

SAFF INFORMER



LETTER FROM THE EDITOR

The bears have finally come home to roost, figuratively and literally. The 2014 Student and Foundation Fund (SAFF) managers went to New York to see the bull of Wall Street (G.A.M.E. Forum participation), and still came back UNCO bears. SAFF managers have also taken a slightly negative view on the economic forecast for Q1 and Q2, and adjusted the portfolio accordingly. Changing of the guard within the Federal Reserve coupled with a negative economic view, SAFF has taken a more defensive portfolio position. SAFF members represented UNCO in the CFA Institute Global Research Challenge, and showed great resolve and character. A energetic group of students have labored and toiled this semester to beat the S&P 500, and have loved every minute of it. Welcome to the 2014 spring edition of the SAFF Informer, and thank you for your patronage and support.

-Michael Kibbee

LETTER FROM THE PORTFOLIO MANAGERS

As members of the Student and Foundation Fund (SAFF) each student realized very soon on that our interest in what is going on in the financial world and the economy was going to take a front seat in our everyday lives. The SAFF class allows us to take what we have learned in our other finance classes and apply it to a live working portfolio with material gains and losses. The class format is much different than a typical classroom. We gained experience with presenting and networking while constantly disputing different points of view and assumptions. The class was fortunate enough to attend the Quinnipiac G.A.M.E Forum in New York City. This experience allowed us to network with business professionals from across the United States and provided us with insight on our economic forecast. With the appointment of the new chairman of the Federal Reserve Janet Yellen and her announcement to taper the bond purchasing program until it has completely diminished by the end of 2014, the class has forecasted that the economy is recovering but is recovering at a weak bull approach. The G.A.M.E Forum reiterated this analysis. We are honored to be part of the University of Northern Colorado's 2014 SAFF class and we will carry this experience into our professional careers.

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ABOUT SAFF

The University of Northern Colorado Monfort College of Business offers a unique class to Finance students called the Student and Foundation Fund. The purpose of the class is to allow students to gain real world experience by managing a portfolio consisting of over \$1 million worth in equity, fixed income, and cash. The class was founded in 1992 by Dr. John Clinebell when the UNC foundation granted \$200,000. The goal of the SAFF class is to grow its assets and return the excess to the foundation. The class abides by the guidelines set in the Investor Statement Policy given by the UNC Foundation.

Students must submit an application and interview with Dr. Clinebell in order to be allowed into the class. Dr. Clinebell selects approximately 12 students to be in the class. There are various jobs that the students are assigned, which are held throughout the semester. The positions include:

- Portfolio Managers

- Equity Managers
- Fixed Income Managers
- Special Projects Managers
- Webmaster
- Newsletter Editors

Each student tracks current events on four equity holdings, usually within the same sector, and conducts valuations on the companies. During the valuation process the student must determine if the stock is considered a value, growth, or high yield stock. If the stock does not fit into one of these categories the student must present a sell proposal to the class. Students are also accountable for closely following current news regarding the economy, markets, and international issues. However, if a student discovers a potential equity or fixed income prospect, they may construct a buy proposal and present it to the class.

The class meets once a week for approximately three hours. Class time is spent performing company valu-

ations, creating an economic forecast, discussing target positions for the portfolio, as well as voting for or against any buy and sell proposals. SAFF students spend numerous hours researching in the university's Finance Trading Room, typically utilizing the Bloomberg terminal, Capital IQ, or Morningstar. The students often outperform industry professionals and the portfolio currently holds approximately \$1.5 million.

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.

-Oliver Bourne

ECONOMIC FORECAST

After a great year with the S&P 500 returning, including dividends, 32.39%, the thirteen SAFF managers had several long discussions whether these would continue or if there would be a market correction. Also adding to the mix of determinates in our forecast; emerging markets took a fairly severe hit in January causing which also

caused U.S. stock markets to slide. The Federal Reserve was a major point of discussion for the SAFF managers as the change in leadership with Janet Yellen taking the helm and tapering of quantitative easing programs. Overall, the Spring 2014 SAFF managers had a weak bull outlook on the market.

SAFF managers forecasted growth rates to remain low, which increases the

downward pressure on GDP. Although downward pressure is looming, managers still believe there will be a small increase in real GDP over the next three years. Given the weak production reports released in January, managers did not anticipate a large amount of growth within the U.S. economy. However, we anticipate the market to perform at a relatively stable level for the 2014 year.

While the Fed's goal is to end quantitative easing (QE3) by the end of 2014, the SAFF managers forecasted it would take longer than a year. This delay arose from the managers belief the economy would experience some sort of hiccup in this time period, which would cause the Fed to delay some of the tapering dates. Due to this delay in the tapering of QE3, SAFF managers forecasted a slight increase in interest rates in the short term and a return to somewhat normal rates in 36 months.

-Grant Gattis

	Direction (down, stable, up)			Reasons why
	6mo	1yr	3yr	
Energy Prices	Down	Down	Stable	Increase in US Production, Decrease in Chinese demand
Money Supply	Up	Up	Stable	Lack in confidence in the Feds tapering program
Value of the \$	Stable	Down	Stable	Current conditions in Emerging Markets and Fed tapering
Marginal Tax	Stable	Stable	Stable	Election cycle
Default Spread (Corp. vs. Treasury)	Down	Down	Stable	Lower spending, increasing treasury rates
Unemployment	Down	Down	Stable	Capital Expenditures increases FOMC forecast
Consumer Confidence	Stable	Up	Stable	Inverse relation to Unemployment
Real GDP (%) (1.9% - Feb 2014)	2.65	2.7	2.9	Tapering will hurt interest rate sensitive sections of GDP. Consumer Confidence expected to increase in 12 months and stable 36 month outlook.

FIXED INCOME

Fixed Income Managers have been preparing a portfolio that reflects economic expectations and the strategy that will yield the highest results.

The fixed income portfolio is benchmarked to the Barclays US AGG Index. In quarter 4 we had a -0.35% compared to a 0.02% return from the Barclays. The Total 2013 return of the fixed income portfolio was -3.29% versus the Barclays return of -1.97%. In the first quarter of 2014 the fixed income portfolio earned a 1.96% return compared to the Barclays return of 1.77%. It appears that our new strategy, that is outlined later, is working.

After creating our economic forecast, we decided to revise the previous modified barbell strategy to a more traditional barbell strategy. With our economic forecast, we feel that interest rates will progressively rise, and the yield curve will flatten. This strategy will place our portfolio in a good position

with expected increases in interest rates. By implementing a barbell strategy we:

- over weighted our short-term (0-2 years to maturity) to 30%
- an equal weighted holding between years 2-4 and 4-6
- over weighted in long-term (8+ years to maturity) to 25%

As a result we minimized our risk to changes in interest.

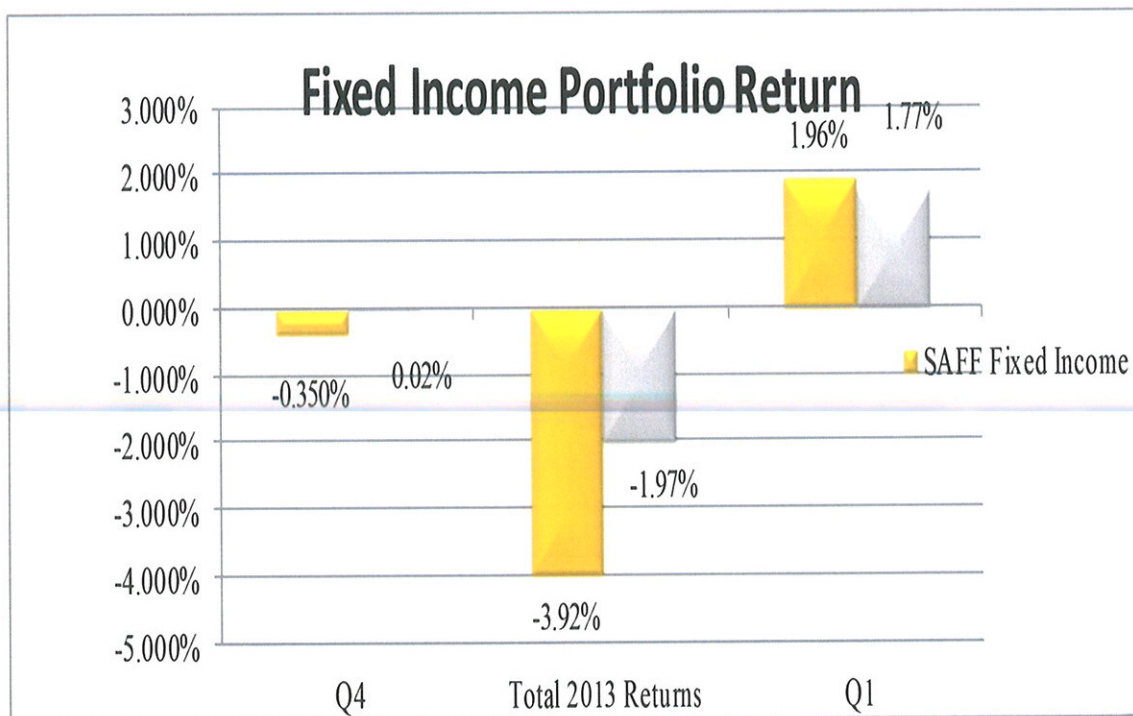
The class decided to pursue a lower duration in order to reduce our interest rate risk as we expect interest rates to rise. Our duration is 3.98 years, which is around the minimum target duration of 3.93 years. Based on our economic forecast, we decided to set an overall portfolio target in fixed income to 33%. We feel that equity will outperform fixed income in the future as a rise interest rates 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 corporate bonds will outperform government and MBS. Target weights look to underweight the AGG by placing 23% in MBS/ABS, underweight the AGG putting 42.5% in government, overweighting the AGG by putting 34.5% in corporate bonds. We have implemented this strategy and the modifications made to the fixed income side of our portfolio will allow us to improve our performance relative to our benchmark for future quarters.

-Manuel Mendez & Lee Taylor

Q1 - Q4 FIXED INCOME PERFORMANCE



EQUITY

The equity section of our portfolio performed well in 2013 with an annual return of 38.22%. This exceeded our benchmark, the S&P 500, by 8.59%. These returns can be attributed to the weights of different sectors within our

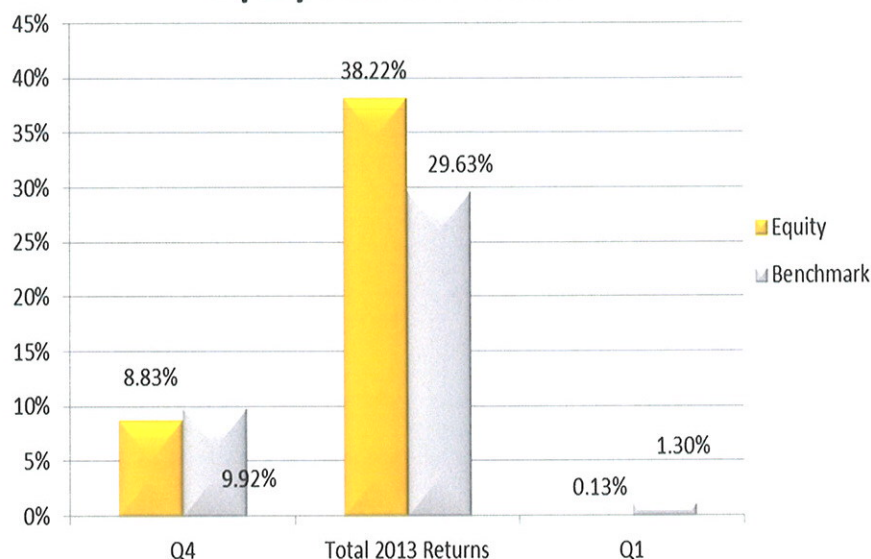
portfolio. In Quarter 2 we were heavily weighted in Technology and Industrial stocks which both underperformed the market, resulting in our portfolio's performance. However, in Quarter 3 the Industrial sector bounced back as we gained 9.27% compared to only 4.51% of

the S&P 500. We slightly underperformed our benchmark in the first quarter of 2014; however both returns were below average compared to recent quarters. We attribute this poor performance to the unusually severe weather we experienced the past few months, which slowed economic growth.

Based on our economic forecast we then allocated the equity into three styles of securities: value, growth, and high-yield. We have forecasted higher economic growth in the next three years which has led us to the following weights: Growth-40%, Value-40%, High Yield-20%. We have high expectations for both growth and value stocks in the next 3-5 years which is why we have overweighted these styles. However, we have chosen to weight high yield stocks to the maximum that our investment policy allows to hedge against volatility in the markets.

-Tim Smith

Equity Portfolio Return



EQUITY PURCHASES & LIQUIDATIONS

Completion of the sector allocation has been an ongoing task. We have made two purchases since semester start and two liquidations. Our current focus is on liquidating current positions in sectors where we are overweight to free up cash.

In March, the portfolio sold its position in AstraZeneca (AZN). AZN has a weaker pipeline (primary source for valuing pharmaceutical firms) relative to competitive firms. AZN is facing a large patent cliff with patents expiring on two of their top three selling drugs in

2014, so selling off the position and realizing the nearly 50% gain was a clear decision. Following the sell, we approved a proposal to purchase Johnson & Johnson (JNJ). JNJ was categorized as a value stock and purchased to fulfill the target allocation in the healthcare sector. We also approved the purchase of Proctor & Gamble (PG). PG was valued with room for slight price appreciation but with the intent of having it move into high yield within the next couple of years. The purchase satisfied the need to put consumer staples at our target weighting.

Cummins Inc (CMI) is another recent liquidation. Since its purchase as a value stock in 2011, the stock has gained nearly 40% for our portfolio and has gone over its target value and no longer has a place in the portfolio.

-Luke Van Horn

Equity Liquidations	Equity Purchases
AstraZeneca plc (ADR)	Johnson & Johnson
Cummins Inc.	The Proctor & Gamble Company
Valero Energy Corporation	Kinder Morgan Energy Partners LP
	Medtronic, Inc.

EQUITY SECTOR ALLOCATION

After finishing our economic forecast, we under, over or equally allocated our holdings relative to the S&P 500. This was based on what sectors we think will do well in the upcoming year. To start out, we underweighted Financials, Cyclical, and Telecom. The Telecom sector is a highly leveraged industry that is currently in ongoing price wars between the larger companies in the in-

dustry

We decided to overweight Healthcare, Energy, and Staples. With the energy sector increasing their production we expect overall sales volume in the U.S energy sector to increase, primarily driven by exports of Natural Gas and refined fuels. We expected biotech companies within the Healthcare sector to outperform the market. For the remaining sectors of Tech, Utilities, Indus-

trials, and Materials, we chose to keep equal weight because we believe these sectors will move with the market.

-Salvatore LoCascio

	Financials	Healthcare	Tech	Utilities	Industrials	Energy	Cyclical	Telecom	Staples	Materials
S&P 500 Weights	16.2%	13.5%	18.7%	3.1%	10.8%	10.0%	12.3%	2.3%	9.6%	3.5%
Decision	Under	Over	Stable	Stable	Stable	Over	Under	Under	Over	Stable
Target Weights	15.0%	14.1%	18.7%	3.1%	10.8%	11.0%	11.5%	2.0%	10.3%	3.5%
Current Weights	15.27%	13.32%	18.74%	3.29%	9.60%	12.64%	11.04%	2.04%	10.43%	3.03%

SPECIAL PROJECTS

THE CFA INSTITUTE GLOBAL INVESTMENT RESEARCH

In January four members from the SAFF class took advantage of a rare learning opportunity called the CFA Institute Global Research Challenge. The challenge is split into three different areas of competition; Regional, America Regional, and the Global Final.

For the fifth year, SAFF students have 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 year the competition called for a full financial analysis of Molson Coors, based out of Golden, Colorado.

The students had an opportunity to go to their corporate headquarters and watch the presentation that is given to analysts and investors. The students' analysis was focused on economic, industry, and company specific issues. The team finished the complete valuation by January 10th, and presented on January 22nd. The team consisted of

Josh Bond,
Adriana Nieto,
Oliver Bourne, and Lee Taylor.

In representing the Monfort College of Business the team placed 5th and was not able to advance to the regional finals. It was a great learning experience for the members that participated and something that will assist us in our developing professional careers.



QUINNIPIAC G.A.M.E. FORUM

QUINNIPIAC G.A.M.E. FORUM

GLOBAL ASSET MANAGEMENT EDUCATION

Cosponsored by

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From March 20-22nd, 2014, 16 students and faculty from the spring 2014 Student and Foundation Fund (SAFF) class made their way to New York, New York to attend the fourth annual Quinnipiac Global Asset Management Education (G.A.M.E.) Forum. A day before the conference two students went to represent the UNCO SAFF class in opening ceremonies. At the NASDAQ Stock Exchange, SAFF member Josh Bond was the UNCO honored student chosen to attend the NASDAQ Closing Bell Ceremony, where he had his picture shown on the NASDAQ Time Square board.

The first day of the three day conference included an all-day event filled with key note speakers from the likes of Goldman Sachs, CNBC, Bloomberg, and other distinctive businesses. These speakers hold high authority in the world in finance and include: Guy Adami, Managing Director, Drakon Capital & Fast Money Contributor; Ralph Acampora, Senior Managing Director, Altaira Ltd.; Abby Joseph Cohen, Senior Investment Strategist & President

Global Markets Institute, Goldman Sachs; and Dr. Bob Froehlich, American Realty Capital Daily Net Asset Value Trust, Inc. and Davidson Investment Advisors, Inc.

The UNCO SAFF class was selected from over 2,000 people in attendance to participate in a distinguished student guest panel. Michael Kibbee, was one of only 12 students to have the honor to be on stage and ask a question directly to his panel which included: Richard Bernstein, CEO, Richard Bernstein Advisors LLC; Michael C. Khouw, Managing Director & Primary Strategist, DASH Financial; and Benjamin A. Pace, III, Managing Director & Chief Investment Officer, Deutsche Bank Private Wealth Management. The group was capable of gaining a wealth of knowledge on topics on the global economy and markets, alternative assets vs. equities, the Federal Reserve perspective, and corporate governance.

The second and third days were filled with over 65 breakout sessions, where the SAFF students were capable of splitting up to attend the different presentations. Students were encouraged to ask questions and take notes to further expand their knowledge base in the different topics of finance. Students then pooled their information when returning to the classroom setting to inform and expand each other on the new information gained. New concepts, policies, through processes were vetted for their validity and introduction into the SAFF classes investing strategies.

The final honor the SAFF class received was they had the honor of being selected to present their SAFF Portfolio

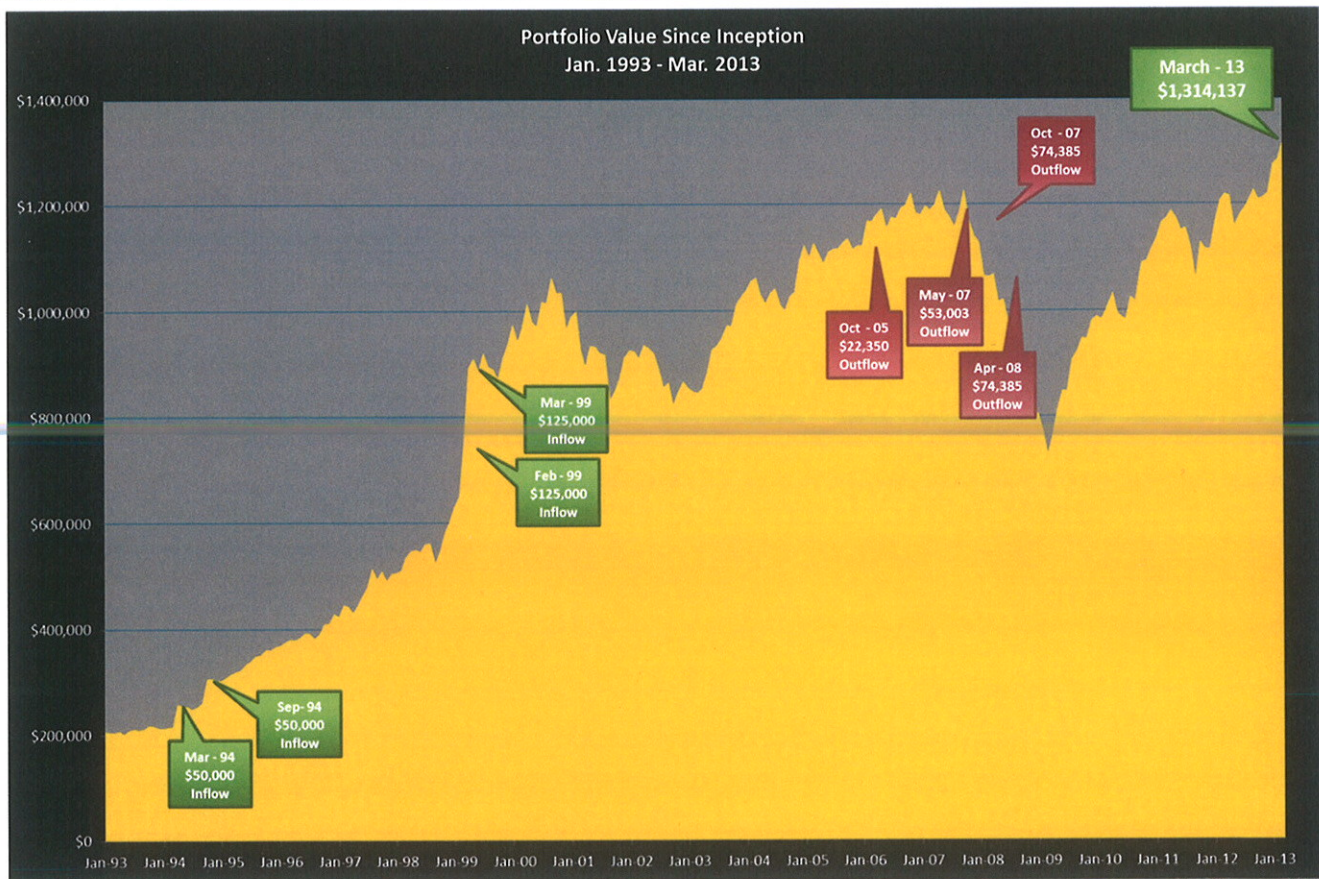
to a panel of G.A.M.E. Forms CFA judges. We were judged on a number of different areas to include portfolio returns, investment strategies, and historical returns. Luke Van Horn, Sonja Palacios, Lee Taylor, and Nathan Vannoy did an excellent job presenting and representing the SAFF class in front of industry professionals.

The Quinnipiac G.A.M.E. Forum IV was a once in a lifetime event for all students that were capable of participating. Industry wide networking allowed for students to make connections with professionals that they would not normally have access to. Open forum breakout sessions allowed students to directly ask questions and receive immediate feedback on ideas and concerns. G.A.M.E. forum speakers and participants included industry leaders in a "one-stop shopping" atmosphere of discussion that normally would happen outside of an event like this. Every student who attended the Quinnipiac G.A.M.E. Forum considers themselves fortunate and continued participation in the event is a goal that every new SAFF student should strive for.

-Josh Bond & Michael Kibbee



JOB ASSIGNMENTS



PORTFOLIO SNAPSHOT

5 Largest Equity Holdings	
Cognizant Tech.	3.90%
Valero Energy	3.78%
Plains All American Pipeline	3.57%
Priceline	3.50%
Buffalo Wild Wings	3.25%

5 Best Performers - Unrealized Gain	
Buffalo Wild Wings	275.2%
Apple Inc.	230.2%
Caterpillar Inc.	191.4%
Valero Energy	161.6%
Altria Group Inc.	147.7%

5 Best Performers - 52 Weeks	
Baidu	77.52%
PRICELINE.COM Inc	62.54%
Whiting Petroleum	60.76%
Valero Energy	59.18%
Cognizant Tech	56.36%

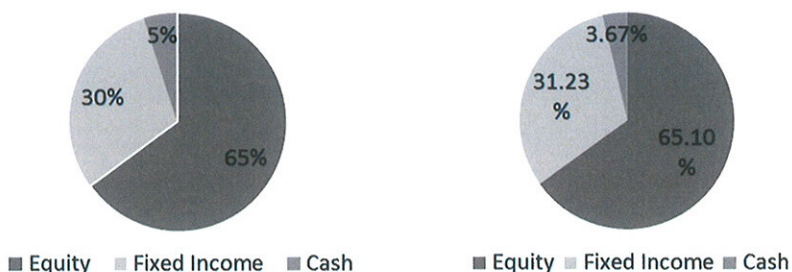
5 Worst Performers - 52 week	
Tera Nitrogen	-25.3%
Target	-9.55%
Huaneng Power	-7.17%
Potash	-8.43%
HDFC Bank	-5.44%

5 Worst Performers	
Nu Skin Enterprises	-31.7%
General Electric	-21.2%
Oasis Petroleum	-10.0%
HDFC Bank	-6.0%
Terra Nitrogen	-3.4%

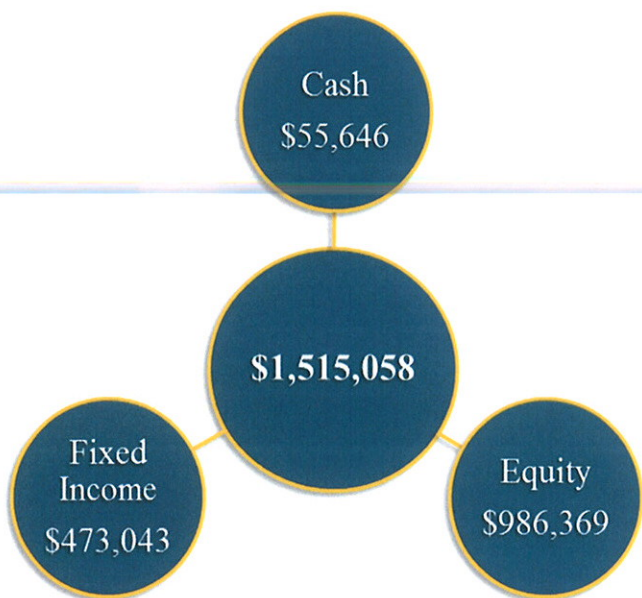
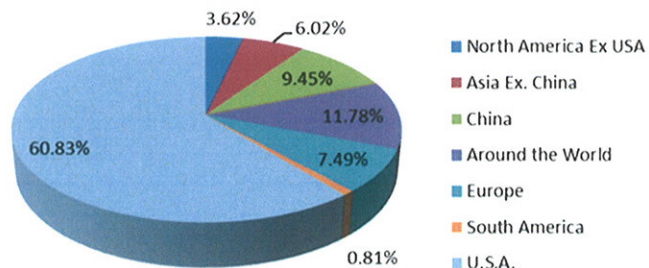
5 - Year Annual Returns

	Portfolio Value	Yearly Return	Total Return
December 31, 2008	\$ 814,066	NA	NA
December 31, 2009	\$ 988,694	21.451%	21.451%
December 31, 2010	\$ 1,115,454	12.821%	37.022%
December 31, 2011	\$ 1,115,072	-0.034%	36.976%
December 31, 2012	\$ 1,219,139	9.333%	49.759%
December 31, 2013	\$ 1,498,043	22.877%	84.020%

Portfolio Allocation



International Exposure



SAFF Word Search

P F N M Q T A P B Z G K K T S E V N I X
Q E U B J K C W P V S Q Q Y F W T F K E
I T M X Z Y X I H V K Q B P X U U B Y P
T T X X F Y N U L W E Q U I T Y I V F A
F R Z K X A Z Q R M K B S X Y H O U C C
V A L U E U M V V D V J T L V U K W S A
G Z S R I Z A A G X E R Z L M O I O B O
W M G A M A Q L C I A B E U X F N Z Q F
H G R O L W N E V A P K T T G Z V D H R
W P U O E E S R N A T S C B H D E U F H
Y J Z Z D Y B O Y W O E Z F C E N I V P
D E P R E C I A T I O N R Z J N T P G L
Z P D P K E B E C A B R D P N U O X L A
T X Q E L L C I M O N O C E I T R V D T
E R V P E N T X A F T T A H A L Y B C I
I B P S A Q F W Q D T I G S T U L Q G P
Z A I N C I W T Z X X E H N F W I A F A
T V I T X M A B N B H D L L H Z O K R C
A F B L D D C U F T Z J L K K E C R J O
N U N D H A C L B I O H Q H T T K Q G U

-Kaitlyn Brown

APPLE

CAPITAL

MUTT

CAPEX

ECONOMIC

PAYABLES

CATERPILLAR

EQUITY

POTASH

DEBT

FINANCE

VALERO

DEPRECIATION

GROWTH

VALUE

EBITDA

INVENTORY

WACC

CABELAS

INVEST



SPECIAL THANKS

The spring 2014 Student and Foundation Fund would like to recognize some of the key individuals behind this semester's SAFF class: without their direct influence the opportunity provided by this class to the students would not have been possible or successful.

First and foremost we would like to express our gratitude to Dr. John Clinebell for his personal sacrifice and investment in this semester's class. This is the 42nd consecutive semester SAFF has operated with its founder Dr. Clinebell at the helm for the majority of its existence and he continues to bring a fresh perspective and thoughtful insight to each new class of portfolio managers he takes on. It has been an honor to experience everything from the opportunity to interview for this class, to working together as a team under his guidance to learn and add value to the foundation. The lessons he has taught us will no doubt pay dividends personally but will also serve to the benefit of those we come in contact with as we make the transition from UNC toward our professional careers.

Secondly, we would like to thank Kristi Cozbey, the Administrative Assistant for the Finance Department for her absolute selflessness and commitment to our personal enrichment both in and outside of SAFF. Kristi assisted students with printing the newsletter, readying our G.A.M.E. forum poster for NYC, booking flights and hotel reservations for the entire SAFF class's trip to New York City, and helped us prepare for our board presentation. She played the most integral behind-the-scenes role in ensuring that anything outside of class ran smoothly. Without Kristi's direct involvement the majority of our SAFF class simply would not have been possible. Her dedication to the success of her students and to the Monfort College of Business is beyond reproach and we cannot thank her enough for giving of herself like she does.

Thirdly we would like to thank Jamie Cornehlson. He served as a CFA mentor for the CFA institute research challenge by providing his unique industry insight for company valuations to our team.

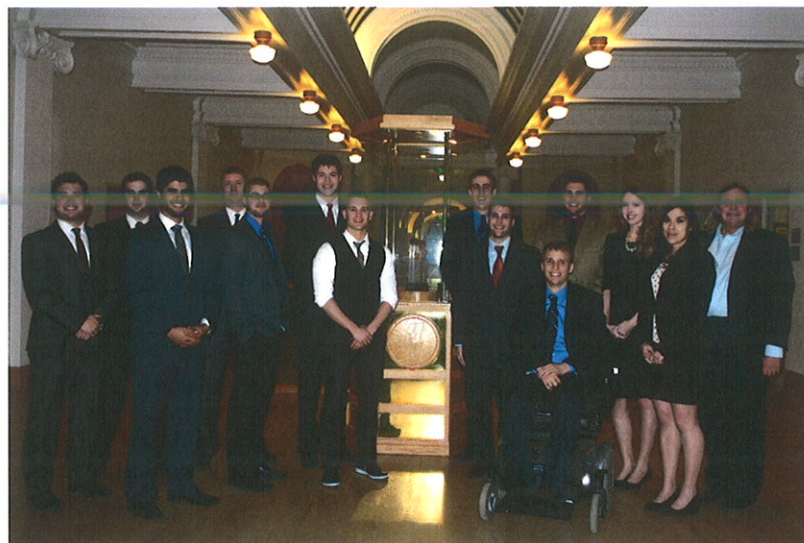
We would also like to express our gratitude to the Monfort College of Business for facilitating our SAFF class throughout this semester. Having a finance lab bolstered with the incredible financial resources and technology at our disposal provided the ability to properly value our investments and have access to research that otherwise would not have been possible. Our education has been enriched beyond what is possible for many other students at comparable colleges because of what is provided to us. Finally, we would like to thank the UNC Foundation for the faith and financial provisions invested into our SAFF class. Without the foundation this outstanding opportunity would have never come to fruition. The Foundation's continued support and trust in the spring 2014 team of portfolio managers serves as evidence to the caliber of education we receive at UNC. They can take solace in the fact that their investment has paid off monetarily, but more importantly personally in each individual in SAFF.

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. *-Nathan Vannoy*

SPRING 2014 SAFF CLASS

From Left to Right:

- Oliver Bourne
- Josh Bonds
- Manuel Mendez
- Michael Kibbee
- Tim Smith
- Luke Van Horn
- Nathan Vannoy
- Grant Gattis
- Lee Taylor
- Salvatore LoCascio
- Dalton Arnold
- Kaitlyn Brown
- Sonja Palacios
- Dr. John Clinebell



-Kaitlyn Brown

