

The Educated Investor

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Welcome to the Revamped Educated Investor

The members of MPSIF created *The Educated Investor* newsletter as a vehicle to keep students, alumni, and other members of the investment management community apprised of our progress as an organization. The newsletter enables those interested in keeping track of our fund's activities and the investment strategies that we employ over the course of the year.

The Educated Investor will include a summary of our performance, tracking returns on both an absolute basis as well as relative to our benchmarks. In addition we will feature our best and worst performing securities of each month and our recent transaction history. In upcoming months, we will also include monthly columns that discuss a wide range of topics including, but not limited to:

PM Spotlight: A commentary on the performance of our top performing fund for the month

Economic Outlook: A discussion on MPSIF's views on the economy from our fund economists

MPSIF Recap: A summary of speakers, classroom discussions, and events that took place during the month

We hope that *The Educated Investor* provides our audience with insight into the activities of the Michael Price Student Investment Fund while also offering commentary that is insightful to the investment community.

Letter from the Faculty Advisor

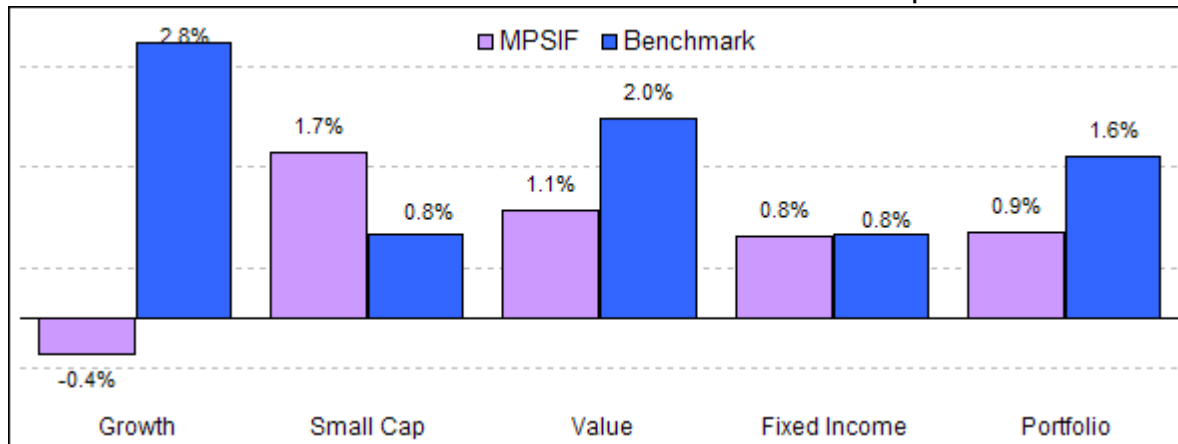
by Professor Richard M. Levich

On October 3, the Dow Jones finally surpassed its previous high set in January 2000. Many columnists were also remembering March 2000 when the Dow Jones had retreated slightly from its peak, but the NASDAQ hit its all-time high of 5,048 on March 10 and the S&P 500 touched its own pinnacle 1,527 on March 24. A few Stern students associate March 2000 with a more humble event. On March 1, 2000 the Michael Price Student Investment Fund opened its brokerage account with \$1.8 million and commenced trading. From that point on, the students in MPSIF have been responsible for all portfolio allocation decisions, stock screening and security analysis, buy-sell-hold decisions, and a myriad of administrative tasks required to run an endowment fund subject to outside scrutiny.

MPSIF is a course that requires students to draw on all their analytical skills *and* their presentation skills to communicate their ideas to a skeptical audience – their peers in the fund, their faculty advisors, and the fund's external Management Advisory Committee. While MPSIF offers students a laboratory to develop and enhance their financial analytic skills, the real world is hardly a controlled laboratory environment. The market is not scripted like a textbook exercise. Completely unforeseen events occur and the time path of macroeconomic and firm level events is seldom as predicted. The market is quick to judge and merciless in reacting.

Stern students enjoy this volatile environment. MPSIF offers students a truly real opportunity to develop their skills and test themselves against full-time, professional fund managers – the knowledgeable folks who act as price setters from moment to moment in the market. Since inception thru August 31, 2006, MPSIF has earned cumulative returns of 42%, considerably better than our blended benchmark. These financial returns, while impressive, ignore our students' personal growth in financial savvy and confidence when it comes to picking and pitching stocks. These are assets that will pay dividends for them well after graduation from Stern.

Fund Performance vs. Benchmark in September



Best Returns of September

Worst Returns of September

Fund	Ticker	Company	Price	Sept. Returns	Fund	Ticker	Company	Price	Sept. Returns
MPV	FSL	Freescale Semiconductor	\$38.05	23.9%	MPG/MPV	ZQK	QuikSilver	\$12.15	(13.2%)
<i>Comment: Received a \$40/share buyout offer</i>					<i>Comment: Profit decline by 78%, analyst downgrade</i>				
MPS	RURL	Rural/Metro Corp.	\$8.73	16.6%	MPV	HAL	Halliburton	\$28.45	(12.8%)
<i>Comment: Strong Q4 earnings, market growth, & cost reduction</i>					<i>Comment: Declining price of crude oil</i>				
MPS	ARO	Aeropastale	\$29.23	15.1%	MPS	BRY	Berry Petroleum	\$28.16	(9.8%)
<i>Comment: Strong same store sales during the back-to-school period</i>					<i>Comment: Declining price of crude oil</i>				
MPG	MOGN	MGI Pharma	\$17.21	13.7%	MPV	MO	Altria Group	\$76.55	(8.4%)
<i>Comment: Sales growth beat expectations</i>					<i>Comment: Court ruling on class lawsuit against "light" cigarettes</i>				
MPS	ASFI	Asta Funding	\$37.49	13.4%	MPG	ABX	Barrick Gold Corp.	\$30.72	(8.2%)
<i>Comment: Special \$0.40 dividend announced & portfolio acquisitions</i>					<i>Comment: Declining price of gold</i>				

September Purchases

Fund	Ticker	Company	Price	Value	#Shares
MPG	MA	Mastercard Inc.	\$66.75	\$19,958.3	299
MPS	YCC	Yankee Candle	27.12	20,068.8	740

September Liquidations

Fund	Ticker	Company	Price	Value	%Change
MPS	ELNK	EarthLink	\$7.19	\$7,693.3	(22.9%)
MPV	BSX	Boston Scientific	16.45	6,909.0	(44.5%)
MPV	RDN	Radian Group	60.79	16,230.9	19.8%
MPG	WFT	Weatherford International	39.50	24,016.0	21.1%
MPG	FDC	First Data Corp	39.40	19,739.4	(8.6%)
MPG	MSCC	Microsemi Corp	20.75	7,594.5	(24.7%)

A Brief Introduction to MPSIF

The Michael Price Student Investment Fund (MPSIF) is a family of funds managed directly by NYU Stern MBA students. The fund, part of the overall NYU endowment, was established in 1999 through a generous gift from Michael Price, managing partner, MFP Investors, LLC and former chairman of Franklin Mutual Series funds. MPSIF provides Stern MBA students interested in pursuing a career in asset management with hands on experience managing a real fund with significant assets. In addition, MPSIF is required to pay an annual 5% dividend to the University of Oklahoma Price School of Business, Mr. Price's undergraduate alma mater, for its students' tuition to attend summer classes at Stern.

For diversification purposes, the fund is divided into three equity funds – Growth, Value and Small Cap – and one fixed income fund. Each fund consists of approximately 12 analysts and two portfolio managers who are responsible for all fund related activities including security selection, sector allocation, and trade execution. Each fund manages approximately 25% of the total fund value and is rebalanced when necessary, as determined by MPSIF's Executive Committee. While each fund has its own performance benchmark (Russell 1000 Growth Index, Russell 1000 Value Index, Russell 2000 and the Vanguard Total Bond Index, respectively), MPSIF's primary goal is to deliver overall positive returns that exceed the rate of inflation.

At the end of FY06 (August 31, 2006), MPSIF had a combined value of approximately \$2.0 million, excluding the approximately \$562,000 in mandated distributions to the Price School since its inception. MPSIF earned a cumulative return of 42% since making its first investments in March 2000, outpacing an equally-weighted blend of the above market benchmarks.

Stern MBAs must apply to this course, and demand has always exceeded available spots. About 45 students enroll each year and are then responsible for all fund activities: screening and evaluating stocks, preparing and presenting pitches for buy and sell recommendations and strategizing on broader portfolio issues as it relates to industry sectors. The students also write a periodic newsletter, *The Educated Investor*, and prepare annual and semi-annual reports that are presented to the MPSIF Board of Advisors, Stern faculty and other parties.

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