

MBA STUDENT INVESTMENT FUND

2012 / 2013
Academic Year Report

California State University
Northridge

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ABOUT THE CSUN MBA PROGRAM

I am pleased to share with you the 2013 CSUN Student Investment Fund Report. I congratulate the students, faculty and experts who participated as analysts, consultants and advisors. Under the outstanding supervision of Dr. Vincent Covrig, these students accepted the serious responsibility of managing a portion of the CSUN University Corporation's portfolio. In their careful analysis and sound judgment, they demonstrated expertise, commitment, professionalism and integrity.

This is one example of the high-quality applied student work created in the CSUN Evening MBA program, directed by Dr. Deborah Cours. We are committed to hands-on, experiential learning and to being the place where current knowledge and cutting-edge theory meet industry practice. Our fully employed students have the opportunity to apply the knowledge, skills and abilities they hone in class on a given evening to bring increased value and success to their employers the next day.

Through opportunities such as the MBA Investment Student Fund, the MBA Consulting Project, business-plan competitions, simulations and living cases, CSUN MBA students become adept at applying the state-of-the-art theory, models and tools of business. Our MBA offers them the extra value of doing, not just knowing. And employers benefit from the assurance that our graduates are

confident, experienced and ready to hit the ground running.

I hope you enjoy the information and analysis presented in this report and gain from it a small sense of our remarkable program, the internationally respected scholars and professionals who make up its faculty, and the dynamic array of student achievements in and beyond our community that grows from day to day. We welcome your comments and feedback at mba@csun.edu and look forward to engaging with you.



Sincerely,

Kenneth R. Lord, Ph.D.

Dean

College of Business and Economics

Welcome to the Year-End Report for the MBA Student Investment Fund.

The MBA Portfolio Management class is one of the special opportunities for finance students at California State University, Northridge. In this class, students actively manage part of the University's endowment, and through that, develop and sharpen their investing skills and knowledge.

The undergraduate course was started in 1993 by Professor William Jennings with an initial endowment of \$500,000. Since then, more than three hundred and forty students have participated in the class, growing the portfolio to around \$2,200,000.

In the Fall of 2007, building on the success of the undergraduate class, \$500,000 was carved out to create an investment management class for MBA students - FIN 638. This class is open to a small number of select students, with each student expected to research individual companies and present their investment recommendations to the class.



The course is a mix of hands-on practice, lectures on investment analysis and management and guest lectures from executives from the investment and business community who share their knowledge and real-world experience.

We believe that this combination of practical and theoretical education is essential for preparing our graduates for future careers as investment professionals. We would particularly like to thank the many finance professionals from the Southern California business community who have supported this course over the years. We would also like to acknowledge support from The University Corporation, Dean's Office, Department of Finance Office and Graduate Programs, College of Business and Economics.

James P. Dow, Jr.
Chair

Department of Finance, Financial Planning, and Insurance

FROM THE FACULTY ADVISOR

On behalf of the MBA Student Investment Management class of 2013 at California State University Northridge, I am pleased to present the "Academic Year 2012-2013 Report".

2012 -2013 was a good year for the MBA Student Investment Fund. On May 31, 2013 the value of the portfolio was \$664,887, compared to \$571,754 a year earlier. For the 2012-2013 year, our portfolio gained 16.3%, compared to a growth of 21% for S&P 500. Although the US equity indices show significant appreciation in the equity markets, the average asset manager lagged the benchmarks due to significant reallocation of funds from the debt to equity markets, high volatility in credit and emerging markets, continued economic crisis in Europe and uncertainty about the end of expansionary monetary policy and higher interest rates. The US has enjoyed positive economic winds, with incremental economic improvements, a hot real estate market and moderate inflation. Japan, up more than 50% at one moment, and US were the best performing equity markets, with emerging markets and commodities at the other end.

The graduate section of the Student Investment Fund, jointly managed by College of Business and Economics undergraduate Business Honors Students and MBA students, are at the end of its sixth year. The course is offered every semester as a finance elective in the MBA program, with a small group of students and a focus on hands on investments and portfolio management experience. In this class the students are constantly challenged to work smarter, think bigger and do better. The class provides a number of other benefits to our students and the program such as, career opportunities for our students, closer ties to the financial community

through students' research and guest speakers and increased awareness and brand name for our programs.

The class this year was again careful in making decisions about the portfolio. The students spent the first part of the semester acquiring the research tools and reviewing the existing portfolio, identifying over and underrepresented sectors, and familiarizing themselves with the capital markets conditions. Then they used stock screeners and thorough research to identify the stocks to be sold from, or added to, the portfolio. During the semester the students also went through a rigorous and intensive equity valuation and portfolio management training, based on topics covered in the CFA exams. Additions to the portfolio this past year included Goldman Sachs, Gilead Sciences, Mastercard, ADP, Franklin Resources, Unilever, Haliburton and Simon Property. Some of the best performers in our portfolio were Caribou Coffee, Gilead Sciences, Home Depot and Mattel, and the underperformers were Apple, Annaly and Quality Systems.

The class would like to thank Mr. Daniel Nagy, portfolio manager with MDB capital, and Mr. James Lyon, portfolio manager with UBS, for sharing their knowledge and experiences with the class this semester.

The Report acknowledges the support of the University Corporation, the Dean and Graduate offices, as well as Mr. Doug Christopher, portfolio manager with Crowell, Weedon & Co., for sharing his knowledge and industry experiences with us, and Krizia Carungcong from VISCOM for editing the report.

Vicentiu Covrig, PhD, CFA

INVESTMENT POLICY

OBJECTIVES

The class and the Fund's management have both educational and investment goals. The educational goal is to enrich the students' education by applying the academic knowledge to a real life investment management experience. The broad investment goal is to outperform the Standard and Poor's 500 index, taking a risk level very close to the risk of the index. The investment strategy is a top down asset allocation, beginning with the analysis of the current macroeconomics environment, followed by industry analysis and allocation and finishing with the security analysis and selection.

CONSTRAINTS AND SUGGESTED GUIDELINES

- Investments in common equity or a limited numbers of narrow focused equity ETFs
- More than 80% allocation to US Equities
- The majority of the portfolio invested in large capitalization stocks
- Time horizon – 3-5 years
- Taxes – Income and capital gains from the fund are not taxed
- No short sales or derivatives allowed
- No margin trading permitted
- Students will make several buy/sell presentations to the class throughout the semester. The class will discuss the merits of the companies presented and then vote on the potential buys or sells. A stock will be bought or sold upon approval by a majority of the class' students.

TRANSACTIONS

SALES:

CATERPILLAR (CAT)	400 SHARES	\$ 88.60
CONSOLIDATED EDISON (ED)	359 SHARES	\$ 60.82
CARIBOU COFFEE (CBOU)	1500 SHARES	\$ 16.00
WHITE RIVER (RVR)	300 SHARES	\$ 22.03
APPLE (APPL)	20 SHARES	\$ 509.53
LINCARE HOLDINGS (LNCR)	600 SHARES	\$ 41.50

PURCHASES:

HALLIBURTON (HAL)	400 SHARES	\$ 47.06
SIMON PROPERTY (SPG)	100 SHARES	\$ 180.59
UNILEVER (UN)	400 SHARES	\$ 42.53
AUTOMATIC DATA (ADP)	300 SHARES	\$ 65.43
FRANKLIN RESOURCES (BEN)	150 SHARES	\$ 147.66
GILEAD SCIENCES (GILD)	600 SHARES	\$ 37.40
MASTERCARD (MA)	50 SHARES	\$ 485.47
GOLDMAN SACHS (GS)	200 SHARES	\$ 124.91

PORTFOLIO HOLDINGS

Company	Ticker	06/15/2012		12/31/2012	
		Shares	Values	Shares	Values
ANNALY	NLY	850	\$14,374	850	\$11,934
APPLE INC	AAPL	110	\$63,154	90	\$47,895
CARIBOU COFFEE	CBOU	1500	\$17,985	1500	\$24,285
CATERPILLAR INC DEL	CAT	400	\$34,772	400	\$35,843
COGNIZANT TECHNOLOGY	CTSH	200	\$12,100	200	\$14,776
COLGATE PALMOLIVE	CL	200	\$20,306	200	\$20,908
COMPANHIA BRASILEIRA DE DIST	CBD	600	\$22,650	600	\$26,634
COSTCO WHSL CORP NEW	COST	500	\$45,720	500	\$49,365
DIGITAL REALITY TRUST	DLR	300	\$22,212	300	\$20,367
DISNEY WALT	DIS	400	\$18,836	400	\$19,916
EDISON	ED	350	\$22,085	350	\$19,439
EMC	EMC	625	\$15,438	625	\$15,812
GILEAD SCIENCES	GILD			300	\$22,035
GOLDMAN SACHS	GS			200	\$25,512
HOME DEPOT	HD	400	\$20,748	400	\$24,740
ISHARES NASDAQ BIOTECH	IBB	150	\$18,777	150	\$20,658
LINCARE HLDGS INC	LNCR	500	\$15,924	500	\$24,564
MATTEL	MAT	800	\$25,924	800	\$29,296
QUALITY SYS INC	QSII	600	\$16,386	600	\$10,416
ROSS STORES INC	ROST	600	\$39,963	600	\$32,454
3M	MMM	300	\$26,232	300	\$27,855
UNION PACIFIC	UNP	150	\$17,230	150	\$18,858
VERIZON	VZ	400	\$17,420	400	\$17,308
WHITE RIVER CAPITAL INC	RVR	300	\$6,798	300	\$6,375
YUM!	YUM	300	\$19,497	300	\$19,920
			6/15/2012		12/31/2012
Total Equity Value			\$534,525		\$587,092
Cash			\$37,229		\$10,816
TOTAL PORTFOLIO VALUE			\$571,754		\$597,908

PORTFOLIO HOLDINGS

Company	Ticker	12/31/2012		05/31/2013	
		Shares	Values	Shares	Values
ANNALY	NLY	850	\$11,934	850	\$11,543
APPLE INC	AAPL	90	\$47,895	90	\$40,476
AUTOMATIC DATA	ADP			300	\$20,616
CARIBOU COFFEE	CBOU	1500	\$24,285		
CATERPILLAR INC DEL	CAT	400	\$35,843		
COGNIZANT TECHNOLOGY	CTSH	200	\$14,776	200	\$12,930
COLGATE PALMOLIVE	CL	200	\$20,908	400	\$23,136
COMPANHIA BRASILEIRA DE DIST	CBD	600	\$26,634	600	\$29,496
COSTCO WHSL CORP NEW	COST	500	\$49,365	500	\$54,815
DIGITAL REALITY TRUST	DLR	300	\$20,367	300	\$21,625
DISNEY WALT	DIS	400	\$19,916	400	\$16,567
EDISON	ED	350	\$19,439		
EMC	EMC	625	\$15,812	625	\$14,939
FRANKLIN RESOURCES	BEN			150	\$23,222
GILEAD SCIENCES	GLD	300	\$22,035	600	\$32,688
GOLDMAN SACHS	GS	200	\$25,512	200	\$32,416
HALLIBURTON	HAL			400	\$16,740
HOME DEPOT	HD	400	\$24,740	400	\$31,464
ISHARES NASDAQ BIOTECH	IBB	150	\$20,658	150	\$26,925
LINCARE HLDGS INC	LNCR	500	\$24,564		
MASTERCARD	MA			50	\$28,513
MATTEL	MAT	800	\$29,296	800	\$35,800
QUALITY SYS INC	QSII	600	\$10,416	600	\$10,728
ROSS STORES INC	ROST	600	\$32,454	600	\$38,591
SIMON PROPERTY	SPG			100	\$16,644
3M	MMM	300	\$27,855	300	\$33,081
UNILEVER	UN			400	\$16,312
UNION PACIFIC	UNP	150	\$18,858	150	\$23,193
VERIZON	VZ	400	\$17,308	400	\$19,392
WHITE RIVER CAPITAL INC	RVR	300	\$6,375		
YUM!	YUM	300	\$19,920	300	\$20,325
			12/31/2012		05/31/2013
Total Equity Value			\$587,092		\$658,025
Cash			\$10,816		\$6,862
TOTAL PORTFOLIO VALUE			\$597,908		\$664,887

PERFORMANCE

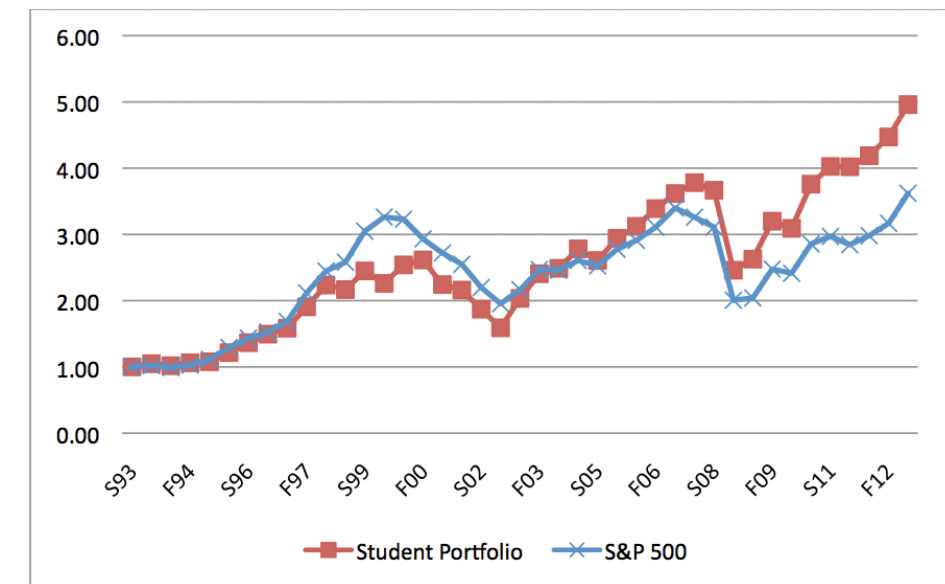
PERFORMANCE

RETURN PERFORMANCE

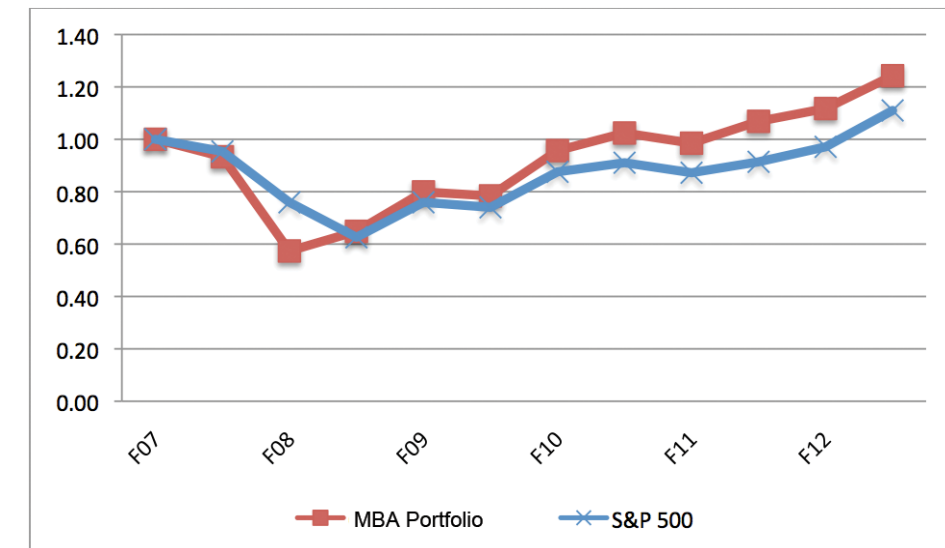
Company	Ticker	Date of Purchase	Beta ₁	Returns (%)			Risk (%)	Shape Ratio
				YTD ₂	1 YR	3 YR ₃	3 YR STD ₄	3 YR ₅
ANNALY	NLY	01/12/11	0.18	-1.14	-16.28	-6.45	16.61	-0.39
APPLE INC	AAPL	11/29/07	0.58	-15.49	-22.15	20.44	30.1	0.68
AUTOMATIC DATA	ADP	04/18/13	0.86	22.62	32.94	19.47	16.67	1.17
COGNIZANT TECHNOLOGY	CTSH	04/28/10	1.58	-12.49	10.98	8.88	30.34	0.29
COLGATE PALMOLIVE	CL	04/28/10	0.24	10.65	17.68	13.95	41.76	0.33
COMPANHIA BRASILEIRA DE DIST	CBD	04/28/10	1.95	10.75	28.29	16.23	54.41	0.30
COSTCO WHSL CORP NEW	COST	05/13/03	0.4	11.04	26.91	23.37	17.39	1.34
DIGITAL REALITY TRUST	DLR	06/08/12	0.62	-10.28	-13.92	2.28	22.61	0.10
DISNEY WALT	DIS	03/07/11	1.23	26.69	38.03	23.49	23.05	1.02
EMC	EMC	01/12/11	1.72	-2.13	3.82	9.93	28.42	0.35
FRANKLIN RESOURCES	BEN	04/18/13	1.59	23.16	44.97	16.36	28.63	0.57
GILEAD SCIENCES	GILD	12/14/12	0.91	48.34	118.14	44.56	48.04	0.93
GOLDMAN SACHS	GS	11/05/12	2	27.06	69.36	3.94	30.11	0.13
HALLIBURTON	HAL	05/21/13	1.67	20.64	39.22	18.93	43.07	0.44
HOME DEPOT	HD	06/08/12	0.92	27.18	59.42	32.3	22.43	1.44
ISHARES NASDAQ BIOTECH	IBB	05/12/12	0.72	30.81	45.68	31.03	18.67	1.66
MASTERCARD	MA	12/14/12	0.5	16.07	37.05	41.21	27.73	1.49
MATTEL	MAT	12/29/11	0.53	22.21	43.75	27.25	42.76	0.64
3M	MMM	10/14/10	1.08	20.03	31.93	11.93	19.13	0.62
QUALITY SYS INC	QSII	04/28/10	0.51	2.99	-37.51	-15.35	61.97	-0.25
ROSS STORES INC	ROST	04/28/10	0.49	18.91	1.72	34.75	46.36	0.75
SIMON PROPERTY	SPG	05/20/13	0.88	5.28	12.82	24.99	20.91	1.19
UNILEVER	UN	05/20/13	0.74	6.47	30.04	14.24	18.19	0.78
UNION PACIFIC	UNP	05/12/11	1.07	22.99	38.79	29.23	23.32	1.25
VERIZON	VZ	01/12/11	0.1	12.04	16.42	23.44	16.04	1.46
YUM!	YUM	05/13/11	0.53	2.03	-3.71	18.21	20.61	0.88
MBA Portfolio				11.21	16.29	16.61	16.72	0.99
S&P 500				14.31	21.46	14.27	15.84	0.90

Notes:
 [1] Beta data from Yahoo.Finance.
 [2] YTD calculated to the report cutoff date of May 31, 2013.
 [3] Annual geometric average (Cumulative Growth Annual Rates)
 [4] Standard deviation of returns.
 [5] Sharpe ratio is (3yr Ret - 3yr Treasury Yield)/ Standard deviation. Average 3 yr Treasury Yield was 0.41%.

PERFORMANCE (COMBINED PORTFOLIO SINCE INCEPTION)



PERFORMANCE (MBA PORTFOLIO SINCE INCEPTION)



ANALYTICS

ASSET ALLOCATION

	%
Cash	1
Stock	90
Foreign Stocks	9
Bonds	0
TOTAL	100

STYLE ALLOCATION

	%
Large Value	10.00
Large Core	14.41
Large Growth	67.35
Mid-Cap Value	1.92
Mid-Cap Core	0.16
Mid-Cap Growth	3.52
Small Value	0.03
Small Core	2.06
Small Growth	0.56

STOCK SECTOR

	Portfolio	S&P500	%
CYCLICAL	40.65	28.13	
Basic Materials	0	2.91	
Consumer Discretionary	22.48	9.65	
Financial Services	12.88	13.44	
Real Estate	5.29	2.13	
SENSITIVE	31.75	45.2	
Telecommunications	2.92	4.53	
Energy	0	11.26	
Industrials	14.72	10.84	
Technology	14.11	18.57	
DEFENSIVE	27.6	26.65	
Consumer			
Non-Discretionary	16.74	11.41	
Health Care	7.6	11.81	
Utilities	3.26	3.43	

STOCK STATISTICS

	Average Portfolio	S&P 500
Forward Price/Earning	14.45	14.33
Price/Book Ratio	3.08	4.65
Return on Asset (ROA)	10.56	13.73
Return on Equity (ROE)	27.40	37.81
Yield (%)	1.86	1.79
Average Market Capitalization (\$ mil)	44,929	34,595

Security Breakdown	P/E Forward	P/B	ROA (%)	ROE (%)	Yeild (%)	Market Cap (\$ mil)	Weight (%)
Annaly Capital Manag	6.9	0.89	1.66	23.92	14.08	11,785	1.59
Apple Inc	10.96	3.92	23.7	32.11	2.69	384,114	5.55
Automated Data	21.83	4.31	4.36	22.85	2.48	33,731.28	3.1
Cognizant Technology	17.15	4.59	16.12	24.22	0	19,324	1.93
Colgate-Palmolive Co	18.87	22.32	18.46	118.48	2.2	54,052	3.49
Companhia Brasileira	9.35	2.83	3.05	10.8	1.02	11,815	4.05
Costco Wholesale Cor	22.17	3.4	6.3	17.62	1.02	48,223	8.31
Digital Realty Trust	32.15	2.93	1.87	7.33	5.03	7,705	2.71
Disney	16.08	2.18	7.59	14.33	1.17	115,134	3.85
EMC Corporation	12.12	2.38	7.18	12.76	0.42	49,600	2.22
Franklin Resources I	13.62	2.99	12.61	23.03	0.82	29,459	3.31
Gilead Sciences Inc	20.62	5.99	12.2	30.72	0	78,792	4.67
Goldman Sachs Group	9.73	0.85	0.78	12.01	1.28	69,578	6.86
Halliburton Company	11.75	2.04	9.61	12.7	1.01	39,565	2.56
Home Depot, Inc.	19.72	5.21	11.04	32.23	1.77	112,291	4.63
iShares Nasdaq Biote	27.79	5.46	2.3	13.51	0.3	10,358	4.03
MasterCard Incorpora	21.41	8.76	22.14	45.04	0.26	70,899	4.39
Mattel, Inc.	13.37	4.09	11.9	28.46	2.94	15,767	5.5
3M Co	15.55	3.63	13.12	26.12	2.24	75,445	4.94
Quality Systems, Inc	19.88	3.22	9.64	13.03	3.58	1,165	1.77
Ross Stores, Inc.	17.7	7.09	21.43	46.94	0.95	14,301	5.91
Simon Property Group	25.38	8.45	4.47	20.42	2.82	48,892	2.37
Unilever NV ADR	16.75	5.78	9.53	35.28	2.89	119,694	2.38
Union Pacific Corp	13.85	2.97	8.36	20.91	1.72	72,546	3.51
Verizon Communicatio	14.35	3.73	0.39	4.39	4.06	149,448	3.03
Yum Brands Inc	18.35	13.91	17.72	65.44	1.84	31,587	3.17

ANALYTICS

PORTFOLIO MANAGERS

CLASS OF FALL 2012

Robert Burford
 Rolando Cardenas
 Eric Corbid
 Rony Gamarro
 Talin Jourian
 Jason Lewis
 Fu Lo
 Deogratus Msuya
 Shahzia Mudbhatkal
 Anh Nguyen
 Monica Panh
 Noppawat Sangmanee
 Ben Shaevitz
 Mark Shors
 Leor Solomon
 Dan Xu

FACULTY ADVISOR:

Professor Vicentiu Covrig

CLASS OF SPRING 2013

Mohamed Aziz Ben Debba
 Christopher Matthew Bureau
 Rolando Pisarczyk Cardenas
 Linda Cheng
 Juan F Cortez
 Mark Drapkin
 Francis Junior Edimo Etongo
 Marina S Goubareva
 Chowdhury Afsana Halim
 Karoon Nick Jaroonwit
 Chandran Lakshmanan
 Yanyan Li
 Fu Yan Lo
 Kevin Daniel McGrath Massie
 Deogratus E Msuya
 Moujit Nandy
 Maurice Okolo
 Noppawat Sangmanee
 Manpreet Singh
 Aaron Jacob Slimocosky
 Conrad David Watson
 Dan Xu
 Scott J Zycher

“Executing real trades in the University Portfolio was a truly one-of-a-kind opportunity! From the initial research and analysis to rigorous peer reviews and final recommendations, the experience leaves you with a unique appreciation for the tremendous amount of effort and discipline that goes into managing a large institutional portfolio.”

— Mark Drapkin, MBA '14

“I found it incredibly useful. The research that went into picking the stocks was the most valuable part of managing the portfolio and I'm using a lot of what we learned on a daily basis with my personal portfolio.”

— Conrad Watson, MBA '15

“The tools learned in the class go beyond the rudimentary knowledge needed in the MBA program but include life skills to build a better more secure financial future.”

— Scott Lubell, MBA '12

“The University Portfolio management provided me the most valuable real-life like experience and helped me learn the importance of portfolio diversification and long term strategy to be successful.”

— Chandran Lakshmanan, MBA '13



California State University
Northridge

COLLEGE OF BUSINESS AND ECONOMICS

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