

SSIF NEWSLETTER

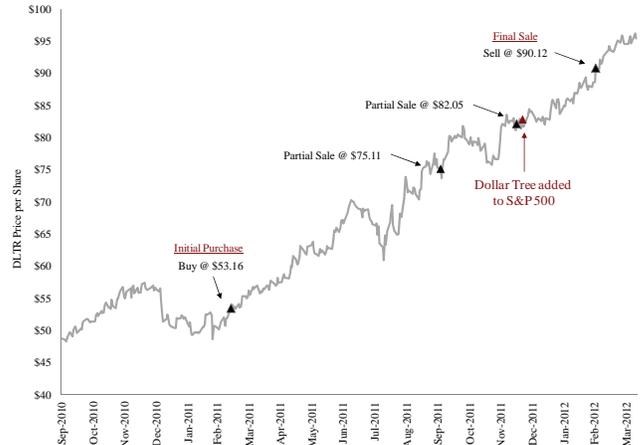
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DOLLAR TREE SALE

The recent sale of Dollar Tree, Inc. (DLTR) from the SSIF portfolio is one of the many success stories of the group’s stock selection abilities. The Consumer Goods and Services sector team identified the growth potential of DLTR in early 2011. DLTR was particularly attractive due to the expected advantage of discount retailers during a prolonged economic downturn. After DLTR was added to the portfolio, the stock appreciated approximately 60% during the year, while the overall market ended flat. Reflecting its superior performance, DLTR was added to the S&P 500 Large-cap Index at the end of 2011. The accompanying figure shows DLTR’s progression throughout the year. The initial purchase was made on March 11, 2011 and 500 more shares were added when the SSIF’s assets under management increased by \$630,000 in May 2011. As the stock continued to appreciate, a partial sale of DLTR was executed on October 3, 2011 to keep its weight in the portfolio under 5%. This weight constraint helps control the portfolio’s risk of overexposure to any



one stock. The final sale of DLTR was made in early 2012, when it was replaced by a stock in from S&P 400 Mid-cap Index. The SSIF will continue to apply its investment process to identify stocks that could potentially offer this type of success in the future.

-Steven Lore '12
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“The SIU Foundation has provided a valuable hands-on opportunity for SIU students. In return, the students manage the portfolio with their unique insights, intense passion, and a high level of professionalism.”

-Dr. Jason Greene, SSIF Faculty Advisor

SECTOR SPOTLIGHT—HEALTH CARE

The SSIF’s main goal is to provide the greatest value for our client, the SIU Foundation. The SSIF’s specific mandate is to manage a Mid-cap core strategy with a benchmark of the S&P 400 Mid-cap Index. As such, the Healthcare sector team has applied the SSIF’s investment philosophy and process to choose stocks within its sector.

The SSIF aims to minimize tracking error and mimic the returns of the benchmark as closely as possible, while still outperforming the index. This is achieved by holding a portfolio of securities with a composition similar to that of the index, and maintaining the weights of those holdings within specific bounds. Using the GICS (Global Industry Classification Standards) and analyzing the universe of securities that the organization is able to hold, the Healthcare Team classifies each stock into its given sub-industry and determines the weights of each sub-

industry. Upon determining the composition of the sector, the team focuses on specific areas within the sector to identify stocks that have the potential to outperform.

As an example of this approach, which may be thought of as a “benchmark within the benchmark”, the Healthcare team recognized that SSIF had no exposure in the pharmaceuticals sub-industry in spring of 2011. The team then researched each potential security purchase in pharmaceuticals, leading to further analysis of these stocks. After its fundamental analysis, the team decided to purchase Vertex Pharmaceuticals, believing that it would provide the SSIF with the greatest value to fill the identified void.

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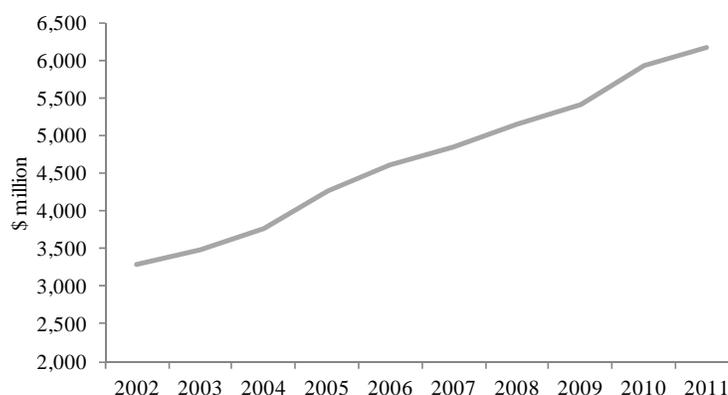
RECENTLY BOUGHT STOCKS

The Consumer Goods and Services sector team approaches the stock selection process using focused research. The team has utilized a bottom up approach to meet the investment goals, reflecting the SSIF's investment philosophy and process. In its search for a stock to add to the portfolio, the team recently made the decision to focus on the retailing industry where the growth potential is particularly attractive during an economic recovery. Investors are similar to shoppers in the way that they always look for the best deal in the market. In this sense, the SSIF seeks to find undervalued stocks with the potential to outperform the market. As a result, the team decided to invest in Advance Auto Parts (AAP) due to the firm's growth strategy, financial health, ratio analysis, and intrinsic value.

AAP is one of the leading retailers of automotive aftermarket parts and related services. The company operates more than 3,400 stores around the U.S., Puerto Rico, and Virgin Islands. The firm's strategy is to maintain stores in high automotive traffic areas where easy accessibility is featured for individual shoppers and commercial customers. This has resulted in higher sales volume over the years and higher sales per store where the operating income per store increased 10% in 2011. This accompanying graph illustrates the company's sales growth over the last 11 years.

The Consumer Goods and Services team identified the firm's growth strategy as an attractive investment opportunity. The firm opened 99 new stores in 2011 and anticipates opening 110-120 stores in 2012. Moreover, the team forecasts increased sales per store. As the firm continues to increase revenues, to improve operational efficiency, and to reduce expenses, AAP is expected to generate increased free cash flow, which will

Advance Auto Parts Revenue



provide the firm with the advantage for reinvestments opportunities. Also, an increase in older vehicles driven in the road should increase the demand for parts, which will have a favorable impact on the auto parts market. Together, these factors indicate the potential for increased value and returns to investors. The Consumer Goods and Services teams estimated that the firm is trading a price below its intrinsic value and at a favorable price to earnings ratio. In summary, the team decided that the addition of AAP to the portfolio would contribute positively to its future long-term performance relative to its benchmark.

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PERFORMANCE REVIEW

As of March 31, 2012

	Quarter	1-Year	3-Year	5-Year	7-Year	10-Year	Since Inception
SSIF	11.56%	3.62%	32.02%	6.75%	9.59%	8.13%	6.08%
Benchmark*	13.55%	1.65%	28.12%	4.27%	7.09%	7.31%	7.00%
Difference	-1.99%	1.97%	3.91%	2.48%	2.49%	0.82%	-0.92%

*Performance of the benchmark is reported for the S&P 400 Midcap ETF (ticker: MDY) . Inception: June 2000.



WELLS FARGO ADVISORS TRIP

On February 24, 2012, the SSIF was given the opportunity to visit Wells Fargo Advisors at their headquarters in St. Louis, Missouri. During the visit, two Wells Fargo Advisors managers presented to the fourteen SSIF students in attendance. Ms. Kim Dillard, a product manager for the investment solutions, offered a comprehensive overview of their product lineup and investment capabilities. Mr. Jack Spudich, an equity portfolio manager responsible for the Compass Blue Chip portfolio and co-manager of the Compass Growth portfolios, discussed his team's investment process. In turn, SSIF members gave a presentation of their own about the SSIF and its approach to managing a portfolio on behalf of the SIU Foundation. The individuals that were responsible for presenting include Arwa Alamoudi, Caitlin Blalock, Patrick Nolan, and Bryan Welge.

Within Ms. Dillard's and Mr. Spudich's presentations, the SSIF not only learned about the industry, Wells Fargo Advisors' products, and their approach to investing, but also learned about potential career-related opportunities with Wells Fargo Advisors in regards to internships and full-time employment.

Members of the SSIF were especially interested to discover that there were many similarities between the SSIF's approach and the way Wells Fargo Advisors imple-

mented investments. The basis of both processes was similar, which encompassed the idea that each could be repeated for future investments. This gives SSIF a promising outlook because they were able to see a similar process work in the business world, which duly awaits them.

The Wells Fargo Advisor staff gave a good piece of advice to students looking for jobs within the investment industry. They told the group that when it comes to finding a job in your desired career, find almost any entry-level position to get in the firm, but make sure it is a position in which you are willing to work hard at and make a good impression. They also stated that it can be very hard to switch career tracks, and if a business person ends up in a job they do not like, then they are more likely to perform badly. In other words, find a career-track that is appealing, do the best job that you can in any position, and try to move up from there.

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SALUKI STUDENT INVESTMENT FUND

The Saluki Student Investment Fund (SSIF) exists to provide SIUC undergraduate students with hands-on experience in portfolio management and investment research. As such, the SSIF is modeled after a real investment management firm. SSIF students are focused on making the best investment decisions possible on behalf of their primary client, the SIU Foundation. The SSIF's investment philosophy is to capitalize on investment opportunities through focused research. The SSIF's competitive advantage is students' unique and unbiased perspective and their ability to spot trends in the markets, especially those that are perhaps driven by or favored by their generation.

SSIF members work in teams that focus their research on companies within specific sectors, such as the technology, financial, or healthcare sector. Each team's goal is to choose the best companies within their sector that give the portfolio the best chance to outperform the midcap equity benchmark. 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 SSIF is open to undergraduate students from any major. In the past, most members have been from the College of Business, but students from other colleges within the University are welcomed. In recent years, SSIF students have been majors in Accounting, Business Economics, Finance, Management, Marketing, Physiology/Pre-med, and Psychology.

ABOUT THE SSIF FACULTY ADVISOR

Dr. Jason Greene, Professor of Finance, is the current faculty advisor to the SSIF. Dr. Greene came to SIU following several years as an executive and Senior Investment Officer at INTECH Investment Management, LLC, a subsidiary of Janus Capital Group. At the time, INTECH managed approximately \$60 billion in large cap equities on behalf of its institutional clients, such as public and corporate pension plans and university endowment funds. While at INTECH, Dr. Greene collaborated closely with the firm's research and investment team of Ph.D. mathematicians and physicists in Princeton, New Jersey and he headed the firm's research and trading team in its West Palm Beach, Florida headquarters. Among other things, Dr. Greene was responsible for leading the development of a platform for customizing INTECH's products, analyzing portfolio performance, and training investment and client service personnel. He was also called on to work with clients and consultants to help them better understand INTECH's mathematical investment process. Prior to joining INTECH, Dr. Greene was a finance professor at Georgia State University for a decade and served as an expert consultant to mutual fund advisors and the SEC. Dr. Greene's research has been published in leading journals, such as *Journal of Banking and Finance*, *Journal of Finance*, *Journal of Financial Economics*, *Journal of Financial Markets*, *Journal of Investment Management*, *Journal of Portfolio Management*, and *Review of Financial Studies*.

For more information about Saluki Student Investment Fund, please contact Professor Jason Greene at 618-453-1421 or jgreene@business.siu.edu.

SENIOR SPOTLIGHT

Alex Oskilanec is a senior, double majoring in Business Economics and Finance with a focus in Investments. Originally, Alex was part of the School of Accountancy, but after involvement in the Saluki Student Investment Fund, he developed a keen interest in finance. The SSIF gave him a way to apply the knowledge that he learned in class, such as equity valuations and portfolio optimization, in a practical environment. In his second year of participation in the SSIF, Alex has taken responsibility as the Financial Services sector team leader. Alex has appreciated the opportunity that he has had at SIU to gain professional experience through the SSIF in managing a portfolio of real money. Upon graduation in May, Alex plans to move to the Chicago area and will be seeking full time employment. Some of the potential jobs and fields he is interested include financial analyst, financial advisory, commercial banking, and foreign exchange trading.

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