



STUDENT  
INVESTMENT FUND  

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CLAREMONT MCKENNA COLLEGE

# ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

CLAREMONT MCKENNA COLLEGE STUDENT INVESTMENT FUND | [WWW.CMCSIF.ORG](http://WWW.CMCSIF.ORG)



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COLLEGE





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## A LETTER FROM THE CEO

Friends of the CMC Student Investment Fund:

Thank you for taking the time to review our latest annual report. In 2013, The Claremont McKenna College Student Investment Fund (“SIF” or “the Fund”) experienced another defining year. We have completed our transition to a new organizational structure based on industry groups and continue to make headway towards our goal of reaching \$1mm in AUM by 2015. In this letter you will find a brief summary of the exciting progress the Fund has made over the past year.

### **Transitioning to A New Structure**

In my letter last year I introduced several of the challenges that SIF was facing and proposed a new structure designed to resolve them. To embrace our focus on equities the new structure is designed around industry groups in lieu of asset classes. Each SIF member is assigned to an industry group. Once a week members meet with their respective groups to update each other on critical news related to their industry and review our holdings within that industry. This transition has increased engagement outside of our general fund meetings and materially improved pitch quality. We’ve been able to give more autonomy to the industry group MDs and VPs, thereby increasing the number of members that monitor our portfolio on a daily basis. Moreover, members have the opportunity to develop industry expertise that they can call upon in interviews, class discussions, and general fund meetings.

### **Capital Growth and Portfolio Performance**

We achieved over 39% growth in our capital base over the last year, bringing the total value of our portfolio to \$568,805.17 as of December 31, 2013. This can be attributed to successful long-investments in equities such as Activision, First Solar, and Las Vegas Sands as well as generous contributions from alumni donors. Although we are proud of this tremendous growth, we are still eager to catch other peer institutions, particularly our rival Pomona, whose Fund has over \$1.2mm in assets under management. We believe our official goal of \$1mm by 2015 is feasible if the fund continues to improve the student learning experience, expand contribution methods to the College, and deliver strong returns.

### **Finance Conference**

The Claremont Finance Conference is hosted annually by SIF and brings leaders from the fields of business and finance to campus to speak on notable topics of the time. It is comprised of a lunch keynote, two afternoon panels, and a dinner keynote in the Athenaeum. This year’s theme was Private Equity Investing and we had Mark Bradley – formerly Chairman and Global Head of Morgan Stanley’s Financial Sponsors Group – share his perspective on the industry to over 120 students.

The two panels complemented the conference theme by also focusing on private equity. The first panel examined the dynamics of a private equity transaction and the nuances associated with private equity financing. Then, the second panel explored the strategies utilized by PE firms to improve the value of their portfolio companies and manage the positions over the long term. For more details, please see page ten.



## Expanding Learning Opportunities

I've always believed with conviction that the primary goal of SIF is to provide an unparalleled learning experience to students that will prepare them for success in nearly any endeavor. In pursuance of this goal, the Fund will be hosting our first-ever all day Financial Modeling Seminar on March 28th. Senior members will guide underclassmen through Cash Flow, DCF, and LBO modeling tutorials built by SIF members for SIF members. Ideally this will give SIF members a leg up on their peers right before they enter their summer internships.

## Concluding Thoughts

The value that our members derive from the SIF experience is immeasurable, but their many successes and career placement statistics are a testament to the programs efficacy. When I joined the Fund as a freshman our portfolio was only worth \$110,000; as of writing this letter on February 14, 2014, the total value of our portfolio is \$617,765.30. In a little over three years we've grown the Fund by more than \$500,000. I'm proud that my efforts have contributed to this growth, but none of it would've been possible without the solid foundation laid by Ben Kraus, Andrew Oetting, and David Hirsch. All in all, it has been an honor and a privilege to serve as CEO of SIF. In the coming pages, I invite you to learn more about our mission, members, and performance. If you are interested in what we are doing and have any comments or questions, please do not hesitate to contact senior leadership and make sure to visit our website at [www.cmcsif.org](http://www.cmcsif.org).

Carter Wilkinson  
Chief Executive Officer



## THE INCOMING CEO'S GOALS AND VISION

The Student Investment Fund has grown significantly over the past year and continues to provide a phenomenal training ground for highly qualified students at CMC who have a strong passion for finance and investing. My primary goals as CEO for the 2014-2015 academic year are to strengthen the structured learning programs provided by the fund, have the fund take a more active role within the college, and increase our exposure to alumni and investment professionals.

### **Structured Learning Opportunities**

The Student Investment Fund has provided me with incredible training in financial valuation and analysis, and so much of what I have learned is attributable to the efforts of senior members when I was an underclassman. I want to continue this trend and enhance the opportunities for underclassmen to learn key skills that will aid them not just in the fund, but in the classroom, the internship search, and eventually the workplace.

The educational program will involve short lectures by senior members on topics ranging from financial valuation all the way to resumes and networking, as well as more personalized workshops within smaller industry group meetings. This transfer of knowledge will ensure that all of our members have the tools to be successful in the fund and beyond, and will fortify the future of the Student Investment Fund.

### **Taking a More Active Role within the College**

The SIF has experienced tremendous growth since its inception, and we have reached a point at which our size allows us the special opportunity to have a significant positive impact on this campus. The first step in this process will be to work with President Chodosh to institute a process by which the SIF will contribute a portion of its capital to the Claremont McKenna scholarship fund each year. Our contribution each year will be 5% of the Fund's five-year trailing average portfolio value. These funds will help provide a student in need of financial aid with the means to attend CMC.

### **Increased Exposure to Alumni and Investment Professionals**

One of my most positive experiences thus far in SIF has been the opportunity to pitch in front of financial professionals at our weekly fund meetings. In addition to the phenomenal investing insight which this provides, it is also a fantastic time for members of the fund to gain exposure to the wide array of career options available within finance, and learn about the numerous career paths which alumni have taken.

This past year our guests included Nathan Doctor '11 and Will Knowles '13 of Cascade Investment as well as Jim Floyd and Michael Denny, CMC's Chief Investment Officer and Assistant VP for Investments. They brought a wealth of knowledge and experience to the fund, and my goal is to increase the number these opportunities for guests to participate in our meetings over the next year.



I am thrilled to be leading the Student Investment Fund from 2014-2015 with David Tse '15 and Brian Eckhardt '16. Our leaders past and present have provided us with a phenomenal platform upon which to build and I cannot wait to help continue the organization's rapid growth. Please feel free to contact me with comments or feedback regarding what I have outlined above, or any other sections of this report.

All the best,

A handwritten signature in black ink, appearing to read "Phil Crawford". The signature is fluid and cursive, with a large initial "P" and "C".

Phil Crawford

Chief Executive Officer Elect



## FUND OVERVIEW

### History

The SIF was founded in 1974 by an anonymous alumnus who donated approximately \$500 in securities. His intention was to give qualified students an opportunity to learn the basics of investment management using a “trial by fire” approach while creating value for the college’s endowment. The Fund has grown substantially, since inception and as of 12/31/2013 manages \$568,000 of the Claremont McKenna College endowment.

### Mission

The SIF aims to earn risk-adjusted excess returns above our benchmark index while providing students with the opportunity to learn about investing in a pre-professional setting. Our primary objective is to prepare student participants for successful careers in investment related fields, and our senior management bears the responsibility of actively promoting the career development for our junior members.

### Structure

The SIF holds a formal general fund meeting each week where members present investment ideas in front of the Fund and alumni professionals. These investment ideas are the result of roughly two weeks of equity research, culminating in a presentation inclusive of industry and company-specific due diligence, as well as multiple valuation techniques. Investment pitches are voted upon by members, and if approved by simple majority, are executed immediately.

The Fund is further composed of five actively managed industry groups: Technology; Media and Telecom; Consumer, Food, and Retail; Healthcare and Biotechnology; and Industrials and Financials. The objective of each portfolio group is to provide coverage over existing holdings while seeking long-term risk-adjusted return in excess of respective benchmark indexes. Portfolio groups meet weekly to discuss markets, teach valuation methodologies, and provide mentorship in an informal, intimate setting.

Participation in the Fund counts for academic credit during participants’ senior year. The Fund’s advisor, Professor Eric Hughson, incorporates investment-related curriculum into weekly meetings.

### Governance

The Fund is managed by student executives. Executive designations include Chief Executive Officer, Chief Investment Officer, Chief Operating Officer, and Chief Technology Officer.

Portfolio groups are managed by Managing Directors and Vice Presidents. While the executive team is elected on an annual basis, the management team are all appointed positions.

Faculty Advisor Eric Hughson and CMC Chief Investment Officer Jim Floyd provide oversight of the Fund. The CMC Investment Office provides custody over the Fund’s accounts and executes trades on behalf of the Fund.



## Membership

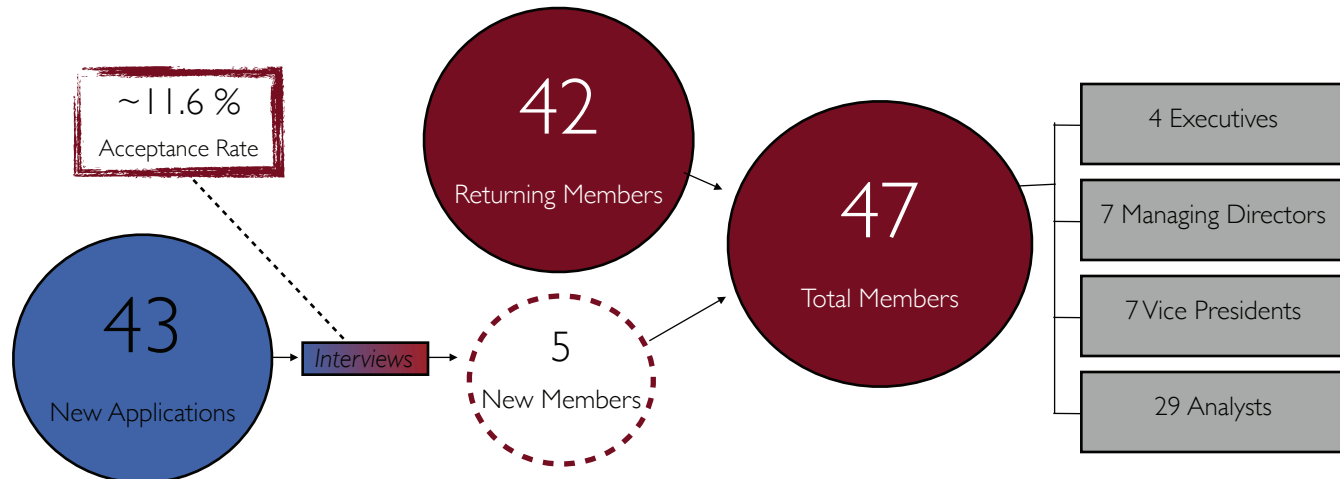
The Fund is composed of 47 students as of December 2013. Membership consists of 4 Executive Officers, 7 Managing Directors, 7 Vice Presidents, and 29 Analysts.

Our members are top-performing students, scholars and leaders. Individual members of the Fund have founded major student organizations, received prestigious fellowships and scholarships, led athletic teams, started their own businesses, and worked across multiple continents. The Fund values multi-disciplinary excellence contributed by its members, and believes that a wide variety of perspectives enables a holistic investment process.

## Admissions

The Fund continues to attract talented CMC students interested in investment-related professions. During the Fall 2013 recruitment cycle, the Fund drew 43 new freshman applicants and extended analyst positions to 5 new members. These members have already demonstrated that they will be able add value to pitch deliberations and generate novel investment ideas.

SIF is about to begin its Spring 2014 recruitment cycle. The newly elected executive team is currently preparing the application and expects to extend approximately 7-8 offers.







## CAREER DEVELOPMENT

As an educational organization, one of the SIF's primary objectives is to prepare members for successful careers in finance and related professions. In 2013, the SIF expanded its career development initiative to increase recruiting efforts and offer formal financial modeling tutorials resources available to fund members.

### Introduction of Career Panels

It is surprising how many students have decided that Investment Banking was their life-long passion before ever learning what an investment banker actually does. To provide our members with a detailed understanding of internship opportunities across the financial industry we asked senior members to moderate career panel discussions following our weekly meetings. Our members relished at the opportunity to ask seniors candid questions about internships and receive honest, unfiltered answers. Firm hosted information sessions tend to be one-sided, which is why the combination of positive and negative feedback you receive from a student who previously completed an internship is so valuable. One panel was conducted per week for each of the following topics: Equity Research, Risk Management, Asset Management, Consulting, Sales and Trading, and Investment Banking.

### Expanding Tutorials for Junior Members

SIF upperclassmen have created a tutorials targeted at Freshman, Sophomore, and Junior members of the Fund. Tutorials include standardized curriculum on topics ranging from Financial Statements, Spreading Comps, DCF and LBO Modeling, Strategic M&A, to using the Bloomberg Terminal. Several of these tutorials were first introduced last year by Akbar Mirza '13 and have been improved by Senior members throughout the year. Additionally, we've drafted a preliminary curriculum intended to add a formal structure to the tutorial program. The newly elected Executive team will further enhance this program by adding additional tutorials and forming cohorts to group each member by their skill-level in 2014.

### Guest Speakers and Firm Visits

The Fund has arranged unique opportunities for its members to learn from and network with investments professionals, both on-campus and in-office.

Guest speakers during the past year include: Michael Larson, CIO of BGI/Cascade; Alan Heuberger, Portfolio Manager at BGI/Cascade; Robert Thomas, CIO of George Kaiser Family Foundation; Mark Robles, Founder of Alta Pacific Wealth Management; Henry Goodman, Principal at Shadow Tree Capital Management; and Scott Arnold, Associate at KKR.

### Placement History

Students participating in the SIF are extensively prepared for careers in finance and related professions. Experiences amassed in the Fund make our students uniquely positioned to recruit with and join top-tier firms. The following table details where our graduating seniors will be working after they graduate in May.



## Full Time Placement

Name	Position	Function	Company
Andrew Bergman '14	Analyst	Private Equity	Kravis, Kohlberg, Roberts, & Co.
Locke Brown '14	Analyst	Investment Management	BGI/Cascade Investments
Julian Buckner '14	Analyst	Management Consulting	McKinsey & Co.
Arjun Kapur '14	Analyst	Investment Banking	Bank of America Merrill Lynch
Steven Limandibratha '14	Analyst	Risk Management	Deutsche Bank
Michael Mavredakis '14	Analyst	Wealth Management	Morgan Stanley Smith Barney
Andrew Runde '14	Analyst	Investment Management	BGI/Cascade Investments
Joshua Rosenberg '14	Analyst	Wealth Management	Iconiq Capital
Ankit Sud '14	Analyst	Investment Banking	Bank of America Merrill Lynch
Carter Wilkinson '14	Associate	Financial Technology	Addepar



## CLAREMONT FINANCE CONFERENCE

Claremont McKenna College and Pomona College collectively hosted the Sixth Annual Claremont Finance Conference on February 28, 2014. This year we selected Private Equity Investing as the conference theme and invited a host of leading alumni and industry professionals to provide their perspective on the industry. For the first time ever, all panels and keynote presentations were related to a single conference theme. Although the narrow scope made identifying suitable speakers a challenge, having a central theme elevated the discussion and allowed our speakers to reference and build



**Keynote Speaker: Mark Bradley | Partner at DBO Partners | Former Global Head of Morgan Stanley's Financial Sponsors Coverage Group**

upon the information shared in previous events. The conference provides students with a unique opportunity to meet and learn from leading alumni.

### Conference Overview

SIF Chief Executive Officer Carter Wilkinson '14 said this year's Finance Conference "offered a look into the opaque and often controversial private equity industry." He added, "all our speakers shared memorable anecdotes and were exceptional at elucidating complex concepts."

Adam Belzberg '14, COO of Sagehen Capital Management, Pomona's student investment fund, was especially impressed by Keynote Speaker Mark Bradley, former Global Head of Financial Sponsors Coverage for Morgan Stanley. "Chatting with Mark and witnessing his passion for private equity was inspiring. The breadth of his knowledge on the industry is second to none." Adam also noted that the cocktail reception was a valuable networking opportunity for students and alumni alike.

"I am thrilled by this year's turnout and the feedback has been incredibly positive thus far" says Wilkinson. "It has been a privilege to help the conference evolve over the past three years."

### Conversations with Industry Luminaries

The Conference began with lunch in the Edmunds Ballroom at Pomona. Matt Thompson, Vice President of Portfolio Operations at Skyview Capital and a member of Tech Coast Angels, spoke about his diverse career and Skyview's emphasis on distressed companies. Furthermore, he discussed angel investing and shared a few of the companies he has invested in.



Attendees then transitioned to Claremont McKenna's Freeberg Forum at The Kravis Center for two panel discussions. The first panel focused on executing private equity deals and transactions. Panelists represented a variety of firms and levels of experience: Lee Ann Gliha, Director at Houlihan Lokey; Scott Arnold, Associate at KKR & Co.; and Holly Poole, Associate at Oaktree Capital Management. The talk was moderated by CMC Professor of Corporate Finance Murat Binay.

Attendees had a brief networking reception before the second panel, which emphasized managing private equity investments over the long-term. Panelists included: Jay Schneider, Vice President at Francisco Partners; Matt Thompson, Vice President of Portfolio Operations at Skyview Capital; Russ Chidester, Associate at KRG Capital; and Mike Widmann, Associate at Silverlake Partners. The talk was moderated by CMC Professor of Strategic Cost Management Ananda Ganguly.

Attendees then transitioned to the Kravis Lower Court for a cocktail reception with wine, cheese, and hot h'ordourves. Following the reception, participants headed for the Marian Miner Cook Athenaeum where dinner was served and Mark Bradley, Partner at DBO Partners and Former Global Head of Morgan Stanley's Financial Sponsors Coverage Group, delivered a keynote presentation entitled "Private Equity 101." Mark concluded his presentation with a case study of Silverlake's recent LBO of Dell, Inc. that involved participation from the audience.

### **A Successful Event for The Claremont Colleges**

Wilkinson said he felt that the Finance Conference had a great turnout due to "intense marketing and registration efforts." He added, "the decision to tie all of the conference events back to a single theme made a huge impact and will hopefully set a precedent for future conferences."

Organizers of this year's Finance Conference said they have high hopes that the Conference will include more participation from every college in the Claremont Consortium. Reiterating that the Conference has grown tremendously over the past three years, Wilkinson concluded, "we are determined continue improving the Conference every year and have already begun searching for our next keynote speaker."





# THE CLAREMONT FINANCE CONFERENCE

## FEBRUARY 28, 2014

### EVENT SCHEDULE

#### **Lunch Keynote — 11:45am - 1:15pm**

Edmunds Ballroom (Pomona)

Speaker: Matt Thompson, Vice President of Portfolio Operations at Skyview Capital and Member of Tech Coast Angels (Pomona '96)

#### **Panel Discussions — 1:30pm - 4:00pm**

Freeberg Forum at The Kravis Center (CMC)

##### **Panel 1: Executing Private Equity Deals & Transactions 1:30pm - 2:30pm**

- Lee Ann Gliha, Director at Houlihan Lokey (CMC '96)
- Scott Arnold, Associate at KKR & Co. (CMC '09)
- Holly Poole, Associate at Oaktree Capital Management (Scripps '09)

##### **Networking & Refreshment Break 2:30pm - 3:00pm**

##### **Panel 2: Managing Private Equity Investments Over the Long-Term 3:00pm - 4:00pm**

- Jay Schneider, Vice President at Francisco Partners (Pomona '04)
- Matt Thompson, Vice President of Portfolio Operations at Skyview Capital (Pomona '96)
- Russ Chidester, Associate at KRG Capital (CMC '09)
- Mike Widmann, Associate at Silverlake Partners (CMC '10)

#### **Dinner Events — 4:15pm-7:30pm**

Kravis Lower Court & Athenaeum (CMC)

##### **Networking & Cocktail Reception 4:15pm - 5:15pm (Kravis Lower Court)**

##### **Dinner & Keynote 5:15pm - 7:30pm**

Speaker: Mark Bradley, Partner at DBO Partners and Former Global Head of Morgan Stanley's Financial Sponsors Coverage Group (CMC P'17)

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## CFA INSTITUTE RESEARCH CHALLENGE

Five students represented Claremont McKenna College, the Financial Economics Institute, and the SIF at the 2013-2014 Global Investment Research Challenge hosted by the CFA Institute.

### About the CFA Research Challenge

Hosted each year by the CFA Institute, the Research Challenge teaches participants best practices in equity research through hands-on company analysis. The competition challenges teams of three to five undergraduate and graduate students to prepare a written equity research report and presentation about a local subject company. Students are guided by industry mentors and academic advisors, and are evaluated by panels of high-profile experts from top financial institutions. Top performing teams advance through Local, Regional, and Global competitions. Last year, over 3000 students from 55 countries competed in the Research Challenge.



Chris Reed | Reeds' CEO

The Research Challenge bridges the gap between the CFA Institute and students. Throughout the competition, participants are exposed to industry ethical standards, the CFA certification process, and are given the opportunity to network with current CFA charter holders.

### The SIF Joins the Research Challenge

A team of five students represented the SIF in the 2013-2014 Research Challenge. The team was led by David Tse '15, and included Phil Crawford '15, Kartik Das '15, Sean Sakaguchi '16, and Abinaya Thenappan '16. Individual members of the team are actively involved in the Financial Economics Institute, Robert Day School, and the Student Investment Fund. This summer, participants will be working across Sales and Trading, Investment Banking, and Private Wealth Management.

Professor Eric Hughson, The Don and Lorraine Freeberg Professor of Finance and Economics at Claremont McKenna College, advised the team throughout the Research Challenge. As the Faculty advisor to the Student Investment Fund and Associate Director of the Financial Economics Institute, Professor Hughson lent both a theoretical and practical perspective to the team's analysis. Nathan Doctor '11 of Cascade Investment also advised the team. Nathan provided insight that helped the team to better understand how an investment professional approaches firm valuation.



### **Extensive Research on Reeds Inc.**

The team was tasked with evaluating Reeds Inc., a manufacturer of non-alcoholic artisan beverages based in Southern California. Reeds is best known for its Ginger Beer and Virgil's Rootbeer, with its new Kombucha line becoming a leader in the rapidly growing Kombucha market.

In November 2013, selected members of the team received a presentation from management at Reeds' headquarters in Los Angeles, California. The team also had the opportunity to privately ask questions of management.

Between November 2013 and February 2014, the team researched Reeds and the natural soda industry, even conducting their own double blind taste test. Using all of the information gathered, the team formed a strong industry outlook while also constructing pro-forma financial statements through 2017, a fully integrated discount cash flow model, and a public trading multiples analysis.

### **Students Represent SIF at Competition**

On January 31, 2014, the team submitted a written report that recommended selling shares of REED with a twelve-month price target of \$6.30. The team thesis was driven largely by pessimism surrounding Reeds ability to land a long-term contract with a major national distributor, which the market appeared to be pricing into its valuation of Reeds.

In late February, the team presented their analysis to a panel of judges at the Orange County Local Competition. CMC placed competitively against a group of five schools from Southern California and took away from the event a wealth of knowledge regarding valuation and experience in presenting to industry professionals.

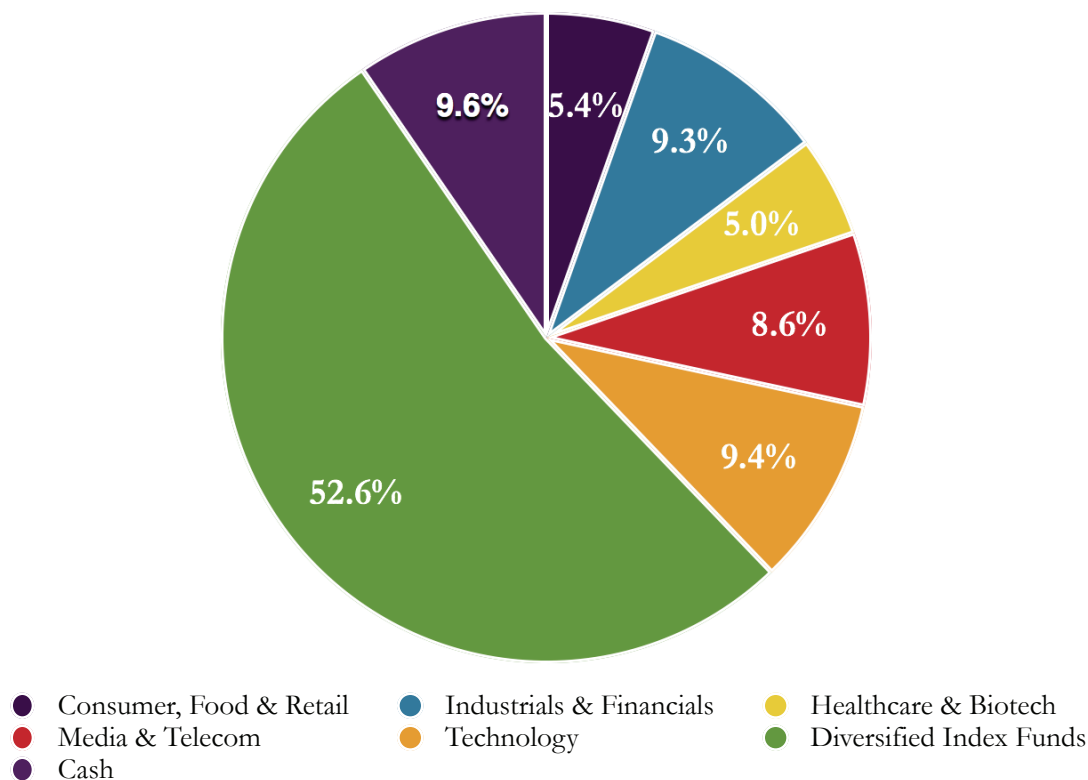
The Research Challenge provided students with a unique opportunity to conduct professional-standard investment research, learn about the beverage industry, and network with leaders in finance. The Student Investment Fund plans to continue with this fantastic learning opportunity and assemble a team to compete in the 2014-2015 CFA Research Challenge.



## SIF PORTFOLIO AND HOLDINGS

### Portfolio Allocation by Sector

Actual Sector Allocation on December 31, 2013



### Historical Return and Risk Profile

The past year marked the second largest fund increase in the SIF's history with overall assets under management increasing from \$410,327.85 to 568,805.17. The majority of this increase can be attributed to generous donations from various CMC alumni and fund affiliates. We thank everyone for their continued support of the fund and the learning opportunity it provides for our members.

Below, the "Summary of Holdings" table breaks all equity holdings in which the fund was invested as of December 31, 2013. This consists of positions taken both in 2013 and in previous years. As of this date, our largest holdings were SPY S&P500 ETF, Caterpillar Corporation, LinkedIn, Google, Take-Two Interactive, and First Solar, all of which have seen respectable realized or unrealized gains excluding LinkedIn.

Next, the "2013 Investment Performance" reports Time Weighted Returns by security for the period between December 31, 2012 and December 31, 2013. This analysis allows us to minimize the distorting





## Summary of Holdings

Holding	Market Value 12/31/11	Purchases	Withdrawals and Sales	Realized Gains	Unrealized Gains	Interest Dividends	Market Value 12/31/12
Activision Inc	3,866	\$ 0	(5,488.99)	1,554	0	69	0
American Tower Corp	0	7,461	(107)	0	281	107	7,743
Berkshire Hathaway B	22,246	0	(27,669)	5,423	0	0	0
BorgWarner Inc.	8,594	0	(3,372)	467	3,216	40	8,946
Caterpillar Incorporated	0	15,041	0	0	1,305	0	16,346
Columbia Treasury Reserve Fund	11,707	486,689	(444,276)	0	3	0	54,123
Disney (Walt) Company	0	9,938	(142)	0	2,668	142	12,606
Dividend Accrual	208	2,100	(1,930)	0	0	378	378
Elements Rogers Total Return Commodity	30,558	0	(29,058)	(1,500)	0	0	0
ExxonMobil Corp	0	8,035	(174)	0	1,275	174	9,310
First Solar, Inc.	10,707	0	(5,634)	2,055	5,494	0	12,622
Ford Motor Company	17,612	0	(20,209)	2,325	0	272	0
Gilead Sciences	0	6,936	0	0	199	0	7,135
Goldman Sachs Group	6,378	0	(103)	0	2,485	103	8,863
Google Incorporated	14,148	0	(5,910)	959	5,373	0	14,569
Helmerick & Payne	5,601	0	(130)	0	2,807	130	8,408
ISHARES INC MSCI BRAZIL	1,119	0	(1,088)	(33)	0	3	0
ISHARES MSCI Canada Index Fund	17,040	0	(16,740)	(300)	0	0	0
ISHARES TR BARCLY USAGG B	32,213	0	(32,361)	(175)	0	323	0
Iridium Communications Inc.	0	10,085	0	0	335	0	10,420
Itron, Inc.	1,916	0	(1,826)	(89)	0	0	0
Jamba, Inc.	6,008	0	(2,504)	494	439	0	4,438



Holding	Market Value 12/31/11	Purchases	Withdrawals and Sales	Realized Gains	Unrealized Gains	Interest Dividends	Market Value 12/31/12
Las Vegas Sands Corp.	9,232	0	(11,682)	2,380	0	70	0
LinkedIn Corporation	0	17,084	0	0	(1,905)	0	15,178
MWI Veterinary Supply, Inc.	0	9,690	0	0	(342)	0	9,348
Market Vectors Indonesia Index ETF	7,160	0	(8,068)	908	0	0	0
Novartis AG	9,495	0	(364)	0	2,562	364	12,057
Protective Life Corp.	9,945.84	0.00	(13,481.24)	3,472.76	0.00	62.64	0.00
Rogers Communications Inc.	0	10,047	(118)	0	361	118	10,408
SP Plus Corporation	0	5,377	0	0	352	0	5,729
Sabra Healthcare REIT, Inc.	3,258	0	(4,641)	1,332	0	51	0
SanDisk Corporation	5,742	0	(59)	0	3,569	59	9,311
Schlumberger Ltd	10,672	0	(11,612)	892	0	48	0
Standard & Poors Dep Rcpt UBI	32,469	326,407	(103,520)	7,441	32,624	3,777	299,198
Standard Parking Corporation	4,838	0	(5,377)	0	539	0	0
Take-Two Interactive Sft	0	14,983	0	0	(427)	0	14,556
Vanguard International Equity Index ETF	38,842	0	(41,193)	2,235	0	116	0
Vanguard REIT ETF	20,398	0	(23,984)	3,421	0	166	0
Vanguard Short-term Corporate Bond ETF VCS	17,670	0	(17,817)	37	0	110	0
Vodafone Group PLC	7,607	0	(3,396)	505	2,824	322	7,862
Whole Foods Market, Inc.	7,293	0	(64)	0	1,960	64	9,253
Yum Brands Inc	5,976	0	(6,316)	280	0	60	0
iPath MSCI India Index ETN	2,967	0	(3,058)	92	0	0	0
iShares Russell 3000 Index ETF	26,844	4,530	(35,896)	4,392	0	130	0
<b>Total Fund</b>	<b>410,328</b>	<b>934,407</b>	<b>(889,367)</b>	<b>38,562</b>	<b>67,994</b>	<b>6,882</b>	<b>568,805</b>



## 2013 Investment Performance | Time-Weighted Returns by Security

Security	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
First Solar, Inc.	-8.67	-8.30	4.33	72.70	15.30	-17.62	9.84	-25.40	9.50	25.11	18.91	-8.66	<b>74.75</b>
Vodafone Group PLC	8.46	(7.98)	12.97	7.71	(4.87)	3.00	4.17	8.03	8.75	4.76	2.13	5.99	<b>65.14</b>
SanDisk Corporation	14.92	0.84	9.03	-4.59	12.55	3.52	(9.79)	0.52	7.85	17.16	(1.94)	3.51	<b>63.35</b>
Google Incorporated	6.83	6.02	(0.88)	3.83	6.79	1.05	0.84	(4.60)	3.43	17.66	2.81	5.77	<b>60.14</b>
BorgWarner Inc.	3.57	0.31	3.94	1.07	5.68	6.27	10.77	1.47	4.98	1.96	3.92	4.34	<b>59.89</b>
Helmerick & Payne	14.87	3.22	(8.39)	-3.43	5.59	1.15	1.20	0.54	9.37	12.47	(0.06)	9.19	<b>53.01</b>
Sabra Healthcare REIT, Inc.	15.52	6.75	9.76	2.79	2.61								<b>42.77</b>
Activision Inc	7.34	25.39	3.27	2.68	(0.47)								<b>42.05</b>
Goldman Sachs Group	15.91	1.62	(1.74)	-0.73	11.31	(6.68)	8.45	(6.95)	4.00	1.67	5.37	4.92	<b>40.78</b>
Protective Life Corp.	10.71	1.46	12.16	6.31	1.31								<b>35.69</b>
Novartis AG	7.14	3.56	5.07	3.54	(2.71)	(1.46)	1.27	1.91	5.11	1.10	2.02	1.59	<b>31.53</b>
Disney (Walt) Company				4.33	0.38	0.11	2.38	(5.91)	6.02	6.36	2.84	9.60	<b>28.36</b>
Whole Foods Market, Inc.	5.81	(11.04)	1.32	2.04	17.44	(0.73)	8.17	(5.09)	11.09	7.91	(10.34)	2.17	<b>27.91</b>
Las Vegas Sands Corp.	19.69	(6.81)	10.15	-0.18	3.22								<b>26.58</b>
Standard & Poors Dep Rcpt UBI	5.84	1.50	3.34	0.73	(1.85)	(1.85)	5.69	(3.00)	2.66	5.19	2.97	1.96	<b>25.21</b>
Berkshire Hathaway B	8.06	5.40	2.00	2.03	4.94								<b>24.38</b>
ExxonMobil Corp				1.89	2.38	(0.13)	3.76	(6.39)	(1.28)	4.16	5.04	8.26	<b>18.32</b>
Vanguard REIT ETF	3.74	1.22	2.86	6.73	2.07								<b>17.66</b>
iShares Russell 3000 Index ETF	5.36	1.09	3.63	1.97	3.85								<b>16.89</b>
Ford Motor Company	0.77	(2.63)	4.28	4.26	7.66								<b>14.85</b>
Market Vectors Indonesia Index ETF	1.71	9.13	1.32	1.99	(1.76)								<b>12.69</b>
Standard Parking Corporation	-4.68	(0.98)	(0.26)	3.82	3.82	(3.81)	7.27	(3.34)	20.85	(1.56)	(7.67)	0.00	<b>11.16</b>



Security	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
Jamba, Inc.	15.62	8.11	1.79	-6.67	12.01	(0.13)	(2.01)	(12.17)	4.12	(14.65)	3.33	5.34	<b>10.59</b>
Schlumberger Ltd	12.63	(0.26)	(3.80)	-0.20	0.88								<b>8.81</b>
Caterpillar Incorporated										(0.24)	1.49	7.34	<b>8.68</b>
SP Plus Corporation												6.55	<b>6.55</b>
VANGUARD INTL EQTY IDX ALLWRLD EX US	2.43	(1.39)	0.62	3.75	0.59								<b>6.06</b>
Yum Brands Inc	-1.70	0.83	9.87	-4.86	2.04								<b>5.72</b>
American Tower Corp		0.88	(0.88)	9.54	(7.32)	(6.00)	(2.89)	(1.84)	6.68	7.44	(1.99)	3.01	<b>5.26</b>
Rogers Communications Inc.									(1.54)	5.58	(1.28)	2.09	<b>4.77</b>
Iridium Communications Inc.												3.32	<b>3.32</b>
iPath MSCI India Index ETN	4.11	(7.32)	(0.09)	6.08	0.81								<b>3.09</b>
Gilead Sciences												2.86	<b>2.86</b>
Vanguard Short-term Corporate Bond ETF VCS	-0.19	0.33	0.18	0.47	0.03								<b>0.82</b>
ISHARES TR BARCLY USAGG B	-0.41	0.59	0.10	0.97	(0.77)								<b>0.47</b>
ISHARES MSCI Canada Index Fund	1.65	(2.25)	1.03	-1.72	(0.43)								<b>(1.77)</b>
ISHARES INC MSCI BRAZIL	1.72	(2.89)	(1.18)	1.23	(1.58)								<b>(2.75)</b>
Take-Two Interactive Sft											(8.50)	6.17	<b>(2.86)</b>
MWI Veterinary Supply, Inc.												(3.53)	<b>(3.53)</b>
Itron, Inc.	4.13	(9.31)	10.29	-14.55	7.11								<b>(4.67)</b>
Elements Rogers Total Return Commodity	4.06	(4.46)	0.47	-3.95	(0.88)								<b>(4.91)</b>
LinkedIn Corporation										(8.35)	0.16	(3.21)	<b>(11.15)</b>
<b>Total Fund</b>	<b>4.65</b>	<b>0.15</b>	<b>2.31</b>	<b>3.11</b>	<b>1.73</b>	<b>-1.90</b>	<b>4.43</b>	<b>-3.08</b>	<b>3.17</b>	<b>4.92</b>	<b>2.00</b>	<b>2.25</b>	<b>26.08</b>



## INDUSTRY GROUP - TECHNOLOGY

### Summary

The Technology industry group of CMC's Student Investment Fund is responsible for managing the portion of our portfolio allocated toward securities within the hardware, software, and Internet verticals of the technology industry. Our technology holdings currently reflect our analysts' interests in Internet companies and innovative hardware. Many of our investments, though grounded in sound fundamentals, have been based primarily on broader themes such as a shift towards cloud computing, solar energy, and online user monetization. As holdings have recently reached their price targets they have been reevaluated and, in some cases, liquidated. The group's most recent addition is LinkedIn; we believe user monetization will remain an important theme within the industry and that LNKD's multiple revenue stream model is poised for growth. Below is a summary of the positions currently under our management.

### First Solar Inc. (FSLR)

First Solar Inc. manufactures and sells photovoltaic solar modules with an advanced thin-film semiconductor technology. The company is divided into two main business units: the components segment and the systems segment. The components segment involves the design, manufacture, and sale of solar modules. This was First Solar's first and primary business segment until recently when the company shifted their focus to the systems business, which involves the sale of its solar modules coupled with the engineering, procurement and construction of the solar PV power plant. First Solar is headquartered in Tempe, Arizona and does a majority of its business in the United States.

The Fund invested in First Solar in March 2012 at \$24.36 a share. Given the massive selloffs that the solar industry experienced in 2011 and early 2012, the Fund felt that First Solar offered a compelling value play due to its strong market position and healthy debt to equity ratio. The solar industry's negative growth over the course of 2012 and initially severely hurt First Solar's market value. However, the outlook for the solar industry has improved immensely in late 2012 and through 2013.

The solar industry is a highly competitive market and First Solar takes an unusually competitive stance within the market. For the last several years the solar industry has been in conditions of oversupply with a significant number of new firms entering the market and heavy influence on supply from Chinese firms. Chinese firms have begun to limit production in response to expectations of lagging demand, particularly in Western Europe. The long term demand for the solar industry remains positive and First Solar is well positioned to capitalize on this growth, particularly with their strong hold on the German market as the country plans to phase out their heavy reliance on Nuclear energy over the next decade.

Recent performance, particularly as of their November first earnings report, has been excellent. They beat revenue by \$300M (above consensus of \$1B) and reported earnings 128% higher than estimates. The fund believes that First Solar will achieve continued growth as the renewable energy market continues to grow and First Solar's undervaluation is realized by the market.



## **LinkedIn Corporation (LNKD)**

LinkedIn hosts a social network for professionals that boasts over 277 million members. The company underwent their IPO in May of 2011. We believe a rapidly expanding member base coupled with high quality talent and marketing services will fuel future sales. The company reports the highest revenue per user of all major social networking. Revenue is generated by Premium Subscriptions (20%), Advertising (24%) and Talent Solutions (56%). Premium subscription allows users to access more information and more advanced search tools for finding other users. Advertising revenue relies on site usage and membership base. Looking forward, we expect Talent Solutions to drive revenue growth as membership continues to rise especially in international markets. Membership is reaching a critical mass in key markets like the UK, Brazil, Italy, France, Indonesia, Canada and Australia. Talent Solutions allow corporations to search the network, target their desired pool of candidates and showcase company culture to entice potential hires.

The fund purchased seventy shares on November 1st of 2013 on a per-share cost basis of \$244. The stock underwent a 15% sell off after the company reported Q4 earnings. While growth was robust across the board from membership base to unique visitors, most figures reflected decelerating growth. Investors were not satisfied by 47% YOY revenue growth as the stock tumbled within a week. We intend for LinkedIn to be a long-term investment and will continue to hold the stock. The potential market for Talent Solutions and LinkedIn's positioning in key foreign markets underpins our price target of \$265.

## **Google (GOOG)**

Google is a global technology company that builds and organizes information to make it universally accessible. Well known for its search engine, the company also boasts the most revolutionary and profitable auction-based advertisement program currently on the market known as Adwords. Google's products also extend into the social networking, video entertainment (YouTube), web browsing, mobile payments, GPS industries, wearable technologies, and many others.

There was approximately a 22% increase in Q4 revenues in 2013 as compared to Q42012. Google continues to improve margins despite growth within their Google Sites Revenue, which is currently up to 67%, a 22% increase from Q42012. This revenue stems from online advertisements, in which they currently dominate the U.S. market share. The company has dominated the industry with its pioneer strategies of charging companies in pay-per-click and other auction-like formats.

The Fund believes that Google will continue to dominate within the technology industry. Just as it has found success in revolutionizing the internet advertising business, it has creatively entered into many new markets. Recently, they have made a variety of flashy yet substantive and indicative acquisitions, including Nest (home automation company) and DeepMind (artificial intelligence company). We have come to see that the most successful companies are the companies with the most innovative, persistent, and hard-working employees. Google, despite many people thinking otherwise, continues to find ways to grow and improve through its ingenuity. It appears that experts continue to be bullish on Google, raising the median price target to \$1,313.00. We currently own 7 shares of Google that we bought at a price of \$844.33. Shares currently sit at \$1,202.80, a 70% increase.



## **Itron (ITRI)**

Itron Inc. was a first mover and remains a key player in the smart grid and smart metering industry, and caters especially to utilities. The Company is a global supplier of a broad range of standard, advanced, and smart meters and meter communication systems, including networks and communication modules, software and services. Itron's communications network platform supports robust and standards-based Internet protocol, power-line- carrier, and cellular networks supporting multiple protocols according to its customers' needs around the world. Through efficient communication for the electric, gas and water industries, usage can be carefully monitored and savings can be realized for utilities and consumers alike. Strategic positioning of these smart meters enables utility providers to collect valuable information that leads to more efficient use of resources by these companies and their customers.

With this industry's exponential growth and Itron's leadership in the field, Itron provides an excellent way to gain exposure to this relatively niche market. We are confident in the sector because rising energy costs coupled with scarce resources means that intelligent metering will be a critical technology for the management of the nation's gas, water and electricity infrastructure. In May of last year we purchased a total of 43 shares at \$42.47. Although Itron is currently trading below our initial entry point, we believe that they are well positioned for growth in their market and poised for a rebound in the coming year.



## INDUSTRY GROUP - MEDIA AND TELECOM

### Summary

With approximately \$65,000 in equity investments the Media & Telecommunications group comprises nearly 30% of our Fund's actively invested portfolio. Extremely active in the past twelve months, the M&T group has seen positive YTD returns in each of its five current holdings, and took the year-end market jubilation as an opportunity to realize substantial gains on positions trading at or above their price targets. Considering the breadth of sub-industries within the M&T space, this group emphasizes diverse asset allocation, managing holdings from satellites to cell towers, and wireless providers to distribution and content creators.

### American Tower Corporation (AMT)

American Tower Corporation (AMT) is a real estate investment trust that owns and operates wireless and broadcast communication sites. Its rental and management operations include leasing antenna space on multi-tenant communications sites to wireless service providers, wireless data providers, radio and television broadcast companies, government agencies and municipalities and tenants in a number of other industries. It also offers tower-related logistical services domestically, which primarily support its site leasing business and the addition of new tenants and equipment on its sites.

AMT owns over 60,000 towers in eleven countries worldwide. This figure is up from 40,000 towers in early 2013 primarily due to a recent acquisition of MIP Tower holdings in early October. Total revenue increased by 13% at the end of 2013 largely due to new developments in domestic leasing. The acquisition of MIPT is expected to boost revenue; as of September 2013 revenues for MIPT were \$239.9 million. We expect to see growth over the coming years as AMT realizes the total value of these organic and inorganic growth opportunities.

### The Walt Disney Company (DIS)

The Walt Disney Company operates as a worldwide entertainment company. The company was founded in 1923 and is headquartered in Burbank, CA. It operates in five business segments including Media Networks, Parks and Resorts, Studio Entertainment, Consumer Products, and Interactive. The Media Networks segment operates broadcast and cable television networks and stations, radio networks and stations, as well as television production and distribution. The Parks and Resorts segment operates Disney resorts and cruise lines around the world. The Studio Entertainment segment produces and acquires motion pictures, direct-to-video content, musical recordings, and live stage plays. The Consumer Products segment distributes and licenses trade names, characters, and other property to retailers, promoters and publishers, while the Interactive segment creates and delivers entertainment content across interactive media platforms.

Since our initial investment on April 17, 2013, Disney has grown 30.42% (+\$18.48) to \$79.23 a share. Over the past year, Disney has maintained the strength of their portfolio of brands and a constant focus on creativity and innovation throughout its five business segments. In 2012, Disney acquired Lucasfilm and plans to release the next episode in the Star Wars saga in 2015. Additionally, its acquisition of Marvel provided Disney with a huge source of intellectual property that it will continue to monetize with quality television series and blockbuster films. We are confident Disney will continue to innovate and develop entertainment products across the globe. The funds' initial price target of \$65 was revised to \$80/share.





## **Rogers Communications (RCI)**

Rogers Communications is Canada's largest voice and data communications services provider. Focusing primarily on wireless communications, cable television, telephone, and Internet connectivity, Rogers is widely considered to have the most reliable network in the country. After acquiring failed competitor Microcell in 2004, Rogers has continued to gain additional spectrum and expand the coverage of its network. The company has since controlled the smartphone revolution in Canada as the leading network for iPhone and other GSM-based smartphones.

The Fund first invested in Rogers Communications in September of 2013. The fund felt Rogers was primed to capitalize on nationwide subscriber growth to attract new customers and sell additional services to its existing customer base. Also, as handset selection is now fairly ubiquitous across carriers, it is our belief that Rogers's unparalleled reputation for network quality will reign supreme and win over customers. Due to the heavy barriers to entry in the telecommunications industry coupled with Rogers existing market dominance, there is no credible threat of new entrants over the long term. Since buying in September, RCI stock has decreased slightly due to a small decline in wireless revenue. However, the company's long term strengths remain and the Fund has conviction that the market will recognize these strengths in due time. The price target for Rogers remains at \$50.05 CAD.

## **Take-Two Interactive Software, Inc. (TTWO)**

Take-Two Interactive is an international interactive entertainment company that develops, publishes, and markets its products under a number of subsidiary labels. Take-Two develops and publishes a wide array of popular video game franchises, and has distinguished itself as a frontrunner in the provision of high quality interactive content. Purchased at \$17.88/share, its stock has exhibited relatively steady growth over the past two months since its purchase. Optimism surrounding quarter four, as well as the promulgation of best-selling releases Grand Theft Auto V and 2K14 has contributed to consumer optimism.

While the videogame publisher still trails industry giants Activision Blizzard (ATVI) and Electronic Arts (EA), Take Two has used the proceeds from recent successful quarterly sales to raise resources and develop its growing brand. To compound this phenomenon, historic success in the form of the Bioshock series and acclaim received by its latest poster-child GTA V, has defined Take Two with an ability to exceed expectations in an industry dominated by incumbents. By securing its brand in the foundation of reputable labels 2K and Rockstar Games, we are confident the firm has placed itself in a position to continue such a performance.

## **Vodafone (VOD)**

Vodafone Group Public Limited Company is the third-largest mobile operator in the world by revenues, providing its services to mobile voice, messaging, data, and fixed line channels, serving approximately 404 million customers. The company distributes its smartphones and tablets through about 15,000 Vodafone branded retail stores, third party retailers, internet providers, and a network of distribution partners. Founded in 1984 and based out of the UK, Vodafone also provides machine-to-machine data services and financial services including money transfers and bill payment. They do about 70% of their business in Europe, concentrating on the British and German markets, but are increasing their focus on the Asian Pacific, African, and Indian markets through subsidiaries and joint ventures.



The Fund currently holds 150 shares of Vodafone stock, which were originally purchased at \$25.66/share. Since then, the share price has steadily increased, and last year it hit the original price target of \$30.00/share. The Fund then reevaluated the position, and decided to hold the stock and raise the price target to \$40/share. As of this report, the stock was trading at \$36.81. The decision to hold the position after reaching the original price target was due to Vodafone's recent sell of its stake in Verizon. This sell of is allowing the company to both reinvest this large amount of cash into improving its infrastructure and capitalize on its growing presence in emerging markets. There is speculation in the market as to the possible acquisition of Vodafone by AT&T, or a merger between Vodafone and Ono, Spain's largest cable operator, which we believe would provide a large potential upside for the stock.



## INDUSTRY GROUP - CONSUMER, FOOD, AND RETAIL

### Summary

The Consumer and Retail Group is responsible for companies in a variety of industries, including apparel, branded consumer products, entertainment, food and beverages, restaurants and specialty retail. Holding Consumer and Retail stocks provides important diversification benefits for our portfolio due to their low correlation with holdings in other industries. The new, coverage-group alignment has allowed analysts in the Consumer and Retail Group to focus on specific industries. This specialization has enabled analysts to critically evaluate a company within an industry by becoming familiar with how the industry operates and understanding its key metrics such as same-store sales, inventory turnover and cash conversion cycle.

### Jamba, Inc. (JMBA)

Jamba, Inc. operates and franchises Jamba Juice stores, which sell fruit smoothies, juices, oatmeal, breakfast wraps, sandwiches, flatbreads, frozen yogurt, and other baked goods and snacks. The company also licenses its brand to sell consumer packaged goods in grocery, convenience, and club stores. As of October 2013, Jamba had 849 U.S. stores, 517 of which are franchises, as well as 45 international franchises. The company targets the healthy, on-the-go food market.

The Fund invested in Jamba, Inc. in April of 2011 at \$10.05 per share (split adjusted). The Fund justified the investment due to the company's aggressive product development and unique position within the quick service restaurant market. The company continues to expand its JambaGo concept, a self-serve machine found in over 1800 locations including K-12 schools. Since purchase, the stock has appreciated 24% to a price of \$12.49. Currently our price target is \$20.

### Las Vegas Sands Corp. (LVS)

Las Vegas Sands Corp. operates integrated resorts in Asia and the United States. The company owns four properties in the United States, including two Five-Diamond resorts in Las Vegas, The Venetian and The Palazzo, as well as three resorts in Macau and one in Singapore. Its resorts offer luxurious accommodations, gaming and entertainment, convention and exhibition facilities, celebrity-chef restaurants and nightclubs.

The Fund invested in Las Vegas Sands in April of 2012 at \$57.43 per share. Given the decline in Nevada gambling revenue, the Fund viewed the company's investments in Macau and Singapore as invaluable. Las Vegas Sands continues to be an industry leader in mass table and slot revenues, growing 46.9% faster than the Macao market. Since purchase, the stock has appreciated 40% to a price of \$80.15. The Fund sold its position when the price target was reached.

### Standard Parking (STAN)

Standard Parking is a diverse provider of professional parking, ground transportation, facility maintenance, security and event logistics services to real estate owners and managers in a wide array of markets. Standard Parking operates more than 42,000 parking facilities with over 2.1 million parking spaces in hundreds of cities across North America, including parking-related and shuttle bus operations serving more than 75 airports. With nine distinct operating divisions –each focusing exclusive on a single market –Standard



Parking are experts at understanding the specific needs and idiosyncrasies of those markets, and have the depth of experienced personnel and financial resources to satisfy them. The new branding of the company, SP Plus Corporation, can be seen at the new corporate website, but has no immediate effect on the company's parking facilities.

The Fund invested in Standard Parking in October 2012 at \$22.75 a share. Given the opportunities for expansion into certain industries and end-markets, such as colleges and universities, hospitals and medical centers, municipalities, and sporting events, the Fund felt that Standard Parking offered a compelling value play due to its leading market position and established platform for future growth. Over the course of 2013, the Company generated negative cash flow and paid out approximately \$5 million more than expected for merger and integration related costs and capital investments. However, AXS Digital, LLC and Standard Parking Corporation executed a multi-year agreement to use the Company's Click and Park online reservation and payment engine to provide online parking reservation for parking facilities surrounding venues across the United States that will increase growth. As of February 2014, our investment in Standard Parking has grown 13%. The fund believes that Standard Parking will achieve continued growth as industry end-market diversification continues to grow.

### **Yum! Brands, Inc. (YUM)**

Yum! Brands, Inc., (YUM) is a quick service restaurant company in the United States and internationally. Founded in 2002 and based in Louisville, Kentucky, it is the world's largest fast food restaurant company in terms of system units with more than 39,000 restaurants around the world in over 125 countries. The company develops, operates, franchises, and licenses numerous different brands such as Taco Bell, KFC, Pizza Hut, and WingStreet. The company was formerly known as TRICON Global Restaurants, Inc. and changed its name to YUM! Brands, Inc. in may 2002.

The fund initially invested in Yum! back in 2012 purchasing 90 shares at \$70 a share. We sold out of the position earlier this year realizing an 8% gain.

### **Whole Foods Market, Inc. (WFM)**

Whole Foods Market, Inc. operates as a retailer for natural and organic foods. Its stores offer a wide range of products from produce to prepared foods to body care and lifestyle products as well as household products. As of February 13, 2014, the company operated 373 stores in the United States, Canada, and the United Kingdom. Whole Foods Market, Inc. was founded in 1978 and is headquartered in Austin, Texas. The Fund invested in Whole Foods Market, Inc., at \$52.25.



## INDUSTRY GROUP - HEALTHCARE AND BIOTECHNOLOGY

### Summary

The Healthcare group invests in stocks of companies in various health-industry sectors including pharmaceuticals, services, devices, and biotechnology. The group seeks to invest across sectors, geographies, and company sizes with a dual focus on both value and growth opportunities.

### **MWI Veterinary Supply, Inc. (NASDAQ: MWIV)**

MWI Veterinary Supply, Inc. (MWI) is a distributor of animal health products to licensed companion and production animal veterinarians in the United States and the United Kingdom. The Company's products include pharmaceuticals, vaccines, parasiticides, diagnostics, veterinary pet food, and nutritional products, in addition to a variety of value-added services: on-line ordering, pharmacy fulfillment, in-clinic inventory management, equipment procurement consultation, and pet cremation services.

The Fund invested in MWI Veterinary Supply in December 2013 at \$176.19 a share. Given the superior e-commerce and IT platforms and the expansive growth of the pet care industry, the Fund felt that MWI Veterinary Supply would improve margins via both inorganic and organic growth. The pet parenting phenomenon and increase in pet ownership by demographically potent and family-oriented Hispanics have driven the pet care industry growth. Most recently, MWI Veterinary Supply stock took a hit after releasing FQ1 earnings: it beat earnings estimates but missed badly on sales. Still, the Fund remains bullish on this stock for its active consolidation efforts and increasing margins in e-commerce. The Fund has set a revised price target of \$201.17.

### **Gilead Sciences, Inc. (NASDAQ: GILD)**

Gilead Sciences, Inc. is a research-based biopharmaceutical company with a focus in HIV/AIDS, liver disease, cardiovascular conditions and respiratory conditions. The company primarily operates in the U.S. and Europe (50% and 30% of FY 12 revenue respectively), but also has notable operations the Asia-Pacific region. The company is a market leader in the HIV/AIDS treatment sector, owning approximately 80% of the market. Its HIV/AIDS medications such as Truvada and the recently released Stribild accounted for 85% of revenue in FY 12. In December of 2013, Gilead launched its Hepatitis C medication Sovaldi (sofosbuvir) which analysts predict is on track to achieve blockbuster status, with 2014 sales estimates averaging around \$6 billion.

Gilead's main competitors include Bristol-Myers Squibb, Amgen, Biogen IDEC and AbVie, however Gilead's main product lines, HIV/AIDS and Hepatitis C drugs, have been able to defend and expand their strong market positions due to unrivaled cure rates and ease of application. As of February 7, 2014 the position is up 8% since purchase in November 2013. Gilead's strong positions in the large HIV/AIDS market and the rapidly expanding Hepatitis C market, its robust pipeline and no major patent concerns within the next 5 years make it a good stock to hold in the portfolio.



## **Novartis AG Sciences, Inc. (NASDAQ: NVS)**

Novartis AG (NVS) is the second-largest pharmaceutical company in the world and offers a wide product portfolio, which combats illnesses in four areas—pharmaceuticals, vaccines, generics and consumer health. Novartis was the first healthcare company to establish a major global presence in both patented and generic pharmaceuticals, and its Sandoz generic pharmacy division plays a crucial role in the company's strategy of making affordable, high-quality medicines available to a greater number of patients. Novartis is the No. 1 provider of generics worldwide, which is the fastest-growing industry in the world. We believe Novartis will continue to increase in value as a well-positioned player in the generic pharmaceutical market, which is predicted to grow by 38 percent to \$72.7 billion over the next five years.

Novartis has consistently increased its dividend, which now stands at \$2.72 per share. The dividend yield of 3.28% is among the highest in the industry. With a market cap of \$202 billion, the company also boasts very healthy financials. Latest quarter revenues were over \$14 billion and the company holds around \$7 billion in cash. Free cash flows of \$9.60 billion are high relative to peers such as Abbott, Sanofi, Glaxo SmithKline and Merck. In the past, Novartis was seen as stellar due to its strong growth potential. Due to its growth being realized within the last few months, Novartis is being held due to its steadily increasing dividends and the low level of required capital expenditures required to maintain current growth. The current price target for Novartis is set at \$80.



## INDUSTRY GROUP - INDUSTRIALS AND FINANCIALS

### Summary

The Industrials and Financials industry group is responsible for managing the portion of our portfolio allocated toward securities within the industrials and financials industries. Within these, we are more heavily weighted toward industrials, given their greater transparency and easier valuation. Our investments in financials securities have been based more largely on qualitative support. Many of our holdings have recently reached their price targets including Goldman Sachs, Ford, and Caterpillar; however we have decided to hold these positions and raise their price targets. Below is a summary of the positions currently under our management.

### **Borg Warner (BWA)**

BorgWarner Inc. (BWA) is a global original equipment manufacturer and aftermarket supplier of engineered automotive systems and components, primarily for power-train applications. They have a diversified consumer base and sell directly to manufacturers of light vehicles, passenger cars, sport-utility vehicles, vans and light trucks. BorgWarner is well-known for their strong executive leadership; under current CEO Timothy Manganello, the company has received twelve PACE awards. Additionally, they have not only averaged over 10% year on year growth the last ten years, but they also beat analyst estimates with 16% earnings growth in Q4 2013.

Since the fund's purchase of BorgWarner in December, 2012, the company's stock price has appreciated close to 75%, much higher than its expectation relative to the S&P 500. The stock price is still close to \$20 below our price target of \$80 as of mid-February, and major analysts continue to be fairly optimistic about the stock. For these reasons, we expect to continue to see the stock appreciate to our price target through growing gross margins and profitable restructuring decisions.

### **Goldman Sachs (GS)**

Goldman Sachs is a global financial services firm, and covers a range of banking functions. The company has a diversified consumer base and is largely respected as one of the largest, most successful banks in operation. Under leadership of CEO Lloyd Blankfein the firm has continued to grow while adapting the new regulatory shifts.

Since the fund's purchase of Goldman, the firm has experienced a surging stock price, exceeding the original target price. After assessing the positive restructuring changes and industry trends, our analysts proscribed an upwards revision to target price. We expect Goldman's prestigious M&A practice, as well as its asset management service to grow in size in the near term. While potential regulatory risks like the Volker Rule and Basel III will decrease the company's capacity for lucrative prop trading and lending, it has already adapted to many of these requirements.

### **Exxon Mobil Corporation (XOM)**

ExxonMobil is an American oil and gas company headquartered in Irving, Texas. Formed in November 1999 by the merger of Exxon and Mobil, ExxonMobil has gone on to become world's largest publicly traded oil



and gas company. The company is divided into three businesses: upstream, downstream, and chemical. The upstream segment focuses on locating, testing, and extracting oil and gas, while the downstream segment refines and retails the product. Their chemical business is a leader in a wide range of products - from solvents and synthetic rubber to plastic bottles and many other consumer goods. The company owns 37 refineries in 21 countries, making it the largest refiner in the world. The company has also proven itself with reserve-replacement ratios exceeding 100% for 19 consecutive years.

The Fund first invested in ExxonMobil in April 2013 at \$87.34 a share, setting a one-year price target of \$96.20. As of February 14, 2014, our investment in ExxonMobil has grown 7.75% (+\$6.77). During the past year, the company has continued to demonstrate leadership by establishing new oil and gas development projects, continuing to fund research into clean energy, and expanding their global reach. The Fund believes that XOM will achieve continued growth as the energy market continues to be driven by the rise in population and rising demand.

### **Ford (F)**

Ford Motor Company develops, manufactures, distributes, and services vehicles, parts and accessories around the world. Ford operates in two different sectors—Automotive and Financial Services. The brands affiliated with the Automotive sector include Ford, Lincoln, and Mazda. Its Financial Services sector has Ford Motor Credit, an automobile-financing firm.

Before leaving for Summer Break, The Fund decided to sell off all 1360 shares of Ford Motor Company at a price of \$14.66 per share. The Fund originally purchased Ford for \$9.75 per share. We realized a gain of 36.95% (+\$4.91) per share. The Fund had held the stock longer than originally anticipated, and decided to sell before the summer. Because of uncertainty surrounding the stock over the summer, the Fund decided to sell the stocks and realize the gains.

### **Berkshire Hathaway (BRK-B)**

Berkshire Hathaway (BRK-B) is an investment manager and conglomerate holding company that wholly or partially owns a diverse portfolio of companies engaged in a variety of businesses. Berkshire Hathaway wholly owns GEICO, Fruit of the Loom, Heinz, and Dairy Queen, with minority holdings in a handful of other well-known companies, including but not limited to Procter & Gamble, The Coca-Cola Company, Wells Fargo, IBM, and American Express. Largely due to the charismatic and legendary investor Warren Buffett, Berkshire has experienced, on average, annualized growth in book value of 19.7% for the last 48 years.

The Fund sold its position in Berkshire Hathaway in May of 2013. Berkshire had a rare year in 2013 in which its book value grew less than the S&P's returns (19.8% compared to 30%). However, in his annual letter to stockholders, Buffett attributes this to the fact that Berkshire maintains fairly consistent earnings during economic downturns, but it might not compare as well when the S&P has high (30% in 2013) returns. The Fund had held its stake in Berkshire Hathaway for well over five years, but recognized an opportunity to realize the gains on the position after the stock hit its price target last spring. In light of its recent (relative) struggles and a corresponding shift in the Fund's long-term investment strategy, the Fund sold its entire position in the Company in May 2013. The Fund realized a 24% gain from the sale of Berkshire Hathaway.





## **Caterpillar Inc. (CAT)**

Caterpillar is the world's leading manufacturer of construction and mining equipment. Headquartered in Illinois, Caterpillar has four product lines: construction, resources, energy and power systems, and financial products. Within their resources unit, Caterpillar produces everything from large tractors to underground mining, to forestry equipment. Their energy and power systems division centers around generator sets, integrated systems, and solutions for marine and petroleum industries. Caterpillar also understands that large construction projects also require flexible financing. Consequently, Cat Financial provides customized financing solutions as an integral part of many of the most visible and strategic construction projects around the world (e.g. the Panama Canal).

The Fund invested in Caterpillar in October 2013 at \$83.56 a share, setting a one-year price target of \$113.81. As of mid February 2014, our investment in Caterpillar has grown 15.24% (+\$12.72). This year, Caterpillar has begun the process of shifting to more autonomous machinery to reduce the labor costs customers will have to sustain. The Fund believes that CAT will continue to grow as the global economy rebounds, boosting construction and industrial development and as developing countries continue to modernize.

## **Iridium (IRDM)**

Iridium Communications Inc. is the only truly global satellite network, with 66 satellites currently in orbit. The company sells its products through large distribution networks to a diverse customer base, including the government, oil and gas, maritime, aviation, forestry, and emergency response. Although it presently has low analyst coverage, the Fund believes that Iridium is substantially undervalued and poised to capture higher investor awareness in the coming months.

The Fund invested in Iridium in December 2013 at \$6.05 a share. The most persuasive rationale behind Iridium's undervaluation was Iridium NEXT. Scheduled to be launching in 2015, Iridium NEXT is a program Iridium launched two years ago to upgrade the existing constellation architecture of satellites by replacing old satellites with new, more efficient ones with higher capabilities. Furthermore, by the end of 2013, Iridium reinstated its contract with the Department of Defense, establishing a 5 year contract and becoming the only telecom company that works for the DoD. This paved an avenue for Iridium to capitalize on access to satellite coverage in remote locations. The Fund currently holds over \$300 in unrealized gains in the short time that we have held this position. We believe that Iridium will continue to achieve high growth as the market realizes Iridium's undervaluation and more banks begin to cover them.

## **Schlumberger Limited (SLB)**

Schlumberger Limited (SLB), the world's largest oilfield services company, supplies integrated project management and information technology solutions to customers in the oil and gas industry globally. The company operates in three segments: Reservoir Characterization Group, Drilling Group and Reservoir Production Group. Reservoir Characterization Group consists of the technologies involved in finding and defining hydrocarbon deposits. The Drilling Group, the highest yielding of the groups, consists of the principal technologies involved in the drilling and positioning of oil and gas wells. Finally, the Reservoir Production Group is comprised of the principal technologies involved in the lifetime production of oil and gas reservoirs.



The Fund invested in Schlumberger in May 2012 at \$65 per share. After stock had remained flat for about a four-month period and concerns regarding activity weakness in North America were scaring off investors, the Fund believed it was best to realize gains of \$891.62 and sell out of the position in May 2013 at \$75 per share. Despite slowing growth within North America due to immense competition and weak natural gas prices, Schlumberger has experienced major growth in key international markets. The Middle East and Asia posted significant revenue growth of 10% over the last two quarters of 2013 largely as a result of increased drilling activity and new projects in Saudi Arabia.

### **Helmerich & Payne, Inc. (HP)**

Helmerich & Payne, Inc. is the holding company for Helmerich & Payne International Drilling Company, an international drilling contractor with three business divisions: U.S. Land, Offshore and International Land (making up approximately 85%, 6% and 9% of operating revenue respectively). The company specializes in deep drilling in major gas producing basins of the U.S. and in drilling for oil and gas in international areas. Contact drilling accounted for 99.6% of FY 13 revenue, with the remaining 0.4% resulting from the company's real estate operations.

Despite a slowdown in the U.S. onshore land drilling market over the past couple of years (FY 2012 U.S. active rigs fell 12%), HP expanded revenue in all three of its business segments during FY 13 compared to FY 12 (U.S. Land up 2.4%, Offshore up 13.8% and International up 30.5%). Average rig utilization in the U.S. Land segment decreased from 89% FY 12 to 84% FY 13, arguably caused by the scaling back of exploration and production company's capex spending on drilling activity as well as the entrance of more efficient rigs reducing the need for the same number of rigs. As of February 2014, the position has gained 67% since purchase in November 2011. We believe HP's continued growth in its three business segments fueled by the development of its superior rigs as well as the expansion of shale plays in the U.S. will continue to make HP a solid performer going forward.



## EXECUTIVE COMMITTEE

**Carter Wilkinson | Chief Executive Officer | [cwilkinson14@cmc.edu](mailto:cwilkinson14@cmc.edu)**



Carter, originally from Ridgefield, CT, is a senior at Claremont McKenna College majoring in Economics-Accounting and pursuing the Finance Sequence. He has been a member of the Student Investment Fund since his freshman year and is looking forward to leading SIF during the 2013-2014 academic year.

Carter has pursued several untraditional internship experiences that exposed him to many facets of the financial industry. After freshman year, Carter worked as a Summer Analyst in Ulaanbaatar, Mongolia for Asia Pacific Investment Partners, a Mongolian private equity firm with a focus on real estate. Following what can be summarized as a crash course in emerging market economics, Carter worked as a Summer Analyst in Houlihan Lokey's Corporate Finance Group in Los Angeles, CA on M&A transactions and Financial Sponsors Coverage.

In addition to his interests in finance, Carter has long had a passion for technology. CMC's new Silicon Valley Semester presented a unique opportunity to explore the technology industry, and during the Fall of 2012, Carter worked as an intern for Addepar while taking classes at Google on the weekend. Addepar is a financial technology startup that provides wealth managers, family offices, and venture capitalists with a revolutionary integrated portfolio management platform that makes managing complex global portfolios a breeze. Carter's phenomenal experience at Addepar prompted him to return the following summer and he looks forward to joining the company full-time in July 2014 as an Associate on the Client Solutions team.

**Arjun Kapur | Chief Investment Officer | [akapur14@cmc.edu](mailto:akapur14@cmc.edu)**



Arjun is a senior at Claremont McKenna College from Dubai, UAE and is majoring in Economics and International Relations along with the Finance Sequence. He joined the Student Investment Fund as an analyst in his freshman year and served as the Chief Operating Officer of the Fund for the past year. This year, he is looking forward to working alongside Carter in running the Fund.

Arjun has developed his interest in finance by working in various summer internships. Following freshman year, he worked as a summer analyst at Bank Sarasin-Alpen, a Swiss private bank as well as Franklin Templeton Investments, a global investment management firm. He spent his next summer working at PricewaterhouseCoopers in the Financial Services Advisory group. Arjun spent this summer working at Bank of America Merrill Lynch in their Consumer & Retail Investment Banking group in New York City. He will also be returning full-time as an analyst after he graduates in May 2014. Outside of finance, Arjun is a passionate Manchester United supporter and enjoys mountain climbing in the Himalayas.



**Phil Crawford | Chief Operating Officer | [pcrawford15@cmc.edu](mailto:pcrawford15@cmc.edu)**



Phil is a junior at Claremont McKenna College studying economics while also pursuing his Master's degree in finance from the Robert Day School of Economics and Finance. He has previously served as a Fixed Income Analyst as well as a Large Cap Equity Analyst for the Student Investment Fund.

Phil is also a member of the Claremont-Mudd-Scripps Stags varsity football team and Claremont Cougars lacrosse team. Outside of academics and athletics at Claremont, Phil enjoys spending his time at Green Beach and the Scripps Pool.

Originally from Northbrook, IL, Phil returned to Chicago this past summer to intern for CME Group in their Corporate Strategy division where he gained valuable experience in strategic planning and corporate finance.

**Rich Zajac | Chief Technology Officer | [rzajac16@cmc.edu](mailto:rzajac16@cmc.edu)**



Rich Zajac is a Sophomore Dual-Majoring in Economics and Film studies. He has a passion for clean and greentech investing and runs two start-up companies - Vroomeo and NexDrive.

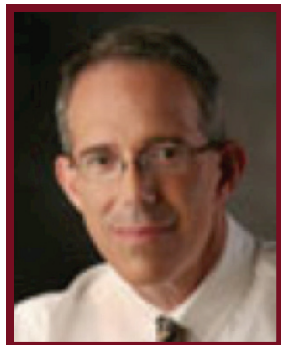
Rich enjoys staying abreast of the latest emerging technologies and feels that today's greatest environmental challenges can be rectified through innovation.



## ACKNOWLEDGEMENTS

We graciously thank Professor Eric Hughson, Jim Floyd and Ernie Iseminger for their continued support of the fund. We also greatly appreciate the Financial Economics Institute and Terri Van Eaton for providing access to the FEI Lab and for the administrative support. We sincerely appreciate your contributions and sustained involvement.

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Eric Hughson received an undergraduate degree in mechanical engineering from MIT and a PhD in financial economics from Carnegie Mellon University. He has served on the faculties in both economics and finance at the California Institute of Technology, the University of British Columbia, the University of Utah, and the University of Colorado, Boulder. His current research interests include market microstructure, financial econometrics, and decision theory. His publications have appeared in such journals as *The American Economic Review*, *The Review of Financial Studies*, *The Journal of Financial Economics*, *The Journal of Economic Theory*, *the Financial Analysts Journal* and *The Journal of Financial Markets*. At CMC, Professor Hughson teaches derivatives and investments.



## APPENDIX A: TRANSACTION LOG

Security	Transaction Type	Trade Date	Settle Date	Qty	Unit Cost	Trade Amount
Vanguard REIT ETF	dv	12/31/12	12/31/12		1	247.07
Vanguard Short-term Corporate Bond ETF VCS	dv	12/31/12	12/31/12		1	29.04
Vanguard Short-term Corporate Bond ETF VCS	dv	12/31/12	12/31/12		1	18.48
Vanguard Short-term Corporate Bond ETF VCS	dv	12/31/12	12/31/12		1	7.26
Columbia Treasury Reserve Fund	lo	12/31/12				2,325.71
Columbia Treasury Reserve Fund	li	12/31/12				2,325.71
Columbia Treasury Reserve Fund	dp	12/31/12	12/31/12			18.48
Columbia Treasury Reserve Fund	dp	12/31/12	12/31/12			7.26
Market Vectors Indonesia Index ETF	dv	12/31/12	12/31/12		1	127.25
ISHARES TR BARCLY USAGG B	dv	1/2/13	1/2/13		1	66.78
ISHARES INC MSCI BRAZIL	dv	1/3/13	1/3/13		1	2.58
Yum Brands Inc	dv	1/9/13	2/1/13		1	30.15
Dividend Accrual	wd	1/11/13	1/11/13			42.35
Whole Foods Market, Inc.	dv	1/16/13	1/29/13		1	16.00
Ford Motor Company	dv	1/28/13	3/1/13		1	136.00
Dividend Accrual	wd	1/29/13	1/29/13			16.00
Standard & Poors Dep Rcpt UBI	dv	1/31/13	1/31/13		1	232.98
Dividend Accrual	wd	2/1/13	2/1/13			30.15
Vanguard Short-term Corporate Bond ETF VCS	dv	2/6/13	2/6/13		1	28.16
Dividend Accrual	wd	2/6/13	2/6/13			156.45
Foreign Tax Withheld	dp	2/6/13	2/6/13			3.02
ISHARES TR BARCLY USAGG B	dv	2/7/13	2/7/13		1	61.32
American Tower Corp	by	2/11/13	2/14/13	97	76.92	7,461.24
Standard & Poors Dep Rcpt UBI	sl	2/11/13	2/14/13	49	151.71	7,433.62
Helmerick & Payne	dv	2/13/13	3/1/13		1	15.00
Sabra Healthcare REIT, Inc.	dv	2/13/13	2/28/13		1	51.00
Protective Life Corp.	dv	2/14/13	3/4/13		1	62.64
Goldman Sachs Group	dv	2/26/13	3/28/13		1	25.00
Novartis AG	dv	2/26/13	4/5/13		\$1.00	\$363.97



Security	Transaction Type	Trade Date	Settle Date	Qty	Unit Cost	Trade Amount
Dividend Accrual	wd	2/28/13	2/28/13			\$51.00
Dividend Accrual	wd	3/1/13	3/1/13			\$136.00
Dividend Accrual	wd	3/1/13	3/1/13			\$15.00
Dividend Accrual	wd	3/4/13	3/4/13			\$62.64
Vanguard Short-term Corporate Bond ETF VCS	dv	3/6/13	3/6/13		1	26.62
ISHARES TR BARCLY USAGG B	dv	3/7/13	3/7/13		1	60.75
Activision Inc	dv	3/18/13	5/15/13	1		69.16
Las Vegas Sands Corp.	dv	3/19/13	3/29/13		1	70.00
Dividend Accrual	wd	3/28/13	3/28/13			25.00
Vanguard REIT ETF	dv	3/28/13	3/28/13		1	165.54
VANGUARD INTL EQTY IDX ALLWRLD EX US	dv	3/28/13	3/28/13		1	116.31
Dividend Accrual	wd	3/29/13	3/29/13			70.00
iShares Russell 3000 Index ETF	dv	4/1/13	4/1/13		1	129.76
Vanguard Short-term Corporate Bond ETF VCS	dv	4/4/13	4/4/13		1	29.92
ISHARES TR BARCLY USAGG B	dv	4/5/13	4/5/13		1	75.49
Foreign Tax Withheld	dp	4/5/13	4/5/13			55.35
Dividend Accrual	wd	4/5/13	4/5/13			363.97
Whole Foods Market, Inc.	dv	4/10/13	4/23/13		1	16.00
Yum Brands Inc	dv	4/10/13	5/3/13		1	30.15
Schlumberger Ltd	dv	4/12/13	4/12/13		1	48.13
Disney (Walt) Company	by	4/17/13	4/22/13	165	60.23	9,937.95
Standard & Poors Dep Rcpt UBI	sl	4/17/13	4/22/13	63	155.88	9,820.21
ExxonMobil Corp	by	4/19/13	4/24/13	92	87.34	8,035.28
Standard & Poors Dep Rcpt UBI	sl	4/19/13	4/24/13	52	154.4	8,028.62
Dividend Accrual	wd	4/23/13	4/23/13			16.00
American Tower Corp	dv	4/25/13	4/25/13		1	25.22
Standard & Poors Dep Rcpt UBI	dv	4/30/13	4/30/13		1	124.18
Ford Motor Company	dv	5/1/13	6/3/13		1	136.00
Sabra Healthcare REIT, Inc.	sl	5/2/13	5/7/13	150	30.6	4,589.89
Dividend Accrual	wd	5/3/13	5/3/13			30.15



Security	Transaction Type	Trade Date	Settle Date	Qty	Unit Cost	Trade Amount
Google Incorporated	sl	5/3/13	5/8/13	7	844.33	5,910.31
Vanguard Short-term Corporate Bond ETF VCS	dv	5/6/13	5/6/13		1	25.30
ISHARES TR BARCLY USAGG B	dv	5/7/13	5/7/13		1	58.45
iShares Russell 3000 Index ETF	by	5/7/13	5/10/13	47	96.38	4,529.86
Standard & Poors Dep Rcpt UBI	by	5/7/13	5/10/13	38	162.17	6,162.46
ExxonMobil Corp	dv	5/9/13	6/10/13		1	57.96
Helmerick & Payne	dv	5/13/13	5/31/13		1	15.00
Dividend Accrual	wd	5/15/13	5/15/13			69.16
Columbia Treasury Reserve Fund	li	5/16/13				75.00
Standard & Poors Dep Rcpt UBI	by	5/16/13	5/21/13	1937	165.33	320,244.21
iShares Russell 3000 Index ETF	sl	5/16/13	5/21/13	364	98.26	35,765.83
Vanguard REIT ETF	sl	5/16/13	5/21/13	310	76.83	23,818.78
Activision Inc	sl	5/16/13	5/21/13	364	14.89	5,419.83
iPath MSCI India Index ETN	sl	5/16/13	5/21/13	50	61.17	3,058.43
Berkshire Hathaway B	sl	5/16/13	5/21/13	248	111.57	27,668.73
BorgWarner Inc.	sl	5/16/13	5/21/13	40	83.29	3,331.52
First Solar, Inc.	sl	5/16/13	5/21/13	116	48.57	5,633.99
Ford Motor Company	sl	5/16/13	5/21/13	1360	14.66	19,937.15
ISHARES INC MSCI BRAZIL	sl	5/16/13	5/21/13	20	54.28	1,085.57
ISHARES MSCI Canada Index Fund	sl	5/16/13	5/21/13	600	27.9	16,739.62
ISHARES TR BARCLY USAGG B	sl	5/16/13	5/21/13	290	110.48	32,038.48
Itron, Inc.	sl	5/16/13	5/21/13	43	42.47	1,826.16
Jamba, Inc.	sl	5/16/13	5/21/13	894	2.79	2,494.20
Las Vegas Sands Corp.	sl	5/16/13	5/21/13	200	58.06	11,611.73
Market Vectors Indonesia Index ETF	sl	5/16/13	5/21/13	250	32.27	8,068.31
Protective Life Corp.	sl	5/16/13	5/21/13	348	38.56	13,418.60
Schlumberger Ltd	sl	5/16/13	5/21/13	154	75.09	11,563.60
Elements Rogers Total Return Commodity	sl	5/16/13	5/21/13	3545	8.2	29,057.71





Security	Transaction Type	Trade Date	Settle Date	Qty	Unit Cost	Trade Amount
VANGUARD INTL EQTY IDX ALLWRLD EX US	sl	5/16/13	5/21/13	849	48.38	41,077.17
Vanguard Short-term Corporate Bond ETF VCS	sl	5/16/13	5/21/13	220	80.49	17,707.40
Vodafone Group PLC	sl	5/16/13	5/21/13	102	30.14	3,074.21
Yum Brands Inc	sl	5/16/13	5/21/13	90	69.51	6,255.75
Goldman Sachs Group	dv	5/28/13	6/27/13		1	25.00
Dividend Accrual	wd	5/31/13	5/31/13			15.00
Columbia Treasury Reserve Fund	lo	5/31/13				198.06
Columbia Treasury Reserve Fund	li	5/31/13				198.06
Dividend Accrual	wd	6/3/13	6/3/13			136.00
Columbia Treasury Reserve Fund	in	6/3/13	6/3/13			0.03
Jamba, Inc.	sl	6/4/13	6/4/13	0.6	15.52	9.31
Dividend Accrual	wd	6/10/13	6/10/13			57.96
Vodafone Group PLC	dv	6/12/13	8/7/13		1	212.53
Columbia Treasury Reserve Fund	li	6/13/13				45,000.00
Dividend Accrual	wd	6/27/13	6/27/13			25.00
Columbia Treasury Reserve Fund	li	6/28/13				13.23
Columbia Treasury Reserve Fund	in	7/1/13	7/1/13			0.34
Whole Foods Market, Inc.	dv	7/2/13	7/16/13		1	16.00
Dividend Accrual	wd	7/16/13	7/16/13			16.00
American Tower Corp	dv	7/16/13	7/16/13		1	26.19
Standard & Poors Dep Rept UBI	dv	7/31/13	7/31/13		1	1,710.97
Columbia Treasury Reserve Fund	in	8/1/13	8/1/13			0.62
BorgWarner Inc.	dv	8/1/13	8/15/13		1	20.00
Management Fee	dp	8/7/13	8/7/13			4.00
Investment Cash	dp	8/7/13	8/7/13			4.00
Dividend Accrual	wd	8/7/13	8/7/13			212.53
SanDisk Corporation	dv	8/8/13	8/30/13		1	29.70
Foreign Tax Withheld	dp	8/8/13	8/8/13			4.00



Security	Transaction Type	Trade Date	Settle Date	Qty	Unit Cost	Trade Amount
ExxonMobil Corp	dv	8/9/13	9/10/13		1	57.96
Columbia Treasury Reserve Fund	li	8/12/13				10.00
Helmerick & Payne	dv	8/13/13	8/30/13		1	50.00
Dividend Accrual	wd	8/15/13	8/15/13			20.00
Goldman Sachs Group	dv	8/28/13	9/27/13		1	25.00
Dividend Accrual	wd	8/30/13	8/30/13			29.70
Dividend Accrual	wd	8/30/13	8/30/13			50.00
Columbia Treasury Reserve Fund	lo	8/30/13				2,019.82
Columbia Treasury Reserve Fund	li	8/30/13				2,019.82
Columbia Treasury Reserve Fund	in	9/3/13	9/3/13			0.62
Dividend Accrual	wd	9/10/13	9/10/13			57.96
Whole Foods Market, Inc.	dv	9/25/13	10/8/13		1	16.00
Rogers Communications Inc.	by	9/26/13	10/1/13	230	43.68	10,046.70
Dividend Accrual	wd	9/27/13	9/27/13			25.00
Columbia Treasury Reserve Fund	in	10/1/13	10/1/13			0.60
American Tower Corp	dv	10/7/13	10/7/13		1	27.16
Dividend Accrual	wd	10/8/13	10/8/13			16.00
Standard & Poors Dep Rcpt UBI	sl	10/29/13	11/1/13	100	176.58	17,657.69
LinkedIn Corporation	by	10/29/13	11/1/13	70	244.05	17,083.50
BorgWarner Inc.	dv	10/30/13	11/15/13		1	20.00
Standard & Poors Dep Rcpt UBI	dv	10/31/13	10/31/13		1	1,708.58
SanDisk Corporation	dv	10/31/13	11/25/13		1	29.70
Standard & Poors Dep Rcpt UBI	sl	10/31/13	11/5/13	85	176.15	14,972.48
Caterpillar Incorporated	by	10/31/13	11/5/13	180	83.56	15,040.80
Columbia Treasury Reserve Fund	in	11/1/13	11/1/13			0.38
Standard & Poors Dep Rcpt UBI	sl	11/6/13	11/12/13	85	177	15,044.73
Take-Two Interactive Sft	by	11/6/13	11/12/13	838	17.88	14,983.44
ExxonMobil Corp	dv	11/7/13	12/10/13		1	57.96
Helmerick & Payne	dv	11/13/13	12/2/13		1	50.00



Security	Transaction Type	Trade Date	Settle Date	Qty	Unit Cost	Trade Amount
Dividend Accrual	wd	11/15/13	11/15/13			20.00
Vodafone Group PLC	dv	11/20/13	2/5/14		1	109.37
Dividend Accrual	wd	11/25/13	11/25/13			29.70
Goldman Sachs Group	dv	11/27/13	12/30/13		1	27.50
Columbia Treasury Reserve Fund	lo	11/29/13				1,758.66
Columbia Treasury Reserve Fund	li	11/29/13				1,758.66
Dividend Accrual	wd	12/2/13	12/2/13			50.00
Standard Parking Corporation	lo	12/2/13		220	24.44	5,376.80
SP Plus Corporation	li	12/2/13		220	24.44	5,376.80
Columbia Treasury Reserve Fund	in	12/2/13	12/2/13			0.30
Standard & Poors Dep Rept UBI	sl	12/3/13	12/6/13	39	179.31	6,992.96
Gilead Sciences	by	12/3/13	12/6/13	95	73.01	6,935.95
Standard & Poors Dep Rept UBI	sl	12/4/13	12/9/13	110	179.94	19,793.05
Iridium Communications Inc.	by	12/4/13	12/9/13	1667	6.05	10,085.35
MWI Veterinary Supply, Inc.	by	12/4/13	12/9/13	55	176.19	9,690.45
Dividend Accrual	wd	12/10/13	12/10/13			57.96
Rogers Communications Inc.	dv	12/11/13	1/2/14		1	117.54
Disney (Walt) Company	dv	12/12/13	1/16/14		1	141.90
Dividend Accrual	wd	12/30/13	12/30/13			27.50
American Tower Corp	dv	12/31/13	12/31/13		1	28.13

## APPENDIX B: SAMPLE INVESTMENT PITCH



STUDENT INVESTMENT FUND  
CLAREMONT MCKENNA COLLEGE

# FEMSA (NYSE: FMX)

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Overview



Bottling



Retail



Valuation

Andrew Bergman '14

Phil Crawford '15

Connor Schlegel '15

*Tuesday, September 24, 2013*

# FEMSA consists of 3 business lines, dominated by bottling

### At a glance ...

- ~US\$35B mkt cap
- ~60 bottling plants
- ~260 distribution facilities
- ~11k OXXO stores
- ~180k employees



<b>% of FMX Sales</b>	59.1%	34.6%	6.4%*
<b>% of FMX EBIT</b>	75.1%	23.2%	1.7%*
<b>% Owned by FMX</b>	47.9%	100.0%	20.0%
<b>% Votes held by FMX</b>	63.0%	100.0%	20.0%**

Note: \*Figures include other small functions, including logistics business; \*\*2 seats on Supervisory Board of Heineken N.V. also granted to FEMSA  
 Source: Femsa Investor Presentation, July 2013; Coca Cola Femsa, Investor Relations webpage; Heineken NV, Investor Relations webpage

# Investment Thesis

*FEMSA is a long term play on Mexico, consumer preference for Coca Cola, scale advantage in both bottling & retail, and attractive opportunities for growth through retail. We believe the market does not fully value FMX's growth potential.*

Operations	Bottling	<b>Dominance</b> <b>Demographics</b> <b>Scale</b>	Leader in important markets & categories Favorable pop. age distribution & growth Economies of scale via consolidation
	Retail	<b>Dominance</b> <b>SSS Growth</b> <b>Pharmacy</b> <b>Demographics</b>	Dominant position creates “economic moat” Offering expansion driving SSS growth Attractive opportunity in Pharmacy adjacency Older, more urban pop. favors small-format retail
Valuation		<b>Comparables</b> <b>Intrinsic Value</b> <b>Analysts</b>	Retail appears cheap, while bottling richly valued DCF implies ~19% return Analysts imply ~12% return

Overview

Bottling

Retail

Valuation

# Bullish on Mexico

## MEXICAN RENAISSANCE DRIVEN BY LOW LABOR COSTS AND POLITICAL STABILITY

### *Alternative to China*

- Labor, shipping, and environmental concerns in China rise
- Mexico will become the new China

### *GDP Growth*

- Banxico projects Mexican real GDP growth between 3.5-4.2% in the coming years; long term inflation target ~3%

### *Political Stability*

- Reforms within Mexico monopoly market
- Increasing foreign presence in Mexico

### *Foreign Relations*

- Obama and United States are “deeply invested in the maturation of this relationship at every level”

### *Corporate Investment*

- Volkswagen presence in Mexico since 1964
- Audi \$1.3B plant plans for 2015

[Overview](#)[Bottling](#)[Retail](#)[Valuation](#)

# Coca Cola Femsa is a franchise bottler

## LAT AM-FACING FRANCHISE BOTTLER ...

## ... POISED TO WIN



1

**Leader** in important markets & categories

2

Favorable **population age distribution & growth**

3

Winning through **scale**

Source: FEMSA Investor Presentation, July 2013

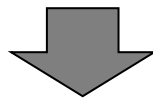
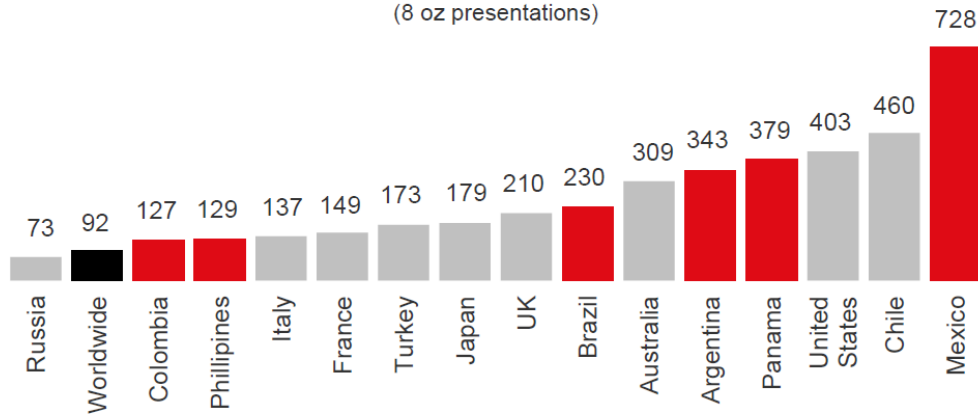


# 1 Leader in important markets & categories

## OPERATES IN HIGHLY ATTRACTIVE MARKETS ...

Per Capita Consumption of KO Products

(8 oz presentations)



Latin American market is **strategically important**; represents ~30% of volume across Coca Cola system

## ... ACROSS MANY CATEGORIES

**2007** JV w TCCC to acquire **Jugos del Valle** business; now +\$1B brand

**2012** Incorporated **Santa Clara** brand to play in milk, ice cream, & value-added dairy categories



Source: FEMSA Investor Presentation, July 2013

Overview

**Bottling**

Retail

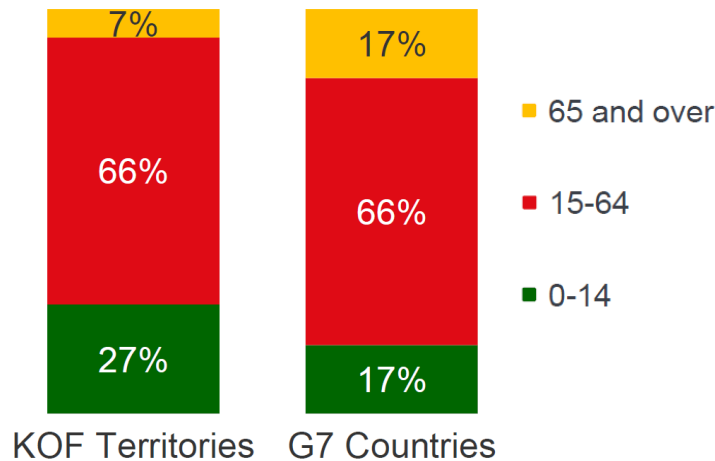
Valuation

# ② Favorable population age distribution & growth

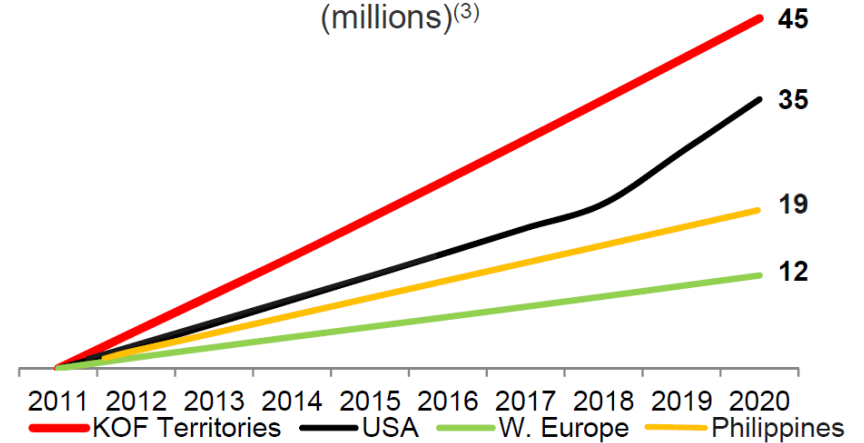
TERRITORY IS RELATIVELY YOUNG ...

... AND GROWING QUICKLY

Population Age Distribution<sup>(1)</sup>



Expected Population Growth (millions)<sup>(3)</sup>



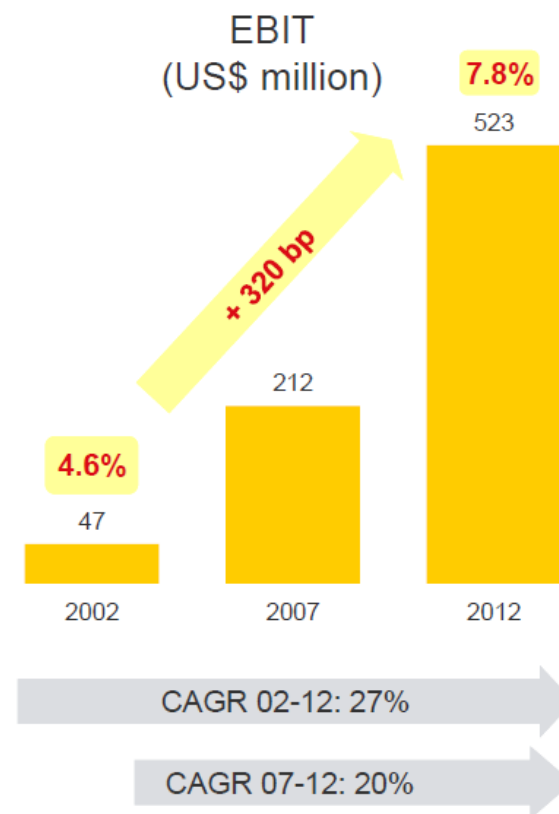
Coca Cola Femsa is well-positioned to capture heightened consumption from a **young and growing** region

Note: Figures for KOF territories based on volume-weighted averages of country-specific figures  
 Source: CIA – The World Factbook; World Economic Outlook Database; FEMSA Investor Presentation, July 2013

## ③ Winning through scale

### COCA COLA FEMSA HAS DRIVEN ECONOMIES OF SCALE THROUGH CONSOLIDATION

<b>2003</b>	Acquired Central & South American bottler Panamerican Beverages
<b>2007</b>	Acquired Jugos del Valle in JV with TCCC; maintain ~20% stake
<b>2008</b>	Acquired Refrigerantes Minas Gerais, TCCC's Brazilian bottler
<b>2008</b>	Acquired Agua De Los Angeles jug water business
<b>2009</b>	Acquired Brisa bottled water business; currently sold in Colombia
<b>2010</b>	Acquired Matta Leao tea brand
<b>2011</b>	Acquired beverage division of Corp de los Angeles (\$841M, stock)
<b>2011</b>	Acquired beverage division of Grupo Tampico (\$785M, cash)
<b>2012</b>	Acquired Coca Cola Bottlers Philippines (\$688M, cash)
<b>2013</b>	Acquired Mexican regional bottler Grupo Yoli (\$726M, stock)
<b>2013</b>	Acquired Brazilian bottler Cia Fluminense de Refrig.(\$448M, cash)
<b>Pending</b>	Acquire Brazilian bottler Spaipa (\$1855M, cash)



Source: Bloomberg (9/23/2013); FEMSA Investor Presentation, July 2013

Overview

**Bottling**

Retail

Valuation

# Femsa Comercio is a convenience retailer

MEXICO-FACING CONVENIENCE RETAILER ...

... DOMINANT & GROWING



1 Dominance reinforces OXXO's **economic moat**

2 SSS growth through **offering expansion**

3 Attractive **pharmacy adjacency**

4 Growing **older, urban pop** favors small-format retail

Overview



Bottling



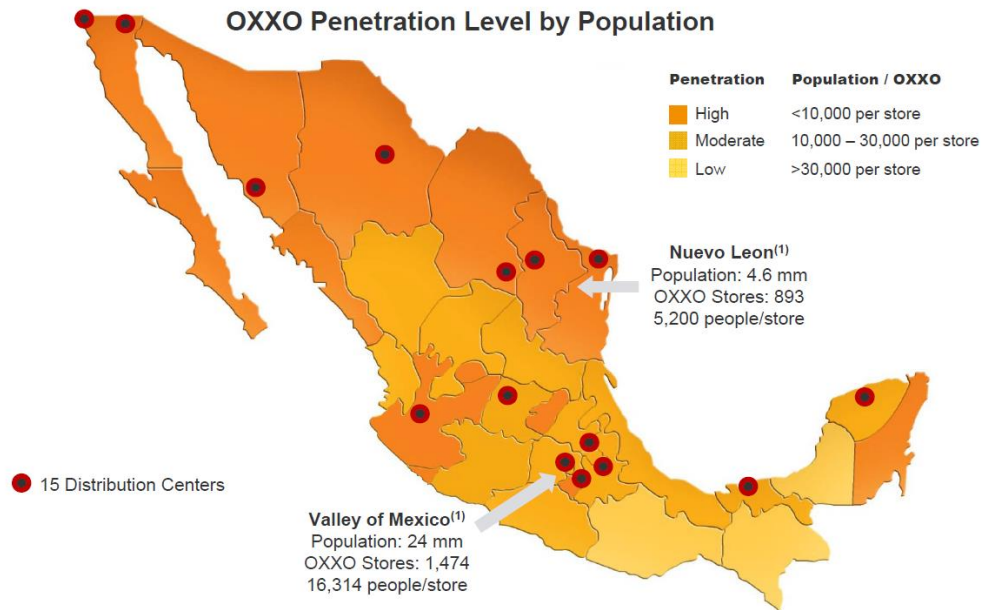
**Retail**



Valuation

# 1 Dominance reinforces OXXO's wide economic moat

## SIGNIFICANTLY MORE OXXO LOCATIONS PER CAPITA VERSUS INT'L COMPS



United States		~41k/store
		~26k/store
		~22k/store
Mexico		~46k/store
		~185k/store

With ~10k population per OXXO location, Femsa Comercio is easily accessible versus Big Box retail and decreases threat of competition

Note: Assumes Mexico population of 112M; assumes US population of 312M

Source: Femsa Investor Presentation, July 2013; Investor Relations pages of 7-11, Starbucks, McDonalds, Walmart Mexico, Soriana

Overview

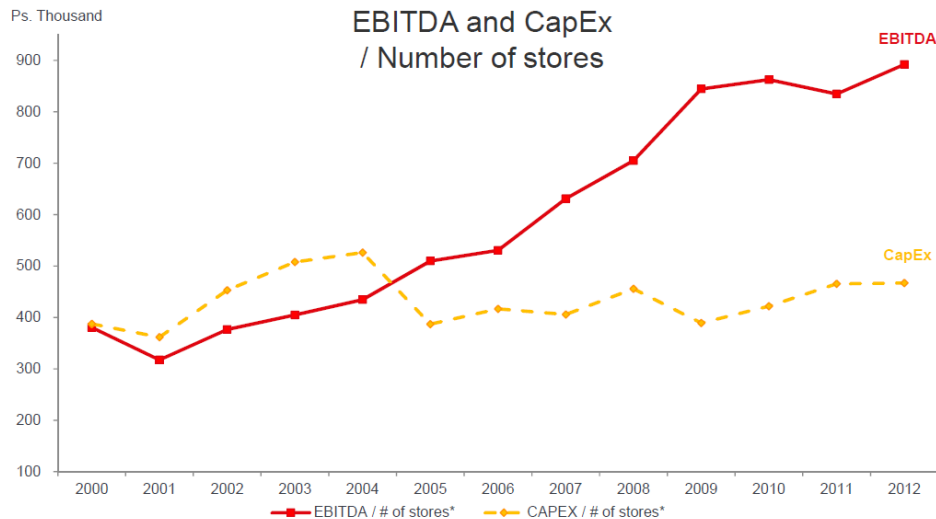
Bottling

Retail

Valuation

## ② Same store sales growth through offering expansion

### IMPRESSIVE EBITDA / STORE GROWTH ...



### ... THROUGH NEW OFFERINGS

#### Ready-to-Eat Food



#### Consumer Banking & Bill Payment



#### Pharmacy



OXXO uses its wide platform as a channel for new offerings that are accretive

Note: Figures in nominal Mexican pesos; 2011 and 2012 information are under IFRS; # of stores based on average stores per year  
Source: FEMSA Investor Presentation, July 2013

Overview

Bottling

Retail

Valuation

## ③ Attractive opportunity in Pharmacy

*“FEMSA seeks to contribute its **expertise developing small-box retail formats** to already successful regional players”*

FEMSA Acquisitions in the Pharmaceutical Space	
2013	<b>Farmacias FM Moderna</b> – 100% stake in regional drugstore operator in state of Sinaloa
2013	<b>Farmacias YZA</b> – 75% stake in regional drugstore operator in Southeast Mexico
FEMSA now controls <b>445 pharmacies</b> throughout Mexico	

### Growth of the Mexican Pharmaceutical Industry

- Mexico has led the way in pharmacy growth in Latin America with annual sales of \$8 billion
- An aging population will drive demand for domestic pharmaceutical sales in Mexico
  - 75% of Medicine sold in Mexico is produced domestically
- Foreign companies are taking notice of the opportunities presented within the Mexican pharmaceutical industry as **8% of annual foreign direct investment goes into the pharmaceutical space**

Source: FEMSA Investor Presentation, July 2013; Canifarma study of Mexican Pharmaceutical industry

Overview



Bottling



**Retail**

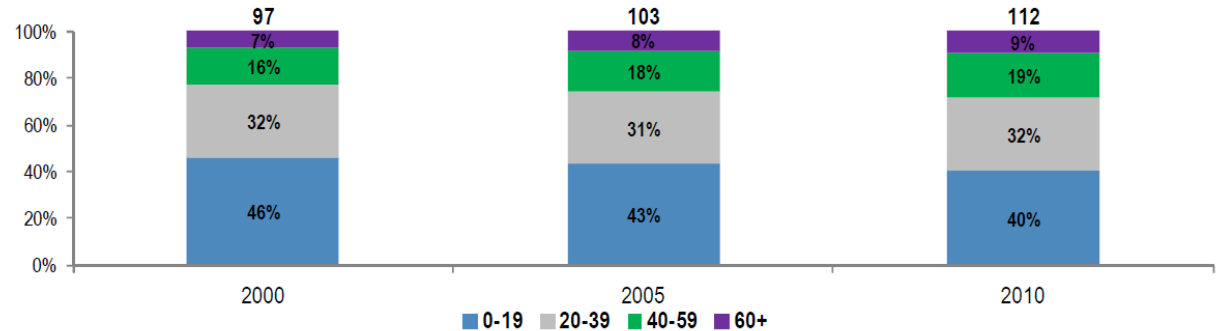


Valuation

## 4 Increasingly older, urban pop. favors small-format retail

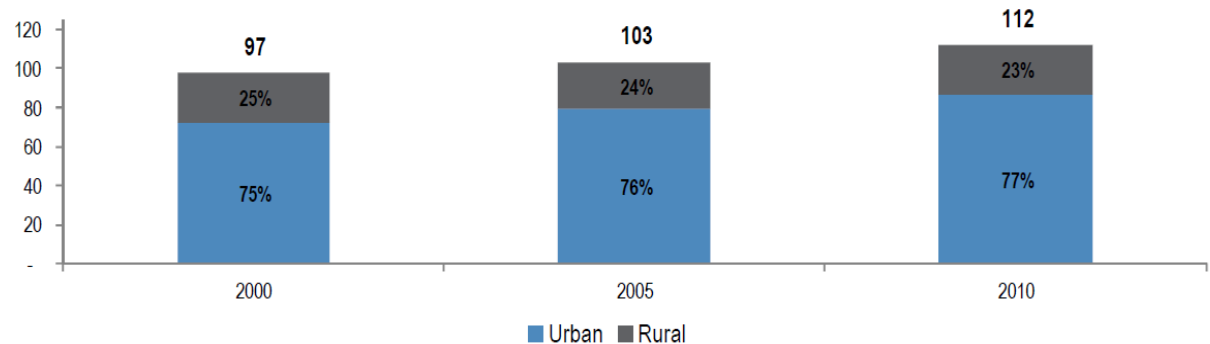
Population is getting relatively older

Figure 1: Mexico Population Distribution by Age Group – Population Is Getting Relatively Older...  
Total population in millions & Distribution as % of total Population



Population is getting relatively urban

Figure 2: Mexico Population Distribution by Urban vs. Rural – Urban Population Has Outpaced Rural Population Growth by 3x in Last 10 Years...  
Total population in million



Source: United Nations; JP Morgan, "FEMSA & KOF," 03/25/2013

Overview

Bottling

**Retail**

Valuation



# Retail appears cheap, while Bottling appears fully valued

*Bottling ...  
profitable  
relative to  
comps, but  
appears fully  
valued*

Company	Mkt Cap	Sales Growth (3Y avg)	Net Debt / EV	Gross Margin	Profit Margin	EV / EBITDA	P/E	PEG
Arca Continental	11.09B	34.21%	16.68%	46.24%	8.92%	13.14	25.89	1.30
Embotelladora Andina	4.66B	14.32%	19.13%	40.38%	7.48%	11.93	19.24	1.70
Coca-Cola Amantil LTD	8.85B	4.92%	33.07%	44.53%	9.98%	9.96	21.96	2.34
<b>Average</b>		<b>17.82%</b>	<b>22.96%</b>	<b>43.72%</b>	<b>8.79%</b>	<b>11.68</b>	<b>22.36</b>	<b>1.78</b>
Coca-Cola FEMSA (KOF)	28.24B	14.69%	5.06%	46.45%	9.02%	13.97	27.40	2.28

*Retail ...  
appears  
cheap on a  
P/E/G basis*

Company	Mkt Cap	Sales Growth (3Y avg)	Net Debt / EV	Gross Margin	Profit Margin	EV / EBITDA	P/E	PEG
Walmex	47.51B	15.94%	-9.74%	22.63%	5.57%	14.47	25.84	2.11
Soriana	5.66B	5.71%	5.48%	20.60%	3.40%	10.24	20.06	1.43
Chedraui	2.96B	10.11%	21.40%	19.68%	2.35%	10.64	23.85	2.63
CBD	12.31B	30.86%	16.12%	27.11%	2.06%	9.71	30.00	1.10
Cencosud	12.14B	18.48%	46.51%	28.43%	2.95%	11.58	24.84	1.79
<b>Average</b>		<b>16.22%</b>	<b>15.95%</b>	<b>23.69%</b>	<b>3.27%</b>	<b>11.33</b>	<b>24.92</b>	<b>1.81</b>
Oxxo		16.08%	NM	NM	6.30%	14.05	13.66	0.67

Note: Market Cap in USD; Source: Bloomberg (9/21/2013)

Overview

Bottling

Retail

Valuation

# DCF implies 19% upside potential

Current Information		Historical			Projected					Terminal Value	CAGR
		2010	2011	2012	2013	2014	2015	2016	2017		
Current Stock Price	\$102.39	Sales	\$13,443	\$16,266	\$18,130	\$19,817	\$21,541	\$23,329	\$25,055	\$26,733	6.0%
		Growth		21.0%	11.5%	9.3%	8.7%	8.3%	7.4%	6.7%	
Shares Outstanding	216.2	COGS	7,821	9,463	10,424	11,483	12,483	13,519	14,519	15,492	
Equity Value	\$ 22,134	Gross Profit	\$5,622	\$6,803	\$7,707	\$8,333	\$9,058	\$9,810	\$10,536	\$11,242	
		Margin	41.8%	41.8%	42.5%	42.1%	42.1%	42.1%	42.1%	42.1%	
Plus: Debt	2,772.9	SG&A	3,837	4,827	5,483	5,844	6,352	6,879	7,388	7,883	
Plus: Preferred Stock	-	Other Op. Exp. (Income)	0	0	0	0	0	0	0	0	
Plus: Minority Interest	2,808.68	EBIT	\$1,785	\$1,976	\$2,224	\$2,490	\$2,706	\$2,931	\$3,148	\$3,358	
Less: Cash & Equivalents	(2,257.1)	Margin	13.3%	12.1%	12.3%	12.6%	12.6%	12.6%	12.6%	12.6%	
		Taxes Exp. (Benefit)	390.3	509.8	486.0	572.6	622.4	674.1	723.9	772.5	
		EBIT After Tax	1,394	1,466	1,738	1,917	2,084	2,257	2,424	2,586	
		Plus: Depreciation	359	460	546	562	611	661	710	758	
		Less: Capex	(760)	(972)	(1,129)	(1,180)	(1,283)	(1,389)	(1,492)	(1,592)	
		Less: Δ NWC	148	(47)	240	(269)	(95)	(98)	(95)	(92)	
		Free Cash Flow	\$1,141	\$907	\$1,394	\$1,029	\$1,317	\$1,430	\$1,547	\$1,660	37,011.3
		Discounted at WACC of 8.7%				947	1,115	1,115	1,110	1,095	24,429.9
Enterprise Value	\$25,458	Total PV of Free Cash Flow									\$29,812

WACC Calculation	
Capital Structure (% Debt)	11.0%
Risk-Free Rate	2.87%
Beta	0.97
Market Risk Premium	6.5%
Cost of Equity	9.2%
Cost of Debt	5.6%
Effective Tax Rate	23%
WACC	8.7%

WACC	Terminal Value Growth Rate				
	3.0%	3.5%	4.0%	4.5%	5.0%
7.7%	\$126.31	\$140.76	\$159.12	\$183.22	\$216.24
8.2%	112.38	123.84	138.03	156.05	179.71
8.7%	100.91	110.18	\$121.43	135.36	153.05
9.2%	91.28	98.92	108.03	119.07	132.75
9.7%	83.10	89.48	96.98	105.92	116.77

Terminal Growth Rate: 4.0%

Note: Beta vs SPX; Source: Bloomberg (9/21/2013)

Overview

Bottling

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# Wall Street implies 12% upside potential

## WALL STREET IS BULLISH ON FMX

<i>Goldman Sachs</i>	\$114
<i>JP Morgan</i>	\$119
<i>Deutsche Bank</i>	\$110
<i>HSBC</i>	\$122
<i>Scotia Capital</i>	\$112
<i>BBA</i>	\$120
<i>Credit Suisse</i>	\$110
<b>AVERAGE</b>	<b>~\$115</b>

Note: All price targets published within past 6 months; older price targets excluded; returns assume current price of 102.39 (EOD 9/22/2013)  
Source: Bloomberg (9/21/2013)

[Overview](#)[Bottling](#)[Retail](#)[Valuation](#)

# Investment Risks

Risk	Description	Impact on Business
<b>Macro decline</b>	Mexican <b>economy could miss</b> growth expectations of 2-3% in 2013	Lower volume consumption of Coke, retail
<b>OXXO Expectations</b>	<b>High expectations</b> for SSS growth and aggressive record of store openings could be missed	Market corrects downward versus high expectations
<b>Consumer Preferences</b>	Latin American <b>consumers shift preferences</b> toward healthier drinks	Decline in Coca Cola FEMSA volume and pricing support

[Overview](#)[Bottling](#)[Retail](#)[Valuation](#)

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# Investment Proposal

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- Buy 150 shares of FMX (~\$15,000)
- 12 month price target of \$120 (17% returns)

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Overview



Bottling



Retail



Valuation