Quarter 4, 2008 Report

SECTION I: SUMMARY & HIGHLIGHTS

The year of 2008 was a very difficult one for the industry and investors. For the last quarter of 2008, every sector of the markets has been struggling and down in double digits. The fund managers believe that despite the bleak outlooks being put forth, there are ample value opportunities in this down market for a fund positioned such as ourselves. Our analysts have recommended many stocks for holding and through careful consideration, the fund picked up several positions in this quarter.

In the 4th quarter alone, the S&P 500 dropped by 23.64% and dropped by more than 40% in a 52 week range.

The students, feeling that there was a discount to the market, were inclined to buy - but not to invest all of our funds. The decision was to position ourselves at about 50% equities and 50% cash to manage our level of exposure. Consequently, while our portfolio of stocks declined in value, we dropped less than the overall market, with a cash-adjusted, compounded return of -6.05% as shown in the table in section 2.

The fund ended the year with 17 positions. During the quarter, 11 positions were added. Our proprietary research reports on equities purchased appear in the research section of this report. The six stocks purchased during the prior quarter remain in the portfolio. A table appears in the second section of this report that summarizes our deployment of funds and the distribution of our resources. During the 4th quarter the Fund received additional donations of $17,400.

The biographies of our fund student managers are available on the fund’s website, at http://www.cba.neu.edu/portal/index.cfm?page=737&nav=579

We hope that you consider reaching out to them to learn more about their skills and interests.

The fund is steadily continuing to move from “startup mode” into a more mature stage and has made great strides in increasing the educational experience for the students:

- The fund has successfully completed the requirements needed to permanently register itself with the University as a credit class, FING405 – Mutual Fund Management. It is credited for 3 credits per year. A syllabus for the class is attached as Section IV.
- A growth path has been designed, where the students will be expected to grow, if they perform well, from Junior Analysts to Sector Managers or other Officer in the 3rd year. In consideration of modeling ourselves on actual
mutual fund managerial processes, and on the advice of our donors, we have created the position of Chief Risk Officer. This position will be filled at the start of 2009 after we evaluate the skills of the applicants for the position.

- The fund is in the process of launching risk profiling in Bloomberg under the guidance of the CRO (Value-at-Risk, Tracking Errors, etc). Bloomberg accounts have been created.
- The fund has designed new analyst reporting templates for detailed and “flash” reports, in order to standardize the reporting formats. Soon these will be programmed to auto-load key statistical data to speed up some of the more manual portions of the reporting process.
- The fund has throughout the year gravitated towards an investment philosophy; we will be investing “value style”, with a mix of approximately 80% value and 20% growth stocks.
- In Q109 we will also endeavor to add another Officer position, the CAO (Chief Accounting Office) who will manage the NAV and accounting side of the house.

In addition, the fund intends to participate and send at least two students to the R.I.S.E. IX Student-run mutual fund seminar and competition in March of 2009, which covers the year’s 2008 performance.

Scott Schoen
GM, 360 Huntington Fund

Harlan D. Platt
Professor
SECTION II: FUND PERFORMANCE

<table>
<thead>
<tr>
<th>Month End</th>
<th>Portfolio Value</th>
<th>Monthly Return</th>
<th>Cumulative Return</th>
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<tr>
<td>December, 2007</td>
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<td>January, 2008</td>
<td>$101,440.67</td>
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<td>0.57%</td>
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<td>April, 2008</td>
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<td>May, 2008</td>
<td>$104,659.12</td>
<td>2.04%</td>
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<td>June, 2008</td>
<td>$135,854.09</td>
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<td>July, 2008</td>
<td>$134,935.95</td>
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<td>August, 2008</td>
<td>$135,756.18</td>
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<td>September, 2008</td>
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<td>October, 2008</td>
<td>$128,472.39</td>
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<td>November, 2008</td>
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<tr>
<td>Annual Return</td>
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<td>-6.05%</td>
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### UNIVERSITY NAME:
Northeastern University

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<tr>
<th>Name</th>
<th>Ticker Symbol</th>
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<td>ADC Telecommunication</td>
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<td>NASDAQ</td>
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<td>BOBE</td>
<td>NASDAQ</td>
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<td>LUV</td>
<td>NYSE</td>
<td>900</td>
<td>$7,758.00</td>
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<td>NYSE</td>
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<td>$7,866.00</td>
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<td>UnitedHealth Group Inc</td>
<td>UNH</td>
<td>NYSE</td>
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<td>$9,842.00</td>
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<td>Western Digital Corp</td>
<td>WDC</td>
<td>NYSE</td>
<td>170</td>
<td>$1,946.50</td>
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<td>Williams Companies Inc</td>
<td>WMB</td>
<td>NYSE</td>
<td>200</td>
<td>$2,896.00</td>
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<td>XLB</td>
<td>NYSE</td>
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<td>Health Care Select Sector</td>
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<td>NYSE</td>
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<td>$5,310.00</td>
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<td>RMA Money Market</td>
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<td>$64,457.73</td>
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Q4 Report

12/02/08
CATEPILLAR, INC (CAT) , $38.00
Jason Millot, Analyst.

Price – Dec 2, ‘08 $38.00
52 Week Range $31.95-$85.96
P/E ttm 6.48 Forward P/E 5.72
Market Cap 22.92 Bill Total Shares Out 603.23 Mil
EPS ttm 6.07 EPS estimate ‘09 6.64
ROE, ttm 42.42% Total Debt/Equity, mrq 3.542
Price/Sales, ttm 0.44 Cash/share $1.60
Book value/share $15.989 Price/Book, mrq 2.29
Beta 1.46 Dividend $0.42 (4.42%)
Introduction

Caterpillar (CAT) is a diversified manufacturer of heavy construction equipment. In recent years CAT has developed a competitive advantage with its financing arm and strong network of dealerships. International sales now account for over 60% of revenue.

Trends/Strategy

CAT recently announced it would not seek to sell commercial paper using the Fed’s new CP market. This indicates the company remains financially strong and has maintained access to the credit markets. An indication is in CAT’s recent announcement to raise capital through the sale of $1.5 billion in bonds. Fitch has recently rated these bonds A+.

Market Environment

Capital expenditures on equipment remained strong in 2007 and 2008 however future purchases and current backlogs could be affected by the current economic downturn. As countries announce stimulus plans, especially focused on infrastructure improvement, CAT should be amongst the companies to benefit. Their strong international presence in most regions of the world along with the power of internal financing should allow CAT to outpace smaller rivals such as Terex.

CAT is a blue chip stock that has been hammered along with most of its competitors. While the company’s share price may remain volatile in the near term, long term prospects are still very strong.

Valuation

A conservative DCF analysis places a value of $45.66 on CAT. Using a PE of 12 and EPS of $6, below current estimates, I calculate a price $72. Given CAT’s strength in the
industry there is little reason to think a target price of $52 is out of the question for one year from now, 28% above its current price.

Ingersoll-Rand (IR),
Price - Oct 9, 2008   $20.96
Jason Millot, Analyst.

Introduction

Ingersoll-Rand is a global, diversified manufacturer. The company categorizes its operations into: Climate Control Technologies, Security Technologies, Industrial Technologies, and Air Conditioning Systems and Services. IR is the market leader for many of their brands:

a. Trane #1 in US, #2 Global, commercial HVAC units
b. ThermoKing #1 global, Refrigeration transportation
c. Hussmann #1 North America, Store refrigeration display cases
d. Schlage #1 in North America, Lock, Door Hardware
e. Ingersoll-Rand #1 North America, Air compressors and air tools
f. Club Car #1 global, golf cars

Trends/Strategy

IR is moving to a less cyclical business model. In 2007 they divested their road development unit and their Bobcat construction/utility equipment business and announced the planned acquisition of Trane. The Trane acquisition closed as of June 5, 2008. IR hopes to realize short-term synergies by consolidating raw material purchases across the company, as Trane and IR shared few suppliers. Long-term synergies are expected through cross-selling, market expansion, and global growth of leading brands.

Financial Highlights

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>P/E</td>
<td>7.23</td>
<td>Forward P/E</td>
<td>5.53</td>
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<tr>
<td>P/S</td>
<td>0.62</td>
<td>P/Book</td>
<td>0.71</td>
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<tr>
<td>Beta</td>
<td>1.40</td>
<td>Dividend</td>
<td>0.72 (3.44%)</td>
</tr>
<tr>
<td>Market Cap</td>
<td>$7.70 Bill</td>
<td>Total Shares Out</td>
<td>318.53 Mil</td>
</tr>
<tr>
<td>EPS ttm</td>
<td>2.90</td>
<td>EPS estimate</td>
<td>3.79</td>
</tr>
<tr>
<td>ROE, mrq</td>
<td>11.02%</td>
<td>Price - Oct 9, 2008</td>
<td>$20.96</td>
</tr>
</tbody>
</table>
Market Environment

As we are in the midst of a global credit crisis and economic recession, future revenues across many of IR’s segments could be negatively impacted. However, I see continued growth in Commercial HVAC sales, continued demand for Ingersoll Rand brand Air tools and compressors, and an increase in demand for replacement parts and service related to prior IR brand purchases (currently 19% of IR revenue is derived from parts and service).

I see residential sales of Trane HVAC systems declining as we fully realize the recession but see a rise in commercial sales as companies move to pair costs by replacing inefficient HVAC systems. Businesses typically take a longer term view of cost recaptures than consumers and, with energy prices still higher than historic levels, companies will look to lower costs and improve margins wherever they can.

In Air tools and compressors I see continued strong demand in the aftermarket service and repair industries, particularly in the auto industry. In a recession, consumers will retain their vehicles longer thereby requiring more body work and other general repairs. In addition, IR supplies many of the air compressors used to manufacture PET blow molding food and beverage containers. Staples will continue to be produced and consumed requiring continued repair and replacement of commercial systems.

The tendency to retain and repair will also be seen in the Hussmann and Thermo King lines. Again, as businesses look to trim costs they will seek to repair aging display cases and cooling/refrigeration systems. If these systems can’t be repaired IR will quickly step in and offer newer, more efficient systems in their place. Food must still be delivered, stored, and displayed. IR covers all steps in the chain.

Valuation

Using a blend of DCF, EVA analysis, and historic price to earnings comparison with competitors I place a fair value of $38 on Ingersoll Rand.
Southwest Airlines (LUV),
Price - Nov 9, 2008  Current Price: 8.33
CJ Orlandi, Analyst.

Southwest Airlines (LUV)
Target Est: $15 in one year
LUV will grow as the market picks up in the second half of 2009.

Current Price: 8.33
3yr historical EPS average: .7066
CP to H3YRAEPS: 11.79 times earnings

Ben Graham advises this has now become a good value stock according to the P/E measure of safety. Earnings have been steady.

All three years showed earnings. The company has paid a steady dividend as far back as I have ventured. The stock is selling for less than book value of 9.585. The current ratio looks poor, but the company is holding a lot of cash. The company is sufficiently large.

2007 EPS .84; 16.125 average high, 13.715 average low, average = 14.92; dividend .0045; 5.66% yield P/E of 17.67 (quarter highs and lows were used)

2006 EPS .61; 17.8825 average high, 15.22 average low, average = 16.55125; dividend .0045; 3.71% yield; P/E of 26.93

2005 EPS .67 in 15.9375 average high, 13.6875 average low, average = 14.8125; dividend .0045; 4.55% yield; P/E of 21.96

As airlines fight to keep afloat in the declining economy, business travelers are choosing to fly economy instead of flying first or business class. This decrease in premium seats has led to an increase in the demand for low cost carriers and low priced providers. As large airlines that depend on the larger margins on their first class seats to cover their freight are squeezed, look for Southwest to hold strong throughout the recession and to pick up some new routes when the storm clears. Southwest is the only short haul, low-fare, high-frequency, point-to-point carrier in America

Gary Kelly just announced that Southwest will now be flying out of the long sought Minneapolis-St Paul International Airport in March of next year. There will be 8 new departures to Chicago’s Midway Airport. Flights will begin on March 8, 2009. Some more good news reports that Southwest Airlines furthered its lead in online sales thought to be due to its “No fee” Campaign. ComScore, a research firm, just published results indicating that Southwest increased sales from the 2nd quarter of 2007 to the 2nd quarter of 2008, from 28.1 to 32.8%.
Additionally, Southwest was awarded with 7 roundtrip flights at LaGuardia Airport in New York. The request from ATA Airlines to sell these slots was granted by bankruptcy judge Basil Lorch. Southwest is managing to wiggle free of some of its oil hedges, down to 63% of 2009’s use from 75%. Gary Kelly mentioned cutting capacity 4 to 5% in the first quarter. This will be challenging considering their receipt of 13 Boeing 737s. Gary mentioned retiring 3 planes, but plans for the other 10 to keep capacity constant is a current topic on Kelly’s agenda.

Declining oil prices and the Treasury and Fed’s attempts to provide cheap liquidity to the market should give the company what it needs to finance its next expansion. After the last major crisis, the 9/11 terrorist attacks, Southwest’s stock price was battered down to 12.88 and then steadily improved over the years with some minor peaks and troughs along the way. An interesting moment was on February 27, 2002, just over five months later, when Southwest sold for 21.80 (all prices in this report are adjusted closing prices per yahoo finance.com). If history serves us correctly, Southwest ought to capitalize on the recession. With the holiday travel season approaching, Southwest Airlines should see an increase in demand. Its no extra charge service is positioned to compete with premium airlines that offer more services, but for more cost. The graph below shows Southwest’s growth after the 9/11 attacks.

The balance sheet looks healthy with a reasonable debt/equity ratio of 0.375 as of 9-30-08. Total cash of 3.41B should help Southwest steer clear of credit troubles as competitors are selling aircrafts and decreasing capacity due to the recession.
Competitive pressures that prevented Southwest from providing flights from certain airports to certain destinations are weakening, allowing Southwest to pick-up routes. The Delta-Northwest merger is putting pressure on the combined companies to cut costs and to create new efficiencies. This will result in less hanger space being needed by the combined company. AMR, Delta-Northwest, and Continental have been landing aircrafts and reducing their fleet to shrink the capacity of available seat miles. These moves are intended to increase prices and margins and to lower costs of the older planes they are landing. These moves have numerous benefits to Southwest. Their prices get more attractive and Southwest gains access to new markets and flights. In addition to the eight new flights from St Paul’s International Airport in Minneapolis to Chicago’s Midway, Southwest Airlines will add four flights from Denver International Airport starting March 9, 2009. Southwest Airlines, one of the three largest carriers at DIA, will add daily nonstop round trips between Denver and Baltimore, for a total of four daily trips; Denver and Chicago Midway, for a total of nine; and Denver and Las Vegas, for a total of 10.

More good news, the Wright Amendment was appealed in 2006 allowing Southwest to offer non-stop service to any city in the U.S. from Dallas. This amendment took place after 27 years of the act’s regulation and will be entirely phased out by 2014. In the middle of 2007, Southwest signed a ten year agreement with Galileo, who will be providing technological distribution services, allowing Southwest to reach more customers and to add more value added conveniences such as hotel booking and car rentals online. The contract makes Southwest’s low fares available to all Galileo connected travel agencies nationwide. Due to high oil prices and an unfavorable economic environment, these changes have not been able to take full effect on Southwest Airlines sales and profitability. New boarding procedures implemented late in 2007 were
tested to shed between 30 seconds and a minute off the time it takes passengers to board the airplane. Now passengers are assigned to a group of five at check in and will be called in sequence until the plane is fully boarded. This style will allow those passengers who check in early the most benefit by allowing them to switch seating arrangements. Southwest Airlines was voted as having the best customer service in 2006. Southwest has just announced its new spring schedule giving customers the ability to plan early.

Over the past three years, Southwest Airline’s price had a standard deviation of 1.555, compared to 3.246 for JBLU, 8.505 for AMR, and 9.502 for CAL. The average price of Southwest over the last three years was 15.082. The median was 15.25. The minimum was 11.26 and the maximum was 18.09. Since we do not see Southwest’s price being very volatile and it is priced near its three year low, this stock presents a great value opportunity with a low to moderate level of risk. We can expect Southwest’s stock price to approach it’s median price during better economic times. We can also predict an expansion due to the recessionary environment if we believe that Southwest benefits more than its competitors from poorer economic times as a low cost provider.

Southwest Airlines vs. Regional Airlines

Additionally, the earnings per share was .47 as of the most recent quarter ending September 30, 2008. The book value per share is 9.585 and traded at 11.29 at the close of business on Friday, November 7, 2008. The Tobin ratio is 1.18. It does not seem unreasonable to be paying a slight premium over book value. The PE ratio is very high over the past twelve months; however, the economy was in distress and earnings were hit hard by rising oil prices and decreased demand. These high prices have since subsided. Southwest hasn’t fared well over the past year, but name an airline that has. I think Southwest is positioned for growth in ’09. I recommend Southwest Airlines as a buy. We need exposure to this segment and this stock will grow. The trade off for this growth is a low to moderate level of risk.
### Valuation

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<th>Market Cap (intraday)</th>
<th>Profitability</th>
<th>Income Statement</th>
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<td><strong>Profit Margin (ttm):</strong></td>
<td><strong>Revenue (ttm):</strong></td>
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<td>(23-Oct-08)</td>
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<td><strong>Gross Profit (ttm):</strong></td>
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<td>PEG Ratio (5 yr expected)</td>
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<td><strong>EBITDA (ttm):</strong></td>
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<td>(ttm)</td>
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**Ray Adams, Analyst**  
**Dec 3, 2008  Devon Energy Corp (DVN) - $67.08**

**Devon Energy Corporation (DVN)**

**The Story**

DVN is one of the worlds leading independent gas and oil companies in terms of production and exploration. As we near the likely bottom of low oil prices, it seems only natural that oil companies’ stocks will begin to rise as prices do, similar to how quickly they dropped when crude prices did. I am recommending we buy DVN immediately while oil prices appear to very close to their possible future (1-3 year) low. I am recommending this, because the company should benefit greatly from the anticipated rise of crude. In addition to this, Devon announced dividends of 16 cents per share on Monday Dec 1st. Dividends of any sort should prove helpful going into the still shaken economy for 2009.
Fundamentals ¹

“Devon Energy Corporation and its subsidiaries primarily engage in oil and gas exploration, development, and production; the transportation of oil, gas, and natural gas liquids; and the processing of natural gas. The company owns oil and gas properties principally in the Permian Basin within Texas and New Mexico; the Mid-Continent area of the central and southern United States; the Rocky Mountains area of the United States; the offshore areas of the Gulf of Mexico; and the onshore areas of the Gulf Coast, principally in south Texas and south Louisiana. It also owns oil and gas properties in the provinces of Alberta, British Columbia, and Saskatchewan, Canada. In addition, the company owns properties located in Azerbaijan, Brazil, and China. Further, Devon Energy's marketing and midstream operations include the marketing of oil, gas, and natural gas liquids, as well as the construction and operation of pipelines, storage and treating facilities, and gas processing plants in North America. As of December 31, 2007, the company had proved reserves of 677 million barrels of oil; 8,994 billion cubic feet of gas; and 321 million barrels of natural gas liquids. It also had interests in 5,586 net oil producing wells and 14,960 net gas producing wells. Devon Energy sells its gas production to various customers, including pipelines, utilities, gas marketing firms, industrial users, and local distribution companies; and crude oil production to refiners, remarketers, and other companies. The company was founded in 1971 and is based in Oklahoma City, Oklahoma.

Technicals ²

Market Cap: $29.61 Billion

P/E Ratio: 5.03

Beta: .98

EPS: 13.32

Revenue: $5.978 B

Gross Profit: $3.886B

Net Income: $2.618B

Current Market Price: 67.08

Past Year Stock Price:

High 127.43

¹ Source: Yahoo-finance.com
² Source: Yahoo-finance.com
Price Target and Date

1 Year Price Target (Dec 2009): $96
1 Year Price Target (Dec 2009) Low: $76
1 Year Price Target (Dec 2009) High: $137 (some estimate as high as $180)

Charts

One Month

Source: Google-finance.com

One Year

Source: Nymex.com
Five Year

Compared to S&P
Compared to Peers

United Health Care (UNH), 12/3/08: $20.38
Timothy Nicosia, Analyst

UnitedHealth Group
Helping People Live Healthier Lives

Facts:

Founded: 1977 (Minnesota)
Headquarters: Minnetonka, MN
Market Cap: $28.89 billion
Industry: Healthcare Services
Trailing 12 Month Earnings: $4.65 Billion
Return on Equity (Avg 3 year) 0.21
Price as of 12/3/08: $20.38
Management: CEO: Stephen Helmsley, CFO: G. Mike Mikan

Introduction:

UnitedHealth Group (UNH) is a diversified company primarily providing health insurance and other health and well-being solutions to more than 70 million customers in the United States. At the end of 2007, UNH was the second largest publicly traded health insurance company in the United States. The company provides individuals access to health care services and resources through more than 560,000 physicians, and 4,800
hospitals throughout the United States. UnitedHealth Group is the second largest publicly traded health insurance company in the U.S. The company conducts operations through 4 distinct business segments:

- **Health Care Services**: Health Insurance, broken out into 3 main segments of the population:
  - **United Health Care**: individuals, small- and medium-sized businesses, and large multi-site employers.
  - **Ovations**: Specifically targeted to individuals over 50. This segment engages in 4 lines of business:
    - **Evercare** – Provider of health care plans for chronically ill, and disabled people.
    - **SecureHorizons** – Products include Medicare Advantage, Medicare Advantage with prescription drug, and other medicare supplement programs.
    - **Ovations Insurance Solutions** – Offered through AARP, this is the nation’s largest insurance program focusing on the needs of Americans 50 and older. Offers various indemnity programs and medicare supplements.
    - **Ovations Medicare Part D** – Stand Alone drug plans include AARP Medicare prescription plans.
  - **AmeriChoice**: Public sector health care programs and services for Medicaid and other government sponsored health care programs.

- **OptumHealth**: Primarily responsible for increasing efficiency and decreasing costs through behavioral benefit solutions, clinical care management, financial solutions and other specialty benefits such as dental, vision, etc. Engaged in 4 main lines of business:
  - Care Solutions
  - Behavioral Solutions
  - Financial Services
  - Specialty Benefits

- **Ingenix**: Primarily specializes in data collection, information services, analytics and consulting to large employers, government organizations, physicians, hospitals, and consumers in order to improve health care delivery and operations. Ingenix also provides clinical research services, therapeutic outcomes and research to pharmaceutical companies, biotechnology companies, and medical device manufacturers.

- **Prescription Solutions**: One of the largest pharmacy benefit managers in the country. Provides retail pharmacy claims processing, mail order pharmaceuticals, retail network contracting as well as specialized distribution services for medical supplies, over the counter drugs, minerals and supplements.

Financial Analysis:
UNH continues to be a profitable company with a market capitalization of $28.89 billion. Third quarter revenues as September 30, 2008 were $20.20 billion ($0.75 per share), which represents an 8% increase ($1.5 billion) increase compared to the same period in 2007. The $0.75 per share in earnings include the absorption of (0.03) per share in adjusted costs related to the settlement of lawsuits stemming from the company’s options backdating scandal, as well as a ($0.02) per share net capital loss on investments, offset by a $0.02 per share benefit from a change in the estimate of the net costs to settle the two class action lawsuits. UNH’s cash flows from operations increased to $2.4 billion (up from $2.1 billion in Q3 of 2007). This was due primarily to increased cash collections in the third quarter, primarily in its government based business lines. UNH used these cash flows from operations to buy back 16 million shares of common stock, as well as to reduce its total debt position by approximately $337 million.

UNH’s dividend yield of 0.10% or 0.03, is primarily due to the constraints on cash flow due to the acquisitions of Fiserv Health (a subsidiary of Fiserv, Inc.) and Sierra Health Services, Inc, as well as debt reduction and the stock buy back. UNH’s performance over the past year has been much more volatile compared with the S&P 500, as well as with Aetna. Over the past 12 months, UNH’s share price has declined by roughly 62% which has been consistent with the trends in the health care sector, as rising health care costs have cut into profit margins of similar companies. However, UNH also has “taken it on the chin” so to speak in terms of it’s share price, as a result of their option backdating scandal, which has cost the company a fairly measurable amount of credibility.

Ratios:
P/E: 7.45  Forward P/E: 6.90
Beta: 0.93  Price/Book (as of Q3 08): 1.45
EPS: 2.74  ROE: 1.74%

Industry/Sector Outlook:
The United States spent $2.26 trillion on healthcare in 2007, or roughly $7,439 per person. At the end of 2007, healthcare spending accounted for approximately 16% of the U.S. GDP, and this was expected to increase to roughly 19.5% of GDP by the end of 2017. This makes the U.S top in health care spending in the world. Obesity is a rising problem, not just in the United States, but globally as well. It is estimated that roughly 40% of adults in the United States could be considered “obese” by 2015. This will place significant demands on the health care sector by increasing the number of people who will need treatment for hypertension, diabetes, and other heart problems. Meanwhile, the number of Americans 55 and older is expected to almost double between now and 2030 (60 million today or approximately 21 percent of the total US population to 107.6 million or 31 percent of the population), as baby boomers begin to reach retirement age. An increasing number of baby boomers will begin to consume more healthcare dollars, and will begin to draw on Medicare and Social Security benefits.

As of 2008, there were approximately 47 million Americans without health insurance. During the campaign, Obama has made far-reaching health care reform one of the central parts of his agenda. As part of financing his reform plan, he would require large employers that do not offer, or make a meaningful contribution to, the cost of health care for their employees to contribute a percentage of payroll toward the costs of a National Health Insurance Exchange. Obama has not indicated what percentage of payroll would be required under this proposal, nor has he specified what amount would constitute a “meaningful contribution” to the cost of health care. Small businesses would be exempt from this requirement and would receive a new Small Business Health Tax Credit intended to reduce their health care costs. No where in his campaign did Obama call for a Single Payer Canadian or European style system, as many of his opponents have suggested, but rather he has focused on emphasizing greater access to insurance and increasing the quality of coverage.

Certainly the current budget constrains would make any type of radical change in the U.S. health care system extremely difficult in the short term, and health insurance companies with competitively priced products will be in the best possible position to take advantage of any long term shift toward nationalized health care. If the U.S. does move in that direction, much of the current system will be kept in place. For instance, Switzerland has universal coverage as well as powerful insurance and pharmaceutical companies.

Company Outlook:

In 2006, UNH was investigated for allegedly illegally “backdating” stock options that were granted as part of the compensation package to it’s former CEO William McGuire. Stock options are generally granted at the fair market value of the stock price on the date of grant. Back dating options involves falsely reflecting a date in the grant letter to correspond with a date when the share price of a company is lower than the price was on the true grant date. McGuire held one of the most lucrative stock option grants at the time, worth approximately $700 million. UNH was forced to re-state earnings over a 3

5 Center for Medicare and Medicate Services.  
year period, and McGuire agreed to pay back over $600 million in total as part of a
settlement. As of Q3 2008, UNH had absorbed the cost of the lawsuit settlements,
effectively putting the scandal behind them.

UNH is poised to take advantage of the increase in baby boomers reaching retirement.
Since Medicare and Medicaid are directly financed through the federal government, this
represents an important stream of non-volatile income. Since Democrats appear poised
for big election gains, cuts to Medicare and Medicaid are fairly unlikely in the near
future. During the 2nd and 3rd quarters of 2008, Florida, Tennessee, Arizona, and
Connecticut, and the District of Columbia, awarded or renewed significant multi-year
contracts with AmeriChoice for services commencing in 2008 or 2009.

Through its Ingenix division, UNH has developed provider-quality measurements to
analyze the effectiveness of its in-network health providers. This helps UNH identify
high-cost, low-impact providers, which allows the company to improve service and lower
expenses by directing consumers away from such providers. Most importantly, this will
inspire trust in UNH among its subscribers, helping to build a relationship between UNH
and the subscriber that will help maintain membership.

**Conclusion:**

I believe that UNH represents a unique opportunity for the 360 Huntington Fund to
diversify into the health care sector. UNH’s aggressive paying down of long term debt, as
well as its emphasis in maintaining and improving subscriber relationships have the
potential for long term gains. By shoring up its balance sheet, UNH should be able to
weather the worst of the credit crisis.

I expect to see continued growth particularly in Health Care Services, which stands to
benefit from anticipated growth in health care spending from the federal government.
OptumHealth will also be a key driver of earnings, as their financial services group
provides a valuable service to health care consumers who purchase their own insurance.
Since federal government spending on health care is likely to increase under an Obama
administration, Ingenix will be an important data management tool for federal and state
governments. United Health Group enjoys a huge competitive advantage through it's
large customer base and significant market penetration. Combined with the current
resources and expertise UNH already has in place to keep up with rising health care costs
and increased enrollments, it will enjoy a distinct advantage over it's competitors and
inhibit new entrants into the market. It is also the “cheapest” of all of its competitors in
terms of stock price, has a fundamentally strong balance sheet, and has gone out of its
way to restore credibility that had been damaged previously.

In order to value UNH, I have taken 2008’s estimated EPS (3 quarters ended 9/30/08 and
Q4 projected EPS of 0.77, and multiplied it by a P/E ratio of 7.50, which I feel is
conservative, and assumes the market remains low for the next 2 years. My one year
price target of $23 per share has a projected growth rate in 2009 of 3.5% based on the
company’s projected Q4 EPS.
Technology Team
ADCT – bought at 13.65. Hold Currently at $6.85, 12-02-08
Latest Price Target
Price Target 1 Yr : $9.00 on 12/31/09

Price Target 1 Yr : $9.00 on 12/31/09

- Trading at a discount to Book Value BV= 8.8
- Adjustments to business model (selling German division, and low performing units)
- Lowered sales outlook priced into stock already
- Quarterly earnings out on 12/9
- Expected to near Breakeven w-Securities writedowns
Adjusting for securities impairments, 1.2 EPS
Still throwing off good cash
Buying $50MM in shares back in Q109
$100MM in Q2 and Q3 ($150MM total)

Williams Companies (WMB), 16.45, 11/14/08
Materials Team.

Profile: Williams Companies, Inc.

Williams Companies moves, manages and markets a variety of energy products, including natural gas, liquid hydrocarbons, petroleum and electricity. Based in Tulsa, Oklahoma, Williams’ operations span the energy value chain from wellhead to burner tip.

<table>
<thead>
<tr>
<th>Stock Price &amp; Valuation (11/14/08)</th>
<th>Liquidity Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>$16.45</td>
</tr>
<tr>
<td>Market Cap. (000)</td>
<td>9,519,000</td>
</tr>
<tr>
<td>Shares Outstanding</td>
<td>578,674</td>
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<tr>
<td>52 Week range</td>
<td>$14.40 - $40.31</td>
</tr>
<tr>
<td>30 Day Avg. Closing Price</td>
<td>$18.28</td>
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<tr>
<td>200 Day Avg. Closing Price</td>
<td>$29.96</td>
</tr>
<tr>
<td>Dividend Per Share (TTM)</td>
<td>$0.42</td>
</tr>
<tr>
<td>P/E Ratio</td>
<td>6.30</td>
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<tr>
<td>EPS (TTM)</td>
<td>$2.61</td>
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<td></td>
<td>Quick Ratio</td>
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<td>Current Ratio</td>
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<td>Net Current Assets %</td>
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<td>Debt Management</td>
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<td>LT Debt to Equity</td>
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<td>Total Debt to Equity</td>
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<td>Interest Coverage</td>
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<tr>
<th>Profitability Ratios</th>
<th>ROE</th>
<th>ROA</th>
<th>Operating Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/30/2008</td>
<td>18.85</td>
<td>5.21</td>
<td>10.71</td>
</tr>
<tr>
<td>6/30/2008</td>
<td>17.61</td>
<td>4.88</td>
<td>11.27</td>
</tr>
<tr>
<td>3/31/2008</td>
<td>18.91</td>
<td>4.58</td>
<td>10.90</td>
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<tr>
<th>EPS Estimates</th>
<th>12/31/2008</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>$0.42</td>
<td>$2.23</td>
<td>$1.83</td>
</tr>
<tr>
<td>30 Days Ago</td>
<td>$0.51</td>
<td>$2.42</td>
<td>$2.25</td>
</tr>
<tr>
<td>30 Days Ago</td>
<td>$0.66</td>
<td>$2.64</td>
<td>$2.77</td>
</tr>
</tbody>
</table>
Summary Analysis

* Strong Balance sheet - $1.1 Billion in Cash
* Revenue generated from 4 segments:
  Exploration & Production, Midstream Gas & Liquids, Gas Pipelines, Gas Marketing
* 18% production increase YOY
* Lower Oil prices and lower company guidance for EPS - $1.25 - $2.05
* Target price = 1.4 EPS x 14 PE = $21
* WMB is considering reorganization to enhance shareholder value
* Too much uncertainty surrounding breakup / Re-organization of the company to purchase

Western Digital (WDC), 12-2-08, $12.43
WDC: Bought @ 28, Buy & hold.
WDC: Buy.

- Operating / Profit Margin better than Seagate’s: 13%/12% vs. 9.6%/7.7%
- SDDs too expensive, not competitive with HDDs yet.
- Trading at only 1.2 x book value
- Trading 4.5 x EPS estimates
- New price target $19 by 12/31/09
- Shipments rose 12% in Q3
Materials Select Sector Spider – XLB
Holding data as of 9/30/08

The Materials Select Sector Spider (XLB) is an ETF designed to replicate the market return of the industrial sector. The ETF is comprised of 30 holdings within the following industries:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Chemicals</td>
<td>60.00%</td>
</tr>
<tr>
<td>Metals &amp; Mining</td>
<td>22.00%</td>
</tr>
<tr>
<td>Paper &amp; Forest Products</td>
<td>9.40%</td>
</tr>
<tr>
<td>Containers &amp; Packaging</td>
<td>5.70%</td>
</tr>
<tr>
<td>Construction Materials</td>
<td>2.90%</td>
</tr>
</tbody>
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The top ten holdings:

<table>
<thead>
<tr>
<th>Company</th>
<th>Weighting</th>
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<tbody>
<tr>
<td>1 Monsanto</td>
<td>15.45%</td>
</tr>
<tr>
<td>2 DuPont</td>
<td>10.32%</td>
</tr>
<tr>
<td>3 Dow Chemical</td>
<td>8.34%</td>
</tr>
<tr>
<td>4 Freeport-McMoran Copper &amp; Gold</td>
<td>6.19%</td>
</tr>
<tr>
<td>5 Newmont Mining</td>
<td>4.45%</td>
</tr>
<tr>
<td>6 Praxair</td>
<td>4.24%</td>
</tr>
<tr>
<td>7 Weyerhaeuser</td>
<td>4.18%</td>
</tr>
<tr>
<td>8 Air Products &amp; Chemicals</td>
<td>3.90%</td>
</tr>
<tr>
<td>9 International Paper</td>
<td>3.69%</td>
</tr>
<tr>
<td>10 Alcoa</td>
<td>3.52%</td>
</tr>
</tbody>
</table>

Buy Analysis

The 360 Huntington Fund purchased the ETF to increase exposure into the industrial sector. XLB provides an efficient vehicle for this purpose while coverage is initiated and developed for specific companies.

The entry point of $22.66 is a 45% discount from the NAV price on January 2, 2008. Our opinion is that much of the sell-off within the sector is emotional and unwarranted; additionally, the decline in the price of oil will have a direct benefit to the majority of XLB’s holdings.

The primary risk to our assessment is a weak global economy as this sector is highly sensitive to global GDP growth. While this is true, the current GDP projections and economic forecasts are incorporated into XLB’s current price; consequently, XLB provides a reasonable risk-reward profile.
NORTHEASTERN UNIVERSITY

Fund Management (1 ½ Hours) FIN G405 Fall 2008
Professor Harlan Platt 
h.platt@neu.edu
413 Hayden (373-4740) Fortnightly at 7:00 a.m

COURSE DESCRIPTION:
This course is restricted to students who volunteer and are accepted to work on the 360 Huntington Fund. Accepted students (managers or analysts) are expected to work on the Fund until they graduate. During this time they must be enrolled in the Fund Management class. The Fund was created by the generous donations of loyal Northeastern University alumni and friends. The 360 Huntington Fund is a general equities fund that invests for long term appreciation. Its benchmark, established by the Fund’s Advisory Board, is the S&P 500. Income earned by the Fund is retained in the endowment in the special 360 Huntington Fund account. Student and faculty participants receive no monetary compensation for their involvement.

COURSE MATERIALS:
Students working at financial institutions need to clear their participation with their compliance officer.

No special material is assigned though it is anticipated that students will remain highly current on the world’s economic, financial, and political events.

COURSE GRADES:

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<th>Grading will be pass fail</th>
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<tbody>
<tr>
<td>Grades based on input and analysis including discussion of other’s work.</td>
<td>100%</td>
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</tbody>
</table>

COURSE ASSIGNMENT:
Student analysts make buy and sell recommendations to the Fund’s managers. The managers decide between themselves whether to follow the recommendations. The Fund is actively managed though the objective is to remain relatively faithful to the industrial composition of the S&P 500 and to avoid excessive trading.