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". . . our determination and skill made 2005 a profitable year . . ."

editor's note —

by Robert Higgins

The U. S. market in 2005 was subject to tumult but endured the potential crises well enough. It may have made little gain since 2004, yet considering the circumstances of this past year — natural disasters, regular rate hikes, steep energy prices, war and terrorism concerns — one mightn't be all too unsatisfied with a modest return and the opportunity to resume investing in 2006. We at the Roland George Investments Program, however, have much to be proud of this year with our gains far exceeding all of our benchmarks.

Diligent (and/or lucky) investors realized gains in areas such as energy, utilities, and gold; mid–cap growth funds, and those of a particularly international focus, outperformed value–oriented domestic ones. Our strategy, albeit profitable, was rather incongruent with the aforementioned trends making our success all the more remarkable. George guidelines for investment, determined and agreed upon by the class at the beginning of the semester, decidedly neglected the international scene in favor of domestic equities in the small–cap category. Maximum gains became the mantra of the class and students researched companies looking for stocks which, according to our valuation models, appeared to be undervalued ***and*** offered evidence of likely growth in the near term. Other factors had a bearing on our decision as to whether or not to include a stock. For instance, we desired an average daily volume greater than 50,000,

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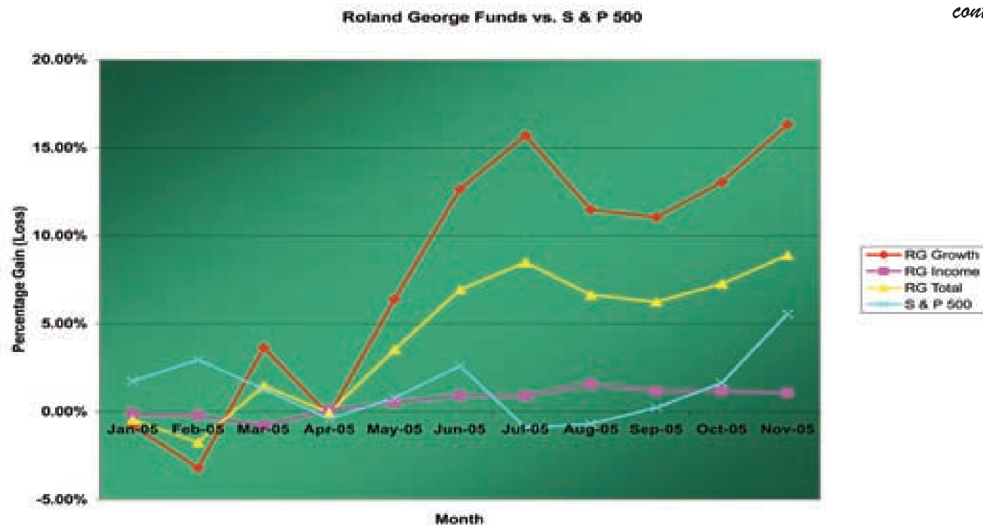

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portfolio manager's report

by Nicole Galinat

As the market desperately attempts to create an end–of–the–year rally that will push the Dow Jones Industrial Average over 11,000, the Roland George Investments Program is celebrating the close of another successful calendar year for our portfolio. In setting our investment guidelines for the current semester, we decided that the best strategy for us was not to put restrictions on any particular industry or designate any style concentration for our portfolio. This strategy turned out to be a very successful one as we have generated a year–to–date holding period return of 18.75% (as of December 9, 2005) against the 4.5% return of the S&P 500 over the same time period.

As you can see from the sector allocation comparison displayed with this report, we are heavily over weighted in the Health Care industry. This industry drastically dropped 30% in 2002 and has steadily begun to rebound, although not nearly as intensely as it did during the amazing late 90's when it increased 326% from April 1994 to April 1999.

We sold off our positions in the energy sector and decided not to invest any new funds in this industry, based on our historical strategy against chasing momentum. Due to the structure of our program, we are usually unable to get out of our momentum securities in time, typically resulting in losses.

The future of the market is very uncertain, as an extremely negative outlook has recently turned for the better. In October of this year, the consumer confidence level hit its lowest point in at least three years along with inflation levels being higher than they have been in five years. However, since then, these indicators began to recover as the price of energy started to stabilize after the devastating effects of the summer hurricanes were digested in the markets. There are so many important factors that will determine how the market will play out next year including whether the real estate boom will taper off as most analysts are predicting, how prosperous this holiday season is for the retail industry, whether or not we pull our troops out of Iraq, and how the Federal Reserve policy will change under Dr. Bernake.

Given the uncertainties that lie ahead we have attempted to position the Roland George Portfolio in such a way as to generate successful results for years to come.

sales

1–800–FLOWERS.com, Inc. (FLWS) is an on–line retailer specializing in gift items, ranging from flowers and plants to gourmet foods and candies. Although they consistently outperform their industry, in 2005 their year to date returns have remained roughly between –5% and –20%.

NBTY, Inc. (NTY) engages in the manufacture and sale of vitamins, food supplements, and health and beauty aids primarily in the United States, the United Kingdom, Ireland, and Holland. Despite 10% sales growth in the third quarter of 2005, earnings figures fell short of estimates by 38% due to substantial write–offs to their Vitamin World brand totaling eleven million dollars.

Rocky Mountain Chocolate Factory (RMCF) manufactures, retails, and franchises chocolate in the United States, Canada, Guam, and the United Arab Emirates. Although they continue to generate modest increases in sales and revenues, with instability in consumer confidence the future growth potential is no longer in line with the investment guidelines of the Roland George Investments Program.

Buckle, Inc. (BKE) is a high–end clothing retailer that markets their products to the pre–teen through mid–twenty demographic. They currently operate over 300 stores in 38 states. For the 26 weeks ended July 30, 2005, their retained earnings fell by 23.86% from the previous year due to an increased dividend and their cash flow from operations fell 70.929%.

Inter Parfums, Inc. (IPAR) primarily produces both prestige and mass–market fragrances in the French and U.S. markets. Although they were able to increase sales in 2005, their share price has fallen 13% in the past month because of a 67% increase in SG&A expenses resulting in a 6.9% drop in net income.

Anteon International Corporation (ANT) is a leading systems integration company that provides mission, operational and IT enterprise support to the U.S. government. They support all military services within the Department of Defense, the Department of Homeland Security, and nearly all cabinet–level agencies. There has been an enormous amount of insiders selling their holdings over the past few months and a slow down in the growth rate of government contracts awarded to Anteon since the presidential election in 2004.

Molecular Devices (MDCC) is a leading supplier of high–performance bio–analytical measurement systems that accelerate and improve drug discovery and other life sciences research. Although they recently had a n 8.5% jump in their share price due to third quarter earnings that beat street expectations by 21.7%, they have under performed both the Roland George healthcare holdings and their market sector for the current year.

Medical Action Industries, Inc. (MDCI) engages in the development, manufacturing, marketing, and supply of medical and surgical disposable products. Despite record earnings and revenues in the latest quarter, Medical Action Industries has been unable to match the returns of their very competitive industry in the current year.

Sector Allocation Comparison

Sector	George Program	S & P 500	Difference
Health Care	35.0%	12.9%	22.1%
Information Technology	16.9%	15.5%	1.5%
Financials	16.6%	21.2%	-4.5%
Industrials	15.7%	11.2%	4.5%
Consumer Discretionary	14.0%	10.9%	3.1%
Utlities	1.8%	3.3%	-1.5%
Consumer Staples	0.0%	9.5%	-9.5%
Energy	0.0%	9.5%	-9.5%
Materials	0.0%	3.0%	-3.0%
Telecommunication	0.0%	3.1%	-3.1%
Total	**100.0%**	**100.0%**	**0.0%**

Analogic (ALOG) designs, manufactures and sells medical technology equipment, including medical imagining and processing systems. Analogic has an operating margin of only .16% compared to the industry average of 5.8%. This has resulted in a disappointing return on equity of 1.5%, which significantly under performed the industry average of 23.2%.

Glacier Bancorp, Inc. (GBCI) is a regional multi–bank holding company providing commercial banking services from 55 banking offices in Montana, Idaho, Utah, and Washington. Glacier has performed well since our purchase in May of 2005. However, as the stock approaches both its 52–week high and its all–time high of $33.50, the Roland George Investments Program saw GBCI as currently overvalued.

Brigham Exploration Co. (BEXP) engages in the exploration and development of onshore domestic oil and natural gas, using three–dimensional seismic imaging and other technologies. The company has a high concentration of their business in the Texas gulf coast region. Their share price spiked from roughly $8.00 in July to $14.68 by the end of October.

Templeton Global Income Fund (GIM) is a closed–end, non–diversified investment fund. The fund seeks high income, with a secondary objective of capital appreciation. This fund is highly affected by the level of interest rates domestically as well as abroad, which are expected to continue to rise in the future.

Misonix, Inc. (MSON) has been at the forefront of ultrasonic technology and is a world leader in the design, development and manufacturing of ultrasonic medical devices. Misonix has had a 13% reduction in revenues from the fiscal year 2005, which has equated to a negative 28.2% annualized year–to–date return.

purchases

Pike Electric Corp. (PEC) is one of the largest providers of outsourced electric distribution and transmission services in the United States. They maintain, upgrade, and expand electric distribution for more that 150 utilities. Due to the inadequate and unreliable transmission systems currently being used, along with the devastating effects of this year's hurricane season, Pike Electric has an opportunity to see explosive growth in the upcoming year.

portfolio manager's report
continued

MFC Bancorp, Ltd. (MXBIF) seeks controlling interests in undervalued companies resulting in a diversified portfolio of business activities including merchant banking, trading in commodities and natural resources, as well as offering industrial engineering services. After a recent acquisition, the company has changed its name and ticker symbol to *KHD Humboldt Wedag (KHDH)*.

Celadon (CLDN) is a top ranking truckload carrier operating in the United States, Canada, and Mexico. Their biggest historical growth catalyst has been their ability to acquire competitors and maintain their status as an industry leader in technology. They were one of the first companies to install the latest satellite tracking system that allows their customers to track their cargo on a real–time basis over the Internet.

Multi–Fineline Electronix (MFLX) designs and manufactures flexible printed circuit boards for the electronic industry specializing in mobile phones, smart mobile devices, and PDAs. Net income rose from $4.6 million in 2003 to an amazing $25.7 million in 2004. In order to accommodate the increased demand for their products, they are currently expanding their facilities in China, which will allow them to generate up to an additional $12 million a month in sales.

Blackboard, Inc. (BBBB) provides enterprise software applications and related services to the education industry including the Blackboard Academic Suite and the Blackboard Commerce Suite. They have recently announced a merger with WebCT, their leading competitor, which is expected to take place by early 2006. At the completion of this merger Blackboard will become the number one player in this industry with a customer base of 3,700.

NovaMed (NOVA) engages in the ownership and operation of ambulatory surgery centers in the Unites States, which allow physicians to practice a broad range of services, including ophthalmology, orthopedics, and pain management. Their focus on strategic expansion is expected to generate enormous growth as the generation of baby boomers begins to retire and demand increasing amounts of these types of services.

Cutera, Inc. (CUTR) designs, develops, manufactures, and markets various products for use in laser and other light–based, noninvasive, aesthetic applications. Their primarily cosmetic products are used for hair removal, treatment of vascular lesions, wrinkles, benign pigmented lesions, and for dermal heating. They currently have 4 patents issued and 16 pending which will allow them to outperform a market that boosts a 465% increase in the number of cosmetic surgeries performed since 1997.

U.S. Physical Therapy (USPH) operates 285 outpatient physical and occupational therapy clinics in 36 states. After disappointing financial results in 2003, they replaced their CEO, CFO, and COO and have enjoyed increases in revenues, net income, and an outstanding 52% return on investment since that time period.

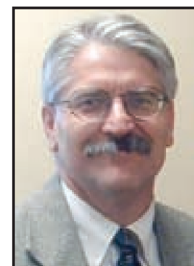
Asta Funding, Inc. (ASFI) buys, manages, and sells performing and non–performing accounts receivables. They are unique in their industry in that they outsource 95% of their collection efforts allowing them to maintain an amazing 100% gross margin and a 76.95% operating margin. Due to their disciplined approach to investing, the company has been able to generate a 58% increase in revenues and a 52% increase in net income in their most recent quarter.

Brightpoint, Inc. (CELL) provides logistics and distribution services to the worldwide wireless industry. This includes warehousing, software provisioning, packaging, and procurement services. They have increased their handling of wireless devices by 63% in the third quarter ending 2004, as well as increasing second quarter earnings by 55%.

AngioDynamics (ANGO) is a facility dedicated to research and development of products for interventional radiology. They have a leading market position in diagnostic catheters for non–coronary angiography – the main treatment method for Peripheral Vascular Disease (PVD). For the first quarter of 2006 fiscal year, net income increased by an amazing 70%.

"thankfully, some things *DO* change"

director's *update*
by Dr. Larry Belcher



This fall brought with it the usual butterflies — new semester, new year, new students, and ANOTHER HURRICANE SEASON! Thankfully, some things do change. This year, the hurricane activity stayed fairly south of Central Florida, although the Gulf Coast area of the United States, Mexico and the Caribbean were damaged by storms. The lack of extra excitement certainly helped us through the fall semester. There were few disruptions to the schedule, and so the students were able to focus and concentrate throughout the fall.

For the George Program students, this meant another semester of defining expectations and revising strategy to meet those expectations. A significant strategic move was made to get out of some of our retail positions (Buckle, InterParfums) and into health care. The logic behind these moves speaks well of our students' evaluation of market conditions. Retail had mixed predictions for the holiday season, as economic uncertainty was still prevalent in many consumers' minds. There was a feeling that mid–level retailers and discount retailers would fare better and high–end retailers might suffer. The season turned out to be a moderate success, but retailers did not have as big a year as they expected. So this move made sense.

In the health care arena, change abounds as well. We are on the cusp of a major intergenerational shift in terms of population demographics. This year the first of the Baby Boomer generation turns 60, including current President Bush as well as former President Clinton. As the Boomers have defined many social and cultural issues in their time, they will probably do so in health care as well. This means they will want greater care and more care geared toward health maintenance and graceful aging than past generations. This has changed the way that the industry operates. There is now greater acceptance and use of what used to be called "alternative" medicine, such as chiropractic, massage therapy, and acupuncture. There are more people having surgeries related to athletic injuries, workplace injuries, and joint replacements. This has created a greater need for post-operative therapy to help finish the healing process. In addition, more and more surgeries are being performed out of hospitals and in dedicated surgery centers. Cosmetic procedures have become more commonplace.

These changes are a part of the culture of the Boomer generation, and are also in response to technological advances in the medical profession. Again, these are positive changes for consumers and for smart investors. Companies like Cutera and U.S. Physical Therapy were added because of strong past performance as well as future potential. If these trends continue, they should show strong growth in the future. A wise person once said that "those who do not learn from the past are doomed to repeat it".

The students in the George Program have certainly proven that they can take from the past what they need and apply it to the future. This year's performance is indicative of that. The final end of year performance number on the equity portfolio was a very solid 15%. If trends continue, that should be a taste of even more future success.

banking on the repo-man: *Asta Funding, Inc. (ASFI)*

by Nicole Galinat

In the face of an almost certain slow down, if not a dip in the economy, the job of a small–cap growth analyst becomes that much more difficult. This is typically a time period when large–cap value is the best investment, which can easily be explained by the fact that these types of stocks tend to weather the storm better by relying on their extensive capital funding and secure customer base. Why then would any investor attempt to purchase a small–cap growth security in our current environment? The answer is simple — the chance to not just lose less money than the overall market, but to become profitable and generate earnings. As indicated earlier, this is not as straightforward as it seems. It requires extensive research into what types of business models work best under these conditions. This is how I found Asta Funding, Inc (ASFI).

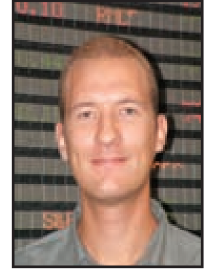
Asta Funding buys, manages, and sells performing and non–performing accounts receivable. They are unique in their industry in that they outsource 95% of their collection efforts to lawyers and collection agencies. This enables them to keep their overhead at an extremely reasonable level allowing for great flexibility in their overall portfolio size. They are very disciplined and patient investors and refuse to purchase paper unless they are able to do so at a price that they believe will enable them to reach their IRR goal of 30%. By maintaining a very limited number of in–house collection agents they are able to turn down offers to purchase over–priced portfolios, while at the same time have no capacity constraints in regards to how much paper they can handle at any one time. This is why they are in a perfect spot to grow tremendously over the next 18 months.

All indicators show that the default rate in America is increasing; and once the new minimum payment requirements change from 2 to 3% on all major credit cards, that figure is expected to skyrocket. What this means for Asta is that their ability to purchase enormous amounts of portfolios at attractive prices will soon become reality. Since this will just equate to more outsourcing, they are in a position to not worry about how many of these deals their firm can manage.

Another change that is expected to influence Asta in a positive way is the new Bankruptcy Law, which went into effect on October 17, 2005. This law will force each bankruptcy candidate to meet a means test, which is expected to result in a heavy increase in the number of Chapter 13 fillings. This will increase the probability that Asta will be able to collect on its bad debt.

With a company so dedicated to disciplined investing, it is easy to understand why they have enjoyed a 58% rise in revenue growth and a 52% increase in net income in the latest quarter. As a result of their minimal cost structure, their gross margin is 100% compared to 80.89% from ECPG, their leading competitor. Their operating margin is an amazing 76.95% versus 27.42%.

Given Asta's very unique and profitable business model — along with the fact that the market conditions are turning and will become a perfect opportunity for Asta to grow — the Roland George Investments Program decided that it was a perfect time to purchase ASFI.



“buy it when nobody wants it . . .”

by Thomas Bross

Eric Cinnamond, Vice President and Portfolio Manager, has been at Intrepid since 1998. For two years prior to joining the firm, Mr. Cinnamond was a small–cap analyst at Evergreen Asset Management and co–manager of their five–star Small–Cap Equity Income Fund. Both years, the fund was ranked in Barron’s Top 100. For three years before Evergreen, Mr. Cinnamond was a Portfolio Manager in the Capital Management Group of First Union National Bank. He holds an MBA from the University of Florida and a BBA in Finance from Stetson University (1993). Mr. Cinnamond is a CFA charter holder and is a member of the Association of Investment Management and Research.

Being a former Roland George student, Mr. Cinnamond is a great example of what many of us aspire to become — a successful portfolio manager and holder of the highly respected CFA designation. He came back to Stetson as a speaker in our class on November 11, 2005. He gave a detailed as well as insightful presentation about the investment strategy that he pursues at Intrepid Capital Management. Somewhat similarly to the Roland George growth portfolio, Intrepid’s small–cap portfolio is composed of roughly 20 small–cap stocks. The stocks are chosen in the expectation that they will achieve above–average performance while exposing the portfolio to lower risks — one of the pillars of our investment strategy.

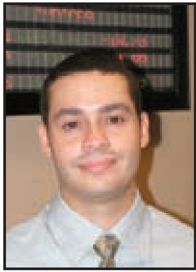
Mr. Cinnamond’s presentation can be summarized in a few words: “Buy a good stock when nobody wants it.” The concept itself is extremely easy to grasp but its implementation requires enormous amounts of research, good judgment, and patience.

The most important aspect of investments is information. A responsible investor should be aware of everything that pertains to the companies present in his or her portfolio. Furthermore, simply being aware of publicly available information does not mean one truly knows a company. Mr. Cinnamond emphasized the importance of talking to management, the competition, and even clients, as it will oftentimes reveal valuable intelligence about the company. He stressed that doing one’s own research is preferable to just using side reports which are usually too superficial.

Timing is another determining factor in making a good investment. Like the economy, each company has its own cycle; ups and downs are perfectly natural. The key is to know a company and its environment well enough to be able to understand and predict the cycle. A great deal of patience is then required to wait for the moment when a stock has hit bottom and nobody wants it. This is the ideal time to purchase an undervalued stock – before the average investor realizes its true value.

Mr. Cinnamond relies heavily on fundamental valuations to make his investment decisions. He made a great observation when he said that the price of a company’s stock may fluctuate significantly and yet the underlying value of the business itself hasn’t really changed. Based on a company’s financial statements, business model, and the economic environment, it is then possible to spot discrepancies between the true and perceived value of a stock. If the difference is positive and the timing appropriate, considering external as well as internal factors, the stock should be purchased.

It was a pleasure receiving Mr. Cinnamond. His presentation offered some useful insights about his own strategy which are also applicable to our own investment strategy. The lecture was a great addition to the course, as it exposed further examples illustrating the concepts covered in class.



“used bottom up approach . . . Cutera came out on top.”

by Ricardo Velez

Cutera, Inc., engages in the design, development, manufacturing, and marketing of various products for use in laser and other light–based aesthetic applications. Its products enable derma–tologists, plastic surgeons, gynecologists, primary care physicians, and other practitioners to offer safe, noninvasive aesthetic treatments to their patients. The company’s products are used for the treatment of vascular lesions, including leg and facial veins, wrinkles, benign pigmented lesions, and permanent hair reduction. Cutera sells its products directly in the United States, Canada, Australia, Japan, and Europe. The Company was founded in 1998 and went public in March of 2004.

Cutera, Inc., has been performing up to expectations, providing a return of approximately 15% in a matter of weeks since its inclusion in the Roland George Portfolio. When I first began tracking this stock, it was trading at $23.76. Currently it trades at approximately $42.12, an increase of 77.3%. I used the bottom up approach when selecting this stock – an approach that uses a stock screener with a specific range of data to derive a list of 100 stocks all differing in industry, market capitalization, and potential. I methodically sifted through the list, looking at company profile, debt ratio, P/E, and technical indicators – to end up with a small blend of possible securities. Following this, I dissected their financial statements, paying particular attention to income and cash flow statements.

Cutera came out on top. Financially, Cutera has zero long–term debt, consistent revenue increases year by year, a high gross margin, inventory turnover of five times per year, and days sales outstanding just under two months. Additionally, this industry and its products have a great amount of potential, making this a very attractive security. Cutera operates in a sub–industry (aesthetics/noninvasive laser technology) of the health care equipment industry. The world–wide aesthetic industry was in excess of $600 million in 2004 and is estimated to be $800 million in 2005 with light–based devices and growing at 20% to 30% annually. Domestically, their growth stems from the growth of non–surgical cosmetic procedures. According to the American Society for Aesthetic Plastic Surgery (ASAPS), the number of surgical and non–surgical cosmetic procedures in the United States increased by 44% in 2004 to a total of 11.9 million procedures. Surgical procedures represented 18% and non–surgical procedures represented 82% of the total (an increase of 51% from the previous year). Since 1997, there has been a 465% increase in the total number of cosmetic procedures. Surgical procedures increased by 118% and non–surgical procedures increased by 764%.

The consistent and promising growth of this sub–industry, coupled with Cutera’s financial strength and product innovation, indicated a solid investment opportunity.

Cutera Cool-Glide CV

Cutera Headquarters, Briscane, CA

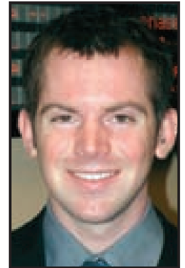
Cutera Solara-Titan

Balance Sheet (Quarterly)

($ Millions)	Q4-04	Q2-05
Cash Position	66.3	74.7
Accounts Rec.	6.6 (56 DSO)	5.9 (36 DSO)
Inventory	3.0 (5X / Yr.)	4.0 (5X / Yr.)
Total Assets	80.5	90
L.T. Debt	0	0
Stk.Hldrs. Eq.	68.5	76.9

“diverse international corporation . . . shifted its focus”

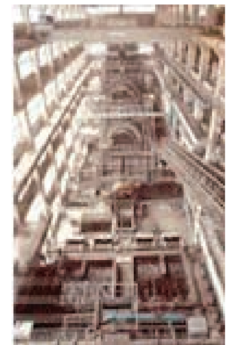
by John Christiansen



MFC Bancorp was a diverse international corporation with concentration in merchant banking and commodities trading. We owned this stock in the past and sold it last year to the realization of a solid return. Recent events, however, have made this stock an attractive investment again. Last year they acquired KHD Humboldt Wedag, a world leader in cement processing and technology. As of November 1, 2005, MFC (MXBIF) officially shifted its focus and changed its name to KHD Humboldt. It can be found under the ticker KHDH on the NASDAQ.

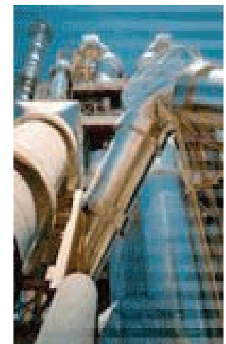
With cement in such high demand world–wide, this was a unique opportunity to invest. KHD is based in China but operates world–wide. This year order intake has increased in Asia and North America from $33 million to $112 million and $6 million to $59 million, respectively.

This company has had steady price growth over the past several years. Looking forward, this stock has much room for growth. It currently has very little coverage, and no analysts following it. They promise that the 2005 annual report will finally shed light on them as a company, and much more coverage of this company is likely to ensue.



KHD’s third quarter report shows that revenues for the past nine months have been 628.2 million, as compared to 388.7 million for the same period in 2004. Liquidity is important to them as they want a large degree of business and financing flexibility. Their September 30 balance sheet shows total assets of 507.7 million with cash and short–term securities of 190.7 million. Their long–term debt is 9.6 million — very low. CEO Michael Smith, in explaining these figures, said: “These results and our geographical breakdown clearly demonstrate that KHD, while capitalizing on an expanding market, is also increasing market share in the world’s most dynamic economies.”

The real value comes from investing early. EPS estimates looking forward are high and this stock has virtually no coverage. It is a very diverse holding with significant growth potential in the near future. A primary reason so little coverage is available is because so little information is easily accessible about this stock. This reality is going to change. With a new corporate focus, and a new name, this stock has already begun to attract attention. When the 2005 annual report is released investors will no longer have to dig deep to find what they are looking for. This stock, which is currently undervalued, is poised to see a significant rise in value in the coming year.



"global strategist . . . over 50 years experience"

by Kelli Dreves

On November 30, 2005, the Roland George Investments Program had the privilege to meet with Robert H. Stovall, CFA. Mr. Stovall has over 50 years of experience as a money manager, analyst, and research director. As of this year, he is working as the Global Strategist managing director for Wood Asset Management, Inc., with about $1.2 billion dollars under management. Mr. Stovall is a dynamic presence in the media and has been a commentator on CNN, CNBC–TV, Bloomberg, Fox, and Reuters. He has been a regular columnist for *Forbes* and *Financial World* since 1968. Mr. Stovall has also been a panelist on *Louis Rukeyser's Wall Street* since 1957, with his stock picks ranking first, with a 33% gain, among 22 panelists in 2004. Robert Stovall earned his Master of Business Administration degree from New York University in 1957. He has been a member of the Board of Trustees of New York University; and, since 1985, he has been a Professor of Finance at NYU's Stern Graduate School of Business. Since 1988, he has been regularly welcomed as guest lecturer at Stetson University.

Mr. Stovall shared his financial wisdom about many aspects of the market. He spoke about several possible candidates for the next asset bubble, including real estate, energy, and hedge funds. He mentioned that sales of real estate have been taking longer with inventories rising as well. At this time, Mr. Stovall feels partial towards hotel real estate trusts, which have been recovering after the 9/11 tragedy. In particular, he pointed out Ashford Hospitality Trust (AHT) and Hospitality Properties Trust (HPT).

Mr. Stovall remarked how energy stocks have been the greatest performers this year, with prices hitting new all–time highs. Gasoline prices have been affecting consumer purchases. The chief concern after Hurricanes Katrina, Rita, and Wilma is natural gas and fuel oil shortages throughout the winter months which will drive prices even higher. With record levels, he stated that every portfolio should have some holdings in energy, mentioning Devon Energy (DVN), Exelon (EXC), and Nobel Corp. (NE). The recent problem with hedge funds, Mr. Stovall remarked, is exemplified in the several troubling cases of millions of dollars in fund assets disappearing along with founders and managers. This should be a wake–up call for unwary investors. Mr. Stovall also touched on the rising importance and popularity of bottled drinking water and mentioned Aqua America (WTR) and Suez (SZE).

His recommendation about the new media frenzy of the bird flu virus was to keep an eye on medical companies and indexes in general rather than specific companies. Mr. Stovall lectured on some very interesting topics that many investors have been speculating on, and his intelligence and expertise is highly valued and appreciated by the Roland George Investments Program students.

"multi-fineline electronix ...

by Thomas Bross

At the beginning of each year, students participating in the Roland George Investments Program define the investment guidelines based on a careful study of the past performance of the portfolio, overall economic conditions, historical trends of the market, and the advice of the visiting professor. The idea is to first recognize, as a group, the type of stocks that are likely to outperform the markets; and secondly, to let individuals identify particular companies which are expected to perform well within a 12–18 month period subsequent to the purchase of a stock. Following this concept, the Roland George Portfolio has outperformed the market on many occasions and earned much recognition. With our investment strategies in mind, I scrupulously searched for a stock and eventually recommended Multi–Fineline Electronix (ticker: MFLX).

Multi–Fineline Electronix (also called M–Flex) designs and manufactures flexible printed circuit boards for the electronic industry. The company specializes in mobile phones, smart mobile devices, portable bar code scanners, PDAs, and consumable medical sensors. M–Flex is significantly smaller than its main competitors with a market capitalization of about $900 million while other companies, providing similar services, have market capitalizations of several billion dollars. With a relatively limited production capacity, M–Flex has been able to serve major clients such as Motorola and PalmOnes with greater effectiveness. After having supplied the defense industry in the 1980's, the company repositioned itself by supplying the fast

… serve major clients - greater effectiveness”

growing wireless sector. Given that most consumer electronics manufacturers tend to outsource part of their production at an increasing rate, we believe that M–Flex placed itself in a particularly lucrative niche.

The purchase of 1,800 shares of M–Flex was approved by the investment committee on Oct 17. The stock was purchased shortly afterwards at a price of $27.50 per share with a target price of $33.00. After the company’s earnings release in early November, the price jumped to $32.77 — MFLX beat analysts’ expectations by $0.05 a share ($0.44 vs. forecasted $0.39). Since the sharp increase, the price has continued its ascension to reach 38.62 as of Dec 02, 2005, which translates into a 40% holding period return.

The stock’s strong performance can be attributed to several factors. First of all, M–Flex has the characteristics of a growth company such as sharp increases in sales and earnings for the past three years, rising profit margins, and patents protecting their technologies. Also, ratio analysis reveals that M–Flex is “healthier” than any other company providing similar products. In addition to strong fundamentals, careful industry analysis indicates that the demand for flexible printed circuits is expected to increase significantly in the near future regardless of the uncertain economic conditions. Finally, recent company developments such as the acquisition of new subsidiaries and the announced expansion of the production facilities suggest that M–Flex is likely to capitalize on the growing demand for flexible printed circuits.

We purchased shares of M–Flex because the stock matched our investment guidelines, seemed notably undervalued, and the company’s prospects were promising. The sharp increase of 40% within such a short time frame is a good example of market inefficiencies — certain small–cap stocks, overlooked by analysts, are significantly undervalued. In a nutshell, this is what the Roland George Investments Program strives to accomplish. It trains the students to identify good stocks before their true value is reflected in the market, therefore giving them an advantage over the average investors.

The Company’s first truck was retained long after it was removed from service. It was carefully restored in time for the celebration of the Company’s 50th Anniversary in 1995. It is now prominently displayed in the lobby of the Corporate office.

Pike Electric Corporation had the pleasure of ringing the opening bell for the New York Stock Exchange. Pictured center is J. Eric Pike, President, Chief Executive Officer and Director along with family members and representatives from the management team. 2005

“first quarter earnings beat analyst estimates”

by Gretchen Jewell

Pike Electric Corporation (PEC) is one of the largest providers of out–sourced electric distribution and transmission services in the United States. Its core activities consist of the maintenance, upgrade, and extension of electric distribution and sub–500 kilovolt transmission power lines for more than 150 electric utilities, cooperatives, and municipalities. Pike Electric Corporation services a contiguous 19–state region that stretches from Pennsylvania in the north to Florida in the southeast and Texas in the southwest. Pike Electric is a recognized leader in storm restoration services as well.

Pike is a well–established service provider and is sure to benefit from the growth opportunities within the industry. These growth opportunities include the need for maintenance and upgrades of the currently inadequate electrical transmission systems (or grids) in the United States. Blackouts over the past couple of decades are manifestations of the excess strain being put on power grids. Most blackouts are caused by the ‘domino effect’, such as the ones New York City experienced in recent summers. Other growth opportunities for Pike are found in the increased demand for electricity, which is projected to grow about 50% within Pike’s service area within the next year. The destructive tropical weather in the south and frigid winters in the north benefit Pike as well. Pike mobilizes response teams any time a hurricane batters the coasts of its service areas such as Texas, Louisiana, and Florida. Also, the trend for municipals, investor owned utilities, and cooperatives to outsource the kind of services provided by Pike, and the recent energy laws providing tax incentives to utility providers to upgrade existing transmission infrastructure, offer growth opportunities for Pike.

For these reasons, I recommended Pike Electric Corp. to the Roland George trustees. Since purchasing the stock, Pike released first–quarter earnings which beat analyst estimates by more that 75%. Guidance has been raised for the remaining three quarters in Pike’s 2006 year (ends in July). Pike remains trading around $18.00.

"...leader in logistics and distribution services - global wireless industry..."

by Kadmiel Onodje

Brightpoint (ticker: CELL) is the leader in logistics and distribution services in the global wireless industry. The logistics branch of the business includes warehousing, software provisioning, packaging, credit billing and collection, website hosting, e–fulfillment, reverse logistics, and mass retail connectivity via EDI. Brightpoint distributes various wireless products including phones, PDAs, modems, software, and other wireless–related accessories such as memory cards, car kits, hands–free products, etc. Brightpoint distributes its products through a set of major retail distribution partners such as Wal–Mart, OfficeMax, Target, Sears, Best Buy, RadioShack, Circuit City, and also through independent dealers. Some of its main suppliers are Nokia (for which it is the exclusive U.S. distributor), Samsung, Siemens, Panasonic, Motorola, and Audiovox.

CELL has had a very strong year, beating the S&P 500 and the Technology Distributors sub–industry by 115% and 120%, respectively (YTD). The company is also way ahead of its potential competition, being the only comprehensive distribution and logistics organization in its market cap range ($791 million). For comparison, CELL has had a return on equity of 18.76% YTD compared to only 9.79% for Tessco Technologies, and –126% for Cellstar. Its inventory turnover in 2004 is also illustrative of its dominant position in the industry. Brightpoint's inventory turnover, at 15.8 times, was 56% higher than Tessco Technologies, and almost 80% higher than Cellstar.

Using the Holt's model and the Pure Short–Term Earnings method for my valuation analysis, the stock came up to be undervalued by 101%. I recommended buying 2,000 shares of CELL not only for its previously mentioned performance, but also because it has large avenues for future growth. First and foremost, the technology distributors industry is benefiting from manufacturer–suppliers taking a more active role in changing their distribution channels. They are building more and more partnerships with distributors to reduce mutual costs and to avoid losing customers who are switching to new distribution options. Another strong growth opportunity for next year – and beyond – is Brightpoint's recent involvement with VoIP (Voice over IP) companies such as Skype and Vonage. Skype has 70 million users worldwide, with a million more every week; all are potential buyers of Skype products, especially of Skype–enabled headsets. Brightpoint will serve as a distribution conduit between Skype–certified equipment manufacturers and resellers, targeting channels from food and beverage stores with Wi–Fi hotspots to large electronics outlets[1].

Geographic expansion is also a factor for strong potential earnings increases in ensuing years. Indeed, for example, the expanding Indian mobile market (where Brightpoint is profiting by its association with Nokia and the rapidly developing concept of Mobile Virtual Network Operators –MVNOs) is only 10% penetrated so far. India, many countries in Asia and the Pacific Rim, and many developing nations have a significant demand for wireless products, distribution, and logistics, and represent major market opportunities.

Brightpoint stock should assist the Roland George Investments Program to execute its equity growth strategy thanks to the dynamism and creativity of the ever–evolving wireless industry.

[1] www.forbes.com

by Dilshod Saidov

Safety
Technology
Service
Security

Founded in 1985, Celadon Group, Inc. (NASDAQ: CLDN) ranks as one of North America's 15 largest truckload carriers with annual revenue exceeding $400 million. As a dry van truckload carrier, the company generally transports full trailer loads of freight from origin to destination without intermediate stops or handling. Celadon is one of a limited number of companies, believed to be the largest, that is able to care for time–sensitive cargo shipments, via trailer, door–to–door in and between any of the NAFTA countries. They are currently the only U.S. carrier with both a Mexican and Canadian subsidiary.

In addition to transportation, Celadon operates an e–commerce business, TruckersB2B. TruckersB2B division is a membership program that provides pre–negotiated savings to thousands of small and medium–sized trucking companies on fuel, tires, trailers, software, and virtually everything else a trucking company needs. Founded in February 2000, TruckersB2B currently provides cost benefits to over 18,000 smaller fleet operators that collectively have over 440,000 trucks.

Celadon has grown significantly through internal growth and a series of acquisitions (8) since 1995. Acquisitions in 2002, 2003 and 2005 have allowed Celadon to expand its operations and service offerings within the United States and significantly improve lane density, freight mix, and customer diversity. Its customer base includes Fortune 500 shippers such as General Electric, Philip Morris, Wal–Mart, DaimlerChrysler, Procter & Gamble, DuPont, and Target.

As a transportation leader and innovator, Celadon differentiates itself by dedication to safety and sophisticated technology. Celadon was the 1st Place winner of the Truckload Carriers Association's highly–coveted 2004 National Fleet Safety Award for carriers over 100 million miles. In 1991, they were one of the very first carriers to install satellite–based tracking systems in their trucks which allows their customers to track loads over the internet in real time.

In 1998, Celadon recognized pre–tax impairment charges of $9.8 million related to the replacement of approximately 1,600 remaining 48–foot trailers with new 53–foot trailers in the first quarter of 2004. The company has shortened the replacement cycle of its tractors and trailers — newer equipment will attract and retain drivers as well as keep maintenance and tire costs down. In the short–run, the above mentioned operating catalysts will drive the price of the stock to around $33 according to my valuations.

Celadon Group, Inc., has been a publicly traded company since 1994. Celadon is a component of the Russell Microcap Index.

"clinics provide post-operative care - rehabilitation"

by Blake Simpson

U.S. Physical Therapy owns and operates 285 outpatient physical therapy and occupational therapy clinics in 36 states. They were founded in 1990 and went public in 1996. Their clinics provide post–operative care for a variety of orthopedic–related disorders and sports–related injuries. It also offers treatment for neurologically–related injuries, the rehabilitation of injured workers, and helps with preventative care. In addition to owning and operating clinics, the company manages several physical therapy facilities for third parties.

The company had very disappointing financial results in 2003. This ended a period of significant growth for the company in which proper care was not given to the growth of revenues and earnings. In late 2003, a new CFO and COO were brought in, both with impressive experience. In 2004, a new CEO was hired. This new leadership team developed an action plan to slow down clinic openings and improve quality as well as efficiency. As a result, earnings have risen every quarter since, with the most impressive profits materializing this past year. Last year, net income rose 47%, EBITDA 37%, and Revenues 11%. This shows that the new team has been successful in lowering costs. With the new business plan in action, revenue, net income, and earnings should continue to increase at exceptional rates.

By partnering with physicians that are already established in a particular area, U.S. Physical Therapy has achieved its nation–wide reach. When they enter a new area, they find a physician interested in running their own practice, research the profit potential and patient base, and then open a clinic. Ninety–five percent of their clinics are started from scratch and funded from retained earnings. This has been a very successful model for the company with numbers going from nine to 285 clinics in 15 years. The company will tuck in acquisitions if they are quick, easy, and profitable. However, the company has found that by opening their own clinics, it is easier to keep costs down while insuring quality service. After three years, the costs are completely recovered and profits are superior.

The need for physical therapists is expected to grow by 70% in 2006. I spoke with the CFO of the U. S. Physical Therapy and he stated that they are expecting to open more than 21 clinics next year even though he could not give me an exact prediction. Also, when I asked if the company will sustain last year's earnings growth (43%), he again could not give me a forecast but stated that they remain very optimistic about their growth potential. While a portion of this growth increase may have been from initial cost cutting and business changes, the company should sustain high growth rates. Return patient visits have increased 4% in the past year which is very encouraging. Also, the company has very little bad debt since 97% of patient bills are paid by some type of insurance or health plan. Physical therapy is a highly fragmented market. With over 16,000 clinics in the U.S., no firm owns more than 5% of the market. However, U.S. Physical Therapy is 5th in the U.S. Select Medical, with 741 clinics, is their biggest competitor, though they are a private firm. Stryker, number three on the list, is moving away from operating clinics and concentrating their business on distributing supplies. Another competitor, Health South, is doing very poorly. They are delisting from the NYSE and have negative earnings and growth estimates. As far as public physical therapy clinic operators go, USPH is doing very well and is poised to take more market share every year.

With the great management, successful business model, and faithful customer base, USPH is becoming a premier name in physical therapy. This company should prove to be a great investment for the Roland George Investments Program.

Michael J. Serio -
shared valuable lessons
by Blake Simpson

On November 14, 2005, the Roland George Investments Program was honored to host Mr. Michael J. Serio, CFA and CAIA (Certified Alternative Investment Analyst). He is the Director and Investment Counselor for Citigroup Private Bank in Denver, Colorado. Prior to joining the team at Citigroup, Mr. Serio was a Senior Vice President and Chief Investment Officer of Stein Roe Investment Counsel's Family Financial Advisors in Chicago, IL. He has also spent time at Northern Trust as well as Sanford C. Bernstein and Company. In addition, Mr. Serio has had a consulting relationship with the U.S. Agency for International Development concerning the progress of financial markets in the former Soviet Union. Mr. Serio received a BA from The University of Illinois, and holds an MBA from DePaul University.

Mr. Serio began his presentation by sharing valuable lessons he has learned in his almost 20 years in the finance industry. He shared such pointers as how to act professionally in an interview to how to treat clients in order to gain respect and business. It was very helpful to hear how a successful professional rose from the quagmire of the normal entry–level position grind to the top of the investment ladder.

After addressing these important issues all young students should be educated in, Mr. Serio moved on to explaining exactly what he does and some of the new products he is marketing. This portion was intriguing since many of the students are not positive about what area of the financial industry they would like to enter. Mr. Serio handed out the "Investment Playbook" from which he operates. It holds information such as the Global Economic Overview and Scenarios, overview of specific markets, and several different themes that can cater to any investment style. One of the more interesting themes was that of investing in "Strong Emerging Markets". The report pointed out Latin America and Asia as two of the world's upcoming markets. The strategy increases long–term exposure to emerging equities through sector–focused portfolios, funds, and other vehicles.

One of the new products Mr. Serio has helped develop at Citigroup, The Rising Asia Currency Basket, seeks to take advantage of the developing Asian markets. In its simplest form, this instrument breaks up the funds into several long call options of currencies in Asia that Citigroup believes may have the strongest potential for growth and appreciation on the continent. These options are set against the U.S. Dollar with the strike rates at the 3–year forward rates and are broken up equally as follows: Chinese Yuan, Indian Rupee, South Korean Won, Taiwan Dollar, and Japanese Yen. At specified times during the 3–year duration, the option that is most "in the money" is exercised. There is a great upside to this investment and the downside is limited to the initial option premiums since that is all the investor can lose if all five option batches finish out of the money.

After the presentation, the students of the Roland George Investments Program utilized Mr. Serio's vast knowledge by engaging him in discussion relevant to the upcoming job search most of us face. The program is very grateful to Mr. Serio for once again sharing his experience, expertise and time with us.

editor's note —

continued from page 1

thus making our positions more easily liquidated; fewer than four analysts following the stock, which increases our chances of uncovering hidden value; and a beta preferably in line with, or less than, the market.

That said, we dispatched our last energy stock this semester having decided early on that oil and gas companies possessed volatility beyond what we had an interest in. Likewise, consumer staples, traditionally a large portion of our portfolio, found little popularity amongst us as consumer spending took a dive towards the end of the year. And what did many students present to fill that void? In many cases, it was healthcare. The Roland George portfolio now incorporates more up and coming firms in health related industries, such as U.S. Physical Therapy, although, words like "patent infringement" will be a source of some anxiety for a time (see CUTR, page 8). Other additions range from a multi–million dollar trucking company to education related on–line software.

In the end, our determination and skill made 2005 a profitable year with the Roland George Investments Program catching many rising stars and netting a good return. We're thankful for all the faculty support, especially Dr. Ma who retains a gift for finding humor in what is otherwise a cut and dry subject. Our thanks also to speakers Robert Stovall, Michael J. Serio, Eric Cinnamond, and Timothy Hayes who gave generously of their time.

thegeorgeinvestmentsview

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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 $2.8 million dollars. Insights are gained through contact with professionals such as Robert Stovall, CFA, of Wood Asset Management, Inc., Sarasota, FL.

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

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