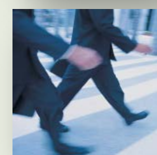
Bucknell University

Student Managed Investment Fund

Newsletter | Winter 2012



Introduction

The Student Managed Investment Fund (SMIF) is a two-semester capstone course that provides seniors with an opportunity to manage a portion of Bucknell University's endowment. This year's SMIF class is fortunate enough to be the twelfth to manage the Fund.

Each of the twenty-two student managers sits on one of three committees; accounting, administrative, or economic.

The economic committee is responsible for providing the class with weekly updates on the macroeconomic environment, including employment rates, legislative changes, GDP projections, currency issues, and consumer confidence.

Currently, the committee is bearish on the global economy given the issues surrounding European debt and the slowing growth in the emerging markets. The committee is fairly bullish on domestic growth due to improving data regarding consumer spending and employment. The accounting committee tracks and presents portfolio performance through weekly class presentations. This year the accounting committee has also led efforts to reclassify our asset allocation and establish a benchmark that truly tracks our portfolio.

Finally, the administrative committee schedules class time, records class minutes, and organizes speakers and trips. Since our last newsletter, the class has met with Bobby Le Blanc and Bill Vogel each of whom brought valuable insight on the market and career opportunities within the financial services sector.

Since the publication of our last newsletter each Fund manager made a pitch for a security that he or she thought would best fit the portfolio given our objectives, asset allocation, and current performance. The class chose to purchase stock in Nike, Las Vegas Sands, Mosaic, Intel, Tiffany's, Darden, TJX Companies, Schlumberger, Apple, Southern Copper, and UPS.

"The stock market is filled with individuals who know the price of everything, and the value of nothing."

—Phillip Fisher

Target Asset and Sector Allocations

This equity sector allocation is a product of the discussions that are summarized below. We believe these sector weightings will allow the SMIF to outperform the S&P.

Information Technology

The Technology sector is comprised of computer hardware, network, and peripherals as well as semiconductor companies and software companies. This year's SMIF class is bullish on the Technology sector, which comprises roughly 19.9% of the S&P 500. The Fund is slightly overweight information technology allocating 20% of our equity portfolio to the sector. We are bullish on technology because of product and process innovation, increases in business spending, and the constant demand for newer and faster technology.

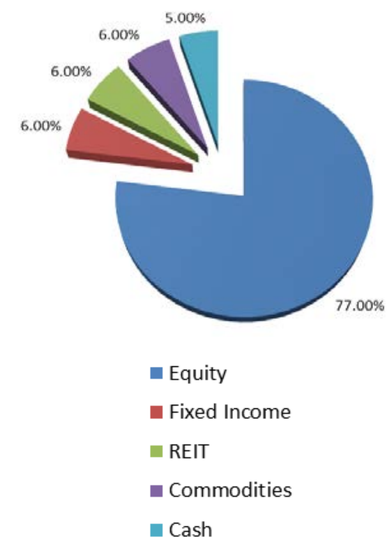
The SMIF currently believes that we hold a "best in class" diversified information technology portfolio. We currently hold Apple (AAPL), International Business Machines (IBM), and Intel (INTC). If we continue to see explosive growth in our IT holdings in the upcoming months we will consider re-balancing the holdings in this sector to maintain our 20% target allocation.

Industrials

Our target sector allocation for Industrials during the fall semester was neutral to the S&P 500, which was about 11%. However, as of December 31st our Industrial sector holdings represented 9.58% of our equity portfolio. Within our Industrials sector we hold General Electric (GE), L.B. Foster Company (FSTR) and United Parcel Service (UPS).

Our Industrials holdings performed well into the end of 2011. The leading economic indicator for the sector, Purchasing Managers' Index (PMI), has increased gradually into the end of 2011 due to new orders, inventories and rising prices. Also, construction spending took a positive turn during December with an increase of 1.5%. Based on these indicators we believe that the Industrials sector will perform well heading into 2012. Therefore we have maintained a neutral weighting opposite the S&P.

Target Asset Allocation

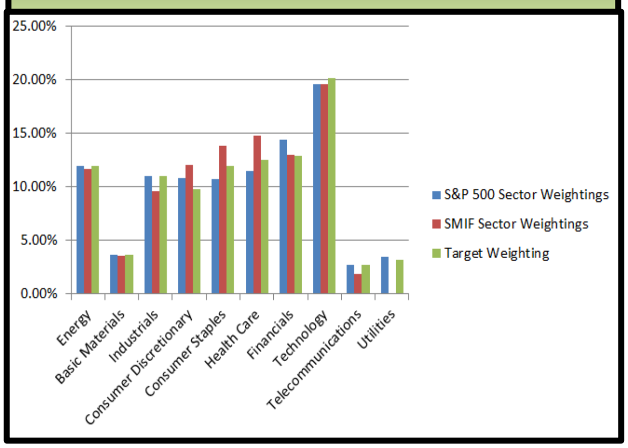


Telecommunications

The Telecommunications sector, which is traditionally viewed as a defensive one, has seen a shift in the industry business model, as companies are intensifying their focus in the wireless market. Although the wireless business is characterized by more volatile, consumer-driven performance, the steady revenues generated by the more stable, fixed-line business have served as a cushion against this variability, and have allowed telecom to maintain much of its defensive allure. Despite a slow economic recovery, wireless demand has increased in response to innovation in the wireless media arena. Companies have been capitalizing on economic uncertainty by expanding their prepaid offerings, which provide customers with affordable wireless plans without long-term contractual obligations. We can expect demand in this market to continue its trend as the economic outlook remains uncertain.

Of cardinal significance to the industry is the recent trend of consolidation that has taken place, which has the potential to alter the industry's competitive climate. The net result of reduced competition would likely lead to more stable pricing in the industry. However, government and industry opposition to consolidation- illustrated most recently by the Department of Justice's blocking of the AT&T/T-Mobile deal- may inhibit this trend in the future. Still, we expect to see further consolidation in the wireless arena, as companies are desperate for spectrum to allow for the build-out of voice and data networks. With devices and applications using more and more bandwidth, the need for additional speed and capacity for data networks has led to the rollout of 4G, with Verizon's 4G LTE network leading the charge. LTE technology is proving to be the champion of the 4G arena, and as such, other companies have been following Verizon's lead. We anticipate that further spectrum acquisition and technological innovation will drive growth in this dynamic industry. Having closely considered these factors, our class has decided to assign a neutral weighting for the Telecommunications sector relative to the S&P 500's 2.7% allocation. Verizon (VZ) is currently our only holding in the sector.

Sector Allocation as of 12/31/11



The graph above represents our updated target sector weightings versus the sector weightings of the S&P 500.

Healthcare

In 2011, Healthcare was the third-best performing sector behind Consumer Staples and Utilities, and has continued to outperform the S&P 500 year to date. This year's SMIF sees many opportunities in the Healthcare sector largely due to the sector's low beta and high dividend yields, which provide relatively safe investment opportunities.

Consumption of healthcare is rising quarter over quarter, showing an increase in demand of healthcare products. The expiration of patents will benefit generic drug makers and encourage mergers and acquisitions by large pharmaceutical companies looking to expand their pipelines.

Additionally, a whole array of drugs and molecules are in late stage testing and will hopefully be approved within the next two years. Due to the slowdown of implementation, effects from the healthcare bill are minimal in our investment horizon. The Fund has decided to overweight the sector by 130 basis points relative to the S&P 500. Our current holdings are Bristol Myers Squibb (BMY) and Celgene (CELG) .

Energy

The Energy sector has a strong correlation to the overall U.S. economy, as well as to global outlook and political issues. Oil prices increased, on average, in 2011, and investors are expecting more inflation and global instability to keep oil prices around $100 for the near future. Many analysts expect WTI-Crude oil prices to average around $98 for 2012, up about $8 from 2011. Recent economic data has shown high oil inventory levels, yet production and supply is continuing to be outpaced by demand. Natural gas prices are still incredibly low, and inventories are at all-time highs. Natural gas prices are expected to stay around $3 for 2012.

The SMIF class has decided to increase our exposure to the Energy sector and thus take an "overweight" stance comparative to our benchmark, the S&P 500. We are currently overweight the S&P about 1.5%, making the energy sector about 13.5% of the equity section of our portfolio. Currently, the SMIF owns Schlumberger (SLB), a leading supplier of technology, integrated project management, and information solutions to companies in the international oil and gas exploration and production industry, which has accumulated about an 8% HPR for the last two months. Additionally, we own Chevron (CVX), a multinational energy corporation that is engaged in every aspect of the oil, gas, and geothermal energy industries. Chevron has given the SMIF portfolio about a 9% return.

Consumer Discretionary

In the fall, the SMIF class chose to underweight the Consumer Discretionary sector by a lofty 1.25% versus the S&P 500 weighting, due to our bearish economic outlook at the time. Over the course of the semester we purchased Nike (NKE), Las Vegas Sands (LVS), TJX Companies (TJX), and Tiffany & Co. (TIF), in order to fill out our target sector allocation. Unfortunately, in response to an announcement of negative guidance by management at Tiffany & Co., the SMIF subsequently voted to sell out of its position in the company.

Though our economic outlook still remains cautious, our view is more positive than it was in the fall. Rising consumer confidence and declining unemployment will likely serve as catalysts for the Consumer Discretionary sector in the year ahead. Our three current holdings (NKE, LVS, and TJX) performed phenomenally into the year-end, and have continued this trend year-to-date. As a result, the SMIF class has chosen to slightly overweight the sector by 40 bps relative to the S&P 500.

Consumer Staples

In the latter half of 2011, we decided to overweight Consumer Staples by 1.25%. We felt overall market uncertainty would lead to a flight to high yielding, stable consumer staples. This bet paid off as the consumer staples sector was one of the top performing in 2011. As of January 31st, 2012 the Fund owned General Mills (GIS), Coke (KO), Diageo (DEO), and Proctor and Gamble (PG).

In 2012, the SMIF is optimistic about the market and overall consumption domestically. Improved consumption will benefit consumer staples; however, we feel the sector as a whole is fairly inflated from a strong push in late 2011. The sector saw above average growth for typically low volatility equities. We do not see the same potential going into 2012, therefore the SMIF decided to underweight the sector by 1.0% during the first half of 2012.

Basic Materials

Our target asset allocation for the Basic Materials sector for the fall of 2011 was to remain neutral with the S&P 500. The Mosaic Company (MOS) is our only basic materials stock which we purchased in mid-November for $54.50.

The Basic Materials sector struggled in 2011 primarily on macro concerns that are a result of slowed global growth. The sector was down 11% in 2011 which is the second worse performing sector behind financials. Concerns of a recession in Europe as well as slowed growth in China, India and many other developing economies has put deflationary pressure on many of the commodities that the basic material companies sell. It is our belief that the macro concerns will persist throughout 2012 even though the U.S. economy is rebounding.

Utilities

While the SMIF currently has no positions in the Utilities sector, we have decided to remain neutral with the S&P 500 sector weighting of about 3.47%. With clean energy tax benefits expiring this year and in the near future, we believe powerful investment opportunities lie in providers who already have attractive renewable portfolios and in transmission companies who stand to benefit from increased public and private spending in that area.

The Utilities sector finished 2011 up a healthy 14.71%, nearly 15 percentage points higher than the S&P 500 as a whole. However, in the last quarter the sector finished 300 basis points short of the index. The utilities sector's underperformance has continued into this year, ending eight percentage points under the S&P's 4.54% January finish.

Financials

In the fall 2011 semester, the Fund had bearish sentiments on the Financial sector as a whole, citing headwinds as a result of regulation, risks associated with the European sovereign debt crisis and the Federal Reserve's stimulatory actions. As a result a decision was made to underweight the S&P 500's Financial sector weighting by 1.50%. The Fund echoes these opinions this semester, with an optimistic eye to select sub-industries that have had robust performance, and appear to have less exposure to Europe and financial regulation/reform. The regulation and risks associated with the European debt crisis present much uncertainty within the sector. The Volcker Rule threatens to reduce current revenue streams when implemented on July 21, 2012. Financial firms will be negatively affected in that their business models will change and costs to the companies will increase.

On the international stage, the newly implemented Basel 2.5 standards threaten to put a damper on banks' long term growth prospects. In the simplest terms, banks will be charged higher capital requirements for the risks they run on their trading books (as opposed to their banking books where assets the company intends to hold until maturity are held) than under Basel 1. The results of the step up to Basel 2.5 standards are real. Switzerland applied the new rules a year early and by the end of the first quarter of being instituted, the risk weighted assets (RWA) at Credit Suisse increased by 28%. Not only are banks being weighed down by higher capital requirements, but they are also being forced to spend money internally to build more robust risk monitoring systems. Banks that cannot afford the cost of developing new risk models may have to simply shut down certain businesses. The Basel Committee on Banking Supervision has recognized the effects its rules will have on some banks and is conducting a "fundamental review" of capital rules for banks' trading books. No matter the result, it appears as if the Basel Accords will have a negative effect on banks in the future.

As of December 31, 2011 our holdings in the financial sector were Aflac Incorporated (AFL), American Express Co. (AXP) and BlackRock Inc. (BLK). During the past semester we sold off our position in JPMorgan Chase & Co (JPM), due to our bearish outlook on banks. We also sold five Aflac January 2012, $46.00 calls to liquidate our position in the insurance company. These options executed in early January, and our remaining 55 shares were sold later that month.

Although the Fund continues to be cautious on the sector as a whole, we believe there are prudent, yet lucrative opportunities to be had. The resounding consensus in the class is a cry for best-in-class financial companies with a majority of their revenues sourced from the United States. Strong domestic corporate earnings and other positive indicators over the past two months buttress this sentiment. In particular, we feel that consumer finance looks particularly promising with early signs of domestic economic optimism, limited direct exposure to Europe and distance between the industry and the stifling effects of financial regulation. With this in mind, the Fund has decided to assume a neutral weighting relative to the S&P 500's Financials sector weighting.

Real-estate and REITs

Earlier this year the SMIF voted to allocate 7% of the portfolio specifically to REITs. Currently, only 4% of our portfolio is invested in REITs. This 4% stake is composed of one holding: Ventas Inc., (NYSE:VTR), which is a healthcare-focused REIT. While we intend to hold VTR, we plan to acquire another REIT in the interest of diversification.

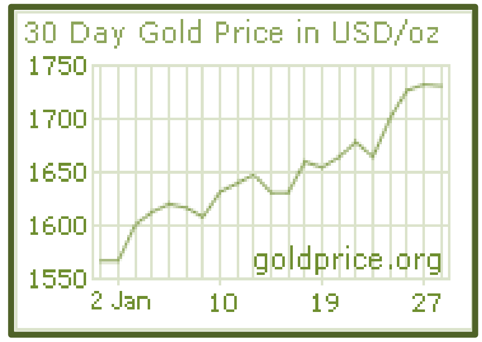
Due to our projections of real estate pricing coupled with low interest rates, we maintain a positive outlook for the REIT asset class in 2012. Morgan Stanley estimates 10-12% returns for the REIT asset class. Fundamentally, the success of REITs is derived from rising net asset values (NAVs) and dividend growth. Given positive conditions in both areas, we expect to see stable growth. Considering the rising commercial mortgage backed security (CMBS) issuance and falling credit spreads, we expect to see improving credit conditions in 2012. Additionally, REIT funds from operations (FFO) payout ratios are relatively low, so we should see above-trend dividend growth this year.

Commodities

The Student Managed Investment Fund focuses largely on metals, both basic and precious, within the Commodities sector. We believe these commodities are most indicative of global financial strength and are also tied directly to the Industrials sector. Commodities, specifically with regards to metals, are priced predominantly by supply and demand. In today's uncertain economic climate, both demand and supply are subject to constant changes.

Base metals consist of those used for industrial purposes, including copper, aluminum and zinc. Copper is the metal most closely tied to economic health. This is due to its wide range of uses, from electrical to homebuilding. In general, copper demand continues to outpace global supply, meaning the price of copper is buoyed by the tight relationship between the two. We predict that the price of copper will continue to rise as demand increases, especially as China looks to expand through internal consumption. The duress in the EU presents some uncertainty in base metal markets; therefore it is important to focus on metals with tight relationships between supply and demand, such as copper, which is forecasted to have a 250,000 ton deficit in 2012. We thus see growth opportunities in mining companies that produce the demand-driven red metal. The SMIF has current exposure to copper through Southern Copper Corporation (SCCO).

Precious metals include gold, silver, and platinum. Normally, precious metals act as safe-havens for investors; money is invested in these commodities in the midst of currency and liquidity concerns. Despite this, precious metals have recently been trading more like risky assets, remaining highly volatile and sensitive to global economic news.



Furthermore, we have seen sudden fluctuations in precious metal prices as investors have been selling gold and silver to cover losses in equity markets. 2012 may vary somewhat from 2011, as uncertain currency markets could return gold to its usual "safe-haven" status. The SMIF class has a 100-share stake in SPDR Gold Trust ETF (GLD).

Beyond metals, there are potential agricultural opportunities that we are currently researching. For example, U.S. farmers are expecting record high corn yields for 2012. However, the SMIF maintains that agricultural commodity plays-like metals-should focus on tight relationships between supply and demand, which suggest strong underlying fundamentals of the commodity.

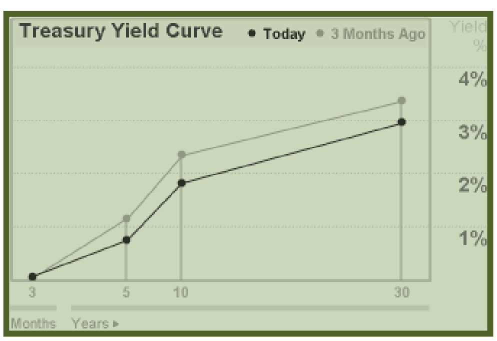
Economic Outlook

The economic committee believes 2012 will be a more promising year than 2011. Improved consumption and more domestic investment by the United States will help drive the economy this year and should create a more stable market. However, stressed trade relations, dependence on imports, and certain proposed spending cuts from the government will potentially limit growth. We are cautiously optimistic for 2012 and believe there are many areas to invest in that will provide the SMIF portfolio with desired returns.

GDP

Currently, GDP growth is slow to modest at best. Fourth quarter GDP grew at a 2.8% annualized rate, an increase compared to the annualized rate of 1.3% in Q2 2011 and 1.8% in Q3 2011. This can be explained largely through increased levels of non-residential investments. In the future, rising levels of consumer confidence and decreasing unemployment will likely increase the amount of consumer income delegated to disposable income. Thus, consumer spending increase should result and cause the U.S. GDP to grow at a faster rate than in 2011. On the other hand, government spending has fallen, and will continue to decrease as the government attempts to control the current deficit. Looking forward, the Economic Committee expects GDP to increase at 2.4% in 2012.

Fixed Income



With interest rates near all-time lows and Ben Bernanke forecasting that interest rates will remain low until the end of 2014, it is our view that interest rates will remain at current levels unless unemployment falls below 5.0% or inflation

Front Row (from left): Stefanie Jedra, Erin Reddy, Jeff Sowell, Toby Davis. Back Row (from left): Aleem Naqvi, Mark Ayoub, David Rold, Will Bachman, Andrew Van Valkenberg

exceeds the Fed's target rate of 2.0% annually. In 2011, we saw interest rates decline as a result of a flight to safety due to the European sovereign debt crisis. This, along with the Federal Reserve's Operation Twist, has kept both long and short term interest rates artificially low, which the Economic Committee believes will persist into 2012.

Year to date, investment-grade corporate bond issuance is down significantly from $113 billion in January 2011 to $80 billion in January 2012. The high-yield debt markets on the other hand have seen much higher-than-average inflows from yield-hungry investors. Emerging market bond funds have also been witness to tremendous success in 2012, though much of that may have been a correction from poor performance in 2011. The committee believes that continuing uncertainty stemming from the European markets could have a systemic impact on the market, and thus we will continue to monitor the situation closely.

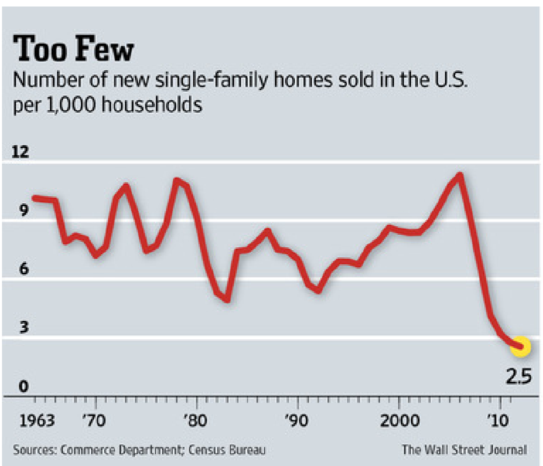
Overall, the economic committee remains cautious with regards to the fixed-income markets, particularly due to the record-low yields and continuing uncertainty stemming from Europe.

Employment

Due to a very slow economic recovery and low GDP growth, unemployment levels remain high. Prior to the recession, the unemployment rate was at 5%, compared to the current rate of 8.5%. The unemployment rate has come down from its peak of 9.97% in 2009 and has been decreasing month over month.

Recent employment reports show a decrease in government jobs due to spending cuts to control the deficit. The private sector, on the other hand, is creating jobs at a faster pace, which is driving the decrease in the unemployment rate.

Housing Outlook



The U.S. Housing market continues to face many difficulties and has been a major strain on the currently weak economic recovery. Ben Bernanke noted that the influx of supply caused by increased foreclosures and vacancies have put downward pressure on home prices. Simultaneously, a weak demand has been unable to keep up with the shadow inventory that has accumulated. This can be attributed to high unemployment and uncertain job prospects, which make it difficult for a potential buyer to commit to purchasing a home. Additionally, the lack of available credit due to tightened credit standards has made it difficult for potential buyers to access mortgage credit. However, with foreclosures down 34% in 2011 from 2010, bullish sentiment attributed to improving GDP growth rates, and declining unemployment rates, the worst seems to be behind us. Given this dynamic, we view the overall U.S. housing market as at best, stable.

Consumer Spending/ Confidence

With falling unemployment, consumer confidence is on the rise. Saving rates are also decreasing (currently at 3.9% of disposable income) which should increase consumer spending.

The Michigan Consumer Spending Index (MCSI), which gauges consumer attitudes regarding the overall business climate, is currently at 75 compared to 55.7 since Q2 2011. Typically, the index averages 71 during recessions and 102 during economic expansions. As the year progresses consumers appear to be feeling better about the overall state of the economy. The Economic Committee believes that consumer spending will increase by close to 3% and be one of the drivers for growth in 2012.

U.S. Trade

After a few months of stability, the U.S. trade deficit widened to $47.8 billion in November from around $43 billion. A closer look shows that goods and services were both up and down respectively for imports and exports. The main catalyst for the trade gap increase was an increase in imports of industrial materials and consumer goods. One bright piece of news was our trade deficit with China declined to $26.9 billion from $28.1 billion. However, Obama's increased trade tariffs on China could cause increased tension despite being able to bring in more money domestically. In terms of relations with other countries, U.S. trade representative Ron Kirk believes the U.S. public is pessimistic about the global trade environment, which causes apprehension from other countries debating whether or not to enter into a free trade agreement with the U.S. A rocky global trading environment in addition to a strengthening dollar will lead to a rough year for U.S. trade. We expect net exports to decrease 2% YOY for 2012.

International

The turmoil in Europe appears as though it will continue to hang over the global economy for the foreseeable future. GDP growth in the Euro-zone was 1.3% in 2011, which was dragged down most notably by Greece, Spain, Italy, and Portugal. Perhaps the most concerning aspect of the GDP numbers was the Q4 results. Despite posting a solid annual growth figure, the Deutsche Bundesbank predicted that the German economy shrank in the last quarter. The French central bank predicted zero growth while Italy, Spain, and Greece all posted declines. Putting all of these together, it's likely that the Euro-zone economy shrank by 0.4% in Q4. Combining this with the high unemployment rates, there's good reason to be timid when it comes to investing in European companies.

The SMIF believes that IMF Chief Christine Lagarde hit the nail on the head when she mentioned that stronger growth is one of the keys to regaining control of the European situation. However, the notion of a fiscal compact (which would erase the ability to run structural budget deficits of a certain degree) is sure to harm growth prospects as it erases the only power Euro-zone countries do have-fiscal policy. The outcome of this likely-to-be-agreed-upon measure would be more austerity measures in countries that simply cannot afford to slip further backwards. Many countries have been running structural budget deficits for years to support robust welfare and entitlement programs. This, among concerns over banks' liquidity due to increased capital requirements, has the class feeling rather bearish about Europe. We plan on looking to other areas of the world for investment opportunity.

The unease and uncertainty in Europe has stretched worldwide, creating a dismal and gloomy overall international outlook. Several unappealing economic conditions, whether stemming from Europe or other respective woes, are prevailing worldwide and hindering market growth. One of our primary concerns right now is the slowing economic growth of China, where 20% of exports head to the Eurozone. China has spearheaded GDP growth over the past decade, but issues such as inflation, export markets, and the housing bubble have continually decreased the economic expansion of China. Emerging market economies are still growing faster than developed nations, but they are not immune to the global slowdown. Emerging markets feel heightened effects of whatever happens in the Eurozone and the United States because their production and exports depend heavily on mature economies. Our outlook on international economies will remain bearish until the crisis in Europe is put to rest.

Fiscal Policy

The Congressional Budget Office forecasts a $1.1 trillion deficit for 2012, compared to the $1.3 trillion deficit seen in 2011. This decline is expected to be due in large part to substantial increases in revenue predicted under current law. Given the failure of the budget deficit “super-committee” to reach an agreement that would have cut federal spending by $1.5 trillion over 10 years, automatic spending cuts are scheduled to take effect in January of 2013. These automatic cuts will reduce spending by roughly $109 billion per year. We thus expect a very moderate decline in spending for 2012.

ACCOUNTING REPORT

ACCOUNTING COMMITTEE (From left to right): Oliver Wald, Jason Katz, Vincent Mistretta, Brad Mas, Lindsey Wittmann, Ryan Tomasello, Jordan Donaldson, Thomas Brown

SMIF was able to achieve a return of 1.29% in 2011, lagging behind the S&P 500 by 82 bps. This is indicative of the overall global slowdown that arose over the summer months. Since our class's takeover of the portfolio on 4/28/2011, we have outperformed the index by 2.14%.

Portfolio Return vs. S&P 500

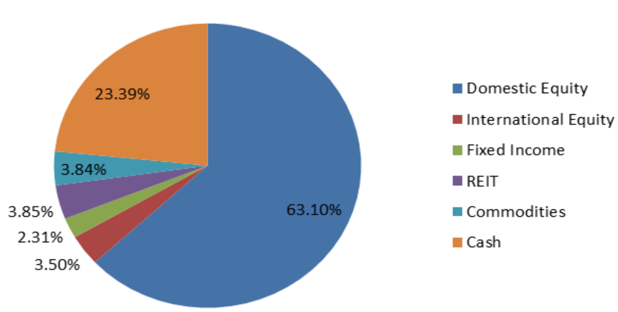
	2011	4/28/11-12/31/11
SMIF Portfolio	1.29%	-4.01%
S&P 500	2.11%	-6.15%
Difference	-0.83%	2.14%

Top Performers through 12/31/11

Issuer	HPR (%)
International Business Machines Corp (IBM)	89.55%
Verizon Communications Inc. (VZ)	76.26%
Bristol-Myers Squibb Company (BMY)	49.34%
The Coca-Cola Company (KO)	26.69%

As mentioned, the SMIF portfolio held a large position in cash last semester. Since then, we have redistributed our funds by increasing our positions in Domestic Equity and Commodities. The graph below represents our current asset allocation.

Asset Allocation as of 12/31/12



The SMIF class is determined to outperform our benchmark in the spring semester. After holding a relatively large cash position of over 30% for much of the fall, resulting in modest gains, we moved a large portion of our cash position into a total market ETF in late January. Thus, we intend to keep our cash position at a lower level than it was in the fall, and we will ultimately allocate funds from the total market ETF into specific stocks or industry ETFs.

Recent Accounting Committee Developments

SMIF's accounting committee has recently been taking strides to find and implement a professional accounting system for the portfolio. Currently, all analysis of portfolio performance is done using Microsoft Excel and Bloomberg. It is our goal to find- and begin the implementation and training process for- a professional accounting system by the end of the year. We feel that this will add more value to the class's weekly review of the portfolio and its performance.

Recent Returns

	4/28/11-01/31/12	12/31/11-01/31/12
SMIF Portfolio	-0.99%	3.14%
S&P 500	-1.94%	4.48%
Difference	0.95%	-1.34%

The table above takes into account returns from the month of January. In January we underperformed the S&P 500 by 1.34%. As a result the spread between the Fund's performance and its benchmark has tightened to 0.95% from 2.14%. Our underperformance is in large part due to the Fund's large cash position that was held throughout January.

Bucknell University's Student Managed Investment Fund
Statement of Changes in Net Assets
As of December 31, 2011

Assets			
	Cash Balance	$	-
	Pending Reinvested Cash	$	473
	Money Market Fund	$	205,929
	Common Stock	$	576,389
	Fixed Income	$	20,232
	REITs	$	33,821
	Exchange Traded and Closed End Funds	$	41,713
	Options	$	(688)
Total Assets		$	877,869
Liabilities		$	-
Net Assets			
	Beginning Portfolio Value	$	914,511
	Realized Interest	$	15
	Realized Dividend Income	$	12,271
	Net Unrealized Gain (Loss) on Portfolio	$	(66,684)
	Net Realized Gain (Loss) on Portfolio	$	17,755
	Other	$	-
Net Assets		$	877,869
Total Liabilities & Net Assets		$	877,869

Bucknell University's Student Managed Investment Fund
Statement of Operations
As of December 31, 2011

Investment Income			
	Dividends	$	12,271
	Interest	$	15
Total Investment Income		$	12,286
Realized & Unrealized Gain (Loss) on Investments			
	Net Investment Income	$	12,286
	Other	$	-
	Net Unrealized Gain (Loss) on Investment:	$	(66,684)
	Net Realized Gain (Loss) on Investments	$	17,755
Net Decrease in Assets from Operations		$	(36,643)

Recent Developments

Stock Pitches

SLB

In mid-November, the SMIF voted to buy 300 shares of Schlumberger LTD at a price of $67.50. About a week later, we raised our limit to $73.01, which quickly executed. The total market value of our purchase was $21,924.00 on November 17, 2011.

Schlumberger, Ltd is a leader in the Oilfield Services industry. The company works with other companies in the international oil and gas exploration and production industry. They supply technology, integrated project management, and information solutions. Also, they invented wireline logging which is a new technique for obtaining downhole data in oil and gas wells.

Looking for higher oil prices in 2012, Schlumberger continues its incredible revenue growth as demand for their services skyrocket while oil and gas companies look to further build inventories. Thus far, we have a HPR over the last two months of about 8.5%. Through DCF and relative valuation models, we have a 12-month price target of about $91.

NKE

On November 15, 2011, the SMIF purchased 200 shares of Nike, Inc. (NKE) at a price of $92.01. A valuation of the stock gave a price target of $118.00 by fiscal year-end 2013. Nike closed at $107.58 on March 7, 2012.

Nike is the world's largest designer and manufacturer of high-quality athletic footwear and apparel, and a leading manufacturer of sports equipment and accessories. The company distributes its products through Nike-owned retail stores, and through independent distributors and providers along with its subsidiaries. Nike sells to over 50,000 retail accounts in more than 170 countries.

Nike's dominance in the market is the result of its industry-leading fundamentals. The company boasts the highest profit margins amongst its competitors, which continue to expand, as well as an industry leading ROA and ROE backed by a robust balance sheet with little debt. In the highly fragmented market that it serves, Nike's strong brand fueled by continued leaps in innovation, design, and technology have positioned the company to outperform the competition. International markets have, and will continue to drive the company's topline growth. Furthermore, the upcoming London 2012 Olympics and the 2012 European Football Championship will add even more fuel to the Nike brand via strong promotional initiatives and sponsorships.

SCCO

On November 1, 2011, the Student Managed Investment Fund purchased 600 shares of Southern Copper Corporation (SCCO) at a purchase price of $29.94. Southern Copper is an integrated metals and mining company with mining facilities in Mexico and South America, specifically Peru. The company mostly focuses on copper excavation, but also produce silver, zinc, and molybdenum as byproducts.

SCCO is very much tied to the price of copper and is sensitive to the metal's volatility. Because of this correlation, we allocated SCCO to the commodities asset class of our portfolio as opposed to the Basic Materials Sector.

Buying SCCO is a play on copper prices, which is inevitably a play on global macro-economic data. Copper diagnoses global economic health because of it's wide range of uses in industrial and private capacities. Although there are some uncertainties in global markets, copper is also buoyed by the tight relationship between supply and demand. Forecasts for 2012 suggest a 250,000-ton deficit in copper supplies. If demand levels can remain strong, the price of copper will inevitably rise. The most important region to focus on is China, as the nation accounts for 40% of the world's consumption of the red metal. We recognize that SCCO focuses more on sales in the United States, South America, and the EU, but feel that it's dividend yield of greater than 6.0% separates it from its' competitors.

SCCO has appreciated well since its acquisition, up over 17% HPR. The company also boasts a robust 5.89% dividend yield. Naturally, SCCO's appreciation is due to the rise in the price of copper. When SCCO was purchased, copper prices were hovering around $3.40. As of late January 2012, copper prices had risen close to $4.00 (a 16% gain).

LVS

On December 19, 2011 the SMIF purchased 400 shares of Las Vegas Sands Corporation (LVS) at a limit price of $40.51. This was a long awaited purchase as the order was placed on November 3, when the stock was around $45. This entry point has proved tremendously successful for our returns, as the stock has risen up to around $47 on reports of strong growth in the company's operating regions. A relative valuation yielded a price of $59 by year-end 2012.

Las Vegas Sands owns and operates multiple integrated resorts in the geographic regions of the United States, Macau, and Singapore. Integrated resorts specialize in destination properties, casinos and gaming, and convention facilities. Despite their name and headquarters, the majority of LVS's operations and proposed expansions are located in Asian Markets, from which almost 85% of revenue is generated. This differentiates LVS from its competitors on the Las Vegas Strip, and also contributes to LVS having the highest market capitalization in the casino and gaming industry.

Despite the potential for global economic slowdown, high population and growth rates in Asian markets build a large buffer for potential growth for LVS. Macau is the only location in China where gaming is legal and has recently overthrown Las Vegas as the world's largest gaming market. Moreover, LVS is one of two companies able to operate in Singapore until 2017. Under the Casino Control Act in Singapore, no more than two casinos will be allowed to operate under a 10-year period beginning January 2007. LVS provides the SMIF with a high margin for growth and we are excited to see this company expand and potentially declare its first dividend over the next couple of months.

TJX

On November 18, 2011 the SMIF purchased 300 shares of The TJX Companies (TJX) at a limit price of $59.51 (before a 2:1 stock split). Since then, it has performed very well, appreciating nearly 8% in less than two months. Impressive holiday season sales figures have pushed the stock price to new all-time highs, and the company is expected to report strong Q4 earnings. Having factored in the newly released data, we maintain a 2012 price target of $36.

The TJX Companies, Inc. is the leading off-price retailer of clothing, apparel, and home fashions in both the United States and globally. The company operates more than 2,800 stores in six countries and reported $22 billion in sales in 2010. Their aim is to provide a wide and dynamic selection of fashionable and affordable brand name merchandise, at discounts that are 20%-60% off prices offered by specialty and department stores. Great values and a bargain-hunting experience make TJX Companies appealing to a very broad customer base, all of whom seek high-quality and attractively priced brand-name products.

The class remains bullish on TJX and we strongly believe in the long-term sustainability of its business model. The company has proven its resilience through diverse economic climates, boasting same-store sales growth that is unparalleled in the industry. We also believe in the company's exclusivity as the only off-price retailer in Europe catalyzing the company for long-term growth.

Intel

The SMIF purchased 800 shares of Intel on November 21, 2011 at $24.01, through a limit order. Since the purchase date, this holding has provided us with a 10.92% HPR. Intel added to the SMIF's technology sector, which also includes Apple and IBM.

Intel is the world's largest semiconductor manufacturer that also designs and develops its own semiconductor technologies. Their main semiconductor product is the microprocessor. They produce a variety of microprocessor for computing platforms that included desktops, notebooks, lab tops, handheld devices and servers.

The company seeks to grow its' business through providing integrated solutions. This focus will move Intel from a designer and manufacturer of microprocessors to a company that will deliver innovative technologies with integrated security solutions. They are aligning themselves to move towards this focus with the recent acquisitions of Infineon Technology and McAfee Corporation. They constantly remain ahead of the competition by providing customers with the most advanced microprocessors; enhancing their ability to gain market share in the growing market for handheld device microprocessors. With all of these advances Intel is able to maintain its leadership in innovating technologies for cloud computing services, and it will give the SMIF the necessary exposure in the technology sector.

Through continuous advancement of its products, large cash position and robust fundamentals the company will be able to maintain solid growth into the coming years. The analyst believes through his relative and DCF valuations that a $30 price target for the end of 2012 is appropriate.

MOS

We purchased 400 shares of The Mosaic Company in mid-November for $54.50 and, for 2011, had a holding period return of -12%. We believe that Mosaic is a strong company; however, it has struggled due to the weak global economy hurting the overall fertilizer industry. We will continue to hold this stock, but we will be looking to sell if global fertilizer demand continues to weaken.

The Mosaic Company is one of the leading producers and marketers of concentrated Phosphate and Potash crop nutrients for the global agriculture industry. The Mosaic Company has large operations in the four largest nutrient consuming countries in the world: United States, Brazil, India, and China. Since FY 2010, Mosaic has significantly rebounded as a result of strong fertilizer demand, which is expected to continue for the coming years. Mosaic is a very financially sound company that has an aggressive strategic plan to increase Potash production capacity by 50% over 10 years to meet the growing global demand in a highly profitable business.

Sell, Hold, Accumulate Discussions

In order to keep our stakeholders as up-to-date as possible, the SMIF has provided this section in order to discuss the sale and/or option strategies of securities previously held as of our past newsletter.

AFL: In mid-December, the SMIF sold five January covered-call contracts at a $46 strike price for a premium of $1.81 each. The contracts expired in-the-money and thus our position was called out of the stock. This represented a holding period return of 9.8% for the security. Our remaining 51 shares were sold shortly after at a bid price of $48.57 for an HPR of 11.6%.

BLK: The SMIF voted to sell March 2012 calls of BlackRock during January at our price target of

$195.00. At the time, the analyst did not see a great deal of upside beyond this point and was concerned about how new developments in Europe could affect the stock. Thus far, the Fund has captured 16.24% HPR, and will receive an additional premium if the options are called out.

EBAY: The class decided to enter into January $31 calls on eBay. eBay had been underperforming our other technology holdings and it has a strong presence in European countries, which concerned the analyst about future earnings growth. The SMIF was called out of eBay at $31 and we realized a HPR of 3%.

FSTR: The Fund recently chose to close its position in L.B. Foster (FSTR). In August of 2011, L.B. Foster disclosed that is currently involved in litigation with the Union Pacific Railroad Company. The claims involve the faultiness of 1.6 million railway ties that the Union Pacific Railroad Company purchased from L.B. Foster. Though no final statements have been made by L.B. Foster regarding the validity of the claims, the SMIF class chose to sell out of its position of FSTR due to high risk and uncertainty.

GIS: Our price target for General Mills in 2012 was $42 and after shaky earnings, the SMIF felt selling GIS at $40.95 was a good option. We are less bullish than we were in the latter half of 2011 on consumer staples and thus our decision to reduce our position in the sector by selling GIS fit more in line with our forecast in 2012. With just under a year of exposure, we realized a 9.9% HPR on GIS.

JNJ: Following a tumultuous winter break period for the security, the SMIF class determined to sell all 302 shares of Johnson & Johnson held in the portfolio. This move was largely based upon concerns over recent litigation issues, increasing healthcare regulation, and downward-adjusted growth prospects. A sell order for JNJ executed at $65.00 per share on January 19th, for a dividend-adjusted HPR of 4.9%.

PG: We decided to sell Procter & Gamble in mid-February after weak earnings and a stronger upside in Phillip Morris for our consumer staples sector. We felt PG had rallied back to a point where we felt comfortable selling our position. We sold PG at $64.52 for a 2.7% HPR.

TJX: The class sold TJX in the last week of February after realizing an 18% return on the stock over a three month period. Since purchasing TJX in mid-November, the stock appreciated significantly, setting new all-time highs throughout our holding period. While the analyst remains bullish on the company in the long-term, the stock was approaching our target price, and we found it in our best interest to capitalize on substantial gains. We will continue to follow TJX closely, and will consider buying again on a pullback.

UPS: The SMIF elected to sell UPS during mid-January via a limit order at $75.01. The analyst was concerned that decreasing margins and unresolved global economic issues (like Europe) could have an adverse effect on FY2011 earnings. Nonetheless, we captured a 21% HPR on the stock (which had a 23% variation between its 52-week high and 52-week low).

NYC Trip

The 2011-2012 Student Managed Investment Fund trip to New York City will take place on April 3rd and 4rd thanks to the support and generosity of Joe Quintilian. On April 3rd the SMIF will hold a reception, sponsored by the Bucknell Finance Network, for all stakeholders and alumni. The reception will be held from 6:30 to 7:30 at Club Quarters in Midtown Manhattan. Immediately following the reception will be a presentation on the progress of this year's class. Club Quarters is located on W45 Street between 5th and 6th Avenues and we hope to see many of you in attendance.

Earlier in the day on April 3rd the class will visit the New York Mercantile Exchange and Goldman Sachs. The class will then visit the New York Stock Exchange on April 4th.

ADMINISTRATIVE COMMITTEE (From left to right): Alex Leiser, Michael Sena, Brendan Smith, Alec Jacobs, Arvi Mohan

Meet the Analysts!

Mark Ayoub

Mwa005@bucknell.edu

Assigned Sector: Consumer Staples
Holdings: Proctor & Gamble (PG)
Committee: Economic

Mark is a Management major from State College, Pennsylvania. Last summer, he worked for the Pennsylvania Health Care Cost Containment Council (PHC4) creating financial analysis reports for hospitals across the state. He plans to pursue a career in finance or administration in a healthcare institution.

Will Bachman

wdb017@bucknell.edu

Assigned Sector: Commodities
Holdings: Southern Copper Corporation (SCCO), SPDR Gold Trust ETF (GLD), Powershares Golden Dragon Halter USX China ETF (PGJ)
Committee: Economic

Will is a Management major from Wellesley, Massachusetts. He is captain of the Men's Golf Team and a member of the Student Athlete Advisory Committee. This past summer Will interned at Collard Advisory Group, a Boston-based financial consulting firm. Will is currently applying for full-time positions in the finance and investment fields.

Tom Brown
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Assigned Sector: Commodities
Holdings: iShares JP Morgan Emerging Markets Bond Fund (EMB)
Committee: Accounting

Tom is an Accounting major from Ridgefield, CT. On campus, he is a captain of the Swimming and Diving Team. This past summer he trained on campus for US nationals and conducted an independent study with Professor Jensen. After graduation, he is starting full-time with McGladrey doing risk advisory consulting in their New York City office.

Toby Davis
jtd019@bucknell.edu

Assigned Sector: Energy
Holdings: The Mosaic Company (MOS), Vanguard ETF (VDE)
Committee: Economic

Toby is a economics major from Lake Forest, IL who also plays on Bucknell's club ice hockey team. He interned at The Northern Trust Company in New York City on an Investment Team in the Personal Financial Services division. He hopes to peruse a career in asset management or investment banking.

Jordan Donaldson
jwd019@bucknell.edu

Assigned Sector: Industrials
Holdings: Intel Corp. (INTC), General Electric (GE)
Committee: Accounting

Jordan is an Accounting major from Saxton, PA. On campus, he is captain of the Track and Field Team and a member of the Accounting Club. This past summer, Jordan interned at Deloitte in their Audit and Enterprise Risk service line, auditing financial services clients. After graduation, he is starting full-time with Deloitte in their Philadelphia office.

Alec Jacobs
abj006@bucknell.edu

Assigned Sector: REITs
Holdings: Ventas (VTR)
Committee: Administrative

Alec is an Economics major from Dallas, TX. This past summer he worked at a technology/web based startup. Currently, Alec is the outdoor outings chair for Bucknell's Phi Kappa Psi fraternity. He also develops and maintains independent technology projects such as gekkosdesk.com.

Stefanie Jedra
saj008@bucknell.edu

Assigned Sector: Consumer Discretionary
Holding: Diageo (DEO)
Committee: Economic

Stefanie is an Accounting major and economics minor from Green Brook, New Jersey. On campus she is a varsity cheerleader, member of the accounting club and intern in admissions. This past summer, Stefanie interned for PwC in corporate tax in the Florham Park office. She has accepted a full-time position with the firm and will start working next summer in the Banking, Capital Markets and Insurance tax practice in New York City.

Jason Katz
jck029@bucknell.edu

Assigned Sector: Telecommunications
Holdings: The TJX Companies (TJX), Verizon (VZ)
Committee: Accounting

Jason is a Management major from Essex Fells, New Jersey. This past summer, he interned at BNY ConvergEx Group in New York City, with the firm's Financial Planning & Analysis team. On campus, he serves as Recording Secretary of Phi Gamma Delta fraternity. Upon graduation, Jason hopes to pursue a career in financial services.

Alex Leiser
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Assigned Sector: Information Technology
Holdings: Coca-Cola Company (KO
Committee: Administrative

Alex Leiser is a Management major from Wayne, Pennsylvania. This past summer she interned with Merrill Lynch working in wealth management. After graduation, she will be joining Vanguard within their High Net Worth Client Services division in the Philadelphia area.

Brad Mas
bjm043@bucknell.edu

Assigned Sector: Energy
Holdings: Schlumberger Limited (SLB)
Committee: Accounting

Brad is an Accounting major from Mendham, New Jersey, who is also pursuing a minor in Mathematics. This past summer he worked in New York City for PricewaterhouseCoopers in their Advisory-Transaction Services group. He received a full-time offer from the firm at the end of the summer, and will begin working there next September.

Vincent Mistretta
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Assigned Sector: Fixed Income
Holdings: American Express Company (AXP)
Committee: Accounting

Vincent Mistretta is a Management major from New Canaan, CT. Upon graduation, he will be joining Hirtle Callaghan & Co., an outsourced Chief Investment Officer, as an analyst. Vincent is actively involved with The Bison Chips all-male a cappella group and holds many teaching assistant positions within the School of Management.

Aravind Mohan
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Assigned Sector: Information Technology
Holdings: Apple (APPL)
Committee: Administrative

Aravind is an Economics and political science major from Murrysville, Pennsylvania. He currently serves as the Vice-President Internal for the Interfraternity Council Executive Board and is a member of the Kappa Sigma fraternity. This past summer he interned in the Transfer Pricing Group at PricewaterhouseCoopers and plans on returning to PwC upon graduation.

Aleem Naqvi
man015@bucknell.edu

Assigned Sector: Healthcare
Holdings: Celgene (CELG)
Committee: Economic

Aleem is a dual Economics and Chemistry major from Karachi, Pakistan. He spent the last 2 summers researching in the Chemistry Department at Bucknell University and the summer after first year interning at the Royal Bank of Scotland Consumer Risk Management Department. On Campus, he is Risk Manager of Delta Upsilon Fraternity, Vice President of the South Asian Students Association and a Teaching Assistant for both the Chemistry and Economics Departments. He is currently looking for a job in asset management or investment banking.

Erin Reddy
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Assigned Sector: Consumer Discretionary
Holding: Las Vegas Sands (LVS)
Committee: Economic

Erin is a Management major and economics minor from Washington Crossing, Pennsylvania. This past summer she had a marketing internship at JDM systems in Dublin, Ireland. On campus Erin is the VP of Membership for the Pi Beta Phi sorority, where she previously held the Assistant VP of Finance position. In the future, she would like to pursue a career in finance or human resources.

David Rold
mdr009@bucknell.edu

Assigned Sector: Financials
Holdings: Aflac (AFL)
Committee: Economic

David is an Economics major and philosophy minor from New Canaan, CT. David is a member of the student government appropriations committee on campus. He spent this past summer as an intern for Credit Suisse's Private Banking Division and will spend this summer in Sales and Trading at Sandler O'Neill and Partners.

Michael Sena
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Assigned Sector: Basic Materials
Holdings: None
Committee: Administrative

Michael is an Accounting major with a concentration in finance from Garden City, NY. He spent this past summer working as an intern for PricewaterhouseCoopers (PWC) in New York City, and the previous summer as an intern at MorganStanley SmithBarney. At Bucknell, Michael has been an active member of Student Government for the last two years and is the co-chair of the students' response group to the Campus Climate Task Force. Michael is also a member of Bucknell's nationally ranked club-varsity rowing program, and began rowing as a Sophomore in high school at Chaminade in Mineola, NY. Upon graduation, Michael plans to continue his career at PWC.

Brendan Smith
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Assigned Sector: Fixed-Income
Holdings: iShares Barclay TIPS Bond Fund (TIP)
Committee: Administrative

Brendan is a Business Management and Economics major from Utica, NY. Outside the academic realm, he serves as a representative to Bucknell Student Government, as the Vice-President of Tau Kappa Epsilon Fraternity, and as a teacher's assistant for Accounting 160. This past summer, Brendan served as an intern with Ralph Lauren Corporation Men's Wholesale Division, fulfilling the client relations and sales planning roles. Upon graduation, Brendan will begin work for Deloitte Consulting in as a Business Technology Analyst.

Jeffery Sowell
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Assigned Sector: Financials
Holdings: United Parcel Service (UPS)
Committee: Economic

Jeff is a Management major from Brick, New Jersey. On campus he has formerly served as the president of Bucknell Business Leaders (BBL) as well as the president of the ice hockey team. This past summer, Jeff interned at PwC in the Banking and Capital Markets Risk group in the firm's consulting practice. He received a job offer from the firm and will begin full-time next September. This coming summer Jeff plans to begin pursuing a CFA charter.

Ryan Tomasello
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Assigned Sector: Industrials
Holdings: Nike, Inc. (NKE), L.B. Foster (FSTR)
Committee: Accounting

Ryan is an Accounting major from Rockaway, NJ. This past summer, he interned at Bank of America Merrill Lynch in the Investment Banking Division, specializing in the Financial Institutions Group. He will be returning to work with the firm full-time in the Global Industrials Group upon graduation. On campus, Ryan is a member of Tau Kappa Epsilon Fraternity, the Rooke Chapel Choir, is President of Beyond Unison co-ed a cappella group, and works as an Undergraduate Executive Intern in the Office of Housing Services.

Andrew Van Valkenburg
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Assigned Sector: Financials
Holdings: JP Morgan (JPM)
Committee: Economic

Andrew is an Economics major from Garden City, New York. On campus, he is a member of the men's lacrosse team and the Phi Gamma Delta fraternity. This past summer, Andrew interned at Barclays Capital in the Capital Markets summer analyst program. He will join BarCap next year in the fixed income sales division.

Oliver Wald
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Assigned Sector: Healthcare
Holdings: Bristol Myers Squibb (BMY)
Committee: Accounting

Oliver is a Management major from Greenwich, Connecticut. On campus he is an active member and leader of the Sigma Chi Fraternity. This past summer Oliver worked with a sell side analyst at Miller Tabak & CO LLC. He is looking to pursue a career in finance, technology, or management.

Lindsey Wittmann
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Assigned Sector: Financials
Holdings: BlackRock (BLK)
Committee: Accounting

Lindsey is an Accounting major from Warren, NJ. This past summer, she interned at KPMG in their Audit and Tax practices. After graduation, she will be working at KPMG in their Audit practice in New York City. On campus, Lindsey is the Treasurer of the Accounting Club and a member of Alpha Chi Omega sorority.

Thank You

The SMIF class of 2011-12 thanks you for taking the time to read our winter newsletter. If you have any questions regarding the content of the newsletter or would like hear more about the Fund, please feel free to contact us (via our contact information detailed in “Meet the Analysts”).