



SIF Student Investment Fund

University of Tulsa

**FALL 2010
NEWSLETTER**

FALL 2010 CLASS

- Denghui Chen
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- Daniel Ettlin
- Fabian Forrer
- Chengwei Li
- Adria Phillips
- Austin Roberts
- Jason Yan

MESSAGE FROM THE SEO

A team's success depends not only on the skills of its individual members, but also on their motivation and their willingness to cooperate in order to achieve ambitious goals. This semester, I had the honor of working with a group of highly motivated fellow students who embodied these characteristics. Together, we worked diligently to continue the success of the Student Investment Fund (SIF) and to build upon the work done by previous classes. Using models, techniques, and theories we learned in our undergraduate courses, we analyzed each of the 30 securities in the SIF in order to determine whether they still have potential to add value to the fund. We performed in-depth sector and industry analysis, and evaluated our companies using relative and intrinsic valuation methods. We also screened for new companies which met the high requirements to be included in our portfolio and discovered some promising investment opportunities.

At the beginning of the semester, economists across the country were unsure whether the economy was beginning to recover or was facing a double dip recession. Furthermore, reforms such as the healthcare legislation and the Dodd-Frank Act added uncertainty

to several sectors. Thanks to our Macroeconomic Committee, which did an outstanding job providing the SIF analysts with in-depth analysis on economic developments, we better understood the challenging environment and were able to structure our decisions accordingly. The Portfolio, Accounting and Risk committee was instrumental in improving the SIF portfolio's performance through their outstanding work optimizing our asset allocation, following the ETF holdings and managing risk exposure. The Membership and Public Relations Committee arranged for three guest speakers who provided the SIF analysts with interesting insights about the world of finance and who shared their views on the present economic environment. The committee also recruited a promising new class for the Spring 2011 semester, thereby insuring that the SIF will be run by another highly committed team next semester. In order to ensure that all the information we have gathered this semester can be passed on to the next team of SIF analysts, the Management Information Systems committee updated the SIF manual and carefully organized this semester's stock reports and economic analysis papers.



Since one of the key characteristics of successful team work is a continuous flow of information, we placed emphasis on regular discussions and presentations, both in class and via an internet message board. These numerous opportunities to share information and opinions not only improved our decision making process, but also allowed team members to broaden their personal horizons.

It has been a great privilege to be part of the Student Investment Fund and an honor to serve as SEO for the Fall 2010 semester. The Fund has been the highlight of my exchange semester at TU and I am looking forward to hearing about the evolution and performance of the fund in years to come.

Daniel Ettlin
SIF Student Executive Officer

FACULTY

Dr. David Enke

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PORTFOLIO, ACCOUNTING AND RISK COMMITTEE REPORT

Performance Report | For the year 2010, the SIF portfolio generated a total return of 18.62%, compared to the benchmark S&P 500 index, which generated a total return of 15.06% for the year. As of December 31, 2010, the SIF portfolio has outperformed the S&P 500 index over 1, 3, 5, and 10 years, often doing so by taking lower risk.

COMPANY SNAPSHOT WINNERS

as of 12/15/2010
(Source Reuters.com)

Freeport-McMoran

Ticker:	FCX
Performance* (%)	49.81
Purchase date(s):	12/12/07
Market Cap (mil.):	\$51,302
Price (12/14/10):	\$114.82
Beta:	1.86
*August 16th-December 1st	

Schlumberger N.V.

Ticker:	SLB
Performance* (%)	37.08
Purchase date(s):	12/19/06 12/19/08
Market Cap (mil.):	\$112,889
Price (12/14/10)	\$81.33
Beta:	1.3
*August 16th-December 1st	

Priceline.Com

Ticker:	PCLN
Performance* (%)	36.87
Purchase date(s):	5/9/08
Market Cap (mil.):	\$20,331
Price (12/14/10):	\$400.24
Beta:	1.07
*August 16th-December 1st	

Best BUY Co.

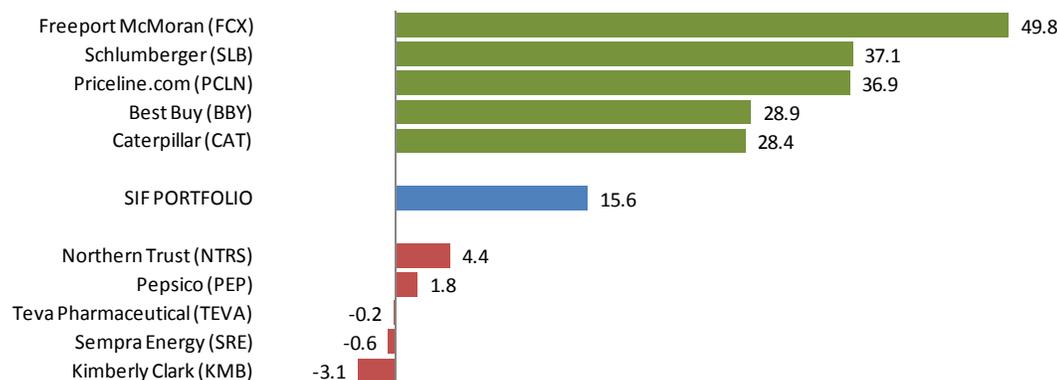
Ticker:	BBY
Performance* (%)	28.88
Purchase date(s):	1/2/03
Market Cap (mil.):	\$17,039
Price (12/14/10):	\$35.52
Beta:	1.44
*August 16th-December 1st	

Caterpillar Inc.

Ticker:	CAT
Performance* (%)	28.40
Purchase date(s):	12/10/04 2/25/05 4/30/10
Market Cap (mil.):	\$56,729
Price (12/14/10):	\$92.09
Beta:	1.74
*August 16th-December 1st	

	Annual Returns		Return Difference	Annualized Standard Deviation		S. D. Difference
	SIF	S&P500		SIF	S&P500	
Since 4/13/98	2.79%	2.76%	0.03%	16.58%	16.74%	-0.15%
10 Years	4.05%	2.85%	1.20%	16.07%	16.46%	-0.39%
5 Years	3.71%	2.29%	1.42%	18.15%	17.97%	0.17%
3 Years	-2.46%	-2.86%	0.40%	22.16%	22.36%	-0.20%
1 Year	18.62%	15.06%	3.56%	18.50%	19.27%	-0.77%

Winners and Losers for the Fall 2010 Semester | With the exception of three stocks, all other SIF holdings showed a positive return for the fall semester. The table below shows the winners and losers for the period from August 16th through December 1st, 2010. Freeport McMoran's stock returned almost 50% during the past four months, although during the Spring 2010 semester it was among the stocks with the poorest performance (-12%). Schlumberger, Priceline, Best Buy and Caterpillar contributed significantly to the overall performance of the portfolio. On the other hand, Kimberly Clark, Sempra Energy and Teva Pharmaceutical experienced negative performance this semester.

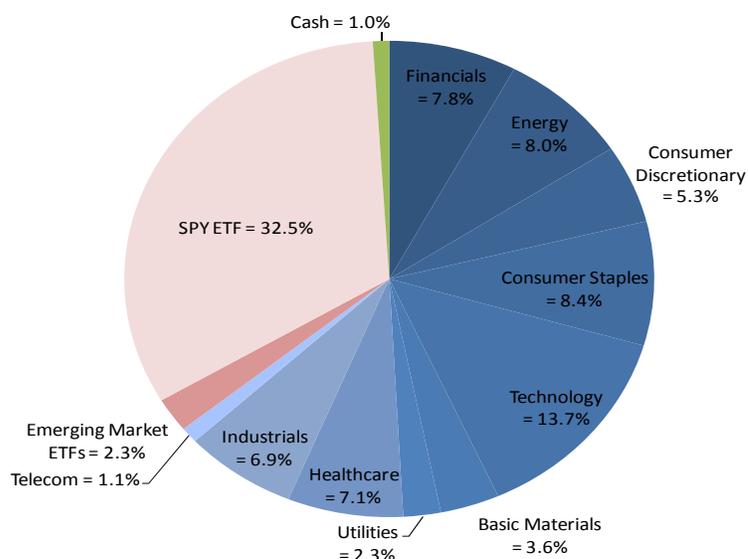


Performance Winners and Losers (closing prices, August 16th–December 1st, 2010)

SIF PORTFOLIO	\$ 2,038,074	CTSH	89.68
		DE	82.54

PORTFOLIO, ACCOUNTING AND RISK COMMITTEE REPORT

Asset Allocation | The chart below shows the structure of the SIF portfolio after the reallocation at the end of the semester (December 1, 2010).



**HIGHLIGHTS
FALL 2010**

The Portfolio Committee spent \$397,381 on new security purchases, using the existing cash position, new donations, and funds from sold securities.

As of December 1, 2010, Apple accounted for the SIF portfolio's highest individual equity exposure. If the indirect exposure to Apple via the S&P 500 ETF is also considered, the company's weight in the portfolio is 5.18%. Other companies that are highly weighted in the portfolio include General Mills, Caterpillar, Annaly Capital Management and Canadian National Railways. The smallest SIF holding is AT&T, which is also the only company in the Telecommunications sector. The table below gives more insight into the current portfolio:

	Company Name	Sector	Direct Exposure	Total Exposure*
1	Apple	Technology	4.36%	5.18%
2	General Mills	Consumer Staples	3.50%	3.57%
3	Caterpillar	Industrials	3.38%	3.53%
4	Annaly Capital Management	Financial	3.50%	3.50%
5	Canadian National Railways	Industrials	3.50%	3.50%
....				
25	Southwestern Energy	Energy	1.48%	1.51%
26	Teva Pharmaceuticals	Healthcare	1.50%	1.50%
27	Best Buy	Consumer Discretionary	1.43%	1.48%
28	Northern Trust	Financials	1.24%	1.27%
29	AT&T	Telecom	1.07%	1.21%

* Including indirect exposure via S&P 500 ETF



PORTFOLIO, ACCOUNTING AND RISK COMMITTEE REPORT

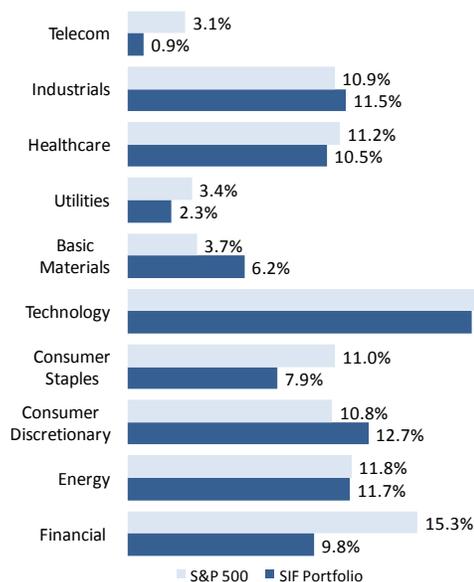
Sector Weightings | Sector weighting was carefully considered this semester. The SIF uses the GICS structure, which consists of ten sectors. The following weightings include the indirect sector exposures through the S&P 500 ETF. Note: Not shown in the figure, Emerging Market ETFs = 2.3%, Cash = 6.0% before 12/1/2010; after 12/1/2010 the Emerging Market ETFs = 2.3%, Cash = 1.0%.

**HIGHLIGHTS
FALL 2010**

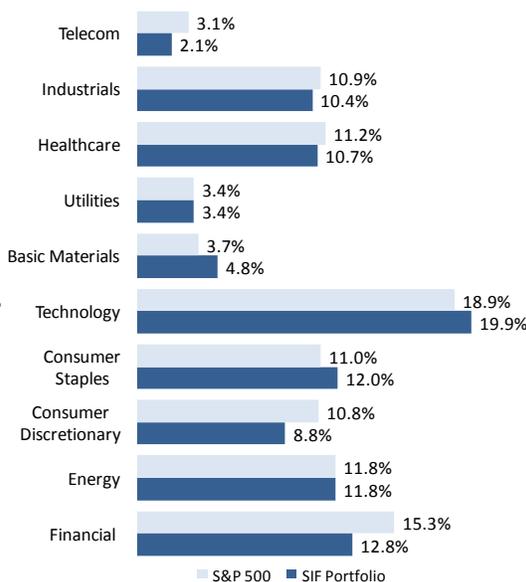
A portfolio optimization tool was used to determine the optimal weight of each stock in the portfolio.

The sector weights in the current SIF portfolio match the recommendations issued by the macroeconomic committee in all but two cases. Only the weights of the Telecom and the Financial sector deviate slightly.

Sector Weighting before December 1, 2010



Sector Weighting after December 1, 2010



Transactions | The following table provides a detailed overview of the securities which were sold and purchased during the 2010 Fall Semester.

Securities sold

Security	Ticker	Date	Quantity	Price	Volume
AmerisourceBergen	ABC US	12/10/2010	1200	32.42	38,909
Apache Corporation	APA US	12/10/2010	200	116.28	23,256
Caterpillar	CAT US	12/10/2010	229	91.49	20,950
Compass Minerals	CMP US	12/10/2010	363	88.36	32,076
Deere*	DE US	12/10/2010	475	81.78	38,848
Intercontinental Exchange*	ICE US	12/10/2010	275	117.70	32,367
Priceline.com	PCLN US	12/10/2010	217	416.17	90,309
Sempra Energy	SRE US	12/10/2010	550	51.20	28,162

Total Sales: \$ 304,877

Securities purchased

Security	Ticker	Date	Quantity	Price	Volume
Annaly Capital Management	NLY US	12/10/2010	839	18.16	15,234
AT&T	T US	12/10/2010	753	28.64	21,569
Canadian National Railway	CNI US	12/10/2010	368	67.06	24,678
Credit Suisse	CS US	12/10/2010	1628	38.98	63,466
Exxon Mobil	XOM US	12/10/2010	179	71.95	12,880
Factset Research	FDS US	12/10/2010	189	93.65	17,700
General Mills	GIS US	12/10/2010	1961	35.17	68,960
Kimberly Clark	KMB US	12/10/2010	18	61.69	1,110
National Fuel Gas*	NFG US	12/10/2010	704	65.09	45,824
S&P 500 SPDR ETF	SPY US	12/10/2010	761	123.50	93,981
Varian Medical Systems	VAR US	12/10/2010	468	68.33	31,978

Total Purchases: \$ 397,381

* Average price per share



PORTFOLIO, ACCOUNTING AND RISK COMMITTEE REPORT

Performance & Risk Report | This semester the SIF sold or reduced positions in eight stocks, and bought or increased positions in eleven others. The table below (data as of 12/1/10) shows the effect of these transactions on the SIF portfolio, and compares the portfolio to the S&P 500. The transactions carried out this semester added risk to the energy sector. The SIF also shifted risk from the communications and industrial sectors to the consumer discretionary sector.

	SIF Portfolio before transactions	SIF Portfolio after transactions	S&P 500
Beta	.924	.918	1.00
1-day 95% Value at Risk	\$58,133	\$55,993	—
Probability of a Gain	60%	61%	—
Probability of a Loss	40%	39%	—

Portfolio Optimization | The goal of the Student Investment Fund is to add value to the portfolio; therefore, asset allocation was carefully considered. After thoroughly analyzing existing and potential securities, the SIF analysts provided buy, sell, or hold recommendations for each security. Additionally, the analysts considered the current and anticipated macroeconomic environment and the impact that it could have on each security's performance. This allowed the SIF student analysts to allocate portfolio weight to sectors we feel are likely to outperform the market. Once the sector weights and individual stock recommendations were determined, a risk-return optimization procedure was applied to the portfolio. The final portfolio consisted of 24 existing securities and 5 new securities. With these asset reallocations, the SIF analysts strongly believe that the fund is in a position to experience great success.

LONGTERM INVESTMENTS

Exxon Mobil is the 'oldest' stock in the SIF portfolio. It was purchased in Fall 2001. Other companies which have been part of the SIF portfolio for several years include Best Buy, Gilead Sciences, Caterpillar and Diageo.

Company	First Purchase
Exxon Mobil	12/12/01
Best Buy	1/2/03
Gilead Sciences	4/24/03
Caterpillar	12/10/04
Diageo	12/9/05



NEW SECURITIES PURCHASED THIS SEMESTER



AT&T (NYSE: T) | AT&T Inc. was founded in 1876 by Alexander Bell, Gardiner Hubbard, and Thomas Sanders. It was a legally sanctioned, regulated monopoly until 1982. With the acquisition of BellSouth, Cingular Wireless and YP.com in 2006, AT&T became the leading company in the industry once again. Today it is the world's largest communications holding company by revenue. AT&T plans to expand its services to the \$19 billion healthcare information technology market. On Dec. 1, Omnicom, a global leader in advertising and marketing communications, signed an initial networking services contract with AT&T.

AT&T is expanding its smart phone offerings with the new Windows Phone 7 and Android phones. It will also have a second mover advantage when it adopts the 4G system. AT&T has a lower beta value than the current SIF portfolio, and intrinsic valuation indicates that the stock has strong upside potential, so we believe the stock will contribute a favorable risk-return relationship to the portfolio.



Credit Suisse Group (NYSE: CS) | Credit Suisse is a global financial services company headquartered in Zurich, Switzerland. The company's business segments include private banking (37% of revenues), investment banking (57% of revenues), and asset management (6% of revenues). As the fourth largest private bank in the world (as of 2008, measured by AUM), Credit Suisse has a presence not only in the traditional private banking markets, but also in emerging markets in Asia and South America. Together with Credit Suisse's outstanding reputation, this positions the company to grow its wealth management services worldwide.

Credit Suisse's private banking segment generates stable revenues, while the investment banking segment's income is more volatile. Like most major investment banks, Credit Suisse suffered from the subprime mortgage crisis, but unlike most of its competitors it did not accept direct government support. After the crisis, the company successfully restructured its investment banking unit and significantly reduced its exposure to risky assets. Despite the recent controversy over Swiss banks' secrecy policies, Credit Suisse has been able to maintain and even strengthen its private banking brand and has continuously increased its market share by attracting new clients.

An in-depth intrinsic valuation based on detailed growth projections for both the private banking and investment banking divisions showed that Credit Suisse's stock was significantly undervalued as of 11/8/2010. The SIF analysts believe that Credit Suisse is a solid investment that will enable the SIF to benefit from the recovery of the banking industry without adding excessive risk to the fund.



Varian Medical Systems (NYSE: VAR) | Varian Medical Systems is the world's leading producer of integrated systems for treating cancer with radiotherapy, radiosurgery, proton therapy, and brachytherapy. Varian is a leading supplier of x-ray parts for commercial and medical use. It also produces software systems for radiation therapy treatment planning, and informatics software for managing cancer clinics, radiotherapy centers and oncology practices.

The medical technology industry is intensely competitive, and is highly affected by regulatory changes and government decisions. However, growth in the number of insured Americans, rapidly increasing demand for health care services in developing countries, and increasing cancer rates at home and abroad provides growth opportunities for Varian.

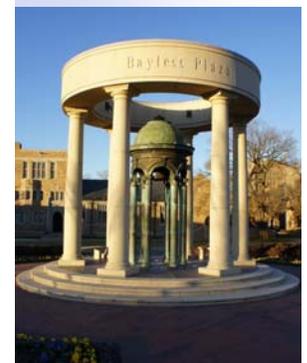
Varian has an excellent risk-return relationship relative to the health care sector, the medical devices and technology industry, and the S&P 500. An intrinsic valuation of the stock using a free cash flow to equity model indicated that the company's stock was undervalued. These factors made Varian an attractive investment opportunity.

\$ 2,000,000

At the end of fall semester, the SIF portfolio value hit the \$2,000,000 threshold for the first time since its implementation in 1997.

As of December 31, 2010, the SIF portfolio was worth \$2,058,855.

When the SIF was founded in 1997, the portfolio value was \$ 300,000.



NEW SECURITIES PURCHASED THIS SEMESTER



National Fuel Gas (NYSE: NFG) | National Fuel Gas is a diversified company in the Utilities sector. In addition to its utility business in New York and Pennsylvania, NFG has a Pipeline & Storage segment, an Exploration & Production segment, and an Energy Marketing segment. The company is currently undergoing a transformation as it shifts the bulk of its capital spending towards developing legacy acreage in the Marcellus Shale, one of the youngest and most prolific natural gas and natural gas liquids plays in the United States.

Stress-tested discounted cash flow models indicate that NFG is trading at an attractive price. Furthermore, private market values from recent transactions in the Marcellus Shale indicate that NFG's exploration and production assets are worth more than the market is currently valuing the company. The company has a unique low cost structure that enables it to earn high returns on invested capital, even at today's low natural gas prices. This means that natural gas prices do not need to recover to make NFG an attractive investment. The SIF analysts believe that this stock is offered some downside protection by the utility's predictable and recession-proof cash flows, while it holds a very appealing upside from the development of its natural gas assets in the Marcellus Shale. Additionally, the stock's beta makes it a good fit with the SIF portfolio, and it improves the fund's exposure to the Utilities sector.



General Mills (NYSE: GIS) | Based on the Macroeconomic committee's sector weighting recommendations, the SIF was in need of a solid, attractively priced stock in the consumer staples sector. General Mills matched our requirements perfectly. Incorporated in 1928, it is one of the largest producers of packaged food in the U.S. The company's merger with Pillsbury in 2001 made General Mills one of world's the largest food manufacturers.

The company is divided into three core business segments: U.S. Retail, International Retail, and Bakeries and Foodservices. The U.S. Retail division accounts for about 80% of revenues. The main products in this division are ready-to-eat breakfast cereals and packaged meals. Cereals account for approximately 23% of revenues, and prepared meals comprise about 21%. The company also produces and sells a range of other products such as yogurt, snacks, and baking products.

General Mills is part of a sub-industry with many opportunities for growth, such as international expansion opportunities in emerging markets and growing demand for healthier foods. Furthermore, General Mills' well-known brands hold a strong market position.

Qualitative analysis of the company's financial statements showed that General Mills compares well with its competitors. The company has been able to steadily increase sales and net income. Intrinsic valuation showed that General Mills' stock is undervalued, and indicated an attractive upside potential. The stock was also felt to be significantly undervalued compared to its current market price.

General Mills holds risks as well as opportunities. Primary risks include the company's exposure to commodity prices and the so-called Wal-Mart factor. In addition, the status of General Mills' Yoplait license may bear further scrutiny. But the company appears to be fundamentally solid and its stock is currently undervalued, and these factors make General Mills a good addition to the SIF portfolio.

SIF MISSION STATEMENT

"As members of the University of Tulsa's Student Investment Fund, we will meet for the purpose of furthering our knowledge of financial management, elevating our experience in the investment arena, promulgating our objectives and purposes to the public, mastering the practices, habits, and ethics of finance professionals, and for the promotion of social and professional relationships amongst our members.

This background will provide us with superior knowledge and competitive ability in our professional field.

We will also, as beneficiaries, endeavor to provide superior returns to our shareholders; those individuals who have enabled us to enjoy this experience by donating to the Finance Excellence Fund."

Adopted January 23rd, 2001



ECONOMIC CONDITIONS — SEMESTER IN REVIEW

The U.S. economy is undergoing a slow recovery, and continues to experience economic uncertainties both at home and abroad. In early November, the Fed announced a second round of quantitative easing (QE2) to lower long-term interest rates in an effort to stimulate the economy. It will buy up to \$900 billion of long-term Treasury bonds by the end of the third quarter of 2011.

Meanwhile, the Federal government is under pressure to reduce the national debt, which will make it more difficult for the government to pass new stimulus packages. The national debt is currently \$14.0 trillion, and it is expected to rise to \$19.6 trillion by 2015. The national debt is expected to reach 100% of U.S. Gross Domestic Product in 2015 and remain at that level thereafter. Many other developed nations face similar financial problems, and this has resulted in the threat of an international currency war as an increasing number of countries see weaker exchange rates as a way to lift their economies. These factors increase economic instability while the world economy continues on its slow track to recovery.

Many economic indicators are still too weak to suggest that a true recovery is underway, but they are mildly encouraging. Third quarter U.S. GDP expanded at a rate of 2.5%, which was a notable improvement from the second quarter rate of 1.7%. As of October, the manufacturing sector has seen 15 consecutive months of growth. Real personal consumption expenditures increased 2.8% in the third quarter, compared with an increase of 2.2% in the second quarter. Retail sales have shown improvement as well, increasing 7.3% in the past twelve months. However, high unemployment remains a challenge for the U.S. economy. The unemployment rate in November increased to 9.8%, and it is expected to be above 8% until 2012. Until unemployment declines, it will likely impose a ceiling on other economic indicators such as retail sales and housing.

GUEST SPEAKERS

Mr. Rod Sailor, Vice President and Treasurer, the Williams Companies. Mr. Sailor shared his extensive knowledge of Williams and discussed his outlook on the natural gas market with the class. Mr. Sailor also spoke about the Marcellus Shale and the impact of its discovery on Williams and on the industry. Mr. Sailor provided valuable insights on the future of the energy industry that the SIF student analysts found useful when making new security decisions.

Mr. Tom Warburton, Principal, Warburton Capital Management. Mr. Warburton discussed his professional history with the class, including his work as founder of the Tulsa-based wealth management company Warburton Capital Management. Mr. Warburton also shared with the SIF student analysts his company's views on market efficiency, security selection, and asset allocation.

Mr. Brady Pringle, Financial Advisor, Wells Fargo Advisors. Mr. Pringle discussed the impact that the Dodd-Frank Wall Street Reform and Consumer Protection Act had on the banking industry, as well as regulatory changes that are expected in the future. Mr. Pringle also spoke about regulatory changes within firms as banks attempt to minimize business risks. Mr. Pringle's first-hand experience with the impacts of new regulations provided the SIF student analysts with valuable insight into the banking industry.



Mr. Tom Warburton talking to the SIF class

Thank you very much to our speakers this semester!

If you would like to speak to a future SIF class, contact the SIF advisor, Dr. David Enke, at (918)631-2218 (david-enke@utulsa.edu).

GUEST SPEAKERS

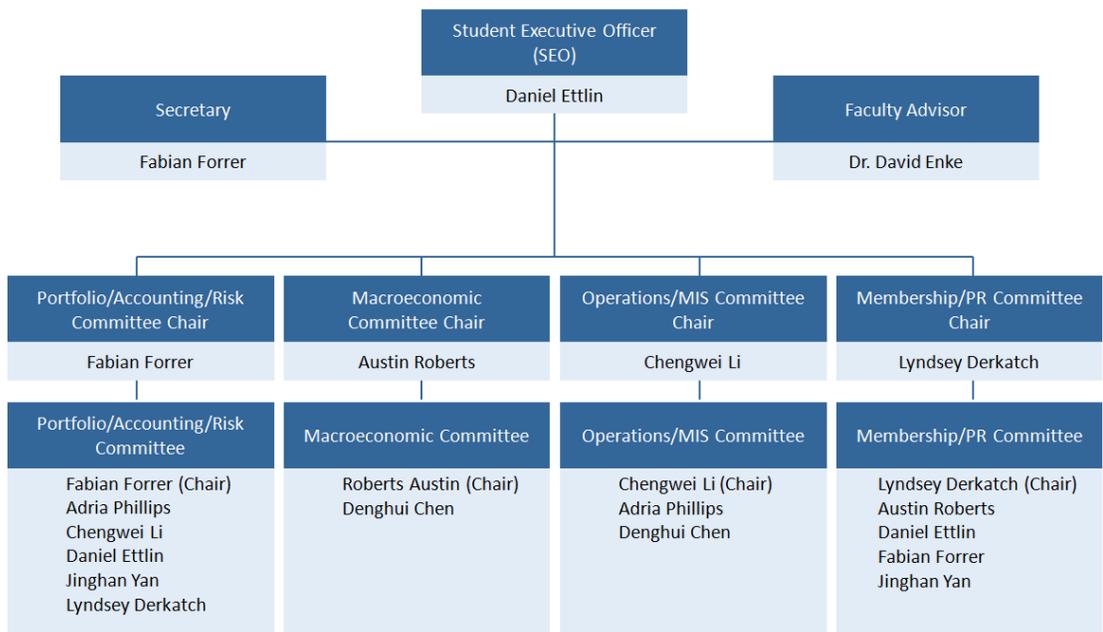
We had the pleasure to have Mr. Rod Sailor, Mr. Brady Pringle and Mr. Tom Warburton as guest speakers in the SIF class. They provided the SIF analysts with interesting insights about the world of finance and shared their views on the present economic environment.

NEXT SEMESTER

The Spring 2011 SIF class currently has 14 students enrolled, of which 10 are undergraduate students and 4 are graduate students.



ORGANIZATIONAL STRUCTURE OF THE SIF



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LOOKING FORWARD

Since divergent views exist considering the current market recovery, it is important for the SIF student analysts to be sensitive to significant risks and design the portfolio accordingly. In the future, it will also be worth further considering investment style, international exposure, and sector weighting. Currently, the SIF portfolio is comprised of a number of growth stocks from S&P 500 companies or companies with market capitalizations over \$2 billion. Further classes are expected to seek out more value stocks, and continue looking at emerging market ETFs.

Global economic stabilization and development are subject to risk factors including the debt crisis in Europe, tensions in Korea, and inflationary pressures in China. Worries about these processes and the overall sustainability of the markets will keep the economic environment challenging in the future. The Fall 2010 class has positioned the fund to perform well relative to the S&P 500. We are very confident that the diligent efforts that defined our program will be continued in the future and that the SIF will outperform the S&P 500 in the years to come.

The Fall 2010 Student Investment Fund would like to give special thanks to all of our supporters and contributors who make the Fund possible.

Visit our website at: <http://bus.collins.utulsa.edu/sif/>

Write to us!
 We would like to hear from you!

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