



SOUTHWESTERN UNIVERSITY

FINANCIAL ANALYST PROGRAM

2002 Summary Annual Report



TABLE OF CONTENTS

About the Program	2
Market 2002: A Look Back	3
Economic Summary	5
Portfolio Strategy	6
Portfolio Objectives	7
Portfolio Activity	8
Performance	10
Portfolio Financial Statements	
1 st Quarter	11
2 nd Quarter	12
3 rd Quarter	13
4 th Quarter	14
Appendix A: Sharpe and Treynor Estimates	15
Portfolio Managers & Director	16

ABOUT THE PROGRAM

The investment fund (Fund) is actively managed by Student Portfolio Managers (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 Financial Analyst Program committee on a competitive basis. The criteria considered include career objectives, previous academic performance, related work experience, and application.

The Managers of the Fund seek the highest level of return, while assuming risks similar to those of the Standard and Poor's 500 Index. Managers will also recommend a targeted portfolio of stocks from a broad set of industries. The Fund seeks capital growth through securities that meet the fundamental and technical specifications adopted by the managers.

MARKET 2002: A LOOK BACK

There was not much to smile about in 2002 if you were an investor. Small-Cap or large-cap. Technology or defensive. Diversified or specific. Regardless your position, if you were long in the market in 2002, chances are you are poorer now because of it. Neither style nor size sheltered investors from the declines; the markets were a sea of red. The Dow Jones Industrial Average fell 17% in 2002, the Standard & Poor's 500 Index tumbled 23%, and the NASDAQ dropped a staggering 32%. 2002 was the third straight year of losses for each of these indexes, a feat so rare you would have to go back to the post-Great Depression era of 1939-1941 to replicate it. In fact, the 2002 declines by the NASDAQ follow declines of 39.3% in 2000 and 21.1% in 2001. This is the first time since the inception of the tech heavy NASDAQ in June 1971 that it has posted three consecutive down years.

Reasons for the losses are as varied as the scope of the losses themselves:

- By the end of December, stock fund outflow reached a record \$27.09 billion compared with an inflow of \$31.93 billion in recession ridden 2001. This outflow represents the first full-year withdrawal of funds since 1988's \$14 billion. Stock prices were battered as investors took their money elsewhere and institutional investors came to see cash as a more profitable alternative. When there is no new money to invest (no new demand for stocks) it is impossible for the market to rise.
- The rapid gains fueled by the "irrational exuberance" of the 1990s left the market overvalued. These premium valuations, as measured by the Standard & Poor's Price/Earnings ratio, have been in steady decline since the spring of 2000. At the end of 2002 the valuation for a trailing twelve month P/E on the S&P 500 was 20 - a level typical of a market coping with a sluggish economy and low interest rates.
- The growth in every major technology sector came to a halt in the spring 2001 and has not yet returned. This decline is the result of dormant business-spending in information technology and indicates that the markets for these goods have stopped growing. Technology has ceased to be a major driver of the market (in 1999 it was 35% of the S&P 500 market capitalization vs. 15% in 2002) and will most likely continue in this trend until an "order-of-magnitude" innovation, such as the internet, comes along to help increase productivity.

MARKET 2002: A LOOK BACK

Entering 2003, more and more investors who had once eschewed cheaper, slower growing stocks are becoming increasingly skeptical of names laden with debt or heavily dependent on forecasted demand for price appreciation, such as those in the tech areas.

- Consumer confidence in corporate America was again shaken by accounting trickery and executive misdeeds. Few people could have imagined that Enron's 2001 collapse could be topped, but WorldCom and Tyco managed to do just that in 2002. The call for corporate accountability and reform was a staple of 2002. Many safeguards and programs were implemented during the year in an attempt to regain investor confidence.
- 2002 was supposed to be the year the bulls took charge of the market. Entering 2002 analysts were expecting earnings to accelerate at the levels seen prior to the bubble as the believed recovery took hold. The bears won as first quarter earnings disappointed. By summer, analysts expectations were widely negative and the markets reached multi-year lows. The earnings outlook for mid-November forecasted continued disintegration and helped lead the markets to levels not seen since the mid-1990s. However earnings came in better than expected and helped fuel a year end rally for all of the broader markets. Earnings growth will be a consistent concern for the markets entering 2003.
- The threat of terrorism and geo-political concerns weighed heavily on the markets. The uncertainty created by the threats of al-Qaeda and the lingering possibility of war with Iraq helped make any attempts at a rally unsustainable. As 2002 came to a close, money managers increasingly monitored these geo-political concerns and often reacted to them with a blind-eye to the slowly improving economic data.

Each of these factors helped lead the markets lower for the year, but the Southwestern Financial Analyst Program remains optimistic as the new year begins. Once the uncertainty of the Iraq situation is resolved, businesses will once again be able to issue firm forward looking guidance and increase their business spending as they become more confident in the sustainability of the recovery.

* Please see Appendix A for Sharpe & Treynor Estimates.

ECONOMIC SUMMARY

During 2002, the U.S. economy slowly corrected from the contraction of 2001. It was most notably buoyed by robust consumption and the Federal funds rate reductions of 2001. Consumption rose at an annual rate of 3.0 percent, which constituted 2.1 percent of real GDP growth for the year. Expenditures on consumer durables were especially strong, in a large part to strong motor vehicle sales induced by zero-percent financing. Consumption of services remained robust, accounting for 1 percentage point of GDP growth on average for the year. This rise in consumption was partially due to an 7.0 percent annual increase in real disposal personal income.

The shining star in the American economy was the housing market. It was fueled by record low mortgage rates and continued growth in housing demand. The housing market also heavily supported U.S. consumption. Holders of conventional, conforming mortgages liquefied approximately \$80 billion in equity via "cash-out" refinancing. This refinancing was sparked by the precipitous drop in mortgage rates to lows not seen in a generation. From May 2000 to December 2002, conventional, fixed-rate 30-year loans fell from 8.64 percent to 5.93 percent.

Nonresidential investment was one of the weakest components of demand in 2002. Business fixed investment declined at an annual rate of 3.1 percent. Investment in structures fell by 17.8 annually. Investment in equipment and software rose by 2.0 percent annually. Capital services fell from 5.9 percent in 2000 to 3.4 percent in 2002. However, real inventory investment turned positive in the second half of 2002.

The stock market's poor performance is partially explained by an increase in market aversion to risk. The interest rate spread between corporate and U.S. Treasury bonds widened to near-record levels.

Slow growth among the major U.S. trading partners contributed to slow growth in U.S. exports. Exports rose at an annual rate of 7.4 percent annually, while imports grew 11.1 percent annually. This discrepancy led to an increase in the U.S. trade deficit, so that net exports exerted a drag on GDP growth for the year.

Lastly, real Federal Government purchases rose by a 6.4 percent annual rate. The rise was due to one-time outlays following the terrorist attacks in September 2001. State and local government purchases rose a more moderate 1.7 percent annual rate during the same period.

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.

Additional objectives of this Fund are as follows:

- 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 tries 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.

PORTFOLIO OBJECTIVES

The objectives of the Fund involve risk-exposure, capital growth, portfolio turnover, and managerial experience.

- The Fund purchases common stock issues of publicly-held corporations, with large market capitalizations.
- 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. This analysis leads to allocation decisions into cyclical industries or overall growth trends in the economy.
- Technical analysis plays an important role in the selection of equities as well. Fund managers study historical price patterns of stocks to determine buy and sell points.
- 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 lock in profits on successful stocks and minimize losses.

PORTFOLIO ACTIVITY

Company Name	Ticker	Date	# Shares	Bot (B)	Total Outlay	Transaction Commission	Net Investment
Bed Bath & Beyond Inc.	BBBY	01/29/02	300	B	\$9,878	\$50.01	\$9,828
D R Horton Inc.	DHI	02/05/02	125	B	4,650	50.00	4,600
Symantec Corp.	SYMC	02/15/02	130	B	4,787	50.01	4,737
Accredo Health Inc.	ACDO	02/26/02	190	B	10,014	50.01	9,964
Bemis Co. Inc.	BMS	03/21/02	180	B	9,925	50.00	9,875
Freemarkets Inc.	FMKT	03/26/02	400	B	9,426	50.00	9,376
Kohls Corp	KSS	04/05/02	145	B	10,264	50.01	10,214
Office Depot Inc.	ODP	04/24/02	500	B	9,845	50.00	9,795
Phillip Morris	MO	10/04/02	70	B	2,840	50.00	2,790
Symantec Corp.	SYMC	10/18/02	130	B	5,082	13.00	5,069
Corinthian Colleges Inc.	COCO	11/15/02	250	B	9,945	25.00	9,920
Company Name	Ticker	Date	# Shares	Sold (S)	Total Proceeds	Transaction Commission	Net Proceeds
General Dynamics Corp.	GD	01/17/02	140	S	\$10,776	\$50.17	\$10,726
THQI Inc.	THQI	01/17/02	160	S	6,960	50.11	6,910
Elan PLC ADR	ELN	01/29/02	200	S	6,794	50.11	6,744
UnitedHealth Group Inc.	UNH	02/05/02	80	S	6,002	50.10	5,952
Waste Connections Inc.	WCNX	02/05/02	100	S	2,514	16.64	2,497
Waste Connections Inc.	WCNX	02/05/02	200	S	5,028	33.40	4,995
Diagnostic Products	DP	02/12/02	110	S	3,684	50.07	3,634
Sysco Corp.	SYY	02/13/02	250	S	7,120	50.11	7,070

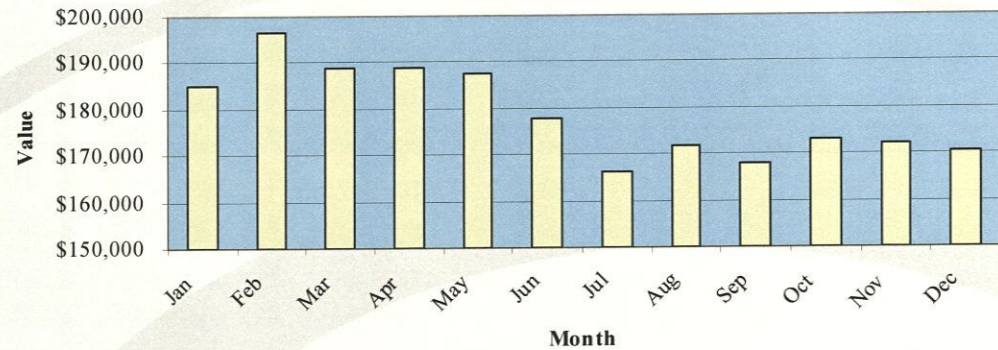
PORTFOLIO ACTIVITY

Company Name	Ticker	Date	# Shares	Sold (\$)	Total Proceeds	Transaction Commission	Net Proceeds
Dynegy Inc.	DYN	02/15/02	200	S	\$4,600	\$50.07	\$4,550
Biogen Inc.	BGEN	04/08/02	90	S	4,037	50.13	3,986
Freemarkets Inc.	FMKT	05/02/02	100	S	1,640	12.55	1,627
Freemarkets Inc.	FMKT	05/02/02	300	S	4,914	37.65	4,877
Accredo Health Inc.	ACDO	09/24/02	190	S	8,385	55.51	8,329
D R Horton Inc.	DHI	10/04/02	187	S	3,460	35.15	3,424
Kohls Corp	KSS	10/11/02	145	S	7,663	14.74	7,649
Office Depot Inc.	ODP	10/11/02	500	S	5,890	50.18	5,840
ITT Educational Services Inc.	ESI	11/15/02	300	S	6,600	30.20	6,570
UnitedHealth Group Inc.	UNH	11/26/02	85	S	6,695	8.71	6,687
Stock Dividends and Stock Splits							
Company Name	Ticker	Date	# Shares	Capital Change			
Apache Corp.	APA	01/22/02	17	10% Stock Dividend			
Applebee's International	APPB	06/11/02	150	50% Stock Split			
D R Horton Inc.	DHI	04/10/02	62.5	50% Stock Split			
ITT Educational Svcs	ESI	06/06/02	300	100% Stock Split			

PERFORMANCE

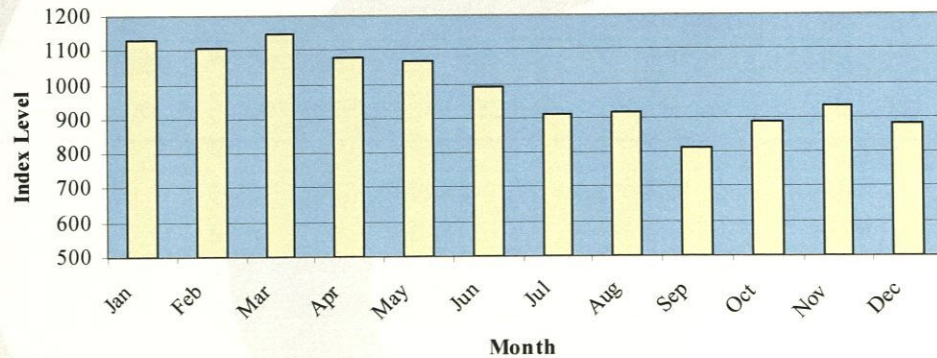
Month Ending	Portfolio Value	% Change
December '01	\$185,721.90	-
January '02	185145.37	-0.31%
February	196658.99	6.22%
March	189040.80	-3.87%
April	188897.72	-0.08%
May	187785.27	-0.59%
June	177941.74	-5.24%
July	166238.48	-6.58%
August	171919.11	3.42%
September	167739.16	-2.43%
October	173125.40	3.21%
November	172270.57	-0.49%
December	<u>170619.56</u>	<u>-0.96%</u>
12 Month Average	\$178,948.51	-0.64%
Total Loss		-8.13%

Monthly Portfolio Market Value



Month Ending	S&P 500 Close	% Change
December '01	1148.08	-
January '02	1130.20	-1.56%
February	1106.73	-2.08%
March	1147.39	3.67%
April	1076.92	-6.14%
May	1067.14	-0.91%
June	989.82	-7.25%
July	911.62	-7.90%
August	916.07	0.49%
September	815.28	-11.00%
October	885.76	8.64%
November	936.31	5.71%
December	<u>879.82</u>	<u>-6.03%</u>
12 Month Average	988.59	-2.03%
Total Loss		-23.37%

S&P 500 Benchmark



FINANCIAL STATEMENTS

1st Quarter 2002
Ending March 31, 2002

	Date Sold	Shares	Per Share Cost	Cost	Per Share Market	Market	Broker Fees	Realized Gain/Loss	% Realized	Unrealized Gain/Loss	% Unrealized
Cash and Cash Equivalents				\$65,862.04		\$65,862.04					
Equities:											
Accredo Health		190	\$52.44	\$10,013.61	\$57.27	\$10,881.30	\$50.01			\$867.69	8.67%
Anheuser Busch		200	43.09	8,668.00	52.20	10,440.00	50.00			1,772.00	20.44%
Apache		170	60.25	10,292.51	56.88	9,669.60	50.01			(622.91)	-6.05%
Apache		17	0.00	0.00	56.88	966.96	0.00			966.96	0.00%
Applebees Intl.		300	34.74	10,472.00	36.30	10,890.00	50.00			418.00	3.99%
Bed, Bath & Beyond		300	32.76	9,878.01	33.75	10,125.00	50.01			246.99	2.50%
Bemis		180	54.86	9,924.80	54.35	9,783.00	50.00			(141.80)	-1.43%
Biogen		90	58.36	5,302.53	49.06	4,415.40	50.13			(887.13)	-16.73%
Diagnostic Products	02/12/2002	110	41.44	4,608.47	33.49	3,633.83	50.07	(974.64)	-21.15%		
D R Horton Inc		125	36.80	4,650.00	37.70	4,712.50	50.00			62.50	1.34%
Dynergy-Class A	02/15/2002	200	48.79	9,808.00	23.00	4,550.00	50.00	(5,258.00)	-53.61%		
General Dynamics	01/17/2002	140	71.85	10,109.00	76.97	10,725.80	50.00	616.80	6.10%		
Intel Corp.		40	60.36	2,464.20	30.41	1,216.40	50.00			(1,247.80)	-50.64%
International Gaming Technology		125	48.40	6,100.00	62.32	7,790.00	50.00			1,690.00	27.70%
ITT Educational Services		300	33.20	10,010.00	45.00	13,500.00	50.00			3,490.00	34.87%
Phillip Morris		180	52.03	9,415.40	52.67	9,480.60	50.00			65.20	0.69%
Symantec Corp.		130	36.44	4,787.21	41.21	5,357.30	50.01			570.09	11.91%
Sysco		250	18.41	4,653.13	29.82	7,455.00	50.00			2,801.88	60.21%
Sysco	02/13/2002	250	18.21	4,602.61	28.48	7,069.89	50.11	2,467.28	53.61%		
THQ Inc.	01/17/2002	160	58.16	9,355.60	43.50	6,910.00	50.00	(2,445.60)	-26.14%		
United Health Group Inc.		85	59.42	5,100.70	76.42	6,495.70	50.00			1,395.00	27.35%
United Health Group Inc.	02/05/2002	80	59.07	4,775.85	75.03	5,952.15	50.25	1,176.30	24.63%		
Waste Connections	02/05/2002	300	29.85	9,006.00	25.14	7,491.75	51.00	(1,514.25)	-16.81%		
Total Common Stock				\$111,148.10		\$123,178.76		(\$5,932.11)	-11.35%	\$11,446.67	10.30%
Foreign Stock											
Elan Corporation	01/29/2002	200	46.1250	9,275.00	33.970	6,744.00	50.00	(2,531.00)	-27.29%		
Total Foreign Stock				0.00		0.00		(2,531.00)			
Total Equities				111,148.10		123,178.76		(\$8,463.11)	-14.73%	\$11,446.67	10.30%
Net Assets				\$177,010.14		\$189,040.80					
Total Assets				\$177,010.14		\$189,040.80					
RETURN ON INVESTMENT				-11.49%		-5.48%					
Beginning Total Assets (12/31/01)				\$201,622.29		\$209,006.40					
Ending Total Assets (3/30/02)				177,010.14		189,040.80					
% Change from 4th Qtr 2001 to 1st Qtr 2002				-12.21%		-9.55%					

LEGEND	
	= Sold
	= New # of shares after sale
	= Dividend
	= Split
	= Purchase

FINANCIAL STATEMENTS

2nd Quarter 2002
Ending June 30, 2002

	Date Sold	Shares	Per Share Cost	Cost	Per Share Market	Market	Broker Fees	Realized Gain/Loss	% Realized	Unrealized Gain/Loss	% Unrealized
				\$44,550.83	\$44,550.83						
Cash and Cash Equivalents											
Equities:											
Accredo Health		190	\$52.44	\$10,013.61	\$46.14	\$8,766.60	\$50.01			(\$1,247.01)	-12.45%
Anheuser Busch		200	43.09	8,668.00	50.00	10,000.00	50.00			1,332.00	15.37%
Apache		187	60.25	11,316.76	57.48	10,748.76	50.01			(568.00)	-5.02%
Applebees Intl.		450	23.16	10,472.00	22.76	10,242.00	50.00			(230.00)	-2.20%
Bed, Bath & Beyond		300	32.76	9,878.01	37.74	11,322.00	50.01			1,443.99	14.62%
Bemis		180	54.86	9,924.80	47.50	8,550.00	50.00			(1,374.80)	-13.85%
Biogen	04/08/2002	90	58.36	5,302.66	44.85	3,986.24	50.26	(\$1,316.42)	-24.83%	(2,063.99)	-29.78%
D R Horton Inc		187	36.80	6,931.60	26.03	4,867.61	50.00				
Freemarkets Inc		400	23.44	9,426.00			50.00				
Freemarkets Inc.	05/02/2002	400	23.44	9,426.20	16.26	6,453.80	50.20	(2,972.40)	-31.53%	(1,733.40)	-70.34%
Intel Corp.		40	60.36	2,464.20	18.27	730.80	50.00			987.50	16.19%
International Gaming Technology		125	48.40	6,100.00	56.70	7,087.50	50.00			3,070.00	30.67%
ITT Educational Services		600	16.60	10,010.00	21.80	13,080.00	50.00			(102.21)	-1.00%
Kohls Corp.		145	70.44	10,263.81	70.08	10,161.60	50.01			(1,445.00)	-14.68%
Office Depot		500	19.59	9,845.00	16.80	8,400.00	50.00			(1,553.00)	-16.49%
Phillip Morris		180	52.03	9,415.40	43.68	7,862.40	50.00			(516.71)	-10.79%
Symantec Corp.		130	36.44	4,787.21	32.85	4,270.50	50.01			2,151.88	46.25%
Sysco		250	18.41	4,653.13	27.22	6,805.00	50.00			2,681.05	52.56%
United Health Group Inc.		85	59.42	5,100.70	91.55	7,781.75	50.00	(\$4,288.82)	-29.12%	\$832.30	0.74%
Total Common Stock				\$112,902.63	\$130,676.52						
Net Assets				\$157,453.46	\$175,227.35						
Total Assets				\$157,453.46	\$175,227.35						
RETURN ON INVESTMENT				-21.27%	-12.39%						
Beginning Total Assets (3/31/00)				\$177,010.14	\$189,040.80						
Ending Total Assets (6/30/01)				157,453.46	175,227.35						
% Change from 1st Qtr 2002 to 2nd Qtr 2002				-11.05%	-7.31%						

*** Bought 300 shares of ITT Educational Services on Apr. 19, it split to 600 shares on Jun. 6

LEGEND	
	= Sold
	= New # of shares after sale
	= Dividend
	= Split
	= Purchase

FINANCIAL STATEMENTS

3rd Quarter 2002
Ending September 30, 2002

	Date Sold	Shares	Per Share Cost	Cost	Per Share Market	Market	Broker Fees	Realized Gain/Loss	% Realized	Unrealized Gain/Loss	% Unrealized
Cash and Cash Equivalents				\$53,173.22		\$53,173.22					
Equities:											
Accredo Health	09/24/2002	190	\$52.44	\$10,019.11	\$43.84	\$8,274.09	\$55.51	(\$1,745.02)	-17.42%	\$1,452.00	16.75%
Anheuser Busch		200	43.09	8,668.00	50.60	10,120.00	50.00			(199.61)	-1.76%
Apache		187	60.25	11,316.76	59.45	11,117.15	50.01			(608.00)	-5.81%
Applebees Intl.		450	23.16	10,472.00	21.92	9,864.00	50.00			(107.01)	-1.08%
Bed, Bath & Beyond		300	32.76	9,878.01	32.57	9,771.00	50.01			(1,032.80)	-10.41%
Bemis		180	54.86	9,924.80	49.40	8,892.00	50.00			(3,449.66)	-49.77%
D R Horton Inc		187	36.80	6,931.60	18.62	3,481.94	50.00			(1,908.60)	-77.45%
Intel Corp.		40	60.36	2,464.20	13.89	555.60	50.00			2,542.50	41.68%
International Gaming Technology		125	48.40	6,100.00	69.14	8,642.50	50.00			1,252.00	12.51%
ITT Educational Services		600	16.60	10,010.00	18.77	11,262.00	50.00			(1,446.36)	-14.09%
Kohls Corp.		145	70.44	10,263.81	60.81	8,817.45	50.01			(3,675.00)	-37.33%
Office Depot		500	19.59	9,845.00	12.34	6,170.00	50.00			(2,431.40)	-25.82%
Phillip Morris		180	52.03	9,415.40	38.80	6,984.00	50.00			(410.11)	-8.57%
Symantec Corp.		130	36.44	4,787.21	33.67	4,377.10	50.01			2,444.38	52.53%
Sysco		250	18.41	4,653.13	28.39	7,097.50	50.00			2,313.00	45.35%
United Health Group Inc.		85	59.42	5,100.70	87.22	7,413.70	50.00				
Total Common Stock				\$119,830.62		\$114,565.94		(\$1,745.02)	-17.42%	(\$5,264.68)	-4.39%
Net Assets				\$173,003.84		\$167,739.16					
Total Assets				\$173,003.84		\$167,739.16					
RETURN ON INVESTMENT				-13.50%		-16.13%					
Beginning Total Assets (12/31/00)				\$157,453.46		\$175,227.35					
Ending Total Assets (3/30/01)				173,003.84		167,739.16					
% Change from 2nd Qtr 2002 to 3rd Qtr 2002				9.88%		-4.27%					

***Were without 44,550.83 in cash for quarter which was later added back.

LEGEND	
	= Sold
	= New # of shares after sale
	= Dividend
	= Split
	= Purchase

FINANCIAL STATEMENTS

4th Quarter 2002
Ending December 31, 2002

	Date Sold	Shares	Per Share Cost	Cost	Per Share Market	Market	Broker Fees	Realized Gain/Loss	% Realized	Unrealized Gain/Loss	% Unrealized
Cash and Cash Equivalents				\$65,798.68		\$65,798.68					
Equities:											
Anheuser Busch		200	\$43.09	\$8,668.00	\$48.40	\$9,680.00	\$50.00			\$1,012.00	11.68%
Apache		187	60.25	11,316.76	56.99	10,657.13	50.01			(659.63)	-5.83%
Applebees Intl.		450	34.74	15,683.00	23.19	10,435.50	50.00			(5,247.50)	-33.46%
Bed, Bath & Beyond		300	32.76	9,878.01	34.53	10,359.00	50.01			480.99	4.87%
Bemis		180	54.86	9,924.80	49.63	8,933.40	50.00			(991.40)	-9.99%
Corinthian Colleges Inc.		250	39.68	9,945.00	37.86	9,465.00	25.00			(480.00)	-4.83%
D R Horton Inc	10/04/2002	187	36.80	6,916.75	26.03	4,832.46	35.15	(\$2,084.29)	-30.13%		
Intel Corp.		40	60.36	2,464.20	15.57	622.80	50.00			(1,841.40)	-74.73%
International Gaming Technology		125	48.40	6,100.00	75.92	9,490.00	50.00			3,390.00	55.57%
ITT Educational Services		300	16.60	5,010.20	23.55	7,065.00	30.20			2,054.80	41.01%
ITT Educational Services	11/15/2002	300	16.60	5,010.20	22.00	6,569.80	30.20	1,559.60	31.13%	1,559.60	
Kohls Corp.	10/11/2002	145	70.44	10,228.54	52.85	7,648.51	14.74	(2,580.03)	-25.22%		
Office Depot	10/11/2002	500	19.59	9,845.18	11.68	5,789.82	50.18	(4,055.36)	-41.19%		
Phillip Morris		180	52.03	9,415.40	40.53	7,295.40	50.00			(2,120.00)	-22.52%
Phillip Morris		70	39.86	2,840.20	40.53	2,837.10	50.00			(3.10)	-0.11%
Symantec Corp.		130	36.44	4,787.21	40.51	5,266.30	50.01			479.09	10.01%
Symantec Corp.		130	38.99	5,081.70	40.51	5,266.30	13.00			184.60	3.63%
Sysco		250	18.41	4,653.13	29.79	7,447.50	50.00			2,794.38	60.05%
United Health Group Inc.	11/26/2002	85	59.42	5,059.41	78.67	6,678.24	8.71	1,618.83	32.00%		
Total Common Stock				\$105,767.61		\$104,820.43		-\$5,541.25		\$612.43	0.58%
Net Assets				\$171,566.29		\$170,619.11					
Total Assets				\$171,566.29		\$170,619.11					
RETURN ON INVESTMENT				-14.22%		-14.69%					
Beginning Total Assets (12/31/00)				\$173,003.84		\$167,739.16					
Ending Total Assets (3/30/01)				171,566.29		170,619.11					
% Change from 3rd Qtr 2002 to 4th Qtr 2002				-0.83%		1.72%					

LEGEND	
	= Sold
	= New # of shares after sale
	= Dividend
	= Split
	= Purchase

APPENDIX A: SHARPE & TREYNOR ESTIMATES

Month Ending	Portfolio Return Less Risk Free Rate	S&P 500 Return Less Risk Free Rate	Risk-Free Rate
January '02	-0.45%	-1.70%	0.14%
February	6.07%	-2.22%	0.14%
March	-4.02%	3.53%	0.15%
April	-0.22%	-6.29%	0.15%
May	-0.73%	-1.05%	0.14%
June	-5.38%	-7.39%	0.14%
July	-6.72%	-8.04%	0.14%
August	3.28%	0.35%	0.14%
September	-2.56%	-11.13%	0.14%
October	3.09%	8.53%	0.13%
November	-0.59%	5.61%	0.12%
December	-1.06%	-6.13%	0.10%
12 Month Average	-0.77%	-2.16%	0.13%
Beta Function	<u>0.28</u>	<u>1.00</u>	
Standard Deviation of Portfolio Returns	<u>3.52</u>	<u>5.70</u>	
Sharpe Risk-Adjusted Performance	<u>-0.22%</u>	<u>-0.38%</u>	$\frac{\text{(Portfolio Return - Risk Free Rate)}}{\text{Standard Deviation of Returns}}$
Treynor Risk-Adjusted Performance	<u>-2.79%</u>	<u>-2.16%</u>	$\frac{\text{(Portfolio Return - Risk Free Rate)}}{\text{Beta Function}}$

The Fund's risk-adjusted returns outperformed the market, according to the Sharpe Risk-Adjusted Performance measures of -0.22% and -0.38%, respectively. However, the negative Sharpe Measures indicate both underperformed the Risk-Free Treasury Bill Rate of 0.13%. According to the Treynor Risk-Adjusted Performance measures, the Fund and the market had risk-premium returns per unit of systematic risk of -2.79% and -2.16%, respectively. Although the Treynor measures appear to contradict the Sharpe measures due to the Fund's very low beta, the Fund maintained superior risk-adjusted performance.

PORTFOLIO MANAGERS

Matt Dean: Accountant

Accounting Major; Economics Minor

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.

Michael Dunleavy: Portfolio Manager

Business Major; Economics Minor

The portfolio manager reduces 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.

Jennifer Hernandez: Trader

Business Major

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.

Linda Lim: Computer Technician

Business Major; Math Minor

The duties of the computer analyst 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.

PORTFOLIO MANAGERS

Mark Stoner: Market Technician

Business Major; Economics Minor

The duties of the market technician include the study of current and past market action, such as price and volume, to forecast future price direction. The technician is also responsible for the timing of purchases and sells in correlation to what he/she forecasts and keeping other members of the FAP aware of current market trends.

Scott Vandigriff: Economist

Economics Major; Spanish Minor

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.

Kelli Waldrop: Public Relations

Business Major; Economics Minor

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 promotion of the FAP to juniors who may be interested in applying.

PORTFOLIO MANAGERS & DIRECTOR

Financial Analyst Program - Student Portfolio Managers

January – May 2002

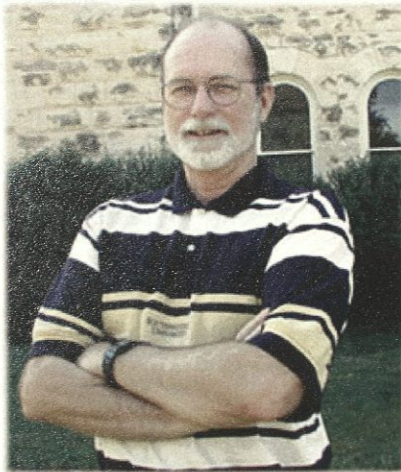
Martina Dai
Tim Gandre
Shauna Jackson
Sara Lopez
Taylor Paul
Amanda Whitt

May – December 2002

Michael Dunleavy
Matt Dean
Jennifer Hernandez
Linda Lim
Mark Stoner
Kelli Waldrop
Scott Vandigriff



L-R: M. Dean, K. Waldrop, L. Lim, M. Dunleavy, J. Hernandez, M. Stoner, S. Vandigriff



Director:

Dr. A.J. Senchack

A.J. Senchack, founding director of the Financial Analyst Program, joined the faculty of Southwestern University's Department of Business and Economics in 1998. He currently holds the Lucy King Brown chair in International Business. Dr. Senchack teaches Foundations of Business, Financial Statement Analysis, Investments, and International Business. Before coming to Southwestern, Dr. Senchack taught at the University of Texas – Austin for twenty-five years, and is responsible for creating the Financial Analyst Program at UT. He received his undergraduate degree in Engineering, his MBA from Texas Tech University and his Doctorate in Finance from the University of California – Los Angeles.