



Introduction

The Investment Analysis Group (IAG) is the premier investment club at New York University's Stern School of Business, Undergraduate College. With our regular weekly meetings, workshops, speaker events, recruiting events, field trips and stockmarket game, IAG is certainly one of the most active organizations in the school. Although we have a finance and investment focus, with one of our primary goals being consistently managing portfolios that beat the S&P 500 Index, we offer students a wide array of experiences through our diverse assortment of events. IAG members not only get a chance to learn about investing in stocks, but they also have the opportunity to broaden their horizons by making presentations, being exposed to different research and investment techniques as well as meeting other students and making good friends.

During the meetings held every Friday during the semester, students are encouraged to discuss different issues related to a particular company, or even to the broad market trends and macroeconomic conditions. Young members are given the opportunity to interact with older members who have greater knowledge of different tools and financial analysis of companies. However, more often than not, there are many new young members who often know more about particular stocks and industries. The best example is reflected in our Stockmarket Game, where our top team for the past two semesters have been led by freshmen.

In the past year, IAG has also been gaining its fair share of publicity, being featured on both CNN's In the Money and ABC Money Talks. Although we are often contacted by other schools and praised for our website and what we do as a club, this is the first time in the club's history where we have been recognized on such a scale. Not only that, we were also the top ranked college group in the nation participating in the Investment Challenge Competition for Fall 1999.

But most importantly, attendance at our meetings have been steadily increasing and are at record levels. The quality of presentations as well as the diverse group of students making this effort are also on the rise, and this is very important for the group going into the future.

Looking ahead, I see another fantastic semester for the group where we will beat the S&P 500 Index again and have a lot of fun at the same time!



- Chris Lau, IAG President



About IAG

OVERVIEW

Originally founded as the Market Surfers in 1996, our founders were just a casual group of students interested in the stockmarket. However, during the summer of 1997, a few ambitious stockmarket enthusiasts led by, then a junior, Wei Lin completely transformed the club. The Market Surfers became the Investment Analysis Group. We began our regular weekly meetings on Fridays from 6:00 – 7:30pm, from the first Friday of the semester to the last. (IAG is the only club at Stern to meet consistently on a weekly basis.) We also began our series of Financial Workshops to expose our members (especially younger students in the school who have not taken Finance or Accounting classes) to basic Accounting and Financial concepts and terminology as well as tools and techniques. In 1998, we were awarded the Best Club and Most Improved Stern Club Awards by the Dean’s Office – the only two awards presented to Stern clubs every year.

In January 1999, we were further recognized by the Dean as we “officially” began competing against Vanguard’s S&P 500 Index Fund. We would be evaluated on a per semester basis and be presented with a cash award based on each percentage point we perform above the index. Not only that, during the same semester, we officially began our Stockmarket Game on Investment Challenge. In November, we were proud to be featured on CNN’s In the Money. But that’s not all, because in December we were awarded the Investment Challenge Champion Award for Fall 1999 as we were the top-performing college group participant nationwide.

WEEKLY MEETINGS

Our group meets on Fridays from 6:00 – 7:30pm almost every week during the semester, with the exception of major public or school holidays such as Thanksgiving or Spring Break. We meet in Rm. 200, Tisch Hall, 40 West 4th St.

There is generally a stock presentation, followed by a discussion of the stockmarket game as well as other club issues. We will often discuss recent market happenings or any topic related

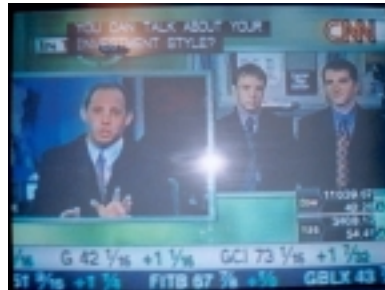


with the stockmarket or economy that is raised during the meeting that may arise from a stock presentation or from a prominent headline in the news.

Attendance generally varies from about 30 – 60 students depending on the stock being presented and the time of year. In the past, we have had visiting students from other schools such as Columbia University, St. John’s University, Fordham University and Northeastern University, which would bolster the attendance. However, there is normally a lively discussion especially when there is an interesting issue or concept raised by the particular stock presentation.

<http://www.stern.nyu.edu/~iag>

IAG ON TV



Alex and Gabriel on CNN

This year has been a fascinating year for IAG with regards to TV publicity. In November, CNN In The Money attended one of our regular meetings. Then, on the day we were featured, President Alex Atzberger and Portfolio Manager Gabriel Petcu were interviewed live on campus. In February of this year, Chris Lau and Neha Yajnik were invited to appear on ABC's Money Talks. During the show, they were asked to comment on some of IAG's picks and introduce the ALLSTAR and INITIATIVE Portfolios. Money Talks also invited Mr. Scott Blier, Chief Investment Strategist at Prime Charter Securities. This was a great opportunity as both Chris and Neha were able to exchange ideas with Mr. Blier and receive some invaluable information about investing.

In April, IAG made its first "international appearance." On April 17th, ARD, the largest German TV network visited Stern and interviewed Chris Lau, Sreesha Vaman, and member Fletcher Leung. This was in response to the tumultuous weeks for the NASDAQ in April. ARD wanted to show its TV audience in Germany the feelings/thoughts of student investors. We are very proud that they chose students from the Investment Analysis Group.



Chris and Neha on ABC



ARD interview

ACTIVITIES



IAG Dinner Event

Although the main focus of IAG is managing the ALLSTAR and INITIATIVE Portfolios, holding regular weekly meetings and organizing workshops, as a Stern Undergraduate Club, we try hard to foster a sense of camaraderie amongst the students.

During the Fall semester, IAG helped fund a paintball trip to Skirmish, Pennsylvania. This trip brought together four Stern clubs: the Accounting Society, the Entrepreneurial Exchange Group, IAG, and the Information Systems Society.



Two Portfolio Managers at War

IAG's funding was awarded by Dean Choi as a result of our outperforming the S&P 500 Index during Spring 1999.

Occasionally, IAG also organizes dinners, where members can interact with each other outside of the school environment. In the past, many members have become really good friends as a result of meeting weekly during IAG and going out afterwards on Friday nights.

MEETING WITH JOHN BOGLE



On February 16th, members of IAG were extremely fortunate to have an opportunity to meet with Mr. John Bogle, Founder of the Vanguard Group of Companies, the record largest mutual fund manager in the U.S. During the informal session, members were allowed to get up and close to one of the greatest celebrities in the field of finance. IAG members were very impressed with Mr. Bogle's modesty and manner. We also learned immensely from Mr. Bogle with regards to investing for the long term.



AllSTAR Fund Performance

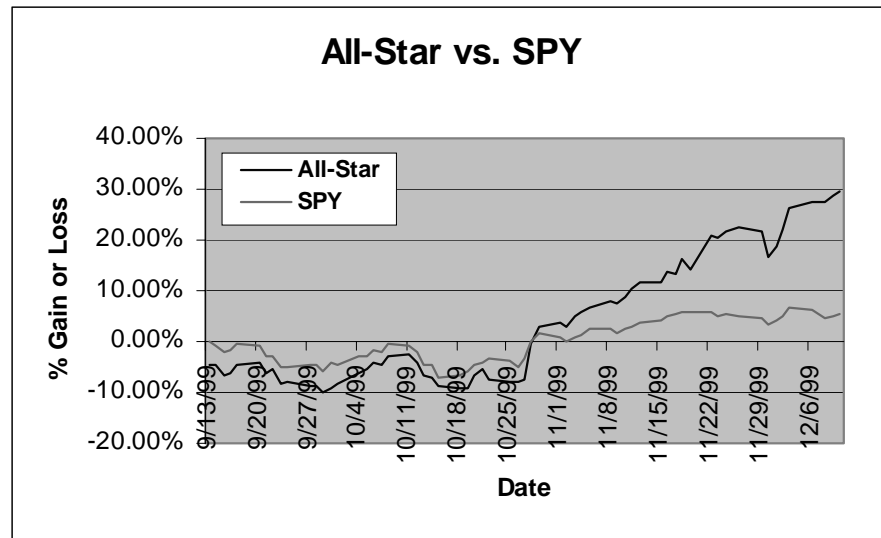
Fall 1999

(9/13/99 – 12/10/99)

Allstar: 29.79%

SPY: 5.41%

Rating: **OUTPERFORM**



Specific Holdings Performance

Broadvision: 145.43%
America Online: 103.61%
Sun Microsystems: 91.10%
Nokia: 88.63%
Oracle: 84.97%
Cisco: 41.20%
Chemdex: 40.59%
Broadcom: 35.76%
Lucent Technologies: 20.64%
E-Trade: 3.27%
Microsoft: 0.00%
Intel: -9.93%
Dell Computer: -13.19%



ALLSTAR Fund

FUND MANAGER (FALL 1999 – PRESENT): GABRIEL PETCU

IAG manages two portfolios, the All-Star and Initiative Funds, which compete not only against each other but also against the S&P 500 Index. In selecting stocks for IAG's two portfolios, the main investment objective is to beat the general market as represented by the S&P 500. This index is the benchmark used by most professional money managers to gauge the performance of their portfolios. Whereas most professionals fail to beat the S&P 500 Index, we have consistently outperformed it. Thus, through our hard work and dedication, IAG has routinely outperformed most professional money managers working on Wall Street today.

Although the two portfolios share the same investment objective, they differ in terms of the strategies that our fund managers and analysts use when selecting stocks. The All-Star Fund focuses on the high tech stocks commonly found in the Nasdaq Composite. Consisting of such well-known companies as Broadcom, Qualcomm, and Broadvision, this portfolio concentrates on companies with strong growth potentials. We usually employ the techniques of relative analysis when evaluating stocks for this portfolio, commonly comparing price to book ratios and market capitalization figures. Right now, the market is focusing on Internet and technology related stocks, which are reaping the greatest rewards in relatively short periods of time. Thus recently, a great deal of our attention has been focused on in these areas and this portfolio.

CURRENT HOLDINGS:

America Online
Broadcom Corp.
Broadvision
Citigroup
Cisco Systems
Dell Computer
Donaldson, Lufkin and Jenrette
Ebay Inc.
Exodus Communications
Microsoft Corp.
Nokia Corp.
Oracle Corp.
Qwest Communications
Qualcomm
Sun Microsystems



Gabriel presents: eBay

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INITIATIVE Fund Performance

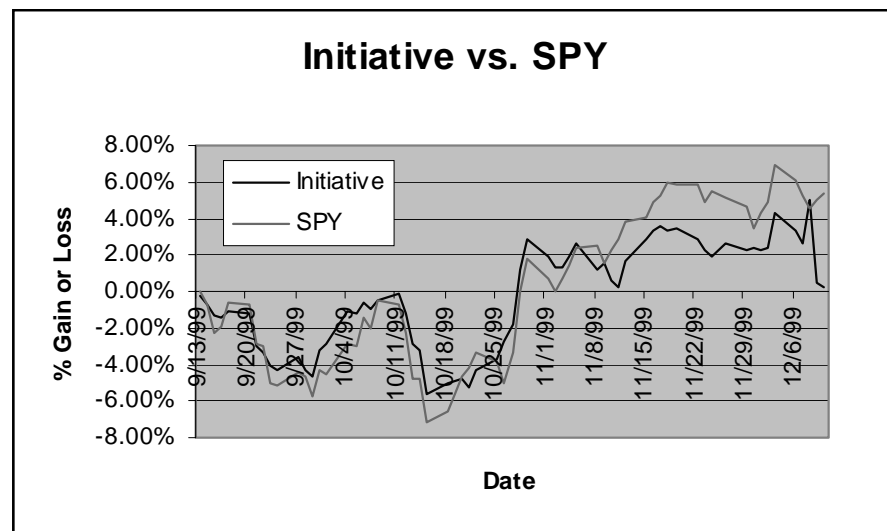
Fall 1999

(9/13/99 – 12/10/99)

Initiative: 0.22%

SPY: 5.41%

Rating: UNDERPERFORM



Specific Holdings Performance

Telephone and Data Systems: 66.64%

Abercrombie and Fitch: 27.57%

Bebe Stores: 19.70%

Texas Industries: 14.55%

Merrill Corp.: 8.80%

H&R Block: 3.59%

Johnson & Johnson: 3.46%

USG Corp.: -6.13%

Washington Mutual: -15.09%

US Industries: -18.23%

Nike: -21.48%

Department 56: -26.64%

Polaroid: -41.08%



INITIATIVE Fund

FUND MANAGER (FALL 1999 – PRESENT): DAREN TAYLOR

Although the media and much of the general public is intoxicated by the allure of volatile, high tech stocks, IAG has not left the traditional methods of investing behind. Instead, the Initiative Fund takes a more conservative, value-oriented approach when evaluating stocks for purchase. The Initiative Fund maintains positions in companies such as H & R Block, Lear Corp., USG Corp. and Washington Mutual.

The guiding strategy behind the Initiative Fund is to search for financially solid companies with solid growth prospects that are undervalued. The Discounted Cash Flow Method is a primary tool of analysis when recommending stocks for inclusion in this portfolio. Right now, the market is often not looking at these mature, “boring” companies that this investment approach favors, which accounts for the recent underperformance of such companies in the S&P 500 Index. Nevertheless, we will continue to track stocks for this portfolio in order to learn and apply core financial concepts, in the meantime teaching them to younger members. Also, we want to have a more balanced approach when it comes to investing. When the day comes for the market to look at “real” earnings once more, we see immense value to be unleashed from this portfolio. Furthermore, if we are in a bubble and it bursts we will all need to return to the traditional methods that have guided investors for so many years. IAG has certainly not forgotten them.

CURRENT HOLDINGS:

Dun & Bradstreet
H & R Block
Lear Corp.
Lucent Technologies
Mattel Inc.
Media General
National Data Corp.
Nike Inc
Payless Shoes
Reynolds & Reynolds
Sterling Commerce
Telephone & Data Systems
Texas Industries
USG Corp.
US Industries
Visx Inc.
Washington Mutual

<http://www.stern.nyu.edu/~iag>



Workshops

A few Sundays each semester, the more experienced and senior members of our group donate their time to the IAG Analyst Workshop to expose underclassmen to various topics and concepts studied in the latter years of the Stern business curriculum. This unique component of IAG gives its younger members insight into both the quantitative and qualitative components of a complete company analysis.

In Workshop I, key accounting and financial terminology is introduced. Students are also introduced to concepts such as Time Value of Money, Risk-Reward Theory and given a broad overview of the stockmarket.

Topics discussed include:

- Time Horizon and Time Value of Money
- Risk versus Reward: Concept of Required Rate of Return
- Concept of stocks and their marketplace
- Financial Statements – Balance Sheet, Income and Cash Flow Statements and their components
- Important Financial Ratios

Corporate financial statements are often the most useful means when reviewing a company's potential and performing an analysis. A good portion of this session is spent examining why they are used, who uses them, and most importantly how they are used.

Workshop II extends deeper into the meanings of these ratios and many more in detail. This workshop discusses more on the academic financial concepts and tools as well as real-life models, focusing on valuation.

- Further Analysis of Financial Ratios
- Discounted Cash Flow Approach and Net Present Value Concept
- Free Cash Flow and Dividend Discount Models
- Relative Valuation Methods

These are just a few formulas discussed during the workshop. Knowing these formulas give members, who have not taken corporate finance courses, the ability to read balance sheets, income statements, and cash flow statements and understand them. These are crucial in determining the value of a stock.

The information acquired during these workshops allows for a better understanding of the field of finance. The Financial Workshops mark IAG as a productive learning environment. After the completion of the series of IAG Workshops, weekly stock presentations, financial statements, The Wall Street Journal, and other financial and economic literature become more comprehensible and useful to all IAG members, especially those who are not necessarily a finance or accounting major or those who are new to the school and have yet to be exposed to those concepts.



Stock Market Game

The Investment Analysis Group consistently supplements the learning process that occurs in the meetings with hands on experience outside the classroom. Our Stockmarket Game is an excellent tool for strengthening the concepts that are introduced at our weekly meetings. Every semester, IAG members as well as hundreds of students around the country participate in the Investment Challenge sponsored by TD Waterhouse. In this challenge, each student or a team of students is given \$500,000 of virtual money to invest in an Internet account. Each team has two months to invest in stocks and options in order to achieve a superior return.

This provides student members with an added dimension as IAG portfolios strictly deal with stocks and only hold long positions. The Challenge allows students to experiment with short-selling, day-trading and options trading – all skills crucial in providing an all-rounded stockmarket investment experience.

An Investment Challenge account is similar to an online trading account because it provides many resources that students can use to research their investments. The incentives for us, aside from the tremendous learning experience, is recognition. IAG competes as a group for national rewards (prizes). Last semester, the Investment Analysis Group was awarded the Investment Challenge Champions Award because we had the highest return, on a national scale, for college groups participating in the game. The individual team from IAG that won the challenge last semester more than doubled their investment – making over a 100% return. Furthermore, many of our individual groups ended up in the top fifty spots in the national ranking and 95% of our groups finished with positive returns.



Weekly Reports

MARKET REPORT

IAG keeps members updated on important news and events in a weekly publication – our Market Report. This publication helps members keep abreast of the current news and corporate news related to companies in our portfolios. In addition, each week we focus in-depth on a particular company. Sometimes the company is chosen for its high level of activity during the week. Other times, a company is chosen randomly, in an effort to spur research and presentation ideas.

Another section of the market report is the summary of important events. Because of the increased access to information, most people are never able to review every single piece of market-related news. The Market Report tries to provide a summary for the most important and interesting events of the week, be it earnings reports, mergers and acquisitions, or the likes.

IAG plans to extend the reach of the Weekly Market Report by publishing it on our website. We are also encouraging members to post their own ideas and thoughts in the report; this way, even shy members can have a forum in which their valuable opinions can be heard.

IPO REPORT

With the emergence of new technologies in this ‘New Economy’, Wall Street’s biggest financial firms are taking numerous new companies public nearly everyday. In order to keep our members up-to-date with the latest news, we have created a new initiative this semester called the IPO Weekly Report. It contains a list of all the IPOs for a given week, a short summary of each company, and a “Feature of the Week”. This feature includes a detailed company description, finances, management, and all available information for the company. After the week, this report can then be analyzed to see which companies succeeded, which did not, and the reasons for such outcomes.



IAG Officers (1999-2000)

President	Chris Lau
External VP	Sreesha Vaman
Internal VP	Edmond Song
ALLSTAR Portfolio Manager	Gabriel Petcu
INITIATIVE Portfolio Manager	Daren Taylor
Secretary	Michael Sellitto
Treasurer	Jonathan Teitel
Market Report Editor	Joshua Li Ambrose Tong
Recruiting Officer	Hannah Huang
Media & Publications	Suzanne Romano Kirt Rosenbaum Neha Yajnik
Co-President (Fall 1999)	Alexander Atzberger
Faculty Advisors	Professor Richard Levich Professor Rita Maldonado-Bear



From Left: Michael Sellitto, Hannah Huang, Chris Lau, Alex Atzberger, Sreesha Vaman, Edmond Song, Gabriel Petcu