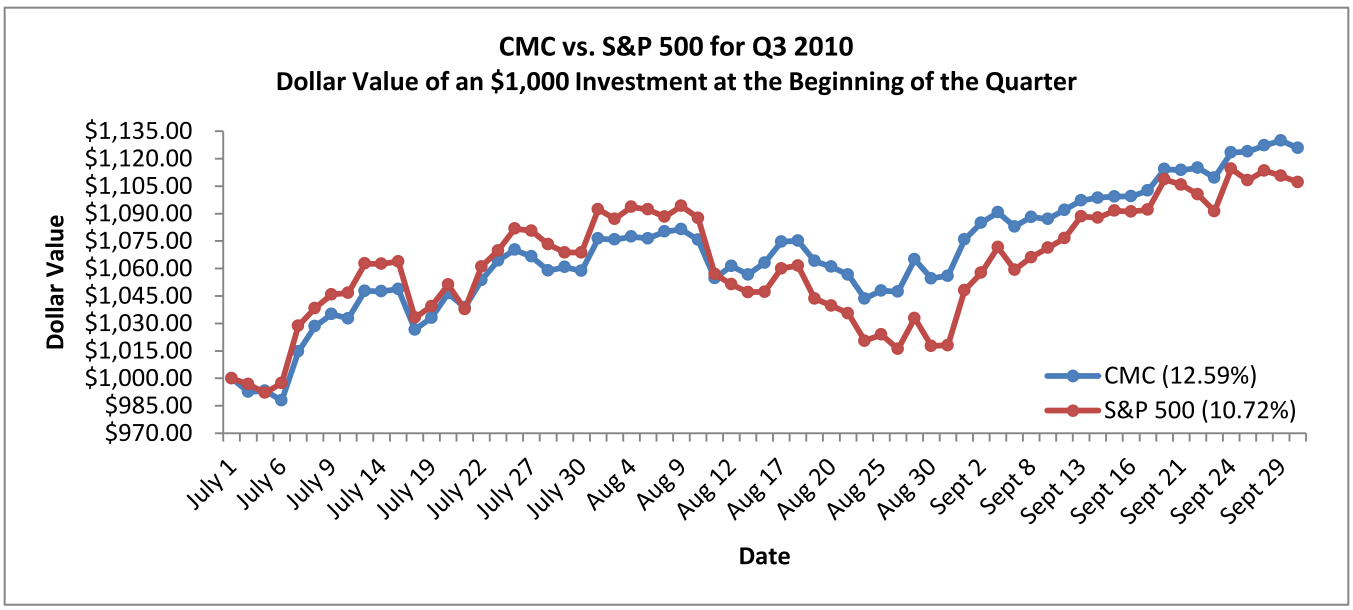
CAPITAL MANAGEMENT CLUB

October 15, 2010

Dear Members, Partners, and Friends:

The PMs are happy to announce that the Capital Management Club's Absolute Returns: Badger Fund returned 12.59% during the third quarter, outperforming the S&P 500's 10.72%. As of quarter end we had $38,549.73 assets under management after receiving a fresh round of investments at the beginning of the semester. We are very excited to put this new capital to use as we continue to hear great stock pitches and ideas from our analysts. This was a great quarter for our fund and we continued to maintain a low variance while generating our returns, something that we consistently pride ourselves on doing. Our Sharpe ratio is currently 1.40, while the market's over the same period is 0.12. The long-run Sharpe ratio for the market is about 0.41, a metric that we have drastically exceeded throughout the life of our fund. We attribute this mainly to our current cash position, strategic short investments, and core long holdings. Since portfolio inception we have returned 13.49% versus the S&P 500's 2.76% and the CS-Tremont Long/Short Equity Index's 5.18%.



Economic Conditions

For Investors, the past three months have been a great time to be in stocks. With over 10% gains for the S&P 500 from July to the end of September, the markets have bucked the usual downward trend in the month of September. The last few months have been characterized by very low to modest growth in most sectors, with a gradual increase in consumer spending; however high unemployment and tight credit remain a headwind for consumers. Recently, companies have been on a tear, with 81% of companies who have reported third quarter earnings beating analyst estimates. If earnings stay at this level, it would be the highest percentage of earnings beats ever. Companies continue to report revenue growth, but most are not hiring, which explains the strong earnings and the fact that the unemployment rate has remained around 9.6% for the last few months.

The major headline these days is the expectation of another round of quantitative easing, due to a recent FOMC statement highlighting that inflation is below the target rate for maximum employment and price stability. This expectation has also pushed the dollar to historically low levels relative to most other currencies. Exports have seen a minor uptick due to the recent weakness of the dollar, to the joy of many manufacturers. However, not all parties are pleased with the recent currency movements, and countries have stepped into the market to manipulate their currencies to their liking. Japan in particular has been a major seller of their own currency to battle the recent appreciation due to China buying a significant amount of Yen over the last few months. Tensions are rising globally as countries are fighting to decrease the value of their currencies and export their way out of financial trouble. China remains central to this issue, as it refuses to let the Yuan float, which would cause it to appreciate dramatically.

Related to the devaluing of the Greenback, commodity prices have taken off in the last quarter, with increases across the board. Precious metals and agriculture have been the leaders in the rally as investors are looking to store value in tangible wealth. Global agricultural problems have also caused increased prices in agricultural commodities lately. We feel that much of the commodity rally has been caused by the devaluing of the dollar, not on commodity fundamentals, with the exception of agriculture. However, recent issuances of Treasury Inflation Protected Securities (TIPS) provided a negative yield, which paints a grim picture about expected inflation in the coming months and years.

Recently, the markets pulled back slightly due to the suspicion that future quantitative easing measures may not be as much as originally expected. We agree with this view and feel that the markets may have rallied without having fundamentals in order; economic data has remained anemic lately and 2011 growth prospects are nothing to get excited about. Although the stock market has rallied greatly over the past three months, companies are going to have to begin hiring and putting the exorbitant amounts of cash on their balance sheets to work, but with the strong reliance on the American consumer it may be a slow road back.

Portfolio Breakdown

Our best performers of the quarter were Tata Motors (TTM), Rowan Companies Inc. (RDC), Ctrip.com International (CTRP), RTI International Metal Inc. (RTI), and our iPath S&P 500 VIX Futures (VXX) short.

Best Performers of the Quarter

Name	Shares	July 1 Price	July 1 Value	Sept 30 Price	Sept 30 Value	Gain/(Loss)	% Return
Tata Motors (TTM)	53	$ 17.19	$ 911.07	$ 25.51	$ 1,352.03	$ 440.96	48.40%
iPath S&P 500 VIX Futures (VXX)	-28	$ 31.20	$ (873.60)	$ 19.93	$ (558.04)	$ 315.56	36.12%
Ctrip.com International (CTRP)	26	$ 37.56	$ 976.56	$ 48.83	$ 1,269.57	$ 293.01	30.00%
RTI International Metal Inc. (RTI)	43	$ 24.11	$ 1,036.73	$ 30.62	$ 1,316.66	$ 279.93	27.00%
Rowan Companies Inc. (RDC)	33	$ 21.94	$ 724.02	$ 30.36	$ 1,001.88	$ 277.86	38.38%

TTM gained 48.4% over the last few months on a significant rebound in Jaguar and Land Rover sales. There was a 93% increase year-over-year for Land Rover in May due to new models coming out this year. The company also reported very strong Q1 earnings and a huge increase in global sales. We expect these trends to continue in the future as the overall growth prospects of the middle-class Indian consumer seem promising.

RDC gained 38.8% as drilling companies with interests in the Gulf of Mexico rebounded on a series of shallow water drilling permits, which signaled a step in the right direction to a possible end of the drilling moratorium. The company rebounded faster than its peers and we feel that this was mainly due to the fact that it has land drilling operations as well. In addition, compared to the industry, it derives a relatively small portion of its overall revenues from the Gulf, which has also added to its price increase.

CTRP was up 30% as the company continued revenue expansion driven by the 2010 Asian Games and the Expo 2010: Shanghai China. Although the company continues to grow at astonishing rates and beat earnings estimates, Analyst Pollock is concerned about the possibility of continued commission rate reductions for online service providers becoming a pervasive industry trend and damaging the bottom line. For this reason, we have exited the CTRP position and have taken gains on the stock.

RTI gained 27% while demand for titanium was up and expected demand is poised to increase even more as airplane producers aim to produce more efficiently. We were also excited to see that RTI adjusted its agreement with Airbus to allow for more latitude with regard to orders.

The VXX short position gained 36.12% as volatility waned over the summer and the value of the ETN dropped. VXX attempts to track volatility by rolling near term VIX futures but loses value over time do to the fact that VIX futures are mostly in contango. Our short therefore benefited both from the decrease in volatility and the continuous tracking error. We covered our position in early September as the VIX was approaching its average level. Should the VIX spike again in the near future, we may potentially enter a short position again as we feel that the fund is inherently flawed.

Our worst performers of the quarter were Advanced Micro Devices (AMD), and our Ameren Corporation (AEE), Garmin Ltd. (GRMN) and Applied Micro Circuits (AMCC) shorts, which incurred mild losses as the market rallied.

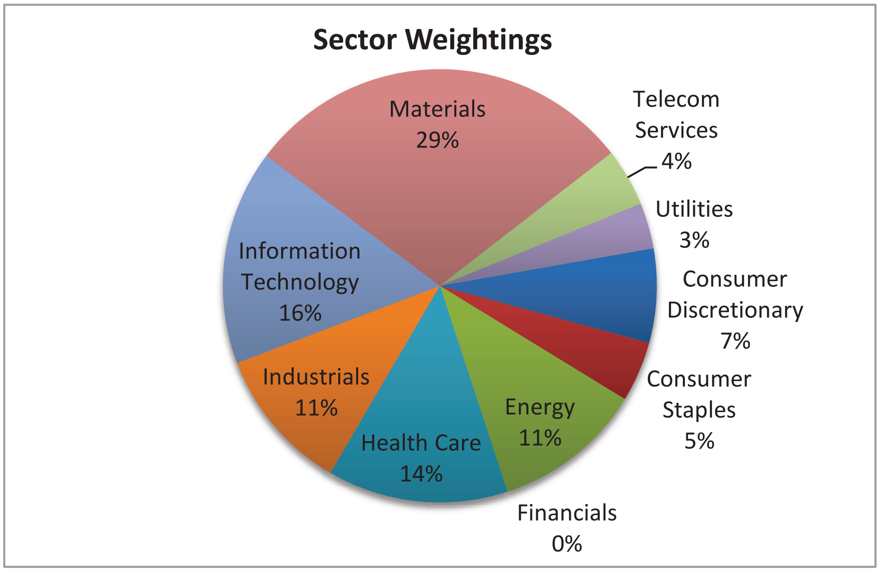
Worst Performers of the Quarter							
Name	**Shares**	**July 1 Price**	**July 1 Value**	**Sept 30 Price**	**Sept 30 Value**	**Gain/(Loss)**	**% Return**
Ameren Corporation (AEE)	-28	$ 23.77	$ (665.56)	$ 28.40	$ (795.20)	$ (129.64)	-19.48%
Advanced Micro Devices (AMD)	126	$ 7.32	$ 922.32	$ 7.11	$ 895.86	$ (26.46)	-2.87%
Garmin Ltd. (GRMN)	-35	$ 29.88	$ (1,045.78)	$ 30.35	$ (1,062.25)	$ (16.47)	-1.57%
Applied Micro Circuits (AMCC)	-100	$ (11.68)	$ (1,167.99)	$ 11.69	$ (1,168.99)	$ (1.00)	-0.09%
Procter & Gamble Company (PG)	15	$ 59.98	$ 899.70	$ 59.97	$ 899.55	$ (0.15)	-0.02%

AEE gained nearly 20% because the summer weather conditions were very favorable for the company. This coupled with a broad market recovery caused increased electricity sales and a return to fuller capacity utilization. Management also stated that its operating costs are falling and it is expecting higher earnings guidance in subsequent quarters.

AMD lost 2.9% as microchip stocks fell on lower than expected Q3 earnings guidance by Intel in early August and then rose on better than expected sales of personal computers. The AMCC short position stayed relatively flat for many of the same reasons and we decided to exit the position a few weeks ago, as we see the company's acquisitions becoming accretive in the future and have a positive outlook on the sector.

Our short position in GRMN also remained stagnant over the quarter; however, we have a lot of faith in Analyst Graf's drivers and will be patient in waiting for the thesis to play out as the secular trend toward smart phone based GPS software increases. The company appears to have no interest in creating software for smart phones and has instead decided to attempt to develop its own phones. We expect the decline in sales to continue and believe the future is grim for GRMN.

The PMs are very content with our sector allocations given the current economic climate. Considering expectations of a possible second round of quantitative easing, we would like to maintain our positions in metals and metal-related production companies (GLD, SLV, GSS, RTI), as well as in companies that have significant exposure to emerging market growth (YONG, TTM, GSK). For this reason, the fund is very overweight in the materials space even as metals have run up to near all-time nominal highs. However, we believe that it is important to look at this data on a real basis and believe that there is still upside in the metals. In addition, these generally provide a good hedge for when the markets decline.



Transports, producer manufacturers, and technology have a heavy weighting, while financials and consumer staples are underweight. Many of our technology picks have been down in the last month, but we remain bullish in the names that we hold and feel that in the coming weeks the downward trend will reverse and our theses will play out. Going forward we look to add more securities in the financial sector, as we currently lack any exposure after our sale of Waterstone Bank (WSBF). We believe that there are many opportunities to be found in this area and that our financials analysts can identify them. Overall, we feel that our current portfolio composition is sound and that the fund is well positioned to profit from whatever may happen in the markets in the coming weeks and months.

CMC on Campus

The new semester is underway and we have added several new analysts to the club; we currently have 48 undergraduate members and 16 invested alumni. The PMs are confident that the new analysts will add creativity and rigor to the club through their ideas, pitches, and industry research. In addition, we have performed an exercise called “Dissecting the Fund” where we paired primary analysts with secondary analysts for each individual stock. These analysts have taken a fresh look at all of the drivers for the stocks in our portfolio and backlog by stating whether their investment thesis is still intact. This type of enhanced coverage is something that we very much appreciate from analysts and we believe that this two-tier analyst structure will help us stay more up-to-date on news, information, and data. We have also begun setting up an options account for our fund, so that we can implement conservative options strategies as insurance for existing positions.

The Capital Management Club has also been very active in the Wisconsin School of Business so far this semester. We co-hosted the Wisconsin Finance Conference this year, which was an event that focused on all aspects of finance and the economy. Guest speakers included professionals from firms such as Barclays Capital, Mason Wells, Merrill Lynch, Mesirow Financial, Robert W. Baird, Stark Investments, and Wells Capital. There was also a faculty panel that consisted of many distinguished professors, including our very own advisor Mark Fedenia. Overall, the Wisconsin Finance Conference was a great success and an incredible learning experience.

In addition, Advanced Investment Management, or Finance 365, is off to a terrific start. This course is an advanced elective that is associated with the Capital Management Club. The curriculum consists of everything from security analysis to applied portfolio management. Throughout the remainder of the class we will also go through all types of models that span valuation, portfolio optimization, and the broader economy. In addition, the capstone project is an initiating coverage report, where each member will put together their own research portfolio on an individual stock. This course will certainly help broaden our knowledge of financial analysis, investment theory, and active portfolio management.

The PMs are very excited about the club going forward for the rest of the semester. We have a hefty curriculum planned for our Tuesday night teaching sessions and a full guest speaker schedule lined up. Members will be able to gain great knowledge and exposure to finance through these meetings and events. The PMs are very happy with the progress that the club has made over the past month and we are eager to watch as new junior analysts are brought up to speed. We would like to thank evereyone for their dedication to the Capital Management Club and the continued success of our organization.

Sincerely,

Alex Kreindler	**Brandon Winikates**	**Sam Curley**
Portfolio Manager	Portfolio Manager	Portfolio Manager