

GREEN AND GOLD REPORTER

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A NOTE FROM THE CHIEF INVESTMENT OFFICER: BEN PHILLIPS

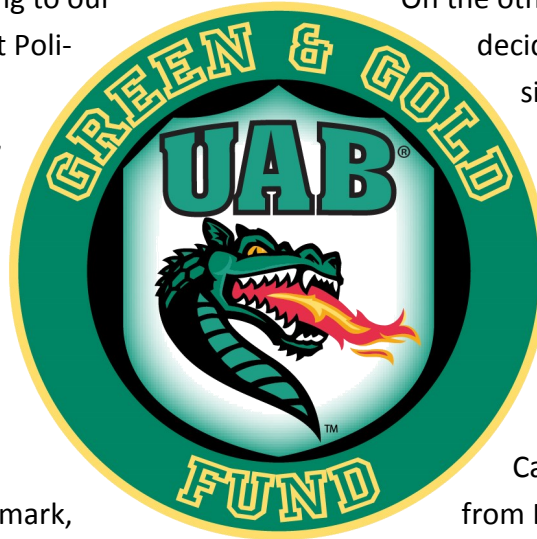


Ben Phillips
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The Collat School of Business Green and Gold Fund had an exciting fall semester. We were able to progress in buying and selling securities using fundamental valuation analysis according to our Investment Policy Statement. Also,

we were able to have numerous financial professionals, including multiple UAB Green and Gold Fund alumni, come and speak about their experiences and investment strategies.

The stock market benchmark, S&P 500, had a heavy sell off in August and has not recovered to those levels prior to the beginning of the semester. Our Green and Gold Fund portfolio has been tracking the S&P 500 in a semi-strong correlation, which has had a loss since the start of August. Our holdings are following the risk tolerance stipulated in our Investment Policy Statement. Our buy decisions this past semester are based on good fundamentals that have value in the long run. The fund has been able to make several key buy and sell presentations in the Alternatives, Healthcare, and Industrials/Materials sectors, which are solid value plays in the market. In the upcoming semester, we hope to be fully weighted in each sector.



The market conditions continue to be mixed for the U.S economy as a whole. The oil market has continued to decline as a result of an oversupply in the market and not enough demand, which has caused a downward pressure on the prices of commodities and currencies on an international level.

On the other hand, the Federal Reserve has decided to slightly raise interest rates since it deemed that the U.S economic indicators are stronger.

We have had the privilege of having three former Green and Gold Fund alumni come speak to the fund this past semester including our former Chief Investment Officer from Cadence Bank, a portfolio manager from Iberia Bank, and a former member

of the

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Cunningham Financial Group. The fund was able to learn about financial theory, how to optimize the sector portfolios in order to optimize the total fund, how current market conditions will affect the future of the market, and about potential career opportunities in the Birmingham area. Also, we were honored to have representatives from Warren Averett Asset Management, Vulcan Value Partners, PNC Bank, and Capital Advisors LLC come speak to us.

The leadership of the Green and Gold Fund was able to give presentations to employers and university representatives. In addition, we were able to represent the Green and Gold Fund at the Junior Development Leadership Conference at the Birmingham Jefferson Conference Center, which gave high school students an understanding and introduction to the opportunities at the University of Alabama at Birmingham. We were also able to hold valuable information sessions about the Bloomberg Terminals and fundamental valuation, which were especially beneficial to the newer members of the fund. The Fall 2015 semester has been an incredible success, and the fund allowed many Collat School of Business students the chance to increase their classroom learning by giving students valuable investment experience and unparalleled access to current industry professionals.

CHIEF ECONOMIST REPORT: MATTHEW BUSH



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The past semester has been one of the most turbulent for the Green and Gold Fund. On August 17th, 2015, the market corrected downward nearly 2,000 points, causing uncertainty for many investors for several weeks. In addition to this, there have been many changes in domestic and international economic and political environments. Each of these present unique challenges to the fund, and as such we have attempted to position ourselves in a positive manner through smart investments.

On the domestic front, economic data

has been increasingly positive since August. Unemployment has dropped slightly from 5.1% in August and September, to 5.0% in October through December. This is the lowest unemployment rate in over seven years, and has had a major effect on increasing job opportunities in construction, professional and technical services, and healthcare. Inflation has been well below the yearly target of 2%, set by the Federal Open Market Committee (FOMC). In the months of June-October, inflation hovered between 0.0% and 0.2% Year-over-Year. However, this number jumped to 0.5% in November, which is the highest inflation rate of this year. On a monthly basis, consumer prices were flat. Real Gross Domestic Profit (GDP) grew at a moderate pace, expanding

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3.9% in Quarter 2, and 2.1% in the quarter ending October 2015. This slowing was a result of growing investor uncertainty and international turmoil. Lastly, the U.S. Dollar Index has remained high this year, meaning our dollar is very strong against major international currencies. This makes our exports less attractive in the global marketplace, which has exacerbated the general slowdown in our overall economy.

The Federal Reserve is a point of uncertainty for the market as well. For the past 18 months, they have been flirting with the idea of rate hikes. The FOMC looks at labor markets (unemployment, consumer prices, etc.) and inflation (the target 2%) when considering rate hikes. As mentioned above, the labor market outlook has been positive in aggregate this year, but the low inflation is the main setback for Yellen's Reserve. The probability of a rate hike in December is substantial, with several prominent voting members saying the time is right. Rates have never been changed in an election year, so if it does not happen in December, the rate increase will happen in early 2017. These events from the Federal Reserve have been guiding the fund, specifically the Fixed Income Sector.

Looking internationally, the Eurozone has been plagued with deflation and stagnant growth. In order to combat this, the European Central Bank (ECB) initiated a bond buyback (Quantitative Easing) program in March 2015, to keep rates low and encourage spending. Now, ten months later, ECB President Mario Draghi is bearing down, calling for more intense monetary tools. "While monetary policy can deliver price stability, that alone does not guarantee lasting prosperity. To have a

structural recovery we need to raise not just current growth but potential growth as well. The key to this is higher investment. Investment has been held back in the euro area by three things: weak demand dynamics, the still-high private debt overhang and fragile private sector confidence." For 2015, the European Central Bank seems to have over-promised and under-delivered. They announced plans to lower the deposit rate to minus 0.30%, and expand and extend the program to March of 2017.

Lastly, one of the biggest economic factors globally is the price of oil, which has remained low since July of 2014. In recent months, both West Texas Crude and Brent Crude have hovered around \$38, which are the lowest prices have been in years. Despite the downturn, the Oil companies have proved more resilient than initially thought, holding out for over a year. However, the industry showed signs of weakening in October when Royal Dutch Shell Company walked away from its artic drilling and exploration, losing ten years and \$8.3 billion. OPEC has extended their timetable for prices remaining under \$100 until 2040. There remains the constant chance that prices could rebound, which can affect the fund's energy sector, consumer goods sector, and others. We as a fund must be aware of any changes as they occur, and make the appropriate changes to our portfolio.

The 2015-2016 calendar year is proving to be both an exciting and challenging time for the fund. While economic conditions are always changing, with that change comes more opportunities to grow our portfolio. We must be aware of all changes, in order to make the best possible investments.

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ALTERNATIVES SECTOR: DANIEL SANABRIA



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The period beginning in January 2001-Present, the annualized returns for the S&P 500 equity index have averaged 1.91% after being adjusted for inflation. However, the standard deviation on total returns using monthly values during the same period has been 18.31%.

As a result, it becomes increasingly important for the Alternatives Sector of our portfolio to emphasize on investments that will diminish the total risk of the fund as a whole and provide positive returns in a volatile market.

The two main objectives of the Alternatives Sector over the period between August, 2015 and December, 2015 have been to 1) provide exposure to investment vehicles that can deliver positive total returns in rising and falling markets and 2) generate returns that have minimal or no correlation to the S&P 500 index.

Initially, the Alternatives Sector held positions in the following mutual funds: Permanent Portfolio (PRPFX), Oppenheimer Developing Markets (ODMAX), GlobalX InterBolsa Columbia (GXG), Virtus Dynamic AlphaSector Fund, (EMNCX).

Liquidations during the period: Virtus Dynamic AlphaSector Fund, (EMNCX)..

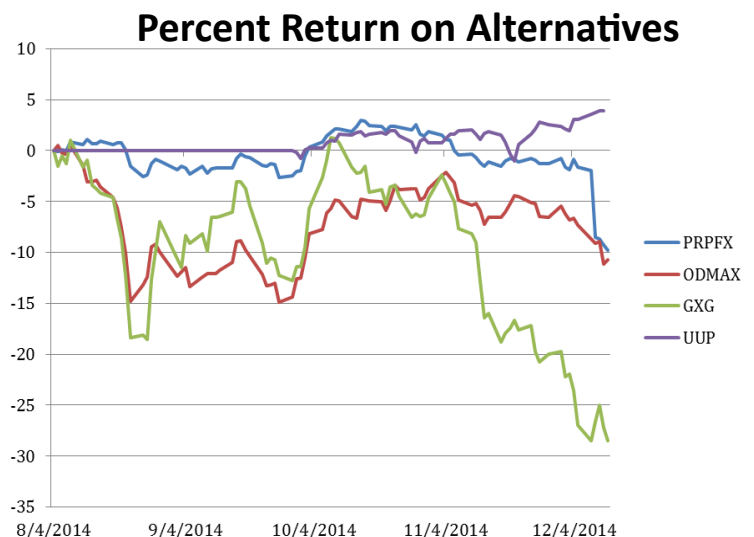
Additions during the period: PowerShares DB US Dollar Index Bullish (UUP)

At the beginning of the Fall semester, F-Squared Investments, the investment manager for the Virtus Dynamic AlphaSector Fund (EMNCX) was immersed in an SEC investigation

regarding improper performance reporting. The SEC concluded that in the process of marketing EMNCX into the largest active ETF strategy in the market, "F-Squared falsely advertised a successful seven-year track record for the investment strategy based on performance [...] that inflated the results by approximately 350 percent."

The Alternatives Sector decided to liquidate this position at the beginning of the Fall Semester, realizing a loss in the position of approximately \$5,000. While F-Squared filed for bankruptcy as a result of the SEC investigation, Virtus Investment Partners, the sponsor of the EMNCX mutual fund continues to be in operation. The Alternatives Sector is actively looking into ways of participating in a class action lawsuit against Virtus that could potentially enable the Green & Gold Fund to claim at least a portion of those losses.

During the Fall semester, the US dollar had been surging against the basket of major currencies. Its low inverse correlation to equities markets (-0.14 since March 2007), introduced it as a good a



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flight to safety candidate. In addition, the rising rate environment and the Federal Reserve's diverging policies over major central banks across the world, also presented an opportunity to invest. The Alternatives Sector acquired 597 shares of UUP at the end of August, representing a \$15,000 investment.

The Permanent Portfolio ETF (PRPFX) invests in foreign securities, gold and silver bullion, and foreign real estate and natural resource companies. PRPFX represents a core holding of the Alternatives sector for its investments in a diversified mix of non-correlated asset classes. Although the performance for the fund during the period has been negative, the PRPFX fund has been able to provide consistent strong returns over the last decade. The Alternatives sector continues to view this investment as a core holding of the fund and does not recommend selling this position in the foreseeable future.

Designed as core portfolio holdings, ODMAX and GXG represent part of our strategy to diversify

through investments in developing markets. While the ODMAX invests in equity securities of issuers whose principal activities are in a developing country, GXG provides investment returns corresponding to the Colombia Capped Index. The continued dislocation in oil prices has particularly affected both of these positions over the past several months. Colombia is among the world's top exporters of the commodity and because of this reason, GXG has seen a dramatic decrease in share price as a result of the recent collapse in oil prices.

The Alternatives sector is continuing to monitor the movement in oil prices as well as the correlation of both ODMAX and GXG to the S&P 500. Additionally, a watch list of potential funds has been compiled, consisting of total return strategy funds that will bring exposure to non-correlated returns in all market conditions, which will be consistent with our overall strategy.

CONSUMER GOODS SECTOR: AUSTIN YOST



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The Consumers Sector is divided into our consumer discretionary and consumer staples. Per the Investor Policy Statement of the Green and Gold Fund, we are required to hold 5.76% discretionary holdings and 5.65% staples holdings. We are currently overweight in our staples sector and on target for our

discretionary holdings. Our discretionary holdings include Ford Motor Company [F], Dollar General [DG], and Whirlpool Corporation [WHR]. Our sta-

ples holdings include our Spyder Consumer Discretionary ETF [XLP], PepsiCo [PEP], and Brunswick Corporation [BC].

Ford Motor Company has seen a good Q2 and Q3 with the fall in oil prices driving greater demand for their F-series and light truck and SUV series. Their new Mustang models have seen great increases in demand. Overall, Ford's positive sales results have meant greater earnings and growth for Ford and their investors. We are actively assessing the continued growth of Ford since it is past a two year holding period for the fund—we have held the stock since March of 2012. Dollar General continues to grow its num-

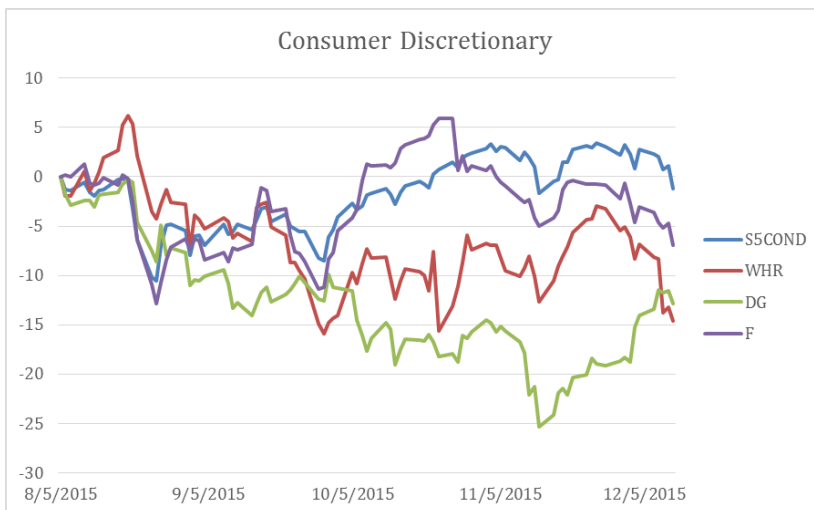
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ber of stores at a healthy rate while maintaining the goal of profitability within 18 months of operation for each new store. Pressure from external rivals moving into the discount retail space that Dollar

General operates in, is requiring us to re-assess the future growth of the company. Whirlpool Corporation had a rough Q2 and Q3, as the performance of South American markets (such as Brazil) have seen drops in their currency values

meaning lower sales results on Whirlpool's highest priced items. However, Whirlpool have been making up for this lack of international performance with their performance in the U.S., as their has been a trend of people spending more money as a result of the drop in gasoline prices.

We hold Spyder ETF for our core, non-core investment approach that allows us to have exposure to the entire market of consumer staple stocks, while also being concentrated in PepsiCo and Brun-



swick Corporation. We are very pleased with the recent performance of PepsiCo as stated in their latest earnings reports. We will continue to monitor them and their portfolio of snacks and beverages

moving forward. We are beginning to reassess the growth strategy of Brunswick as the volatility of the stock continues to concern us; however, we are pleased with their latest acquisition of Garelick in their marine parts and accessories division.

ENERGY SECTOR: CHASE LEWIS



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Over the course of 2015, the energy sector has consistently made headlines in the news. Weakening demand and OPEC's relatively recent decision not to reduce its own crude oil production, have caused worldwide supply imbalances. Therefore, it is reasonable to say that tight oil has room to grow. That being said, many analysts believe it will not completely

meet future global demand.

Since February of this year, the sector has held the Energy Select Sector SPDR ETF (XLE). This ETF offers a diverse exposure to various industries within the energy sector, with the majority of its portfolio held in the oil and gas exploration industry. It currently makes up 21.90% of the sector and 1.88% of the overall fund. We currently have a cumulative loss on this ETF, mostly due to the overall performance in the energy sector. Even though we have a cumulative net loss on this security, it is the best interest of the fund to continue to hold it as

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the energy sector rebounds in the market.

Since early 2010, the sector has held Vanguard World Utilities (VPU). This ETF has a broad exposure to high-yielding American utilities companies. It currently makes up 27.33% of the sector and 2.34% of the overall fund. Besides a net cumulative gain, there are several reasons we have continued to hold this particular ETF. For instance, the ETF offers arguably by far the broadest exposure to the utilities sector. Additionally, since utilities companies' fundamentals have remained strong with good payout ratios the ETF has done well overall.

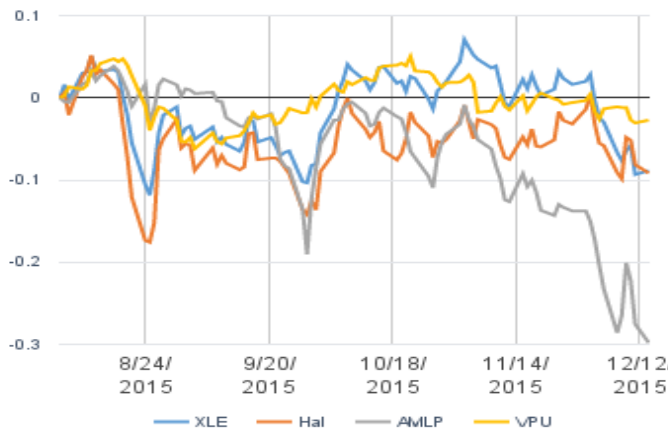
Since 2012, the sector has held Halliburton Company (HAL). Many consider Halliburton one of the top oil service companies in the world. Over the past year, Halliburton has been in talks with Baker Hughes about a potential merger deal in 2017. The \$35 billion deal was supposed to be announced in the beginning of December; however, on December 15th, both compa-

nies announced that they are in counting talks with U.S. Justice Department regarding anti-trust concerns. That said, the deadline for the deal has been extended to April 30, 2016. It is impossible to say how the Justice Department will rule about anti-trust in the end, but is widely expected for them to approve the merger deal.

The Energy and Utilities sector is currently

underweight. Therefore, the number one goal in the Spring 2016 semester is to get the sector within its target. We plan to purchase a utility security within the next few months. Companies have currently been narrowed down, and we are in the pro-

cess of conducting fundamental analysis. Furthermore, we plan to conduct analysis on a current holding, Alerian (AMLP), to see if it is in the fund's best interest to continue to hold it. Additionally, we plan to continue to follow the Halliburton and Baker Hughes merger closely and make any necessary investment decisions about the overall outcome.



FIXED INCOME SECTOR: HONGJI LIU



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During the Fall 2015 semester, our sector focused their attention to see if the Federal Reserve would increase interest rates for the first time since December 2008. Both the strong October jobs report and the 5% unem-

ployment rate seem to accelerate the speculations that the Federal Reserve will increase the rates in December. Further, Ms. Yellen gave some signals before the November Congress saying that the rate increase might come in December. However, the slowing Chinese economy and devaluation of RMB, the slump in oil price, ECB quantitative Easing pro-

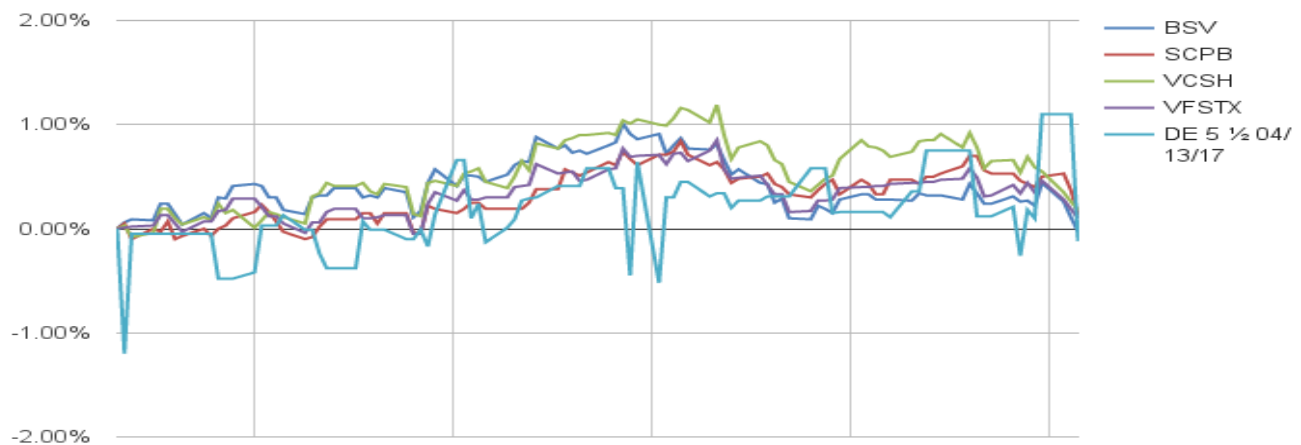
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gram, and global downturns in the stock market may also stop the Fed from raising the rates. Therefore, the unstable market sentiment was fully reflected in the bond market. Speculations about the timing of a potential interest rate hike pressured some of the investors to sell their bond securities, thus we saw a continuous downward trend in the price of Exchange Traded Funds (ETFs) holdings and an increase in yield across the board. We did not want to be exposed to the interest rate risk, especially on long-term bonds. As a result, the best move for the sector is to wait for the Federal Reserve announcement. On December 16th 2015, the Fed finally Raises Fed-funds rate after seven years by a quarter percentage point.

After the proposal in the last semester, we were able to liquidate all shares of the PIMCO Enhanced Short Maturity Active Exchange- Traded Fund (MINT) and a majority of the shares from the Vanguard Short-Term Investment –Grade Fund (VFSTX). However, our broker was unable to find any sellers for the two individual bonds that we intended to purchase. As a result, the total value of the fixed income sector at present was \$82,363 or took 15.89%

of the entire fund. This weight is under the target requirement of 30-35% according to the Investment Policy Statement. Moving forward, our primary goal is to increase the proportion that Fixed Income Sector takes in the whole fund and maximize the overall yield to maturity while trying to keep the modified duration as low as possible. Since we expect the Fed to gradually increase the interest rate in the following year until it hits an appropriate level of approximately 1.25%, the long term bond securities will not be an option for us due to a foreseeable downward trend in the price. Therefore, we will focus on finding the undervalued corporate individual bonds that have a maturity of 1-3 years and well-performed short-term focused corporate or government ETFs. This way we will be able to increase our returns while still managing our interest rate sensitivity. In terms of the current holdings, we will keep the John Deer Corporate bond until it matures in 2017. Further, we will continue to evaluate our other ETF holdings and our team will strive to reach the 2% total return goals while try to keep the portfolio modified duration under 3.0.



FINANCIALS SECTOR: AMANDA VIKINSALO



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OThe Financials Sector currently has the majority of its core holdings within the Financials Spyder (XLF), followed by Verisk Analytics (VRSK), Discover Financial Services (DFS), and lastly Assured Guaranty (AGO) consuming five percent of the portfolio. We gauge our sector’s performance relative to

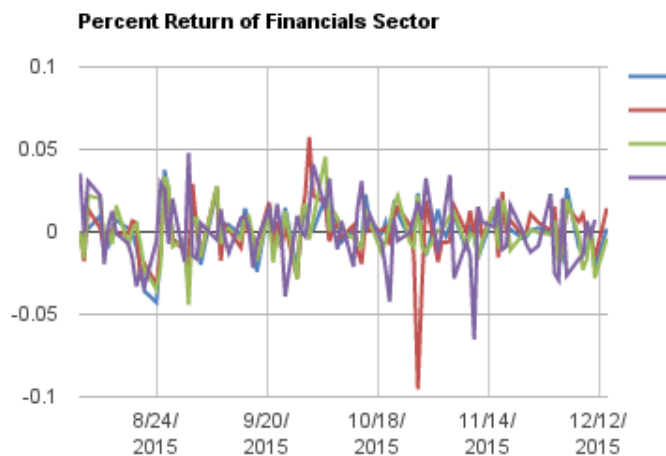
our sector benchmark, XLF. Unfortunately, this exchange traded fund has recognized a slight negative return over the past five months. With prospects of improving economic conditions as indicated by the very recent twenty-five basis point rate hike for the first time in a decade, we have reason to believe there will be improved performance in the coming months for the Financials Sector as a whole. Both Verisk Analytics and Assured Guaranty belong to the Insurance sub-industry of the Financials Sector and each witnessed minimal loss-

es. DFS is our most recent acquisition and to date has recognized a five percent loss since purchase, but is the only holding to recognize positive returns in the past five months. Our sector is currently facing minor setbacks but successfully outperformed the S&P 500 Financials Sector.

Our portfolio is currently well diversified amongst the sub-industries of the sector, but is relatively safe by the moderate standards of our Investor Policy Statement. This was the driving force behind our actions this semester. We had an entire new team of analysts, most of whom had no experience with the Bloomberg terminals. Therefore, our objectives were instructional in nature and centered on gaining practical skill sets useful in financial careers. Our analysts ranged from entering freshmen to final semester graduates in the

MBA program, and consequently required a unique approach to teaching the basics of analysis in the context of the Green and Gold Fund. By the end of our five weeks together, each analyst gained experience

creating screeners, navigating Bloomberg terminals, using qualitative analysis to understand quan-



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titative data, disseminating a large volume of information concisely, and presenting to the fund. With two of our three analysts graduating this December, it is safe to say a similar approach will be taken next semester with the new analysts in the sector.

No material changes occurred in our sector this semester, though our current over-allocated position will necessitate change in the near future. We will determine target prices for all of our holdings and sell if the intrinsic value is above market price. Last year, we evaluated Verisk Analytics and Discover Financial Services with scrutiny and wish to turn our attention to XLF and Assured Guaranty to better gauge the future of these holdings. VRSK provides risk analysis services to companies in a slew of industries such as healthcare, insurance, government, etc. and is a mid-growth, stable company with more room to grow in the risk-conscious environment. DFS along with all businesses in the banking industry has faced major regulatory changes as a direct consequence of the financial crisis. Governmental regula-

tion is finally leveling off, and bank balance sheets are adjusting to the new restrictive environment.

They are currently undergoing strategic restructuring with more investments in marketing, infrastructure, regulatory compliance, and technology; all of which have had a negative impact on their earnings to date for 2015. For the time being, we will hold these companies unless our new evaluations suggest otherwise. It is likely we will reallocate the sector by decreasing our stake in XLF and possibly selling all shares of AGO. However, portfolio optimization is a primary concern and if the Sharpe ratio is maximized with the retention of these holdings, we will opt for reallocation. Significant attention was given to ServisFirst Bancorp (SFBS) this semester. They are a promising bank with a unique approach to banking that has experienced phenomenal growth over the past few years. We will continue looking into this company with the hopes of incorporating it into our portfolio next semester.

INDUSTRIALS & MATERIALS SECTOR: SETH EDGIL



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The Industrials and Materials sector is currently set up with forty percent of its value held in its core holdings, Vanguard Materials ETF and Spyder Industrials sector select ETF. This is in accordance with minimum requirements outlined in the Investment Policy Statement. The Industrials and Materials sector has

shown poor performance overall this semester due to the decline in commodity values overall in the past year. Our holding in Kaiser Aluminum has shown growth due to the intrinsic value of the stock. In the industrials sector, growth has been small overall due to market efficiency within this sector. Our non-core holdings consist of Xylem, UPS, and Lockheed Martin. UPS had surpassed our investment horizon of two years but upon revaluation we found the stock to still have intrinsic value greater than that of the market price and total returns greater

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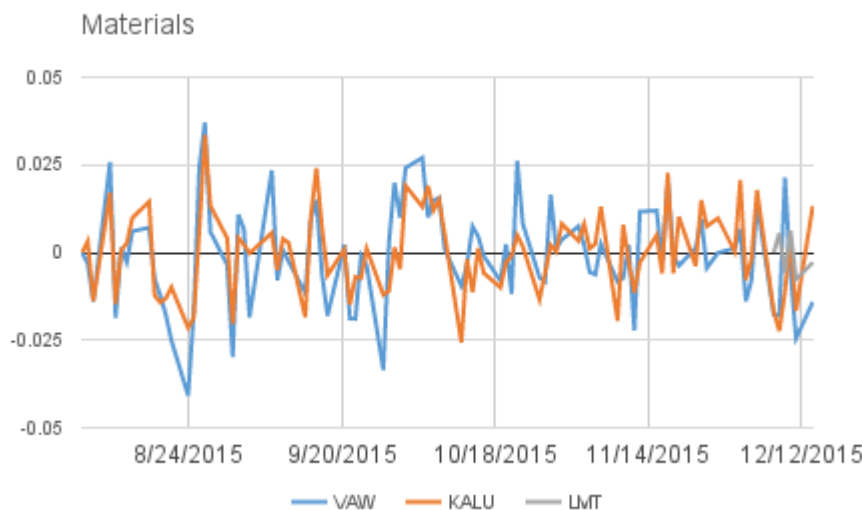
than that of our core holding.

We purchased Lockheed Martin this past semester at a substantial discount to its intrinsic value. Lockheed is one of the world's largest

defense companies and we found it to be the most stable companies in the industrials sector. The company also had a total return that far exceeded that of our core holding. Upon determining that Lockheed Martin was an appropriate stock for the Green and Gold Fund, it was decided that the Industrials portfolio needed to be reallocated. We decided that in order to maximize our risk-adjusted return it was best

to reduce our position in Xylem. Xylem is a company that deals in solving problems related to water. Although Xy-

lem has shown positive growth in recent months, its standard deviation was much higher than any



other holding in the Industrials portfolio. By reducing our position in Xylem and adding the very stable Lockheed Martin we were able to increase our risk adjusted returns substantially. We believe that this will set up the Industrials and Materials sector for steady, positive growth at or just above the sector rate for the near future.

IT & TELECOM SECTOR: BOYANG SUN



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Overall, the Information Technology holdings within the sector remained profitability, and the sector lack substantial investments in the Telecommunication sector. However, the management for IT/Telecom sector has been passive since 2013, and the oldest holding was purchased in

2008. In the spring 2016, we are looking at undergoing some portfolio allocation changes. The sector currently holds Ishares Global Telcom ETF (IXP) and IShares Global Technology ETF (IXN) as core holdings; Apple Inc (AAPL), Oracle Corp (ORCL) and EMC Corp (EMC).

On October 12th, Dell announced its \$67 billion takeover of EMC, making the deal the largest acquisition within the technology industry. The ac-

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quisition is expected to close between May and October of 2016. Financially, EMC continually increased its revenue, yet the net income decreased due to higher expenses. Free cash flows decreased on both a yearly and quarterly basis. EMC was purchased in 2011 and has shown little profit for the sector. The

IT/Telecom sector will be seeking alternative investments to replace EMC in the Spring 2016 semester.

Although Oracle has made a slight profit since 2011, the future profitability of this

company is uncertain. According to the latest earnings, cloud revenue increased 31% excluding currency effects. However, Oracle's software business, which occupies almost 70% of the company's revenue, continued to decrease. The hardware products revenue, which occupies another 13% of Oracle's revenue, also decreased. On November 2nd, the sector gave a proxy vote presentation to the fund and the fund agreed to vote for all management's proposals and vote against all shareholder's proposals. It is necessary for the sector to re-evaluate Oracle's intrinsic value in order to determine whether the sector should keep it as a holding.

The sector continues to hold Apple because of their continued potential profitability in the future as a result of their constant technological innovations. In the most recent quarter, earnings per share

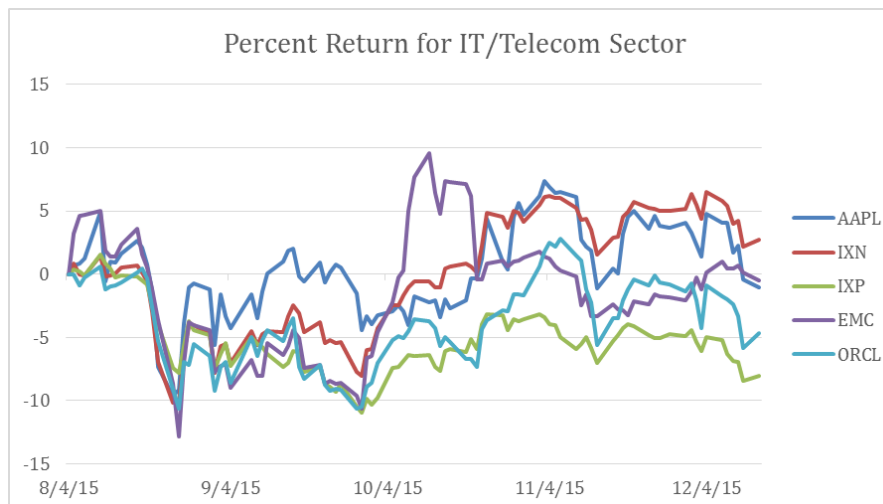
improved 38% compared with same period last year, meanwhile the net income increased 31.4%. ROE also increased from the same period last year. Net profit margin of 21.6% continues to beat the industry average. The sector expects that Apple's financial growth will continue due to 2016 being the "big

change" year. The new Apple Watch and iPhone will be two driving forces of Apple's revenue in 2016.

The sector has been seeking better alternatives to replace current core holdings IXP

and IXN, because both ETFs are not tracking the S&P sector index closely. Within the IT sector, U.S. Technology Sector SPDR (XLK) is a good candidate with a R-square of 0.989 comparing with S&P 500 Information Technology index, indicates that XLK has been tracking the benchmark closely. The sector will continue to seek best candidate ETF for telecommunication sector.

In the spring 2016, the sector's primary goal continues to be the re-consideration of the core and current holdings. Due to the fact that telecommunications sector has been underweight by 1.2% and IT sector has been overweight by 1.4%, it is necessary for the sector to seek good investment opportunities within telecommunications sector and re-allocate the IT sector, in order to be closer to the target allocation rates of Green and Gold Fund.



HEALTHCARE SECTOR: MARGOT BEERMAN



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Over the last semester, the Healthcare sector has drastically changed from the spring. In the spring, two of our holdings were competing with each other over the Hepatitis market.

This fall, there has been a lot of disagreement about whether the drug companies are pricing drugs too high. The drug-price debate has been going on for many years; however, with Tu-

ring Pharmaceuticals acquiring a drug and inflating the price from \$13.50 a tablet to \$750 a tablet, which is a whopping 5,456% increase in price, much scrutiny has been focused on the drug market in the US.

Fall 2015 was a transition period for our sector; we welcomed three new analysts. Since our new analysts did not have a finance background, I decided to split duties between the new and experienced analysts. The new analysts became familiar with the sector, learned about reading a 10-K, and became acquainted with some finance terminology. The experienced analysts were each given different tasks.

The semester began with researching four companies: SCAI, LHCG, ZBH, and CI. Surgical Care Affiliates, Inc. (SCAI) is an outpatient surgical care company, which was a division of HealthSouth Corporation; it was appealing due to operation headquarters being located in Birmingham, AL, and the opportunity to diversify away from biopharmaceuti-

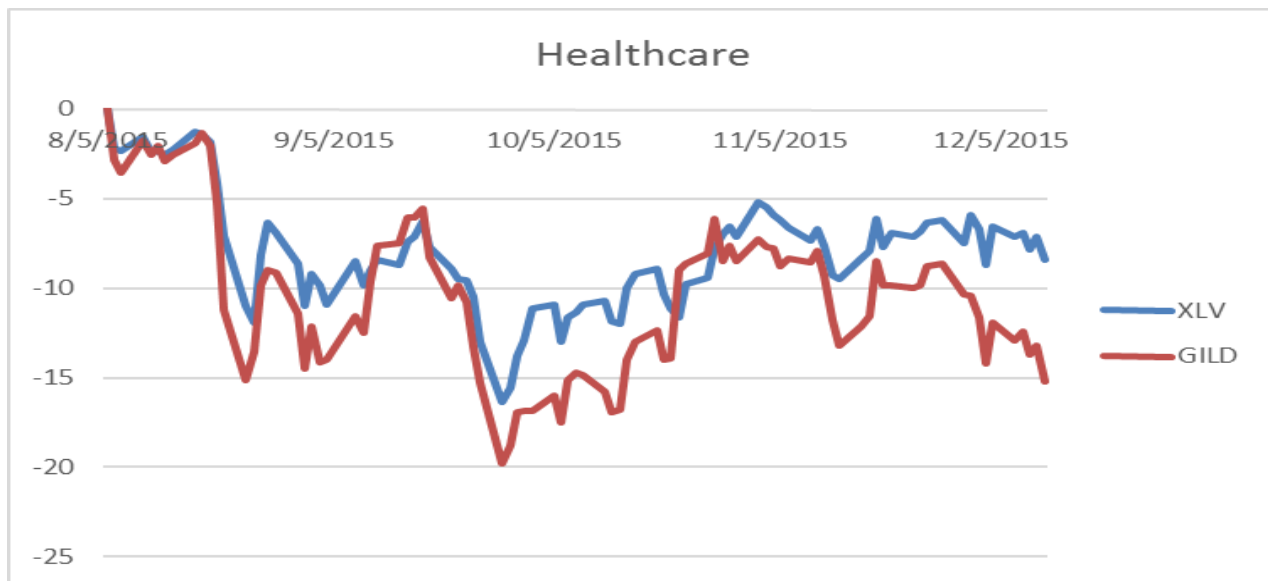
als. LHC Group, Inc. (LHCG) is a post-acute care provider with three divisions- Home-Based Services, Hospice Services, and Facility-Based Services. As another non-pharmaceutical, this company was appealing for diversity. Harry Harnett was given multiple research assignments to analyze this company and its prospects. He researched about baby boomers and when they will be reaching the age of hospice care needs. Through his detailed research, we determined LHCG and other related companies are not a wise investment for our current needs; the baby boomers will begin to need care around the year 2030. However, we kept the research for future years because we see the potential for this company to be a worthy investment. Zimmer Biomet Holdings Inc. (ZBH) designs, develops, manufactures, and markets dental implants, orthopedic reconstructive devices, biologics, spinal and trauma devices, and associated surgical products in Europe, the Asia Pacific, and the Americas. This company recently changed its name due to a merger of Zimmer and Biomet. Cigna Corporation (CI) is an insurance product and services organization in the US, and it was brought to our attention by one of our analysts, Harington Joe; however, it was going through an acquisition. After further research of these companies, we decided that none of the potential investments would meet the needs of the sector or the fund.

Once this decision was made, Kevin Lawhon did a security screener for our sector controlling for ROE, beta, and P/E ratio. We narrowed down the screener by excluding pharmaceutical and biophar-

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maceutical companies for diversification. The four companies chosen were PRXL, UNH, WAT, and CYBX. Parexel (PRXL) is a company that helps pharmaceutical companies move through phase trials in order to have medicines and treatments pass the FDA. United Health Group (UHP) is a health care services company. Waters Corporation (WAT) is a laboratory analytical instrument and software company. Cyberonics (CYBX) is a medical device company focused on nerve stimulation therapy. After further consideration, United Health Group provided the best option for the sector and the fund and we bought shares of it in late November.

declared break-even or loss of funds from enrollment of clients in the government-run exchanges. Although the company decreased earnings forecasts for the rest of the year, United Health does not have as high of a proportion of customers enrolling in the government-run exchanges compared to top competitors in the US. With positive free cash flows, a strong balance sheet, an extensive customer base, and high profit margins, we still deemed United Health Group as a good investment after the announcement. Other healthcare companies are following suit and analyzing the government exchanges to decide how viable they are to sustain the healthcare businesses.



United Health Group has fluctuated in price in recent months due to speculation about the effects of the affordable care act. After a buy presentation on United Health Group and a proposal to reallocate the sector to have a smaller percentage of our sector in our ETF XLV, United Health released news about previous announcements regarding the enrollment in services under the Affordable Care Act. The company

Gilead Sciences is continuing to dominate the HCV market; the company has released more versions of its Sovaldi drug to treat many versions of the Hepatitis C virus. While the main competition last year was deemed to be Viekira Pak by AbbVie Inc., Gilead seems to still dominate the market due to less complications from their medicine. Furthermore, AbbVie's Viekira Pak was reported to have had ad-

verse effects on people with advanced liver disease; it even caused death in some patients. After this announcement, Gilead's stock began to increase. However, with other healthcare companies' possible release of HCV drugs, the competition is still present. Gilead has an extensive portfolio of drugs in research and development; being a large biopharmaceutical company helps it have a steadier and stable cash

flow. We revalued the company and still come up with the result of it being undervalued, so we are holding onto it and will continue to monitor the company in the coming semesters to determine when it has reached its intrinsic value.



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