



technology and the trading room

by Will Carpenella



As technology advances, so do the needs of financial analysts. Today our world moves at the touch of a button. People are trading securities from home computers and even cellular telephones. Access to data has become even more important over the past year. With all of the scandals and mistrust in the financial world, individuals want to evaluate information on their own. Those who lack the ability to access up to the minute information constantly find themselves playing catch-up with rest of the world. We in the Roland George Investments Program have always tried to keep up with the street but have found the task daunting.

During our tenure in the old Lynn Business Center, we enjoyed an atmosphere indigenous to the 1970s, with respect to both machines and furnishings. During the 1990s the market experienced supernormal growth, with technology as the forerunner. The Roland George portfolio was growing rapidly as students began to explore the greatest information dissemination media in existence, the Internet. Students enrolled in the Program were some of the first to search out financial data on the world-wide-web and integrate it into security reports. The old trading room served us with vigor, but as it aged there was a noticeable decline. Small upgrades were made when necessary, but a completely new venue became the only way to rejuvenate the Roland George trading room.

During the construction of the new Lynn Business Center the Roland George trading room was housed in the Bank of America Building on North Woodland Boulevard. Our analysts were pinned

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editor's note —

by Carlos Domenech

With every new academic year, the Roland George Investments Program experiences change. These changes are attributed to the students, new investment philosophy and, specific to this year, the new trading room. The Roland George Investments Program this year has been a popular course among finance majors. Students feel that the course allows them to explore and enrich the skills they have learned from their previous professors in classes across the University. This newsletter allows alumni, faculty, business students, and a general readership to understand and evaluate the current students by the following articles and the issues they present.



Inside the reader will find articles discussing the portfolio performance for the year. Also inside are a variety of stock market analyses considering the possibility of war, examining the bearish times of the last two years, and considering alternatives to long-term investing options such as short selling.

As the new class has entered a new academic year, our investment philosophy has changed from previous classes. Our student analysts in the George Program feel that an

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portfolio performance

by Tish Miller and Jason Buser



After a rocky 2001, 2002 has been a year of new lows that have not been seen since 1997. Lack of consumer confidence, the threat of war, and the never-ending plague of corporate scandals have led to an economy that has punished even the best of portfolio managers.

The Roland George Investments Program has entered a championship for student-managed portfolios, RISE, in Dayton, Ohio for the past two years. The competition is based upon a fiscal year ending November 30th; therefore all performance calculations shown here are based upon the period from November 30, 2001 until October 31, 2002.

The Roland George Growth Portfolio has suffered a loss of only 11.35% during the analysis period as compared to a loss of 22.3% in the S&P 500, and a loss of 14.8% in the Dow Jones Industrial Average. It is surprising then, that in this turbulent environment the Program's portfolio has outpaced the S&P 500, our benchmark, by 10.91%. We have not only outpaced the indexes as a whole, but we have outpaced eight of ten sectors in the

S&P. Major contributors to our recent success are ANFI (American National Financial) with 76.96% and IFNY (Infinity, Inc.) with 60% returns. In addition, the Roland George Income Portfolio produced a positive return of 10.47% over this period, helping to offset the losses of the Growth Portfolio, returning a combined loss of only 1.35%.

Care and Telecommunication sectors and that their growth could lag behind that of other sectors.

The advantage the program has had over professional money managers has always been the time and effort the students are able to put into each stock analysis for potential addition to the portfolio. The class has, for the past two years,

focused their efforts on finding neglected names in the market that have minimal analyst coverage and maximum growth potential. This strategy has held up well through the bear market, returning 20.4% last fiscal year. For

the fall of 2002, our class has decided to maintain this strategy with an emphasis on growth, while shortening our time horizon to 12-18 months from the one to three year holding period of prior classes.

Forecasting an economic recovery, the class has decided to increase our position in the technology sector, shown by the addition of WEDC (White Electronic Design) which has

Sector Allocation Comparison

Sector	S&P 500	George Program	Difference
Consumer Discretionary	13.4%	21.2%	7.8%
Consumer Staples	9.4%	13.2%	3.8%
Energy	5.7%	10.0%	4.3%
Financials	20.7%	23.2%	2.5%
Health Care	14.8%	5.6%	-9.2%
Industrials	11.3%	13.6%	2.3%
Information Technology	14.9%	8.9%	-6.0%
Materials	2.6%	0.0%	-2.6%
Telecommunication	4.6%	0.0%	-4.6%
Utilities	2.6%	4.3%	1.7%
Total	100.0%	100.0%	

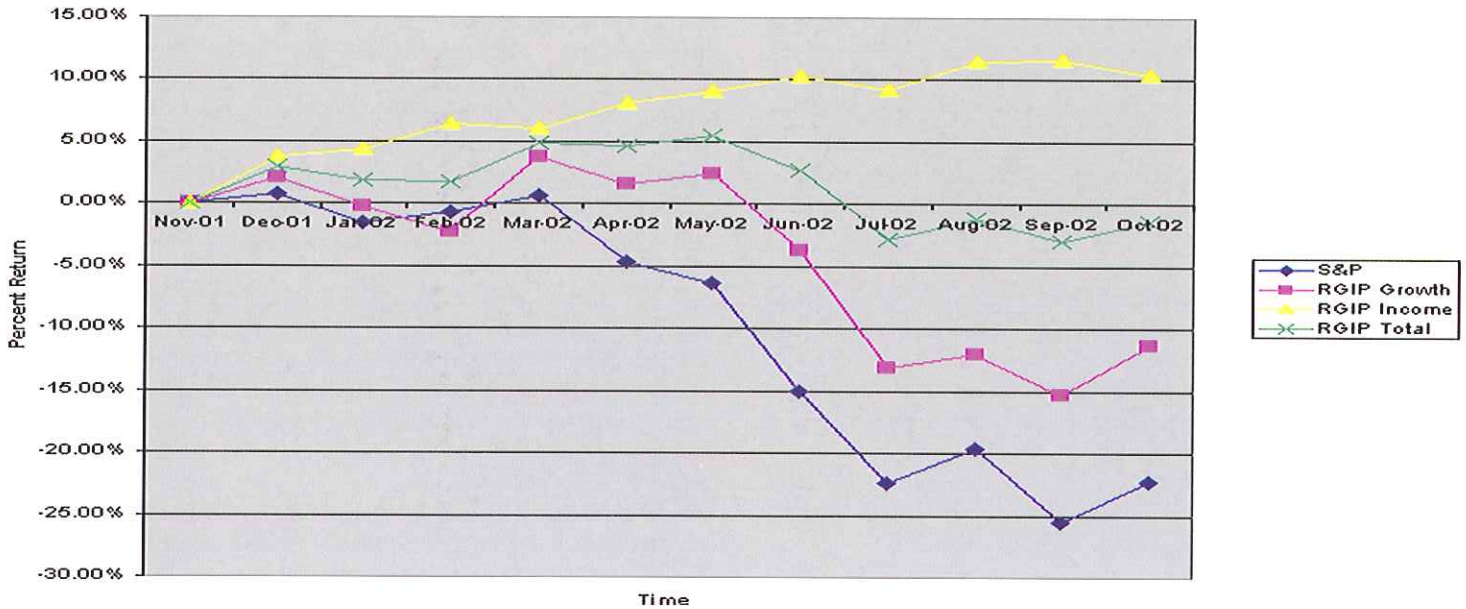
As shown by the sector allocation comparison with the benchmark S&P 500, the Roland George Investments Program shows that there is superior potential for growth in the Consumer Discretionary and Consumer Staples sectors as the economy rebounds, with consumer spending continuing to lead the way. This year's class also feels that the market is putting too much emphasis on the Health

returned an astounding 10.32% since its purchase on October 15, 2002. Our historic emphasis on small firms has now been left to the students' discretion.

Other new purchases included NBTY, Inc. and American Eagle Outfitters, emphasizing the preference for the Consumer Staples and Consumer Discretionary

sectors. Although these sectors are playing an increasing role in the Roland George Growth Portfolio, this year's class has not lost sight of the time-honored Roland George tradition of looking for solid company fundamentals and high intrinsic value.

Roland George Portfolio (November 2001-October 2002)



purchases

sales

NBTY (NBTY) is a vertically integrated manufacturer and retailer of nutritional supplements with an undervalued market price based on current year's earnings per share.

American Eagle Outfitters (AEOS) is a specialty retailer of casual apparel for men and women between the ages of 16 and 30. Their 12% operating margin is among the highest in the industry making them well positioned for an economic recovery.

Weight Watchers (WTW) is a globally branded consumer company and a provider of weight-loss services that operates in 30 countries around the world. The program is more affordable than competitors and is enjoying dominant and increasing market share.

White Electronic Designs' (WEDC) high technology products are used in military, industrial, and commercial markets. With a 54% five-year historical growth rate, the firm is utterly outperforming the rest of the technology sector.

Raytheon (RTN) manufactures defense electronics with 70% of sales coming from the U.S. and foreign governments. This firm has been plagued by schedule delays and cost growth that have causing earnings to be downgraded and the stock price to drop significantly.

NiSource (NI) is an energy holding company that is attractive in the long-term, but is currently overvalued. We feel short term investments are a better use of current portfolio funds.

EnSCO (ESV) is an offshore oil and gas drilling contractor that had a difficult year in 2002. The energy sector suffers in the early bull market and we feel the company has reached its fair market value.

director's update —

by Dr. Larry Belcher



This marks the first time in my tenure at Stetson University that a new person has filled the Director's seat for the Roland George Investments Program. After several years of success in building the George Program to a level of national distinction and leadership, Dr. Jim Mallett stepped down to the "quiet" life of a faculty member in the Finance Department. It is difficult to quantify everything that was accomplished under Jim's tenure, but here are a few highlights:

- Upgrading the facilities and tools of the George Program substantially, with the "crown jewel" being the new trading room.
- Overseeing the gradual upgrading of the George visiting professor position over time, resulting in a series of great hires for the position.
- Being a prime mover in the establishment of the Association of Student Managed Investment Programs, which now has over 100 member schools.
- Being a prime mover behind the competition teams for the Dayton RISE competitions, resulting in two consecutive national portfolio management championships in different classes for Stetson students.
- Offering his advice and wisdom to countless students, the Orange County, Florida Investments Committee, the Stetson University Trustee Endowment

Committee, the Association of Student Managed Investment Programs, and the Stetson University School of Business Administration faculty.

It will be a difficult task to replace someone who has had such an impact on the program, but I will certainly try. We have a great deal of momentum in the program, and the challenge will be to sustain it in the future.

One avenue by which that momentum can be maintained is by the active participation of alumni of the program. We invite everyone to come and see the new Lynn Business Center and trading room. These additions have certainly enhanced the ability of George Program students to do the fundamental research that continues to be the distinguishing strength of the program. The trading room in particular represents a sizable resource commitment to maintaining the long-term strength of the George Program. We are still in the process of seeking donations toward the trading room as well as having someone name the facility.

We also need participation from alumni in a networking sense. The George students have had remarkable success in terms of their career searches, in part because of the network of alumni that remain active by way of participation. I would encourage you to continue to support the efforts of the students in the same mentoring capacity as in the past.

The students continue to do the detailed research that has defined the George Program throughout its history. Unfortunately, the markets have not been as kind to their work as they have in the past. Moreover, recent news has been less than favorable. However, this simply emphasizes what we continue to value the most — that good investment decisions are made as a result of hard work and research, and if they are good then the markets will reflect that at some point in time.

Dr. K. C. Ma and Dr. Larry Belcher present Bob Stovall, a guest speaker from Wall Street, with an appreciation plaque.





the short selling safe haven

by Bryan Hinmon

Alan Greenspan, Chairman of the Federal Reserve Board, first used the term investor “irrational exuberance” in reference to the haphazard emotion-driven investing techniques employed by market players during the incredible stock market run-up of the nineties. Soon, the irrational element of investor exuberance was realized and a euphemistically named “market correction” ensued. Perhaps the only force as strong as the blind equity gluttony was the stampede of fright that followed it. The result of this tempestuous binge was the realization of the emotion inherent in the average investor and the market volatility caused by this emotion.

The ability to achieve positive returns regardless of the broad market direction should be an attractive proposition to all rational investors.

Although the research is somewhat questionable, it has been shown that some portfolio managers can outperform the market indexes quasi-consistently in favorable market conditions. Even fewer numbers can boast that they eclipse the market averages in bear markets as well. This does not imply that these managers are earning positive returns, however — the task of earning positive returns in a depressed market is a difficult one. In fact, according to Riley and Brown (2002), about two-thirds of portfolio returns can be attributed to general market risk.

To combat this fact, investors have begun to tepidly eschew the connotative risk associated with short selling equities and have started to accept this technique as a viable tool for earning positive returns in a negative investing environment. Short selling affords investors the opportunity to earn positive returns

due to a decline in the value of a stock’s price. This feat is achieved by borrowing shares of the derelict stock and selling them in the open market. Assuming the security acts in the expected manner and the price declines, the stock can be bought back at a lower price and returned to the original owner. The difference (less transaction costs and dividends earned) are profits to the short-seller.

Volatility is the bane of many investors, though, and the risks associated with short selling are substantial. The opportunity cost of ignoring short selling, however, is more substantial: apparent loss of control over two-thirds of returns. Long positions in a bear market can be dominated by the negative market pressure. Using short selling to aide returns in a sullen market seems to make monetary sense save the downside risk involved.

To aid them, investors have turned to hedging risk in a portfolio context. Hedging options, among others, include hedge funds and paired trading strategies.

According to Thomas Zucosky, senior vice president of InvestorForce, “People invest in hedge funds not to get rich, but to stay rich.” It is becoming widely believed that hedge funds hold the key to consistent returns in any market environment. These funds employ both short and long positions based on proprietary fundamental or technical research to hedge market risk. Consequently, hedge funds do so with less volatility; the annualized standard deviation, which measures the variability of returns on an annual basis, for the CSFB Tremont Hedge Fund Index was only 9.1 percent, compared to the 15.7 percent standard deviation for the S&P 500.

TASS Research, an alternative investment information and research

company, noted that more than 6,000 hedge funds acquired more than \$31 billion of new money in 2001, as compared to \$8 billion the year prior. Obviously, the benefits of hedging risk are becoming apparent to affluent investors.

Individual investors, though, may not meet the lofty requisitions demanded by hedge fund managers. A paired trading strategy captures the benefits of hedging and avoids the management costs inherent in hedge funds. For paired trading, individual investors elect the industries to which they desire exposure and classify the stocks they expect to increase and decrease in price. From this list, the investor chooses the best and worst expected performers and takes the appropriate long and short position with equal weight. Theoretically, the long position will increase in share price while the short position decreases, earning positive returns on both ends. However, if external factors override the performance of an individual company and drive the entire industry, the hedged investor will earn positive returns on one side and lose on the other, eliminating volatility and the likelihood for catastrophic losses.

The connotative risk branded into the flesh of short selling has caused much of the investing public to avoid this tool. However, the opposite of this belief may be closer to the truth — shorting strategies may allow for consistent returns and mitigated volatility. As investors continue to be rationally risk-averse the importance of short strategies as a portfolio tool will become paramount. Investors consumed by emotion should realize the beneficial characteristics of short selling and implement them in a portfolio context.

technology and the trading room

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in a small windowless room on the second floor of the patchwork structure. The room could be described as cramped, at best. It supported only three or four working students, with their elbows rubbing and their chairs colliding every time they moved. The Bank of America did however provide the facility that supported our successful effort to win a second national title at the Rise Symposium.

The George room in the Bank of America held seven computers on four and a half “hand-me-down” desks. There was one terminal for Bloomberg, then the preferred method of securities research. That machine was outdated by today’s computing standards and had less than a quarter of the processing speed of any of the machines we currently use. It was common to lose the connection to Bloomberg and be rocketed away from the information that had so tediously been located. The Program’s Baseline terminal was even more decrepit than its Bloomberg cohort. It was a wonderful research tool, if the analysts had the time and the patience to wait on it to retrieve data. Then there were the Bridge terminals. They ran exceptionally well when asked for small amounts of data — but hung in limbo when asked for anything substantial. On the up side, the machines did allow us to develop an understanding of financial softtools. They also taught us how to work around technological limitations and develop tactics to achieve goals using only the limited tools available. This in itself was a wonderful “real-world” learning experience.

The George room in the new Lynn Business center features a room large enough to hold a small class with an array of windows overlooking the campus. Eighteen towers of computing and research perfection were erected and filled with the tools of the trade. Bridge Tools and Morning Star on every PC, Baseline on three separate terminals, and a new station to house our Bloomberg service.

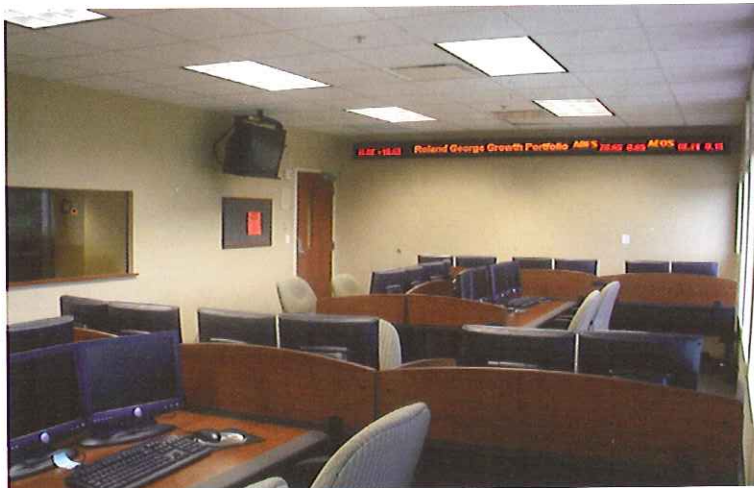
The new computers allow George students to complete research much faster and more efficiently than their predecessors ever dreamed of. Analysts have access to real-time tools on every machine to ensure accurate quotes and access to updated information as soon as it is made public. These machines also have two separate network connection devices, which provide enough throughput to handle any amount of data needed. Spreadsheet calculations are done virtually instantaneously — viewed on twin flat-panel monitors — and programs do not hang when dealing with

large amounts of data. These computer systems rival those of professional money managers and financial analysts.

However, the trading room was still incomplete. Two major pieces of technology were still absent at first. After much delay, the Trading Room received its data wall and ticker tape. These devices allow for the tracking of the George portfolio, major indices, economic

indicators, world financial indices, currency markets, news and any other real-time financial information we wish to display. At a glance, students can be up to speed on the performance of the market and the George portfolio at the same time. The walls also provide a professional look and atmosphere to the new facility.

From year-to-year and building-to-building, the Program has undergone many technological changes. From the conversion to Internet technology during the 1980s, to ever improving software and financial tools in the ‘90s, to the construction of a new technologically advanced business center, the Roland George Investments Program has always provided students with the tools necessary to prepare them for their futures. The evolution of the George Program will be taken for granted by most future students, but those of us who participated as it emerged from an antiquated state to the pinnacle of current research technology, will appreciate this gift even more as time passes.





nbtv

by Peter Heise

NBTY is a vertically integrated manufacturer, marketer and retailer of high quality but value priced nutritional supplements in the United States, the United Kingdom and Ireland. The company offers upwards of 1,500 products including vitamins, minerals, herbs, sports nutrition products, diet aids and other nutritional supplements. NBTY purchases raw materials, formulates, manufactures and markets its products through its four-channel distribution system: Vitamin World and Nutrition Warehouse retail stores, Puritan's Pride/direct response, Holland & Barrett retail stores, and wholesale distribution to mass merchandisers, drug store chains, supermarkets, independent pharmacies and health food stores under various brand names. NBTY manufactures approximately 90% of the nutritional supplements it sells.

NBTY has many stores distributing its products over a diverse area. The Vitamin World retail chain includes

531 stores and the Holland & Barrett retail chain includes 461 stores. One of NBTY's wholesale distributors includes the powerhouse Wal-Mart. NBTY has an excellent relationship with Wal-Mart and was recently named Supplier of the Year for 2001. NBTY received this distinction in appreciation for outstanding service and support by its Nature's Bounty wholesale division.

NBTY's vertical integration gives it a very strong competitive advantage by allowing the company to react quickly to changing consumer demand. It uses its Puritan's Pride direct response/e-commerce operations as well as the Vitamin World retail stores to ascertain which products are becoming popular and which products are losing acceptance. It then increases or decreases the supply accordingly to those retail stores as well as to the wholesale distribution channels. NBTY's ability to react quickly to the customer's change in demand for certain products has led to increased revenue for ten plus years. Competitors that are not vertically integrated can not take advantage of the fickle consumer's tastes. Monitoring the nutritional supplement market for

trends and ideas increases NBTY's margins and profitability.

In the fiscal year 2000, NBTY was a plaintiff in a vitamin antitrust litigation brought in the United States District Court in the District of Columbia against F. Hoffmann-La Roche Ltd. and others for price fixing. Some of the defendants pled guilty which resulted in a partial settlement of \$2,511,000 in 2000. In June 2002 the remaining settlement amount of \$15,000,000, or 14 cents a share was paid to NBTY. The settlement amount has been used to buy back stock and pay down debt which will result in a higher ROE and a higher profitability.

The net increase in cash flow over the past three quarters has allowed NBTY to pay down a substantial portion of its long-term debt. Throughout the last three quarters, NBTY has paid down approximately \$126 million in debt. This should lead to a decrease in interest expense in 2003 from \$18 million to \$11 million if no more debt is acquired. Lower debt will equate to higher profits, a higher ROE, continued high growth rates, and an increase in the value of NBTY.

white electronic designs corporation

by Aaron Pitone

White Electronic Designs is a small manufacturing firm of high-technology products. The company supplies military, commercial, and industrial products to original equipment manufacturers in the United States, Europe, and Asia. White is headquartered in Phoenix, Arizona, and has design and manufacturing facilities in Arizona, Massachusetts, Indiana, and Oregon.

White's primary products are high-density memory for data communication and improved-visibility LCD display screens for commercial and military aircraft. The company also manufactures storage and retrieval devices for commercial and military customers. White was awarded Lockheed Martin's STAR supplier award in September and was ranked 8th fastest growing technology company by Business 2.0 magazine.

<i>Ticker:</i>	<i>WEDC</i>
<i>Recent Price:</i>	<i>\$8.50</i>
<i>Capitalization:</i>	<i>\$160 million</i>
<i>Industry:</i>	<i>Semiconductors</i>
<i>Exchange:</i>	<i>NASDAQ</i>
<i>Web Site:</i>	<i>www.whiteedc.com</i>

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are we ready for war?

by Andre Uflacker

With war clouds gathering over Iraq, uncertainty has tainted the market, helping to cause the worst bear market since the 1930's. As of October 11, 2002, both the House and Senate passed President Bush's resolution to use force against Iraq should the Iraqis fail to hand over weapons of mass destruction. With a wider margin than was necessary to go to war in 1991, President Bush may very well use this support in an all out war.

The war would most likely cause an immediate decline in the market and a rally once victory is clear. Could that rally be sustained? After WWII was over, the Dow recovered and rose by over 46%. After the Korean War, a 25% gain on the Dow was realized by the time the conflict was over. However, the Dow finished the Vietnam War down 2.3% and saw only a slight increase in 1991 (up .9%) after the Gulf War. Wars fought by the US in the past decade have been quick, with extremely limited casualties. A lengthy war, such as Vietnam, could harm investor confidence since casualties could be high. A short war, such as the Gulf War, could have a weak effect on the market, and a measly return, such as the .9% mentioned above, could be repeated.

Nevertheless, the market will benefit once the uncertainty of war

has been removed, whether or not we go to war. We cannot afford to stay in pre-war limbo, as it is one of the key ingredients in keeping the market shy of a recovery. Fortunately, we can look at the market's behavior when the U.S. delivered Her ultimatum to Iraq on December 24th, 1990. The Dow dropped 4.3%, and 22 days later it was up 17%. The delivery of the ultimatum removed any uncertainty as to whether or not we would fight — news we could certainly use today.

Those who are bullish believe that a war would initially cause some interesting opportunities for investors to go shopping on Wall Street. Historically, major events are the cause of substantial doom and gloom, but logical investors realize the discounts brought on by war and/or economic hardships and money flows back into equities. However, using Saddam Hussein as a scapegoat for America's woes will not be the solution to any of the problems. The economy has been stuck on war footing since September 2001, and the hikes in security/defense spending have been consuming funds and resources which could otherwise be spent on infrastructure, human capital, and deficit reduction.

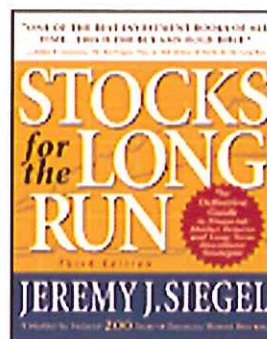
Perhaps the riskiest part of Bush's war plans has nothing to do

with Saddam Hussein, but with future business capital spending being crowded out by massive government deficit. Capital spending is an essential ingredient of a full fledged economic recovery, and it cannot come about easily if deficits become bloated. Notably, our largest problem may reside in Washington, and not in the Middle East. Another cost of the possible war is the time and attention of our elected officials that is diverted from fixing the ills of the economy. This happened in 1991, and it is happening again today. We still have grotesque problems with corporate accountability manifesting themselves primarily through public pessimism over the market.

It is important to remember that the costs will not be limited to human lives or money, but the future well-being of our Nation. Saddam Hussein is one of our greatest enemies, but we should remove our enemies (those corporate executives who have saturated the market with skepticism) at home first. Fraudulent corporate executives seem to have damaged the economy at least as much as any recent foreign dictator. As long as the public perceives corporations to be corrupt, they will keep their money on the sidelines.

book review
 author proves that less can be more
 when it comes to managing investments

by Jason Buser



The growth and advancement of technology have revolutionized all aspects of the business world, particularly in the late 1990s. The rise of Internet stock trading allowed investors to buy and sell at the click of a mouse. In too many cases, though, investors allowed this ease of movement within the market to make poor decisions, namely investing in overvalued stocks that showed no earnings.

In his book, *Stocks for the Long Run*, Jeremy Siegel makes a very convincing argument for the buy-and-hold strategy of a diversified portfolio of equities over a period of more than twenty years. Through a host of charts and tables that display over two hundred years of investment data, Siegel clearly shows that equities have soundly outperformed all other methods of investment in both before and after tax returns. Additionally, as equity investments represent a stake in real assets, they provide an excellent hedge against inflation, a formidable power that can consistently drain returns.

Perhaps the most beneficial attribute of this book is its wide potential appeal to both seasoned investors and those who think that a bull market is a cattle auction. In the process of making his argument for holding equities for the long term, Siegel explains a number of complimentary investing concepts: the basics of the business cycle, the S&P 500 Index futures, behavioral finance,

the psychology of investing, and many more.

Throughout the book, Siegel repeatedly makes an excellent case for the superior returns that can be obtained by holding a diversified portfolio of equities for twenty or thirty years or longer. Siegel shows that even if one had invested in equities in 1929, right before the most devastating economic downturn in United States history, the portfolio would still be up after only fifteen years and would show substantial returns within thirty years. Given the very slim probability of another economic downturn of that magnitude the case for long-term equities is very convincing.

While devoting more than one chapter to discussions of economic cycles and their impact on investments, Siegel spends considerably less time discussing how to pick solid individual companies. This is surprising considering that he readily admits that economic cycles cannot be controlled, and seldom even predicted with any accuracy. However, he spends very little time attempting to show investors how to pick good individual investments, the research and selection of which are well within the control of the investor.

Siegel alludes to valuation techniques used to determine the intrinsic worth of a company by engaging in a brief discussion of

discounting earnings/dividends and other methods of valuation. The discussion does not go much beyond a superficial level, though. One of the most noteworthy parts of the book was Siegel's discussion of calendar anomalies in investing and how there exist particular months, weeks, and even days of the week in which the market has consistently been at its best and worst, in many cases without any kind of economic explanation. He tied this information about periodic low points very nicely with his overall strategy by demonstrating how these periods make for an excellent time for market entry.

Although Siegel makes an excellent argument for his buy and hold strategy, he clearly states that one is only matching the market and could obtain even better returns if they were able to predict economic cycles so as to selectively invest. He unfortunately qualifies this statement with the fact that the vast majority of investors are unable to do this. Enter the undergraduate finance degree. By selecting a reasonable holding period of twelve to eighteen months and picking stocks that show superior intrinsic value and earnings potential rather than investing in a very broad index of major companies (the good as well as the bad), the Roland George Investments Program has been able to recently outperform the market as opposed to simply matching it.

weight watchers international

By Ben Hall



Weight Watchers International is a global branded consumer company and a provider of weight loss services, operating in 30 countries around the world. At the core of the Company's business are weekly meetings that promote weight loss through education and group support in conjunction with a flexible, healthy diet. The company generates business through membership fees and a variety of weight loss products including snack bars, CD-ROMs, and POINTS calculators.

The company was a privately held business until being part of a leveraged buyout by a European investment firm in 1999. The outfit was taken public

on November 15, 2001 on the New York Stock Exchange at an initial public offering of \$23. In less than a year the stock has increased to \$49 (as of October 25, 2002) and the future outlook seems even brighter.

With more than a million dieters meeting each week and attendance growing by double digits each quarter, analysts have forecasted earnings-per-share growth at 20-25% for each of the next five years. Weight Watchers also boasts the most affordable weight loss plan on the market — each pound lost costing \$12 using WTW as compared to \$50 for Jenny Craig.

In addition, Weight Watchers has an exceptionally lean organizational structure which produces high profit margins. Of more than 34,000 employees, 98% are part-time, which keeps labor costs down. Weekly

meetings are also relatively inexpensive because they are usually held in churches or community centers.

Last year alone, over 300,000 Americans died from obesity-related illness including heart attack and heart disease. With obesity-related deaths rivaling those of smoking — and growing each year — Weight Watchers' target market is in place for the success of its product line.

Weight Watchers has had a return of 113% since its IPO less than a year ago and is expected to continue growing. We think the company is worth between \$54 and \$56 per share. With astounding growth rates expected over the next five years, dominant market share, low fixed costs, and a growing health conscious society, Weight Watchers will be a solid addition to the Roland George Equity Portfolio.

american eagle outfitters, inc.

by Randy Romer

American Eagle Outfitters, Inc. is a vertically integrated specialty retailer of casual apparel for men and women between the ages of 16 and 30. They currently operate 678 American Eagle stores in 47 states with locations that are primarily based in malls. The Company also operates a Bluenotes/Thriftys specialty retail chain in Canada that caters to a younger segment of adults whose ages range from 12 to 22. Their product line includes everything from jeans, khakis, t-shirts, polo shirts, footwear, swimwear and outerwear.

The attractiveness of this company stems from its financial position. The Company has virtually no debt and free cash flow of \$109 million. The George Program also anticipates that American Eagle will begin to buy back their shares with this free cash flow, which will dilute

the share base and increase bottom line earnings per share as long as sales revenues remain stable.

Recently, American Eagle Outfitters Inc. had seen its sales growth decrease due to the unusually warm weather, an inability to supply bohemian-style clothing to young teenage girls this past spring, and a lack of interest in their back-to-school clothing line. As a result, its stock price plummeted by nearly 58% from May through late September. Strong sales in denim and women's graphic t-shirts have kept this company afloat. They also employ a well-designed inventory system that continues to generate impressive profit margins.

American Eagle is expected to earn \$1.41 per share for fiscal year 2002, which gives the stock a P/E of 10.4 —

considerably less than its five-year average of 24. Further-more, its price-to-sales ratio is half of its rival — Abercrombie & Fitch. If sales throughout the retail industry continue to diminish, American Eagle still looks poised to endure an extended consumer spending slowdown and excess supplies of inventory with its free cash flow of \$109 million. Mall-based retailers of specialty apparel have realized their best results in the fourth quarters of any given fiscal year. Members of the Roland George Investments Program expect to see the stock price appreciate assuming the industry continues its historical trend of realizing robust sales during the holiday season.

Ash falls from the “top-down”

By Bryan Hinmon

On the 25th of September, 2002, the students of the Roland George Investments Program patronized the instructed counsel of Ash Rajan in the newly christened Lynn Business Center. Mr. Rajan delighted in the fact that on this day his consultants were equals — colleagues in an exigent campus of analysis and financial decision-making. Contented, Mr. Rajan began his discourse saying, “Today, it is my pleasure to sit amongst my peers....”

Touting a quintessentially top-down investing approach, Mr. Rajan deftly sped through global, macroeconomic, and market analyses set upon a platform of indicators and observation. This type of analysis was but a scientific method to Mr. Rajan: objective observation complimented explicit statistical data, shaping conclusive inferences regarding the future of the market environment. Mr. Rajan portended economic and market recovery by the waning half of 2003, emphasizing the strength of the American consumer as a key catalyst for revival.

Mr. Rajan’s individual industry analysis followed the same observational process, only each industry was valued based on its relation to one of the “greatest assets in the world,” the American consumer. With this simplistic rubric Mr. Rajan intelligently explained the ramifications of consumer spending on two of his favorite industries: retailers and chemicals. Mr. Rajan also plugged discount retailers, especially those with exposure to the housing boom, as likely top-performers. As a front edge business cycle play he noted that the

chemical industry appears to be a compelling proposition.

Once underway Mr. Rajan shared with the 2002 Roland George class the Portfolio Allocation Evaluation Tool he helped design and implement in the financial services branch of Prudential. This instrument provides defined sector weights based on the equity themes developed by Prudential Securities. The recommended allocation weightings are compared to each individual or institutional portfolio, and client sector overweightings and underweightings are noted and remedied.

Completing his investment analysis, then, is as effortless as choosing the industry leaders who maintain strong financial statements and cater to the market’s alleged driving force — the American consumer. Among Mr. Rajan’s consumer-driven players are Conoco, Dow Chemical, Wal-Mart, Home Depot, and Kellogg.

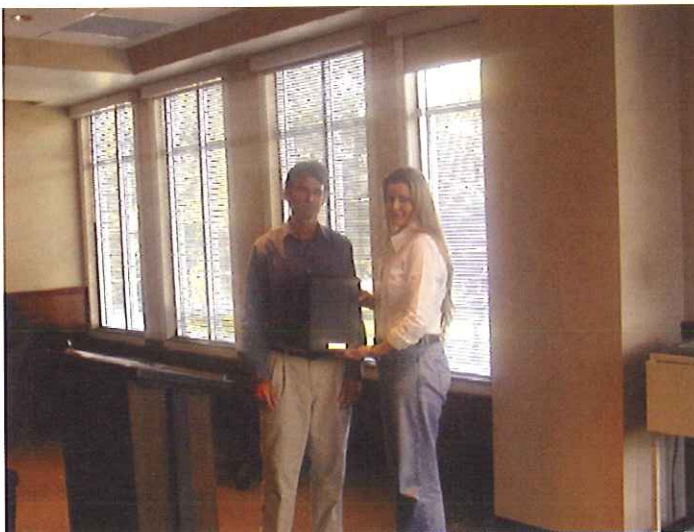
Although making only his first appearance in DeLand, Mr. Rajan has been a guest on CNBC, CNN, CNN Hong Kong, Bloomberg, BBC, Canadian Media, Reuters, PBS, and TV Tokyo. During his travels to 175 countries spanning 6 continents, Ash has been a keynote speaker at various U.S. and international platforms serving institutional, individual, and government audiences. Currently, Mr. Rajan is the Director of Client Equities with Prudential Securities National Sales Division in New York. His experience, guidance, and insights will surely prove valuable to the Roland George Investments Program.



Dr. Jim Mallett poses a question during a student investment committee meeting as Mr. Domenech and Mr. Heise listen in.

		DOM JONES INDUSTRIAL AVERAGE						
	LAST	CHG	LAST	CHG	LAST	CHG		
Alcoa	18.61	+0.58	Hnywll	19.58	+0.38	Proc & G	89.04	+0.85
Amer Exp	29.30	+1.97	Intel	14.29	+0.83	SBC Comm	21.02	+0.66
Boeing	31.40	+0.96	IBM	57.93	+2.86	AT & T	11.30	+0.55
Cater	35.15	+1.29	Int Pap	32.80	+1.35	Uni Tech	51.98	+2.79
Citi	28.58	+1.69	J & J	56.58	+0.38	Wal Mart	51.64	+0.90
Disney	15.07	+0.87	JPMorg	16.08	+0.63	Exxon	N/A	N/A
Du Pont	38.22	+2.10	Coke	51.40	-0.23			
Kodak	27.85	+1.66	McDon	17.13	+0.57	INDICES		
Gen Elec	22.25	+0.25	Micrsft	46.40	+2.41	DOM	7531.87	+245.60
Gen Mot	33.39	+2.38	3M	116.55	+4.23	S&P	803.62	+26.86
HP	24.74	+0.45	Phi Mor	36.45	-0.18	NAS	1162.52	+48.41
Hone D	24.58	+0.92	Herck	45.75	+0.12			
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The Tracker wall - This year's Signature Piece



Tim Hayes from Ned Davis Research is presented with a gift of appreciation by Ms. Tish Miller, the Portfolio Manager of the Fall 2022 Roland George class.

editor's note —

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early bull market may be expected in the first quarter of 2003. We still hold to the traditional Roland George Investments Program philosophy that has led to two national titles: bottom-up investing in companies that are not heavily followed by Wall Street analysts. However, the one modification we have made to our investment philosophy this year is to concentrate our portfolio on growth stocks rather than value stocks, as we believe these companies will perform better in an economic recovery and an early bull market.

The lead article covers the most visible enhancement to the Program. This new state-of-the-art facility has aroused many envious comments on campus. We feel it is about time that the Program and its students are recognized for their efforts and performance. This is definitely a token of appreciation from the School of Business Administration to the Finance Department and the students in the George Program. We are truly thankful, and proud of our own research facility. Please do not hesitate

to come by and see how students are working diligently to produce perhaps another national title.

If anyone has any comments or suggestions about this year's newsletter, we would love to hear your feedback. If you would like to send a letter to the editors, or give a few suggestions for next semester's newsletter, please email Carlos Domenech at Lita110219@aol.com or Bryan Hinmon at bhinmon@stetson.edu. Your feedback will surely be appreciated.

white electronic designs corporation

continued from page 7

White has been reluctant to follow the drastic downtrend of the technology sector. It is up almost 100% for the year while the technology sector is down 40%. According to BusinessWeek, business spending on technology is expected to increase slightly in the fourth quarter and continue increasing into 2003. One of the main reasons for the huge downtrend in the technology sector was the reluctance of corporations to invest in technology capital. The George Program expects White's stock to rise with this increased spending, as revenues and earnings will most likely rise with the industry.

White also continually updates their products with the newest technology in order to remain competitive and maintain earnings growth.

White Electronic Designs' is financially solid. Their five-year historical growth rate is 54%, and the long-term future growth rate is expected to be around 15%. The company has a strong balance sheet with total assets of \$57 million and total liabilities of \$13 million in 2001 and their earnings growth has been substantial.

Historically, the technology sector has fared very well in early bull mar-

kets. With this stock, the Roland George Investments Program is positioning itself to take advantage of the next early bull market. Because the company is also involved in the defense industry, it is providing a small cushion for a war in Iraq. Taking into account these factors and combining them with the company's strong fundamentals we believe this stock will provide the Roland George Investments Program with significant returns in the future.

george vs. bear changing investment strategy to counteract a changing market

by Michael Fassnacht

In a time period of plummeting markets and economic disasters, the Roland George Investment Program can only hope to hold onto past returns in order to stay afloat. Impressive returns of over 20% experienced from November of 2000 to November of 2001 have been diminishing as our long only positions have been outweighed by the mood of the market. We in the Roland George Investment Program have historically invested in companies that are significantly under-followed by analysts, have minimal institutional ownership, represent our value strategy, and possess some aptitude for rapid growth in the near future. We realized a tremendous gain in worth from executing this strategy for one reason: small-cap and large-cap value, which represented a large concentration of our portfolio, significantly outperformed the market. For our period of competition in year 2002, we have agreed to concentrate on a growth strategy with stocks having a price to earnings multiple of no less than 12. If our prediction is correct, we may be able to capture a significant return on growth companies that have lost a considerable amount of value, and as a result have become undervalued. Another important factor that resulted in a change in our strategy is the realization that small-cap growth tends to perform better in the early stages of a bull market. In the anticipation of an improving economic scenario, increases in corporate and consumer spending, and a possible war that tends to stimulate a stagnant economy, we will hopefully begin to experience similar gains as we have experienced in the past.

Strong earnings and positive corporate news are two factors that will drive the market to higher levels. Recent rallies in the Dow Jones Industrial Average were a result of better than estimated earnings and a large amount of short covering from wary speculators. These factors indicate that investors are beginning to hypothesize a bottoming market. The overwhelming factors that pulled the market down to its lowest levels since 1998 were a combination of September 11th, the fear of terrorism, corporate scandals, and fraudulent accounting practices. As these factors begin to fade out of investor's minds, the possibility of war added weight to the downturn of both the market and the economy. War, an unusual event, is often characterized as an economic stimulant, potentially pulling a recessed economy into a state of recovery. Economic indicators

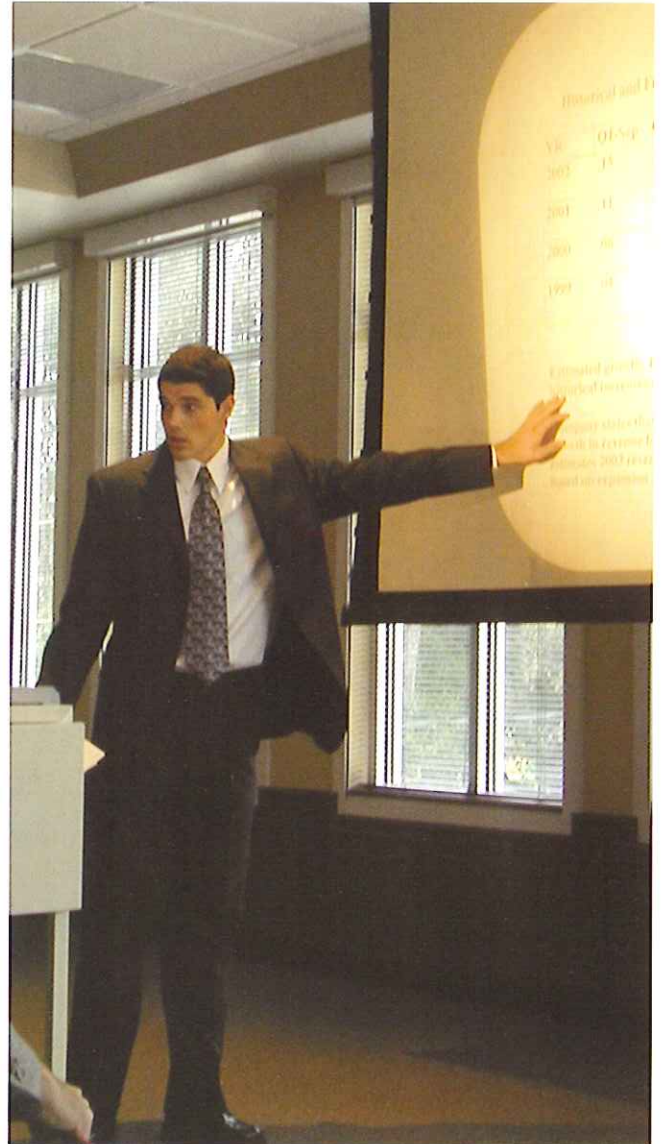
suggest that the U.S. economy may experience recovery in the near future. The total number of persons unemployed has decreased from 8.1 million in August of 2002 to 8.0 million as of October 4, 2002. Other positive economic numbers released in October were an increase in the average weekly hours, an increase in average hourly earnings, an increase in disposable personal income, and a significant increase in per capita income. The release of these positive indicators proved to correlate positively with the movement in the market. The Dow climbed from 7591.91 on September 30th to 8450.16 on the close of October 22nd, posing over an 11% gain in less than one month. Although these numbers represent a breadth of positive news, they weigh less heavily and have less of a significant impact on our economy than numbers such as GDP, and the level of interest rates. A factor that negatively affects the level of the market is consumer sentiment. Consumer sentiment is said to be at its lowest level in 10 years. This is determined through a number of different factors, including short interest and survey responses based on the mood of the economy. The University of Michigan says that "the recent drop in sentiment was a major setback for the economy."

The Roland George Portfolio proved to make significant gains while the Dow Jones Industrial Average managed only realized a slight increase in the month of October 2002. Our portfolio gained 5% back from our earlier deficit realized in the summer months when we are unable to make changes to our positions. This summer period also happened to be the time the Dow Jones Industrial Average plummeted 17%. Unable to access our portfolio in these months pushed our impressive returns down into negative territory, almost to (22%). WorldCom, which was a significant portion of our portfolio, now represents a loss of nearly 100%. The inability to make changes to our portfolio, a tumbling market, and fraudulent companies had a drastic affect on our yearly return. Our plan to overcome the mood of the market is through extreme changes to our current positions and adding new long positions that agree with our newly developed strategy, and we believe it will prove to be successful. We can only hope that our strategy will win in the war of Roland George vs. Bear.



Bryan Hinmon and Ryan McCain make use of the Roland George trading room as they research their prospective companies.

Mike Fassnacht, a Roland George student, research assistant, and Trustee, gives his thoughts during an equity recommendation to the class.



John West justifies his reasoning on why his stock pick deserves a place in the Roland George portfolio.





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The *George Investment View* is intended to be an educational document. Investment views belong to the authors and not Stetson University.

The Roland George Investments Program was created in 1980 by Sarah George to provide a unique experience for future investment professionals. This bequest was intended to honor her husband, Roland, who, after completing his education, began to ply his trade and promptly lost money. Mr. George decided that serious flaws were evident in the traditional educational process for future investors since by over-coming his formal education he was able to master investing and in short accumulate wealth.

From this start, Mr. George formed the ideas of creating an investment curriculum that combined academic theory with real world experience. This dream came true when Sarah George funded the Roland George Investments Program. This program provides support for the applied investments program at Stetson University where students manage a portfolio valued at over \$2.5 million dollars. Insights are gained through contact with professionals such as Robert Stovall, CFA, of Clemente Asset Management, LLC, New York City, NY.

For information on the Roland George Investments Program contact Dr. Larry Belcher at 386-822-7442.

