

UNIVERSITY OF NORTHERN COLORADO

SAFF INFORMER



LETTER FROM THE EDITORS

SPRING 2011

The Spring 2011 SAFF class embarked on many investment exploits this semester. Ranging from global competitions, to carrying on the day-to-day trading of a recovering market, this semester brought on many opportunities and challenges. We fostered close relationships with one another, and most importantly, we were able to post some decent returns. As managers of the \$1 million fund, we decided to be more bullish than the last semester of management and focus more of the assets on the equity side of the portfolio. Our decisions created a large amount of work but at the same time, they aided in the development of relevant skills from the unique learning experience.

<i>Name</i>	<i>Title</i>
Jeremy McNees	Portfolio Manager
Austin Sanders	Portfolio Manager
John Skoglund	Equity Manager
Alberto DellAnna	Equity Manager
Zachary Crews	Fixed Income Manager
Bret Fanning	Fixed Income Manager
Ashley Bunch	Webmaster
Ruzan Mistry	Webmaster
Jessica Warden	Newsletter Editor
Lauren Sebastian	Newsletter Editor
Dan Stanush	Special Projects Manager
Thea Saunders	Special Projects Manager
AJ Gonzales	Special Projects Manager

As many of the members of the class prepare for graduation and the job market, we were able to cultivate an experience in the SAFF class that will be an asset to our futures. The real-world environment provided continues to be unmatched by the majority of business programs across the nation. Thanks to the due diligence and hard work of the 13 members of the class, the SAFF portfolio continues to be a success as the students learn to be effective and efficient portfolio managers. We would like to thank you all for taking the time to read about our portfolio management team. This newsletter is an overview of what we have accomplished over the semester.

- Jessica Warden

LETTER FROM THE PORTFOLIO MANAGERS

As a class we came to the general conclusion that the economy will begin to pick up in the coming months (see economic forecast). A good amount of economic uncertainty exists going forward, but we expect growth to be slow at first with a sustained and prolonged recovery taking place. We have positioned our portfolio to take advantage of this in the future. By taking a more aggressive stance we have shifted to more equity and less fixed income than the previous semester. Target allocations are 65% equity, 30% fixed income, and 5% in cash. We have chosen to allocate the maximum amount of equity that is possible given our IPS.

Overall portfolio performance was very solid this semester. We kept our streak of beating the benchmark going.

- Jeremy McNees



INSIDE THE ISSUE

ABOUT SAFF	2
ECONOMIC FORECAST	2
G.A.M.E. FORUM	3
FIXED INCOME	3
EQUITY	4
PURCHASES AND LIQUIDATIONS	4
OVERWEIGHTS	5
UNDERWEIGHTS	5
CFA CHALLENGE	6
ANNUAL REPORT	6
PORTFOLIO SNAPSHOT	7
SPECIAL THANKS	8
TEAM PORTRAIT	8
PROFOUND QUOTES	8

ABOUT SAFF

The Student and Foundation Fund allows undergraduate Finance students at the University of Northern Colorado to have the opportunity to manage a portfolio of real assets comprised of an ever-changing balance of stocks, bonds, and cash reserves. The fund was originally started in 1992 by founder and advisor Dr. John Clinebell, when the UNC foundation generously provided \$200,000 for students to manage.

Throughout the years, the fund has received four additional cash inflows amounting to \$350,000, with a total value of donated funds being \$550,000. Today, the value of the portfolio is fluctuating around \$1,173,000, and the fund has given back about \$250,000 to the UNC Foundation to use for scholarships and other school-related expenditures.

The class, still led by advisor Dr. John Clinebell, is comprised of 13 students this semester, fluctuating in size each semester from 12-15 students. The criteria for enrollment mandates that students must be a junior or above, be majoring in Finance, apply for the course with a copy of their resumé, and have a personal interview with Dr. Clinebell. If accepted into the course, students are assigned

specific titles to where they will specialize in the management of the portfolio throughout the semester. The positions that are assigned include:

- Portfolio managers
- Equity managers
- Fixed income managers
- Webmaster
- Newsletter editors
- Special projects managers

As well as being designated a specific position, each student is also responsible for monitoring and analyzing three or four stocks currently held in the portfolio. Students follow these assigned companies throughout the semester, including performing a valuation for each. If a student's analysis shows that one of his or her stocks is overvalued or undefined (neither growth, value, nor income), it is their duty to create a sell proposal for that stock or bond, and start looking for a more profitable investment to replace it.

During this time, all the investment decisions are made by a class vote, or proxy for absentees. On top of the three hours a week of classroom meeting time, SAFF students spend numerous hours re-

searching in the university's Finance Trading Room, typically utilizing the Bloomberg terminal, Capital IQ, or Morningstar, which is open to SAFF students from 8 am to midnight.

Each student, as portfolio managers, must abide by the rules of the Securities and Exchange Commission, and strictly follow an investment policy statement set by the Foundation. Twice a year, the class must give a presentation of the portfolio's performance to the Foundation's Board of Directors, and answer any questions they may inquire.

Altogether, the University of Northern Colorado's Student and Foundation Fund has been an undeniable success. It creates a learning environment unlike any other, preparing students for their future careers in finance or investing, enforcing a professional dress code, and engraving qualities like ethical behavior and hard work into each member.

- Lauren Sebastian

ECONOMIC FORECAST

After several weeks of deliberation our class came to a general consensus on what we feel is an appropriate economic forecast. Our economic forecast sets the tone for the rest of the semester and our portfolio is modeled in reference to these assumptions. As one might imagine, this is not an easy task due to current economic uncertainty but is certainly critical to the long-term success of the portfolio.

This semester, our economic forecast is based on the underlying assumption that GDP will continue to increase and return to around the historical average of 3.5% over the next three years. Growth in GDP will total approximately 70 basis points in 3 years or approximately 23 basis points per year. We believe that QE2 will have a positive impact on our economy resulting in an increase in GDP and inflation while keeping interest rates

low in the short-term. Our long-term assumption is that the Fed will need to

	Current	6 Month	12 Month	36 Month
REAL GDP	2.80%	3.20%	3.50%	3.50%
INFLATION (CPI)	1.50%	1.85%	2.50%	3.00%
90 DAY T-BILL	0.16%	0.18%	0.20%	3.1-3.2%
10 YR T-NOTE	3.38%	3.80%	4%	4.50%
30 YR T-BOND	4.57%	4.60%	4.75%	4.90%
DJIA	11,892	12,600	13,000	14,000
S&P 500	1,286	1,331	1,376	1,575

reduce the money supply in order to keep inflation at a stable level. Social and political unrest in the Middle East will continue to raise energy prices which will consequently raise the cost of consumer goods and lead to an elevated level of inflation. We believe the value of the dollar will increase in the short-term due to unrest in

developing countries. The dollar will continue to be a safe haven for many foreign

countries experiencing economical difficulties. Tax rates for individuals will not change dramatically in the next few years due to an upcoming presidential election. We foresee a reduction in corporate tax rates as a means to stimulate growth and reduce unemployment.

- Thea Saunders

G.A.M.E. FORUM

In late March the class took a trip to Hamden, Connecticut to attend the inaugural Global Asset Management Education Forum at Quinnipiac University. While there we listened to keynote speakers talk about the economy, stock market, alternative investments, and corporate governance. Zachary Crews had the opportunity to ask one of the keynote speaker's a question in front of the 1000 plus people in attendance.

We were also given the opportunity to attend break-out sessions of our choosing involving various financial topics. The topics ranged from derivative instru-

ments to Bloomberg uses and applications. The forum allowed us the opportunity to meet with students from around the world and talk to them about their portfolio and how they choose their investments. The class also won a portfolio competition in the undergraduate core category. The class was judged on risk-adjusted returns in 2010 as well as a presentation of our investment process. For winning, the class was awarded one CFA review scholarship from STALLA which was given to one of our finest scholars, John Skoglund.

- Dan Stanush



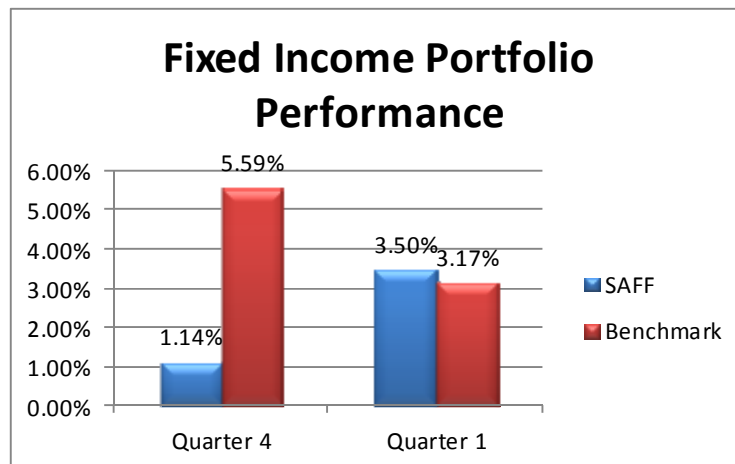
Zachary Crews on the Keynote Panel

FIXED INCOME

The fixed income portion of the portfolio underperformed the Barclays US AGG Index, our fixed income benchmark, in the fourth quarter of 2010. Our fourth quarter return was 1.14% compared to a 5.59% return for the Barclays US AGG Index. Our fixed income portfolio subsequently improved in the first quarter of 2011 with a return of 3.50% compared to a 3.17% return for the Barclays US AGG Index. Fourth quarter returns may have been adversely affected due to our timing of market conditions, especially in treasuries. We felt the flight to quality would persist in the markets; however, people are looking for higher returns and may be re-analyzing the risk of government instruments.

The performance of our fixed income can be attributed to the spring and fall 2010 SAFF class. Their selection of bonds dictated our performance relative to the Barclays Index in the fourth quarter, and enabled our portfolio to outperform the index in the first quarter of 2011.

At the beginning of the semester, after creating our economic forecast, we decided to keep our current barbell strategy that was implemented last semester. With our economic forecast, we feel that interest rates are going to rise, and the yield curve will flatten. This strategy should place our fixed income portfolio in an advantageous position when interest rates begin to rise.



Along with setting our strategy and target duration, we have also adjusted our weightings for mortgage-backed, government and corporate issue securities.

A barbell strategy lets us own more short and long-term maturity bonds and fewer mid-term maturity bonds. As a result, our exposure to changes in interest rates is minimized. The details of our barbell strategy is to maintain 27.5% in both 0 to 2 year bonds and 8+ year bonds with 15% in 2 to 4, 4 to 6, and 6 to 8 year bonds. Our class decided to pursue a lower duration to reduce our interest rate risk from an impending increase in interest rates. Our target duration is 3.9, which is lower than the duration of the Barclays US AGG Index. Given our economic forecast, we have decreased our holdings in bonds in the overall portfolio to 30%. We feel equity will outperform fixed income in the future as investors' confidence recovers and they start to move capital back into equity markets.

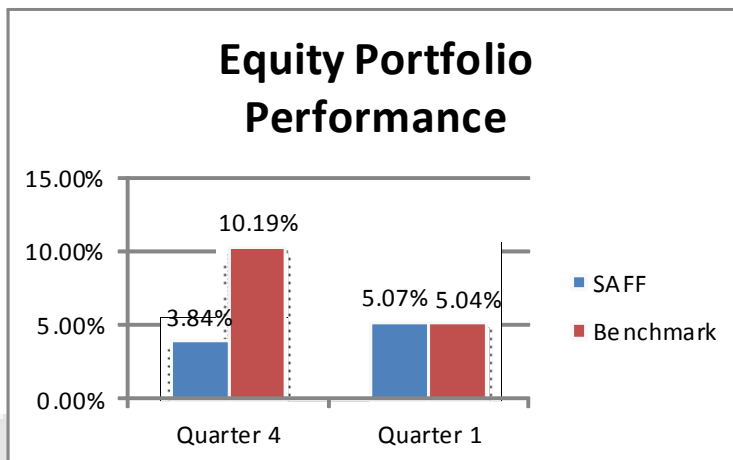
Our spread analysis, conducted as a class, determined that MBS would underperform government and government would underperform corporate bonds. Thus are target weights are to place 25% in MBS, 30% in government securities, and 45% in corporate bonds. Our analysis indicated that corporate bonds will be less affected by the changes in interest rates. In fact, we purchased our first high-yield ETF given our spread analysis between BB bonds and AAA rated securities. We were willing to take additional risk for higher coupon payments, which helps us reduce our overall duration. Hopefully, the modifications we made to our fixed income portfolio will help us maintain higher returns relative to our benchmark for future quarters.

- Zachary Crews

EQUITY

The SAFF equity portfolio underperformed against the S&P index during the fourth quarter of 2010 and slightly outperformed against the S&P for first quarter of 2011. For 2010 as a whole, our equity portfolio beat the S&P 500 index. There were a few noteworthy events during the fourth quarter of last year as well as the first quarter of this year; most notably, the earthquake in Japan. The earthquake and resulting devastation did not have a drastic impact on our equity portfolio due our level of diversification; we did not and do not hold many companies with large stakes in the Japanese market place. The bulk of the companies held in our equity portfolio conduct business primarily in the United States, with a few exceptions.

The performance of our equity portfolio can be attributed to the 2010 spring and fall SAFF classes. Their selection of equity's resulted in our performance relative to the S&P 500 during 2010 as well as the first quarter of 2011.



Going forward we see a recovery of the economy both domestically and abroad. As a result, we feel that the strongest performance will be in growth companies. However, there are a number of factors that need to be closely watched. First, the Federal Reserves' second round of quantitative easing efforts will end in June. Second, there are concerns surrounding the value of the dollar over the

half away from its next presidential elections. Ultimately, we see a global economic recovery in the one to three years and feel that growth companies will have strong performance in the near future.

- John Skoglund

course of the next year; recently, Europe raised their interest rates and Japan established an effort to stabilize the value of the Yen. Third, the United States is a year and a

EQUITY PURCHASES & LIQUIDATIONS

Since our Sector Allocation Strategy varied from last semester, much had to be done to get the portfolio in shape for Spring 2011. The first move sold "mutts" (companies with poor performance and with financials not meeting

criteria) and over performers to lock in profit, which are listed as follows: Caterpillar, Green Mountain Coffee, Werner Enterprises, Options Express, Gilead Sciences, Emergency Medical Services, and Potash Corp.

Subsequently, buy proposals started reeling in to get rid of the excess cash, given our recent positions sold and our increased position in equity. This semester we had much to purchase in our Technology, Cyclical, and Health Care sectors.

Buys:

- Morgan Stanley
- Blackrock Inc.
- Priceline.com
- Target
- Baidu
- Medco Health Solutions

Sells:

- Caterpillar (partial sell)
- Green Mountain Coffee
- Werner Enterprises
- Options Express
- Gilead Sciences
- Emergency Medical Services
- Potash Corp

- Ashley Bunch

EQUITY SECTOR OVERWEIGHTS

Our allocation is based on the Fed's current policies. With the increase supply of cash to the markets due to the fed increasing their balance sheets via Quantitative Easing 1 and Quantitative Easing 2 means that consumers will have more money to spend on technology and consumer cyclical. The decision to overweight the Technology, Energy, and Cyclical sectors is also due to the forecast of increased growth and innovation as the economy continues to recover. With the increase in the fed's balance sheet to supply more money to the markets in turn drives the value of the dollar down which is the reason why we are overweight energy, materials and industrials

Sector	Tech	Industrials	Energy	Cyclical	Materials
S&P 500	18.87%	10.59%	11.54%	9.72%	3.44%
Target	22%	11%	12.40%	11%	4%
Weight	Over	Over	Over	Over	Over

- Austin Sanders

EQUITY SECTOR UNDERWEIGHTS

Following our economic forecast, we decided to underweight specific sectors against the S&P 500 index, specifically financial services, healthcare, and staples.

Due to current legislation in the financial industry, as well as their balance sheets holding subprime loans that are continuing to harm many of these companies, we have decided to underweight the sector. It is difficult to foresee when financial services will perform well; however, it does not appear it will be any time soon. Underweighting this sector will prove to be beneficial to our overall strategy. We have set the current target

of our financials at 12% of our equity portfolio, well below the 14.6% of the S&P 500.

The healthcare industry is another sector we have decided to underweight at 11.5% (instead of 13% of the S&P). Our decision to underweight this industry lies in its uncertainty in legislation. We do not know what will happen with this sector in the near future, so we associate much risk with it. We feel there are more suitable, less risky industries to invest SAFF funds.

Finally, we decided to underweight staples at 10% of our equity portfolio, 1.58% less than the S&P 500. Generally, it is wise to invest in staples when the economy is in a decline, because this sector will be less affected by the downturn. In our economic forecast, we expect spending and productivity to gradually return to normal levels, and conspicuous consumption to increase. Given this forecast, we chose to underweight staples because we can realize greater returns in other sectors.

- Ruzan Mistry

Sector	Financials	Healthcare	Utilities	Staples
S&P 500	14.59%	13.05%	3.67%	11.58%
Target	12%	11.5%	3.1%	10%
Weight	Under	Under	Under	Under

SPECIAL PROJECTS

THE CFA INSTITUTE GLOBAL INVESTMENT RESEARCH CHALLENGE



The SAFF class had the chance to promote the legacy of business excellence at the Monfort College of Business by competing in the CFA Global Insight Challenge. For the second year running, our team competed against graduate students from the following surrounding universities: Wyoming, University of Colorado, Denver University, and Colorado State University.

This year we were required to complete an in depth analysis of Western Union by including economic, industry, and company factors. We also had a chance to personally meet with the investor relations officer at their corporate headquarters in the Denver Tech Center. The experience was invaluable because hearing an actual corporate insider's view of the opportunities and potential threats broadened our perspective of the

operations of the company. The information he conveyed to us offered detailed information into the operations of Western Union, competitive advantages, industry factors, international diversification, political risk, and developing strategies to help the company prosper in the future. However, we managed to keep an objective viewpoint and tried to reconcile his statements with our previous research of industry and company specific factors.

After meeting with the Western Union Investor Relations representative, the SAFF research team met outside of class to finalize our valuation and recommendation for the stock. After all the grueling work, the finished product provided a "Sell" recommendation with a fair value estimate of \$17.33.

We presented at Metro State College of Denver in front of a group of three judges—including an employee of Western Union, as well a hedge fund manager with well over \$10 million worth of assets under management. Although we did not bring home the gold, overall we came in second and received some very positive feedback from the judges.

As a result of competing in the challenge, the CFA Institute provided the four team members admission to the Denver CFA Society's Annual Forecast Dinner where we listened to Thomas Hoenig give his thoughts on the economy. Despite taking second, the experience proved to be rich in networking opportunities and real-world analyst experience.

- Zachary Crews & Jessica Warden

ANNUAL REPORT

The annual report for the Student and Foundation Fund (SAFF) will help cover the scope of information that has become second nature to many of the students in the class.

The beginning of the annual report will have a brief history on the Student and Foundation Fund chronicling where we started to where we are today. This will describe where we have obtained the funds and what has happened with the funds we have given back to the foundation. It will also include a letter from Dr. Clinebell the current SAFF advisor.

The majority of our annual report will be dedicated to the different sectors and the equity holdings in each sector. Under each sector there will be a brief description of the equity holding written by one

of the individuals that has followed that particular holding the whole given semester. These brief descriptions will cover company specific news and performance. The 2011 economic outlook will also be included. This is the outlook as discussed and agreed upon by our SAFF Spring 2011 class. In this, we outline what is anticipated in interest rates, inflation and where the economy is heading in 2011. It also outlines where we will place a majority of our available funds. In the placement of these funds we also show which sectors we are under weighting and over weighting and what we think the rates will be for the different government instruments.

Finally, the report will include the performance of the portfolio as a whole, and

how it compared with our benchmarks. In addition to everything else, the annual report will include information on trips the SAFF class participated in like the G.A.M.E. Forum in Hamden, Connecticut, along with the results of the CFA challenge. Much like the newsletter, this annual report will give outsiders an inside view of what happens in the SAFF class. The report will give investors an idea of the inner-workings of a student run portfolio.

- AJ Gonzales

PORTFOLIO SNAPSHOT (AS OF APRIL 22, 2011)

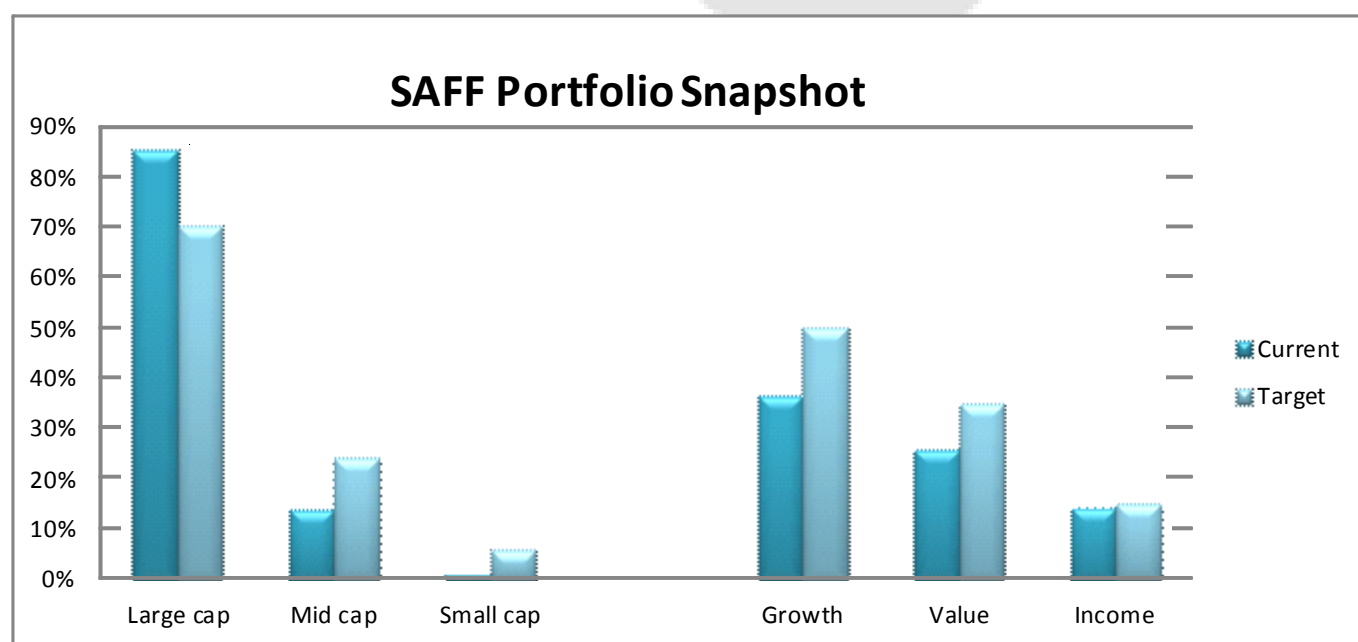
Overall Portfolio	SAFF	S&P 500
Total Return YTD	5.35%	4.95%
Return on Assets (ROA)	10.20%	8.55%
Return on Equity (ROE)	29.65%	21.15%
Projected EPS Growth	11.56%	14.10%
Dividend Yield TTM	3.92%	2.10%
Avg Market Cap (\$million)	156.60	49.95

5 Largest Equity Holdings	
Company	Value
Apple, Inc	\$ 28,055.68
Peabody Energy	\$ 26,408.00
Caterpillar, Inc	\$ 25,166.60
Qualcomm, Inc	\$ 22,776.00
Priceline.com	\$ 21,758.00

5 Worst Performers	
Company	Unrealized Loss
Bank of America Corp	-57.54%
Strayer Education	-51.95%
Orion Marine, Inc	-46.21%
General Electric	-44.46%
Transocean, Ltd	-44.16%

Current Holdings		Target Holdings	
Equity	\$ 681,530	Equity	\$ 764,445
Fixed Income	\$ 383,816	Fixed Income	\$ 352,823
Cash	\$ 111,086	Cash	\$ 58,804
Total	\$ 1,176,075	Total	\$ 1,176,075

5 Best Performers	
Company	Unrealized Gain
Cognizant Tech	267.80%
Caterpillar, Inc	172.37%
Texas Instruments, Inc	130.98%
Peabody Energy	122.97%
Apple, Inc	94.95%



SPECIAL THANKS

The 2011 SAFF class would like to recognize those who made SAFF possible this semester:

We would like to say thank you to Dr. Clinebell for making this class possible. We would also like to say thanks for teaching us the fundamentals required to become effective portfolio managers. You have given all of us the opportunity to learn and grow with one another, as well as providing us with harsh criticism when it was required. We would also like to thank Kristi Cozbey, Administrative Assistant for the Finance department. Her strong work ethic and devotion to the trading room are much appreciated by all the members of SAFF. A special thanks to our Bloomberg expert, Chris Vegter, who is always willing to assist with technological issues. We would also like to thank the UNC Foundation. Without the Foundation to provide us with the funds necessary to run a portfolio, this experience would have never happened.

There are numerous amounts of other individuals to which we owe our many thanks. This was a tremendous opportunity, and we are grateful to the UNC foundation for continuing to trust UNC's students by providing them with real life exposure in portfolio management.

Thank You!

-The SAFF Class

SPRING 2011 SAFF CLASS

(Left to Right)

Back Row: Zachary Crews, Jeremy McNeese, John Skoglund
Second Row: Dr. John Clinebell, Bret Fanning, Dan Stanush, Austin Sanders, AJ Gonzales, Alberto Dellanna, Ruzan Mistry
Front Row: Jessica Warden, Lauren Sebastian, Thea Saunders, Ashley Bunch,



PROFOUND QUOTES FROM THE SPRING 2011 SAFF CLASS

- “This isn’t playtime kiddies...this is real time.” —Dr. Clinebell
- “God Bless Texas.” —Zach Crews
- “When in doubt, blame John.” —SAFF Class Consensus
- “Mutts have to be put to sleep. They’ve exceeded their time in the pound.” —Dr. Clinebell
- “So now what?” —Jessica Warden
- “It’s time to party!” —Jeremy McNeese
- “Call me ‘Master’ if you want.” —Alberto DellAnna
- “If I could only grow facial hair.” —AJ Gonzales
- “I’m in my own zone right now...I’m screening.” —Dan Stanush
- “Alberto you could just get married...” —SAFF Class
- “I’m working on it.” —Alberto DellAnna
- “There’s no crying over spilled milk...Let’s bounce!” —AJ Gonzales

SPRING 2011

SAFE INFORMER



MONFORT COLLEGE OF BUSINESS

University of Northern Colorado

Kenneth W. Monfort College of Business
School of Finance and Quantitative Methods
501 20th Street– Campus Box 128
Greeley, Colorado 80639-0019

NONPROFIT ORGANIZATION
US POSTAGE PAID
PERMIT NO. 21
EVANS COLORADO
RETURN SERVICE REQUESTED