



Herbert B. Mayo Student Investment Fund Annual Report

Annual Report 2012

The College of New Jersey

December 2012

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LETTER FROM MANAGEMENT TEAM

The Student Investment Fund (SIF) experienced another successful year for the fiscal year ended December 31, 2012. The fund produced an annual return of 7% compared to 16% for the Standard & Poor's 500 Composite Index. While this year's return was not as high as the S&P, the return over a 10 year period has been consistent with the S&P, with returns of 2.2% and 2.9%, respectively. The SIF has also helped educate a group of motivated students on investment opportunities and valuation techniques. It has given members the chance to pitch the sale or purchase of a stock and act as portfolio managers for an endowment fund with approximately \$250,000 under management.

The Student Investment Fund provides many students the opportunity to trade equities for the first time. Despite this initial lack of experience, at the conclusion of the fall semester, participants had developed a firm understanding of investments and made several transactions.

To select equities to buy or sell, members of the SIF generally use a top-down approach. This entails analyzing market and industry trends and utilizing research techniques to exploit potential growth opportunities in the economy. During the fall semester, the SIF added T.J. Maxx and PSE&G to the portfolio to increase exposure to retail and utility companies.

The future success of the portfolio is dependent upon the talent and dedication of the participating fund managers. These motivated students are well prepared through their business educations to manage a debt and equity portfolio. Students help to reevaluate portfolio allocation and composition in order to maximize return. The fund evolves and portfolio managers are always looking for better investments. This consistent rotation of portfolio managers provides fresh ideas and new perspectives on potential additions to the fund.

The fund's ability to grow and offer value partially depends on the willingness of individuals to donate. Generous gifts from alumni supply our student fund managers with the resources necessary to manage a diversified portfolio. The fund not only provides business students at The College of New Jersey with hands on investing experience, but also allows them to bridge the gap between academic theory and practical real world implementation.

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 investment decisions involving real money. During the last twelve 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 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 1480. 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 \$240,000.

Beginning in 2013, 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

A presidential election year raises caution to investors all over the world. On November 7th, the day after president Obama was re-elected, the stock market declined over 2%. The major concern for investors was the fiscal cliff that would take place at the very beginning of 2013. About \$800 billion worth of tax hikes and spending cuts were due to go into effect if Congress did not act. While these issues cannot be eliminated completely, investors are hoping that they will be delayed and sepa-

rated so they do not occur all at once. As long as the issue remains unresolved, it will contribute to volatility in the markets.

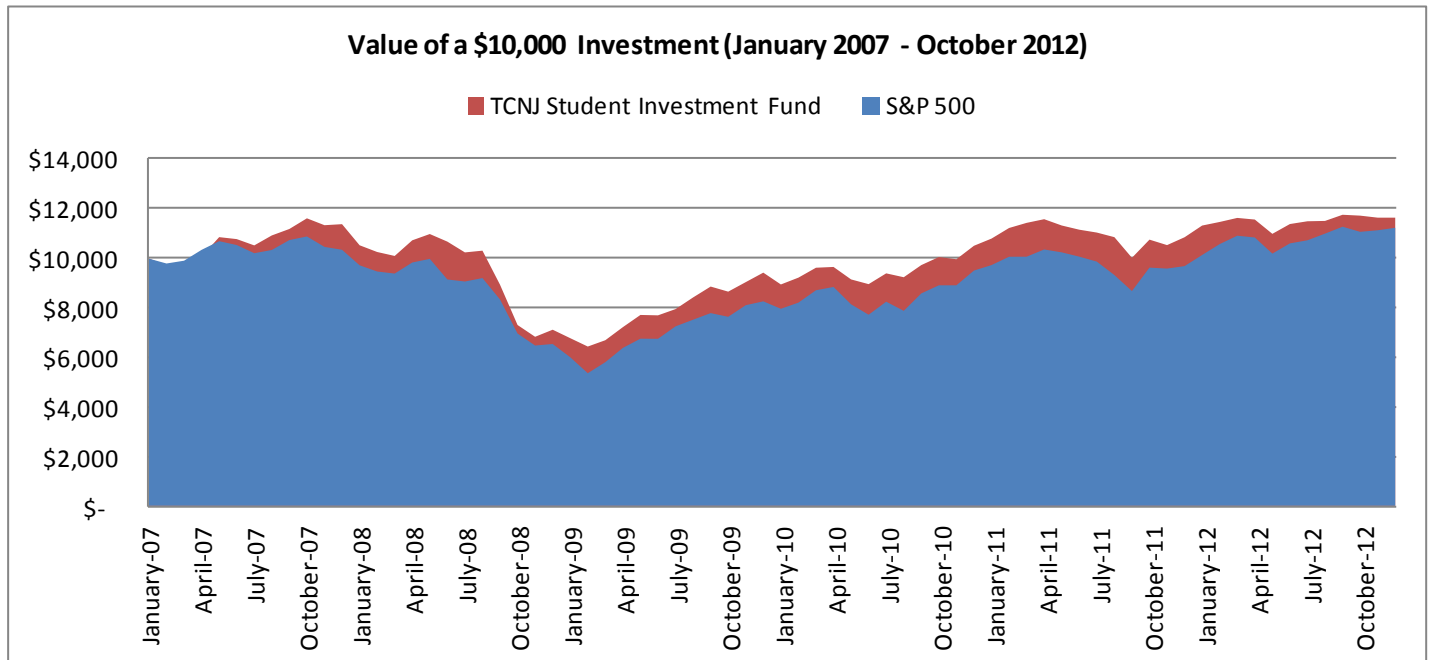
The uncertain state of the Eurozone has also contributed to volatility in the market. Greece remains on life support from other Eurozone nations, with Germany being the largest contributor. The support provided to Greece has been done in order to prevent the country from exiting the Eurozone, which some believe could

cause a contagion effect resulting in the departure of other struggling countries such as Spain, Ireland, and Italy.

The United States economy has seen better days, but the 2012 fiscal year exceeded estimates that kept Americans optimistic about the future. According to the Labor Force statistics, the United States unemployment rate has decreased from 8.6% to 7.8% on a steady decreased YTD. Despite a hike in taxes, U.S. housing prices have been on a steady 10-month increase,

the strongest stride of gains since 2006. Historically low interest rates have also helped with the increase in home prices, and with central banks buying mortgage-backed securities, consumer confidence has also risen.

Despite unfavorable economic factors, the market has performed well since the start of 2012. The S&P 500 is up over 10% since January 3rd, and the Dow Jones Industrial Average has seen about a 9% increase



PSE&G

In the Fall of 2012, the Student Investment Fund came to the decision to purchase an additional 120 shares of PSE&G. The fund had 150 shares of PSE&G stock prior to the purchase, but the decision was made to increase the weight of utilities in the portfolio. At the time, the utilities sector made up less than 2% of

the overall portfolio and was the weakest sector owned by the fund. Realizing the importance of diversification, the fund managers looked to find a company that was undervalued, would pay a reasonable dividend, and would be relatively low risk. PSE&G met all of these criteria and had a dividend yield of 4.8%. PSE&G

provides power and gas to over 70% of the state of New Jersey and some areas of New York City. The company was also looking to expand from New Jersey into New York State and possibly the Midwest. In addition to physical expansion, the company is also diversifying itself by developing initiatives in solar and wind energy. At

the time of purchase, the company maintained a P/E Ratio of 10.78, well below the average of about 15 in the utilities sector, which is a mature low growth sector. These combined factors led the fund managers to view the addition of more PSE&G shares as a sound investment.

Cochlear Limited: Hearing Solutions

Cochlear Limited (COH.AX) provides implantable hearing solutions. Its product line includes the Cochlear Nucleus range of cochlear implant systems, the Cochlear Baha range of bone conduction systems, and the Cochlear Hybrid electro-acoustic hearing solution. The company has operations in the Americas, Europe, and the Asia Pacific. Cochlear Limited is headquartered in Macquarie University, Australia.

This company was presented to the participants of the Herbert B. Mayo Student Investment Fund on April 10, 2012 by a graduating senior who was also a Cochlear Implant recipient. Through the use of accurate displays of market data and

adequate background research for support, 14 out of the 15 Student Investment participants were convinced to vote this stock a “buy” by the end of the presentation. Specifically, the students examined the relationships (or lack thereof) between various financial ratios, rates of return and measures, as well as Cochlear’s growth potential and market dominance against its competitors. Particularly, the students acknowledged that the stock generally traded in a range of \$75 to \$80 for approximately 15 months before declining to a three-year low of \$45.77 at October 4, 2011. The sharp decline in stock price was largely due to a voluntary recall on the company’s most recent product (a result of a manufac-

turing defect), that cost the company approximately \$101 million. However, the company returned the implant to market by the end of fiscal year 2011, reporting a failure rate of less than 5%.

The Student Investment Fund was attracted to the company’s desire to issue an expensive recall when less than 5% of its devices reportedly failed. Other factors leading to a “buy” recommendation included the company’s 3.85% dividend yield as of the presentation date, as well as Cochlear’s power as a supplier to its customers. All recipients of a cochlear implant that use Cochlear products can only purchase replacement parts and other

necessary equipment from Cochlear Ltd.

Based on the above considerations and all other relevant factors known to the Student Investment Fund, the students believed that the sharp decline in the stock price of Cochlear was an anomaly, and believed the price of the stock was back on the rise to an appropriate range of \$75 to \$80. Accordingly, the students voted a “buy” recommendation for 100 shares at \$61.41 after the presentation. The stock has generated a 33.19% return since, and traded at \$81.79 as of January 29, 2013.

KEY HOLDINGS

Company	Value	Shares	% of Portfolio
iShares iBoxx \$ Investment Grade Bond ETF (LQD)	\$24,076	200	9.53%
Disney (Walt) Co	\$16,739	311	6.62%
Alliance Resource Partners, LP (ARLP)	\$10,546	175	4.17%

TOP PERFORMERS

Company	Value	Shares	% Gain
Disney (Walt) Co	\$16,739	311	66.91%
Panera Bread Company (PNRA)	\$7,974	50	31.77%
SPDR S&P Homebuilders (XHB)	\$5,491	200	26.03%

Summary of 2012

The Student Investment Fund is offered every semester, and over the course of the Spring and Fall semesters for 2012, the SIF met for 56 classes. These classes informed students of the fund’s history, acquainted them with the portfolio’s holdings, and gave them the opportunity to pitch ideas for the sale or

purchase of securities. A total of 22 presentations were given throughout 2012. When presenting, students needed to not focus so much on an individual company, but more on how a company’s securities could benefit the portfolio. The fund managers analyzed potential companies and current compa-

nies in the portfolio in a number of ways. Ratios, valuation techniques and discounting cash flows proved to be helpful when studying the portfolio. Students also needed to consider diversification, minimizing risk, asset allocation and the effect of the economy on the portfolio. These methods and

factors were used and discussed when considering each transaction, and the fund managers were able to agree on the addition of 3 new securities during 2012.

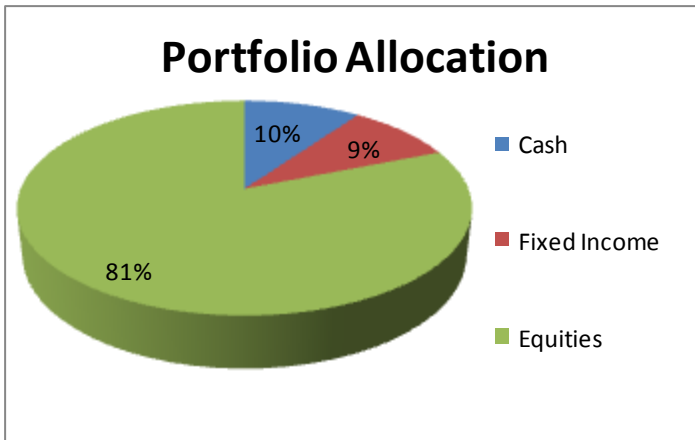
TJX Companies

In Fall 2012, the fund added a long position on The TJX Companies, Inc. (TJX) with a purchase of 125 shares. TJX operates as an off-price apparel and home fashions retailer benefiting from high inventory turnover rates. It has stores in the United States, Canada, and Europe, including T.J. Maxx, Marshalls, HomeGoods,

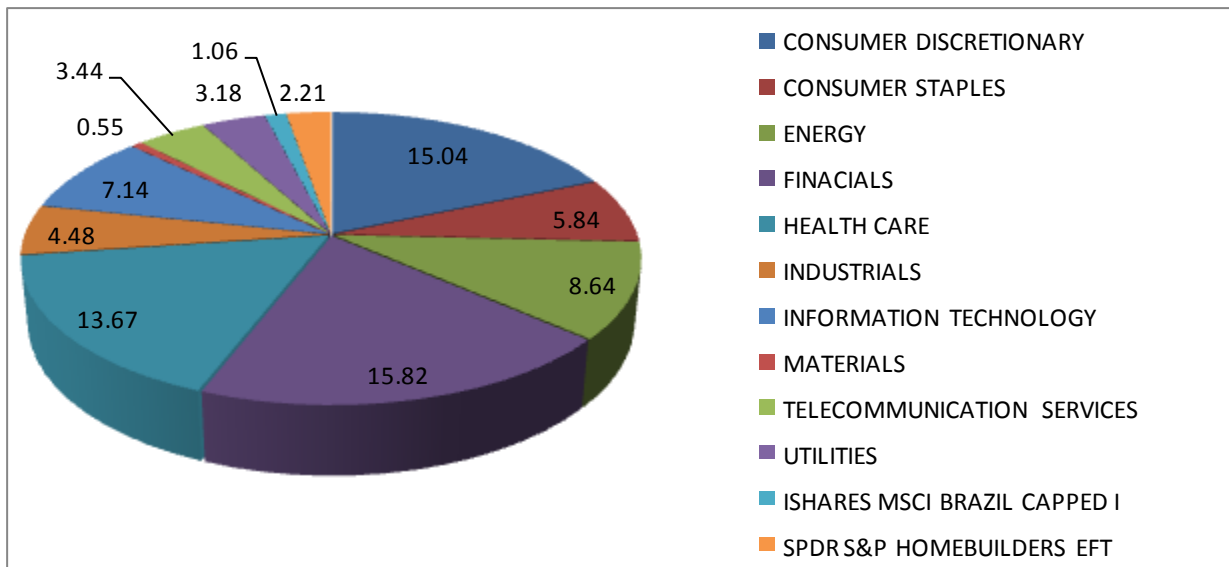
HomeSense, and T.K. Maxx. With a market cap just above \$30 billion, TJX shares yield a 1.1% dividend. The buy recommendation was made mostly on the basis of fit to the portfolio, as the consumer discretionary sector consisted of only 5% of holdings in retail stocks. Prior to the 2012 holiday sales season, it was determined that a

strong retail stock would add value to the portfolio. TJX has seen increases in revenue, operating income, net income, dividends, and EPS on a year to year basis since 2005. Strong financial performance has been trickling down to shareholders, who have seen dividends and

stock repurchases increase consistently. The future of TJX also looked promising to fund managers because the company plans on making an entry into the e-commerce market to add to its dominant market share and push sales even higher.



Portfolio Allocation		
Cash	\$ 25,348	9.87%
Fixed Income	\$ 23,242	9.05%
Equities	\$ 208,231	81.08%
Total Value	\$ 256,822	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 divi-

dividends are generally considered healthier financially than those that do not. For the portfolio, dividends are of special interest 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 is used to purchase additional securities. 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	William Shih
Dan Atlas '04	Carrie Fornal '96	Dina Margulies '93	Dina Shine '96
Bryan Batchler '98	Christopher Fornal '96	Esta Margulies '81	Robert Sichel '93
Megan Behr '95	Peter Fritz '97	Karen Martin '03	Jennifer Silvestrov '03
Tara Benstead '03	Kurt Fritzsche '98	Herbert Mayo	Peter Simons '98
Christina Bergin '02	Neil Gaston '60	Dennis McCafferty '95	Alaine Sine '91
Amanda Bjornsund '06	Jacqueline Gatesman '04	Dana McCarthy '91	Rachel Sitta '02
John Blaney '97	Colleen Geoghan '02	Kimberly McKee '02	Alan Smith '97
Marcy Bloodgood '00	Holly Geronimo '06	Thomas Meisner '91	Sharon Soehnel '96
Christopher Botsakos '08	Andrew Girman '01	Matthew Monaco '06	Anthony Spera '88
Matthew Boyle '99	Brian Glenn '02	Curt Monday '01	Kevin Sporer '06
Louise Brine '85	Sylvia Gomez-Sichel '96	Dennis Morgan '94	William Stephenson '93
Michael Brost '06	Jennifer Graf '96	Gilbert Moscatello '97	Steven Stern
Andrew Budres '92	Danielle Guille '90	Michael Movsovich '86	Eric Szabo '97
Diane Burroughs '93	Renee Hansen '03	Carlo Mule '03	William Szafranski '92
Reginald Burroughs '86	Joseph Hassan '99	Shane Mullin '09	Stephen Szurek '01
Roosevelt Butler	Franklin Heiner	David Nader '85	Ikumi Takada '97
Antonio Calello '01	Kevin Hickey '04	Joao Neves	Kenneth Topolewski '96
Philip Campbell '01	Sidney Hofing	Michael Nolfo '02	Daniel Trolaro '98
Christine Carapucci '97	Gregg Hollmann '93	Brian Nugent '86	Matthew Turner '11
Michael Carapucci '95	Jennifer Ingham '98	Matthew O'Grady '95	Jack Uong '02
Sony Chacko '02	Tejal Joshi '01	Brian O'Reilly '00	Joseph Valvo '94
Loretta Chong '01	Michael Kaplan '04	Michael Paladino '94	Leon Van Horn '03
Paul Cincotta '88	Jon Karcsh '94	Patricia Paladino '94	Alison VanCamp '01
Michael Coppola '02	Darrel Kasper '93	Tina Parlapiano '89	Donald Vandegrift
Christine Corrado '06	Asad Kazim '00	Devin Pavel '05	Bruce VanDusen
Beth Coyle '85	Leo Kelly '97	Philip Pellegrino '98	Joseph Vas '01
Jeff Cozzetto '04	Colleen Kelly '96	Samuel Peltz '97	Steven Viola
Robert Czesak '03	Gretchen Kelly '86	Lee Philbrick '98	Nikolas Vrettos '04
Daniel Daly '04	Joanne Kerekes Wetherill	Daniel Pickering '05	Rosemary Wagner '89
Anthony D'Amico '02	Kristofer Kerekes '01	Jason Pikul '96	Kelly Waldron '01
Daniel D'Amico '03	John Kimball '93	David Prenskey	Mary Jane Warznak '86
Jennifer D'Amico '01	Stephen Klimas '93	Susan Priore '03	John Wauters '91
Renee Dann '03	Oberon Knapp '97	David Puskar '93	Bryan Weigly '03
Drew De Luca '06	Michael Kohri '02	Alfred Quinton	Richard Williams '97
Allison DeLay '02	Ron Krauskopf '03	Kendra Reichenbach '97	Melissa Winkowski '98
John Delesio '00	Jason Krom '02	Michael Renegar '89	Loretta Wise '91
Nina DeRosa '96	Bryan Latham '05	John Riccardi '93	Michael Wood '00
Gregory Desalvo '93	Michael Lavelle '06	Ryan Roffina '03	Diane Woodside '80
Paul DiLouie '85	Christina Leonetti '03	Tracey Rogers '94	George Wunder '94
Laura Dockery '06	Timothy Lepore '98	Vanessa Rogers '03	Nashira Wynn '01
Robert Dreeke '96	Bozena Leven	Lisa Ryer '96	Sean Yates '91
Rosemary Ewing	Shirley Leyland '75	Subarna Samanta	Virginia Zmuda '88
John Fekete '94	Shannon Lingerfield '99	Danielle Santiago '92	Matthew Zonies '07
Patrick Fiduccia '02	Gregory Lofgren '97	Gregory Schell '02	

Portfolio Management Team



Portfolio Management Team Spring 2013

Seated Left to Right: Michael Habibian, Gina Holzheimer, Katherine Rochelle, Robert Sanchez, Charles Gutch
 Standing Left to Right: Steven Leming, Julio Alorro, Robert Bruder, Robert Chrisomalis, Patrick Chirchirillo, Jonathan Boise, Renner Rachel

Not Pictured: Gregory Baroni

THE STUDENT INVESTMENT FUND

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