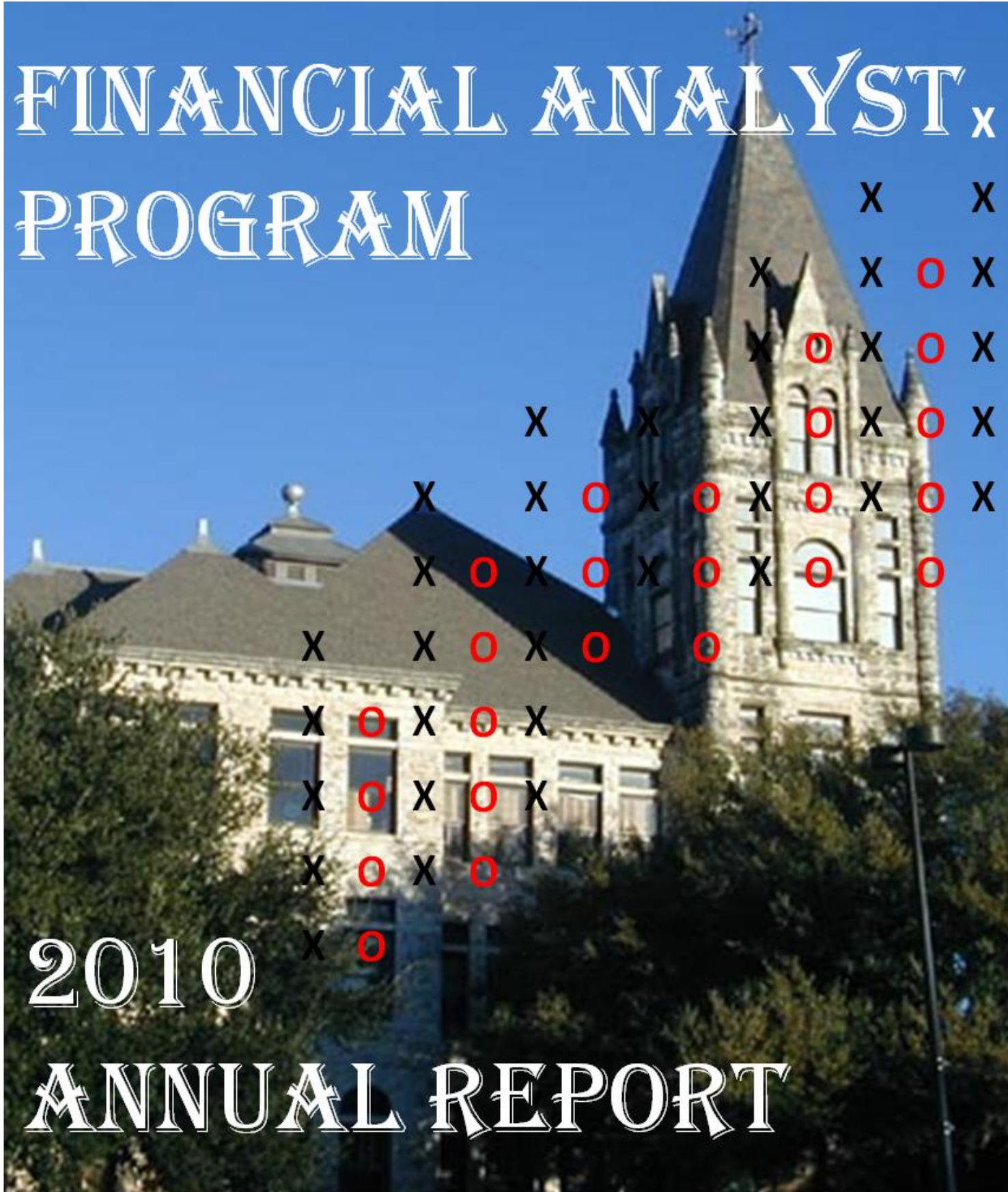


# SOUTHWESTERN

## FINANCIAL ANALYST PROGRAM



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2010

ANNUAL REPORT

# UNIVERSITY

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## *Letter to the Shareholders*

*Dear Fellow Shareholders:*

Congratulations on being a part of another successful year with Southwestern University's Financial Analyst Program (FAP)! We are proud to inform you that the FAP portfolio successfully outperformed the S&P 500, our performance benchmark, on both a risk-adjusted basis and a total return basis. On an absolute basis, the FAP portfolio returned an outstanding 15.5% while the S&P 500 only returned 13.9%. The Sharpe and Treynor risk-adjusted performance measures are used for this comparison and both yielded a victory for the FAP portfolio. Using the Sharpe Measure, the FAP portfolio earned a 0.37 return premium per unit of risk as compared to the S&P 500's 0.17. Using the Treynor Measure, the FAP portfolio returned 0.023 per unit of risk, compared to the S&P 500's scanty 0.010.

In 2010 the market continued the robust recovery in motion from the end of 2009. By May, however, the strong bull market went into correction just as we were forced to leave school and lower our defenses. Even so, our diligent sell point establishment protected most of the profits we earned in the preceding months and we shifted toward the sidelines as the market fluctuated violently downward. As the summer came to a close, the market returned to an uptrend and we took full advantage and by the end of the year were completely invested with less than \$1000 in cash on hand.

It certainly was a successful year and we are looking forward to the great year ahead! We hope you find this report informative and it encourages your continued support of the Financial Analyst Program for years to come.

Sincerely,

Southwestern University Financial Analyst Program

March 3, 2011



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## *About the Financial Analyst Program*

The Financial Analyst Program (FAP) is an undergraduate business curriculum that provides an opportunity for a small group of outstanding Southwestern University (SU) students to work closely with business faculty and industry professionals to develop their skills and experiences as financial analysts. Students are offered intensive, hands-on experiences in applying the concepts of financial analysis and common stock selection and valuation in decision contexts similar to those found in the investments world.

Professor A.J. Senchack, holder of the Lucy King Brown Chair in International Business, designed, developed, and introduced this business curriculum during the 1998-99 academic year. He also initiated a request to create a student-run investment fund, subject to its approval by the SU Board of Trustees. In March 1999, the Fiscal Affairs Committee and Board of Trustees approved this request and authorized the creation of the “Southwestern University Student Investment Fund.” In addition, the Board also authorized the transfer of \$200,000 in SU endowment monies to the FAP as its initial investable funds. The first investment of the Financial Analyst Program was made on March 1, 2000, in Lowe’s Companies, Inc.

During the academic year, student analysts enroll as a cohort in two business courses—Investments in the fall semester and then Portfolio Management or Corporate Financial Management in the spring semester. Students learn how to assess the operating, financial, and investment performance of companies as well as make financial projections using a company’s recent operating history relative to its peer group of competitors. Both fundamental and technical analyses are used by the student analysts. In the spring semester, an honors or independent research study can also be performed, under the supervision of Professor A. J. Senchack. This study permits a student to fashion an individual-specific project that further enhances his/her financial skills in a particular area of interest such as industry structural analysis, financial markets, or security valuation.

In addition, throughout the entire academic year, the student analysts are responsible for managing the now \$330,000 investment portfolio that is part of SU’s endowment. This part of the Program benefits from dedicated, state-of-the-art computer equipment and facilities, telecommunications infrastructure, and electronic and hard copy financial databases for evaluating and selecting common stocks for the FAP portfolio. The objective is to earn a risk-adjusted return greater than the FAP Portfolio’s benchmarks—the S&P 500 Composite Index and the average large-cap growth mutual fund manager.

This program represents a serious, one-year commitment that requires significant time outside the classroom. Therefore, the Program seeks highly-motivated and committed students to carry out all its investment needs.

## *Portfolio Manager and Officers*



Left to Right- Bottom Row: Ross Harrison, Alex Blake, Jack Parker; Middle Row: Alex Keller, Tim Hord, Jonathan Cartmill; Top Row: Eric Kegley, Brantley Freeman, Dr. A.J. Senchack

### *Officer Positions*

**Accountant, Brantley Freeman:** The accountant monitors the FAP portfolio's performance and on a monthly basis he reports on the portfolio and its benchmarks. As well, he calculates the returns realized with each transaction and prepares the financial statements for the program.

**Economist, Alex Blake:** The economist follows all of the news relating to the market and on a monthly basis issues a report covering the prior month's major events. He is charged with following only the most important indicators and identifying major trends occurring in the market.

**Editor of the Annual Report, Alex Keller:** The editor of the annual report oversees the creation of all its individual sections and orchestrates the report's formulation. After reviewing each member's contribution, he compiles the pieces into the masterpiece you see before you.

## Officer Positions, Cont'd

**Market Technician, Tim Hord:** The market technician carefully monitors our primarily technical database, published by Dorsey-Wright, and interprets this information for the group as developments occur and on a monthly basis. He identifies the major technical trends developing and suggests the best manner to leverage those trends and achieve optimal returns.

**Office Manager, Eric Kegley:** The office manager keeps records of all the information regarding our activities and ensures easy access to those materials. He monitors all members' duties, including monthly reports, earnings releases and other investment-related information.

**Portfolio Manager(s), Ross Harrison & Jack Parker:** The portfolio manager does not only set the agenda for each meeting and conduct them, but he leads the members and motivates all constituents to stay on top of their jobs and as analysts. As well, he must monitor the portfolio as a whole, as no other member does, looking at the individual securities and their correlations to identify the best direction in which to go.

**Public Relations, Jack Parker:** The public relations individual heads FAP recruitment, primarily in the spring, developing a brochure, contacting faculty members to speak in their classes, and conversing with and interviewing potential recruits. Finally, he also monitors the technical attributes of our investments in the Dorsey-Wright database.

**Secretary, Alex Blake:** The secretary enables communication between FAP members and with outside entities, such as Southwestern faculty, staff and other stakeholders. He also presents an overview of each meeting to the members on a weekly basis.

**Statistician, Alex Keller:** The statistician works with our Morningstar database, examining the breakdown of the FAP portfolio. He analyzes the portfolio based on market capitalization, sector exposure and asset type to identify its relation to our benchmarks. He also uses these insights to identify key current performance drivers and potential trends that could outperform in the future.

**Trader, Eric Kegley:** The trader handles all of our security transactions. He drafts each of the orders that the FAP decides upon and executes them through the business office and Regions bank. He also calculates position sizes and determines the appropriate quantities for each transaction.

**Webmaster, Jonathan Cartmill:** The webmaster handles the FAP online presence, updating our public information enhancing the value and aesthetics of the FAP website.

## *Portfolio Objectives*

The Student Fund Managers seek the highest level of return, while assuming risks similar to the Standard & Poor's (S&P) 500 Composite Index. Managers also recommend a targeted portfolio of stocks from a broad set of industries. Recommendations are done generally through a top-down approach, selecting an attractive industry first, and then the best stock in that industry.

- The fund purchases common stock issues of domestic and international corporations with large market capitalizations. The fund also purchases shares of exchange traded and mutual funds.
- The most critical strategy is the fundamental analysis of potential stocks. The managers examine the financial health of the company, looking for companies with growth potential, strong current liquidity, and undervaluation. Through these examinations, the managers find innovative business models that indicate exceptional growth potential.
- The investment strategy requires detailed economic analysis to identify investment opportunities based on the overall economy.
- Technical analysis plays an important role in the selection of equities. Fund managers study historical price patterns of stocks to determine buy points, sell points, relative strength, and overall timeliness of securities.
- The managers monitor currently held stocks and industries to avoid excessive losses and to identify opportunities to accumulate gains from positively performing industries. The managers set sell points, which adjust to market conditions to help capture profits on successful securities.

## *Portfolio Strategy*

The Fund follows the investment guidelines of the equity funds in Southwestern University's Endowment Funds: to preserve and expand the purchasing power relative to inflation for the future of Southwestern University.

- The Fund attempts to assume risks similar to those of the Standard and Poor's 500 Index (S&P 500). This means the Fund strives for a high return correlation with its benchmark, the S&P 500. Thus, the Fund attempts to maintain a beta near 1.00 relative to the S&P 500.
- The Fund looks to realize the highest level of return, consistent with its benchmark's risk level.
- The Fund seeks a turnover rate of less than 100%. The Fund needs a healthy rate of turnover to achieve its goal of capital growth, but excessive turnover violates the Fund's long-term appreciation strategy and diminishes returns through transaction costs.
- The Fund also attempts to achieve above average risk-adjusted returns based on the Sharpe and Treynor performance ratios. Positive risk-adjusted returns in both of these measures reflect superior results; therefore, the risk-adjusted returns of each measure should be higher than the S&P 500's risk-adjusted return.
- The Fund helps the managers gain valuable experience in creating and maintaining a portfolio and developing financial analysis skills in a real world situation.
- The Fund managers establish buy and sell points to help cut losses by automatically selling portions of a position, or buying additional shares as the stocks cross certain price thresholds.

# *Economic Report*

## *Quarter One*

GDP increased by 3.2% in the first quarter due primarily to revisions in the predictions of growth and the final use of tax credits for housing purchases. Consumers and business investment were the driving factors behind this growth, although it should be noted that net exports dropped.

The unemployment rate decreased from 10.0% to 9.7% while non-farm private jobs increased by 106,000. The Census had a substantial effect on the jobs numbers, as 162,000 census workers were hired in the quarter.

The housing market remained weak into the first quarter due to a decline in building permits and housing starts, but did show other signs of stabilization. The Housing Price Index (HPI) fell by 1.9%, which indicates continuing falling prices on homes.

Inflation remained on a very slight positive trend. The Consumer Price Index (CPI) increased by an annualized 0.1%, core inflation (CPI, less food and energy), actually fell by -0.20%, while the Producer Price Index (PPI) rose by 0.5%. There was fluctuation within the energy sector, although any changes were mostly offset or negating, given the data.

Consumer confidence fell sharply from 56.5 to 46.4 from January to February, and from 46.4 to 52.5 from February to March. This has largely been due to the rather stagnant employment numbers and seemingly ineffective economic stimulus to the nation as a whole.

In order to encourage spending the Fed kept the price of borrowing money low by maintaining its target Federal Funds Rate of 0 - 0.25%. The poor condition of the economy clearly outweighed inflation worries.

Overall the economic outlook during the first quarter was fairly positive with an increase in GDP, a stable, but high, unemployment rate, slight weakness in the housing market, and economic stimulus from the Fed ongoing.

## Quarter Two

GDP increased by 1.6% in the second quarter. This should be viewed in a realist context, so much as growth is still there, but the pace is slowing and it is under the desired 3%. The net export deficit continued to prove frustrating, as it maintained its growth. Smaller gains in inventories, residential spending, and government purchases also played a significant role.

The unemployment rate was maintained at 9.7% and non-farm payroll gained 596,000. Goods and service sectors provided substantial growth, while census hiring still affected the employment situation. Although, towards the end of the quarter, these census jobs offset the positive gains they created earlier, resulting in almost a 300,000 job loss.

The housing market showed positive signs and rebounded slightly as both building permits and housing starts were up. The HPI rose 0.9%, although this is considered an anemic rise.

Inflation turned to deflation this quarter, as the CPI dropped by about -0.44%. The quarter suffered from slight deflation all three months, driven largely from energy costs being pushed down, although once food and energy were removed, the core inflation actually averaged around 1.30%. PPI fell by a negligible -.05%

Consumer confidence averaged about 58 showing a fall from the previous quarter's average, stemming mostly from the concern over the stagnant unemployment rate and the growing regional crisis of the gulf oil spill.

The Fed maintained its target federal funds rate of 0 – 0.25%. Concerns of inflation taking off were low, and improving the uncertain economy's health by stimulating spending was the Fed's main concern.

Overall the economic outlook was negative, and GDP growth was starting to slow. GDP was still positive but approaching negative rates, unemployment was maintained, deflation was appearing to set in, and consumer confidence had fallen, and looking forward, the economy would need to go through a major change in order to get back on track.

## Quarter Three

GDP increased 2.0% in the third quarter of 2010, making a modest gain from what was feared to be slowing GDP growth. Gains in inventory investment picked back up, as did consumer spending, equipment investment, and government purchases. Net exports declined at a slower pace than in the past quarters.

The unemployment rate fell slightly to 9.6%, with non-farm payrolls showing an anemic 2,000 job gain. The declining amount of government jobs contributed to the negative side of things, while many sectors experienced growth, such as private services, education and health services, and healthcare sectors.

The housing market continued its price drop that has characterized the past two quarters. Housing starts continually fell, as did building permit applications. The HPI fell by 1.6% and this represented a quickening rate from the last quarter.

Inflationary pressures remained modest during the third quarter. Consumer prices as measure by the CPI were up an annualized 0.1%. Producer prices, measured by the PPI, were volatile for this quarter and rose overall at an annualized 0.2% rate.

Consumer confidence decreased from the 2nd quarter, dropping to 50.8, this is largely due to the expectation that the labor market is expected to sharply decline. Although, it should be noted that the stock market has also rallied during this quarter, possibly demonstrating that there will be unique problems in the future.

The Federal Reserve decided to keep interest rates low, targeting 0 - .25% in an attempt to address the credit crunch problem along with stimulating economic demand. The effect of their monetary policy seemed to stall the recession, and the economy seemed to have been stuck in a new production and employment equilibrium.

Overall, the economic outlook during the third quarter had mixed results. The nation's GDP increased by 2.0%, nearly matching its average growth rate of 2.2% for the last 80 years, according to the Commerce Department. Recovery may be a possibility, and given 4Q's historically positive economic results, the market may be able to shake the slump it has been in.

## Quarter Four

GDP increased 0.8% in the 4th quarter of 2010 compared to 3rd quarter of 2010, marking a surprising slowing of growth during one of the heaviest consumer spending seasons. Exports (8.5%), software investment (5.8%), and consumer spending (4.4%) mark some of the fastest growing sectors in the economy. It is expected by the Council of Economic Advisors that this growth will continue into 2011, marking a continual growth in GDP and perhaps a more successful year.

The unemployment rate maintained at 9.6%, with non-farm payrolls showing a 293,000 job gain. The private sector was the key driving force, while sectors such as government employment showed declining numbers. Leisure and hospitality, along with healthcare, lead the growth throughout the quarter.

The housing market flat lined its development during the 4th quarter of 2010. Housing starts made little to no gains, and neither did building permits. The HPI maintained its previous levels as well, as there were no changes in the traffic of current or future sales. Restricted financing is speculated to be the problem.

Inflationary pressures remained continually modest during the 4th quarter. Consumer prices as measure by the CPI were up an annualized 0.26%. Producer prices, measured by the PPI, were less volatile this quarter than last and rose overall at an annualized 0.76% rate.

Consumer confidence increased expectedly from the 3rd quarter, rising to 55. This stems largely from a positive December report, showing that spending was increased during the holiday season.

The Federal Reserve kept interest rates low, targeting 0 - .25% in an attempt to address the credit crunch problem along with stimulating economic demand. The 2nd quantitative easing policy took hold this quarter and is expected to boost many markets across the economy as credit should be easier to obtain.

Overall, the economic outlook during the 4th quarter had expected positive results. The nation's GDP increased by 4.2% Y/Y, marking one of the largest Y/Y growth patterns seen since the beginning of the recession. Recovery looks to be more of a possibility, and the predictions for 2011 seem to follow the line of thought that the positive 4th quarter results seen will continue into the new year.

# Stock Market Report

## Quarter One

The market turned bearish during the first quarter of 2010 and was expected to weaken further in the second quarter. Stock prices rallied at the end of the period, but the gains were only enough to offset earlier losses. Overall, the S&P 500 saw minor gains of around 3% for the quarter, while the Dow posted even smaller gains of around 2.5%. Despite the NBER's recent announcement, stating that the recession officially ended in June of 2009, the economy saw minimal signs of recovery throughout the first quarter of 2010. Equities suffered as investors remained wary of future economic stability.

Despite the poor performance of equities, the manufacturing sector of the economy showed strong signs of growth throughout the quarter, and represented a central driving force toward economic recovery. However, the housing sector continued to struggle throughout the beginning months of 2010. Despite a 9% rise in housing starts from the fourth quarter of 2009, new and existing home sales both contracted. An unyielding high unemployment rate, increased mortgage interest rates, and depreciated housing price levels contributed to the this sector's poor performance. These conflicting economic indicators weighed on equities.

## Quarter Two

The second quarter proved a very volatile period for stock prices, with supply and demand struggling for control of the market. The market took a strong bullish position early in the quarter, but quickly reverted back to a weak bearish state. The remainder of the period was characterized by a weak market and huge fluctuations in stock prices. Over the second quarter the S&P 500 fell over 12% and the Dow fell almost 11% from the first quarter. This drastic decline in equities was attributed to low consumer confidence, high unemployment levels, and expected reductions in future dividends.

The market's strong start in the second quarter was partially attributed to continued growth within the manufacturing sector. The ISM index reading increased to slightly over 60 points for April. Growth slowed in May, but all of the ISM index's components maintained strong growth readings, boosting consumer optimism. The end of the period saw the ISM reading fall to 56 as growth in the manufacturing sector continued to slow. Furthermore, price levels for inputs fell drastically as a result of flat energy prices. Overall, strong ISM readings suggested similar future growth in the manufacturing sector. The housing sector continued to show few signs of recovery throughout the quarter, with falling levels of housing starts and building permits reducing consumer confidence. The stock market struggled to overcome these economic barriers.

## Quarter Three

Equities saw signs of recovery during the third quarter of 2010 as a strong bullish market emerged. The S&P 500 and the Dow Jones Industrial Average both had gains of around 11% over the quarter. An unexpected 2.5% increase in GDP, and an unemployment rate hovering between 9.5 and 9.6%, contributed to the quarter's positive growth in equities. GDP growth was mainly due to increases in exports and consumer spending.

Third quarter growth within the manufacturing sector drastically declined, posting the lowest ISM index numbers of the year. While still strong, the August ISM manufacturing index score of 54 only suggested moderate month-to-month growth and slowing expansion. Although these factors present concern for future production and hiring, the strength of the third quarter's ISM index reports supported the positive gains in equity markets.

The housing sector continued to show minimal progress during the third quarter. Amongst falling home prices and fewer building permits, new housing starts and existing-home sales showed positive growth. Despite an overall lackluster quarter, the large increase in new housing starts provides some optimism for the recovery of the housing sector, a large indicator of the recovery of the economy that equity investors watch closely.

## Quarter Four

Equity markets continued strengthening throughout the fourth quarter of 2010. Over the quarter the S&P 500 increased 9.7%, while the Dow grew 6.9%. US equity markets experienced increasingly strong bullish trends throughout the fourth quarter. In particular, small & Mid-cap ETF's saw large growth over the quarter. The NYSE Bullish Percent level saw the greatest change with a 14% increase, ending the year with 78% of stocks on a buy signal. Although markets are approaching overbought levels, demand currently shows few signs of slowing. Along with strong market performance, GDP growth increased to 3.2% in the fourth quarter as the US economy slowly recovers.

The ISM manufacturing Index saw improved month-to-month growth from the previous quarter and maintained solid growth levels. Fourth quarter employment scores indicated strong growth of manufacturing hires, even after contracting slightly in December. Production also reported very strong levels, and despite indications of increasing costs of production, fourth quarter ISM manufacturing index reports suggested continued growth going into 2011.

While still weak, the housing sector experienced promising increases in demand during the fourth quarter. New and existing home sales ended the year on a positive note, as did building permits and housing completions, but all still trailed 2009 levels. Despite low mortgage credit levels, a combination of low interest rates, stabilizing housing prices, and affordable home price levels helped spark housing demand during the final quarter of 2010. With housing finally recovering, we were optimistic about the direction of the markets.

# *Short Term Strategy and Sector Allocation*

## *Quarter One*

We began the year with 79% invested in U.S. stocks, 4% in cash, and 17% in foreign stocks. In January, our portfolio was overweighted in the Healthcare, holding 20.53%, and Energy, holding 17.85%, sectors, as the S&P 500 held 12.42% and 11.77% respectively. We remained overweighted in these sectors through March. We were underweighted in the Hardware and Consumer Goods sectors. By the end of March our cash position had increased to 9% of portfolio. Our sector weighting showed no real benefit as the S&P 500 had a return of 3.21% and our portfolio had a 3.02% return.

## *Quarter Two*

In the beginning of May the S&P 500 began to enter a correction period, falling 16% by the end of June. Before the S&P 500 downturn in April, our portfolio stood at 22% foreign stocks, 76% U.S. equities and 2% cash. By the end of May we held nearly 40% cash as many of our investments hit their sell points early in the summer month due to the downturn. Our high cash position helped in this quarter as the S&P 500 was down 6.65% YTD and the FAP portfolio was down -5.4% YTD.

## *Quarter Three*

The S&P 500 began to recover in July, only to decline once again in August; however, not below its July lows. By August, the portfolio was at 48% cash, 41% U.S. equities and 10.5% foreign stocks. Our return for the year was -4.47%, better than the S&P 500's of -7.5%. In September the S&P 500 showed signs of a return of the bulls. At the end of September our portfolio consisted of 38% cash, 52% U.S. equities and 9% international stock. Our high cash position held our returns lower, as the S&P 500 rebounded for a YTD return of 2.34% and our portfolio dragged along at 1.64% YTD.

## *Quarter Four*

We attempted to move quickly into the market to catch the uptrend. By the end of October we held only 10% cash. 63% of our portfolio remained in the U.S. and Canada and 27% in foreign stocks. We overweighted Energy, Healthcare, and Software. Both Software and Energy performed above average, allowing us to nearly catch up to the S&P 500 YTD returns of 5.89%, with our portfolio achieving 5.67%. We were underweight in the Consumer Goods and Media sectors, which only performed average compared to the market.

By November we were down to 0% cash as the market continued its upward trend. We held 87% in U.S. stocks and 14% in foreign stocks. We were overweight in the Software and Hardware industries, holding 15.80% and 19% respectively, while the S&P 500 held 7% and 11% respectively. We were underweight in the industrial materials industry relative to the S&P 500. The S&P 500 was up 11% for the year. Our positions and buys in this quarter allowed us to have a yearly return of 15.61%.

## *Best and Worst Investment Ideas of 2010*

Every Thursday in the sunny corner of Mood Bridwell Hall, the financial analyst group meets for our weekly meeting. The hour long session is best described as a lightning storm of information. We digest market updates from the previous week, look forward into clouds of uncertainty, and attempt to select securities that will weather the storm and outperform their peers. Many of our selections have performed in line with our expectations, a few have exceeded our hopes, and some have failed to grow in to the star performers we hoped for.

Coach, inc. is a marketer of fine accessories and gifts for women and men. Coach's product offerings include handbags, women's and men's accessories, footwear, business cases, jewelry, wearables, sunwear, travel bags, fragrance and watches. The Program bought its first full position in Coach (COH) in December 2009, a time when the market was still very uncertain of the future. Few would consider buying a luxury goods manufacturer in the depths of the recession. Consumers were barely spending enough to keep the economy on life support, who would expect people to spend hundreds of dollars on brand-name handbags? By the end of Q1 2010 The Program already had an unrealized gain in COH of around 10%, and despite some rough patches over the summer, The Program purchased another half position in October. Today COH is one of three stocks in our portfolio with an unrealized gain of over 40%. This would not have been possible without our willingness to confront risk, and buy COH when it had limited prospects and a deeply discounted price tag.

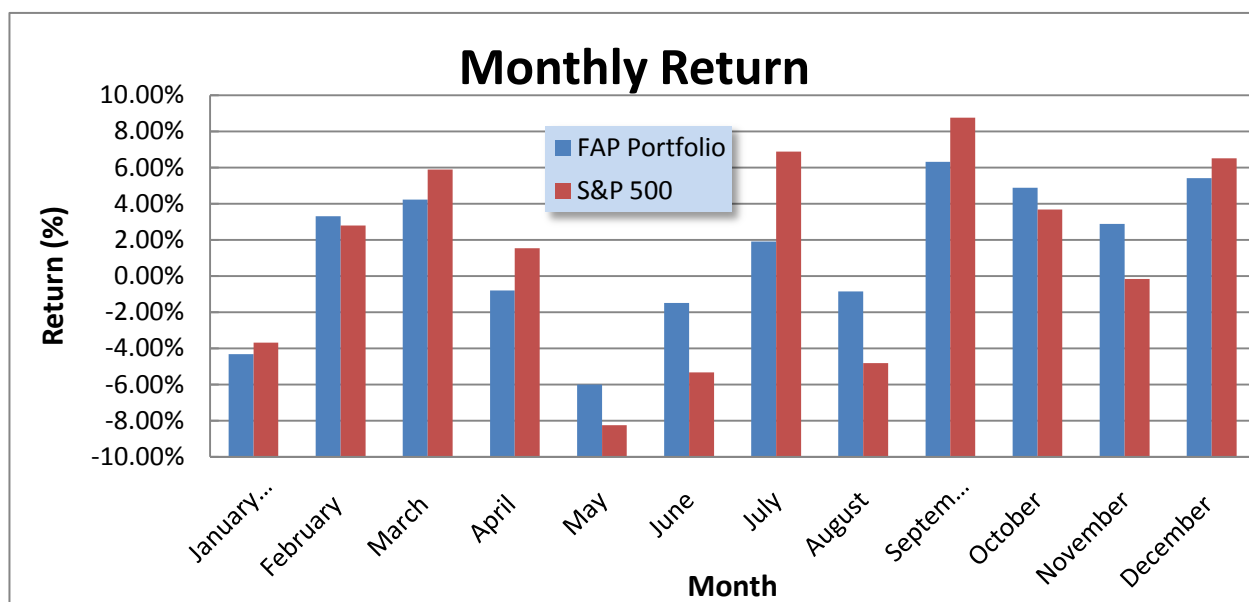
The Program's worst investment idea actually stems from a lack of ideas. In investing, holding pure cash instead of securities is equivalent to not playing the game. When the market is falling, holding cash prevents losses. When the market is climbing however, holding cash means missing out on all the gains. One tactic to avoid missing out is to put cash into an index fund, which will track the performance of the securities it represents. The Program held cash in one such index fund, FISPX, which tracks the S&P 500. This investment was a good idea, however during this semester we saw the appreciation of many securities that were undervalued from the recession. Nearly every stock that we purchased this semester outperformed our benchmark. Keeping money in FISPX when we could have put it into other faster growing securities dragged down on our overall performance.

These decisions highlight both ends of the spectrum, and although not every decision we make will be correct one thing will never change about the Financial Analyst Program, every losing purchase will teach you just as much as the winners.

## Financial Analyst Portfolio Monthly Return

The FAP Portfolio earned an average monthly return of 1.29% and an annual return of 15.46% in 2010. Comparatively, S&P 500 earned only an average monthly return of 1.15% and an annual return of 13.84% over the same period. Listed below are the monthly values for the FAP portfolio and the S&P 500 and the corresponding return.

Month Ending	Portfolio Cash Value	Portfolio Equities Value	Total Portfolio Value	S&P 500 Value	Portfolio Monthly Change	S&P 500 Monthly Change
December 2009	\$7,104	\$308,670	\$315,774	\$1,115		
January 2010	8,017	294,094	302,111	1,074	-4.33%	-3.68%
February	28,980	283,110	312,090	1,104	3.30%	2.79
March	29,981	295,321	325,302	1,169	4.23%	5.89
April	5,945	316,756	322,701	1,187	-0.80%	1.54
May	123,693	179,655	303,348	1,089	-6.00%	-8.26
June	124,155	174,661	298,816	1,031	-1.49%	-5.33
July	124,191	180,333	304,524	1,102	1.91%	6.89
August	145,955	155,949	301,904	1,049	-0.86%	-4.81
September	123,390	197,561	320,951	1,141	6.31%	8.77
October	34,079	302,572	336,651	1,183	4.89%	3.68
November	6,652	339,705	346,357	1,181	2.88%	-0.17
December	989	364,100	365,089	1,258	5.41%	6.52
<b>Average Return</b>					<b>1.29%</b>	<b>1.15%</b>
<b>Annual Return</b>					<b>15.46%</b>	<b>15.06%</b>



## *Sharpe and Treynor Risk-Adjusted Performance*

The following table contains the Sharpe and Treynor risk-adjusted performance measures for the Financial Analyst Program Portfolio and the S&P 500 for 2010.

	<b>Risk-Free Rate</b>	<b>FAP Portfolio</b>	<b>S&amp;P 500</b>
<b>Average Monthly Return</b>	<b>0.14%</b>	<b>1.51%</b>	<b>1.15%</b>
<b>Standard Deviation</b>		<b>0.037</b>	<b>0.059</b>
<b>Portfolio Beta</b>		<b>0.59</b>	<b>1.00</b>
<b>Sharpe Risk Adjusted Return</b>		<b>0.37</b>	<b>0.17</b>
<b>Treynor Risk Adjusted Return</b>		<b>0.023</b>	<b>0.010</b>

The Sharpe measure starts with the average risk premium, which is found by taking the average monthly portfolio return minus the average monthly risk-free rate, or 1.37%. This risk premium is then divided by the portfolio standard deviation of monthly returns, 3.7%. The resulting Sharpe risk-adjusted performance value of 0.37 for our portfolio compared to the 0.17 value for the S&P indicates that our portfolio produced a higher risk-adjusted return (or earned a higher excess return per unit of risk) than our benchmark the S&P 500 Index did.

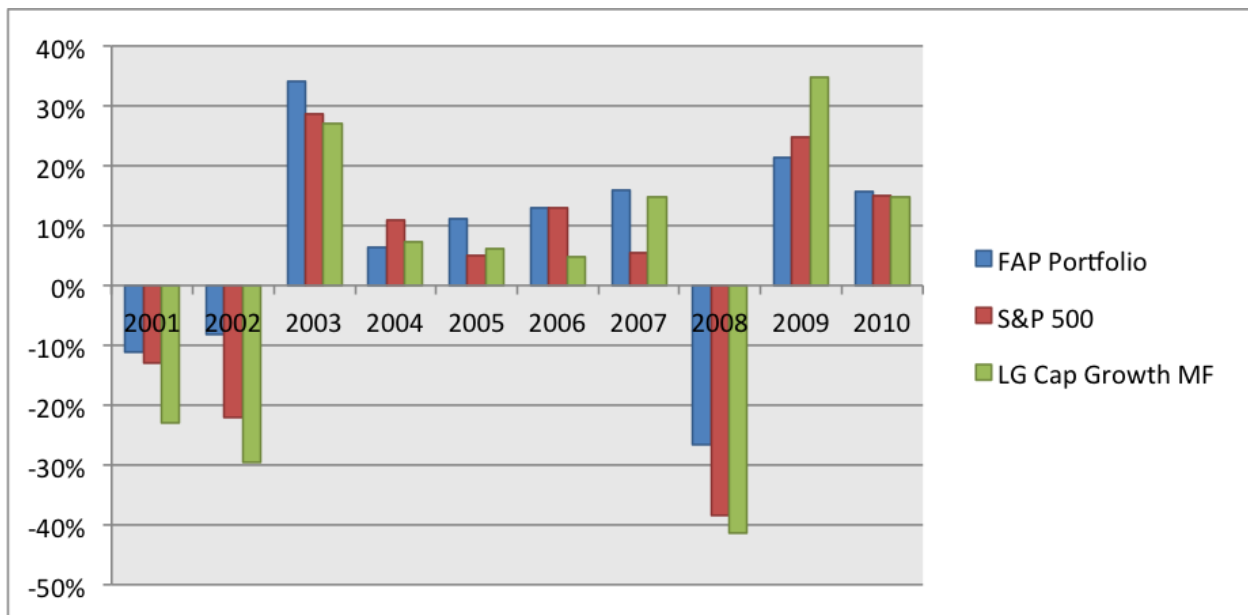
The Treynor measure also begins with the same average risk premium as found with the Sharpe measure. This average risk premium is then divided by the portfolio's systematic or beta risk, 0.59. The resulting portfolio value of 0.023, compared to 0.010 of the S&P 500 Index, indicates that our portfolio, once again, ranked higher than or outperformed the aggregate market on a risk-adjusted return basis.

Thus, the FAP portfolio outperformed our market benchmark on an absolute, monthly average return basis, 1.51% vs. 1.15%, total return basis, 15.5% vs. 13.8%, and risk-adjusted basis. Even though we had less volatility than the S&P 500 and thus took less risk, as judged by our respective standard deviations, our processes and stock selecting prowess enabled us to outperform on all accounts!

## Historical Performance Comparison

In fiscal 2010, the FAP portfolio had a very strong year, beating both of our benchmarks: the S&P 500 Index and Large Cap Growth Mutual Fund Average. However, because large cap stocks helped lead the market recovery, our portfolio tracked these benchmarks more closely than usual. Some of the large-cap stocks that were the front-runners in the FAP portfolio were IBM, COH, INFA, PNQI, PGX, and TEVA.

The FAP portfolio outperformed both benchmarks through international exposure and positions in fixed income securities and commodities. The FAP's positions in securities such as GLD, PALL, SIVR, PNQI, CRBQ, and ETGIX diversified the portfolio to maximize return during downturns and the 2010s stagnant periods.



Year	FAP Return	S&P 500 Return	LG Cap Growth MF Return
2001	-11.1%	-13.0%	-22.9%
2002	-8.1%	-22.1%	-29.6%
2003	34.1%	28.7%	27.0%
2004	6.3%	10.9%	7.2%
2005	11.2%	4.9%	6.2%
2006	13.1%	13.0%	4.7%
2007	16.0%	5.5%	14.8%
2008	-26.6%	-38.5%	-41.4%
2009	21.4%	24.7%	34.9%
2010	15.6%	15.1%	14.8%

## Portfolio Financial Statements

The following tables detail the Portfolio's holdings and market values at the end of each quarter of 2010. Additionally, the tables present the 2010 quarterly returns. In 2010, the Portfolio had positive returns in every quarter except the second, which posted an 8.14% decrease from the first quarter. The highest quarterly return in 2010 occurred in the third quarter, with a 7.41% increase, due to the strong market rally occurring from more positive economic reports.

The Portfolio tended to hold, on average, 15 securities per quarter, with the most being the 24 securities held during the fourth quarter.

### Quarter One, Ended March 31, 2010

	Ticker	Shares	Cost per Share	Cost Basis	Price per Share	Market Value
<b>Cash and Cash Equivalents</b>				\$29,980.89		\$29,980.89
<b>Equities:</b>						
AFLAC INC	AFL	350	\$46.78	16,373	\$54.29	19,002
COACH INC	COH	200	36.34	7,267	39.52	7,904
EATON VANCE GREATER INDIA FUND	ETGIX	716	22.28	15,942	24.15	17,280
EXPRESS SCRIPTS INC	ESRX	200	83.14	16,629	101.76	20,352
FEDERATED MAX-CAP INSTL FD	FISPX	2909	15.23	44,297	12.65	36,803
INFORMATICA CORP	INFA	300	26.98	8,094	26.89	8,067
INTERNATIONAL BUSINESS MACHINES	IBM	150	103.29	15,494	128.25	19,238
MARKET VECTORS -COAL ETF	KOL	450	34.58	15,561	37.71	16,970
MARKET VECTORS AGRIBUSINESS	MOO	175	42.38	7,416	45.10	7,893
POWERSHARES NSDQ INTERNET ETF	PNQI	600	25.22	15,132	27.61	16,564
POWERSHARES DB BASE METALS	DBB	400	20.56	8,224	22.51	9,004
POWERSHARES PREFERRED PORT	PGX	1300	10.75	13,981	13.95	18,135
PRICELINE.COM INC	PCLN	30	255.56	7,667	255.00	7,650
SOUTHWESTERN ENERGY CO	SWN	407	35.21	14,329	40.72	16,573
SPDR GOLD TRUST	GLD	170	93.32	15,864	108.95	18,522
TEVA PHARMACEUTICAL INDS	TEVA	335	46.28	15,505	63.08	21,132
VANGUARD DIV GRWTH FUND	VDIGX	1003	11.60	11,630	13.59	13,625
VANGUARD INTL INDEX FUND	VGTSX	1409	12.75	17,962	14.63	20,611
<b>Total Common Stocks</b>				<b>\$267,511</b>		<b>\$295,321</b>
<b>Total Assets</b>				<b>\$297,492</b>		<b>\$325,302</b>

Beginning Portfolio Value (12/31/09)		\$315,774
Ending Portfolio Value (3/31/10)		\$325,302
<b>% Change for 1st Quarter 2010</b>		<b>3.02%</b>

## Quarter Two, Ended June 30, 2010

	Ticker	Shares	Cost per Share	Cost Basis	Price per Share	Market Value
<b>Cash and Cash Equivalents</b>				\$124,155		\$124,155
<b>Equities:</b>						
AFLAC INC	AFL	175	\$46.78	8,187	\$42.67	7,467
COACH INC	COH	200	36.34	7,267	36.55	7,310
EATON VANCE GREATER INDIA FUND	ETGIX	716	22.28	15,942	23.84	17,058
EXPRESS SCRIPTS INC	ESRX	400	41.57	16,629	47.02	18,808
FEDERATED MAX-CAP INSTL FD	FISPX	2922	15.21	44,440	11.15	32,576
INFORMATICA CORP	INFA	300	26.98	8,094	23.88	7,164
INFOSYS TECHNOLOGIES LTD	INFY	250	61.93	15,483	59.91	14,978
INTERNATIONAL BUSINESS MACHINES	IBM	150	103.29	15,494	123.48	18,522
POWERSHARES NSDQ INTERNET ETF	PNQI	300	25.22	7,566	25.11	7,533
SPDR GOLD TRUST	GLD	170	93.32	15,864	121.68	20,686
TEVA PHARMACEUTICAL INDS	TEVA	200	45.16	9,032	51.99	10,398
VANGUARD DIV GROWTH FUND	VDIGX	1003	11.60	11,630	12.13	12,161
<b>Total Common Stocks</b>				<b>\$175,626</b>		<b>\$174,661</b>
<b>Total Assets</b>				<b>\$299,781</b>		<b>\$298,816</b>

Beginning Portfolio Value (3/31/10)		\$325,302
Ending Portfolio Value (6/30/10)		\$298,816
<b>% Change for 2nd Quarter 2010</b>		<b>-8.14%</b>

Stock Splits				
Company Name	Ticker	Date	Shares Owned	Type of Split
Express Scripts Inc.	ESRX	6/8/2010	200	2 for 1

## Quarter Three, Ended September 30, 2010

	Ticker	Shares	Cost per Share	Cost Basis	Price per Share	Market Value
<b>Cash and Cash Equivalents</b>				\$123,390		\$123,390
<b>Equities:</b>						
AFLAC INC	AFL	325	\$48.95	15,910	\$51.71	16,806
COACH INC	COH	200	36.34	7,267	42.96	8,592
COGNIZANT TECHNOLOGY SOLUTIONS	CTSH	225	59.00	13,274	64.47	14,506
DOLLAR TREE INC	DLTR	150	46.50	6,975	48.76	7,314
EATON VANCE GREATER INDIA FUND	ETGIX	716	22.28	15,942	28.08	20,092
FEDERATED MAX-CAP INSTL FD	FISPX	2935	15.20	44,601	12.35	36,242
INFORMATICA CORP	INFA	300	26.98	8,094	38.41	11,523
INFOSYS TECHNOLOGIES LTD	INFY	130	61.93	8,051	67.31	8,750
INTERNATIONAL BUSINESS MACHINES	IBM	150	103.29	15,494	134.14	20,121
POWERSHARES NSDQ INTERNET ETF	PNQI	300	25.22	7,566	32.29	9,687
PRICELINE.COM INC	PCLN	25	315.12	7,878	348.34	8,709
SPDR GOLD TRUST	GLD	170	93.32	15,864	127.91	21,745
VANGUARD DIV GROWTH FUND	VDIGX	1003	11.60	11,630	13.44	13,475
<b>Total Common Stocks</b>				<b>\$178,546</b>		<b>\$197,561</b>
<b>Total Assets</b>				<b>\$301,936</b>		<b>\$320,951</b>

Beginning Portfolio Value (6/30/10)		\$298,816
Ending Portfolio Value (9/30/10)		\$320,951
<b>% Change for 3rd Quarter 2010</b>		<b>7.41%</b>

## Quarter Four, Ended December 31, 2010

	Ticker	Shares	Cost per Share	Cost Basis	Price per Share	Market Value
<b>Cash and Cash Equivalents</b>				\$989		\$989
<b>Equities:</b>						
AFLAC INC	AFL	325	\$48.95	15,910	\$56.43	18,340
ALPS ETF JEFF. TR/J CRB GLOB. COM. INDEX FND	CRBQ	180	45.35	8,163	49.58	8,924
ALTERA CORP	ALTR	530	30.38	16,101	35.58	18,857
BJ'S RESTAURANTS INC	BJRI	275	29.74	8,178	35.43	9,743
COACH INC	COH	380	40.22	15,284	55.31	21,018
COGNIZANT TECHNOLOGY SOLUTIONS	CTSH	225	59.00	13,274	73.29	16,490
DECKERS OUTDOOR CORP	DECK	300	54.14	16,242	79.74	23,922
DIRECTV	DTV	200	42.50	8,500	39.93	7,986
DOLLAR TREE INC	DLTR	150	46.50	6,975	56.08	8,412
EATON VANCE GREATER INDIA FUND	ETGIX	716	22.28	15,942	28.21	20,185
ETFs PALLADIUM TRUST	PALL	125	69.66	8,708	79.86	9,982
ETFs SILVER TRUST	SIVR	300	26.64	7,992	30.73	9,219
FEDERATED MAX-CAP INSTL FD	FISPX	2366	13.47	31,859	12.97	30,688
GENESSE & WYOMING INC	GWR	180	43.42	7,816	52.95	9,531
GT SOLAR INTERNATIONAL INC	SOLR	950	8.28	7,866	9.12	8,664
INFORMATICA CORP	INFA	500	32.20	16,100	44.03	22,015
INFOSYS TECHNOLOGIES LTD	INFY	130	61.93	8,051	76.08	9,890
INTERNATIONAL BUSINESS MACHINES	IBM	150	103.29	15,494	146.76	22,014
MARKET VECTORS -COAL ETF	KOL	140	44.88	6,283	47.24	6,614
POWERSHARES NSDQ INTERNET ETF	PNQI	300	25.22	7,566	34.69	10,407
PRICELINE.COM INC	PCLN	50	334.81	16,740	399.55	19,978
SPDR GOLD TRUST	GLD	170	93.32	15,864	138.72	23,582
UNION PACIFIC CORP	UNP	200	81.90	16,379	92.66	18,532
WHOLE FOODS MKT INC	WFMI	180	49.05	8,829	50.59	9,106
<b>Total Common Stocks</b>				<b>\$300,117</b>		<b>\$364,101</b>
<b>Total Assets</b>				<b>\$301,106</b>		<b>\$365,089</b>

Beginning Portfolio Value (9/30/10)		\$320,951
Ending Portfolio Value (12/31/10)		\$365,089
<b>% Change for 4th Quarter 2010</b>		<b>13.75%</b>

## Portfolio Activity – Purchase Transactions

	Company Name	Ticker	Date	Shares	Price	Outlay	
<b>Quarter 1</b>	ISHARES SILVER TR	SLV	01/20/10	350	\$18.36	\$6,426	
	INFORMATICA CORP	INFA	03/31/10	300	26.90	8,070	
	PRICELINE.COM, INC	PCLN	03/31/10	30	255.48	7,664	<b>\$22,160</b>
<b>Quarter 2</b>	STRYKER CORP	SYK	04/08/10	150	57.65	8,648	
	INFOSYS TECHNOLOGIES LTD	INFY	04/26/10	250	61.85	15,463	<b>24,110</b>
<b>Quarter 3</b>	COGNIZANT TECHNOLOGY SOLUTIONS	CTSH	08/04/10	100	53.64	5,364	
	Dollar Tree, Inc.	DLTR	09/10/10	150	46.42	6,963	
	PRICELINE.COM, INC	PCLN	09/10/10	25	315.04	7,876	
	COGNIZANT TECHNOLOGY SOLUTIONS	CTSH	09/21/10	125	63.14	7,893	
	AFLAC INC	AFL	09/21/10	150	51.41	7,712	<b>35,807</b>
<b>Quarter 4</b>	ALTERA CORP	ALTR	10/05/10	530	30.30	16,059	
	GENESSE & WYOMING INC	GWR	10/05/10	180	43.34	7,801	
	UNION PACIFIC CORP	UNP	10/05/10	200	81.82	16,363	
	PRICELINE.COM, INC	PCLN	10/20/10	25	354.41	8,860	
	BJ'S RESTAURANTS INC	BJRI	10/20/10	275	29.66	8,157	
	DECKERS OUTDOOR CORP	DECK	10/20/10	300	54.06	16,218	
	COACH INC	COH	10/20/10	180	44.46	8,003	
	GT SOLAR INTERNATIONAL INC	SOLR	10/26/10	950	8.20	7,790	
	INFORMATICA CORP	INFA	11/01/10	200	39.95	7,990	
	ALPS ETF JEFF. TR/J CRB GLOB. COM. INDEX FND	CRBQ	11/03/10	180	45.27	8,149	
	ETFs SILVER TRUST	SIVR	11/12/10	300	26.56	7,968	
	ETFs PALLADIUM TRUST	PALL	11/12/10	125	69.58	8,698	
	DIRECTV	DTV	11/23/11	200	42.42	8,484	
	MARKET VECTORS -COAL ETF	KOL	12/07/11	140	44.80	6,272	
	WHOLE FOODS MKT INC	WFMI	12/08/11	180	48.97	8,815	<b>145,625</b>
					<b>Total</b>	<b>\$227,703</b>	

## Portfolio Activity – Sales Transactions

	Company Name	Ticker	Date	Shares	Price	Outlay	
<b>Quarter 1</b>	THERMO FISHER SCIENTIFIC, INC	TMO	01/20/10	150	\$48.48	\$7,272	
	FACTSET RESEARCH SYSTEMS, INC	FDS	02/03/10	125	63.85	7,981	
	MARKET VECTORS AGRIBUSINESS	MOO	02/03/10	175	42.14	7,375	
	ISHARES SILVER TR	SLV	02/03/10	350	15.87	5,555	
	PROSHARES ULTRA SHORT 7-10	PST	03/02/10	280	51.02	14,286	
	PROSHARES ULTRA SHORT 20+	TBT	03/02/10	45	47.73	2,148	<b>44,616</b>
<b>Quarter 2</b>	VANGUARD INTL INDEX FUND	VGTSX	05/03/10	1,409	14.38	20,258	
	POWERSHARES PREFERRED PORT	PGX	05/05/10	1,300	13.83	17,979	
	SOUTHWESTERN ENERGY CO	SWN	05/05/10	407	38.76	15,775	
	PRICELINE.COM, INC	PCLN	05/25/10	30	183.84	5,515	
	POWERSHARES DB BASE METALS	DBB	05/25/10	400	18.32	7,328	
	MARKET VECTORS -COAL ETF	KOL	05/25/10	450	29.88	13,447	
	MARKET VECTORS AGRIBUSINESS	MOO	05/25/10	175	37.47	6,557	
	STRYKER CORP	SYK	05/25/10	150	54.68	8,202	
	POWERSHARES NSDQ INTERNET ETF	PNQI	05/25/10	300	26.06	7,818	
	TEVA PHARMACEUTICAL INDS	TEVA	05/25/10	135	56.11	7,575	
	AFLAC INC	AFL	05/25/10	175	43.12	7,546	<b>118,001</b>
<b>Quarter 3</b>	EXPRESS SCRIPTS INC	ESRX	08/04/10	400	44.39	17,756	
	TEVA PHARMACEUTICAL INDS	TEVA	08/04/10	200	47.12	9,424	
	INFOSYS TECHNOLOGIES LTD	INFY	09/21/10	120	64.72	7,766	<b>34,946</b>
<b>Quarter 4</b>	VANGUARD DIV GROWTH FUND	VDIGX	11/19/10	1,003	13.90	13,936	
	FEDERATED MAX-CAP INSTL FD	FISPX	12/03/10	691	13.27	<u>9,170</u>	<b>23,106</b>
					<b>Total</b>	<b>\$220,669</b>	

## Portfolio Activity – Cash Dividends Received

	Company Name	Ticker	Shares	Div/Share	Cash Received	
<b>Quarter 1</b>	AFLAC INC	AFL	350	\$0.28	\$98	
	COACH INC	COH	200	0.08	15	
	FEDERATED MAX-CAP INSTL FD	FISPX	2909	0.05	143	
	INTERNATIONAL BUSINESS MACHINES	IBM	150	0.55	83	
	POWERSHARES PREFERRED PORT	PGX	1300	0.24	306	
	TEVA PHARMACEUTICAL INDS	TEVA	335	0.19	62	<b>706</b>
<b>Quarter 2</b>	AFLAC INC	AFL	350	0.28	98	
	COACH INC	COH	200	0.15	30	
	EATON VANCE GREATER INDIA FUND	ETGIX	716	0.03	22	
	FEDERATED MAX-CAP INSTL FD	FISPX	2922	0.05	143	
	INTERNATIONAL BUSINESS MACHINES	IBM	150	0.65	98	
	POWERSHARES PREFERRED PORT	PGX	1300	0.08	103	
	TEVA PHARMACEUTICAL INDS	TEVA	335	0.19	63	
	VANGUARD DIV GRWTH FUND	VDIGX	1003	0.13	131	
	INFOSYS TECHNOLOGIES LTD	INFY	250	0.34	85	<b>773</b>
<b>Quarter 3</b>	AFLAC INC	AFL	175	0.28	49	
	COACH INC	COH	200	0.15	30	
	FEDERATED MAX-CAP INSTL FD	FISPX	2935	0.06	161	
	INTERNATIONAL BUSINESS MACHINES	IBM	150	0.65	98	
	TEVA PHARMACEUTICAL INDS	TEVA	200	0.18	36	
	INFOSYS TECHNOLOGIES LTD	INFY	130	0.91	118	<b>492</b>
<b>Quarter 4</b>	AFLAC INC	AFL	325	0.30	98	
	COACH INC	COH	380	0.15	57	
	FEDERATED MAX-CAP INSTL FD	FISPX	2366	0.69	1,633	
	INTERNATIONAL BUSINESS MACHINES	IBM	150	0.65	98	
	MARKET VECTORS -COAL ETF	KOL	140	0.19	27	
	ALTERA CORP	ALTR	530	0.06	32	
	UNION PACIFIC CORP	UNP	200	0.38	76	
	ALPS ETF JEFF. TR/J CRB GLOB. COM. INDEX FND	CRBQ	180	0.12	21	<b>2041</b>
				<b>Total</b>	<b>\$4,011</b>	