (purchased Siemens medical in late 2013, among other acquisitions). SIF Analysts' particularly like the high growth potential of the healthcare information technology industry and company's partnership with Intermountain Healthcare. We believe Cerner continues to present significant upside given the Company's proven track record, high growth industry and top-notch product offerings.

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**Collectors Universe (NYSE: CLCT)**

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Portfolio: Davidson  
 Purchased: March 4, 2015  
 Purchase Price: \$23.00  
 Current Price: \$22.37  
 Analyst: Chad Burton

Collectors Universe provides third-party authentication, grading, and related services for rare and high-value collectibles. These items include valuables such as coins, trading cards, sports memorabilia, and autographs. Collectors Universe is an industry leader and the premier brand for authentication and grading.



We purchased Collectors Universe because we believe it is a unique stock within an interesting industry which will further diversify our portfolio. We are confident that revenues will remain stable; however, we realize that due to the nature of the industry the stock has limited upside potential.

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### Comcast (NYSE: CMCSA)

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Portfolio: School  
Purchased: Jan. 17, 2007  
Purchase Price: \$29.99  
Inherited Price: \$54.56  
Current Price: \$58.42  
Analyst: Clayton Spencer

Comcast has several lines of business. its core business is providing voice and internet services to residential and business customers. Comcast also owns NBC Universal and its programming. Additionally, Comcast has offered to purchase Time Warner Cable for \$45 billion and is still waiting governmental approval to merge. The fund continues to hold onto Comcast because we believe that it has been an innovator with its Xfinity platform as well as developments in other areas.



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### Compass Minerals (NYSE: CMP)

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Portfolio: School  
Purchased: April 22, 2015  
Purchase Price: \$88.82  
Current Price: N/A  
Analyst: Clark Measom

Compass Minerals International produces and markets salt and plant nutrition products in the US and North America. We purchased 28 shares based on the following three main points. First, the fund did not have much exposure to industrial, agricultural, or mining companies. Secondly, the company has stable and consistent cash flows. The company also has been increasing its dividends for the past few years. Finally, the company's management team has focused on improving margins, especially since the tornado strike in 2012. Since that time, we have seen improved margins, and we expect this to continue moving forward in the future.



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### Deere (NYSE: DE)

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Portfolio: School  
Purchased: November 30, 2005  
Purchase Price: \$34.63  
Inherited Price: \$84.10  
Current Price: \$87.51  
Analyst: Thomas Osmond

Deere manufactures construction, earthmoving and agricultural equipment on light to heavy scales, with the majority of its annual revenue coming from heavy agricultural equipment. In addition, Deere operates its own financing arm and divested an agricultural crop insurance subsidiary in 2015. The company competes globally and maintains a reputation as an industry leader in innovation and quality.



2014 resulted in a bumper crop meaning annual harvest among farmers exceeded the demand for the crops. With this looming in the air for FY 2015 results and domestic federal equipment subsidies expiring this year, Deere is forecasting near a 10% reduction in revenue. We have held our position in Deere for a long time, reaping the benefits of a high and continually increasing dividend, and we expect the dividend to continue regardless of revenue in the short term. Fund analysts chose to hold this position, believing share price appreciation will continue once demand and supply equilibrate.

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## Delta Air Lines (NYSE: DAL)

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Portfolio: School  
Purchased: March 5, 2014  
Purchase Price: \$34.85  
Inherited Price: \$34.90  
Current Price: \$44.76  
Analyst: John Carpenter



Delta Air Lines is an international air transportation company based in Atlanta, Georgia. The company employs about 81,000 people, and has a large hub in Salt Lake City. With a market cap of \$33 billion, DAL is one of the largest airlines and captures almost 16% of the passenger market share.

Since its emergence from bankruptcy, Delta Air Lines has strengthened its financial position and has become a leading carrier in the United States. Analysts believe the lower fuel costs will be a significant driver of bottom line growth and further debt repayment. Foreign exchange risk, however, is reason for increased awareness as the strong dollar puts downward pressure on foreign revenue.

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## Diageo (NYSE: DEO)

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Portfolio: Milner  
Purchased: Feb. 4, 2009  
Purchase Price: \$55.43  
Inherited Price: \$125.09  
Current Price: \$112.69  
Analyst: Douglas Cabral



Diageo currently has the world's largest market share as a provider of spirits. The firm currently produces eight of the 20 most popular spirit brands, including Smirnoff Vodka, Johnny Walker Scotch, Guinness beer, and Jose Cuervo. The company is vertically integrated as it produces, packages, and distributes the spirits, wine, and beer it sells.

The firm continues to grow by strategic acquisitions in emerging markets. The latest acquisition made by Diageo was Don Julio's brands, a leading tequila brand in Mexico. In the middle of 2014 the stock was hit hard because of Chinese restrictions on luxury goods, making the stock an attractive hold. Currently the stock is trading on the low end of its peers. Nevertheless, it has the potential to reach \$130 based on P/E multiple valuation.

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## eBay (NASDAQ: EBAY)

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Portfolio: Milner  
Purchased: November 14, 2012  
Purchase Price: \$46.92  
Current Price: \$55.79  
Analyst: Kevin Greer



eBay Inc., is a global technology company that operates in three business segments: marketplaces, including eBay and StubHub; payments, comprised of PayPal and Bill Me Later; and enterprise, including Magento, a provider of omni channel operations and marketing solutions for merchants.

In September 2014, after months of public pressure from activist shareholders Carl Icahn and Daniel Loeb, eBay announced plans to spin off PayPal in late 2015 as a separate public company. Shares jumped 8% on the announcement. Final terms of the split have not yet been announced, but current eBay shareholders will receive shares of the newly separated entities. We decided to hold the position through the split because we believe there is potential for increased upside post-split, particularly from the PayPal unit.

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### EMC (NYSE: EMC)

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Portfolio: Milner  
Purchased: December 9, 2009  
Purchase Price: \$16.75  
Inherited Price: \$26.65  
Current Price: \$26.61  
Analyst: Douglas Cabral



EMC Corporation manufactures, markets, and supports a wide range of hardware and software products. The main focus is to help businesses deliver information technology as a service (ITaaS). The company is organized in five segments: information storage, enterprise content division, RSA information security, Pivotal, and VMware virtual infrastructure.

Among the reasons why we are holding EMC is a strong balance sheet, with over \$8 billion in cash and just \$5.5 billion in debt. The company also has the potential to do a future spin-off, by selling its stake in VMware and unlocking shareholder value in the near term.

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### FedEx (NYSE: FDX)

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Portfolio: School  
Purchased: November 5, 2014  
Purchase Price: \$168.01  
Current Price: \$168.00  
Analyst: Jacob Clark



FedEx Corporation is a leading global carrier service provider. The company offers shipping and business logistics services globally but currently focuses its operations within the United States and Europe. FedEx is currently the second largest global carrier by market capitalization at \$47.52 billion.

FedEx has continued to experience stable topline growth of 3.4% since 2012. We expect topline growth to reach 10% by 2016 and stabilize around 7% through 2019. This increase in growth is largely driven by the collapse in oil prices (oil savings passed on to customers), expected increase in ecommerce growth, improved capital structure, and international expansion. Our thesis has been supported by the stable oil prices far below historical levels, the recent acquisition of GENCO Distribution System, Inc., and further growth in the ecommerce market since November 2014.

FedEx's share price has lingered about the \$170-180 mark, largely due to oil price uncertainty. As oil prices continue to stabilize, ecommerce continues to increase international shipping activity, and FedEx continues to expand internationally, FedEx's top and bottom line should experience high single digit growth, further driving share price appreciation in the upcoming years.

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### Gilead Sciences (NasdaqGS: GILD)

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Portfolio: School  
Purchased: Feb. 26, 2014 & April 2, 2014  
Purchase Price: \$80.76 & \$73.83  
Inherited Price: \$106.27  
Current Price: \$101.38  
Analyst: Kevin Greer



Gilead Sciences is a research-based biopharmaceutical company that discovers, develops, and commercializes medicines. Gilead's primary areas of focus include HIV/AIDS, hepatitis B and C, and cardiovascular/metabolic and respiratory conditions.

SIF analysts purchased Gilead with the belief that its new hepatitis C drug, which had just received FDA approval, would be a major growth catalyst. That drug, Sovaldi, has since become the fastest selling drug in history and is expected to produce \$10 billion in revenue this year. The success of Sovaldi has added significantly to Gilead's free cash flow, which more than doubled in 2014. In February 2015, the company announced it had approved a \$15 billion share repurchase program and that it would begin paying quarterly dividends of \$0.43 per share.

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## ICON Public Limited Company (NYSE:ICLR)

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Portfolio: Davidson & Milner  
Purchased: February 3, 2005  
Purchase Price: \$8.48 (split-adj.)  
Inherited Price: \$51.16  
Current Price: \$68.98  
Analyst: Jacob Clark

ICON PLC is a medical research company based in Ireland that provides outsourced research and development services to pharmaceutical, biotechnology, and medical device companies. It operates in the medical laboratories and research industry.

ICON is a best-in-class clinical research organization (CRO) and has consistently outperformed the market over the past several years. It operates at far higher margins than its competitors and has experienced rapid top line growth of 17.4% since 2012. ICON currently operates in a highly fragmented market with the top four players accounting for less than 27% of total industry revenues. The combination of best in class operations, rapid historical growth, and advantageous consolidation opportunities provide significant upside potential for ICON moving forward. ICON is currently trading at 25 times earnings despite optimistic growth outlooks. As of March 26, 2014, we rebalanced the Milner Portfolio to limit ICON exposure to 10% of the total portfolio value. ICON has been the key driver for growth in the Milner Portfolio YTD.



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## InterContinental Hotel Group (NYSE: IHG)

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Portfolio: Socially Responsible  
Purchased: January 29, 2014  
Purchase Price: \$32.80  
Inherited Price: \$38.22  
Current Price: \$40.90  
Analyst: Clark Measom

Intercontinental Hotels Group is a British multinational hotel company that has over 710,000 rooms and 4,800 hotels across nearly 100 countries. IHG owns hotel brands that include Holiday Inn, Crowne Plaza, Even, and Hauluxe.

Fund analysts expect low fuel prices as well an increase in world travel to increase hotel usage worldwide. IHG offers growth opportunity as well as an attractive dividend yield.



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## Interpublic Group (NYSE: IPG)

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Portfolio: Socially Responsible  
Purchased: April 20, 2011  
Purchase Price: \$11.82  
Inherited Price: \$19.64  
Current Price: \$20.83  
Analyst: Sam Skanchy

Interpublic is one of the "Big Four" global advertising and marketing services companies. Interpublic offers consumer advertising, digital marketing, communications planning, public relations, and specialized communications. Some of its biggest clients include Nestle, Johnson & Johnson, and Microsoft. As the US economy slowly comes out of recession, the advertising industry has seen an increase in companies willing to spend money on advertising. This macro trend, along with a steady expanding client base, and the shift from traditional advertising to digital marketing, has allowed Interpublic to expand its market share in a fragmented and consolidating industry. Interpublic has an estimated market share of 9.7% in the consolidating US advertising market. Interpublic contributes to its communities by offering a variety of community services projects both domestically and internationally. These projects include project donations, pro bono consulting, and the adaption of green practices. These projects along with others qualify Interpublic's presence in the Socially Responsible Fund.



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### Intuit (NASDAQGS: INTU)

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Portfolio: Milner  
Purchased: April 7, 2015  
Purchase Price: \$98.15  
Current Price: \$95.58  
Analyst: Jonathan Buckwalter



Intuit is a leading business and financial management software provider for small businesses, consumers, and accounting professionals. The company's products include QuickBooks, Quicken, TurboTax, and Mint.

Fund analysts recommended a strong buy for Intuit based on the company's strong reputation in the industry, a shift in the company's business model to connected services, and consumer shift toward online tax preparation and filing. As cyber security concerns grow, consumers are likely to seek products from companies with strong reputations, such as Intuit. Also, the company's shift toward cloud-based services has allowed users to enjoy interconnected functionalities. This increases user satisfaction and raises the cost of switching to an alternative vendor.

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### Kroger (NYSE: KR)

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Portfolio: Socially Responsible  
Purchased: March 11, 2015  
Purchase Price: \$74.08  
Current Price: \$72.91



Kroger operates a variety of grocery stores, multi-stores, jewelry stores, and convenience stores in the US. Kroger produces many of its house-branded products under a variety of names. Although the grocery industry has small margins and low growth, Kroger has been out-performing its competitors for the last five years. The company has acquired many competitors, but leaves the local name on the stores, allowing the stores to maintain a local identity. Kroger produces many of its own house brands under a variety of names. These products have higher margins without the stigma of being "generic." Kroger is introducing many new organic products at competitive prices. The company has a number of initiatives that make it suitable for the socially responsible fund including a strong plastic recycling program, a program that has diverted about 90% of its waste from landfills, a waste-to-energy program, and strong support of local food banks.

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### Lenovo Group (SEHK: 992)

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Portfolio: School  
Purchased: March 5, 2014  
Purchase Price: \$20.07  
Inherited Price: \$30.25  
Current Price: \$33.31  
Analyst: Andres Vergara



Lenovo Group produces and sells computers, mobile devices, storage products, and servers. Lenovo Group has experienced strong growth in revenues and market share in its various product segments. The company is engaged in a number of joint ventures with strong partners. The company recently made two large acquisitions, to which the market reacted badly. Our analysts believe that the market is undervaluing the company's future cash flows. The company has products in both the PC and in the mobile device (including smart phones and tablets) markets, and serves both developed and emerging markets. Lenovo has entered into a number of attractive joint ventures in the last year. The company has been the number one PC vendor since 2013.

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### LyondellBasell (NYSE: LYB)

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Portfolio: Milner  
Purchased: March 21, 2011  
Purchase Price: \$39.33  
Inherited Price: \$112.60  
Current Price: \$95.65  
Analyst: Keefer Babbitt



LyondellBasell Industries manufactures and distributes chemicals and polymers. LYB is a large cap company producing commodity chemicals used for plastics and other chemicals. We initially invested in the company shortly after it emerged from bankruptcy. Currently, the company is operating at close to full capacity. The company has been actively buying back shares with a 10% repurchase from May 2013 to May 2014. The company continues to benefit from low oil prices.

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### MasterCard (NYSE: MA)

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Portfolio: School  
Purchased: March 25, 2013 &  
January 6, 2014  
Purchase Price: \$52.01 (split-  
adjusted), \$74.61  
Inherited Price: \$77.00  
Current Price: \$86.93  
Analyst: Angel Demirev



MasterCard, Inc. provides payment services internationally. The company offers a payment processing service for MasterCard-branded credit and payment cards in addition to a variety of consulting services in managing card services, security, and fraud prevention.

Fund analysts decided that exposure to MasterCard was important for diversification in the payment processing space, but decided not to increase our exposure when the company lost a court case over EU interchange fees to which the market responded poorly. MasterCard continues to maintain the highest NTM EPS growth rate of all its competitors at 17.47% according to Capital IQ.

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### Maxwell Technologies (NASDAQGS: MXWL)

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Portfolio: Milner  
Purchased: November 18, 2009  
Purchase Price: \$17.46  
Inherited Price: \$10.52  
Current Price: \$7.48  
Analyst: Conner Allen



Maxwell develops ultra-capacitors, a cutting edge energy storage technology that provides ultra-fast charging and output. Main uses for Maxwell's products are in hybrid vehicles, information technology, and renewable energy production.

Our analysts believe that MXWL has significant upside potential by being a leader within a quickly expanding industry. As the market demands more efficient batteries, we believe that the company is well positioned for explosive growth. Specifically within the electric car market, we anticipate that Maxwell will be a key supplier for the fast growing industry. Although Maxwell's stock price has not performed well this year, our analysts have decided to continue to hold the stock in an effort to capture this potential upside.

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### Microsoft (NASDAQGS: MSFT)

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Portfolio: School  
Purchased: April 15, 2004  
Purchase Price: \$25.23  
Inherited Price: \$44.41  
Current Price: \$41.62

Microsoft is a multinational technology company. Microsoft develops, supports, and licenses the Windows operating system and the suite of Microsoft Office software products. The company made the sizeable acquisition of Mojang, the maker of the hit game Minecraft, to boost sales in its video game segment 2014.

Analyst: Alex Schaaf



Also, the Company's management team is focused on becoming the leader in the rapidly growing mobile and cloud market with products and services such as Bing, Windows Live Essentials, Xbox Live, and Microsoft Azure. The company has realized steady revenue, EPS, and dividend growth in the past five years and we expect this trend to continue in the near future.

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### Murphy USA (NYSE: MUSA)

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Portfolio: School  
Purchased: January 28, 2015  
Purchase Price: \$70.67  
Current Price: \$69.34



Murphy USA is a chain of gas stations and convenience stores. Most of its stores are located in the Eastern US. Murphy USA is expanding its convenience store and fueling station partnership with Walmart. Murphy strives to be the low-cost seller in its markets. Its margins are thin, but its turnover is considerably higher than its competitors. The company is growing rapidly. Low oil prices tend to improve margins, so this is an attractive time to hold the stock.

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### New Oriental Education & Technology Group (NYSE:EDU)

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Portfolio: Milner, School  
Purchased: July 21, 2014 & April 23, 2014  
Purchase Price: \$22.16 & \$26.57  
Inherited Price: \$22.66  
Current Price: \$23.88  
Analyst: Minh Le



New Oriental Education & Technology Group Inc. provides private educational services in China. The company offers test preparation courses for admissions and assessment tests in the United States and in China. It also provides language training courses, including English and other foreign languages such as German, Japanese, French, Korean, and Spanish for adults. As of May 31, 2014, New Oriental delivers educational program in 50 cities in China.

SIF continues to hold on to New Oriental for three reasons. The first reason is that the demand for English education is high in China. The change in the college entrance examination will help increase enrollment in other classes. The second reason is that New Oriental is expanding into the e-learning business, which we think will differentiate the company with its competitors. Lastly, New Oriental completed a joint venture with Tencent to develop unique mobile-based English training which should help increase enrollment in the future.

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### Nexstar Broadcasting Group (NASDAQ:NXST)

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Portfolio: Milner  
Purchased: November 20, 2013  
Purchase Price: \$45.93  
Inherited Price: \$45.62  
Current Price: \$57.01  
Analyst: Jacob Clark

Nexstar Broadcasting Group, Inc. is a television broadcasting and digital media company. The company owns and operates stations in small to mid-size markets focused in the United States. The company also develops and airs local programming and web content for its own and for other news stations.

Nexstar Broadcasting has continued to experience significant top



line growth of 33.4% since 2012 both organically and through an active acquisition program. Nexstar targets small to mid-size stations to acquire and adds value through management expertise and scale, both in terms of added resources and through greater customer reach.

Nexstar competes in the television broadcasting industry. In 2014, the television broadcasting industry generated over \$68 trillion in revenue. The industry also remains highly fragmented with no player accounting for more than 2% of total industry revenues. With the U.S. household market continuing to improve, upcoming 2016 presidential elections, and significant industry opportunity, Nexstar is expected to continue experiencing attractive growth, further driving additional share price appreciation.

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### Novartis (NYSE: NVS)

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Portfolio: Socially Responsible  
Purchased: April 20, 2011  
Purchase Price: \$57.69  
Inherited Price: \$89.71  
Current Price: \$102.46  
Analyst: Kurt Moore



Novartis is a large multinational pharmaceutical company headquartered in Switzerland. According to IBISWorld's global pharmaceuticals industry report, Novartis is the second largest drug manufacturer in the world by market share, with 4.3% of market share by revenue. The stock was held by the previous class because of its strong position in the pharmaceutical industry, and in anticipation of growth spurred by new drugs such as Afinitor, a breast cancer drug, and Gilenya, a drug for multiple sclerosis. These two drugs, as well as Tassigna, a leukemia drug, saw sales growth of over 20% in 2014. Sales growth among innovative drugs in addition to modest growth in the other business segments of the firm have boosted margins and contributed to the 15% share price appreciation experienced during the 2014-2015 school year. Continued growth will be challenged by upcoming patent expirations and the ability of Novartis to grow its generics business while producing new products. The stock is considered socially responsible because of its vaccination programs for underprivileged children, the firm's reception of the Dow Jones Sustainability award, and its ranking as the number one pharmaceutical company in Forbes most admired companies list. More details about the firm's involvement in corporate responsibility efforts can be found on the firm's website.

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### Oasis Petroleum (NYSE: OAS)

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Portfolio: Davidson, Milner  
Purchased: February 15, 2012 & February 19, 2014  
Purchase Price: \$31.89 & \$42.80  
Inherited Price: \$49.06  
Current Price: \$17.38  
Analyst: Clark Measom  
Portfolio: Davidson, Milner



Oasis Petroleum is an exploration and production energy company, which focuses on unconventional oil and natural gas resources. The company has 506,000 net acres in the Williston Basin covering the Bakken and Three Forks areas.

Since the unanticipated fall in crude prices in late 2014, equity in OAS has lost over 60%, due to its increased leverage and higher costs for some of its wells. Fund analysts believe that as oil prices rebound, OAS will outperform its peers due to its leverage, operating efficiency, and its substantial unconventional reserves.

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### Old Dominion Freight Line (NASDAQGS: ODFL)

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Portfolio: Davidson  
Purchased: March 25, 2015  
Purchase Price: \$77.77  
Current Price: \$72.78

Old Dominion Freight Line provides less-than-truckload freight services, primarily in the US. Old Dominion Freight operates in a growing shipment segment, less-than-truckload freight (LTL). The company has experienced strong organic growth and is gaining market share in a growing industry segment. The company has strong ROA, ROIC, and a strong balance sheet. The company plans a share buyback in the near future.



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### Pozen (NasdaqGS: POZN)

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Portfolio: School  
Purchased: January 30, 2013  
Purchase Price: \$5.08  
Inherited Price: \$8.06  
Current Price: \$7.80  
Analyst: Minh Le

Pozen, Inc. is a pharmaceutical company that specializes in pain medications. One of its focuses is creating hybrid drugs to eliminate side effects that are present in generic medicines. Pozen has a nontraditional business model with a consistent record of receiving approvals by the FDA. Once the company obtains FDA approval, Pozen collaborates with larger pharmaceutical companies to manufacture, sell, and distribute the products.



The company announced that it is in the final stage of receiving FDA approval for its PA product line (Yosprala). There have been problems with getting the product approved in the last stage. However, we believe that when the drug gets approved, the company's stock price will appreciate significantly. Recently, Pozen announced that the company would acquire Tribute Pharma for approximately \$146 million. Upon closing, the new entity will be named Aralez Pharmaceuticals PLC and will be domiciled in Ireland.

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### NASDAQ 100 Trust (NASDAQGIDS: QQQ)

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Portfolio: Milner  
Purchased: April 29, 2009  
Purchase Price: \$34.03  
Inherited Price: \$99.50  
Current Price: \$106.01  
Analyst: John Carpenter

The QQQ ETF is constructed to follow the NASDAQ 100. We purchased this ETF in 2009 because fund analysts wanted to invest their cash in the market during the summer break.

We are currently holding the ETF because it is diversified and generates market returns. The position in "cubes" allows us to maintain market exposure, but we recommend selling the position if a more attractive investment opportunity arises.



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### Ralph Lauren (NYSE: RL)

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Portfolio: Milner  
Purchased: November 14, 2012  
Purchase Price: \$150.25  
Inherited Price: \$169.00

Ralph Lauren Corporation is a multinational apparel and accessories company. The company has a strong domestic presence, and has increased its emphasis on global operations. The company has entered into the Chinese market and European

Current Price: \$133.78  
Analyst: Jonathan Buckwalter



markets in recent years.

Over the previous two quarters, Ralph Lauren's stock price has been volatile. Additionally, the company's earnings fell short of the market's expectation in the most recent quarter, leading to a loss of approximately 18% of stock value. Our analyst recommended holding Ralph Lauren due to its investments in infrastructure for online offerings, new product lines, and global expansion. Underperformance in the recent quarters is mainly due to the headwind from a strong dollar and also investments in future projects.

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### Renewable Energy Group (NASDAQGS: REGI)

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Portfolio: Socially Responsible  
Purchased: November 6, 2014  
Purchase Price: \$10.37  
Current Price: \$8.93  
Analyst: Alex Schaaf



Biodiesel is an emerging industry and production in the U.S. is expected to grow at an annual rate of 17.2% through 2018 as demand continues to increase due to Federal and State incentives offered to firms in the industry. Renewable Energy Group is one of the few profitable firms operating in the industry, with realized annual revenue growth of 35% from 2011 to 2013, and an expanding product line and production capacity every quarter.

The company has grown rapidly since its 2010 IPO, but uncertainty regarding government regulation of the biodiesel industry in the U.S. has discouraged investors from investing in the company, the largest producer of biodiesel in the nation. However, Congress has historically ruled in favor of renewable fuel subsidies benefiting the company.

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### Royal Caribbean Cruises (NYSE: RCL)

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Portfolio: Davidson  
Purchased: December 10, 2014  
Purchase Price: \$78.06  
Current Price: \$79.03



Royal Caribbean Cruises owns and operates six lines of cruise ships that operate internationally. Royal Caribbean operates primarily from the United States. Employment and disposable income data have been improving driving demand for vacations. Royal Caribbean has invested in a number of new ships with additional features which are likely to drive new demand. The company has a variety of different cruise lines which appeal to a range of different market segments. The company does not compete in the lowest segment of the market, but still has brands with mass market appeal. The current low price of oil should positively affect margins.

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### iShares Russell 2000 (IWM)

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Portfolio: Milner  
Purchased: March 26, 2015  
Purchase Price: \$122.45  
Current Price: \$124.43  
Analyst: Kevin Greer



IWM is the iShares Russell 2000 exchange traded fund. This ETF tracks the performance of the Russell 2000, which is an index composed of U.S. small-cap equities.

In March 2015, we decided we needed to reduce an overly-concentrated position in the Milner fund. Rather than allow the proceeds to sit in cash until we identified another opportunity, we elected to invest in IWM to maintain market exposure.

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### Schlumberger (NYSE: SLB)

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Portfolio: School  
Purchased: November 13, 2014  
Purchase Price: \$93.31  
Current Price: \$94.61

Schlumberger is a mega-cap oilfield service company. Schlumberger Ltd. provides the equipment and technology to get oil and natural gas out of the ground. The company offers a full-package of oilfield services, unlike many of its small competitors which specialize in one type of service (e.g., pressure pumping or tubing and casing). Schlumberger's customers are typically exploration and production companies.



SLB is the integrated technology leader in the oil field services industry. SLB is well positioned to take market share from smaller firms as SLB offers superior technology in an integrated package. SLB is geographically diversified with 68% of revenue coming from outside North America. No customer makes up more than 10% of revenue. Historically, SLB trades in line with large cap industrial companies. With the recent steep drop in oil prices, SLB is selling at a significant discount.

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### Siemens (NASDAQ: SIEGY)

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Portfolio: Socially Responsible  
Purchased: May 6, 2011  
Purchase Price: \$138.16  
Inherited Price: \$127.15  
Current Price: \$107.18  
Analyst: Angel Demirev

Siemens AG is a multinational conglomerate that operates in energy, infrastructure, industry automation, and healthcare. Siemens derives revenue from a variety of sources including wind power and fossil fuel generation, metropolitan infrastructure development, automated manufacturing industry processes, and financial services.



The breadth of the company's operations make it an effective diversifier for the fund, and its presence in the Socially Responsible Fund continues to be based on its ranking as industry group leader in the Dow Jones Sustainable Index Capital Goods group.

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### Springleaf Holdings (NYSE: LEAF)

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Portfolio: Milner  
Purchased: February 26, 2014  
Purchase Price: \$28.22  
Current Price: \$50.64  
Analyst: Alex Schaaf

Springleaf is a leading consumer finance company primarily serving non-prime consumers in the United States. It operates in two segments: consumer and insurance.



In March 2015, The Company announced the acquisition of OneMain Financial for approximately \$4.3 billion in cash. The combined entity has approximately 2.5 million customers and 2,000 branches making it the largest subprime lender in the United States. The stock price increased approximately 25% on the announcement date, and we expect this acquisition to continue to be accretive to shareholders.

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### SVB Financial Group (NASDAQGS: SIVB)

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Portfolio: School  
Purchased: January 28, 2015  
Purchase Price: \$114.71  
Current Price: \$132.76

SVB Financial is a financial company that provides banking through Silicon Valley Bank, private wealth management, and development loans. We invested in SVB because we were extremely underexposed to the financial sector. SVB has been growing rapidly and has developed an expertise in lending in the



Silicon Valley Bank

tech and vineyard markets. The firm has a history of extending private wealth services to insiders of successful start-ups. SVB has outperformed many of its competitors. Although it is riskier than some of its rivals, our analysts believe the company has found an attractive niche in which it can grow.

**Tata Motors (NYSE: TTM)**

Portfolio: Milner  
Purchased: April 22, 2009  
Purchase Price: \$7.05  
Inherited Price: \$47.27  
Current Price: \$43.31  
Analyst: Douglas Cabral



Tata Motors is a multinational automobile manufacturer headquartered in Mumbai, India. The Company designs and manufactures commercial automobiles and heavy trucks, which are sold to end consumers under the Tata Motors, Jaguar, and Land Rover brands. With more than 66,000 employees and a presence in 182 countries, the company is the largest automobile manufacturer in India. Most of the company's revenues are derived from operations in India and China, but sales in the United States and Europe represent a growing proportion of top-line results.

During the last four years, the company has experienced revenue growth at a compound rate of almost 17% per year, and the company's organic growth prospects, particularly from expanding international operations, remain strong looking forward. As the U.S. automobile market continues to rebound, and demand for luxury brands such as Jaguar and Land Rover increase in developing countries, current fund analysts believe that Tata Motors will continue to perform well in the Milner portfolio. On April 14, 2015, the fund voted to exercise 11 rights, as all valuation multiples still indicate the stock is undervalued.

**Thermo Fisher Scientific (NYSE: TMO)**

Portfolio: Socially Responsible  
Purchased: April 20, 2011  
Purchase Price: \$55.69  
Inherited Price: \$120.71  
Current Price: \$132.10  
Analyst: Kurt Moore



Thermo Fisher Scientific manufactures and develops analytical and laboratory instruments and supplies for life science companies. The stock was purchased because of the firm's strong product line and aggressive acquisition strategy – qualities that continue to drive share price performance today. Strong sales growth in 2014 was attributable in part to the February acquisition of LIFE Technologies, which produces genetic sequencing equipment. This area of research is experiencing strong growth and TMO is well-positioned to benefit from this trend. During the 2014-2015 school year, our shares appreciated by 8.5%. We continue to hold the stock because of the firm's continued aggressive acquisition strategy as well as the margin and sales growth benefits which are expected to continue as a result of the LIFE acquisition. It is also of note that total share price appreciation since the fund purchased TMO in April of 2011 is 137%.

**VeriFone Systems (NYSE: PAY)**

Portfolio: Milner  
Purchased: February 4, 2015  
Purchase Price: \$32.05  
Current Price: \$35.41

VeriFone Systems is a manufacturer and distributor of point-of-sale transaction and mobile payment systems. VeriFone was an early entrant into the credit card authorization system market and established a dominant position in the market in the 1980s. The



company's CEO failed to anticipate the popularity of mobile payments and the company suffered significant losses in market share. The CEO was ousted in 2013 and the company has launched an ambitious turnaround strategy. Our analysts believe VeriFone is an attractive investment based on management's emphasis on high-margin service revenue and recent improvements in its cost structure. Recent high profile data breaches and regulatory responses to those incidents make VeriFone's technology attractive.

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### The Walt Disney Company (NYSE: DIS)

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Portfolio: School  
Purchased: February 18, 2015  
Purchase Price: \$104.00  
Current Price: \$108.72

The Walt Disney Company is an international diversified entertainment company. The company runs theme parks, produces movies, and owns several cable stations including ESPN, Disney Channels, and ABC Family. We bought Disney based on a set of technical indicators. The primary focus was several momentum-based factors, but we also looked at an earnings factor.



The **WALT DISNEY** Company

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### WhiteWave Foods (NYSE: WWAV)

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Portfolio: School  
Purchased: February 27, 2013  
Purchase Price: \$15.21  
Inherited Price: \$34.75  
Current Price: \$45.98

WhiteWave produces dairy, dairy alternatives, and other organic foods for the U.S. and European markets. The company focuses on acquiring established brands with strong long-term organic growth opportunities and developing new products within existing brands.

Initially, I recommended selling the entire position but other analysts suggested reducing our position but not completely selling out. On September 17, we sold 100 shares of our 135 shares from the School fund. My rationale for selling was based upon an expensive valuation at 44.4x trailing and 31x forecast 2015 earnings in spite of strong industry momentum and numerous industry-wide acquisition deals. This sale was a poor decision due to the company's sustained growth momentum but valuation continues to be high relative to other consumer discretionary names. Lesson learned.



WhiteWave is a healthy-food product company focused on growing brands and market presence while maintaining strong organic growth. Low energy prices will increase discretionary spending and more consumers will opt to purchase healthy, more expensive alternatives. I would recommend a sale if momentum slows as multiple contractions will ensue.

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### Williams-Sonoma (NYSE: WSM)

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Portfolio: Socially Responsible  
Purchased: November 21, 2012

Williams-Sonoma, Inc. is a leader in luxury home-furnishing. The company has a total of five retail store brands including Williams-

Purchase Price: \$44.65  
 Inherited Price: \$74.85  
 Current Price: \$76.51  
 Analyst: Andres Vergara

Sonoma, Pottery Barn, Pottery Barn Kids, West Elm, and Rejuvenation. Although the company is known for its catalog offers, Williams Sonoma is currently ranked as the 21st largest online retailer with ecommerce sales growing at a compound annual growth rate of 46% since 2000.

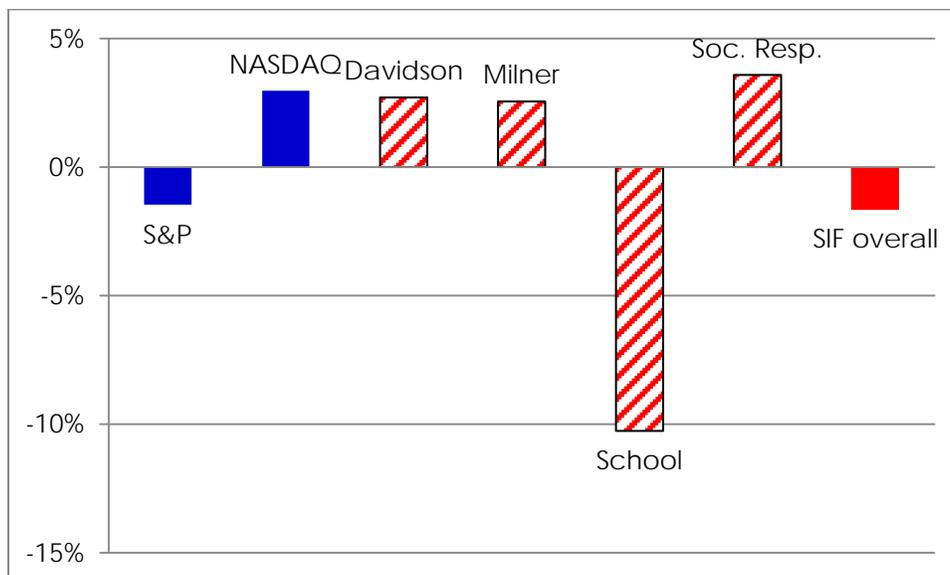
We believe that Williams Sonoma will continue to be a good investment as the company focuses on growth in its ecommerce division and expands its operations into different markets. The economic recovery from the recent recession has positively affected high-end home furnishing stores as people have more disposable income to upgrade their furniture.

## WILLIAMS-SONOMA

# PERFORMANCE UPDATE (August 21, 2015)

## Performance Summary

What a difference four months can make in the market: between the time most of this report was written and the end of the summer, the S&P lost 5.3% and the NASDAQ index lost 4.6% putting the S&P index in negative territory over our investment holding period. The Davidson portfolio, which had underperformed the S&P for most of the academic year is now outperforming. We had gains in three of our four portfolios but substantial losses in the school portfolio led to loss on our total portfolio.



| August 26, 2014 - August 21, 2015 |         |
|-----------------------------------|---------|
| S&P 500                           | -1.46%  |
| NASDAQ                            | 2.96%   |
| SIF overall                       | -1.64%  |
| Davidson                          | 2.70%   |
| Milner                            | 2.55%   |
| School                            | -10.26% |
| Socially Responsible              | 3.58%   |

The table on the next page shows the total return including price change and dividends net of foreign taxes, for each of the 83 positions we held during our tenure. Just over half of those positions, 43, out-performed the S&P. Our top performers were ICON and Ambarella, which out-performed the market by more than 50%. Our worst performers were Bonanza Creek, Oasis, and Maxwell, each of which under-performed the market by more than 50%. Two of those three stocks were oil stocks. The price of oil has fallen dramatically during the last year from about \$94 a barrel to about \$40 a barrel. Over the course of the year, we lost over \$20,000 on oil stocks.

**August 26, 2014 – August 21, 2015**

|                           | Gross<br>Return | S&P return |                                       | Gross<br>Return | S&P return |
|---------------------------|-----------------|------------|---------------------------------------|-----------------|------------|
| <b>Davidson Portfolio</b> |                 |            | <b>School Portfolio</b>               |                 |            |
| AMZN                      | -8.28%          | -3.65%     | APC                                   | -37.65%         | -1.46%     |
| ATVI                      | 31.77%          | 6.75%      | BA                                    | 4.97%           | -1.46%     |
| AYR                       | -6.91%          | -3.65%     | BCEI                                  | -90.04%         | -1.46%     |
| CERN                      | 8.05%           | -1.46%     | CMCSA                                 | 5.81%           | -1.46%     |
| CLCT                      | -11.37%         | -6.08%     | CMP                                   | -6.42%          | -6.50%     |
| CRM                       | 0.00%           | -1.70%     | DAL                                   | 15.29%          | -1.46%     |
| ICLR                      | 50.84%          | -3.40%     | DDD                                   | -43.14%         | 5.05%      |
| IRE                       | 3.43%           | 1.59%      | DDD                                   | -3.78%          | 0.06%      |
| OAS                       | -81.25%         | -1.46%     | DE                                    | 1.89%           | -1.46%     |
| ODFL                      | -12.31%         | -4.37%     | DIS                                   | -4.33%          | -6.13%     |
| RCL                       | 10.95%          | -1.46%     | EDU                                   | -13.59%         | -1.46%     |
| <b>Milner Portfolio</b>   |                 |            | FDX                                   | -6.74%          | -2.60%     |
| ABB                       | -13.99%         | -1.46%     | GILD                                  | -0.48%          | -1.46%     |
| AMBA                      | 171.42%         | -1.46%     | JAZZ                                  | 5.20%           | 4.87%      |
| AVID                      | -51.31%         | -6.45%     | LNVGY                                 | -41.97%         | -1.46%     |
| BDE                       | -9.99%          | -1.56%     | MA                                    | 18.53%          | -1.46%     |
| CALL                      | -18.93%         | 1.93%      | MC                                    | -7.81%          | -4.60%     |
| CERN                      | 8.05%           | -1.46%     | MSFT                                  | -1.62%          | -1.46%     |
| DEO                       | -7.74%          | -1.46%     | MUSA                                  | -28.53%         | -1.56%     |
| EBAY                      | 8.85%           | -1.46%     | POZN                                  | 0.84%           | -1.46%     |
| EDU                       | -13.59%         | -1.46%     | POZN                                  | 25.45%          | 5.02%      |
| EMC                       | -13.70%         | -1.46%     | QVAL                                  | -11.54%         | -6.13%     |
| ICLR                      | 50.84%          | -1.46%     | RSO                                   | -1.24%          | 0.08%      |
| ICLR                      | 35.36%          | 2.81%      | SIVB                                  | 10.77%          | 0.11%      |
| ICLR                      | 24.13%          | 5.65%      | SLB                                   | -15.44%         | -3.36%     |
| INTU                      | -8.53%          | -5.08%     | WWAV                                  | 27.86%          | -1.46%     |
| IRE                       | -1.21%          | -1.61%     | WWAV                                  | 5.67%           | 0.08%      |
| IWM                       | -5.63%          | -4.15%     | <b>Socially Responsible Portfolio</b> |                 |            |
| IWM                       | 1.09%           | 2.47%      | AAPL                                  | 6.79%           | -1.46%     |
| LEAF                      | 32.89%          | -1.46%     | AAPL                                  | 8.88%           | 0.10%      |
| LYB                       | 3.59%           | -1.46%     | AMT                                   | -0.30%          | -1.46%     |
| MSCC                      | 41.14%          | 5.22%      | CALM                                  | 38.33%          | -1.56%     |
| MXWL                      | -55.70%         | -1.46%     | IHG                                   | -1.47%          | -1.46%     |
| NXST                      | 5.41%           | -1.46%     | IPG                                   | 1.57%           | -1.46%     |
| OAS                       | -81.25%         | -1.46%     | KR                                    | -5.45%          | -3.40%     |
| PAY                       | -5.40%          | -3.46%     | NVS                                   | 11.27%          | -1.46%     |

|      |         |        |       |         |        |
|------|---------|--------|-------|---------|--------|
| PYPL | 26.05%  | -7.40% | PCL   | -2.79%  | -3.59% |
| QQQ  | 4.05%   | -1.46% | REGI  | -15.52% | -2.97% |
| RL   | -33.41% | -1.46% | SIEGY | -19.58% | -1.46% |
| SAM  | -19.82% | -6.93% | TMO   | 6.50%   | -1.46% |
| TTM  | -48.25% | -1.46% | WSM   | 21.45%  | -1.46% |
| TTM  | -24.26% | -6.50% |       |         |        |
| WAB  | -5.27%  | -2.69% |       |         |        |

## Performance Analysis

When we took over as SIF analysts, the total SIF portfolio was valued at \$373,565.63. We received an additional \$14,000 to invest in the School Fund in December. Over the course of the year, our total purchases before transaction fees amounted to \$122,077.88 and our sales before transaction fees amounted to \$109,787.20. This represents a turnover rate of about 30%, which is relatively high by historical SIF standards. While only 10 of our 26 purchases out-performed the market, our dollar-weighted purchases outperformed the S&P by 66 basis points indicating that our purchases helped improve overall portfolio performance. The gains on new investments were driven by large profits from our purchases of ICON and ATVI.

We sold all or part of 18 positions during the year. Of those, 11 out-performed the market following our sales. Altogether, we forwent gains of 7.1% on a dollar weighted basis. Our worst decisions were selling Amazon, ATVI, Cerner, Salesforce, and Westinghouse Technologies. Our decision to sell 3D Systems was a good one, as the stock has declined almost 60% since we sold it.

Our decisions around diversification were mixed. Our three oil stocks comprised 7.4% of the portfolio at the beginning of the year. The loss on those three stocks equaled 5% of our initial portfolio value, highlighting the cost of holding a concentrated position in stocks whose value is closely tied to a single commodity. On the other hand, we made almost \$17,000 on a single stock, ICON, which made up over 8% of our total portfolio at the beginning of the year. We increased our position on October 1. In late March, we sold a portion of our holdings to reduce our exposure and forwent almost \$10,000 in additional profits.

We do not have a set cash target. Our bylaws restrict us to long investments in publicly-traded limited liability securities, and our investment strategy focuses on equities and ETFs. Typically, we hold some cash in anticipation of future purchases. As we found in the fall, holding excessive quantities of cash when the market is rising translates into forgone profits. Conversely, holding cash in a falling market protects against losses. On average, cash made up 8.8% of our portfolio across the year. We maintained comparatively high levels of cash on a number of days where the market experienced substantial gains, losing out on potential profits. However, the effect was modest: with an 8% benchmark, we gave up about 31 basis points over the year based on our allocation between cash and risky investments.

## WHAT WE DID

### Speakers

At the beginning of the year, Student Investment Fund Alumni Josh Castillo, Thomas Houser, Benton Sturt, and Bryce Whiting gave us advice on how to have the most meaningful experience in the Student Investment Fund. They explained the importance of building relationships with fellow members and recommended researching companies that are interesting and can be understood fairly easily.

Rick Skidmore, who currently manages Salt Lake's Global Investment Research team in Salt Lake, and Brett Sanchez, a SIF alumnus who works for GIR, made a presentation to the class in early September. Rick worked as an analyst in the forest and paper products industry in New York before moving to Salt Lake City and Brett works on a macroeconomic team. They described the role of equity research within an investment bank, and explained the type of work done within an industry-focused team and a macro-focused team.

Ryan Snow, a fund manager at Wasatch Advisors, which manages 18 mutual funds with over \$13 billion of assets, spoke in late September. Mr. Snow explained different investment strategies and discussed historical market returns. Mr. Snow introduced some characteristics of a good long-term investment including competent management, strong historical growth rates, and a sustainable business model. Mr. Snow cautioned that companies that provide both products and services can be challenging, requiring management to satisfy customers through both services and products.

In April, Rick Skidmore and several of his team members returned to offer some lessons in financial analysis. Rick presented several short case studies each of which contained financial information about a firm and asked the class to analyze the data and make a buy or sell recommendation. The cases highlighted the importance of industry trends and macro factors in deciding what to buy and when to buy it.

Hal Miner spoke to us in late April. Mr. Milner has contributed to the Student Investment Fund's Milner Portfolio for many years. Mr. Milner discussed business ethics, as well as advising us to choose a career that generates both wealth and happiness. Mr. Milner opened the discussion by describing the aggressive growth strategy of a major international firm and asking whether management had behaved ethically. Opinions varied. Some students argued that management was simply acting to maximize firm value, while others felt some practices excluded new entrants into the market.

## Wasatch Advisors Management Meetings

In the spring of 2014, Wasatch Advisors partnered with the Student Investment Fund to give students an opportunity to attend meetings with top executives from companies that visit Wasatch throughout the year. The partnership continued this year and proved to be highly beneficial to SIF members. The meetings at Wasatch served as incredible opportunities for SIF members to meet and learn from experienced portfolio managers, CEOs, CFOs, and buy-side research analysts. These meetings allowed SIF analysts to witness and participate in discussions in which C-suite managers discussed their corporate strategy and experienced investment professionals sought insight into a company's business model and future prospects.

For each meeting, we organized a team of two to four people (often consisting of both SIF analysts and Finance Club members) who researched the company that was scheduled to meet with Wasatch. Our research consisted of reviewing and analyzing financial performance, determining the company's business model, exploring industry trends and competition, and any other important components of company analysis. The team then developed a list of questions and sent it to Wasatch employees in advance of the meeting. One SIF member attended the management meeting. As part of our agreement with Wasatch, SIF analysts sign non-disclosure agreements, so we are unable to share details of the meetings. Nevertheless, analysts who had the opportunity to attend meetings left with a new perspective on disciplined stock picking and corporate decision-making through observation and interaction with the experienced professionals from Wasatch and the management of visiting companies.

## CSBS Case Study Competition

This year Kurt Moore, currently in SIF, and Jenny Flatberg, a former SIF member, participated in the CSBS community bank competition on the University of Utah's team. The community bank competition is a team competition in which an undergraduate team and a local community bank partner to conduct an original case study evaluating the local economic impact of community banks. John W. Ryan, CSBS President and CEO says that, "CSBS established this student competition as a tool for highlighting the tangible ways community banks contribute to the economy and local economic development." This year the University of Utah was the first place winning team. Jenny describes her experience in the following paragraph.

"I am so glad I participated in the CSBS Case Study Competition. Because we got to personally interview bank officers, a mayor, state regulators, and business owners, this experience gave me an insider's understanding of the foundational role community banks play in our economy. Since we won the competition we have the opportunity to present our research to industry professionals and have been interviewed ourselves. I recommend participating in the competition to anyone thinking about a career in banking."

## CFA Institute Research Challenge

During October of 2014, nine students from the business school were selected to represent the University of Utah in the international CFA Institute Research Challenge. The students were divided into two teams.

| <u><b>Team 1</b></u> | <u><b>Team 2</b></u> |
|----------------------|----------------------|
| Minh Le              | Connor Allen         |
| Zilu Chen            | John Carpenter       |
| Dimitar Kurtev       | Andres Vergara       |
| Parker Scott         | Jack Boren           |
|                      | Taylor Nielson       |

Taylor Nielson is a former SIF analyst; Andres Vergara, John Carpenter, Minh Le, and Connor Allen are current analysts.

The teams each prepared an equity research report on Questar Corporation (NYSE: STR), a natural gas utility based in Salt Lake City, Utah. Both teams did extensive due diligence on the company, created a valuation model, prepared a written research report, and presented their recommendations to a panel of judges, competing against teams from other universities in the state. Both teams 1 and 2 recommended a BUY, finding Questar to be a strong investment.

Teams 1 and 2 took second and first place in the state of Utah. This is the third consecutive year that teams from the University of Utah have won the local competition, beating out multiple universities in Utah. Team 2 advanced to the regional Americas finals in Atlanta, Georgia during April, competing against teams from other universities across North and South America.

# Presentations to Professionals

## FEBRURARY

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### *VeriFone*

Student Analysts: Keefer Babbitt, Angel Demirev, Chas Foote, Kevin Greer, Clark Measom, Kurt Moore, Thomas Osmond, Sam Skanchy, Clayton Spencer

On February 10, 2014, the Student Investment Fund presented a “buy” recommendation on VeriFone Inc., a manufacturer and distributor of point-of-sale (POS) systems. Recent high-profile data breaches brought payment system security into the national spotlight, and VeriFone benefited from the increased visibility as its systems were immune to the type of threat used in these breaches. In October, an industry-wide initiative will take effect that places fraud-related liability on the party with the lesser technology in each transaction. We believe that this liability shift will boost VeriFone’s revenues as merchants upgrade to systems with the latest EMV technology, as well as NFC capability to accept payments from a growing number of contactless payment devices such as Apple Watch. Additionally, VeriFone replaced key members of its executive team and began an aggressive turnaround plan in 2013 focused on product portfolio management, research and development re-engineering, and cost optimization. We pitched VeriFone as a “buy” based on the following points.

- Management’s emphasis on high-margin service revenue is improving cash flow
- New payment technology is accelerating sales
- VeriFone’s financial position will keep improving in line with its turnaround plan
- VeriFone is the most attractive company in an exciting and evolving space
- Implied and intrinsic valuation analysis supports our target share price

## MARCH

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### *Intuit*

Student Analysts: Connor Allen, Jonathan Buckwalter, Chad Burton, Douglas Cabral, John Carpenter, Jacob Clark, Minh Le, Alex Schaaf, Andres Vergara

On April 7, 2015, the University of Utah Student Investment Fund held a presentation recommending a “buy” for Intuit Inc. Intuit is a leading financial management software provider for small businesses, consumers, and accounting professionals. We produced a target price of \$116.71, representing a 19.3% upside from \$97.35 as of the presentation day.

The Student Investment Fund recommended a “buy” for the following reasons.

- Industry leader: Since the inception of Intuit, the company has become the industry leader in financial management software and earned a strong reputation. As more consumers are shifting toward online solutions, more people are using Intuit’s products. Moreover, a key element of Intuit’s strategy is a focus on innovation, as the company spends a significantly higher portion of its revenue to R&D than do its competitors.
- Connected services: Intuit’s business model is shifting from desktop software sales toward cloud-based services. This enables Intuit to connect services across different product lines, increasing efficiencies for customers and increasing switching costs for the user.
- Customer growth: One of Intuit’s most popular products is online tax software, TurboTax. As use of online tax preparation continues to grow, the company is expected to reap additional benefits.

We thank the following professionals for participating in our presentations and offering us feedback.

|                       |                         |                         |                              |
|-----------------------|-------------------------|-------------------------|------------------------------|
| <b>Greg Aiken</b>     | Zions Wealth Advisors   | <b>Jason Morrow</b>     | Utah Retirement Systems      |
| <b>Nick Bapis</b>     | Hightower Advisors      | <b>Taylor Nielsen</b>   | Cross Creek Advisors         |
| <b>Brad Baldwin</b>   | Second Story Capital    | <b>Sam Orme</b>         | Savage                       |
| <b>Thomas Bradley</b> | Wasatch Advisors        | <b>Mori Paulsen</b>     | Merrill Lynch                |
| <b>Dave Broadbent</b> | Ivory Homes             | <b>Rich Potashner</b>   | Morgan Stanley               |
| <b>Peter Cano</b>     | Merrill Lynch           | <b>Beth Pratt</b>       | Richard T Pratt & Associates |
| <b>Matthew Crouse</b> | Freeport West           | <b>Dick Pratt</b>       | Richard T Pratt & Associates |
| <b>Mark DeWald</b>    | Freeport West           | <b>Don Rands</b>        | Zions Bank                   |
| <b>Joshua DiBiasi</b> | D.A. Davidson           | <b>Kaitlyn Sanders</b>  | Wasatch Advisors             |
| <b>Jackie Ewer</b>    | Morgan Stanley          | <b>Rick Skidmore</b>    | Goldman Sachs                |
| <b>Burton Flynn</b>   | Wasatch Advisors        | <b>Ramona Stromness</b> | Richard T Pratt & Associates |
| <b>Jack Gertino</b>   | Wayne Rogers            | <b>Michael Thornton</b> | Millcreek Asset Management   |
| <b>Thor Kallerud</b>  | Wasatch Advisors        | <b>Rex Thornton</b>     | D.A. Davidson                |
| <b>Sheila Lai</b>     | Utah Retirement Systems | <b>Alex Wall</b>        | Wasatch Advisors             |
| <b>Geoff Loos</b>     | D.A. Davidson           |                         |                              |

## WHAT WE LEARNED

### Advice to the Incoming Fund Analysts

2014-2015 was a great year in SIF. While our overall performance did not meet our initial aspirations, we are extremely pleased with the lessons we learned along the way and with the evolution of our equity research skills. The constant flow of new challenges forced us to refine our understanding of equity analysis throughout the year and then to apply our new knowledge to our investment decisions. It seemed that no matter how deep we got into a company's business model, we could always go a bit deeper.

As we look back on our experience this past year, we want to pass on a few bits of advice to the incoming analysts. We believe that these tips are crucial for a higher level of success.

**Take risks:** Your position within the Student Investment Fund certainly comes with a lot of weight. Don't be afraid of it. You've been selected to participate in this program for a reason. You are not expected to know everything that has ever been written on the subject of asset management, but you are expected to push

yourself to new limits and to make an honest effort. We held far too much cash in the fall and consequently missed a pretty bullish period of time in the market from mid-October to late November. Circulating a motion to sell a position comes easier than a motion to buy something new, especially if the position you want to sell comes with a nice return. This happened too often for us, and instead of growing with the market, our capital sat stagnant. If you've done all the due diligence you know how to do and still believe you have a solid buy, pitch it! Either way, you and the group are going to gain from the experience and ascend to new levels of confidence.

**Don't be afraid to ask questions:** Let's face it, extremely smart people surround you when you're in SIF. No one wants to raise a hand and ask a question if you feel as if you are the only one who is confused. Take it from the group that preceded you: no one will think you're dumb. It is so much more important that you grow as a group and challenge one another's intellect than it is to take a silent note and look something up on Wikipedia later on. Someone once said "I'd rather look like a fool for a minute than be a fool for eternity."

**Learn portfolio management:** The slump in oil prices hit our performance extremely hard at the turn of the year. We were very overweight in the energy sector and consequently suffered big losses as the price per barrel of oil eventually hit the 40s. This is a prime example of the importance of knowing at least a little about portfolio management. While energy played a large role in the strategy employed by last year's team, it wasn't our own strategy. We inherited it. Most of the fund's analysts wish we could go back to the beginning of the year and take a more active approach to managing our four funds. Let the lesson we learned the hard way be a benefit to you. Again, you're not expected to be brilliant on the subject, but your questions regarding the structure of our portfolio very well could spark a conversation that leads to better performance.

**Be committed:** Look at the Student Investment Fund not as a class, but as an internship. How many students at the business school get a chance to manage real money? Not many. You're going to put this on your resume, which means you're going to be asked about the work you do in an interview at some point. Know your stuff. You're not going to have a meaningful experience if you simply show up each Tuesday and listen to Liz or one of your peers talk about equity research. Don't be that person who freeloads. Engage with your peers. Give one hundred percent to your own equity report as well as every group project you'll work on. Stay up late if you have to (and you will have to). Challenge your peers' investment theses and ask them to do the same to yours. Be encouraging, but also offer constructive criticism.

**The trading room is your best friend:** You have some incredible tools at your fingertips in the Trading Room. If you invest the time necessary to learn how to use Bloomberg, Capital IQ, and Excel templates, it will pay dividends throughout the year. Simply put, these resources will make your life easier. Use them. The Trading Room also provides a place to collaborate with a group of the best undergrads in the Eccles School. Use them, too.

As a final word – be proud that you have made it into the Student Investment Fund. It's not easy to get in and it is most certainly not easy to stay in. You'll have long days, even longer nights, plenty of frustrations and intimidating assignments. But you also build an excellent network of friends, develop numerous transferable skills, gain access to many local industry professionals, and learn how to apply all of the great things you've spent the past few years studying. It's a great experience and you should take it for all that it is worth. At the end of the day, just have a good time. The more you give to SIF, the more you get in return, so give it your all! Good luck.

Cheers,

The Student Investment Fund 2014-2015