

INTRODUCTION

ASSET ALLOCATION

REBALANCING

PERFORMANCE

OPPORTUNITY
COSTS

SUCCESSION

QUESTIONS

Undergraduate Student Investment Management Fund

Semi-Annual Presentation

Friday, April 20, 2012

Fund Members

INTRODUCTION

ASSET ALLOCATION

REBALANCING

PERFORMANCE

OPPORTUNITY
COSTS

SUCCESSION

QUESTIONS

Fund Managers



Michael Cohn

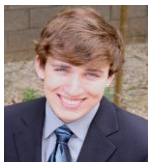


Steven Kutos

Fund Analysts



Michael Ham



Aaron Baker



Rima Reddy



Jenna Hoppe



Ajay Gnanasambanthan



Jonathan Lozano



Kenneth Qian

Investment Goals

INTRODUCTION

ASSET ALLOCATION

REBALANCING

PERFORMANCE

OPPORTUNITY
COSTS

SUCCESSION

QUESTIONS

- Diversification
- Humility in incorporating views
- Reduce sensitivity to input data
 - Resampling vs. static MVO
 - Increasing Correlations
 - Different methods to estimate volatility

Asset Allocation Structure

INTRODUCTION

ASSET ALLOCATION

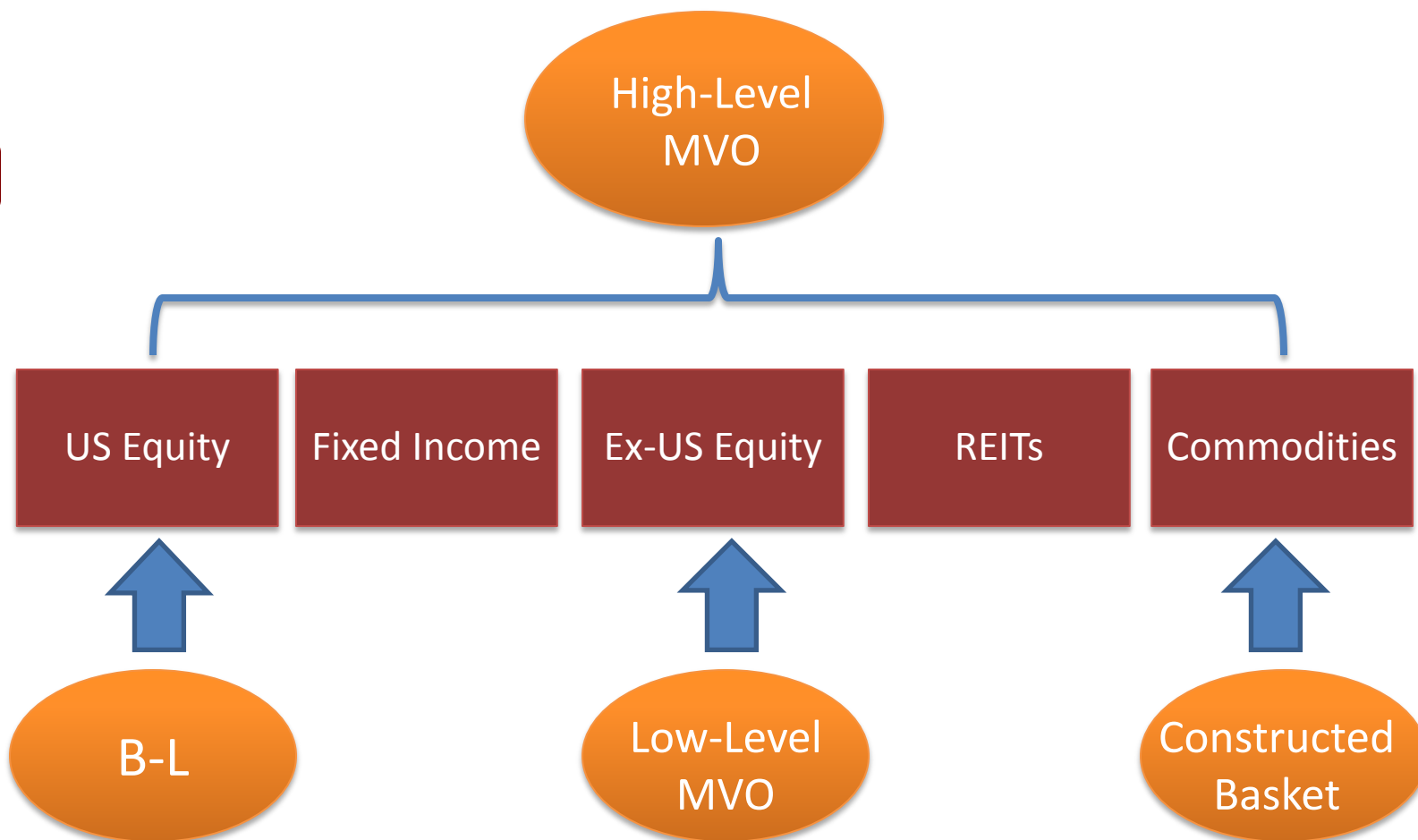
REBALANCING

PERFORMANCE

OPPORTUNITY COSTS

SUCCESSION

QUESTIONS



INTRODUCTION

ASSET ALLOCATION

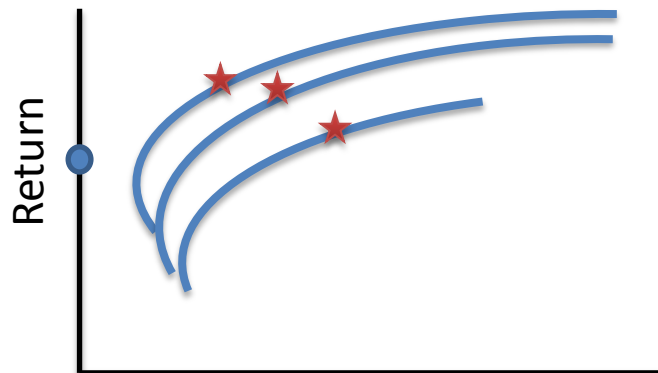
REBALANCING

PERFORMANCE

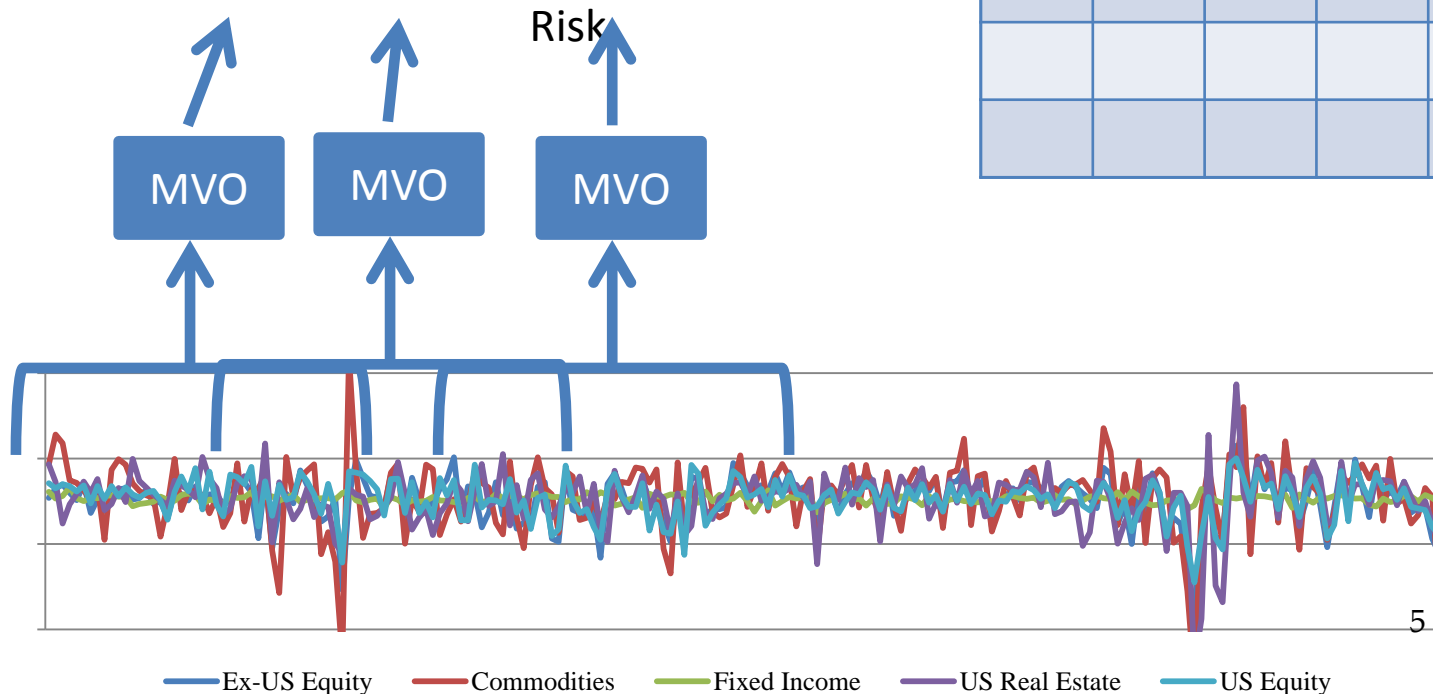
OPPORTUNITY COSTS

SUCCESSION

QUESTIONS



.51	.05	.19	.05	.2
.507	.032	.19	.05	.22
.49	.049	.19	.05	.22



Selected Asset Classes

INTRODUCTION

- Equity (Black-Litterman Model)
 - Ability to incorporate our own sector views
 - Lessen the historical returns bias
- Commodities
 - Low correlation, diversification
 - Basket of stocks with high commodity exposure
- Fixed Income
 - Selected a intermediate Government/Credit ETF
- REITs
 - Additional diversification, attractive investment
- International Equity

ASSET ALLOCATION

REBALANCING

PERFORMANCE

OPPORTUNITY
COSTS

SUCCESSION

QUESTIONS

INTRODUCTION

ASSET ALLOCATION

REBALANCING

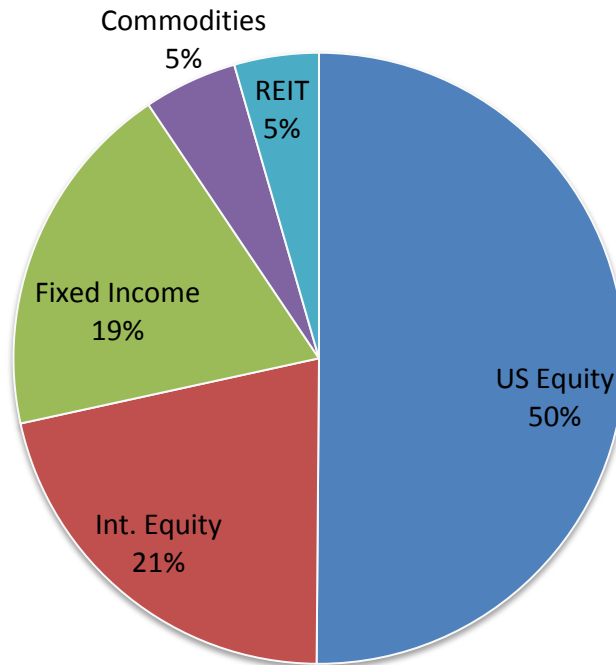
PERFORMANCE

OPPORTUNITY COSTS

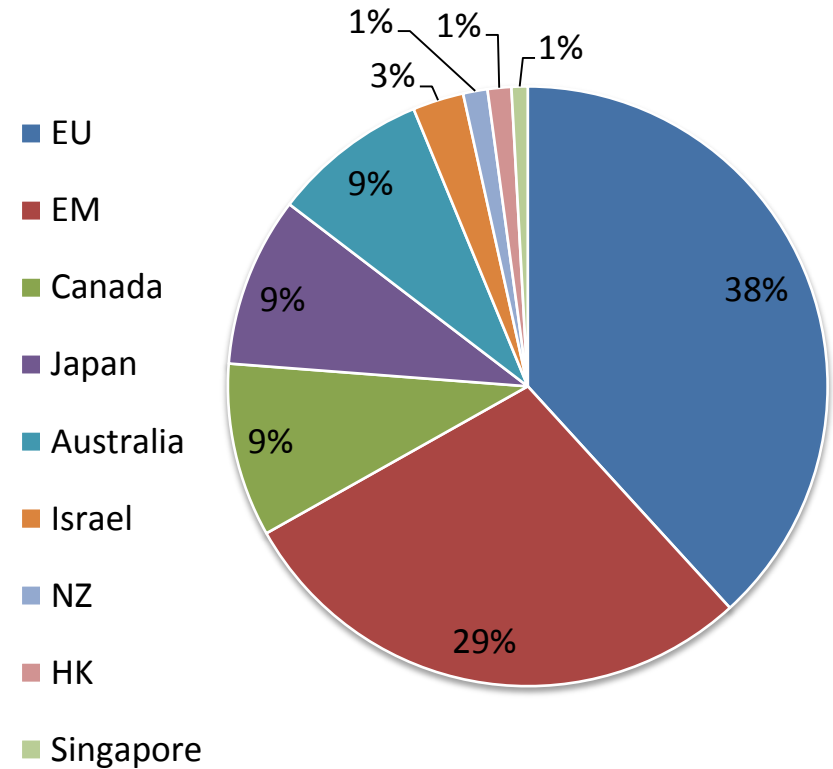
SUCCESSION

QUESTIONS

Broad Allocation



International Allocation



Reasons for Rebalancing

INTRODUCTION

ASSET ALLOCATION

REBALANCING

PERFORMANCE

OPPORTUNITY
COSTS

SUCCESSION

QUESTIONS

- Accumulated cash dividends of \$8,000
- Fixed Income weight below optimal
 - Down to 17.4% from 20%
- Updated view on consumer discretionary

Consumer Discretionary

INTRODUCTION

ASSET ALLOCATION

REBALANCING

PERFORMANCE

OPPORTUNITY
COSTS

SUCCESSION

QUESTIONS

- Consumer confidence increasing
- Unemployment declining
- Positive environment for cyclical sectors
- No longer saw a reason to underweight
 - removed view

Case Study – Hecla Mining

INTRODUCTION

- Base and precious metal business lines
 - Discovery/Exploration
 - Development/Production
- Two operational mines
 - Greens Creek (Alaska)
 - Lucky Friday (Idaho)
- Market Capitalization (mm): \$1,193
- Average Volume (mm): 6.34

ASSET ALLOCATION

REBALANCING

PERFORMANCE

OPPORTUNITY
COSTS

SUCCESSION

QUESTIONS

Case Study – Hecla Mining

INTRODUCTION

- Two deaths occurred at Hecla's Lucky Friday mine in 2011
 - One of deepest mines in US
 - Safety failures blamed for deaths
- Mine Safety & Health Administration shut down Lucky Friday for one year
 - 2012 silver production estimates reduced by 20%

ASSET ALLOCATION

REBALANCING

PERFORMANCE

OPPORTUNITY
COSTS

SUCCESSION

QUESTIONS

Case Study – Hecla Mining

INTRODUCTION

- Mine closure news release (Jan. 11th):
 - Stock price plunged 21%
 - Trading volume spiked 885%

ASSET ALLOCATION

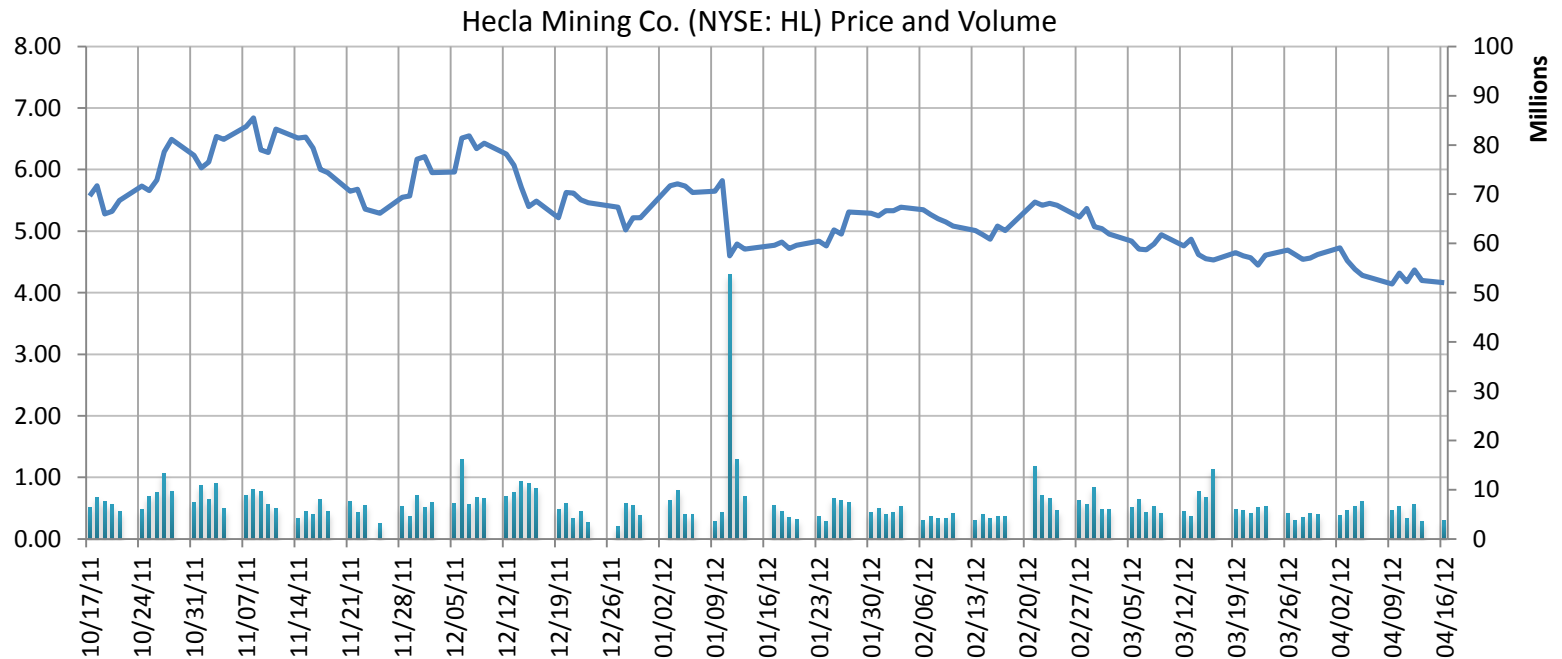
REBALANCING

PERFORMANCE

OPPORTUNITY COSTS

SUCCESSION

QUESTIONS



Case Study – Hecla Mining

INTRODUCTION

ASSET ALLOCATION

REBALANCING

PERFORMANCE

OPPORTUNITY
COSTS

SUCCESSION

QUESTIONS

- Correlation to gold index remained favorable post mine closure
 - Commodity exposure maintained
- Investment horizon: 3-5 years
 - Passive strategy
- P/E of 8.16 vs. industry P/E ~13.50

Do not sell Hecla Mining

Performance metrics

INTRODUCTION

ASSET ALLOCATION

REBALANCING

PERFORMANCE

OPPORTUNITY
COSTS

SUCCESSION

QUESTIONS

	Holding Period Return	Annualized Return	Volatility	Sharpe Ratio
Undergraduates	6.29%	14.38%	16.35%	0.825
Constrained BM	7.31%	17.27%	12.50%	1.31
Russell 3000	10.48%	23.07%	17.46%	1.31
World Equity	5.90%	13.28%	16.01%	0.77
Non-Rebalanced	6.50%	14.84%	16.37%	0.85

Fund Performance

INTRODUCTION

ASSET ALLOCATION

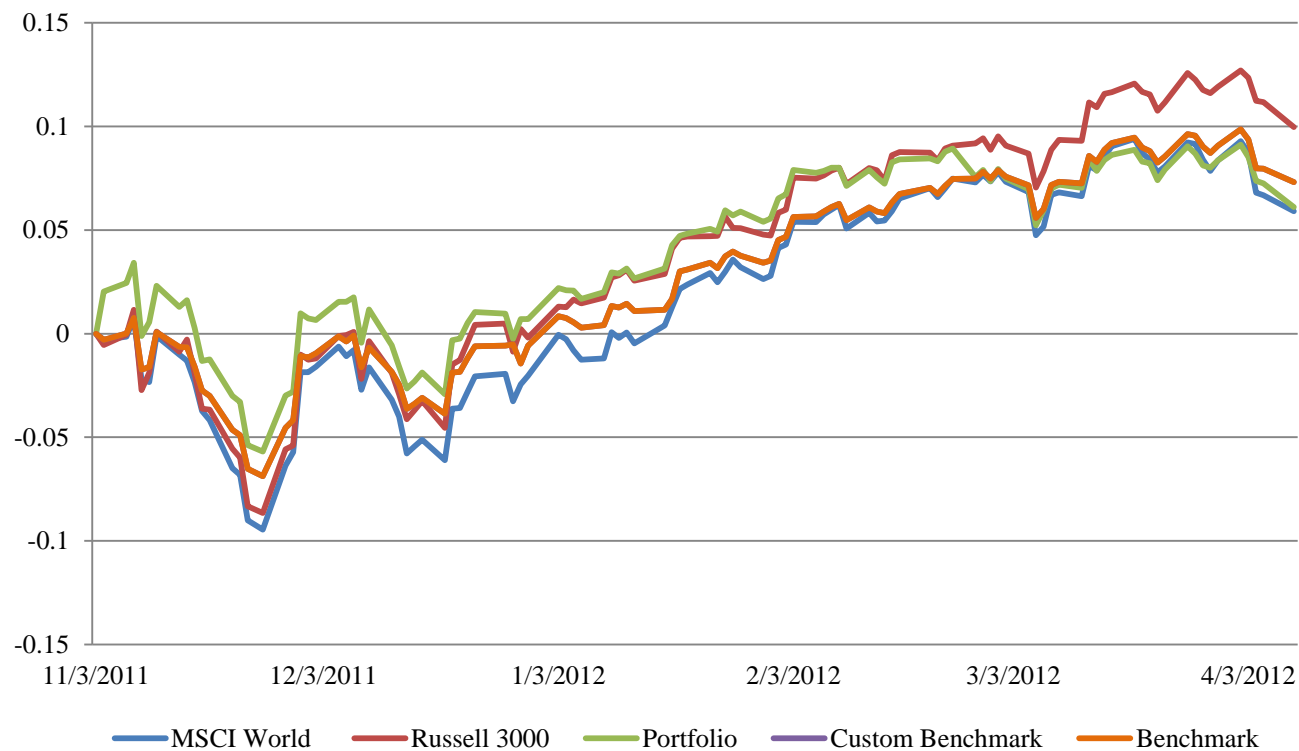
REBALANCING

PERFORMANCE

OPPORTUNITY COSTS

SUCCESSION

QUESTIONS



Fund Performance

INTRODUCTION

ASSET ALLOCATION

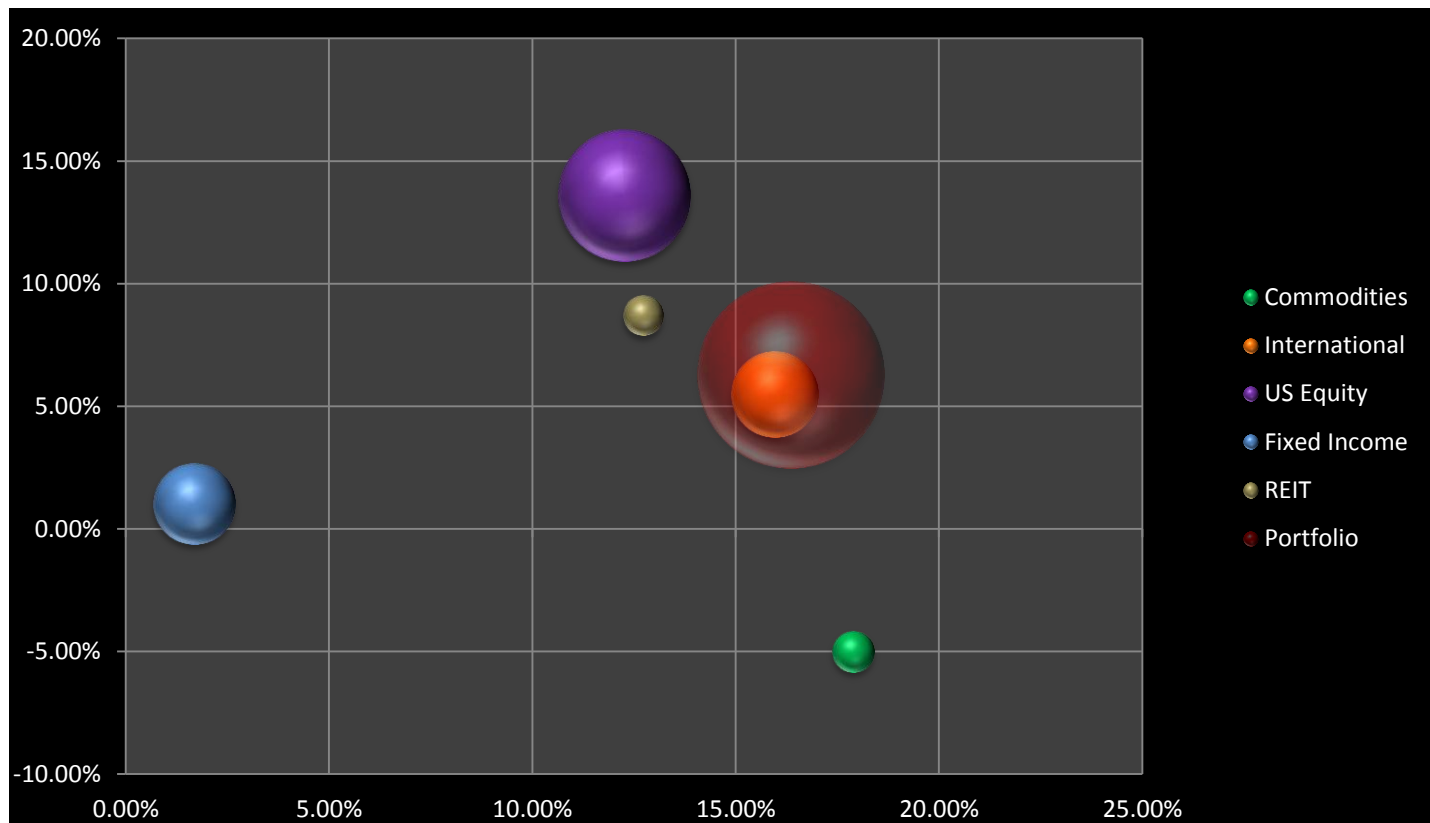
REBALANCING

PERFORMANCE

OPPORTUNITY COSTS

SUCCESSION

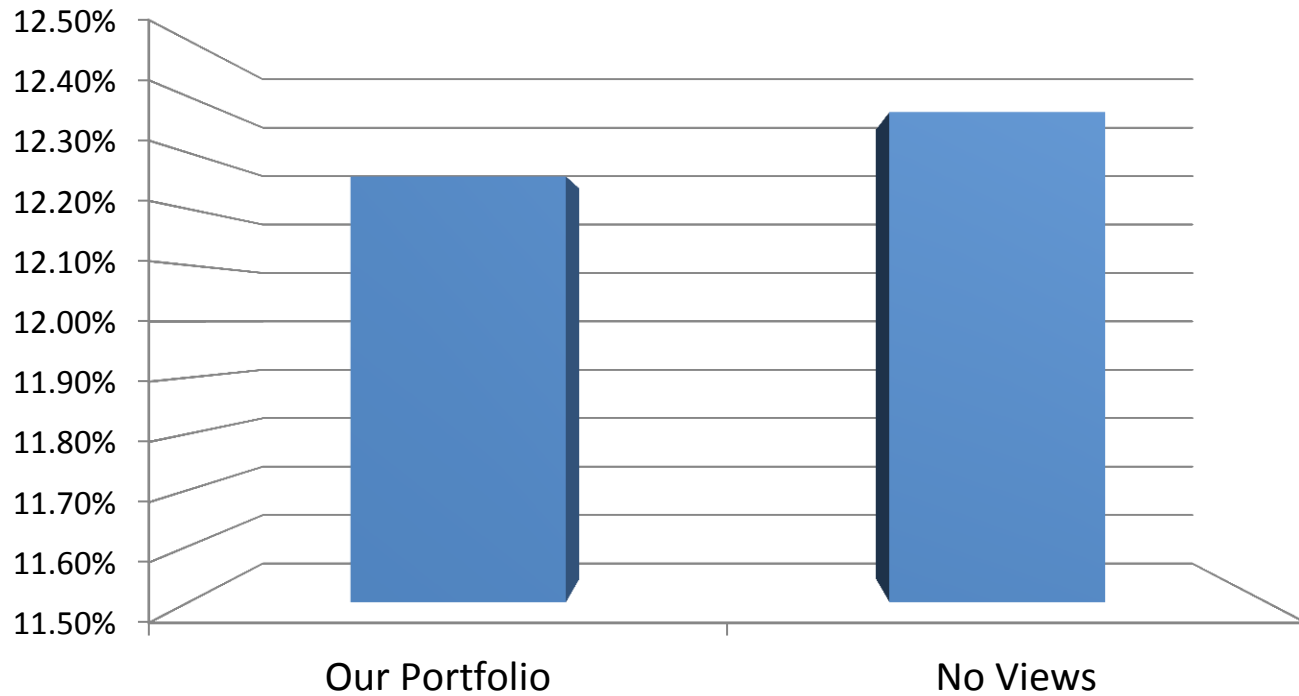
QUESTIONS



Opportunity Costs

Views expressed on U.S. sectors

- INTRODUCTION
- ASSET ALLOCATION
- REBALANCING
- PERFORMANCE
- OPPORTUNITY COSTS**
- SUCCESSION
- QUESTIONS



Views Expressed on U.S. sectors

INTRODUCTION

ASSET ALLOCATION

REBALANCING

PERFORMANCE

OPPORTUNITY
COSTS

SUCCESSION

QUESTIONS

Sector	Ticker	Return	Weight
Utilities	VPU US	0.38%	Neutral
Telecom	VOX US	3.21%	Neutral
Industrials	VIS US	9.04%	Overweight
Healthcare	VHT US	12.10%	Neutral
Information Tech	VGT US	14.15%	Overweight
Financials	VFH US	13.18%	Underweight
Energy	VDE US	-0.74%	Overweight
Consumer Staples	VDC US	8.95%	Neutral
Consumer Disc.	VCR US	13.97%	Underweight - Neutral
Materials	VAW US	5.21%	Neutral

Succession Planning

INTRODUCTION

ASSET ALLOCATION

REBALANCING

PERFORMANCE

OPPORTUNITY
COSTS

SUCCESSION

QUESTIONS

- Training for new members
 - Bloomberg, Portfolio Theory, Asset Pricing
- Problems we encountered
- Hand-over portfolio

New Members

INTRODUCTION

Aaron Baker

Troy Hebert

ASSET ALLOCATION

Kenneth Qian

Clayton Jenners

REBALANCING

Dakota Boyd

Dylan King

Shane Carlin

Kai (Edwin) Lam

PERFORMANCE

Charlotte DeMocker

Jaesung Lee

OPPORTUNITY
COSTS

Andrew Farber

Leo Panopoulos

Lorne Forcum

Adrian Reiter

SUCCESSION

Sean Gormley

Brian Wright

John Happe

Yili Yu

QUESTIONS

INTRODUCTION

ASSET ALLOCATION

REBALANCING

PERFORMANCE

OPPORTUNITY
COSTS

SUCCESSION

QUESTIONS

Questions?