



Herbert B. Mayo Student Investment Fund Annual Report

Annual Report 2011

The College of New Jersey

December 2011

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LETTER FROM MANAGEMENT TEAM

The fiscal year ended October 31, 2011 was another prosperous year for The Herbert B. Mayo Student Investment Fund (“the Fund”) at The College of New Jersey. The Fund saw an annual return of 7.00% compared to 8.03% growth in the Standard & Poor’s 500 Composite Index. Through the use of valuation techniques and in classroom experience, our team of student portfolio managers analyzed market trends and conditions to take advantage of new growth and value opportunities. Additions to the portfolio this past year included Nokia Corporation, Norfolk Southern Corporation Co., Molycorp, and HCP, Inc.

The future success of the portfolio is contingent upon the talent and dedication of the participating fund managers. Fortunately, past performance has shown that students at The College of New Jersey have been well prepared through their business education to actively manage a debt and equity portfolio. As senior fund managers graduate and move on to their business careers, newly motivated students take their coveted positions and offer fresh insight into the composition and management of the Fund’s portfolio.

Similar to any publicly held company, the Fund’s ability to grow and offer value depends on the willingness of investors to provide capital. Your generous donations supply our student fund managers with the resources necessary to manage a diversified portfolio efficiently and professionally. The Fund not only provides business students at The College of New Jersey with hands on investing experience but allows them to bridge the gap between academic theory and practical real world implementation. In addition, the earnings from this fund will provide exceptional business students with scholarships to further their education.

With your continued support, The Student Investment Fund at The College of New Jersey will continue to grow and offer students valuable investment training and financial assistance.

Thank you,
The College of New Jersey Student Investment Fund

LETTER FROM FACULTY ADVISOR

I started the student investment fund to provide students, primarily finance majors, with an opportunity to make real investment decisions involving real money. During the last eleven years, over 300 students have played a part in determining the portfolio’s allocation and selecting individual securities to buy or sell. This process has greatly improved the participants’ analytical and presentation skills. When the first class met in 2000, the S&P 500 exceeded 1400. When this semester’s class started, the index stood at 1200. It has been a challenging environment in which to make investments, but through continued contributions, dividend and interest income, price appreciation in specific stocks, and the magic of compounding, the value of the fund has grown to \$200,000. Beginning in fall 2012, the fund will award financial support to the School of Business and to finance majors. I invite you to contribute to the fund. To make a contribution, please use the form provided on page 6.

Best Regards,
Dr. Herbert Mayo

ECONOMIC OUTLOOK

The unfolding of the Eurozone financial crisis and increased U.S. debt concerns, including the first downgrade of U.S. debt, in 2011 have created a difficult investing environment.

What at first appeared to be only a debt concern in Greece evolved into a potential crisis in Italy, Spain, Portugal, and Ireland. After months of multi-billion cash injections and sovereign debt downgrades, European politicians and regulators are still trying to combat economic concern that has had a significant effect on financial markets worldwide.

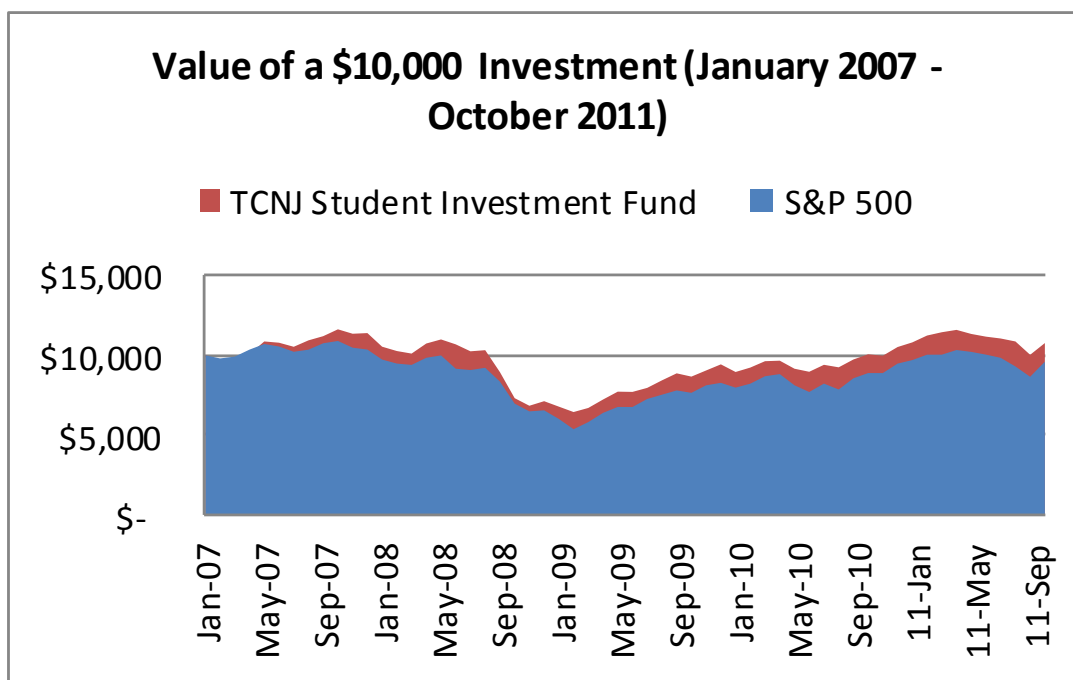
Still recovering from the worst economic meltdown since the Great Depression, U.S. financial markets are struggling to maintain stability. Investors in 2011 were faced with tremendous market volatility. In early August the S&P downgraded U.S. debt from AAA to AA+, shaking financial markets and investors worldwide. A momentous global financial event, the downgrade resulted in attracting attention to the U.S.'s tremendous outstanding debt.

U.S. Equity markets have been range-bound with the Dow Jones experiencing close to a

3,000 point swing. U.S. investors, in addition to watching the news in Europe, have kept a close eye on Washington politics. In August when Congress seemed unable to pass an increase in the debt ceiling, U.S. markets came under considerable pressure. Going forward, if Congress is unable to manage its budget and debt load, markets are likely to stay stagnant.

With this global financial uncertainty, some of the few strong performers have been precious metals, such as gold. Over the course of 2011, gold has risen from \$1,415 to a rec-

ord high of \$1,899. The surging demand for gold has prompted debate over whether gold markets are experiencing a speculative bubble; nevertheless, uncertainty about global markets will surely bring some support to the price of gold.



Nokia Corporation

In Spring 2011, the Fund added a Communications equipment company, Nokia Corporation, to the portfolio with the idea to “buy low with high hopes.” With a 5.40% dividend yield, the new CEO Stephen Elop who had previous experience in Adobe, Juniper Networks and

Microsoft, and a recent alliance with Microsoft to power its phones with the new Windows Phone 7 operating system starting in late 2011/early 2012, Nokia looked extremely appealing to Fund managers. As compared to major competitors: LM Ericsson,

Qualcomm and Motorola Mobility, Nokia was undervalued based on comparability analysis using ROE/Price to Book and Profit Margin/Price to Sales ratios. In addition, Fund managers believed this long position of 400 shares in Nokia would

complement the Fund’s current position in Verizon Communications Inc., which provides telecommunication services.

POSITIONING FOR GROWTH: Molycorp

Molycorp (NYSE: MCP) is a rare earth element (REE) mining company based out of Denver, Colorado. As a mining company, Molycorp is considered to be part of the “Basic Materials” sector and the “Industrial metals and minerals” industry. MCP is the only company in North America actively mining for rare earth elements. Its flagship mine, Mountainpass, is located in California and is said to be the richest deposit of REE’s in the Northern Hemisphere.

REE’s are used in a host of

consumer and defense products, ranging from green energy devices to high-tech weapons such as GPS guided missiles. In recent years there has been a surge in demand for these elements, with only a limited amount of suppliers coming onboard. China, the main producer of rare earth elements, currently supplies 90-95% of the world’s demand for the metals. There is a heightened sense of urgency for mines to start producing outside of China because the Chinese government has announced that it is reducing their export quota of REE’s. Molycorp is the only company in North America

ready to help meet world demand. Similar mining companies in Canada and Australia will not be fully functional until the year 2015.

The majority of MCP’s funding came from equity financing, which makes it a safer investment than upstart mining companies.

From a company’s perspective, it can be disastrous to take on too much debt before the business matures and stabilizes. Leveraging has not only a magnifying effect on financial gains, but on losses as well.

The Debt/Equity ratio is a 24.22%, lower than all of its competitors. Also, the increase in the operating margin from fiscal year 2010 through 2nd quarter 2011 is indicative of management’s ability to control operating costs, making Molycorp even more competitive among the lackluster industry. Furthermore, Molycorp has been able to unearth the REE’s cheaper than Lynas Corp. and Chinese mining companies. The ability to produce REE’s at nearly half the cost as Chinese companies is a significant statistic that should allow Molycorp to climb to the top of the industry.

KEY HOLDINGS

Company	Value	Shares	% of Portfolio
iShares iBoxx \$ Investment Grade Bond ETF (LQD)	\$22,974	200	10.44%
Alliance Resource Partners, LP (ARLP)	\$12,889	175	5.85%
Panera Bread Company (PNRA)	\$10,570	311	4.80%

TOP PERFORMERS

Company	Value	Shares	% Gain
Panera Bread Company (PNRA)	\$10,570	80	46.06%
International Business Machines (IBM)	\$7,617	42	26.28%
Alliance Resource Partners, LP (ARLP)	\$12,889	175	25.17%

SELL: Lufkin Corp

On May 4, 2011 The Student Investment Fund agreed to liquidate half our stake in Lufkin Industries, which equated to 100 shares or approximately \$9,257. Two days later, after seeing the price drop from \$92 to \$86, the Fund sold the re-

maining 100 shares. The total amount realized from the sale came to approximately \$18,000. Originally purchased in 2005 for \$16.55 per share, Lufkin had performed extremely well in the 52 week range of \$35-\$97 per share before the

sale. Given the economic crisis, rising oil prices, and uncertainty throughout the world’s oil markets the Fund felt it was necessary to realize these profits before adverse effects eroded the current optimism in Lufkin. The stock price for

Lufkin Industries as of November 20, 2011 was \$64.92. Given the depreciation in stock price, it has proved to be a beneficial decision to liquidate when we did. This has preserved approximately \$5,800 that could have been lost.

REAL ESTATE: HCP, Inc.

HCP, Inc. is a real estate investment trust that invests primarily in real estate and serves the U.S. healthcare industry. The company acquires, develops, leases, sells and manages healthcare real estate and provides mortgage and other financing to healthcare providers. The company operates through the following segments:

Senior Housing, Life Science, Medical Office, Post-Acute/Skilled Nursing and Hospital.

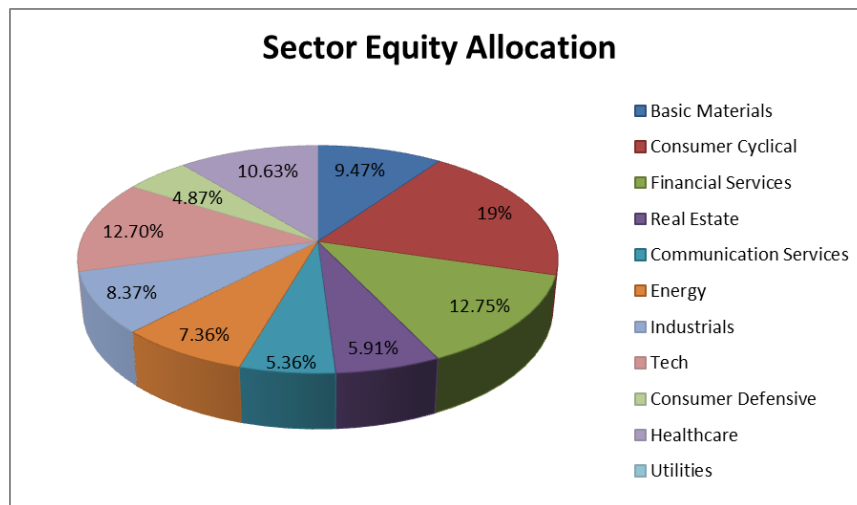
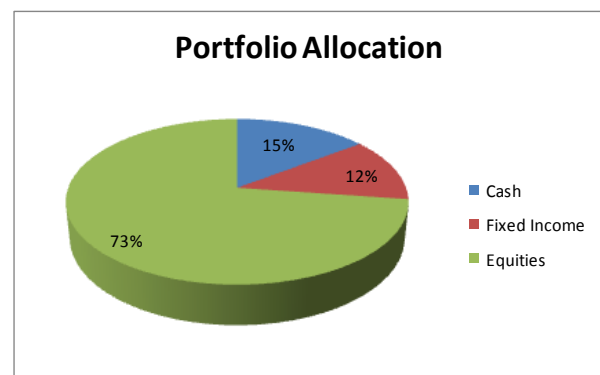
In comparison with the rest of the healthcare REIT sector, HCP's financials stand out among the strongest. HCP has the largest market cap in the sector; its PE ratio is less than

half of the industry average. HCP's Price/Book ratio is less than the average, and it has a higher net profit margin and higher than average dividend yield. The Company's total debt to total equity ratio is half the industry average. With all of the uncertainty in real estate investments in the recent past, these strong financials help

assure the investor that the trust is a stable company worthy of investment.

With the investment in HCP, the Fund is investing for value in one of the largest REITs and seeks to reap the benefits of the high dividend yield over the long term.

Portfolio Allocation		
Cash	\$ 32,462	15%
Fixed Income	\$ 27,423	12%
Equities	\$ 160,274	73%
Total Value	\$ 220,160	100%



VALUE INVESTING: Dividends

An important component of any portfolio is the dividend return on investments. Dividends are distributed when a company pays out a portion of the profit earned for the quarter. Companies that pay dividends are generally considered healthier financially than those that do not. For the portfolio,

dividends are of special interest to the Fund since the fund is not subject to income.

For fiscal year 2011, the dividends received by the Student Investment Fund totaled \$6,112. The money received from the dividends has been used to purchase additional

securities or is given in the form of prize money for The College of New Jersey business student competitions. The Student Investment Fund is interested in pursuing securities with high dividend yields in order to raise cash for future investment opportunities.

Recognition of Student Investment Fund Donors

Scott Abernethy '87	Kevin Fitzgibbon '94	Suzanne Lucas '93	Emily Searle '02
Courtney Agens '06	Michael Fitzpatrick '97	Scott Magee '00	Jennifer Shaw '06
Kimberly Albarella '03	Eleanor Fogarty	Thomas Mankovich	Dina Shine '96
Dan Atlas '04	Carrie Fornal '96	Dina Margulies '93	Robert Sichel '93
Bryan Batchler '98	Christopher Fornal '96	Esta Margulies '81	Jennifer Silvestrov '03
Megan Behr '95	Peter Fritz '97	Karen Martin '03	Peter Simons '98
Tara Benstead '03	Kurt Fritzsche '98	Herbert Mayo	Alaine Sine '91
Christina Bergin '02	Neil Gaston '60	Dennis McCafferty '95	Rachel Sitta '02
Amanda Bjornsund '06	Jacqueline Gatesman '04	Dana McCarthy '91	Alan Smith '97
John Blaney '97	Colleen Geoghan '02	Kimberly McKee '02	Sharon Soehnel '96
Marcy Bloodgood '00	Holly Geronimo '06	Thomas Meisner '91	Anthony Spera '88
Christopher Botsakos '08	Andrew Girman '01	Matthew Monaco '06	Kevin Sporer '06
Matthew Boyle '99	Brian Glenn '02	Curt Monday '01	William Stephenson '93
Louise Brine '85	Sylvia Gomez-Sichel '96	Dennis Morgan '94	Steven Stern
Michael Brost '06	Jennifer Graf '96	Gilbert Moscatello '97	Eric Szabo '97
Andrew Budres '92	Danielle Guille '90	Michael Movsovich '86	William Szafranski '92
Diane Burroughs '93	Renee Hansen '03	Carlo Mule '03	Stephen Szurek '01
Reginald Burroughs '86	Joseph Hassan '99	Shane Mullin '09	Ikumi Takada '97
Roosevelt Butler	Franklin Heiner	David Nader '85	Kenneth Topolewski '96
Antonio Calello '01	Kevin Hickey '04	Joao Neves	Daniel Trolaro '98
Philip Campbell '01	Sidney Hofing	Michael Nolfo '02	Matthew Turner '11
Christine Carapucci '97	Gregg Hollmann '93	Brian Nugent '86	Jack Uong '02
Michael Carapucci '95	Jennifer Ingham '98	Matthew O'Grady '95	Joseph Valvo '94
Sony Chacko '02	Tejal Joshi '01	Brian O'Reilly '00	Leon Van Horn '03
Loretta Chong '01	Michael Kaplan '04	Michael Paladino '94	Alison VanCamp '01
Paul Cincotta '88	Jon Karcsh '94	Patricia Paladino '94	Donald Vandegrift
Michael Coppola '02	Darrel Kasper '93	Tina Parlapiano '89	Bruce VanDusen
Christine Corrado '06	Asad Kazim '00	Devin Pavel '05	Joseph Vas '01
Beth Coyle '85	Leo Kelly '97	Philip Pellegrino '98	Steven Viola
Jeff Cozzetto '04	Colleen Kelly '96	Samuel Peltz '97	Nikolas Vrettos '04
Robert Czesak '03	Gretchen Kelly '86	Lee Philbrick '98	Rosemary Wagner '89
Daniel Daly '04	Joanne Kerekes Wetherill	Daniel Pickering '05	Kelly Waldron '01
Anthony D'Amico '02	Kristofer Kerekes '01	Jason Pikul '96	Mary Jane Warznak '86
Daniel D'Amico '03	John Kimball '93	David Prensky	John Wauters '91
Jennifer D'Amico '01	Stephen Klimas '93	Susan Priore '03	Bryan Weigly '03
Renee Dann '03	Oberon Knapp '97	David Puskar '93	Richard Williams '97
Drew De Luca '06	Michael Kohri '02	Alfred Quinton	Melissa Winkowski '98
Allison DeLay '02	Ron Krauskopf '03	Kendra Reichenbach '97	Loretta Wise '91
John Delesio '00	Jason Krom '02	Michael Renegar '89	Michael Wood '00
Nina DeRosa '96	Bryan Latham '05	John Riccardi '93	Diane Woodside '80
Gregory Desalvo '93	Michael Lavelle '06	Ryan Roffina '03	George Wunder '94
Paul DiLouie '85	Christina Leonetti '03	Tracey Rogers '94	Nashira Wynn '01
Laura Dockery '06	Timothy Lepore '98	Vanessa Rogers '03	Sean Yates '91
Robert Dreeke '96	Bozena Leven	Lisa Ryer '96	Virginia Zmuda '88
Rosemary Ewing	Shirley Leyland '75	Subarna Samanta	Matthew Zonies '07
John Fekete '94	Shannon Lingerfield '99	Danielle Santiago '92	
Patrick Fiduccia '02	Gregory Lofgren '97	Gregory Schell '02	

Portfolio Management Team



Portfolio Management Team Fall 2011

Seated Left to Right: Christopher McLaughlin, Mark Petrone, Elissa Romaniello, James Shaw, David Kinney
Standing Left to Right: Michael Colabella, Kurt Kester, Ryan Shea, Cory Griffin, Kyle Ropp, Brian Guo, William Hubbard, Thomas DeFrancesco, Paras Hefa

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