STETSON UNIVERSITY
THE GEORGE INVESTMENTS VIEW
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Every Year is a Milestone for RGIP

Over the past 12 months, the Roland George Investments Program (RGIP) achieved several new records, resulting in the most performance awards in national competitions ever achieved. With a 5.17-percent bond return for 2013, RGIP won both the R.I.S.E. and G.A.M.E. in the Fixed Income category. RGIP's 34.23-percent equity return put Stetson students in second place in the G.A.M.E. and third place in the R.I.S.E. for the Growth Stock Category.

In both competitions there were more than 200 university investment funds participating. With a 34-percent return in stocks, and finishing more than 10 percent above the 10-year Treasury note benchmark, George students had an excellent year and can be proud of their success.

This year, RGIP also received significant publicity for its historical, award-winning performance. In early 2014, RGIP students appeared in a two-minute segment on *Good Day Orlando*, the local FOX morning news show, which was broadcasting from the Stetson University DeLand campus. Because of a successful track record for student investing, RGIP also was featured in two prestigious business magazines distributed statewide: *Florida Trend* and *Forward Florida*.

News about RGIP's 2014 wins ran in more than 260 major newspapers and websites throughout the country. We received countless congratulations and praises as the entire town shared the excitement generated by this good news.

With respect to the program, this is the first year that we required each George student to make an additional stock recommendation, even in the spring semester bond class, as the stock market is not operating at Stetson's calendar. We will examine the impact of this change in a year or two.

After 34 years of consistently high performance, Stetson University is considering allowing RGIP to manage part of its endowment. "Stetson Fund" is a fund with no tobacco exposure, which is consistent with moving the university to a tobacco-free campus. In this capacity, if approved, George students will have the opportunity to evaluate financial investments with social value in mind. We are looking forward to adding the positive results to next year's *George Investments View*.

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Editor's Note

By Sammi Smith

"There's always the motivation of wanting to win. Everybody has that. But a champion needs, in his attitude, a motivation above and beyond winning."
-Pat Riley

Another year of the Roland George Investments Program's (RGIP) storied success has come to a close. Although the students in the class change every year, the legacy and the accomplishments continue to remain top-notch. In this issue of *The George Investments View*, we explore how the program continues to excel each year.

As basketball legend Pat Riley explains, a true champion needs to have a motivation beyond winning. Students in RGIP are no doubt motivated by the prospect of collecting yet another national championship. Above and beyond that, however, we are motivated by a desire to continue the legacy that Sarah George created when she began the program in 1980. This legacy is centered on trust in students and a desire for real-world learning. By focusing on continuing the proud tradition of emphasis on learning, RGIP has been able to be successful year after year.

First, in this latest issue of *The George Investments View*, we have the insights of our 2013-14 portfolio managers. Brett Hargaden provides the commentary on activities of the equity portfolio for the year, while Logan Gapsch does the same for our fixed-income portfolio. Next, the student representatives who traveled to both the G.A.M.E. and R.I.S.E. competitions share their experiences as RGIP collected its second consecutive double win in the Fixed Income category.

With RGIP consistently outperforming other student-managed investment funds, as well as industry benchmarks, the students are constantly asked, "How do you do it?" Matthew Ady provides the answer to this common question in his article titled "Recipe for Success."

Finally, with the continued success of the RGIP portfolios, investors always want to know what particular equities the students choose to invest in. With that in mind, we have included several in-depth equity analyses of stocks and bonds that RGIP chose to add to the portfolios this year. Travis Workman, Hans Riseng, Evan Jimmo, and Daniel Sprusansky share their stock recommendations, and Matthew Ady, Jozsef Nemeth and I share our bond recommendations.

I think I can speak for all the students in the class this year when I say that it has been an honor to become a part of the RGIP tradition. From learning at the hands of Dr. K.C. Ma, an instructor with both theoretical and real-world experience, to learning from each other while putting in long hours in the state-of-the-art RGIP lab, we have all grown. We have grown not only intellectually, but also we have grown together into a class that I truly believe will remain lifelong friends. I hope that this newsletter provides you with a glimpse into what we have been able to accomplish this year. Enjoy! ◆

Recipe for Success

By Matthew Ady

One in a billion. Would you take those odds?

Stetson University's Roland George Investments Program (RGIP) has done just that, and it continues to reap the profits each year. In the world of money management, the name of the game is to make money and beat your benchmark. Yet, with over 80 percent of fund managers falling short of their benchmark each year, beating is easier said than done. But those who are consistently on top are rewarded handsomely for their performance, so it's no surprise that many members of the billionaires club have made their wealth off of this very practice.

With only one out of five managers able to outperform, what can be said of these elite minds? There is a bit of an enigma surrounding these so-called "oracles" of the market. The ability to see the present and accurately predict the future is an enviable skill. So how has a different group of senior greenhorn students consistently beaten its benchmark 14 years running? Look no further. The world's youngest oracles of finance are diligently working day in and day out in DeLand, Fla., to beat the odds and do something that is almost statistically impossible: win year after year as the investments program with the highest return over 200 other colleges and universities across the United States.

If you ask Kwan-Chen Ma, Ph.D., C.F.A., director of the program and a hedge-fund manager, what he thinks about the anomaly, he will tell you that it all boils down to one word: "trust."

"In order for the portfolio to be successful, the faculty has to trust the students' investment decisions," Ma often tells prospective students. But why let a group of virtually unskilled students manage $3.4 million? In the world of finance, where everything is considered in terms of risk-and-reward trade-offs, such a move seems out of the question. But Ma thinks otherwise. According to him, the success of the portfolio is the result of "perfect timing."

When students move from high school to college, they still have what Ma likes to call "animal spirits" or, the ability and desire to take risks. Over the next three years, these students learn the skills and experience necessary to take calculated risks and make educated guesses. When they enter the program their senior year with these "animal spirits" still intact and coupled with the necessary analytical skills, it's a recipe for success. But what separates Stetson's RGIP from other programs around the country that do the same thing?

Trust.

Ma ensures that the students are the only ones who make recommendations, and it is the students who have the deciding vote to buy, sell or hold an asset.

"If it were the faculty making the decisions," Ma says, "we would not have voted to buy some of the stocks and bonds that we have because we are too risk averse. When we trust the students' analysis, in the end they're usually right!"

Key to this trust is student buy-in. Ma emphasizes the need for students to take ownership of their work and really make the portfolio their own. If the students do not feel that the faculty trust them enough to make their own investing decisions, what drives them to do the best analysis possible? With full trust, no safety net stands between the students and more than $3 million in real assets. It's the old "garbage in, garbage out" adage: If the trust is lacking, garbage goes in, and out it goes. But if students feel the confidence that the school places in them, it motivates them to make the best recommendations that they can for the portfolio, and year-over-year, the portfolio cashes in on this trust.

Ask any of the George students, and they'll give you their own opinion on the program's success.

"Student analysts in the program are driven," says Daniel Sprusansky, a student trustee of the portfolio. "We are proud of our work, and we are willing to put in the hours and effort necessary to develop a report that meets the highest standards set forth in our investment policy statement."

Travis Workman, another trustee, adds that the technical support of the school is also crucial. Through the generous support of the endowment, the program maintains its own private trading and investment research lab complete with a Bloomberg terminal and access to

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Recipe for Success continued from previous page.

financial software including Morningstar and Baseline.

According to Jozsef Nemeth, the real success of the program is attributable to the outstanding faculty. "Dr. Ma pushes us to go above and beyond. From the first day, students know that only the best and most complete reports will be allowed to be presented."

"The instruction in class is always relevant," Sammi Smith adds. "Students are taught not just the process of doing a recommendation, but how to think critically about the information they gather."

Ask any of the George students and they'll tell you their education and guidance are top notch. Maybe that's why the university is so trusting of its student investors. Whether it's trust, training, skill or a combination of the three, RGIP's position at the top is certainly enviable.

Ma likes to humbly remind students that while winning is good, the most important goal should always be the education of the students – making sure they have the knowledge and experience it takes to be successful in the financial world. If doing the impossible year after year is any indication of the success of these students' educations, Stetson University's Roland George Investments Program is truly second to none. ◆

Fixed Income Fund
Spring 2014 Portfolio Manager Report

By Logan Gapsch

BONDS

This semester, our class focused on improving our Fixed Income securities in addition to maintaining our Equity Portfolio from last semester.

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, based on the overwhelming consensus that interest rates will begin to rise between 50 and 100 basis points during the workout period. In order to bring these objectives into realized gain, we set these constraints.

We chose to lower our weighted portfolio duration from 4-6 years to 3-5 years. We also chose to invest with no sector restrictions, while emphasizing a high coupon rate over the maturity of the bond. However, most importantly, we voted to lower the minimum credit rating of our bonds from BB to a B credit rating. After careful analysis of the credit spread between Corporate BBB bonds and the U.S. Treasury 10-year bond, we felt confident in assuming this higher risk. Lastly, we continued the trend that each of our bond positions should be a $100,000 cash investment. ◆

Fixed Income Fund Update

We started off the semester with a cash position of just over $213,720 and a total account value of $1.317 million. We started the year with 10 bonds; however, at the beginning of the semester, one was called by the issuer. For swapping purposes we had 9 bonds to evaluate. Currently, our Fixed Income portfolio has $444,070 in cash for investing, and the value of the account is $1.361 million. Our annualized return for the Fixed Income portfolio in 2013 was 5.17 percent, and our current YTD performance for this semester is 3.33 percent, beating the U.S. Treasury 10-year bond YTD of 3.04 percent.

BUY RECOMMENDATIONS:
FIXED INCOME FUND

Ally Financial (NYSE: ALLY)

AngloGold Ashanti (NYSE: AU)

MGM Resorts International (NYSE: MGM)

GulfMark Offshore, Inc. (NYSE: GLF)

Foot Locker, Inc. (NYSE: FL)

Aircastle Limited (NYSE: AYR)

Calumet Specialty Products (NASDAQ: CLMT)

SELL RECOMMENDATIONS:
FIXED INCOME FUND

Alcoa, Inc. (NYSE: AA)

Petrobras, Inc. (NYSE: PBR)

Raymond James Financial, Inc. (NYSE: RJF)

Nabors Industries, Ltd. (NYSE: NBR)

MeadWestvaco Corporation (NYSE: MWV)

Computer Sciences Corp. (NYSE: CSC)

International Game Technology (NYSE: IGT)

Fixed Income Fund Investment Policy Statement 2014

OBJECTIVE:

Maximize total return within a 12-month workout period.

CONSTRAINTS:

- The Income Fund will minimize interest-rate risk.
- All holdings will be greater than or equal to a B credit rating.
- All holdings will have a minimum position of $100,000.
- The portfolio will not have a sector restriction.
- The portfolio will have a weighted duration between four and five.

Ally Financial, Inc.

By Matthew Ady

COMPANY ANALYSIS

Ally Financial Inc. (NYSE: ALLY) previously known as GMAC Inc. (General Motors Acceptance Corporation), is a bank holding company that offers financial products and services to automotive dealers and their customers. The bank has more than 15 million customers worldwide and provides a range of financial services including auto financing, insurance, mortgage services, and online banking. The United States government bailed out the company during the financial crisis of 2007-08, taking over from its previous owner, GM. On Dec. 24, 2008, the Federal Reserve accepted then-GMAC's application to become a bank holding company. Ally returned to profitability in 2010, posting a net profit of $1.075 billion. Most recently, Moody's upgraded Ally from a B1 to a Ba3 rating. The upgrade of Ally's corporate family rating follows the U.S. bankruptcy court's approval of ResCap LLC's Chapter 11 plan, which releases Ally from mortgage-related creditor claims originating from its ownership of ResCap. The upgrade also reflects the improved quality of Ally's capital after the firm privately placed $1.3 billion in new common shares and repurchased $5.6 billion of mandatorily convertible preferred stock (MCP) from the U.S. Treasury. To date, 80 percent of the preferred shares outstanding have been repurchased, amounting to an $840 million savings from the preferred dividends.

INTEREST-RATE FORECAST

As the Fed progresses with the taper of its final quantitative easing plan, interest rates are expected to continue to rise from their historic lows. However, investor leeriness has held interest rates down, with the 10-year Treasury surging past 3 percent on the taper announcement before falling back to the 2.7-2.8 percent range. Now, as the taper is taking effect, rates are beginning a slow upward trend as investors have solid indications of the Fed's intentions. While the U.S. stock market is again flirting with all-time highs, the threat of a pullback in emerging markets has quelled investor confidence, and the FDIC is predicting that interest rates will rise about 1 percent in 2014 as the Fed transitions from its open market purchase plan. Based on FDIC estimates, the implied one-year forward rate of 60 basis points, expectations of continued Fed tapering, and GDP growth estimates of 2.8 percent, it appears that interest rates will increase by 100 basis points for 2014.

YIELD FORECAST

The trend over the past two years for the spread between Alcoa (AA) and Ally has been decidedly downward, which bodes well for investors switching from Alcoa to Ally. In the past two years, the spread has narrowed significantly by 200 basis points. This narrowing comes from both the upgrade of Ally and the downgrade of Alcoa. The continued narrowing is most likely due to the weakening of the materials sector as material prices have hit historical lows, hampering Alcoa's financials. Last year, the spread between Alcoa's yield and the 10-year Treasury narrowed by 50 basis points, and Ally outpaced this by another 25 basis points. With the individual bond spread trends and interest-rate forecast of a 100 basis point increase in Treasuries, it is expected that the spread between Ally and the 10-year will narrow by 75 basis points, while Alcoa will narrow by only 50. Given these assumptions, it is expected that Alcoa's yield will increase by 50 basis points next year, while Ally will only increase by 25.

SOURCES OF SWAP PROFIT

Under the anticipated scenario of an overall 1-percent increase in rates resulting in an increase of at least 50 basis points on Alcoa, and 25 basis points on Ally, much of the 400 basis point swap profit comes from the 352 basis point pickup from switching into a bond with a duration half that of its predecessor. Because the economy is improving and car sales are improving, it can be expected that Ally is a safe company. Therefore, the portfolio is able to make a 150 basis point pickup by switching into a BB bond from a BBB-rated bond. The portfolio would also benefit from avoiding another potential downgrade of Alcoa while buying into a sector with strong upward prospects. But because the Financials sector is safer than materials at the time, there is an expected loss of 46 basis points in switching to Financials. In addition, as the outlook is decidedly positive for Ally, the bond is overvalued by 56 basis points, as investors are already pricing in the potential of an upgrade. ◆

AngloGold

By Sammi Smith

COMPANY ANALYSIS

AngloGold Holdings PLC operates as a special-purpose entity formed in order to issue notes for its parent company, AngloGold Ashanti Limited (AU). AngloGold is a global gold-mining company headquartered in South Africa, formed in 2004 by the merger of AngloGold and Ashanti Goldfields Corporation. The company is now the third largest producer of gold in the world, with 23 operations on four continents, and more than 96 percent of revenue derived from the sale of gold produced. Two additional mines, one in Australia and one in the Democratic Republic of the Congo, began production in late 2013. At the start of 2013, the firm began a restructuring project designed to reduce costs in response to changes faced by the gold industry, including increasing costs of production and sustained lower gold prices. The new Australian mine began production three months ahead of schedule and is able to produce gold 22 percent cheaper than average.

Finally, AngloGold has made very good progress in strengthening its balance sheet with the startup of production in the two new mines expected to decrease capital expenditures by an estimated $1 billion in 2014.

INTEREST-RATE FORECAST

Using several methods to predict changes in interest rates, I concluded that rates overall are expected to rise 50 to 75 basis points. The expectations theory suggested a rise of 62 basis points, while Federal Reserve forecasts projected a rise of 50 to 75 basis points. In addition, comparing the forward yield curve and the current yield curve predicted a 65-basis-point rise. Finally, based on the correlation between the 10-year Treasury yield and the GDP growth rate, rates are expected to rise 63 basis points.

In addition, the default rate of corporate bonds in 2013 was below the 20-year historic average and has experienced a downward trend in the past few years. That coupled with the six-year low for the spread between Treasuries and corporate bonds indicates that taking on slightly more credit risk will benefit the portfolio.

YIELD FORECAST

Since July 2013, when AngloGold's bond was issued, the spread between Petrobras (PBR) and AngloGold has narrowed by 200 basis points almost linearly. Thus, we can expect the spread to continue to narrow within our workout period. As AngloGold is currently yielding higher than Petrobras, the narrowing of the spread is beneficial for the swap. Both Moody's and S&P have downgraded Petrobras in the past six months, so swapping out of that bond avoids another potential downgrade. Also, AngloGold was removed from S&P's CreditWatch list on Apr. 4, 2013, reaffirming its BB+ rating and significantly lessening the chance of a rating downgrade. Taking all of this into consideration, I expect a 75-basis-point and 50-basis-point increase in PBR's and AngloGold's yields respectively.

SOURCES OF SWAP PROFIT

With interest rates expected to increase 50 to 75 basis points within our workout period, swapping to a bond with a lower duration is prudent. AngloGold has a slightly lower duration then Petrobras, leading to a pickup of 33 basis points. Switching to the slightly more risky Metals and Mining sector from the Integrated Oils sector gives a pickup of 46 basis points. Next, our portfolio will pick up 50 basis points from the swap due to the increased credit risk, as we are moving from a BBB- rating to a BB+. Finally, with AngloGold more undervalued than Petrobras, we pick up an additional 82 basis points due to mispricing. In total, the swap from Petrobras to AngloGold is expected to yield a pickup of 211 basis points. ◆

MGM Resorts International

By Jozsef Nemeth

COMPANY ANALYSIS

MGM Resorts International (MGM) was founded in 1986. Previously known as MGM Mirage until 2010, the company operates in two segments: wholly owned domestic resorts, and its partly/wholly owned subsidiaries. MGM casino resorts offer a full experience with gaming, hotel, convention, dining, entertainment, retail and other resort amenities. MGM owns and operates 15 properties in the United States, along with 50-percent holdings in three additional properties, the largest of which is a 17-million-square-foot urban center called CityCenter. MGM also has 51-percent interest in MGM China Holdings Limited, which owns MGM Macau and is in the process of completing a $2.9 billion resort in the Cotai section of Macau. Additionally, MGM has been reporting record revenue since 2011, and as the economy continues to improve the casino industry should see strong growth.

INTEREST-RATE FORECAST

After the economic downturn in 2008, the Federal Reserve began quantitative easing, driving interest rates down in an attempt to spur economic growth. As the unemployment rate reached 6.7 percent in December 2013, the Federal Reserve had enough confidence to announce the first official tapering. Since then, the Fed has announced two additional taperings. Using the average interest-rate increase in the 10 days following the announcement of tapering, it is expected that interest rates will increase 32 basis points in 2014.

Looking at the yield curve allowed for speculation about the future shape and interest-rate increase in 2014. With the 1-year Treasury yielding 10.4 basis points and a 2-year Treasury yielding 41.27 basis points, expectations theory can be applied to determine that the implied change in interest rates in one year is 37.6 basis points above the current level. Then by overlaying the current, 3-month, 1-year, and 3-year yield curve, it is expected that the yield curve will steepen in 2014. With that information, the bond swap takes on the convention that interest rates will rise 100 basis points.

YIELD FORECAST

In 2009, MGM's credit score was a CCC by Fitch, Moody's, and Standard & Poor's. Now, MGM has two B+ ratings. These multiple credit-rating upgrades have led to a steadily decreasing yield to maturity, declining 200 basis points compared to the U.S Treasury in 2013. Meanwhile, Raymond James Financial (RJF) saw a decrease of only 25 basis points in 2013 when compared to the U.S. Treasury. Because of this, I expect a 50 basis point increase and a 100 basis point increase in MGM's and RJF's yields to maturity respectively.

SOURCES OF SWAP PROFIT

With the investment policy statement expecting interest rates to increase 100 basis points in the next 12-18 months, it is beneficial to swap to a lower duration. MGM has a slightly lower duration than RJF, leading to a pickup of 199 basis points. With the economy expected to continue to improve we can take on more credit risk, thus swapping from a BBB to a B+ rated bond allows for a pickup of 15 basis points. Swapping from the Financial sector to the Casino sector picks up 208 basis points; however, an improving economy will warrant such a risk. Finally, due to mispricing, there is a 181 basis point loss. Thus, under the base case, swapping from RJF to MGM would pick up 241 basis points. ◆

Growth Fund
Fall 2013 Portfolio Manager Report

By Brett Hargaden

Students analyzed existing stocks in the Growth Fund portfolio at the beginning of the fall 2013 equity management class to determine if they should be held or sold. After becoming more familiar with the equity market through these presentations, the class created an Investment Policy Statement (IPS) specific to this portfolio. The IPS served as a guideline for students as they began researching new equity securities to add to the program.

The class decided to maximize total realized return over a 12-18 month workout period. We chose to emphasize small-cap growth stocks without any restrictions on mid- to large-cap securities. The growth fund would emphasize industrial, material, and energy equities, while de-emphasizing health-care and utility equities. The class restricted the portfolio to a maximum of 25 stocks, with a maximum of five analysts covering each company. The class also set a minimum price restriction at $3 a share and required that each stock have a 200,000 average daily volume.

In order to free up cash for future buy recommendations, the fall trustees voted to sell six stocks at the beginning of the semester. The program also sold half of its position in two companies, Apple and Zillow. The trustees passed eight buy recommendations over the course of the fall semester, that fit the guidelines laid out in the new IPS. At the beginning of the spring semester, the class chose to sell seven stocks in the growth portfolio. Over the course of the spring semester, the trustees passed five stock buy recommendations to add to the growth portfolio. ◆

BUY RECOMMENDATIONS:
GROWTH FUND

Cabela's, Inc. (NYSE: CAB)

Susquehanna Bancshares, Inc. (NASDAQ: SUSQ)

NGL Energy Partners LP (NYSE: NGL)

Gray Television, Inc. (NYSE: GTN)

Hexcel Corporation (NYSE: HXL)

Tractor Supply Company (NASDAQ: TSCO)

Michael Kors Holdings Ltd (NYSE: KORS)

Advance Auto Parts Inc. (NYSE: AAP)

Carmike Cinemas, Inc. (NASDAQ: CKEC)

Howard Hughes Corporation (NYSE: HHC)

JetBlue Airways Corporation (NASDAQ: JBLU)

VMware, Inc. (NYSE: VMW)

Keurig Green Mountain, Inc. (NASDAQ: GMCR)

SELL RECOMMENDATIONS:
FIXED INCOME FUND

Freeport-McMoRan Copper & Gold Inc. (NYSE: FCX)

C&J Energy Services, Inc. (NYSE: CJES)

Humboldt Wedag International (OTC: KHDHF)

MFC Industrial Ltd. (NYSE: MIL)

Zillow, Inc. (NASDAQ: Z)

Bolt Technology Corp. (NASDAQ: BOLT)

International Business Machines Corporation (NYSE: IBM)

Cisco Systems, Inc. (NASDAQ: CSCO)

Stanley Black & Decker, Inc. (NYSE: SWK)

Susquehanna Bancshares, Inc. (NASDAQ: SUSQ)

Tractor Supply Company (NASDAQ: TSCO)

Movado Group, Inc. (NYSE: MOV)

Apple Inc. (NASDAQ: AAPL)

Gray Television, Inc. (NYSE: GTN)

VMware, Inc. (NYSE: VMW)

Growth Fund Investment Policy Statement 2013

OBJECTIVE:

Maximize total return within a 12-18 month workout period.

CONSTRAINTS:

- Emphasize small cap growth stocks.
- Emphasize industrial, material and energy stocks.
- De-emphasize health-care and utility stocks.
- The portfolio can have a maximum of 25 equities.
- Each equity can have up to five analysts covering it.
- The minimum price is $3 per share.
- Minimum average daily volume is 200,000.

NGL Energy Partners LP

By Hans Riseng

NGL Energy Partners LP (NYSE: NGL) Tulsa, Okla., is a Delaware master limited partnership (MLP) that occupies the midstream energy sector.

MLPs are different from other publicly traded companies in that they combine the liquidity benefits of a normal traded company, and the tax benefits of a partnership, but as a result they cannot hold any excess cash by the end of each quarter. Instead, they pass down the excess cash, as well as the tax, each quarter to the shareholders. For NGL, this means that it does not suffer the problem of double taxation on dividends, and the cost of capital effectively becomes lower, giving NGL a cost advantage over its incorporated peers. In turn, this also limits organic growth.

Through its subsidiaries, NGL is divided into four main areas of business:

- Crude-oil logistics, which includes purchase of crude oil from producers and transport of it for resale at pipeline injection points, storage terminals, barge loading facilities, rail facilities, refineries, and other trade hubs.

- Water services, which generate revenue from the gathering, transportation, treatment and disposal of wastewater generated from oil and natural-gas production operations.

- Natural-gas liquids logistics, including the purchase of propane, butane and other natural-gas liquids from refiners, processing plants, producers and other parties, and the sale of those products to retailers, refiners and other participants in the wholesale markets.

- Retail propane, which includes selling propane, distillates, and equipment and supplies to residential, agricultural commercial and industrial end-users.

NGL makes for an interesting buy because of its momentum since its IPO, and its consistently beneficial acquisitions – its primary source of growth. On top of that, NGL, in line with its strategy, continues to produce favorable earnings and cash flow.

NGL was also very suitable for RGIP's strategically designed investment policy statement, which made the firm a natural candidate for our portfolio. ◆

Cabela's
WORLD'S FOREMOST OUTFITTER

By Travis Workman

Cabela's Incorporated (NYSE: CAB) Sidney, Neb., is a leading specialty retailer, and a direct marketer of hunting, fishing, camping and outdoor sports products and apparel. The company markets its products through retail stores, website and catalogs. Cabela's has experienced significant success in recent years from an increased demand for firearms and ammunition. This increased demand resulted in part from a push for firearm regulation following several school shootings. As the spotlight on firearm legislation died down, demand for firearms and ammunition fell and – as investors feared -- the company suffered.

However, I saw several positives from the decline in firearms and ammunition. This segment has a very low profit margin and has very little impact on the bottom line. A focus on other higher-margin products will benefit the company. Furthermore, Cabela's growth strategies caught my eye. The first is its aggressive retail expansion. Currently Cabela's owns and operates 45 stores, a total of 5.5 million square feet. In 2014, the company plans to open 13 new stores, increasing retail square footage by 18 percent. This retail expansion is attractive to investors as the company will grow its top line and increase market share.

In addition to retail expansion, Cabela's is implementing two new store layouts: next-generation and outpost. Initial store layouts were legacy stores that ranged from 185,000 to 215,000 square feet. These stores are very large and include extensive wildlife scenery, aquariums, and activities. New next-generation stores range from 85,000 to 125,000 square feet, and outpost layouts range from 40,000 to 80,000 square feet. These stores are more cost effective and provide higher profits. In recent quarters, the new store layouts outperformed the legacy stores per square foot by 50 percent in sales and approximately 60 percent in profit. Also, the small size of the outpost store is ideal for retail expansion, as it will allow Cabela's to effectively serve smaller markets with a large concentration of customers.

I do not believe investors fully appreciate the success that Cabela's has experienced with its new store layouts and aggressive retail expansion plans. Despite the decline in demand of firearms and ammunition, Cabela's is still very much a growth story.

2014 Update

Cabela's initial investment on Oct. 28, 2013, has returned approximately 7.68 percent as of Apr. 14, 2014. In the first quarter of 2014, Cabela's reported an earnings miss of $.09, citing a slow holiday season and stronger-than-expected decline in firearms and ammunition demand as the reason. Moving forward, I am still confident in Cabela's future as performance becomes less reliant on firearms and ammunition, and as the company executes both its retail expansion and store layout strategies. ◆

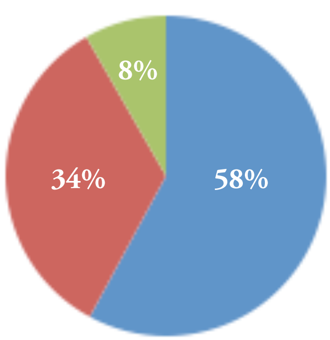
STOCKS

By Daniel J. Sprusansky

As the Roland George Investments Program (RGIP) continues to outperform the market, we must continue to find appropriate stocks for our portfolio. With a market cap of around $5 billion, I felt The Howard Hughes Corporation (NYSE: HHC) Dallas, Texas, was a small growth company perfect for our portfolio. HHC owns, develops and manages commercial, residential and mixed-use real estate in the United States. The company operates through three segments:

- *Master Planned Communities*
- *Operating Assets*
- *Strategic Developments*

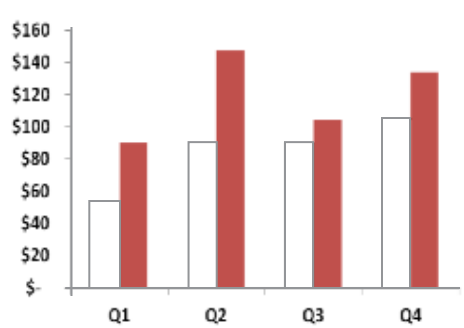
The chart below shows each segment's revenue breakdown.



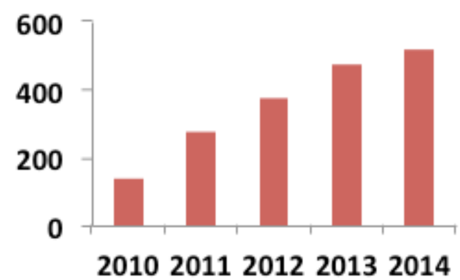
One of the main reasons I pitched this stock was that our portfolio needed more exposure in the emerging housing market. As 2013 was a great year for the housing market with home sales and home prices rising 3-5 percent, 2014 looks to be a promising year and the RGIP portfolio should be a part of the action. Another reason I'm optimistic about the prospects of HHC is many of their most valuable assets are currently under construction and do not yet contribute to the bottom line. Ward Towers in Honolulu, Hawaii, and South Street Seaport (Pier 17) in lower Manhattan, will bring considerable value to the company once completed.

Besides strong future outlooks, HHC has performed well in 2014 so far even though the market has been quite volatile. At the time of purchase, HHC had a YTD return of about 18 percent compared to the S&P return of 2 percent.

Two exhibits below showcase HHC's recent success. First, notice that HHC beat estimates on their past seven earnings calls. Estimates are in white and actual figures are in red. This indicates continued strong performances.



Next, I want to highlight HHC's continued revenue growth throughout the past four years.



With all of these factors, I believe HHC will bring our portfolio great success. ◆

HEXCEL

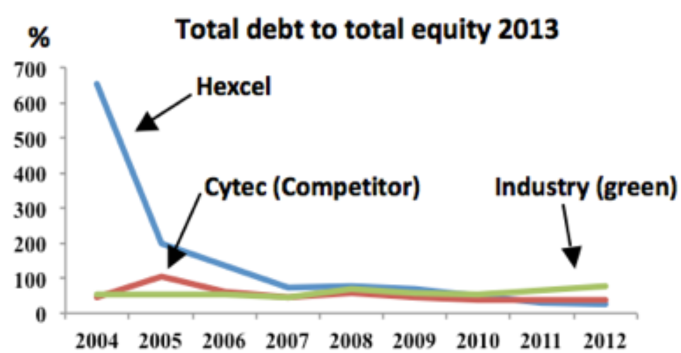
By Evan Jimmo

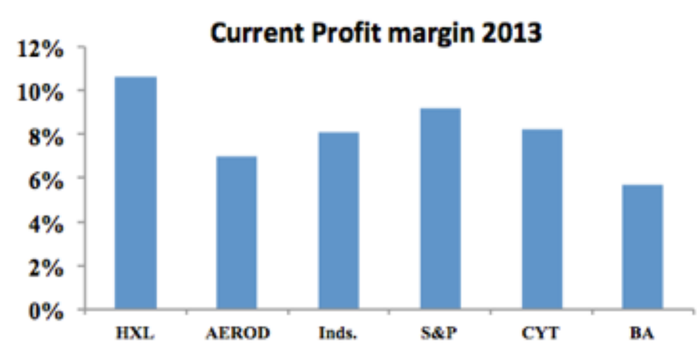
As the Roland George Investments Program (RGIP) continues to diversify in the best possible stocks, we must find appropriate industries we think will be successful. Hexcel Corporation (NYSE: HXL) Stamford, Conn., develops, manufactures, and markets high-performance structural materials that can be used in commercial aerospace, space and defense, as well as different industrial markets. Hexcel is the industry leader in the manufacturing of industrial fabrics and composite materials. Hexcel's sales occur in three main segments:

- Commercial aerospace: Subcontractors for commercial aircraft, in particular Boeing and Airbus.
- Space and defense: Mostly supplies the U.S. military with products for helicopter blades. Also, space applications for rocket boosters, doors for launch vehicles, and solar arrays for military and commercial satellites.
- Industrial: Wind energy, general industrial application, recreational equipment, and composites for transportation vehicles.

Hexcel is a good investment for RGIP for a number of reasons. We did not have any securities within the aerospace and defense industry, and I thought we needed this exposure in a growing aerospace market. Hexcel's growth is tied to back orders from its two main clients, Boeing and Airbus. Also, the demand for carbon fiber is projected to have massive growth through 2020, in particular in the aerospace industry. Hexcel's carbon fiber makes planes lighter, resulting in lower fuel costs, which is an airline's largest expense on a year-to-year basis. Also, increasing numbers of passengers every year is driving demand for new planes. Hexcel will work to capitalize on this demand by providing more carbon fiber composites for more planes every year.

Hexcel is currently in a strong financial position compared to previous years. It has been growing steadily since 2011, and its net income has increased in each quarter of 2013. This trend is expected to continue due to backlogs from Boeing and Airbus projects. Hexcel currently relies on its organic growth to increase its net income. The firm has not made any acquisitions; however, it is starting to build cash reserves, which could potentially lead to a future acquisition. Hexcel has significantly decreased its total debt to total equity over the past 10 years, going from over 600 percent to less than 50 percent. Hexcel's profit margins beat the industry, sector and competitors in 2013, which shows it is efficient in using its resources along the supply chain. Due to its impressive financial performance, along with a growing industry, Hexcel is a good fit for RGIP. ◆





STOCKS

jetBlue

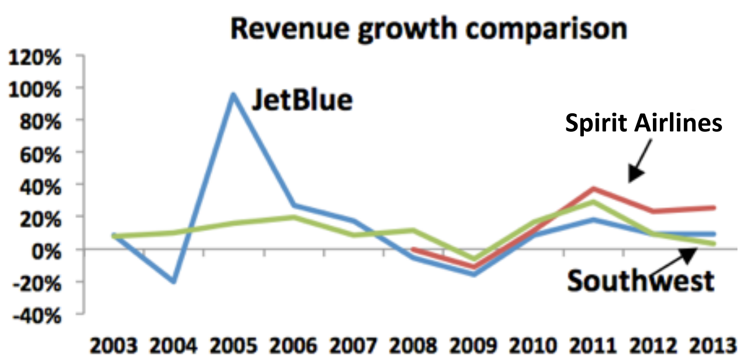
By Evan Jimmo

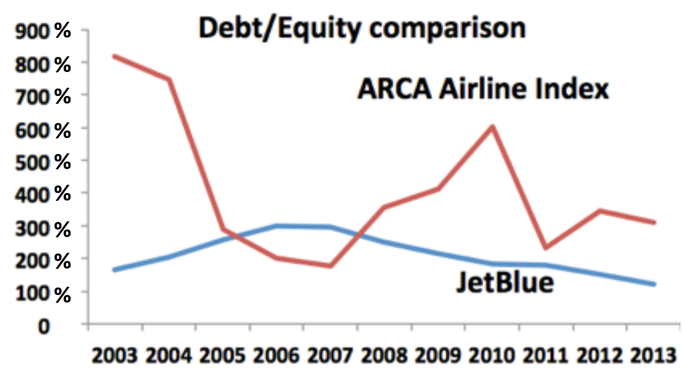
As the Roland George Investments Program (RGIP) continues to diversify with the best possible stocks, we must find appropriate industries we think will be successful. JetBlue Airways Corporation (NASDAQ: JBLU) Long Island City, NY, is a passenger carrier company, which provides air transportation to North America, the Caribbean, Central America and South America. JetBlue also has a primary concern for its customers, resulting in completing 99.3 percent of its flights in 2013. In addition, the company has policies in place to avoid overbooking. In 2013, JetBlue won the award for the best low-cost airline from J.D. Power and Associates.

JetBlue is a good investment for RGIP for numerous reasons. It has continued to build relationships with other legacy airlines such as British Airways and Emirates, growing from seven partnerships in 2007 to 31 currently. As predicted by the International Air Transport Association (IATA), the airline industry is expected to grow in 2014, with jet fuel prices stabilizing. JetBlue also has made a commitment to purchase more fuel-efficient planes, which results in lower fuel costs. JetBlue prides itself on its consumer-centric business model, which is how it distinguishes itself from other airlines. The firm is offering new ways to travel in 2014; for example, the first domestic lie-flat flight service. As JetBlue gains more brand recognition from its services and customer service, its financials will likely increase in the future. JetBlue is also taking the initiative in 2014 to cut its fixed costs, mostly by switching engine to GE engines, which is the most stable aircraft-engine company in the world. This will allow JetBlue to better predict its fixed costs, making it easier to determine its returns.

JetBlue is in the best financial position it has ever been in. The company has been steadily growing for three years, and is expected to continue this upward trend for 2014. Comparing JetBlue to both Southwest Airlines and Spirit Airlines, we can see that JetBlue's revenue growth is similar to competitors. JetBlue exceeds the other two airlines in both 10-year and average three-year revenue growth. Since 2007, the firm has relied on its increase in sales, and started to become less dependent on funding its growth through financing activities. Also, this increase has helped its financing terms in relation to interest rates.

The amount of debt airlines take on varies significantly with the strategic vision of the company. In 2013 and the first quarter of 2014, JetBlue has shown that it is actively reducing its debt. As evidenced in the chart below on the right, when compared to the NYSE ARCA Airline Index, JetBlue takes on less debt. JetBlue has made one of its goals to reduce its overall debt. In 2013, the firm reduced its debt by $266 million. It has also prepaid $94 million in debt in 2013, which will save $5 million on interest in 2014. Because of all these key factors, I felt JetBlue would be a good addition to RGIP's portfolio. ◆





Pictured (l to r) at the G.A.M.E. Forum:
Manuel Preg, Bonnie Harper, Alex Bowen

2014 G.A.M.E. IV Forum

By Bonnie Harper

Manuel Preg, Alex Bowen and I were able to represent the Roland George Investments Program (RGIP) at the Quinnipiac G.A.M.E. IV Forum from Mar. 21-23, 2014, in New York City. We had the opportunity to see various speakers from CNBC's *Fast Money*, including Joe Terranova and Guy Adami, as well as Tom Keene, editor-at-large for Bloomberg News. Several smaller breakout sessions were available to attendees covering such topics as how to value private equity or how to start trading options. Throughout the conference, we talked with students from around the world who manage student portfolios like ours and professors who are trying to start a program like RGIP.

We were honored at the forum to learn that RGIP had won another championship in Bonds, our third out of the four years that G.A.M.E. has been in existence. This was the 14 championship in the past 14 years. This is a great accomplishment, and I wish to congratulate everyone who has made this legacy possible. ◆

Pictured (l to r) at the R.I.S.E. Forum:
Jordan Bieber, Valery Popova, Christopher Aguirre

R.I.S.E. 14 Forum

By Christopher Aguirre

From Mar. 27-29, 2014, Valery Popova, Jordan Bieber and I were given the opportunity to represent RGIP at the R.I.S.E. 14 Forum at the University of Dayton in Dayton, Ohio. On the first day, we met with many students from across the country in similar student-directed portfolio programs. In addition, we met many business professionals at the conference including the president and CEO of the Federal Reserve Bank of Cleveland, Sandra Pianalto; the host of *Mad Money*, Jim Cramer; and CNBC anchor, Kelly Evans. We spoke with many students, professors and professionals, all of whom knew RGIP as the consistent, reigning champion. Many students and professors asked us about our program and its various investments strategies.

At the competition, we anxiously awaited the announcement that RGIP had been awarded National Champion in the Fixed Income category. This win makes the eighth time RGIP has won for Fixed Income and the 11 time RGIP has taken home a National Championship since the R.I.S.E. forum began. I am very proud to be a part of this elite program and would like to congratulate every student who took part in this year's success. ◆

ROLAND GEORGE INVESTMENTS PROGRAM

CLASS OF 2013-14

Front Row: Jordan Bieber, Jeremy Goldberg, Valery Popova, K.C. Ma, Bonnie Harper, Sammi Smith, Daniel Sprusansky

Row 2: Brett Hargaden, Hans Riseng, Jonathan Canalizo, Matt Ady

Row 3: Evan Jimmo, Manuel Preg, Christian Roeder, Jozsef Nemeth, John Stautberg, Logan Gapsch

Back Row: Alex Bowen, Derek Donahou, Travis Workman, Christopher Aguirre

Not pictured: Brian Eggleston, Jared Penney, Robert Reinbold, Michael Vlach, Daniela Perez, Simaii Keith

R.I.S.E. 2014 and G.A.M.E. Teams

Left to right: Jordan Bieber, K.C. Ma, Alex Bowen, Bonnie Harper, Manuel Preg, Valery Popova, Christopher Aguirre

Merit Scholars 2013-14

Left to right: Travis Workman, K.C. Ma, Christian Roeder, Bonnie Harper, Hans Riseng, Sammi Smith, Logan Gapsch, Valery Popova, Jordan Bieber, Matt Ady, Jeremy Goldberg

CFA Team 2014

Left to right: K.C. Ma, Christian Roeder, Valery Popova, Travis Workman, Matt Ady, Jeremy Goldberg

ROLAND GEORGE INVESTMENTS PROGRAM

CLASS OF 2014

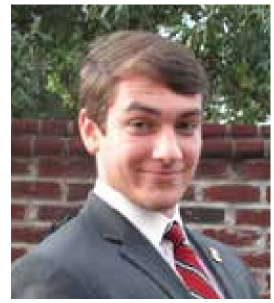

Matt Ady


Christopher Aguirre


Jordan Bieber


Alex Bowen


Jonathan Canalizo


Derek Donahou


Logan Gapsch


Jeremy Goldberg


Brett Hargaden


Bonnie Harper


Evan Jimmo


Jozsef Nemeth


Daniela Perez


Valery Popova


Manuel Preg


Hans Riseng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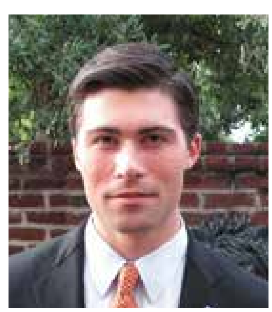
Sammi Smith


Daniel Sprusansky


John Stautberg


Travis Workman

ROLAND GEORGE INVESTMENTS PROGRAM

AWARDS

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
2014	**Champion**	Bond
2014	**Third Place**	Stock

G.A.M.E. Competitions

2011	**Champion**	Bond
2012	**Champion**	Core Stock
2013	**Champion**	Bond
2014	**Champion**	Bond
2014	**Second Place**	Stock

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 (RGIP) 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. Roland George decided that serious flaws were evident in the traditional educational process for future investors since by overcoming his formal education he was able to master investing and, in short, accumulate wealth.

From the start, Roland 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 RGIP. This program provides support for the applied investments program at Stetson University, where students manage a portfolio valued at more than $3 million. Insights are gained through contact with professionals such as Robert Stovall, C.F.A., of Wood Asset Management, LLC, Sarasota, Fla.

For more information on the RGIP, call 386-822-7442.

STETSON UNIVERSITY

School of Business Administration

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