University of Utah
Student Investment Fund
Annual Report

2004-2005

http://www.business.utah.edu/investmentfund

DAVID ECCLES SCHOOL OF BUSINESS

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Travis Williams, *Wasatch Advisors, Fund Alumnus*
Ryan Snow, *Wasatch Advisors*
Fred Dixon, *D.A. Davidson*
Rich Potashner, *Merrill Lynch*
Jeff Immelt, *CEO, General Electric*
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University of Utah
David Eccles School of Business
Student Investment Fund

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History of the Fund

In October 1998, David Eccles School of Business finance students joined the D.A. Davidson & Co. Student Investment Fund program, which allows students to invest $50,000 in a working stock portfolio. The purpose of this program is to bolster student learning outside the classroom in a real-world setting. The original $50,000 remains intact year to year, supported by D.A. Davidson. Any returns above five percent are split in half and shared by the firm and the Student Investment Fund. D.A. Davidson guarantees students against any losses below the original $50,000 mark, which will be replenished year to year if necessary. Since October 1998, D.A. Davidson has given over $16,000 directly to the student portfolio and Bill Child, CEO of R.C. Willey Home Furnishings, has donated another $5,000 to the fund. In March 2004, U students received an additional $50,000 from Hal Milner in a program similar to D.A. Davidson's.

Beginning in December 1998, students formed a Student Investment Fund Club and met regularly to develop an investment strategy, research and invest in specific stocks, listen to investment professionals, and to track their investments. The original club that first year was comprised of 12 students and their advisor, Professor of Finance Liz Tashjian.

That first year, the students eventually selected a strategy of investing in volatile stocks in the technology and finance sectors. Between January and April 1999, the portfolio realized returns of more than 40 percent. In April, the students voted to sell a third of their equity positions to reduce the fund's risk over the summer. By the end of the summer, the portfolio's annualized return was 35 percent.

In the fall of 1999, the Student Investment Fund developed from a club into a restricted-enrollment class. This class is limited to 18 students, and students wishing to take it must apply for acceptance. Tashjian teaches the year-round class. The class meets once a week to track the Fund and to research potential investments. Each year, students in the Fund are required to research and analyze a company of their choice in the first semester, present this company to the class and write a paper on it. Then the students are split into groups for the second semester where they choose a company to analyze and present before business professionals. The students are also required to publish an annual report listing the Fund's transactions and activities throughout the year. In 2003, the class was designated as an honors class. The Fund is subject to an annual audit by fellow students in the accounting society Beta Alpha Psi.

The 2000-2001 class learned some painful lessons about diversification and selling strategies. The group had significant holdings in Global Crossing and Exodus Communications, both telecom companies that ended up in bankruptcy. The 2001-2002 class managed to outperform both the S&P and NASDAQ indexes, losing a mere 22% during the year the class managed the portfolio. The next year's class had a better outcome, earning 30% on a relatively balanced portfolio from August, 2002 to August, 2003. This year's class has earned about 10% since taking over the portfolio in September.

In March 2003, the class made a brief live appearance on CNBC's *Power Lunch* and in January 2004, the class again appeared on CNBC in a segment on D.A. Davidson's Investment Fund program.

Investment Philosophy

When our team took the reigns on Tuesday, August 31, 2004, we were visited by members of the previous year's management team. During their tenure as managers, they had concluded that there was a lack of coherence to their investment strategy and so they had developed some possible strategies for future management. Eager to share wisdom, a newly minted Wasatch Advisor's analyst, Travis Williams, and a Masters student, David Peterson, spoke with our class. Travis and David recommended that we adopt a small cap strategy. As discussion ensued we decided that for us, small caps held the greatest potential for several reasons.

1. Small cap stocks aggregate performance over the years has yielded 17% annualized returns compared to the overall market return of 11%.
2. Small caps have the highest volatility and as our management tenure lasts only nine months, it would present the best opportunity for us to see the results of our actions.
3. Small cap companies are typically more focused in scope and are more easily understood. We wanted companies that we could digest, that had focused business strategies as opposed to large conglomerates, such as GE. We also felt that we had an advantage with small caps due to our close contacts with Wasatch Advisors, who manage small cap funds.

With a small cap portfolio in mind, we each researched a small cap stock looking for companies that were undervalued or at the leading edge of a growth market trend. We did not develop a weighted portfolio profile that allocated a certain percentage of our portfolio to any particular industry but rather focused on identifying undervalued stock opportunities.

Our decisions to sell usually centered on a common belief that a stock was no longer undervalued, that it had likely experienced its growth and was poised for a decline in value. Our decisions were based on industry trends, earnings reports, regulatory compliance and even, in the case of Martha Stewart, the market's overreaction to the domestic diva's sentencing.

Throughout the year, our cash position was dictated by our ability to find investments in companies we felt were undervalued. As we were never able to fully invest all of our cash due to the challenge of identifying undervalued companies, we put some of our excess cash in an exchange traded fund (ETF) that we believed would mimic the returns of the small cap market and would expose the portfolio to broad market movements.

Companies Sold in 2004-2005

Ticker: JBX, NYSE

Company: Jack in the Box
Purchased: April 14, 2004
Price: $27.03
Industry: Restaurants
Sold: September 15, 2004
Sales Price: $28.99

Jack in the Box, Inc. owns and franchises Jack in the Box and Qdoba Mexican Grill restaurants. The 2003-04 fund members were interested in this company because of its interesting business model and solid earnings growth. The fund purchased 200 shares at $27.03 per share on April 14, 2004. However, after inheriting the stock, the 2004-05 fund members quickly opted to sell these shares due to slow growth and to allow for further diversification of the portfolio. On September 15, 2004 JBX was sold for $28.99 per share, providing a net profit of $125.84 and a net holding return of 2.27%.

Ticker: STI, NYSE

Company: Sun Trust Banks
Purchased: November 21, 2003
Price: $69.58
Industry: Regional Banks
Sold: March 24, 2005
Sales Price: $70.80

Sun Trust Banks was purchased by last year's class on November 21, 2003 at a price of $69.58 per share. When our class took over the portfolio we decided on a small cap growth strategy for our portfolio. Having taken into consideration that Sun Trust was a large cap stock, we decided to hold on to it for the dividend. We also noted that this stock would be vulnerable to interest rate risk. The Federal Reserve Board continued with "measured" interest rate hikes and Sun Trust's price remained steady. By mid-March Alan Greenspan began expressing worry about inflation and stated that the "measured" hikes of the past might be replaced by more "aggressive" moves in interest rates in the future. Sun Trust's price began to drop and it looked as if it may dip below the price at which our class had inherited it at. Subsequently we sold Sun Trust for $70.80 on March 24, 2005.

Ticker: EMBX, NASDAQ

Company: Embrex, Inc.
Purchased: February 4, 2004
Price: $13.30
Industry: Biotechnology
Sold: February 17, 2005
Sales Price: $11.00

Embrex, Inc. was purchased by last year's class on February 4, 2004 at a price of $13.30 per share. The company is in the biotechnology industry that specializes in delivering vaccines to chickens still in the egg (in ovo). The company makes machines for delivering vaccines and for culling dead eggs, and also produces some of the vaccines administered in ovo. The product is used on about 85% of domestic broiler chicken eggs. At the time of purchase, the price had risen steadily over the previous six months, but the price had recently dropped to about one dollar below our purchase price. The previous class believed that Embrex, a small cap growth company that fit their investment profile, had potential for high growth. Their valuation of Embrex suggested that the company was significantly undervalued and, in contrast to many biotech companies at the time, Embrex was profitable. When our class took over the portfolio in August of 2004, Embrex was near the break-even price. We decided to hold on to Embrex, as we had an extremely large cash position at the time. Embrex's stock price continued to fluctuate around the break even point during the following six months. With no promising patents or products in the pipeline, we decided to sell Embrex on February 17, 2005, at $11.00 per share.

Ticker: IPAS, NASDAQ

Company: iPass

Purchased: February 25, 2004
Price: $13.09

Industry: Software & Programming
Sold: November 12, 2004
Sales Price: $6.07

iPass, Inc. provides standardized software allowing mobile corporate employees to connect consistently and securely to corporate networks. The company creates a secure virtual network by purchasing access from over 200 telecom and ISPs around the world. The 2003-04 fund members were interested in this company due to the public's rapidly increasing security concerns, focus on privacy, and mobility needs. The fund purchased 400 shares at $13.09 per share on February 25, 2004. However, the 2004-05 fund members opted to sell these shares after observing poor market sentiment causing the stock price to plummet. On November 12, 2004, IPAS was sold for $6.07 per share, yielding a net loss of $3,027.03 and a net holding return of -56.42%.

Ticker: MSO, NYSE

Company: Martha Stewart Living Omnimedia
Purchased: March 15, 2004
Price: $10.05

Industry: Printing & Publishing Services
Sold: September 12, 2004
Sales Price: $18.69

Martha Stewart Living Omnimedia was purchased by last year's class on March 15 at a price of $10.05. Martha Stewart runs a very successful business centered on home improvement and arts and crafts. The company manages the development of television productions, magazines, and household products. The company suffered a dramatic decline in share price because of Martha Stewart's involvement in a case involving insider trading. The class from last year believed that the share price for the company was unduly punished and should be purchased and held until the stock stabilized. For this year's class, the value per share spiked upon the announcement of the short term of Ms. Stewart's imprisonment. The class chose to sell its position shortly thereafter, producing a substantial return on this holding.

Ticker: CERG, NASDAQ

Company: Ceres Group Inc
Purchased: March 15, 2004
Price: $6.8333

Industry: Life Insurance
Sold: February 16, 2005
Sales Price: $5.24

Ceres Group, Inc. was purchased by last year's fund managers at a price of $6.833. Ceres Group provides life and health insurance. Its two primary lines of business are senior products, including life insurance, medical insurance, and annuities for Americans over 55, and catastrophic medical insurance for individuals and small businesses. The company experienced resultantly decrease in revenue due to lapsation and persistency. Lapsation is the termination of a policy for non-renewal. Persistency represents the percentage of total certificates in force at the end of a period less any newly-issued certificates divided by the total certificates in force at the beginning of the period. The firm had higher than expected declines in both areas, which caused the stock price to fall. We did not see any change of strategy in the near future and therefore decided to sell on February 16, 2005; at $5.24.

Ticker: COCO, NASDAQ

Company: Corinthian Colleges
Purchased: October 13, 2004
Price: $14.16

Industry: Schools
Sold: January 12, 2005
Sales Price: $18.40

Corinthian Colleges was purchased in the school fund on October 13, 2004 at $14.16 per share. Corinthian Colleges is a for-profit education organization providing post secondary education to working adults across the United States and Canada. The company had strong financial performance over the previous three years and we decided it was a good investment. Also, the company had recently announced that an SEC investigation was underway and we thought the market was overreacting to this news. As expected, Corinthian Colleges share price increased gradually over the next few months to approximately $18.00 and we sold it on January 12, 2005, at $18.40.

Ticker: JOSB, NASDAQ

Company: Joseph A Bank Clothiers
Purchased: November 10, 2004
Price: $24.90

Industry: Apparel Retail
Sold: May 24, 2005
Sales Price: $38.41

Joseph A. Bank Clothiers (JOSB) is a manufacturer and retailer of fine men's clothing. With more then 250 stores, as well as catalog and internet businesses. JOSB has built a reputation of having superior quality clothing at a reasonable price. We purchased 400 shares of JOSB based on strong growth projections backed by changes in business fashion trends that benefit the company's profile. The company operates with margins substantially greater than the Retail Apparel industry and its close competitors. In fall of 2004 the company failed to meet same store sales projections resulting in a large drop in their stock price. We felt the company was well managed and would be able to recover from this setback. We purchased at $24.90 and have since experienced returns in excess of 30%. We sold in May when the price exceeded our target of $37 per share.

Ticker: ISSC, NASDAQ

Company: Innovative Solutions & Support
Purchased: March 1, 2005
Price: $29.67

Industry: Aerospace & Defense
Sold: May 24, 2005
Sales Price: $36.08

Innovative Solutions and Support, Inc. (Nasdaq: ISSC) designs, manufactures, and sells flight information computers, flat-panel displays and advanced monitoring systems to the Department of Defense, government agencies, defense contractors, commercial air transport carriers, original equipment manufacturers, and corporate/general aviation markets. ISSC's strategy is to leverage the latest technologies developed for the personal computer and telecommunications industries into advanced, cost-effective solutions for both the aviation industry and DoD requirements. The class invested in ISSC at $29.67 with an investment horizon of 12 to 18 months, based on our equity valuation and the company's strong earnings. On May 24, the class sold at $36.08, believing that the company had recognized most of the short term gains we anticipated.

Current Holdings

Current prices as of May 24, 2005

Ticker: SKYW, NASDAQ

Company: SkyWest, Inc.
Purchased: March 15, 2004 & October 7, 2004
Price: $17.58 & $15.12

Industry: Airline
Current Price: $17.84

SKYW was a part of the fund when the 2004-2005 class took over management. 2004 was a tough year for many airlines as their stocks plummeted and several filed bankruptcies. Our fund analyst concluded that discount airlines such as Southwest, jetblue, and Skywest would begin to be more profitable and would be able to take market share away from the failing airlines. Acting on this analysis, the class decided to invest in 200 additional shares for the fund at $15.12.

Ticker: TOY, NYSE

Company: Toys "R" Us
Industry: Specialty Retail
Purchased: April 28, 2004
Price: $16.21
Current Price: $26.07

Toys "R" Us is a specialty retailer of toys and baby products selling products through its stores and websites. In addition to Toys "R" Us, the Company operates stores under the Babies "R" Us name. Websites include toysrus.com, babiesrus.com, imaginarium.com, and sportsrus.com. The company accepted a $6.6 billion buyout bid from a group headed by KKR which is expected to be completed in July. The cash offer values the shares at $26.50. Last year's class purchased 150 shares of the company's stock at $16.21/share. The analysis concluded that the company was being overly discounted due to heavy competition with Wal-Mart in the retail toy marketplace. Value existed in the Babies "R" Us segment as well as the extensive real estate holdings that were not being fully accounted for by the market.

Ticker: AIR, NYSE

Company: AAR
Industry: Aerospace & Defense
Purchased: October 14, 2004
Price: $11.20
Current Price: $14.17

AAR, although a relatively small company, is involved in manufacturing, maintenance, and logistics for aircraft equipment. This wide variety of functions that AAR can perform makes them very flexible and able to capture positive net present value projects. This flexibility has allowed AAR to increase sales significantly over the past seven months. Earnings are up 25% while efficiencies are increasing. AAR looks poised to continue growth in the industry. Based on these data, the class decided to purchase 400 shares of AAR Corp on October 14 at $11.20. The situation in Iraq promised to increase demand for the aerospace/defense industry. The class also believed that air travel would rebound to pre 9/11 levels and beyond. AAR provided the class with a high risk, high return small cap stock in an industry dominated by giant corporations.

Ticker: CAB, NYSE

Company: Cabela's
Industry: Specialty Retail
Purchased: November 24, 2004
Price: $21.73
Current Price: $19.03

Our class purchased Cabela's on November 24, 2004, at a price of $21.73 per share. Cabela's is widely recognized as the world's foremost outfitter, specializing in hunting, fishing, and camping. Cabela's is a small cap stock which a number of attractive features at the time of our purchase. The company's ratios looked great, with a very low inventory turnover compared with other retailers in this industry. Cabela's is expanding, using the funds from its IPO to build new retail outlets throughout the U.S., including a location in Lehi, Utah. The class felt it would be a good opportunity to get on board with a great retailer in its initial expansion stage. The stock price has suffered some due to a secondary offering and a downgrade by the analysts who initially brought the company public. The stock has been hovering around $20 per share, with our analysis putting it fairly valued in the $23 to $25 range. Cabela's earnings in all three of its business units continued to grow throughout the year. These units include the brick and mortar retail locations, catalog/internet sales, and consumer credit division. Cabela's met its earnings estimates for the first quarter of 2005.

Ticker: GTK, NYSE

Company: Gtech Holdings
Industry: Computer Services
Purchased: December 8, 2004
Price: $25.71
Current Price: $28.85

Gtech Holdings provides point of sale terminals for selling lottery tickets and provides the equipment and services to link vendor sales of lottery tickets to lottery authorities. The company provides diversification into the technology sector. The company has long-term contracts with 27 of 41 on-line lotteries in the US and with 57 of 113 international lotteries. Thus, with respect to current contracts, the company has relatively secure cash flows. In addition, the company provides us with some international exposure. The class purchased a total of 400 shares at $25.71 per share in December.

Ticker: IWO, AMEX

Company: iShare Russell 2000 Growth Index
Industry: Small Cap Growth Index
Purchased: December 8, 2004
Price: $65.23
Current Price: $62.30

The 2004-2005 class inherited the fund with a heavy cash position. The market performed well during the time we were in cash, so the fund missed an opportunity to ride the market. Before the winter break, the class decided to invest the cash in order to take advantage of the January effect. IWO was chosen because the class's investment strategy this year has been to focus on small cap growth stocks, and IWO is a small growth ETF that attempts to follow the Russell 2000 index. The fund purchased 250 shares at $65.23. Unfortunately, the market opened down in 2005 and was especially hard on technology and other small cap stocks. The January effect the class believed would bring good returns didn't happen. The market still has not recovered to its December 2004 levels.

Ticker: ICLR, NASDAQ

Company: ICON
Purchased: February 3, 2005
Price: $33.95
Industry: Biotechnology and Drugs
Current Price: $31.03

Icon PLC is a contract research organization (CRO) based in Ireland and specializing in phase I through phase IV pharmaceutical clinical trials. The company is ranked fourth in CROs worldwide. The fund members were attracted to this company due to the increasing amount of clinical testing being outsourced in as well as its *Yahoo!* beta of 0.49. Icon has a unique, dedicated team approach to testing which provides the company with a strategic advantage over its competitors. This appears to provide the company with higher margins and increasing market share. The fund purchased 150 shares at $33.95 per share on February 3, 2005 (near its 52-week low of $30.64).

Ticker: TINY, NASDAQ

Company: Harris and Harris Group
Purchased: February 16, 2005
Price: $14.08
Industry: Nanotechnology
Current Price: $13.00

Harris and Harris is a publicly traded venture fund that invests in tiny technologies including nanotechnology, microsystems, and microelectromechanical systems (MEMS). The company operates as a Business Development Company (BDC) under the Investment Company Act of 1940. The Company makes later round investments in small and start up private tiny tech companies. Its investment portfolio consists of 21 companies including Chlorogen, Nanosys, and Optiva Incorporated. Our class purchased 150 shares at $14.08/share with the expectation that a diversified approach to investment in the nanotechnology revolution would hedge some of the risk. While the promise of such technology is applicable across all industries, there is no definitive timetable for widespread adoption.

Ticker: MTH, NYSE

Company: Meritage Homes
Purchased: February 16, 2005
Price: $72.40
Industry: Home Construction
Current Price: $74.28

Meritage Homes Corporation is a designer and builder of single-family homes in Texas, Arizona, California, Nevada, and Colorado. Its focus is on providing a range of homes from first-time, move-up, active adult and luxury homes to its targeted customer base. Meritage's stock price has been on a steady incline for the last couple years and our valuation of Meritage concluded that it was still undervalued. We decided to purchase Meritage because it was undervalued and because we anticipated that Meritage would continue to have outstanding growth. A week after we purchased this stock, there was an article released stating that Meritage was involved in a scheme involving kickbacks from an insurance company when Meritage referred home buyers to the company. This dropped the stock price by about 20%. Surprised by such a dramatic decrease in Meritage's stock price, our analyst was unsure how to react. However some of us had faith that Meritage would recover from this incident and that we should hold on to the stock. Slowly the price increased and it has made a full recovery.

Ticker: MSFT, NASDAQ

Company: Microsoft **Industry:** Computers
Purchased: March 15, 2004
Price: $25.23 **Current Price:** $25.75

Microsoft is a complete software developer whose mission is to help individuals and businesses worldwide realize their full potential. Products include scalable operating systems for servers, PCs, and intelligent devices; applications for information workers (Microsoft Office) and business solutions; software development tools, and mobile devices. The company also sells the Xbox video game console, and peripherals. Online, the company owns and operates the MSN network of Internet products and services. In November of 2004, the company issued a special dividend of $3.00 a share and increased the annual dividend from $.08 to .16. 200 shares were purchased at 25.23 per share by last year's class. We decided to hold onto the stock on the expectation that the strengths of the management team, cash position, and brand recognition will allow the company to maintain and expand its dominant position in the software market.

Ticker: AMC, NYSE

Company: American Mortgage Acceptance **Industry:** REIT
Purchased: April 28, 2004
Price: $14.22 **Current Price:** $14.86

American Mortgage Acceptance Co. is a REIT that purchases and originates mortgages on multi-family houses, mezzanine real estate debt, and which makes bridge, standby, and forward commitment loans. The 2003-04 class purchased AMC for the school fund. The class wanted to learn more about REITs. After researching several different companies, the class selected AMC. REITs pay substantial dividends and generally have lower price fluctuation than typical stocks. AMC has been paying a dividend of $1.60 per year, which provides a good total return.

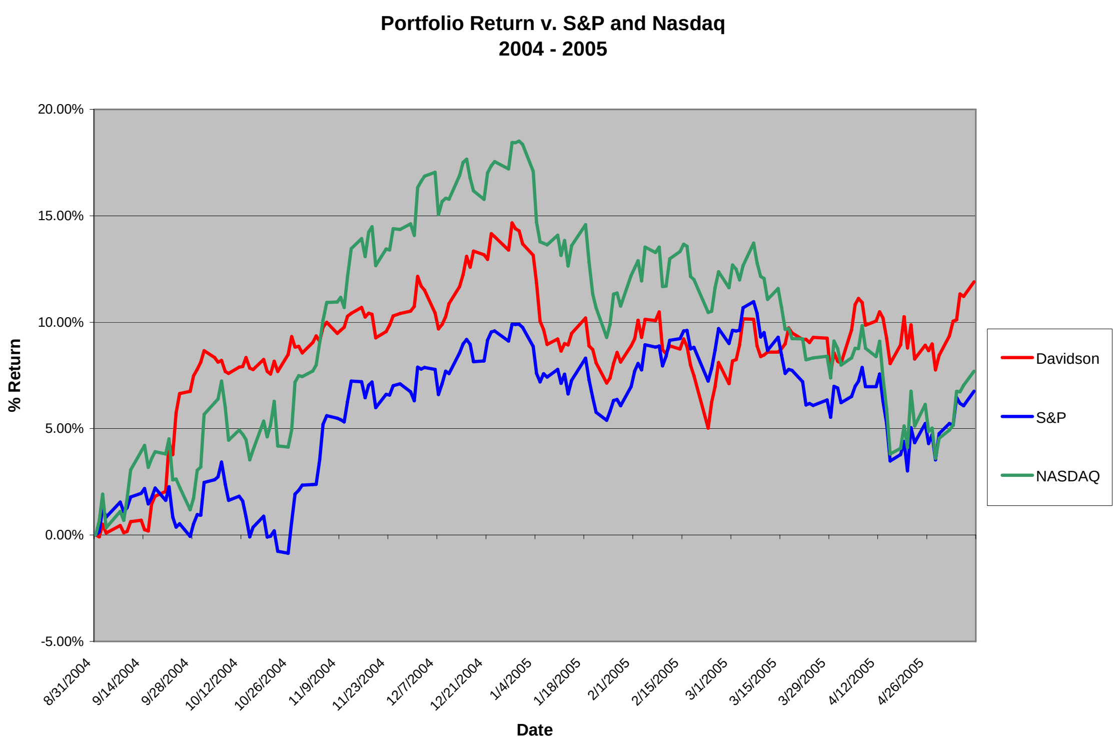
Transaction Summary

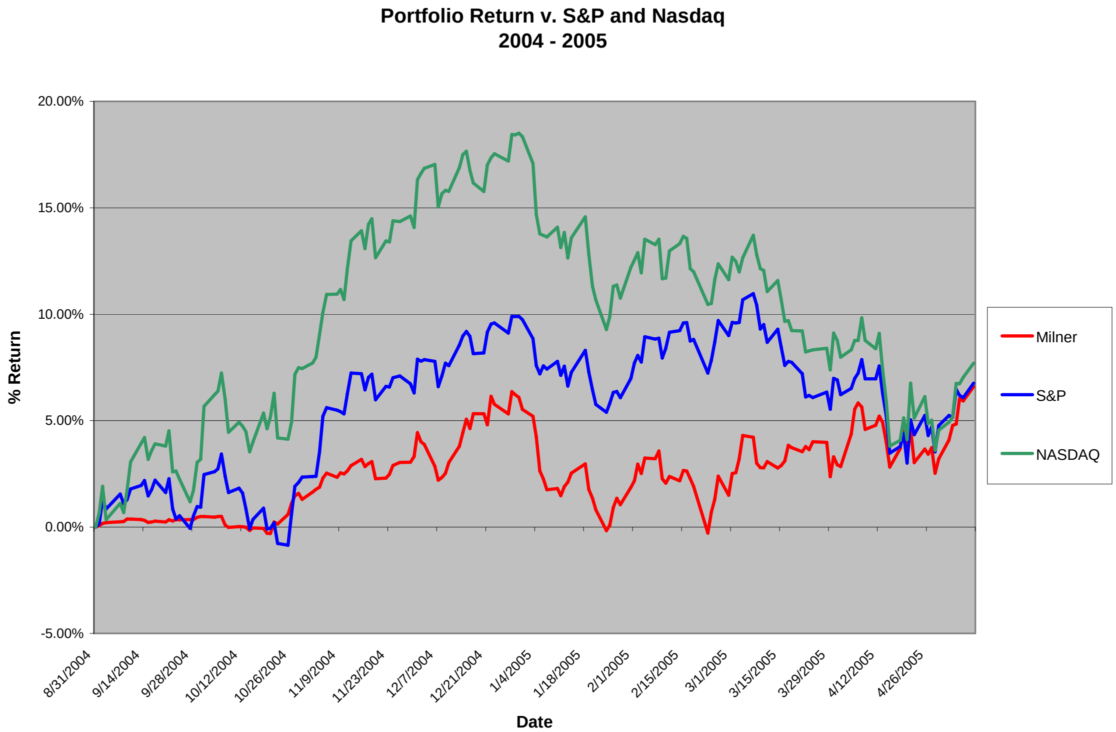
Ticker	Purchase Date	Price/Share	Shares	Commission	Sale Date	Price/Share	Shares	Commission	Net Holding Return	
Inherited Items We Sold										
Ticker	Purchase Date	Price/Share	Shares	Commission	Sale Date	Price/Share	Shares	Commission	Net Holding Return	
JBX	14-Apr-04	$27.03	200	$129.70	15-Sep-04	$28.99	200	$136.46	2.27%	$125.84
STI	21-Nov-03	$69.58	100	$86.45	24-Mar-05	$70.80	100	$86.69	3.53%	$248.86
EMBX	4-Feb-04	$13.30	400	$130.26	17-Feb-05	$11.00	400	$115.72	-21.39%	($1,165.98)
IPAS	25-Feb-04	$13.09	400	$129.27	12-Nov-04	$6.07	400	$89.76	-56.42%	($3,027.03)
MSO	15-Mar-04	$10.05	500	$134.64	24-Sep-04	$18.69	500	$185.71	77.52%	$3,999.65
CERG	15-Mar-04	$6.8333	300	$75.94	16-Feb-05	$5.24	300	$68.26	-29.27%	($622.19)
Total									**-23.76%**	**($440.85)**
Inherited Items Still Held in Portfolio										
Ticker	Purchase Date	Price/Share	Shares	Commission	Sale Date	Price/Share	Shares	Commission	Net Holding Return	
SKYW	15-Mar-04	$17.58	200	$90.35						
TOY	28-Apr-04	$16.21	300	$149.38						
MSFT	15-Mar-04	$25.23	200	$19.99						
2004-2005 Investment Fund Purchases										
Ticker	Purchase Date	Price/Share	Shares	Commission	Sale Date	Price/Share	Shares	Commission	Net Holding Return	
COCO	13-Oct-04	$14.16	200	$19.95	12-Jan-05	$18.40	200	$19.95	28.33%	$808.10
SKYW	7-Oct-04	$15.12	200	$84.37						
AIR	14-Oct-04	$11.20	400	$143.12						
JOSB	10-Nov-04	$24.90	400	$214.00	24-May-05	$38.41	400	$285.00	48.21%	$4,905.00
CAB	24-Nov-04	$21.73	400	$199.58						
GTK	8-Dec-04	$25.71	400	$224.94						
IWO	8-Dec-04	$65.23	250	$256.30						
ICLR	3-Feb-05	$33.95	150	$129.70						
TINY	16-Feb-05	$14.08	150	$105.70						
MTH	16-Feb-05	$72.40	100	$152.74						
ISSC	1-Mar-05	$29.67	200	$137.88	24-May-05	$36.08	200	64.6	17.78%	$1,079.52
AMC	28-Apr-04	$14.22	300	$19.99						
Total										**$6,792.62**

Fund Performance as of May 9, 2005

Portfolio	Beginning value	May 9 value	Percent return	Percent cash May 9
Davidson	$50,000.00	$55,949.87	+11.90%	21%
Milner	50,874.71	54,229.19	+6.59	18
School	18,410.71	19,684.54	+6.92	51

The following graphs plot each portfolio's cumulative return daily throughout the year against the cumulative returns on the Standard and Poors 500 index (up 6.76% over the investment period) and the NASDAQ index (up 7.70%). Our relatively large cash positions adversely affected our performance given the market's increase. Nonetheless, both the Davidson and school portfolios outperformed the S&P.





Portfolio Return v. S&P and Nasdaq
2004 - 2005
20.00%
15.00%
10.00%
5.00%
0.00%
-5.00%
% Return
8/31/2004
9/14/2004
9/28/2004
10/12/2004
10/26/2004
11/9/2004
11/23/2004
12/7/2004
12/21/2004
1/4/2005
1/18/2005
2/1/2005
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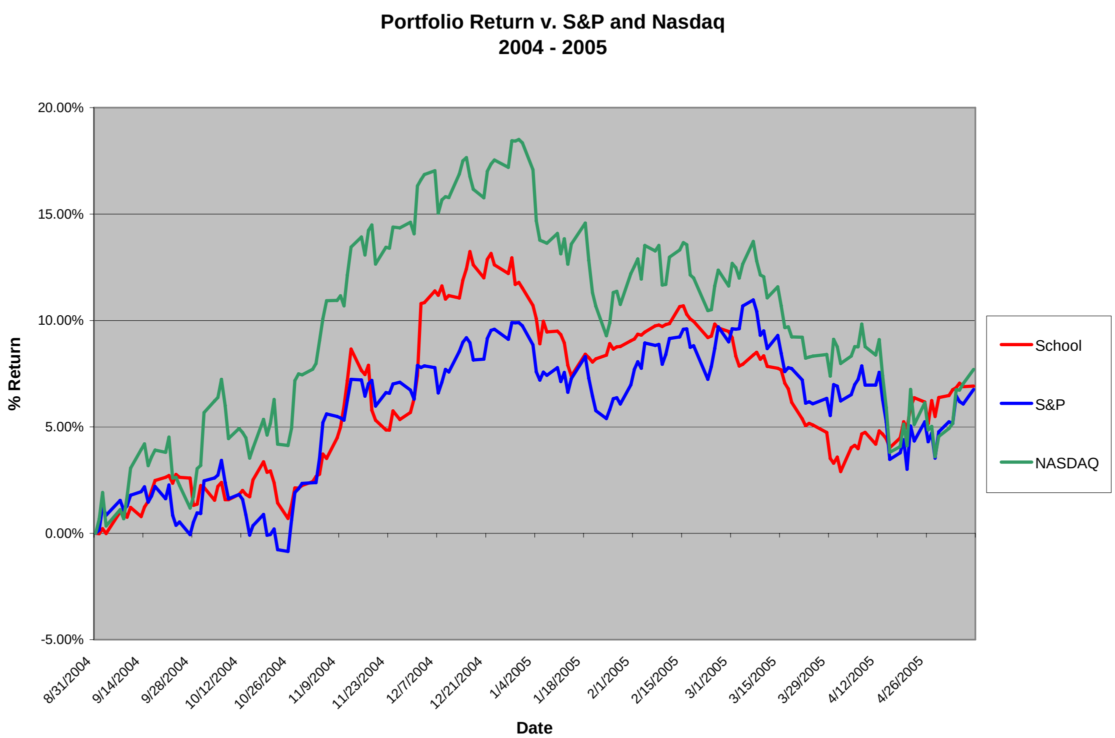
Date
Milner
S&P
NASDAQ



Portfolio Return v. S&P and Nasdaq
2004 - 2005
20.00%
15.00%
10.00%
5.00%
0.00%
-5.00%
% Return
8/31/2004
9/14/2004
9/28/2004
10/12/2004
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Student Presentations to Professionals

In January 2001, the University of Utah Student Investment Fund made their first presentation to members of Utah's business and investment community. Dick Pratt, Chairman of Richard T. Pratt Associates, hosts what has become a biannual event. The presentations give the Student Fund Managers the opportunity to prepare and deliver stock market recommendations to a highly respected professional audience and to receive feedback on their work.

The University of Utah Student Investment Fund would like to thank all those involved with the presentations and look forward to seeing them at subsequent presentations and events. Their questions, comments, and advice are invaluable to the students seeking careers in the financial industry.

ICON Group Presentation

On February 1, 2005 the University of Utah Student Investment Fund gave a presentation to local financial industry professionals on Icon PLC (NASDAQ: ICLR), a leading clinical research organization providing research and development services on a global basis to the pharmaceutical, biotechnology and medical device industries. During the course of the presentation, student analysts recommended a BUY of this company.

The professionals in attendance were Brad Baldwin of Colliers International, Dave Broadbent of Ivory Homes, Mike Chidester of Boyer Co., Paul Dougan of Equity Oil Company, Fred Fairclough of Bonneville Mortgage, Senator Jake Garn of Summit Ventures, Reese Howell of Security Title, Amy Hu of Wasatch Advisors, Sterling Jenson of Wells Capital Management, John Lunt of Lunt Capital Management, Don Rands of Thorpe Capital, David Razor of David P. Razor & Associates, Bob Rose of Morgan Stanley, John Scowcroft of Wasatch Advisors, Seth Shaner of Sorenson Capital Partners, Sam Stewart of Wasatch Advisors, and Rex Thornton of D.A. Davidson. The students presenting Icon were Bryce Akagi, Richard Ethington, Jennifer Hasty, Brian Ledbetter, Brady Money, Sidni Taylor, and Kimball Thomas.

The student analysts presented an overview of the company focusing on Icon's unique strategy of having dedicated teams for each of its engagements and its global presence in the clinical research organization market. They also analyzed the current pharmaceutical and biotechnology industries focusing on how various companies bring their products to market. In this analysis, they concluded that as pharmaceutical companies continue to seek out cost cutting endeavors, they will increase their proportion of R&D spending that is outsourced to clinical research organizations, such as Icon. The students next described Icon's business model in more detail and its current position within the industry. Then, the students discussed Icon's financial ratios, past stock performance, financial position and our per share valuation range of $40-45. The students then discussed Icon's strategic plans and possible sources of shareholder value along with an analysis of its competitors. After a brief overview of the FDA approval process the students recommended a buy of $2,500 in both the D.A. Davidson and Milner Portfolios.

At the conclusion of the presentation student analysts fielded questions and comments from the guests. Questions concerning Icon's competitive advantage, growth strategies and valuation arose and were addressed by the analysts. At the close of the presentation students, faculty and visiting professionals enjoyed a catered lunch and were able to mingle with each other and discuss Icon and various other topics.

ISSC Group Presentation

On February 1, 2005 the University of Utah Student Investment Fund gave a presentation to local financial industry professionals on Innovative Solutions and Support, Inc. (NASDAQ: ISSC), a leading clinical research organization providing research and development services on a global basis to the pharmaceutical, biotechnology and medical device industries. During the course of the presentation, student analysts recommended a BUY of this company.

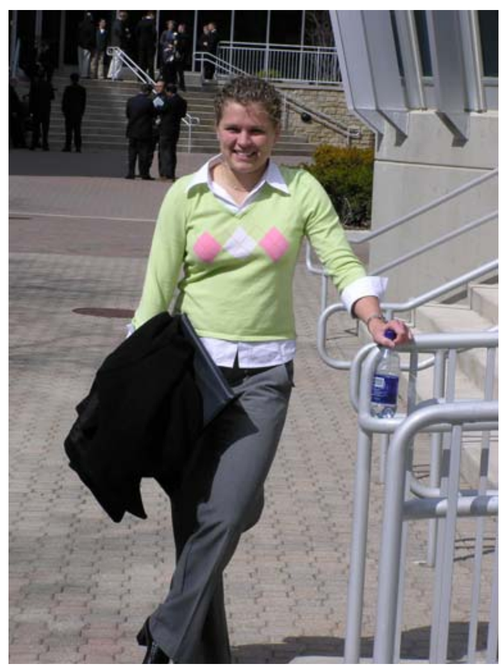
The professionals in attendance were Brad Baldwin of Colliers International, David Carlebach of Goldman Sachs, Mike Chidester of Boyer Co., Phil Clinger of Merrill Lynch (retired), Paul Dougan of Equity Oil Company, Spencer P. Eccles of Wells Capital, Jono Gardner of Gardner Development Co., Reese Howell of Celtic Bank, John Lunt of Lunt Capital Management, Rex Thornton and Jill Mortensen of D.A. Davidson, Ruth Novak of Hercules (retired), Rich Potashner of Merrill Lynch, Dick Pratt and Ramona Stromness of Richard T. Pratt Associates, Don Rands and Devin Thorpe of Thorpe Capital, Sam Stewart, John Scowcroft, and Ryan Snow of Wasatch Advisors, Seth Shaner of Sorenson Capital Partners, and Jonathan Shear of the University of Utah Investment Office. Student presenters were Jennifer Allen, Tony Chiaramonte, Chris Egbert, George Goates, Kirk Laser, Darren Lum, Jessica Rose, and Maxwell Wilson.

The students reported that Innovative Solutions and Support, Inc. (Nasdaq: ISSC) was founded in 1988. The company employs 129 people and is located in Exton, Pennsylvania. ISSC designs, manufactures, and sells flight information computers, flat-panel displays and advanced monitoring systems to the Department of Defense (DoD), government agencies, defense contractors, commercial air transport carriers, original equipment manufacturers (OEMs), and corporate/general aviation markets. ISSC's strategy is to leverage the latest technologies developed for the personal computer and telecommunications industries into advanced, cost-effective solutions for both the aviation industry and DoD requirements. ISSC believes that this approach, combined with their industry experience, enables them to develop high-quality products. The students recommended a short-term BUY with an investment horizon of 12 to 18 months, based on their equity valuation of $38.78. At the time of the presentation, ISSC's current share price was $33.48.

R.I.S.E Conference

Six students from the fund attended the R.I.S.E. Conference in Dayton, Ohio from March 29 to April 1, 2005. R.I.S.E. is an acronym for Redefining Investment Strategy Education. This conference has grown substantially since its first event five years ago. This year students from more than 150 universities and eight countries were represented. The main objective of the conference was to educate students about key issues for the future and investment strategies for long-term success.

The conference was divided into two parts over two days. The first day addressed issues in the public markets. This was a 12 hour day of intense education, interrupted by breaks between each session and lunch and dinner. Students and CFAs were gathered to learn from some of the nation's brightest business minds. Sessions covered several topics, including the economy, the stock market, business ethics, and real estate investment trusts. Guest panelists included people from Merrill Lynch, Goldman Sachs, the Securities and Exchange Commission, Citigroup, and Wal-Mart.



The second day addressed issues relating to the private market. Students gathered in University of Dayton classrooms to learn about several different topics in a series of four breakout sessions. Each student had the opportunity to choose their own topics of interest from which to learn. These sessions included:

- Alternative Investments Equity Portfolio Management
- Career Trends within the Financial Services Industry
- Equity Portfolio Management

- FASB - The Changing Role of Financial Reporting
- Fixed Income Portfolio Management
- International & Emerging Markets
- Private Equity
- Risk Management
- Bond Rating Workshop
- Equity Analyst Workshop – Autos & Auto Parts
- Equity Analyst Workshop – Financials
- Equity Analyst Workshop – Private Equity
- Equity Analyst Workshop –
- Technology
- Investment Management and Risk Analytics Workshop
- Portfolio Management Workshop (3 sessions offered).

Students in attendance had the opportunity to visit the Wright-Patterson National Museum of the U.S. Air Force for dinner and a tour on the last night of the conference. We enjoyed seeing the innovations of aviation and networking and mingling with the nation's finest students. We also met students and faculty members from all over the world. Many student organizations participated in a competition to recognize those teams with the strongest portfolio returns for the year.

Friday morning breakout sessions focused more on what students need to be doing now in order to secure the best jobs in the future. We were given the option to attend two of the three following sessions:

- Career Strategies Forum – Asset Management
- Career Strategies Forum – MBA Perspective
- Career Strategies Forum – Regulatory & Banking.

These sessions were helpful in providing additional perspective on actions we should be taking now to be prepared for the future.

Each of the students involved in this conference felt that many elements of the conference were effective in training and making them aware of different opportunities in business. We had a very positive experience and highly recommend future attendance by members of the Student Managed Investment Portfolio.

Attendees included Jennifer Hasty, Sidni Taylor, Bryce Akagi, Tony Chiaramonte, Richard Ethington, and Maxwell Wilson.

Utah Investment Club Conference

On April 15, four students from the fund accompanied by Dr. Tashjian went to the Utah Investment Club Conference. This event, hosted by the Utah State University, allowed investment club representatives from four Utah schools to meet, compare their different strategies, and share experiences. Distinguished USU alumni Bonnie Newman, Kenneth Hansen, and Brian Eisenbarth discussed topics including exit strategy, strategy execution, and digital convergence. Our group plans to host a similar event next year.

Speakers

September 7, 2004
David Peterson, Texas Wasatch Group, Fund Alumnus
Travis Williams, Wasatch Advisors, Fund Alumnus
Topic: Advice for the investment fund class

David and Travis, both from last year’s class, gave us a short introduction and analysis of our holdings. Their insight into Martha Stewart and Toys “R” Us was particularly valuable as both of those stocks were among the best performers in our portfolio. They also discussed picking appropriate benchmarks, comparative ease of analyzing smaller companies, and overall market analysis.

September 28, 2004
Ryan Snow, Portfolio Manager, Wasatch Advisors
Topic: Evaluating Stocks

Ryan Snow explained the Wasatch Advisors method for picking stocks and suggested we research and invest only in companies the fund managers were familiar with. This is good advice; however, the fund soon found itself heavily invested in retail, not as a strategy, but simply because retail businesses were the only companies the managers, as college students, were familiar with. The fund spent the rest of the year attempting to balance out its positions.

October 26, 2004
Fred Dixon, Chief Market Strategist, D.A. Davidson
Topic: Evaluating Stocks

Mr. Dixon joined us to share his insight and experience in investing. The highlight of his talk was a detailed twelve month market outlook that grouped the different factors into bullish, neutral, and bearish columns. He also discussed the subjectivity of equity analysis, sector trends relating to leaders and losers, as well as the importance of continuing the educational process long after the classroom experience.

March 1, 2005
Rich Potashner, Vice President, Merrill Lynch, Salt Lake City
Topic: Fixed Income Securities

Guest speaker Rich Potashner generously shared some of his experiences and philosophies with the class. His expertise in fixed income securities, a topic often overlooked in the academic sphere, gave the class a glimpse into the world of bond trading and investing. He concluded his discussion with the significance of the client advisor relationship and how it can be enlightening as well as deeply personal.

March 22, 2005
Jeff Immelt, CEO, General Electric Company
Topic: Conservation & Energy Consumption

Six students accompanied Dr. Tashjian to hear Mr. Immelt speak at an investor forum. His talk encompassed such important issues as conservation, energy consumption, as well as the differences between the international and domestic airline industries. One of our fund managers had the opportunity to ask about the “Imagination Breakthrough” program that Mr. Immelt has initiated with the objective to take GE into new lines of business, geographic areas, and customer bases. His response stressed the importance of marketing in every aspect of his companies planning and operation.

April 19, 2005
Devin Thorpe, Managing Director, Thorpe Capital
Don Rands, Managing Director, Thorpe Capital
Topic: Capital Management

Mr. Thorpe and Mr. Rands visited the class in April to speak about their professional experience in capital management. Rather than being a mere conduit from those with capital to those who need it, they detailed how their aim is to add value to the process through valuation, due diligence, and secure access to information. The main topic of their talk was a general look at distressed investing strategies including where to buy, sell, and how much to hold for the long term.