



University of  
Connecticut

## Student Managed Fund

The MBA Group

*performance report* 2005

**Prepared by Graduate Student Fund Managers**

**MBA Class of 2005**

**February 16, 2005**

**Student Managed Fund**

**University of Connecticut**

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## Letter to Our Investors

Dear Foundation Members and Investment Advisory Board Members,

We would like to begin by thanking the Foundation and the IAB for this unique opportunity. It has not only given our team the experience of managing the fund as professional asset managers, but has also taught us the benefits of diligent investment research and teamwork.

The MBA Managers of the Student Managed Fund are excited to present our portfolio. We have taken great care in our investment decisions and on due diligence, analyst report preparation, and stock presentation.

Throughout this report, we will discuss how we constructed our portfolio and more importantly the reasoning behind our decisions. We will present the portfolio allocation, our selection criteria, our holdings, and our returns. We will also demonstrate why we believe we have added value to the portfolio's return.

Thank you again for providing our team with this invaluable experience.

Sincerely,

The MBA 2005 Managers



### Investment Philosophy

Invest in companies with consistent financial performance, strong management teams, sound business model and excellent future prospects.

### Investment Style

Multi-cap blend strategy whereby we primarily invest in large-cap equities that are expected to outperform over a 3 to 5-year time frame.

Select companies with strong fundamentals and future growth potential exhibiting characteristics of either value or growth stocks.

### Portfolio Details

As of 02/11/05, the SMF portfolio is invested in 19 companies representing 8 different sectors. The portfolio also has positions in the Vanguard S&P500 Index fund and in cash.

Top 5 holdings: Commerce Bancorp (3.6%); Lions Gate Entertainment Corp (3.25%); Valero Energy Corp (3.21%); SAP Aktiengesellschaft (3.11%); Aetna Inc.(2.81%).

Our recent acquisitions have been: SAP Aktiengesellschaft and Lions Gate Entertainment Corp.

### Portfolio Performance

Trading started as of 09/24/04 with \$410,918 in fund assets.

The SMF portfolio overall return is 11.48% over the holding period of 21 weeks (9/24/04 thru 2/11/05).

The S&P 500 Index returned 8.57% over the same period. The return of the SMF portfolio exceeds that of the S&P 500 Index by 290 basis points over the holding period.

The 10-year Treasury bond yield is the risk-free rate proxy. The average risk-free rate over the period is 4.16%

On a risk-adjusted basis, the SMF portfolio outperformed the S&P500 Index by 413 basis points over the holding period of 22 weeks.



Executive Summary

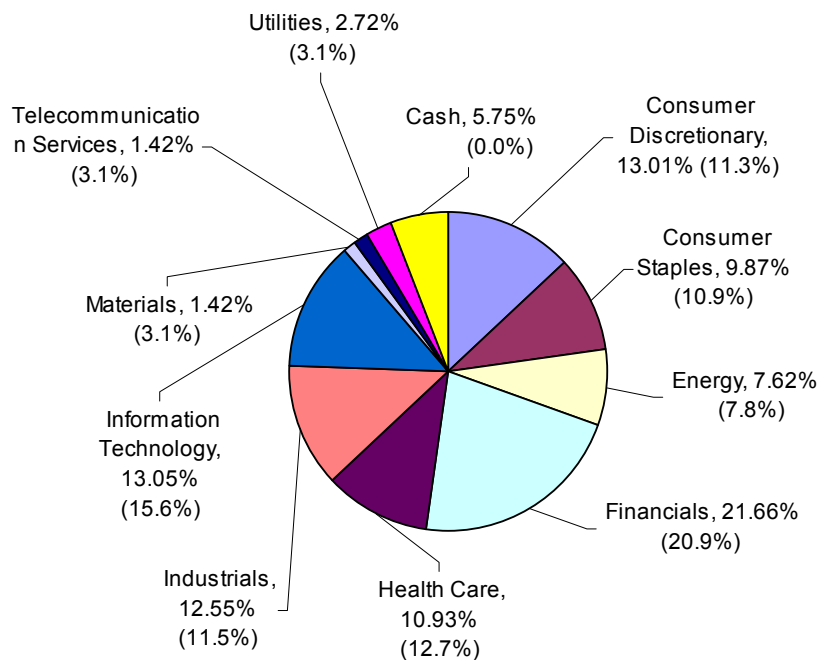
PERFORMANCE HIGHLIGHTS	SMF PORTFOLIO	S & P 500
Portfolio Value (9/24/04)	\$410,918.25	1,110.11
Portfolio Value (2/11/05)	\$958,082.81(*)	1,205.30
Holding Period Return (9/24/04 thru 2/11/05)	11.48%	8.57%
Annualized Return (%)	29.93%	22.36%
Beta	0.89	1
Annualized Standard Deviation	10.04%	11.11%
Sharpe Ratio**	2.57	1.64
Treynor Index**	28.95	18.18
Alpha	4.67%	

\*An additional \$500,000 was added to the portfolio as of 01/19/05.

\*\*Based on risk-free rate of 4.2%.

**Portfolio Performance**

- 10 sectors – S&P 500 Index benchmark
- *Methodology:* Emphasis on sectors that offer growth at reasonable valuations.
- The largest sectors in our allocation are: Financials (21.66%), Information Technology (13.05%), Consumer Discretionary (13.01%), Industrials (12.55%), and Healthcare (10.93%).



**SMF Sector Allocation**

S&P500 Index Allocation in ( )

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*Investment  
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# Investment Philosophy

The overriding goal of the SMF is to outperform the S&P 500 Index by carefully selecting stocks, by periodically reevaluation of sector allocation, and by consistently monitoring the portfolio and the underlying economic changes.

The graduate SMF managers focus on companies with a balance of proven track record of earnings and strong growth potential. Our goal is to outperform the S&P 500 over the short-term while minimizing risk by selecting stocks of companies with solid fundamentals. We invest in stocks that have shown consistent growth in the past and are expected to deliver exceptional performance over the next five years.

We focus on companies with strong business models and whose industries are expected to outperform under the current market conditions. We used the sector allocation of the S&P 500 as a guideline to structure our portfolio, but in order to beat the index, we are going to overweight our portfolio towards those sectors with a stronger economic outlook.

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# *Investment process*



Investment Process

**Investment Criteria**

As a team, we look for companies that satisfy the following criteria:

- Solid financial structure relative to industry
- Strong management team
- High expected earnings growth
- Attractive valuation relative to peers

Our general buy criteria involve fulfilling the above objectives as well as identifying stocks with an intrinsic value higher than their current market value. We perform fundamental analysis by studying historical performance and detailed ratio analysis.

To effectively manage the portfolio, we have implemented a risk control philosophy based on a 15% stop-loss and a 20% upside price review.

**Fundamental Analysis**

We use fundamental analysis to ensure the

growth potential and financial stability of the companies we consider. Our fundamental analysis has two major features:

- *Qualitative analysis* of the business model and strategy in order to understand the critical success factors and competitive position of the company
- *Quantitative ratio analysis* to measure the various performance and efficiency metrics.

**Valuation**

In addition to strong growth, we look for stocks that are undervalued and are therefore likely to exhibit strong short-term as well as long-term growth.

We evaluate stocks using several different models and criteria:

- Intrinsic value based on Discounted Cash Flow Model
- Intrinsic value based on P/E Model
- PEG Ratio

- Business Model analysis
- Internal and external risk factors

**Performance Monitoring**

We are active fund managers, and therefore performance monitoring is exceptionally important. Below are some of the criteria we use to monitor our portfolio.

We implement stop-loss orders to limit the losses on stock positions. Stop-loss orders are activated whenever a stock falls 15% in value.

If the stock increases in value by 20%, we automatically review the company's fundamentals and decide whether or not we should hold the investment. We compare the investment to current opportunities in the market.

We constantly monitor our portfolio, and we respond dynamically to market situations such as relevant company news and changing economic conditions.

*Portfolio  
performance*



## Portfolio Performance

The initial value of the MBA student managed fund, at the point of making our first investment on September 24, 2004, was \$410,918, invested in the Vanguard 500 Index Fund (VFINX). Our team executed its first trade with the purchase of 300 shares of Coca-Cola Co (KO). As of the time of our initial report on December 2, 2004, the fund managers had invested \$243,771 of the original \$410,918. At that point, our portfolio consisted of 15 holdings across 8 sectors as defined by the Global Industry Classification Standard (GICS). Our current holdings as of February 11, 2005 include 19 stocks over 8 sectors. Because of the infusion of \$500,000 in January, the total market value of our current holdings is \$958,082.81.

The portfolio return for the holding period of September 24, 2004 to February 11, 2005 is 11.48%. On an annualized basis, the portfolio's return outperformed its benchmark by 757 basis points. Consistent with performance, the portfolio's Alpha is over 4.5%.

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## Fund Volatility

Superior performance came with reduced volatility as the beta of the portfolio is well below that of the market (beta for the portfolio was calculated by averaging the weekly weighted beta). Not surprisingly, the annualized standard deviation of the fund weekly returns is also smaller than that of the S&P500 Index. Two indicators of risk-adjusted performance are the Sharpe ratio and the Treynor index. Sharpe ratio measures the risk-adjusted performance of the SMF portfolio by subtracting the risk-free rate from the rate of return for the portfolio and dividing the result by the standard deviation of the portfolio returns. Treynor index focuses on excess return per unit of systematic risk. Both measures confirm that SMF active management style has added value while minimizing risks. From a reward-to-variability ratio perspective, our portfolio shows its ability to deliver above average returns with below average risk.

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The performance of each stock by sector is presented below:

TICKER	TRADE DATE	# SHARES	PURCHASE PRICE	PRICE	CURRENT VALUE	TOTAL % RETURN	% OF PORT-FOLIO
<b>CONSUMER DISCRETIONARY</b>							
<b>CMCSA</b>	10/15/2004	375	\$28.77	\$31.72	\$11,895.00	10.05%	1.24%
<b>HOT</b>	12/28/2004	350	\$59.01	\$58.99	\$20,646.50	-0.13%	2.15%
<b>LGF</b>	2/11/2005	3000	\$10.42	\$10.39	\$31,170.00	-0.35%	3.25%
<b>VIAB</b>	10/6/2004	500	\$35.21	\$37.48	\$18,740.00	6.31%	1.95%
<b>CONSUMER STAPLES</b>							
<b>KO</b>	9/22/2004	300	\$40.46	\$42.85	\$12,855.00	5.73%	1.34%
<b>WAG</b>	11/22/2004	400	\$37.93	\$42.90	\$17,160.00	12.97%	1.79%
<b>ENERGY</b>							
<b>VLO</b>	10/27/2004	500	\$44.00	\$61.62	\$30,810.00	39.92%	3.21%
<b>FINANCIALS</b>							
<b>C</b>	10/22/2004	500	\$42.80	\$49.38	\$24,690.00	15.27%	2.58%
<b>CBH</b>	12/22/2004	600	\$60.03	\$57.58	\$34,548.00	-4.18%	3.60%
<b>HIG</b>	11/12/2004	350	\$62.00	\$73.69	\$25,791.50	18.75%	2.69%
<b>ING</b>	11/9/2004	300	\$26.71	\$29.35	\$8,805.00	9.61%	0.92%
<b>HEALTHCARE</b>							
<b>AET</b>	10/27/2004	200	\$89.41	\$134.65	\$26,930.00	50.43%	2.81%
<b>INDUSTRIALS</b>							
<b>FDX</b>	11/15/2004	260	\$95.12	\$98.39	\$25,581.40	3.35%	2.67%
<b>MAS</b>	12/22/2004	500	\$36.46	\$37.31	\$18,655.00	2.22%	1.95%
<b>MMM</b>	11/15/2004	200	\$82.64	\$84.23	\$16,846.00	1.80%	1.76%
<b>INFORMATION TECHNOLOGY</b>							
<b>CSCO</b>	12/3/2004	1000	\$19.50	\$17.73	\$17,730.00	-9.17%	1.85%
<b>FLEX</b>	12/28/2004	1000	\$13.80	\$14.18	\$14,180.00	2.61%	1.48%
<b>SAP</b>	2/8/2005	750	\$39.24	\$39.77	\$29,827.50	1.31%	3.11%
<b>UTILITIES</b>							
<b>D</b>	11/23/2004	150	\$66.71	\$70.74	\$10,611.00	5.83%	1.11%
<b>VFINX</b>	1/27/2005	686	\$103.26	\$111.25	\$70,836.36	7.74%	7.96%
<b>CASH</b>					\$485,248.40		



Some of the major highlights of the fund's performance include:

### Consumer Staples and Discretionary

The consumer non-cyclical segment of MBA portfolio continues to maintain conservative approach and is focused on defensive stocks in the sector. Non-cyclical holdings have been increased in order to create more downturn resistant portfolio including Coca Cola (KO) and Walgreen (WAG) and the newest addition of Sysco Corporation (SYY). The consumer discretionary sector (particularly media and hotels) is a significant area of investment for the fund. 13.5% of the fund's total assets were invested in this sector between October 6, 2004 and February 11, 2005. These holdings gained approximately 8.5% and hence were a significant portion of our total portfolio gain. The most notable performers in this category were Comcast (CMCSA-developer and manager of broad-band cable networks) and Viacom (VIA – media conglomerate), with holding period returns of 10.05% and 6.31% respectively.

While there were no significant losers, other holdings in this sector were flat.

manager of broad-band cable networks) and Viacom (VIA – media conglomerate), with holding period returns of 10.05% and 6.31% respectively. While there were no significant losers, other holdings in this sector were flat.

### Financials

Financials, which formed another 22.96% of the fund's net assets, were among the strongest performers of this period. In particular, the fund benefited from the 18.75% gain on The Hartford Financial Services Group (HIG – Property & Casualty Insurance), 15.27% gain from Citigroup (C-Money Center Bank) and 9.61% gain from ING (ING-Diversified financial services). The total gains from this sector for this period was approximately 7.53%. The only loser in the group was Commerce Bancorp(-4.18%).

### Industrials

The MBA fund also had a significant presence in the industrials sector, with investments in FedEx (FDX – air delivery/freight services), Masco (MAS-industrial equipment and components producers), and 3M (MMM – diversified global conglomerate). Our investment decision reflects our belief that this sector will continue to benefit from improving macroeconomic indicators, such as higher industrial production, employment, and business confidence.



### Healthcare

The MBA fund maintained an underweight investment in the healthcare sector, staying on average 1.6% below the benchmark's healthcare weight. The underweight decision proved beneficial, as this sector significantly underperformed the S&P 500.

The group's strategy was to hold leading companies in those healthcare sub-sectors with stable markets, in particular insurance providers and managed care. The fund's greatest success was Aetna (AET) with holding period return of 50.43%. Aetna's significant gain in the worst performing sector was partly offset

by losses in Pfizer (PFE) whose shares dropped 16.83% at the time they were sold.

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Our portfolio also included investments in the energy, information technology and utilities sectors. In addition to Aetna's impressive returns, Valero (VAL) contributed significantly to our fund's performance, with holding period returns of 39.92%. The fund did not have any investments in the materials or telecom sectors.

Our fund also liquidated 4 positions, including Chicago Mercantile Exchange (CME) with a 14.95% holding period return, and three stocks with negative returns, including CACI, International (CAI) with a loss of 16.98%, Pfizer (PFE) with a loss of 16.83% and Qualcomm (QCOM) with a loss of 8.67%.

All three of the companies sold have seen fundamentals deteriorate since we originally purchased them. However, we feel that the substantial drop in the share prices may not be completely justified. Hence, we may be repurchasing some of these stocks in the near future now that they seem to have stabilized.



Closed Positions

Table 3. Realized Positions as of Feb. 12, 2005

		Shares	Price	Value	Gain/Loss	HPR	Period
<b>CME</b>							
<i>Purchased</i>	8-Nov-04	50	\$ 183.77	\$ 9,188.50			
<i>Sold</i>	7-Jan-05	50	\$ 211.25	\$ 10,562.50	\$ 1,374.00	14.95%	60
<b>PFE</b>							
<i>Purchased</i>	27-Oct-04	560	\$ 28.28	\$ 15,836.80			
<i>Sold</i>	22-Dec-04	560	\$ 23.52	\$ 13,171.20	(\$2,665.60)	-16.83%	56
<b>CAI</b>							
<i>Purchased</i>	7-Jan-05	325	\$ 62.03	\$ 20,160.20			
<i>Sold</i>	2-Feb-05	325	\$ 51.50	\$ 16,737.50	(\$3,422.70)	-16.98%	26
<b>QCOM</b>							
<i>Purchased</i>	29-Nov-04	500	\$ 41.56	\$ 20,782.00			
<i>Sold</i>	20-Jan-05	500	\$ 37.96	\$ 18,980.00	(\$1,802.00)	-8.67%	52
	Cost			\$ 65,967.50			
	Proceeds from sale			\$ 59,451.20			
<b>Realized Gains (Losses)</b>					<b>\$ (6,516.30)</b>	<b>-9.88%</b>	

The table below compares the fund's performance and volatility to those of its benchmark.

	PORTFOLIO	S & P 500
Holding Period Return (Sept. 24, 2004 to Feb. 11, 2005)	11.48%	8.57%
Annualized Return (%)	29.93%	22.36%
Beta	0.89	1
Annualized Standard Deviation	10.04%	11.11%
Sharpe Ratio	2.57	1.64
Treynor Index	28.95	18.18
Alpha	4.67%	NA

\*\*Based on risk-free rate of 4.2%.

# *Attribution analysis*



Attribution Analysis

Attribution Report

Over the holding period from Sep 24, 2004 to Feb 11, 2005, our portfolio return is 11.48%, versus S&P 500 return 8.57%.

The excess return of our portfolio is 290 basis points.

Sector Allocation

Among the 290 basis points, sector allocation attributed negative 2 basis points. We have positions in each of the ten sectors, and the actual sector weights of our portfolio are close to sector weights of S&P 500. It is expected that the sector attribution would be minimal.

Stock Allocation

Stock selection attributed 339 basis points. Two stocks in our portfolio have performed very well, AET has return of 49% and VLO has return of 40% on Feb 11. On the other side, we liquidated four positions at loss of about 15%. Overall, fund managers have made very positive contribution through their research and analysis.

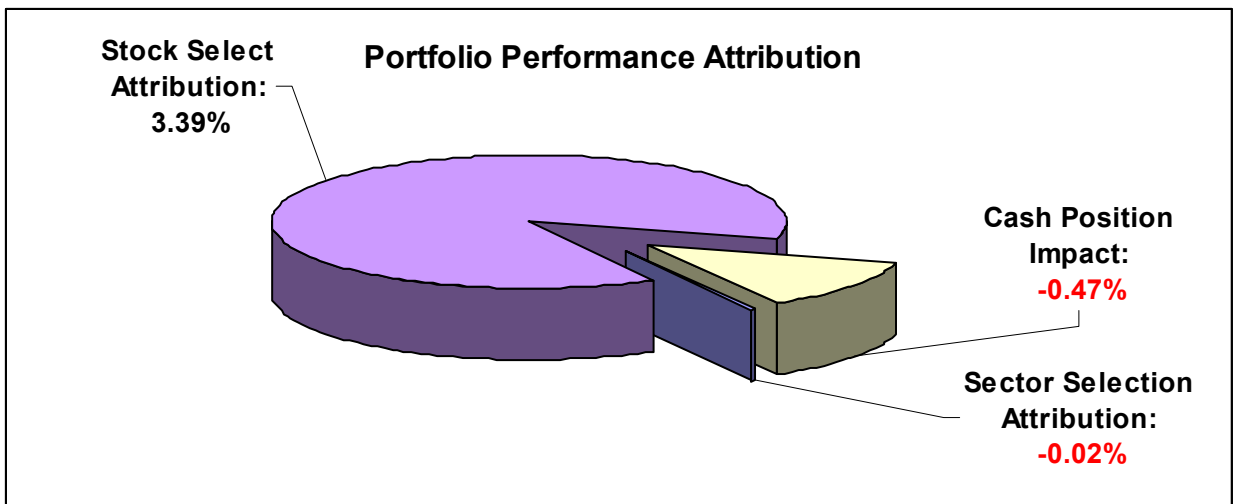
Cash Position

Cash position in our portfolio attributed negative 47 basis points. On a weekly average basis, cash position accounts for 5.75% of our portfolio. Cash

position has a return less than half percentage point, while S&P 500 performed very well. Therefore, cash position has a substantial negative impact on the excess return of our portfolio, but not a significant impact comparing to attribution by stock selection.

Transaction Cost

In addition, transaction cost accounts for 35 basis points of initial value of our portfolio. The return of our portfolio is calculated net of transaction cost, 35 basis points transaction cost is not a part of attribution to the excess return of our portfolio.



# *Investment outlook*



Investment Outlook

**Economic Outlook**

On February 2<sup>nd</sup>, The Federal Reserve Board raised the Federal Funds rate from 2.25% to 2.50%. This is the sixth raise in the last seven months as they feel that the economy is now sufficiently resilient to handle the higher level borrowing costs. According to Value Line, the feds will remain consistent with their goal of tightening the monetary reins in a measured way.

Consensus among economists is that the economy will grow by more than 3% in 2005 and inflation will also proceed at a modest

rate. The caveat to this prediction is the absence of any discernible overheating in the economy.

Earnings results for the 4<sup>th</sup> quarter of 2004 have been as expected, while some notables have exceeded expectations. The equity market flush is expected to lead to a number of mergers and acquisitions.

Finally, according to Value Line the market's recent pullback has opened up some good buying opportunities. We at the SMF believe this to be true and will continue to do our due diligence in picking the right equities for investment.



Following are some of the economic outlook in each sector:

**Industrials**

The macroeconomic indicators that drive the industry, such as industrial production, employment rate, housing and business confidence, still display a positive trend. These positive indicators benefited the sector: for the 2004 and 2005 period, industrials EPS has grown 17%, this figure

is 150 BP higher than the SP500 EPS growth average. Most experts think that after three years of severe industrial recession, companies in the industrials sector are ready to exploit the benefits of an economic recovery. According to Lehman Brothers, the broad-base industrial recovery is still early in its life-

cycle as positive stretches usually last between 4 to 6 years. Furthermore, the Institute of Supply Chain Management has indicated that order backlogs have increased or been steady for 14 consecutive months, suggesting that production growth has more room to go.



Investment Outlook

On the whole this sector is leveraged to US economic growth, earnings momentum, increase in capital expenditures and dollar weakness. Overall, Goldman Sachs expects Industrials to be the third fastest growing sector in 2005. Finally, 2004 marks the end of important restructuring initiatives within the sector. For the 2004-2005 periods, profit margins increased 66%. We believe that companies will continue to exploit the benefits deriving from their leaner structures.

We remain currently overweight in the sector and will continue investing in it focusing on global firms that have operational efficiencies and higher profit margins. We are confident that this sector will continue to yield significant gains for the SMF portfolio.

Current time-weighted SMF sector allocation weight: **12.55%**

S&P 500 sector allocation weight: **11.50%**

Information Technology

The expansion of the Internet, the increasing use of IT across all industries including the government sector and the impressive growth in IT outsourcing leads us to believe that long-term growth prospects remain attractive for the IT industry. Nevertheless, even though the National Bureau of Economic Research (NBER) declared that the US economic recession officially ended in November 2001, the impact from the technology bubble still hurt IT spending. Furthermore, the equity markets continue to re-evaluate the IT sector downwards to conservative growth expectations.

Therefore, we are underweight in information technology and are not planning to increase our holdings in the sector.

Current time-weighted SMF sector allocation weight: **13.05%**

S&P 500 sector allocation weight: **15.06%**

Materials

We believe that a weak dollar, the increasing growth in emerging markets such as China and the anticipation of a strong economy should boost the materials sector growth. Indeed, as the economy improves consumption will increase; subsequently companies need more materials to keep up with demand. That demand calls for increased production of metals, chemicals and paper products. According to Goldman Sachs research diversified Metals and Mining represents the best combination of growth and value.

Although we currently have little exposure in this sector, our intention is to gradually overweight it.

Current time-weighted SMF sector allocation weight: **1.42%**

S&P 500 sector allocation weight: **3.10%**



Investment Outlook

**Telecommunications**

We believe that wireless telecom services and wireline telecom will remain a more challenging investment in the short term, given the competitive pressures on service revenue growth and EBITDA margins due to high infrastructure costs. These factors may drive narrower multiples. Notable deals in the industry include the merger of ATT Wireless and Singular, the SBC purchase of ATT and Verizon and Quest bids for MCI. We believe that this trend towards consolidation will have a beneficial effect on profit margins, but we are uncertain on how competition will likely play out in coming years. We conclude that the sector will remain bearish until visible successes in this new Telco environment become visible. Therefore, we are underweighted in the telecommunication sector and are not planning any further purchases this term.

Current time-weighted SMF sector allocation weight: **1.42%**

S&P 500 sector allocation weight: **3.10%**

**Utilities**

Observing that utilities have outperformed the S&P 500 for the past two years, the impressive 4% average dividend yield they offer, the low industry Beta (0.6), the strong expected revenues and the positive changes in the industry stemming from deregulation,

we expect Utilities to continue outperform the S&P 500 in the foreseeable future. Because of the non-cyclical and mostly regulated natures of the sector, investments in utilities constitute a solid and dependable base for the SMF portfolio. We will continue to focus in large players, with

1. Higher than average profit margins

- 2. Solid acquisition and diversification plans
- 3. Stable growth
- 4. High and stable dividends
- 5. A nuclear generation owner.

Although, we are currently underweight in the sector, we are planning future purchases in utilities stocks.

Current time-weighted SMF sector allocation weight: **2.72%**

S&P 500 sector allocation weight: **3.10%**

**Financials**

Accelerating economic growth, improving capital market conditions, historically low interest rates, and improving consumer confidence during most of the year allowed diversified financial service companies to accelerate revenue growth. These developments, combined with expense control and improving credit quality,



# Investment Outlook

have allowed earnings growth to exceed market expectations. We believe that the trend of deregulation in the financial industry will favor large and diversified financial institutions such as Citigroup. In addition, we believe that the Insurance Companies in our portfolio will continue to perform well. Our outlook for the sector is bullish as we are confident that financials will outperform the market in the future.

We recently increased our allocation in the sector and are currently considering potential new companies to invest in.

Current time-weighted SMF sector allocation weight: **21.66%**

S&P 500 sector allocation weight: **20.90%**

## Consumer Discretionary

Since 2000 there has been a decline in consumer confidence (down from 140+ in 2000 to about 100 now). Although retail spending is affected by factors such as personal income and consumer confidence levels, we feel that this alone does not paint the complete picture.

Amongst retailers, Walmart and similar stores saw modest increases in their sales, high end stores such as Niemen Marcus and the type saw impressive gains in sales. There is a separation amongst the classes and we feel that this would be a period for us to consider Consumer Discretionary items that fit the higher end categories. We are currently overweight in the sector and are currently considering new potential companies for purchases.

Current time-weighted SMF sector allocation weight: **13.01%**

S&P 500 sector allocation weight: **11.30%**

## Consumer Staples

The potential for inflationary conditions make the sector attractive for investments because companies in this sector have the capacity to increase their pricing in accordance with inflation with relative ease. Expecting a moderation of economic growth in coming quarters, investors will be prompted to look for more stable, defensive growth areas, staples fit the bill perfectly. Indeed, many of the businesses in the sector provide goods to consumers that are non-cyclical, and non-discretionary, we feel this sector to be a safe haven during inflationary periods.



Investment Outlook

We will continue to investigate solid large cap value stocks for investment. We are currently underweight in the sector, but are planning to further invest in that sector.

Current time-weighted SMF sector allocation weight: **9.87%**

S&P 500 sector allocation weight: **10.90%**

**Energy**

This sector has seen impressive growth in 2004. We expect this growth to continue as we do not feel that oil prices are going to retreat by a large amount. This is in part because of the increased demand for oil by emerging markets such as China and India. The US has traditionally been the market maker for oil, wherein oil producers have always considered the US market as the main customer base. China and India

economic strength, growth in their middle class, and insatiable appetite for oil may be looked upon by oil producing countries as equal market makers. This can only lend to an increase in oil prices for US consumers, but we do not feel that the increase is going to be high enough to affect consumer spending. We are currently underweight on the sector, but we are planning further purchases in the sector.

Current time-weighted SMF sector allocation weight: **7.62%**

S&P 500 sector allocation weight: **7.80%**

**Healthcare**

In 2004, pharmaceutical giant Merck pulled Vioxx from the shelves due to health concerns. Pfizer's Celebrex may also face the same fate. This could expose both com-

panies as well as other COX-2 inhibitor makers to litigations in the coming years. We believe that this litigious environment may lead to great value in certain pharmaceutical companies, but we are currently shying away from the sector as the outcome is still unclear. In the sector, we like healthcare providers and biotech firms.

We plan to increase our positions in the sector to overweight and look particularly for biotech firms that have a strong business plan, important pipeline of new drugs, and are profitable.

Current time-weighted SMF sector allocation weight: **10.93%**

S&P 500 sector allocation weight: **12.70%**

# Student Managed Fund

## Instructor

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## 2005 MBA Fund Managers

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