SAINT JOSEPH'S UNIVERSITY

The Erivan K. Haub School of Business

STUDENT MANAGED INVESTMENTS
ANNUAL REPORT 2007

5600 CITY AVENUE
PHILADELPHIA, PA 19131

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Portfolio Team

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Wall Street Trading Room: www.sju.edu/hsb/wstr

Introduction

Established in 2004, the Saint Joseph's University Student Managed Investment Fund aims to outperform the S&P 500 through fundamental analysis and by establishing an appropriate investing strategy. The initial investment of $58,000 in 2004 combined with an additional $25,000 in mid 2006 has grown considerably since the funds creation with a total value of $120,221 as of December 2007.

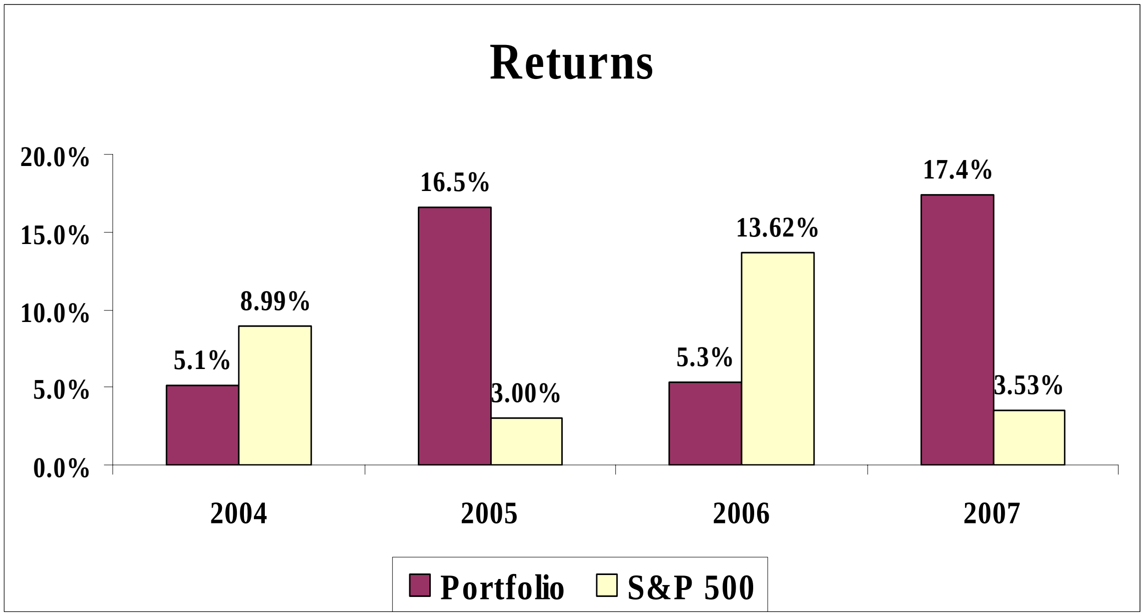
Investing in the stock market presents both systematic and unsystematic risk. Through utilizing various investment concepts, we strive to minimize the diversifiable risks and make investments which maximize our potential for profit. Our screening process includes ranking stocks that were identified by characteristics to accentuate the investing style that we deemed fitting for the current market.

The investing style of the 2006 portfolio had been concentrated on growth stocks; however, as the market changed over the past year it had become apparent that a change in style was necessary. A large cap value strategy is currently the best choice. As a result, the new stock selections in combination with the remaining growth stocks represent a blend strategy. At this time our portfolio consists of 30 stocks allocated among the ten sectors of the S&P 500.

Portfolio Performance

During 2007 the portfolio had a return of 17.41% compared to 3.53% for the S&P 500. Our portfolio returns over the last four years have both underperformed and overperformed the S&P

500: our returns (S&P 500 returns) were 5.09% (8.99%), 16.53% (3.00%), 5.27% (13.62%), and 17.41% (3.53%) in 2004, 2005, 2006, and 2007. An investment of $100 at the end of year 2003 would have grown to $151.40 in four years; the same investment in S&P 500 would be $132.06.



Our superior performance during 2007 is partly due to our beta of 1.3 relative to the S&P 500. However, as indicated in the table below, risk-adjusted measures (Sharpe ratio, Treynor ratio, Jensen's alpha, and Information ratio) all indicate outstanding risk-adjusted performance.

Monthly Returns (1/2007-12/2007) Performance Indicators	SMI	S&P 500
Monthly Average Return	**1.40%**	**0.33%**
Monthly Standard Deviation	**3.67%**	**2.80%**
Beta	**1.300**	**1.000**
Sharpe Ratio	**0.382**	**0.116**
Treynor Ratio	**0.011**	**0.003**
Jensen's Alpha	**0.010**	
Residual St Dev	**0.53%**	
Information Ratio (IR)	**185.95%**	

After performing screens on each sector and valuing stocks returned in these screens, we purchased 18 new stocks. Additionally, we purchased two foreign ETFs as a means of diversifying the portfolio internationally. During the fall semester we purchased more of Freeport-McMoran. We chose to buy Nike (NKE), Abercrombie (ANF), Pepsi (PEP), Molson Coors (TAP), Helix (HLX), Wachovia (WB), JP Morgan Chase (JPM), Ace Limited (ACE), Coventry Health (CVH), United Health (UNH), Aetna (AET), Merck (MRK), General Electric (GE), IBM (IBM), Freeport-McMoran (FCX), Arcelor Mittal (MT), FPL Group (FPL), Vanguard Emerging Markets ETF (VWO), and Vanguard FTSE World ETF (VEU).

Throughout the semester we sold 20 securities, including 18 stocks and two exchange traded funds (ETFs).

SOLD SECURITIES

Name	Ticker	Beginning Date:	Beginning Prices	Number of Shares	Beginning Value	Selling Date	Selling Value	Gain (Loss)	Percent Gain (Loss)
Ipsco	IPS	12/31/06	93.87	30	2,816	5/3/2007	4,699	1,883	66.9%
Cisco	CSCO	12/31/06	27.33	120	3,280	5/10/2007	3,150	(129)	-3.9%
Allstate	ALL	12/31/06	65.11	30	1,953	6/1/2007	1,824	(129)	-6.6%
RPC Inc.	RES	12/31/06	16.88	300	5,064	6/1/2007	5,066	2	0.0%
Vimpel Comm ADR	VIP	12/31/06	15.79	175	2,763	9/18/2007	4,708	1,945	70.4%
Merrill Lynch	MER	12/31/06	93.10	30	2,793	10/25/2007	1,817	(976)	-34.9%
Navarre	NAVR	12/31/06	3.98	400	1,592	11/13/2007	902	(690)	-43.3%
CVS Caremark	CVS	6/1/07	38.56	60	2,332	11/13/2007	2,515	183	7.8%
SuperValu	SVU	6/1/07	48.36	50	2,437	11/13/2007	1,936	(501)	-20.5%
Financial SPDR	XLF	12/31/06	36.75	300	11,025	11/13/2007	9,425	(1,600)	-14.5%
Healthcare SPDR	XLV	12/31/06	33.49	250	8,373	11/13/2007	8,786	414	4.9%
Arrow	ARW	12/31/06	31.55	50	1,578	11/13/2007	1,785	207	13.1%
United Online	UNTD	12/31/06	13.28	150	1,992	11/13/2007	2,455	463	23.2%
SEI Investments	SEIC	12/31/06	29.78	60	1,787	11/13/2007	1,806	19	1.1%
Quality Systems	QSII	12/31/06	37.27	60	2,236	11/20/2007	1,766	(470)	-21.0%
Alcoa	AA	5/3/07	34.96	60	2,116	11/20/2007	2,153	36	1.7%
Eaton	ETN	5/3/07	91.64	30	2,768	11/20/2007	2,638	(130)	-4.7%
Diamonds	DIA	12/31/06	124.52	200	24,904	11/20/2007	26,156	1,252	5.0%
Vimpel Comm ADR	VIP	12/31/06	15.79	100	1,579	11/20/2007	3,087	1,508	95.5%
Energen	EGN	12/31/06	46.94	35	1,643	11/20/2007	2,164	521	31.7%
					85,030.55		**88,839.26**		
					Total Realized Gain (Loss)			**3,808.71**	

The portfolio as of December 31, 2007 is presented on the following page. Our superior performance was a result of our underweighted financial sector (13% vs 19% market weight) as well as large returns from some stocks: ITT Educational (28.5%), Vimpel (163.5%), China Mobile (101%), Ipsco (66.9%, sold after acquisition), Graftech (34.5%), Chesapeake Energy (34.9%), and Energen (36.8%).

PORTFOLIO (12/31/2007)

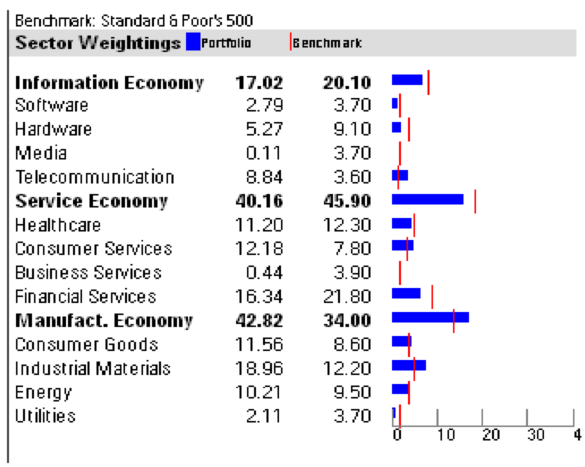
Name	Ticker	Current Market Value	Return	% of Portfolio	% of SPX	% Over (-Under) SPX
Consumer Discretionary				**10.4%**	**9.6%**	**0.8%**
ITT Educational	ESI	5,116	28.5%	4.3%		
Nike	NKE	4,176	2.4%	3.5%		
Abercromble	ANF	3,199	6.9%	2.7%		
Consumer Staples				**8.6%**	**10.1%**	**-1.5%**
Walmart	WMT	3,327	2.9%	2.8%		
Pepsi	PEP	3,416	0.6%	2.8%		
Molson Coors	TAP	3,613	-0.5%	3.0%		
Energy				**7.4%**	**11.5%**	**-4.1%**
Chesapeake Energy	CHK	2,352	34.9%	2.0%		
ConocoPhillips	COP	4,415	22.7%	3.7%		
Helix Energy	HLX	2,075	1.9%	1.7%		
Financials				**13.0%**	**19.2%**	**-6.2%**
Wachovia	WB	5,705	-1.3%	4.7%		
JP Morgan Chase	JPM	4,365	5.1%	3.6%		
ACE Limited	ACE	5,560	7.9%	4.6%		
Healthcare				**10.7%**	**11.4%**	**-0.7%**
Coventry Health	CVH	2,963	0.8%	2.5%		
UnitedHealth	UNH	3,492	7.9%	2.9%		
Aetna	AET	3,464	3.8%	2.9%		
Merck	MRK	2,906	-0.1%	2.4%		
Industrials				**10.5%**	**11.2%**	**-0.7%**
Ceradyne	CRDN	1,408	-16.9%	1.2%		
Terex	TEX	3,279	1.5%	2.7%		
GrafTech International	GTI	5,325	34.5%	4.4%		
General Electric	GE	2,595	-3.8%	2.2%		
Information Technology				**7.2%**	**16.7%**	**-9.5%**
Microsoft	MSFT	3,204	19.2%	2.7%		
IBM	IBM	5,405	3.5%	4.5%		
Materials				**6.6%**	**3.2%**	**3.4%**
Freeport-McMoran	FCX	3,073	29.0%	2.6%		
Freeport-McMoran	FCX	1,024	8.6%	0.9%		
Arcelor Mittal	MT	3,868	7.3%	3.2%		
Telecommunication				**7.7%**	**3.6%**	**4.1%**
Vimpel Comm ADR	VIP	3,120	163.5%	2.6%		
China Mobile	CHL	6,081	101.0%	5.1%		
Utilities				**3.6%**	**3.2%**	**0.4%**
Energen	EGN	2,248	36.8%	1.9%		
FPL Group	FPL	2,033	-2.0%	1.7%		
Foreign ETF				**13.6%**		
Vanguard Emerging	VWO	10,430	-2.7%	8.7%		
Vanguard FTSE World	VEU	5,861	-1.2%	4.9%		
		$ 119,095.75				
	Cash	**$ 1,125.21**		**0.9%**		
		$ 120,220.96		**100.0%**		

Portfolio Characteristics

I. Diversification and Sector Allocation

The portfolio is well diversified among the S&P 500 sectors with our largest investments being made in the Foreign ETF sector and also in the Financials sector; they account for 13.9% and 13.0% of the portfolio respectively. Our smallest investment sector is the Utilities sector which accounts for only 3.2% respectively. All other areas have around the same values allocated to them none being greater than 12% or less than 6%.

Our portfolio sector weightings fit closely to Morningstar's benchmark for our diversification preferences. They believe that we should allocate more funds to Hardware, Media, Business Services and Financial Services, and that we have overvalued our Telecommunications, Industrial Materials, and Consumer Services; all other sectors are allocated rather reasonably. The majority of our investments lie within the Service Economy segment (40.16%) and also in the Manufacturing segment (42.82%).


Benchmark: Standard & Poor's 500

Sector Weightings	Portfolio	Benchmark
Information Economy	**17.02**	**20.10**
Software	2.79	3.70
Hardware	5.27	9.10
Media	0.11	3.70
Telecommunication	8.84	3.60
Service Economy	**40.16**	**45.90**
Healthcare	11.20	12.30
Consumer Services	12.18	7.80
Business Services	0.44	3.90
Financial Services	16.34	21.80
Manufact. Economy	**42.82**	**34.00**
Consumer Goods	11.56	8.60
Industrial Materials	18.96	12.20
Energy	10.21	9.50
Utilities	2.11	3.70

II. Fundamental Characteristics

The average market capitalization for the portfolio was 50.6% of the average for the S&P 500. Our P/E ratio of 16.19 is slightly lower than our benchmark. However, our P/B and P/S ratios are both higher. The ROA and ROE are slightly lower than the S&P 500, and so is Debt/Total Cap ratio.

Of the companies that we have invested, 28% of our funds have been placed in Large Sized Core companies, 22% has been allocated to Large Size Value companies and 21% has been placed in Large Sized Growth corporations. The Net Profit Margin of our portfolio is 12.70% where as the benchmark according to Morningstar is about 14.24%. Another item of importance is that our portfolio has a higher Return on Equity (21.10%) compared to that of Morningstar's benchmark (19.70%).

Geo Avg Market Capitalization ($Mil)	
Portfolio	26124.58
Benchmark	51531.00

Valuation Multiples	Portfolio	Bmark
P/E Ratio TTM	16.19	16.60
P/B Ratio TTM	3.26	2.90
P/S Ratio TTM	1.86	1.60
P/C Ratio TTM	11.47	11.30

Profitability %	Portfolio	Bmark
% Domestic Stocks	2006	2006
Net Margin	12.00	14.24
ROE	19.00	19.70
ROA	8.00	10.91
Debt/Total Cap	26.80	29.43

Current Investment Style

Equity Style

Value	Core	Growth	
22	28	21	Large Size
4	8	11	Medium
4	1		Small

Selection Process

An economic analysis was performed to assess the general state of the economy. We implemented a selection process that fit the large cap value style. After the initial screening, each team chose specific stocks to research further. The factor scoring model was used to rank each stock and reduce the sample to about 40 stocks. Then fundamental analysis was used to value the stocks and evaluate past and current performance. Next, we used technical analysis to monitor recent performance. Finally, the sector allocation was evaluated and final adjustments to sector weights were made.

I. Economic Expectations

To formulate a comprehensive outlook for the economy, fifteen different indicators were rated on a scale of Favorable, Unfavorable, or Neutral by estimating a general trend over the past four quarters (See following table). An overall score of zero reveals that the economy currently holds a rating of Neutral.

After record highs in the stock market, many investors suffered from the recent market correction related to the subprime crisis and credit crunch. While economic growth may be slowing, a flat trend of CPI: Core (which excludes energy prices) and relatively low unemployment rates may help mollify concerns over a recession. High energy prices have curtailed consumer spending and put pressure on operational costs of many in the private sector. The Federal Reserve has sought to inject liquidity into the markets, thus generating business investments and retail sales, by lowering the federal funds rate. While the percentage change of corporate profits after tax declined, the depreciation of the U.S. currency has aided exports and helped contribute to the growth of Nominal GDP.

Neutral: 0
Unfavorable: -1
Favorable: +1

	ECONOMIC INDICATORS FROM BASELINE	2006Q4	2007Q1	2007Q2	2007Q3	Remarks	Scores
1)	% Change Nominal Gross Domestic Product	3.8	4.9	6.6	5.9	*Nominal GDP Growth Supports Profits*	0
2)	% Change Industrial production	3.5	2.5	1.8	1.8	*Rebuilding Inventories As Business Demand & Exports Expand*	0
3)	% Change Index of Leading Indicator	0.2	-0.5	-0.1	0.4	*Economic Expansion Slowing*	0
4)	% Change Disposable Income	5.2	5.8	5.5	5.9	*Job Expansion is Key to Income Growth*	1
5)	% Change Retail sales	5.0	3.4	4.0	4.0		0
6)	% Change M2 money supply growth rate	4.9	5.3	6.2	6.4		0
7)	% Change PPI: Core	1.6	1.7	1.6	2.2		0
8)	% Change CPI: Core	2.7	2.6	2.3	2.1	*Fed Hopes Core Consumer Prices Settle into "Comfort Zone"*	0
9)	% Change Employment Growth	1.7	1.5	1.4	1.3	*Employers Cautious, Weakness in Construction*	0
10)	Unemployment rate	4.5	4.5	4.5	4.6		0
11)	Housing starts mill units	1.6	1.5	1.5	1.3		0
12)	Federal funds rate	5.3	5.3	5.3	5.1		0
13)	Corporate BAA spread	1.0	0.9	0.9	0.9		0
14)	Federal Budget Surplus/Deficit in bill	-68.2	-70.2	37.5	-81.5	*Cyclical Deficit Improves With Growing Revenues*	0
15)	% Change Corporate profits after tax	8.0	4.3	4.3	2.0		-1
	Remarks & Quarterly Figures Taken from Thomson Baseline					**TOTAL SCORE**	**0**
						OVERALL ECONOMIC OUTLOOK: POSITIVE OR NEGATIVE	

II. Screening

We utilized a number of programs to screen for potential stocks to purchase for the SMI portfolio. These programs included StockVal, Thomson Baseline, Zacks Research Wizard and Morningstar Principia. A sample criterion was used based on our chosen large-cap value style, which is listed below. This format was a general guideline, in accordance with the overall investment objective, yet it could have been augmented at the discretion of each sector. The variables were slightly adjusted depending on the nature of the program, and the variation between each sector.

Criteria	Min	Max
Price	$5	
Volume	100 thousand	
EPS Growth LFY %	3	
PE T4Q	5	25
PE FY1	5	25
Market Value ($ mil)	$5 Billion	
Price / Book Value		4
% Price Change 26-Weeks	5%	
ROC	6%	

III. StockVal Stock Score - Factor Modeling

Another method used to select stocks was StockVal factor scoring, which ranked stocks from highest to lowest within the S&P 500 that appropriately met our standards. However, similar to the screening, an overall sample criteria was used to exhibit a fairly uniform investment strategy of large value. The groups were granted some degree of flexibility in order to accommodate the variation between sectors and each group allocated the relative weighting that would produce the best results. Regardless of the actual number allocated to the variables listed in the table below, the proportion of certain factors would clearly be higher than others of less significance. For instance, the P/E and ROC factors are obviously more important than the percentage changes in momentum for a value policy, and this rationale was consistently applied by all sectors. The table below shows a standard scoring set that was used to rank the potential stocks.

Data Items	Weights	Hi Best	Calculation Method
PE T4Q	.30	No	Rank
Volume 60 Day Avg	.10	Yes	Rank
PE F12M Estimate	.30	No	Rank
% Price Change 13 -Weeks	.05	Yes	Rank
EPS Growth LFY %	.05	Yes	Rank
Return On Capital LFY	.10	Yes	Rank
Market Value ($ Mil)	.10	Yes	Rank

IV. Fundamental Analysis

Through the criteria yielded from the screening process, each sector team performed a detailed analysis on specific companies. There were four valuation models that each team used to evaluate intrinsic value: Forward P/E Multiple Model, Bloomberg's Discounted Dividend Model, Residual Operating Income and StockVal's G-Model. The valuation models were weighted 40%, 25%, 25%, and 10%, respectively. Aside from these four valuation methods, the selected stocks were also evaluated in regard to their Year to Date returns. Valuation methods were of concern in the selection of potential holdings; however, the latest information on firm specifics and industry events were taken into account to make the final selections. Securities in the portfolio which were underperforming were liquidated at a loss to take advantage of better opportunities in the current markets.

Generally, the sector analysts decided to take a conservative stance on portfolio selections as the future outlook for the economy is neutral to negative. For example, the industrial sector decided to add General Electric (GE), a diversified industrial conglomerate, as a defensive measure. According to the four valuation methods for the company (see below readout), the stock was undervalued at a price of $38.92 a share, compared to its weighted intrinsic value of $47.13. In relation to emerging markets, GE has positioned itself for strong financial performance as these B.R.I.C (Brazil, Russia, India, and China) countries infrastructures are developed and further modernized.

GENERAL ELECTRIC (GE)

Sector: Industrials Industry: Industrial Conglomerates
Analyst: Michael Bollhardt, Michael Hudacko, Drew Ranieri **STYLE: Large Value**
INTRINSIC VALUE: $47.13 **BUY (if less than) $37**
CURRENT PRICE: $38.92 **SELL (if greater than) $57**
EXPECTED RETURN: 21.1%

BUSINESS:

General Electric Company (GE) is a diversified industrial corporation. Its Infrastructure segment produces jet engines, turboprop and turbo shaft engines, and related replacement parts for use in military and commercial aircraft; wind turbines; aircraft engine derivatives; gas and steam turbines, and generators; oil and natural gas compressors and turbines; diesel-electric locomotives and parts; and productivity solutions for industrial and municipal water systems. It offers various financial products and services aviation and energy sectors. GE's Healthcare segment manufactures equipment for magnetic resonance, computed tomography, positron emission tomography imaging, X-ray, patient monitoring, diagnostic cardiology, nuclear imaging, ultrasound, bone densitometry, anesthesiology and oxygen therapy, and neonatal and critical care and therapy. GE's Industrial segment offers home appliances; lamp products; electrical distribution and control products; motors and control systems used in end-industrial and consumer products; commercial lighting systems; protection and productivity solutions; handheld and portable field calibrators; equipment for detection of material defects; stand-alone measurement instrumentation; and systems for validating or certifying commercial and industrial processes. GE was founded in 1892 and is headquartered in Fairfield, Connecticut.

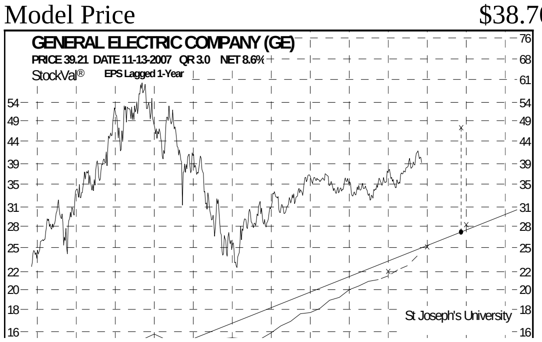
	Ticker	Market Cap	Price	P/E	P/B	LFY EPS	YTD Ret	Revision of EPS
General Electric	**GE**	**393.33 bil**	**38.92**	**18.14**	**3.51**	**2.146**	**24.4%**	**UP**
Siemens AG	**SI**	**132.54 bil**	**146.86**	**24.44**	**3.15**	**6.01**	**66.7%**	**UP**
United States Steel	**X**	**10.92 bil**	**92.48**	**9.64**	**2.01**	**9.595**	**97.8%**	**UP**
Boeing Co.	**BA**	**71.79 bil**	**92.63**	**17.80**	**11.37**	**5.21**	**27.5%**	**UP**

Forward P/E Valuation:

GENERAL ELECTRIC (GE)	
12-month Forward EPS estimate	$2.46
Estimated PE	19.00
Model price	$46.74

Residual Operating Income Model (RIM):

GENERAL ELECTRIC (GE)	
Cost of capital	7.65%
Growth years	5 years
Growth rate	11.00%
Return on capital	5.50%
Terminal growth rate	5.19%
Terminal residual return	1.00%
Model Price	$38.70



Dividend Discount Model (DDM):

GENERAL ELECTRIC (GE)	
EPS FY1	$2.20
EPS FY2	2.50
EPS FY3	2.80
Growth years	5 years
Growth rate	10.91%
Payout during growth years	51.45%
Payout at maturity	65.00%
Growth at maturity	5.00%
Model price	$56.24

Weighted Average Model Value:

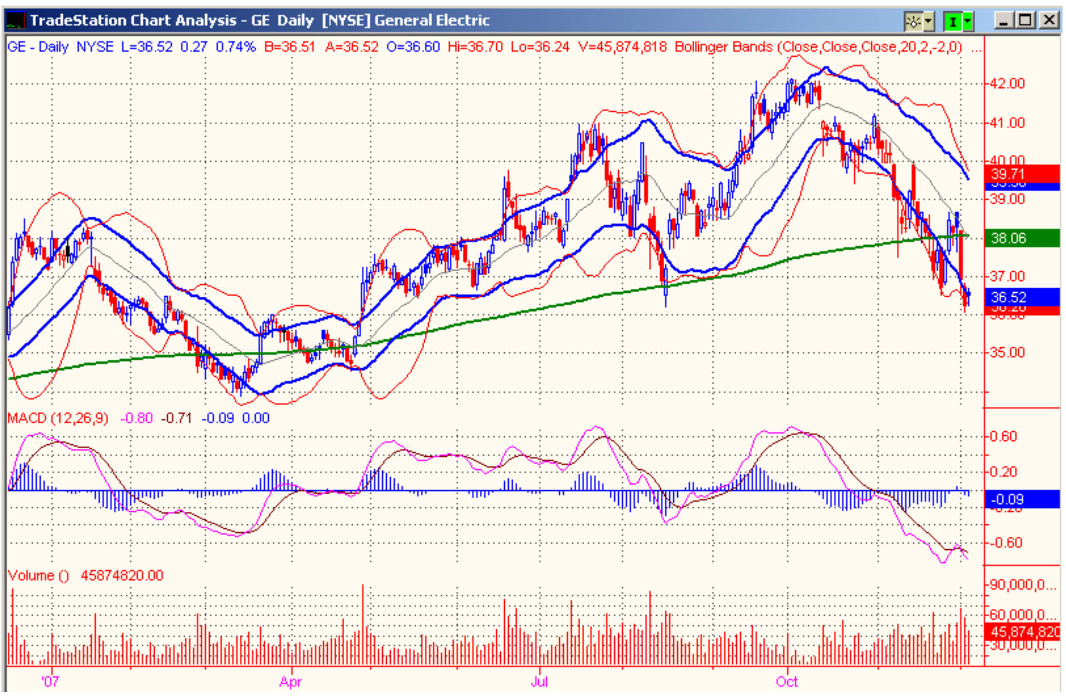
	Value	Weights	
Forward PE	46.74	40%	18.69
Residual Income Model	38.70	25%	9.68
Dividend Discount Model	56.24	25%	14.06
Stockval's G-Model	47.00	10%	4.70
Intrinsic Value			**$47.13**
Expected Return			**21.1%**

VALUATION AND FORECAST

From our valuation we feel GENERAL ELECTRIC is undervalued. We feel this is a good buy considering the strength of the industrial conglomerates industry

V. Technical Analysis

Technical analysis is the study of market action, primarily through the use of charts and historical data with the intention of forecasting future prices. We have used several evaluation indicators such as moving average convergence and divergence (MACD), Bollinger bands along with a 20 day exponential moving average, candle stick patterns, and volume traded. These indicators aid our judgment with stock selections in regard to making reasonable predictions of future price trends.



General Electric (GE) was acquired on November 20, 2007 at $38.42 per share. Despite negative short-term technical indicator, we expect a 22.67% return within the next year according to our fundamental analysis. From March to the end of October of 2007, GE showed a solid bullish trend and then experienced a reversal during November as the market corrected by 10%. This reversal resulted in a negative MACD signal and price trading below the lower Bollinger band. This evidence ran counter to the results of our fundamental analysis which showed that GE was a worthwhile investment. On November 20th, the 200-day moving average was at $37.99 per share. We feel that the support level analysis is more representative of our long-term strategy than MACD indicators. As you can see on the chart above, the MACD yielded a few sell signals along the upward trend over the past year. Therefore, while the MACD signals are not wrong, they concentrate only on a short period.

VI. Balancing the Portfolio

In order to balance our portfolio in a style of the S&P 500, it is important that our sectors carry the same weight as those in the benchmark index. Compared to the S&P 500, our portfolio is overweighted in the following sectors: consumer discretionary, materials, telecommunication and utilities. The following sectors were underweighted: information technology, industrials, healthcare, financials, and energy and consumer staples.

Previously there were two ETFs held in the portfolio, XLF, which monitored the financial sector, and XLV, which monitored the healthcare sector. Both of these ETFs were sold to free funds to purchase potentially successful firms. Yet, the class was still hesitant about the future performance of both of these sectors, and continued to underweight them. Healthcare was underweighted by only 0.7%, due to poor performance in previous quarters. The financial sector on the other hand, was underweighted by 6%. The reason behind the underweighting of this sector was due to its volatility and poor performance due to the recent developments of the sub-prime mortgage crisis.

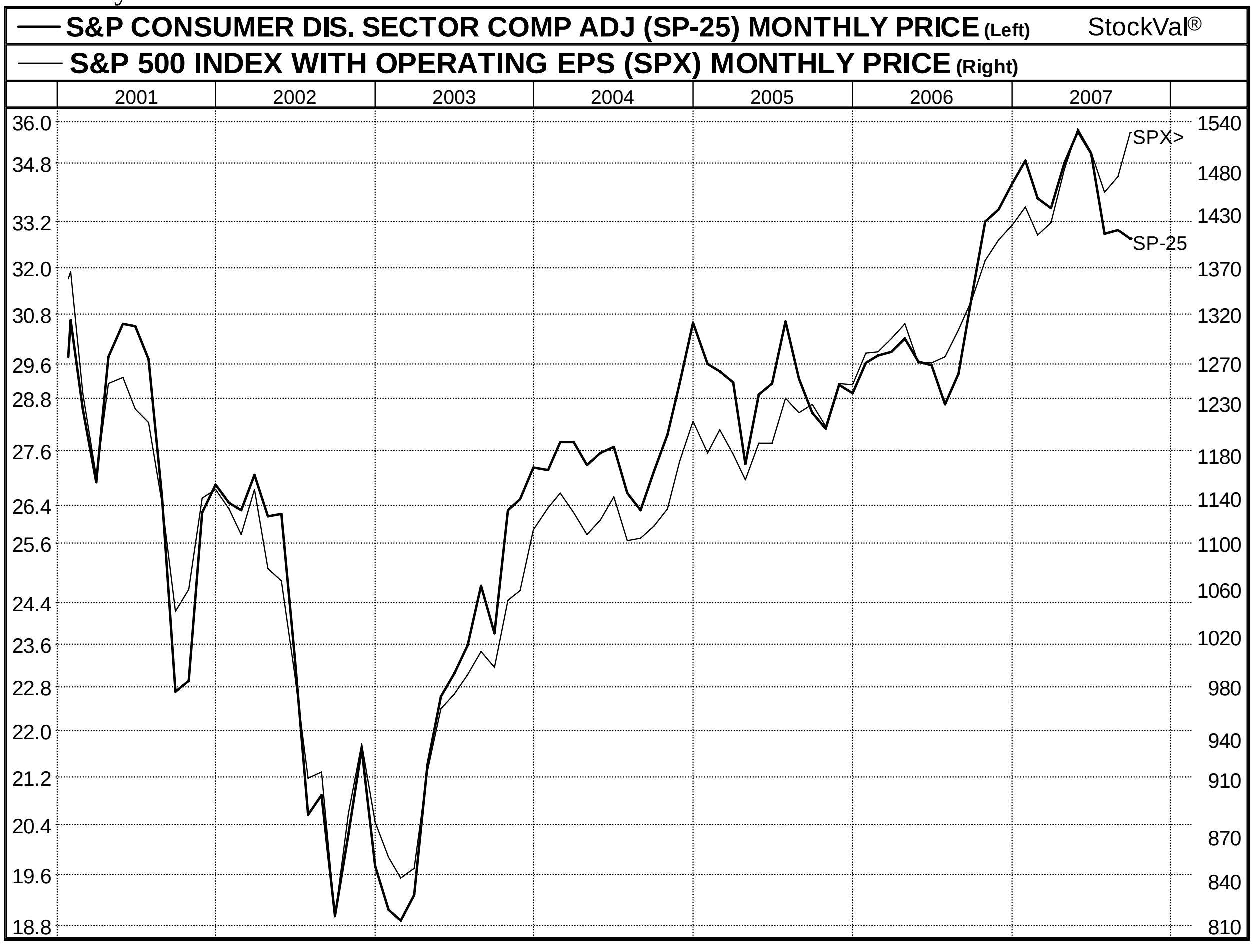
The analysts believed that the overweighted sectors had the most potential for price appreciation and growth. The most overweighted sector is telecommunication. During the past year the telecommunication holdings in the student portfolio, China Mobile (CHL) and Vimpel Comm ADR (VIP), had performed well. Since this performance is estimated to continue, it was agreed that this sector would continue to be overweighted.

Sector Analysis

Our individual sector analyses provide an outlook and recommendation on each sector. Within each sector you will find our stock selections.

Consumer Discretionary

Recommendation: Evenweight
Date: November 26, 2007
Analysts: Patrick Elko & James Foti



Description

The Consumer Discretionary sector includes the following sub-groups: Autos & Components, Durables & Apparel, Hotels, Restaurants & Leisure, Media, and Retailing. This is a cyclical sector, which fluctuates a lot based on interest rates, income, future expectations, and the willingness to take on debt.

Trends

Over the past 5 years, the consumer discretionary sector has grown at fairly consistent pace. From the end of 2006 until the middle of 2007 the consumer discretionary sector had been outperforming the S&P 500, however, due to economic conditions like the housing bust, the recent performance has been lagging. Within the sector, there has been significant fluctuation between the sub-industries. Auto Components, Diversified Consumer Services, and Internet & Catalog Retail have had a price increase of over 30%. While Household Durables, Automobiles, and Multiline Retail have had a price decrease of at least 10%

Outlook

The returns for the consumer discretionary sector have been down, although the outlook of the sector can still be considered favorable. Decent employment figures and lower interest rates will help consumers stay afloat amid the housing bust. The more money consumers have, the more they will be able to spend on luxury and discretionary products.

Recommendation

This sector makes up about 10% of the S&P and 12% of our portfolio. We recommend keeping this portion of the portfolio evenly weighted with the index. The sector currently includes Nike (NKE), Abercrombie & Fitch (ANF), and ITT Technical Institute (ESI). There is great short term potential for NKE and ANF having purchased them right before the holiday shopping season. Also, ESI has grown over 29% since we purchased it back at the end of last year. It is a strong stock and will provide balance to our sector.

Abercrombie & Fitch (ANF)

Sector: Consumer Discretionary **Industry: Apparel Stores** **Analyst: Foti and Elko**
STYLE: Growth

INTRINSIC VALUE:	**$103.37**	**BUY (if less than)**	**$78.77**
CURRENT PRICE:	**$76.06**	**SELL (if greater than)**	**$100.53**

BUSINESS:

Abercrombie & Fitch Co., through its wholly owned subsidiaries, operates as a retailer of casual apparel for men, women, and kids in the United States. Its stores sell casual apparel, such as knit shirts, graphic t-shirts, jeans, and woven shirts; and personal care and other accessories under the Abercrombie & Fitch, abercrombie, Hollister, and RUEHL brands. As of March 23, 2007, the company operated 950 stores located in the United States, Canada, and the United Kingdom. Abercrombie & Fitch Co. also sells its products through Web-based stores, as well through a mail order catalogue.

Ticker	Market Cap	Price	P/E	P/B	LFY EPS	YTD Return	Revision of EPS
ANF	**673 mil**	**77.58**	**16.27**	**4.7**	**4.77**	**34.02**	
NKE	**31,912 mil**	**63.99**	**18.0**	**4.34**	**2.83**	**29.23**	
AEO	**4,940 mil**	**23.00**	**12.64**	**3.66**	**1.82**	**30.82**	
GPS	**16,100 mil**	**20.17**	**22.36**	**3.16**	**0.90**	**14.41**	

Forward P/E Valuation:

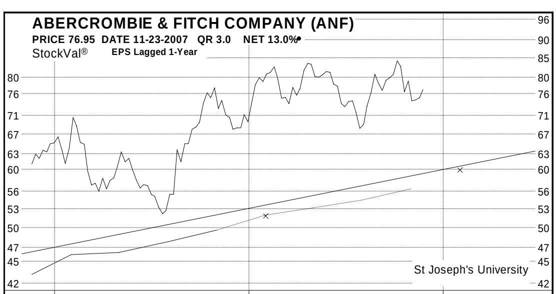
Abercrombie & Fitch (ANF)

12-month Forward EPS estimate	$5.19
Estimated PE	16.88%
Model price	91.64

Residual Operating Income Model (RIM):

Abercrombie & Fitch (ANF)

Cost of capital	10.55%
Growth years	5 years
Growth rate	20.00%
Return on capital	21.30%
Terminal growth rate	6.93%
Terminal residual return	1.00%
Model Price	$93.17



THE G-MODEL			First Call Data	2008	2009	2010	Normalized Earnings FYE January	
IR	3.42	3.42	Mean Estimate	5.18↓	5.99↑	6.84↑		
K	5.99	5.99	Change	+13%	+16%	+14%	2008	5.36
K'	0.00	0.00	High	5.23	6.20	7.07	2009	6.06•
NE	5.92	6.69•	Low	5.11	5.79	6.56	2010	6.85
PE	13.0	11.5	Total	28	28	8	2011	7.74
WPE	21.4	21.4	# Up	10	8	4	2012	8.74
WP	127	143	# Down	10	8	1	2013	9.88
AP	64%	86%	House Estimate				2014	11.16
Expected Return 1-Yr		87%	PE Ratio	14.8	12.9	11.3	2015	12.61

Dividend Discount Model (DDM):

Abercrombie & Fitch (ANF)

EPS FY1	$5.18
EPS FY2	5.99
EPS FY3	6.65
Growth years	7 years
Growth rate	10.00%
Payout during growth years	13.55%
Payout at maturity	45.00%
Growth at maturity	5.79%
Model price	$93.72

Weighted Average Model Value:

	Value	Weights	
Forward PE	97.90	40%	39.16
Residual Income Model	119.48	25%	29.87
Dividend Discount Model	79.13	25%	19.78
Stockval's G-Model	145.59	10%	14.56
Intrinsic Value			**$103.37**

VALUATION AND FORECAST

From our valuation we feel Abercrombie & Fitch is undervalued. Consider this and the current strength of the Apparel industry we feel that Abercrombie & Fitch is a good hold.

Nike Inc. (NKE)

Sector: Consumer Discretionary **Industry: Textile- Apparel Footwear & Accessories**
Analyst: James Foti and Patrick Elko
STYLE: Large Value

INTRINSIC VALUE:	**$77.71**	**BUY (if less than)**	**$63.74**
CURRENT PRICE:	**$62.17**	**SELL (if greater than)**	**$78.46**

BUSINESS:

NIKE, Inc., is a consumer products company, that engages in the design, development, and marketing of footwear, apparel, equipment, and accessory products worldwide. It designs athletic, casual, and leisure footwear for men, women, and children. The company's footwear products include running, training, basketball, soccer, sport-inspired urban shoes, and children's shoes. It also markets shoes designed for tennis, golf, baseball, football, lacrosse, walking, outdoor activities, skateboarding, bicycling, volleyball, wrestling, cheerleading, aquatic activities, and other athletic and recreational uses. The company sells sports apparel and accessories, athletic bags, and accessory items, as well as offers apparel for licensed college and professional team and league logos. It also sells a line of performance equipment under the NIKE brand name, including bags, socks, sport balls, eyewear, timepieces, electronic devices, bats, gloves, protective equipment, and other equipment designed for sports activities.

Ticker	Market Cap	Price	P/E	P/B	LFY EPS	YTD Return	Revision of EPS
NKE	**31,912 mil**	**63.99**	**18.0**	**4.34**	**2.83**	**29.23**	
ANF	**673 mil**	**77.58**	**16.27**	**4.7**	**4.77**	**34.02**	
AEO	**4,940 mil**	**23.00**	**12.64**	**3.66**	**1.82**	**30.82**	
GPS	**16,100 mil**	**20.17**	**22.36**	**3.16**	**0.90**	**14.41**	

Forward P/E Valuation:

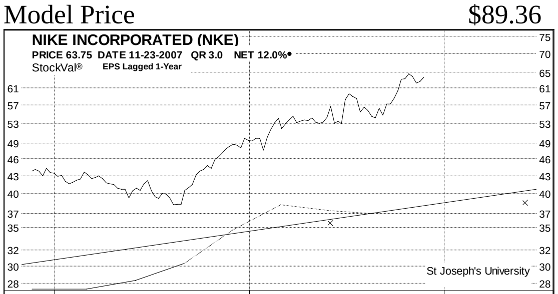
Nike Inc. (NKE)

12-month Forward EPS estimate	$3.58
Estimated PE	18.4
Model price	87.89

Residual Operating Income Model (RIM):

Nike Inc. (NKE)

Cost of capital	9.21%
Growth years	3 years
Growth rate	15.00%
Return on capital	21.70%
Terminal growth rate	6.13%
Terminal residual return	1.00%
Model Price	$89.36



THE G-MODEL		
IR	3.42	3.42
K	5.99	5.99
K'	0.00	0.00
NE	3.82	4.27•
PE	16.7	14.9
WPE	20.3	20.3
WP	78	87
AP	22%	36%
Expected Return 1-Yr		38%

First Call Data	2008	2009	2010
Mean Estimate	3.56↑	3.86↑	4.54↑
Change	+26%	+8%	+18%
High	3.64	4.15	4.80
Low	3.52	3.74	4.39
Total	10	15	3
# Up	4	3	1
# Down	0	0	0
House Estimate			
PE Ratio	17.9	16.5	14.0

Normalized Earnings FYE	May
2008	3.61
2009	4.05•
2010	4.53
2011	5.08
2012	5.69
2013	6.37
2014	7.13
2015	7.99

Dividend Discount Model (DDM):

Nike Inc. (NKE)

EPS FY1	$3.505
EPS FY2	$3.800
EPS FY3	$4.500
Growth years	7 years
Growth rate	10.00%
Payout during growth years	23.97%
Payout at maturity	45.00%
Growth at maturity	4.518%
Model price	$89.36

Weighted Average Model Value:

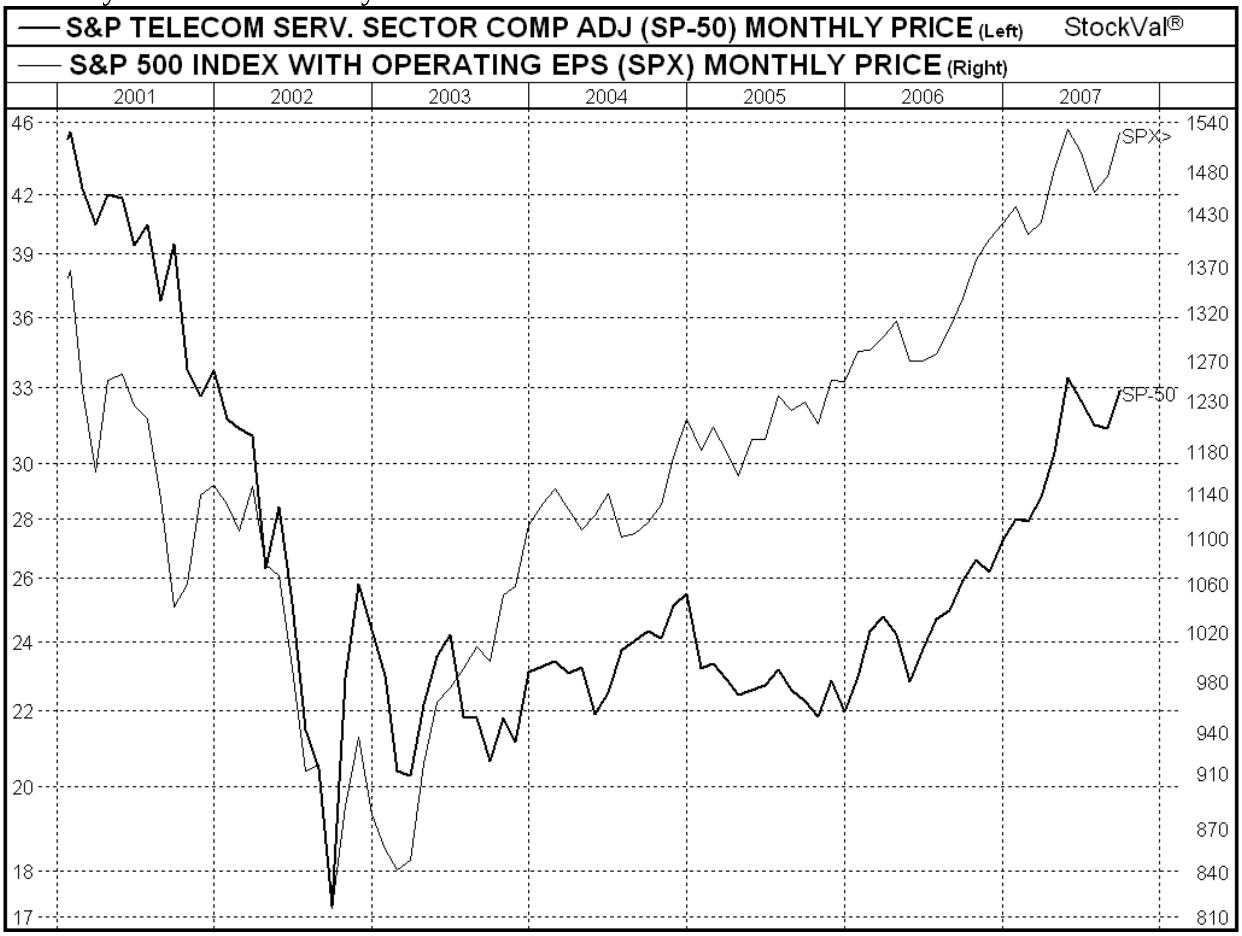
	Value	Weights	
Forward PE	67.90	40%	27.16
Residual Income Model	86.39	25%	21.60
Dividend Discount Model	81.26	25%	20.32
Stockval's G-Model	86.39	10%	8.64
Intrinsic Value			**77.71**

VALUATION AND FORECAST

From our valuation we feel that Nike Inc. is undervalued. When considering the current strength of the Textile Industry of Apparel Footwear and Accessories, NKE should be held.

Telecommunications

Recommendations: Overweight
Date: 11/28/2007
Analyst: Chetan Dalsaniya & Sam W. Suh



Description

The telecommunications sector consists of two industries: the wireless and fixed line services. In the telecommunications sector there are two main drivers that make the sector thrive; the number of subscribers and capital expenditures. As a result, market penetration has become a major focus. Therefore, the trend with major telecommunications sector is tapping into those markets with low penetration rates mainly rural areas. Because of mergers, expansion into emerging markets, deregulation of the industry, increased number of granted licenses and product innovation, the nature of the telecommunications industry is ever changing. Those companies who respond the changing nature of the industry the quickest and most efficient without loss of quality will be the most successful.

Trends

Major markets around the world are already saturated. Those companies who possess the major market share have a significant advantage. Through economies of scale, these major players are able to offer lower prices to consumers. Due to heavy investment into marketing and advertising, these lions have created powerful brand recognition. They continue to dominate through capital investment into networks, infrastructure and product innovation. The halt of the double-digit growth of the last 15 years has caused companies to change their strategies. Tapping into rural markets and product innovation will be essential to future growth. Telecom companies are heavily investing into product innovation because of revenue driven by applications such as downloadable games, music, ring tones, mobile search, banking and videos. We believe those companies who can penetrate those markets the quickest and have the most range of products will thrive and continue to be leaders in the telecommunications market.

Recommendation

We believe the top players will continue to gain market share because the only way for lesser competitors to compete is through price wars. Technology and service wise, they cannot compete. Our recommendation is to invest in companies who already own a majority of their own domestic market share and are heavily investing into expanding their networks into rural areas of China, India and Eastern Europe. Once these networks are setup, we believe this will produce a favorable situation. Those companies that can hit these targets the fastest and setup reliable and fast networks will be the most successful. The telecommunications sector is weighted approximately 10% while the weight for the S&P is approximately 4%. Our final recommendation is to continue to overweight.

Tele Norte Leste Participacoes SA (TNE)

Analysts: Chetan Dalsaniya & Sam W. Suh

Sector: Telecommunications		Industry: Telecommunications Services	
Intrinsic Value:	29.22	Buy below:	26
Current Price:	21.99	Sell above:	30

BUSINESS:

Tele Norte is a relatively new telecommunications provider based out of Rio De Janeiro, Brazil. It was founded in 1998 and has approximately 8000 employees with 190 stockholders. They provide fixed line, wireless and internet access services to Region 1 in Brazil. Region 1 in Brazil accounts for 41% of the country's GDP, 55% of total population with only a 40% penetration rate. 87% of revenue came from fixed line services. Therefore, their strategy is to continue to build its base in this region as well as region 2 and 3. In the wireless segment, 83% of new subscribers were prepaid customers and 17% were post paid. As part of their strategy, they are looking to attract more post paid customers.

	Ticker	Mkt Cap(Bil)	Price	P/E	P/B	LFY EPS	YTD EPS	YTD Ret	Revised EPS
Tele Norte	TNE	8.38	20.90	7.9	1.41	1.61	2.70	40.08	2.63
Telefonica	TEF	159.5	100.95	16.10	5.67	5.16	6.15	58.35	6.27
Telenor	TELNY	38.9	69.34	15.30	4.16	4.54	3.14	22.88	4.54

Forward P/E Valuation:

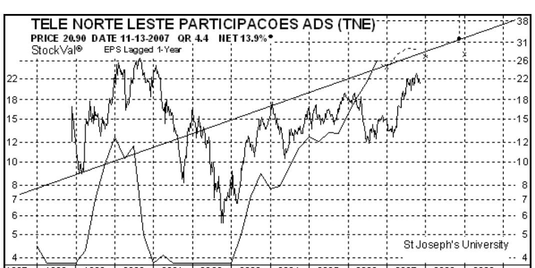
Tele Norte (TNE)

12M F EPS	2.51
Estimated PE	8.09
Model Price	2.51 * 8.09 = 20.30

Residual Operating Income Model (RIM):

Tele Norte (TNE)

Cost of Capital	10.39
Growth Years	5
Growth Rate	16.10
Return on Capital	4.95
Terminal Growth Rate	1
Terminal Residual Return	2.76
Model Price	36.94



THE G-MODEL			First Call Data	2007	2008	2009	Normalized Earnings FYE December	
IR	3.77	3.77	Mean Estimate	2.46↓	2.71↑	2.77↑		
K	5.54	5.54	Change	+55%	+10%	+2%	2007	2.51
K'	1.40	1.40	High	3.18	3.54	3.95	2008	2.86▪
NE	2.80	3.19▪	Low	1.75	2.01	2.17	2009	3.25
PE	7.5	6.5	Total	5	6	3	2010	3.71
WPE	17.3	17.3	# Up	2	2	1	2011	4.22
WP	48	55	# Down	0	0	0	2012	4.81
AP	132%	164%	House Estimate				2013	5.48
Expected Return 1-Yr		164%	PE Ratio	8.5	7.7	7.5	2014	6.24

Dividend Discount Model (DDM):

Tele Norte (TNE)

EPS FY1	5.8%
EPS FY2	7%
EPS FY3	8.4%
Growth Years	7 years
Growth Rate	18.5%
Growth Year Payout	72.414%
Maturity Payout	45%
Maturity Growth	6.16%
Model Price	25.39

Weighted Average Model Value:

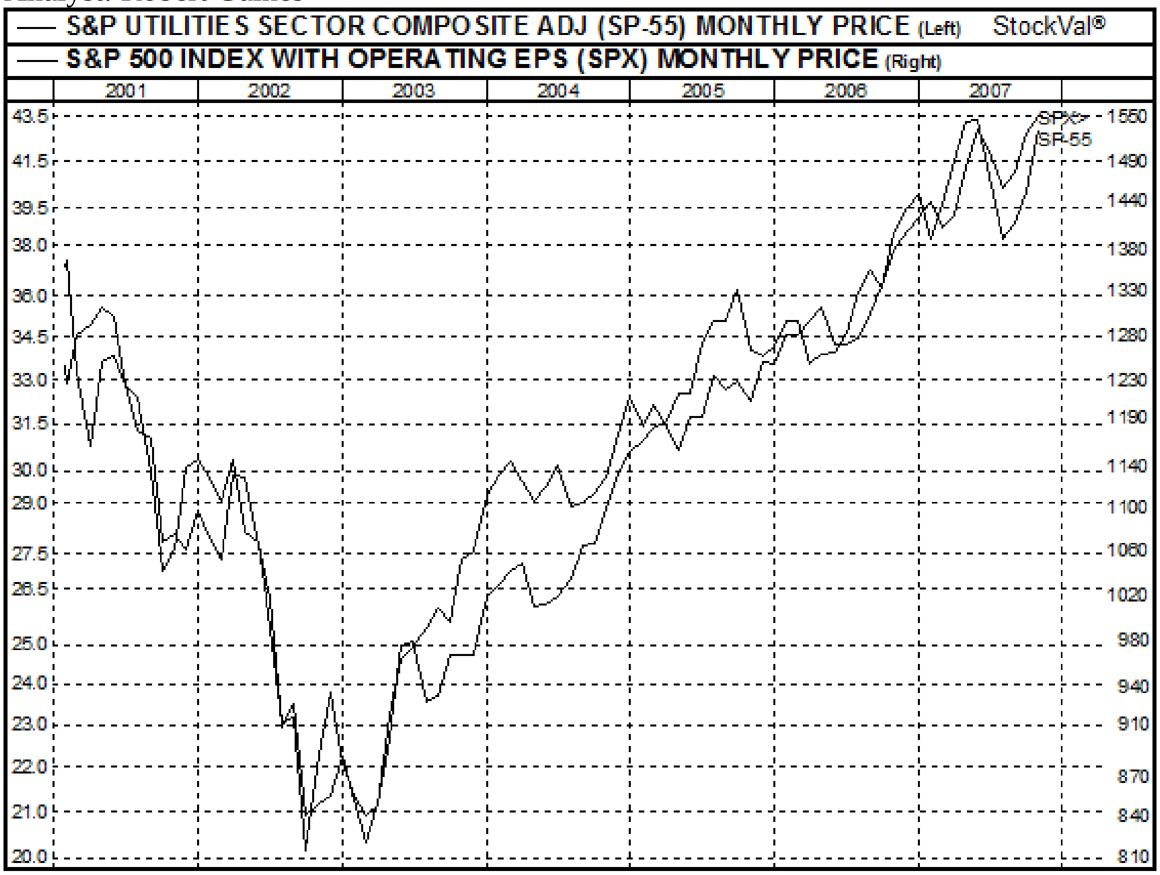
	Value	Weights	V*W
Forward PE	20.30	.4	8.12
Residual Income Model	36.94	.25	9.24
Dividend Discount Model	25.39	.25	6.35
Stockval's G-Model	55.18	.10	5.51
Intrinsic Value			**29.22**

Valuation & Forecast:

From our analysis, the intrinsic value is above the current price. We believe this stock is undervalued so our recommendation is to buy.

Utilities

Recommendation: Evenweight
Date: 11/28/2007
Analyst: Robert Gaines



Description

Utilities are considered to be non-cyclical. The utilities sector is mostly a collection of investor-owned, cooperative, municipal, state, and federal utilities. In the past, the utilities have faced problems with debt refinancing but as we move forward into the future they are looking to break though their past debt history.

Outlook

The graph shows that from 2002 to 2006 the utilities sector has outperformed the benchmark index. However, the utilities sector is now slightly below the S&P. Despite the increase in energy costs, many of the companies within the sector have found new ways to reduce the cost of producing energy. This sector is based more upon value and has been growing continuously at a steady pace for the past 4 years. The growth from 2003 to 2005 was due to the reversal from earlier declines. The sector declined due to weakness in the wholesale power market and scandals related to energy-trading activities and accounting practices.

Trends

The larger companies in the utilities sector have been looking to purchase the smaller ones so that they may continue to further research in the future. Some of the recent mergers and acquisitions were Exelon Corp. and Public Service Enterprise Group Inc. (December 2004), Duke Energy Corp. and Cinergy Corp. (May 2005), and FPL Group Inc. and Constellation Energy Group Inc. (December 2005). Also, research in developing new methods to produce energy and fuel continue to be at the forefront of our countries concerns. With ever increasing gas prices, there is the need for more cost efficient alternatives to take the place of gasoline, with most companies trying to go “green”.

Recommendation

I would recommend that we continue to analyze this sector keeping a close eye on the larger companies and watching for any acquisitions that are being made within the sector.

FPL Group, Inc. (FPL)

Sector: Utilities **Analyst: Robert Gaines**
STYLE: Growth
Current Price: $66.59
Intrinsic Value: $70.21

BUSINESS:

FPL Group, Inc provides electricity related services. Its principal subsidiary, Florida Power & Light Company, serves more than 8.5 million people throughout most of the east and lower west coasts of Florida. FPL Energy, LLC (FPL Energy), FPL Groups energy subsidiary, produces electricity primarily utilizing natural gas, wind, and nuclear resources. As of December 31, 2006, together FPL's and FPL Energy's generating assets represented approximately 34,300 megawatt capacity. FPL FiberNet, LLC (FPL FiberNet) provides fiber-optic services to FPL, telecommunications companies, and other customers throughout Florida. In January 2006, FPL Energy acquired 70% interest in Duane Arnold Energy Center (Duane Arnold).

Ticker	Market Cap	Price	P/E	P/B	LFY EPS
FPL Group, Inc.	**27.1 Bil**	**66.59**	**19.93**	**2.63**	**3.39**
Energy Corp.	**31,912 mil**	**63.99**	**18.0**	**4.34**	**2.83**
Nicor Inc.	**4,940 mil**	**23.00**	**12.64**	**3.66**	**1.82**
Entergy Corp.	**16,100 mil**	**20.17**	**22.36**	**3.16**	**0.90**

Forward P/E Valuation:

FPL Group (FPL)

12-month Forward EPS estimate	$3.77
Estimated PE	19.3
Model price	72.67

Residual Operating Income Model (RIM):

FPL Group (FPL)

Cost of capital	9.40%
Growth years	5 years
Growth rate	9.00%
Return on capital	10.00%
Terminal growth rate	10.4%
Terminal residual return	1.00%
Model Price	$71.99

Dividend Discount Model (DDM):

FPL Group (FPL)

EPS FY1	$3.45
EPS FY2	3.87
EPS FY3	4.20
Growth years	9 years
Growth rate	10.43%
Payout during growth years	46.97%
Payout at maturity	45.00%
Growth at maturity	5.15%
Model price	$64.03

Weighted Average Model Value:

	Value	Weights	
Forward PE	72.67	40%	29.07
Residual Income Model	71.99	25%	18.00
Dividend Discount Model	64.03	25%	16.01
Stockval's G-Model	71.25	10%	7.13
Intrinsic Value			**$70.21**

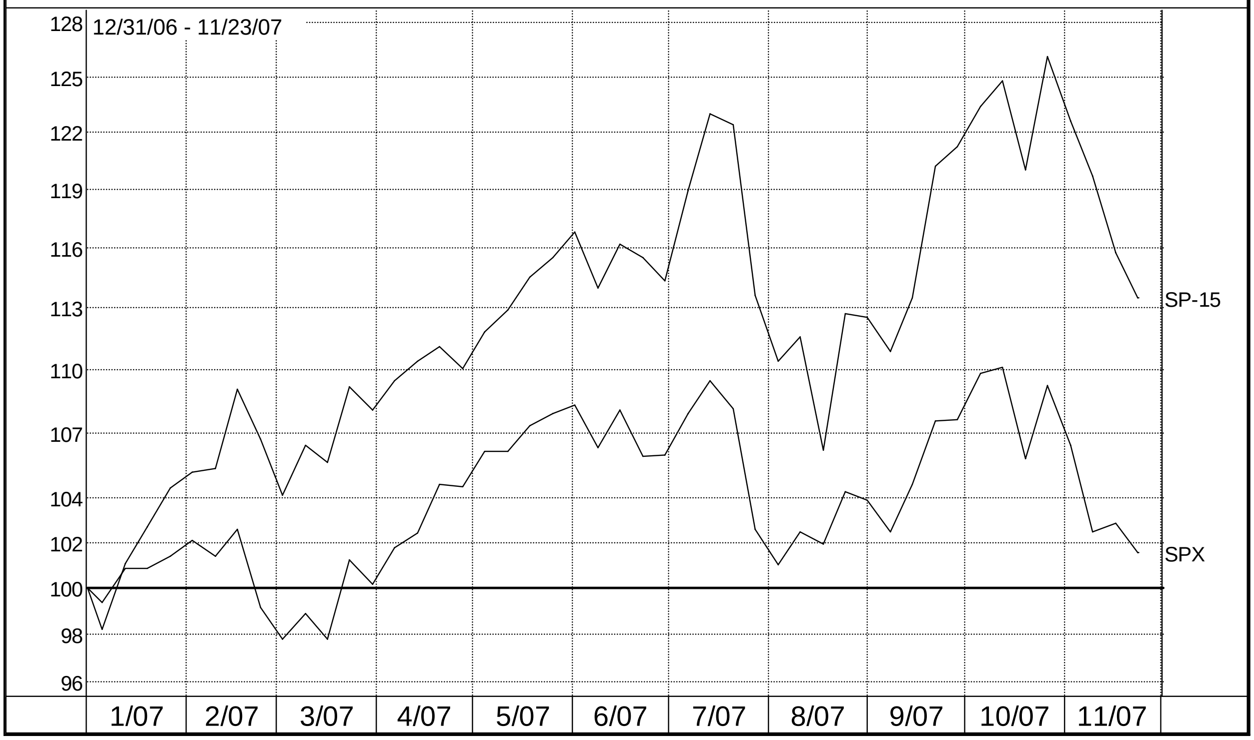
VALUATION AND FORECAST

From our valuation, this company is underrated and deserves consideration as a possible addition to the portfolio.

Materials

Recommendation: Underweight
Date: November 28, 2007
Analyst: Anthony Siani and Felipe Morgenstern

PRICE COMPARISON		StockVal®
DEC 2006 = 100	ANNUAL RATE	CUMULATIVE
S&P MATERIALS SECTOR COMPOSITE ADJ (SP-15)	+15.1%	+13.5%
S&P 500 INDEX WITH OPERATING EPS (SPX)	+1.8%	+1.6%



Description

The materials sector is cyclical in nature. StockVal breaks this sector down into five separate industries: chemicals, industrial construction & materials, containers & packaging, metals & mining and paper & forest products.

Outlook

Over the past few years the materials sector has enjoyed substantial economic growth and has outperformed the S&P 500. Since the economy currently faces the possibility of a recession, this sector might suffer, especially in construction materials and metals & mining. The metals industry is highly dependent on the cyclical auto and construction industry. In addition, the metals industry is expected to have an increase in some of its commodities prices, which could cause a slight decrease in demand.

Trends

Basic materials have peaked in the last year due to an increase in demand for materials by developing countries. Over the past five years, the materials sector has had an annual growth rate of 13%. However the growth is uncertain due to the volatility of the economy. These factors will most likely be offset by increasing demand for materials in China and India. Materials may fare well relative to the S&P 500, but overall may slump due to a decrease in the growth of demand. As the global economy has grown so has the entire materials sector. Steel scrap metal prices, a leading indicator of how the industry is doing, continues to be high.

Recommendation

We believe this sector has a greater importance and as a result we have increased the percentage of our portfolio from 2.7% to 3.2%. The sector has had a 15.1% increase year-to-date and currently we hold Freeport McMoran (FCX). In addition, we acquired 50 shares of Arcelor Mittal (MT). Our economic forecast views this sector to be undervalued; therefore it should be overweighted.

Arcelor Mittal (MT)

Sector: Basic Materials **Industry: Steel & Iron** **Analyst: Siani & Morgenstern**
STYLE: Large Value
INTRINSIC VALUE: $83.30 **BUY (if less than) $60.50**
CURRENT PRICE: $72.65 **SELL (if greater than) $87.00**

BUSINESS:

ArcelorMittal produces and markets steel worldwide. The company produces a range of finished and semi-finished carbon steel products comprising flat products, including sheet and plate; long products, including bars, rods, and structural shapes; and stainless steel products. It serves various global customer markets, such as automotive, construction, household appliances, and packaging with large captive supplies of raw materials and distribution networks. ArcelorMittal has industrial presence in 27 European, Asian, African, and American countries with steel-making operations, including 64 integrated, mini-mill, and integrated mini-mill steel-making facilities. As of December 31, 2006, it had an annual production capacity of approximately 138 million tons of crude steel. The company operates in 60 countries with principal focus on North and South America, Western Europe, Eastern Europe, Commonwealth of Independent States, and Africa. The company was founded in 1989. It was formerly known as Ispat International N.V. and changed its name to Mittal Steel Company N.V. in 2004. Further, the company adopted its name to ArcelorMittal in January 2007. ArcelorMittal is based in Luxembourg, Luxembourg.

	Ticker	Market Cap	Price	P/E	P/B	LFY EPS	YTD Ret	Revision of EPS
Mittal Steel Co	**MT**	**102.84 bil**	**73.26**	**11.20**	**2.10**	**6.54**	**72.74 %**	**UP**
Nucor Co		**15.71 bil**	**54.30**	**10.86**	**3.14**	**5.02**	**-2.49%**	**DOWN**
United States Steel X		**11.14 bil**	**96.16**	**9.83**	**2.01**	**9.6**	**24.21%**	**DOWN**
Alcan Inc		**37.67 bil**	**101.00**	**17.1**	**3.06**	**5.87**	**107.08%**	**UP**

Forward P/E Valuation:

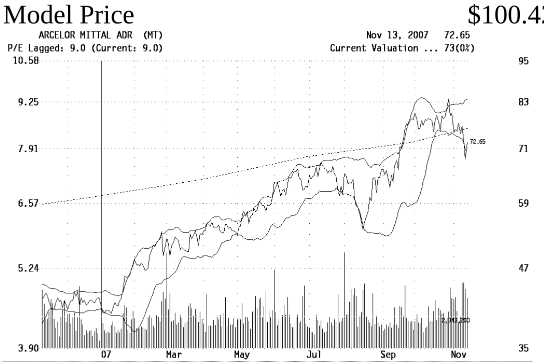
Arcelor Mittal (MT)

12-month Forward EPS estimate	$10.57
Estimated PE	7.76
Model price	82.02

Residual Operating Income Model (RIM):

Arcelor Mittal (MT)

Cost of capital	10.55%
Growth years	15 years
Growth rate	7.00%
Return on capital	13.00%
Terminal growth rate	6.93%
Terminal residual return	1.00%
Model Price	$100.42



Dividend Discount Model (DDM):

Arcelor Mittal (MT)

EPS FY1	$7.00
EPS FY2	7.25
EPS FY3	7.17
Growth years	7 years
Growth rate	10.00%
Payout during growth years	19.28%
Payout at maturity	45.00%
Growth at maturity	6.69%
Model price	$48.93

Weighted Average Model Value:

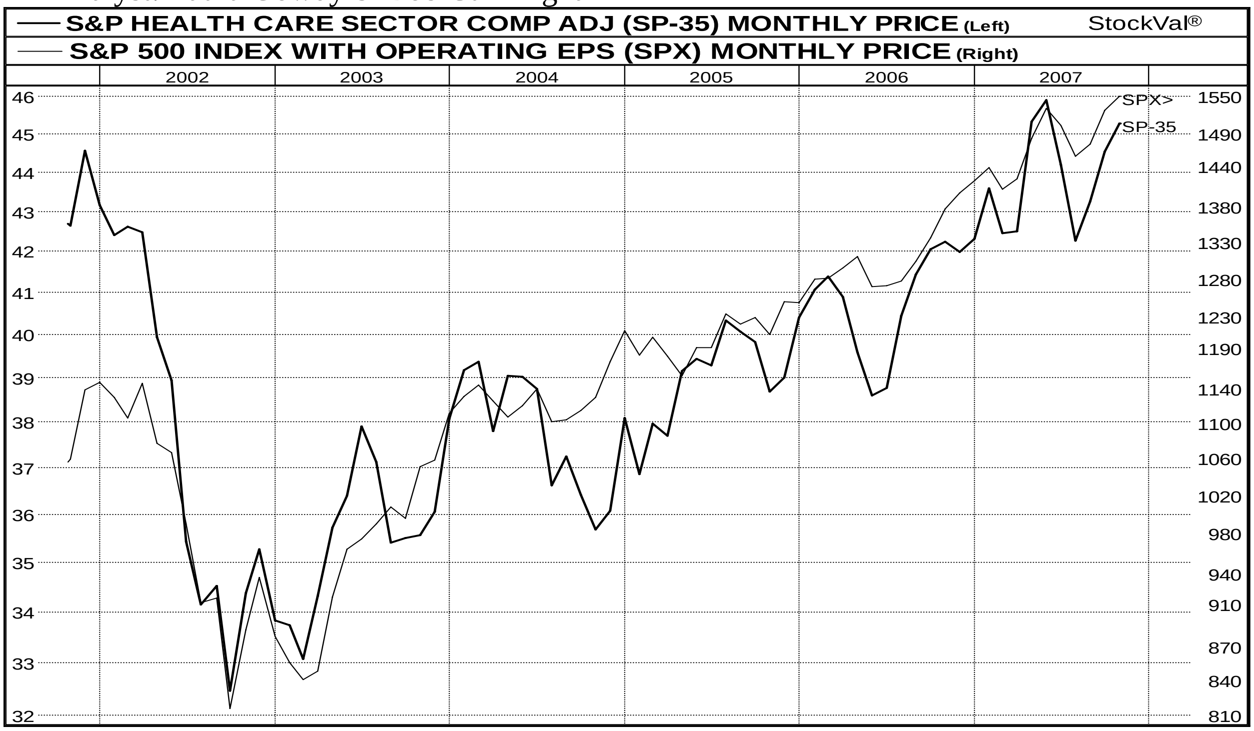
	Value	Weights	
Forward PE	82.02	40%	32.81
Residual Income Model	100.42	25%	25.11
Dividend Discount Model	48.93	25%	12.23
Stockval's G-Model	131.49	10%	13.15
Intrinsic Value			**$83.30**
Expected Return			**14.66%**

VALUATION AND FORECAST

From our valuation we feel MT is slightly undervalued. Consider this and the current strength of the steel industry we feel that this is a good hold.

Healthcare

Recommendation: Evenweight
Date: November 28, 2007
Analyst: Laura Gowdy & Bob Cunningham



Description

The Healthcare sector is not cyclical and is seen as a defensive sector. It should remain relatively strong even during times of economic slow down. The healthcare sector is comprised of pharmaceuticals, biotechnology, managed care, services and healthcare products.

Outlook

Based on the increasing life-expectancy, and the aging baby boomer generation, the healthcare sector has a strong outlook for the future. As people age, they will demand more healthcare services and products. Furthermore, there is a strong potential for growth in the healthcare sector as more healthcare companies expand into foreign markets. The pharmaceuticals industry has the strongest outlook, due to the fact that prescription drugs are less sensitive to changes in economic growth and discretionary spending. Yet, while the pharmaceutical industry looks promising, there are certain risks to be aware of. This industry is at risk from generic drugs, price deflation, FDA approval, patent expirations, and drug withdrawals. These factors can cause earnings to decrease drastically. Despite the current credit concerns, this industry is forecasted to perform well. Overall, steady growth is predicted for the healthcare sector.

Trends

Recently the Healthcare Industry has outperformed the S&P 500. The healthcare sector is constantly adapting to new threats from generic drugs. In order to combat the increasing strength of generic drug companies, many pharmaceutical firms have formed strategic alliances or merged with other firms, in order to cut costs and compete with generic competitors.

Another concern is the increasing number of U.S. citizens who do not have health insurance. As more people receive less coverage from employers they will have to pay more out of pocket expenses. This is also a concern as the big pharmaceutical companies continue to outpace inflation with their price increases.

Recommendation

We recommended Merck, United Healthcare Inc., Coventry Healthcare and Aetna because of their strong fundamental analysis and expected returns. After running our screens and stock scores, United Healthcare and Coventry were consistently in the top five. In addition, Merck has the potential to be one of the top performers in 2008 as earnings are expected to increase due to their pipeline of new products.

Coventry Healthcare Inc. (CVH)

Sector: Healthcare **Industry: Managed Care** **Analyst:** Bob Cunningham & Laura Gowdy
STYLE: Mid Core

INTRINSIC VALUE:	**73.14**	**BUY (if less than)**	**$58**
CURRENT PRICE:	**$57.78**	**SELL (if greater than)**	**$90**

BUSINESS:

Size matters in the tough world of managed care, and Coventry Health Care wants to measure up. Created in 1998 when Coventry Corporation acquired Principal Financial Group's health care unit (doubling its size), the firm provides managed health care services to more than 4 million enrollees, primarily in the Midwest, Mid-Atlantic, and Southeast. It offers HMO, PPO, and point-of-service plans, as well as Medicare and Medicaid products. Its First Health unit serves group health, workers' compensation, and state public programs nationwide. The company expanded into new product and geographic markets with three major acquisitions in 2007. It acquired the workers' compensation managed care services business of Concentra in April 2007. In July, it bought Mutual of Omaha's employer group health insurance operations in Nebraska and Iowa, as well as its federal government health plan business. Coventry entered the Florida market in September by acquiring Vista Healthplans, the parent of Vista Healthplan of South Florida. In 2005 the company acquired First Health. The acquisition broadened the company's geographic reach and bolstered Coventry's management programs, including its pharmacy benefits management services. The company added a Medicare Part D program in 2006.

	Ticker	Market Cap	Price	P/E	P/B	LFY EPS	YTD Ret	Revision of EPS
CVH	**CVH**	**9,337.6 bil**	**57.78**	**15.32**	**3.0**	**3.77**	**14.3%**	**UP**

Forward P/E Valuation:

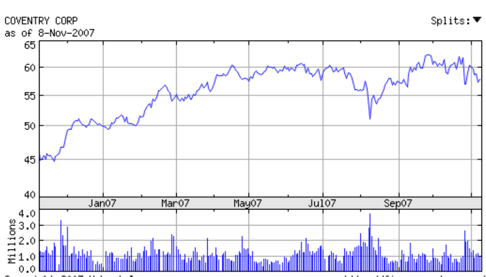
Coventry (CVH)

12-month Forward EPS estimate	$4.02
Estimated PE	12.64
Model price	50.81

Residual Operating Income Model (RIM):

Coventry (CVH)

Cost of capital	10.63%
Growth years	15 years
Growth rate	13.65%
Return on capital	16.31%
Terminal growth rate	5.70%
Terminal residual return	1.00%
Model Price	$62.57



Dividend Discount Model (DDM):

Coventry (CVH)

EPS FY1	$4.02
EPS FY2	4.56
EPS FY3	5.10
Growth years	7 years
Growth rate	13.82%
Payout during growth years	0.00%
Payout at maturity	45.00%
Growth at maturity	4.08%
Model price	$109.11

Weighted Average Model Value:

	Value	Weights	
Forward PE	50.81	40%	20.32
Residual Income Model	62.57	25%	15.64
Dividend Discount Model	109.11	25%	27.28
Stockval's G-Model	99.00	10%	9.90
Intrinsic Value			**$73.14**
Expected Ret.			**26.58%**

VALUATION AND FORECAST

From our valuation we feel that Coventry is undervalued and a god buy for the portfolio. This stock's intrinsic value is almost $20 above its current price.

Merck (MRK)

Sector: Healthcare **Industry: Drugs** **Analyst: Bob Cunningham & Laura Gowdy**
STYLE: Slow Growth

INTRINSIC VALUE:	**$55.35**	**BUY (if less than)**	**$40.50**
CURRENT PRICE:	**$55.90**	**SELL (if greater than)**	**$70.50**

BUSINESS:

Its drugs include hypertension fighters Cozaar and Hyzaar and cholesterol combatants Vytorin, Zetia, and Zocor. Merck makes drugs in a broad range of other therapeutic areas as well: Propecia treats male pattern baldness, Singulair treats asthma, and Fosamax fights osteoporosis. In addition to pharmaceuticals, the company makes childhood and adult vaccines for such diseases as measles, mumps, hepatitis, and shingles. In 2006 Merck was awarded FDA approval for its cervical cancer vaccine Gardasil. Merck is still feeling the effects of its 2004 withdrawal of blockbuster pain drug Vioxx from the market, after the drug (one of a category of pain medications called Cox-2 inhibitors) was linked to increased risk of stroke and heart attack. Merck is facing some 27,000 personal injury lawsuits over Vioxx (some of them class action suits) and had opted to fight each case individually, rather than working for a collective settlement. Although it lost its first case and got a $253 million penalty for its trouble, Merck has won more than it has lost since. And in 2007 it announced that it would settle after all, agreeing to pay $4.85 billion to plaintiffs in order to resolve the vast majority of the claims. That number, while hefty, is far less than was originally expected when Vioxx came off the shelves in 2004, and was generally seen as a vindication of Merck's initial strategy of aggressively defending each Vioxx case. Despite its Vioxx hangover, the company has enjoyed some successes, receiving FDA approvals for five new drugs in 2006.

	Ticker	Market Cap	Price	P/E	P/B	LFY EPS	YTD Ret	Revision of EPS
Merck	**MRK**	**119,210 bil**	**55.90**	**22.72**	**5.8**	**3.14**	**28.6 %**	**UP**

Forward P/E Valuation:

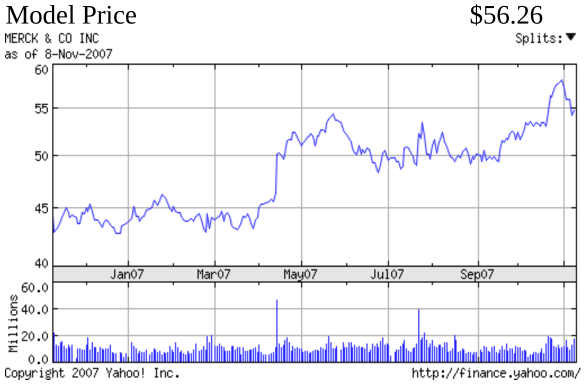
Merck (MRK)

12-month Forward EPS estimate	$3.14
Estimated PE	16.69
Model price	52.41

Residual Operating Income Model (RIM):

Merck (MRK)

Cost of capital	10.82%
Growth years	15 years
Growth rate	14.54%
Return on capital	21.33%
Terminal growth rate	5.70%
Terminal residual return	2.00%
Model Price	$56.26



Dividend Discount Model (DDM):

Merck (MRK)

EPS FY1	$3.14
EPS FY2	3.31
EPS FY3	3.78
Growth years	9 years
Growth rate	9.47%
Payout during growth years	49.05%
Payout at maturity	45.00%
Growth at maturity	4.92%
Model price	$58.07

Weighted Average Model Value:

	Value	Weights	
Forward PE	52.41	40%	20.97
Residual Income Model	56.26	25%	14.06
Dividend Discount Model	58.07	25%	14.52
Stockval's G-Model	58.00	10%	5.80
Intrinsic Value			**$55.35**
Expected Ret.			**-0.98%**

VALUATION AND FORECAST

From our valuation we feel that Merck is fairly valued as the intrinsic value is right in line with the current price. This stock is trading right at its intrinsic value.

United Health Inc. (UNH)

Sector: Healthcare **Industry: Managed Care** **Analyst: Bob Cunningham & Laura Gowdy**
STYLE: Large Core

INTRINSIC VALUE:	**$65.25**	**BUY (if less than)**	**$50**
CURRENT PRICE:	**$51.67**	**SELL (if greater than)**	**$100**

BUSINESS:
A leading US health insurer, it offers a variety of health care plans and services to about 70 million customers in the US. Its health care services segment manages HMO, PPO, and POS (point-of-service) plans, as well as various Medicare and Medicaid options, through UnitedHealthcare and AmeriChoice. Members of AARP are served via the company's Ovations unit. Uniprise handles health plans for large companies, and OptumHealth (formerly Specialized Care Services) offers vision and dental care and other products and services. Ingenix provides health information consulting and publishing, as well as clinical research and drug marketing services.

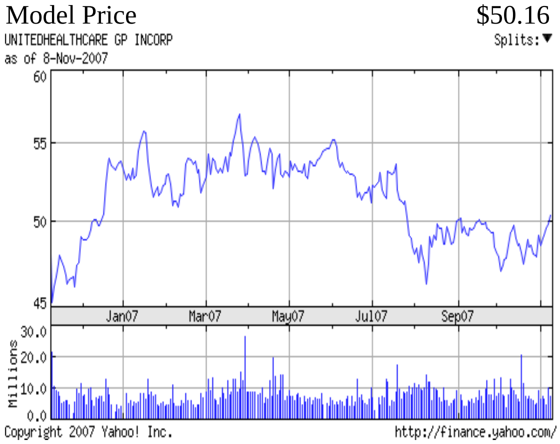
	Ticker	Market Cap	Price	P/E	P/B	LFY EPS	YTD Ret	Revision of EPS
UNH	**UNH**	**64,672 bil**	**51.67**	**15.46**	**3.1**	**3.34**	**-6.3 %**	**UP**

Forward P/E Valuation:

United Health (UNH)	
12-month Forward EPS estimate	$3.50
Estimated PE	13.05
Model price	45.68

Residual Operating Income Model (RIM):

United Health (UNH)	
Cost of capital	10.55%
Growth years	15 years
Growth rate	12.15%
Return on capital	15.55%
Terminal growth rate	5.70%
Terminal residual return	1.00%
Model Price	$50.16



Dividend Discount Model (DDM):

United Health (UNH)	
EPS FY1	$3.50
EPS FY2	3.97
EPS FY3	4.50
Growth years	7 years
Growth rate	15.82%
Payout during growth years	0.86%
Payout at maturity	45.00%
Growth at maturity	4.35%
Model price	$103.74

Weighted Average Model Value:

	Value	Weights	
Forward PE	45.68	40%	18.27
Residual Income Model	50.16	25%	12.54
Dividend Discount Model	103.74	25%	25.94
Stockval's G-Model	85.00	10%	8.50
Intrinsic Value			**$65.25**
Expected Ret.			**26.28%**

VALUATION AND FORECAST
From our valuation we feel United Health is currently trading below its intrinsic value and is a strong buy possibility.

Aetna (AET)

Sector: Healthcare **Industry: Managed Care** **Analyst: Laura Gowdy & Bob Cunningham**
STYLE: Large Value

INTRINSIC VALUE:	**$69.51**	**BUY (if less than)**	**$55**
CURRENT PRICE:	**$53.58**	**SELL (if greater than)**	**$105**

BUSINESS:

Aetna is one of the most active health insurance companies in the US. The company operates in three segments including: Health Care, which offers HMOs, PPOs, point-of-service (POS) plans, health savings accounts, and traditional indemnity coverage, along with dental, vision, behavioral health, and Medicare plans. Under its health plans, Aetna covers 15 million individuals some, under its dental plans 13 million members, and 10 million pharmacy members. Its Group Insurance segment sells life, disability, and long-term care insurance, covering about 15 million people. The Large Case Pensions segment offers pensions, annuities, and other retirement savings products.

	Ticker	Market Cap	Price	P/E	P/B	LFY EPS	YTD Ret	Revision of EPS
AET	**AET**	**27,532.0M**	**$53.58**	**15.73**	**2.84**	**3.41**	**26.4 %**	**UP**

Forward P/E Valuation:

Aetna (AET)

12-month Forward EPS estimate	3.48
Estimated PE	13.6
Model price	47.33

Residual Operating Income Model (RIM):

Aetna (AET)

Cost of capital	10.56%
Growth years	15 years
Growth rate	9.90%
Return on capital	7.90%
Terminal growth rate	5.70%
Terminal residual return	1.00%
Model Price	$54.58

Dividend Discount Model (DDM):

Aetna (AET)

EPS FY1	$3.48
EPS FY2	4.00
EPS FY3	4.55
Growth years	7 years
Growth rate	15.68%
Payout during growth years	0.66%
Payout at maturity	45.00%
Growth at maturity	4.10%
Model price	$116.14

Weighted Average Model Value:

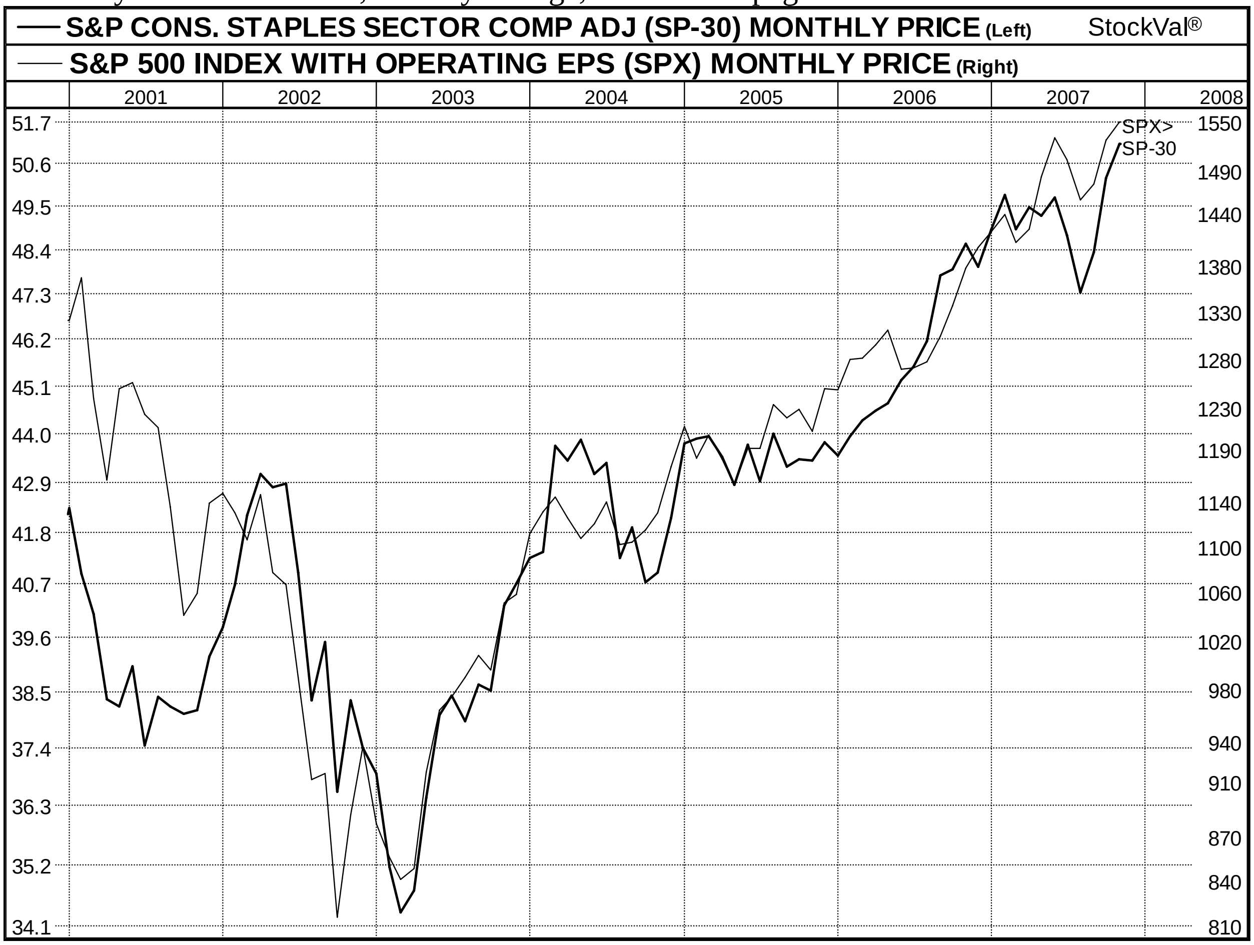
	Value	Weights	
Forward PE	47.33	40%	18.93
Residual Income Model	54.58	25%	13.64
Dividend Discount Model	116.14	25%	29.04
Stockval's G-Model	79.00	10%	7.90
Intrinsic Value			**$69.51**
Expected Ret.			**29.73%**

VALUATION AND FORECAST

From our valuation we feel Aetna is a potential stock for the student portfolio because of Aetna's steady revenue growth. Consider this and the current demand for health insurance we feel that this is a good long term stock to hold. It is also trading well below its intrinsic value.

Consumer Staples

Recommendation: Evenweight
Date: November 26, 2007
Analysts: Brett Sullivan, Tommy George, Gerard Campagna



Description

The Consumer Staples sector includes the following sub-groups: food and drug retailing, beverages, food products, tobacco, household products and personal products. There is stability in knowing that these products are necessities.

Trends

Over the past 5 years, the consumer staples sector has grown at a fairly consistent pace. Over the past year, the consumer staples sector is up 8% while the S&P 500 is only up about 5%. Due to the fact that the consumer staples sector is defensive, it has benefited from the recent downturn in the market. When the market suffers, investors turn to these stocks for consistent earnings and returns. Within the sector, there has been significant fluctuation between the sub-industries. Beverages, personal products, and household products have all carried the sector with high YTD returns while both tobacco and food products are down for the year.

Outlook

The consumer staples outlook is very positive for the future. The market as a whole is most likely to continue to be very volatile as investors continue to learn how the deteriorating mortgage market is affecting U.S. economic growth. As the whole market outlook continues to be uncertain, investors will continue to seek the safety of the consumer staples sector.

Recommendation

We recommend keeping this portion of the portfolio evenweight with the S&P 500. We are in a time of economic uncertainty and consumer staples can act as an investor safe haven during poor economic times. The consumer staples stocks in our portfolio include Wal-Mart (WMT), Molson Coors (TAP) and Pepsi (PEP). We held onto our Wal-Mart stock and bought Pepsi and Molson-Coors. We held Wal-Mart because we feel that they will have strong holiday sales. We purchased Pepsi and Molson Coors because they have strong fundamentals and are selling at less than the intrinsic value.

PEPSICO Inc (PEP)

Sector: Consumer Staples **Industry: Non-Alcoholic Beverages** **Analyst: Gerard Campagna**
STYLE: Large Value
INTRINSIC VALUE: $86.81 **BUY (if less than) $80**
CURRENT PRICE: $74.54 **SELL (if greater than) $100**

BUSINESS:

PepsiCo, Inc. (PepsiCo) is a global snack and beverage company. PepsiCo manufactures markets and sells a variety of salty, sweet and grain-based snacks, carbonated and non-carbonated beverages and foods. It has four divisions: Frito-Lay North America, PepsiCo Beverages North America, PepsiCo International and Quaker Foods North America. The Company's North American divisions operate in the United States and Canada. PepsiCo's international division operates in approximately 200 countries, with its largest operations in Mexico and the United Kingdom. In September 2006, it acquired IZZE Beverage Company. On January 2, 2007, it acquired Naked Juice fruit beverages, and in 2007, completed the acquisition of Bluebird snacks in New Zealand. In November 2007, PepsiAmericas, Inc. and PepsiCo, Inc. jointly acquired the remaining 20% of Sandora, LLC (Sandora), a juice company in Ukraine. PepsiAmericas holds a 60% interest in Sandora, and PepsiCo holds 40% interest in Sandora.

	Ticker	Market Cap	Price	P/E	P/B	LFY EPS	YTD Ret	Revision of EPS
Coca Cola	**KO**	**142.24bil**	**61.60**	**26.31**	**7.16**	**2.338**	**29.14 %**	**UP**
Pepsi Co	**PEP**	**118.80bil**	**73.80**	**19.77**	**7.44**	**3.733**	**20.7%**	**UP**
Cadbury Schw	**CSG**	**26.34 bil**	**50.50**	**24.28**	**3.29**	**2.08**	**14.8%**	**UP**

Forward P/E Valuation:

IPSCO (IPS)

12-month Forward EPS estimate	$3.75
Estimated PE	22.5
Model price	$84.37

Residual Operating Income Model (RIM):

IPSCO (IPS)

Cost of capital	9.4%
Growth years	15 years
Growth rate	11.00%
Return on capital	28.00%
Terminal growth rate	7.98%
Terminal residual return	2.00%
Model Price	$96.40

Dividend Discount Model (DDM):

IPSCO (IPS)

EPS FY1	$3.371
EPS FY2	3.725
EPS FY3	4.135
Growth years	7 years
Growth rate	11.24%
Payout during growth years	41.85%
Payout at maturity	45.00%
Growth at maturity	4.27%
Model price	$85.09

Weighted Average Model Value:

	Value	Weights	
Forward PE	84.37	40%	33.74
Residual Income Model	96.40	25%	24.10
Dividend Discount Model	85.09	25%	21.27
Stockval's G-Model	77.00	10%	7.70
Intrinsic Value			**$86.81**

VALUATION AND FORECAST

From our valuation we feel Pepsi is definitely undervalued. The current price is $74.54 and our estimated current price is $86.81. We feel the current condition of the industry and Pepsi's ability to maintain its competitive advantage makes Pepsi a definite buy

Molson Coors (TAP)

Sector: Consumer Staples **Industry: Brewing** **Analyst: Brett Sullivan**
STYLE: Large Value
INTRINSIC VALUE: $66.59 **BUY (if less than) $65**
CURRENT PRICE: $52.75 **SELL (if greater than) $85**

BUSINESS:

Molson Coors Brewing Company, through its subsidiaries, engages in the production and sale of beer and other beverages in the United States, Canada, and the United Kingdom. The company offers products under the Coors Light, Coors, Coors Non-Alcoholic, Blue Moon Belgian White Ale and seasonal Blue Moon brands, George Killian's Irish RedO Lager, Keystone, Keystone Light, Keystone Ice, and Zima XXX brand names, as well as under the Molson Canadian, Molson Dry, and Molson Export brands. It also provides its beer products under various brands, including Carling, C2O, Coors Fine Light Beer, Worthington's ales, Caffrey's, Reef, Screamers, and Stones; and Grolsch brand through a joint venture. In addition, the company sells Grolsch brand of beers, as well as distributes Amstel Light, Heineken, Murphy's, Asahi, Asahi Select, Corona, Miller Lite, Miller Genuine Draft, Milwaukee's Best, Milwaukee's Best Dry, Foster's, and Foster's Special Bitter brands under license. Molson Coors distributes its products through a three-tier system consisting of manufacturers, distributors, and retailers. The company was founded in 1873. It was formerly known as Adolph Coors Company and changed its name to Molson Coors Brewing Company in 2005. Molson Coors is based in Montreal, Canada.

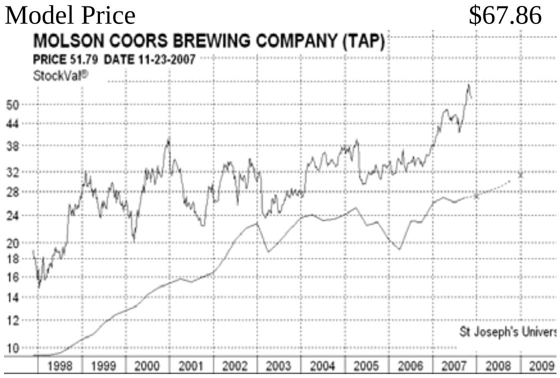
	Ticker	Market Cap	Price	P/E	P/B	LFY EPS	YTD Ret	Revision of EPS
Molson Coors	**TAP**	**9.14 bil**	**50.83**	**21.51**	**1.34**	**2.36**	**-33.18%**	**UP**
Anheuser-Busch	**BUD**	**36.59 bil**	**49.87**	**18.25**	**10.41**	**2.73**	**.3243%**	**UP**
Samuel Adams	**SAM**	**455 mil**	**31.67**	**25.46**	**3.42**	**1.24**	**-11.43%**	**UP**

Forward P/E Valuation:

12-month Forward EPS estimate	$3.20
Estimated PE	20.70
Model price	62.51

Residual Operating Income Model (RIM):

Cost of capital	9.29%
Growth years	10 years
Growth rate	6.00%
Return on capital	6.00%
Terminal growth rate	8.01%
Terminal residual return	1.25%
Model Price	$67.86



Dividend Discount Model (DDM):

EPS FY1	$2.68
EPS FY2	3.11
EPS FY3	3.73
Growth years	7 years
Growth rate	12.95%
Payout during growth years	24.1%
Payout at maturity	45.00%
Growth at maturity	4.41%
Model price	$75.05

Weighted Average Model Value:

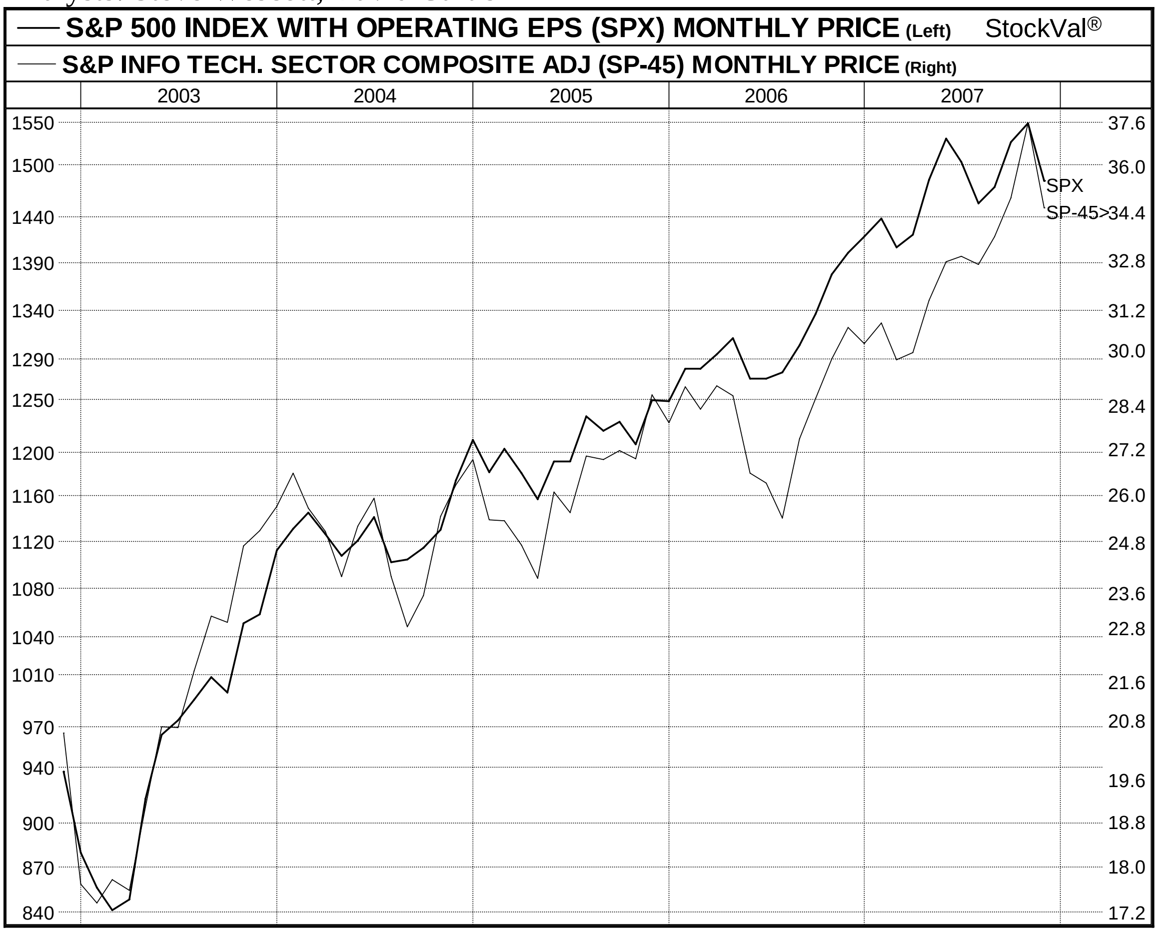
	Value	Weights	
Forward PE	62.15	40%	24.86
Residual Income Model	67.86	25%	16.97
Dividend Discount Model	75.05	25%	18.76
Stockval's G-Model	60.00	10%	6.00
Intrinsic Value			**$66.59**

VALUATION AND FORECAST

From our valuation we feel Molson Coors is undervalued. Consider this and the current cost cutting measures that Coors has taken in recent years we feel that this is a solid buy.

Information Technology

Recommendation: Underweight
Date: November 30, 2007
Analysts: Steve Wescott, David Curtis



Description

The information technology sector consists of eight industries including internet software/services, IT services, software, communications equipment, computer peripherals, electronic equipment, office electronics, and semiconductors. The sector currently accounts for approximately 16.7% of the S&P 500.

Outlook

Open-source software, a growing segment, often offers products for free or at a discount. This has made it difficult for companies who traditionally charge for their services, as they need to find new means of profitability. There has been intense competition from companies to gain ad revenue, an important part of earnings. Ad revenues that are generated from hits on websites are becoming increasingly important as more companies are switching from traditional marketing and advertising to internet promotions. Companies such as Google and Microsoft are spending large amounts to acquire companies which specialize in internet advertising. Earlier this year Microsoft spent $6 billion to acquire aQuantive, while Google spent $3.1 billion to acquire DoubleClick. Social networking sites are also changing the direction in which the sector is going. With sites such as Facebook, MySpace and YouTube growing in popularity, the face of the internet is changing.

Trends

At thirty times earnings, the technology sector traditionally receives a higher valuation multiple than other sectors. In fact, its current P/E is double that of the S&P 500 average. The graph of industry return versus S&P 500 returns shows that the sector as a whole had been experiencing higher returns than the S&P 500.

Internet software and services, as well as computers and peripherals are the biggest gainers, each experiencing gains higher than 20%. The internet software and services sub-group, up 29% year-to-date, contains companies such as Google and CNET. While the industry as a whole is strong, each individual stock is highly volatile. Almost every stock has experienced gains or declines of double digit percentage points.

Recommendation

We propose to underweight this sector because of uncertainty in this industry. This uncertainty is derived from lackluster alternatives to generate profits. Many of the stocks we analyzed appeared overvalued by all four valuation methods. This further supports our recommendation to underweight this sector.

International Business Machines (IBM)

Sector: Information Technology Industry: Computer Services Analysts: Wescott, Curtis
STYLE: Large Blend
INTRINSIC VALUE: $122.00 BUY (if less than) $115
CURRENT PRICE: $105.27 (15.9% Undervalued) SELL (if greater than) $134

BUSINESS:

International Business Machines (IBM) is an information technology company. IBM also provides business, technology and consulting services. The Company's major operations comprise a Global Services segment, a Systems and Technology Group, a Software segment and a Global Financing segment. IBM's business comprises three principle business segments: Systems and Financing, Software and Services. The majority of the Company's enterprise business, which excludes the Company's original equipment manufacturer technology business, occurs in industries that are grouped into six sectors, financial services, public, industrial, distribution, communications and small and medium business. In July 2007, IBM acquired Watchfire Corporation, a privately held security and compliance testing software company based in Waltham, Massachusetts. In August 2007, IBM acquired WebDialogs, Inc. In September 2007, IBM completed the acquisition of DataMirror Corporation.

	Ticker	Market Cap	Price	P/E	P/B	LFY EPS	YTD Ret	Revision of EPS
IBM	**IBM**	**140.79 bil**	**105.27**	**15.0**	**4.0**	**6.65**	**7.07%**	**UP**
Hewlett-Packard	**HPQ**	**127.46 bil**	**49.44**	**20.0**	**3.6**	**2.47**	**7.55%**	**UP**

Forward P/E Valuation:

IBM (IBM)

12-month Forward EPS estimate	$7.80
Estimated PE	16.3
Model price	$127.14

Residual Operating Income Model (RIM):

IBM (IBM)

Cost of capital	8.4%
Growth years	15 years
Growth rate	6.10%
Return on capital	18.50%
Terminal growth rate	6.6%
Terminal residual return	1.00%
Model Price	$110.20

Dividend Discount Model (DDM):

IBM (IBM)

EPS FY1	$6.98
EPS FY2	7.93
EPS FY3	8.98
Growth years	7 years
Growth rate	11.00%
Payout during growth years	20.43%
Payout at maturity	45.00%
Growth at maturity	5.12%
Model price	$122.65

Weighted Average Model Value:

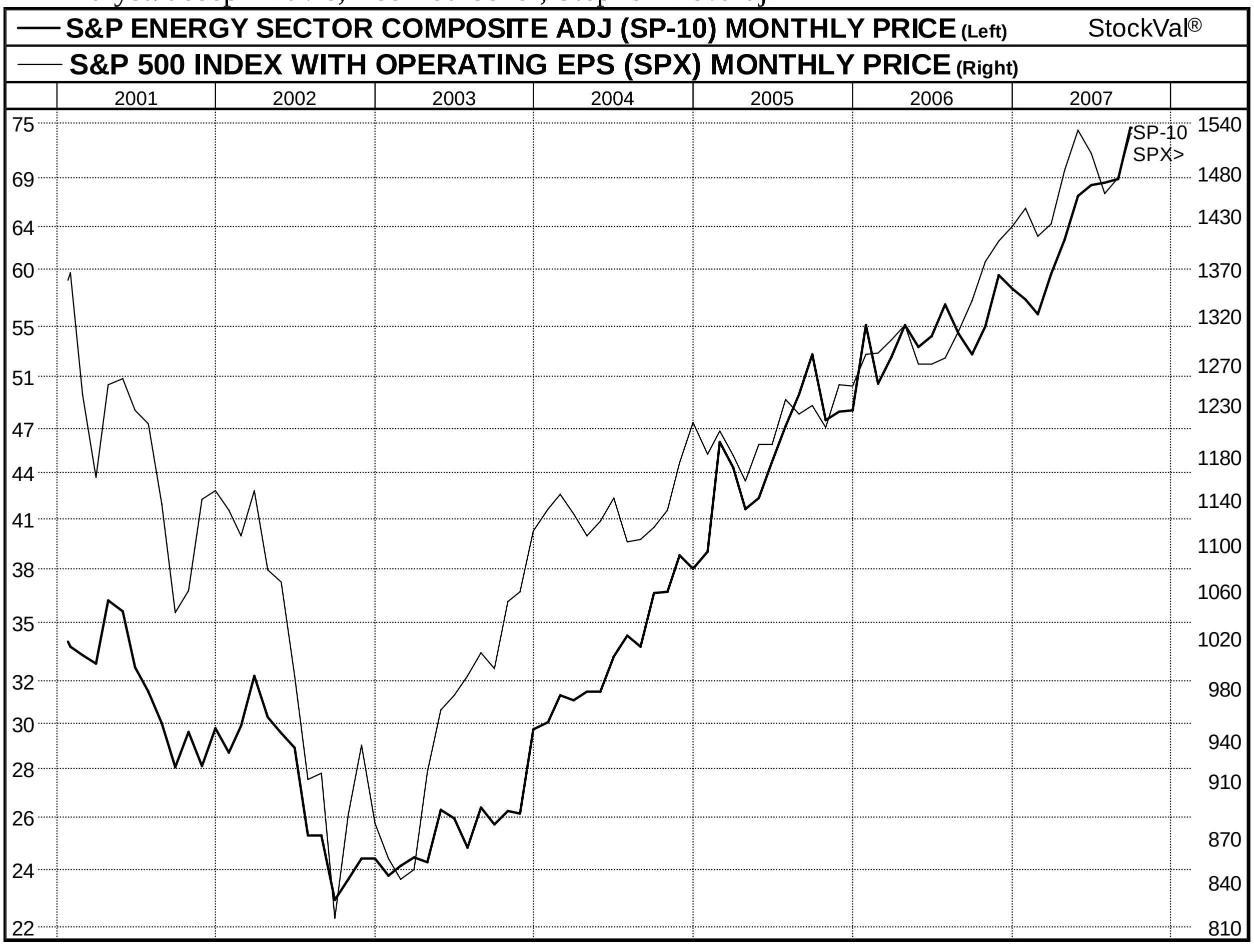
	Value	Weights	
Forward PE	127.14	40%	50.86
Residual Income Model	110.20	25%	27.55
Dividend Discount Model	122.65	25%	30.66
Stockval's G-Model	128.52	10%	12.85
Intrinsic Value			**$122.00**

VALUATION AND FORECAST

From our valuation we feel IBM is slightly undervalued. Due to their strong acquisitions and positive outlook of the technology sector, we feel this stock is a good buy.

Energy

Recommendation: Under-weight
Date: November 26, 2007
Analyst: Joseph Davis, Lee Tourscher, Stephen Devaraj



Description

The energy sector broadly encompasses companies that deal with the exploration, refinement and delivery of natural resources. These companies fall in the following industries that make up the energy sector of the S&P 500: refinery, service companies, pipelines, major integrated and drilling. Firms within the energy sector are usually characterized as companies with low financial leverage, strong and stable earnings records and shareholder friendly uses of free cash flows. In addition, these firms usually have reserve replacement ratios greater than one and are good indicators of success for investment in energy.

Outlook

Consensus has not yet been reached on the outlook of the energy sector, for there are both pessimistic as well as optimistic expert opinions. It can be observed that there is a high correlation between economic growth and energy use around the world and it can be noted that there continues to be an increase in demand for oil in emerging markets. There will be material price increases as it is currently predicted that oil production will not meet this demand and profit margins continue to decline for refineries.

Trends

Though all the industries within the energy sector have been outperforming the S&P 500, the equipment services industry is earning higher returns than the oil, gas and consumer fuels industry. The combination of rising demand and the lack of domestic production make energy prices more volatile. Energy prices will be unusually high and supply shortages might occur in the coming years. The production rate is declining steeper than expected year by year. Demand for crude oil and refined petroleum is increasing at a faster rate than incremental refining capacity. Hence, many countries are moving towards low-sulfur motor fuels. The capital spending of oil and gas companies has grown significantly in recent years. However, we believe high energy prices and strong demand will drive energy companies to achieve slightly higher return on capital compare to other sectors.

Recommendation

The energy sector has historically demonstrated its ability to outperform the S&P 500. On account of the current energy situation with potential shortage of crude oil in the future, oil prices will likely rise. High capital spending in drilling activities and increased demand for low-sulfur motor fuels will contribute to the energy sector growth. Since ConocoPhillips provides some protection as a large integrated energy leader, sector analysts recommend undervalued Helix Corporation as positive addition to the portfolio.

Helix Corporation (HLX)

Sector: Energy **Industry: Oil Well Services & Equipment** **Analyst: Davis, Deveraj, Tourscher**
STYLE: Large Value
INTRINSIC VALUE: $124.68 **BUY (if less than) $ 100.00**
CURRENT PRICE: $41.15 **SELL (if greater than) $ 140.00**

BUSINESS:

Helix Energy Solutions Group, Inc. (Helix Energy Solutions or Helix), is an energy services company that provides development solutions and related services to the energy market and specializes in the exploitation of marginal fields, including exploration of unproven fields where it employs its services on its own oil and gas properties, as well as providing services to the open market. In 2006, the Company and Remington Oil and Gas Corporation announced an agreement under which the Company to acquire Remington. Remington is an exploration, development and production company with operations in the Gulf of Mexico

	Ticker	Market Cap	Price	P/E	P/B	LFY EPS	YTD Ret	Revision of EPS
Helix	**HLX**	**3.80 bil**	**41.15**	**10.73**	**2.16**	**3.83**	**N/A**	**DOWN**

Forward P/E Valuation:

Helix (HLX)

12-month Forward EPS estimate	$4.36
Estimated PE	10.5
Model price	45.78

Residual Operating Income Model (RIM):

Helix (HLX)

Cost of capital	9.26%
Growth years	15 years
Growth rate	23.4%
Return on capital	**10.89%**
Terminal growth rate	6.16%
Terminal residual return	1.00%
Model Price	$214.76

Dividend Discount Model (DDM):

Helix (HLX)

EPS FY1	$3.125
EPS FY2	4.930
EPS FY3	6.163
Growth years	7 years
Growth rate	25.00%
Payout during growth years	0.00%
Payout at maturity	45.00%
Growth at maturity	6.57%
Model price	$132.22

Weighted Average Model Value:

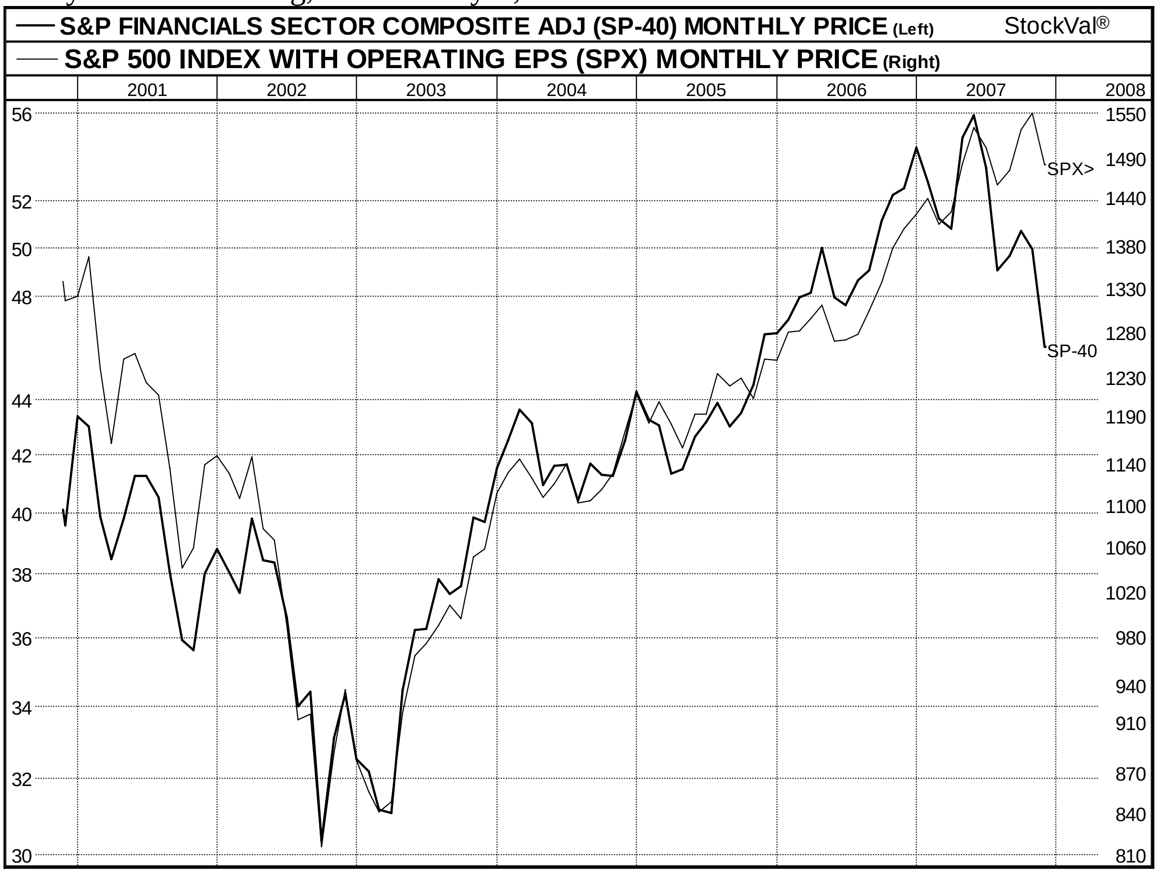
	Value	Weights	
Forward PE	45.78	40%	18.31
Residual Income Model	214.76	25%	53.69
Dividend Discount Model	132.22	25%	33.05
Stockval's G-Model	196.28	10%	19.63
Expected Value			**$124.68**

VALUATION AND FORECAST

From our valuation we feel HLX is slightly undervalued. Considering this and the current strength of the energy industry we feel that this is a buy.

Financials

Recommendation: Underweight
Date: November 26, 2007
Analyst: Brian Fleming, Thomas Boyes, Brandon Moore



Description

The financial sector consists of the following subgroups; commercial banks, thrifts and mortgage finance, diversified financial services, consumer finance, capital markets, and insurance. This particular sector is very sensitive to interest rate and currency exchange rate fluctuations as well as inflation, economic conditions and political environments; all on an international scale.

Trends

Over the past few years the financial sector has been consistently performing well, yet the subprime lending credit crunch of the past year has lead to a dramatic decline in returns, as you can see in the above graph. Historically the financial sector has produced solid earnings, yet following the second quarter of 2007, it has been outperformed by the S&P 500. This is clearly reflected in the sub-industry performance because the thrifts and mortgage finance segment has been considerably down as a result of the credit problem in recent months. The effect has impacted the entire financial sector as a whole, especially on the banks and diversified financial services subgroups as they issue and pool mortgages. However we estimate this sector will recover from the housing downturn by the end of the year and significantly contribute to the portfolio.

Outlook

Despite the adverse effect of the subprime dilemma, we anticipate that the financial sector will correct itself for a number of reasons. Primarily, commercial banks should raise profits as these institutions have the ability to increase lending at the recently lowered rates. The Fed has cut the federal funds rate twice since September in an effort to alleviate the credit problem and consequently aid the slowing housing market. This is considered very favorable in aiding the currently struggling financial sector. The diversified financial services subgroup should also recover and start to perform well, as it has for the past three years, after a majority of the mortgage write-downs are completed approaching the end of the fiscal year 2007. The consumer finance subgroup should exhibit long-term prosperity as the baby-boomer generation has recently started to retire, and an incredible surplus of funds will come under management as a result. All of these factors should collectively produce a positive return for the portfolio with the expected industry correction to the latest macroeconomic complications.

Recommendations

The stocks chosen were Wachovia Corporation, JPMorgan Chase, and Ace Limited. In accordance with the outlook and trends in the sector, as well as our analysis, financial stocks are extremely undervalued and should appreciate nicely over the next year. The expected returns for all three of these stocks are between 18% and 30%, and adequately portray diversification within the sector.

Wachovia Corporation (WB)

Sector: Financial **Industry: Diversified Banks** **Analyst: Brian Fleming**

STYLE: Large Value

INTRINSIC VALUE: $52.53 **BUY (if less than) $35**

CURRENT PRICE: $40.65 **SELL (if greater than) $75**

BUSINESS:

Wachovia Corporation (Wachovia) is registered as a financial holding company and a bank holding company, and provides commercial and retail banking, and trust services through full-service banking offices in Alabama, Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Kansas, Maryland, Mississippi, Nevada, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas, Virginia and Washington, D.C. Its four-core businesses are Capital Management, the General Bank, Wealth Management, and the Corporate and Investment Bank. In June 2006, Wachovia closed the purchase of defined contribution recordkeeping business from Ameriprise Financial, Inc. In October 2006, it acquired Golden West Financial Corporation. In February 2007, it acquired a majority interest in European Credit Management Ltd. In October 2007, the Company completed the acquisition of A.G. Edwards, Inc., which will be combined with Wachovia Securities LLC brokerage firm.

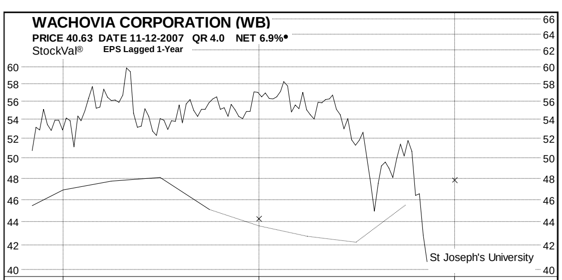
	Ticker	Market Cap	Price	P/E	P/B	LFY EPS	YTD Ret	Revision of EPS
Wachovia	**WB**	**77.357 bil**	**40.65**	**9.03**	**1.11**	**4.69**	**-28.66%**	**UP**
Bank of America	**BAC**	**195.15 bil**	**43.98**	**9.98**	**1.46**	**4.71**	**-17.63%**	**UP**
Wells Fargo	**WFC**	**105.82 bil**	**31.66**	**12.2**	**2.24**	**2.49**	**-9.03%**	**UP**

Forward P/E Valuation:

Wachovia (WB)	
12-month Forward EPS estimate	4.90
Estimated PE	9.50
Model price	46.55

Residual Operating Income Model (RIM):

Wachovia (WB)	
Cost of capital	6.50%
Growth years	3
Growth rate	5.50%
Return on capital	4.50%
Terminal growth rate	3.72%
Terminal residual return	0.10%
Model Price	$57.91



THE G-MODEL		
IR	3.77	3.77
K	5.54	5.54
K'	1.00	1.00
NE	3.48	3.72•
PE	11.7	10.9
WPE	12.9	12.9
WP	45	48
AP	11%	18%
Expected Return 1-Yr		25%

First Call Data	2007	2008	2009
Mean Estimate	4.43↑	4.78↓	5.40↓
Change	-6%	+8%	+13%
High	4.86	5.50	5.96
Low	3.87	4.08	5.08
Total	18	22	7
# Up	3	0	0
# Down	17	19	4
House Estimate			
PE Ratio	9.2	8.5	7.5

Normalized Earnings FYE December	
2007	3.29
2008	3.51•
2009	3.75
2010	4.01
2011	4.28
2012	4.58
2013	4.89
2014	5.23

Dividend Discount Model (DDM):

Wachovia (WB)	
EPS FY1	4.250
EPS FY2	4.620
EPS FY3	5.330
Growth years	9
Growth rate	4.310%
Payout during growth years	55.365%
Payout at maturity	45.000%
Growth at maturity	6.718%
Model price	54.53

Weighted Average Model Value:

	Value	Weight	
Forward PE	46.55	40%	18.62
Residual Income Model	57.91	25%	14.47
Dividend Discount Model	54.53	25%	13.63
Stockval's G-Model	50.81	10%	5.81
Intrinsic Value			**$52.53**
Expected Return			**29.22%**

VALUATION AND FORECAST

In accordance with our valuation summary we feel that Wachovia Corporation is undervalued and is a strong buy. Our group projects that the industry will start to recover from the credit crunch and raise profits as a result of increased lending at the recently lowered rates.

JP Morgan Chase (JPM)

Sector: Financials **Industry: Diversified Financial Services** **Analyst: Thomas Boyes**
STYLE: Large Value
INTRINSIC VALUE: $50.29 **BUY (if less than) $37**
CURRENT PRICE: $42.39 **SELL (if greater than) $70**

BUSINESS:

JPMorgan Chase & Co. (JPMorgan Chase) is a financial holding company. JPMorgan Chase's principal bank subsidiaries are JPMorgan Chase Bank, National Association, a national banking association with branches in 17 states, and Chase Bank USA, National Association, a national bank that is the Company's credit card issuing bank. On October 1, 2006, JPMorgan Chase completed the acquisition of The Bank of New York Company Inc.'s consumer, business banking and middle-market banking businesses. On July 1, 2006, it completed the sale of its life insurance and annuity underwriting businesses. On April 21, 2006, JPMorgan Chase completed the acquisition of private-label credit card receivables and approximately 21 million accounts from Kohl's Corporation. On March 1, 2006, the Company acquired Collegiate Funding Services. In May 2007, the Company completed the acquisition of Xign Corporation, which will be known as JPMorgan Xign Corporation.

	Ticker	Market Cap	Price	P/E	P/B	LFY EPS	YTD Ret	Revision of EPS
JPMorgan Chase	**JPM**	**143.44 bil**	**42.39**	**9.35**	**1.23**	**3.81**	**-12.24%**	**UP**
Deutsche Bank	**DB**	**63.49 bil**	**120.98**	**5.74**	**1.16**	**15.73**	**-9.20%**	**DOWN**
UBS	**UBS**	**96.23 bil**	**46.41**	**9.94**	**2.15**	**4.48**	**-23.07%**	**UP**

Forward P/E Valuation:

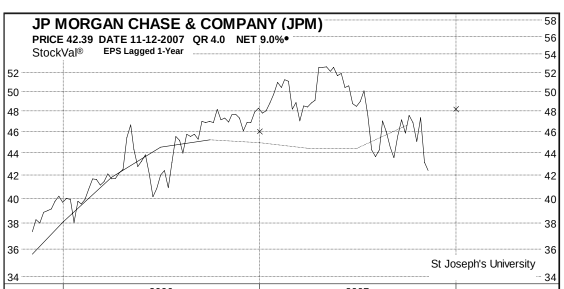
JPMorgan Chase (JPM)

12-month Forward EPS estimate	4.80
Estimated PE	10
Model price	47.28

Residual Operating Income Model (RIM):

JPMorgan Chase (JPM)

Cost of capital	8.00%
Growth years	5
Growth rate	9.50%
Return on capital	5.25%
Terminal growth rate	6.14%
Terminal residual return	0.10%
Model Price	$57.21



THE G-MODEL			First Call Data	2007	2008	2009	Normalized Earnings FYE December	
IR	3.77	3.77	Mean Estimate	4.60	4.82↓	5.28↓		
K	5.54	5.54	Change	+21%	+5%	+10%	2007	2.78
K'	1.00	1.00	High	4.70	5.30	5.75	2008	3.03•
NE	2.99	3.26•	Low	4.52	4.52	5.01	2009	3.30
PE	14.2	13.0	Total	15	19	6	2010	3.60
WPE	14.5	14.5	# Up	13	3	0	2011	3.92
WP	43	47	# Down	5	6	3	2012	4.27
AP	2%	11%	House Estimate				2013	4.66
Expected Return 1-Yr		15%	PE Ratio	9.2	8.8	8.0	2014	5.07

Dividend Discount Model (DDM):

JPMorgan Chase (JPM)

EPS FY1	4.590
EPS FY2	4.840
EPS FY3	5.140
Growth years	9
Growth rate	8.320%
Payout during growth years	32.135%
Payout at maturity	45.000%
Growth at maturity	6.121%
Model price	47.70

Weighted Average Model Value:

	Value	Weight	
Forward PE	48.00	40%	19.20
Residual Income Model	57.21	25%	14.30
Dividend Discount Model	47.70	25%	11.92
Stockval's G-Model	48.75	10%	4.87
Intrinsic Value			**$50.29**
Expected Return			**18.6%**

VALUATION AND FORECAST

Our valuation summary indicates our belief that JPMorgan Chase is somewhat undervalued and exhibits a buy signal. The group projects that the financial sector will begin to improve as mortgage debt write downs are completed and the subprime effect begins to fade.

Ace Limited (ACE)

Sector: Financials **Industry: Insurance** **Analyst: Brandon Moore**

STYLE: Large Value and Growth

INTRINSIC VALUE: $72.75 **BUY (if less than) $55**

CURRENT PRICE: $58.46 **SELL (if greater than) $80**

BUSINESS:

ACE Limited (ACE) is a Bermuda-based holding company. ACE and its direct and indirect subsidiaries are a global property and casualty insurance and reinsurance organization, servicing the insurance needs of commercial and individual customers in more than 140 countries and jurisdictions. The Company operates through four business segments: Insurance-North American, Insurance-Overseas General, Global Reinsurance, and Life Insurance and Reinsurance. During the year ended December 31, 2006, the Company completed the sale of three of its run-off reinsurance subsidiaries: ACE American Reinsurance Company, Brandywine Reinsurance Co. (UK) Ltd. and Brandywine Reinsurance Company S.A.-N.V. On May 9, 2006, the Company acquired Hart Life Insurance Company from The Hartford Financial Services Group. In January 2007, the ACE Group of Companies acquired Altas Cumbres Life Insurance Company, formerly a wholly owned Peruvian subsidiary of Grupo Altas Cumbres of Chile.

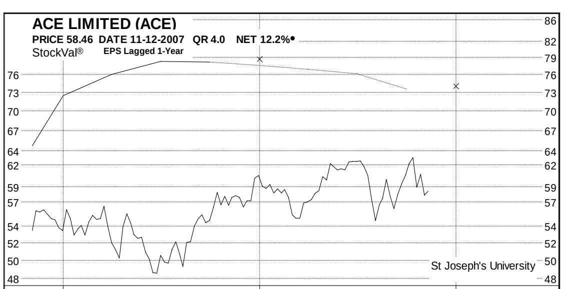
	Ticker	Market Cap	Price	P/E	P/B	LFY EPS	YTD Ret	Revision of EPS
Ace Limted	**ACE**	**19.23 bil**	**58.46**	**7.41**	**1.21**	**7.25**	**-3.84%**	**UP**
XL Capital	**XL**	**11.99 bil**	**66.00**	**6.43**	**1.04**	**9.83**	**-8.36%**	**UP**
Axis Capital	**AXS**	**5.53 bil**	**36.55**	**5.96**	**1.21**	**5.76**	**9.53%**	**DOWN**

Forward P/E Valuation:

Ace Limited (ACE)	
12-month Forward EPS estimate	7.48
Estimated PE	9.75
Model price	72.93

Residual Operating Income Model (RIM):

Ace Limited (ACE)	
Cost of capital	7.00%
Growth years	3
Growth rate	9.00%
Return on capital	12.00%
Terminal growth rate	7.49%
Terminal residual return	1.00%
Model Price	$73.84



THE G-MODEL		
IR	3.77	3.77
K	5.54	5.54
K'	1.00	1.00
NE	3.60	4.04•
PE	16.2	14.5
WPE	17.1	17.1
WP	61	69
AP	5%	18%
Expected Return 1-Yr		20%

First Call Data	2007	2008	2009
Mean Estimate	7.87↑	7.41↑	7.65↑
Change	+9%	-6%	+3%
High	8.01	8.10	8.37
Low	7.55	7.00	7.00
Total	19	21	7
# Up	19	11	2
# Down	0	2	3
House Estimate			
PE Ratio	7.4	7.9	7.6

Normalized Earnings FYE December	
2007	3.26
2008	3.66•
2009	4.11
2010	4.61
2011	5.18
2012	5.81
2013	6.52
2014	7.31

Dividend Discount Model (DDM):

Ace Limited (ACE)	
EPS FY1	7.850
EPS FY2	7.424
EPS FY3	7.700
Growth years	7
Growth rate	8.110%
Payout during growth years	13.389%
Payout at maturity	45.000%
Growth at maturity	5.607%
Model price	72.44

Weighted Average Model Value:

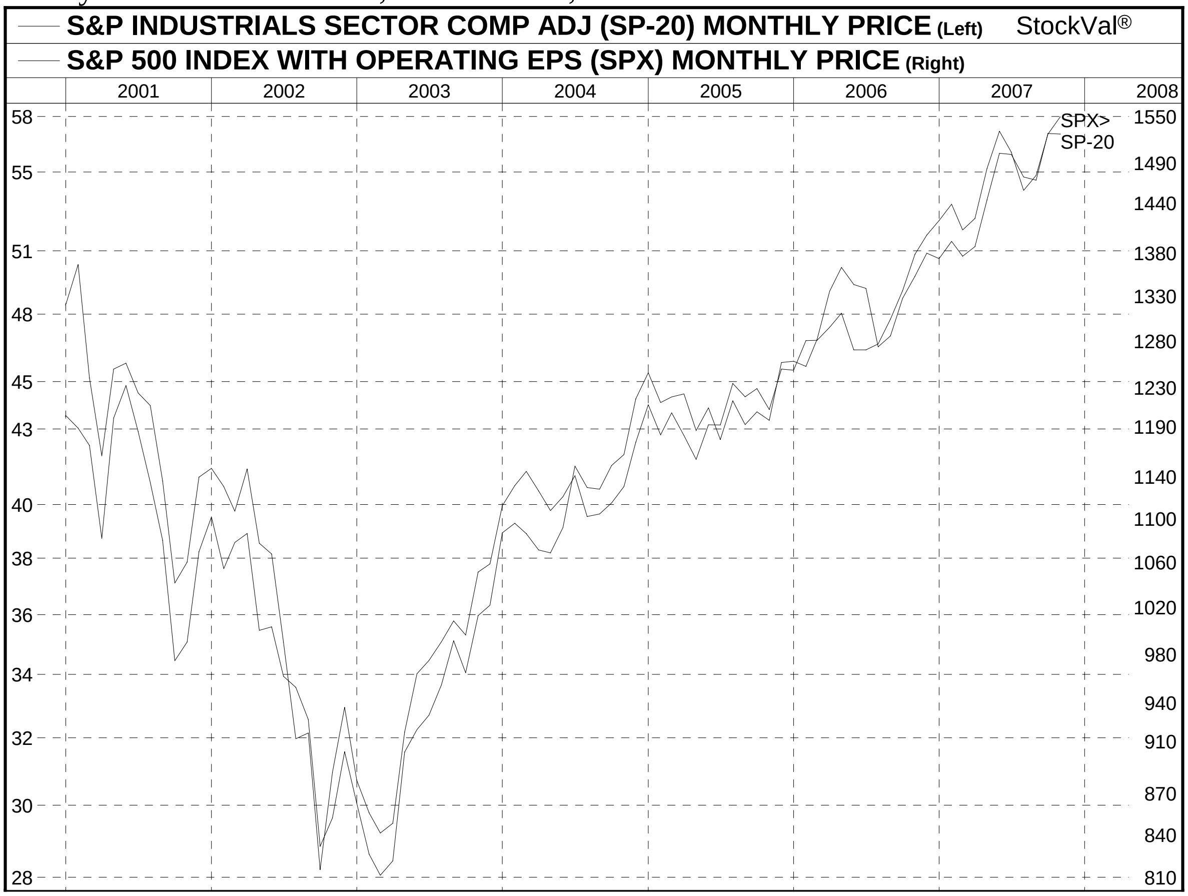
	Value	Weight	
Forward PE	72.93	40%	29.17
Residual Income Model	73.84	25%	18.46
Dividend Discount Model	72.44	25%	18.11
Stockval's G-Model	70.15	10%	7.01
Intrinsic Value			**$72.75**
Expected Return			**24.4%**

VALUATION AND FORECAST

This valuation summary portrays a collective disposition that Ace Limited is definitely undervalued and will be a promising purchase. We feel that the insurance industry should start to do very well and stocks within this sector are considerably cheap and will be a solid investment for the portfolio.

Industrials

Recommendation: Even-weight
November 28, 2007
Analysts: Michael Bollhardt, Drew Ranieri, Michael Hudacko



Description

The Industrials sector is subdivided into multiple sections. These sections include: aerospace & defense, building products, construction & engineering, electrical equipment, industrial conglomerates, machinery, trading companies & distributors, commercial services & suppliers, air freight & logistics, airlines, and road & rail.

Trends

The major trends in the industry sector are growth in the emerging markets, consolidation, globalization, lean manufacturing, customer demand for value, and a faster rate of innovation. Emerging markets, such as China, Asia, Latin America, the Middle East, India, and Eastern Europe are all areas that are industrializing at a very rapid pace. The demand for industrial equipment used in factory automation, shipbuilding, mining, and oil and gas production is rapidly growing to support these developing infrastructures. Companies such as General Electric and Emerson Electric, Co. are benefiting greatly from this demand. Generally, because of stronger domestic activity and a healthy international demand, it is believed that there will be an increase in growth in the near future.

Outlook

The Industrials Sector has moved with the S&P 500 over the last five years. With construction and building growing overseas in emerging markets, the industrial machinery section has been performing well. As in many industry sectors, emerging markets are both benefitting and burdening the Industrial Sector. Such markets are allowing firms to grow through global expansion instead of being inhibited by static domestic growth. Although emerging markets are providing firms with expansion, productivity, and labor cost reduction, these developing infrastructures drive up the prices of raw materials which have a direct impact on the profitability of the firms. With the market possibly facing decline in the future, a recession would more than likely cause industrials stocks to fall with the market.

Recommendation

This sector currently comprises 11.2% of the S&P 500 and 10.5% of our portfolio. Currently we hold Terex Corporation (TEX), Ceradyne Incorporated (CRDN), GrafTech International Ltd. (GTI), and we recently acquired 70 shares of General Electric (GE) worth $2,700. We decided to add General Electric (GE), a diversified industrial conglomerate, as a defensive measure. In relation to emerging markets, GE has positioned itself for strong financial performance as these countries infrastructures are developing and further modernized.