WPCMBA Diversified Global Small Cap Value Fund

April 20, 2012
Semi-Annual Board Update
The Team

Jaspreet Anand
Spencer Hardy
Seth Landau
Portfolio Manager
Adam Love
Maggie MacCool
Piers Sharman
Fund Objectives

• Manage approximately $500,000 for the ASU MBA program
• Learn about fundamental analysis, portfolio management, and fund administration
• Track portfolio daily and continue to look for attractive investment opportunities
• Obtain above-market returns
Fund Strategy

Core Portfolio

- Domestic & International Emerging
  - Broad, index-based ETFs

- International Developed
  - Adjusted weighting of countries’ market capitalizations

- Fixed Income
  - High liquidity for future investment opportunities and lower volatility for overall portfolio

Satellite Portfolio

- Small Cap Value
  - Heavily skewed to generate above-market returns
Portfolio Asset Allocation

Initial Allocation
October 2011

- U.S. Small Cap Value: 35%
- U.S. Large Cap: 25%
- International Developed: 15%
- International Emerging: 16%
- Cash / Fixed Income: 9%
- U.S. Mid Cap: 7%

Current Allocation
April 2012

- U.S. Small Cap Value: 37%
- U.S. Large Cap: 26%
- International Developed: 15%
- International Emerging: 8%
- Cash / Fixed Income: 7%
- U.S. Mid Cap: 7%
## Core Portfolio Holdings

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash / Fixed Income</td>
<td>SPDR Barclays Capital Aggregate Bond – LAG</td>
</tr>
<tr>
<td>U.S. Large Cap</td>
<td>SPDR S&amp;P 500 – SPY</td>
</tr>
<tr>
<td>U.S. Mid Cap</td>
<td>SPDR Midcap 400 – MDY</td>
</tr>
<tr>
<td>International Emerging</td>
<td>iShares MSCI Emerging Markets – EEM</td>
</tr>
<tr>
<td>International Developed</td>
<td>iShares MSCI Country Indices</td>
</tr>
<tr>
<td></td>
<td>• EWG – Germany</td>
</tr>
<tr>
<td></td>
<td>• EWH – Hong Kong</td>
</tr>
<tr>
<td></td>
<td>• EWJ – Japan</td>
</tr>
<tr>
<td></td>
<td>• EWL – Switzerland</td>
</tr>
<tr>
<td></td>
<td>• EWY – Korea</td>
</tr>
<tr>
<td></td>
<td>• EWQ – France</td>
</tr>
<tr>
<td></td>
<td>• EWU – U.K.</td>
</tr>
<tr>
<td></td>
<td>• EWA – Australia</td>
</tr>
</tbody>
</table>
Small Cap Value Holdings

Basic Materials
- Chemtura
- STILLWATER Mining Company
- ThompsonCreek

Consumer Discretionary
- Pier1 imports
- PENSKE
- Finish line
- Columbia Sportswear Company

Consumer Basic
- PolyOne
- BUCKEYE Technologies Inc.
- THE HAIN CELESTIAL GROUP
- TreeHouse

Financials
- Webster Financial Corporation
- UNITED Bankshares, Inc.
- F.N.B. Corporation
- Apollo Investment Corporation

Healthcare
- CENTENE Corporation
- PAR Pharmaceutical
- PAREXEL

Technology
- ANIXTER
- Littelfuse

Energy/Utilities
- World Fuel Services
- The Electric Company
- Bill Barrett Corporation
Industry Breakdown - Small Cap Value Stocks

Russell 2000 Value
- Financial Services: 37%
- Producer Durables: 14%
- Consumer Discretionary: 12%
- Technology: 10%
- Utilities: 8%
- Basic Materials: 7%
- Health Care: 5%
- Energy: 4%

Small Cap Value Satellite Portfolio
- Financial Services: 21%
- Producer Durables: 17%
- Consumer Discretionary: 13%
- Technology: 12%
- Utilities: 8%
- Basic Materials: 4%
- Health Care: 3%
- Energy: 2%
Why Rebalance?

• Not making predictions on specific values, rather selecting qualitatively
• Returns change the portfolio allocation
• Restoring portfolio to original mix while exiting securities that have fulfilled their potential or no longer fit our investment thesis
## Rebalancing – Positions Sold

The portfolio was rebalanced in order to make use of gains on the following securities

<table>
<thead>
<tr>
<th>Company</th>
<th>Shares Sold</th>
<th>Shares Remaining</th>
<th>Proceeds From Sale</th>
<th>Gain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anixter International, Inc. (AXE)</td>
<td>11</td>
<td>124</td>
<td>$719.18</td>
<td>10.3%</td>
</tr>
<tr>
<td>Centene Corp. (CNC)</td>
<td>34</td>
<td>191</td>
<td>$1,530.34</td>
<td>25.9%</td>
</tr>
<tr>
<td>FNB Corp (FNB)</td>
<td>60</td>
<td>716</td>
<td>$701.40</td>
<td>13.5%</td>
</tr>
<tr>
<td>Pier 1 Imports (PIR)</td>
<td>139</td>
<td>526</td>
<td>$2,161.45</td>
<td>25.2%</td>
</tr>
<tr>
<td>PolyOne Corp. (POL)</td>
<td>102</td>
<td>586</td>
<td>$1,469.82</td>
<td>26.2%</td>
</tr>
<tr>
<td>United Bankshares, Inc. (UBSI)</td>
<td>25</td>
<td>174</td>
<td>$692.25</td>
<td>14.5%</td>
</tr>
<tr>
<td>World Fuel Services Corp. (INT)</td>
<td>15</td>
<td>184</td>
<td>$683.25</td>
<td>13.8%</td>
</tr>
<tr>
<td>Vecho (VECO)</td>
<td>284</td>
<td>0</td>
<td>$6,282.08</td>
<td>-17.12%</td>
</tr>
<tr>
<td>Cash America (CSH)</td>
<td>143</td>
<td>0</td>
<td>$6,284.85</td>
<td>-20.39%</td>
</tr>
<tr>
<td>iShares Russell 2000 Value Index (IWN)</td>
<td>183</td>
<td>0</td>
<td>$12,835.62</td>
<td>8.34%</td>
</tr>
<tr>
<td>New Jersey Resources (NJR)</td>
<td>167</td>
<td>0</td>
<td>$7,611.19</td>
<td>-4.07%</td>
</tr>
</tbody>
</table>
Rebalancing – Positions Bought

The portfolio was rebalanced in order to regain equal footing on the following securities

<table>
<thead>
<tr>
<th>Company</th>
<th>Shares Bought</th>
<th>Shares Held</th>
<th>Cost of Purchase</th>
<th>Prior Gain/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parexel (PRXL)</td>
<td>51</td>
<td>409</td>
<td>$1,231.65</td>
<td>1.1%</td>
</tr>
<tr>
<td>Apollo Investment Corp. (AINV)</td>
<td>182</td>
<td>1117</td>
<td>$1,530.34</td>
<td>-5.8%</td>
</tr>
<tr>
<td>iShares MSCI Emerging Markets Index (EEM)</td>
<td>38</td>
<td>905</td>
<td>$1,599.04</td>
<td>-7.4%</td>
</tr>
<tr>
<td>iShares MSCI Japan Index (EWJ)</td>
<td>169</td>
<td>2219</td>
<td>$1,613.95</td>
<td>-10.8%</td>
</tr>
<tr>
<td>iShares MSCI France Index (EWQ)</td>
<td>64</td>
<td>531</td>
<td>$1,333.76</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Bill Barrett Corporation (BBG)</td>
<td>298</td>
<td>298</td>
<td>$8,144.34</td>
<td>N/A</td>
</tr>
<tr>
<td>Columbia Sportswear Co. (COLM)</td>
<td>182</td>
<td>182</td>
<td>$8,446.62</td>
<td>N/A</td>
</tr>
<tr>
<td>Littelfuse Inc. (LFUS)</td>
<td>166</td>
<td>166</td>
<td>$8,535.72</td>
<td>N/A</td>
</tr>
<tr>
<td>Stillwater Mining Co. (SWC)</td>
<td>637</td>
<td>637</td>
<td>$8,465.73</td>
<td>N/A</td>
</tr>
</tbody>
</table>
## Major Position Liquidations

<table>
<thead>
<tr>
<th>Company</th>
<th>Ticker</th>
<th>Date</th>
<th>Reason</th>
</tr>
</thead>
</table>
| Veeco              | VECO   | December 19th | • Share price had declined over 17%  
|                    |        |            | • Mass insiders sell out                                               |
| Cash America       | CSH    | January 31st | • Share price had declined over 20%  
|                    |        |            | • No indication of management turn-around                              |
|                    |        |            | • Change in market outlook                                             |
| IWN                | IWN    | January 31st | • Temporary investment after selling VECO, to retain the small value bent of portfolio while selecting individual stock |
| New Jersey Resources | NJR   | March 9th  | • Little price movement  
|                    |        |            | • Earnings met analyst expectations indicating that the security is priced efficiently |
# Major Position Investments

<table>
<thead>
<tr>
<th>Company</th>
<th>Ticker</th>
<th>Date</th>
<th>Reason</th>
</tr>
</thead>
</table>
| Bill Barrett Corporation    | BBG    | Jan 31st  | • Increased proved oil reserves by 135%  
• Low cost structure and an improving infrastructure situation provides buffer  
• Expect strong oil prices and production growth |
| Columbia Sportswear Company | COLM   | Jan 31st  | • Low debt burden compared to industry average  
• Strong international expansion, 30% YOY sales increase in Latin America and Asia Pacific  
• We believe stock price is undervalued and Columbia will recover faster than expected |
| Littelfuse                  | LFUS   | Jan 31st  | • Market leading position in power regulation for small devices (tablets etc.), which are proliferating  
• Dominant position in automotive power regulation (in 8/10 cars sold), benefitting from economic recovery |
| Stillwater Mining Company   | SWC    | Mar 9th   | • Tsunami in Japan lowered the demand and prices of platinum  
• SWC is the largest and only extractor of platinum and palladium ores in U.S.  
• Potential palladium shortage by year end |
Custom Benchmark

Emulate the possible investment world subject to our charter restraints

Russell 3000: 59%
MSCI World Ex-US Index: 23%
Barclay Capital Aggregate Bond Index: 18%
Performance Attribution – Foreign ETFs

- Ex US Equity: 2.1%
- Dev./Emer Balance: -0.2%
- Country Selection: 3.3%
- Overall Return: 5.3%
Performance Attribution – U.S.

- Benchmark return: 7.4%
- Equity Tilt Effect: 1.1%
- Small Cap Bias: -0.8%
- Stock Selection: 2.4%
- Total Return: 10.1%
Portfolio Performance vs. Benchmarks

(Chart showing performance comparison between Portfolio, Russell 3000, and Custom Benchmark from October 31, 2011, to March 31, 2012.)
Restrictions

The following charter restrictions affected our investment decisions:

• Individual companies must have a market cap of at least $1 billion

• Bond investments must have a rating of at least AA
We Wanted To Do

• Invest 35% of the portfolio over 23 Small Cap stocks ranging from $600 million - $2 billion market capitalization
  – Nine of our stock picks were under $1 billion and therefore prohibited by charter

• Invest 7.5% of our portfolio in one Fixed Income ETF with average credit rating of A
  – The credit quality of our preferred investment was below charter standards
The Results of Desired Portfolio

• From October 31\(^{st}\) – April 9\(^{th}\):
  
  – Avg. return of 9 disallowed stocks: 11.95%
  – Avg. return of 9 replacement stocks: 12.64%
  – Realized return for all SC stocks purchased: 10.53%
  – We could not invest in LQD. Actual return: 5.55%
  – We instead invested in LAG. Actual return: 1.35%

• Our implemented portfolio underperformed our ideal portfolio by 7.4 basis points
What We Learned

• Only future outlook should be considered with losses being viewed as a sunk cost
• There is a profound difference between portfolio theory and its actual implementation (transaction costs, charter restrictions, market changes)
• How to strike a successful balance between a quantitative and qualitative approach
• Impressive returns can be attained by choosing undervalued and low beta companies
• Utility stock mispricing appears to be minimal, even in those utilities with unregulated business units
2012 – 2013 SIM Fund Team

Paul Balskus  Jashan Bathla  Martin Brcka  John Good

Kris Kaminski  Chris Pettit  Colin Porter  Joe Zanck

Portfolio Manager
Succession Planning

• Eight accepted candidates
• Education:
  – Training on Bloomberg terminal
  – Introduction to basic portfolios
  – Videos and readings
  – Sitting in on meetings
THANK YOU!

QUESTIONS?