The Finance and Securities Analysis Center at the University of Oregon’s Lundquist College of Business is launching a new student-managed portfolio focused on emerging markets. Building on the successful University of Oregon Investment Group model, a cohort of MBA students seeks to create and manage an Emerging Markets Equity Portfolio that will provide unparalleled hands-on experience, contribute to industry knowledge of this market segment, and advance the reputation of the University of Oregon as well as of those investing in this engaging initiative.

About the Center
The Finance and Securities Analysis Center exists to provide the finest education for the professions related to financial analysis and investment management. Our center resides on the leading edge of both accounting and finance, emphasizing a blend of academic rigor and applied learning. It is a nexus for industry professionals, students, and faculty members. Within our center, students prepare for careers, faculty members grow their knowledge base, and industry leaders receive unique value-added benefits as a direct result of their participation.

Emerging Markets
Emerging markets are nations and economies with social or business activity in the process of rapid growth and industrialization. Emerging markets currently account for 84 percent of the world population, but only 46 percent of the world economic output. This disparity signifies a real market opportunity, corroborated by International Monetary Fund (IMF) projections that economic growth in emerging markets is expected to outpace the rest of the world. Furthermore, emerging markets have historically outperformed developed markets.

GDP Growth

<table>
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<tr>
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<th>2004-09</th>
<th>2009-14 (Projected)</th>
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<tbody>
<tr>
<td>Emerging Markets</td>
<td>8.7%</td>
<td>12.6%</td>
</tr>
<tr>
<td>Developed Markets</td>
<td>3.5%</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

Source: IMF, World Economic Database, April 2010

Fund Overview
Seeking to leverage the market opportunities presented by emerging markets, the Finance and Securities Analysis Center’s Emerging Markets Equity Portfolio is targeting funding of $1 million with an expected launch date of fall 2011. The fund will be launched and directed by Oregon MBA students in the center, with faculty oversight.

The MSCI Emerging Markets Index is the benchmark for our Emerging Markets Equity Portfolio. The MSCI Emerging Market Index has outperformed the MSCI World Index during the past five years, generating an alpha of 0.85.

Market-cap based performance indicates that small cap stocks have outperformed large cap stocks in the last five years. Small cap stocks are usually avoided by fund managers because of size restrictions, liquidity issues, and/or lack of transparency. While not focusing in small caps, the fund expects to hold more small cap stocks than comparable portfolios managed by larger institutional firms.

The Emerging Markets Equity Portfolio Fund will initially invest in an ETF tracker:
- iShares MSCI Emerging Markets (Ticker: EEM)
- FTSE All Cap Brazil
- FTSE All Cap Malaysia
- Russia 3000
- Russia AKM Composite
- FTSE All Cap Developed Europe

The MSCI Emerging Markets Index has historically outperformed developed markets.

Source: IMF, World Economic Database, April 2010

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Source: IMF, World Economic Database, April 2010
Region and Industry Targets

More than 900 companies, allocated among countries and sectors, provide the Emerging Markets Equity Portfolio fund a broad spectrum and ample opportunity for diversification across emerging markets. Currently, Brazil, Russia, India, and China dominate the emerging markets universe. However, these geographic targets are likely to shift over time to, particularly toward Mexico, Indonesia, South Korea and Taiwan.

Industry targets for the fund that are expected to fuel growth include lifestyle, outsourcing, and infrastructure. Thus, the fund’s optimal allocation strategy will consider country, sector (including exclusion of the financial sector), and portfolio size. Trading and stock selection will occur on four developed exchanges:

**ECONOMIC ANALYSIS**
- Economies with good potential
  - Based on demographics, lifestyles, technology and politics and regulation

**INDUSTRIAL ANALYSIS**
- Industries with high expected growth
  - Focus on infrastructure and demand

**FIRM ANALYSIS**
- Promising firms
  - Focus on firms which are poised to increase market share

**STOCK SELECTION**
Stock selection and screening will use the top-down approach advocated by the CFA Institute.

United States, United Kingdom, Hong Kong, and Singapore.

**Expenses**
Fund expenses for the Emerging Markets Equity Portfolio will depend largely on brokerage fees and the initial expense for the tracker at 0.69 percent. We expect an average asset turnover between 15 and 30 percent. Endowment-like distributions from the fund will be used to further the mission of the Finance and Securities Analysis Center, including providing for hands-on educational opportunities for students, data acquisitions beyond FACTSET (which is already provided by the center), and investments in research.

**A PROVEN MODEL**
MBA students affiliated with the Finance and Securities Analysis Center will enroll in a class each term that will manage the fund with faculty oversight. These students will build on the proven successful model of the University of Oregon Investment Group (UOIG). UOIG is a student-run group of undergraduate and graduate students that actively manages three live U.S. equity portfolios valued at more than $750,000. The group has operated since 1999 and has consistently outperformed benchmarks using the same valuation techniques and discounted cash flows and comparables.

**Country Allocations**

- China: 17.2%
- Brazil: 16.0%
- Other: 10.4%
- Indonesia: 10.4%
- Malaysia: 9.9%
- Mexico: 4.6%
- India: 6.9%
- Russia: 6.7%
- South Africa: 5.0%
- Taiwan: 11.9%
- South Korea: 13.9%

**Sector Allocations**

- Information Technology: 17.6%
- Materials: 15.1%
- Energy: 15.0%
- Telecom Services: 10.3%
- Industrials: 8.9%
- Utilities: 4.6%
- Consumer Goods and Services: 18.6%
- Health Care: 10.6%
- Financial Services: 21.6%
- Other: 10.4%
emerging markets equity portfolio

methodologies described above for the Emerging Markets Equity Portfolio.

The Emerging Markets Equity Portfolio replicates and advances the UOIG model. In addition the management of the fund by MBA students at the Finance and Securities Analysis Center provides the following additional advantages:

- No impending financial obligation
- Minimal liquidity needs and threat of redemptions
- Risk appetite
- No market cap constraint
- No liquidity constraint
- No reporting constraints
- Not competing with other mutual funds

To take advantage of these strengths the fund manager will follow several established criteria:

- Invest irrespective of market cap constraints
- Small cap opportunities
- Select even without accepted reporting frequency
- Quarterly preferred
- Semiannual acceptable
- Liquidity and volume
- Limited liquidity needs allow for no volume limitations

VALUATION METHODS

Fund valuation methodologies will use techniques common throughout the profession. These include discounted cash flow analysis (free cash flow as the basis of a company’s value) and comparables analysis (use of metrics and market multiples).

RISK MANAGEMENT

To mitigate risk, the fund will leverage the proven risk management process followed by UOIG.

UOIG PORTFOLIO PERFORMANCE

The total return since inception of the University of Oregon Investment Group’s Tall Firs Portfolio was 56.7 percent versus 37.90 percent for the benchmark. The UOIG Siegel Portfolio’s total return since inception was 27.74 percent versus 8.79 percent for the benchmark.

STRATEGIC INVESTMENT

Investors in the Emerging Markets Equity Portfolio at the University of Oregon’s Finance and Securities Analysis Center will be making a strategic investment in the future of the financial and securities industry while advancing their reputation and the reputation of the University of Oregon. The fund will prepare students for positions serving global consumers and international companies by providing students with real-world experience managing live money. Having portfolio management experience before students graduate will create a pipeline of talent for investment management firms or corporations with international operations. The focus on emerging markets further adds to the value, differentiating the University of Oregon and the Lundquist College of Business as leaders in international finance and valuation.

Delivering real-world experience, reinforcing the university’s global component, and helping to attract additional students, recruiters, and contributors—the value of investment in the Emerging Markets Equity Portfolio is unparalleled.