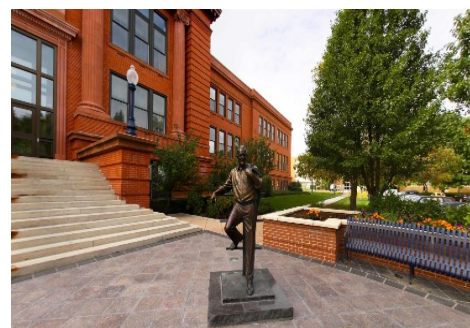


SAFF INFORMER



LETTER FROM THE EDITOR

As portfolio managers of the Spring 2013 semester, we have set a more pessimistic outlook of the current economy when compared to last semester. Because of the differing forecast of the previous semester, we had to work extremely hard to shape the portfolio to reach our targets based on our forecasts so that we could provide our investors with a maximum return. Through monitoring, analyzing, performing valuations, presenting buy and sell proposals, and giving presentations to business professionals, we have learned a lot about applying what we've learned here at MCB to portfolio management in the real world. Through this amazing class we have gained an amazing learning experience that will be with us for the rest of our lives. We would like to thank you for taking the time to read about our portfolio, as well as what the 12 of us have accomplished as a team throughout this semester.

-Candide Bailey

LETTER FROM THE PORTFOLIO MANAGERS

This semester the SAFF class inherited a conservative portfolio which was the result of the slow economic recovery observed in 2012. Though our outlook for real economic growth in the coming years remained relatively conservative, it was negated by bullish market conditions which suggested investors' trending optimism. This unique scenario led us to form a more aggressive approach backed by measures to secure our portfolio value. To implement this discipline we have increased our portfolio's exposure to high growth sectors such as technology and financials, as those are expected to enjoy solid profitability in the near term, while increasing our share in staples and high-yield stocks in order to maintain a level of security in case the economy takes an unexpected downturn. The SAFF class has been a major stepping stone for MCB's finance students as it continues to prepare us for careers in finance and investments with real-world experience. Our recent trip to New York for the Quinnipiac G.A.M.E. Forum, along with our participation in this year's CFA Institute Research Challenge, benefited us in growing our experience through exposure to leading professionals in the field of finance. Additionally, the SAFF class expands our global exposure to finance. Recently we formed a relationship with the investment club at ISM university in Vilnius, Lithuania where we conduct video conferences with students and share investment ideas.

-Alex Schneider and Peleg Rosenthal

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ABOUT SAFF

The Student and Foundation Fund (SAFF) is a class offered at MCB that allows students the opportunity to actively manage a portfolio of real assets totaling over \$1 million. Dr. John Clinebell, the current advisor, founded the SAFF class in 1992 with an original \$200,000 in assets for students to manage. Students are selected through a very competitive interview process conducted by Dr. Clinebell and on average 12-15 students are allowed into the class; this semester there are 12 team members. The SAFF class is meant to give students real world experience applying what they've learned at the Monfort College of Business to actively manage a portfolio as a team with fellow portfolio managers and to provide interaction with business professionals while realizing the greatest return on UNC Foundation assets.

At the beginning of the semester, students come to a consensus on an economic forecast for the up-coming 6, 12, and 36 months. In a class of students with so many varying opinions there is much discussion back and forth until they finally reach a consensus. Next they decide how much to allocate amongst equity, fixed

income, and cash within the guidelines of the class. They then develop a strategy for fixed income in respect to the forecasted yield curve and equity is further allocated among sectors which students weight based upon their economic forecast. Equity is further divided into weightings of growth, high yield and value which students also determine within guidelines set by the Foundation. Although students are responsible for all decisions, each student is assigned three or four stocks within different sectors to monitor and analyze throughout the semester. Students perform valuations for each stock they are responsible for and if the stock is overvalued or does not fit the class criteria for high yield, value or growth, then the student must give a sell proposal and they must screen to find a new stock to propose to buy. They must also perform buy and sell proposals to meet their target sector and value, high yield and growth weightings. The SAFF fund is a very unique student fund in which the students ultimately make the investment decisions through a vote or by proxy for absentees on student buy and sell proposals.

In addition, each student is

assigned a position such as the Newsletter Editor, Portfolio Managers, Fixed Income Managers, Webmasters, and Special Projects Managers. The class is held for three hours once a week and students must come professionally dressed and prepared to learn and make financial decisions. They also spend countless hours in the Finance Trading Room outside of class time researching, monitoring current stocks in the portfolio, screening for new stocks, and performing valuations using the Bloomberg Terminal, CapitalIQ, and Morningstar. Students present to the Foundation's Board of Directors, Donors, and this semester even to Lithuanians hoping to start their own student fund. In all, through this class we've learned how to apply what we've learned, how to interact with business professionals, work as a team, and so much more; it has been an invaluable learning experience.

-Candide Bailey

ECONOMIC FORECAST

This semester's edition of the SAFF economic forecast is the product of much debate on where we see our markets heading over the next several years. Some of us are pessimistic, and others are, well...less pessimistic. The Fiscal Cliff and the likeliness that the Fed will continue their Quantitative Easing policy made predictions about taxes and money supply relatively easy. We see signs that the economy is making strides, but like last semester's forecast, we see these strides being very, very small.

As you have most likely heard, US GDP took a step backward last quarter, posting -0.1% growth. But considering that a significant amount of production and consumption was lost due to Hurricane Sandy (plus the fact that it was well into January before Congress officially approved a \$50 billion Sandy relief package), as well as a sudden 22% cut in national defense spending, we do not believe there will be two consecutive quarters of negative GDP growth. However, we highly doubt

that real GDP will average over 2.5% growth per year for quite some time.

On a brighter note, President Obama mentioned the progress we have made toward becoming a net exporter of oil. This goal will not be achieved overnight, so we can expect to see modest increases in the price of energy with the hope that there will be lower transportation costs as soon as three years from now.

To come up with a forecast for where the Dow Jones Industrial Average and S&P 500 might be sitting down the road, we used a formula that added together current GDP, inflation, and a historical risk premium of 7% to find a steady growth rate of about 11%. Going forward, we will be using this rate as our expected market return when finding the weighted average cost of capital of firms we analyze.

Due to the Fed's plan to continue QE over the next few years and their intent

	Current (2/20/13)	6 Months	12 Months	36 Months
Real GDP*	2.25%	1.90%	2.10%	2.40%
Dow Jones	14,019	14,739	15,507	19,107
S&P 500	1,525	1,600	1,684	2,075
Inflation	2.10%	2.15%	2.20%	2.50%
90 Day	0.07%	0.07%	0.07%	0.10%
10 Year	2.02%	2.15%	2.30%	3.10%
30 Year	3.20%	3.30%	3.50%	4.50%

*Real GDP is shown as a yearly geometric average

to keep treasury rates artificially low, inflation should not significantly increase during this time. But once this period ends, we expect the yield curve to steepen and for inflation to rise more rapidly (we will discuss the impact of this prediction on our fixed income strategy below). In the meantime, the value of the dollar will decline in the short term, but we do not see it remaining weak after QE ends.

-Alex Schneider

FIXED INCOME

With QE3 still in effect and uncertainty about the effect on interest rates when it ends, Fixed Income Managers have been working on preparing the portfolio for what is to come. Nevertheless, our fixed income portfolio has consistently outperformed the Barclays US AGG Index, our fixed income benchmark. Our fourth quarter return for 2012 was 0.81% compared to a 0.06% return for the Barclay's US AGG Index. In addition, our first quarter return in 2013 was 3.43% versus the Barclay's US AGG Index return of 0.18%.

The performance of our fixed income can be partially attributed to the Fall 2012 SAFF class. In 2012, the total return on fixed income was 5.84%, while the Barclay's US AGG Index only experienced a 3.61% return.

After creating our economic forecast, we decided to implement a modified bullet-barbell strategy. With our economic forecast, we feel that interest rates will rise, and the yield

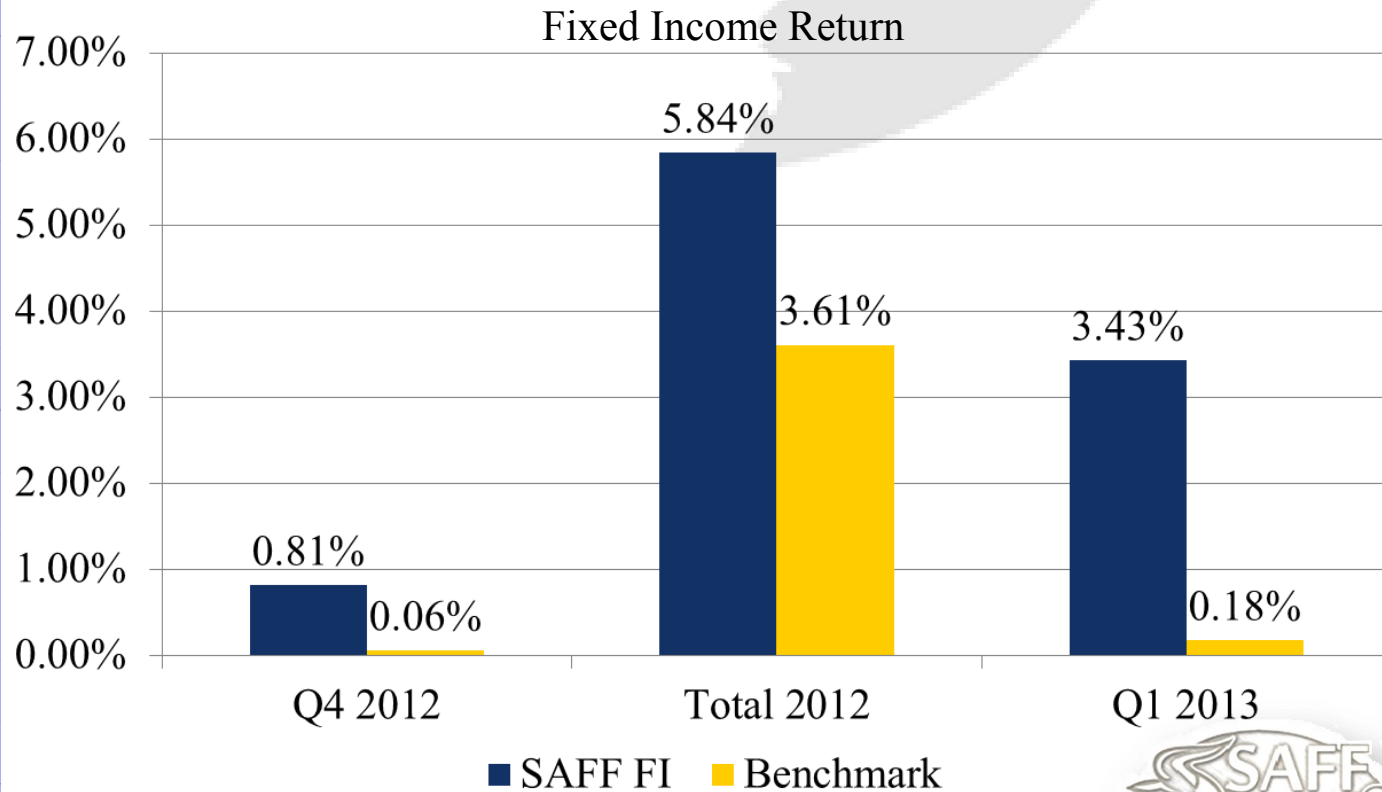
curve will steepen. This strategy will place our portfolio in a good position with expected increases in interest rates. By implementing a modified bullet-barbell strategy we will be mostly overweighted in short-term and declining gradually into the mid-term maturity, with a slight rise into the long-term maturity bonds. As a result, our exposure to changes in interest rate is minimized. The class decided to pursue a lower duration in order to reduce our interest rate risk. Our target duration is 3.87 years, which is around 25.5% lower than the duration of the Barclays US AGG Index. Based on our economic forecast, we decided to set an overall portfolio target in fixed income to 31%. We feel that equity will outperform fixed income in the future as interest rates rise and interest rate uncertainty lingers into the future.

In addition to setting our maturity strategy and target duration, we have also adjusted our weighting for mortgage-backed, government and

corporate issue securities. Our spread analysis determined that government bonds will outperform corporate bonds and MBS. Our target weights are to place 32% in MBS/ABS, 45% in government, and 27% in corporate bonds. Our analysis indicated that government bonds will be less affected by changes in interest rates. We have implemented this strategy and hope that the modifications made to the fixed income side of our portfolio will allow us to outperform our benchmark for future quarters.

-Jaime Smith & Joe Geronimo

4TH & 1ST QUARTER FIXED INCOME PERFORMANCE



EQUITY

The equity section of our portfolio has been performing quite well for the past year. SAFF beat out our benchmark, the S&P500, by 2.46% in 2012. Much of these outstanding returns can be attributed to the Fall 2012 SAFF class as they produced positive returns compared to the negative returns the benchmark realized. For the first quarter

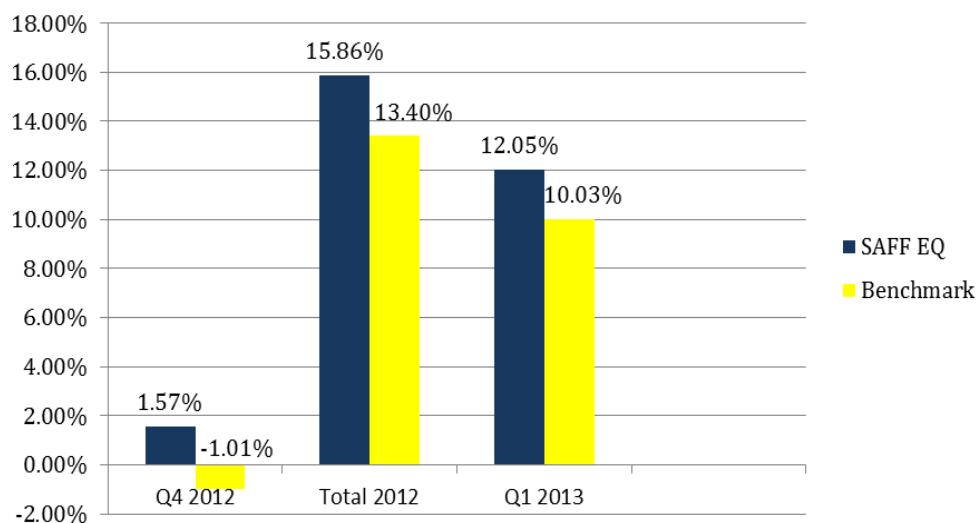
benchmark once again by 2.02%.

Based on our economic forecast we allocated the equity into three styles of securities; value, growth, and high-yield. We foresaw a rather bleak global GDP growth for the short term. This propelled us to maximize the amount of high-yield securities with large dividends, giving us reliable income in an incred-

choose to equally weight value and growth securities as each has strengths in the current market conditions. Historically speaking, growth stocks have shown to demonstrate lower volatility and consist of a positive long-term outlook. Value stocks typically do better with weak economic growth and tend to add additional dividend income. With this combination we felt we achieved a portfolio that could outperform our benchmark.

-Michael Machado

4th & 1st Quarter Equity Performance



in 2013, our equity outperformed the ibly volatile market. We also

EQUITY PURCHASES & LIQUIDATIONS

Upon completion of the sector allocation, the portfolio needed some cleaning up. Some of the equities that were selected by past classes were not performing as predicted. First on the list was the sale of TTMI, a security who posted a realized loss of 22.01% after the sale.

TTM technologies is a manufacturer of complex circuit boards used in primarily smartphones. Unfortunately, the company lost a critical contract with Apple Inc. so we felt the company would start to see

revenues fall drastically after the loss of this massive customer.

Procter & Gamble became a liquidation after the reallocation. We realized a gain of 10.21% on the security after the sale. Strayer had to go after a drastic depreciation from its cost basis. The security realized a loss of 80.91% after the sale.

This opened up room to pursue new equities that we believed would perform well in 2013. Alexion Corp., a biotechnology pharmaceutical firm, has performed very well for us. This security

currently has an unrealized gain of 50.13% for the portfolio.

Some other notable securities are Comcast and Homeowner's Choice. These securities have also had fantastic unrealized gains coming in at 13.30% and 26.91%, respectively. We believe these moves will help the equity section to outperform the benchmark in the near and long-term future.

-Michael Machado

Equity Liquidations	Equity Purchases
Windstream	Comcast
Procter & Gamble	Homeowner's Choice
Strayer	Celgene
Peabody	Intel
TTM Technologies Inc.	Alexion Corp.



EQUITY SECTOR ALLOCATION

After finishing our economic forecast, we under or over allocated our holdings relative to the S&P 500. This was based on what sectors we think will do well in the up-coming year. We decided to overweight the financial, technology, and industrial sectors. As inventories for new homes continue to decline, potential homeowners are increasingly pushing companies like Caterpillar and JP Morgan back up to their productive capacity. As for technology, we are optimistic that the industry will continue to innovate and

find ways to expand its capabilities. We then chose to underweight the utility, material, and telecom sectors. We chose to reduce our fund's exposure to utilities and materials because they did not fit into our strategy mentioned above (based on a two year correlation between these sectors and the S&P 500). Telecom in particular has a very low correlation to financials and industrials. As for the remaining sectors that we chose to keep stable, we felt that they would move favorably with the market, but opportunities to

make additional returns would prove to be more challenging than with the sectors we chose to overweight.

-Brian Collins

	Financials	Health-care	Tech	Utilities	Industrials	Energy	Cyclical	Telecom	Staples	Materials
S&P 500 Weights	15.94%	12.22%	18.35%	3.37%	10.28%	11.14%	11.51%	2.93%	10.71%	3.54%
Decision	Over	Stable	Over	Under	Over	Stable	Stable	Under	Stable	Under
Target Weights	16.25%	12.20%	19.25%	2.75%	10.90%	11.15%	11.50%	2.30%	10.70%	3.00%
Current Weights	14.85%	13.69%	20.38%	4.27%	10.49%	10.36%	12.63%	1.91%	8.11%	3.31%

THE CFA INSTITUTE RESEARCH CHALLENGE



This past fall and spring, four members from the SAFF class were able to take advantage of a rare learning opportunity called the CFA Institute Research Challenge. For the fourth year, SAFF students had the opportunity to represent the Monfort College of Business in this research challenge, as well as to represent the school's image of exceptional business standards. This year's team competed against undergraduate and graduate programs from schools around the region such as Colorado State University, Denver University, University of Colorado at Boulder, and Metropolitan State.

This semester the competition called for a full financial analysis of Ball

Corp., based out of Broomfield Colorado. The students had an opportunity to go to their corporate headquarters and watch a presentation put on by Scott Morrison, the CFO of Ball Corp. The students' analysis was focused on economic, industry, environmental factors, and company specific issues. After the completion of the full analysis and valuation of the company, the team presented their case to a panel of CFA judges. The team consisted of Peleg Rosenthal, Joseph Geronimo, Jackson Kaufman, and Charles Kluko. Although they didn't win, the experience was an exceptional opportunity to gain skills in professional

communication, in-depth researching, and networking success.

- Charlie Kluko



The week of the 4th of April, 2013, the SAFF class made their way to New York, New York to attend the G.A.M.E. Forum III. The day before the conference Mike Machado and Joe Geronimo went to the NASDAQ Stock Exchange, where Joe Geronimo was the honored student chosen to attend the closing bell. He even had his picture shown at Time Square along with other students.

The first day of the conference we attended an all-day event filled with key note speakers. Some of the speakers are very well known in the world of finance. These include: Guy Adami, Managing Director, Drakon Capital & Fast Money Contributor, CNBC; Dr. Bob Froehlich, Independent Director, American Capital Daily Net Asset Value Trust, Inc.; and Richard Peach, Senior Vice President, Federal Reserve bank of New York- just to name a few.

This conference was very memorable for the University of Northern Colorado SAFF students because not only did we have a student

chosen to attend the closing bell, we were also chosen from over 2,000 people in attendance, coming from a number of different universities, to have a distinguished student, Dillon Steeves, be on stage with two other distinguished students to ask a question directly to Richard Peach of the Federal Reserve Bank of New York. We gained a wealth of knowledge on topics of the global economy, alternative assets vs. equities, the Federal Reserve perspective, corporate governance, and the global markets.

The last couple of days were filled with breakout sessions where the SAFF students split up to attend a number of different presentations. Students were encouraged to ask questions and take notes to further expand their knowledge base in different topics of finance.

Another honor our SAFF class received while at the conference was the honor of being selected to present our SAFF Portfolio to a panel of CFAs where we were judged on a number of

different areas. Even though we were not chosen for any of the awards, we did very well. All in all, the G.A.M.E. Forum III was beneficial to all the SAFF students and our time there and the things we learned will always be remembered.

-Ryan Gibbs

JOB ASSIGNMENTS

Portfolio Managers	Equity Managers	Fixed Income Managers	Webmasters	Newsletter Editor	Special Projects Managers
Alex Schneider	Michael Machado	Joe Geronimo	Matthew Heppard	Candide Bailey	Dylan Steeves
Peleg Rosenthal	Brian Collins	Jaime Smith	Charlie Kluko		Megan Bonds
					Ryan Gibbs



PORTFOLIO SNAPSHOT

5 Best Performers: Unrealized Gain	
Buffalo Wild Wings	152.6%
Apple Inc.	133.4%
Caterpillar Inc.	129.9%
Texas Instruments	129.4%
Altria Group Inc.	115.9%

5 Worst Performers	
Total	-42.0%
Baidu	-38.9%
General Electric	-32.3%
Morgan Stanley	-22.1%
Medtronic	-18.7%

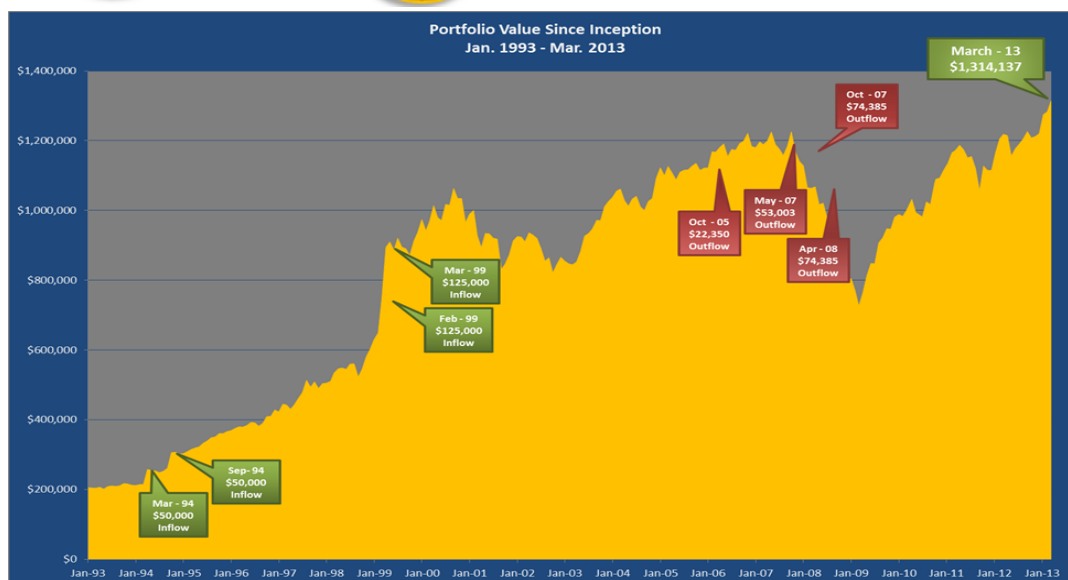
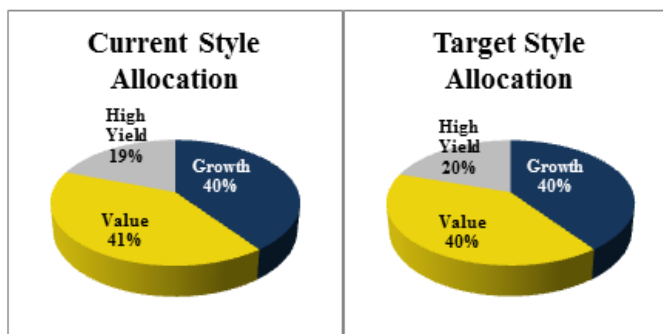
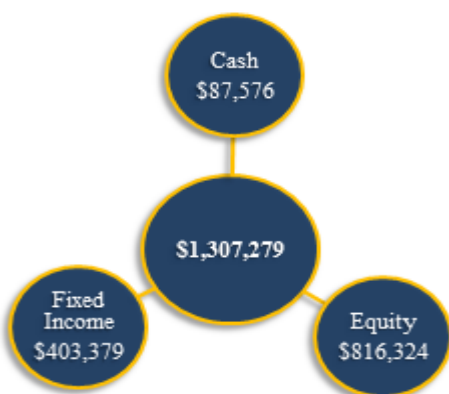
5 Largest Equity Holdings	
Cognizant Tech	3.67%
Priceline.com Inc.	3.57%
Qualcomm	3.29%
Express Scripts Inc.	3.26%
Valero Energy	3.17%

Portfolio Holdings	Target	Current
Equity	\$849,731	\$816,324
Fixed Income	\$392,184	\$403,379
Cash	\$65,364	\$87,576
Total	\$1,307,279	\$1,307,279

Portfolio	SAFF	S&P 500
Price/Prospective Earnings	16.67	16.20
Price/Book	2.28	1.98
Projected EPS Growth	14.85%	8.32%
Total Return YTD	11.91%	10.9%
Average Dividend Yield	1.84%	2.2%

Global Diversification

International exposure in 33 out of 50 holdings

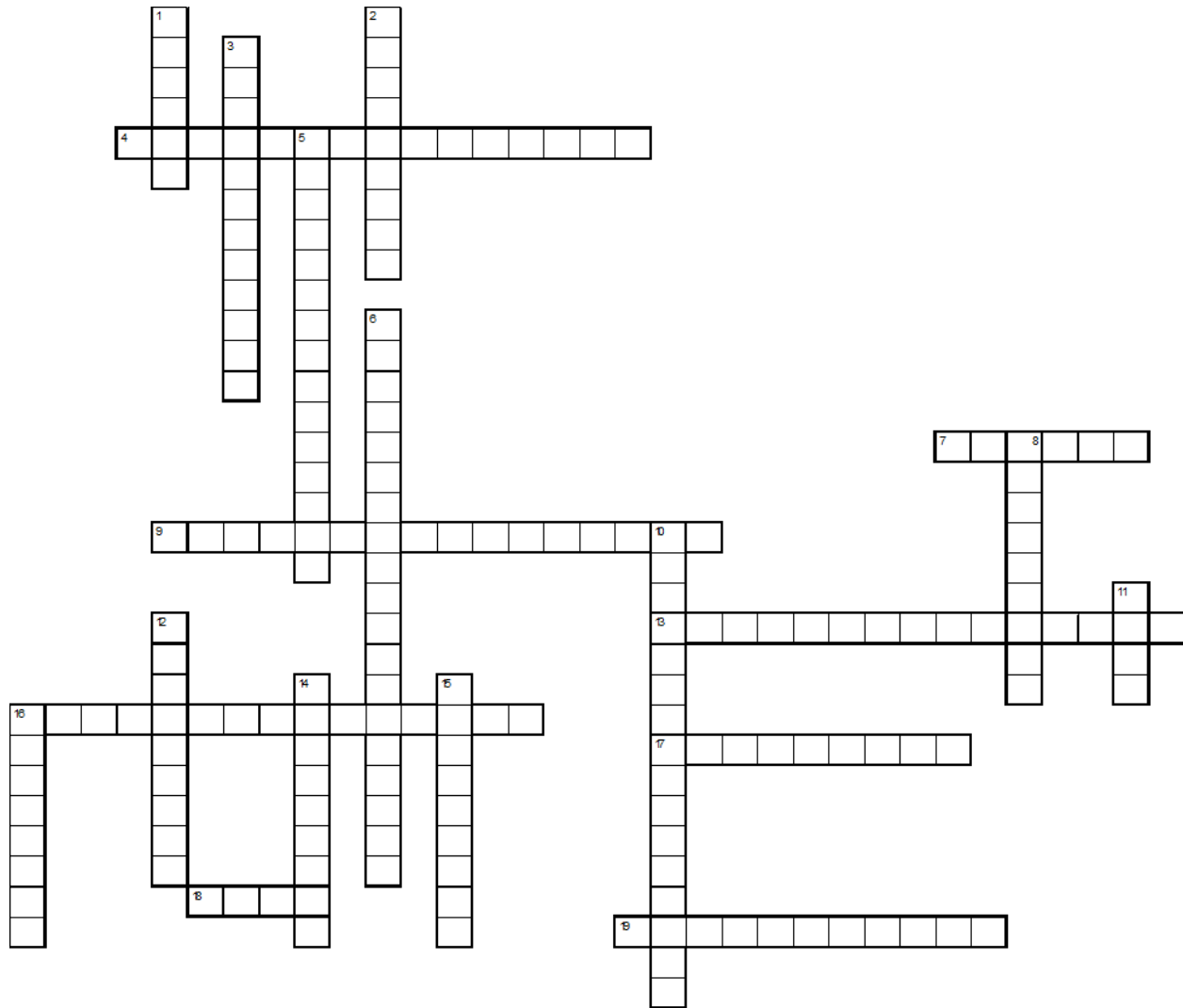


-Megan Bonds

Across

4.
Val-
High
deci-

Growth,
ue, or
Yield
sion



7. It is one of the most commonly followed equity indices and many consider it the best representation of the market
 9. The process of making predictions about the economy
 13. A method of analysis that involves looking at the "big picture" first, and then analyzing the details of smaller components
 16. Best business professor at Monfort College of Business
 17. A term used by the investment community to refer to companies with a market capitalization value of more than \$10 billion
 18. Best performer (unrealized)
 19. A type of investing or budgeting style for which periodic income is received at regular intervals at reasonably predictable levels

Down

1. A stock or any other security representing an ownership interest
 2. Refers to stocks with a relatively small market capitalization.
 3. A gain resulting from selling an asset at a price higher than the original purchase price
 5. An investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon.
 6. Held in New York City this year
 8. A grouping of financial assets such as stocks, bonds and cash equivalents, as well as their mutual, exchange-traded and closed-fund counterparts
 10. Investment of certain proportions of a portfolio in certain areas
 11. Worst performer (unrealized)
 12. The southernmost of the three Baltic states
 14. Are payments made by a corporation to its shareholder members
 15. A standard against which the performance of a security, mutual fund or investment manager can be measured
 16. A measure of the sensitivity of the price of a fixed-income investment to a change in interest rates



SPECIAL THANKS

The SAFF class of Spring 2013 would like to thank everyone who helped make the Student and Foundation Fund and the Quinnipiac Game III conference possible this semester. First we would like to thank Dr. John Clinebell, without whom this class would not be possible. Because of his hard work, dedication, and guidance we have learned a great deal and made this a successful semester. His high expectations of us helped us transform into better students and well-prepared professionals for the future. We would also like to thank Kristi Cozbey, the Administrative Assistant for the Finance Department; her hard work such as helping us prepare for our trip to New York is greatly appreciated. Chris Vegter, who has helped our class with many technology questions in the trading room and enabled us to continue working with all of the professional tools necessary to complete our research. Finally, we would like to thank the UNC Foundation; without them and their financial support, we would never have had this incredible learning opportunity in portfolio management. We are all seniors and will be graduating in the next few months, and this opportunity came at an ideal time as we are all headed out to find our place in the business world. Because of this class and the opportunity to attend the Quinnipiac Game III conference, we all grew as individuals, but more importantly, we gained real world experience and were able to grow as a team, enhancing our ability to work together and make critical investment decisions for the portfolio. We are thankful for the UNC Foundation's continued support and trust. There are many others who deserve recognition, particularly other MCB faculty who provide their valuable support to Student and Foundation Fund students. This has been a great opportunity and we are extremely thankful to everyone who helped us throughout the semester to make it possible.

- The Spring 2013 Student and Foundation Fund Class

SPRING 2013 SAFF CLASS

From Left to Right (Front):

- Brian Collins
- Peleg Rosenthal
- Candide Bailey
- Joe Geronimo
- Alex Schneider
- Megan Bonds

From Left to Right (Back):

- Jaime Smith
- Dylan Steeves
- Matt Heppard
- Michael Machado
- Charles Kluko
- Ryan Gibbs
- Dr. John Clinebell



-Matt Heppard





Spring 2013

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

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