DEDICATION
The 2009/2010 Student Managed Investment Fund (SMIF) Annual Report
is dedicated to one of the founders of the SMIF Program

Norm Coulson
For a period of nearly twenty years, from the inception of the program through his retirement this year from the SMIF Board of Advisors, Norm’s vision recognized the value of a hands-on learning experience focused on the management of a real-dollar portfolio in an academic environment, starting at a time when few universities offered such an endeavor. His constant enthusiasm and commitment to the program’s success created a legacy that will endure forever. It is with sincere gratitude that past, current, and future SMIF participants will always remember the multiple outstanding contributions of time, financial support, and devoted attention Norm generously contributed. Through Norm’s partnership with the College of Business Administration the SMIF program has grown to become an exceptionally successful student-managed investment program. We wish Norm the best as he enjoys his many retirement activities.
May, 2010

To Readers of the SMIF 2009-2010 Annual Report:

The 2009-2010 academic year, which marked the fifteenth year for the Student Managed Investment Fund (SMIF) program at California State University, Long Beach (CSULB), was a year of major changes and advances for the program. The year began with two portfolios and approximately $200,000 under management and ended with three portfolios and approximately $300,000 under management.

The students’ year began during the summer of 2009, when the SMIF applicants met for a series of boot camp sessions, which gave us a chance to observe the work ethic and level of skills of the applicants while also giving the applicants the opportunity to meet the previous year’s SMIF portfolio managers to become familiar with the portfolios that SMIF managed at the time, the CSULB-funded SMIF portfolio and the CFA Society of Orange County Foundation-funded CFAOCEF portfolio. At the end of the summer, sixteen of the applicants were selected to become the SMIF portfolio managers for the 2009-2010 academic year and their real work and challenges began in earnest. The first major task during the fall semester was to develop their economic and market forecasts for the coming year, a particularly challenging task given the combination of a record rebound in the equity markets since the March 2009 lows and a particular choppy late spring and early summer, which begged the question, bear-market rally or sustainable recovery? The students cautiously decided, sustainable recovery, at least for the near term. Within a matter of weeks the new applicants began one of their most challenging tasks, submitting the SMIF program’s sixth consecutive winning response for the CFAOCEF’s annual Request-for-Proposal competition, earning the right to continue managing the CFAOCEF’s $100,000 first-place portfolio for the 2010 calendar year.

With the arrival of 2010, the SMIF program commenced its management of a third $100,000 portfolio, on behalf of the Forty-Niner Shops, Inc., which provides the CSULB campus with bookstore and dining services. The additional management and reporting responsibilities this required led to a major reorganization of the SMIF team structure, shifting from four work-based teams, each with similar responsibilities, to three portfolio-based teams, each with the primary administrative and reporting responsibilities for one of the three portfolios the SMIF program manages. This change created its own challenges, but it enabled each student to feel a greater sense of ownership over a given portfolio.

In the end, through all of these changes, one key aspect of the SMIF program has remained the constant focus of our efforts – the rigorous team-based and client-oriented learning experience gained by the students who have participated in this program and who are now moving on to graduation and the pursuit of their careers. We are certain that their unique learning experiences will serve them well in the years ahead.

Congratulations and best wishes to the 2009-2010 SMIF graduates!

L. R. Runyon, D.B.A.
Director, Student Managed Investment Fund

Peter A. Ammermann, Ph.D.
Co-Director, Student Managed Investment Fund

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May 19, 2010

To the Readers of the CSULB SMIF Annual Report:

The CFA Society of Orange County Foundation ("CFAOCF"), was founded in 2003 by the CFA Society of Orange County to fulfill an important mission to foster, promote and encourage the development of professionalism by the Orange County investment community; and to heighten public awareness of this professionalism by:

1) Supervision of a select group of students of financial investments in the management of all or a portion of the investment portfolio of the corporation; and

2) Providing educational scholarships for the study of financial investment practice at colleges and universities located in and around Orange County, California.

To fulfill our mission, we host a student-managed fund competition that is unique from other such projects around the country. Each year, a group of students from the local universities draft a response to the foundation’s Request for Proposal ("RFP") and make a presentation to the Foundation’s Investment Policy Committee on how they propose to manage the Foundation’s funds and why they are the most qualified team to do so, an experience unique to our project. The winning team is awarded the honor of managing $100,000 of the Foundation’s assets. We congratulate the SMIF students of CSULB who have had the winning team of this portfolio management competition for six years running.

We are also happy to announce that CSULB’s SMIF team has extended their winning streak to seven years. In December 2009 they beat out teams from California State University, Fullerton and University of California, Irvine for the right manage the Foundation’s funds for 2010. So, to the SMIF students, congratulations on your successes over the past six years, thank you very much for your participation in the activities of the CFA Society of Orange County Foundation, and we wish you all the best of luck in the future!

Congratulations!

Benjamin C. Lau, CFA
President and Chairman

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Introduction

The Student Managed Investment Fund (SMIF) at California State University, Long Beach, is an honors-type program consisting of 16 of the top Finance students from the College of Business Administration, Department of Finance. The objective of the program is to give students a real-world experience in portfolio management. The program was established in 1995 by Dr. Richard Runyon, and Dr. Peter Ammermann joined as Co-Director in 2002. The Directors give guidance and insight to the SMIF students as well as facilitate communication between the SMIF team and various stakeholders. At the program’s inception, SMIF was responsible for $50,000 worth of assets. Today, the assets under management by the SMIF program total over $300,000.

The 2009-2010 SMIF class endured a rigorous recruitment process. This process began with each candidate submitting an application at the end of the Spring 2009 semester. Next, the applicants attended three summer recruitment meetings, referred to as “boot camp” sessions. These summer “boot camps” allowed the SMIF Directors to gauge each candidate’s work ethic, knowledge, and teamwork skills. The first session, in June, required each candidate to prepare an economic forecast for the coming year. For the second session, in July, each candidate prepared a forecast for business sectors and industries. For the final session, in August, each candidate wrote a comprehensive report on the economic outlook, sector and industry forecast, equity selection, and fixed-income selection.

During these sessions, the candidates were randomly placed into teams. These teams spent approximately two hours debating the topics at hand and together building a presentation of the required material for that session. The candidates spent the last two to three hours giving their presentations, which were followed by questions and critiques by the Directors. After the final boot camp, all of the candidates were formally interviewed by both Directors, and the 2009-2010 SMIF team was selected.

Students in the SMIF program are the beneficiaries of an enormous amount of learning experiences throughout their management tenure. SMIF students gain the knowledge that stems from conducting a top-down approach to investing, enhance their presentation skills, and solidify a strong work ethic. The 2009-2010 SMIF team added value to the program by securing the rights to manage a portion of the Forty-Niner Shops, Inc., portfolio, and as well as—for the seventh consecutive year—the right to manage the $100,000 Chartered Financial Analysts of Orange County Foundation (CFAOCF) portfolio. In addition to the CFAOCF portfolio, SMIF is also responsible for managing the original portfolio of the program, which is overseen by the CSULB Foundation Investment and Finance Committee. SMIF’s success could not be possible without the many University-provided resources for their investment decisions, including, among others, Bloomberg Professional Service Terminals, IHS Global Insight, ValueLine Investment Survey, and IBISWorld Industry Service.
Program Portfolios

SMIF Portfolio

The original portfolio of the CSULB Student Managed Investment Fund was created with the inception of the program in 1995 and is funded through the University’s Department of Finance. The SMIF portfolio is monitored by CSULB’s Finance & Investment Committee, to whom the SMIF members report their activities at the end of each academic year.

Like each of the SMIF managed portfolios, the SMIF portfolio has specific investment guidelines. For example, as stated in the SMIF Investment Guidelines:

“SMIF has a fiduciary duty and has implemented multiple levels of investment checks and balances to monitor the various portfolios. All decisions are subject to veto by any of the Program Directors. Fund benefactors at all times have access to financial statements audited by a major accounting firm and an annual report.”

Other required guidelines include: “50 to 75 percent to be invested in equities, 25 to 50 percent to be invested in fixed income, Portfolio Beta not to exceed 1.5, mix of income (dividends) and growth (capital gains) stocks.”

One of the guidelines that must be followed by the SMIF students is the 5/15 rule: “No more than 5 percent of the portfolio can be invested in any one company. No more than 15 percent of the portfolio can be invested in any one industry.”

Traditionally, this portfolio has been liquidated at the end of each calendar year. However, beginning in 2010, the SMIF portfolio will become perpetual to mirror the responsibilities and challenges seen in real-world portfolio management.

CFAOCF Portfolio

The Student Managed Investment Fund at California State University, Long Beach, has benefitted tremendously from the support and influence of the Chartered Financial Analyst Society of Orange County Foundation (CFAOCF). Each year, the CFAOCF sends out Requests for Proposals (RFPs) to Orange County area universities to give student investment management teams the opportunity to compete for the management rights of the Foundation’s portfolios for the calendar year.
In 2009 SMIF competed against student teams from California State University, Fullerton and University of California, Irvine and successfully acquired the right to manage the First Place $100,000 portfolio for 2010. This portfolio is overseen by the CFAOCF’s Investment Policy Committee, and student teams report their activities to this Committee quarterly.

Forty-Niner Shops, Inc. Portfolio

In late 2008 the SMIF program began its efforts to establish ties with the campus-affiliated Forty-Niner Shops, Inc. After several meetings with the organization, the Forty-Niner Shops Board of Directors announced that they had voted to establish a working relationship with the SMIF program. In late 2009 the Forty-Niner Shops finalized the details regarding its relationship with SMIF. As of January 2010, SMIF manages $100,000 of the organization’s multimillion-dollar portfolio and has also been asked to act as an advisor to the rest of the organization’s assets currently managed by Morgan Stanley Smith Barney.

The Forty-Niner Shops Investment Policy Statement (IPS) states: “The following chart (Figure 1.1) is an example of minimum and maximum allowable percentages of various types of investments and a proposed target. The target will be reviewed by the Finance and Investment Committee and adjusted annually as necessary to optimize investment returns:”

<table>
<thead>
<tr>
<th>Asset</th>
<th>Minimum Percent</th>
<th>Target</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash equivalents</td>
<td>5%</td>
<td>10%</td>
<td>100%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>5%</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>Equities</td>
<td>5%</td>
<td>60%</td>
<td>70%</td>
</tr>
</tbody>
</table>

The Forty-Niner Shops, Inc., specifies a “preservation of capital” objective within its IPS. This objective has led the SMIF program to pursue a more quantitative approach to management, which will include a 200-day moving average with a 5 percent band strategy as well as a style-based rotation strategy.

Additionally, the IPS states: the “Forty-Niner Shops shall give the investment manager full discretion in all investment decisions subject to the restrictions stated above. The Forty-Niner Shops expects the assets to be invested with care, skill, prudence, and diligence under the circumstances prevailing from time to time that a prudent expert acting in a like capacity and familiar with such matters would use in the investment of funds of like character with similar aims.”
Economic Environment

The United States economy at the time of the 2009-2010 SMIF class inception was beginning to experience signs of stabilization from the depths of what many economists had dubbed the “Great Recession.” The initial challenge that the SMIF class faced was to assess the economic environment and determine the sustainability of the economic recovery. To assist in this challenge, the class incorporated economic forecasts from a number of leading firms, including Moody’s, Goldman Sachs, Barclays Capital, and IHS Global Insight. Among other economic gauges, SMIF forecast Gross Domestic Product, Unemployment, and Inflation (as measured by the Consumer Price Index) as seen in Figures 1.2—1.4.

Gross Domestic Product

Figure 1.2 above displays the GDP forecast formulated by SMIF as it compares to the actual GDP for the United States economy. Gross Domestic Product saw a slight uptick beginning in the third quarter and renewed strength in the fourth quarter. However, the SMIF students underestimated the intensity of numerous government stimulus programs and inventory rebuilding that took place in the final quarter of 2009, which resulted in a higher-than-expected 5.60 percent quarter-over-quarter growth. The first quarter of 2010 saw continued GDP growth of 3.20 percent, slightly higher than the SMIF forecast.
In the Keynesian economic model, unemployment results from insufficient demand for goods and services. As a result, companies find it necessary to lay off or halt the hiring of labor forces. However, the government can help to stimulate the job market by increasing government spending and influencing the lowering of interest rates. Historically, the employment rate is considered to be a lagging economic indicator and therefore usually peaks following the end of a recession.

According to the SMIF forecast, it was anticipated that the unemployment rate would peak at some time between Q1 2010 and Q2 2010 and begin a slow decent through 2010. Unemployment was also generally in line with SMIF’s forecast, as the rate increased greatly over the year, from an average of 8.17 percent in Q1 to an average of 10.03 percent in Q4 2009. Q1 2010 saw the unemployment rate drop from 10.03 percent to 9.70 percent.

It is important to note that SMIF considered a change in the unemployment rate to be an important indicator to help monitor possible changes in interest rates.
SMIF expected inflation to remain subdued throughout the balance of 2009. Although SMIF was cognizant of the fact that the Federal Reserve’s accommodative monetary policy could place upward pressure on inflation, SMIF realized that there is generally a time lag between changes in money supply and changes in inflation. Additionally, the low inflation forecast was attributed to expected low money velocity due to weak consumer demand for credit.

Figure 1.4 above depicts this forecast as it compares to the actual Consumer Price Index (CPI). Inflationary pressures continued to be subdued as the CPI experienced a deflationary trend in the first three quarters of 2009 before posting a modest 1.43 percent increase year over year in the fourth quarter.
The Leading Economic Indicators (LEI) Index is a composite index of ten gauges of the United States economy and monetary policy, as created by the Conference Board. The LEI Index includes the following ten indicators: the S&P 500, average weekly hours worked by manufacturing workers, the average number of initial applications for unemployment insurance, the amount of manufacturers’ new orders for consumer goods and materials, the amount of manufacturer’s new orders for capital goods unrelated to defense, the speed of delivery of new merchandise to vendors from suppliers, the amount of new building permits for new residential buildings, the inflation-adjusted money supply (M2), the spread between long and short interest rates (yield curve), and consumer expectations.

The LEI Index helps to gauge the future economic prospects of the United States and was a helpful indicator for SMIF in the overall assessment of the economic environment.

This Index has seen positive growth since April 2009, with the most recent release as of the time of this writing (March 2010) posting a 1.4 percent month-over-month growth. This was the most significant growth in the Index in ten months.
Capital Markets Environment

Fixed-Income Environment

The 2009-2010 SMIF class entered into a capital markets environment that saw historically low interest rates as the Federal Reserve Bank lowered its target federal funds rate to a range of 0 to .25 percent in late 2008 in an attempt to spur lending and, in turn, facilitate economic growth.

Given this low-interest-rate environment, SMIF believed the most significant risk facing the fixed-income investments of the portfolios was interest-rate risk. To forecast interest-rate changes, SMIF utilized data from the Bloomberg Professional Service Terminal to compile a forecast term structure chart and a composite five-firm forecast for the federal funds rate, as seen in Figure 1.6:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Market Yield</th>
<th>Q4 2009</th>
<th>Q1 2010</th>
<th>Q2 2010</th>
<th>Q3 2010</th>
<th>Q4 2010</th>
<th>Q1 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>US 10-Year</td>
<td>3.35</td>
<td>3.52</td>
<td>3.67</td>
<td>3.85</td>
<td>4.03</td>
<td>4.25</td>
<td>4.34</td>
</tr>
<tr>
<td>US 2-Year</td>
<td>0.74</td>
<td>1.01</td>
<td>1.24</td>
<td>1.52</td>
<td>1.88</td>
<td>2.22</td>
<td>2.44</td>
</tr>
<tr>
<td>US 3-Month Libor</td>
<td>0.27</td>
<td>0.36</td>
<td>0.42</td>
<td>0.61</td>
<td>0.93</td>
<td>1.30</td>
<td>1.77</td>
</tr>
<tr>
<td>Fed Funds Target Rate</td>
<td>0.25</td>
<td>0.25</td>
<td>0.25</td>
<td>0.25</td>
<td>0.50</td>
<td>1.00</td>
<td>1.25</td>
</tr>
<tr>
<td>Spread (2-Yr. vs. 10-Yr.)</td>
<td>2.61</td>
<td>2.51</td>
<td>2.43</td>
<td>2.33</td>
<td>2.15</td>
<td>2.03</td>
<td>1.90</td>
</tr>
</tbody>
</table>

SMIF forecast interest rates to rise in the third quarter of 2010 in conjunction with an expected federal funds rate increase. SMIF also observed that the spread between the two- and ten-year Treasury continued to narrow, indicating investors were moving away from a “flight to safety” sentiment and into higher-yielding securities.
Another key factor in determining the direction of the fixed-income market was the analysis of
the actions of the Federal Open Market Committee (FOMC). SMIF reviewed minutes of FOMC
meetings for indications of the Fed’s intentions.

The following statement from the November 4, 2009, meeting reaffirmed the SMIF fixed-
income environment forecast:

“The committee will maintain the target range for the federal funds rate at 0 to ¼
percent and continues to anticipate that economic conditions, including low rates of
resource utilization, subdued inflation trends, and stable inflation expectations, are
likely to warrant exceptionally low levels of the federal funds rate for an extended
period.”

However, due to the exceptionally low interest-rate environment, SMIF focused on the short
end of fixed-income investments to reduce interest-rate risk. In the investment grade universe,
BBBs offer the highest yield, which shortens durations on underlying securities. SMIF
analyzed forecast credit spreads of ten-year treasuries and BBB credit spreads from various
sources, such as John Hancock, RBC, and Wells Fargo. The resulting analysis showed forecast
spreads tightening, implying there will be a higher demand for these securities, resulting in a
gain in principal, ceteris paribus, because of higher demand. Also, a higher coupon can offset a
loss in principal due to a potential rise in interest rates.

Equity Market Environment

The 2009-2010 SMIF program began its management tenure having seen the equity markets
appreciate significantly since their March 2009 lows. SMIF’s analysis of the equity market
incorporated many variables. Taking into account this economic forecast, and the assumption
that the equity market is a leading indicator of the economy, SMIF forecast a continued equity-
market rally throughout the balance of 2009 together with continued strength in 2010. SMIF’s
equity-market forecast was formed on the basis of this perceived economic stabilization and
the resultant increase in positive-earnings releases and investor risk-seeking.

Other key metrics SMIF believed were important to incorporate, in addition to SMIF’s
economic outlook, were S&P 500 earnings forecasts, implied volatility metrics, and average
historical returns and variances. SMIF gauged the implied volatility of the equity market using
the Chicago Board Options Exchange SPX Volatility Index (VIX), which suggested that market
volatility had returned to its historic average and the equity-market sentiment was beginning to
strengthen. SMIF also analyzed several statistical measures to gauge return probabilities based on historical market returns in similar environments. Understanding that historical returns may not necessarily translate into future returns, SMIF felt that analysis of historical market movements could help provide insight into likely market returns and volatility over the 2009-2010 holding period.

In addition to this thorough analysis, SMIF sought credence to its forecasts by comparing the outlook to professional analysts with similar sentiments. These projections were quantified by utilizing S&P 500 forecasts from firms such as the Royal Bank of Canada, Credit Suisse, and IHS Global Insight. Figure 1.7 below displays SMIF’s Standard & Poor’s 500 Index forecast. The S&P 500 Index serves as SMIF’s benchmark index for the equity market.

The final quarter of 2009 and first quarter of 2010 showed continued strength within the equity market. The S&P 500 Index registered a closing level of 1115 and 1169 for Q4 2009 and Q1 2010, respectively. Although these two quarters included sovereign debt fears, speculation of economic slowing in China, and concern of government reform, these worries were outweighed by positive economic and corporate earnings releases and the resultant increase in investors’ risk appetite. These variables led the S&P 500 Index to reach levels higher than those the 2009-2010 SMIF program initially projected. However, the general trend of the equity market was accurately forecast by SMIF, and the members anticipated this upward trend to continue throughout 2010.
Sector & Industry Analysis

The above chart (Figure 1.8) depicts the relationship between the stock market cycle and the business cycle. Traditionally, the stock market is a leading indicator of the economic cycle, and SMIF utilized this tendency in the assessment of sectors and industries. However, SMIF was also conscious of the fact that historical trends are not always indicative of future performance, specifically in unprecedented environments such as the one experienced preceding the 2009-2010 SMIF management tenure. Subsequently, SMIF also analyzed key sector variables and success factors, and SMIF called upon industry research and recommendations from various sources, such as ValueLine and IBIS World. SMIF supplemented this research with quantitative metrics derived from Bloomberg, including, among others, EPS, Sales, and Cash Flow Growth Estimates.

This research led SMIF to conclude that the following five sectors would outperform the broad market over the holding period: Information Technology, Health Care, Materials, Consumer Discretionary, and Financials.
Asset Allocation

SMIF utilized the economic and market forecasts for the holding period in an effort to develop an appropriate asset allocation for each of SMIF’s portfolios. SMIF’s equity-market forecast suggested moderate growth, while the fixed-income market appeared to be more challenging due to the threat of interest rate increases. Prudent investing requires a balanced portfolio strategy between equity and fixed-income allocations. To assist in this process, SMIF resourced each portfolio’s Investment Policy Statement for recommended asset allocations and risk appetites. For instance, the Forty-Niner Shops, Inc., Investment Policy Statement specifies a more conservative risk appetite and specifies a target asset allocation of 60 percent equity, 30 percent fixed-income, and 10 percent allocated to cash or cash equivalents. These specifications, along with the SMIF outlook, led to the following asset allocation for each portfolio.

SMIF Portfolio Asset Allocation

The SMIF portfolio asset allocation was adjusted based on the portfolio’s Investment Guidelines and was significantly adjusted compared to the 2008-2009 SMIF asset allocation of 100 percent money-market funds, due to the perceived turnaround in economic conditions and the resurgence of the equity markets in March 2009.
CFAOCF Portfolio Asset Allocation

The asset allocation for the CFAOCF portfolio took into account several variables. Specifically, the benchmark allocation specified within the CFAOCF IPS was 70 percent equity and 30 percent fixed-income. However, as specified in SMIF’s December 2009 response to the Request for Proposal, SMIF felt that there was great uncertainty surrounding the financial health of the United States consumer. SMIF recognized the important role that the consumer played in the economic recovery and, in turn, the strength of the equity markets. Therefore, the program established a 10 percent band surrounding a 60 percent equity and a 40 percent fixed-income allocation to allow flexibility in the asset allocation. This flexibility was exercised based on SMIF’s positive assessment of holiday sales releases, which were deemed an appropriate measure of consumer financial health. This resulted in an asset allocation of 70 percent equity and 30 percent fixed-income.
Forty-Niner Shops, Inc., Portfolio Asset Allocation

Based upon the Forty-Niner Shops’ Investment Policy Statement (IPS) and the SMIF team’s economic forecast, SMIF recommended the following asset allocation: 60 percent equity, 30 percent fixed-income, and 10 percent cash. Also, the portfolio’s IPS specifies other risk management recommendations, including a lower portfolio beta as well as a duration band requirement.

Fixed-Income Holdings Analysis

The fixed-income market provided SMIF with unique challenges for the management period. To combat the recession, the Federal Open Market Committee (FOMC) cut the Federal Funds target rate to historic lows in an effort to combat the recession. This, in turn, caused yields on fixed-income instruments to move lower, and credit spreads began to tighten. Given the forecast for the fixed-income markets and for interest-rate risk, SMIF concentrated efforts on low-duration ETF bond fund securities. On November 17, 2009, SMIF began its research efforts for these securities and compiled the following information on the available funds:
SMIF analyzed each of these investments to determine the most appropriate instruments for inclusion in portfolios. BSV (Vanguard Short-Term Bond ETF) is primarily composed of Treasury securities, with various short-term corporate debt instruments, yet its duration compared to its yield was unfavorable and was excluded from consideration. MINT (PIMCO Enhanced Short Maturity Strategy ETF) had several favorable characteristics, but was excluded due to its low yield, as SMIF sought higher yields for the investment period. SCPB’s (SPDR Barclays Capital Short Term Corp Bond ETF) total assets fell below the guidelines outlined in each portfolio’s IPS and therefore SCPB was excluded. CSJ (iShares Barclays 1-3 Year Credit Bond Fund), on the other hand, offered the greatest liquidity as well as satisfied the primary objectives for SMIF’s fixed-income allocation. VCSH (Vanguard Short-Term Corp Bond Fund ETF) was also deemed appropriate for inclusion in the SMIF and the Forty-Niner Shops portfolios to assist in meeting these portfolios’ specific limitations. SMIF then went on to compare the intermediate-term Exchange-traded funds (ETFs), which are illustrated in the following table:

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Total Assets (M)</th>
<th>Duration</th>
<th>30 Day SEC Yield</th>
<th>50 Day Average Trading Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>VCSH</td>
<td>$118</td>
<td>2.70</td>
<td>2.50</td>
<td>54,838</td>
</tr>
<tr>
<td>BSV</td>
<td>$16B</td>
<td>2.60</td>
<td>1.54</td>
<td>495,000</td>
</tr>
<tr>
<td>CSJ</td>
<td>$5.2B</td>
<td>1.83</td>
<td>1.79</td>
<td>448,000</td>
</tr>
<tr>
<td>SCPB</td>
<td>$36</td>
<td>1.71</td>
<td>1.90</td>
<td>55,252</td>
</tr>
<tr>
<td>MINT</td>
<td>$115</td>
<td>0.69</td>
<td>0.52</td>
<td>29,025</td>
</tr>
</tbody>
</table>

Given SMIF’s objective to maximize yield while minimizing duration, CIU (iShares Barclays Intermediate Credit Bond Fund) clearly stood out among the other intermediate securities. GVI (iShares Barclays Interim Govt/Credit Bond Fund) offered low duration; however, SMIF believed that the yield on this security did not adequately compensate for the increase in risk.
Given that CIU offered the lowest duration of the intermediate securities as well as met SMIF’s liquidity requirement, CIU was selected as one of the investments for the fixed-income allocation.

It is important to note that SMIF chose not to invest in CFT (iShares Barclays Credit Bond Fund), because the relationship between its yield and duration was unacceptable for the portfolios relative to the other available investments.

Given the chosen allocation, the portfolio's fixed-income weighted-average distribution yield was 4.232 percent and achieved a weighted-average duration of 3.87. SMIF also compiled information on each ETF, including its asset allocation and maturity.

For the CFAOCF portfolio, SMIF revised the quantitative analysis on these funds and found an optimal weighting for the portfolio. This analysis concluded that the CFAOCF’s fixed-income allocation could retain its distribution yield and lower the weighted portfolio duration. To achieve this, the allocation was 28 percent CIU and 12 percent CSJ to result in the total allocation of 40 percent for fixed-income allocation. This 40 percent allocation to fixed-income was set at the time of the CFAOCF RFP response, before the asset allocation trigger resulted in a 30 percent allocation to fixed income.

The following table illustrates the analysis and optimal allocations of each fund as of November 30, 2009:

<table>
<thead>
<tr>
<th>ETF</th>
<th>Distribution Yield</th>
<th>Duration</th>
<th>Portfolio (Fixed-Income) Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Initial Allocation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSJ</td>
<td>3.15</td>
<td>1.86</td>
<td>16(40)%</td>
</tr>
<tr>
<td>CIU</td>
<td>4.68</td>
<td>4.20</td>
<td>16(40)%</td>
</tr>
<tr>
<td>LQD</td>
<td>5.38</td>
<td>7.21</td>
<td>8(20)%</td>
</tr>
<tr>
<td>Total</td>
<td>4.21</td>
<td>3.87</td>
<td>40(100)%</td>
</tr>
<tr>
<td><strong>Revised Allocation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSJ</td>
<td>3.15</td>
<td>1.86</td>
<td>12(30)%</td>
</tr>
<tr>
<td>CIU</td>
<td>4.68</td>
<td>4.20</td>
<td>28(70)%</td>
</tr>
<tr>
<td>Revised Total</td>
<td>4.22</td>
<td>3.50</td>
<td>40(100)%</td>
</tr>
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</table>
Equity Holdings Analysis

The 2008-2009 SMIF class was responsible for managing the program’s portfolios during one of the most severe market downturns in history. The class accurately assessed this environment and appropriately allocated the program’s assets in money-market funds in an effort to preserve capital. The key challenge that the 2009-2010 SMIF team faced was reassessing the market environment as well as ensuring that the assets under management were responsibly reallocated. SMIF’s assessment foresaw continued growth of the equity market. To facilitate a reallocation into equities and gain this market exposure, SMIF chose to utilize sector Exchange-traded funds (ETFs). Using the top-down approach to investing, SMIF concluded that the following sectors appeared to yield more attractive investment opportunities: Information Technology, Healthcare, Materials, Consumer Discretionary, and Financials.

In order to determine which ETFs would be most appropriate for each portfolio, SMIF looked at a number of ETF metrics. First, a minimum average-trading-volume threshold was established to ensure any ETF that was considered would be sufficiently liquid to ensure ease of entry and exit into securities. Additionally, SMIF analyzed the frequency of 10 percent and 15 percent price declines since the March 2009 lows, which helped simulate the trailing stop-loss policies held in each of the portfolios managed and allowed SMIF to gauge the relative volatility of each security. Finally, SMIF researched each sector ETF’s specific industry allocations. SMIF analyzed the industries represented in the sector ETF to ensure the industries that SMIF expected to outperform had a heavier relative weight in that particular ETF. Within the chosen sectors, SMIF analyzed and purchased the following sector ETFs:

**iShares Dow Jones U.S. Technology Sector Index Fund (IYW)**

Within the Information Technology ETF universe, there were a number of possible investment options. SMIF’s analysis of these alternatives was limited to ETFs that experienced an average volume threshold that SMIF deemed appropriate. In addition, Information Technology ETFs that demonstrated unacceptable volatility were not considered for inclusion in the portfolios. The remaining Information Technology ETFs were analyzed on the basis of their individual allocations within industries that SMIF deemed desirable. Industry selection was based primarily on SMIF’s market forecast and its relationship to critical success factors for industries within Information Technology. This analysis was coupled with analyst estimates to add credence to SMIF’s initial outlook on these industries. Within the Information Technology sector, the SMIF team concluded that the Computers, Software, and Semiconductor & Semiconductor Equipment industries were most favorable. The team deemed iShares Dow Jones U.S. Technology Sector Index Fund most appropriate due to the allocation to these industries.
Objective:

“The iShares Dow Jones U.S. Technology Sector Index Fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the largest public companies in the technology sector of the U.S. market, as represented by the Dow Jones U.S. Technology Index.” (iShares.com)

SMIF concluded that IYW would be an appropriate investment for each of the portfolios and recommended a five percent total allocation to the SMIF, CFAOCF, and Forty-Niner Shops portfolios.
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Health Care Select Sector SPDR® Fund (XLV)

A similar screening process was followed in the assessment of Health Care ETFs. Once again, only ETFs that met the established liquidity and volatility thresholds were considered for inclusion. Next, each of the remaining ETFs was assessed based on its industry allocations.

Objective:

“The Health Care Select Sector SPDR® Fund, before expenses, seeks to closely match the returns and characteristics of the Health Care Select Sector Index (ticker: XLV). Our approach is designed to provide portfolios with low portfolio turnover, accurate tracking, and lower costs.” (SPDRS.com)

SMIF closely monitored news surrounding the ongoing health care legislation debate and believed that the Health Care Bill would be substantially less invasive to businesses in this sector than many had originally thought. SMIF carefully tracked the sector’s performance and its reaction to news about health care legislation and felt that much of the market’s uncertainty about the possible legislation had resulted in unjustifiably depressed prices. Therefore, rather
than a short-term cyclical investment decision, SMIF saw strength within this sector based on these perceived price inefficiencies, as well as the belief that a long-term trend in United States demographics would contribute to the strength of this sector, including the aging of the large baby-boomer population.

SMIF’s assessment of industry allocation within each ETF was based on the assessment of the Health Care Bill, as well as this long-term perspective. This industry assessment led SMIF to favor Pharmaceuticals, Health Care Equipment and Supplies, and Health Care Technology. Also, SMIF desired minimum exposure among the available ETFs to the Biotechnology industry due to its volatile nature and the Health Care Providers and Services industry due to the intrusive nature of the proposed Health Care Bill.

The members of SMIF voted on a five percent total allocation to XLV for all three of the portfolios under SMIF management.

**Rock-Tenn Company (RKT)**

*Selection Process*

Through the top-down approach to investing, the SMIF team concluded that the United States economy was beginning to stabilize and recover from the severe recession that began in late 2007. Subsequently, SMIF assessed traditional market-cycle trends to determine those sectors that typically perform well during an economic recovery. Through this assessment, as well as analysis of industry critical success factors and analysts’ recommendations, SMIF concluded that the Containers & Packaging industry would be among the best performing industries during 2010.

Given this assessment, SMIF concentrated a portion of its research efforts on securities within the Containers & Packaging industry. Upon analysis of the industry, SMIF became cognizant of the fact that typical securities within this industry display “core” style characteristics, displaying both value and growth prospects. Given the nature of this industry, the SMIF team tailored an equity screen that could be described as a Growth at a Reasonable Price (GARP) screen.

For this equity screen, SMIF incorporated several different price multiples to assess the relative prices of each security within the industry. These price multiples included price-to-earnings, price-to-sales, price-to-free cash flow, and enterprise value-to-EBITDA. Using these price multiples helped SMIF gauge which securities could potentially be more attractively priced relative to their industry peers. In addition to these price multiples, SMIF’s screen incorporated several financial ratios that are very important in assessing the quality of an equity security, including return on invested capital (ROIC) and return on equity (ROE).
Finally, SMIF incorporated the future growth prospects of each security by applying estimates of cash flow per share and earnings per share for the forward 12 months. These estimates were obtained through the estimates of Bloomberg Professional Services Terminal’s analysts.

Using these screening criteria, SMIF utilized the Bloomberg Ranking System to assess the most attractive securities. Using the results of this equity screen, SMIF began company-specific analysis of each of the top securities from the screening process. This analysis included peer evaluations, financial statement analysis, and multiple valuation models. Through this analysis, SMIF concluded that Rock-Tenn (RKT) had the best investment potential within its industry.

**Company Overview**

Rock-Tenn (RKT) is a leading manufacturer and distributor of packaging products, recycled paperboard, containerboard, bleached paperboard, and merchandising displays. The majority of Rock-Tenn’s sales come from the United States; however, the company also has manufacturing facilities in Mexico, Canada, Chile, and Argentina.

SMIF found several qualitative aspects of Rock-Tenn to be attractive. Among these was the fact that Proctor & Gamble, one of Rock-Tenn’s biggest customers, recently named the company “2009 Supplier of the Year,” which underscored to the SMIF team Rock-Tenn’s success in becoming the low-cost provider of these products and the resultant competitive advantage. Also, Rock-Tenn recently began making concerted efforts to pay off its heavy debt load, which resulted in credit rating upgrades by both major credit rating agencies in November 2009.

SMIF’s assessment of the company’s financial statements concluded that Rock-Tenn’s cash from operating activities, return on invested capital, and improving EBITDA margins were all major signs of company strength. Rock-Tenn is classified as a small-cap company with over 10,000 employees as of March 2010.

**Valuation**

SMIF’s equity selection process entails in-depth valuation models that allow SMIF to calculate an estimated intrinsic value and target prices for its equity selections. The 2009-2010 SMIF utilized several valuation models when assessing equity securities. These valuation models included the Bloomberg Dividend Discount Model, Relative Valuation Model, and the Discounted Cash Flow Model. The following figure displays the Dividend Discount Model, as provided through the Bloomberg Professional Service Terminal:
In addition to the Dividend Discount Model, SMIF also used relative valuation to assess Rock-Tenn. SMIF's Relative Valuation Model used price multiples to assess the current price of Rock-Tenn in comparison with average price multiples for its closest peers as well as the security's 10-year average price multiples. In addition, SMIF utilized the Discounted Cash Flow Model to assess the fair market value of Rock-Tenn. Given the extreme difficulty of forecasting future cash flows, growth rates, and the applicable discount rate, SMIF’s philosophy was aimed at formulating conservative estimates of these variables to ensure a margin of safety and therefore limiting the downside risk to SMIF’s portfolio. SMIF’s Discounted Cash Flow Model incorporated variables that also accounted for industry dynamics.

SMIF combined these three valuation models, as well as the average analyst target price, to arrive at a target price for Rock-Tenn. SMIF meticulously scrutinizes and reassesses this target price over the course of the investment’s holding period to ensure that it is conscious of changing market, industry, and company-specific conditions. The SMIF sell discipline, in combination with a trailing 15 percent stop-loss, also incorporates this target price estimation and any potential revisions to this target price going forward during the holding period.
Performance

On April 9, 2010, SMIF purchased 99 shares of Rock-Tenn for the CFAOCF portfolio at $47.75. As of market close on April 30, 2010, Rock-Tenn had returned 11.47 percent, compared to a benchmark return of 1.04 percent. At the time of purchase, this security was deemed too volatile for inclusion in the Forty-Niner Shops and SMIF portfolios, which were (as of the end of Q1 2010) restricted to a 10 percent trailing stop-loss policy (Note: Following a revision to the SMIF Investment Guidelines, Rock-Tenn was also purchased for the SMIF portfolio on May 5*).
Performance of Portfolios

SMIF Portfolio

The quarterly performance of the SMIF portfolio is shown in the graph below. SMIF began tracking the benchmark on September 1, 2009, rather than the beginning of the third quarter, since this date marked the beginning of the 2009-2010 SMIF tenure. It is critical, in order to manage the fund’s assets responsibly, that the team conduct a proper economic and market forecast before allocating funds. As a result, the 2009-2010 SMIF portfolio saw significant underperformance in the last half of 2009, due to the 100 percent cash allocation taken in accordance with SMIF’s top-down approach. This extensive and comprehensive process resulted in only partial allocation of the portfolio by the end of Q1, at which time the portfolio was approximately 40 percent invested. Through Q1 SMIF reported a 0.37 percent estimated return on investment, and its benchmark posted a 3.70 percent return.

*SMIF's Composite Benchmark as specified in the Investment Policy Statement comprises 70% Equity (S&P 500) and 30% Fixed Income (iShares Barclays Aggregate Bond Fund)
CFAOCF Portfolio

The 2009 CFAOCF portfolio recorded a 0.05 percent return on investment from September 2009 to the end of Q1 2010. The 2008-2009 SMIF team managed the 2009 CFAOCF portfolio from January to September, at which time the current SMIF class began managing the portfolio. The portfolio’s annual return was 1.9 percent for the 2009 calendar year and provided the foundation $6,280 for scholarships and expenses. Compared to the benchmark, the 2009 CFAOCF portfolio underperformed. This was due in large part to the transition period the SMIF program encountered during the summer and the steep learning curve that the new portfolio management team encountered in the fall. These issues are currently being addressed by SMIF and are outlined in a following portion of this report.

*CFAOCF’s Composite Benchmark as specified in the Investment Policy Statement comprises 70% Equity (S&P 500) and 30% Fixed Income (iShares Barclays Aggregate Bond Fund)
As a result of SMIF’s successful performance in the 2010 CFAOCF annual RFP competition, SMIF retained the rights to manage the first place CFAOCF portfolio for the 2010 calendar year. As of the end of the first quarter, the 2010 CFAOCF portfolio recorded a return on investment of 0.30 percent compared to the benchmark, which had a 3.70 percent return. At this time, the 2010 CFAOCF portfolio still had approximately 50 percent of the fund allocated in money-market instruments, and SMIF’s plans are to fully invest these funds by the end of the academic year.

Forty-Niner Shops, Inc., Portfolio

Figure 3.3*

Forty-Niner Shops, Inc., Composite Benchmark as specified in the Investment Policy Statement comprises 70% Equity (S&P 500) and 30% Fixed Income (iShares Barclays Aggregate Bond Fund).

*Forty-Niner Shops, Inc., Composite Benchmark as specified in the Investment Policy Statement comprises 70% Equity (S&P 500) and 30% Fixed Income (iShares Barclays Aggregate Bond Fund).
Learning Experiences

Managing the Student Managed Investment Fund (SMIF) provided a tremendous learning opportunity for the participants of the SMIF program. The students who participated are now equipped with the knowledge and capability to properly research securities and make educated investment decisions.

SMIF allows students to learn how to apply the theories taught in various finance courses to real-world portfolio management. In addition to the extraordinary knowledge each SMIF portfolio manager acquires during his or her tenure in the program, he or she also learns to appreciate the immense dedication and work necessary to be successful within the industry. This is realized through the time dedicated by each SMIF portfolio manager. On average, SMIF students spend 20-30 hours a week on tasks pertinent to the program.

The nature of the SMIF program provides SMIF members an amazing opportunity to improve their presentation skills, communication skills, and teamwork skills. Additionally, one of the most directly beneficial attributes of the program is the acquired knowledge obtained from the various tools available to the students. These tools include the Bloomberg Professional Service Terminal and a host of online resources such as Valueline, Morningstar, and IBISWorld. Using these tools on a regular basis as part of SMIF research allows students to gain knowledge of professional security analysis and portfolio management.

These resources assist SMIF in formulating the elements of a top-down approach to investing, which begins with the SMIF students working to develop professional-quality economic forecasts. These forecasts help guide SMIF members to research and ultimately select the sectors and industries predicted to outperform the overall market, as tracked by the Standard & Poor’s 500 Index. Predicting which sectors and industries will outperform provides direction in SMIF’s selection of investment vehicles.

SMIF membership also enables students to participate in numerous networking and informational events, including CFAOCF Host-A-Student Events at firms including Pacific Life and First Foundation Advisors, among others. Several SMIF students also received the opportunity to attend the Redefining Investment Strategy Education (R.I.S.E.) Symposium at the University of Dayton in Ohio. At the R.I.S.E. Symposium, SMIF students are able to interact with successful names in the industry as well as network and share ideas with investment students from around the world.

These learning experiences help SMIF graduates build the skills and gain the experiences necessary to compete and succeed in the investment management profession.
Recruitment

SMIF has undertaken significant efforts to expand the size of the recruitment pool for next year’s SMIF team. By means of recruiting and student outreach, the SMIF Directors are able to select participants from among the most qualified applicants. The duties associated with managing three individual portfolios will be a welcome challenge for the 2010-2011 SMIF team and will require CSULB’s most qualified students.

Extensive efforts were made to promote the SMIF program to College of Business Administration students in the Business Finance, Real Estate Principles, Investment Principles, Capital Markets, Intermediate Financial Management, Portfolio Analysis, and other courses. SMIF members delivered presentations to these classes to inform students about the SMIF program’s prerequisites and its career benefits, and each presentation promoted the SMIF Information Night. This informational meeting allowed interested students an opportunity to learn more about the program and interact with the current SMIF Managers and Directors.

SMIF Future

CSULB’s SMIF program achieved enormous success in 2009. In addition to its efforts to acquire the annual request for proposal for CFAOCF’s portfolio, CSULB’s SMIF team has also established ties with several different campus-affiliated organizations, including the Associated Students, Inc., and the Forty-Niner Shops, Inc. Starting in 2010, the CSULB SMIF students will be responsible for managing three separate perpetual investment portfolios for its clients, including the CFAOCF, the SMIF Foundation Investment and Finance Committee, and the Forty-Niner Shops, Inc. Given this newfound success, the 2010 calendar year signifies a new stage for the Student Managed Investment Fund.

Traditionally, the SMIF program operates around the academic year and involves a transition period during the summer months when new SMIF applicants are selected for the upcoming academic year. This process involves a very steep learning curve for the incoming SMIF students. New members are immediately responsible for the Fund’s invested assets without any significant experience in managing these assets adequately and responsibly.

In an effort to address this issue, members of the 2010 SMIF program will continue their management roles into the summer months. This will ensure proper management of the fund’s portfolios as the new class becomes acquainted with its responsibilities and builds the skills necessary to begin their management tenure.

In addition, the management of three separate portfolios entails a great many portfolio-specific and client-specific objectives and issues. Therefore, instead of SMIF’s traditional four-team structure, the 2010 SMIF program will employ a three-team portfolio-specific structure to ensure efficient and effective management of each portfolio in the SMIF program.
Manager Biographies

Chih-Yao Chang graduates in May 2010 with a BS in Finance with a concentration in Investments and a BA in Economics. Chih-Yao has been nominated for the Outstanding Undergraduate Award. Chih-Yao is a member of Financial Management Association National Honor Society and considers it a great honor to be in the SMIF program and to be involved in CFAOCF RFP competition. Chih-Yao is Bloomberg Certified and aspires to pursue his CFA® Designation. Chih-Yao's career goal is to own a portfolio of businesses.

Brian M. Cupp will be graduating in May 2010 with a BS in Finance-Management. While attending CSULB, Brian earned the honor of being included on the President’s List and the Dean’s List for academic achievement. Prior to joining the SMIF team, Brian began an internship at Fieldman, Rolapp & Associates in Irvine, CA, where he is learning about the municipal bond industry. Brian plans to work for a large finance firm following graduation.

Shawn K. Coffman graduates in May 2010 with a BS in Business Administration, with a double major in Finance (Investments) and Management. He holds a 3.7 in-major GPA, is Bloomberg Certified in equity and fixed-income, and has earned membership in the Financial Management Association National Honor Society. Shawn plays an active role in the SMIF program and was heavily involved in this year’s successful CFAOCF RFP competition. Upon graduation, Shawn plans on pursuing a career in the investments industry and work towards obtaining the CFA® designation.

Hieu Dang will earn his BS in Business Administration with an emphasis in Finance with a concentration in Investments and Financial Management in May 2010. During his years at CSULB, Hieu was on the President's Honor List and the College of Business Administration Dean's List. He is Bloomberg Certified in both Fixed Income and Equities. Hieu plans to obtain all three levels of the CFA®. His professional goal is to be a financial analyst for a leading investment firm.
Andrew Herzfeld is a senior completing his BS in Business Administration with a concentration in Finance and a minor in Spanish. He has studied abroad at the HES Amsterdam International School of Business and will be completing his Spanish minor this summer in Cuernavaca, Mexico. Andy received the Department of Finance's Outstanding Undergraduate Award, he is recognized by Who's Who Among Students in American Universities and Colleges, and he is a member of Beta Gamma Sigma and Phi Kappa Phi Honor Societies. He has earned a 4.0 GPA for all courses taken at CSULB. Andy's goal is to pursue a career in the investment industry and to continue his education, working towards a CFA® and MBA.

Michael Higdon is graduating in May 2010 with an MBA in Finance. In his undergraduate studies, he completed a double major in Management and Finance with a concentration in Investments. Since the financial markets are a passion of his, he created a trading corporation where he focuses on individual equities and Exchange-traded funds. He is planning to take the CFA® Level I exam in June 2010. After graduation from his MBA program, he will be accepting employment at a top financial firm, where he plans to use his experience and analytical skills.

Ya-Lin Huang is graduating in December 2010 with an MBA in Finance. Prior to joining the SMIF team, she worked at Deloitte & Touche as an auditor for two and a half years. Considering a transition into the finance industry, she decided to further her studies in the United States. During her graduate studies, she joined SMIF and has completed Bloomberg Certification. She is now studying for the U.S. CPA exam and hopes to pass the exam before graduation in order to pursue her future career aspirations. Upon graduation, Ya-Lin Huang will be accepting employment at one of the top U.S. finance firms.

Alexandra R. Hudgins is graduating in May 2010 with a BS in Finance-Investments. During her undergraduate study, she made the President's List two consecutive semesters, was nominated for the International Scholar Laureate Program, and received the Who's Who Award Among Students in American Universities and Colleges. She has also served as the Alumni Director for the CSULB chapter of the Golden Key International Honour Society, and she is a Financial Management Association (FMA) National Honor Society member. Upon graduation, Alexandra will be accepting employment at one of the top U.S. finance firms.
Michael Jenny will be graduating in the spring of 2011, receiving a BS in Business Administration with an option in Finance-Investments and International Business-Italian. After attaining his degree, he plans to work in finance domestically or internationally. During his undergraduate study he attained Dean's List honors in the fall and spring semesters of 2006. He is bilingual, with Italian as his second language. He has a 3.0 overall grade point average with a 3.5 in his major, Finance. Michael is Bloomberg Certified in Fixed Income and Equities. He enjoys investing, reading, cooking, traveling, and ocean activities.

Mike Kish is a graduating senior at California State University, Long Beach. His degrees are in Business Administration with a concentration in Finance-Investments and Economics. During his undergraduate studies, he served as the Vice President of Corporate Relations for the Financial Management Association and was accepted into the FMA's National Honor Society. Thus far, SMIF has been Mike's most rewarding experience in finance due to the firsthand exposure to the knowledge and skills necessary for a successful career in finance. Finance has always interested Mike since he was young, and he plans to pass the CFA® Level I exam in December, 2010.

Dominic Lee is graduating in Spring 2010 with a BS in Finance-Investments. He is also interested in investment banking and is seeking to gain experience as a junior analyst within the investment banking or money management profession. From Southeast Asia, Dominic has an international background and is fluent in many other languages. Currently, Dominic is preparing for the June 2010 CFA® Level I exam and intends to take Level II and III exams in the coming years. In the future he intends to earn an MBA and start up his own business.

Mark Novielli graduates in May 2010 with a BS in Business Administration, with a major in Finance. He holds a 3.5 in-major GPA and is Bloomberg Certified in Fixed Income and Equity markets. He has also been on the President’s List twice, during the Fall 2008 and Fall 2009 semesters. He has been a Teacher's Assistant in Business Statistics and is currently Financial Management Association National Honor Society member. Mark is currently working on the application process for the MBA program at California State University, Long Beach. His ultimate professional goal is to work on capital project management and project financing.
Evan Pickering will be graduating in Spring 2010 with a Bachelor of Science in Business Administration with a concentration in Finance. He chose Long Beach State because of the accredited business school and distinguished finance department. Currently in good academic standing, with a 3.5 finance GPA, Evan looks forward to working at an investment firm in Southern California. After graduation, he is interested in the CFA® program and plans on taking the Level I exam next June.

Jim Post has a background in Mechanical Engineering, having received his Bachelor of Science degree from California State University, Long Beach in 2002. Shortly after graduating, Jim was employed by a large aerospace company where he performed structural analysis on a wide variety of products, including large electronics packages, radar equipment, and satellites. Jim's passion for finance and investing quickly developed as he began his MBA program while simultaneously pursuing a license in real estate. In 2008 Jim acquired his real estate license, and once he graduates with his MBA, he hopes to couple his love for real estate with his new found passion for securities investing.

Melissa Reynolds is graduating in May 2010 with a BS in Finance-Investments and a BS in International Business. During her study at CSULB, she was on the Dean's List and has been a member of the Greek Honors Society, Order of Omega, for the past two years. She has held the position of Standards of Excellence and V.P. of Leadership Development within the Greek Society. She has also been a member of the Financial Management Association for the past year. After graduation, she plans on working for a major finance firm.

Christian Velez is a Finance major at CSU Long Beach. He has a 3.8 cumulative GPA, a 4.0 Finance GPA, and is graduating with magna cum laude. Christian is one of the founding fathers of the Pi Kappa Alpha Fraternity at CSU Long Beach. The Chapter was chartered in Spring 2007, and Christian currently serves as Treasurer for the chapter where he is in charge of a $20,000 budget. Christian is also a member of the Phi Kappa Phi Honor Society, Beta Gamma Sigma Honor Society, and has received the President's Honors List for eight of the ten semesters he has been at CSU Long Beach. After graduation, Christian plans on pursuing a career in the field of Finance and work towards obtaining his MBA.
Acknowledgments

The SMIF team would like to express deep gratitude to the following individuals and organizations that have shown their unyielding support to the students of the Student Managed Investment Fund and that have contributed strongly to SMIF’s prestige.

The SMIF Advisory Board

Wes Seegers, Senior Vice President, Morgan Stanley Smith Barney
Norm Coulson, Retired President, Glendale Federal Bank
Charles Hassell, The Capital Group Companies
Peter A. Ammermann, Ph.D., Co-Director, Student Managed Investment Fund
Maureen Flanagan, CFA, Senior Vice President, U.S. Trust
Doug Lopez, CFA, Portfolio Manager, Bradford & Marzec
Russell Murdock, CFA, President, Seabreeze Capital Management
Daniel Nikaiyn, Manager, Business Development Support, PIMCO
John Prichard, CFA, Principal, Knightsbridge Asset Management
L. R. Runyon, D.B.A, Director, Student Managed Investment Fund
Michael E. Solt, D.B.A, Dean, College of Business Administration
Rocky Suares, CFP, Investment Officer, Wells Fargo Advisors

The students recognize the invaluable experience and guidance that the Advisory Board offers. The SMIF team would like to express their deepest appreciation for the time and effort that the Advisory Board members contribute to the SMIF program. SMIF can attribute the team’s success to the SMIF Advisory Board. The Board’s support and combined expertise contributed uniquely to the students’ experience.

CFALA & CFAOC

For providing the students of SMIF multidimensional insight into the investment community, for providing outstanding relationships with industry professionals, and for offering scholarship opportunities as well as CFA exam preparation information.

CFA Society of Orange County Foundation (CFAOCF)

Benjamin C. Lau, CFA, Chairman & President
Tony Relvas, Treasurer
Erin Campbell, Secretary
Krista Zipfel, CFA, Past Chair
Ramin Modiri, CFA, Scholarship Chair
Peter A. Ammermann, Ph.D., Investment Policy Chair
Kevin Beebe, Host-A-Student Chair

For providing academic and CFA scholarships, organizing the Host-A-Student events, and conducting the annual RFP competition, which is a unique and unparalleled learning experience, and for granting the 2009-2010 CSULB SMIF class the right to manage its $100,000 portfolio.

CFAOCF Investment Policy Committee
   Peter A. Ammermann, Ph.D., Chair
   Raymond Goldblatt, FIA, CFA
   Mitch Needelmann, CFA
   Timothy Stevens, CFA
   Fadel Lawandy

For their time and dedication to providing the students of SMIF with guidance and feedback into the investment management process, allowing for a unique and unparalleled learning opportunity.

Hosts
   West Oak Capital
   Knightsbridge Asset Management
   Iwamoto Kong Investment Group
   Pacific Asset Management
   Modiri Asset Management
   The Keller Group (First Foundation Advisors)

For providing the SMIF students direct and highly practical insight into the investment profession, SMIF appreciates each host’s dedication and willingness to take time out of their day to explain the different career approaches to consider.

Speakers
Trevor Buchanan, Royal Bank of Canada

For taking time from his demanding schedule to visit the classroom and offer important insights into his career.
IHS Global Insight
For providing the SMIF program with a professional-quality tool that was highly influential in determining our initial economic forecast and reaffirming the class’s position throughout the tenure of the portfolios.

Forty-Niner Shops, Inc.
For granting the SMIF program the responsibility of managing a portion ($100,000) of their portfolio.

CSULB Instruction Related Activities (IRA) Board
For financing the trip to R.I.S.E. X in Dayton, Ohio. The trip was valuable for gaining important perspectives from around the globe, in addition to professional insight and career advice.

Dean Michael E. Solt & the CSULB College of Business Administration
For the strong and continuing support of the SMIF program and its activities, including the provision of the Bloomberg Professional Service Terminals, which have been invaluable to the Program’s research and analytical activities.

SMIF Program Directors
The 2009-2010 SMIF class would like to express their deepest gratitude to Dr. Richard Runyon and Dr. Peter Ammermann. Their uncompromising support of the program and of the students deserves the highest merit. The class would like to extend their thanks to the Directors for encouraging, advising, and supporting us through all of the accomplishments we achieved in the SMIF program.
STUDENT MANAGED INVESTMENT FUND (SMIF) GUIDELINES

The Student Managed Investment Fund (SMIF) is open to qualified senior-level undergraduate students and second-year MBA students in the College of Business Administration specializing in finance and investments. Other students may be admitted to the program if deemed qualified by the Program Directors. The objective of the SMIF Program is to provide participants with the opportunity to obtain experience in security analysis and portfolio management utilizing multiple real-dollar portfolios.

In order to be accepted to participate in this honors-level program, a number of prerequisite courses must be taken. Student applicants are interviewed, and approved, by the Program Directors. SMIF has a fiduciary duty and has implemented multiple levels of investment checks and balances to monitor the various portfolios. All decisions are subject to veto by any of the Program Directors. Fund benefactors at all times have access to financial statements audited by a major accounting firm and an annual report. These guidelines describe the mechanics of the program, explain the acceptable types of securities, specify the diversification strategies, and describe the various safeguards and security measures that are an integral portion of the program.

IMPORTANCE OF CAPITAL PRESERVATION

The primary objective of the SMIF Program is capital preservation, combined with income and growth of capital, to ensure future classes will continue to have funds to manage.

RATE OF RETURN

The return should be equal to or better than the composite benchmark set forth by SMIF. As the assets of the fund increase in value, a portion of the portfolio may be used to finance scholarships, special projects and/or course-related field trips.

SUGGESTED INVESTMENT GUIDELINES

SMIF FUNDS MAY BE INVESTED IN THE FOLLOWING TYPES OF INVESTMENTS:

- Common stocks of companies listed on the three major exchanges – NASDAQ, NYSE, and AMEX – in companies with market capitalizations greater than $500 million
- Government and investment-grade corporate bonds (Moody’s or S&P-rated “BBB” or higher)
- Electronic Traded Funds (ETFs) subject to restrictions cited below
- Mutual Funds, subject to conditions established by Program Directors

SMIF FUNDS ARE PRECLUDED FROM BEING INVESTED IN THE FOLLOWING MANNER:

- Short sales or in any instruments that constitute the equivalent of short sales
- Utilization of leverage or in any instruments that utilize leverage
- Futures or derivatives
- Foreign equities or debt investments not traded on U.S. exchanges

**SUGGESTED PORTFOLIO DIVERSIFICATION GUIDELINES**

- 50 to 75 percent to be invested in equities
- 25 to 50 percent to be invested in fixed income
- Portfolio Beta not to exceed 1.5
- Mix of income (dividends) and growth (capital gains) stocks
- No more than 5 percent of the portfolio may be invested in any one company
- No more than 15 percent of the portfolio may be invested in any one industry
- No more than 10 percent of the portfolio may be invested in any one equity ETF
- No more than 25 percent of the portfolio may be invested in any one fixed-income ETF

**SUGGESTED TRANSACTION GUIDELINES**

- Purchase decisions supported by a supermajority of the SMIF participants
- Purchase decisions are subject to veto by any of the Program Directors
- An irrevocable 15 percent stop-loss provision to be communicated to the broker at the time of purchase with a full review of the investment position at a decline in price of 7.5 percent
- Any bond, or equivalent investment vehicle, falling below investment-grade is to be sold

**OTHER GUIDELINES**

Trades are recommended and voted upon by students and approved by the Program Directors. SMIF participants formally meet once a week and trading decisions are made at that time. In emergency situations an appointed member from each team will contact each other team member to discuss possible actions. A vote of a supermajority is required to adopt any transactions outside of class meetings.

**LIMITED DIRECTORS’ DISCRETION**

SMIF Program Directors are granted reasonable limited discretion in modifying these guidelines to accommodate the practical needs of the Program. The Directors may seek to obtain board approval prior to modification, if practical. Otherwise, modifications should be brought to the Board’s attention at the next regularly scheduled meeting for consideration for permanent modification.

**YEAR-ROUND MANAGEMENT OF ALL SMIF-MANAGED PORTFOLIOS**

SMIF Program participants are responsible for the management of multiple portfolios and therefore must commit to participate in the orderly transition of portfolio management responsibilities via attendance at one or more of the SMIF Summer “boot camp sessions.” The objective of these sessions is to ensure that all portfolios receive the full attention of the outgoing students while the new incoming students become familiar with the portfolio management strategies that have been deployed.
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