



CAPITAL MANAGEMENT CLUB

Capital Management Club Quick Facts

Absolute Returns: Badger Fund (ARBF)

- \$41,275 assets under management (as of November 30, 2010)
- 17.85% return since inception (vs. 6.47% return from the S&P 500)
- 62 invested members
- Long/short portfolio made up of 27 positions (25 long/ 2 short)
- Utilize the 'expectations method' of investing to evaluate potential investment opportunities
- Two-tier management structure that mirrors that of top investment firms
- Fund established on December 2, 2009

CMC Members

Becoming a Member of CMC

All prospective members are asked to submit a résumé and brief statement explaining their interest in the club. Finalist candidates are asked to participate in an interview and present a stock to the executive board. CMC was designed to be very open and collaborative. Our members represent a diverse array of academic and social backgrounds, and share a common passion for investing and the capital markets. Additionally, all members are required to be invested in the portfolio, which carries a \$100 minimum contribution. There is currently no maximum contribution.

Current Members

The club currently has 47 undergraduate members and 15 alumni members. The breakdown of classes is shown below:

Academic Class of Current Members		
Year	Number	Percentage
Freshman	1	2%
Sophomore	5	8%
Junior	20	32%
Senior	21	34%
Alumni	15	24%
Total	62	100%

Club Meetings and Communications

Capital Management Club meetings focus on educational sessions, stock pitches, and industry updates. Club members are granted access to our Courses@Business UW website where we host our discussion forums and post relevant club materials. Analysts collaborate online throughout the week to discuss potential stock ideas, sign up for presentations, and engage in general investment discussion. All 'live' CMC meetings are recorded and broadcasted so traveling members and alumni may listen in, participate, and vote remotely. In addition, CMC continues throughout holidays and summer vacation by shifting to weekly online meetings focusing on the active management of the Absolute Returns: Badger Fund.



Alumni Placement

CMC prides itself on placing alumni at top firms across the country. Below is a list of firms that alums have begun their careers at:

Alumni Placement			
Firm	Division	City	Graduation Date
Axiom International Investors	Asset Management	Greenwich	2010
BlackRock	Asset Management	Wilmington	2010
BMO Capital Markets	Investment Banking	Chicago	2010
Consolidated Trading	Proprietary Trading	Chicago	2010
Deutsche Bank	Investment Banking	New York	2010
Edward Jones	Private Wealth Mgmt.	Madison	2010
Goldman Sachs	Investment Banking	New York	2010
J.P. Morgan	Private Wealth Mgmt.	Milwaukee	2010
Morgan Stanley	Equity Research	New York	2010
Pfingsten Partners	Private Equity	Chicago	2009
Stark Investments	Hedge Fund	Milwaukee	2009

The Portfolio

Strategy / Philosophy

The Absolute Returns: Badger Fund's investment approach is composed of three holistic investment processes: identification of fundamental mispricings of future earnings, proprietary analysis of industry leaders and laggards, and overarching global macroeconomic themes. Expectations investing is a core principle guiding the fund's selection and investment horizon. Companies are identified with the potential for positively or negatively surprising business results over a given time horizon. For each stock, the Adviser monitors key business drivers (macroeconomic, secular trends, industry dynamics, and company specific events) that will affect the underlying company's business over the investment time horizon. As an absolute return fund we emphasize constant growth and utilize both long and short positions to generate returns.

Stock Selection Process

- **Sector Coverage:** Analysts are broken down into ten industries based on the Global Industry Classification Standard (GICS). Therefore, we have between four and five analysts covering each of the following: energy, materials, industrials, consumer discretionary, consumer staples, health care, financials, information technology, telecommunication services, and utilities. Analysts work with others in their sector to determine industry trends and identify solid long/short ideas to pitch.
- **Stock Pitch:** After an analyst has performed extensive research on an individual security then he/she will make a stock pitch in front of the entire club. An investment thesis is determined based on specific key drivers that the analyst has outlined. In general, members analyze their securities by looking at macroeconomic, industry, and company-specific drivers that could affect the stock price over a given investment timeline. Following the stock pitch, a questions-and-answers section ensues where invested members and Portfolio Managers (PMs) have the opportunity to question the analyst on their specific drivers.
- **Voting Procedure:** Following the stock pitch, the entire club makes a vote to see if the investment is worth pursuing. This is a simple majority vote and if the stock passes then it goes to the PMs for approval. The three PMs take a closer look at the security by looking both at the approved stock and the current portfolio. They then determine when/if to enter the investment based on metrics ranging from weightings, to current



allocations, and broader market thoughts. PMs can deny a stock entry to the portfolio if they believe that the investment idea does not fit the investment philosophy of the Fund. Therefore, there is a two-tiered approach to entry, which acts as a checks-and-balances type system. Stocks that have been voted down by the club or denied entry by the PMs can be repitched by the analyst after he/she takes a closer look at the security.

Holdings

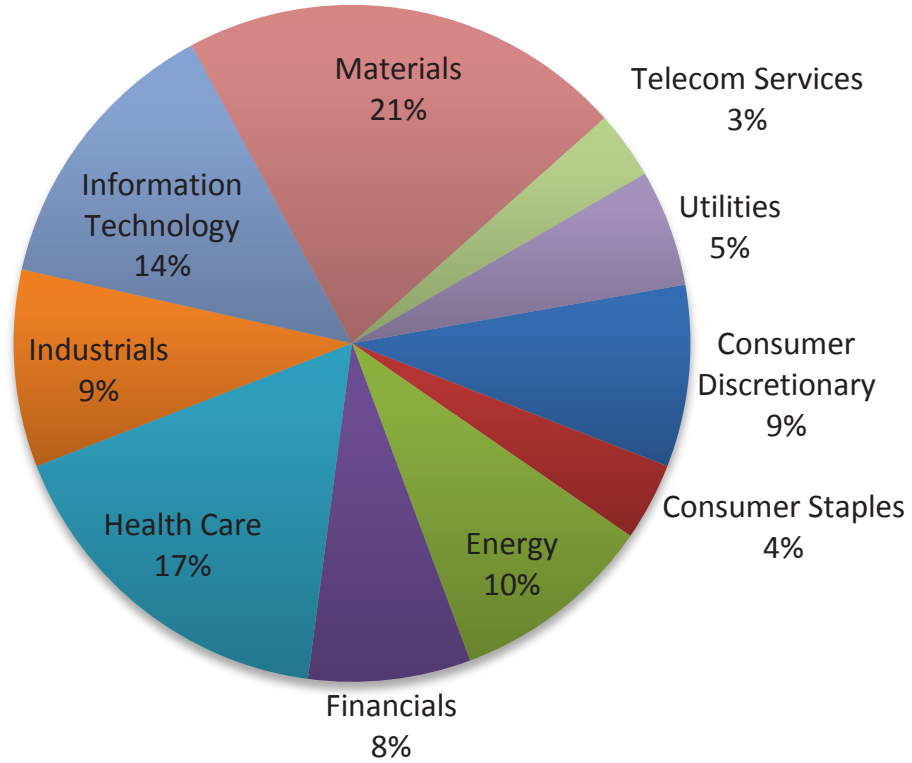
The ARBF positions its holdings inside the general realm of expectations investing. We currently hold stocks across a broad spectrum of S&P and emerging market exposure and constantly look for ideas that will outperform. Thus, the PMs structure the portfolio as such, taking into account global macroeconomic views, sector weightings, and company outlook. Due to the massive inflows of capital that we have received throughout the life of the Fund, the PMs have always had the luxury of having an adequate cash position to enter new positions. The cash balance has also been used as a hedge in volatile market times. Below is a look at our current holdings (as of November 30, 2010):

Long Book							
Name	Shares	Cost per Share	Cost Basis	Price per Share	Market Value	Gain/(Loss)	% Return
Abbott Laboratories (ABT)	15	\$ 53.43	\$ 801.45	\$ 46.51	\$ 697.65	\$ (103.80)	-12.95%
Advanced Micro Devices Inc (AMD)	126	\$ 8.63	\$ 1,087.37	\$ 7.29	\$ 918.54	\$ (168.83)	-15.53%
CSX Corp (CSX)	22	\$ 50.80	\$ 1,117.60	\$ 60.81	\$ 1,337.82	\$ 220.22	19.70%
Exelon Corporation (EXC)	16	\$ 49.00	\$ 784.00	\$ 39.37	\$ 629.92	\$ (154.08)	-19.65%
Express Scripts Inc (ESRX)	18	\$ 43.50	\$ 783.00	\$ 52.09	\$ 937.62	\$ 154.62	19.75%
F.T. ISE Revere Natural Gas (FCG)	46	\$ 18.48	\$ 850.08	\$ 17.97	\$ 826.62	\$ (23.46)	-2.76%
Glaxo SmithKline PLC (GSK)	26	\$ 37.25	\$ 968.50	\$ 38.28	\$ 995.28	\$ 26.78	2.77%
iShares Silver Trust (SLV)	48	\$ 16.18	\$ 776.64	\$ 27.44	\$ 1,317.12	\$ 540.48	69.59%
K L A - Tencor Corp (KLAC)	23	\$ 33.26	\$ 764.98	\$ 36.67	\$ 843.41	\$ 78.43	10.25%
Marvell Technology Group (MRVL)	38	\$ 20.04	\$ 761.52	\$ 19.28	\$ 732.64	\$ (28.88)	-3.79%
Microsoft Corp (MSFT)	34	\$ 30.01	\$ 1,020.34	\$ 25.26	\$ 858.84	\$ (161.50)	-15.83%
Pride International Inc (PDE)	33	\$ 30.54	\$ 1,007.82	\$ 31.10	\$ 1,026.30	\$ 18.48	1.83%
Procter & Gamble Company (PG)	15	\$ 63.25	\$ 948.75	\$ 61.07	\$ 916.05	\$ (32.70)	-3.45%
Public Service Enterprise Group (PEG)	24	\$ 32.41	\$ 777.84	\$ 30.83	\$ 739.92	\$ (37.92)	-4.88%
RPM International Inc (RPM)	30	\$ 20.08	\$ 602.40	\$ 20.48	\$ 614.40	\$ 12.00	1.99%
RTI International Metal Inc (RTI)	43	\$ 25.20	\$ 1,083.60	\$ 28.37	\$ 1,219.91	\$ 136.31	12.58%
Rowan Companies Inc (RDC)	33	\$ 30.44	\$ 1,004.52	\$ 30.15	\$ 994.95	\$ (9.57)	-0.95%
SPDR Gold Shares (GLD)	7	\$ 111.56	\$ 780.92	\$ 135.42	\$ 947.94	\$ 167.02	21.39%
Tata Motors (TTM)	53	\$ 15.64	\$ 828.92	\$ 32.71	\$ 1,733.63	\$ 904.71	109.14%
Transtar Group Inc (TRAD)	300	\$ 5.46	\$ 1,638.75	\$ 6.36	\$ 1,908.00	\$ 269.25	16.43%
United Parcel Service (UPS)	14	\$ 57.53	\$ 805.42	\$ 70.13	\$ 981.82	\$ 176.40	21.90%
Valeant Pharmaceuticals (VRX)	60	\$ 27.14	\$ 1,628.20	\$ 25.87	\$ 1,552.20	\$ (76.00)	-4.67%
Verizon Communication (VZ)	25	\$ 29.13	\$ 728.32	\$ 32.01	\$ 800.25	\$ 71.93	9.88%
Whole Foods Market (WFMI)	30	\$ 26.01	\$ 780.30	\$ 47.22	\$ 1,416.60	\$ 636.30	81.55%
Yongye International (YONG)	144	\$ 7.70	\$ 1,108.80	\$ 7.85	\$ 1,130.40	\$ 21.60	1.95%
			\$ 23,440.05		\$ 26,077.84	\$ 2,637.79	11.25%

Short Book							
Name	Shares	Cost per Share	Cost Basis	Price per Share	Market Value	Gain/(Loss)	% Return
Garmin Ltd (GRMN)	-35	\$ 29.88	\$ (1,045.78)	\$ 28.96	\$ (1,013.60)	\$ 32.18	3.08%
U.S. Natural Gas Fund LP (UNG)	-80	\$ 10.10	\$ (807.97)	\$ 5.78	\$ (462.40)	\$ 345.57	42.77%
			\$ (1,853.75)		\$ (1,476.00)	\$ 377.75	20.38%

Cash							
Name	Shares	Cost per Share	Cost Basis	Price per Share	Market Value	Gain/(Loss)	% Return
Cash			\$ 16,673.00		\$ 16,673.00		

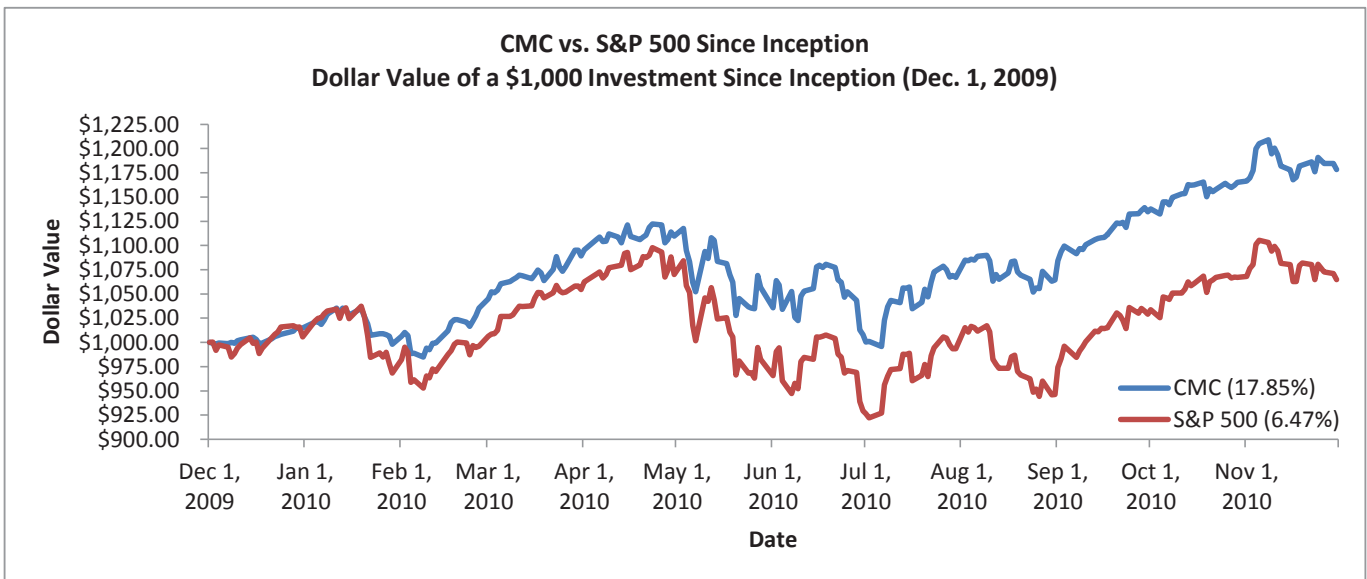
Sector Weightings



Performance

Since Inception

The Absolute Returns: Badger Fund has outperformed the S&P 500 since inception. ARBF has netted gains of 17.85%, while the S&P 500 has returned 6.47%:



Return Since Inception	
CMC - ARBF	17.85%
S&P 500	6.47%

The Fund's outperformance has largely been due to stellar stock picks and low volatility. This is illustrated with our Sharpe Ratio, which is 1.34 compared to the market's 0.25 during the same period (the market averages a ratio of about 0.40 over the long-term).

Contacts

- Faculty Advisor: Mark Fedenia - mfedenia@bus.wisc.edu
- Co-President: Andrew Quinn - aquinn@wisc.edu
- Co-President: William Graf - wgraf@wisc.edu
- Portfolio Manager: Brandon Winikates - winikates@wisc.edu
- Portfolio Manager: Samuel Curley - scurley@wisc.edu
- Portfolio Manager: Alexander Kreindler - kreindler@wisc.edu
- Risk Manager: Tyler Strong - ttstrong@wisc.edu
- External Relations Manager: Meg Baptie - baptie@wisc.edu