



Todd A. Williams Student Investment Fund

Annual Report

April 2012 - March 2013

Austin College, Sherman, Texas

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David Griffith

Jerry Johnson

Steve Ramsey

Dan Zhao

We thank William Griffith for preparing the initial draft and Wanda Hardy for her editorial assistance.

For financial support for those attending the RISE conference, we thank President Marjorie Hass and VPAA Mike Imhoff and the Academic Affairs committee, as well as the following organizational support funds:

Cullen Grant for Faculty Travel

Morris Foundation Grant for Student Travel

Department of Economics & Business Administration

We also thank the speakers and alumni advisors who participated in our presentations:

Zeke Ashton

Kirk Rimer

Finally, we thank Todd A. Williams for serving as an alumni advisor and for his financial support of the fund.

BACKGROUND

HISTORY

In August 2007, Todd A. Williams endowed Austin College with the sum of \$1,000,000 for the establishment of a student investment fund, now named the Todd A. Williams Student Managed Investment Fund (SIF or Fund). The primary purpose of this endowment is to provide a learning experience for Austin College students in investment portfolio management. As of March 31, 2013, the Fund was valued at \$1,147,349 (\$80,000 was withdrawn on January 18 as a scholarship contribution). Each year, student managers participate in the management of the Fund. Students who are interested in investing, but do not desire a board member position, are welcome to participate in SIF meetings. For guidance, a fund guideline document was created by Austin College alumni advisors to provide direction as to how the money should be handled by the Fund. The document emphasizes the importance of allowing the student managers the opportunity to make financial and managerial decisions regarding the corpus and operation of fund management. The Fund, operating within this framework established by professional portfolio managers, has an objective of generating an eight percent annual return (based on a three-year rolling average). The gains and earnings from the Fund are withdrawn and contributed to a scholarship fund, also created by Todd A. Williams.



STUDENT MANAGERS AND ADVISORS ALBUM



Student Managers

From top left: Dan Zhao (Faculty Advisor), William Jarvis, Cal Crabtree, Abderrazak Kerfai, William Griffith, Nagisa Isa, Tyler Roush, and Lucas Kjaero

From bottom left: Kimberly Weiser, Dev Mohanty, Rachel Riess, Benjamin Sater, Mark Gallardo, Alexi Beeson, Jordan Hancock, and Joshua Stowers

Faculty Advisors



David Griffith
Principal Advisor (2010-2012)
Department Chair



Jerry Johnson
Dean of Social Sciences



Steve Ramsey
Principal Advisor (2007-2010)



Dan Zhao
Principal Advisor (2012-2013)

Alumni Advisors



Kirk Rimer
Managing Director
Crow Holdings Capital
Partners, L.L.C



Todd A. Williams '82
Chair
Austin College Board of Trustees



Zeke Ashton '95
Managing Partner
Centaur Capital Partners

Lexi Beeson

Lexi is a junior majoring in Business Administration and Spanish with a minor in Exercise and Sports Science. She will be interning at Torchmark Corporation in McKinney this summer. She is the President of the Student Athlete Advisory Committee, Student Assembly Representative, Vice President of Marketing for Campus Activities Board, and on the Women's Basketball Team. She expects to graduate in Fall 2013.

Cal Crabtree

Cal is currently a junior double majoring in Business Administration and Political Science. He was a selected attendee this year at the RISE Conference in Dayton, Ohio. He is involved in various on-campus activities such as Austin College Young Republicans and the Phi Kappa Omega fraternity, and next year he will be serving as a freshman Community Leader for Dr. Renee Countryman. This summer he will be interning for the United States Attorney's Office in Sherman. In his free time, he enjoys playing basketball, softball, golf, and fishing. He expects to graduate in the spring of 2014.

Mark Gallardo

Mark is currently attending Austin College in Sherman, Texas. He is majoring in Economics with a minor in Religion. Mark interned with a local Sherman law firm Sanders, O'Hanlon, Motley, and Young, which practices business litigation. He assembled their court portfolios. Mark will intern at American Bank of Texas during the summer of 2013. He expects to graduate fall of 2014.

William Griffith

William is a senior majoring in International Economics and Finance with a minor in Philosophy. During his junior year, Will had the unique opportunity to spend a semester in Mongolia studying the country's economic growth. Will has accepted a position as a Risk Management Analyst with Goldman, Sachs and Co. that will begin after graduation.

Jordan Hancock

Jordan is a junior at Austin College. He has a double major in Business Administration and Economics. This is his second semester in the Todd A. Williams student investment fund. He attended the University of Dayton RISE conference for schools with student investment funds.

Nagisa Isa

Nagisa Isa is a sophomore working to obtain both a major in International Economics and Finance and a minor in Spanish. His academic diligence has won him a place on the Dean's list and the respect from teachers and classmates alike.

Will Jarvis

Will is a junior double majoring in Business Administration and Economics

Lucas Kjaero

Lucas is a sophomore, earning his degree in Computer Science and Chinese. While at Austin College, he founded the Austin College Day Trading club and participated in the development team for the Austin College android application. He will be interning in the Austin College IT Department over the summer, setting up the new Idea Center science building. He expects to graduate in the spring of 2015.

Dev Mohanty

Dev Mohanty is a Computer Science Major and Mathematics Minor graduating from Austin College, employed with a software consulting firm, MomentumSI. He is a co-founder of the Austin College Day Trading Club. As an art form, he conjures up his own web applications in hopes of changing the way we live in this world. He also produces electronic music under the name Debuasca. www.soundcloud.com/debuasca

Rachel Riess

Rachel is a graduating senior of Austin College, earning a bachelors degree in Business Administration. Rachel has been involved in various on-campus groups such as the Kappa Gamma Chi sorority, Student Development Board and Campus Activities Board. She recently accepted an internship with Furniture Marketing Group involving interior design.

Tyler Roush

Tyler is a senior at Austin College, majoring in Business Administration with a minor in Applied Economics. This is his fourth semester in the Student Investment Fund, and his third time being a manager in the class. After graduation Tyler plans to work for the company Sprint Energy to pursue a career in accounting.

Joshua Stowers

Joshua is currently a sophomore double majoring in International Economic & Finance and Business Administration with a Minor in German. He had interest in investment prior to joining the SIF. He is one of the founders and an officer for the Austin College Day Trading Club. He will be going to Austria his junior year, where he wishes to learn more about the European market.

Kimberly Weiser

Kimberly is a junior working toward a degree in International Economics and Finance with a minor in Spanish. She spent her fall semester abroad in Alicante, Spain studying entrepreneurship and business cultures of other countries. This summer, she has an internship with Hoover Solutions, supervised by the Vice President in International Sales. She will be planning how to expand the company into different overseas markets. She expects to graduate in the spring of 2014.

LETTER FROM THE FACULTY ADVISOR

The year 2012-2013 was a very exciting year for me personally and for the Todd A. Williams Student Managed Investment Fund. I am pleased to say that the Fund had another successful year. The fund experienced continued growth for a third consecutive year and at the time the semester ended this year, our portfolio was up by more than 12%.

In the past year, the major indices had recovered from the 2007-2009 financial crises and reached all-time highs in the case of S&P and DJIA in early 2013. Our student investment fund generally kept pace with markets. The Fund kept a larger than normal cash cushion and fixed income exposure to combat the crisis and performed well, but has struggled to match market returns during the recovery period.

Macroeconomic concerns about the length of the recession and how committed the Fed is to its current monetary policy challenged SIF members to better understand the importance of portfolio allocation and its impact on the fund performance. Our positive macroeconomic outlook on the US market was exemplified in expanding our consumer discretionary and consumer staples holdings. In November 2012, we made two purchases of consumer-oriented firms: Kraft Foods (KRFT) and Johnson Controls (JCI). In the meantime, to reduce high market uncertainty against foreign markets, we sold all international ETFs exposures. We may consider acquiring more global equity next year with the recovery of the global economy.

The second semester saw the first withdrawal from the fund for the purpose of establishing a scholarship. \$80,000 was withdrawn from the fund in mid-January. This withdrawal began the fulfillment of one of the Fund's original goals: funding scholarships for students who otherwise might not have been able to afford the Austin College experience.

From April 4 to 6, we sent six SIF managers to attend the R.I.S.E. XIII forum in Dayton, Ohio and

finished 3rd in the Core investment style category of R.I.S.E. portfolio competition. Feedback from industry professionals led to a reevaluation of the previous equity valuation model we used in investment research analysis and provided SIF members the opportunity to examine more closely the financial theory and to more critically apply inputs into equity valuation models such as CAPM. The Discounted Cash Flow valuation model spreadsheet provided by Zeke Ashton was revised and enhanced by William Griffith to allow for more simple and straightforward valuations for the Fund this year and into the future.

From its beginning, the Todd A. Williams Student Investment Fund benefitted from having a diligent Advisory Board who laid out a workable structure to operate the Fund within a course suitable for all Austin College students. The Fund also benefitted by having the dedicated leadership of Steve Ramsey as its first principal advisor, David Griffith as its second principal advisor, and Jerry Johnson, Dean of Social Sciences. We also thank Zeke Ashton and Kirk Rimer, who offered their time, shared their thoughts, and provided insights from the professional world as the past year's guest speakers.

The Department of Economics and Business Administration will continue to seek ways to develop the SIF program with strong emphasis on teamwork and hands-on skills to create a truly transformational education experience for our students in the years ahead. We really appreciate your support in this important mission.

Dan Zhao

Assistant Professor of Economics
Principal Advisor for Todd A. Williams Student Investment Fund

June 28, 2013

TODD A. WILLIAMS STUDENT INVESTMENT FUND PERFORMANCE

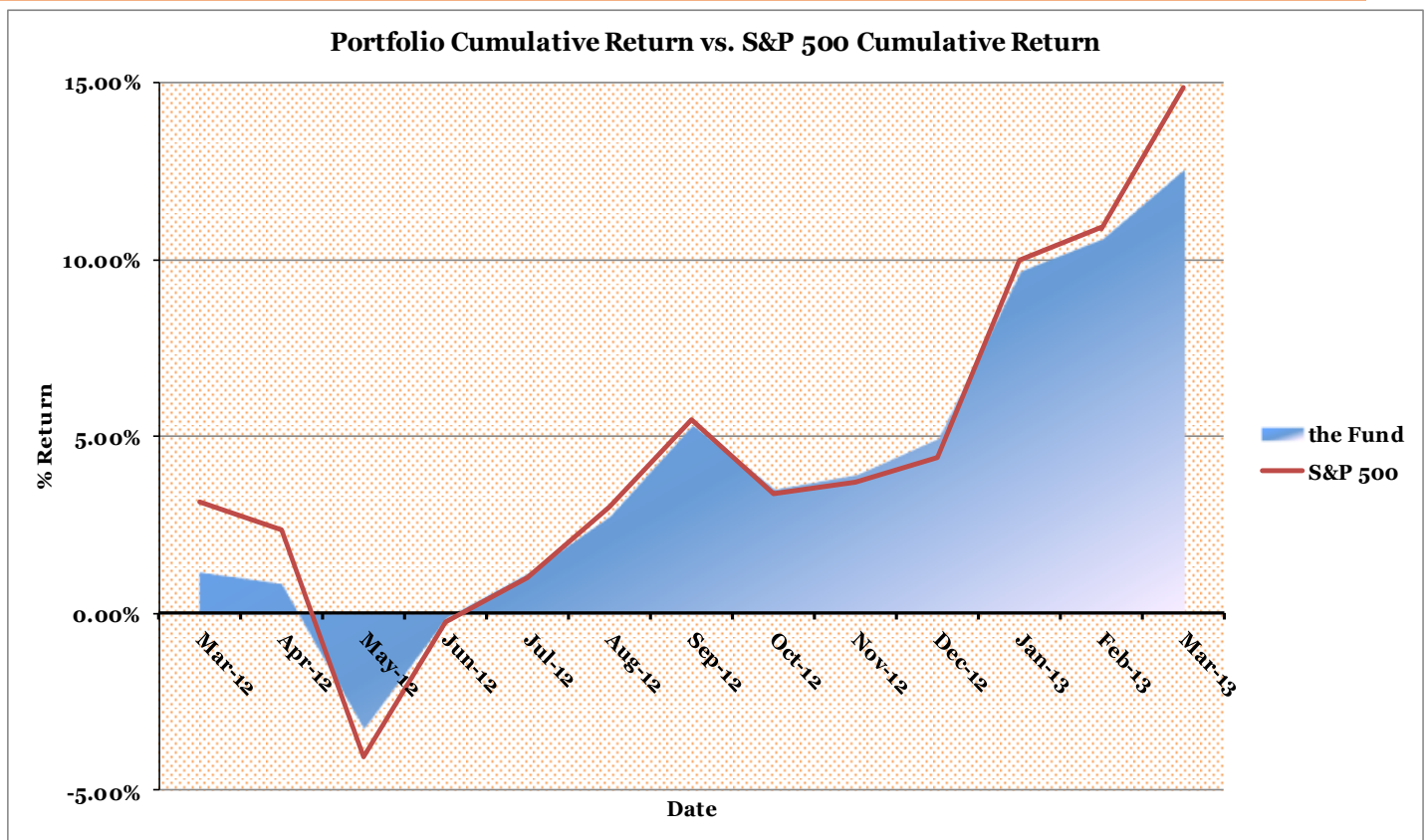
STRATEGY

The fund was initially allocated 30% toward fixed income securities and 70% in equities, with the equity component initially allocated 20% to non-U.S. equities and 50% to U.S. equities. At the beginning of each semester, the class reviews and potentially adjusts their allocations from these targeted levels based on the relative prospects for each component.

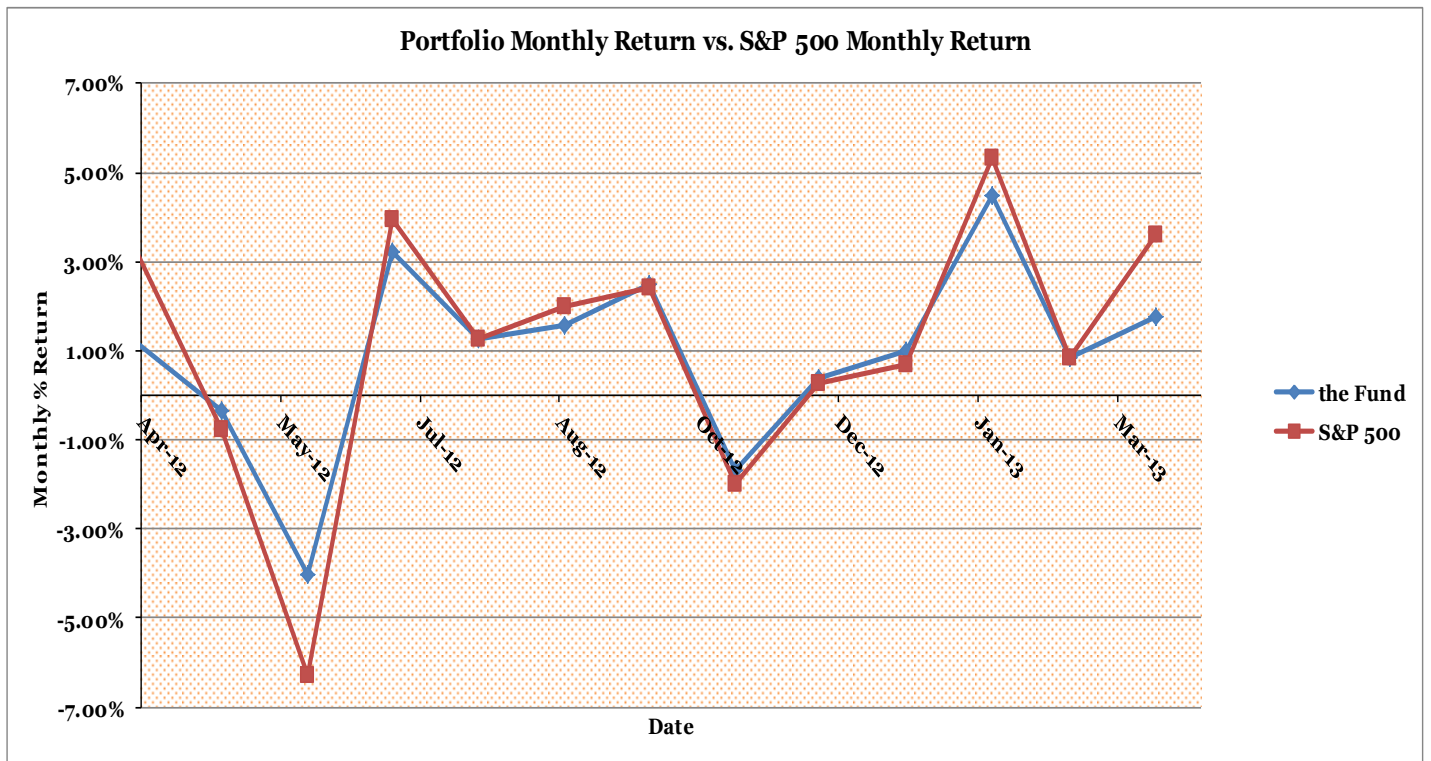
The overall goal of the Fund is to achieve an annualized return of 8% over a rolling three year period. All securities are bought and sold through a separate Fund account with a discount brokerage firm (Wells Fargo), with the faculty sponsor for the class responsible for executing all trades as decided upon by the class. No short selling of any stock shall be permitted.

When the managers inherited the Portfolio from last year, it held several ETFs as exposures to the global market. Because of the deepening European sovereign debt crisis and increasing market uncertainty in Asia, we gradually shorted all the foreign exposures by January 18, 2013. We might reconsider acquiring more global equity next year with the recovery of the global economy.

HIGHLIGHTS



The Fund generally is correlated with the S&P 500 throughout the year except in March 2013 when there is a price momentum in the U. S. stock market.



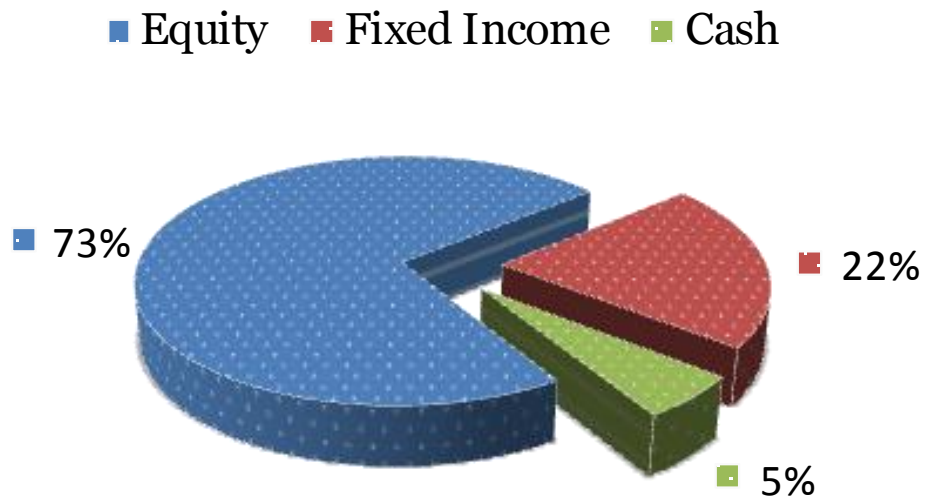
In terms of monthly growth rate, the Fund also has a strong correlation with S&P 500 with a bit less standard deviation throughout the year. The graph above shows the Fund has better risk control and less price volatility than S&P 500.

STOCKS		% GAIN/LOSS
NRG Energy (NRG)		69.05%
AbbVie (ABBV)		63.22%
eBay Inc. (EBAY)		46.94%
Johnson Controls (JCI)		30.23%
Berkshire Hathaway (BRK.B)		28.20%
Google Inc. (GOOG)		23.85%
Abbott Laboratories (ABT)		21.00%
AT&T Inc (T)		17.48%
General Electric (GE)		15.20%
Vanguard Small Cap Growth ETF (VBK)		14.92%
Procter & Gamble (PG)		14.66%
Kraft Foods Group (KRFT)		13.98%
iShares Russell 3000 Index (IWO)		12.22%
iShares Core S&P 500 ETF (IVV)		11.44%
Exxon Mobil Corp. (XOM)		3.90%
iShares Core Total US Bond Market ETF (AGG)		0.80%
iShares Barclays 1-3 Year Treasury Bond (SHY)		0.18%
United Health Group Inc. (UNH)		-2.94%
St Jude Medical (STJ)		-8.73%
Microsoft Corp. (MSFT)		-11.32%
Caterpillar Inc. (CAT)		-18.35%
Apache Corporation (APA)		-18.65%
TOTAL RETURN		12.52%

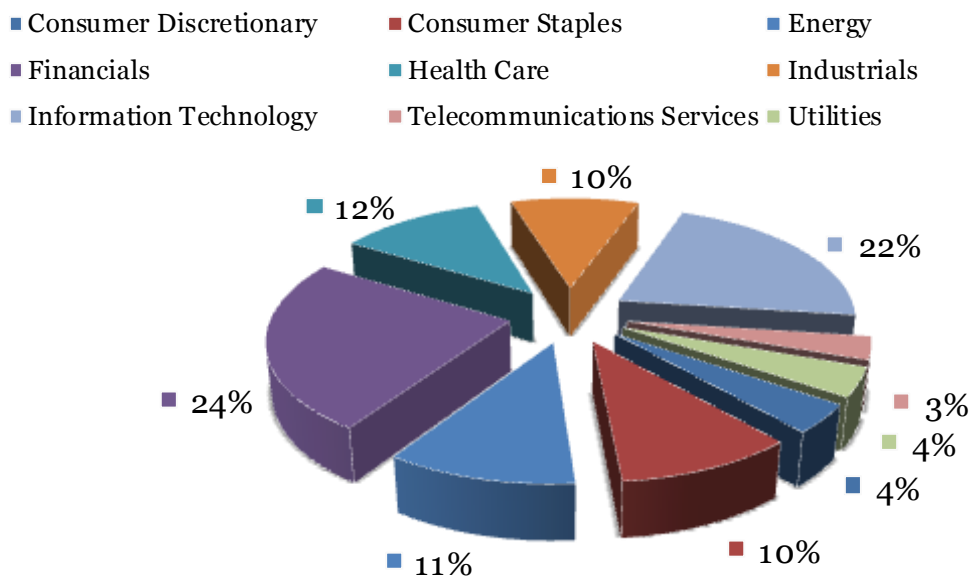
SUMMARY OF POSITIONS ON MARCH 31, 2013

DESCRIPTION	QUANTITY	SHARE PRICE	\$ MARKET VALUE	% OF ACCOUNT
STUDENT MANAGED EQUITY			\$642,868.97	56.03%
Consumer Discretionary			\$26,127.15	2.28%
Johnson Controls (JCI)	745	35.07	\$26,127.15	2.28%
Consumer Staples			\$65,005.61	5.67%
Procter & Gamble (PG)	546	77.06	\$42,074.76	3.67%
Kraft Foods Group (KRFT)	445	51.53	\$22,930.85	2.00%
Energy			\$68,974.60	6.01%
Exxon Mobil Corp. (XOM)	500	90.11	\$45,055.00	3.93%
Apache Corporation (APA)	310	77.16	\$23,919.60	2.08%
Financials			\$156,280.00	13.62%
Berkshire Hathaway (BRK.A)	1	156,280.00	\$156,280.00	13.62%
Health Care			\$74,685.50	6.51%
St Jude Medical (STJ)	500	40.44	\$20,220.00	1.76%
Abbott Laboratories (ABT)	415	35.32	\$14,657.80	1.28%
United Health Group Inc. (UNH)	400	57.21	\$22,884.00	1.99%
AbbVie (ABBV)	415	40.78	\$16,923.70	1.48%
Industrials			\$65,989.20	5.75%
Caterpillar Inc. (CAT)	360	86.97	\$31,309.20	2.73%
General Electric (GE)	1500	23.12	\$34,680.00	3.02%
Information Technology			\$138,403.61	12.06%
eBay Inc. (EBAY)	1193	54.22	\$64,684.46	5.64%
Google Inc. (GOOG)	46	794.19	\$36,532.65	3.18%
Microsoft Corp. (MSFT)	1300	28.61	\$37,186.50	3.24%
Telecommunications Services			\$20,913.30	1.82%
AT&T Inc (T)	570	36.69	\$20,913.30	1.82%
Utilities			\$26,490.00	2.31%
NRG Energy (NRG)	1000	26.49	\$26,490.00	2.31%
EXCHANGE-TRADED FUNDS (ETFs)			\$441,514.26	38.48%
ETFs - BONDS AND FIXED INCOME			\$247,921.50	21.61%
iShares Barclays 1-3 Year Treasury Bond (SHY)	1185	84.47	\$100,096.95	8.72%
iShares Core Total US Bond Market ETF (AGG)	1335	110.73	\$147,824.55	12.88%
ETFs - DOMESTIC EQUITIES			\$193,592.76	16.87%
iShares Core S&P 500 ETF (IVV)	550	157.36	\$86,548.00	7.54%
iShares Russell 3000 Index (IWM)	846	93.46	\$79,067.16	6.89%
Vanguard Small Cap Growth ETF (VBK)	280	99.92	\$27,977.60	2.44%
CASH AND SWEEP BALANCES			\$62,965.70	5.49%
TOTAL ASSET VALUE			\$1,147,348.93	100.00%

Asset Allocation By Asset Class



Student-Managed Equities by Sector



RECONCILIATION OF ACTIVITIES

Portfolio Income and Expenses					\$23,515.23
Interest and Dividends					\$23,515.23
Net Realized Gains and Losses					-\$22,631.96
Realized Gains and Losses	Close Date	Quantity	Cost	Sale Proceeds	Gain/Loss
iShares S&P Europe ETF (IEV)	5/9/2012	1089	\$60,000.43	\$36,830.40	-\$23,170.03
iShares MSCI BRIC ETF (BKF)	1/15/2013	505	\$21,943.84	\$20,949.98	-\$993.86
iShares MSCI PAC EX ETF (EPP)	1/15/2013	636	\$30,006.18	\$30,320.84	\$314.66
iShares RUSSELL 3000 ETF (IWV)	1/15/2013	350	\$29,297.98	\$30,515.25	\$1,217.27
Net Unrealized Gains and Losses on Stock Purchased					\$8,877.57
Unrealized Gains and Losses	Close Date	Quantity	Purchase Price	Market Value	Gain/Loss
Apache Corporation (APA)	3/31/2013	310	\$29,404.60	\$23,919.60	-\$5,485.00
AbbVie (ABBV)	3/31/2013	415	\$10,368.34	\$16,923.70	\$6,555.36
Johnson Controls (JCI)	3/31/2013	745	\$20,061.70	\$26,127.15	\$6,065.45
Kraft Foods Group (KRFT)	3/31/2013	445	\$20,118.73	\$22,930.85	\$2,812.12
Net Unrealized Gains and Losses on Stock Held					\$98,267.87
Unrealized Gains and Losses	Close Date	Quantity	March 31, 2012 Price	Market Value	Gain/Loss
Abbott Laboratories (ABT)	3/31/2013	415	\$12,113.85	\$14,657.80	\$2,543.95
AT&T Inc (T)	3/31/2013	570	\$17,801.10	\$20,913.30	\$3,112.20
Berkshire Hathaway (BRK.B)	3/31/2013	1	\$121,900.00	\$156,280.00	\$34,380.00
Caterpillar Inc. (CAT)	3/31/2013	360	\$38,347.00	\$31,309.20	-\$7,037.80
eBay Inc. (EBAY)	3/31/2013	1193	\$44,021.70	\$64,684.46	\$20,662.76
Exxon Mobil Corp. (XOM)	3/31/2013	500	\$43,365.00	\$45,055.00	\$1,690.00
General Electric (GE)	3/31/2013	1500	\$30,105.00	\$34,680.00	\$4,575.00
Google Inc. (GOOG)	3/31/2013	46	\$29,497.04	\$36,532.65	\$7,035.61
iShares Barclays 1-3 Year Treasury Bond (SHY)	3/31/2013	1185	\$99,919.20	\$100,096.95	\$177.75
iShares Core S&P 500 ETF (IVV)	3/31/2013	550	\$77,665.50	\$86,548.00	\$8,882.50
iShares Core Total US Bond Market ETF (AGG)	3/31/2013	1335	\$146,649.75	\$147,824.55	\$1,174.80
iShares Russell 3000 Index (IWV)	3/31/2013	846	\$70,454.88	\$79,067.16	\$8,612.28
Microsoft Corp. (MSFT)	3/31/2013	1300	\$41,931.50	\$37,186.50	-\$4,745.00
NRG Energy (NRG)	3/31/2013	1000	\$15,670.00	\$26,490.00	\$10,820.00
Procter & Gamble (PG)	3/31/2013	546	\$36,696.66	\$42,074.76	\$5,378.10
St Jude Medical (STJ)	3/31/2013	500	\$22,155.00	\$20,220.00	-\$1,935.00
United Health Group Inc. (UNH)	3/31/2013	400	\$23,576.00	\$22,884.00	-\$692.00
Vanguard Small Cap Growth ETF (VBK)	3/31/2013	280	\$24,344.88	\$27,977.60	\$3,632.72
Increase/Decrease in Value of Fund					\$108,028.71
Cash withdrawn					-\$80,000.00
Cash and sweep balances					\$15,845.50
Beginning Balance of Fund - March 31, 2012					\$1,103,474.71
Ending Balance of Fund - March 31, 2013					\$1,147,348.92

Apache

Ticker: APA
Purchase Price: \$94.79
Current Price: \$77.16
Analyst: Kim Weiser

After Apache's poor performance over the past months, many analysts say that the company is on the road for a comeback. Right now, the Apache stock is undervalued. If you were to liquidate the company and sell off all of their assets, the profits would be equivalent to their current valuation. Their stock price fails to reflect even current revenue, much less anticipated revenue growth.



Many of the executives have been buying stock. One director bought close to \$150,000 in stock in expectation that the company will turn around and start showing its profit numbers from the new acquisition. I believe with this information, we should continue to hold Apache and watch for its return.

Caterpillar Inc.

Ticker: CAT
Purchase Price: \$84.43
Current Price: \$86.97
Analyst: Rachel Riess

Although Caterpillar Inc. has incurred some difficulties recently with China, Caterpillar proves to be promising for the long term. Caterpillar is the world's largest manufacturer of construction and mining equipment, diesel and natural gas engines and industrial turbines. Ranked 46 in Fortune 500, it holds a dominant share in the U.S. market.



CAT is well on its way to recovery as the economic condition improves in the U.S. Also, Caterpillar reported a 10% increase in sales and revenues and a 15% increase in EPS with the included impairment charge related to Siwei. Predicted revenue for 2013 ranges from \$60 billion to \$68 billion according to PR Newswire. In all, Caterpillar Inc. will pick up in time.

eBay Inc.

Ticker: EBAY
Purchase Price: \$23.47
Current Price: \$54.22
Analyst: Will Griffith

eBay is the go to online source for auctions and has been for some time. With the emergence of PayPal and an online marketplace, eBay is showing its ability to evolve and find new sources of revenue while keeping brand recognition and loyalty. PayPal has more active accounts than some major credit card companies, and is accepted by a majority of the top 100 online retailers in the United States. Beyond PayPal, eBay is expanding its marketplace operations. The eBay marketplace acts as an online shopping destination, differing from eBay's traditional auction platform. This allows eBay to compete directly with online retail giants such as Amazon, exploiting PayPal based revenue to offer small profit margins on the products sold. Overall, eBay is a strong company that has shown its ability to adapt to changing consumer tastes. Holding the stock is highly recommended



General Electric Co.

Ticker: GE
Purchase Price: \$9.36
Current Price: \$23.12
Analyst: Nagisa Isa



General Electric Co. (GE) expects its revenue in India to grow by 15% to 20% each year despite the current economic slowdown. GE has been showing steady growth as a company, not just in the U.S. but in the world. Being a huge diversified company, GE does not have many major competitors. GE has shifted its focus to clean-energy products, such as wind and gas turbines. With clean-energy products gaining more attention in the world today, the demand for GE products are likely to increase as well.

Google

Ticker: GOOG
Purchase Price: \$535.28
Current Price: \$794.188
Analyst: Lucas Kjaero



Google continues to dominate the search market, holding over 60% of market share. And while the search market is fickle, with no switching costs, Google continues to invest heavily into other markets. While Google faces challenges from Bing and Microsoft, I believe that Google will continue its search dominance for the near future. I believe that while Bing may take some of Google's market share, they are more likely to drive out small players, such as AOL and Yahoo.

Google has a strong advantage in targeted advertisement due to its large repository of user's information, and I believe that they will continue to have this advantage in the face of heavy competition from social networks, such as Facebook and Twitter.

Despite all the competition, I believe that Google's strategy of creating easily accessible search across every device will allow it to maintain the lead that it enjoys over other search engines.

Johnson Controls

Ticker: JCI
Purchase Price: \$26.89
Current Price: \$35.07
Analyst: Lexi Beeson



Johnson Controls operates three businesses. The building efficiency segment is a \$14.7 billion group that provides controls and services for HVAC systems. The automotive experience segment is a \$21.3 billion business that primarily sells seats in addition to interior products, such as cockpit systems and other electronics. The power solutions unit is a \$5.9 billion business that makes batteries for passenger vehicles, trucks, and other applications. Already one of the leading auto-parts suppliers, Johnson Controls continues to diversify itself. The company sells to every major automaker, so it is not solely reliant on Detroit to stay afloat. We don't think Johnson Controls would be forced into bankruptcy should a major automaker ever liquidate. Overall, the company has made us a lot of money and I think it will continue to do so.

NRG Energy Inc.

Ticker: NRG
Purchase Price: \$21.64
Current Price: \$26.49
Analyst: Will Jarvis



As a Fortune 300 company NRG Energy is the largest solar power producer in the United States while also being the first company in the nation to build an electric vehicle charging infrastructure. NRG along with their retail electricity providers- Reliant, Green Mountain Energy Company, and Reliant energy- service over 40 million homes in the United States. NRG strives to provide its customers with 100% clean, renewable energy at affordable prices. With its recent merger of GenOn energy, NRG has become the largest power provider in the United States, producing in the Northeast, Mid-Atlantic, Texas, and California. With \$4 billion invested in solar energy, we predict NRG should see a fixed, mid-range return on equity for the next twenty years.

Abbott Laboratories

Ticker: ABT
Purchase Price: \$23.01
Current Price: \$35.32
Analyst: Tyler Roush



Abbott is primarily a pharmaceutical company, but also deals with many nutritional health related products, medical devices, and eye care products. Due to their variety of products, they have dug themselves a wide economic moat, meaning it is difficult for other companies to get into their line of business. They are also currently dividing themselves into two separate companies, even further widening their variety of products that they can offer. Since we have owned Abbott, they have generated gains close to \$7,000 and continue to show promising growth in the future.

United Health Group, Inc

Ticker: UNH
Purchase Price: \$55.59
Current Price: \$57.21
Analyst: Marisa Rodriguez



UnitedHealth Group

UnitedHealth provides health insurance and related services to more than 78 million Americans. Products include risk-based health insurance, non-risk-based plan management for self-insured employers, Medicare and Medicaid plans, pharmacy benefit and disease management, and data and consulting services. United Health's scale provides the firm with significant competitive advantages. With underwriting and regulatory concerns fading to the background, Morning star predicts that United Health should continue producing free cash flow and creating value for investors. United Health Group has brought our portfolio's health care sector closer in weight to the S&P 500. Although this company has not seen much growth this past year, it is a relatively new investment; therefore, we will continue to hold it in our portfolio

Berkshire Hathaway Inc.

Ticker: BRA.A
Purchase Price: \$71513.01
Current Price: \$156280
Analyst: Lexi Beeson

BERKSHIRE HATHAWAY INC.

Berkshire Hathaway Inc. The largest amount of money that the Student Investment Fund has invested in one stock is Berkshire Hathaway Inc. Class A. The reason for this is Berkshire Hathaway has produced steady returns throughout their history and one of the goals of the Student Investment Fund is to think in terms of long-term gains, not day-to-day trading. Berkshire Hathaway has a history of acquiring and managing a portfolio of businesses with strong competitive advantages. The company is owned by Warren Buffet, a famed value investor who looks to acquire firms that have consistent earnings power to generate above-average returns on capital, have little to no debt, and have solid management teams. Currently the stock has made the Student Investment fund over \$50,000 and has proven to be a solid, reliable investment.

St. Jude Medical, Inc.

Ticker: STJ
Purchase Price: \$41.21
Current Price: \$40.44
Analyst: Marisa Rodriguez



St. Jude Medical develops, manufactures, and distributes cardiovascular and implantable neuro-stimulation devices worldwide. Its products include tissue heart valves, pacemakers, implantable cardioverter defibrillators, catheter ablation systems, and vascular closure devices for catheterization procedures. St. Jude sells its products to hospitals and heart surgery centers in the United States and abroad. Foreign sales make up approximately 55% of the company's total sales. This company has aggressive growth and has brought us closer to matching the S&P 500 in the defensive sector. Although this company has not seen much growth this past year, it is a relatively new investment; therefore, we will continue to hold it in our portfolio.

WATCHING LIST (CURRENT PRICE AS OF MAY 9, 2013)

AFLAC Inc.

Ticker: AFL
Current Price: \$55.44
Target Price: \$65
Analyst: Lexi Beeson



Aflac has demonstrated consistent returns for shareholders at 2.73% dividend yield, and their unique policy insures that they will stay profitable. They have had positive Net Income % averages, and positive Earnings per Share % averages for the past five years and Aflac's debt/equity ratio of around 25% is low relative to other life insurance peers and reasonable considering the firm's consistent profitability. The firm's credit rating is higher than those of its Japanese competitors, fostering an excellent reputation among consumers, an advantage in selling long-duration policies. It is by far the industry leader in Japan with the company holding 80% of all cancer policies and 75% of annual premiums. It is a solid company financially, and a growth rate of 15.2% was calculated and predicted for the company.

Bed Bath & Beyond

Ticker: BBBY
Current Price: \$69.89
Target Price: \$70
Analyst: Dev Mohanty



Bed Bath & Beyond (BBB) is a specialty retailer of food, giftware, home furnishings, health and beauty care items. The company operates only in the US. It is the perfect time to buy consumer discretionary investments. Bed Bath and Beyond is one of the leaders in the industry.

Comcast Corp.

Ticker: CMCSA
Current Price: \$43.18
Target Price: \$39
Analyst: Will Jarvis



Comcast Corp. is the nation's largest video, high-speed Internet and phone provider to residential customers under the XFINITY brand and also provides these services to businesses. Comcast has just released its 1st quarter reports and they show very positive numbers and growth for this year. Revenue has increased by 2.9%, the operating cash flow increased 7.4%, operating income increased 11.2%, Earnings per Share has increased 20%, and the Free Cash Flow increased to 3.3%. Some hesitation on the decision to buy Comcast stems from their high price currently. Comcast is well above its fair value estimate of \$39 and it is uncertain how much higher their current share price will go. Also the number of shares they have made available to consumers has been declining.

Ford Motor

Ticker: F
Current Price: \$14.19
Target Price: \$21
Analyst: Nagisa Isa



Ford is one of the most famous automobile industries in the world, having markets in every continent. With an anticipated global economic growth in the 2-3% range, Ford is anticipating global industry sales of 80 million to 85 million automobiles in 2013 (2.3 million sold in America in 2012). Although sales fell short compared to their anticipated results in the European Market due to the financial problems, they have succeeded to set a new record of sales in Asia, especially in China. Ford anticipates to breakeven in South America and Asia, as growing volume and revenue will be offset by continued strong investments across the region. Ford also anticipates the pre-tax operating profit about equal, or slightly higher than 2012, and automotive operating-related cash flow to be higher than 2012.

F5 Networks

Ticker: FFIV
Current Price: \$76.96
Target Price: \$100
Analyst: Lucas Kjaero



I believe that F5 is a strong investment because of their superior product, perfect opportunity for growth, and well-kept financials. F5's Application Delivery Controllers (ADCs) are widely considered to be the best in their class. Their customized operating system, known as TMOS, is widely customizable, both in the traffic rules that they can implement and in the software that can be built on top of it. F5 works with companies that use their products, and has even assisted Oracle with developing custom tasks for TMOS. Finally, F5's ADCs are known as very secure, offering great potential, as the demand for secure network products is higher than ever. F5 has the perfect opportunity to capture the market for ADCs. In a time when traffic over the internet has only increased, (especially given the advent of streaming media), traffic management is a very lucrative field. Cisco, one of F5's competitors, has recently announced that they are no longer going to develop ADCs, leaving \$200 million in market share available, much of which will likely go to F5.

Furthermore, F5 is in fantastic financial health. They have a very strong Free Cash Flow, with far more cash than debt. Morningstar and our DCF Model both believe that F5 Networks is undervalued.

Hess Corporation

Ticker: HES
Current Price: \$72.42
Target Price: \$87
Analyst: Jordan Hancock



The Hess Corporation (formerly Amerada Hess) is a large American-based integrated oil company headquartered in New York City, and a Fortune 100 corporation. The company explores, produces, transports, and refines crude oil and natural gas. The company has exploration and production operations in the United States, United Kingdom, Norway, Denmark, Russia, Equatorial Guinea, Algeria, Libya, Gabon, Egypt, Ghana, the Joint Development Area of Malaysia and Thailand, Indonesia, Thailand, Azerbaijan, Australia, Brazil, and St. Lucia. Hess is also active in the financial markets, through the Hess Energy Trading Company (HETCO), its trading arm. This company is very diverse throughout the world in many different areas and I believe this strengthens the company in the long term. Also the fair value price is 35% higher than the current price, which means this stock is seen to have a higher value than what it is now.

Hess's competition is pretty strong which might be its downfall, its competitors include Exxon, Chevron, Shell and PetroChina. But Hess does not have much debt and has a good revenue stream.

Monster Beverage

Ticker: MNST
Current Price: \$57.07
Target Price: \$55
Analyst: Rachel Riess



Through its subsidiaries, Monster Beverage Corporation develops, markets, and sells a variety of nonalcoholic beverages, including energy drinks, natural sodas, and fruit juices. Energy drinks make up the majority of the company's business (92% of revenue), led by Monster Energy Drink, the second-largest energy drink in the U.S. behind Red Bull. The company's other brands include Lost, Rumba, Ace, and Worx as well as the noncarbonated Java Monster and Monster Rehab beverages. Monster Beverage Corporation holds an efficient and financially strong business that will lead to great returns in the long-term. Monster is trying to expand globally which will grow their customer base considerably while the products continue to become more popular in the U.S. Rising numbers of clientele in the U.S. are due to the number of youths using this product and the continuation of the aging youth that first came to love this product. Based on the key ratios the company seems to be in good standing financially. It has a great Current (2.89) and Quick ratio (1.93) showing that it will do well in the present. Also the ROE indicates that it is quite profitable and has high financial leverage. The company shows that it has been operating at a steady efficiency level for the past couple years and that it controls costs well, based on the Operating and Gross margins. It does have a declining Fixed Asset turnover due to the intent to expand internationally however the Asset turnover is at an increase. The Free Cash Flow/Operation Cash Flow ratio indicates that the company is in good financial health. Monster beverage is likely to rise significantly in the next ten years due to the expansion and will be well worth the wait. Even though the growth of Monster was at a decline it is now on the rise again. As far as stock price it has been steadily increasing for the past ten years.

Oracle Corp.

Ticker: ORCL
Current Price: \$33.23
Target Price: \$39
Analyst: Cal Crabtree



Oracle is still at the top of the food chain in the software world. While there have been many critics of Oracle's long-date acquisition strategy, we believe the company has shored up its defenses, successfully anticipating the threat of cloud computing and providing its customers with a path for technology and service upgrades.

The main reason Oracle is a leading software company is due to its rapid adoption of cloud computing software which may hint at potential disruption in the software industry. Morningstar believes Oracle's installed base, high switching costs, and product road maps will reinforce its market-leading position. Although you can't ignore the possibility of up-and-coming younger companies, Oracle's existing customers push to purchase software in the cloud. I expect many will appreciate the ability to choose hybrid installations. Oracle's flexibility will provide a better solution for many risk-averse customers.

QUALCOMM Inc.

Ticker: QCOM
Current Price: \$63.99
Target Price: \$75
Analyst: Tyler Roush



As one of the dominant suppliers of chips to wireless handsets, this technology company receives much of its profits and revenue from royalties from their intellectual property and the telecommunications services they provide. The company has a very diverse customer base as they sell their wireless baseband chip to Apple, who use it in their newest version of iPhones, and also Android and Windows, who use it in both their phones and tablets. Much of their revenue comes from royalties, meaning it takes little to no work for them to maintain this kind of revenue with their customers, so they can focus work and investing into other parts of their company. Although their performance is very up and down, they have had solid growth over the past 3-5 years even though they are in the very competitive technology sector. I find this impressive.

Molson Coors Brewing Company

Ticker: TAP
Current Price: \$55.07
Target Price: \$55
Analyst: Mark Gallardo



Molson Coors has beverages ranging from cheap to the new up-and-coming craft beers. Because they have such a diverse assortment of beverages, they are able to keep a constant cash flow whether consumers have decided to buy the new craft beers or have decided to go a cheaper alternative.

Molson Coors has a solid cash flow due to craft beer growing more and more popular. They are also allowing Molson Coors to expand their targeted market and get established in the craft beer market. The continued outperformance of the craft beer portfolio was a key reason why the company's revenue per barrel grew 4% versus the year-ago period. Molson Coors is a solid, very recognized brand with one of the best distribution network adding to its stability.

Varian Medical Systems

Ticker: VAR
Current Price: \$65.57
Target Price: \$78
Analyst: Will Griffith



Varian Medical Systems, Inc., is a manufacturer of medical devices and software for treating cancer and other medical conditions with radiotherapy, radiosurgery, proton therapy and brachytherapy. Because of expensive machines, quarterly results have variation. However, over the long terms when these equal out, the company is expected to have 10% growth over the next 3-5 years, which would well exceed the current intrinsic growth rates of the company. As long as cancer continues to be a major disease, Varian will continue to be a profitable company, with almost every hospital with an oncology department purchasing or upgrading Varian Machines every decade. Growth in European and Asian markets could lead to increased sales over the next five years, and as the global economy improves, it is likely many hospitals will upgrade to Varian's newest model.

V.F. Corp.

Ticker: VFC
Current Price: \$179.39
Target Price: \$180
Analyst: Will Griffith



VF Corporation is an apparel and footwear company. It designs and manufactures or sources from independent contractors a variety of apparel and footwear for all ages.

V.F. Corp owns a variety of brands of clothing ranging from cheap to exclusive. Their diversified portfolio allows them to take advantage of clothing purchases in both good and bad markets. The V.F. Corp has solid cash flow and is continuing to acquire brands. This acquisition strategy is allowing them to expand their target market, particularly in Asia and Europe. A recent acquisition, Timberland, has yet to affect revenues, but could be a major growth factor. V.F. Corp is a solid consumer discretionary company with recognized brands and outstanding management and development of those brands.

Wells Fargo

Ticker: WFC
Current Price: \$38.46
Target Price: \$43
Analyst: Will Griffith



Wells Fargo is one of the “Big Four” in terms of Banks. However, unlike BoA, JPM Chase, and Citigroup, Wells Fargo does not have a considerable Investment Bank. While this can potentially dampen profits, it also mitigates risk. Its business model is simple; it focuses on traditional commercial banking, and does so with superb management. It has recovered to pre-crash prices and looks to continue its growth into the foreseeable future. Most legal issues involving Wachovia have been resolved favorably. With increased loan demand and a recovering economy, Wells Fargo will grow.

WHAT WE DID

SPEAKERS

ZEKE ASHTON

On November 8, 2012, Zeke Ashton of Centaur Capital Partners provided insights into investing and how to become a better investor. Mr. Ashton encouraged this year's group to start investing early, take advantage of the opportunity to learn how to research investments and begin to develop a sense of how valuation works. He also described his career since graduating from the Austin College in 1995.

KIRK RIMER

On April 2, 2013, Kirk Rimer of Crow Holdings Capital shared his thoughts on portfolio allocation as the Fund has moved incrementally towards domestic stocks and reduced its international holdings. Mr. Rimer also suggested students keep track of the latest news from multiple sources and to learn to think critically and skeptically.



From April 4 to April 6, 2013, Austin College sent six students to attend the R.I.S.E. XIII forum in Dayton, Ohio and finished 3rd in the Core investment style category of R.I.S.E Student Managed Investment Fund Portfolio Competition. Attendees included three current SIF portfolio managers, one aspiring portfolio managers, and two former portfolio managers.

The Redefining Investment Strategy Education (R.I.S.E.) Forum is an investment conference—hailed as the largest student

investment conference in the world—sponsored jointly by the University of Dayton and the United Nations Global Compact. It is held annually on the University of Dayton campus, with this year being its thirteenth anniversary. The conference seeks to bring together successful professionals from the Fed, Wall Street, corporate America, the financial media, and the international community with students and professors from around the world, focusing on interactive dialogue between the best and brightest in finance and the students who will soon be their colleagues.

The R.I.S.E. forum begins with a day of panel discussion, where topics—including markets, socially responsible investing, risk management, the economy, teamwork, and achievement—are discussed. Students are given the opportunity to guide discussion through questions. The following two days provide multiple breakout sessions from which attendees may choose: specialized breakouts cover topics such as private equity, fixed income, portfolio management perspectives, and risk management; workshop breakouts focus on student skill enhancements in such areas as security analysis, hedge funds, and portfolio construction; and career strategies forums explore techniques for competing and succeeding in a competitive marketplace. There is great value in the information and networks available at R.I.S.E. and we recommend the experience to future fund managers.

DART PICK PORTFOLIO

In *EMH (efficient-market hypothesis)* theory, price of securities in an efficient market instantaneously and fully reflect all available information which preempts investors from earning abnormal market returns. If *EMH* holds, investors have no strong incentive to acquire information and random selection is just as effective as the selection based on extensive security analysis.

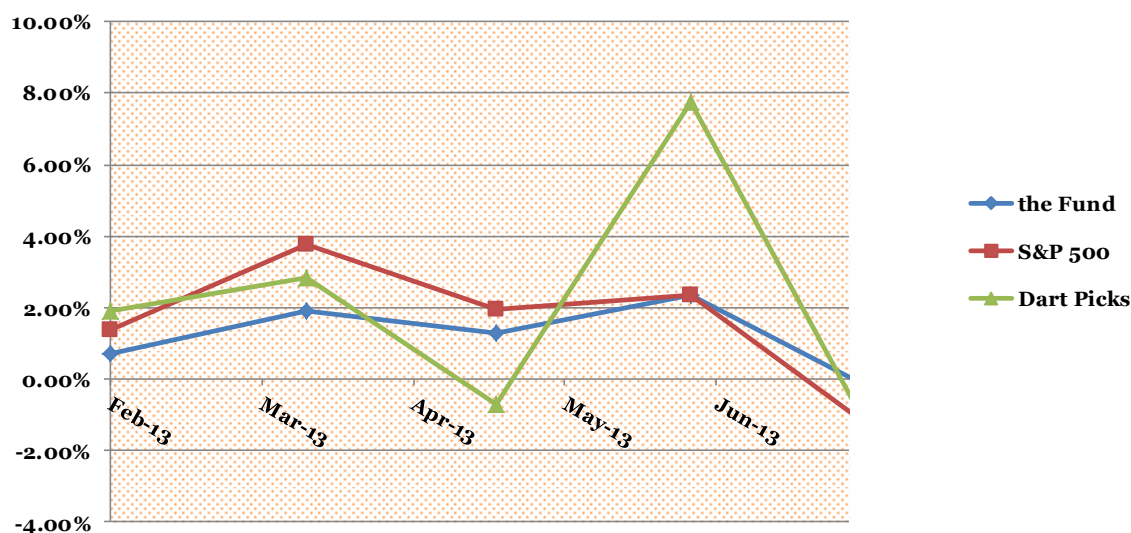
We evaluate the performance of the SIF portfolio formed on investment research and professional advice from Morningstar with another portfolio picked at random (literally, we threw darts at the “Investment Dartboard” column in the *Wall Street Journal* in Feb 2013 and pick 10 stocks). We used the 10 dart picks and allocated \$1,000,000 evenly among them.

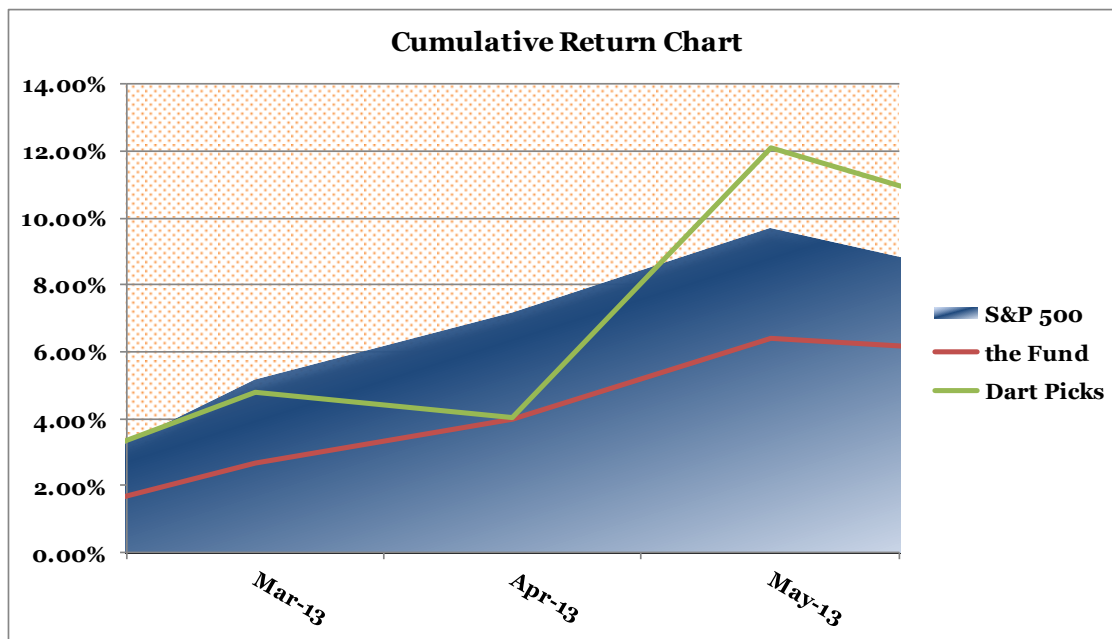


The following is the dart pick portfolio Gain/Loss throughout the holding period Feb 2013 – June 2013

Name	Quantity	Share Price	Total Cost	Market Value	\$ Gain/Loss	% Gain/Loss
eHealth, Inc.	6,127	\$16.32	\$99,992.64	\$144,352.12	\$44,359.48	44.36%
Ford Motor Co	8,244	\$12.13	\$99,999.72	\$129,018.60	\$29,018.88	29.02%
Huntington Ingalls Industries Inc	2,262	\$44.21	\$100,003.02	\$128,006.58	\$28,003.56	28.00%
Dana Holding Corp	6,177	\$16.19	\$100,005.63	\$112,483.17	\$12,477.54	12.48%
O'Reilly Automotive Inc	987	\$101.35	\$100,032.45	\$110,346.60	\$10,314.15	10.31%
Greif, Inc. Class A	1,986	\$50.35	\$99,995.10	\$103,589.76	\$3,594.66	3.59%
AVX Corporation	8,489	\$11.78	\$100,000.42	\$99,915.53	-\$84.89	-0.08%
Movado Group Inc	2,897	\$34.52	\$100,004.44	\$97,715.81	-\$2,288.63	-2.29%
Brunswick Corporation	2,834	\$35.28	\$99,983.52	\$92,105.00	-\$7,878.52	-7.88%
Central Garden & Pet Company	11,287	\$8.86	\$100,002.82	\$81,605.01	-\$18,397.81	-18.40%
Dart Pick Portfolio			\$1,000,019.76	\$1,099,138.18	\$99,118.42	9.91%

Monthly Return Chart





Apparently the dart picks are more volatile compared to the Austin SIF portfolio and S&P 500 over the same period. Gains and losses range from -18.4% to 44.36%. The dart pick portfolio experienced a net 9.91% percent gains during the five-month period. As in the monthly return chart, the dart pick portfolio beat SIF and S&P 500 in February and May. In the cumulative return chart, the dart pick portfolio beat both SIF and S&P 500 during the five-month period. Some possibilities may explain this scenario:

1. The market is semi-strong efficient;
2. Neither active investment research and analysis nor professionals recommendation contribute much value to stock picking;
3. In the short run, you can never beat the market;
4. Pure luck in picking some high yield stocks.

Lexi Beeson

This year in SIF, I had the unique opportunity to attend the RISE conference (the biggest student investment fund conference in the world) in Dayton, Ohio. In addition to what I learned in class, which includes the fundamental approach to choosing good stocks and evaluating existing holdings, this conference gave me the opportunity to learn about how other investment funds manage their portfolio. It was also extremely insightful as there were numerous panelists from some of the top companies in the world present.

Cal Crabtree

Austin College has again proven why it truly is one of the most advantageous to attend when it comes to hands on learning in the college atmosphere. With very little previous knowledge of the stock market and how it operates upon enrolling in the Student Investment Fund class, never would I have imagined that I would so quickly grasp the concepts of how America's stock market system operates. Not only does this course teach one the basics of how the market works, but the most influential thing I grasped from the class was how to properly and efficiently research why some investments are and are not worth making.

Dr. Zhao did an excellent job of instilling in us the basics of how and why to purchase or drop a stock by teaching us how to properly examine the traits of a likely successful investment. The fact that majority of investors unfortunately do not learn this trade until they acquire the amount of money later in life to gamble with in the stock market, be it in their late twenties or even early fifties, creates even more enthusiasm in my learning of this trade as a twenty year old college student.

By simply engaging myself in day to day lectures, not to mention the facts of the trade I picked up from my peers that were senior advisors in the class, I feel as if the knowledge I have obtained from it will remain with me for the rest of my life. The passion and knowledge I have obtained from this course I hope will continue to develop as I continue to participate in this class in semesters to come.

Mark Gallardo

This being the first semester I had taken Student Investment Fund, I have learned quite a lot. I've learned what to look for in stocks that can show potential improvements. I have also learned how to analyze a stock and to take into account its revenue, debt, and free cash flow so that I can make decisions on whether or not I feel that the stock is a good investment and if we should buy or if we already own it, should we sell it.

William Griffith

While I have been involved with the Student Investment Fund before, this year, as a senior, I took on a leadership role. I attended the RISE conference and presented our portfolio to industry professionals. This was the first time anyone has presented the portfolio at the RISE competition, and the feedback received was invaluable both to me personally and for the fund. This semester, I took it upon myself to reevaluate the Discounted Cash Flow valuation model, learning and implementing the CAPM model and Weighted Average Cost of Capital in order to more accurately value equities that can be implemented in years to come.

Jordan Hancock

The things I have learned throughout the student investment fund are numerous. Before taking this class the first semester, I knew nothing about investing especially in stocks, bonds, and ETFs. The first semester I really learned how to pick a valuable stock and analyze it, by numbers and by quality of the company. We bought a stock that I pitched first semester, Kraft, and it has made us almost five thousand dollars since the purchase.

The second semester I was a part of the student investment fund, I attended the national RISE Conference representing the student investment fund. There I learned very technical analysis and very many different strategies on how to invest. While I was there, we learned different aspects from presidents of the Federal Reserve to CEOs of major investment companies.

Nagisa Isa

Working with the student investment fund has taught me to take advantage of the help of a strong team in order to ensure that a goal is completed as quickly and efficiently as possible. Together we were able to pour through hundreds of calculations in a short amount of time and turn a profit. The Student Investment Fund has also taught me how to read beyond the headlines and graphs which I previously relied on for my day trading experience.

Will Jarvis

This being my second time to take the Student Investment Fund class, I was able to experience a more in-depth and technical method of valuing and choosing stocks. I now know more about the stock market after reviewing stocks on the S&P 500. The SIF class is a great experience for novices who want to learn more about the stock market and what publicly trading stocks entails. I would recommend this class to anyone who wants to see how publicly trading stocks work.

Lucas Kjaero

This semester in SIF, I have learned strategies for determining the value of a company, including the Discounted Cash Flow model. I've also learned strategies for allocating assets within a portfolio, including Cost-dollar balancing and general guidelines of risk tolerance. Finally, I've had experience finding, analyzing, and selecting stocks, culminating with presenting and defending my chosen stock to the entire fund.

Dev Mohanty

Student investment fund has taught me a lot about stock trading that I wanted to know to do my own stock trading. Simply reading about stocks does not teach you the big picture. Handling real money that could potentially have consequences if lost really makes you consider all aspects of trading. I also learned from previous student investments that just because a stock is rated 5 stars by all the big named financial specialists does not mean you will gain money if you buy it. I also learned about investing in the things that serve as a foundation of successful companies as opposed to investing in the successful companies themselves.

Rachel Riess

Student Investment Fund has been a great learning experience. I have learned how to choose stocks through lots of research and by creating excel spreadsheets. These tools help us to screen the right stocks and find good investments.

Tyler Roush

Being a manager in the class for the third time really forced me into a situation where I had to be a leader along with the other managers in the class. There were a lot of younger members who were new to the investment fund, and the managers really guided them in the right direction with their research and choices of stocks that we studied.

Joshua Stowers

SIF helped expand my understanding of not only just the stock market, but investing in general. It also taught me how to apply equations which I previously only knew in textbooks, but now to apply it in the real world. Working with the educated group, I got a taste of what it is like to make investing decision as if I was representing an actual corporation. It has helped me understand more of the bond market and helped me learn to budget money in different markets. Speaking with real life investors greatly humbled me and showed us that we still have a lot to learn.

Kimberly Weiser

Whether a student goes into the business field or not, this class prepares you for your future retirement by familiarizing yourself with the investment opportunities and their associated risk and returns. I have learned to more critically analyze a company by not only look at financial data but also their mission and core values. These statements give insight to the direction the company is headed and potential flaws in their financial plan. This class was a great stepping stone to my future career by being able to better understand what makes an individual or group invest in company.