This fall marks the start of SMIF’s fifth anniversary, and the year has presented us with a number of opportunities and challenges.

In October, we visited Brad Thompson, Chief Investment Officer at Stadion Capital, a local asset manager. Brad walked us through Stadion’s unique strategy and then answered a number of questions from the club members. It proved to be an interesting visit that exposed the club to the methods and strategies of a professional asset manager.

Shortly thereafter, we visited Grant Jaax and his colleagues at Morgan Stanley Private Wealth Management in Buckhead. Grant walked us through what he does at Morgan Stanley as well as a number of different opportunities that finance students can pursue after college.

Our final corporate visit of the year occurred in November. Darren Devore and Ellen Green, of Artisan Partners, were kind enough to pay us a visit in Athens. Darren and Ellen spoke to us about their careers in finance, some of the potential career paths for finance students, and about their firm. The event was a great cap to semester.

One of the chief goals that my fellow officers and I set for ourselves this year was to increase the educational opportunities for members. To that end, we, in conjunction with the Terry College and the Corsair Society, invited Wall Street Prep to hold a weekend seminar on financial modeling. Over 40 students attended the session in which they built a fully functioning financial model from scratch. The event proved to be such a success that we are looking to hold similar events in the future.

We have received a couple of donations over the past semester, and I would like to take the opportunity to thank these benefactors for their generous contributions. Todd Bitzer contributed an additional $5000 while Dr. Annette Poulsen and Dr. Jeff Netter contributed $1000. Contributions like these help our organization grow and we sincerely appreciate the generosity.

In terms of fund performance, the year has largely been a success. The markets have certainly been difficult over the past semester, but we have modestly outperformed our benchmark over the time period. I would attribute our success to smart asset allocation and an overall increase in the quality of stock picks. The club members have done a great job choosing good companies that are attractively positioned given the current market conditions.
As of December 30th 2011, SMIF’s assets under management are valued at $160,340. The funds are invested in: 25 Stocks (70.27%); 6 Sector ETF’s (15.31%; SPY (12.76%); and Cash (1.67%). This semester, measured since August 19th 2011, SMIF is up 13.45% which is better than the S&P500 (as measured by SPY) by 1.49% and better than IWD by 0.48%. SMIF also recorded a higher Sharpe ratio than both benchmarks over the semester.

### Asset Allocation Team
This semester’s asset allocation team met roughly once a month to discuss strategic portfolio weighting by sector after discussing the outlook for the macroeconomy. The general consensus among the sector leaders was that due to the uncertainty in Europe with sovereign debt coupled with political uncertainty in the U.S., SMIF decided to go after a more conservative approach. The sector leaders reached a general consensus that uncertainty in Europe and the U.S. over sovereign debt concerns would lead to a continued overhang in the market, and thus decided to take a more conservative approach. Sector leaders agreed to defensively position the portfolio by overweighting historically lower beta sectors and underweighting historically higher beta sectors. This led to Consumer Staples, Healthcare, Telecommunications, and Utilities being overweight relative to S&P 500 weights; Energy, Financials, Industrials, and Information Technology being underweight; and Consumer Discretionary and Materials remaining neutral. Throughout the semester, sector leaders also began putting more emphasis on dividend yield when pitching stocks. This conservative approach also contributed to SMIF’s positive performance over the semester.

### TABLE 1

<table>
<thead>
<tr>
<th>RETURNS (SMIF vs. Benchmark): Dec 30, 2011</th>
<th>RETURN since inception</th>
<th>RETURN YTD</th>
<th>RETURNS (since 19 Aug 2011)</th>
<th>SHARPE ratios (since 19 Aug 2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMIF</td>
<td>-3.24%</td>
<td>2.18%</td>
<td>13.45%</td>
<td>1.294</td>
</tr>
<tr>
<td>SPY</td>
<td>-1.61%</td>
<td>1.68%</td>
<td>11.96%</td>
<td>1.115</td>
</tr>
<tr>
<td>SMIF - SPY</td>
<td>-1.62%</td>
<td>0.50%</td>
<td>1.49%</td>
<td></td>
</tr>
<tr>
<td>IWD</td>
<td>-4.12%</td>
<td>0.12%</td>
<td>12.97%</td>
<td>1.164</td>
</tr>
<tr>
<td>SMIF - IWD</td>
<td>0.88%</td>
<td>2.06%</td>
<td>0.48%</td>
<td></td>
</tr>
</tbody>
</table>

NOTE: * ‘Return since inception’ is annualized (AER, Annual Effective interest Rate)  
NOTE: ** Returns ‘since 20 May 2011’ selected to measure semester-long performance

The fund finished the year with an estimated CAPM beta of .94, a dividend yield of 2.38%, and a weighted average P/E ratio of 13.01x. The P/B ratio for SMIF is shown as much higher than the benchmarks because of one stock (DISH) which carries a P/B ratio of over 100. Without that stock, the portfolio average is 3.14. For SMIF and benchmark characteristics look at table 2. For SMIF top 5 Holdings, please refer to table 3.

SMIF’s success this semester compared to both benchmarks can be attributed to diligent stock selection and tactical sector allocation. SMIF started out differently this semester relative to past years. Last semester each sector was instructed to pick no more than two stocks to hold throughout the summer while the rest of the holdings were liquidated and the proceeds invested in SPY. Once the semester began and students started to pitch stocks, SMIF would finance the transactions by selling out of the SPY position. SMIF began to get out of its majority position in SPY in early September and SPY’s 4Q bottom was at the beginning of October.

### TABLE 2

<table>
<thead>
<tr>
<th></th>
<th>SMIF</th>
<th>S&amp;P 500</th>
<th>IWD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Cap (B)</td>
<td>66.64</td>
<td>98.03</td>
<td>66.21</td>
</tr>
<tr>
<td>Beta</td>
<td>0.94</td>
<td>1</td>
<td>1.03</td>
</tr>
<tr>
<td>P/E</td>
<td>13.01</td>
<td>14.18</td>
<td>14.97</td>
</tr>
<tr>
<td>P/B*</td>
<td>8.59</td>
<td>2.1</td>
<td>1.91</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>2.38%</td>
<td>1.96%</td>
<td>2.19%</td>
</tr>
<tr>
<td>ROE</td>
<td>22.74%</td>
<td>26.49%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Metrics are weighted averages

Technology being underweight; and Consumer Discretionary and Materials remaining neutral. Throughout the semester, sector leaders also began putting more emphasis on dividend yield when pitching stocks. This conservative approach also contributed to SMIF’s positive performance over the semester.

### TABLE 3

<table>
<thead>
<tr>
<th>Stocks</th>
<th>Ticker</th>
<th># of Shares</th>
<th>Last Price per Share</th>
<th>Market Value total</th>
<th>$ Cap Gain/Loss</th>
<th>% Cap Gain</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACE LTD</td>
<td>ACE</td>
<td>100.00</td>
<td>$70.12</td>
<td>$7,012.00</td>
<td>$1,435.00</td>
<td>25.73%</td>
<td>0.69</td>
</tr>
<tr>
<td>APPLE INC</td>
<td>AAPL</td>
<td>17.00</td>
<td>$405.00</td>
<td>$6,885.00</td>
<td>$256.70</td>
<td>3.87%</td>
<td>1.07</td>
</tr>
<tr>
<td>INTEL CORP</td>
<td>INTC</td>
<td>280.00</td>
<td>$24.25</td>
<td>$6,790.00</td>
<td>$828.80</td>
<td>13.90%</td>
<td>0.59</td>
</tr>
<tr>
<td>WAL-MART STORES INC</td>
<td>WMT</td>
<td>110.00</td>
<td>$59.76</td>
<td>$6,573.60</td>
<td>$821.70</td>
<td>14.29%</td>
<td>0.37</td>
</tr>
<tr>
<td>AMGEN INC</td>
<td>AMGN</td>
<td>100.00</td>
<td>$64.21</td>
<td>$6,421.00</td>
<td>$1,005.00</td>
<td>18.56%</td>
<td>0.49</td>
</tr>
</tbody>
</table>
As the Terry Student Managed Investment Fund enters its fifth year of existence, we have begun implementing a number of changes to facilitate the growth of the program. We are at a key inflection point, as increased student interest coupled with a continually growing alumni base should serve as two catalysts to our improvement moving forward. To promote this growth, we have identified two areas where we believe changes would provide the greatest opportunities for improvement: training and alumni outreach.

Training
In October, SMIF, along with the Terry College, invited Wall Street Prep to hold an intensive financial modeling and valuation seminar. Many SMIF students participated in the seminar conducted by one of the leading financial training organizations. The weekend-long program provided participants with the knowledge and tools used by industry professionals, and will serve as a competitive advantage for SMIF students as they pursue employment.

To promote overall market awareness, we have begun creating weekly market updates. Each sector sends a brief description of the news from the previous week that affected their sector’s holdings to the portfolio manager. The portfolio manager then compiles this commentary into a market update that is then distributed to the class.

Finally, throughout the spring semester the officers and class will be developing a crash course in investing essentials that will be implemented by next year’s members at the start of the fall 2012 semester. The goal will be to establish a baseline of investing knowledge that focuses on the key metrics and methodologies that our fund uses.

Alumni Outreach
With an alumni base that has recently topped 100 members, a significant effort is being made to increase alumni involvement. Currently, our main interaction comes in the form of corporate visits. Moving forward, we plan to initiate a sector mentor program. This program would connect current SMIF students with alumni who work in an analogous field. Sector mentors would serve as a conduit for professional advice on industry news, valuation, and trends.

To facilitate our alumni outreach, we have rebuilt a SMIF alumni database and are continuing to fill-in details and update with new data. Please reach out to me with your career updates. We would love to hear where you are, what you are currently doing, and talk about ways you can get involved with the SMIF program in the future.

The past five years have proven SMIF to be a great success and we think these changes will contribute to its continued growth. As a graduating senior, I am extremely thankful to have been involved with the SMIF program, and am excited to see where it will be in the future.

SMIF OFFICERS:
President
John Seewoester
Vice President
Thomas Cavalaris
Portfolio Manager
Michael Scruggs

BOARD OF TRUSTEES:
Darren DeVore
Ellen Green
Todd Bitzer
Walt Green
Andy McGhee
Dr. Matt Blasko
Dr. Jeff Netter
Dr. Paul Irvine

IMPORTANT DATES:
February 16
SMIF Presents to UGA Foundation
February 29
Bloomberg Training Seminar
March 9
Rising Seniors’ Applications Due
March 28-31
GAME II Forum
April 4
Tim Chapman Speaks to Class
April 6
Rising Juniors’ Applications Due
April 28
Terry College of Business Gala
This past semester has been an exciting one in the life of the Student Managed Investment Fund. The fund is turning five, and this occasion has caused my fellow officers and I to reflect on the program’s successes, failures, and the opportunities those failures offer for growth. We felt that the best way to gauge this was to ask our fellow members directly. We held a very productive open floor discussion with the class last December and came to a number of conclusions.

One of the most common comments among junior members is that they spend the first semester just struggling to catch up to the more senior members in market and investing know-how. While a certain degree of learning curve is to be expected, we can do more to lessen the slope. To that end, we have or are planning on implementing a number of changes. In the short term, we have worked with the Terry College and other finance clubs to bring training seminars on campus and started producing a weekly market update for the class. Longer term, we plan to develop an investing crash course that senior members of the club will lead at the outset of the fall semester to help new members hit the ground running.

The other common refrain was a desire for greater interaction with the alumni and industry professionals. The fund has over one hundred alumni, not to mention the multiples of this number in the investing community who attended UGA, and yet we rarely interact except for a few corporate visits a semester. We plan to address this through a sector mentor program. Each sector group would have a mentor with experience in the group’s industry that would be available for advice and commentary on the nuances of that industry. Additionally, in order to facilitate a broader outreach to alumni, we have compiled a SMIF alumni database. Thomas discusses all of the upcoming changes in greater detail in his letter on page 4 of this newsletter.

The Student Managed Investment Fund has quickly become one of the premier opportunities for students at UGA interested in finance, but there is still room for growth. If you are interested in serving as a sector mentor, speaking with the group, or are just looking for a way to help SMIF, please feel free to reach out to me at any time. We also welcome any comment or suggestion – SMIF is a joint exercise and we are always looking for ways to improve.