Monfort College of Business | University of Northern Colorado

SAFF Briefing

Inside this issue:

Letter from the Portfolio Managers

The students in the Fall 2018 Student and Foundation Fund (SAFF) class showed professionalism and impressive work ethic to ensure this class delivered optimal results both financially and educationally. Our class focused on two main objectives this semester: education and the continuity of the portfolio management process from semester to semester.

We ensured that each manager was able to utilize our resources in a way that promoted efficiency and effectiveness for our portfolios. Each member of SAFF is required to earn the Bloomberg Market Concepts certification at the beginning of the semester. We believe it makes us a more proficient class as a whole. Through this, as well as the standardization of buy and sell pitches, we ran this class as though it were a business, not just a high-value classroom experience.

The class is committed to ensuring students who follow us feel as though they can pick up the class seamlessly; we strive to leave each semester better than we found it. This semester our efforts are shown in several ways. Standardized holding theses were rewritten so that future classes are more easily able to identify why we hold certain assets. The students updated a written process for future students on how to write the economic forecast so the process runs more smoothly. Peer evaluations were edited to encourage not only positive feedback, but also constructive feedback so that students can work to amplify their strengths, as well as focus on overcoming weaknesses. Maintaining continuity is a work in progress that we are improving each semester. We tried leverage the experience of returning students by pairing them with incoming students. Similarly, those returning for the spring will serve as mentors to a new batch of recruits.

We look forward to seeing what future classes do with these practices that have been set in place. We are confident our contributions provide something future classes can continue to build upon.

The SAFF class thanks the foundation, the Monfort College of Business (MCB), and the faculty and staff for giving us the opportunity to gain real-world experience in investing. We view this class as a unique career opportunity and have grown both professionally and intellectually. We would like to especially express gratitude for Professor Jares, who has pushed us throughout the semester and not allowed us to settle for less than our best. We are deeply grateful for everyone's contributions that will help us all in the future.

-Kathryn Van Dewerker & Josh Heifetz

Letter from the Editor

The student managers witnessed a six month streak of stocks rising, and experienced the conclusion of this, as well as an overall market correction in mid-October. The managers also experienced volatility in the market due to uncertainty with midterm elections that aimed to flip congressional majorities. Outside of the classroom, the students had the wonderful opportunity to visit Chicago, IL to attend a Student Fund Consortium and visit the Board Options Exchange which fueled their passion for SAFF.

Through hard work, cooperation, determination, and communication, our team continued the management of both the SAFF and CIBEF portfolios. Each member of SAFF is leaving this semester with real-world knowledge and hands-on experience in portfolio management. In the last four months our team collaborated to construct the portfolios in a manner that would simultaneously provide long-term growth as well as steady returns to our investors.

We are proud of the decisions that have been made in the Fall 2018 semester, and we believe our current portfolio showcases each of our current and former SAFF student manager's abilities. We would like to thank each of you for your continued support and welcome you to the Fall 2018 SAFF Briefing.

- Erica Estes

Fall 2018 SAFF Student Managers

(Top-to-bottom, left-to-right)

Joshua Heifetz, Garrett Olson, Brian Lund, Dr. Jares, Conner Bell

Nathan Price, Tia Nelson, Erica Estes, Kathryn Van Dewerker, Leilani Herrera,

Mariel Gutierrez, Caleb Harris

About SAFF and CIBEF

The Student and Foundation Fund is a class offered at the MCB for upper-level finance students. SAFF provides the opportunity for students to learn and manage two portfolios, as well as generate money for scholarships.

The class was founded by Dr. John Clinebell in 1992. At the time, the portfolio contained $200,000 in one portfolio and over the years it has increased to over $2.6 million in two portfolios. The class is currently under the guidance of Dr. Tim Jares, CFA, Department Chair and Professor.

Every student has a specific set of responsibilities. Leadership roles include: Portfolio Manager, Equity Manager, Fixed Income Manager, International Equity Manager, Alternative Assets Manager, and Public Relations Director. Most students are also assigned an equity sector. Sector managers are responsible for sector strategies, sector allocation relative to target, and individual holdings in that sector.

At the beginning of the class, the class produces an economic forecast of forward looking market and economic expectations. Asset allocations are determined while staying within the Investment Policy Statement (IPS). A strategy is then created for fixed income with respect to the yield curve expectations. Equity managers work to form the desired investment style, growth, value, and core. After the investment style is determined equity managers, in consultation with sector managers, set allocations for individual sectors with guidance from the Economic Forecast. Students actively manage their area of responsibility throughout the semester. Pitches to buy or sell are initiated by those students either for a variety of reasons. In order for the buy or sell decision to be successful, a super majority and a simple majority vote is required, respectfully.

The Colorado Insurance Business Education Fund (CIBEF) was started in 2014 and is currently valued at approximately $700,000. The portfolio operates under a different IPS than the SAFF portfolio and therefore is managed separately.

The CIBEF portfolio includes investments in fixed income and equities, as well as emerging markets and alternative assets in order to provide additional opportunities as well as reduce risk. CIBEF alternative assets include categories such as high-yield bonds, commodities, and low correlated hedge funds. Having the CIBEF portfolio allows students to experience more investment opportunities, which are otherwise limited with the SAFF portfolio.

The investment time horizon for both the SAFF and CIBEF portfolios is long-term, with domestic equities and fixed income representing our largest areas of exposure. Every year, 4% of the CIBEF fund is distributed to scholarships for finance students. Additionally, the foundation transfers 80 (SAFF) - 100 (CIBEF) basis points of the market value of our portfolios to a MCB fund, designated for expenses such as technology, travel, competition fees, and other SAFF course related expenditures.

At the end of each semester, the SAFF class presents to the Foundation's Board of Directors, current donors, and speakers who took the time to share their knowledge with the class. In the presentation we discuss the strategic process of how SAFF and CIBEF are managed; key information on the overall performance of the portfolios; and any liquidations, trims, or acquisitions of holdings that were executed throughout the semester.

- *Leilani Herrera & Tia Nelson*

SAFF NORTHERN COLORADO

STUDENT AND FOUNDATION FUND

Meet the Managers

Kathryn Van Dewerker *Portfolio Manager*

Kathryn is a senior Finance and Accounting major, with a minor in Leadership Studies and will graduate in December. In her college career, Kathryn has participated in various case competitions, including ethics, accounting, and finance. She completed the President's Leadership Program and Honors Interdisciplinary Program. She works as a tutor, helping students succeed in finance, accounting, and statistics courses. Upon graduation, she will study and sit for the CPA exam prior to entering the workforce; she will then start her audit career with Deloitte & Touche in Denver.

Joshua Heifetz *Portfolio Manager*

Josh is a senior at Monfort College of Business, graduating in December 2019 with a Bachelor of science in Business Finance. Josh was the founder of the UNC Club Wrestling team as well as a captain on the UNC Men's Club Lacrosse team. Josh has been on the executive committee in his fraternity for the past three years. His main hobbies are enjoying the outdoors and being active.

Tia Nelson *Equity Manager*

Tia is from Hawaii and will graduate in December of 2018 with a degree in Finance. She earned her Associates of Liberal Arts from Aims Community College and then transferred to UNC to pursue a Bachelor's Degree. Tia works as a Business Tutor for UNC, is an Ambassador for the Monfort College of Business, and is a member of the Student Center for the Public Trust. After graduation, Tia plans to pursue a career in Financial Advising or owning her own small business.

Conner Bell *Equity Manager*

Conner is a senior at UNC, and will be graduating this December 2018 with majors in Finance and Economics. This is his first year participating in SAFF and he oversaw the technology and staples sectors. He was a member of the Financial Management Association (FMA) chapter at UNC and traveled to New York and Chicago to compete in the annual FMA finance bowl. After graduation, Conner plans on pursuing a career as a financial analyst or investment manager.

Meet the Managers

Nathan Price *Alternatives Manager*

Nathan is a senior graduating in May of 2019 with a Finance degree. During his time at UNC, he has been the treasurer for the eSports club for two years. He is currently the alternatives co-manager for the portfolio and hopes to use this role to guide him towards a financial analyst job after graduating. He also plans to continue his education by pursuing a master's degree in finance.

Caleb Harris *Alternatives Manager*

Caleb is a senior graduating in December 2018 with a degree in Finance. SAFF class is one of the academic highlights of his undergraduate career. As alternatives co-manager he learned about a very interesting part of the portfolio and will utilize this information throughout his career. While at UNC, he was given the opportunity to work in the College of Performing and Visual Arts Dean's Office, where he learned many valuable lessons as well. After graduation, he would like to pursue a career in international business, or as a financial analyst.

Leilani Herrera *International Equity Manager*

Leilani is a senior, majoring in Finance. She is from Hawaii and enjoyed her years learning at UNC. Originally coming into college with aspirations of doing pre-med, Leilani decided to learn more about business. She has been on the Swim and Dive team and has been a part of the Student-Athlete Advisory Committee (SAAC) where she is currently taking a role as part of the Executive Board for SAAC. Additionally, she recently joined the Financial Management Association (FMA) and is a member of the Professional Business Fraternity, Delta Sigma Pi. After Graduation, Leilani plans to find a job either at home in Hawaii, Colorado, or in Texas.

Garrett Olson *International Equity Manager*

Garrett is a senior Finance major graduating in May 2019. In his first semester participating in SAFF, he serves as an international manager as well as a manager in the telecom and consumer cyclicals sectors. Over the past year, he enjoyed his time learning about financial institutions through an internship on the Supervisory Committee at the Northern Colorado Credit Union. After graduation he will pursue a career that allows him to incorporate his passion for both finance and automobiles.

Meet the Managers

Mariel Gutierrez *Fixed Income Manager*

Mariel is a senior at UNC majoring in Finance and will be graduating in December 2018. This is her first semester participating in SAFF, serving as a Fixed Income Manager. While attending school, Mariel has been a four year starter and two year captain for the UNC women's soccer team. After graduation, Mariel is looking to get drafted into the National Women's Soccer League, and also plans to pursue a career as a financial analyst.

Brian Lund *Back Office Manager*

Brian is a senior who is double majoring in Finance and Economics and will graduate in December 2019. Before and during the early years of college, Brian worked for IBM as an IT customer support representative providing a world class level of support to two multi-billion dollar companies; Hess corporation and Belk department stores. He plans on continuing his education by studying for the CFA Level 1 Exam and anticipates working as an investment or financial analyst.

Erica Estes *Public Relations Director*

Erica will be graduating in December 2018 with a double major in Finance and Marketing. She is a Northern California native and second semester SAFF student. At her time at UNC, she has played five seasons of D1 Soccer, been President of the Student-Athlete Advisory Committee (SAAC) for two, and participated with the Daniel's Fund team at UNC. Additionally, she has been a Big Sky Conference Representative for UNC speaking on behalf of UNC student-athletes at the conference level. She is actively applying to positions as a business analyst and has plans on obtaining an MBA in the future.

Upslope Capital Management | October 17, 2018

George Livadas, founder and portfolio manager of Upslope Capital Management, returned to MCB to speak to the SAFF class. He took the time to discuss his investment strategy, explain his security evaluation process, go over a case study, and share a few stock pitch examples.

Upslope's investment strategy is a concentrated, long/short equity strategy, focused largely on mid-cap equities in the U.S. and globally. According to Mr. Livadas, Upslope seeks "to deliver uncorrelated, absolute, equity-like returns."

Upslope, likes to invest in mid-cap equities due to the long-term growth potential and better opportunity. Mid-cap equities have more potential, because smaller companies have the ability to grow into larger ones and low volumes make it harder for large investment firms to compete. Upslope divided their portfolio into four different categories: core longs, tactical longs, alpha shorts, and hedges. They consider the companies listed as core longs the top investments in their portfolio. These companies are of high quality, provide long-term holdings, and have the lowest turnover.

In describing his philosophy for a potential long investment, Mr. Livadas mentioned his "focus on quality, while keeping an open mind for compelling, out-of-the-box opportunities." As for short positions, they are "focused on lower quality, secularly-challenged businesses."

Mr. Livadas presented a case study for Crown Holdings and stock pitches for the CBOE and SONOS. The example case study and pitches showcased the focus on making investment theses that are appealing, foreseeable, and clear. Mr. Livadas explained the information he gathered as well as how to present the investment idea. This was a great example of how to pitch investment decisions, and provided us with ideas for improving our own processes.

The discussion provided us with good insight into an alternative investment strategy and process to have when looking into investing in stocks. This provided the SAFF class ideas and tips on how to make future investment decisions for our SAFF and CIBEF portfolios.

-Leilani Herrera

Cambiar Presentation | October 10, 2018

Cambiar Investors returned for the sixth semester to MCB to speak to our student managers, as well as facilitate the stock pitch challenge. Cambiar Investors were founded in 1973 and are 100% employee-owned. Jeff Susman and Katie Frisch discussed a myriad of topics, including brief history of the company and their investment process.

Cambiar Investors utilize relative valuations and conduct deep fundamental research on any potential investment. Through their fundamental analysis, Cambiar investors create earnings models and balance sheet analysis to help them decide on any potential investment. They target a 50% upside over 1-2 years for each investment they make. They have a very actively managed portfolio and are able to capitalize by trading on the low end of their valuation targets.

Mr. Susman gave a short pitch on Norwegian Cruise Line before ending his presentation, showing the class the metrics he used to evaluate the company and the potential investment.

At the end of their presentation, they opened the floor up to our student managers to present their stock pitches. Each pitch was around two minutes and at the end, the Cambiar representatives picked the best three pitches. This exercise is done to highlight the analytical skills of our student managers and assist in highlighting some areas for improvement.

The night consisted of pitches ranging from Aptar Group to the Walt Disney Company, showcasing the variety of potential investment opportunities for our portfolio. The representatives brought prizes for the class, allowing the winners first choice. They ended the night by thanking the class and stating how thrilled they were to see more female students in the class. One of the most important aspects of the night was the opportunity to network with the professionals joining us.

Professional speakers are a cornerstone of the SAFF experience by allowing our students to get a glimpse into the financial analyst profession. It is likely that Cambiar Investors will continue to be a key guest for our class, with the stock pitches being an anticipated event.

-Mariel Gutierrez

Student Managed Investment Fund Consortium Conference | Oct. 4-5, 2018

The SAFF class was proud to represent the University of Northern Colorado in Chicago at the Student Managed Investment Fund Consortium (SMIFC) conference. During the conference there were many distinguished speakers that presented on a wide range of topics, as well as tours of the Chicago Fed and Chicago board of trade. Both days of the conference provided valuable insights into the investment world.

The first presenter of the conference was Charles Kellogg Bobrinkoy, who is the Vice Chairman and Portfolio Manager at Ariel Investments and who was also recently voted to the board of directors for State Farm. The theme of his presentation was the difference between Chaos Theory and Determinism and applying those theories to the markets. Determinists believe that given enough information you can predict the future as everything is predetermined, whereas Chaos Theory suggests that it is impossible to predict the future. As investment analysts, one creates very elaborate models to predict the future, but these models will almost certainly be incorrect. In Mr. Bobrinkoy's words "plans are useless, but planning is everything." Mr. Bobrinkoy suggests that it is an evolving situation and you must continuously adjust your models to new information as the market is unpredictable or chaotic.

Following Mr. Bobrinkoy was Daniel Sullivan who is the Executive Vice President and Director of Research at the Federal Reserve Bank of Chicago. Mr. Sullivan provided his personal views on the current state of the economy and where he anticipates fed policy in the near future. Mr. Sullivan saw the historically low unemployment and sluggish home building as a constraint for future growth. However, he saw an increase in the savings rates as well as an increase in business investment and that inflation has been staying near the Fed target of 2% which should help stimulate further growth. Mr. Sullivan also suggested that the yield curve will remain relatively flat, which aligns with our estimate in our economic forecast.

After Mr. Sullivan, the CFA society of Chicago held a Q&A panel with four members who worked in different areas within the investment world. The first of which was Garrett Glawe, who is a director in the asset owners group at S&P Dow Jones Indices; he covered many topics such as the development of new indices and his focus on passive equity investment. To contrast the passive equity investment another panelist, John Emerson, a portfolio manager at Columbia Wanger Asset Management, focused on the active equity trading. His background was more focused on stock selection within the mid-cap growth area of the equity market. Some of his suggestions included to have a well-defined holding thesis, follow the news flow of the companies that you are holding, and to always look for better opportunities.

The next two panelists specialized in the fixed income side of investment. Jeff Kernagis, a Senior Portfolio Manager at Invest Pro Power Shares Capital Management, became an expert in passive fixed income ETF's. He expressed his views on the importance of automation, keeping up with the latest market news, and keeping clients informed of performance.

To accompany the passive fixed income, the last panelist Marie Winters, a Senior Vice President and Senior Research Analyst at Northern Trust Asset Management, focused on the active fixed income investment style. She suggested to constantly keep in touch with the companies that you are investing in about meeting expectations, future developments and the direction that the company is going. She put a strong emphasis on evaluating the cash flows of a company such as the sustainability of the cash flows, cash flows

Student Managed Investment Fund Consortium Conference (cont.)

to pay off debt holders, and the underlying drivers of the cash flows.

The final presenter of the conference was Robert Stein who is the deputy chief economist at First Trust Advisors. His presentation was more focused on the political implications on the market. One of the highlighted political topics was the recent tax reform and its positive impact on the markets. Mr. Stein talked about leading and lagging indicators such as the ISM manufacturing index and the consumer confidence index (CCI). He suggested that the CCI was not an accurate representation of current market conditions as

Economic Forecast

The SAFF team created an economic forecast to direct our investing strategies. Examining both domestic and international economies helped in developing an understanding of the many risks and opportunities we see today and in the future. The three types of indicators include leading, coincident, and lagging, coincident, and leading which exhibit future, current, and past gauges of the economy. Using these tools, we foresee a bullish outlook for 2018 continuing into 2019.

Leading Indicators

The predictive power of leading indicators proves critical in developing forward looking expectations. For example, the health of the U.S. stock market is at the heart of our decision making. The uncertainty surrounding trade wars and tariffs pushed volatility upward early in the year, but volatility could decrease with President Trump's new, lighter stance on trade. Near-term economic stabilization should be expected compared to the instability seen at the beginning of the year.

As international tensions fall, housing construction in the U.S. should rebound as material prices will also fall. This rebound will increase housing affordability for many first-time home buyers. Complementary spending will follow, as new homeowners purchase TVs, washers and dryers, landscaping, etc., boosting revenue across many industries.

One area of concern is the increase of short-term rates with the absence of parallel increases in long-term rates. The spread between the ten year and two year treasuries has shrunk to a less than 20 basis points, down from a 50 basis point spread at the beginning of the year. Because an inversion of the yield curve generally precedes a recession, a close eye will be kept on interest rate movements.

In the increasingly globalized world, we see international markets have an ever-growing impact on the domestic market. Growth in international markets should slow down as a whole. Some bright spots include above average growth in the Middle East and North Africa as oil continues to recover, as well as accelerated growth in Sub-Saharan Africa due to rising mining exports and reliable metal prices.

Coincident Indicators

Coincident indicators help develop a well-rounded economic forecast by painting a picture of the current state of the economy. Wages and salaries provide perspective on consumer purchases which drive the economy. Wages are expected to increase around 3% with inflation expected at 2%. This means real wages should increase by 1%, and are expected to continue to grow, effectively putting more money in consumers' pockets. The expected increase of minimum wages across 18 states should provide around $4 billion in additional wages to 4.5 million workers across the country.

The Consumer Confidence Index is a great way to gain insight on consumers' perceptions of business, employment, and income. This metric is in a slight decline but should remain strong near term, largely due to the expectation of continued increases in real wages and a strong job market.

Lagging Indicators

Lagging indicators are generally output oriented and examine economic patterns. Frequently in the headlines in recent months, unemployment numbers indicate the economy has been performing well. Despite unemployment at its all-time low, the Federal Reserve expects it to continue to fall leading into 2020. Today's extremely low levels are leading to a scarcity of workers which is manifesting itself as job vacancies in several industries . On the other hand, low levels of unemployment are accompanied by an increase in production efficiency and GDP, higher consumer buying power, and a reduced strain on the government for welfare programs.

The CPI is used to measure inflation by tracking prices of a basket of goods. The rise of 2.4% for the index of all items minus food and energy was the largest since the 12-month period ending in September 2008. This increase was largely caused by a tightening labor market and rising raw material costs. An increase in the CPI is natural, but an accelerated rise will negate gains in nominal wages.

The large goods and services deficit facing the U.S. increased by 7.2% year-to-date. This increase in the deficit may slow down due to the almost 7% rebound the dollar has made from its three-year low in Q1 2018, with no sign of its appreciation slowing down. This strengthening of the dollar causes a price inflation for countries using other currencies than the dollar, which can hurt U.S. exports.

-Garrett Olson

Watch List

In the search of an addition to our international allocation, the international managers discovered AptarGroup, a strong company with a steep valuation. Although the class liked the company, ultimately the price prevented us from buying it. This brought us to the idea of a watch list for companies like Aptar which are fundamentally robust with an unjustifiably high price. This list provides future classes with a list of companies to keep an eye on. A company that is pitched but not voted by the class for a "buy" decision can be added to the watch list through a super majority vote. It will then be added to the watch list with a summary of the company including reasons we like the company, key aspects of the company monitor, and a target price where we think the company meets our target of 50% growth in two years.

If a company reaches its target price it must be re-pitched to the class for the "buy", as fundamental aspects of the company and the environment surrounding it can change within even short periods of time. Since we do not want an unwieldy amount of companies weighing down the watch list, there will be a limit of 10 companies and no more than 2 per sector. Along with these parameters, companies can be removed from the watch list. This is achieved through the respective sector specialist pitching to remove it or the company has remained on the watch list for 1 year, whichever comes first. With either removal option, a pitch is required. The pitches will look very similar to a "sell" pitch because they highlight negative aspects of the company.

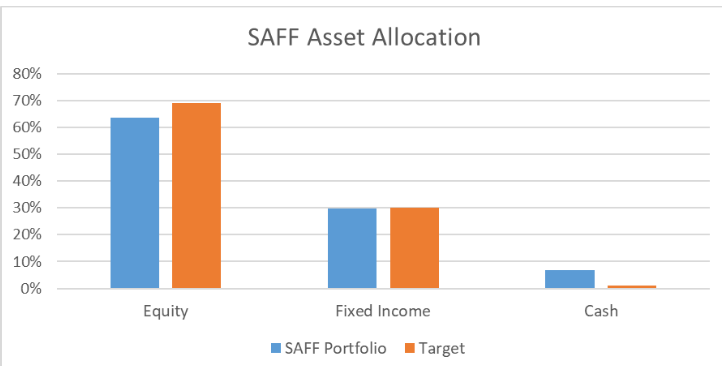
The first company added to the watch list is AptarGroup, a packaging and containers company, which operates in many segments including food and beverage, pharmaceuticals, and home and beauty. Many characteristics shaped our positive outlook on this company including strong growth prospects for its most profitable segment, the ability to maintain strong gross margins relative to its peers, and a history of strong acquisitions. Unfortunately, we found that Aptar was significantly overvalued versus its peers using forward P/E ratios, analyst valuations, and our own DCF model. Since we require strong potential for 50% upside in two years, their expensive valuation prevented us from buying Aptar, but it's a company with great fundamentals that we look for in potential "buys".

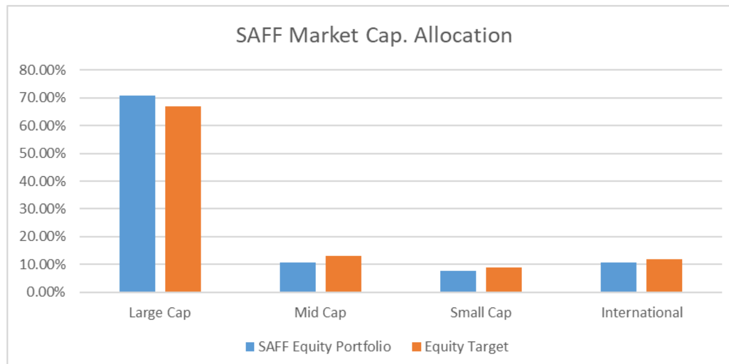
Our target price was determined by taking a weighted average of Morningstar.com analyst fair market price, Capital IQ one-year target price, and our DCF consensus price target with weights of 25%, 25%, and 50% respectively. We chose to overweight the DCF consensus price target because we are able to adjust inputs such as WACC and revenue growth to better match what we think about the company's future prospects, while including other analyst opinions to provide checks and balances.

-Conner Bell & Garrett Olson

Portfolio Allocations

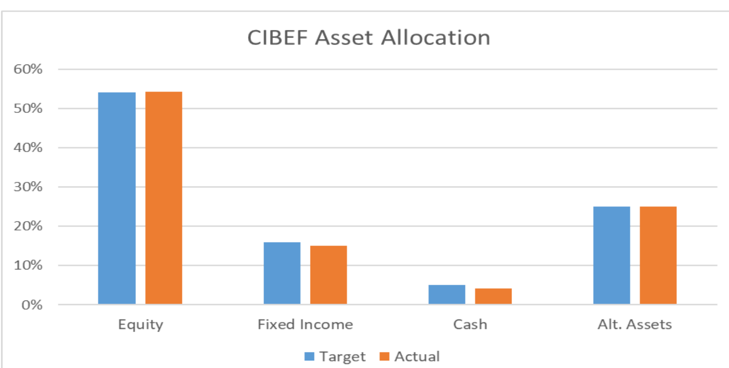
Our economic forecast and IPS guidelines are the two key factors that drive the allocation decisions for both portfolios we hold. The IPS has set guidelines for percentages of the portfolio that must be dedicated to different asset classes, levels of market capitalization, and international exposure. The student managers utilize the economic forecast to operate within these guidelines and make allocation decisions that will create the most value according to our outlook. Below are the asset allocations for the SAFF portfolio. We weighted mid – and small-cap equities more this semester because of their higher potential for growth. We minimized the amount of cash to hold because there is no need to hold it when it will not make us any money.

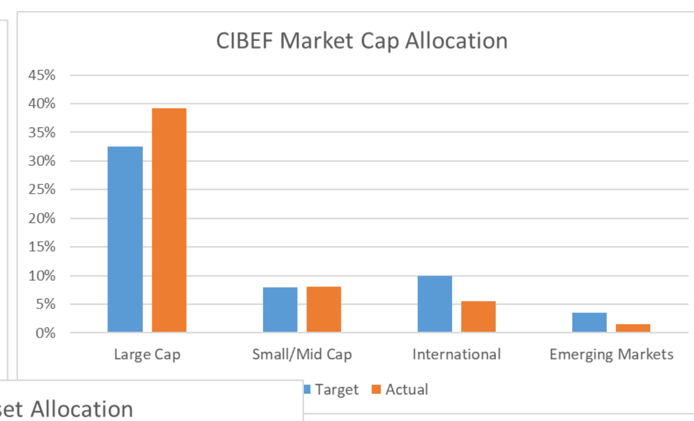


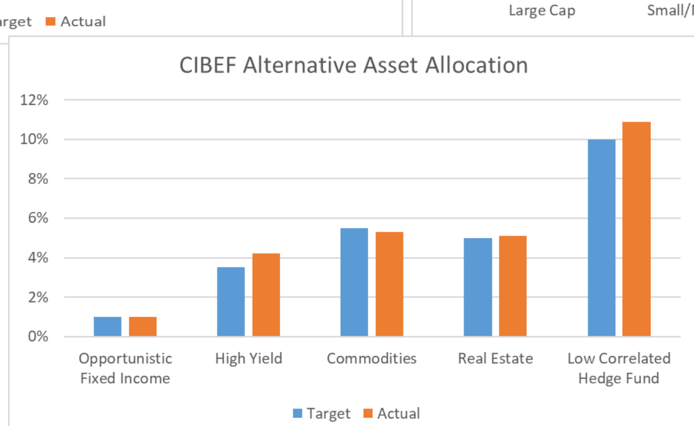


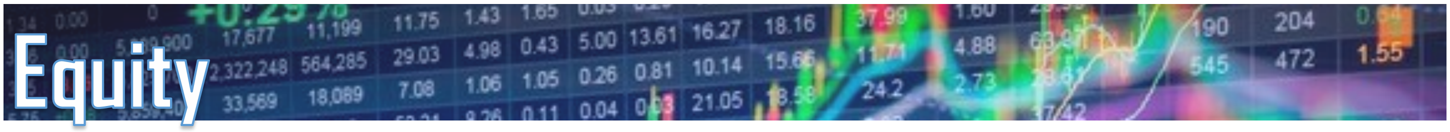
Below are the current CIBEF portfolio allocations for market capitalization and asset allocation. We opted for slightly less large-cap this semester and weighted our mid- and small-cap more heavily due to a bullish economy and more opportunity for growth in the smaller market capitalizations. The investment choices made by student managers are focused on reaching these allocation targets to maximize value based on our forecasted market conditions.

-Kathryn Van Dewerker









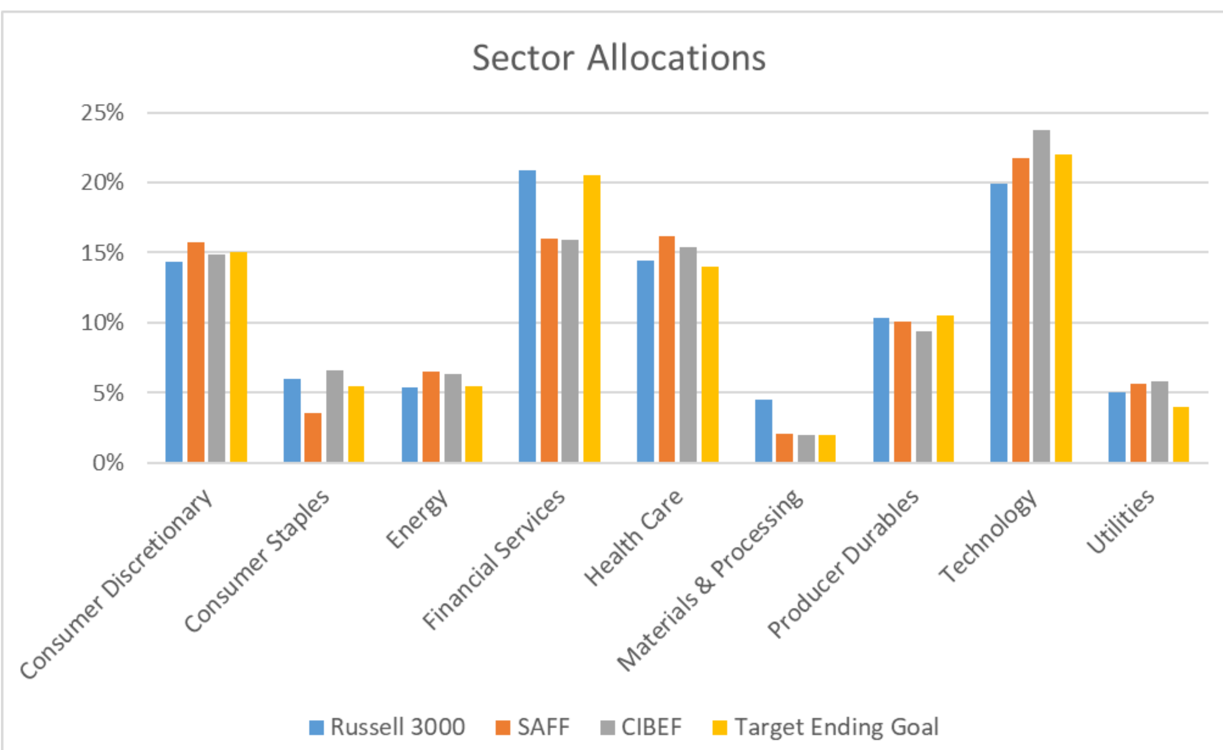
Two additional factors our team considers when making investment decisions are *style allocations* and *sector allocations*.

Style Allocation

Our equities are classified into three style categories: growth, value, and core, targeted at 45%, 30%, and 25%, respectively. After developing our economic forecast, we put higher weightings towards growth equities, due to forecasted economic growth and the outperformance of growth over value equities in past years. Key guidelines for growth include projected earnings growth greater than 15% over next three to five years, three-year positive earnings growth, an upward and stable trend of five-year historical ROE and ROA trends, percent of sales from R&D exceeding the industry, and a dividend payout ratio of less than 10%. Our equity holdings are classified by criteria listed in the IPS. Style guidelines, investment strategies, and screening criteria, among other things, are specified in our SAFF Handbook.

Sector Allocation

Following our economic forecast, which detailed continued growth in the economy and a bullish outlook on equities, our equity managers came to a consensus on the weightings of each sector. Our overweight sectors include Technology and Cyclicals, which we expect to lead our portfolio. One of our largest sector weightings is Technology, as we expect Technology to outperform due to stable growth in the economy, higher capital expenditure on technology in firms and increased consumer consumption on tech goods and services. We also believe the Cyclicals sector will outperform due to economic growth and tax cuts on households, which should lead to more discretionary household income. Our underweight sectors include Materials and Utilities. We believe concerns of tariffs and a decrease in housing development and manufacturing will produce lower returns in the Materials sector. In regards to utilities, we expect positive growth in the economy and rising interest rates will make the sector less attractive to investors who are chasing larger returns over dividends.



Equity Buys & Sells

During this semester multiple securities were analyzed to determine if they could earn a position in either of our portfolios; while holdings that demonstrated significant potential were expanded. This semester a conscious decision was made to reduce the number of holdings in our portfolio; therefore several liquidations and trims were made, due to the lack of growth potential, or the absence of conformity with our control guidelines. Our risk control guidelines consisted of 50% upside and 20% downside for a forecasted 12-month target price. Our holdings are considered for reevaluation if the equity deviates from the risk control range or if a significant event occurs.

-Conner Bell & Tia Nelson

Acquisitions | SAFF & CIBEF

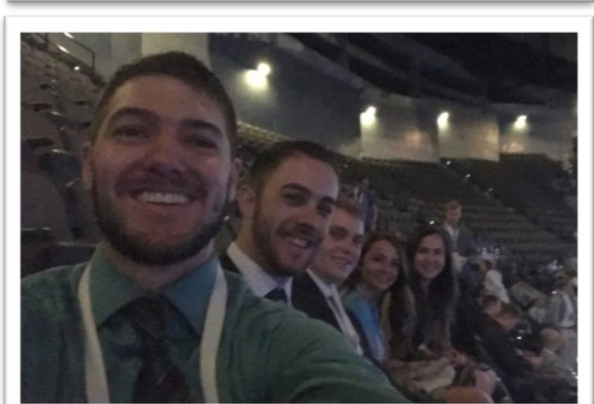
Company	Sector
Vanguard Int' Growth Fund	Int'
Apple Inc.	Technology
Vanguard Utilities ETF	Utilities

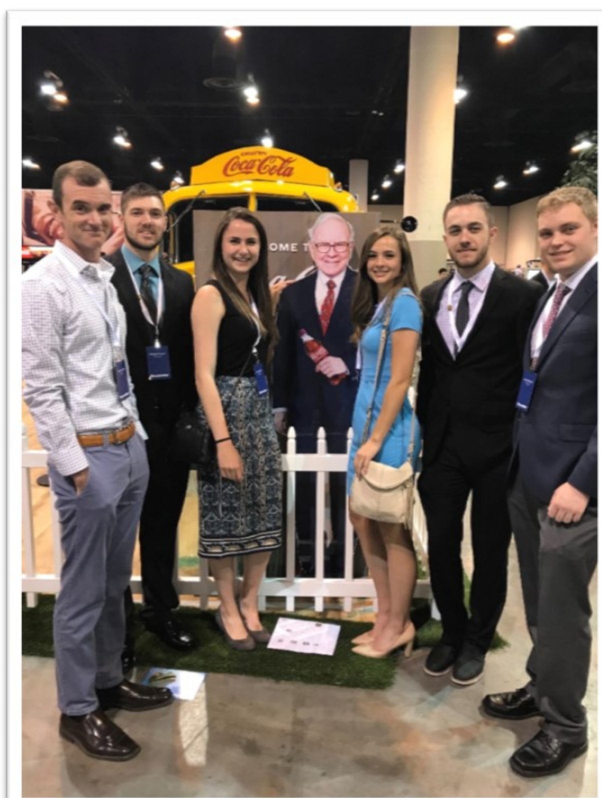
Liquidations| SAFF & CIBEF

Company	Sector
Target Corp.	Cyclicals
McKesson Corp.	Health Care
Apogee Enterprises	Industrials
USG Corp.	Materials
Procter & Gamble Co.	Staples
NextEra, Duke, Ormat	Utilities

This year our class was able to send representatives to the Berkshire Hathaway annual shareholder meeting. It was an amazing experience! As long as we maintain our ownership stake in Berkshire Hathaway, we hope to continue to send SAFF representatives.

- Caleb Harris, Nathan Price, Kathryn Van Dewerker, Brian Lund, and Erica Estes





Fixed Income

The fixed income portion of our SAFF and CIBEF portfolios provide diversification through the utilization of government bonds, corporate bonds, and mortgaged backed securities (MBS). The target allocation for the fixed income in the SAFF and CIBEF portfolios are 30% and 16%, respectively.

The fixed income portion of both portfolios is benchmarked against the Bloomberg Barclays Aggregate Bond Index. We chose to underweight government bonds and overweight both corporate bonds and MBS. Corporate bond spreads continue to be exceptionally low; however, we felt the strong economic forecast justified an overweight. We felt the additional risk premium we earn from corporate credit risk outweighed the risk premium we would earn through the use of longer-term government bonds. We chose to overweight MBS because of steady coupon payments and respectable past performance. With the anticipation of increasing interest rates throughout the year and the coming year, we decided that we will keep the duration of our investments as low as possible.

We aimed to bring the portfolio's fixed income allocation in line with our target of 30% by trimming funds in each of the fixed income asset classes, while staying within the investment policy statement (IPS) guidelines. We feel our decisions will have a positive impact on the SAFF portfolio. Our significant transaction trimmed the following funds: TLH – ISHARES 10-20 Year Treasury bond ETF, VMBS- Vanguard Mortgage backed security ETF, MBDIX – MFS Corporate Bond. The sale of these funds contributed roughly $30,000 to cash to be reallocated on the equity side of the portfolio as well as brought us closer to our targets for each of the fixed income asset classes.

-Mariel Gutierrez & Brian Lund

Alternative Assets

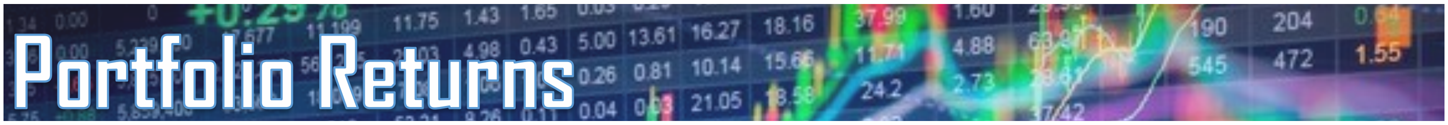
The alternative assets portfolio in the CIBEF fund is made up of five different categories: opportunistic fixed income, high yield fixed income, real estate, commodities, and low correlated hedge funds. The main objective when holding alternative assets is to seek a low correlation to the rest of our portfolio.

While low correlated hedge funds make up the largest portion of the alternatives portfolio the main focus for this semester has been on the real estate allocation as our forecast established our understanding of certain headwinds that may adversely affect our holdings moving forward.

A large driver in the rebalancing of the real estate holdings was brought on by the political uncertainty, specifically how it affected our investment in Universal Health Realty. The changing to a republican administration prompted us to question the future status of Medicare and Medicaid especially considering the aging population has a big demand on hospital space.

Due to over allocation in the real estate category we trimmed Universal Health Realty Income (UHT) and Camden Property Trust (CPT). We decided to trim these Real Estate Investment Trusts (REITs) because they are fully valued relative to their peers. However, our other holding Liberty Property Trust (LPT), is more attractively positioned for potential growth in its industry. We did not decide to completely liquidate UHT and CPT because of their low correlation.

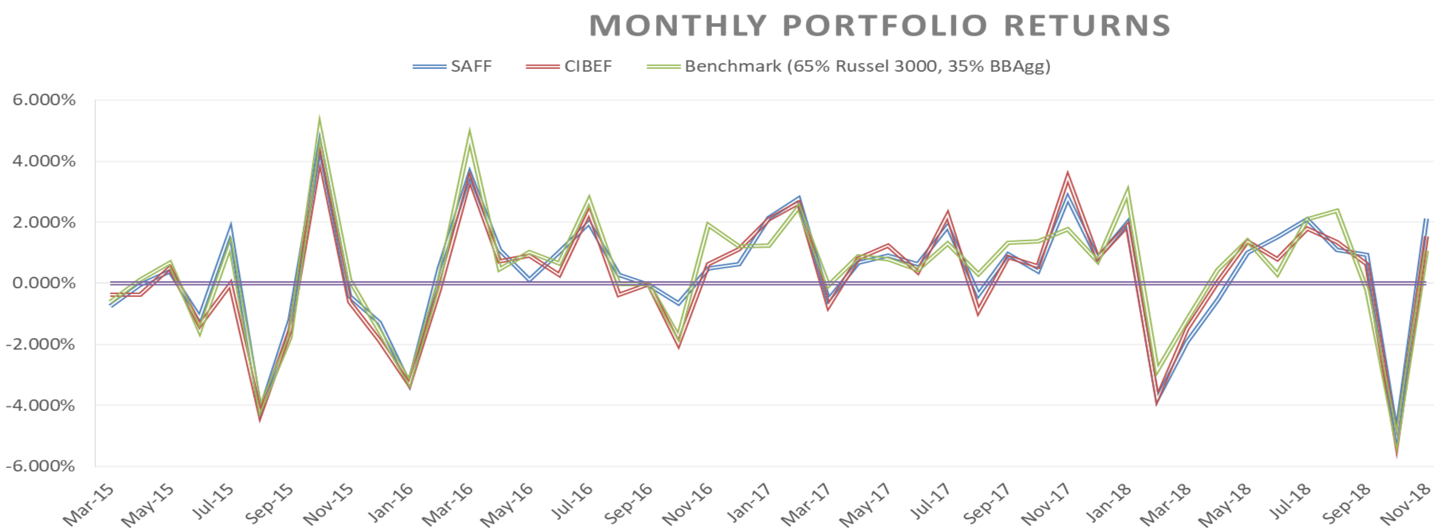
-Nathan Price & Caleb Harris



Portfolio Returns

Monthly Returns

We compared our monthly portfolio returns with a blended benchmark for a meaningful representation of performance for both SAFF and CIBEF. Our blended benchmark uses the Russell 3000 index total return and the Barclays Aggregate index with weights of 65% and 35% respectfully. We selected this blend because this represents the midpoint of the IPS guidelines for the SAFF portfolio and a useful comparator for the CIBEF portfolio. When comparing our portfolio returns to the blended benchmark, our diverse fund produces returns right around the same returns from our blended benchmark. In Q1 of 2018 our portfolio returns were 0.06% compared to our benchmark at –0.55%. The upward trend followed into Q2 with portfolio returns of 2.20% compared to our benchmark at 0.31%. In Q3 our portfolio underperformed our benchmark by 1.36%; however, we expect strong returns as come to the end of 2018.



Annual Returns

Date	SAFF Value	SAFF Annual Return	CIBEF Value	CIBEF Annual Return	Benchmark Return
11-Dec	$1,118,084	-0.03%	--	--	--
12-Dec	$1,220,953	9.14%	--	--	10.50%
13-Dec	$1,501,643	22.99%	--	--	19.41%
14-Dec	$1,614,339	7.50%	$699,738	1.52%	8.88%
15-Dec	$1,622,399	0.50%	$672,437	-3.90%	-0.76%
16-Dec	$1,714,651	5.69%	$694,901	3.34%	7.70%
17-Dec	$1,949,284	13.68%	$765,143	10.11%	13.50%
YTD	$1,964,832	-2.82%	$752,639	-2.83%	0.86%

The table above shows the annual values and returns for both SAFF and CIBEF since December 2011. Over the past several years our returns have compared favorably with our benchmark. 2018 has proved to be a tumultuous year thus far. Nonetheless, we are optimistic that our portfolio is well positioned to end the year and to provide a solid foundation for the spring 2019 class.

-Josh Heifetz

New Initiatives to Build on Past Successes

Dear SAFF Alum and Supporter:

This fall semester marks the close of the 51st SAFF class, having proudly served 339 SAFF alumni. Some from this fall class graduate this semester and will embark on their careers, while others have a little more time to make their mark on MCB, UNC, and the SAFF class. Dr. Clinebell and I, as well as several guest speakers and guest SAFF instructors, have worked hard to continue to improve the class. In this letter, I'd like to share with you some exciting changes in the class and some opportunities you have to help with these changes.

Every semester an eager and ambitious group of students joins the SAFF class. In most cases, some of the students are taking SAFF for the second time, thus providing the benefit of their experience to the newcomers. In the past few years we've sought to strengthen the ongoing "corporate knowledge" and the continuity of the course through a variety of mechanisms. Just last month we pitched some changes to the SAFF and CIBEF investment policy statements, and the class structure in general, to UNC Foundation board to further strengthen the SAFF students' ability to manage the portfolio and increase the depth of their valuable experiences. If you'd like to know more about those changes and where we're going as a class, please give me a call.

This brings me two new initiatives we've undertaken to increase the breadth of resources to the SAFF class, and hopefully, to others seeking to gain experience from state-of-the-art technologies. While myriad financial data and analysis tools are available, the most widely used and recognized tool is the Bloomberg terminal. Though its learning curve can be somewhat steep, the depth and breadth of data and tools is unsurpassed in the industry. However, Bloomberg is not cheap.

Through two unique programs we hope to expand our Bloomberg footprint from a well-used bottleneck of just one terminal to twelve terminals we can share with business students throughout the college. We have created the Bloomberg Sponsor Partnership and the Bloomberg Intern Corporate Partnership. Through the Sponsor Partnership, your organization can sponsor (Gold, Silver, or Bronze levels) our program. Limited to just twelve, Gold and Silver sponsors can be recognized on of our high-end workstations. Most importantly, you can make a huge difference in the educational experiences for the SAFF students, finance students, as well as all other students in the Monfort College of Business.

The Global Head of Education for Bloomberg tells me that our proposed Intern program is unique and innovative, and the first of its kind. In short, in exchange for your support of our program, we will help place a Bloomberg-trained, ambitious young intern with your organization. Whether on a laptop or a machine provided by you, Bloomberg will provide your organization with a trial Bloomberg license that this intern can use during his/her employment with your firm. This program will be limited, so please let me know if you're interested in the program.

Sincerely,

TE Jares

Timothy E. Jares, Ph.D., CFA
Chair and Professor of Finance

P.S. Please contact me (tim.jares@unco.edu or 970-351-2347) if you would like to discuss either opportunity further. You may also contact John Paradis at the UNC Foundation (john.paradis@unco.edu or 970-351-3369).

Special Thanks to Our Investors

The SAFF Fall 2018 class would like to give a special thank you to everyone involved in ensuring this class is as beneficial and educational to the portfolio managers and student analysts as it can be. We greatly appreciate all the time and effort that goes into this experience.

We would like to extend a thank you to Timothy Jares, our instructor. Professor Jares works tirelessly to ensure we are getting the most out of the class. Without Professor Jares, we would not receive any of the great opportunities he has worked incredibly hard to provide for us.

We would also like to thank the Finance Department Administrator Kristi Cozbey. Kristi goes above and beyond helping our class keep everything in order. We would not be able to do nearly as much work as we are without Kristi's help.

The class would like to extend a wholehearted thank you to the University of Northern Colorado Foundation, the Monfort College of Business, and the Colorado Insurance and Business Education Fund for the contributions they have made. We cannot express enough the gratitude that we hold for the opportunity to be a part of a class that entrusts us to be its fiduciaries. The students have gained knowledge that they will carry for the rest of their lives, and it is only through the time and effort from of all of you that this is possible.

-Nathan price