



**Roland George
Investments Program**

Annual Report 1981-82

**School of Business Administration
Stetson University
DeLand, Florida**

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DeLand, Florida
Pope A. Duncan, President
David W. Nylén, Dean**



Davis Hall houses the School of Business Administration at Stetson University.

The Roland George Investments Program was established in the School of Business Administration of Stetson University through a gift made in 1980 by Mrs. Sarah George. The gift was made to carry out a belief of her late husband that students learn money management best by being exposed to experienced investment decisions.

Terms of the gift provide that an annual report be prepared, summarizing program activities for the year. This is the second annual report. Within the report endeavors are made to

provide a brief background on the origin and history of the program;

assure program continuity as the mantle of responsibility passes from class to class;

comment on relative twelve-month performance of the income and growth portfolios developed by the Class of 1981;

critique the most recent offering of Finance 421, Investment Portfolio Management;

give an accounting of program assets held in the two funds as of the last day of the Stetson University fiscal year (May 31, 1982);

Summarize the amount and nature of program expenses made possible through portfolio incomes; and

project future plans and/or objectives for the George Investments Program and for the course in Finance 421.

Origin of the Roland George Investments Program

Understanding of the idea behind the George Program can best be gained by understanding the background and experiences of Sarah and Roland George.

Roland George — Background

Roland J. George, a native of Crawford County, Pennsylvania, was graduated from Allegheny College and Columbia University's College of Law. After practicing law in New York City for two years, Mr. George joined the credit staff of National City Bank in 1927. Fascinated by the field of investments, Mr. George moved on to the brokerage firm of Smith & Barney in 1929. Buying on margin for his personal portfolio, Mr. George was caught in the market "crash" of 1929; however, unlike many, he repaid his losses before starting anew. When Smith & Barney merged with another firm, Mr. George joined the investment counseling firm of Lionel D. Edie and Company, remaining with them until his retirement in 1961.

Sarah Wilson George was born in Indiana, Pennsylvania, and graduated from Indiana State Normal School (now Indiana University of Pennsylvania). While a librarian at the New York Academy of Medicine, Sarah met Roland at a social gathering. Sarah and Roland married in 1934.

For twenty years, the Georges lived on Roland's salary and invested all of Sarah's income. Their investment portfolio favored speculative and growth stocks so that the elements of risk and loss were ever present in their lives. Mr. George became convinced that, although academic theory and principle are important, a practical approach is even more important if an investor is to be successful. He wrote a small book, *Learn to Invest*, which was copyrighted in 1973 when he had attained the mature age of 87. Although Mr. George endeavored to discuss and air his views widely, he was unable to find a sponsor in the academic community for a program of the nature that he envisaged. Offers on his part to finance a "practical" course went unaccepted.

Creation of the Program

Upon retirement in 1961, the Georges moved to Princeton, New Jersey, then to Howey-in-the-Hills, Florida, in 1966. In 1971, they moved to Eustis, Florida, so that Roland could be "near the brokerage house and banks." Upon Roland's death in 1979 at age 93, Sarah resolved to carry on Roland's dream of establishing a "practical" investments course in an academic institution by funding a program honoring his name. Mrs. George discussed the idea with her brother, Robert Wilson, a graduate of Harvard's Graduate School of Business Administration, and her lawyer, Frank Gaylord, a graduate of Stetson. The trio approached Stetson with their idea.

In a letter dated December 7, 1979, Dr. David W. Nylen, dean of Stetson's School of Business, described the undergraduate curriculum for finance majors and proposed several alternatives for use of "designated" funds of varying amounts.

On May 13, 1980, Mrs. George, Robert Wilson, and Frank Gaylord met in President Pope Duncan's office with Dean Nylen, Dr. H. Douglas Lee, vice president for Planning and Development, and Professor Kenneth Jackson, chairman of the Finance Department.

Mrs. George emphasized that Roland was a "down-to-earth" man, that he was annoyed that colleges would teach only theory, and that he was dismayed that students use imaginary or "play" money, taking no real risks in the traditional academic courses. The Georges felt the one way to learn investing was to actually do it. Mrs. George wanted to see a program established that would provide a student learning experience that included the risk of managing a large amount of money and the pressure to generate income to finance the



Mrs. Sarah George discussing investments with students of Finance 421.

program. She stressed that failure as well as success should be a part of the student experience. Mrs. George wanted a program in which the students would have a major voice in the investment decision-making process.

Dean Nylen and Professor Jackson described the existing investments course in depth to the interested trio. A proposal for a follow-on course and program of the nature envisaged by the Georges was presented. Introduction of a follow-on course of a practical or applied nature, taught by a distinguished visiting practitioner in a university environment, would allow the Georges' dream to become reality.

Funding and Attendant Terms

On August 20, 1980, assets with a market value of \$481,498.86, nearly one-half million dollars, were transferred to Stetson. Accompanying the transfer was a memorandum outlining the terms of the gift and the operations of the program. With this act, Mrs. George had provided the means for financing Mr. George's dream.

It was agreed that the purpose of the Roland George Investments Program would be to

- honor Mr. Roland George;
- add an advanced course in investment practices;
- train students for successful investment careers through a program that involves actual investment management;
- establish two investment funds of approximately equal value, one income oriented and the other growth oriented; and
- generate annual incomes sufficient to
 - establish the Roland George Visiting Professorship of Investments,
 - establish the Roland George Merit Scholarship Program designated for students seeking careers in the investments field,
 - purchase library resources to support the teaching of investments, and
 - administer the overall program.

Implementing Actions

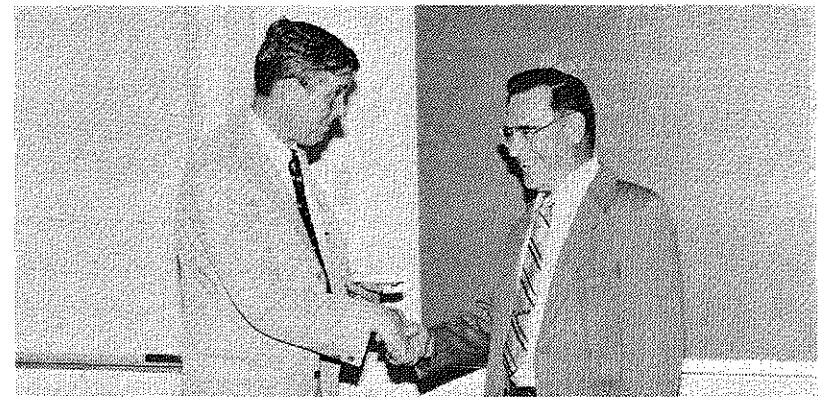
Dean Nylen appointed a Steering Committee with Professor Jackson as chairman, Dr. G. Michael Boyd and Dr. Edward A. Nelson of the Finance Department and Professor Joseph J. Master, chairman of the Accounting Department, as members. Dean Nylen was an active ex-officio member. Dean Nylen, in establishing the committee, charged them to

- prepare a catalog description and course syllabus for the proposed, applied, advanced course in investments;
- propose course schedules, prerequisites, and student eligibility requirements;
- define inter-relationships with other School of Business Administration courses;
- forecast portfolio incomes and prepare budgets for a two-year period;
- prepare programs and procedures for acquiring and housing library and research resources and materials;
- develop a program for recruiting a visiting professor;
- develop criteria and procedures for awarding scholarships; and
- obtain proposals from brokerage firms and banks for transaction and custodial services and fees.

Based on recommendations of the Steering Committee, a new course, Finance 421, Investment Portfolio Management, was approved by the School of Business Curriculum Committee and the School of Business faculty. A budget proposal for the program was submitted and approved by the University administration. The services of a visiting professor were negotiated, and it was determined that transactions would be divided between the brokerage firms of Merrill Lynch Pierce Fenner and Smith and Dean Witter Reynolds. DeLand State Bank and Trust Company was selected to serve as custodian for the program with two separate George Fund accounts—one for growth and the other for income.

The Inaugural Class of 1981

Program administrators thought it especially important that the initial class get off to a good start. To this end, the objective was to find an investment practitioner of national repute with the capability of credibly serving in the role of academician. The School of Business



B. Carter Randall and Kenneth Jackson in Feb., 1982.

Administration was fortunate to secure the services of B. Carter Randall as Distinguished Visiting Professor for the inaugural course in Finance 421, Investments Portfolio Management. The course was first offered during the spring semester of 1981.

Mr. Randall attended Harvard and Johns Hopkins Universities; was a trust officer with the National Bank of Maryland for 25 years; and, while serving as distinguished visiting professor, was senior vice president of Sun Banks of Florida. Although a senior officer with Sun Banks of Florida and a noted lecturer and writer in the fields of economics and financial investments, Mr. Randall is perhaps best known as a long-standing panelist on the weekly TV program, "Wall Street Week."

Under the guidance of Mr. Randall, utilizing the assets provided to the program through the gift by Mrs. George, the twenty students of the Class of 1981 designed portfolios for both the income fund and the growth fund.

The class started from a cash position. All assets acquired via the gift from Mrs. George were converted to cash. From the available cash, two portfolios of nearly equal value were established: an income fund and a growth fund. Portfolio assets were procured under the premise that assets would be held in the portfolio for at least one year—until the next class would review and realign asset holdings. It was further assumed that there would be little or no change in portfolios between courses, i.e., from the end of the 1981 spring semester until commencement of the 1982 spring semester.

Although the class exercised its own initiative, individuality, and independent judgment, resultant portfolios tended to reflect the philosophy and guiding hand of Mr. Randall. The Income Fund was designed to assure sufficient income to meet program expenses. In March 1981, money market funds offered the promise of exceptionally high yield. There was strong temptation to maintain a high proportion of Income Fund assets in money market funds; however, the return was not assured. In the interest of acquiring investment

analysis and experience, and in order to assure incomes necessary to meet budgeted program expenses, it was agreed that the Income Fund portfolio should consist primarily of United States Treasury bills, notes and bonds; triple-A commercial bonds; and high-grade stocks with assured history of dividend payments. The Growth Fund was designed to accept a greater degree of risk than the Income Fund but was conservatively postured to achieve nominal capital gain with minimal risk. How the two funds fared during a year of abnormally high rates of inflation, interest, and unemployment is discussed below.

Portfolio Performance — Class of 1981

Most of the assets were purchased by March 31, 1981, and the portfolios remained essentially unchanged until April 1982, when the class of 1982 made major portfolio changes. One of the treasury bills matured and was "rolled over"; one of the stocks was lost through exercise by the purchaser of a covered option; several stocks split; and except for program expenses withdrawn from each of the two funds, incomes were reinvested in money market funds. These changes are reflected in Tables A and B.

TABLE A

Income Fund: Table A is designed to facilitate performance evaluation of the Income Fund portfolio for the 12-month period March 31, 1981, to March 31, 1982. The adjustments are to add back funds withdrawn for payment of program expenses and to subtract mortgage interest deposited to the fund that is not applicable to the Class of 1981 portfolio. On February 26, 1982, Mrs. George presented an additional gift of two first mortgages to the program. At the time of gift, the outstanding value of the two mortgages was \$86,792. During March 1982, seven rental checks totaling \$2,631 were deposited to the fund with \$2,425 for interest and \$206 for reduction of principal.

From monthly records of the custodian, DeLand State Bank, it was determined that dividends and interest totaling \$24,462 were added to the fund. Based on portfolio acquisition costs of \$239,418, current yield was 10.2%. The fund increased in value from \$239,418 to \$266,891, a gain of 11.5%.

During the period March 31, 1981, to March 31, 1982, the Dow Jones Index for twenty bonds fell 6.7% (from 61.99 to 57.83) and the Dow Jones Industrial Average (DJIA) fell 18% (from 1003.87 to 822.77). Portfolio value of U.S. Treasury instruments and commercial bonds fell \$3,770 (-4%) while portfolio value of stocks rose \$3,668 (+3.3%). The net unrealized capital loss of \$102 was negligible, but noteworthy when compared to the decline in Dow Indexes.

A 10.2% current yield reinvested to give an 11.5% appreciation in portfolio value without capital loss indicates commendable performance on the part of the Class of 1981 Income Fund.

TABLE A
Roland George Income Fund
(March 31, 1982 Market Value
vs. March 31, 1981 Cost)

No.	Type of Asset	COST March 31, 1981		MARKET VALUE March 31, 1982		Percent Change
		Cost Per Share	*Amount	Cost Per Share	Amount	
	Cash				3,412	
	ILAF (Intercapital)		387		400	
	Federated Master Trust		15,242		50,189	
	<i>Subtotal</i>		15,629		54,001	
20	Treasury Bills 12/31/81	91.26	18,287			
25	Treasury Notes 5/15/84 13-1/4	100	25,035	98.50	24,625	(1.6)
25	Treasury Bonds 11/15/94 10-1/8	82.5	20,660	79.00	19,750	(4.4)
	<i>Subtotal</i>		63,982		44,375	(2.9)
20	AT&T 6/1/90 10-3/8	85.50	17,100	82.875	16,575	(3.1)
20	GMAC 5/1/89 9-5/8	83.25	16,650	77.50	15,500	(6.9)
20	IBM 10/1/04 9-3/8	76.25	15,250	72.375	14,475	(5.1)
	<i>Subtotal</i>		49,000		46,550	(5.0)
500	Colonial Penn	22.5	11,393	13.25	6,625	(41.9)
600	CPC	31.8	19,267	37.25	22,350	16.0
500	FMC	30.6	15,497	27.0	13,500	(12.9)
600	G T & E	25.4	15,406	29.75	17,850	15.9
800	Indianapolis Power & Light	19.8	15,998	22.375	17,900	11.9
200	Reynolds Ind.	44.5	9,005	45.125	9,025	0.2
200	Tenneco	47.1	9,534	27.625	5,525	(42.0)
700	Wisconsin Electric	20.8	14,707	31.000	21,700	47.5
	<i>Subtotal</i>		110,807		114,475	3.3
	TOTAL				259,401	
	Plus Program Expenses				+9,915	
	**Minus Mortgage Interest				-2,425	
	ADJUSTED TOTAL		239,418		266,891	+11.5

*Includes commissions

**Mortgage interest on gift made subsequent to Class of 1981 portfolio.
Outstanding balance of \$86,792 not included in portfolio assets.

TABLE B

TABLE B
Roland George Growth Fund
(March 31, 1982 Market Value
vs. March 31, 1981 Cost)

No.	Type of Asset	COST		MARKET VALUE		Percent Change
		March 31, 1981	March 31, 1982	March 31, 1981	March 31, 1982	
		Cost Per Share	**Amount	Cost Per Share	Amount	
3/31/81	S & P 500 Index Average	136		114		(16.1)
	Cash				1,242	
	Federated Money Market		2,798		85,551	
	1) Treasury Bills 7/23/81	95.20	28,594			
	Subtotal		31,392		86,793	
*630	Archer Daniel	*18.6	11,740	16.0	10,080	(14.1)
200	Atlantic Richfield	52.9	10,694	38.9	7,775	(27.3)
*600	Baxter Travenol	*27.1	16,396	33.6	20,175	23.0
100	Digital Equipment	84.5	8,503	78.3	7,825	(8.0)
300	Dow Chemical	35.9	10,889	24.0	7,200	(33.9)
400	Emerson Electric	40.3	16,276	45.1	18,050	10.9
200	General Electric	65.5	13,220	61.4	12,275	(7.1)
200	Halliburton	72.9	14,695	36.0	7,200	(51.0)
*200	Hewlett Packard	*42.0	8,460	41.3	8,250	(2.5)
200	IBM	62.0	12,520	59.1	11,825	(5.6)
2) 400	NL Industries	33.3	13,445			
300	Pfizer	49.5	15,010	52.5	15,750	4.9
300	Phillips	47.0	14,254	29.5	8,850	(37.9)
300	Sensormatic	34.1	10,238	41.0	12,300	20.1
600	Sterling Drugs	21.0	12,760	24.8	14,850	16.4
*600	Tandy	*23.3	14,443	30.1	18,075	25.1
*400	Time	*30.4	12,270	35.9	14,350	17.0
1500	Western Maryland RR	23.5	35,250			
	Subtotal		251,058		194,830	
	TOTAL		282,450		***281,622	
	Plus Program Expenses				+17,850	
	ADJUSTED TOTAL		282,450		299,472	6.0

*Adjusted for Stock Splits

**Includes Commissions

***After Withdrawing \$17,850 for Program Expenses

1) Rolled over to 1/1/82 Treasury Bills which also matured

2) Covered option exercised at 40, allowing capital gain of \$2,380

Growth Fund: Table B allows evaluation of growth fund performance for the period March 1981 through March 1982. Dividend and interest income of \$15,746 resulted from stock dividends of \$8,025, treasury bill interest of \$3,731 and money market return of \$3,990. Based on portfolio cost of \$282,450, current yield was 5.6%. Realized capital gain of \$2,380 from sale of NL Industries at option strike price partially offset unrealized capital losses of \$7,533, resulting in unrealized capital loss of 1.8%. Sale of covered options provided an additional \$4,173 or 1.5%.

In summary, the gain from sale of covered options plus sale of NL Industries at strike price nearly offset unrealized capital losses. Current yield of 5.6% reinvested to allow portfolio gain of 6% with negligible loss in capital over a period when the DJIA decreased 18% and the S&P 500 decreased 16.1% was indeed outstanding.

Investment Program Incomes: Program expenditures during a given fiscal year must be paid from incomes earned during that fiscal year. Income in excess of expenditure reverts to capital at the end of the fiscal year. Therefore, although Class of 1981 portfolio performance discussed above was for the period March 31, 1981, to March 31, 1982, incomes summarized in Table C are for the fiscal period May 31, 1981, to May 31, 1982. Income of \$46,218 more than offset budgeted expenses of \$30,000 and actual expenses of \$27,870. Unexpended income reverted to capital and was reinvested.



Dean Nysten with Sarah George and Professor Jackson.

TABLE C
Program Incomes — FY 1982

Income Fund		Growth Fund	
Interest		Interest	
US Bills	1,713	US Bills	3,732
US Notes	3,313	Money Market	3,883
US Bonds	2,531	Subtotal	7,615
Subtotal	7,557	Dividends	
AT&T	2,075	Archer Daniels	72
GMAC	1,946	Atlantic Richfield	450
IBM	1,875	Baxter Travenol	240
Subtotal	5,896	Dow Chemical	540
Money Market	1,348	Emerson Electric	752
TOTAL	14,801	General Electric	640
		Halliburton	280
Dividends		Hewlett Packard	48
Colonial Penn	700	IBM	688
CPC	1,179	NL Industries	360
FMC	800	Pfizer	498
GT&E	1,686	Phillips	660
Ind. Pwr & Lt	1,960	Sensormatic	27
Reynolds Ind	520	Sterling	600
Tenneco	520	Tandy	0
Wisc. Elect	1,876	Time, Inc.	390
TOTAL	9,241	Subtotal	6,245
		Covered Options	4,173
Total Stock & Bond Income	24,042	TOTAL Growth Fund Income	18,033
Mortgage Interest	4,143		
TOTAL Fund Income	28,185		

FY 82 Program Income = 28,185 + 18,033 = \$46,218 of which \$27,870 went to program expenses and \$18,348 to principal.

The Second Year

Selection of Distinguished Visiting Professor

One of the program objectives is that the Distinguished Visiting Professor for Finance 421, Investments Portfolio Management, be in residence during the semester the course is offered. By the terms of the original gift from Mrs. George, the visiting professor should be a prominent practitioner in the investments field. Obtaining the full-time services of a successful, practicing, prominent practitioner is not an easy task.

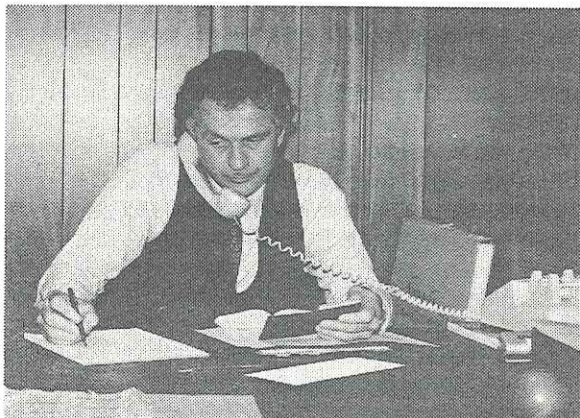
At the time when the gift by Mrs. George received national news coverage in the fall of 1980, several offers to assist with the program were received. One of the most innovative and persistent offers was by Mr. Gerald T. Kennedy. Mr. Kennedy is president of Kennedy Capital Management, Inc., which is a registered investment advisory firm in St. Louis, Missouri.

It was ascertained that Mr. Kennedy's firm had successfully managed investment portfolios for individuals and corporate pension accounts for a period of five years. In addition to serving as president, Mr. Kennedy also serves as general manager of the Templeton Kindness, N.V. Fund. The experience of Mr. Kennedy prior to founding the firm of Kennedy Capital Management, Inc., indicated his potential for performance as an educator. Mr. Kennedy was one of the plant managers for Monsanto Company for several years and in recent years was in charge of training and professional development of other Monsanto plant managers worldwide.

Based on the above credentials, Mr. Kennedy was asked to submit a proposal for participating in the George Investments Program during the spring semester of 1982. Subsequent negotiation resulted in a proposal whereby it was agreed that Mr. Kennedy would serve as visiting professor and would be in residence for the first and last three weeks of the course while commuting from St. Louis for the intermediate class periods as scheduled. The proposed course would draw upon the services of guest lecturers in addition to Mr. Kennedy. For administrative simplicity, a contract was placed with Kennedy Capital Management, Inc., specifying that the firm would pay all honorariums and travel expenses for the services of Mr. Kennedy and approximately nine guest lecturers as specified within the proposal.

Course Format

Thirty students enrolled for Finance 421, Investment Portfolio Management, and 26 completed the course for credit. Course enrollment was restricted to upper division majors with strong grade point averages who had successfully completed the prior course in investments, Finance 420. Included were two students in the Master of Business Administration program.



*Gerald T. Kennedy,
Distinguished Visiting
Professor, 1982.*

Mr. Kennedy gave a series of lectures describing how Kennedy Capital Management, Inc., screens and selects stocks for its clients. By examining a number of key variables and by assigning relative weights thereto, his firm endeavors to select stocks that have a high statistical probability of significantly outperforming market averages.

Nine guest lecturers, in addition to two of Mr. Kennedy's partners, gave presentations to the class in their area of expertise. Mr. B. Carter Randall, the 1981 Roland George Distinguished Visiting Professor, reviewed the criteria and procedures used by the Class of 1981 to establish the original growth and income portfolios. He reviewed the performance of the portfolios and offered suggestions as to what changes might be in order. Subsequent guest speakers were:

Dr. A. Nicholas Filippelo, director of economic analysis at Monsanto in St. Louis, who had recently served as consultant to President Reagan's Council of Economic Advisors, provided the economic outlook and investment climate forecast for 1982.

James E. Stowers, president of 20th Century Growth Fund, spoke on aggressive equity investments in emerging growth companies. Mr. Stowers covered in detail a computer stock selection program and traced the Mary Kay Cosmetics corporation through the evaluation process. As an aside, it should be pointed

out that of over 300 mutual funds, 20th Century has ranked among the top five in performance for nine of the past ten years.

Elliott Smith, president of Bache, Halsey, Stuart Metals Company, compared returns for alternate investment such as precious metals and commodities versus equities of natural resource and commodity companies. Mr. Smith sponsored a contest among students in the class whereby those voluntarily developing the best portfolios for the "Widow Case" would receive silver ingots in the amounts of five, two and one ounce. Contest winners were Cynthia Cooper, Troy Templeton, Camille Nasbe, Andrew Bleke, and Jean Hausbeck. Mr. Smith also led an evening seminar at the University Inn that was cosponsored by Stetson University and Bache, Inc.

Joe Blanton, vice president of Professional Capital Management, discussed strategies for capital gains through fixed income investments. After class, Mr. Blanton discussed career opportunities in the investment field and reviewed his career experience and that of Stetson alumnus Chris Parks, who is a vice president with Professional Capital Management.

Thomas L. Hansberger, president, and Jack Thompson, vice president, of Templeton Investment Counsel, Inc., discussed how international investments and basic value equities reduce portfolio fluctuation and risk. The Templeton World Growth Fund has an excellent performance history and these two officers make the majority of investment decisions.

A. E. Wolfarth, assistant treasurer and director of pension asset management for Monsanto, presented investment strategies for income and growth objectives.

David J. Meagher, manager of pension performance monitoring for Monsanto, described external asset management control and performance monitoring. Monsanto's \$1 billion pension funds are managed by 13 professional money management organizations and their retention and amount of funds assigned to manage is contingent upon performance. The class was split into four teams and given the task of rank ordering performance of the various money managers.

Dick Sinise, vice president of Kennedy Capital Management, filled in for Mr. Kennedy during one period that Mr. Kennedy had other pressing business. Mr. Sinise covered portfolio performance research, statistical correlation of variances and contrarian investment techniques.

In early April, just prior to class deliberation and decision-making relative to portfolio changes, Tom Basso, vice president of Kennedy Capital Management, covered market timing and administered a test designed to measure the students' practical skills in stock selection. The students were given historical data for 20 companies with current year data missing. Their evaluations were then compared with the outcomes that actually transpired over the past year.

Background of guest speakers are summarized in Table D below.

TABLE D Guest Instructor Background Summaries

Roland George Investment Portfolio Management: Finance 421

<i>Name/Date</i>	<i>Expertise, Business Record and Results</i>	<i>Course Topic</i>
Carter Randall Feb. 4, 1982	Vice President, Sun Banks of Florida. Conducted 1981 Investment Portfolio Management Program at Stetson University as R. George Visiting Professor. Regular panelist on "Wall Street Week" TV program and replacement host for L. Rukeyser.	Examination of 1981 R. George Program, existing portfolio versus objectives, growth and income.
Dr. A. Nicholas Filippelo Feb. 9, 1982	Director, Economic Analysis, Monsanto Co. Consultant to President Reagan's Council of Economic Advisors. Economist, Department of Agriculture, International Monetary and Trade Research.	Economic analysis and forecasting, government regulations, taxation and investment incentives.
Dave Meagher Feb. 16, 1982	Manager, Pension Performance Monitoring, Monsanto Co. Monitoring, statistical analysis and evaluation of \$1 billion pension assets.	Portfolio construction, monitoring and performance evaluation, statistical analysis.
Elliott Smith March 2, 1982	President, Bache, Halsey, Stuart Metal Co., Inc., Precious metals and commodity expertise. Guest on "Wall Street Week" TV program.	Assertive investment alternatives, metals, commodities versus metals and commodity stocks, leverage risk assessments.

Jim Stowers
March 9, 1982

President, 20th Century Growth Funds. Approximately \$200 million of equity managed with excellent performance record.

Growth equity securities, technical and fundamental analysis, emerging growth investments.

Al Wolfarth
March 23, 1982

Director, Pension Asset Management, Monsanto Co. Directs over \$1 billion in asset management. Best corporate equity performance in 1979, 3rd in 1980 (for all companies with over \$500 million asset management).

Alternative investment strategies, income and growth objectives, external asset management controls and strategy.

Tom Hansberger
April 6, 1982

President, Templeton Investment Counsel, Inc. Over \$1 billion under management. Management of international equities, evaluation and investment.

International diversification, equity securities management, analysis fundamentals.

Jack Thompson
April 9, 1982

Vice President, Templeton Investment Counsel, Inc. Templeton funds: long-term performance and consistency.

Basic value investment for long-term growth.

Joseph Blanton
April 20, 1982

Senior Vice President, Professional Capital Management. \$200 million fixed income management with focus on combined income and capital gains. 1981 performance over 15%.

Fixed income capital gains.



Jack Thompson (left), vice president and Tom Hansberger (second from left), president of Templeton Investment Counsel, discuss their lecture in April, 1982, with Ken Jackson (seated) and Gerald Kennedy.

Portfolio Changes

Actual portfolio sales and purchases were implemented in April and early May. Stock and bond selections were made by a process which first required each student to make seven investment selections. The selections included

- Three growth selections:
 - balanced yield and growth,
 - aggressive growth, and
 - very aggressive growth.
- Three income selections:
 - high yield stock,
 - secure yield bond or income source, and
 - high yield with capital appreciation potential.
- One alternative investment selection (with ability to provide growth or increased yield for portfolio) from any source as long as it met the Roland George Program investment criteria.

Each of four class teams then reviewed the selections from each member and made team recommendations to the class. All recommendations made to the class were evaluated against 17 separate criteria identified and previously reviewed and evaluated by the class as being of most value from 30 screening criteria utilized by Kennedy Capital Management. All stocks subsequently presented to the investment committee were first submitted to a formal decision analysis process. Each stock proposed for purchase met all three of the following "must" criteria:

- earnings acceleration over the past four quarters (and/or at least 50% earnings increase in the last quarter as compared to the year-ago quarter),
- price earnings ratio in the lowest quintile of all stocks reviewed, and
- recent insider buying of the stock.

Additionally, the stocks were closely screened to meet most of the following "high" want criteria:

- five-year trend of favorable earnings,
- strong industry relative strength rating (top 1/3 and in rising trend),
- value line timeliness rating of 1 or 2,
- per-share price less than equity-per-share value,
- strong dividend growth rate trend (for yield equities), and
- long-term debt must be less than one year's earnings at current earnings rate for no-dividend stocks.

Table E lists the eliminations and additions approved by the Investments Committee. Table F shows a summary of the Class of 1982 Growth Fund Portfolio at cost.

Bond and income selections were made based on the presumption that interest rates would fall somewhat during the next year, thus providing an opportunity for capital gains. Longer term, AAA quality medium coupon bonds with room for bond price appreciation of at least 20% before encountering the "call cushion" price ceiling were selected. All high-income stock selections were those with recent acceleration in both earnings and in their rate of dividend increases. After major portfolio revisions, there remained some funds in commercial paper. The class decided to invest the remaining funds via the following procedure:

As part of the course final, each student was asked to select, in rank order, four growth and four income/growth stocks from a list of 20 provided, which met most of the selection criteria utilized by the students to make new portfolio purchases. From the student lists, composite selections were determined for three additional growth and three additional income/growth purchases for each portfolio. A review of these selections and their correlation to criteria used for selection will be made by next year's class.

TABLE E
Major Investment Changes
by Class of 1982

Income Fund

<i>Eliminations</i>		<i>Additions</i>	
Bonds	Units	Bonds	Units
GMAC	20	U S Treasury 2/15/93	40
Stocks		U S Treasury 8/15/94	30
Colonial Penn	500	AT&T 2/15/01	25
CPC	600	Bank America 2/15/05	20
FMC	500	Bell Tel. of Pa 4/15/20	15
GT&E	600	Gen Elec. 5/1/04	20
Ind. Pwr & Lt	800	Stocks	
Reynolds Ind	200	Bell Tel of Can	600
Tenneco	200	Central Vt Publ Sv.	600
Wisc Elect	700	Columbia Gas	300
		Cons Nat Gas	200
		Orange Rockland Util	500
		Rochester Gas & Elec	500

Growth Fund

<i>Eliminations</i>		<i>Additions</i>	
Stocks	Units	Stocks	Units
Archer Daniels	630	Arizona Public Service	500
Atlantic Richfield	200	Chase Manhattan	400
Dow Chemical	300	Cons Edison	300
Emerson Electric	400	Dynaelectron	1000
Halliburton	200	Fleet Financial	400
IBM	200	Joy Mfgr.	800
Phillips Petr.	300	Munford	800
Sterling Drugs	600	NL Industries	800
Time, Inc.	400	Narragansett	500
		Northwest Industries	300
		Rowan Companies	1700

TABLE F
Class of 1982 Roland George Growth Portfolio
as of May 31, 1982**

Units	Type of Asset	ACQUISITION COST		MARKET VALUE		Projected FY 83 Income
		Per Unit	Amount	Per Unit	Amount	
	Cash		851		851	
	Federated Money Market		16,102		16,102	
	Subtotal		16,953		16,953	2,373
500	Arizona Public Service	21 1/8	10,700	20 3/8	10,188	1,140
600	*Baxter Travenol	35 7/8	21,525	34	20,400	276
400	Chase Manhattan	54 5/8	22,041	42 3/4	17,100	1,360
300	Cons. Edison	37 7/8	11,494	36 1/2	10,950	1,008
100	*Digital Equipment	79 7/8	7,988	75 3/8	7,537	
1000	Dynaelectron	9 1/4	9,383	9 1/4	9,250	200
400	Fleet Financial	27 1/8	10,966	26	10,400	800
200	*General Electric	64 1/8	12,825	61 7/8	12,375	640
200	*Hewlett Packard	44 1/4	8,850	43 3/4	8,750	48
800	Joy Mgrt.	27	21,810	23 1/8	18,500	1,120
800	Munford	12 7/8	10,431	13 7/8	11,100	400
800	NL Industries	27 1/8	21,910	22 1/2	18,000	800
500	Narragansett	22 1/2	11,374	21 1/2	10,750	1,300
300	Northwest Ind.	69 3/4	21,083	63	18,600	1,320
300	*Pfizer	55 7/8	16,762	53 1/2	16,050	552
1700	Rowan Companies	12 3/8	21,277	10 1/2	17,850	136
300	*Sensormatic	47 1/2	14,250	44 3/4	13,425	48
600	*Tandy	32 1/8	19,275	26 7/8	16,125	-0-
	Subtotal		273,944		247,350	11,148
	TOTAL		290,897		264,303	13,521

*Assets in Class of 1981 portfolio that were retained by Class of 1982. For evaluation of 1982 portfolio performance, these assets were considered acquired at market values existing on April 30, 1982.

**Class of 1982 Growth Fund Portfolio subsequently revised to include \$25,000 of Twentieth Century Mutual Fund acquired on June 22 and 2,000 shares of Aegis acquired on July 2, 1982, at 2 3/8 for gross cost of \$4,873.75. These two purchases were funded from cash and Federated Money Market funds and transfer of \$10,000 from Roland George Income Fund.

TABLE G
Class of 1982 Roland George Income Portfolio

Unit	Types of Asset	ACQUISITION COST		MARKET VALUE		Projected FY 83 Income
		Per Unit	Amount	Per Unit	Amount	
	Cash		17		17	
	ILAF		459		459	
	Federated Master Trust		21,357		21,357	
	Subtotal		21,833		21,833	3,057
25	*Treasury Notes 5/15/84, 13 1/4%	98 3/4	24,688	99,6	24,899	3,312
40	Treasury Bonds 2/15/93, 6 3/4%	67	26,832	65	26,000	2,700
30	Treasury Bonds 8/15/94, 8 3/4%	74 3/4	22,457	72 1/2	21,750	2,625
25	*Treasury Bonds 11/15/94, 10 1/8%	80 1/8	20,031	80 1/8	20,031	2,531
	Subtotal		94,008		92,680	11,168
20	*AT&T 6/1/90, 10 3/8%	84 3/4	16,875	84 1/8	16,825	2,075
25	AT&T 2/15/01, 7%	58	14,700	56 3/4	14,188	1,750
20	Bank America 2/15/05, 8 7/8%	64 5/8	13,088	64 5/8	12,925	1,775
15	Bell Tel of Pa 4/15/20, 11 7/8%	82	12,425	77 7/8	11,681	1,781
20	Gen. Electric 5/1/04, 8 1/2%	67	13,562	65 1/2	13,100	1,700
20	*IBM 10/1/04, 9 3/8%	74 3/4	14,950	74	14,800	1,875
	Subtotal		85,600		83,519	10,956
600	Bell Tel of Canada	15 7/8	9,660	16	9,600	1,176
600	Central Vt. Public Sv.	17 1/8	10,416	17	10,200	1,272
300	Columbia Gas	32 3/8	9,831	30 7/8	9,262	858
200	Consolidated Natural Gas	47 3/8	9,585	45	9,000	752
500	Orange Rockland Utilities	16 3/8	8,281	15 7/8	7,938	840
500	Rochester Gas & Elec.	14 1/4	7,235	14 1/8	7,063	880
	Subtotal		55,008		53,063	5,778
	TOTAL (excluding mortgages)		256,448		251,094	30,959
	Mortgage #1		33,798		33,798	4,055
	Mortgage #2		52,667		52,667	4,213
	Subtotal of Mortgages		86,466		86,466	8,268
	TOTAL (including mortgages)		342,914		337,559	39,227

*Assets in Class of 1981 portfolio that were retained by Class of 1982. For evaluation of 1982 portfolio performance, these assets were considered acquired at market values existing on April 30, 1982.

Table G shows the Class of 1982 Income Fund Portfolio at cost and at the end of fiscal year market value.

Program Expenses

Funds were transferred from the George Investments Account to the Stetson University general account to enable the university comptroller to honor budgeted expenditures. After final expenses are recorded and excess transfers returned to the George Investments Account, program expenses for FY 82 should total \$27,870. A major portion of this amount was paid to Kennedy Capital Management, Inc., for the services of Mr. Kennedy and his attendant expenses to include honorariums and travel expenses of all guest speakers. The remainder was to

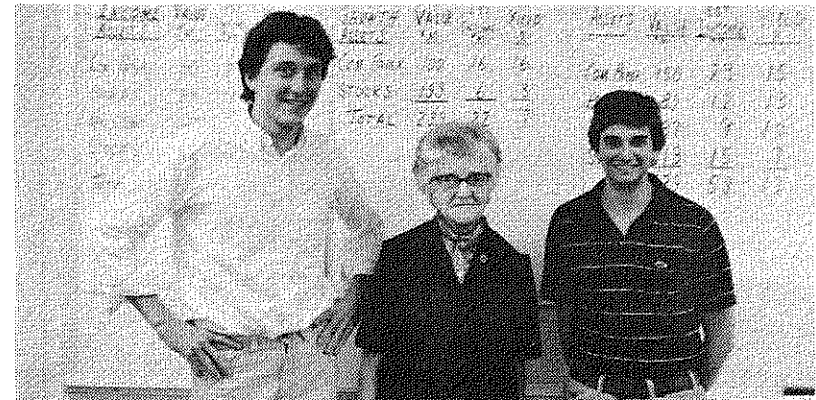
enable the Stetson library to purchase approximately \$3,000 of books, periodicals, and investment advisory type subscriptions;

pay for the two \$1,000 scholarships previously awarded to students Bleke and Templeton that were intended to be expensed in FY 81;

award two additional scholarships in the amount of \$500 each to Camille Nasbe and David Gentry;

pay for incidental expenses relative to recruiting, office supplies and materials; and

pay student cash labor incident to filing, record-keeping, and administrative support of Mr. Kennedy and Professor Jackson.



Mrs. George with the two \$1,000 scholarship winners, Andrew Bleke (left), and Troy Templeton.

TABLE H
End of Year Market Values
Roland George Investments Program

	<i>August 20, 1980</i>	<i>May 31, 1981</i>	<i>May 31, 1982</i>
<i>Growth Fund</i>			
Cash		1,955	851
Commercial Paper		39,298	16,102
Government Bills, Notes and Bonds		29,276	-0-
Stocks		226,825	247,350
Growth Fund Total		297,354	264,303
<i>Income Fund</i>			
Cash		1,126	17
Commercial Paper		8,642	21,815
Government Bills, Notes, and Bonds		62,866	92,680
Commercial Bonds		47,675	83,519
Stocks		113,413	53,062
Subtotal		233,722	251,093
Real Estate First Mortgages		-0-	86,466
Income Fund Total		233,722	337,559
<i>Combined Income and Growth Funds</i>			
Cash		3,081	868
Commercial Paper	190,810	47,940	37,917
Government Bills, Notes, and Bonds		92,142	92,680
Commercial Bonds		47,675	83,519
Stocks	290,689	340,238	300,412
Subtotal	*481,499	531,076	515,396
Real Estate First Mortgages		-0-	**86,466
Program Total		531,076	601,862
Add Bank Program Withdrawals		1) 9,500	2) 33,600
PROGRAM TOTAL		540,576	635,462

*Original gift of August 20, 1980, by Mrs. George.

**Additional gift of two first mortgages by Mrs. George on February 26, 1982, with outstanding balance of \$86,792.

1) Revised to \$7,265 on November 4, 1981.

2) To be readjusted to \$27,870 with refund reverting to commercial paper.

Assessment of the Roland George Program

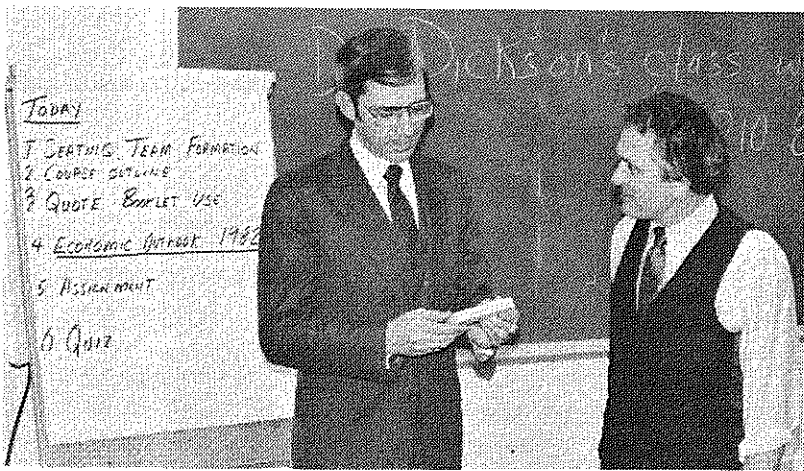
The course, Finance 421, has been offered two semesters, and the student-developed portfolios have been in existence for over one year. With one or two exceptions, the students have expressed appreciation for the existence of this unique course, were glad they took the course, and felt they had learned much by participating in actual decision-making procedures. Both visiting professors, B. Carter Randall and Gerald T. Kennedy, expressed satisfaction with the student body, indicated they enjoyed teaching the course, and offered to teach the course a second time.

Portfolio incomes have paid all program expenses, including visiting professors, four scholarships and numerous library acquisitions. Total value of assets has increased after paying all program expenses, even though market conditions have been less than favorable (Table H).

Despite the apparent success of the program to date, experience indicates numerous opportunities for improvement by the administration, by the visiting professors, and by the student body.

Efforts to increase the in-residence time during the semester that Finance 421 is offered should continue. Mr. Randall was very effective, but his pressing schedule restricted his availability on campus to one-half day per week. By using his four weeks of vacation time, Mr. Kennedy was able to spend the first and last three weeks of the course in-residence and to be present one day per week for the intermediate weeks of the course. Mr. Kennedy has submitted a proposal to conduct the course in 1983. Endeavoring to increase in-residence availability, he would share teaching responsibility with Max Zavanelli, investment strategist and operator of Zavanelli Portfolio Research (ZPR). Mr. Zavanelli is steeped in computer use. Before starting his own research firm, Mr. Zavanelli was a senior financial analyst with Mellon Bank in Pittsburgh, and in 1977 joined the American Bank & Trust of Chicago.

All students are required to have had Finance 420 as a prerequisite. Notwithstanding, the visiting professors tend to backtrack and to review perhaps more than necessary. This is understandable since portfolio performance of a given class will invariably be associated with the visiting professor who endeavored to educate the class. The



Dr. A. Nicholas Filippello of Monsanto Co. presented his forecast of the economy and market to Mr. Kennedy and class in Feb., 1982.

professor strives to cover as much theory and to pass on as much experience as possible before the class makes recommended changes. The visiting professor must assume that the student understands the basic principles of both fundamental and technical analysis. There is a tendency to defer reworking the portfolio until the latter part of the course. From a practical standpoint, students must start working the portfolio from the very beginning. The involved decision-making process is too cumbersome to process many portfolio changes near the end of the course.

In the interest and natural desire to have a portfolio that shows greatest appreciation, the professor and class tend to select investments that promise desired or maximal yield at minimal risk. Since this is a course in portfolio management, greater attention must be given to objective, composition, and diversification of assets, risk, and incomes.

To date, community involvement has been disappointing. With the national prominence and expertise of the distinguished visiting professors and guest lecturers, it would seem that service organizations, banks, brokerage firms, and other financial institutions would be clamoring to avail themselves of the opportunity to utilize talent not normally available within the community. Recognizing that the George Investments Program has already paid travel expenses and honorariums for participation, these visiting experts should be available for guest appearances within the community at little or no cost when the activity is co-sponsored with Stetson University. We must do a better job in the publicity arena.

The procedure for effecting portfolio changes requires too much time. Learning should take priority over market timing, and most assets are acquired in anticipation of holding in the portfolio for at least one year; however, timing should not be ignored. From the time

a student analyzes a stock until his team, the class, and the Investments Committee respond positively to a specific recommendation, the time lapse is such that price of the asset may have changed enough to invalidate the original recommendation. The decision-making time span should be reduced.

Not only does the decision-making process tend to take too long, but also the outcome of a recommendation is practically assured prior to reaching the final approving authority—the Investments Committee. Four of the seven committee members are students nominated to the committee by the class. Since the four student committee members sit through all the class deliberations, they are aware of the questions and discussions prior to the class recommendation going forth to the Investments Committee. Student committee members tend not to question student briefers and to be supportive of class recommendations. The dean of the Business School, the University trustee, and the Finance Department faculty member may have pertinent questions from perspectives other than those considered by the class, but they may hesitate to question what supposedly has already been deliberated in depth. Perhaps the four student members should be excused during final class deliberation concerning acquiring or selling an asset in order to be more objective when serving on the final decision-making committee.

Maintenance of files, administrative support of the visiting professor and overall program, monitoring portfolio status, and writing an annual report are rather time consuming. Student assistance is helpful but requires guidance and supervision. A faculty member must serve as project officer to assure continuity from class to class and year to year. One way of providing continuity is through the annual report. In addition to accounting for funds, portfolio changes, and expenses, the final report contains a brief history of the program, a summary of current class actions and philosophy, and performance evaluation of the portfolio of the previous class over the past year.

Although the department chairman has served as program administrator since the beginning of the program, it would appear that a faculty member should be officially charged with this responsibility. Teaching load should be reduced in order that proper attention can be given to the annual recruitment of a visiting professor, to classroom coordination, and to all other administrative matters. If the administrator desires, cash labor should be provided from the program to obtain part-time service of a graduate student in the MBA program to provide the quantitative analysis and pertinent tables for the annual report. This portion of the report should follow the format typically appearing in year-end reports by mutual fund firms. The foregoing comments serve as a basis for the following future objectives.

Future Objectives

Continue to improve the quality of the course and program.

Promote community seminars and/or clinics and workshops.

Increase the in-residence time of the Distinguished Visiting Professor.

Encourage the visiting professor to conduct research, to assist in publicity, and to promote and engage in community activities.

Intergrate use of the computer into Finance 421.

Reduce decision-making and implementing action times for acquisition and/or sale of portfolio assets.

Set administrative guidelines for portfolio management responsibility during the months that Finance 421 is not offered.

Strive for greater independence of the four class representatives that serve as Investment Committee members.

Format the quantitative portions of the annual report to be more in line with annual reports of mutual fund firms.

Assign formal administrative responsibility for program administration to a faculty member and provide appropriate relief time from normal teaching load.

Place greater course emphasis on portfolio objectives and the aspects of composition, diversification, and risk.

Plan for office space so as to provide an office for the Distinguished Visiting Professor and for administrative files and supplies.

Kenneth L. Jackson
Chairman
Finance Department

David W. Nylén
Dean, School of
Business Administration

