The George Investments View

Fall 2012 – Spring 2013
Volume 18, Number 1



R G I P

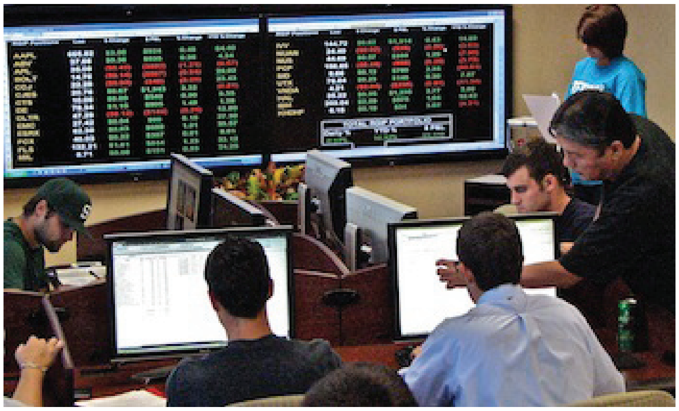


ROLAND GEORGE INVESTMENTS PROGRAM

Fall 2012 – Spring 2013

"Time flies like an arrow – another year has come and gone."

Daichi Nishihara, '13, Senior Editor



Ryan Osborne, '13

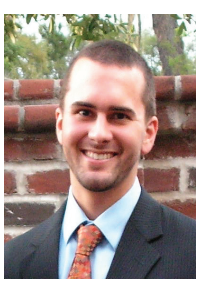
Charlie Raitt, '13

Rose McIntyre, '13

J. P. Allen, '13

Luis Ocejo, '13

Josh Feuerbacher, '13



Nathan Cox, '13

Daichi Nishihara, '13

Features

Columns

Editor's note

by Daichi Nishihara

Time flies like an arrow — another year has come and gone.

The Roland George Investments Program (RGIP) continues to expand. The faces of students may change each year, but the core principle never changes — "make money". In this edition of *The George Investments View*, you will get a behind–the–scenes look at everything that happened in the 2012–2013 school year. We have got it all — starting with how the 2013 graduating class took over the reins of last year's portfolio and contributed to the program to add two more Fixed Income Portfolio national championships from both forums at R.I.S.E and G.A.M.E to the Program's history of great success. It is also an honor to mention that this is the first time ever in the history of the RGIP to win two championships for Fixed Income Portfolio in the same year. To see how this feat was achieved, investment policy statements for the Fixed Income and Equity portfolios have been provided along with a list of all the stocks and bonds the class recommended to move in and out of each portfolio.

For the more avid investor, there are three in–depth equity buy recommendations. Luis Ocejo presents his case for aggressively growing restaurant chain "Jack in the Box" and why their business operation and stock price are still consistently increasing. Joshua Feuerbacher defends his position on why medical product development company Pozen succeeds to increase their revenue and earnings once their new product is developed and distributed to the market. James Rasmussen gives his view on the world's largest online real estate platform Zillow. James' recommended stock is an excellent addition that matches our investment policy statement: small, new, and aggressively growing equity.

Don't think we held out on the bond swap recommendations! We have just what you need to satisfy your fixed income appetite. J. P. Allen forecasts his predictions for interest rate movement in the coming year in his swap for Petrobras over Genworth Financial due to narrowing interest rates between the two bonds. Nathan Cox elected to swap out of Morgan Stanley and into another financial, Raymond James. I even mention about my own views on the strong outlook for the energy sector over the material sector and my prediction of these bonds' interest rates to be narrower in next 12 months. As a result, I display my recommendation to swap into EQT Corporation over our Owens Corning position.

Our student representatives also recount their experiences at both the R.I.S.E 13 symposium and the 2013 G.A.M.E III Forum, both of which brought home championship accolades. Finally, this year has been the busiest year in my college career, yet also the most exciting year without any doubt. It is a very big honor that I am able to serve the RGIP as security analyst, trustee, and editor of *The George Investments View*. I was equally very fortunate to work with great fellow classmates — we were all about diversity. I believe this is the main reason why we accomplished great success, besides the effort and time Dr. Ma put into us. The Roland George Investments Program hopes this publication finds you well and offers you an enjoyable insight into another sensational year at Stetson.

RGIP bond portfolio wins RISE, GAME competitions

April 18, 2013 – Stetson Today

Stetson's Roland George Investments Program (RGIP) bond portfolio, yielding 11.7 percent for 2012, has won two national competitions: the RISE competition hosted by University of Dayton, and the GAME competition hosted by Quinnipiac University. Stetson students and the RGIP have placed first in the GAME competition every year since it started three years ago. In the RISE competition, Stetson has placed first in 10 of the 13 years the competition has been around. Stetson took second place the other three years. More than 100 universities participate in each of the two competitions. (Photo: K.C. Ma, standing at right, assists students in the Roland George trading room at Stetson University.)

"George students know that they represent a proud 33–year tradition and a life–long exclusive club, because of the long consistent winning record," said K.C. Ma, professor of finance, Roland George Chair of Applied Investments, and director of the Sarah George Investments Institute.

In each year's competitions, the winner is determined solely on the audited, actual portfolio performances on real money investments for the previous year. The RGIP portfolios began in 1980 with $500,000 and now value at over $2.9 million. Although it was not a winner in 2012, the RGIP stock portfolio was up 12 percent.

"Managing the $3 million Roland George portfolios helps jump start students' careers by at least five years, because our money is as real as others," said Ma.

More information on the RGIP can be found on its website: http://www.stetson.edu/business/roland-george

Value and take advantage of it.

Maksim Levanovich, '12

"I truly regret that I wasn't a part of the Roland George Program during the spring semester. My main excuse for not taking the "fixed income" class was mainly a busy tennis season. And quite honestly, I am not sure if Dr. Ma would want to see me in his class for another semester. Those tennis guys...Dr. Ma is not a big fan of that sport. I always thought that trading bonds is not as much fun as trading stocks. I was 100% sure I would never work with bonds.

Today, I am working in a commercial bank, where our primary focus is commercial lending. Although the majority of our portfolio is loans (and loans are basically bonds), we have a small bond porfolio that is being managed by one person, the CFO. Unfortunately, it is not me. I do try to learn as much as possible from this person, so I can be more valuable to my bank, but this learning is nothing comparing to the what Dr. Ma teaches you.

My advice to you is: Do take every opportunity to learn every possible aspect of finance while you are in college. You never know where you end up working and what tasks you end up doing. Everything you will learn will be useful to you at some point in life. Listen to Dr. Ma. He says the truth. I am very glad that I was able to take at least one semester of his program. Having "Roland George" on my resume — that is what got me to the second interview. Value and take advantage of it. It works!

Growth Fund – Fall 2012 Portfolio Manager Report

By Ryan Osborne

Every fall as new Roland George students take the reins of the Growth Fund in the Equity Management course, students begin to familiarize themselves with equity markets. The new class must create an Investment Policy Statement (IPS) to follow when they buy and sell securities.

This year the class decided to follow the objective to maximize total (realized) return within a 12–18 month workout period. The class decided to have a large–cap and growth basis; however, we did not place any restrictions on small–cap or value stocks. The fund would be weighted more in growth securities and would emphasize both industrials and technology as well as deemphasize financials. The portfolio holdings would be around 20 securities and each would have a minimum position of $50,000.

After the class had established its IPS, we began with hold/sell decisions on current holdings. Following hold/sell recommendations, students pitched buy recommendations for the fund. Over the course of the fall, the class decided to sell out of 8 positions they were currently holding. This allowed for more cash to be freed up for buy recommendations and allowed the class to design a portfolio within the IPS guidelines.

In the same semester, the class passed 8 new stock recommendations. To start off the Fixed Income Class in the second semester, the class again started with stock hold/sell decisions. The class decided to sell out of 5 securities and sold half of our shares in Apple and Bolt.

Equity Fund
Investment Policy Statement 2012

Objective:

Maximize Total (Realized) Return within a 12–18 month workout period.

Constraints:

- The Equity Fund will have a large–cap and growth style.
- The portfolio will emphasize both industrials and technology industries.
- The portfolio will deemphasize the financial industry.
- Holdings will not exceed 20 stocks and each will have a minimum position of $50,000.

Buy Recommendations – Growth Fund

American International Group, Inc. (NYSE:AIG)
Cisco Systems, Inc. (NASDAQ:CSCO)
Carlisle Companies, Inc. (NYSE:CSL)
The Walt Disney Company (NYSE:DIS)
Royal Caribbean Cruise, Ltd. (NYSE:RCL)
SPDR Gold Shares (NYSE:GLD)
Jack in the Box, Inc. (NASDAQ:JACK)
John Bean Technologies Corporation (NYSE:JBT)
MeadWestvaco Corporation (NYSE:MWV)
SPDR S&P 500 (NYSE: SPY)
Movado Group, Inc. (NYSE:MOV)
POZEN, Inc. (NASDAQ:POZN)
Zillow, Inc. (NASDAQ:Z)

Sell Recommendations – Growth Fund

Apple, Inc. (NASDAQ:AAPL)
Atlas Pipeline Partners, L.P. (NYSE:APL)
Bolt Technology Corporation (NASDAQ: BOLT)
Carlisle Companies, Inc. (NYSE: CSL)
CTS Corporation (NYSE:CTS)
Dollar Tree, Inc. (NASDAQ:DLTR)
EMC Corporation (NYSE:EMC)
Express Scripts Holding Company (NASDAQ:ESRX)
SPDR Gold Shares (NYSE:GLD)
MFC Industrial, Ltd. (NYSE:MIL)
Nuance Communications, Inc. (NASDAQ:NUAN)
Nu Skin Enterprises, Inc. (NYSE:NUS)
Precision Castparts Corporation (NYSE:PCP)
POZEN, Inc. (NASDAQ:POZN)
Companhia Siderurgica Nacional (NYSE:SID)
United Technologies Corporation (NYSE:UTX)
Vanda Pharmaceuticals, Inc. (NASDAQ:VNDA)

Fixed Income Fund – Spring 2013 Portfolio Manager Report

By Charlie Raitt

This year our class focused on investing in fixed income securities while also maintaining our Equity Portfolio from Fall 2012.

As a class, we voted to maximize total (realized) return of our portfolio with a 12–month workout period. We also agreed to minimize our interest rate risk, considering that the general consensus of the class viewed interest rates rising somewhere between 25–50 basis points during the workout period. In order to bring these objectives to fruition, we set certain constraints.

We chose to lower our weighted portfolio duration from 4–6 years to 3–4 years. The class also voted to invest no less than our current holding in financials, 20% of our portfolio. Only investment grade holdings would be acceptable and the portfolio would invest in nothing lower than BBB securities, after careful analysis of the credit spread between Corporate BBB bonds and the U.S. Treasury 10–year bond. We also took a $100,000 cash position in each of our securities, thus rounding out our parameters set forth in our IPS for Spring 2013.

Fixed Income Fund
Investment Policy Statement 2013

Objective:

Maximize Total (Realized) Return within a 12–month workout period.

Constraints:

- The Income Fund will minimize interest rate risk.
- The portfolio will have a weighted duration between 3 and 4.
- The portfolio will have no less than 20% invested in Financials.
- All holdings will be investment grade and will be no less than a BBB rating.

Fixed Income Fund Update

We started off the semester with a cash position of just over $45,000 and a total account balance of just over $1.252 million, with nine securities in our fixed income portfolio. At the end of the semester, we had a cash position of a little over $129,000 and a total account value of 1.293 million, with nine securities in our fixed income account. We also currently hold about a $100,000 position in the PIMCO Investment Grade Corporate Bond Index Fund (CORP). Our 2012 annualized return for the fixed income portfolio was at 10.76%, and our current YTD performance for this semester, Spring 2013, is at 3.82%, beating the U.S. Treasury 10–year bond, currently at –1.06%.

Buy Recommendations – Fixed Income Fund

International Game Technology (NYSE:IGT)
Nabors Industries, Ltd. (NYSE:NBR)
Raymond James Financial, Inc. (NYSE:RJF)
U.S. Treasury Note
Petrobras, Inc. (NYSE:PBRA)

Sell Recommendations – Fixed Income Fund

Morgan Stanley (NYSE:MS)
Owens Corning (NYSE:OC)
Pimco Investment Grade Corporate Bond Index ETF
Telecom Italia (NYSE:TI)
Genworth Financial (NYSE:GNW)

Rose McIntyre and Kati Dagge with Univ. of Dayton School of Business Administration Dean, Dr. Paul Bobrowski, upon receipt of the competition award plaque.

The first day of the third annual Global Asset Management Education (G.A.M.E.) III Forum included panels addressing "Global Economy," "Alternative Assets vs. Equities," "Global Markets" "Corporate Governance" and the "Federal Reserve Perspective."

Insight to Competitions

R.I.S.E. 13 Symposium

By Rose McIntyre

It was an honor for Kati Dagge and I to have the opportunity of going to the R.I.S.E 13 Symposium at the University of Dayton in Ohio this spring. Both of us were proud of ourselves to represent the Roland George Investments Program at the conference. We met and spoke with many professionals in the investment field, as well as students participating in investment programs at other schools. Because of our great achievements we have been making every year, we heard comments like: ***"Oh, you're the one!"*** and ***"How do you do that so much?"*** Some of these students actually asked us to provide them with investment advice!

During the conference's portfolio competition this year, RGIP was awarded National Champion for the Fixed Income fund. It makes the program's seventh time wining in that particular category and tenth time altogether taking National Championship in the past 13 years. I am very proud to have been a member of the RGIP and would like to congratulate all of our students who took part in this year's success!

2013 G.A.M.E III Forum

By J. P. Allen

This year, Kyle Campbell and I had the pleasure of representing the Roland George Investments Program at the G.A.M.E III Forum, sponsored by Quinnipiac University, Hamden, CT, from April 4–6, 2013. While there, we met with students from across the country who are also involved with student–managed portfolios. It was great to learn from the other groups, as well as answer questions about RGIP. We had the opportunity to attend seminars led by influential people in the industry, such as Dr. Frank M. Hatheway, Chief Economist of NASDAQ OMX Group, Inc., along with representatives from companies such as Goldman Sachs.

It was exciting to be present and hear the announcement that the RGIP took first place in the Fixed Income category — once again! I would like to congratulate everyone who took part in this victory. I am encouraged and believe that our efforts this year will bring another victory in next year's G.A.M.E. forum.

Every year is historic!

Director's Update

By K. C. Ma, Ph.D., CFA

Once again, the Roland George Investments Program (RGIP) has made history. By the end of 2012, while the stock portfolio performance paired with that of the S&P, the George bond fund has produced an 11.64% return. It was this outstanding performance that gave us the two national champions at the R.I.S.E. and the G.A.M.E. for the first time in history (see page 6 for the news coverage). We are most excited about the consistency of the superior RGIP performance. Since the start of the RISE competition 13 years ago and the GAME competition 3 years ago, Stetson has won 14 Championsships and 3 Second Places in virtually all competition categories (see last page). We always have a top–ranked showing in every single year. In particular, the last two years alone, we received ***two*** championsips each year.

We also gained our space back in the Global CFA Competi–tion. Stetson's "Four Fishermen's" stock recommendation on the company Web.com had placed them in the final four of the State Finals and finished second to University of Florida. Although they didn't get to represent Florida in the National like 2 years ago, it was the judges' opinion that the Stetson team had made the most accurate estimates of Web.com earnings and stock valuation. In March, they received a standing ovation in "Leadership DeLand" for their first presentation. Dean Schwarz said, "This is the best student presentation that I have ever seen."

The CFA Society, Orlando Chapter invited the Stetson team — instead of the first place team of Florida — to make the formal presentation at their annual banquet. In April of 2013, the same presentation also won for the RGIP the Meris Award in the Stetson Undergraduate Research Competition, "Showcase", the only one to place first from the School of Business Administration. We are so proud of the hard work the Team has put forth and the professionalism they exhibited. As a result, a 10–minute video of their performance was professionally made. To see the presentation, please go to http://www.youtube.com/watch?v=7_CiqEzs1xs.

This, too, has been the first year that George students incorporated in the classroom setting the 14 iPad gifts from George alum. It turns out to be one of the most effective tools in learning and trustee meetings in terms of information processing. Further, the George "Trading Room" itself has gone through a complete face lift (see cover page). It becomes the ***must–see*** tour site for all Stetson guests. With at least three tours a day year–round visiting the George Room, we produced a two–minute promotional video for the RGIP. It has been well received with much excitement and can be viewed at http://www.youtube.com/watch?v=IUWNf0mDadk. It is in our plan now to launch a RGIP Youtube Channel. On a regular basis, we will place recorded classroom activities for public consumption.

We have a number of exciting projects under way for the 2013–2014 school year. This may be the year that we can finally launch the first student stock research journal. We will also seek to launch multiple student–managed funds with different styles. This endeavor will expose George students to the portfolio management skills of individual stock style; it will also allow the RGIP to compete in each style category in national competitions simultaneously. We will also plan to implement a Financial Counseling Program, serviced by the George students, to the local community. A "RGIP 33" Yearbook, a collection of historical class pictures, press coverage, honors and awards, is under design for the George alumni and friends. Please look for it in your mail.

Every year is historic! We uphold the proud tradition of the Roland George Investments Program.

By Luis Ocejo

Jack in the Box was established in 1951 as a quick–service restaurant in San Diego, California. Nowadays, the company is among the nation's leading fast–food hamburger chains. The popularity of Jack in the Box has proven to increase year after year. As a result, the company operates and franchises around 2,250 restaurants around the United States. Hamburgers, french fries, and milkshakes are not the only secret found in this box! Jack in the Box owns Qdoba Mexican grill, which is the second largest fast–casual Mexican brand. Qdoba's popularity has not fallen behind — the company has grown from 85 stores to around 627 since 2003. Looking forward, I expect Jack in the Box to continue its expansion throughout the U. S., increasing revenues and margins. In fact, the company has plans to open around 20 to 25 Jack in the Box restaurants and 70 to 85 Qdoba restaurants.

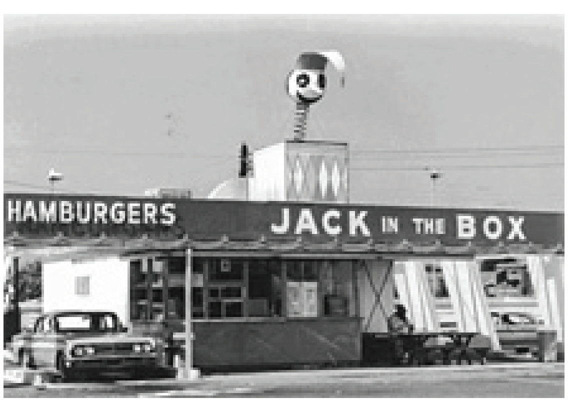
There are two main reasons why Jack in the Box is a good investment for the portfolio. First of all, in the year 2005 Jack in the Box decided to adopt a different business path. The company transformed from being a restaurant operator to a franchiser. In other words, Jack in the Box now sells off its restaurants, which makes the company less risky with a better business model. With this new image, Jack in the Box is able to collect royalties from franchised restaurants, reduce costs, and lease restaurant locations.

At the beginning of 2013, franchise revenue contributed 21% of total sales. However, this part of the business has been growing at an impressive rate of 22% a year. As part of the refranchised process, Jack in the Box focused on improving its image, restaurants, and menu to increase its popularity. Now that this whole process is over, Jack in the Box will benefit significantly. I believe the market still has not fully appreciated this transformation process and still looks at the company as another fast food restaurant, which makes Jack in the Box a great buy.

Furthermore, Jack in the Box has a "hidden asset" — Qdoba. Many investors are not aware that Qdoba is part of Jack in the Box, which could become a huge benefit for the company in the future. Qdoba will continue to increase and it could eventually be sold off just like McDonald's did with Chipotle Company.

2013 Update —

Jack in the Box's initial investment on October 19, 2012, has returned approximately 35% as of April 10, 2013. Jack in the Box reported higher than expected earnings per share in the first quarter of 2013 of $0.54, a surprise of 38%. At the same time, Jack in the Box continues to buy back its own stock, which is a positive sign for the market. When companies buy back their own stock, they might believe the stock is undervalued or there is exciting progress within the company, or both.

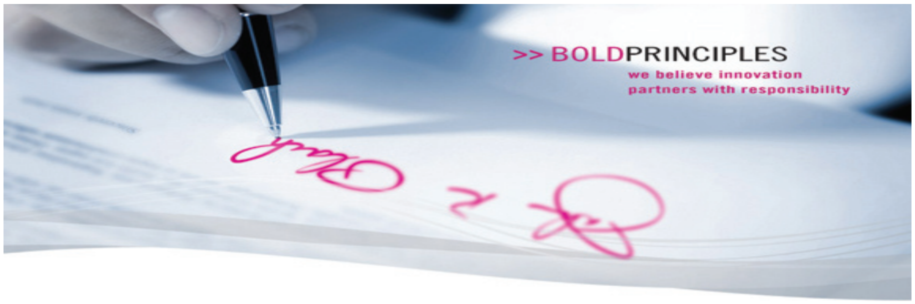


circa 1960s

A Jack franchise location

POZEN®

Transforming medicine. Transforming lives.



POZEN, Inc., logo recreated for digital clarity

By Joshua Feuerbacher

POZEN, Inc., is a product development company located in Chapel Hill, North Carolina, where they founded the company in 1996. POZEN is a progressive pharmaceutical company committed to transforming medicine that transforms lives. POZEN has unique in–source business models that have proven successful in gaining U. S. FDA approval of two self–invented products in two years. This achievement is something rarely seen by small pharmaceutical companies. POZEN is a drug manufacturing company that self–designs specific products for a revolutionized industry of upcoming breakthroughs. They develop new products that treat acute and chronic pain and other pain–related conditions mainly in the United States.

Specific products help with acute treatment of migraine attacks with or without aura in adults while others releive signs and symptoms of osteoarthritis, rheumatoid arthritis, and ankylosing spondylitis as well as decreasing the risk of developing gastric ulcers. There is a large industry for these drugs and because POZEN has specific self–designs they are in a specific niche for their research. This allows them to focus on producing very effective medicine instead of mass producing a lot of different drugs. POZEN's pipeline is to create a safer form of aspirin for the gastrointestinal tract and franchise the product on a new product platform.

POZEN is divided between three main drugs within the U. S., European and Latin American regions. Treximet & VIMOVO are the two drugs that have been currently approved and are being sold and distributed across these regions. The drug manufacturing market can be very competitive. However, branches such as POZEN have themselves a niche with specific field case studies that targets specific problems which lowers the competition. POZEN continues to research and build newer improved versions and unique self–invented drugs while maintaining virtually self–sufficient. The company is a drug manufacturer which means that it goes out and gets other companies to distribute its products and finance the research. POZEN has continued to develop their newest PA drug (an anti–platelet therapy) and after FDA approval, they will be distributing it to a partnership company in the summer of 2013.

The Up's and Down's of Zillow

By James Rasmussen

Each year the Roland George Investments Program sets out to find the best return for our equity fund. In this year's investment policy statement, we determined that we would put an emphasis on technology and focus on small–cap growth stocks. Although I did not choose a technology stock, I found what I believed to be an excellent small–cap growth stock. This stock was Zillow (Z).

Zillow is currently the world's largest online real estate platform and had its IPO in 2011. Zillow provides numerous services to its users. Residential real estate is one of the largest sectors in the U.S. economy and supports a large number of professionals with services. While many real estate professionals operate only in local markets, Zillow has access to potential customers nationwide. They serve their online and mobile users through home and apartment listings, home estimates, a mortgage marketplace, and other services involving the purchasing and maintaining of homes.

As of April 8th this year, Z was returning 88% year–to–date — the largest return in the portfolio. However, it got off to a rocky start. A few weeks after Z was purchased, the stock price plummeted nearly 40% for the next quarter due to poor company guidance. After analyzing this decline, I determined that this was likely due to an overreaction from the market. Shortly after the fall, Z began to gain momentum and once the next earnings were reported, it took off. The stock is now well above its cost basis.

Zillow appeared to be an attractive investment opportunity due to its extreme growth in users and revenue over the past few years along with the timing of an improving housing market. From 2009 to 2011, total revenue has grown from $17.5 million to $66.1 million. This represents a ***277% revenue growth*** for the three–year period. Revenue estimates remain high moving into the future and are expected to reach $168 million in 2013. Needless to say, the future looks bright for Zillow. The graph below shows Zillow compared to the Dow, NASDAQ, and S&P 500 year to date.

RAYMOND JAMES™
FINANCIAL, INC.

Raymond Janes Financial logo recreated for digital clarity

By Nathan Cox

Company Analysis

Raymond James Financial is a diversified holding company providing financial services to individuals, corporations, and municipalities through its subsidiaries that deal with investments and financial planning. Raymond James has over 10,000 employees and approximately 2.4 million accounts spread across its 2,600 locations in North America and internationally. The total amount under asset management is approximately $401 billion. The company has four main segments in its business:

- ***Private Client Group*** – The private client group, which is the company's retail segment, consists of 6,200 financial advisors. These advisors provide securities transactions, investment advisory, and financial planning services.
- ***Capital Markets*** – The capital markets segment includes investment banking, equity research, and equity sales and trading.
- ***Asset Management*** – Asset management is Raymond James' fee–based portfolio management segment. Through its subsidiaries, it provides broker/dealer platforms with managed accounts and mutual funds.
- ***Raymond James Bank*** – The last segment is the Raymond James Bank. It is a federally chartered savings bank that provides residential, consumer, and commercial loans.

Interest Rate Forecast

Since the economic downturn in 2009, the Fed has pushed down interest rates to try and spur some sort of economic growth. Through quantitative easing, the Fed has successfully kept these interest rates low and it has seemed to be a success. In the most recent quarterly report, the unemployment rate decreased from 7.9% to 7.7%, better than expected. Three years prior, the jobless rate was teetering around 10%, indicating that the economy is slowly but surely coming out of the recession

The Fed has announced in the past that QE3 will stay in effect until the unemployment rate is below 6.5% or until inflation surpasses 2.5%, meaning the central bank does not expect to raise the federal funds rate until 2015. However, U.S. interest rates will most likely rise slightly within the next year and then more rapidly after quantitative easing is lifted. Because of this inference, this bond swap takes on a conservative position and assumes that interest rates will rise between 25 and 50 basis points over the next 12 to 18 months. There is confidence within that speculation because (1) the economy is expected to keep improving, (2) quantitative easing could be lifted within the next 12 to 18 months, and (3) 10–year Treasury futures indicate a market assumption of 2.08% yield, about 25 basis points above the current yield. Therefore, I am expecting both buy and sell candidates' (Morgan Stanley or MS) interest rates to increase by 25 basis points in my most likely scenario as well.

Yield Forecast

As both bonds are classified in the same sector (financial services), the spread between the financial sector and the Treasury is seemingly getting slimmer, slowly narrowing since the recession labeled financial service companies as an obvious risk. The spread, after immediately widening in 2008 and 2009, drastically narrowed after stabilization and bailouts occurred. After relapsing slightly at the end of 2011, the spread is once again narrowing to its pre–recession levels. I believe the spread has room to continue to narrow, and if not, remain at current levels.

Sources of Swap Profile

Since the policy statement speculates that interest rates will rise by 25 to 50 basis points in the next 12 to 18 months, higher duration bonds will be hurt slightly. As Raymond James has a higher duration than Morgan Stanley, it incurs an interest rate risk of 36 basis points. The main portion of the basis point pickup will be from credit risk. Because the portfolio would be taking on more risk by switching from an A– bond to a BBB bond, compensation needs to be given to the bondholder to make the risk more attractive to take. There is a credit risk pickup of 96 basis points. Under the current likeliness of a 25 basis point increase in interest rates over the next 12 to 18 months, a pickup of 146 basis points was estimated with a switch between MS and RJ. With a loss of 36 BPS due to interest risk and a pickup of 97 BPS with credit risk, it leaves 83 BPS for mispricing.

PETROBRAS

Petrobras logo recreated for digital clarity

By J. P. Allen

Company Analysis

Petrobras is a Brazilian oil company. The company was founded in 1953 and is headquartered in Rio de Janeiro, Brazil. They are an international company that operates in 25 countries. They operate as an integrated energy company, and take part in these sectors: exploration and production, refining, trade and transportation of oil and natural gas, petrochemicals, distribution of oil derivatives, electricity, biofuels, and other sources of renewable energy. The company is a leader in deep water and ultra–deep water oil production technology.

Petrobras was formerly govern–ment owned, but has since been partially privatized, with the Brazilian government still owning 54% of the company. They currently are planning to take on large amounts of debt to finance new oil production opportunities. The company, likewise, is planning on investments of $236.5 billion by 2016.

Interest Rate Forecast

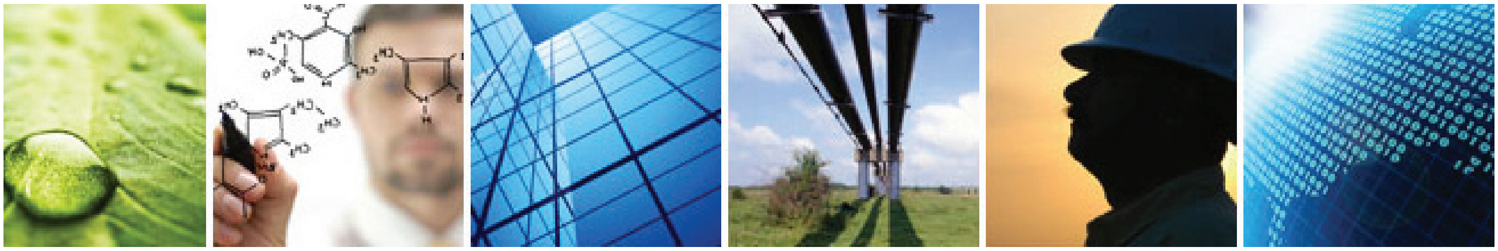
When analyzing the 10–year treasury curve, it was calculated that the implied interest rate shift would be an 80 BPS increase. However, the pure expectations theory often does not take into account investor's preference for higher liquidity. Because of this, the prediction was changed to be a 50 BPS upward shift.

Yield Forecast

In normal times, Petrobras would be yielding less than Genworth Financial based on sector and rating. However, this was not the case. I saw this as an opportunity to switch to what is normally a less risky bond and to capitalize on this before bond spreads return to normal. When doing a fair value analysis, it was shown that the Petrobras bond was undervalued. I am expecting the spread to narrow, making for a large pickup from swapping bonds. This should occur once Petrobras's investments begin to pay for themselves. Due to these factors, I predicted a 50 BPS increase in Genworth's yield and only a 10 BPS increase in Petrobras's.

Sources of Swap Profit

Analysis predicted a basis point pick up of 144. There are four sections that we look at to determine where the portfolio gets swap profit. These sources are interest rate risk, sector risk, credit risk, and mispricing. We took on additional risk by switching to a higher duration bond. Because of predicted yield movements from these two bonds, the risk was minimal but the pickup was large, giving us 202 BPS. We swapped from a financial sector bond to an energy sector bond. This caused us to lose 125 BPS because the energy sector is considered to be safer. The swap also had us switch from a BBB– to a BBB rated bond. By switching to a higher rated bond, we lost 91 BPS. The mispricing of the bonds was a huge reason for picking this bond. The mispricing was calculated to be 162 BPS.



EQT Where energy meets innovation

By Daichi Nishihara

Company Analysis

EQT Corporation (EQT) conducts its business through three segments: EQT Production, EQT Midstream, and Distribution. EQT Production is one of the largest natural gas producers in the Appalachian Basin. EQT Midstream provides gathering, transmission and storage services for the company's produced gas. The Distribution segment distributes and sells natural gas to residential, commercial, and industrial customers. More than 60% of EQT's total revenue comes from natural gas meaning their financial stability is largely affected by the price of natural gas. The natural gas price finally met a turning point for rising trend this year from dropping trend since the recession. The average price is estimated to increase by almost a dollar in 2013 with $3.74 per million British thermal units.

This upward movement is estimated to continue into 2014 as well when prices are predicted to hit $3.90. Adam Siemeinski, one of the EIA administrators, specifically mentioned that the uptrend of natural gas pricing is most likely continuing and may even go up to $5 or $6 in the longer term. Therefore, this uptrend will positively impact on the EQT's financial statements as well as overall Energy industry. This is why RGIP should start investing in the Energy industry for the fixed income portfolio.

Interest Rate Forecast

The U.S. Federal Reserve has promised to keep interest rates low by purchasing U.S. Treasury bills until the unemployment rate reaches 6.5% which is estimated to be in April 2014. This indicates that their funds target rate will not change from 0 to 0.25% for at least one more year. Therefore, interest rates upward movement is very limited, even though there is a strong outlook on the economy. My expectations are 10 basis points for U.S. 10–year Treasury note, 15 basis points for AAA corporate bonds, and 30 basis points for BBB corporate bonds.

For EQT, I am expecting their interest rate to increase by only 20 basis points. Due to an uprising trend in the natural gas price, the Energy sector, especially the natural gas industry, has extremely high expectation. There are high chances that investors will weigh more investing into the Energy sector. This high expectation indicates to me that EQT's upward interest rate movement will limit unlike other bonds.

For my sell candidate, Owens Corning (OC) from the material sector, I am expecting the company's interest rate to climb up by 40 basis points. OC is currently listed as one of the top 100 LBO companies from the FTN Financial. If LBO took place, it would hugely influence OC's financial health negatively and even potentially downgrade it to non–investment grade. In addition, their credit rating is BBB– which is one rank lower than the EQT's. Therefore, OC's bond yield changes have higher volatility than EQT's.

Yield Forecast

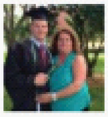
Normally, the energy sector is riskier and more sensitive to general interest rate movement than the material sector. However, this trend has been changing since investors start believing strong outlook on the energy sector due to rising commodities price especially natural gas. Currently, the EQT's yield to maturity is 3.52% which is higher than the OC's 2.61%. As I mentioned earlier, OC's upward interest rate movement is projected to increase more than EQT's. The spread between these bonds is estimated to be 20 basis points narrower in the next year that will profit our portfolio.

Sources of Swap Profit

Total pickup from this bond swap proposal is 108 basis points. There are four different sections that the RGIP portfolio generates the profit: interest rate risk, sector risk, credit risk, and mispricing except narrowing spreads. We took additional risk by switching to a higher duration bond that lost us 53 basis points. We upgraded the credit rating from BBB– to BBB that also lost us 37 basis points. However, switching to the energy sector from the material sector gave us 51 basis points. Finally, the mispricing was calculated to be 147 basis points.

Roland George on:

Select postings.



Joseph Dye

http://www.youtube.com/watch?v=59P_ZoxjDhk

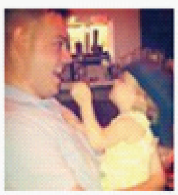
Roland George Investments Program Class History
www.youtube.com

Like · Comment · Follow Post · Share · June 18 at 11:49am

Luis Ocejo, Ryan Ozborne and 7 others like this. Seen by 89

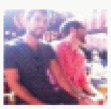
Kwan-chen Ma

Thanks RGIP graduates, Roger Foley, Walker Hobson, and Maltimore Damian currently serve in the military to protect all of us.



Roger J. Foley

Lives in Pyeongtaek
From Bow, New Hampshire
Stetson



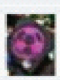
Nicolas Uppal

do we go long Europe here?Equities have fallen 12- straight weeks and GB/Germany are showing signs of life. Plus it (the two largest economies) could be aided by the rise in hiring we've seen domestically/].

Like · Comment · Follow Post · June 14 at 12:37pm

Kwan-chen Ma likes this. Seen by 90

Marcelo Taborda Employment in the US(domestically) is at a 30 year low. 58.6% of the civilian population over age 16 had a job as of April, according to the U.S. Bureau of Labor Statistics. thats quite a burden on the economy in my opinion. The unemployment rate is becoming less and less relevan
June 14 at 1:16pm · Like



Kwan-chen Ma Stock markets do not react to "stock" (absolute) numbers but "flow" (changes) numbers.
June 14 at 3:09pm · Like

John Hemenway

Anyone graduating and interested in a starting position at Putnam Investments feel free to email me a resume at jhemenwa@gmail.com or message me for me details

Like · Comment · Follow Post · April 5 at 11:50pm

Marcelo Taborda

Job Position: Financial Operations Analyst

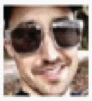
Company: INTL FCstone Securities (ticker:INTL)

Location: Orlando, FL

Please email me at my stetson email: mtaborda@stetson.edu

This is a good entry/middle level position in the Securities Industry.

Like · Comment · Follow Post · April 10 at 10:15am



Benjamin LaFreniere uploaded a file.

Commercial Real Estate Job Opportunity in Tampa. Only requirement is a Bachelor's Degree. More info and contact is below:

We are working with DDR in Tampa on an in-house leasing rep position – job description attached. Solid base salary + bonus + good benefits and they would likely help relocate you from Orlando.

Let me know if this is something that merits further discussion and I will give you a call on your cell at a time that's convenient for you.

...

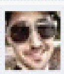
See More

JD-710-Tampa-Website.doc

Preview · Download · Upload Revision

Like · Comment · Follow Post · June 19 at 2:52pm

2 people like this. Seen by 81



Benjamin LaFreniere Another requirement I didn't see was "1-3 years of commercial real estate leasing"... but if you have some sales experience, you'll be fine.

June 19 at 2:53pm · Like · 2

Kwan-chen Ma

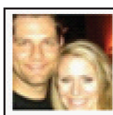
Guys, just message directly to Kirk Labusch for details of the following opportunities:

Anyone with a finance/accounting degree looking for a job in Lake Mary? Let me know, Verizon is looking for candidates for openings in the new Finance office they are building there..

Like · ·Unfollow Post · a few seconds ago.Seen by 1

Like · Comment · Follow Post · June 13 at 9:44pm

Derek Donahou and Matthew J. Buttner like this. Seen by 98



Sidney Taylor

Investment and Fiduciary Consulting Internship

Job Title: Investment and Fiduciary Consulting Internship

Job Type: Part-Time

Location: Heathrow, FL

Visit Newport at www.newportgroup.com.

Evan A. Alexander uploaded a file.

Hello,

A friend of a friend is looking for resumes for a Financial Planning Manager position at Burger King worldwide. See the attached PDF for qualifications and details . If you're interested, please submit you're resume/cover to me at ealexander@lumacapital.com

Burger King Worldwide position - Manager Financial Planning.pdf
Preview · Download · Upload Revision

Like · Comment · Follow Post · February 19 at 9:49am

Eric Kissel
I think Facebook is finally a buy. They are finally doing all the right things in advertising and monetization. Don't miss it.
Like · Comment · Follow Post · May 17 at 8:11am near Tampa, FL

Matthew J. Buttner likes this. Seen by 128

Nicolas Uppal agree, they are innovating new ways to monetize their users.
May 17 at 11:44am · Like

Eric Kissel i bought today
May 17 at 12:04pm · Like

Eric Kissel $26.485
May 17 at 12:36pm · Like

Eric Kissel I think we'll see 40 within 12 months
May 17 at 12:37pm · Like

Nicolas Uppal
http://www.thehindu.com/business/Industry/facebook-traffic-plateaus-but-profit-potential-looks-up/article4727204.ece

FB and LNKD are actively monetizing user base. two theories; FB while the economy is sluggish
May 18 at 5:35am · Like

Nicolas Uppal (more ppl have more time to spend at home) and 2) lnkd when economy picks up
May 18 at 5:36am · Like

Kevin M Kangsworth http://www.marketwatch.com/story/is-it-time-to-buy-facebook-2013-05-17?link=MW_latest_news
May 20 at 11:28am · Like

Eric Kissel Article Kevin posted was well written, but the author is comparing fb to generic IPOs and using nonsense valuation. He could have been writing about a cereal company...vs FB and come to the same conclusions. Fb basically had no ad revenue to speak of b... See More
May 20 at 12:20pm via mobile · Like

Eric Kissel *now being approved
May 20 at 12:20pm via mobile · Like

Write a comment...

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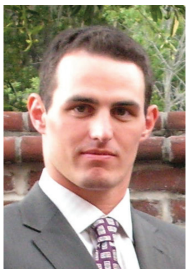

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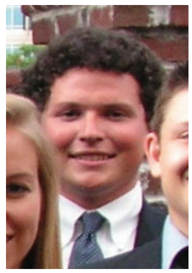

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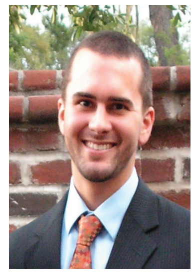

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R G I P
A W A R D S

R. I. S. E.	Competitions	
2001	Champion	Blend Stock
2002	Champion	Value Stock
2003	Second Place	Growth Stock
2004	Champion	Bond
2005	Champion	Bond
2006	Champion	Growth Stock
2007	Champion	Bond
2008	Champion	Bond
2009	Second Place	Bond
2010	Champion	Bond
2011	Second Place	Bond
2012	Champion	Bond
2013	**Champion**	**Bond**

G. A. M. E.	Competitions	
2011	Champion	Bond
2012	Champion	Core Stock
2013	**Champion**	**Bond**

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

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

From this start, Mr. George formed the ideas of creating an investment curriculum that combined academic theory with real world experience. This dream came true when Sarah George funded the Roland George Investments Program. This program provides support for the applied investments program at Stetson University where students manage a portfolio valued at over $3 million dollars. Insights are gained through contact with professions such as Robert Stovall, CFA, of Wood Asset Management, Inc., Sarasota, FL.

For information on the Roland George Investments Program contact us at 386.822.7442.

STETSON UNIVERSITY

George Investments Institute
421 N. Woodland Blvd., Unit 8398
DeLand, FL 32723

Director and Professor
K. C. Ma, Ph.D., CFA
KCMA95@aol.com

Senior Editor
Daichi Nishihara
dnishara@stetson.edu

Associate Editor
Publication Specialist
Lynn Thompson
lthompso@stetson.edu