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by B. Marie Villard

Domtar Corporation, Inc., (UFS) was incorporated on August 16, 2006, for the sole purpose of combining Weyerhaeuser's Fine Paper Business with Dominion Tar and Chemical Inc., with both companies coming from strong historical backgrounds in the US and Canada, respectively. Domtar manufactures paper and paper products throughout Canada and the United States. The company is headquartered in Montreal, Quebec, with the head operations center located in Ft. Mill, South Carolina.

Domtar is the largest manufacturer of uncoated freesheet paper in North America and second largest in the world (based on production capacity). Uncoated freesheet, or "wood–free", paper is made of chemical pulps including sulfate, sulfite, soda, cotton linters, vegetable fiber, and additions of up to 10% mechanical fiber or bleached chemi–thermomechanical pulps (BCTMP) and recycled fibers. BCTMP lowers the cost of manufacturing while providing a better grade of paper than stone ground wood or other mechanical pulp.

Domtar is a successful producer of these specialty papers because it is an integrated producer, which means that it not only makes all of its own paper products, but it also produces the material from the ground up. The company markets and sells its products to a variety of consumers including merchants, retail outlets, stationers, printers, publishers, converters and end–

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# editor's note

by John Montague

This has been an exciting year for the Roland George Investments Program (RGIP). First, and at the heart of the program's philosophy, our class gained invaluable experience in managing over $3.1 million dollars. The experience is coupled with the encouragement and guidance of Stetson's finance department which provided the class with the best investment tools, software, and guidance available.

The greatness of the RGIP, however, is revealed in our class' performance. Year–to–date, the Equity Portfolio has returned 10.2% in contrast to the S&P 500's return of 4.6%. The concept is simple – when hungry college students are given the opportunity to invest, we will rise to the occasion. This mentality drives the long hours in the George Program "trading" room and obsessive monitoring of markets. As finance and accounting majors, we have been trying to read, memorize, and compute our way to financial enlightenment. But most of us have been reading about money and portfolio management without the opportunity to invest. The RGIP empowers us to make real investment decisions, illuminating the risks and rewards associated with the finance industry.

During the Fall 2007 semester, however, the RGIP encountered another element of investing:

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## what's *inside*


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# portfolio performance

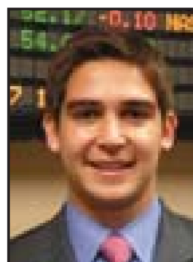
*by Carlos Betancourt*

The Roland George Investmensts Program made history in 2007 by becoming the first program to win seven years in a row at the Redefining Investment Strategy Education (RISE) Symposium. On March 31, 2007, the Roland George Investments Program was announced as the winner of the Fixed Income category with a risk–adjusted return of 16.5%. This prestigious annual event took place at the University of Dayton in Ohio. In our Fall 2007 Investment Policy Statement, the class, as a whole, decided to maximize risk–adjusted return within a workout period of one year.

In 2007, we observed many changes in the economy which have lead to great volatility, investor uncertainty, and rate cuts. With continuous trouble in the credit market, increasing oil prices, and a weakening dollar, the Roland George students decided to avoid several sectors such as housing, construction, materials, financials, and sub–prime in order to avoid eminent risks.

The Fall class of 2007 is the largest Roland George class in history with 27 participants. Over the course of the semester, a wide variety of companies were recommended for the Roland George Portfolio including shipping, renewable energy, technology, paper makers, telecommunications, automobile makers, and veterinary supplies. Our Equity Portfolio currently holds $400,142.16 in cash and $1,496,065.98 invested. Year–to–date, the Equity Portfolio has returned 10.2% as opposed to the benchmark the S&P 500's return of 4.6%.

Our Fixed Income Portfolio has also been performing superbly throughout 2007. It currently holds $233,345.82 in cash and $1,338.918.01 invested. Year-to-date, the Fixed Income Portfolio has returned 8.1% as opposed to the benchmark the Lehman Brothers U.S. Aggregate Bond Index's return of 5.7%.



As 2007 comes to an end, the Roland George class will be preparing for the Spring 2008 semester, which focuses on our Fixed Income Portfolio. The class will also take part in our annual trip to New York City, and RISE in Dayton, Ohio, were the Roland George Investments Program will be competing against hundreds of schools with hopes for achieving its 8th straight win.

The Fall class of 2007 has shown tremendous performance and professionalism. As the largest class in the program's history, we will always be thankful for the opportunity the Roland George Investments Program gave us to gain a real–world experience and an extraordinary education.

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## Roland George Investments Program Investment Policy Statement Fall 2007

Goal: Maximize Risk–adjusted Return (per RISE) within a workout period of 12 months.

Guidelines:

1. **Style Choice**: Small–Cap Growth < $ 2 billion

   For growth, no more than two of the ratios in the following chart can be lower than the market average.

| Ratio | Market Average |
|---|---|
| P/E | 22 |
| P/S | 8 |
| P/FCF | 15 |
| P/B | 3.5 |

2. **Sector Choice**:
   Lower Financials; Avoid Housing, Construction, Materials, and Subprime.
3. **Trading**: $5 minimum price, 200,000 shares minimum average daily volume.
4. **Number of Stocks:** no more than 30 stocks in the final portfolio.
5. **Average stock size**: maximum $50,000 per stock.
6. **Analysts**: no more than 5 analysts following the stock.

# purchases

## growth fund

***Belden, Inc. (BDC)*** – Based in St. Louis, MO, Belden is one of the largest U.S.–based manufacturers of high–speed electronic cables and focuses on products for the specialty electronics and data networking markets, including connectivity. Belden is regarded as one of the strongest companies in the industry with a superior product. They sell their products to governments, auto manufacturers, aeronautical manufacturers, telecommunication developers, and technology manufacturers. Since its purchase date, Belden has given the RGIP portfolio over 5% return.

***CyberSource, Corp. (CYBS)*** – CyberSource is a company that allows merchants to accept monetary payments online either by credit card, debit card, subscription or recurring payments, electronic checks, or other means of payment. According to CyberSource's 2006 annual report, it had revenues of $70 million, a 40% increase from 2005. The current forecasted sales estimates for 2007 are $102 million, a 44% increase from last year. In addition, 2008 forecasted sales estimates are set to surpass the $136 million mark which could potentially help the RGIP portfolio achieve even greater returns in the upcoming year.

***Domtar, Corp. (UFS)*** – Domtar Corporation is the largest manufacturer of uncoated freesheet paper in North America and second largest in the world (based on production capacity). Domtar's Paper Products business consists of an extensive network of strategically located paper distribution facilities, comprising the purchasing, warehousing, sale and distribution of various products made by Domtar and other manufacturers. This company not only gives us an opportunity to see positive returns in 2008, but it also adds diversification to our revamped portfolio.

***Eagle Bulk Shipping, Inc. (EGLE)*** – Eagle Bulk Shipping, Inc., headquartered in New York City, is a leading global owner of Supramax dry bulk vessels, which are dry bulk vessels that range in size from 50,000 to 60,000 deadweight tons, and the largest dry shipper in the USA. EGLE's quarterly revenue growth was 19.7%, beating the industry 14%. EGLE's gross margin is 78.26% surpassing an industry 57%. EGLE almost doubles the industry Operating Margin of 22.45% at 42.03%. All these ratios speak to the efficiency of EGLE and their ability to outperform the sector. Say no more – RGIP trustees are very excited about EGLE and its potential for 2008.

***K-Tron International, Inc. (KTII)*** – K–Tron International, Inc., is a unique "under the radar" company with a strong history and an extremely optimistic future. Placed in the Scientific & Technical Instruments Industry, K-Tron is a global producer and distributor of handling, conveying, and size reduction equipment to a diverse range of manufacturing companies. K-Tron holds more than 100 patents for feeding, weighing, and mechanical control technologies, and it is reaping benefits from an increasing demand for their products every year. Based on a Holts Model Valuation, KTII is approximately 7.43% undervalued compared to both the Technical Machinery Industry and their comparable competitor

***Marvel Entertainment, Inc. (MLV)*** – Marvel leads its industry as one of the world's greatest "character–based" entertainment companies, owning rights to a library of over 5,000 characters. Marvel business currently consists of licensing, publishing, and toy production. Marvel's 10Q exceeded analysts' expectations more than 50%, while the company reported 3Q EPS of .45 in contrast to the .16 reported the same year. 2008 Outlook: Marvel's publishing and new film slate will drive revenue growth and fuel earnings growth, while returns are magnified by a rising P/E. With the tremendous success of this company over the past few years, and excellent growth prospects from their new film slate, RGIP believes this company can outperform the market in 2008.

***Mellanox Technologies, Ltd. (MLNX)*** – Mellanox Technologies is a leading supplier of semiconductor based, high–performance interconnectivity products that facilitate data transmission between servers, communications infrastructure equipment, and storage systems. Mellanox focuses on InfiniBand technology, which is high–bandwidth, low latency applications, in layman's terms meaning faster connection without delays. In addition, for 2007, quarterly data for quarters 1, 2, and 3 have been $16.85 million, $19.8 million, and the recently announced $22.7 million allotting $59.35 million in revenue to Mellanox in the first three quarters of 2007. The numbers speak for themselves, and the future of technology lies in companies like this one. The RGIP will certainly be following Mellanox and its progress with new technologies, giving our portfolio an edge in 2008.

***Monsanto Company (MON)*** – Monsanto Company is a leading provider of agricultural products. Their seeds, herbicides, and pesticides reduce the costs of farming by increasing productivity and yield and decreasing risk of crop damage. Strong previous growth and stronger expected growth make the stock an attractive buy. With an expected return of 22%, the purchase of Monsanto Company's stock will be a positive addition to the portfolio.

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Cougar® is Greener

*We have been using Cougar® paper for the contents in our Annual Report since 2002.*

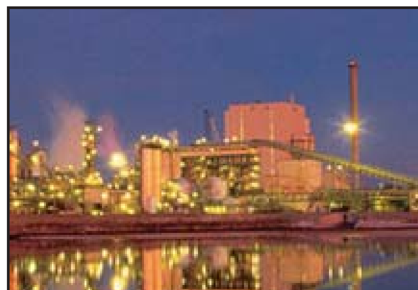
users. Their recognized brands include First Choice®, Domtar Microprint®, Windsor Offset®, Cougar®, as well as a full line of environmentally and socially responsible papers, Domtar EarthChoice®.

In April 2002, Domtar became the first North American paper company to earn approval from the Forest Stewardship Council (FSC), in recognition of their responsible management of all the operations, from forest floor to finished product. Their products are manufactured under certain waste management, deforestation, and ethical codes, which makes Domtar one of the most progressive producers in the Paper Products industry.

One of the most recent ventures in Domtar's product line was the 2006 introduction of EarthChoice® brand, a line of socially and environmentally responsible papers. This brand offers more than 800 SKUs in its line, all of which are supported by logos from the FSC, Rainforest Alliance, as well as the WWF–Canada. The company has taken the necessary steps in the production of the EarthChoice® brand, including the adoption of cut–to–length machines which harvest and process at the point of incision, improving habitat conditions for wildlife, retention of the soil's nutrients, as well as cushioning the soil. These eco–friendly papers are wood–free, produced with short–life complex fibrous plants. This has enabled the company to reduce costs associated with production and processing.

The paper industry has seen negative growth over the past few years, but Domtar seems to be a promising company, outperforming its industry. Though both parent companies that merged to form the current company have been around since the early to mid 20th century, Domtar is still young and has many opportunities for growth. The company is taking initiative by minimizing capital expenditures, restructuring its facilities, selling off the wood segment of its operations, and focusing on the environment through production efforts. This company will take every step necessary to better its returns and keep shareholders happy. I believe that this will be a great investment for the Roland George Portfolio.

*Pictured: Mill for Domtar Marlboro, Bennettsville, SC*



## *editor's* note

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revealing investment criteria other than basic risk–and–return analysis. This became evident because the ultimate decision criterion for VCG Holdings (ticker VCGH) was contingent on an interpretation and application of the university's core values, which was a clear departure from our class' investment policy. Evan White, in my opinion, found an excellent stock and his presentation was very persuasive — but the stock was rejected.

Although our textbooks remain the same, the markets are constantly changing. We will be forever grateful for being able to work in the RGIP while obtaining this unique and preferable education. Thank you for reading this issue of the *George Investments View*. I invite your support, suggestions, feedback, and, of course, criticism.

If you are interested in learning more about the *George Investments View* or would like to submit an article for the next issue, please send an email to jmontagu@stetson.edu.

*Pictured: Mill for Domtar located in Dryden, Ontario.*

# "Contention and Consistency"

## director's *update*

*by Dr. Larry Belcher*

This fall we had a great run going. As of October, we were up 10.66% in our equity portfolio. Unfortunately, however, the year is not ten months long and November and December took place. What started off great went downhill quickly as the economy soured. This was not unique to our portfolio, though, as most portfolios with any equity positions took a hit. We are often more vulnerable because we have had a small-cap focus in our portfolio, which increases volatility. What our students are still able to do consistently, regardless of economic circumstances, is find quality companies with growth potential. In some cases, the rest of the world catches up to the students and takes notice of the company. In this year, we lost two company positions. One, Color Kinetics, was bought out by Philips Electronics. The other, Bright Horizons Family Solutions, is slated to be bought out in a private equity deal. Neither deal was upsetting because it vindicated the students' research and valuation, which made them both great educational experiences.

We also had to tackle another difficult issue of a different sort than a declining economy. This had to do with what I would call "contentious" investing. That is, what happens when there is a strong difference of opinion as to what constitutes an "appropriate" investment? This fall a recommendation was made to purchase a holding company that owned a string of "gentleman's clubs". The recommendation was justified on two grounds: that its financials and industry met the class's investment objectives and that there was no explicit constraint that prohibited it, particularly in regard to "socially responsible" investing. My view was both somewhat broader and somewhat narrower than this view. My view was that discussion was necessary but that there were "unspoken" values that we should consider.

One of the University's core values deals with gender issues and respect for them. This type of business, while it may be profitable, certainly is extremely controversial as it pertains to how women are represented. There would be substantial discussion within the University, in my opinion, as to whether a company like this fit with the University's core values, EVEN IF there are no specific guidelines prohibiting it in the George Program. This was the point that I made in the discussion. But what about tobacco and alcohol, we were asked? The George Program had invested in Altria Group (part of which was Phillip Morris) and Boston Beer, and done well with them both. Why not now? That is a good point, but in my mind different. In any case, the recommendation did not pass but the discussion was good. It forced the students to tackle a controversial social issue and think about broader university goals other than simply making money on an investment. In my mind, therefore, it was still another great educational experience.

In spite of the general economic carnage around us during the past several months, there was some good news this year. For another year, our students took a top honor at the University of Dayton RISE Symposium. We finished first in the undergraduate fixed income category. This earned us another trophy for the case and some quite unexpected publicity. Business Week magazine did a short feature on all of the winning schools that included a great picture of the trading room. We were also featured in the Hartford, Connecticut Courant, the Chicago Tribune, the Washington Post and the New York Times. Senior Billy Houghton wrote an extensive article that appeared in Young Money magazine, a magazine geared for younger investors. It seems that the word is now out – we have one of the best (and now most recognized, apparently) student managed funds in the country. This may be the year when we can really show it – it certainly will be a challenge!

# purchases

# portfolio

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***MWI Veterinary Supply, Inc. (MWIV)*** – MWI, a main distributor of animal health supplies, provides over 10,000 products supplied by more than 400 vendors across the nation. These products are sold to more than 15,000 out of more than 27,000 licensed veterinarians throughout the United States, making MWI Veterinary the leading provider in health supplies for animals. RGIP showed great interest in this company due to its great ability to provide their products across the US. With a great track record, MWI should give our portfolio positive returns in 2008.

***Seaspan Corp. (SSW)*** – Seaspan engages in owning containerships and contracting them pursuant to long–term, fixed–rate charters. Seaspan essentially operates a global bus network, carrying raw materials to the East and returning finished goods to the West. The customer base of Seaspan has full control of the routes and goods shipped. Growth within Seaspan has been tremendous since it was a private firm in 2002. Revenue growth over the past 5 years amounts to 76.68% annually, and it is expected for Seapan to continue to perform this way in 2008. The RGIP is excited to have a transportation company as part of our portfolio, and expect great things from Seaspan.

***Silicon Motion Technology Corp. (SIMO)*** – Today Silicon Motion Technology is the market leader in controllers for flash memory cards with a 35% market share. Headquartered in Taiwan, its business is conducted in Taiwan, Korea, China, Japan and the United States. With current economic woes in the US, companies like SIMO give the RGIP great expectations due to their massive operations in other countries. With revenues coming from an array of countries, RGIP expects it to perform well in 2008.

***Sun Hydraulics Corp. (SNHY)*** – Sun Hydraulics develops, manufactures, and markets component parts used in fluid power systems to control force, speed, and motion. The company is the leading developer and manufacturer of screw–in cartridge valves and manifolds. Sun Hydraulics will continue to grow through global and product line expansion. Product development initiatives are on–going, with the most recent introduction of the electro–hydraulic cartridge valve. New products and positive revenues throughout 2007 should yield strong growth in 2008.

***Synchronoss Technologies, Inc. (SNCR)*** – Synchronoss Technologies, Inc., is headquartered in Bridgewater, New Jersey and is currently a leading provider of on–demand multi–channel transaction management solutions to the communications services marketplace. There are numerous reasons why SNCR has an extreme potential for growth over the next 12 months. Research shows that e–commerce sales in the U.S. will continue to grow by 15% each year, reaching $300 billion by 2009. Thus, the future should yield plentiful e–commerce transactions to enhance revenue. RGIP will definitely keep a close eye on this great stock due to its impressive growth potential for the upcoming year.

***Talisman Energy, Inc. (TLM)*** – Talisman Energy, Inc., is an extremely attractive investment due to the fact that if offers products that are necessities. In addition, it offers dynamic growth as Talisman increases their proved reserve holdings as well as drill into new potential findings. Given the current economic conditions, firms such as Talisman will prosper no matter what since they are recession hedged. Currently, the Roland George Portfolio holds no security tied to energy or oil, and with prices increasing daily it would make total sense to hold a company that will benefit from the increase in prices. Based on financial analysis and valuation models that severely undervalue this firm, the Roland George Investment Program purchased 2,520 shares of Talisman Energy, Inc.

***Tata Motors, Ltd. (TTM)*** – An entity of Tata Sons, Limited, Tata Motors is an Indian manufacturer of commercial and passenger vehicles. The company is India's largest automobile company and produces a wide range of vehicles. These vehicles include passenger cars, utility vehicles, full sized trucks, buses and military vehicles. The most significant project that the company is currently working on is the production of a small passenger car that will sell for around $2,500. This will create a new price category for the car industry and a great growth opportunity for Tata Motors. Although this $2,500 car will not hit the market for some time, the expectations for Tata Motors are striking due to their probable contracts with big companies for this new car. Our trustees feel that Tata Motors has the potential to become a household name.

# performance

***Tennant Company (TNC)*** – Tennant Company is a world-leading manufacturer of indoor and outdoor cleaning products and machinery, while also providing cleaning services and producing specialty floor coatings. Based on Tennant's international growth prospects and favorable market position, compounded with the company being significantly undervalued, the Roland George Investments Program purchased 1,400 shares of TNC. Assuming a holding period of ten to twelve months, it predicted the security will yield returns between 39% and 41%. Moreover, this security will provide RGIP with additional international exposure, prospectively lowering our risk adjusted return.

***Vodafone Group, PLC (VOD)*** – Vodafone Group, PLC, is a cellular communications company that is a leader in the industry. They have significant presence in Europe, the Middle East, Africa, Asia, Pacific, and throughout the US. Over the past year, VOD has outperformed the industry and sector by at least 40%. In 2008, the same performance is expected from this cellular communications giant and the RGIP believes that VOD will once again outperform both its industry and sector.

***Waste Connections, Inc. (WCN)*** – Waste Connections offers waste collection, disposal services, transfer services, recycling, and intermodal services. Waste collection is the backbone of the company, accounting for 65% of their annual revenues. They offer waste collection services for residential municipalities, industrial sectors, and commercial businesses. They have also had recent earnings success, most recently beating analyst's September earnings estimates by eight percent. Earnings growth for fiscal year 2007 was around 25%, and WCN met or beat all of their earnings estimates. They have had an average net profit margin over the last 5 years of around 11%, as compared to the industry average of around two percent. The RGIP expects even better results from this company in 2008 and believes its returns will enhance portfolio diversity, further enhancing our risk–adjusted return.

## income fund

***Coca-Cola Enterprises (CCE)*** – Coca-Cola Enterprises is the world's largest nonalcoholic beverage bottling company. The company markets, produces, and distributes an assortment of different drinks to customers throughout North America and Western Europe. CCE appears to be in good enough financial health to continue making interest and principal payments. They have annually lowered their debt-to-assets ratio long term debt to equity showing that they are able to maintain their credit. Beyond the aberration in 2006 that resulted from a dip in revenues, the company has posted strong profits and given little reason to doubt their ability to continue to perform in the future.

***Florida Power & Light Group, Inc. (FPL)*** – Florida Power & Light Group, Inc., operates through two primary subsidiaries, Florida Power & Light Company and FPL Energy. They are both nationally known as high quality, customer-driven utility companies that focus on energy-related products and services. FPL Group has a higher credit rating and a longer duration, which will amplify our return as interest rates decrease during our workout period. Given that consumer spending has slowed and which many think will continue, focusing on more recession proof industries is a better investment.

*Student trustees take part in reviewing recommendations and voting for buys, sells and/or holds during board meetings throughout each semester.*

# sells

## growth fund



***Asta Funding, Inc. (ASFI)*** – Not only is this firm in a dangerous industry, financial, it is important to note that it is severely underperforming its industry. Although the stock is still undervalued, we have an opportunity for cash from the liquidation of Asta Funding and then invest in a new company that is not in an industry that is performing so poorly.

***BJ's Restaurants, Inc. (BJRI)*** – With fears of a bad economy and consumers spending less of their disposable income, RGIP believes this industry might suffer in the upcoming year. In addition, BJRI never truly performed as well as the class expected.

***Blackboard (BBBB)*** – Blackboard is off its all-time highs and has given up much of our unrealized capital gains on poor earnings outlooks. Given the recent EPS changes over the past several months, holding Blackboard is not in guidance with our Equity Portfolio Investment Policy of a one year holding term.

***Build-a-Bear Workshop, Inc. (BBW)*** – Although, the stock is undervalued, it is believed that BBW will be further affected by the recession. Slowing top-line growth, declining same-store sales, earnings short falls, and decreases in profit margin are key indicators that would conclude Build-A-Bear could have reached its maturity.

***Clayton Holdings, Inc. (CLAY)*** – In October, 2007, Clayton posted a third–quarter net loss of $2.8 million, or 14 cents a share. But in comparison with a year earlier net income of $3.1 million, or 14 cents a share, RGIP was not satisfied with the stock's performance. These poor earnings results, coupled with a 47% decrease in revenue, made CLAY an easy sell for RGIP.

***DealerTrack Holdings, Inc. (TRAK)*** – DealerTrack indicated on October 16, 2007, that increasing costs due to the addition of these firms and their integration caused a reduction of forecasted expected earnings per share. After holding this asset for around a year — and earning a solid return on TRAK — RGIP decided to liquidate all of our holdings.

***Dolby Laboratories, Inc. (DLB)*** – Although Dolby is targeted to increase in value by 4.79% in the coming year, the RGIP believes we can find better stocks with higher growth for our portfolio. Dolby is currently overvalued and doesn't show any significant growth potential.

***Flanders Corp. (FLDR)*** – Due to the drastic decline in earnings over the past year and the low fair value target price, the RGIP decided to liquidate all of FLDR holdings.

***Intermec, Inc. (IN)*** – Intermec recently announced that their current CEO is leaving the company to pursue other interests. Investors see this as an effort to reorganize their management team to improve efficiency. Intermec has posted minimal gains for our portfolio over the past year and it was in our best interest to liquidate this asset.

***Jamba, Inc. (JMBA)*** – Even though more stores have been opened recently, the restaurant businesses have been hurting because of consumer uncertainty and decreasing consumer sediment. In addition, Jamba's financials do not look positive. Therefore, the RGIP is ready to part ways with this company.

***Life Time Fitness, Inc. (LTM)*** – To realize our gain, the RGIP sold all of the shares in Lifetime Fitness simply because it is at an all–time high. It was crucial to sell now while the growth is beginning to slow down so we can liquidate cash in our portfolio and use it for other endeavors.

***Movado Group, Inc. (MOV)*** – A slowdown in consumer spending, and ultimately the consumer discretionary sector, will most surely impact Movado's sales. With a heavily high–end weighted customer base, Movado is vulnerable to consumer spending cycles. The prospects for growth, unfortunately, do not outweigh the risks with this company.

***Owens & Minor, Inc. (OMI)*** – Since the purchase of OMI in April of 2007, we have seen a 4.42% return on the stock. With new earnings coming out and current earnings already being down for the year, the RGIP sold all shares of OMI in order to turn a profit.

***Pike Electric Corporation (PEC)*** – Pike Electric Corp. is a recession-sensitive firm in a recession-sensitive industry – General Contractors (Capital Goods). Historically speaking, capital goods are very vulnerable to bear markets. Although Pike started off with a strong IPO and high

*Seniors Patrick Dugan, Marie Villard and John Montague teamed up to attend the RISE 2008 competition.*

## performance

*Participating teams at the RISE 2008 Symposium all attended the live satellite broadcasting of the "ringing of the bell" at NASDAQ on March 27, 2008.*

expectations, it has stabilized and will continue to show slow growth. Our holdings were liquidated for that reason.

***Plantronics (PLT)*** – This company has a much lower growth rate compared to the communications equipment industry and its competitors. Their revenue growth has slowed to 6.6% this year compared to 33% the previous year and 34% two years prior. This is due to declining industry growth. The current stock price reflects the fair value of the company. With such a bleak market outlook I believe we should hold the cash generated until next semester when a new policy statement is made.

***Radiation Therapy Services, Inc. (RTSX)*** – Even after posting second quarter profits, RTSX missed analysts' estimates by a cent and was forced to cut its full–year earnings outlook. Furthermore, the company was forced to lower full–year earnings estimates by 10 cents a share. In 2007, Radiation Therapy Services, Inc., had already experienced two downgrades. Due to the rumors of a potential buyout, and liquidating our holdings, the RGIP made over 10% return since we purchased this stock.

***Radvision, Ltd. (RVSN)*** – Total return for this stock over the holding period has been a (minus) –10.28%. In order to cut our loss, the RGIP decided to sell all RVSN shares.

***Rogers Corp. (ROG)*** – Given the recent surge in stock price and the higher–than–expected earnings, the RGIP felt it was time to sell ROG in order to turn a profit.

***Satyam Computer Systems (SAY)*** – This stock is nearing its maturity and decline stages and has reached and passed its value. The fair price of SAY is below the current selling price and, therefore, is overvalued. It is no longer a small growth stock, and has made a 34% return since purchase. According to the economic outlook, industry forecasts and valuation analysis, we felt it best to sell all 2,000 shares of SAY.

***Tower Group, Inc. (TWGP)*** – In addition to decreasing stock prices, Tower Group is also part of the financial industry which has taken a hit despite strong earnings. The RGIP felt that selling this stock was best for our portfolio.

***True Religion Apparel, Inc. (TRLG)*** – Over the past 11 months, the return of TRLG has significantly underperformed their industry, yielding a 17.99% loss on Holding Period Return. In addition, high management turnover is coupled with accounting issues, because the company is considering whether a $1.2 million expense should have been recorded in 2006 instead of 2007. The RGIP decided to sell all shares of TRLG in order to cut losses.

***Vodafone Group, PLC. (VOD)*** – Although Vodafone Group, Plc., is slightly undervalued, with new FCC regulations in the United States, as well as a maturing market, it's growth will be very slow in the next year. The slow growth in the US along with saturated markets in Western Europe, South Korea and Japan will offset the growth from emerging markets in India and the Middle East. Research of the wireless telecommunications industry and an analyst downgrade in January prove that this company is no longer a valuable asset to our portfolio.

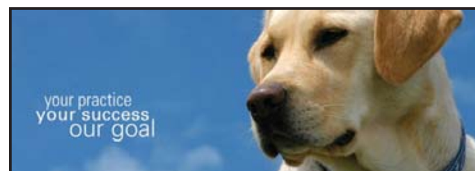
### income fund

***Bank of America Corporation (BAC)*** – The Bank of America bond has limited upside potential. Given the 2008 investment policy statement, shorter duration and lower credit rating is not desirable. Selling Bank of America affords us the opportunity to purchase a more favorable bond for maximum returns.

***Comcast Corporation (CMCSA)*** – Given our predicted interest rate movement and portfolio guidelines, it was decided the Roland George Investments Program would sell Comcast Corp. and replace it with a corporate bond that has a higher credit rating and a longer duration. If interest rates move as predicted, this will help us meet our objective by maximizing total return.

## give a dog a bone

### by Heather Albright




MWI Veterinary Supply (MWIV) is one of the main distributors of animal health products in the United States. Their products are offered in two different segments: companion animal health supplies comprising two–thirds of their revenue and production animal health supplies comprising the other one third. These two segments set them apart from their competition.

Companion animals are your dogs, cats, and birds; whereas production animals are cattle, sheep, and other animals typically seen on farms. MWI has a huge competitive advantage since it supplies both markets as well as providing multiple value–added services to its clients. For example, their website allows for veterinarians across the United States to access their inventory and calculate how much of each product they need. Supplying over 10,000 products to more than half of all licensed veterinarians in America, MWI has strong market presence and is continuing to gain strength. Some of their main vendors include Fort Dodge and Pfizer, and some of their main clients include Banfield and Feeder's Advantage.

Recently, MWI has been priced between $40.00 and $41.00 a share. When I originally recommended this stock to the RGIP, it was trading around $38.00. I chose this stock based on my forecasts of the market in the upcoming year, the growth opportunities MWI has available, and its positive earnings in previous quarters. MWI has many growth opportunities as they recently acquired another company within their industry and opened a new distribution center in our very own Orlando, Florida. They strive to make selective acquisitions while increasing their customer base. MWI Veterinary Supply now captures about 15% of the market share for animal products.

Just last month, MWI released their earnings for the 2007 fiscal year with revenues up 17.1% from 2006. After reviewing their financials and other analysis, I predict this company to have a growth rate anywhere between 19% and 23% with an internal growth rate around 14%. This growth stems not only from an expansion of their distribution centers, but also from a commitment to their existing clients and new clients. Even after only 2 months, this stock has seen 7.67% return and increasing, despite market volatility. Due to this strengthening growth, I wholeheartedly recommended the purchase of 1,000 shares in MWI Veterinary Supply.

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## a stock that won't 'Waste' your time...

### by Bret Feldman

Waste Connections (WCN) was first introduced on the New York Stock Exchange in 1998, and since then it has grown tremendously. Primarily based in the western and southern United States, Waste Connections provides waste collection, transferring stations, landfills, and recycling services. Naturally, waste collection makes up most of their business, but over the recent years they have beefed up their recycling services.

While many investors might believe these services are of the norm for a waste collection company, by delving deeper you can discover its uniqueness. Over the years, Waste Connections has been able to vertically integrate all of its company's services. That is, not only do they collect the waste on a daily basis, but they also own their own transfer stations and landfills, which allows the company to efficiently operate the waste collection operation while also cutting down on third–party costs. As a result, their revenues have continued to grow along with their stock price, which is targeted to hit $43.38 in 2008.

The company has also shown stable growth over the last 5 to 6 years, all of which estimated to around $60 million in increased revenue. Most recently, the company acquired U.S. Waste Industries, Inc., in Colorado, which accounted for more than $30 million in added revenue. When I spoke with the company's CFO, he said "the company is constantly acquiring new market areas that have major growth opportunities." Obviously, a bright future is ahead.

Despite the looming market conditions, Waste Connections' stock price has stayed very stable. The stock was purchased at around $32, and steady growth will continue to bolster an already superb company.

# tata motors limited

### by Patrick Dugan

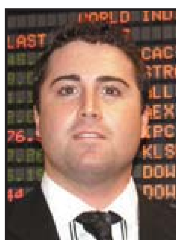
With a revamped corporate structure and explosive growth opportunities, Tata Motors is poised to produce strong returns for the Roland George Equity Portfolio in 2008. The company is India's largest automobile company and produces a wide range of vehicles. These vehicles include passenger cars, utility vehicles, full sized trucks, buses and military vehicles. In addition to manufacturing the cars, they also finance their vehicles. Tata Motors has a presence in Europe, Africa, the Middle East, South Asia, South East Asia, and Australia while being based in Mumbai, India. While Tata has produced commercial vehicles since its inception, it has only been in the passenger car industry since 1991.

Since 2001, when Tata Motors ran into negative earnings and financial distress, the automobile manufacturer has created a recipe for success. The company has significantly cut costs and has continued to look for new innovative ways to fight rising raw material costs. The management of Tata Motors has been very successful and has created a strong corporate structure. In addition to organic growth, Tata has looked globally in order to expand its product lines. It has partnered with or acquired companies in South Korea, Brazil, Spain, and Europe.

The outlook for Tata Motors is very promising for 2008. The year will begin with the announcement of the sale of the Jaguar and Land Rover lines by Ford. Tata Motors is currently one of three front runners for the purchase. This acquisition would allow Tata Motors its first presence in the United States and a stronger presence in the passenger car industry. 2008 is also expected to be the year that Tata Motors will release its historically low priced car. The car is expected to sell for the equivalent of $2,500 U.S. dollars. This would be the most inexpensive car ever produced, when adjusted for inflation, and would allow many in India the ability to afford a car. Currently there are only seven cars for every 1,000 people in India. This is an incredible growth opportunity. Tata Motors also looks to enter into the "green" market in 2008 with a car that runs primarily off compressed air.

With Tata Motors selling at bargain bin prices and the continued volatility in the U.S. markets, this should be a strong buy for 2008.

Mellanox Technologies (MLNX) is a leading provider of semiconductor based, high–performance interconnectivity products that facilitate data transmission between servers, communications infrastructure equipment, and storage systems. Mellanox focuses on InfiniBand technology, which is a high–bandwidth, low–latency application. In layman's terms this means faster connection without delays. They are an Israeli based company with operations in the United States as well, going public on the NASDAQ Exchange February 7th, 2007. Their products are a key part of a total solution focusing on computing, storage, and communication applications used in enterprise data centers as well as high–performance computing. Mellanox operates in one reportable segment: the development, manufacturing, marketing and sales of InfiniBand semiconductor products. They design, develop, and market adapter and switch IC's, which are both silicon devices that provide high–performance connectivity. In addition, Mellanox offers adapter cards that incorporate their IC's.



*by Scott Milford*

In order to fully understand the products offered by Mellanox, it is imperative to understand InfiniBand technology. It is a switched fabric communications link primarily used in high–performance computing. Its features include quality of service and failover, which is the capacity to switch over automatically to a redundant or standby computer server, and they are designed to be scalable; this means the capacity to handle growing amounts of work or readiness will be enlarged. InfiniBand uses a switched fabric topology where many devices connect with each other via switches used in storage networks and high–speed interconnects. A debate for many businesses and infrastructure is which technology to use – Ethernet, Fibre Channel, or InfiniBand. InfiniBand offers the highest bandwidth and lowest latency – more information at a faster pace so this technology is the most efficient to use.

Since 2004, Mellanox has experienced outstanding revenue growth. Respective revenues from 2004, 2005, and 2006 were $20.3 million, $42.1 million, and $48.5 million, representing growth of 107%. This significant increase in revenues is primarily due to the increased unit sales by approximately 103%, driven by adoption of InfiniBand technology and Mellanox products. In addition, 2007 has seen even more promising figures, as revenues through the third quarter were already at $59.35 million, a record high with one more quarter to go. It is also important to note that Mellanox has been doing a majority of their business outside of North America, an important fact since the current financial state in the United States is uneasy. Revenue from outside North America in 2006 was 41% and is expected to keep growing.

After conducting financial analysis on Mellanox by exploring their income statements, balance sheets, cash flow statements, and annual reports, it became apparent the company is headed in the right direction. With revenues growing, Mellanox is sporting a solid income statement and balance sheet, with no long–term debt. Their main assets consisting of the following: cash and cash equivalents; short–term deposits; and interest–bearing marketable securities with maturity less than one year consisting of commercial paper, government and non–government debt securities.

To generate growth rates for Mellanox, I created a pro forma income statement and estimated costs for 2007 and 2008. These statements, combined with market share potential and past growth, yielded expected revenue growth of 22%. It's important to note that there are few reports available for this company, but one analyst is predicting 35% revenue growth — so my estimate is relatively conservative, leaving Mellanox substantially undervalued. Another key point for Mellanox is that they have been marked as an "Approved Enterprise" in Israel, meaning they are eligible for tax benefits. Operations in Yokneam, Israel, will be exempt from income tax for a period of 10 years that commences on the first year of generating positive net income. Under this agreement, operations here will not be taxed until 2015, which is outside the Roland George holding period, thus leaving more net income for Mellanox.

When I first valued the stock in November, Mellanox was trading at $20–$22, and thus has dropped to about $18-$20, which I associate with a drop in the overall market. With this, it is simply an opportunity to buy a great stock at a cheaper price. In using my growth rates along with the company's great potential for growth, I am estimating a target price of $30-$37, representing returns between 31% and 61%. With these promising opportunities, I recommended that the Roland George Investments Program purchase 2,200 shares of Mellanox Technologies.

by John Montague

A weakening dollar and decreasing consumer confidence, compounded with the apparent housing correction, has left bearish sentiment on Wall Street. My solution? Get defensive. Pick industries and sectors that out perform in bad economies.

By means of top down analysis, I foresee Marvel Entertainment to provide ample growth opportunities for 2008 as the Movies and Entertainment industry is historically resistant to recessionary pressures. Past data indicates high performance because entertainment products are rather inexpensive and consumers can afford them in difficult economies. My consensus is backed by research conducted by Standards & Poor, stating "Macroeconomic factors such as employment, consumer confidence, and personal income generally do not have a significant impact on the entertainment business." While the industry is attractive amidst Wall Street's current volatility, Marvel's business expansion this coming year should yield increased earnings power in 2008 and beyond.

Marvel leads its industry as one of the world's greatest "character–based" entertainment companies, owning rights to a library of over 5,000 characters. Their business currently consists of licensing, publishing, and toy production. As of 2005, however, Marvel has expanded studio operations to encompass film production, which will be spearheaded with the production of Iron Man and The Incredible Hulk in 2008. After further analysis, and after creating Marvel's 2008 pro forma income statement, I projected $1.80 for 2008 EPS, which is a 24% increase from the trailing 12 months. Moreover, Marvel has significant room for exploitation because, like many others in their industry, the company provided earnings guidance without including any EPS contribution from their new film slate. I based my EPS forecast on a basis of company estimates, historical data, and my expectations for the summer's film contributions.

On a P/E basis, the company is cheap. This is evident as Marvel's P/E multiple was 18.62 while the Movies and Entertainment industry's five–year average is around 23. The Movies and Entertainment 10–year P/E is even higher. We can expect this multiple to expand as Marvel's movies come closer to production and Marvel's growth opportunities support a greater ratio. My outlook for 2008 is as follows: Marvel's publishing and new film slate will drive revenue growth and fuel earnings growth while returns are magnified by a rising P/E.

Because of Marvel's strong fundamentals and growth opportunities, I recommended the Roland George Investments Program purchase 1,700 shares with my target price between $35 and $39. We expect this appreciation to occur over the next 12 months as Marvel's new film slate increases earnings through 2008.

## opportunity right under our noses

by Anna Timberlake

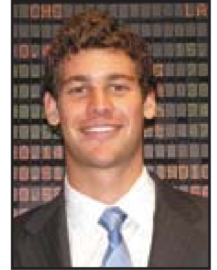
Vodafone Group, Plc. (VOD) is a wireless telecommunications company that first began in 1984 as a subsidiary of Racal Electronics, Plc. and then became independent in 1991. It is one of the largest wireless communications companies in the world. The company owns operations, partnerships, and has affiliates in Europe, Africa, Asia, US, and the Pacific. In September, 2007, they had 241 million customers. The company has an aggressive growth strategy, most recently focusing on retaining customers in more saturated markets and expanding operations in emerging markets.

Originally I thought there would be no opportunity for a significant return for such a large company and I was turned off by the past two years in negative net earnings. But as I looked further into the company, I found that the company and analysts valued Vodafone based on adjusted earnings, which is a more cash–like value that primarily excludes impairment charges. With these adjusted earnings, I found an expected return of about 37% with a target price of $51.80 in my valuation models. Also, pro forma statements predict positive net earnings for the next few years in addition to growth of adjusted earnings. Recently, the company released their half–year statement for FY2008 confirming positive net earnings and higher than expected growth of revenue and adjusted earnings, with a dividend payout ratio equal to the year before being 60% of adjusted earnings.

Vodafone recently expanded into India. In May 2007, the company acquired interest in Hutchinson Essar, one of three major wireless telecommunications competitors in India. India is one of the fastest growing markets in the industry. With 700 million current subscribers, a population of one billion, and subscriber growth at seven to eight million customers per month, Vodafone accounts for about 40% of that growth.

This new addition to Vodafone's portfolio of emerging markets will prove to be more than average. Because of this expansion into India's high–growth emerging market, I recommended that the Roland George Investments Program invest in this well–established company expecting higher than average growth in the near future.

# socially responsible investing: the ongoing debate



by Evan White

In the last 10 years, Socially Responsible Investment funds, also known as "SRI's", have become a hot topic for investors across the US. The idea of socially responsible investing is simple: invest in companies in which make a positive social impact on our world. Companies that reap profits from tobacco, weapons, alcohol, gambling, and nuclear power are a few of many stocks that are screened by the majority of SRI's in North America. However, there are two common debates that arise with the idea of SRI's. First, a company has to decide whether or not to mandate an organization as an SRI, limiting their investment possibilities to the criteria assigned by top management. The second issue involves setting the criteria, as there are many different views and opinions on what should and should not be considered socially irresponsible investment.

With this in mind, the Roland George Investments Program has recently rejected a "socially irresponsible" stock from being accepted into the portfolio. For any SRI, this would be common practice. The problem, however, is that the RGIP has not yet mandated any SRI policy.

On December 3rd, 2007, I presented VCG Holding (VCGH) to the Roland George Investments class. The company is an owner, operator, and consolidator of adult night clubs. The stock is in the small-cap growth category with an undervalued stock price of approximately 30%, steadily increasing EPS and an extremely optimistic future. The stock met and exceeded all requirements set forth by our class in the investment policy statement of 2007.

Despite the explosive growth potential, the stock was not accepted into the portfolio as it was assumed to negatively represent both the Roland George Investments Program and the school in general. As the researcher and presenter of VCG, this was a tough pill to swallow, since stock purchases of companies such as Boston Beer Co., CEDC (alcohol), Lockheed Martin (weapons and defense) and Philip Morris (tobacco) had been made by the RGIP in previous years, and had contributed to a large part of our overall success. The issue surfaced a debate in the boardroom on who was truly fulfilling their fiduciary duty, including both professor and student trustees with valid arguments.

Trustees voting against VCG believed that owning a company involved in adult entertainment could lead to harmful media exposure, thereby damaging the reputation of the program. They believed that in order to uphold the status and recognition of the program, it was not sensible to allow VCG into the student driven portfolio. Opposing students and trustees argued that the stock still met guidelines set forth by both the students and the Stetson University Board Members, and should be selected or dismissed according to these guidelines.

Although the stock was not selected, the presentation and subsequent debate brought up important issues that need to be considered when researching and selecting stocks for the George Portfolio. The trustee, as a fiduciary, is required to represent and vote on behalf of the program and its investment goals, in line with the guidelines set forth by the University.

Personally, I believe that VCG should have been accepted into the portfolio. Based on historical purchases, student objectives, and the University's open policy on selecting securities, the company should be evaluated on its overall growth potential rather than the trustees' subjective social acceptance of its product.

The disagreement between whether or not the RGIP should be a socially responsible investments program still exists among Stetson finance students and professors. The absence of VCG Holding in the RGIP portfolio may lead to a lower overall return for the program, but the predicted loss may be worth saving the distorted reputation of the RGIP as an informal SRI. It will be interesting to see how 2008 plays out, and if this issue will in turn cause reform of the RGIP's security selecting policy.

*by Kyle Dungan*

Based in St. Louis, MO, Belden is one of the largest U.S.–based manufacturers of high–speed electronic cables and focuses on products for the specialty electronics and data networking markets, including connectivity. "Belden CDT, Inc. provides signal transmission solutions for a wide range of markets, including data networking, industrial automation, professional audio and video, security and surveillance, aerospace and many other specialty electronics markets. Their products include copper and fiber optic cables, connectors, cable management products, and Power over Ethernet." (Belden.com) Belden is considered to be a world–class manufacturer of signal transmission infrastructure products, primarily for the entertainment, residential, industrial and security markets. This is not only self–proclaimed but verified by even Belden's competitors.

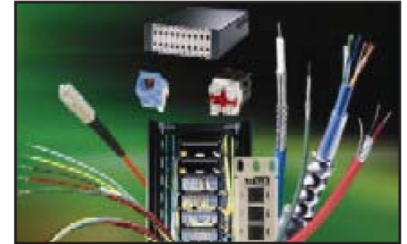
Belden has manufacturing capabilities throughout North America and Europe and has a market presence in nearly every region of the world. The company was formed through a merger between Belden, Inc., and Cable Design Technologies Corporation in July 2004.

The market segment is slightly difficult to explain. Of the nine focus companies, each have some products in common, but few offer the same extended product lines. Several specialize in certain areas, such as fiber–optics or more simple copper and coaxial cables, but offer their products in different venues and with different types of clients. For example, General Cable could be competing with Belden over a client in Canada for simple copper cables, while Belden competes with Draka Holding for the same client simultaneously for fiber–optical cable.

Belden is regarded as one of the strongest companies in the industry with a superior product. They sell their products to governments, auto manufacturers, aeronautical manufacturers, telecommunication developers, and technology manufacturers. Today, wire is in pretty much everything. Belden supplies products to countless types of manufacturers. An obvious question about the industry is: "What about wireless products? What will Belden do then?" The beauty of wireless is that the actual devices and infrastructure require more wire to make than typical wired products!

In today's culture, the demand for cutting–edge technology is great but the infrastructure is lacking. For example, computers today can surf the Internet at outrageous speeds like 300 megabytes per second (mbs); but here at Stetson, our network can only support 20 mbs per computer. This is considered to be high – Comcast, Brighthouse and similar providers only have the infrastructure to support 10 mbs to the average house at a premium rate. Belden CDT and competitors have developed fiber–optic systems to support not only the technology of today, but of tomorrow as well.

The demand for increasing bandwidth is being met with increased sales and continual growth in the industry. Belden is at the top of a growing market; all nine of the larger companies are making profits. However, the demand is still not being met because the vastness of upgrading infrastructure is a continual process requiring time. The gap between the technologies of today paired with Belden's products is huge compared with today's infrastructure. The Wire & Cable segment should not have to worry about the "Technology Bubble" or the effects of consumer spending and building projects because their product has been needed for years and will always be needed in order for technology to evolve. The industry has weathered some difficult storms and Belden has provnd itself, coming out on top with a superior product.



Belden holds a significant growth advantage. They are offering the newest technology to an infrastructure market desperate to keep up with demands for higher speed and quality. Since the technology is still new to market, Belden is in a unique position. We are able to catch a glimpse of the future and sales of fiber–optic infrastructure materials are certainly going to be called for in high demand. As Belden prepares for this event, we feel the company has great growth prospects. Belden has a 15.3% average growth rate for 2008, besting the industry rate of 11%. Belden's price is undervalued by 17.18%. Based on my valuations and in my opinion, Belden is a solid small growth pick for 2008.

*. . . secure electronic payment and risk management – online fraud management – optimize business results . . .*

*by Vincent Iuppa*

CyberSource Corporation is a company out of Mountain View, California, offering secure electronic payment and risk management solutions to organizations that process orders for goods and services over the Internet. CyberSource allows merchants to accept monetary payments online either by credit card, debit card, subscription or recurring payments, electronic checks, and other means of payment. They have the ability to facilitate transactions in over 190 countries and 21 different currencies.

This past year has been exciting for CyberSource. They are experiencing all time highs in earnings and continue to increase their market share by acquiring new clients as well as smaller companies. One new client CyberSource has added is Jet Airways. Jet Airways is a premier Indian airline that has adopted CyberSources's automated risk solution called Decision Manager. Decision Manager is an online fraud management solution that decides in seconds (real time) whether a transaction should be accepted or rejected based on rules created by Jet Airways.

CyberSource has also added Borders to its family of reputable clients. Moreover, the books, movie, and music retailer signed an agreement with CyberSource as well "to provide bank card and Bill Me Later payment processing and fraud protection services for the upcoming Borders.com eCommerce site, which will launch in early 2008." [1]

As the leading provider of its electronic payment and risk management solutions, CyberSource has many large corporate clients that include Nike.com, CompUSA, British Airways, Yahoo.com, among others. Clearly, there are great prospects as CyberSource increases its market share to encompass other high revenue, high volume corporations. The company is currently concentrating future growth on the small business segment. To this end, in late October to the beginning of November in 2007, CyberSource shareholders and Authorize.net shareholders agreed to a merger between the two firms. Authorize.net is also an eCommerce payment management solutions company, but they provide services to smaller businesses. A merger between the two would increase CyberSource's market share in the small merchant category, thus further increasing earnings. Since the merger, CyberSource has raised its earnings guidance for 2008 from $.53 per share to $.68 per share.

The Roland George Investments Program has purchased 2,500 shares of CyberSource. There were two separate executions: 700 shares at $15.07; and 1,800 shares at $14.81. We look forward to substantial returns as my target price for CyberSource is $25.57 for our 12 month workout period.

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[1] Press Release from CyberSource Corporation

## Seaspan Corporation (SSW) was listed on the New York Stock Exchange in August of 2005 and completed a secondary share offering in November of 2006.

by Billy Houghton

The world is witnessing rapid growth in international trade. In selecting RGIP portfolio holdings, it is important to stress industries with global exposure. As the global markets continue to tie once–isolated markets together, a surge in marine transportation demand will drive profits within the industry. The global economy cannot operate without the trade, thus making the shipping industry a pure play for growth and return. Within this industry, Seaspan Corporation shows promising signs of growth and stability through 2011.

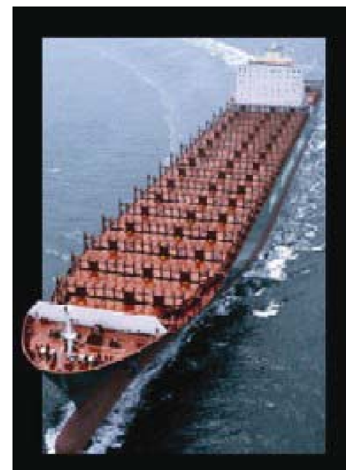
Seaspan is engaged in owning container ships and contracting them pursuant to long–term, fixed–rate charters. As of November 30, 2007, the company operates 31 vessels in the water, with 32 more vessels to be delivered by 2011. Projected fleet size by 2010 is 100 vessels. These new vessels are ordered only after a contract is agreed upon with a liner company and the rates and cash flows are contracted. Each vessel is contracted at a long–term, fixed–rate which provides clarity to future growth and cash flows. The growth plan of Seaspan is unique: "Our business model generates predictable cash flows that we utilize to pay a stable dividend to our shareholders while reserving capital to preserve and grow our asset base."

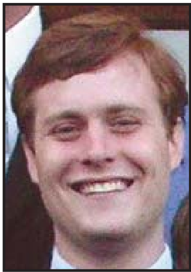
Though its IPO was in August 2005, Seaspan has operated as a publicly held company for one full operating year – 2006. Growth within Seaspan has been tremendous since it was a private firm in 2002. Revenue growth over the past five years is 76.68% annually, while operating expenses have grown 70.85% annually over the same period. Net income and cash from operating activities have increased the same period at 76.87% and 76%, respectively.

Gerry Wang, CEO, had this to say in an interview recently: "During the third quarter and nine–month period ended September 30, 2007, we maintained our focus on growing our fleet and expanding our leading industry position, which led to an increase in distributable cash of 81.2% and 74.2%, respectively. While our EPS results were affected by a non–cash loss from fixed interest rate swap agreements, we accomplished important objectives during the third quarter related to the continued execution of our growth plan."

Most importantly, Seaspan operates around growing the distributable cash flow, which is a non–GAAP figure. Cash available for distribution grew by 81.2% in Q3 2007 to $29.7 million, and 74.8% or $34 million for the 9-month period. Dividends paid amounted to $23 million of the $29.7 million in 3rd quarter. Cash available for distribution is defined by Seaspan as the following: "Cash available for distribution is a non–GAAP measure that is adjusted for depreciation, net interest expense, amortization of deferred charges, stock–based compensation, prepaid dry–dock, and the change in fair value of financial instruments. " (SEC 6-K Q3 2007)

Projected target price among analysts for FY2008 is $38 (Bloomberg). Seaspan's close price December 19, 2007, was $24.65. The projected target price assumed by the RGIP is $33.32, which uses a fair P/E of 34 and '08 EPS of $0.98. These calculations considered, Seaspan's growth is dependable, contracted, and a pure play for stability and high return.





by Davidson Hobson

Monsanto Company (MON) is a leading provider of agricultural products. Their seeds, herbicides, and pesticides reduce the costs of farming by increasing productivity and yield as well as decreasing risk of crop damage. The company is divided into two segments: agricultural productivity and seeds and genomics.

Through their seeds and genomics segment the company produces leading seed brands and develops biotechnology traits that assist farmers in controlling insects and weeds. They also provide other seed companies with genetic material and biotech traits for their seed brands. Monsanto produces feed for livestock and other animals as well. Their agricultural productivity segment of the company manufactures and sells ROUNDUP® brand herbicides and other lawn–and–garden products for residential and commercial markets. Monsanto recently acquired DeRuiter seeds making Monsanto the leading provider of vegetable seeds in the industry.

The company announced an $800 million share repurchase program to be executed over the next three years. This deal is a show of confidence from the board in the company's strategy and financial discipline. The company expects sustainable levels of cash generated from ROUNDUP® their business as well as the receipt of cash from a settlement with Solutia, one of their competitors. Monsanto continues to increase its market share by acquiring other companies in their industry and securing partnerships with their competitors.

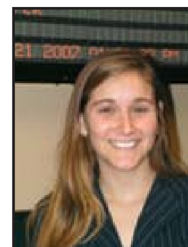
Monsanto Company is exposed to a certain amount of risk. The company is exposed to litigation risk from time to time due to certain environmental concerns. Sales of selective herbicides are declining. However, the company's retail business is a small part of their revenue and most agricultural farms are still using the herbicides. There is a moderate amount of regulatory control over this industry and the company's products. Regulatory approval is required for the introduction of new biotech traits and approval is required in each country for biotech crops. This should not be a significant risk considering the food shortages we are experiencing world wide.

Sales growth for the first quarter was 45% compared to the previous year's first quarter. The company is expected to experience revenue growth of 31% from the current year. Monsanto had to make a much higher tax payment than normal due to a large settlement between Monsanto and Solutia.

Strong previous growth and stronger expected growth make the stock an attractive buy. The increased demand for corn and corn byproducts make the services this company provides essential to satisfying the demand. With an expected return of 22%, the purchase of Monsanto Company's stock will be a positive addition to the portfolio.

# silicon motion technology

by Cayla Culver (Dec., 2007)



Silicon Motion Technology (SIMO) has traded on the NASDAQ since June of 2005 and is a fabless semiconductor company that designs and develops universally compatible, high performance, low-power semiconductors for the multimedia consumer electronics market. Headquartered in Taiwan, its business is conducted in Taiwan, Korea, China, Japan and the United States. The company has three product lines which it sells to original equipment manufacturers and original design manufacturers, such as Samsung Electronics, Lexar Media and Microsoft.

- The mobile storage business is the largest and is made of up microcontrollers that are used to make flash memory cards; USB flash drives and card readers, which are used in devices such as cell phones, digital cameras, and other portable electronic devices. Silicon Motion Technology is the market leader in controllers for flash memory cards with a 35% market share.
- The multimedia SoC business is made up of products that support MP3 players, PC cameras and embedded graphic solutions. SoCs are chips that incorporate the functions of several devices into a single chip, which creates better performance.
- The mobile communication product line is the newest (May 2007) and the area in which the company sees the most potential for growth. The products that this line includes are mobile TV tuners and radio frequency integrated circuits. Silicon Motion believes that their "mobile TV are among the best in the market in terms of smallest chip size, lowest power consumption, lowest noise and high adjacent channel selectivity."

There are many growth opportunities for Silicon Motion over the next year. The growth in the flash memory card and USB flash drive markets will be a huge area of growth for SIMO as they are a market leader in controllers that are used in flash memory cards. The demand for flash card memory is expected to rise rapidly through 2010.The company also expects that increasing affordability will continue "to boost the sales of flash cards, USB flash drives, as well as new technologies such as solid state drives and embedded flash controllers." The company also plans to grow by expanding their core technologies into adjacent areas of business. They are taking their flash memory card controller technology and moving it into USB flash drive controllers, where they already have a market share of 25%, and into their card reader controllers, an area in which they are a leading supplier and believe that they will be able to handle compatibility issues better than any other company.

They are also growing their core flash technology by moving into embedded flash controllers. This will allow the company to expand beyond handset devices into DVD players, camcorders, and flat panel televisions. In the first half of 2007, they had already shown success in this area because their controllers are being used in Phillip's DVD systems and Samsung camcorders. Silicon Motion's controller has also been chosen by Microsoft for use in its second generation Zune, a digital media player, which has a 10% share of the market.

Moreover, the company recently announced that they would be supplying the embedded solid state drive controllers for Asustek's eeePC, which is the first PC developed for high production use with a solid state drive alone. The product was launched on October 16$^{th}$ and unit sales are expected to be from $3 million to $5 million for 2008.

Despite slowing consumer spending here in the United States, the economies of Taiwan and other countries are experiencing strong growth. For example, according to Alan Liao, an economist at Chinatrust Commercial Bank in Taipei, "Chinese people are buying everything from plastic bags to semiconductor chips."

After analyzing the company, its growth prospects and generating pro forma statements, which revealed expected earnings growth of 20 to 25%, I valued this stock at $31.42. With huge growth potential in a growing industry, I feel confident that Silicon Motion will be a strong addition to our portfolio.

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Sources: Baseline, Reuters, Morningstar, Siliconmotion.com, 3$^{rd}$ Quarter Earnings Conference Call, Yahoo Finance, MSN Money, Merriman Curhan Ford and Co. Conference

**the**george**investments**view

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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 overcoming 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 $3.1 million dollars. Insights are gained through contact with professionals such as Robert Stovall, CFA, of Wood Asset Management, Inc., Sarasota, FL.

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