
# Oregon State Investment Group

# 2014 Annual Report

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## Letter from the President

It has been four years since my first Oregon State Investment Group (OSIG) meeting as an Analyst in the IMEU Sector. Looking back at the past four years, I remain amazed at the significant progress this group has made during my time with this organization. I am humbled at the accomplishments that my colleagues in the group has made and their motivation and drive towards success is something that I will miss greatly as I leave Oregon State.

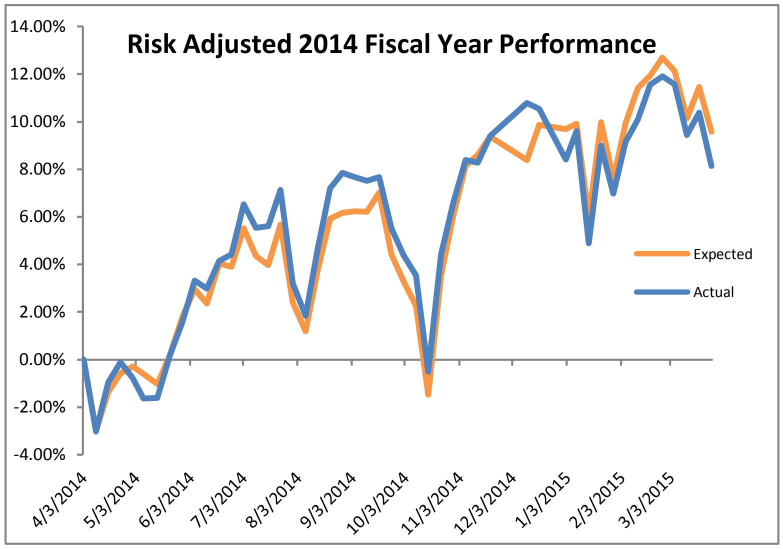
Over the year, I had the privilege of becoming the 7th President of the Oregon State Investment Group. Earlier on in the academic year, I held a strong belief that it is the passion and the intellectual curiosity that brought OSIG thus far and that it will remain a driving force behind the organization's success as a student managed fund. I continue to strongly believe in the force behind our organization's success which has led to several notable accomplishments this year, including the D.A. Davidson Fund taking first place in the competition with an impressive 36% return as well as the numerous full-time and internship positions our Analysts have been able to secure. Every moment spent with my colleagues has been an incredibly humbling experience and I leave with countless invaluable lessons that I know I would not have been able receive anywhere else. I believe I speak for the group when I state that OSIG has opened up opportunities that are beyond imaginable for its members, and its values have placed us far ahead of significant majority of our peers in the professional world. Our reputation and excellence is something that we could not have built and achieved without the efforts of our members and the support of the faculty and our sponsors.

It has been a truly enriching and valuable four years with the group and I feel honored to have been permitted a position that gave me the chance to enhance my learning experiences further during my last year at the University. I would like to thank all of the members of the Oregon State Investment Group for a wonderful year and for trusting me throughout the journey. Last but not least, I would like to thank our sponsors, the faculty, and our Advisor Professor Jimmy Yang, for all the years of support.

As I end this chapter of my life as a student, I leave with the greatest pride as a part of this organization and I believe that I am well -prepared to face what lies ahead. I am proud to be a Beaver and I am proud to be a part of the Oregon State Investment Group.

**Jessica Kim**
**Finance 15'**
**President**

## Large Cap Fund Performance – Chase Norlin, Senior




The Large Cap Portfolio was incepted in 2008, when the Oregon State Investment Group (OSIG) was given the opportunity to invest $1 million from Oregon State University's endowment fund. This fund has allowed the members of OSIG to receive one of the best, hands-on learning opportunities at Oregon State University. Originally, this fund invested in only U.S. equities, but in 2013 the management team decided to allow international equities in to the portfolio. This change to portfolio guidelines further expanded the learning opportunities within OSIG.

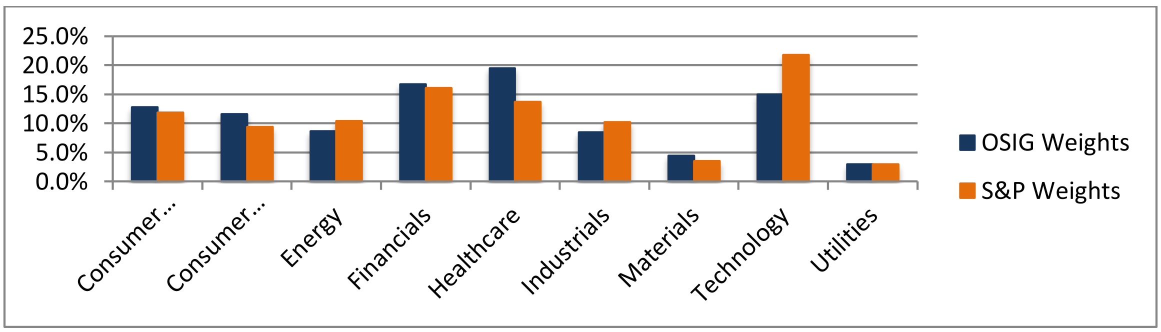
At the end of our fiscal year, March 31st, the Large Cap Fund was at a balance of $1,929,508.71. This yields an annual return of 9.10%, which underperformed our benchmark (S&P 500) by 134 basis points on an absolute basis. This negative alpha can be attributed mostly to our exposure within the oil and energy sectors.

The Large Cap Fund began and ended FY2015 with weighted betas of 1.05 and 1.22, respectively. This increase in portfolio beta throughout the year can be explained due to the addition of riskier equities that we believed could experience a favorable stock price change due to increased consumer spending and other economic factors. The sizable decline in crude oil prices directly affected multiple of our IMEU holdings, thereby increasing the inherent risk of the portfolio. Due to the buy-and –hold strategy of the Large Cap Fund, we decided to not close our positions in our holdings that experienced negative price changes from the oil price decline.

Our top two performers for FY2015 were Apple and Celgene who returned 63% and 52%, respectively. Two other notable performers for the year were Gilead and Blackstone, which returned 43% and 40%, respectively. The Large Cap Fund saw much of its growth from the biotech healthcare sector, with Gilead and Celgene comprising 10%-12% of our portfolio weighting throughout the year.

The Large Cap Fund is currently comprised of 29 equities, which meets our portfolio goal of maintaining 25-30 different holdings. Our largest holding is Gilead at 5.57% of our portfolio and our smallest holding is Chicago Bridge and Iron at 1.21% of portfolio value. Each holding is supposed to be no less than 2% and no more than 6% of portfolio value. However, with the significant drop in oil prices, we felt no need to rebalance, or realize a loss on our holdings that fell below the 2% threshold.

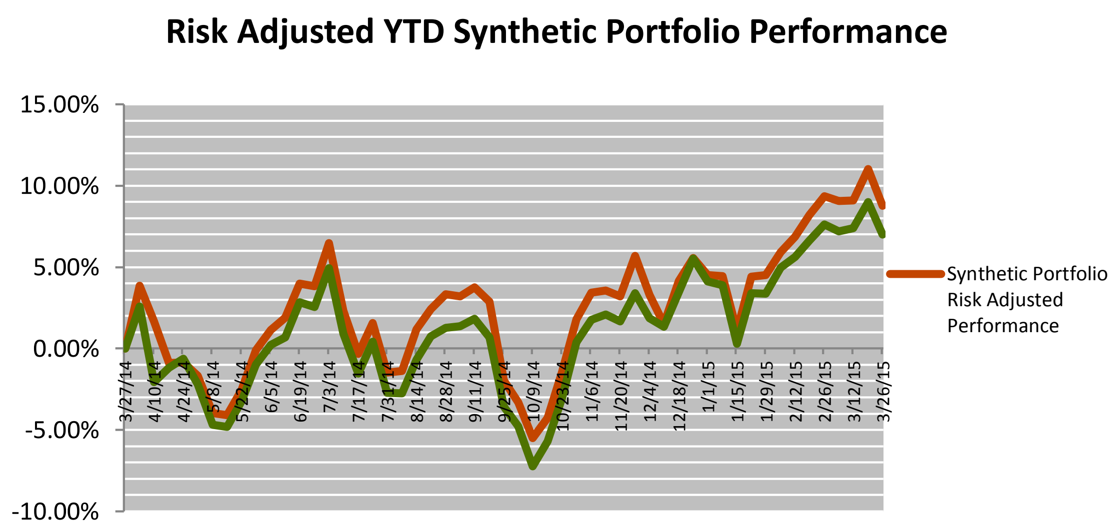
The Large Cap Fund performance in FY2015 was less than desirable for OSIG. We are currently working on ways to better our elimination of unsystematic risk within the portfolio, as well as creating value to outperform our benchmark. Going in to FY2016, I see equities as fair valued, with the company fundamentals playing a large role in seeking returns. We are moving towards a post-recessionary environment where possible rate hikes could cause a flight from debt investments to the equity markets. I am concerned about the possible continued slowdown of GDP growth in the United States, as well as the crude oil situation with regards to OPEC and Iran. OSIG will be working to develop the Large Cap Fund to minimize exposure to the areas we see the most risks within equity investing. Managing this portfolio over the past year is the best learning experience I have had at Oregon State University and I am confident the new management team will continue to better OSIG as a whole, as well as guide this fund towards greater capital returns.



## Synthetic Fund Performance – Alex Markgraff, Sophomore

The Synthetic Portfolio employs a portable alpha strategy in which we hold a Russell 2000 Index Futures Contract that provides us with exposure to the Russell 2000 Index, and a portfolio of fixed income ETFs and Mutual Funds. The Synthetic Portfolio attempts to outperform the Russell 2000 Index and generate a return greater than the cost to carry on the index futures contract through the portfolio of fixed income ETFs and mutual funds. Our Synthetic Portfolio provides students with exposure to fixed income markets and a unique investment strategy unlike that of most other student investment groups. Managing the Synthetic Portfolio has been a valuable learning experience in which I have learned fundamental skills in portfolio management, fixed income analysis, and economic analysis.

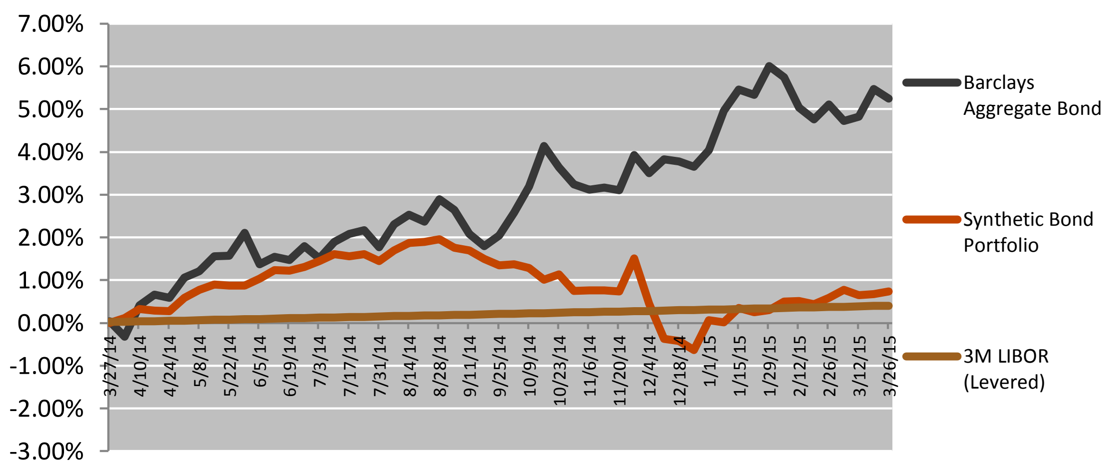
In the 2014-2015 fiscal year for the Synthetic Portfolio (note the fiscal year for the Portfolio differs from the October 24th, 2013 inception date), the Synthetic Portfolio has returned 13.60% and 8.76% on a risk-adjusted basis. This return has been realized primarily due to the gains that we have seen in small cap stocks since October of 2014, particularly in the Russell 2000 Index. With the Russell 2000 returning 7.00%, our Russell 2000 Index Futures Contract has followed similar suit providing us with increased exposure to the Index and generating significant return. We have realized these gains with the Synthetic Portfolio sitting at an average weekly leverage of 1.61x. As of 3/26/15 our leverage is 1.55x, indicating that the current value of the Portfolio puts us in a position to take on an elevated level of financial risk, which has played to our favor in the short term. Unfortunately with most of our gains coming from the Russell 2000, our exposure increases at a similar rate as the value of the Portfolio keeping our leverage stagnant.




Performance in our bond portfolio has had its share of movement since October of 2014, returning 0.74% YTD. The biggest mover of the year in the bond portfolio was HYLD, with its share price plummeting in late August, down -20.58% on the year. HYLD contributed a -1.45%

loss to the bond portfolio. The sharp decline seen in HYLD's price can be attributed to a strong sell off in the high-yield bond market. High-yield returned 1.2% in April 2015 with a continued weakening of the spread between treasuries and high-yield since the beginning of 2015. Our position in BOND was adjusted down from a 25% weighting to represent a smaller portion of our portfolio in the wake of Bill Gross exiting his position at Pimco. BOND returned 1.06% to the bond portfolio. The position in VFSTX was entered in April of 2014 with an initial position of 15% on the basis of strong U.S. Investment Grade Debt and less than strong foreign economies. VFSTX returned 0.52% to the bond portfolio in the most recent fiscal year. Our investment in DSUM, an offshore Dim-Sum Bond ETF provides us with emerging market exposure in China. With China committing to the liberalization of interest rates, the elimination of shadow banking to steady the credit market, and new economic stimulus rolling out in 2015, we hope to capture future growth. While recent economic data out of China has been less than desirable, we hope to see long-term growth as China follows through with its latest five-year plan. This less than desirable economic data hampered the return of DSUM, which contributed just 0.16% to the bond portfolio in the most recent fiscal year. Our last holding, BSICX is an unconstrained bond fund that we picked up in November 2014 at an initial position of 14%. Unconstrained funds are not tied to any specific sector or credit rating, making them flexible in times of economic fluctuation. This holding was designed to position the portfolio to reap the benefits of attractive industries and potential interest rate hikes in 2015. BSICX returned 0.45% to the bond portfolio.

**Bond Portfolio Performance**



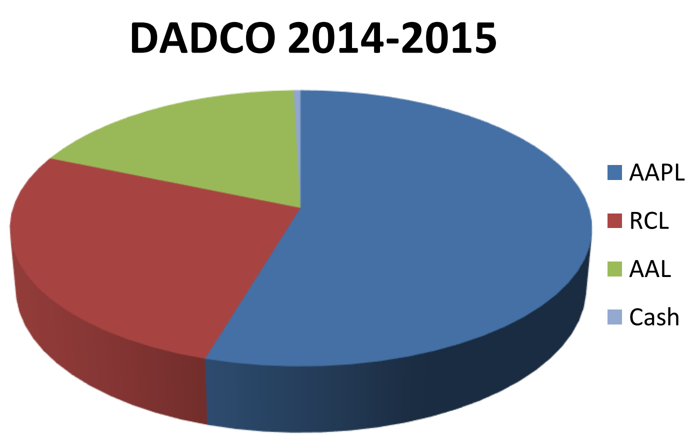

As the Fed ended the most recent round of quantitative easing in October of 2014 after eleven months of tapering the bond buying program, we made it a goal to lower the duration of the Synthetic Portfolio in order to lessen the effects of impending interest rate hikes on the portfolio. The basis for this decision is the inverse relationship between interest rates and bond prices. We began the 2014-2015 fiscal year with a duration of 2.43 years and ended with a duration of 1.51 years. This decrease in the duration of the Synthetic Portfolio occurred through trimming our position in BOND, selling out of our position in PMRCX, and entering a position in VFSTX and BSICX. With investors hanging on every word of FOMC meetings, it will be important to keep a close eye on how the fixed income market reacts to interest rate decisions over the summer and into fall term. Through the rest of 2015 we will continue to look for opportunities abroad for exposure to emerging markets.

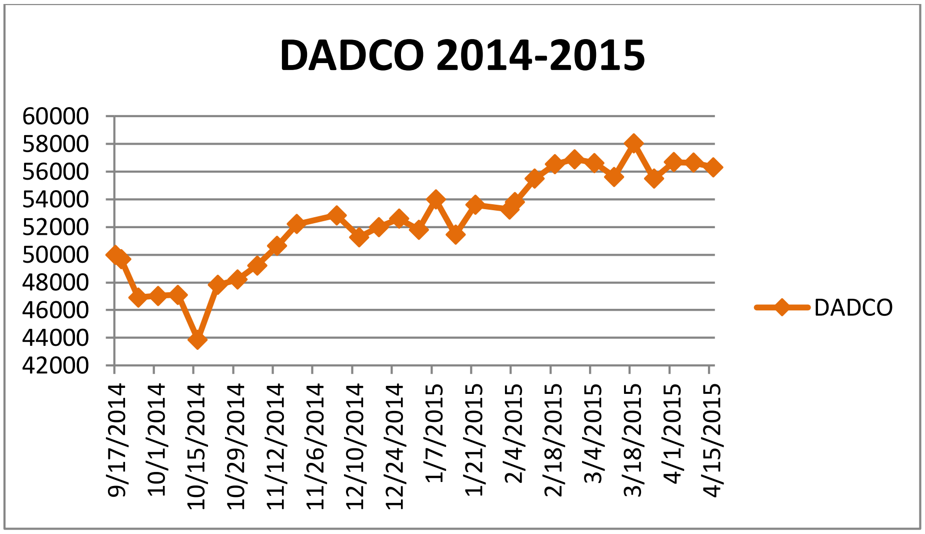
## DADCO Fund Performance – Blake Henricks, Junior

The D.A. Davidson student investment competition is a yearly competition among 20 West Coast schools. The competition resets each year on September 1st, rebalancing all portfolios to $50,000. Any returns we have generated in excess of 5% are evenly divided between D.A. Davidson and our group. The 1-year time horizon of this portfolio suggests the need to capture short term growth. Our strategy in attempting to capture value is by identifying companies whose earnings we expect to grow significantly, due to short term catalysts (i.e. new product releases, speculative earnings announcements). We also believe value can be had through strategic contrarian plays with companies we see as priced at opportunistic levels. Due to the September reset we will highlight the results of the 2013-2014 competition, and the year-to-date performance of the 2014-2015 competition.

The 2013-2014 competition proved to be one of the group's most successful years. Two key transactions were made heading into the summer. First, we purchased 120 shares of GW Pharmaceuticals (GWPH) in May. Second, we decided to sell out of our position in Las Vegas Sands (LVS) and realized a gain of 28%. Strong drug trial data released by GW Pharmaceuticals over the summer led to a price appreciation of 33%, resulting in a final portfolio value of $69,014. Our total return of 38% for the year resulted in a check of more than $8,000 for the group, and our first DADCO competition win.

The 2014-2015 competition began with a rough start. Our portfolio bottomed, along with the market, in October with a value of $43,866. In November we made a bold contrarian play by purchasing 184 shares of Royal Caribbean (RCL) during the peak of the Ebola outbreak. We opted to sell out of GWPH in February at a loss of 15% since the September rebalancing. Year-to-date the portfolio has been driven by Apple's (AAPL) 24% appreciation, due to successful product launches, and a 17% recovery by Royal Caribbean (RCL). Our total portfolio value has gained 12% year-to-date, as opposed to the 5% gain in the S&P 500. Our current holdings, weights and performance are displayed below:

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# OSIG Sector Analysis

## Consumer Cyclical and Staples – Bryan Wynn, Junior

During the 2014 to 2015 period, consumer confidence trended upwards. The Conference Board's Consumer Confidence Index (CCI) is a way to measure the optimism that consumers demonstrate via their buying and saving habits. The CCI began the year (April 2014) with a low at 81.71 and ended the year (April 2015) at 95.2. Throughout this period, it reached as high as 103.80. It was expected to reach a level of 102.2 in April 2015 but fell short of expectations due to a weak March jobs report and climbing gas prices.
At first, we went into the start of 2015 with a bullish view of consumer discretionary equities due to low fuel prices. The macroeconomic implication was that lower spending at the pump would translate to an increased availability of consumer cash to be used on discretionary goods. However, low crude oil prices eventually recovered from their declines and reached 4-month highs in April 2015. The reversal in this trend lead us to cut back our consumer discretionary holdings since low fuel prices didn't seem to increase Q1 2015 consumer spending. While disposable income increased at a 6.2 percent annualized rate in Q1 2015 according to Bloomberg, the gain in earnings exceeded gains in consumer purchases. This means that consumers have been choosing to save their money with the savings rate climbing to 5.5%. Going forward, we believe that it will certainly be plausible to see lower fuel prices due to record high U.S. stockpiles of crude inventory. High supply leads to lower demand and lower prices. This may translate into more consumer spending. With most consumer discretionary holdings being cyclical in nature, we would expect to see most benefit in the latter half of the year during holiday seasons.

Overall, the year has seen positive trends for consumers and the broader economy. Despite the disappointing March jobs report in 2015, the U.S. unemployment rate was down from 6.60% in April 2014 to 5.5% in April 2015 on a seasonally-adjusted basis. Continual improvements in labor markets would lead to gains for both consumer staple and discretionary holdings. In addition, a stronger U.S. dollar versus foreign currencies translates to higher consumer buying power abroad. However, interest rate hikes have historically lead to overall market contractions. With the Fed most likely slated to not raise rates until the latter half of 2015, we believe our consumer goods holdings may be able to realize some gains during the summer months since summer is usually when consumers would be vacationing abroad.

At the start of the year, both the discretionary and staple consumer goods holdings were overweight within the Large Capitalization Fund relative to the portfolio benchmark. Consumer discretionary started at nearly 3.5% overweight and consumer staples were slightly less than 0.5% overweight in relation to the S&P 500. Within consumer discretionary, the positions originally included Apple (AAPL), Amazon (AMZN), Disney (DIS), and International Game Technology (IGT) at the start of the year. For consumer staples, positions originally included Colgate (CL), Starbucks (SBUX), and Coca-Cola (KO). During the year, we trimmed both portions of consumer goods to put consumer discretionary right at weight with the S&P 500 and consumer staple to just under 2% overweight.

By the end of the year, we replaced AMZN and IGT with Michael Kors Holdings (KORS) within consumer discretionary. This was due to strong long-term growth outlooks both domestically and abroad relative to industry competitors. The cut back in discretionary holdings also can be partially attributed to the rebound in oil prices as discussed previously. For consumer staples, we decided to replace KO with Costco Wholesale Corporation (COST) due to expansions into Chinese markets, partnerships with Alibaba, a strong dividend history, and a growing brand image. While replacing KO over CL was a tough decision, we ultimately saw more long-term benefit in Colgate's dominate positions in emerging markets despite heavy foreign currency exchange losses in the short-term. For the 2014 to 2015 period, we saw Apple (AAPL) up 54.29% for the year, Colgate (CL) up 2.58%, Disney (DIS) up 39.78%, and Starbucks (SBUX) up 45.47%. Michael Kors was down -10.05% from when it was pitched to the Group and Costco (COST) down about -1.69% from when it was pitched to the Group as well.

## Financial Sector – Majed Abdelrasul, Senior

The year of 2014 for the financial sector was full of “patient” data. Throughout the year, the Federal Reserve pushed back the projected date of an interest rate hike. Higher interest rates benefit over half of our financial holdings. The Fed stayed patient due to the global economy struggling, the dollar reaching an 11-year high, and slow economic growth within the U.S. When the spike occurs, the financial sector will be in position to benefit significantly. XLF, the S&P 500 Financial Sector ETF returned just over 10% for our calendar year. The sector outperformed the S&P slightly as investors expect the fed to raise rates. The sector finished just underweight relative to the S&P500 financial holdings for the calendar year. We anticipate the sector to outperform majority of sectors in 2015, and therefore expect to increase our financial holdings to become overweight.

We began the year holding JPMorgan, BlackRock, Visa, and Umpqua. JPMorgan continued to post strong earnings despite legal and regulatory costs continuing to pile up throughout the year. They once again claimed the number one investment bank rank of all the major banks. The advancement of technology within the field has allowed banks to offer more automated services. Going forward, the rise of interest rates will benefit the bank’s ability to generate profit. JPM returned just over 10% for the calendar year.

BlackRock had a tremendous year thanks to the departure of Gross from PIMCO. The departure allowed BlackRock to see billions of inflows from PIMCO customers. Vanguard captured nearly 50% of new money in ETFs, which could be a threat going forward. The company’s expansion of iShares Core Lineup and aggressive actions in ETFs allowed them to return over 21% for the calendar year.

The group voted a unanimous decision to sell out of Umpqua and buy into the Blackstone group early on in the year. Blackstone continued to cash in on realized earnings coming from investments made throughout the financial crisis. The firm also continued to acquire assets although the economy has recovered tremendously since the crisis. Blackstone raised several funds throughout the year to take advantage of the major dip in crude prices. As the real estate sector has dried up for PE firms, they are turning to other sectors that offer attractive yields. The giant private equity firm returned over 30% for the group throughout the calendar year.

The group also voted to sell out of Visa midway through the year and pick up MetLife as a replacement. The decision was made due to the anticipation of an interest rate hike. As an insurance company, MetLife will benefit tremendously with a hike of interest rates. Also, as consumer spending slows down, and other payment options arise, we decided to realize our capital gains for the giant payment service company. Visa returned the group over 180% since inception. MetLife has stayed stagnant due to the U.S. government designating the firm as a SIFI. They have then sued the Financial Stability Oversight Council over its designation, as MetLife believes they aren't as risky as the big banks and other insurance companies.

## Healthcare – Cory Sinner, Junior

The Healthcare Sector enjoyed another solid year of double digit growth in 2014. The annual returns for the sector reached 25.3%, which was second in the S&P 500 only behind Utilities. Once again the Healthcare Sector owes its strong success to the drug makers in the pharmaceuticals and biotechnology industry. The iShares ETFs brought in yearly returns of 34% and 29% for its biotechnology and pharmaceutical funds. The blow up in the biotech industry has brought about a lot of speculation of a possible industry bubble. Valuations for these companies have continued to soar in the past few years, similarly to technology companies not too long ago. Healthcare as a whole set new records in 2014 for both IPO's and M&A spending with $379 billion. That is double the amount in 2013. The biotechnology industry alone IPO'd 71 companies in 2014 which compares to 47 in 2013. The root of all the growth and spending can be partly traced to a recent patent cliff the Healthcare Sector has experienced. Big pharmaceutical companies are dedicating huge amounts of cash to R&D as well as acquisitions in order to find new viable drugs to replace the old ones losing their protection. Many of the acquired drug companies are small pre-clinical biotechs, meaning that their drugs aren't even FDA approved yet. The reason large pharmaceuticals and biotech companies can make these strategic moves is because credit is very cheap and drug prices are high. The current low interest rate environment is minimizing firm's cost of capital and making investment decisions much more attractive. The high drug prices have also attributed to the increase in valuations and overall spending. The prime example comes from one of our current holdings, Gilead, with their blockbuster hepatitis C treatment drugs of Solvaldi and Harvoni. One regimen of Solvaldi costs $84,000 and has a potential patient population of 100 million worldwide. However, rival firms like AbbVie have stepped in and look to create a price war with similar drug therapies.

While much of the focus in the Healthcare Sector was on the drug producing industries, the medical device industry also enjoyed substantial growth throughout 2014. Last year there were many concerns surrounding the rollout of the Affordable Care Act. This legislation, for one, had numerous troubles with its launch, but more importantly had a 2.3% medical device excise tax implemented. However, this proved to be but a minor speed bump in a 26% return year for the industry. Medical device companies have countered healthcare reform by moving overseas and attacking emerging markets. Domestically, the increased access to healthcare due to the recent healthcare reform acts as a positive for medical device firms. This along with increase in healthcare spending and an aging population proves to be beneficial for the medical device industry and the Healthcare Sector as a whole.

In reflection of a successful year for the Healthcare Sector, I am cautiously optimistic about the year going forward. It is unlikely we will see another year like the two previous, but I predict Healthcare will still be a market outperformer. As I discussed earlier, there is a reasonable concern about a bubble in the biotechnology industry. This possible inflated industry should be recognized, but there is still growth to be had in the Healthcare Sector. I look to see the trends of increase spending and value based care to positively affect the managed care, healthcare information technology, and medical device industries.

Our current holdings and returns since inception are as follows:

- Celgene CELG) 92%
- Gilead (GILD) 25%
- Johnson & Johnson (JNJ) Recently Acquired
- Medtronic (MDT) 20%

## Industrials, Materials, Energy, and Utilities – Katie Merrill, Senior

Global oil price decline was the recurring headline the fiscal year. The group's energy holdings, which encompass up and downstream exposure, are directly exposed to oil price turmoil. The belief that oil prices will recover in the next two years has enabled the group to stand by our energy exposure strategy.

We decided to bring the utilities sub segment down to weight by selling out of Kinder Morgan Energy Partners (KMP). Currently our sole utility holding is Duke Energy (DUK) and it has provided stable dividend income while increasing a modest 5.29% over the year.

Our industrial holdings include Chicago Bridge and Iron (CBI), Alcoa (AA), and Honeywell (HON). Honeywell was determined to have more growth potential and it replaced General Electric (GE) as our only large industrial conglomerate. In line with projections, Honeywell has outperformed General Electric nearly 9% over the year. Over the past year, Alcoa has gone through a restructuring process to cater more towards the growing automotive and aerospace segments and we believe that this will contribute to continued growth. As oil prices recover we expect equal recovery from Chicago Bridge and Iron.

Our material holding is PPG Industries (PPG) which continues to outperform. They had the best year of any IMEU holding with gains of over 14%. PPG acquired Consorcio Comex during the year and is continuing to grow aggressively.

Our energy holdings are Exxon Mobil (XOM), Noble Corporation (NE) and EQT Corporation (EQT). Noble, an offshore drilling company, is beginning to show signs of recovery after a sharp decline during the year. EQT's exposure to natural gas was a new addition to capitalize on suppressed energy prices. Overall, we expect the sub sector to recover in parallel with the oil recovery.

Moving forward, we are continuing to look for undervalued energy companies that have the ability to outperform as the sector recovers. This would bring our energy weighting closer to the benchmark and it is nearly 3% underweight. Both the utility and materials subsectors are near weight and industrials are nearly 2% overweight. Although we expect our industrial holdings to continue to grow due to the favorable US economic growth over the year, we would trim there first to make room for favorable energy additions.

## Technology – Arun Varghese, Senior

The Technology sector performed well in 2014, with the Dow Jones Technology Index returning 20.5%, but was weaker than expected. 2014 started off very strong for the sector as many technology companies were reaching new highs before they were slowed by new technology trends. Due to the popular public opinion that technology stocks were in a bubble, there was a rather steep sell-off in the technology sector throughout the end of the summer of 2014. Combined with the uncertainty of oil prices bringing down the stock markets as a whole, the technology stocks finished off the year in the green but weaker than expected and with a weak 2015 outlook.

The major trend that has been controlling this sector is the shift to cloud computing and data storage, along with the shift towards mobile devices and tablets. We saw many large blue-chip companies receive negative outlooks due to their inability to adjust with the trend and grow with the newer fast paced technology companies. The up and coming technology trends along with cloud computing and data storage are the Internet of Things (IoT), Wearable technology, and security software.

The Internet of Things is the idea of connecting all of the products that are used in our daily lives to each other and to the internet. This varies from home automation, vehicle automation, and just about anything else that can have the internet powering through it. We saw how Google (GOOG) made the plunge into home automation last year through the acquisition of Nest Labs. Google and Apple are both currently working on vehicle automation in an attempt to bring Android and IOS software into vehicles. IBM has also been making a play in IoT through $3 billion of acquisitions of small internet companies. Qualcomm has also become a player in this trend as they are manufacturing chips that will allow for the efficient use of IoT.

The wearable and security software industries are on the rise as demands for both of these products have risen drastically over the last year. Google and Apple have both played a major role in the rise for wearable's through the Google Glass, Android OS for smart watches, and now the Apple Watch. As many small technology companies are venturing into this industry they could find themselves in the middle of a drastic growth period. The security software industry has always been growing but even more so since after the recent Sony cyber attack. Companies all over the world are increasing the demand for cyber security and companies that are providing this type of software have been seeing increasing profit margins due to high enterprise sales.

Our holdings within the technology sector had a rather rough year for the reasons that were mentioned above. Three out of the five companies we currently hold are more long term value growth companies that struggled when technology trends started to shift. Over this last year (May 2014 – May 2015) QCOM has returned -12.67%, IBM has returned -8.20%, and AMAT has returned +5.51%. Looking at our two technology companies that have potential for more rapid growth, GOOG/GOOGL returned 5.17%, while SNDK returned -21.67%. When we picked up SNDK for our portfolio it was a company with a large amount of room to grow being one of the primary leaders in data storage, but over the recent two quarters SNDK has reported weak guidance along with shrinking profits due to the emergence of Samsung as a competitor in the data storage industry. We believe that SNDK will produce positive numbers through the second half of 2015 into 2016 and it will create profit for our portfolio. AMAT was up about 35% over the last year before news surfaced that Applied Materials is no longer going through with the Tokyo Electron merger. IBM and QCOM have both struggled due to shifting trends and shrinking margins, both companies are redirecting core business targets to adapt to the new technological trends in order to remain profitable and recover from their current slump. We also expect GOOG/GOOGL to continue to create positive numbers for us as they are one of the fast movers in the Technology sector and have proven their ability to stay competitive with new and emerging trends.

Our holdings and returns since inception are as follows:

- International Business Machines (IBM): 53.85%
- Google (GOOG/GOOGL): 37.24%/40.62%
- Applied Materials (AMAT): 72.09%
- Qualcomm (QCOM): 77.16%
- SanDisk (SNDK): -23.91%

## The Year in Review

### 6th Annual New York Trip

The second week of September 10 of the hardest working analysts traveled to New York City. While some members had been to the city before, many of them had never had the opportunity to visit the financial hub of the United States. The analysts visited The Federal Reserve, J.P. Morgan, PIMCO, Fortress Investment Group, Barclays, Goldman Sachs, Morgan Stanley, the New York Stock Exchange, and BIDS. The following are testimonials from some of the students that attended.

"I met some of my life-long mentors who helped me develop as a young professional and an individual over the last two years. Because of this trip, I was able to gain several in-person interviews for a summer internship which ultimately led to a summer internship with PIMCO and a full time position after graduation." -Jessica Kim, President

"Networking with successful alumni was incredibly beneficial for the Investment Group as a whole. Coming from a non-target school can be a considerable barrier to beginning a career on Wall Street. Many of the alumni we spoke with made a point to recognize their gratitude for another former Beaver who helped them get their foot in the door. I feel that this networking opportunity is exceedingly important for the future of an OSU presence in the big firms on Wall Street." -Blake Hendricks, DADCO Portfolio Manager

The New York Trip is one of the most valuable opportunities that an OSIG analyst can have. We are immensely grateful of the donors that make this experience possible and of course our fellow Beavers in New York that host us every year.

**Front row, left to right:** Chris Koenig, Jake Roselli, Alex Markgraff, Professor Inga Chira, Jessica Kim, Blake Hendricks, Chase Norlin, Katie Merrill, Arun Varghese.

**Second row, left to right**: Majed Abdelrasul, Van Wong

## OSIG & UOIG Civil War Meeting

Each year, the Oregon State Investment Group and the University of Oregon Investment Group meet to pitch companies for possible investment into our funds and network. The event also serves as an opportunity for both organizations to learn from our greatest rivals. This year, the Oregon State Investment Group hosted the Civil War meeting in Austin Hall. Katie Merrill represented the Oregon State Investment Group annual face off against Michael Lyford and Matthew Eden of the University of Oregon Investment Group. OSIG analyst Katie Merrill pitched Michael Kors (KORS), a luxury consumer discretionary company. The Analysts of the UOIG pitched Infoblox (BLOX), a data security company. The final OSIG vote resulted in a buy for KORS and a hold for BLOX.

## CFA Society Global Equity Research Competition

OSIG sent five of its members to the CFA Global Research Competition (GIRC) hosted by the CFA Institute. Our group consisted of Jake Roselli (senior), Chase Norlin (senior), Blake Hendricks (Junior), Yong Mei (senior), and team captain Chris Koenig (Junior). The group competed in the Northwest round of the competition against Portland State University, University of Portland, and Washington State – Vancouver, after the University of Oregon removed themselves from participating. Each team covered Craft Brew Alliance (BREW) and presented their analysis to a panel of judges. The winner of this round would represent the region in the United States portion of the competition, which was held in Denver, CO.

Despite the hard work the team members put in, the team did not advance to the next round to represent the Northwest Region. Regardless, the CFA GIRC presented a great opportunity for the analysts to hone their research skills and display their competencies developed in school and the Investment Group in a real world application. The group was also able to hold an Analyst Day with the management of Craft Brew Analysis and also network with the CFA charter holders at the Annual CFA Society of Portland Strategy Dinner.

We would like to thank the CFA Institute and the judges of the competition. We would also like to thank Prem Mathew, our faculty advisor, for his patience and help. We would also like to thank Shawn Narancich, our industry advisor, and finally Carl Burgdorfer, Professor at OSU, for his invaluable constructive feedback following our presentation in the Northwest regional.

## Special Thanks

We would like to extend a special thanks to Dean Kleinsorge for all of the support she has shown the group throughout the years as she prepares for her retirement at the end of this academic year. We would also like to thank the finance faculty, especially our Advisor Jimmy Yang for his continuous mentorship of our group. Finally, we would like to extend our thanks to D.A. Davidson, alumni, and the OSU Foundation Board members.

## Management Team and Analyst Recognition

**Outstanding Analyst:** TBA

**Outstanding Sector Leader:** TBA

We are confident the 2015-2016 management team will create an environment that will further enhance the minds of the analysts, especially the handful of sophomores recruited throughout the year. The management team includes:

**President:** Blake Hendricks

**Vice President:** Cory Sinner

**Large Cap PM:** Alex Markgraff

**Synthetic PM:** Bryan Wynn

**DADCO PM:** Erik Paige

**Consumer Goods Sector Leader:** Chris Koenig

**Financials Sector Leader:** Cameron Mountain

**Healthcare Sector Leader:** Simon Noling

**IMEU Sector Leader:** Michael Lukan

**Technology Sector Leader**: Aaron Wenning

## Exiting Members

**OSIG Members retiring with 4 years' experience:**
Jessica Kim (PIMCO – BDS Analyst – Newport Beach, CA)

**OSIG Members retiring with 2 years' experience:**

Majed Abdelrasul (CFA Candidate)
Arun Varghese (CFA Candidate)
Kevin Eckelman (Finity Group – Financial Advisor – Portland, OR)
Katie Merrill (Boeing Capital – Financial Analyst Rotation Program – Seattle, WA)
Jake Roselli (Harsch Investment Properties – Analyst – Seattle, WA)
Yong Mei (CFA Candidate)

## 2015 Summer Internships

**OSIG Members with 3 years' experience:**
Blake Hendricks (Ferguson Wellman Capital Management – Investment Analyst – Portland, OR)

**OSIG Members with 2 years' experience:**
Chris Koenig (Bank of America – Credit Analyst – San Francisco, CA)
Alex Markgraff (HFF – Summer Analyst – Portland, OR)
Jeff Whitaker (Mercury – Summer Analyst – Los Angeles, OR)

**OSIG Members with 1 years' experience:**
Bryan Wynn (Principal Global Investors – Summer Investment Associate – Portland, OR)
Michael Lukan (appHatchery – Research Analyst & Investor Relations Intern – Orange, CA)
Jennifer Guo (OSU Advantage Accelerator – Intern – Corvallis, OR)
Cameron Mountain (Becker Capital Management – Summer Intern – Portland, OR)