thegeorgeinvestmentsview

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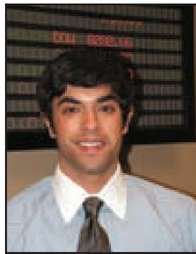

California Dreaming

by Nick Uppal

This past summer I had perhaps one of the most amazing opportunities of my life. Morgan Stanley offered me a position as a Junior Financial Analyst in their Beverly Hills branch. Before I explain the actual experience, let me first recap the events leading up to the internship.

Late one afternoon my parents invited a family friend and financial advisor, Monty, over for tapas and conversation. Eventually we began to speak about where I was headed in school and what area of work I wanted to concentrate on. I told Monty that I was not sure about where I wanted to concentrate in the world of finance but I was sure I wanted to break into the industry. After some conversation about different areas of the financial industry: sales, analysis, etc., Monty gave me the best advice I have gotten so far – "Just submit your resume and application to various firms' websites and see what happens." Upon this advice I immediately polished up my resume and applied to all the major investment banks. Not thinking that anything would come of it, I had also already begun lining up running valet for the Intercontinental Hotel for another summer's pay.

Rodeo Drive, Beverly Hills, CA

Around mid-March I received a phone call from

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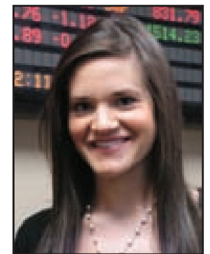

editor's note

by Elizabeth Martin

What an interesting time in the world of finance — and what a fascinating time to be gaining real-world experience in the Roland George Investments Program. Though the past year has been volatile and ever-changing, the students in the Roland George Investments Program have not skipped a beat. We have adjusted our investment policy, changed our strategy, and forged ahead, in the hopes of continuing the longstanding tradition of investment success set by past classes. Year-to-date, both the growth and fixed income portfolios are outperforming their relative benchmarks.

The premise of the Roland George Investments Program is rather straightforward: give students real-world, hands-on experience in the field of investing. Accomplishing this, however, is not as cut and dry as one might think. Yes, we are all educated in finance and investments in a traditional classroom setting; but what happens when we translate that knowledge into the actual management of a portfolio? Well, in the case of the Roland George Investments Program, we rise to the challenge. As dedicated finance students, we spend countless hours in the George trading room, hoping to find that next stock or bond to add to our portfolio. In the process, we have gained invaluable experience, being given the opportunity to use state of the art technology and benefit from the experience of knowledgeable professors.

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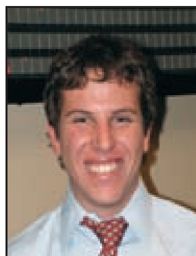
portfolio performance

by Kevin Chambers

The Roland George Investments Program began 2008 with high hopes. The program had already made history winning the national championship at the Redefining Investment Strategy Education (RISE) Symposium, at the University of Dayton in Ohio, seven times in a row. To keep with rich tradition, on March 31, 2008 the Roland George Investments Program was announced a national champion for the 8th time in a row. The program took the first prize in the fixed income category as it had done in years past. At the 2009 RISE competition, RGIP continued its success, placing second and outperforming the benchmark by a margin of 7.5%.



The semester began with confidence that our growth and fixed income portfolios would weather the economic downturn and eventual recession that followed. In the midst of the credit market collapsing, the Roland George students knew there would be lagging investor confidence, a great deal of volatility, and Federal Funds rate cuts. Due to the downturn we, as a class, made the decision to invest heavily in large-cap corporations while simultaneously underweighting the retail and technology sectors and avoiding the financial and housing sectors altogether.

The fall 2008 Roland George class consisted of a total of 25 participants. Over the course of the semester a variety of companies were recommended to be included in the Portfolio to keep it diversified. The new additions to the Growth Portfolio included companies from the technology, healthcare services, aerospace, household products, and energy sectors. Currently the Growth Portfolio holds $119,638.26 in cash and $915,073.26 invested for a total value of $1,034,771.52. Year-to-date, the Growth Portfolio has returned -6.12% compared to the benchmark S&P 500 which returned -8.20% over the same period.

The second semester fixed income class began in the heart of the economic recession. As a whole the class thought it best to focus the investment goal on maximizing the Portfolio's total return and have an emphasis on capital gains. In an effort to capture larger gains in bond value we increased our target duration, chose to avoid the retail industry, keep bond ratings above BB, and keep treasury bonds restricted to TIPS. So far, year-to-date, the Income Portfolio has been outperforming the relative benchmark. The 2.99% gain greatly outperforms the return from the i-shares Barclay's Aggregate Bond Index which returned a negative 3.73%. Currently, the Portfolio has $270,370.42 in cash and $776,200.05 invested for a total value of $1,046,570.47.

Thus far, in the academic year, both George classes have shown an incredible amount of effort and dedication. The students are leaving their final touches on the portfolio and are prepared to let future Roland George classes take the helm of the program. The 2008-2009 Roland George Investments Program students will forever be indebted to the faculty that makes the program succeed year after year. It is with their help that we, the students, gain real-world experience and a first-class education.

Roland George Investments Program
Investment Policy Statement
Equity - Fall 2008

Objective: Maximize total return within a 12-month workout period.

Constraints:

1. The Portfolio should have a large-cap bias. More than 50% of the portfolio should be in stocks with market caps over $3 billion.

2. The Portfolio should have a value bias. The stocks should be a **lower** P/E, P/S, P/CF, or P/BV values, as compared to the respective industry average benchmark ratios. For example, the P/E of the stock should be lower than its industry average P/E.

3. The Portfolio should **underweight** Retail (Consumer Discretionary), Technology, and **avoid** Financials and Housing.

4. The Stocks should be **liquid**. Stock price should be no lower than $5-$7 and average daily trading volume should be at least 80,000-100,000 shares.

Fixed Income - Spring 2009

Objective: Maximize total return with an emphasis on Capital Gain within a 12-month workout period.

Constraints:

1. The average portfolio duration is 8-12 years.
2. No bond should be lower than BBB rating.
3. Avoid Retail Industry.
4. At least $50,000 total coupon income.

portfolio performance

purchase recommendations

growth fund

Abbott Laboratories (ABT) - See full write up on page 10.

Amedisys (AMED) - Amedisys is one of the largest providers of low-cost home health services in the United States. The company has two operating segments: the home health segment and the hospice services segment. The home health segment delivers in-home services to individuals, including skilled nursing, physical therapy, and speech therapy. The hospice segment provides palliative care to terminally ill patients and their families. Amedisys' steady growth can be attributed to its aggressive acquisition and expansion strategy. Earnings per share has been growing steadily over the last five years, and is expected to continue growing at a rate of 20% as baby boomers age and begin requiring in-home health services.

Apple (AAPL) - Apple, which designs, manufactures, and markets personal computers, digital music players, and mobile communication devices, presents trusted and well accepted alternatives to consumers. The iPhone is one of Apple's many alternative products that has found a niche in consumer markets; it is estimated that 17 million have been sold in the past two years. With Apple's focus on growth and innovation, the future growth rate is estimated to be 24%. Despite volatile economic times, Apple is thriving; CEO Steve Jobs commented on 2009 first quarter results, saying that "Even in these economically challenging times, we are incredibly pleased to report our best quarterly revenue and earnings in Apple history."

Boeing (BA) - The Boeing Company is America's leading commercial aircraft manufacturer. It operates in three segments: Boeing Commercial Airplanes, Integrated Defense Systems, and Boeing Capital Corporation. The largest segment, Boeing Commercial Airplanes, accounted for 50.29% of total revenues in 2007. The Integrated Defense Systems, which deals primarily with government contracts and spaceflight, accounts for 48.32% of 2007 revenues. The smallest segment is the Boeing Capital Corporation, which accounts for only 1.23% of 2007 revenue. Boeing's revenues have grown at an annualized rate of 9.32% over the past five years, and due to decreases in costs and increased production efficiency, 2007 boasted a 6.1% profit margin.

Campbell's Soup (CPB) - Campbell's Soup is a well-recognized and trusted brand and has maintained traditional quality while also catering to growing trends. The company has approximately $8 billion in annual sales and boasts a portfolio of over ten market-leading brands, including V-8, Swanson, Prego, and Pepperidge Farms. Campbell's holds a monopolistic 84% market share in the condensed soup market, and maintains consistent revenues from this product line. In the second quarter of 2008, Campbell's observed a 7% gain in condensed soup sales. Campbell's Soup was an attractive buy because of its growth potential, consistent dividend yield of 2.8%, and recession resistance.

Canadian Pacific (CP) - Canadian Pacific Railway operates a transcontinental railway throughout Canada and the mid-western United States. In addition to freight services, the company's subsidiaries offer logistics and intermodal transportation services from the Pacific to the Atlantic. Canadian Pacific had over $4.7 billion in revenue in 2007, and approximately 44% of revenue comes directly from bulk shipping. The intermodal transportation business is growing due to volatile fuel prices, making it more efficient to transport by train than truck. In 2007 intermodal transportation accounted for 29% of total revenues. This stock was recommended primarily because of the company's growth potential, it was seen as less affected by the business cycle, it was followed by few analysts, and was undervalued.

Colgate-Palmolive (CL) - See full write up on page 14.

DeVry (DV) - DeVry, one of the largest publicly held education companies in the world, is the parent company of DeVry University, Advanced Academics, Ross University, Chamberlain College of Nursing, and Becker Professional Review. DeVry University offers associate, bachelor's, and master's degree programs in technology, healthcare technology, business, and management. Advanced Academics provides online secondary education to school districts throughout the nation. Ross University offers doctoral degree programs through its Medicine and Veterinary schools. The Chamberlain College of Nursing offers associate and bachelor's degrees in nursing. Becker Professional Review offers professional education and exam review for finance and accounting professionals. In fiscal year 2008, DeVry's total revenues increased 17% as a

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California Dreaming

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an unknown area code - cautiously I answered. “Hello?” I timidly spoke into the receiver. “Nicolas Uppal?” Oh, no, I thought to myself, I am in trouble in different states now - great. “Speaking,” again with taciturn, “Hi, this is Sandra Richards from Morgan Stanley. I am calling because I received your resume and application and I would like to schedule a phone interview.” I scheduled the interview; however, I was in complete shock - Morgan Stanley was actually considering me (!?), a Florida student at a relatively unknown school? How was this even happening? I accepted my fate as being scrutinized in the first interview and dove into the process headfirst.

During the first round of the interview I had an epic cold; I remember skipping classes that day because my entire body was in pain. I won’t go into too much detail about the ensuing interview process. However, the one aspect of the interview that stood out was the fact that Sandra asked me, “What have you learned in the classroom that you will be able to bring and apply to your potential internship?” A lay-up question, except I am not good with lay-ups. “Excuse me?” I answered in a haze of sinus congestion and confusion. Sandra repeated the question and again, I had no answer. Finally, my brain came to and before answering I apologized for being such a knuckle head. I thought for sure after absolutely failing this question I was done for; however, they wanted a second interview.

Two more interviews ensued, ending with me speaking to the district manager of the west coast. At the end of the interview (which was mainly dominated by discussion of fast cars and golf), he asked me if I wanted to work in downtown Los Angeles or Beverly Hills. I took two seconds to reflect and said “Beverly Hills!” He replied, “Good choice.” At this point I was still unsure as to whether or not I had secured the position.

About two weeks later, I was eating breakfast at Perkins. I also received a phone cal from Yvette Harper, head of HR for the West Coast. “Congratulations!” she said. “You have been selected as one of 49 interns who will be working throughout the country for Morgan Stanley this summer. You will receive an e-mail to make travel reservations before the end of the business day.” I was ecstatic - my fate was sealed - I was spending my summer in Beverly Hills, California!

I made travel reservations to Morgan Stanley’s new headquarters in White Plains, NY. The setup was a one-week training session where various higher ups at Morgan spoke with the rather small class of interns about working for Morgan, as well as drumming up enthusiasm for the firm. We had people speak with us ranging from Morgan’s highest producing financial advisor to Caroline Gundeck, the Chief Diversity Officer at Morgan. The one week orientation session left me riding a high of enthusiasm and I felt ready to tackle any challenge that my future boss, Cynthia Newman, had to throw at me. Following the training session I boarded a plane to Atlanta on Friday, packed all day Saturday, and then boarded a plane to Los Angeles on Sunday. The following Monday was my first day.

As an intern my first day started, well, rather poorly. My boss and branch manager thought I was coming a week later and had not set up my computer access and security clearance for that branch. Also, she was unsure of the schedule I was supposed to have since the internship program was a little slow in getting the schedules out to all the branches. Despite the initial confusion, my first day — and first week for that matter — was a whirlwind of meeting people from various departments and having my first conference call with all of the interns. Speaking during the conference was Ellen McColough, president of Global Wealth Management for Morgan. I wasn’t star stuck, I was “executive struck”!

The following weeks had me falling into a somewhat normal routine. Every two weeks I would switch between departments. First set was Financial Advisors; second was Private Wealth Management (Financial Advisors dealing with clients of $20 million net worth or higher); third week, Alternative Investments; and fourth week branch manager assigned (I ended up working in Mutual Funds and Retirement Planning). Before I knew it I was using Morningstar like it was second nature. I could tell you why a fund manager was expected to have an off year or not, why the underlying positions held in the fund were too risky, and why his asset allocations were screwy. Also, I was able to determine whether or not a couple wanting to retire at the age of 55 had enough savings to make it through retirement with enough money for most scenarios.

My final week, final day actually, was the most stressful. My task: to give a presentation on retirement planning. The setup was a couple who wanted to retire at a certain age. My duty was to determine whether it was financially sound or not; and if it was (which it was) to allocate their assets correctly, analyze the suggested mutual funds, and determine the best method of providing

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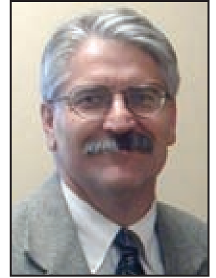
The Streak is Over-Long Live the Streak!



director's *update*
by Dr. Larry Belcher

This spring, we made our usual trek northward to Dayton, Ohio for the annual RISE (Redefining Investment Strategy Education) symposium. Stetson's George Investments Program has been a fixture at RISE since the beginning, when there were few schools participating. Every year we go north for a few days of investments and economic overload, long days, and cool (or cold) weather. This year was similar, but with one difference: the financial markets were in the process of taking their worst sustained beating in about 80 years. As a student-managed portfolio, we have always prided ourselves on the ability to hold our own not only with other student funds but with professional managers as well. This year would certainly test that, however.

Another aspect of RISE that we always enjoy is the ability to enter the "optional" student portfolio competition. In the early years of RISE, this involved the opportunity to make a presentation to a group of professional money managers. Lately, though, we just submit our returns like every one else to a panel of judges who evaluate our risk-adjusted returns against our peers and then announce the category winners at the dinner on Friday night.

The neat thing about this is that we are usually first in our category – this had happened seven out of the previous eight years in the history of the competition. This year felt different, though. First of all, our returns were not stellar. On the equity side, we had suffered because of our small-cap focus, which others had as well. On the fixed income side, we had one bond that got hammered in the fall because of its sector. While it had recovered somewhat, our returns were not as high as normal and so I was worried. On the way to Dayton, I told Megan, Katherine, and Tom that the dinner would be at the Air Force Museum and we would get a chance to tour the facility, which was always a highlight of the trip for me.

When we arrived in Dayton, the weather seemed to set the tone early. Cloudy, drizzly, and cool. Not the worst we've had, but not the best either. Then we found out that because of some conflict, we would not be going to the museum for dinner after all, but to an old restored Masonic Temple now a part of the Art Museum. More bummer news. The conference was good, but somewhat repetitive. Every speaker was fixated on the crummy environment in the markets, with little encouragement about the future. Some of the "big names" turned out to be lousy speakers, so it was a mixed bag. Then, the topper. We didn't win in either category we entered. The food was bland, the facility was cramped (although architecturally interesting), and we were "Miss Congeniality" for the year. The streak was over.

After we got home, I requested our fixed income finish and after about a month, was notified that we placed second. The kicker was that the first place school didn't invest in bonds or individual instruments, but a bunch of bond ETF's (exchange-traded funds). Nothing against that, but it is a little different than doing research to select individual securities. The students were somewhat pacified by a second, but it was still true: The streak was over.

Upon further reflection, I thought about what the George students have accomplished over time. They have won (at least once) every equity category as well as the fixed income category (multiple times). They have been a model of performance consistency that many professionals only wish they could match. They always represent the school well, ask intelligent questions, and show to all who meet them why we are one the premier student funds in the world. We are a model program for other aspiring funds across the country. We are one of the only independently chartered funds out there, and we have the streak of stubborn independence and competitiveness to prove it. We consistently beat our self-imposed benchmarks and pick companies before others see them. We sometimes crash and burn, but always in style, like the old James Dean quote: "Live fast, die young, and leave a pretty corpse". The streak is over, but it is just a reflection of consistency and excellence anyway. Long live the streak!

California Dreaming

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a steady stream of income into retirement. The presentation was nerve wracking; however, I nailed it. I set up the "Smiths" with a laddered portfolio of municipal bonds. (I didn't know much about bonds, but I knew that a laddered portfolio provided somewhat steady income.) I determined that unless a serious crisis in the stock market occurred, John Smith had made enough money to retire with his wife and keep his kids in school. (Too bad a crisis did occur - I guess his kids had to drop out.) F inally, I was even able to micro-manage their assets all the way down to their vehicle maintenance schedule. I feel like I did pretty well on that assignment.

Following my presentation I went around the building and met with a few of the people that helped me along the way. Matt Thoman, whom I worked with the most, taught me about all of the retirement planning knowledge I later presented. Grant DeVaul was more of a friend than anyone during the summer. Devesh Purohit, municipal bond guru, is the toughest loving professor I have had - besides Dr. Ma, of course. Cynthia Newman, my branch manager and boss; Sassan Sassani, Cynthia's assistant and probably the most colorful person in the office; and finally, Leslie Quintanilla, the first person I met in the Beverly Hills branch, were other very helpful people.

At the end of my experience I had learned a lot with regards to the practical application of what I had learned in the classroom. I had an amazing summer in Beverly Hills. I lived in Westwood in the heart of the UCLA village and I was a 75 cent bus ride from Santa Monica beach. The night life was amazing – going out in West Hollywood is crazy – especially when your only other experience of night life is a bar & grill in some podunk town in Florida. However, the one thing I will always remember — the first association I will always have with this amazing opportunity — will be the amazing people I worked with. Despite the villainization of all things Wall Street and almost every aspect of the financial world, I found that almost everyone I met was personable and respectful. Getting the real-world experience was a huge benefit and has enhanced the material I have learned at Stetson University.

portfolio

continued from page 3

result of continued growth in student enrollment, improved student retention, and increases in tuition prices.

Diageo (DEO) - Diageo, being a worldwide distributor of alcoholic beverages in the Distillers and Vintners Industry, has revenue sources from all over the world. North America is the leader in Diageo's revenues and total sales volume contributing 28% of sales in 2008, followed closely by Europe (excluding Great Britain) with 25%, Great Britain contributing 15%, Asia Pacific with 11%, Latin America with 9% and the rest of the world contributing 12% to their yearly sales. Although Diageo is currently down 36% on the year, the economic conditions that we are currently experiencing will most likely bring some prosperity back to the industry in the near future. We also know historically from the largest economic downturn in our history, the great depression, people wanted to watch movies on the silver screen and drink alcohol to have a good time.

Dun & Bradstreet (DNB) - See full write up on page 19.

Gilead Sciences (GILD) - See full write up on page 12.

Heinz (HZ) - See full write up on page 15.

International Business Machines (IBM) - IBM is an international technology corporation with five operating segments: Global Technology Services, Global Business Services, Global Financing, Software Development, and Systems and Technology. The majority of business comes from the Global Technology Services Segment (37%). Despite a volatile market, in the third quarter of 2008, IBM reported that net income increased 20% to $2.8 billion and that four out of five segments reported significant increases in performance. This stock was recommended because of the strong demand for IBM's services and software despite a shrinking economy; at the time of the stock presentation, year-to-date IBM was outperforming the S&P and its major competitor by over 20%.

NuStar (NS) - See full write up on page 12.

Snap-on (SNA) - See full write up on page 18.

The TJX Companies (TJX) - See full write up on page 13.

performance

purchase recommendations

income fund

Altria (MO) **-** Altria Group, through its subsidiaries, manufactures and sells tobacco products in the U.S. and internationally. Their operating companies include Phillip Morris, the largest tobacco company in the U.S., U.S. Smokeless Tobacco Company, which is the world's leading producer and marketer of moist smokeless tobacco, and John Middleton, which manufactures and markets machine-made cigars and pipe tobacco. In addition, Altria also owns Ste. Michelle Wine Estates, which ranks in the top 10 producers of premium wine in the United States. Altria's Phillip Morris Capital Corporation maintains a portfolio of leveraged and direct finance lease investments in the areas of electric power, rail and surface transport, aircraft, real estate, and manufacturing. Altria's success comes from their diversified product lines and their capacity to offer both premium and basic brands.

Fortune Brands (FO) **-** Fortune Brands operates in three business segments: premium distilled spirits; home and hardware products; and golf equipment. Within the spirits segment, trademarks of Fortune Brands include Jim Beam, Maker's Mark, Sauza, and Canadian Club. In 2008, nearly 60% of operating income (and 32.6% of total sales) came from the distilled spirits segment, which is relatively recession resistant. Accounting for approximately half of Fortune Brand's sales in 2008, the home and hardware segment is the largest and most diversified segment. The company offers cabinetry, faucets and sinks, fiberglass and steel entry doors, patio door systems, and specialty safety and security devices. Under the golf equipment segment, Fortune Brands sells shoes, bags, balls, clubs, and other accessories under the Titleist, FootJoy, Cobra, and Pinnacle brands. The Fortune Brands bond was recommended because the firm has a solid financial standing and is in line with our investment policy.

International Paper (IP) **-** International Paper is the world's largest producer of paper and packaging products. Internationally, they produce in Europe, Asia, Central America, South America, Russia, and North Africa. In August of 2008, the company completed the acquisition of Weyerhaeuser's containerboard, packaging, and recycling business. Though International Paper realized a loss in the previous year, revenues are expected to increase 12% over this next year. One of International Paper's largest rivals, Smurfitt-Stone, recently filed for Chapter 11, which gives International Paper great potential to increase its market share and boost profit margins. This, coupled with the increase in customers from the Weyerhaeuser acquisition, puts International Paper in a favorable position in the coming years. At the end of February 2009, International Paper had approximately $900 million in cash and no borrowings on its revolving credit facility or accounts receivable securitization facility. This bond meets all the goals of the investment policy; it maximizes total return with a focus on capital gain, increases the portfolio duration, and allows us to benefit from the anticipated narrowing of the credit spread.

Nucor (NUE) **-** Nucor is the leading mini-mill manufacturer of steel and steel products in North America. The company has three operating segments: steel mills, steel products, and raw materials. Nucor credits their unique manufacturing process and diverse product line as competitive advantages in the steel industry; they continue to offer the highest quality at the lowest price. The majority of Nucor's 2008 revenues came from the steel mill segment (70%) while steel products accounted for 18% and raw materials accounted for approximately 10%. Nucor is an attractive buy due to the company's financial strength; according to the 2008 annual report, "Nucor is the only North American company in the metals and mining sector to carry an A+ and A1 credit rating from the Standard and Poor's and Moody's credit rating agencies." Though first quarter 2009 results showed a loss of $190 million, the company is optimistic that they will be able to grow from this financial crisis like they did in the last U.S. economic downturn in 2001.

PetMeds (PETS) **-** PetMeds is listed under many different industries, but they are officially recognized as being in drug retail by the SEC. This industry is dominated mainly by chain drug stores such as CVS, Rite-Aid, and Walgreens. PetMed Express, Inc is the leading pet pharmacy in America; it markets and sells prescription and non-prescription pet medications, along with other pet health products. The company sells products for dogs, cats, and horses. Its products are sold directly to consumers throughout the United States. PetMed Express offers an alternative to purchasing these products at a veterinarian office or in a

retail store. The prices are usually very competitive and they offer a price match at the time of purchase if their price can be beat. Purchases are made online, over the phone and by direct mail with approximately 65% of total sales coming from the website. PetMeds keeps a flexible website and constantly updates its products due to the seasonality of the business.

TIPS - See full write up on page 17.

Tyco Electronics (TEL) - Tyco Electronics provides electronic components, network solutions, undersea telecommunication systems, and wireless systems to the Americas, Europe, the Middle East, Africa, and Asia. The largest segment of the company is its electronic components segment, which generated 71% of total revenue. Within this segment, the automotive industry contributed to 35%, which makes the automotive industry the single largest concentration of revenue at 25%. The company's current debt-to-12-month-EBITDA is 1.36, which leaves them considerable room for continued borrowing. Tyco Electronics only has $1 million in current portion of long term debt, putting them in a favorable financial position. In addition, the current ratio for fiscal year 2008 was 2.13 and the firm is expected to have an interest coverage ratio of 7.58 in the fiscal year 2009. With such a strong financial condition, Tyco has the ability to make principal and interest payments.

Waste Management (WMI) - See full write up on page 11.

sell recommendations

growth fund

Belden (BDC) - Belden designs, manufactures, and sells signal transmission solutions for industrial automation, data centers, broadcast studios, and aerospace markets. It is part of the electrical component equipment industry, which is down nearly 51% since May 2008 and is not expected to recover in 2009. While there may be an uptick due to some construction projects caused by the government's stimulus package, the effects will most likely be felt outside of our workout period of one year. For these reasons, RGIP sold all shares of Belden.

CyberSource (CYBS) - CyberSource provides electronic payment and risk management solutions for orders placed over the Internet. At the time of the recommendation to sell in September, the stock was overvalued by approximately 15%. With lower levels of consumer spending, on-line sales were anticipated to decrease, which would only serve to further decrease the stock's value. RGIP decided to liquidate its shares of CyberSource and reallocate funds into an undervalued security that would provide higher returns during our workout period.

Domtar (UFS) - Domtar is part of the paper products industry, which has been suffering the past few years, largely due to increased competition and lower product demand. In late 2007, Domtar closed two paper machines and a paper mill, cutting paper production by 284,000 tons per year and eliminating 430 employees. The company also reorganized their facilities and mills in the first and second quarters of 2008, lowering paper capacity and eliminating 625 more jobs. Because this stock no longer fit the investment policy and the industry outlook remained unfavorable, all shares of Domtar were sold.

JDS Uniphase (JDSU) - JDS Uniphase has not delivered a profit in ten years and, at the time of the sell recommendation, had a negative ROE. In addition, JDSU faces an economic environment that will see less capital spending from its clients, leaving little growth potential for the firm. Since the stock no longer fit our investment policy goals and did not have a favorable short term outlook, RGIP sold all shares.

KHD Humboldt Wedag International (KHD) - KHD, a firm in the industrial construction and engineering industry, has lost over 65% of its value in the last year. In addition, there has been a 65% decrease in new orders compared to the previous year, and several companies have either cancelled or postponed their orders from KHD as a result of the economic crisis. With this information, RGIP thought it best to sell all shares of KHD, as we do not expect this industry to recover within our workout period of one year.

K-Tron (KTII)- K-Tron is a largely diversified business in the electronic equipment industry, producing everything from medical equipment to radar equipment. At the time of the sell recommendation in the fall, K-Tron appeared to have undergone a price correction, signaling that it was currently

performance

fairly priced and had hit a relative equilibrium. For this reason, RGIP decided to liquidate its investment in K-Tron and use the funds to purchase an undervalued security.

Mellanox(MLNX) - Mellanox Technologies designs computer chips around the InfiniBand data exchange standard, which serves to regulate the way network components communicate with each other. As of the end of September, the stock had lost 45% of its value year-to-date. Mellanox is in the semiconductor equipment industry, which has lost 35% of its value over the same period. Due to the fact that the demand for research and development of new computer networking technology was significantly lower due to poor market conditions and was not expected to turn around within our working period, RGIP sold its shares of Mellanox Technologies.

Satyam (SAY) - Satyam Computer Services is based in India and provides information technology services to businesses in 66 countries. At the time of the sell recommendation, Satyam was underperforming against the Russell 1000 index and was overvalued. Based on the company's recent performance and the current economic conditions, RGIP sold all shares to pursue a more favorable investment.

Sun Hydraulics (SNHY) - At the time of the sell recommendation, Sun Hydraulics' stock had lost 32% of its value, and the future outlook was not favorable. 2009 sales are expected to decrease 16% and earnings per share are expected to decrease 45%. The industrial machinery industry as a whole is not performing well and is not expected to pick up within the year; Sun Hydraulics CEO Allan Carlson noted that "our business is cyclical and we are in the down slope of the cycle. How long the downturn will last is outside our vision." Because of the lack of growth potential and unfavorable industry outlook, RGIP decided to sell its shares of SNHY to pursue a more profitable investment opportunity.

Synchronoss (SNCR) - Synchronoss Technologies provides software that enables electronic equipment to communicate with each other. At the time of the sell recommendation in the fall, the stock's value had decreased by 75% in the past 12 months, and was significantly underperforming the communications equipment industry. In addition, looking at quarterly financial statements, earnings per share had shown a recent pattern of steady decrease, and was not expected to rebound within our workout period. This unfavorable outlook, coupled with the fact that the stock no longer fit our investment policy, led RGIP to sell all shares of Synchronoss.

Talisman Energy (TLM) - Talisman, an upstream oil and gas company, has been hit hard by the slowing global economy and lowered demand and prices of fossil fuels, and 2009 is not expected to bring a more favorable scenario. Because Talisman did not have any major growth potential and is in such a volatile industry, RGIP sold all shares.

Tata Motors (TTM) - Tata Motors, an Indian automotive manufacturing company, had an annualized return of -64% at the time of the sell recommendation in the fall. This decline in value amounted to a $22,019 loss in the portfolio. In addition, Tata was underperforming the industry by nearly 11%. Looking to the future, in 2009, earnings were estimated to be down 7%. Given the market conditions and volatility of Tata Motors, RGIP liquidated all shares.

Tennant (TNC) -Tennant Company designs, manufactures, and markets cleaning solutions; it provides machinery, parts, services, and specialty floor coatings. In the first half of 2008, Tennant suffered losses primarily due to slowing U.S. and European economies, higher commodities prices, and legal settlements. Because of limited growth potential in the current economic environment, RGIP elected to sell all shares of Tennant to pursue a more profitable investment.

sell recommendations

income fund

Coca-Cola Enterprises (CCE) -This Coca-Cola bond was sold so that the Roland George Investments Program could swap into a more favorable bond that the program believed was mispriced. In addition, swapping out of this bond gave the program the chance to purchase a bond with a longer duration and higher convexity.

Florida Power & Light (FPL) - This Florida Power & Light bond was sold because it no longer fit with our current

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by Tala Chin

Abbott Laboratories is one the world's leading drug manufacturer. It is a global, broad-based health care company devoted to the discovery, development, manufacture, and marketing of pharmaceuticals and medical products, including nutritionals, devices, and diagnostics. Abbott Laboratories has a very well-diversified portfolio which has, over the years through the unsteady economic environment, resulted in steady sales and earnings.

The company has impressive strengths in revenue growth, net income growth, and increasing profit margins. Revenues for the last quarter ending December 2008 were up 10% and earnings per share were up 14%.

Founded by Wallace Calvin Abbott in 1888, Abbott Laboratories went public on the Chicago Stock Exchange in 1929. The company has diversified its portfolio by acquiring other firms. This has allowed Abbott to gain access to more patents, products, and market share. Abbott Laboratories has a market cap of over $85 billion.

The company has four major segments: pharmaceutical products, diagnostic products, nutritional products, and vascular products. They have also taken advantage of foreign markets, especially in emerging economies such as China, India, and Russia.

Abbott Laboratories has gained tremendous revenue through the sales of Humira® and Xience™. Humira® is used to treat Crohn's disease and psoriasis. Humira® is now approved in 77 countries and currently treats approximately 340,000 patients worldwide. Xience™ is a stent with an effective drug to open a narrowed artery and to help prevent re-narrowing from occurring within the stent area. This helps to improve blood flow to the heart muscle and relieve symptoms caused by blockages, such as chest pain. The company currently has 72,000 employees.

editor's note

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Because of the changing market this past year, the program has altered its investment policy to reflect a new recessionary strategy. The Fall 2008 Equity class chose to focus on large cap stocks and avoided housing and financial sectors. The Spring 2009 Fixed Income class chose to maximize total returns, focusing on capital gains. Within the next year, the class believes we will see signs of an economic turnaround, and hopes to benefit from the anticipated narrowing of the credit spread. That being said, we have focused on BBB rated and higher bonds to add to our portfolio.

This strategy seems to have a positive outlook and we are optimistic about next year's RISE competition. It is interesting to note that the April 6 issue of *BusinessWeek* magazine named its 50 best-performing companies in the S&P 500 — and RGIP holds four of them in our stock portfolio after excellent student recommendations last fall. This certainly speaks to the sharp minds of the students in the program. Ranked number one was Gilead Sciences, which was recommended by Matthew Snyder. Ranked number five was Colgate-Palmolive, recommended by Katherine St. Clair. Ranked number fifteen was Apple, recommended by Andres Rodriguez, and finally, ranked number forty-seven was the TJX Companies, recommended by Nicole Williams.

As we look to the future, the class believes we have strategically positioned our portfolio to accommodate the expected changes in the market. We are optimistic that our great efforts and late nights in the trading room will pay off, and we can continue on the great legacy of the Roland George Investments Program. More than anything, we are grateful for the opportunity to be a part of such a unique and invaluable program, and we will always be appreciative of this learning experience.

This issue of the *George Investments View* will highlight some of our new additions to the portfolio, as well as insights and experiences of some of our students. As always, if you have any questions or comments regarding the Roland George Investments Program, I invite you to contact us. *(See last page for contact info.)*

portfolio performance

sell recommendations

growth fund

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investment strategy. Buy selling this bond, the Roland George Investments Program could swap into a more favorable bond with a higher coupon, longer duration, and higher convexity. To stay in line with our strategy, RGIP swapped out of this A rated bond to purchase a lower rated bond in order to capture the returns from the expected narrowing of the credit spread.

General Electric Capital (GE) - As part of our 2009 investment policy, RGIP has decided to focus on bonds with lower credit ratings, hoping to benefit from the anticipated narrowing of the credit spread as we see signs of an economic turnaround. If interest rates move as predicted, by selling this bond and swapping into a lower rated, higher yield bond, we can maximize total returns.

Goldman Sachs (GS) - This Goldman Sachs bond was sold in order to more closely align the RGIP portfolio with our stated investment policy. The program sold this bond for the opportunity to purchase a lower rated bond with a higher coupon, longer maturity and duration, and higher convexity.

TIPS 3.5% - This Treasury Inflation-Protected Security matures in January 2010. To protect against inflation in the medium term, it was sold so that RGIP could purchase a TIPS with a longer maturity. By swapping out of this TIPS, the program benefited by purchasing a TIPS that would increase duration and convexity, while continuing to protect the portfolio against inflation.

Verizon Communications (VZ) - Given our 2009 investment policy and interest rate prediction, RGIP is looking to increase our portfolio duration and maximize total return with an emphasis on capital gains. By swapping out of this Verizon bond, which matures on 2/15/11, RGIP has the opportunity to invest the funds into a lower rated bond with a longer duration, thus fulfilling our investment goals.

Waste Management, Inc.

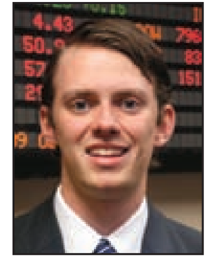
by Andres Rodriguez

Waste Management, Inc., is the number one waste collector and recycler in North America. This bond was chosen due to the recession resistance its industry offers to our portfolio. Although during a recession there is less material consumed, there will never be an end to the need of waste collection and disposal. WMI has financial ratios and performance that are far greater than the competition, ensuring that they are at the top of their industry. WMI is also an attractive company due to the energy solutions they are pursuing through the utilization of the waste materials they collect, which could prove very profitable as the search for alternative energies continues.

The bond itself also shows promise according to the outlook and stipulations set forth in our investment policy. The bond has a duration of 9.22 with the maturity date set at 8/01/2026. The convexity of the bond was also a strong positive factor at 1.25. At the time of selection, the bond was priced at $89.126 with a yield to maturity of 8.294% and a coupon rate of 7.10%. The rating of the bond is BBB. The long duration as well as the lower rating gives this bond profitable potential with the narrowing of the spread, as predicted by the investment policy.

The purchase decision of this bond was performed under the assumption of an opposing use of money in a risk-free, treasury bond to mature at the same time. With this assumption, the bond swap of these two options – sale of a T-Bond and purchase of WMI bond – showed the Waste Management, Inc., bond to be profitable at all likely situations of spread movement. This is due to the higher yield offered, the discounted price of the bond, and the lower rating of the bond. The credit rating of the WMI bond is secured through a variety of financial assurance policies in place of the company and does not appear to be at any risk of a downgrade.

- a pipeline to dividends



by Tom Dolatowski

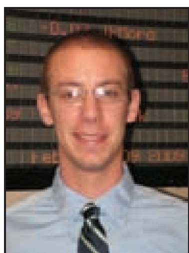
NuStar Energy LP is a petroleum pipeline and asphalt manufacturing company based out of San Antonio, Texas. The diversified oil company has value stock characteristics and pays a heavy dividend out to its investors. The company was also voted by Fortune magazine as a "100 Best Companies to Work For" for 2009. A steady dividend stream is a quality the Roland George Investments Program was looking for this year and NuStar fits that need of the portfolio.

The company operates five main business segments: crude pipelines, refined product pipelines, terminal facilities, asphalt refining, and product marketing. Most of these operations involve the transportation and storage of petroleum products. The company is in a unique position because they do not refine or extract the products, so are not exposed to as much risk tied with the fluctuation of the oil commodity. Although the price of crude oil has been moving up and down rapidly over the past few months, NuStar has had positive movement even as oil prices have fallen.

The current dividend yield on the stock is around 8% and the company pays almost all of their EPS out to investors as a dividend. The company has good fundamentals and was highly undervalued at the time of recommendation and still undervalued today at its current price.

One unique thing about NuStar is their asphalt business. They recently acquired CITGO's asphalt sector and can produce 100,000 barrels of asphalt per day. This makes NuStar the largest supplier of asphalt in the United States. The asphalt business will certainly do well over the next few years with the amount of infrastructure improvements set aside by the stimulus package.

At the time of the presentation, the stock was trading around $42 and is now approaching the $50 range. The yearly dividend was also increased to $1.06 per quarter at the last payout. Outlook for 2009 is promising and NuStar will continue with strong performance for the Roland George Investments Program.



by Matt Snyder

As we all know, the United States' economic stability has been turbulent over the past several months and it is expected that it will continue to be very volatile. Therefore, we need large cap stocks that will give us higher return in industries that still have demand from consumers during this economic recession. Americans will always need medication and will continue to purchase these medications in order to live, no matter how hard times become. However, not all medications will retain their demand. Only life sustaining medicines will do this.

Gilead Sciences Inc. is a large cap biopharmaceutical company. It was incorporated in June of 1987 in Delaware and completed its initial public offering in January of 1992. It discovers, develops, and commercializes proprietary treatments for viral diseases, cardiovascular conditions, and respiratory diseases, marketing them in the U.S. and abroad. In the 20 years since its founding, Gilead has grown to be one of the largest biopharmaceutical companies in the world. It has an expanding product line, a growing amount of investigational drugs, and more than 3,400 employees on three continents. In 2007, it achieved annual revenues of over $4 billion, and was ranked first in *BusinessWeek* magazine's list of the Top 50 best performing companies.

Gilead has numerous collaboration efforts while still seeking to add to their existing portfolio through internal discovery and clinical development programs. They also maintain an active in-licensing and product acquisition strategy. In 2006, Gilead acquired Myogen and Corus Pharma, Inc. In 2007, Gilead purchased Nycomed Limited. Their internal research is focused on the discovery and development of treatments for diseases in HIV, Hepatitis, and Respiratory and Cardiovascular Diseases.

by Nicole Williams

In the mid-1970s a young and talented merchant, Ben Cammarata, was offered an opportunity to build a new off-price chain, and under his leadership, T.J. Maxx was born. With the success of T.J. Maxx, the company grew into the TJX Companies, Inc., which today is the leading off-price retailer of apparel and home fashions in the United States with a strong foothold in Canada and Europe, offering great fashion, quality, and brand names at excellent values, every day.

TJX Companies' off-price mission is to deliver to its customers an exciting, fresh, and rapidly changing assortment of brand-name merchandise at excellent values. They define value as the combination of quality, brand, fashion, and price. TJX's most important advantage is its buying scale and prowess. They have sourcing relationships with more than 10,000 vendors in over 60 countries. Moreover, TJX employs a network of over 600 merchants who are constantly in the marketplace aggressively looking for opportunistic buys on midrange and premium apparel and home furnishing brands found in department stores and specialty retailers.

In addition to its strong focus on financial returns and buying discipline, TJX is able to attract incremental shoppers during challenging economic periods, due to the significant savings (20%-60%) its stores offer on midrange and premium apparel and home furnishings brands relative to department stores and specialty retailers. Also important, TJX has also been able to retain a significant portion of these customers in stronger economic periods, as the company's brand offerings and the treasure hunt nature of the shopping experience have a sustainable appeal.

TJX Companies considers each of its operating divisions to be a segment. T.J. Maxx and Marshalls are managed as one division, also known as Marmaxx. Marmaxx is the largest off-price retailer in the United States. T.J. Maxx and Marshalls are differentiated throughout stores based on their product assortment, in-store initiatives, marketing and store appearance. Both chains sell quality, brand name and designer merchandise at about 20% - 60% less than department and specialty stores' regular prices. Both chains offer family apparel, accessories, giftware, and home fashions. Amongst these categories, T.J. Maxx offers a shoe assortment for women and fine jewelry, while Marshalls offers a full-line footwear department and larger men's department. Winners and HomeSense chains are operated in Canada, Winner's being Canada's leading off-price retailer. TJX Companies' other store chains include T.K. Maxx, Home Goods, AJ Wright, and Bob Stores. T.K. Maxx operates in the United Kingdom, Ireland, and Germany. It is the only off-price retailer in any European country. T.K. Maxx instills the same off-price strategies applied by T.J. Maxx, Marshalls and Winners, and also offers similar types of merchandise.

HomeGoods is TJX Companies' off-price retail chain that sells only home fashions with a broad array of giftware, home basics, accent furniture, lamps, rugs, accessories, children's furniture, and seasonal merchandise for the home within the United States. A.J. Wright is based in the United States and also offers off-price brand name merchandise to the moderate income customer. Bob Stores chains were recently acquired by TJX Companies in 2003 but were sold to a private equity firm in 2008.

The retail-apparel industry has been experiencing fluctuating performance due to the changing purchasing habits of consumers. However, not all companies in the retail apparel industry are suffering as drastically as others, and those companies are the ones that have kept the momentum of the industry. While value seekers have always been a part of the retail landscape, bargain hunting has never been as popular, socially accepted, and necessary as it is today.

The beginning of Colgate-Palmolive was founded in 1806, by William Colgate. Mr. Colgate opened a starch, soap and candle factory in New York City. The company was later incorporated in 1923. The company name of Colgate-Palmolive was created in 1953. The headquarters of Colgate-Palmolive Co. is in New York.

Colgate-Palmolive attributes their success to their achievement of meeting their three-pronged operating strategy. The first strategy is to drive growth, their global brands have increased to 80%, and it was 24% in 1980. The company continues to grow by making their products readily available to consumers and the company continues to search for breakthrough technologies to give them an advantage over their competitors.

The second operating strategy is to fund growth. Colgate-Palmolive's ability to generate funds to reinvest in the company is what leads to great shareholder returns. The company is always working to improve efficiency by lowering costs and increasing revenues. One way that Colgate-Palmolive Co. has increased their efficiency is by decreasing their number of manufacturing factories from 112 to 77 since 1996. They decreased the amount of manufacturing factories in order to increase the efficiency of the supply chain.

The third operating strategy is to become the best place to work. Colgate-Palmolive strives to attract, retain, and reward talent. This strategy represents the company's commitment to living their values of caring and respecting the world around them. Colgate-Palmolive not only complies with environmental regulations but the company is making progress in using precious resources efficiently. They have a logo to represent this mind set of the company.

Colgate-Palmolive Company is a leader in consumer products. Colgate-Palmolive Co. offers many products in a variety of categories. Colgate-Palmolive Co. splits their products into two product segments. The product segments are divided into oral, personal, and home care and pet nutrition. Oral, personal, and home care makes up 87% of the company's revenue. Oral care alone makes up 40% of the revenue. The company's oral care products are toothpaste, toothbrushes, oral rinses, dental floss, and pharmaceutical products for dentists. The major oral care brand is Colgate. The personal care products are 23% of the company's revenues. The personal care products are shower gels, shampoos, conditioners, bar soaps, deodorants, antiperspirants, and liquid hand soaps. The brands in personal care products include Palmolive, Softsoap, and Speed Stick. Home care products are 24% of the company's revenues, and the products are dishwashing liquids, Fabuloso and Ajax household cleaners, and Murphy's Oil soap. The

by Katherine St. Clair

second product segment is pet nutrition; this segment makes up 13% of Colgate-Palmolive's revenues. This segment consists of specialty pet nutrition for dogs and cats. The two primary trademarks of the pet food are Science Diet and Prescription Diet.

The company markets their products in over 200 countries. The regions that Colgate-Palmolive Co. operates in are North America, Latin America, Europe/South Pacific, and Greater Asia/Africa. The revenues for the regions are 23%, 29%, 28%, and 20% respectively. North America is Colgate-Palmolive's oldest geographic region and most mature. In order to maintain steady growth the company has three principle strategies. The strategies are continual rebranding, growth through external acquisitions, and cost cutting. Latin America has been the company's primary growth region for the past decade. Europe/South Pacific is another more mature market for the company. The final region is Greater Asia/Africa; this region is expected to be the company's primary growth region in the near future due to rapidly growing and emerging markets.

Colgate-Palmolive Co. announced a four-year restructuring and business building program in 2004. This program was implemented to increase the company's global leadership positions. The company expects to save $425- $475 million before taxes annually and also expects to increase future cash flows.

Colgate-Palmolive Co. is a relatively recession-proof company due to the products that they sell. However, if one evaluates past recessionary times in the United States market from 1990-1995 and 1998-2003 they will see that Colgate-Palmolive Co. was one of only a couple of companies that consistently outperformed their competitors in the industry. Colgate-Palmolive was able to outperform because of their innovative product launches and increase in advertising. Colgate-Palmolive also worked on their efficiency during the past downturns in the market. With these actions Colgate-Palmolive not only had a recession resistant product but they also outperformed their peers with revenues and profitability.

Colgate-Palmolive Co. is a company that is highly outperforming the S&P 500 in the current market. I believe that this stock is a strong buy for 2009; therefore I recommended that Roland George Investment Program buy 800 shares of Colgate-Palmolive Co.

by Megan Nogalski

H.J. Heinz Company was founded in 1869 and corporate headquarters lie in Pittsburgh, Pennsylvania. Heinz is most famous for their condiments, canned goods, and other processed foods. Customers include individual families, food service, and institutional customers. The company operates a number of licenses and brands through three main operating segments: Condiments, Meals & Snacks, and Infant/Nutrition.

Fifteen brands owned and operated by Heinz account for 70% of the company's revenue. Among the company's licenses and trademarks are *Classico, Weight Watchers, Smart Ones, ABC, Boston Market, Ore-Ida Potatoes, TGI Friday's*, and *Plasmon* baby food. Heinz is most known for their staple ketchup, which is manufactured from tomato products grown from special hybrid seeds. Highlights from the year 2008 include an increase in sales by 12%, a 9% increase in dividends, and the highest shareholder return over major competitors since 2006.

Heinz, in recent years, adopted a commitment to reduce greenhouse gas emissions 20% by 2015. This year, the Company established detailed plans to achieve this goal. Through efforts of increasing recycling, lowering energy consumption, conserving water, and reducing electric power, Heinz is not only setting an example for other companies, but also saving on costs.

New packaging was implemented as well—for example, new plastic ketchup bottles are being used which reduce package weight by 9% or approximately 340 tons of plastic per year. Natural gas generators are used in Heinz-operated factories to produce electrical power. Thermal exhaust from these generators is also used to heat water, thus lowering costs and improving efficiency. Heinz is committed to reducing costs in order to drive profit margins.

In addition to the company green goal, Heinz has reduced the impact of rising costs of materials by increasing prices by 3% in each of the past two years. Efforts to improve effectiveness of packaging/shipping are also being developed.

Emerging markets in China and Russia have grown faster than the company average, representing 13% of total sales. These markets are expected to reach 20% of sales by 2013. A major competitive advantage for Heinz lies in the ability to adapt to cultural preferences. Heinz will be expanding 200 new products in the next two years across multinational markets.

Heinz offers a number of nutritional meals under the Weight & Health Management category, including a license for *Weight Watchers* food products. Increasing consumer interest in weight management offers great opportunities for the company. The introduction of new *Weight Watchers* and *Smart Ones* products will allow Heinz to take hold of a larger market share of this consumer interest.

The past few weeks represent a time of weak economies and declining consumer outlook. As the American economy lingers into a time of hesitation, Heinz does not appear to be affected by market sentiment. Rapid growth in emerging markets and increasing consumer awareness in health and wellness foods provides great opportunities for Heinz. Sales within the Weight Management division (*Weight Watchers* and *Smart Ones*) increased an incredible 25% in the past year. Heinz is also a leader in Chinese infant cereal and the staple ABC soy sauce in Asia, second in the world to Kikkoman. Heinz recently completed the acquisition of two European sauce companies as well as Golden Circle, a juice and snack producer in Australia.

In May 2008, the Board of Directors approved a 9% increase in common stock dividend to $0.42 per quarter, or $1.68 per share annually. The dividend amount Heinz continues to pay out is well over many competitors.

Heinz has a proven track record and can offer much stability to the Roland George Portfolio. A solid dividend yield will give a fixed income component to the already consistent security. Heinz is currently undervalued by approximately 12% and the company shows no signs of inherent risk. In a time of economic uncertainty, stability provides safety and return. Future prospects remain strong as Heinz continues to develop improvements on current products, growth through acquisitions, and introduction of new products to consumer markets. Despite the likelihood of a global recession, Heinz will continue to perform well. Heinz is a major leader in a diversified mix of packaged foods, including infant cereal in China and Europe. Successful product innovation and geographic expansion will carry Heinz in future years.

Bernie Madoff's Ponzi Scheme

by Mark Gentry

Bernie Madoff is being accused of the largest fraud in history by losing upwards of $50 billion of investors' money. And here's how he did it:

Madoff managed a hedge fund known as Ascot Partners. Some of the investors in this fund include Steven Spielberg, the Wilpon family (owner of the New York Mets; nearly $300 million invested), and other nonprofit organizations, as well as investment banks. According to *Forbes* magazine, Madoff may have gotten away with his Ponzi scheme if it weren't for the $7 billion in redemptions that was requested from him. In order to guarantee his double-digit earnings year after year, Madoff had a very unique system that proved to be very hard to detect. The way Madoff funded this Ponzi scheme was paying off older investors with new investors' money. Madoff told his investors to keep their involvement quiet, which made the investor feel exclusive.

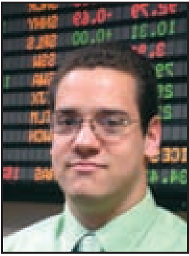
The reason Madoff got caught was that too many older clients were withdrawing their money; and without enough new clients coming in, he couldn't pay them. One of the biggest warning signs that should have been obvious to all investors is that Madoff was getting double-digit returns year after year, no matter how the market fared. There were investigations in the early 1990s that showed there was no possible way Madoff could have been getting the returns he was; but nobody did anything about it – no matter how much competitors and investors complained. Also, Madoff was very connected. His niece was the compliance lawyer for the SEC and his wife was a former member of the team that had inspected the market-making division's books in 2003. Whether he paid off officials or not is uncertain, but not doubtful.

The money invested in Madoff's hedge fund was some of these investors' life savings. Some non-profit organizations are no longer operating because of the lost money. Other wealthy investors who believed they were worth millions are worth very little. What Madoff did describes how greed can corrupt individuals. I believe that Madoff could have gotten away with his Ponzi scheme if it weren't for his greed. He got in too far over his head and when the investors called him out on it, he didn't have the money to pay them. During his court hearing Madoff said he knew this day was coming. I believe SEC officials should have looked a lot deeper into these double-digit, year-after-year earnings. They should have known when the stock market is down month after month and someone is still making double-digit returns, something illegal must be going on. Investors were complaining in the 1990s but the SEC failed to do its job.

To some degree I blame the investors for investing in Madoff's Ponzi Scheme. They should have known that such returns were impossible. But greed tends to be a blinding light for many, and if someone is promising you double-digit returns it's hard to turn it down. If investors followed the saying, "if it sounds too good to be true, it probably is," they would not have lost everything to Bernie Madoff. Although there is some blame on the investor side, what Madoff did is inexcusable and should be punished to the fullest extent of the law.

Bernard Madoff was ordered to jail after pleading guilty to all 11 criminal counts in one of Wall Street's biggest swindles ever. Madoff faces up to a 150-year jail sentence, which will be decided in June. (He was recently sentenced to the full 150 years.) Madoff posted a $10 million bail, after which he was forced to reside in his $7 million Manhattan apartment (what a shame). During his time at his residence, Madoff is accused of hiding some of his assets by mailing them to family members. Thus far, $650 million has been recovered, which does not even come close to the $50 billion Madoff has stolen. After recovering all that they can, the SEC plans on splitting the recovered money with all investors by how much they had invested. During the trial many of the investors seemed more angry at the SEC for letting this happen than at Madoff. The SEC is saying investors will be able to receive up to $500,000 from the Securities Investor Protection Corp., which is a government entity.

The consequences of Madoff's Ponzi Scheme are great, not only to individuals but on a global scale. Just because your money wasn't invested with Madoff doesn't mean in some shape or form you weren't affected. The victim's list is in the hundreds and growing every day. Some of the victims had all of their life savings with Madoff and now they have been reduced to nothing. Going to bed a millionaire and waking up broke is the sad story of several investors in Madoff's Ponzi Scheme. Madoff's fraud is the largest in history and hopefully it will open the eyes of the SEC to prevent future criminal acts like these from happening again. And remember – when something sounds too good to be true, stay away, because it probably is.



A Few Tips about TIPS

by Justin Hunter

As our class tried to come up with an investment policy for the coming year, one thing almost all of us could agree on was the fact that inflation would once again rear its ugly head. While none of us were sure what form it would take – the stagflation of the 1970s or the hyperinflation of the Weimar Republic – we all saw that inflation would return. There are many factors that we felt would cause inflation to return. In this article, I'll briefly touch on the three that we felt would be the most prominent. I made the same case in my bond presentation, which resulted in us buying a TIPS that matures in 2026, significantly lengthening our inflation protection.

The first and most easily visible factor that will cause inflation is the sheer volume of economic stimulus that has been pumped into the economy since the credit crisis began. Trillions – literally trillions of dollars – have guaranteed assets, been used to purchase preferred equity, been part of stimulus packages, or loaned to various private sector entities. This money isn't free; instead, it is created by the Federal Reserve and federal government, expanding the money supply. A rudimentary understanding of economics shows that if the money supply is expanded, either the price of goods in an economy, or the quantity produced, must increase at the same rate. In our current recession, there is no danger of increase in inflation; however, once growth resumes, the money supply will need to be drastically reduced to avert inflation. The Federal Reserve's record low interest rates are part of what got us into this mess. To me and most of the George Program class, that didn't inspire much confidence in their ability to lessen the money supply in a timely manner once growth resumes.

A second related reason for inflation is this: governments and central banks around the world are realizing that inflation might be "the least bad way" out of our current mess. When credit markets unfreeze, unemployment lessens and the economy begins to grow again, the American consumer will still be under a mountain of debt accumulated from three decades of a "spend, spend, spend" mentality. This pattern is seen all over the developed world for businesses, consumers and governments. Since debt is a contractual agreement, it is (usually) a fixed dollar amount. By using inflation (essentially devaluing their currencies), governments around the world are making it easier for their citizens, businesses and themselves to pay off their debt.

Finally, there are several secular trends worth noting that make a case for inflation. As developing economies around the world become fully industrialized nations (India and China come to mind), they are demanding more and more natural resources. Oil, gold (for electronics), potash, iron ore, steel products, etc., are all limited resources. As the world economy returns to growth, we can expect the demand for these to increase as well. Similarly, food-stuff will be demanded by the emerging middle classes around the world. No longer happy with subsistence diets of rice, they will demand more and better meat, which requires grains, again a limited (per annum) resource.

As these and other factors coalesce in the next few years, and the world economy returns to growth in the next year, we can fully expect inflation to return – and with a vengeance. It is with these factors in mind that I recommended the Roland George Investments Program exchange the current 2011 TIPS that we own for a 2026 TIPS. These bonds are special in that they are issued by the U.S. Treasury, but they adjust with inflation. As inflation picks up in the next 12 to 18 months and continues for the foreseeable future, we expect these bonds to appreciate very meaningfully, leading to significant gains for the portfolio.

by Nick Uppal

Based out of Kenosha, Wisconsin, Snap-On Tool Company is widely regarded as the industry standard for the manufacture, production and distribution of hand tools, automotive tools, diagnostic software and a myriad of other equipment. Snap-On has incredible breadth across industries, producing software and equipment for aerospace, automotive, agriculture, energy and many other industries. Along with being incredibly diverse in the manufacture of tools, Snap-On is also very prolific, operating, manufacturing or distributing tools in over 130 countries.

Snap-On's success hinges on its very unique method of tool distribution. Snap-On sells franchising to individuals to drive their vans. These Snap-On vans are basically a mobile tool store, going to local mechanics' shops distributing and selling tools and performing maintenance on other Snap-On products. Snap-On also distributes via more traditional channels, such as brick and mortar stores, to help bolster sales.

Most notably, Snap-On has taken a bigger position in China's automobile industry, which has grown at over 20% for the past 6 years. However, this year the Chinese automobile industry flat-lined, which is still an impressive pace considering the massive demand destruction in the automobile industry in the United States. The rationale behind the selection of Snap-On for the Roland George Investment Program portfolio was the relative stability of this company and the high degree of recession resistance. Since all consumers are affected by the slowing economy the amount of spendable income will drop. Since spendable income will drop, consumers have to hold their cars longer, cars that they may have previously sold after 2-3 years of ownership. Since these automobiles are experiencing a higher rate of wear and tear, more service will have to be performed. The more service an independent or OEM (Original Equipment Manufacturer) performs, the faster the tools used to perform service will wear out. Also, as automobiles become more modernized the tools required to perform service on them become more specialized. Fortunately, most major automobile companies use Snap-On tools, as well as a majority of automobile mechanics.

Upon reaching this conclusion I determined that Snap-On, and its industries were headed in the right direction. With revenues growing and profit margins increasing Snap-On seemed like — and still is — a winner. Also, Snap-On implemented a program known as "Rapid Continuous Improvement" about 2 years ago. This program is designed to significantly reduce costs, reduce required inventory space, enhance workforce empowerment, reduce lead times, eliminate waste, and focus on continuous improvement. When I originally presented Snap-On the merits of this program were evident however, not completely visible. Since then Snap-On has seen a 100% increase in its bottom line.

In the state of the current economy a company that is consistently striving to improve efficiency as well as maintain competitive advantages is one that will be the first out of the gates following a recession. Perhaps this is most evident in a 31.7% increase in earnings per share (EPS) for Q4. In a period when most companies are struggling to even post an increase in EPS, a 31.7% is unprecedented. Despite this shining accomplishment, Snap-On has not been completely untouched by the financial ruin being laid on Wall-Street. Over the past year Snap-On has lost almost 44% of its value due to the massive deterioration of all equity prices. However, the RGIP purchased this equity halfway through the decline in share price, meaning our portfolio has lost 25% on this particular equity.

When I valued Snap-On the stock was undervalued by about 26%, setting the target price at about $52.81. Obviously the stock price has continued to deteriorate rendering the valuation models invalid. However, valuation models run at the current stock prices utilizing up-to-date ratios still yield a 20% undervaluation in price, which would yield a fair value of approximately $38.

The current economic conditions make any equity selection extremely tough to make profitable. However, I do believe that Snap-On's unique and fast paced distribution system will give it an edge over other tool manufacturers to be the first out of the gates in a recovery. Also, Snap-On's "Rapid Continuous Improvement" program will provide even greater benefits in a more profitable economy. Snap-On has been a vision of stability; they have already declared their 30 cent dividend for 2009, a dividend which has been provided uninterrupted for over 70 years.

by Roman Ozimek

Dun and Bradstreet is the world's leading source of commercial information and insight on businesses. The company has been around for 167 years and provides one of the largest databases in the world to its clients. D&B began as a company dedicated to helping American merchants with their decision-making. As D&B grew, the concept of a credit reporter began to grow. Reporters were hired and facilitated the process of making credit ratings and selling them to consumers.

Over the years, D&B has provided remarkable consistency. The company has survived the Great Depression and some of the most difficult financial times in recent history. As the economy has continued through a difficult time, D&B is an ideal opportunity for the George Portfolio. With all of the recent mortgage and credit issues, information and credit ratings are coming to the forefront in importance. As the largest database in its industry, no company can compete with the service that D&B offers to its clients. The company offers very diverse sources of revenue along with offering a service that is crucial to companies in this economic environment.

The main reason that D&B has been able to survive over the past 167 years is the strong company values and focus. The company relies strongly on its trusted brand name and winning culture of developing leaders within the company. Employees develop their careers and focus on customer satisfaction and increasing shareholder value. D&B's quality process includes 2,000 checks to ensure that data is up to company standards. The quality of the product makes the company a winning asset. Finally, D&B offers financial flexibility. Fixed costs are low and investment decisions can be made on a case by case basis. The combination of these four elements makes D&B a recession resistant asset.

No matter which way the market turns, D&B will continue to be a strong investment. If the economic situation improves, more companies will allocate resources to use D&B products. If the situation worsens, D&B products will become all the more important to companies since credit records gain significance.

Since acquiring D&B, the stock has risen approximately 10% over the past few months. These positive returns, combined with company stability and the fact that they sell a necessary product should keep D&B in the George Portfolio as a winner for years to come.

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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 that varies in value between $2.2 million dollars and $2.6 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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