

Financial Analyst Program 2008 Annual Report

Southwestern University



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Southwestern University Financial Analyst Program
2008 Stakeholders Annual Report
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To Our Fellow Stakeholders:

Congratulations on being a part of another successful year with Southwestern University's *Financial Analyst Program (FAP)*. We are proud to inform you that the FAP portfolio successfully outperformed the S&P 500, our performance benchmark, for a fourth consecutive year. The FAP had an annual return of -26.6% in 2008, as compared to the S&P's return of -38.5%. The FAP's return also ranked in the top five percentile of all domestic equity mutual fund managers. Moreover, the 2008 portfolio outperformed the S&P 500 in two risk-adjusted measures, i.e. the Sharp and the Treynor. Using the Sharpe Measure, the FAP had a loss of -0.42, as compared to the S&P 500's -0.72. Furthermore, the portfolio had a Treynor measure of -.0273, while the S&P 500 had a Treynor of -0.0390.

While the dismal financial market and economic climate led to a sizeable loss for the portfolio, we are pleased with the student analysts' ability to successfully outperform our benchmark and the majority of other mutual fund managers. We credit these achievements to the committed implementation of our key objectives and strategies, along with the experimentation of adaptive strategies to a difficult environment. Moreover, the portfolio's performance would not have been possible without the dedication and hard work of our student managers and our faculty advisor, Dr. A.J. Senchack. The following annual report gives a closer look at the performance and development of the 2008 program. We hope this report is informative and encourages you to continue your support of the Financial Analyst Program.

Sincerely,

S.U. Financial Analyst Program



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About the Financial Analyst Program

During the 1998-99 academic year, the Department of Economics and Business introduced a new undergraduate business honors curriculum – the Financial Analyst Program (FAP), under the direction of Professor A.J. Senchack, holder of the Lucy King Brown Chair in International Business. Working with Mr. Richard L. Anderson, Vice President of Fiscal Affairs, Dr. Senchack initiated a request for the creation of the Southwestern University Student Investment Fund, subject to approval by the Board of Trustees. The Fiscal Affairs Committee and the Board of Trustees fully endorsed the program, and the Board of Trustees approved and authorized the creation of the Student Investment Fund. In addition, the Board authorized the transfer of \$200,000 in endowment assets as the initial investment of the Fund. The first investment of the Financial Analyst Program was made on March 1, 2000.

The Fund is actively managed by Student Portfolio Managers under the guidance and advice of the faculty in the Department of Economics and Business. The Fund provides an opportunity for a small group of exceptional students to work closely with faculty and other investment professionals to develop their financial and accounting skills. The program also gives students real-world experience in constructing, monitoring, and managing a live investment portfolio. The Managers are selected by the FAP committee on a competitive basis. The criteria considered include career objectives, previous academic performance, related work experience, and application.

Participation in the FAP involves a year-long commitment, beginning in April before the student analysts' senior year. Members of the FAP extensively study two books discussing investment strategy. Members also report a summary of the books to the other members of the FAP at the beginning of the Fall semester.

Also, member students are required to enroll in two challenging courses for the Fall semester, both taught by Professor A.J. Senchack. These courses are *Financial Statement Analysis* and *Investments*. For example, some major topics covered in *Financial Statement Analysis* include: determining and understanding the sources of industry and company profitability; fundamentally analyzing financial statements, cash flow, sales/earnings growth, and business and financial risks; assessing earnings quality and sustainable sources of earnings growth; analyzing lines of business; valuing equity or equity-like securities; and assessing mergers and acquisitions.

Portfolio Managers and Officers



Front (Left to Right):

Trader, Kevin O'Neil: The primary responsibility of the trader is to act as a liaison between the FAP and the Business Office. The trader is responsible for securing transaction authorizations and turning them into the Business Office. The trader must also keep track of buy/sell points assigned to each stock, and make sure those trades happen in an appropriate amount of time.

Accountant, Debran Meyer: The accountant is responsible for maintaining updated monthly records/spreadsheets of the portfolio standing. Each month, upon receiving the monthly statement, the accountant must update the spreadsheet for purchases and sales that have occurred in that month, while accounting for interest, commissions, etc.

Statistician, Sarah Clevenger: The statistician keeps track of the various diagnostics of the portfolio. This includes the percent of the portfolio in each sector and sub-sector relative to the S&P 500, our benchmark. The statistician also reviews the portfolio's style and geographical diversification, as well as asset allocation between equities, cash, and exchange traded funds.

Market Technician/ Public Relations Coordinator, Wes Rivers: The duties of the market technician include the study of current and past performances of major market indicators and portfolio holdings, and to forecast future price direction. The technician is also responsible for the timing of purchases and sells based on his/her forecasts and keeping other members of the FAP aware of current market trends.

The public relations officer is responsible for creating weekly agendas, providing email reminders, updating the brochure and constitution, and planning any recreational activities for the group. The public relations officer is also in charge of the recruiting of the FAP to juniors who may be interested in applying.

Continued (Left to Right)

Webmaster/ Portfolio Manager, Brian Kabat: The duties of the computer analyst (webmaster) include keeping forms and files used in the program organized and easily accessible to the group. The computer analyst maintains the office computer and keeps the website up-to-date.

The portfolio manager attempts to reduce the risk of the portfolio through the diversification of securities. The portfolio manager makes sure that stocks add diversity to the fund by either adding exposure to new industries or by trying to lower the overall beta of the fund.

Economist, Matt Clark: The duties of the economist include monitoring macro-economic reports, and reporting any changes in the U.S. economy. Also, the economist should follow general predictions for the U.S. economy and keep the FAP updated on Fed actions.

Secretary, Chloé Mott: The secretary is in charge of taking minutes during our weekly meetings. The secretary is also responsible for emailing out the weekly minutes and keeping the FAP office organized.

Portfolio Objectives

The Student Fund Managers seek the highest level of return, while assuming risks similar to the Standard & Poor's (S&P) 500 Composite Index. Managers also recommend a targeted portfolio of stocks from a broad set of industries. Recommendations are done generally through a top-down approach, selecting an attractive industry first, and then the best stock in that industry.

- The fund purchases common stock issues of domestic and international corporations with large market capitalizations. The fund also purchases shares of exchange traded and mutual funds.
- The most critical strategy is the fundamental analysis of potential stocks. The managers examine the financial health of the company, looking for companies with growth potential, strong current liquidity, and undervaluation. Through these examinations, the managers find innovative business models that indicate exceptional growth potential.
- The investment strategy requires detailed economic analysis to identify investment opportunities based on the overall economy.
- Technical analysis plays an important role in the selection of equities. Fund managers study historical price patterns of stocks to determine buy points, sell points, and relative strength.
- The managers monitor currently held stocks and industries to avoid excessive losses and to identify opportunities to accumulate gains from positively performing industries. The managers set sell points, which adjust to market conditions to help capture profits on successful stocks and

Portfolio Strategy

The Fund follows the investment guidelines of the equity funds in Southwestern University's Endowment Funds: to preserve and expand the purchasing power relative to inflation for the future of Southwestern University.

- The Fund attempts to assume risks similar to those of the Standard and Poor's 500 index (S&P 500). Meaning, the Fund strives for a high return correlation with its benchmark, the S&P 500. Thus, the Fund attempts to maintain a beta near 1.00.
- The Fund looks to realize the highest level of return, consistent with its benchmark's risk level.
- The Fund seeks a turnover rate of less than 100%. The Fund needs a healthy rate of turnover to achieve its goal of capital growth, but excessive turnover violates the Fund's long-term appreciation strategy as well as diminishes returns through transaction costs.
- The Fund also attempts to achieve above average risk-adjusted returns based on the Sharpe and Treynor performance ratios. Positive risk-adjusted returns in both of these measures reflect superior results; therefore, the risk-adjusted returns of each measure should be higher than the S&P 500's risk-adjusted return.
- The Fund helps the Managers gain valuable experience in creating and maintaining a portfolio and developing financial analysis skills in a real world situation.
- An emphasis on buy and sell points to help cut losses by automatically selling portions of our position, or buying additional shares as the stocks cross certain price thresholds.

2008 Economic Report

Overall, Gross Domestic Product grew 1.3% for the year 2008. A weak labor market, continued housing market declines, diminishing consumer confidences, steadily rising unemployment figures, and ultimately a recession characterized the year. The following provides an in depth, quarterly review of economic activity.

First Quarter 2008

GDP increased 1.0% in the first quarter. Slight increases in retail sales and government spending helped keep the figure positive, but the beginnings of the credit and financial crisis greatly affected the lower than normal figure.

The unemployment rate rose to 5.1%, and nonfarm payroll employment dropped 338,000. Sluggish employment growth for the quarter led to a troubled employment outlook for 2008.

The housing market weakened during the quarter, as housing foreclosures and a material drop in housing prices intensified. Shaky foundations in the credit markets attributed to weak housing demand. The housing market showed little signs of recovery, as both housing permits and housing starts declined.

Inflation remained high during the quarter, as high oil prices caused inflation to rise. High oil prices also forced some businesses to raise their prices, in order to transfer costs to their customers.

The consumer confidence index fell to as low as 64.5 during the quarter. This decline was the lowest seen in a five-year span. Consumer's pessimism towards the fragile housing market, rising inflation, and employment conditions contributed significantly to the quarter's decline.

The Fed cut its target federal funds rate to as low as 2.25% during the quarter. The Fed lowered interest rates to help try and firm up business activity and economic growth, and they ignored rising inflation in their consideration to cut rates.

Overall, the economy looked fragile during the quarter, and some of the first suggestions of a possible recession emerged. The housing market declined, unemployment rose, consumer confidence fell to recent annual lows, and inflation remained high due to rising energy prices.

Second Quarter 2008

GDP increased 2.8% in the second quarter. A short-lived rebound in consumer spending near the end of the quarter contributed to the slight surge in economic growth. Increased government spending also kept GDP from falling drastically.

The unemployment rate rose to 5.5%, and nonfarm payroll employment dropped 458,000. The labor market deteriorated, as people feared for their job security and future income.

The weak housing market continued, as housing prices and foreclosure rates sustained their recent trends. Building permits and housing starts increased slightly during the quarter, although not significant enough to turn the housing market positive.

The consumer confidence index improved only slightly during the third quarter to 59.8. Consumers still remained cautious during the quarter, as concerns over rising inflation and employment uncertainty remained.

The Fed lowered its federal funds rate to 2.00% in March, and then maintained that figure for the remainder of the quarter.

Overall, consumer confidence remained weak, the housing market remained in a dramatic slump, and the unemployment rate continued to rise. Worries over rising inflation remained, while retail and auto demand started to show declines in demand.

Third Quarter 2008

GDP declined 0.5% in the third quarter. Weak consumer spending contributed most to the decline, while upturns in *government spending* and *inventory investment* made positive contributions.

The *unemployment rate* rose to 6.1%, and *nonfarm payroll employment* dropped 294,000. The weak labor market rekindled fears of a developing recession. Employment suffered most in the construction, manufacturing, and retail trade sectors of the economy. The labor market deteriorated significantly, as some people had difficulty finding jobs and others feared being laid off in the hard economic times.

Foreclosure rates rose considerably and housing prices continued to fall. *Building permits* and *housing starts* declined each month and tighter credit standards extended. The government took over *Fannie Mae* and *Freddie Mac*, in hopes of easing the housing crisis.

July's *CPI* reached its highest level since 1990, but steady declines in energy prices during the remainder of the quarter helped lower *CPI* figures.

The *consumer confidence index* improved only slightly during the third quarter to 59.8. Consumers showed the least amount of confidence in the labor market. Consumers' short-term expectations improved, but overall they still remained quite negative.

The Fed sustained its target *federal funds rate* at 2.00% during the quarter.

Overall consumer spending and the housing market remained the two most significant drags upon the economy. The third quarter was characterized by a weak labor market, falling housing prices, and tightened credit conditions. Concerns remained over rising unemployment, and a still historically weak consumer confidence.

Fourth Quarter 2008

GDP declined 6.2% in the fourth quarter, signaling the second consecutive quarter of negative growth and an official *recession*.

The *unemployment rate* rose to 7.2%, and *nonfarm payroll employment* dropped 1,297,000. Private sector job losses accelerated, and the financial crisis forced many private industries to slash jobs. Job losses reported large and widespread across the major industry sectors. The number of unemployed persons increased to an enormous 11.1 million.

The housing market remained weak, and housing prices continued to plummet. *Building permits* and *housing starts* declined each month and tighter credit standards extended. The 2009 economic housing forecast remained bleak.

Inflation remained very low and concerns over possible deflation started to emerge. The continued drop in energy and gas prices helped maintain low inflation during the quarter.

The *consumer confidence index* dropped an all-time low of 38.0 during the quarter. The financial crisis impacted consumer decisions negatively, and *pessimistic consumers* rated the labor market and business conditions very poorly. Consumers feared for their job security and cut back on excess spending. Consumer spending worsened as retail sales declined 2.7% in December.

The Fed lowered its target *federal funds rate* to as low as 0-0.25% during the quarter. Their focus remained on fixing the weakened economy, as inflation remained low.

Overall, the labor market continued to deteriorate, consumer confidence dropped to record lows, unemployment continued to increase, and the housing market tightened more. Fears of possible deflation surfaced, and the economy officially realized a recession.

2008 Stock Market Report

The U.S. equity markets went from bullish to bearish in 2008 as recession settled into the economy. The fears of spreading turbulence from the 2007 Sub-prime Crisis in the home-lending markets came to fruition. As a result, global indices posted double digit losses for the year. The Dow Jones Industrial Average and the S&P 500 lost 34% and 38%, respectively. The Dow experienced the worst year in percentage terms since 1931. By mid-December, the only Dow stocks to have price gains were Wal-Mart and McDonalds. All sectors experienced losses on the year. The worst performer of the year was the financial sector, down 57% for the year. This occurred as government bail-outs, bank failures, and huge write-offs weakened consumer confidence in the sector. Industrials and materials also experienced a hard year, both having losses more than 40%. The most defensive sectors were consumer staples and health care, losing about 17% and 24%, respectively.

Market Returns

	DJIA	S&P	Nasdaq
Annual Return	-33.84%	-38.49%	-40.54%
1Q 2008 Return	-7.55%	-9.92%	-14.07%
2Q 2008 Return	-7.44%	-3.23%	0.61%
3Q 2008 Return	-4.40%	-9.00%	-8.77%
4Q 2008 Return	-19.12%	-22.45%	-24.61%

First Quarter 2008

In the first quarter, the first trading session set the tone for the remaining three months; the Dow lost 1.7%, the biggest loss in a New Year opening session since 1983. The S&P 500 lost almost 10% during the quarter, while the Nasdaq Composite lost 15%. The Dow lost 7.5%, making it the worst quarter in five years. A rally in late January halted due to poor economic news, especially in the slowing service sector. Another rally in mid-March began when the Federal Reserve bought \$200 billion in toxic securities and gave the Dow a 3.6% increase, its largest one-day gain in five years. However, sub-prime related mortgage sell-off, reversed the trend to break market bottoms.

Sub-prime mortgages continued to plague financial and banking sectors in the first quarter, as regional banks and mortgage lenders started to go under or be bought out. In January, PNC Financial Services bought out National City Bank, while Bank of America acquired Countrywide Financial (the largest American mortgage lender). Meanwhile, Citigroup and Merrill Lynch each announced quarterly losses nearing \$10 billion each. In March, Bear Stearns, the fifth largest investment bank, received bids on an acquisition from J.P. Morgan for \$2 a share. The Financial sector lost 70% year on year.

Even with strong fourth quarter earnings, the technology sector struggled in the first quarter as worries mounted that corporations would decrease technology spending. There was a notable exception in Microsoft's offer for Yahoo, which led to a broad-based rally in late January.

Commodity prices and the commodity related stocks continued their upward trend from 2007. On January 2nd, crude oil flirted with \$100 a barrel. In late February, crude-oil prices closed at \$100.01 for the first time in history. The energy sector earned 29% year on year. Gold contracts surged to more than \$1,000 per troy ounce for the first time ever. The strengthening commodities sector set up what some felt to a price bubble in the second quarter.

Second Quarter 2008

Index losses for the three months mounted significantly but not as rapidly as the previous quarter, with the Nasdaq making a meager gain (See Market Returns Table). The quarter saw moderate amounts of volatility. Markets began the second quarter with a rally as J.P. Morgan increased their offer for Bear Stearns to \$10 per share, and the Fed continued cutting interest rates. GE's earnings reports dampened the rally as the market proxy slid on profits. In mid-April, Google, Intel and JP Morgan's earnings results boosted market indices above their 65-day moving averages. A pull back in commodity prices strengthened the rally, as tech and small cap stocks pushed the Nasdaq above its 200-day moving average. However, rapidly rising oil prices and fears of inflation curbed bullish hopes later that month. The broad market indices broke new bottoms in June on continued news of downgrades and expected write-offs in the financial sector. This effectively caused bear market worries. In June, the S&P 500 experienced the worst June since 1930.

Financials and banks continued to decline. Citigroup and Merrill Lynch announced \$5.1 billion and \$1.96 billion quarterly losses respectively. AIG announced a \$7.8 billion loss, which led to Robert Willumstad replacing CEO Martin Sullivan. Lehman Brothers also announced first quarter losses, totaling \$2.8 billion. Lehman, Wachovia, and Washington Mutual also replaced management in attempts to deal with worried stakeholders.

Tech stocks performed well at the beginning of the quarter with semiconductors leading the way. Intel increased sales year on year and a number of Blue-chips, such as Google, released positive earnings. In the industrials sector, automakers continued to struggle in the second quarter, as the Big Three announced large drops in U.S. vehicle revenues. Toyota surpassed GM as the largest auto-maker in the world due to increases in global sales. GM ended the quarter as the worst performing constituent of the Dow. Ford reported plummeting truck sales, a sign of long-term change in U.S. auto markets.

Despite a pull-back in early May, commodity prices and commodity related equities continued to surge. Demand for corn increased as a result of growing ethanol demands and crude oil prices reached record highs of \$138.54 a barrel in June. Crude oil prices gained 34% for the quarter. Gasoline prices reached a national average of \$4 per gallon. Due to high ethanol demand, seed and fertilizer based companies performed extremely well. Fertilizer companies Monsanto and Potash of Saskatchewan had 12% and 32% stock gains respectively

Third Quarter 2008

The third quarter resulted in increased market volatility and entered a bear market by definition as the Dow lost 20% from highs and the financial sector continued to deteriorate. The S&P 500 and the Nasdaq both lost around 9% to levels of 1164 and 2091 respectively. The broad based indices stumbled at the beginning of the quarter with energy prices still on the rise and bank failures mounting. However, after reaching a peak in the first week of trading, oil prices started to fall, causing equities to have a mid-month rally. However, by the end of July, poor earnings releases by Merrill Lynch and Citigroup caused a large sell off. The markets stayed resilient into August, but earnings below expectations for the financials continued to dampen gains.

Financial crisis defined the credit markets. The Federal government seized IndyMac Bank at the beginning of the quarter in one of the largest bank failures in history. Lehman, Merrill Lynch, Freddie Mac, Fannie Mae, Washington Mutual, and Wachovia all announced huge losses. The climate forced the Securities and Exchange Commission to stop short-selling, first on the mortgage giants, then on all stocks. In mid-September, the U.S. Treasury seized Fannie Mae, Freddie Mac, Washington Mutual, and AIG in attempts to avoid a financial collapse. Barclays captured the majority holdings in Lehman, while Merrill Lynch agreed to a buy-out offer by Bank of America. Investment Bank leaders Goldman Sachs and Morgan Stanley became semi-traditional banks under the supervision of regulators in order to maintain market liquidity.

Third Quarter 2008 Cont'd.

IBM's better than expected earnings bolstered the technology sector, while blue-chips Google, Apple, Dell and Microsoft's stock prices slid on poor earnings announcements. Auto-makers reached further declines as GM announced 18% decrease in June sales and \$15.5 billion dollar loss for the second quarter. Ford posted an \$8.7 billion dollar loss. The Big Three experienced another drop in sales for the month of August; however, analysts believed sales would soon bottom out.

Oil hit \$143.57 a barrel in early July, but started to decline over the course of the quarter. By late August, oil remained 20% off of its highs, and steadily declining. For the quarter, crude oil prices fell around 17%, dipping below \$100 for a short period. Exxon and Shell posted earnings for the quarter of \$14 billion and \$8 billion respectively. Wheat and Grain prices also fell causing fears of inflation to calm. Analysts believed the commodity bubble showed signs of deflation.

Fourth Quarter 2008

High volatility marked the fourth quarter markets. The S&P 500 and Dow lost 22.45% and 19.12% over the three months. The first week of trading saw the Dow fall below 10,000 for the first time in four years. In the worst week in trading ever, the Dow fell seven straight days, bottoming out at 8451. By mid-October, the Dow rocketed 11%, on the news of government cash injections to ailing banks. The Dow had another 11% gain on hopes of interest rate cuts by the Federal Reserve. Shortly after Election-day, the markets experienced a reversal. The S&P 500 breached new lows by mid-November. The markets gained little momentum, but managed to gain 16% off of lows set earlier in the year.

In the financial sector, Freddie Mac took a \$25.3 billion dollar loss related to higher default rates. Citigroup cut 25,000 jobs, and federal regulators faced no choice but to infuse capital to stabilize the company. Goldman Sachs announced a \$2.12 billion loss. Bank of America successfully completed its acquisition of Merrill Lynch. The sector plunged another 37.6% for the three months.

The energy sector dropped 21%. Oil prices fell 33% in October, and an additional 25% in the first week of December. Crude reached prices of \$40 a barrel. Some oil related stocks also suffered; Transocean experienced a price loss of 56%. Natural gas prices also fell during the period.

Industrials lost 24.5% in the fourth quarter. U.S. Auto sales decline 32% in October. This led to the CEOs pleading for a government bailout. In December, the government loaned Chrysler and GM \$17 billion in order to keep the companies' heads above water.

2008 Short Term Strategy & Sector Allocation

1st Quarter

We began the year with 76.8% of our portfolio invested in U.S. stocks, 18.6% in cash, and 4.8% in foreign stocks. In January, our portfolio was overweighted in the Business Services sector, as the S&P held 3.89% compared to our 11.7%. By March, we held 34.5% in Industrial Materials and 10.88% Consumer Services, while the S&P 500 maintained 13.05% and 6.77%, respectively. We were underweighted in the Financial Services and Consumer Goods sectors. Our sector weighting benefited our portfolio's performance for the first quarter, as financials suffered and commodities continued their upward trend from 2007. The S&P 500 had a return of -9.20% compared to our return of -6.15%.

2nd Quarter

The F.A.P. maintained 77.0% of the portfolio in U.S. stocks, 8.39% in cash, and 13.37% in foreign stocks. We decreased our cash holdings from March so that we entered the summer fully invested. We remained overweighted in the Industrial Materials and Consumer Services sectors and underweighted in the Financial Services sector, enabling our portfolio to increase 8.89% relative to the first quarter. The S&P 500's percentage change for the second quarter equaled -4.35%.

3rd Quarter

Over the summer we slightly increased our cash holdings to 15.03% in August. By September, our portfolio consisted of 41.94% cash. For the quarter, we remained underweighted in the Financial Services, Energy, and Consumer Goods sectors. The portfolio continued its position of avoiding the dismal financial sector. We entered the quarter overweighted in the Industrial Materials sector, with the S&P 500 holding 13.02% and the portfolio holding 31.22%. This allocation continued to benefit from the upward swing in commodity prices. We also maintained overweighted positions in the Consumer Services and Software sectors. Our overall sector allocation enabled us to outperform the S&P 500. At the end of September, our year to date return was -14.4% compared to the S&P's -24.7%. However, our percentage change for the third quarter equaled -15.43%, while the S&P's totaled -8.63%.

4th Quarter

We continued to increase our cash holdings and reached 68.56% cash by December. In October, we decreased our Industrial Materials holdings to 5.81% and were no longer over weighted in the Software sector. We remained underweighted in the Energy, Consumer Goods, and Industrial Materials sectors relative to the S&P 500. This allocation helped the portfolio to avoid some of the heavy losses caused by the sudden fall in energy prices and the volatility of financial sector stocks. Our portfolio was also over weighted in the Hardware, Consumer Services, and Healthcare sectors, a more defensive play. The S&P 500's quarterly change totaled -22.49%, while our portfolio decreased -14.26% in the fourth quarter. We attribute our relatively smaller losses to our sector weighting schemes. The portfolio ended 2008 with an annual return of -22.03%, while the S&P 500 was down -38.49% for the year.

Best Investment Idea 2008, Strayer Education

The Financial Analyst Program's best investment Idea was Strayer Education. Strayer is a mid-cap growth stock who located its own niche in the for-profit education industry. The non-traditional for-profit company crafted an excellent education with less-fixed costs, allowing the company to charge less than its traditional competitors. Given the market's bleak outlook as of late, many individuals have found the ability to work and earn an excellent education, while paying less tuition appealing. While Strayer experienced less acceleration in enrollment like many other institutions of higher education, the company continues to grow. Additionally, the company began supplementing physical campuses in addition to its online community, increasing enrollment annually by 18% in the last five years.

Strayer focused its marketing efforts on adults, a beneficial strategy in today's grim economic environment. Adults who currently find themselves jobless enroll in online education classes like Strayer, helping themselves to become more qualified. Moreover, Strayer does not need a poor economy to maintain increasing sales. A steady demand for education coupled with Strayer's ability to charge slightly less and offer flexibility led the company towards success.

Strayer Education experienced a gain of 14.83% in the Financial Analysts' portfolio.

Worst Investment Idea 2008, Thermo Fisher

Thermo Fisher Scientific, Inc. (TMO) emerged as the Financial Analyst Program's worst investment idea. TMO, a large growth medical equipment company, consists of two former companies: Thermo Electron and Fisher Scientific. The merger of the two entities created a massive laboratory supply company each bringing unique product lines and devoted consumer bases to the deal. However, the company struggled with managing the tremendous cash flows generated as a result of the merger.

Additionally, each organization experienced only a slight product overlap; therefore, fixed and operating costs did not decrease, but rather increased. Together Fisher, primarily a distributor, and Thermo, a research oriented company, possess problems of differing organizational cultures due to the inherent nature of their work. The merging of the two entities with unique corporate environments poses a challenge. Concerning the resource allocation among the two segments, the board's bias towards Thermo made matters worse. This bias resulted in Thermo receiving more resources.

The midrange of the company's adjusted earnings per share forecast of \$3.00-\$3.30 appeared roughly flat in 2008, reflecting cost-containment efforts implemented in the fourth quarter due to recession.

TMO accounted for a loss in the Financial Analyst Portfolio of -36.76%.

Month Ending Financial Analyst Portfolio Values

Month-Ending Values: Exhibits A & B

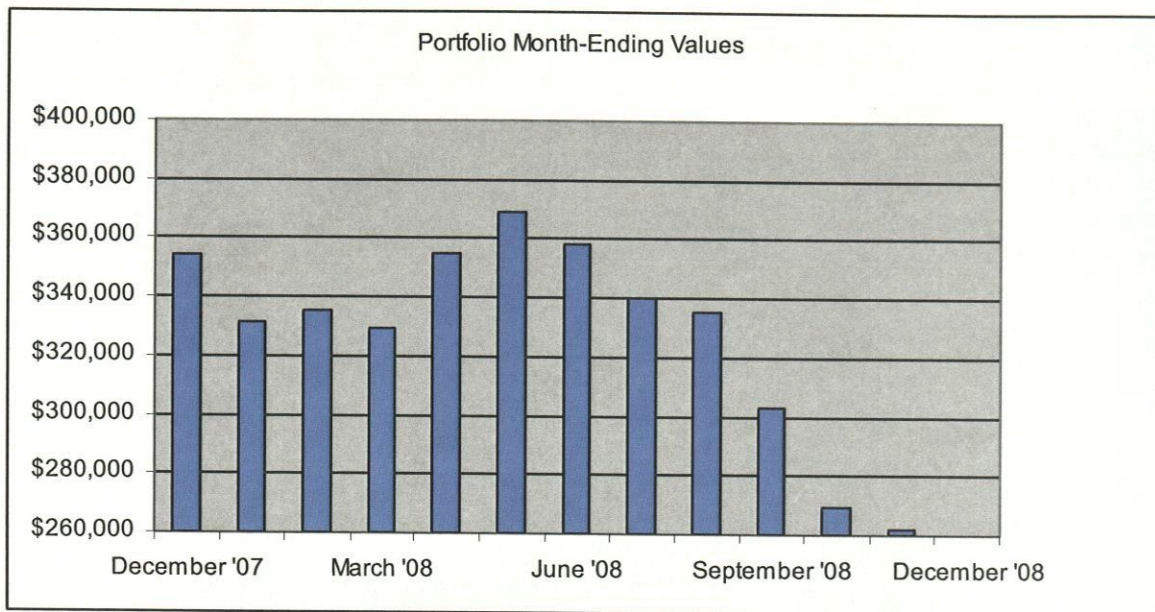
Exhibit A presents the level and change in Portfolio value at the end of each month in 2008. As shown, the Portfolio's value experienced more monthly losses than monthly gains, however this was in line with the overall market. The largest monthly return was 7.68% in April, while the largest monthly decline of -11.22% occurred with the crash of the market in October 2008. Losses could have been greater were it not for the huge move to cash in September and the months thereafter.

Exhibit B contains the same information but is for our benchmark, the S&P 500. The S&P 500 had fewer monthly losses than our Portfolio, however our average monthly loss of -2.35% was less than the S&P 500's respective loss of 3.79%. The Portfolio greatly outperformed the S&P in April and May when we were overweighted in the agricultural industry, posting gains of 7.68% and 4.11%, respectively. Finally, the Portfolio returned a -26.03% annual return in 2008, which was significantly less than the S&P 500's annual return of -38.49%.

The 2008 Portfolio turnover was 85.05%. Portfolio turnover is a measure of how often assets are traded in a Portfolio. To calculate it, the total amount of sales for the year are divided by the average Portfolio value.

Exhibit A: 2008 Month-Ending FAP Portfolio Values

Month Ending	Cash	Equities	Portfolio Value	% Change per Month
December '07	\$32,528	321,633	\$354,161	
January '08	74,649	256,475	331,124	-6.50%
February '08	43,060	292,436	335,496	1.32%
March '08	58,493	270,804	329,297	-1.85%
April '08	7,516	347,072	354,588	7.68%
May '08	2,802	366,360	369,162	4.11%
June '08	19,030	339,576	358,606	-2.86%
July '08	65,244	275,042	340,286	-5.11%
August '08	47,446	287,888	335,333	-1.46%
September '08	132,574	170,699	303,274	-9.56%
October '08	182,546	86,712	269,259	-11.22%
November '08	169,127	92,863	261,989	-2.70%
December '08	176,836	83,180	260,016	-0.75%
Average Monthly Return				-2.41%
Annual Return				-26.58%
Portfolio Turnover				85.05%

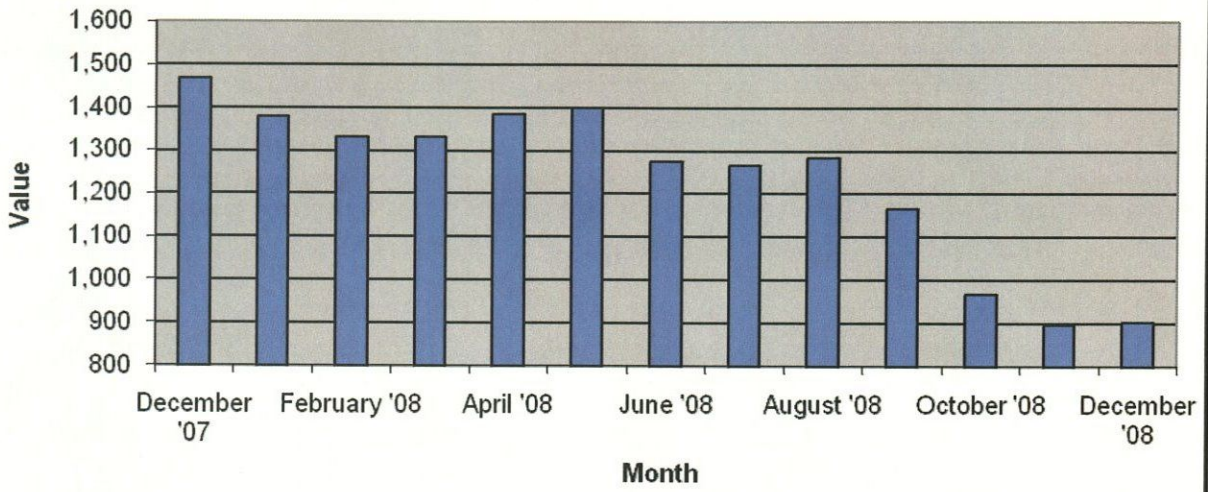


Month Ending Values for the S&P 500

Exhibit B: 2008 Month-Ending Values for S&P 500

Month Ending	S&P 500 Close	% Change per Month
December '07	1,468	
January '08	1,379	-6.12%
February '08	1,331	-3.48%
March '08	1,333	0.16%
April '08	1,386	3.97%
May '08	1,400	1.07%
June '08	1,275	-8.96%
July '08	1,267	-0.59%
August '08	1,283	1.22%
September '08	1,165	-9.21%
October '08	969	-16.83%
November '08	896	-7.48%
December '08	903	0.78%
Average Monthly Return		-3.79%
Annual Return		-38.49%

S&P 500 Month-Ending Values



Sharpe and Treynor Risk-Adjusted Performance

Exhibit C: 2008 Sharpe and Treynor Risk-Adjusted Performance

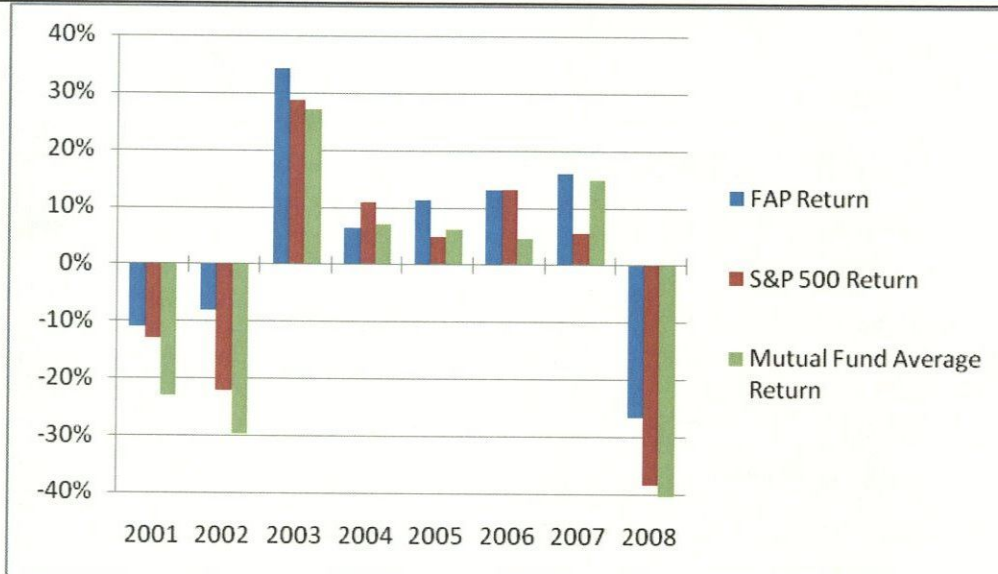
Exhibit C gives the Sharpe and Treynor measures of performance for each month of 2008. The Sharpe Measure is a risk-adjusted measure of portfolio performance. It measures the risk premium earned, measured by portfolio return less risk free rate, as a function of *total* risk, measured by standard deviation. The Treynor Measure is another risk-adjusted measure. It measures the risk premium earned as a function of *systematic* risk, measured by beta.

Month Ending	Portfolio Return Less	S&P 500 Return Less	Risk Free Rate	
	Risk Free Rate	Risk Free Rate	Month Ending	Rate
Jan-08	-6.73%	-6.35%	Jan-08	0.23%
Feb-08	1.14%	-3.65%	Feb-08	0.18%
Mar-08	-1.95%	-0.70%	Mar-08	0.11%
Apr-08	7.57%	4.65%	Apr-08	0.11%
May-08	3.97%	0.92%	May-08	0.14%
Jun-08	-3.01%	-8.75%	Jun-08	0.16%
Jul-08	-5.24%	-1.12%	Jul-08	0.14%
Aug-08	-1.60%	1.08%	Aug-08	0.14%
Sep-08	-9.65%	-9.30%	Sep-08	0.09%
Oct-08	-11.27%	-16.88%	Oct-08	0.06%
Nov-08	-2.72%	-7.50%	Nov-08	0.02%
Dec-08	-0.76%	0.78%	Dec-08	0.00%
12 Month Average	-2.52%	-3.90%	12 Month Average	0.11%

	FAP Portfolio	S&P 500
Beta Function	0.93	1.00
Standard Deviation	6.05%	5.37%
Sharpe Risk-Adjusted Performance	-0.4170	-0.7271
Treynor Risk-Adjusted Performance	-0.0273	-0.0390

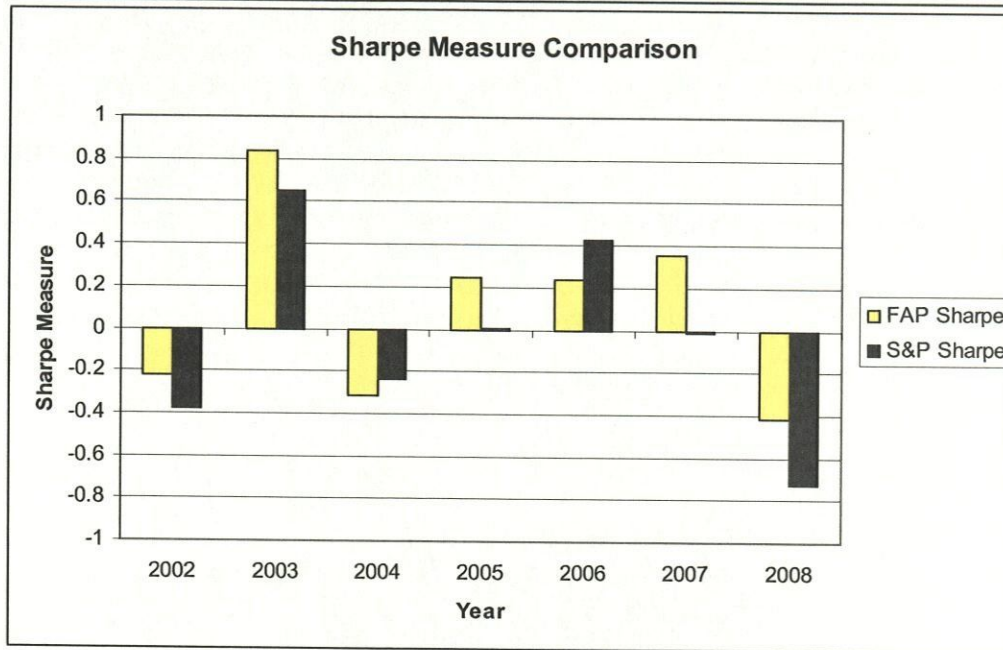
Historical Performance Comparison

The Financial Analyst Program's portfolio experienced heavy losses in 2008 due to the financial crisis. However, strategically weighting our portfolio helped to weather the downturn better than our competitors. The FAP outperformed its two benchmarks, the S&P 500 and Large-Cap Growth Mutual Funds, 7 out of the 8 years since inception. In each of those years, we experienced a far superior return to one or both benchmarks. The portfolio started off in the 2001 bear market and appeared to perform poorly for two years. Comparing it to our benchmarks, the negative returns in 2001 and 2002 were not ideal for a new portfolio; however, they outperformed both benchmarks. In 2003, the portfolio managers changed from a defensive to offensive position and capitalized on the strong market rally resulting in the highest return the portfolio has experienced. In 2004, our portfolio return fell below both of our benchmarks, but in 2005, the performance turned around. This resulted in a stellar 11.23% portfolio return, at least a 5% return difference from both benchmarks. From 2005 to 2007, the portfolio experienced impressive returns that increased over time. Finally, in 2008, the portfolio experienced a loss but still managed to outperform both benchmarks.

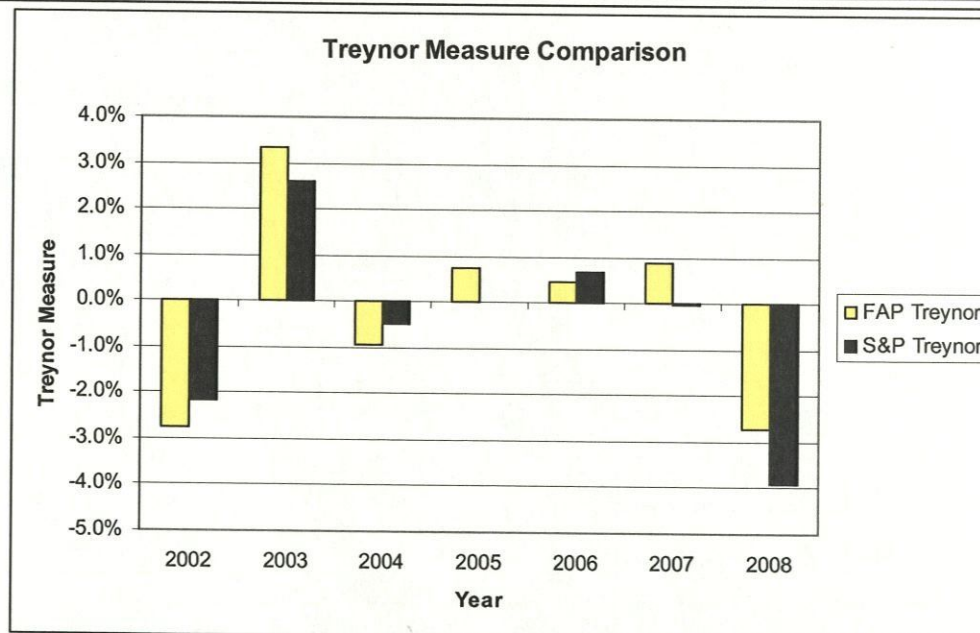


Year	FAP Return	S&P Return	Mutual Fund Average Return
2001	-11.09%	-13.00%	-22.90%
2002	-8.13%	-22.10%	-29.60%
2003	34.11%	28.70%	27.00%
2004	6.28%	10.88%	7.18%
2005	11.23%	4.90%	6.20%
2006	13.07%	13.00%	4.70%
2007	16.00%	5.50%	14.80%
2008	-26.58%	-38.49%	-41.40%

In 2008, the Sharpe measure was negative due to a negative risk premium earned as a result of the credit crisis. The Financial Analyst Program took on more risk than the S&P 500 with 6.05% and 5.37% standard deviations respectively. Minimal addition of risk resulted in a higher Sharpe Measure for a second consecutive year



In 2008, the Treynor measure was negative due to a negative risk premium earned as a result of the credit crisis. The Financial Analyst Program achieved a beta less than one because of the minimal systematic risk taken. Because of this lower risk and a better return, the FAP attained a higher Treynor Measure for a second consecutive year, a first for the FAP.



2008 Portfolio Financial Statements

Market Value by Quarter: Exhibits D-G

Exhibits D through G detail the Portfolio's holdings and market values at the end of each quarter. Additionally, each table also presents the returns for each quarter. In 2008, the Portfolio had negative returns in every quarter except the second quarter, which posted an 8.89% increase from the first quarter. The lowest quarterly return in 2008 was in the third quarter when the financial crisis bottomed out the market.

In addition, the Portfolio tended to hold, on average, 22 to 11 securities throughout the year. Exhibits through G also give information about any stocks splits that affected the Portfolio's equities.

1st Quarter 2008 – Ending March 31, 2008

Exhibit D: Portfolio Holdings and Market Values Q1 2008, Ending March 31, 2008

	Shares	Cost per Share	Cost Basis	Price per Share	Market Value
Cash and Cash Equivalents			\$58,493		\$58,493
Equities:					
Agrium Inc	115	\$73.78	\$8,485	\$62.11	\$7,143
Bucyrus International Inc	90	93.80	8,442	101.65	9,149
CVS/Caremark Corporation	425	40.24	17,104	40.51	17,217
Caterpillar Inc	115	75.40	8,671	78.29	9,003
Citadel Broadcasting Corp	23	6.24	144	1.66	38
Deere & Co	100	86.70	8,670	80.44	8,044
Exxon Mobil Corp	75	50.50	3,788	84.58	6,344
FISPX	4,032	21.01	84,712	21.24	85,635
International Business Machines	160	105.06	16,809	115.14	18,422
Lockheed Martin Corp	80	96.86	7,749	99.30	7,944
Market Vectors AgriBusiness	150	55.49	8,324	53.61	8,042
Monsanto Co New	130	58.07	7,549	111.50	14,495
Novo Nordisk	125	69.31	8,664	69.42	8,678
Potash Corp of Saskatchewan	85	56.13	4,771	155.21	13,193
Powershares Agric FD Com Unit	215	39.03	8,391	36.45	7,837
Southwestern Energy Co	600	27.29	16,373	33.69	20,214
Strayer Education	45	153.89	6,925	152.50	6,863
Teva Pharmaceutical	175	47.95	8,391	46.19	8,083
Vanguard Growth ETF	250	65.84	16,460	57.94	14,485
Total Common Stocks			\$250,420		\$270,826
Total Assets			\$308,913		\$329,319

Beginning Portfolio Value (12/31/07)	\$354,812
Ending Portfolio Value (3/31/08)	\$329,319
% Change for 1st Qtr 2008	-7.18%

Stock Splits

Company Name	Ticker	Date	Shares Owned	Type of Split
Southwestern Energy Co	SWN	03/26/08	300	2 for 1

2nd Quarter 2008 – Ending June 30, 2008

Exhibit E: Portfolio Holdings and Market Values Q2 2008, Ending June 30, 2008

	Shares	Cost per Share	Cost Basis	Price per Share	Market Value
Cash and Cash Equivalents			\$19,030		\$19,030
Equities:					
Agrium Inc	115	\$73.78	\$8,485	\$107.54	\$12,367
Ansys Inc	400	41.91	16,765	47.12	18,848
Bucyrus International Inc	320	52.59	16,828	73.02	23,366
CVS/Caremark Corporation	425	40.24	17,104	39.57	16,817
Caterpillar Inc	115	75.40	8,671	73.82	8,489
Citadel Broadcasting Corp	23	6.24	144	1.22	28
Exxon Mobil Corp	75	50.50	3,788	88.13	6,610
FISPX	3,045	21.12	64,298	20.64	62,841
Fuel Tech Inc	775	22.08	17,112	17.62	13,656
International Business Machines	160	105.06	16,809	118.53	18,965
Kansas City Southern	190	43.17	8,202	43.99	8,358
Lockheed Martin Corp	80	96.86	7,749	98.66	7,893
Market Vectors AgriBusiness	150	55.49	8,324	61.95	9,293
Monsanto Co New	130	58.07	7,549	126.44	16,437
Potash Corp of Saskatchewan	85	56.13	4,771	228.57	19,428
Powershares Agric FD Com Unit	215	39.03	8,391	40.68	8,746
Southwestern Energy Co	600	27.29	16,373	47.61	28,566
Strayer Education	45	153.89	6,925	209.07	9,408
Teva Pharmaceutical	175	47.95	8,391	45.80	8,015
Thermo Fisher Scientific, Inc.	150	56.13	8,420	55.73	8,360
Transocean Inc	120	154.93	18,592	152.39	18,287
Vanguard Growth ETF	250	65.84	16,460	59.19	14,798
Total Common Stocks			\$290,149		\$339,576
Total Assets			\$309,179		\$358,606

Beginning Portfolio Value (3/31/08)	\$329,319
Ending Portfolio Value (6/31/08)	\$358,606
% Change for 2nd Qtr 2008	8.89%

Stock Splits

Company Name	Ticker	Date	Shares Owned	Type of Split
Bucyrus International Inc.	BCY	5/28/2008	90	2 for 1

3rd Quarter 2008 – Ending September 30, 2008

Exhibit F: Portfolio Holdings and Market Values Q3 2008, Ending September 30, 2008

	Shares	Cost per Share	Cost Basis	Price per Share	Market Value
Cash and Cash Equivalents			\$132,574		\$132,574
Equities:					
Ansys Inc	400	\$41.91	\$16,765	\$37.87	\$15,148
Citadel Broadcasting Corp	23	6.24	144	0.78	18
FISPX	3,060	21.11	64,600	18.80	57,536
International Business Machines	160	105.06	16,809	116.96	18,714
Kansas City Southern	190	43.17	8,202	44.36	8,428
Lockheed Martin Corp	80	96.86	7,749	109.67	8,774
Monsanto Co New	130	58.07	7,549	98.98	12,867
Potash Corp of Saskatchewan	43	56.13	2,413	132.01	5,676
Strayer Education	95	186.43	17,711	200.26	19,025
Teva Pharmaceutical	175	47.95	8,391	45.79	8,013
Thermo Fisher Scientific, Inc.	300	58.48	17,543	55.00	16,500
Total Common Stocks			\$167,875		\$170,699
Total Assets			\$300,449		\$303,273

Beginning Portfolio Value (6/30/08)	\$358,606
Ending Portfolio Value (9/30/08)	\$303,273
% Change for 2nd Qtr 2008	-15.43%

4th Quarter 2008 – Ending December 31, 2008

Exhibit G: Portfolio Holdings and Market Values Q4 2008, Ending December 31, 2008

	Shares	Cost per Share	Cost Basis	Price per Share	Market Value
Cash and Cash Equivalents			\$169,387		\$169,387
Equities:					
Citadel Broadcasting Corp	23	\$6.24	\$144	\$0.16	\$4
Charles Schwab Corp New	330	23.09	7,620	16.17	5,336
FISPX	4,393	17.84	78,374	10.22	44,900
International Business Machines	80	105.06	8,405	84.16	6,733
Kansas City Southern	30	43.17	1,295	19.05	572
Strayer Education	47	215.72	10,139	214.41	10,077
Stryker Corp	130	52.21	6,787	39.95	5,194
Teva Pharmaceutical	175	47.95	8,391	42.57	7,450
Thermo Fisher Scientific, Inc.	150	56.13	8,420	34.07	5,111
Varian Med Sys Inc	150	45.62	6,843	35.04	5,256
Total Common Stocks			\$136,417		\$90,631
Total Assets			\$305,804		\$260,018

Beginning Portfolio Value (9/30/08)	\$303,273
Ending Portfolio Value (12/31/08)	\$260,018
% Change for 4th Qtr 2008	-14.26%

2008 Portfolio Activity - Purchase Transactions

Transactions: Exhibits H-J

Exhibits H and I describe all 2008 transactions. Exhibit H lists all purchases made during each quarter. There was a total of \$177,985 in purchases for the year. Quarters 1 and 2 experienced the heaviest buying activity with 72% of the Portfolio's purchases during 2008. Exhibit I lists all sales made during each quarter. There was a total of \$274,932 in sales for the year. Selling was the heaviest in quarter 3 with 52% of the Portfolio's sales during 2008. Finally, Exhibit J shows that all cash dividends received through 2008 totaled \$14,915.

Exhibit H: 2008 Portfolio Activity- Purchase Transactions

	Company Name	Ticker	Date	Shares	Price	Outlay
Quarter 1	Agrium Inc.	AGU	2/29/2008	115	\$73.78	\$8,485
	Proshares Short S&P 500 ETF	SH	2/29/2008	250	66.80	16,700
	TEVA Pharmaceutical Industries	TEVA	3/11/2008	175	47.95	8,391
	Novo Nordisk	NVO	3/11/2008	125	69.31	8,664
	Caterpillar Inc.	CAT	3/14/2008	115	75.40	8,671
	Thermo Fisher Scientific Inc.	TMO	3/27/2008	150	56.13	8,420
Quarter 2	Manitowoc Inc.	MTW	4/9/2008	190	44.42	8,440
	Bucyrus International Inc.	BUCY	4/16/2008	70	119.80	8,386
	Fuel-Tech Inc.	FTEK	4/18/2008	350	23.66	8,281
	Kansas City Southern	KSU	4/18/2008	190	43.17	8,202
	Ansys Inc.	ANSS	4/21/2008	200	39.89	7,979
	Ansys Inc.	ANSS	5/5/2008	200	43.93	8,786
	Transocean Inc.	RIG	5/8/2008	120	154.93	18,592
Quarter 3	Thermo Fisher Scientific Inc.	TMO	8/7/2008	150	60.82	9,123
	Southwestern Energy Co.	SWN	8/7/2008	250	35.32	8,830
	Strayer Education Inc.	STRA	9/5/2008	50	215.72	10,786
Quarter 4	Charles Schwab Corp.	SCHW	10/3/2008	330	23.09	7,620
	Varian Medical Systems Inc.	VAR	10/30/2008	150	45.62	6,843
	Stryker Corp.	SYK	10/30/2008	130	52.21	6,787
Total						\$177,985

2008 Portfolio Activity – Sale Transactions

Exhibit I: 2008 Portfolio Activity- Sales Transactions

	Company Name	Ticker	Date	Shares	Price	Proceeds
Quarter 1	iShares TR S&P GBL TELCM ETF	IXP	2/21/2008	85	\$67.17	\$5,709
	Strayer Education Inc.	STRA	3/6/2008	45	142.27	6,402
	Stericycle Inc.	SRCL	3/14/2008	320	51.89	16,605
	Vanguard Mid-Cap Growth Index	VMGRX	3/14/2008	125	56.06	7,008
	Proshares Short S&P 500 ETF	SH	3/26/2008	250	65.77	16,443
Quarter 2	Manitowoc Inc.	MTW	4/18/2008	190	39.37	7,480
	Deere & Co.	DE	5/29/2008	100	81.55	8,155
	Novo Nordisk	NVO	6/20/2008	125	62.76	7,845
Quarter 3	Fuel-Tech Inc.	FTEK	7/17/2008	775	15.78	12,229
	Exxon Mobil Corp.	XOM	7/17/2008	75	79.83	5,987
	Powershares Agriculture ETF	DBA	7/24/2008	215	35.60	7,654
	Southwestern Energy Co.	SWN	7/24/2008	600	33.81	20,286
	Agrium Inc.	AGU	9/5/2008	115	73.34	8,434
	Transocean Inc.	RIG	9/5/2008	120	120.87	14,504
	Market Vectors Agribusiness ETF	MOO	9/5/2008	150	44.04	6,607
	Bucyrus International Inc.	BUCY	9/5/2008	160	49.64	7,942
	Potash Corp.	POT	9/5/2008	42	150.93	6,339
	CVS/Caremark Corp.	CVS	9/16/2008	425	35.81	15,220
	Vanguard Growth ETF	VUG	9/16/2008	250	54.54	13,635
	Southwestern Energy Co.	SWN	9/16/2008	250	29.83	7,456
	Caterpillar Inc.	CAT	9/16/2008	115	64.45	7,412
	Bucyrus International Inc.	BUCY	9/24/2008	160	50.97	8,155
Quarter 4	Potash Corp.	POT	10/7/2008	43	88.95	3,825
	Monsanto Co.	MON	10/7/2008	130	76.05	9,886
	Ansys Inc.	ANSS	10/7/2008	400	28.12	11,249
	Kansas City Southern	KSU	10/9/2008	160	33.61	5,378
	International Business Machines	IBM	10/27/2008	80	83.20	6,656
	Lockheed Martin Corp.	LMT	10/27/2008	80	75.69	6,055
	Strayer Education Inc.	STRA	10/27/2008	48	184.10	8,837
	Thermo Fisher Scientific Inc.	TMO	10/27/2008	150	36.93	5,539
Total						\$274,932

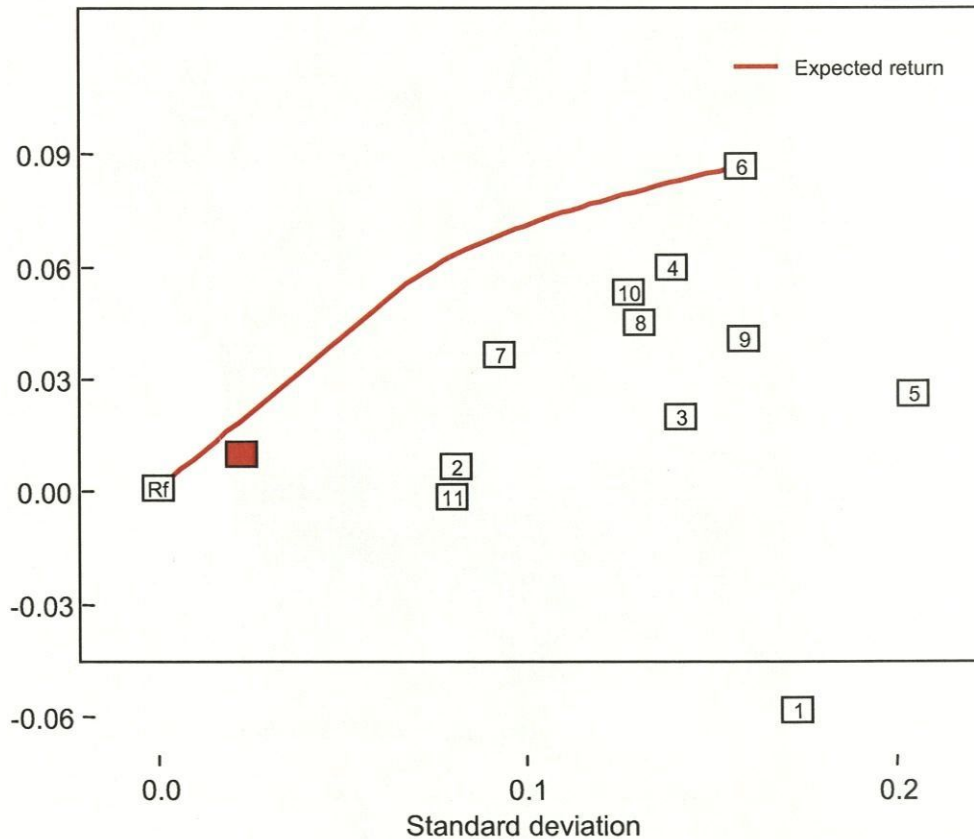
Cash Dividends

Exhibit J: 2008 Cash Dividends

Name	Ticker	Date	Shares	Div/Share	Cash
Quarter 1					
International Business					
Machines	IBM	3/10/2008	160	\$0.40	\$64.00
Strayer Education	STRA	3/10/2008	90	0.38	33.75
ExxonMobil	XOM	3/10/2008	75	0.35	26.25
Bucyrus International Inc	BUCY	3/17/2008	90	0.05	4.50
Vanguard Growth ETF	VUG	3/18/2008	125	0.005	0.63
Novo Nordisk	NVO	3/25/2008	125	0.94	117.79
Federated Max-Cap	FISPX	3/26/2008	4012	0.11	429.16
Lockheed Martin	LMT	3/28/2008	80	0.42	33.60
Vanguard Growth ETF	VUG	3/31/2008	250	0.13	32.75
Proshares Short S&P ETF	^SH-IV	3/31/2008	250	0.26	63.77
Quarter 2					
SPDR Metals & Mining ETF	^KZD	4/2/2008	270	\$0.04	\$10.92
Monsanto	MON	4/25/2008	130	0.18	22.75
Deere & Co	DE	5/1/2008	100	0.25	25.00
CVS/Caremark	CVS	5/2/2008	425	0.06	25.50
Potash Corp.	POT	5/8/2008	85	0.10	8.50
Caterpillar Inc	CAT	5/20/2008	115	0.36	41.40
Bucyrus International Inc	BUCY	5/27/2008	160	0.05	8.00
Teva Pharmaceutical	TEVA	6/5/2008	175	0.13	23.59
International Business					
Machines	IBM	6/10/2008	160	0.50	80.00
Strayer Education	STRA	6/10/2008	45	0.38	16.88
ExxonMobil	XOM	6/10/2008	75	0.40	30.00
Federated Max-Cap	FISPX	6/25/2008	3032	0.09	272.86
Lockheed Martin	LMT	6/27/2008	80	0.42	33.60
Vanguard Growth ETF	VUG	6/30/2008	250	0.14	35.00
Quarter 3					
Agrium Inc.	AGU	7/3/2008	115	\$0.06	\$6.33
Monsanto	MON	7/25/2008	130	0.24	31.20
CVS/Caremark	CVS	8/1/2008	425	0.07	29.33
Potash Corp.	POT	8/8/2008	85	0.11	9.50
Caterpillar Inc	CAT	8/20/2008	115	0.42	48.30
Bucyrus International Inc	FDS	8/21/2008	320	0.03	8.00
Teva Pharmaceutical	TEVA	8/27/2008	175	0.12	21.84
Regions Trust Money Market Deposit		9/2/2008			80.14
International Business					
Machines	IBM	9/10/2008	160	0.50	80.00
Strayer Education	STRA	9/10/2008	45	0.38	16.88
Federated Max-Cap	FISPX	9/25/2008	3045	0.10	301.42
Lockheed Martin	LMT	9/26/2008	80	0.42	33.60
Quarter 4					
Monsanto	MON	10/24/2008	130	\$0.24	\$31.20
Charles Schwab Corp.	SCHW	11/28/2008	330	0.06	19.80
Teva Pharmaceutical	TEVA	12/5/2008	175	0.11	19.51
Federated Max-Cap	FISPX	12/9/2008	3060	4.02	12,295.39
International Business					
Machines	IBM	12/10/2008	80	0.50	40.00
Strayer Education	STRA	12/20/2008	47	0.50	23.50
Federated Max-Cap	FISPX	12/26/2008	4355	0.09	378.85
Total					\$14,915

The Financial Analyst Program Portfolio & The Efficient Frontier

The graph reflects historical returns for the assets in our portfolio from December 31, 2008 since January 2001. The information is plotted based on historical quarterly returns of individual assets in the Portfolio (Y-axis), and the quarterly standard deviations (X-axis). Being on the efficient frontier line represents the ideal balance of risk and reward the FAP portfolio could have achieved varying the weightings of each asset. For instance, we could have been on the efficient frontier had we invested 100% of our assets in Strayer, box 6. The dark square represents our portfolio allocation as of December 31, 2008. The graph shows the FAP portfolio achieved greater return while taking on less risk relative to the S&P 500, box 11. The graph indicates that the FAP portfolio has the lowest standard deviation out of each individual security, and the FAP portfolio's return is about the average of each individual security. The graph does not take into account cash held which varied from 10% in January to 65% in December or any transactions from January 2001 to December 2008. In short, this graph represents the efficient frontier of buying and holding the listed assets beginning January 2001.



FAP Portfolio Holdings (as of 12/31/08): (1) CDL (2) FISPX (3) IBM (4) KSU (5) SCHW (6) STRA (7) SYK (8)TEVA (9) TMO (10) VAR (11) S&P500 (Rf) Risk free asset

