

Manage Real Money
Master Real Business

Annual Report 2016
Graduate Student Investment Fund

December 31st, 2016

Southern Illinois University Carbondale



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About the Graduate Student Investment Fund

The Graduate Student Investment Fund (GSIF) exists to provide SIUC graduate students with hands-on experience in portfolio management and investment research. The mission of the GSIF is to provide SIU Carbondale graduate students with real-world portfolio management and security analysis experience, a deeper understanding of financial markets, economics, financial theory, and trading practices, and enriched learning opportunities. As such, the GSIF is modeled after a real investment management firm. GSIF students focus on making the best investment decisions possible on behalf of their primary client, the SIU Foundation. The GSIF's investment philosophy is to capitalize on investment opportunities through focused fundamental research. The GSIF's competitive advantage is students' unique and unbiased perspective and their ability to spot opportunities in the markets, especially those that are driven by or favored by their generation.

GSIF members conduct research on companies within eleven specific GICS sectors, such as the Technology, Financial, or Healthcare sector. Our goal is to choose the best companies within each sector that give the portfolio the best chance to outperform the large-cap equity benchmark, the S&P 500 Total Return Index. This requires students to put their class lessons to work within a professional environment. Moreover, students learn to collaborate and to take responsibility for their analysis and decisions as they make the case for their investment ideas.

The GSIF is open to graduate students from any major. Most of our members are from the College of Business, but we also had students from the School of Law (joined program with the College of Business) and College of Engineering Students from other colleges within the University are welcomed. GSIF students are currently pursuing their Master's degree in Business Administration, Accountancy, and their Doctorate in Rehabilitation.

As of December 31, 2016, the GSIF manages a total of \$723,202.51.

History of the GSIF

The Graduate Student Investment Fund (GSIF) was established in August 2013 through the generosity of the SIU Foundation. The SIU Foundation provided \$500,000 for the students to manage on its behalf – in essence, the SIU Foundation hired the GSIF as one of its portfolio managers. The goal of the SIU Foundation is to provide SIUC graduate students with hands-on experience in portfolio management and investment research. Dr. Jason Greene, Interim Dean and Henry J. Rehn Professor of Finance, was the inaugural faculty advisor to the GSIF. Dr. Xiaoxin Wang Beardsley, Associate Professor and Hamilton Family Faculty Fellow in Finance, joined and assisted Dr. Greene to advise the GSIF from the fall semester of 2014, after Dr. Greene stepped up as the Interim Dean of College of Business, SIU Carbondale. After the conclusion of fiscal year 2016, Dr. Greene departed SIU and Dr. Tim Marlo started advising the GSIF from August 2016 together with Dr. Beardsley. Dr. Beardsley stepped down in September 2016 as she became head of the Department of Finance.

Executive Summary

This Annual Report is compiled to report to the SIU Foundation by the GSIF and discusses the performance of the GSIF for the Foundation's calendar year ending December 31, 2016. The report begins with an annual review, followed by a summary of portfolio rebalancing. Also provided is a summary of investment policies and procedures. Since its inception, the GSIF made significant progress in managing the allocation in a manner that is consistent with the investment mandate. The mandate is to remain fully invested in U.S. large-cap equities, with the S&P 500 Total Return Index as the benchmark. A summary of the current organizational structure is included. The report concludes with the 2017 outlook of the Graduate Student Investment Fund followed by a complete member roster for the GSIF.

The GSIF continues to focus on beating the benchmark consistently rather than posting large short-term gains at the risk of large short-term losses. Also included is an attribution of the returns into sector allocations and stock selection contributions. The GSIF's investment process creates value through stock selection; therefore, the GSIF strives to remain sector neutral in the allocation of its assets with the goal of tracking the benchmark as closely as possible. Sector performance is noted, followed by a breakdown of individual stock thesis.

Looking forward, the GSIF will be monitoring the U.S. economic recovery, which may experience headwinds in 2017 as the Federal Reserve makes signals to possibly raise key interest rates. The GSIF's economic outlook reflects the group's views of macro-economic factors that affect all sectors, as well as micro-economic factors that affect individual sectors and companies. Consumer demand, sustainable job creation, political factors, national monetary policies, and commodity prices are a few of the macro factors the group will keep an eye on throughout the year. In addition, the GSIF will continue to work diligently to learn from experiences and use these lessons to generate sustainable success in the future and continue to improve the learning experience of its members and the performance of the fund.

Thank you for your continued support,
Graduate Student Investment Fund

Annual Review – Calendar Year 2016

2016 was a good year for the GSIF. The fund outperformed the benchmark while additionally providing graduate students with an opportunity to hone valuation techniques and skills. Students remained committed to the investment philosophy of the fund, the mandate of the SIU Foundation, and invested in large-cap stocks with key emphasis on investment in stocks that are primarily constituents of the S&P 500 Total Return index. Students were enthusiastic in conducting fundamental research and security valuations using a variety of valuation models, remained engaged and active within the fund. This research and discipline to the investment philosophy paid off in calendar year 2016, and we hope it continues into 2017.

MAJOR ADJUSTMENT – July 2016

In July 2016, the S&P 500 split off the real estate sector from the financial sector. This major change, the first since 1999 in the S&P 500 index, distorts comparisons between the GSIF and the benchmark for the 4th quarter of the calendar year 2016.

Investment Philosophy and Process

The GSIF philosophy is to identify undervalued stocks with potential to appreciate over the long term and implement specific risk controls that help mitigate tracking error:

- GSIF believes markets are generally efficient; however, opportunities exist for a fundamental active strategy to outperform a passive benchmark.
- GSIF aims to capitalize on these opportunities by focusing on large-cap stocks that temporarily are underpriced by the market with potential to grow over time, and sufficient liquidity and available value-relevant information.
- GSIF's competitive advantage originates from focused research and an unbiased student perspective of the market, operating outside of potential distractions of large investment management firms.

Table 1 shows the GSIF portfolio rebalancing over the calendar year. The goal of the GSIF as instructed by the sector-neutral policy is to remain within a $\pm 2\%$ margin compared to the benchmark S&P 500 Total Return Index in each sector. Apart from Financials, Health Care and Real Estate sectors, all sectors remained within the $\pm 2\%$ parameter. The GSIF is currently evaluating Real Estate sector stocks at the time of this report.

Table 1: GSIF's sector weights compared to S&P 500's sector weights (2016)

Sector	GSIF	S&P 500	+/-
Cash	2.09%	0.00%	2.09%
Consumer Discretionary	10.92%	12.03%	-1.11%
Consumer Staples	8.98%	9.37%	-0.39%
Energy	6.92%	7.56%	-0.64%
Financials	15.08%	14.81%	0.27%
Health Care	17.21%	13.63%	3.58%
Industrials	9.38%	10.27%	-0.89%
Information Technology	20.70%	20.77%	-0.07%
Materials	3.22%	2.84%	0.38%
Real Estate	0.00%	2.89%	-2.89%
Telecommunication Services	2.54%	2.66%	-0.12%
Utilities	2.96%	3.17%	-0.21%

Investment Process

GSIF Large Cap Core Strategy

Phase 1: Planning

- Establish Eligible Universe based on S&P 500 Total Return index
- Allocate Eligible Universe to sector teams



Phase 2: Portfolio Construction

- Set target sector weights
- Stock research and analysis
- Identify individual stocks with growth potential
- Optimize active risk to control tracking error



Phase 3: Implementation and Feedback

- Trade efficiently
- Disciplined rebalancing
- Monitor portfolio and benchmark
- Timely analysis and reporting

Eligible Universe

The eligible universe resolution states that the GSIF will have a minimum of 75% of the total portfolio value invested in stocks that are constituents of the benchmark S&P 500 Total Return Index. In addition, the GSIF may not hold any stock that is a constituent of the S&P 400 or S&P 600 index, to avoid threatening the diversification efforts of the overall university endowment. The GSIF portfolio may be invested in stocks outside the S&P 500 only if the market capitalizations of those stocks are within 10% to 90% market capitalization of the constituents in the S&P 500 Index. No more than 25% of the total portfolio can be in stocks outside the S&P 500. The eligible universe resolution became effective as of October 1, 2013.

Sector Weights

The sector weight resolution states that the GSIF will normally maintain a sector weight of $\pm 2\%$ of the benchmark sector weights. Deviations outside of this range will be remediated in an orderly manner with the consideration of transaction fees. In addition, if it is the decision of the GSIF members to allow an overweighting of certain sectors, a strong thesis should be presented to the group and the thesis must pass with a majority vote. The sector weights resolution became effective on October 26, 2013.

Equity Weights

The equity weight policy states that GSIF will not hold any stock in a weight above 6%. This is to protect the portfolio from excessive risk from overexposure to one stock. Any equity exceeding the 6% weight will be sold off in a disciplined manner. The team will perform a quantitative optimization in order to rebalance individual equity weights and sector weights according to their targets.

Cash Balance

The cash balance policy reflects the mandate given to the GSIF by the University Foundation to be fully invested. The GSIF cash balance policy states that the GSIF will hold no more than 1% cash (with target zone between 25bps and 75bps) in the portfolio at any time unless there is a proposed trade within two weeks' time. Allowing more than 1% cash for a short time period helps to reduce trading costs. This recognizes the potential need for the SIU

Foundation to withdraw cash periodically. If the cash balance exceeds 1% when no trade is anticipated in the near future, purchasing an Exchange Traded Fund (ETF) that tracks the S&P 500 Index will equitize the excess of 75 basis points. Finally, if the cash in the portfolio falls below 25 basis points, appropriate actions will be taken to raise the cash back to the 75 basis point target. The cash balance resolution became effective as of October 26, 2013.

Performance Analysis

Table 2 below shows the GSIF performance vs. the S&P 500 benchmark for various holding horizons. The GSIF and the S&P 500 both posted gains in 2016, of 15.09% and 11.96% respectively, with GSIF over performing the benchmark S&P 500 index by 3.13%. The goal of the GSIF is to outperform the S&P 500 benchmark over the long term, while controlling risk relative to the benchmark measured by tracking error. In order to outperform the benchmark over the long term, the GSIF remains committed to its investment philosophy and process, conducting careful fundamental analysis and security valuations. By continuously working toward this goal, the GSIF aims to add value to the SIU Foundation’s portfolio over time while limiting the risk of significant short-term underperformance of the S&P 500 index. Although 2016 had outperformance, we understand that market conditions may change. However, we plan on remaining steadfast to the investment philosophy while refining our process in order to strive for outperformance.

Table 2: Performance Summary as of December 31, 2016

	Quarter	Fiscal YTD	1-Year	3-Year	Since Inception
GSIF	5.48%	7.84%	15.09%	11.16%	13.39%
Benchmark*	3.82%	7.82%	11.96%	8.87%	11.36%
<i>Difference</i>	<i>1.66%</i>	<i>0.01%</i>	<i>3.13%</i>	<i>2.29%</i>	<i>2.02%</i>
Tracking Error			3.74%	3.42%	3.21%
Information Ratio			0.84	0.67	0.63
Months > Benchmark			42%	50%	50%

Inception: August 23, 2013

** Performance of the benchmark is reported for S&P 500 Total Return Index (Source: Bloomberg SPXT Index)*

Figure 1 shows the returns for the GSIF relative to the benchmark over each month during 2016. The **Table 3** highlights the difference in percentage between the GSIF return and the S&P500 return over the 2016 calendar year. GSIF outperformed the benchmark for five out of the twelve months in 2016 and the portfolio particularly performed on June 2016, outperforming the S&P 500 by 2.13%.

Figure 1: Monthly Returns during the Calendar Year 2016

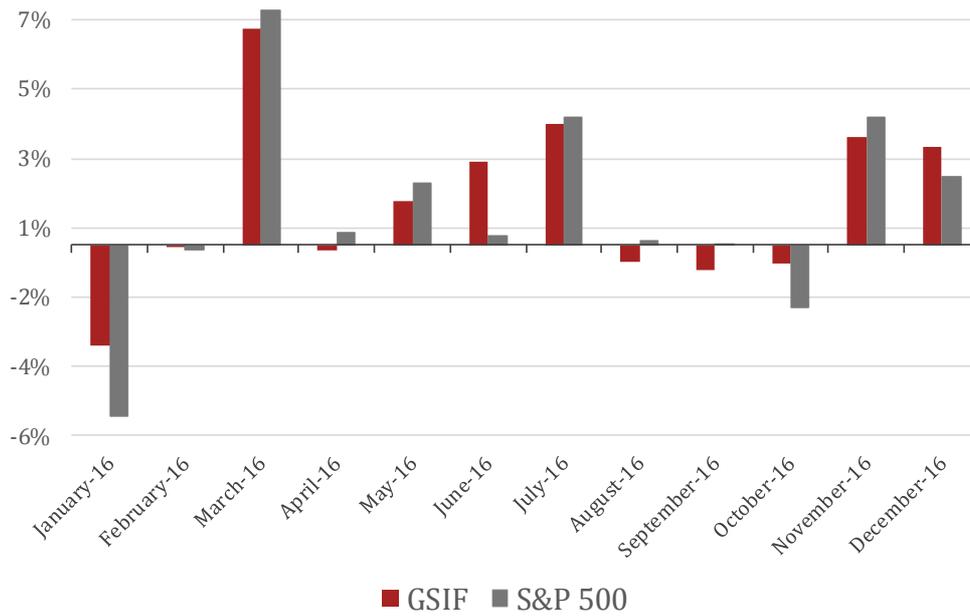


Table 3: Difference between GSIF / S&P500 monthly returns for the Calendar Year 2016

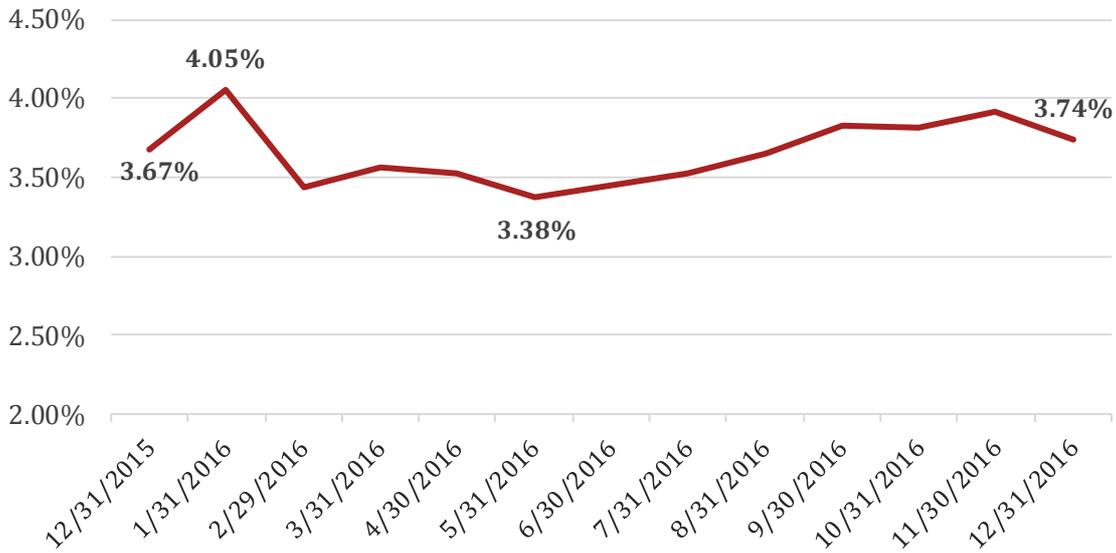
2016	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Diff GSIF/ S&P500	2.06%	0.08%	-0.54%	-0.56%	-0.52%	2.13%	-0.19%	-0.63%	-0.75%	1.29%	-0.57%	0.85%

Table 4 shows each GSIF sector’s total returns during 2016. Please keep in mind that the actual sector’s return shown on Table 4 must be weighted to the actual sector weight in order to find the actual contribution to the overall portfolio. For example, even though Energy sector has an outstanding return of 33.61%, the GSIF only had approximately 6.92% of the overall portfolio in the Energy sector. Therefore, the actual contribution to the overall portfolio return of 14.93% is approximately 2.33% (33.61% return multiplied by the 6.92% weight). Of the 11 sectors within the GSIF, all posted positive returns for the 2016.

Table 4: Sector Performance Compared to Benchmark (As of December 31, 2016)

Sector	GSIF	S&P 500	+/-
Cash	0.00%	0.00%	0.00%
Consumer Discretionary	4.71%	5.94%	-1.23%
Consumer Staples	6.24%	5.37%	0.87%
Energy	33.61%	27.32%	6.29%
Financials	18.29%	21.57%	-3.28%
Health Care	16.03%	-2.45%	18.48%
Industrials	29.76%	18.47%	11.29%
Information Technology	10.66%	13.80%	-3.14%
Materials	9.91%	16.88%	-6.97%
Real Estate	0.00%	3.29%	-3.29%
Telecommunication Services	26.22%	23.50%	2.72%
Utilities	9.93%	16.29%	-6.36%
Total	14.93%	11.77%	3.16%
Actual	15.09%	11.96%	3.13%
Percentage not explained	0.16%	0.19%	-0.03%

Figure 2: 1-Year Rolling Tracking Error (As of December 31, 2016)



As to risk, **Figure 2** shows GSIF’s one-year tracking error of the benchmark S&P500 index. The tracking error increased from an average of 3.46% in 2015 to an average of 3.65% as of the 2016 calendar year. Because GSIF was incepted back in August 2013, no active stock selection was performed during the first months of GSIF’s tenure. GSIF will closely monitor the tracking error moving forward and control it with timely rebalancing of the portfolio.

Figure 3: GSIF hypothetical growth of \$10,000 investment since Inception and comparison with S&P 500 return.

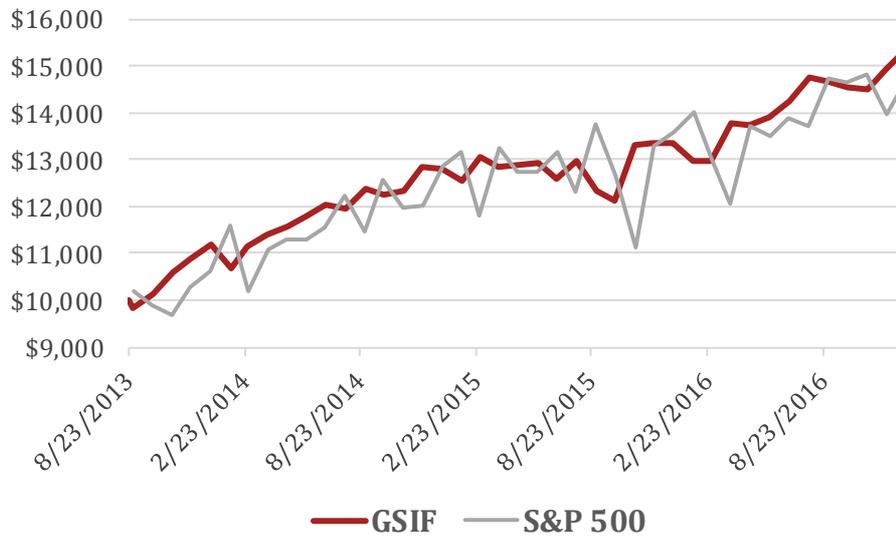
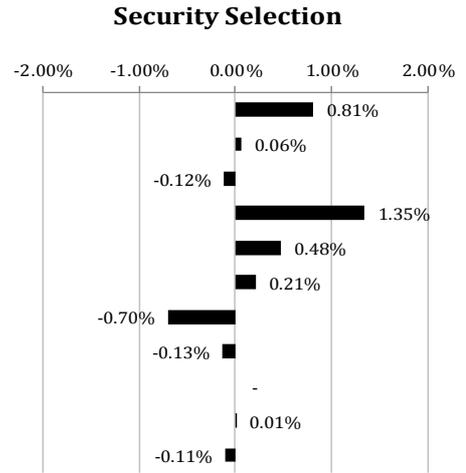
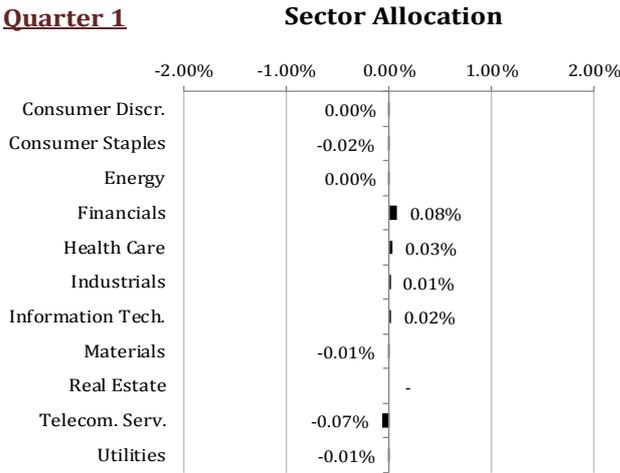


Figure 3 shows the progress of two lines over a three-year period. The red line represents the growth or decline in value of a hypothetical \$10,000 initial investment in the GSIF fund since inception on August 23, 2013. The grey line represents the performance of S&P 500 index since August 23, 2013. As of December 31, 2016, the hypothetical \$10,000 investment in the GSIF would be worth \$15,361 and the \$10,000 investment in the S&P 500 would be worth \$14,644.

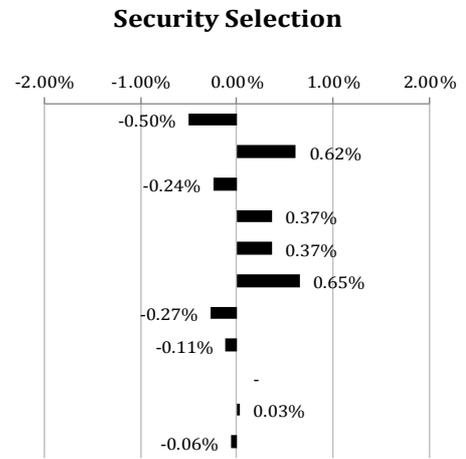
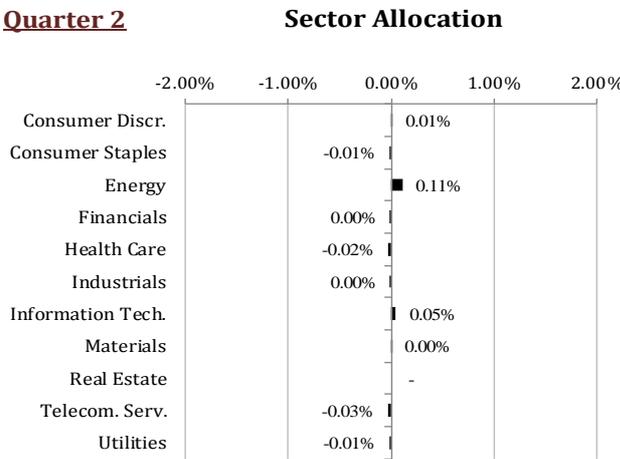
Figure 4 shows the quarterly performance attribution by sector allocation and stock selection, illustrating how GSIF applies its investment philosophy and process in order to generate returns over the benchmark. The left panel of the figure shows how much of the relative return is generated from sector allocation. The right panel of the figure shows how much of the relative return is generated from stock selection. The GSIF maintains a sector neutral policy. Therefore, the very low contribution from sector allocation is to be expected. Stock selection contributes mostly to the portfolio’s relative return from the benchmark, while sector allocation has virtually no role in this, indicating a thorough execution of the sector neutral policy.

Figure 4: Calendar Year 2016 Quarterly Relative Return Performance Attribution

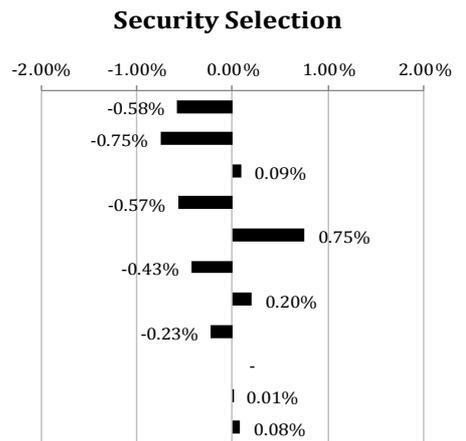
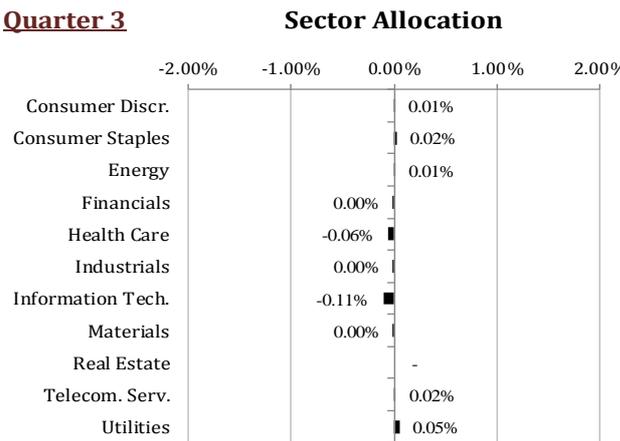
Quarter 1



Quarter 2

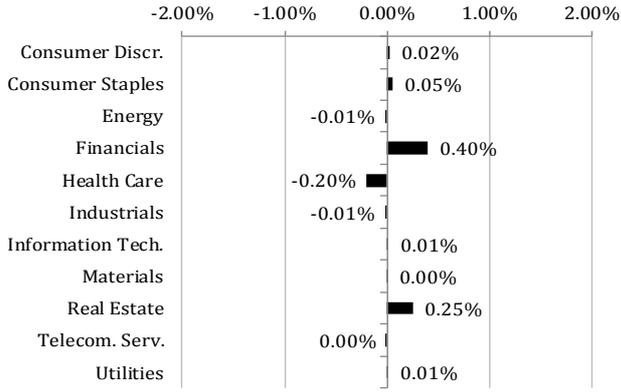


Quarter 3



Quarter 4

Sector Allocation



Security Selection

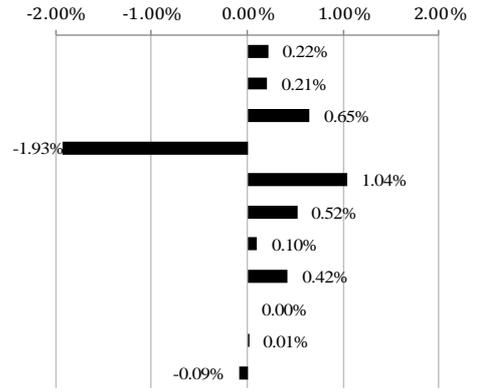
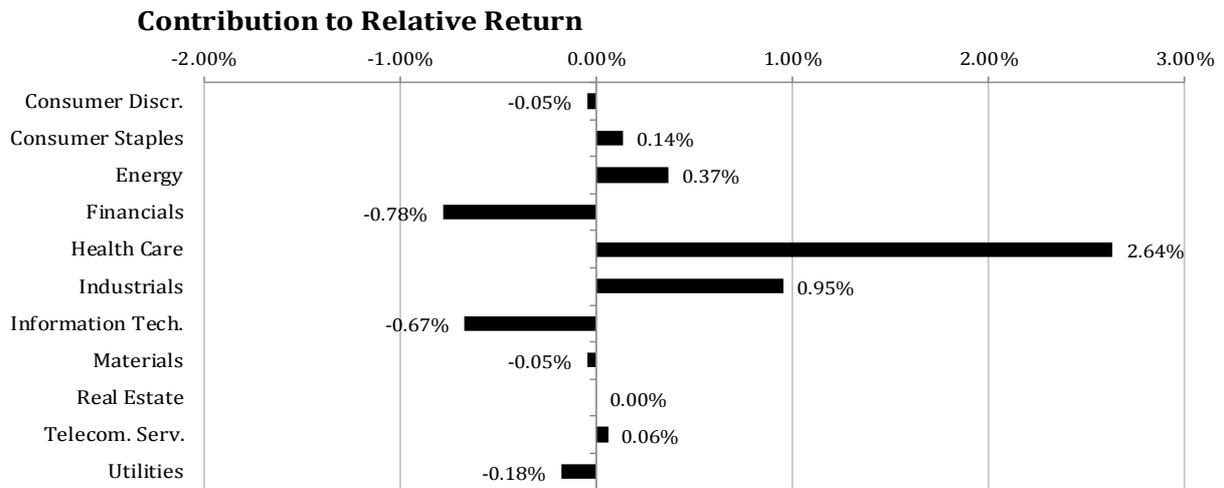


Figure 5: Relative Return Contributions and Performance Attribution for 2016

Security Selection



Sector Allocation

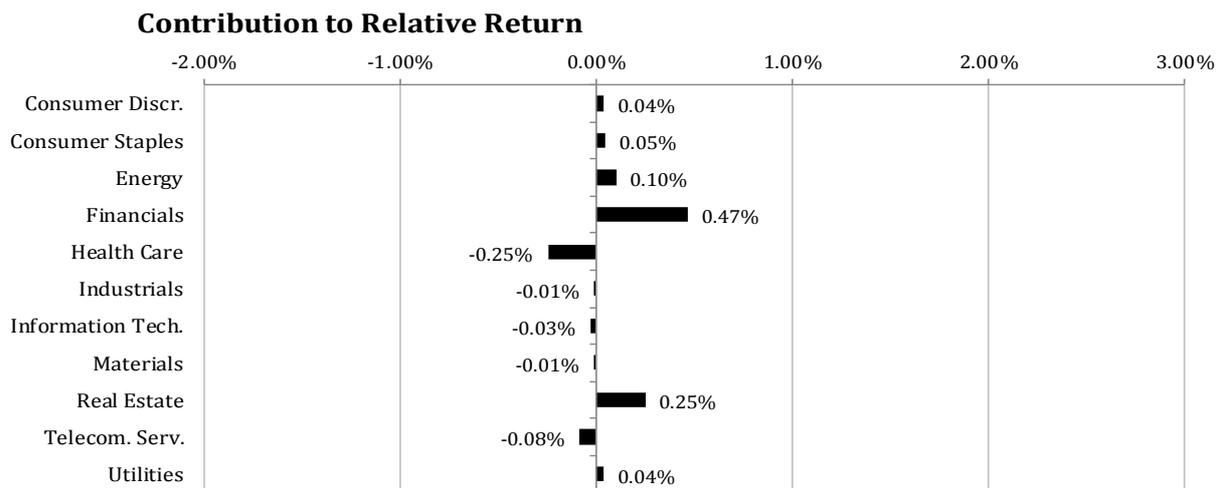


Figure 5 and **Table 5** show the relative return attribution into sector allocation and stock selection for the entire year of 2016. The GSIF maintains a sector neutral policy; therefore, the very low contribution from sector allocation is to be expected. Additionally, Figure 5 provides a visual representation of this policy. The small returns from sector allocation are due to minor differences between the GSIF portfolio and the S&P 500 benchmark and within the sector neutral level of tolerance. Also shown is the relative performance attributed to stock selection by each sector. The GSIF draws its competitive advantage from the sector member’s research from own perspectives when choosing stocks. Therefore, stock selection is the key contributor to the performance of the GSIF. The Financials, Industrials, Information technology and Health care sectors were the top

performing sectors in contrast to Materials, Telecommunication Services and Energy sectors, being the worst performing sectors.

Table 5: Full Year Relative Return Contributions by Sectors

Sector	Full Year		
	Sector Allocation	Security Selection	Total
Cash	-0.22%	0.00%	-0.22%
Consumer Discretionary	0.04%	-0.05%	-0.01%
Consumer Staples	0.05%	0.14%	0.19%
Energy	0.10%	0.37%	0.47%
Financials	0.47%	-0.78%	-0.32%
Health Care	-0.25%	2.64%	2.39%
Industrials	-0.01%	0.95%	0.95%
Information Technology	-0.03%	-0.67%	-0.70%
Materials	-0.01%	-0.05%	-0.06%
Real Estate	0.25%	0.00%	0.25%
Telecommunication Services	-0.08%	0.06%	-0.02%
Utilities	0.04%	-0.18%	-0.14%
Total	0.36%	2.43%	2.79%

Actual Relative Return	3.13%
Unexplained by Attribution Model	0.34%

Individual Stock Contributions

Table 6: Ranking of Individual Stock Contributions*

Ranking	Top 10 Holdings	Contr.
1	QUEST DIAGNOSTICS INC	1.69%
2	BAKER HUGHES INC	1.45%
3	BERKSHIRE HATHAWAY INC-CL B	1.36%
4	BAXTER INTERNATIONAL INC	1.25%
5	REPUBLIC SERVICES INC	1.13%
6	CHEVRON CORP	0.95%
7	SCRIPPS NETWORKS INTER-CL A	0.92%
8	WASTE MANAGEMENT INC	0.92%
9	CHUBB LTD	0.73%
10	BLACKROCK INC	0.73%

Rank	Bottom 10 Holdings	Contr.
1	NIKE INC -CL B	-0.43%
2	CELGENE CORP	-0.14%
3	CLOROX COMPANY	-0.05%
4	COCA-COLA CO/THE	-0.01%
5	ALPHABET INC-CL C	0.07%
6	DU PONT (E.I.) DE NEMOURS	0.13%
7	OCCIDENTAL PETROLEUM CORP	0.16%
8	MCDONALD'S CORP	0.18%
9	VERIZON COMMUNICATIONS INC	0.18%
10	TJX COMPANIES INC	0.19%

**Individual stock contribution is calculated by taking the stocks return in the year multiplied by the stock's average weight for the year.*

Table 6 shows the individual stocks that contributed the most and the least to the portfolio's relative return over 2016. Quest Diagnostics Inc. of the Health Care sector was the leading stock in the overall portfolio by contributing 1.69% of the overall portfolio performance. Nike Inc. contributed the greatest loss with -0.43% of the overall portfolio performance.

Sector Neutral Policy

Throughout the year, GSIF remains committed to applying the sector neutral policy in asset allocation within the portfolio. To directly examine how GSIF follows the sector neutral policy, we return to Table 1. Table 1 shows that as of 12/31/2016, the Information Technology sector has the highest weight (20.70%) within the GSIF portfolio, and Telecommunication Services has the lowest weight (2.54%), while weight on cash is 2.09%. Table 1 also compares the GSIF portfolio with the S&P 500 benchmark in terms of sector weight. Four (out of eleven) sectors of the GSIF portfolio were slightly over weighted compared to the S&P 500 Index, and the other seven (out of eleven) sectors of the GSIF portfolio are slightly underweighted compared to the S&P 500 Index. As explained above in this report, the introduction of a real estate sector within the S&P 500 index, misleads the weight neutral policy of GSIF. GSIF did not buy any real estate stock during its 4th quarter, the GSIF real estate sector weight thus remains at 0%, with a difference of 3.90% compared to the benchmark. Apart from this major change, the largest difference is a 2.53% overweight in Health Care within the mandated $\pm 2\%$ allowance set by the GSIF policy.

Table of Holdings (December 31st, 2016)

	% Wgt	Mkt Val	Shares	Px Close
GSIF SIUF PORTFOLIO	100	727,695		
Cash	1.99	14,494		
US DOLLAR	1.99	14,494	14,494	1.00
Consumer Discretionary	10.81	78,676		
MCDONALD'S CORP	2.84	20,692	170	121.72
NIKE INC -CL B	2.44	17,790	350	50.83
SCRIPPS NETWORKS INTER-CL A	2.94	21,411	300	71.37
TJX COMPANIES INC	2.58	18,782	250	75.13
Consumer Staples	8.52	62,014		
CLOROX COMPANY	1.65	12,002	100	120.02
COCA-COLA CO/THE	2.28	16,584	400	41.46
GENERAL MILLS INC	2.46	17,913	290	61.77
HERSHEY CO/THE	2.13	15,514	150	103.43
Energy	7.64	55,630		
BAKER HUGHES INC	3.39	24,689	380	64.97
CHEVRON CORP	2.59	18,832	160	117.70
OCCIDENTAL PETROLEUM CORP	1.66	12,109	170	71.23
Financials	15.51	112,877		
BERKSHIRE HATHAWAY INC-CL B	5.82	42,375	260	162.98
BLACKROCK INC	4.97	36,151	95	380.54
CHUBB LTD	4.72	34,351	260	132.12
Health Care	16.73	121,728		
BAXTER INTERNATIONAL INC	7.13	51,878	1,170	44.34
CELGENE CORP	4.29	31,252	270	115.75
QUEST DIAGNOSTICS INC	5.30	38,598	420	91.90
Industrials	10.01	72,863		
BOEING CO/THE	2.14	15,568	100	155.68
REPUBLIC SERVICES INC	3.45	25,102	440	57.05
UNITED PARCEL SERVICE-CL B	1.89	13,757	120	114.64
WASTE MANAGEMENT INC	2.53	18,437	260	70.91
Information Technology	19.97	145,311		
ALPHABET INC-CL C	4.24	30,873	40	771.82
APPLE INC	4.30	31,271	270	115.82
INTEL CORP	5.33	38,809	1,070	36.27
INTL BUSINESS MACHINES CORP	2.51	18,259	110	165.99
MICROSOFT CORP	3.59	26,099	420	62.14
Materials	3.59	26,111		
DU PONT (E.I.) DE NEMOURS	1.01	7,340	100	73.40
MOAIC CO/THE	2.58	18,771	640	29.33
Telecommunication Services	2.52	18,314		
AT&T INC	1.64	11,908	280	42.53
VERIZON COMMUNICATIONS INC	0.88	6,406	120	53.38
Utilities	2.70	19,676		
SOUTHERN CO/THE	2.70	19,676	400	49.19

Individual Stock Thesis

Below is the value for each stock that was held by the GSIF as of December 31, 2016. Data sources include: Bloomberg Professional Service, Morningstar, Yahoo Finance, Google Finance, as well as the companies' websites. GSIF portfolio includes 31 stocks among 10 different sectors listed on S&P 500 index.

- **Consumer Discretionary**

McDonald's Corp. (MCD)

McDonald's is an American hamburger and fast food restaurant chain. It was founded in 1940 as a barbecue restaurant operated by Richard and Maurice McDonald. McDonald's is one of the world's largest restaurant chains, serving approximately 68 million customers daily in 119 countries across approximately 36,615 outlets. McDonald's primarily sells hamburgers, cheeseburgers, chicken products, French fries, breakfast items, soft drinks, milkshakes, and desserts. In response to changing consumer tastes, the company has expanded its menu to include salads, fish, wraps, smoothies, and fruit. The company also recently entered the all-day breakfast market to increase the traffic in its restaurants.

Nike Inc. (NKE)

Nike Inc. is an American multinational corporation that is engaged in the design, development, manufacturing and worldwide marketing and sales of footwear, apparel, equipment, accessories and services. It is one of the world's largest suppliers of athletic shoes and apparel and a major manufacturer of sports equipment. As of 2013, Nike owns two key subsidiaries: Converse Inc. and Hurley International. Nike is the largest seller of athletic footwear and apparel in the world. The company sells its products to retail accounts, through NIKE-owned retail stores and internet websites (referred as "Direct to Consumer" or "DTC" operations), and through a mix of independent distributors and licensees throughout the world. Virtually all of Nike's products are manufactured by independent contractors. Nearly all footwear and apparel products are produced outside the United States, while equipment products are produced both in the United States and abroad.

Scripps Networks Interactive (SNI)

Scripps Networks Interactive is a leading developer of lifestyle-oriented content for television and the Internet, where on-air programming is complemented with online video, social media areas and e-commerce components on companion Web sites and broadband vertical channels. The company's media portfolio includes popular lifestyle brands: HGTV, DIY Network, Food Network, Cooking Channel, Travel Channel and country lifestyle network Great American Country. On July 2, 2015, SNI finalized acquisition of 100% stake in N-Vision company which has 52.7% stake in Polish television group TVN. The TVN group broadcasts 12 channels in Poland, including: TVN, TVN24 and TVN24 Biznes I Świat.

TJX Companies Inc. (TJX)

The TJX Companies Inc. is an American apparel and home goods company based in Framingham., Massachusetts. It claims to be the largest international apparel and home fashions off-price department store chain in the United States. The company evolved from the Zayre discount department store chain, founded in 1956, which opened its first branch of T.J.Maxx in 1976 and its first BJ's Wholesale Club in 1984. In 1988, Zayre sold its nameplate to rival Ames, and T.J.Maxx was renamed "The TJX Companies Inc.". Ernie Herrman serves as company CEO since January 31st 2016. In July 2015, TJX acquired the Trade Secret and Home Secret off-price retail businesses from Australian company Gazal Corporation Limited.

- **Consumer Staples**

Clorox Co (CLX)

The Clorox Company is a leading multinational manufacturer and marketer of consumer and professional products with fiscal year 2016 net sales of \$5.8 billion and approximately 8,000 employees worldwide as of June 30, 2016. Clorox sells its products primarily through grocery and mass retail outlets, e-commerce channels, wholesale distributors and medical supply distributors. On May 2, 2016, the Company acquired 100 percent of the digestive health company Renew Life for \$290 million. The purchase of the Renew Life business aligns with the Company's acquisition strategy to target leading brands with attractive margins in high-growth categories, particularly in health and wellness.

The Coca-Cola Company (KO)

The Coca-Cola Company is the world's largest beverage company. The company owns or licenses and markets more than 500 nonalcoholic beverage brands, primarily sparkling beverages but also a variety of still beverages such as waters, enhanced waters, juices and juice drinks, ready-to-drink teas and coffees, and energy and sports drinks. The Coca-Cola Company owns and markets four of the world's top five nonalcoholic sparkling beverage brands: Coca-Cola, Diet Coke, Fanta and Sprite. Finished beverage products bearing the company's trademarks, sold in the United States since 1886, are now sold in more than 200 countries.

General Mills Inc. (GIS)

General Mills. Inc., is an American multinational manufacturer and marketer of branded consumer foods sold through retail stores. It is headquartered in Golden Valley, Minnesota. The company markets many well-known North American brands, such as Betty Crocker, Yoplait, Colombo, Totino's, Pillsbury, Old El Paso, Häagen-Dazs, Cheerios, Trix, Cocoa Puffs, and Lucky Charms. Its brand portfolio includes more than 89 other leading U.S. brands and numerous category leaders around the world. In 2015, citing climate change, General Mills promised to reduce its greenhouse gas emissions by 28 percent over 10 years. In December 2016, the company announced it would be restructuring, splitting into four business groups based on global region, and cutting as many as 600 jobs.

The Hershey Company (HSY)

The Hershey Company, commonly called Hershey's, is one of the largest chocolate manufacturers in North America. Its headquarters are in Hershey, Pennsylvania, which is also home to Hershey's Chocolate World. Hershey's products are sold in over 60 countries worldwide. In addition, Hershey is a member of the World Cocoa Foundation. In March 2015, Hershey's completed the acquisition of all of the outstanding shares of KRAVE Pure Foods Inc. ("Krave"), manufacturer of KRAVE jerky, a leading all-natural snack brand of premium jerky products. The transaction was undertaken to enable the company to tap into the rapidly growing meat snacks category and further expand into the broader snacks space.

- **Energy**

Baker Hughes Inc. (BHI)

Baker Hughes is an American industrial service company, one of the world's largest oil field services companies. The company's 34,000 employees today work in more than 80 countries, helping customers find, evaluate, drill, produce, transport and process hydrocarbon resources. As of the third Quarter of 2016, BHI gains revenue of \$2.4 billion for the quarter, down 2% sequentially and 38% year-over-year. The third quarter results demonstrate the progress the company have made on the commitment to improve financial performance by reducing operational costs, optimizing the capital structure, and strengthening the full-service model while building broader sales channels for the products and technology.

Chevron Corporation (CVX)

Chevron Corporation is an American multinational energy corporation. One of the Successor companies of Standard Oil, it is headquartered in San Ramon, California, and active in more than 180 countries. Chevron is engaged in every aspect of the oil, natural gas, and geothermal energy industries, including hydrocarbon exploration and production: refining, marketing and transport; chemicals manufacturing and sales; and power generation. Chevron Corp's interest coverage for the quarter that ended in September 2016 was 18.33 and its debt to revenue ratio was 1.51. As of January 27, 2017, Chevron Corporation reported earnings of \$415 million (\$0.22 per share – diluted) for fourth quarter 2016. Foreign currency effects increased earnings in the 2016 quarter by \$26 million.

Occidental Petroleum Corp (OXY)

Occidental Petroleum Corporation (Occidental) conducts its operations through various subsidiaries and affiliates. The Company operates in three segments: oil and gas segment, chemical segment, and midstream, marketing, and other segment. The oil and gas segment explores for, develops, and produces oil and condensate, natural gas liquids (NGLs) and natural gas. The chemical segment (OxyChem) mainly manufactures and markets basic chemicals and vinyl. The midstream, marketing and other segment (midstream and marketing) gathers, processes, transports, stores, purchases, and markets oil, condensate, NGLs, natural gas, carbon dioxide (CO₂), and power. It also trades its assets, including transportation and storage capacity, and trades oil, NGLs, gas and other commodities. Its

leading market position in the Permian Basin has led to 13% of 2016 growth. Its 56% decrease in costs per barrel oil equivalent to less than \$9.00 per barrel has allowed OXY to increase its margins and free cash flows. OXY had seen an exceptionally strong year for its total energy assets (BOE) at almost 190% of reserve replacement. OXY's innovation in cost savings and strong performance from their international assets have positioned them well for the next year of growth and synergistic opportunities.

- **Financials**

Berkshire Hathaway Inc. B (BRK.B)

Berkshire Hathaway Inc. is a holding company for a multitude of businesses. Its core business is insurance, including property and casualty insurance, reinsurance and specialty nonstandard insurance. Berkshire owns a diverse range of businesses including candy production, retail, import and distribution of footwear, as well as several regional electric and gas utilities. Berkshire's 2015 annual revenue was \$210.8 billion, an increase from the past years (\$194.6 billion in 2015 and \$182.1 billion in 2014). BRK.B was among the best performers in 2016, up 9.5% for the S&P 500 and expects the outperformance to continue in 2017.

BlackRock Inc. (BLK)

BlackRock Inc. is a publicly owned investment management company. The firm manages investment accounts for corporate, public, union and industry pension plans, insurance companies, third-party mutual funds, endowments, foundations, charities, corporations, official institutions, and banks. The firm also offers global risk management and advisory services. BlackRock Inc. beat their gross profits in 2016 in comparison to 2015 by \$24 million (\$2,515 million in 2015 and \$2,491 million in 2014). The company continues to see strong profit growth from Q4 2016 with a 6% growth from the previous quarter. BlackRock Inc. has positioned themselves strongly in Emerging Markets and believes there will be significant growth for Emerging Markets in 2017.

Chubb Ltd. (CB)

Chubb is the world's largest publicly traded property and casualty insurer, providing commercial and personal property and casualty insurance, personal accident and supplemental health insurance, reinsurance and life insurance. Chubb's revenue continues to stay strong at \$18.9 billion. Property and Casualty insurance has been trending upwards the past few years and 2017 looks to continue that trend.

- **Health Care**

Baxter International Inc. (BAX)

Baxter International Inc. develops, manufactures, and markets products and technologies related to hemophilia, immune disorders, infectious diseases, kidney disease, trauma and other chronic and acute medical conditions. Hospitals, kidney dialysis centers, nursing homes, rehabilitation centers, doctors' offices, and research laboratories use Baxter International products. Baxter manufactures products in 27 countries and sells the products in more than 100 countries. Millions of patients and healthcare professionals rely on Baxter every day. Over the past year, Baxter earnings have shattered every quarter estimate. On December 15, 2016, Baxter announced the acquisition of Claris Injectables, for \$625 Million. This acquisition is expected to be completed by the second half of 2017. This acquisition would accelerate Baxter's plan to become a leader in the global injectables market as well as add diversity and growth to Baxter's portfolio.

Celgene Corp. (CELG)

Celgene Corporation is a global biopharmaceutical company. The Company focuses on the discovery, development, and commercialization of therapies designed to treat cancer and immune-inflammatory related disease. Celgene beat market expectations for earnings in the first, second, and third quarters of 2016. Celgene is looking to acquire the Switzerland based biotech company, Anokion for \$45 million dollars upfront, plus a provision for \$10 million bonus if Anokion meets certain pre-clinical milestones. Celgene has also acquired several other companies and drugs recently. Celgene purchased Acetylon, a company that makes a blood cancer drug, in December 2016 and they also purchased the brain cancer drug, Marizomib, from Triphase Accelerator Corp. In October, they funded the neuro-startup Abide

Therapeutic Inc. Celgene's recent acquisitions and continued growth adds to the GSIF portfolio.

Quest Diagnostics Inc. (DGX)

Quest Diagnostics Inc. operates a national network of full-service laboratories, rapid response laboratories, and patient service centers. Quest Diagnostics provides esoteric testing, routine medical testing, drugs of abuse testing, and non-hospital-based anatomic pathology testing. Quest Diagnostic had a solid third quarter in 2016. Quest Diagnostics acquired the outreach laboratory service business of Clinical Laboratory Partners. Clinical Laboratory Partners is a subsidiary of Hartford Healthcare. This is the fifth acquisition of a laboratory outreach service business by Quest Diagnostics since 2012 when its five-point strategy was introduced.

- **Industrials**

Boeing Co. (BA)

The Boeing Company (Boeing) is an aerospace company. The Company operates in five segments: Commercial Airplanes, Boeing Military Aircraft (BMA), Network & Space Systems (N&SS), Global Services & Support (GS&S) and Boeing Capital Corporation (BCC). Boeing Defense, Space & Security (BDS) consists of three capabilities-driven businesses: BMA, N&SS and GS&S. Its other segment includes the unallocated activities of engineering, operations and technology (EO&T) and Shared Services Group (SSG), as well as intercompany guarantees provided to BCC. EO&T provides Boeing with technical and functional capabilities, including information technology, research and development, test and evaluation, technology strategy development, environmental remediation management and intellectual property management.

Boeing has an optimistic outlook because of the surge of orders at the end of 2016. The 737 productions have been increasing, while other airplane orders have slowed, but the good news is these orders for the 737 will stay steady until 2020. Along, with new international deals in place, Boeing has a very promising outlook for the 2017-year.

Republic Services Inc. (RSG)

Republic Services Inc. provides non-hazardous solid waste collection services for commercial, industrial, municipal and residential customers through 334 collection operations in 39 states and Puerto Rico. The Company owns or operates 194 transfer stations, 191 active solid waste landfills and 74 materials recovery facilities. It also operates 69 landfill gas and renewable energy projects. The Company operates in four geographical segments: Eastern, Midwestern, Southern, and Western United States. Its residential collection operations involve the curbside collection of refuse from small containers into collection vehicles for transport to stations or directly to landfills. Its commercial and industrial collection operations supply the customers with waste containers of varying sizes. RSG had an excellent 2015 by reaching all-time highs in the market. RSG increased revenue in Q3 in 2015 again Q3 in 2014 by 3.4%. RSG is looking to increase their margins for 2016 and GSIF believes will benefit them even more in the coming year.

United Parcel Service-CL B (UPS)

United Parcel Service Inc. (UPS) is a package delivery company. The Company delivers packages each business day to approximately for 8 million consignees in over 220 countries and territories. UPS serves the global market for logistics services, which include transportation, distribution, forwarding, ground, ocean and airfreight, brokerage and financing. The Company has three segments: U.S. Domestic Package, International Package and Supply Chain & Freight. With ground-breaking a new Regional Hub located in Atlanta, Georgia this year (looking to be fully operational by 2018), along with their closest competitor, FedEx, raising their overall prices, UPS is in a prime position. UPS is slowly raising their prices and gaining more profits in the process. The biggest gain for UPS is of course the expansion of e-commerce, in particular Amazon. Amazon is looking to expand in 2017, which will produce greater e-commerce shipments for UPS. Overall, 2016 was great, but 2017 looks even brighter.

Waste Management (WM)

Waste Management Inc. through its subsidiaries, provides various waste management environmental services to residential, commercial, industrial, and municipal customers in North America. It offers collection services, including picking up and transporting waste and recyclable materials from where it was generated to a transfer station, and material recovery facility, or disposal site, as well as develops and operates landfill gas-to-energy facilities in the

United States. The company also provides materials processing, plastics materials recycling, and commodities recycling services; recycling brokerage services that comprise managing the marketing of recyclable materials for third parties; and electronic recycling services, such as collection, sorting, and disassembling of discarded computers, communications equipment, and other electronic equipment. Waste Management finished 2016 strong being priced at \$57.10 per share compared to their one-year low of \$41.82 per share. This shows a strong start for 2017, while in talks to close more deals by mid-2017.

- **Information Technology**

Alphabet Inc. (GOOGL)

Alphabet Inc. is an American multinational conglomerate founded on October 2, 2015, by the two founders of Google, Larry Page and Sergey Brin. It is the parent company of Google and several other companies previously owned by them. The company is based in Mountain View, California, at Googleplex. Alphabet's portfolio encompasses several industries, including technology, life sciences, investment capital, and research. Some of its subsidiaries include Google, Calico, GV, CapitalG, Verily, X, and Google Fiber.

Apple Inc. (AAPL)

Apple is an American multinational technology company headquartered in Cupertino, California, that designs, develops, and sells consumer electronics, computer software, and online services. Its hardware products include the iPhone smartphone, the iPad tablet computer, the Mac personal computer, the iPod portable media player, the Apple Watch smartwatch, and the Apple TV digital media player. Apple's consumer software includes the macOS and iOS operating systems, the iTunes media player the Safari web browser, and the iLife and iWork creativity and productivity suites. Its online services include the iTunes Store, the iOS App Store and Mac App Store, Apple Music, and iCloud. In November 2014, in addition to being the largest publicly traded corporation in the world by market capitalization, Apple became the first U.S. company to be valued at over \$700 billion. On September 22, 2016, Apple Inc. acquired Tuplejump, an India/U.S.-based machine learning company.

Intel Corp. (INTC)

Intel Corporation is an American multinational corporation and technology company headquartered in Santa Clara, California. It is the world largest and highest valued semiconductor chip makers based on revenue, and is the inventor of the x86 series of microprocessors: the processors found in most personal computers (PCs). Intel supplies processors for computer system manufacturers such as Apple, Lenovo (formerly IBM), HP, and Dell. Intel also manufactures motherboard chipsets, network interface controllers and integrated circuits, flash memory, graphics chips, embedded processors and other devices related to communications and computing. In June 2015, Intel announced its agreement to purchase FPGA design company Altera for \$16.7 billion, in its largest acquisition to date. The acquisition completed in December 2015. In October 2015, Intel bought cognitive computing company Saffron Technology for an undisclosed price. In August 2016, Intel purchased deep-learning startup Nervana Systems for \$350 Million.

International Business Machines (IBM)

International Business Machines Corporation (commonly referred to as IBM) is an American multinational technology company headquartered in Armonk, New York, with operations in over 170 countries. The company originated in 1911 as the Computing-Tabulating-Recording Company (CTR) and was renamed "International Business Machines" in 1924. IBM manufactures and markets computer hardware, middleware and software, and offers hosting and consulting services in areas ranging from mainframe computers to nanotechnology. IBM is also a major research organization, holding the record for most patents generated by a business (as of 2017) for 24 consecutive years. The Weather Company acquisition in January 2016, whose dynamic cloud data platform powers the fourth most-used daily mobile app in the United States and handles 26 billion inquiries to its cloud-based services each day. This high-volume cloud platform processes, analyzes and distributes enormous data sets at scale in real time. It adds an important dimension to the company's cloud platform.

Microsoft Corp. (MSFT)

Microsoft Corporation (commonly referred to as Microsoft or MS) is an American multinational technology company headquartered in Redmond, Washington, that develops, manufactures, licenses, supports and sells computer software, consumer electronics and personal computers and services. Its best-known software products are the Microsoft

Windows line of operating systems, Microsoft Office suite, and Internet Explorer and Edge web browsers. Its flagship hardware products are the Xbox video game consoles and the Microsoft Surface tablet lineup. As of 2016, it was the world's largest software maker by revenue, and one of the world's most valuable companies.

On April 25, 2014, Microsoft acquired Nokia Devices and Services for \$7.2 billion. The new subsidiary was renamed Microsoft Mobile Oy. In May 2016, the company announced it will lay off 1,850 workers, taking an impairment and restructuring charge of \$950 million. During the previous summer of 2015 the company wrote down \$7.6 billion related to its mobile-phone business and fired 7,800 employees from those operations.

- **Materials**

Du Pont (E.I.) De Nemours (DD)

E. I. du Pont de Nemours and Company operates as a science and technology based company worldwide, Subsidiaries and affiliates of DuPont conduct manufacturing, seed production or selling activities and some are distributors of products manufactured by the company. DuPont competes on a variety of factors such as product quality and performance or specifications, continuity of supply, price, customer service and breadth of product line, depending on the characteristics of the market involved and the product or service provided. Most products are marketed primarily through the company's sales force, although in some region, more emphasis is placed on sales through distributors. The company utilizes numerous suppliers as well as internal sources to supply a wide range of raw materials, energy, supplies, services and equipment. To ensure availability, the company maintains multiple sources for fuels and many raw materials, including hydrocarbon feedstocks. Large volume purchases are generally procured under competitively priced supply contracts. The company's is divided in to the Agriculture, Electric and Communications, Industrial Bioscience, Performance Materials, and Protection Solutions segments. Du Pont markets its products through the company's sales force and distributors in the U.S. and globally. The company was founded in 1802 and is headquartered in Wilmington, Delaware. Du Pont's total sales grew on 3% volume improvement in the third quarter of 2016. Du Pont's earnings per share increased more than 20% in 2016. Its free cash flow improved \$1.6 billion due to higher earnings, lower capital expenditures, lower tax payments, and working capital improvement.

The Mosaic Company (MOS)

The Mosaic Company produces and markets concentrated phosphate and potash crop nutrients for the agricultural industry worldwide. It operates through three segments: Phosphates, Potash, and International Distribution. The company owns and operates mines in Florida. The Phosphates segment offers concentrated phosphate crop nutrients, such as diammonium phosphate, monoammonium phosphate, and ammoniated phosphate products. This segment also offers phosphate-based animal feed ingredients primarily under the Biofos and Nexfos brand names. The Potash segment produces and sells potash for use as fertilizers and animal feed ingredients, as well as for use in industrial applications, and in the manufacturing of mixed crop nutrients. It also offers potash products for use in the de-icing and as a water softener regenerant, as well as fluorosilicic acid for water fluoridation. The International Distribution segment provides nitrogen-based crop nutrients and animal feed ingredients, and other ancillary services. In addition, it purchases and sells phosphates, potash, and nitrogen products. The company sells its products to wholesale distributors, retail chains, cooperatives, independent retailers, and national accounts. The Mosaic Company was founded in 2004 and is headquartered in Plymouth, Minnesota. During the fourth quarter, Mosaic delivered higher production volumes in Potash, Phosphates, and International Distribution. It achieved near record low Potash cash cost. Due to its decreasing stock price, the company's earnings decrease 70.81% in 2016. But its SG&A cost also reduce to the lowest level within a decade (\$304 million in 2016). And the SG&A will continue to be managed in a low level even as market dynamics continue to improve in 2017. In its international distribution segment, its margin is 55% higher than the guidance standard.

- **Telecommunication Services**

AT&T Inc. (T)

AT&T Inc. is a provider of telecommunications services. AT&T operates in three segments: Wireless, Wireline, and Other. The company's Wireless subsidiaries provide both wireless voice and data communications services across the United States, and through roaming agreements, in a substantial number of foreign countries. Wireline subsidiaries provide primarily landline voice and data communication services. Its other segment includes customer information services (operator services) and corporate and other operations. AT&T has seen positive growths in total revenues (11.6%), adjusted earnings (4.8%) and free cash

flows in 2016 (6.8%). Its recent announcement of the acquisition of Time Warner will also poise the organization strategically for its industry. By aligning itself with the entertainment giant, AT&T will be able to deliver content through its established infrastructure. The acquisition is estimated to cost \$85 billion, and is still in the process of negotiation. AT&T expects \$1 billion in annual run rate cost synergies within 3 years of the deal closing. The expected cost synergies are primarily driven by corporate and procurement expenditures. By the end of the first year after close, AT&T expects net debt to adjusted EBITDA to be in the 2.5x range.

Verizon Communications Inc. (VZ)

Verizon Communications Inc. operates in two primary segments: Verizon Wireless and Wireline. Verizon's wireless communications products and services include wireless voice and data services and equipment sales, provided to consumers, businesses, and government customers across the United States. Wireline communications products and services include voice, Internet access, broadband video and data, Internet protocol network services, network access, long distance and other services. Verizon has seen a growth in its overall revenues of 3.5% at \$131.6 billion. Its fourth quarter was also marked with high wireless profitability and customer loyalty, and customer and revenue growth for Fios fiber-optic services. During 2016, Verizon invested in its networks with \$17.1 billion in capital expenditures, completed wireline divestitures of three markets, negotiated new labor contracts, executed successful technical trials of 5G wireless service and expanded its new growth businesses, IoT (Internet of Things) revenues, led by telematics, increased 21% on a comparable basis to fourth-quarter 2015, to \$243 million. Verizon expects to sustain this trend in strong IoT revenue growth. Including acquisitions, IoT revenues increased more than 60% in fourth-quarter 2016.

- **Utilities**

The Southern Company (SO)

The Southern Company (Southern Company or the Company) is a holding company that owns all of the outstanding common stock of Alabama Power, Georgia Power, Gulf Power, and Mississippi Power, each of which is an operating public utility company. The traditional operating companies supply electric service in the states of Alabama, Georgia, Florida, and Mississippi. They are vertically integrated utilities that own generation, transmission, and distribution facilities. SO has consistently beat analysts forecast on an annual basis since 2015 for its EPS, with the previous fiscal year of the highest earnings surprise in the last quarter of 2016 at 9.4%. EPS was at 1.28 at the time. The Southern Company is a strong investment because it has could deliver growth on every year's EPS. This has also contributed to SO's growth of dividends every year, driving higher shareholder value. SO has also completed its merger with AGL now Southern Company Gas, costing the company \$8 billion. This acquisition was made to increase the brand's portfolio in natural gas and is now the second-largest utility company in the U.S. Southern's geographic footprint will expand from four states to seven states, given that AGL delivers gas in states where Southern doesn't sell electricity.

Outlook for 2017

United States equities earnings are likely to improve from recent levels as the economy grows more quickly. Expansive fiscal policies could provide additional support. Dividend yields are expected to remain consistent. Internationally, improving economic prospects in developed markets and continued high growth in emerging markets should support profits, but not to levels in the United States. Large dividend yields compared to the United States should result in similar total returns. The bond market should see yields rise in response to Fed increasing rates over the next 3 years. Yields should increase across all maturities with short-term rates growing more than long-term, which will flatten the yield curve. Future higher yields offset capital losses are expected up front.

Member Roster for 2016-2017

Elizabeth Bauer

Genevieve Phuah

Anouk Ehret

Anne-Sixtine Triboulis

Kara Gilbert

Ivan Vargas

Ramar Henderson

Liyuan Wang

Timothy Milano

Yingshi Zhao

Xiaomei Pang

Hang Zhou

Regena Patterson