
THE BULLDOG *fund* NEWS

Spring 2009

Volume 2

From the President

The Bulldog Investment Fund has presented a unique educational opportunity for students in the Brock School of Business since its inception 15 months ago. In just its third semester of operation, the Fund has enjoyed considerable success despite the trying economic times and the fund's youth.



The spring 2009 edition of the Bulldog Fund has built on the success of previous managers and has watched as the performance relative to the S&P500 continued to improve. In fact, when compared to more than 240 professionally managed funds with similar investment styles, the Fund is in top three percent.

This semester's managers made several other significant improvements to the funds operations. We have standardized the Fund's secure intranet site to facilitate easy and structured access to the "thoughts" on all holdings held by previous

Fund managers. Further, we prepared a thorough document on the positions they managed throughout the semester, complete with a list of "Pros", "Cons", and "Things to watch" for each security, specifically aimed at easing the transition process from one management group to the next. Also, this semester's managers have written and adopted the first "Code of Ethics and Conduct," to accompany the Fund's bylaws. This document ensures that participants in the Fund are mindful of the values of Samford University and the Brock School of Business. Finally, the Fund has expanded its community outreach efforts and developed relationships with several area schools. This semester, fund members spoke to students at Hoover High School and Ramsay High School in addition to hosting students from Chelsea Middle School.

Next semester, we will have our first returning manager. David Wallen will return in the fall, bringing with him continuity and the fund culture.

This semester's rendition of the Bulldog Fund has been a great success. I speak for all of this semester's managers when I say that we look forward to the fund's continued success, both financially and otherwise. –Parker Gilbert

800 Lakeshore Drive
Birmingham, AL 35229
(205) 726-2985



Non-Profit Organization
U.S. Postage
PAID
Birmingham, AL
Permit #1083

The Bulldog Fund would like to thank Fidelity Investments whose generosity made the printing of this publication possible.

From the Faculty Advisor

There is an old Chinese proverb, occasionally called a curse, that goes, "May you live in interesting times." The last 12 months have been interesting indeed. I have read other adjectives to describe these times: "gut-wrenching"; "heartbreaking"; and perhaps the kindest one of all, "challenging."



From its peak in June 2008, the S&P500 Index fell more than 40 percent before rebounding in early 2009. Practically all equity markets were affected: domestic and foreign; developed and developing nations; small-, mid-, and large-cap; and every sector. You name it, it went down. If you were a buyer of equities, which is all that the Fund is allowed to be, you lost money.

Against this backdrop, the fall 2008 managers did the sensible thing: they "went to ground." They sold some losers that had been purchased on the presumption of better times, they raised a lot of cash (about 30 percent), and they adopted a very defensive posture for any new purchases.

In a way, the fall semester was easy to manage. The signs were hard to ignore. This semester's very capable group has had a much trickier task: when to shift from a defensive posture to an offensive one. They started the semester answering the question, "How would we want the Fund to look if we knew the economic recovery started tomorrow?" Those sector weighting recommendations then became eventual goals for the fund. The speed at which they would change to an offensive posture would depend upon the students' confidence in the economy.

As I write this in late April, there is not a lot to be optimistic about yet. Earnings are still anemic, financial stocks are still suspect, and consumers are still not spending.

However, one bright note is the Fund's continuing relative performance. It is 14.0 percent ahead of the S&P500, a performance which puts it in the top 3 percent of over 240 professional large-cap value managers. (eASE Analytics).

The managers this semester will probably not appreciate for some time what is valuable investment lessons they have acquired. Nor will they appreciate the quality of the job they did managing Samford's assets in these difficult times. But I do. And Samford does.

So now, I raise a glass (of lemonade) to the spring 2009 Bulldog Fund managers, with a toast, "Here's to less interesting times, at least for a while."

—John Venable, Faculty Advisor

Please direct all questions regarding the Fund to Mr. Venable who can be reached at jmvenable@samford.edu.

Bulldog Fund Analysts



Front, left to right: Parker Gilbert, Chris George, Landon Eckhardt, Michael Krombach. Back, left to right: Brad Johnson, David Wallen, James Lee

Selected Stock Summaries

Abbot Laboratories (ABT), Health Care

Abbot Laboratories is a healthcare company that focuses on pharmaceutical products. The company also produces diagnostic equipment and nutritional products. Abbot Laboratories has outperformed much of the healthcare industry in recent times, and is expected to continue that trend with the introduction of new products. —David Wallen

Amphenol Corporation (APH), Information Technology

Amphenol is the world's third largest manufacturer of electrical, electronic, and fiber-optic connectors and the second largest manufacturer of flat-ribbon cable. By generating significant free cash flow, Amphenol has also been able to make several strategic acquisitions that will continue to benefit the company in the future. —Brad Johnson

Apache Corporation (APA), Energy

Apache Corporation explores and produces oil, natural gas, and natural gas liquids in the United States, Argentina, Australia, Canada, and the North Sea. Although beat up by general broader market conditions, Apache holds over \$1 billion in cash assets and tripled their holdings of credit derivatives to hedge against falling crude prices this past fall. The Fund holds Apache due to its impressive financial strength and an attractive PEG ratio. —Michael Krombach

AT&T, Inc. (T), Telecommunications

AT&T was purchased this spring as the Fund re-entered the telecommunications sector. The company has benefited greatly from the success of the iPhone, and has started to upgrade its entire data service capabilities to expand

Stock Summaries Continued

the power of this device and others operating on its industry leading network. Additionally, AT&T was rated as the most admired telecom company in America and had industry leading financial performance. –Parker Gilbert

Becton, Dickinson and Company (BDX), Health Care

Becton, Dickinson and Company develops, manufactures, and supplies laboratory and surgical equipment. The company also provides products to pharmaceutical companies for the purpose of drug research and development. We believe this equity further diversifies our holdings in healthcare. Becton, Dickinson and Company has a strong history of performance and is expected to outperform both its competitors and the market. –David Wallen

Celgene Corporation (CELG), Health Care

Celgene Corporation is a new leader in the biotechnology industry. The company specializes in cancer research, specifically blood cancers. Recently, Celgene has moved to take its products to the global market, and a new product, Vidaza, has been approved for launch in the EU. –David Wallen

Colgate- Palmolive (CL), Consumer Staples

Colgate-Palmolive Company is the second-largest domestic maker of detergents, toiletries, and other household products. The company does not rely on US sales alone and in 2007, 76 percent of sales came from foreign operations. In 2008, Colgate Palmolive sales rose 11 percent, including +2 percent from foreign currency. Organic sales growth, excluding divestments, grew 9.5 percent. For 2009, Standard and Poor's projects a 2 percent sales gain. –Landon Eckhardt

General Electric (GE), Industrials

Unfortunately, GE's reputation has not saved the company from the financial woes regarding its financial arm, GE Capital. To date the company has nearly eliminated its stake in GE Capital. Meanwhile, GE has focused on their health care and energy segments and the company has announced several joint ventures with organizations such as Intel in order to advance their healthcare and energy business segments. As a result, GE recently beat its first quarter earnings results. The Fund believes GE is currently undervalued and poised to grow in 2009. –Chris George

Harris Corporation (HRS), Information Technology

Harris Corp. operates as a communications and information technology company that serves government and commercial markets worldwide. Over the past five years, revenue growth has averaged close 21 percent annually due to the company's successful product mix. We believe that with a continued focus on Afghanistan and the military's need for updated communications equipment, Harris will remain the overwhelming favorite to win new contracts and should see strong growth over the next year. –Brad Johnson

International Business Machines (IBM), Information Technology

IBM develops and manufactures information technology products and services around the world. Its Global Technology Services segment offers IT infrastructure and business process services, such as tactical outsourcing, integrated technology, business transformation outsourcing, and maintenance. Additionally, IBM is the market leader in mid-range and mainframe computing. The stock was acquired due largely to the attractiveness of the services department, which generates additional revenues from direct services and projects related to virtualization initiatives and support contracts. Overall, IBM has been relatively non-volatile amidst current market conditions and will continue to do well as the company has diversified multiple revenue sources. –James Lee

ITT Educational Services, Inc. (ESI), Consumer Discretionary

ITT provides postsecondary degree programs and operates 105 institutes and nine learning sites across 37 states. All of its institutes are accredited the company plans to commence operations at six to eight new locations in 2009. ITT's enrollment has benefited from the recession as total enrollment increased 17 percent in 2008. As the private lending markets unfreeze, it is our belief that ITT will grow geographically and continue to expand its academic offerings. While ITT has been somewhat volatile over the past six months, it has provided the fund the largest percentage return, and we feel that ITT will continue to outperform the market. –Brad Johnson

JP Morgan Chase (JPM), Financials

JP Morgan Chase was purchased at the onset of the economic downturn in order to remain exposed to the financial sector and was reviewed and retained in the first quarter of 2009 due to its strong management and risk-averse nature. As well, JP Morgan remains one of the last financial institutions that can perform the Investment banking function which will allow the company to gain substantial market share in such activities, particularly as the economy rebounds. –Parker Gilbert

National Oilwell Varco (NOV), Energy

National Oilwell Varco is one of the largest manufacturers of drilling equipment in the world. The company has solid financials and an impressive purchasing history, acquiring over fifty of their competitors, thus establishing a near-monopoly position in the oil drilling equipment market. Though the energy sector has suffered in months past, NOV has a significant backlog of business which allows the company to endure times of less demand. Also, the Fund believes NOV to be significantly undervalued. –James Lee

Norfolk Southern (NSC), Industrials

Norfolk Southern was one of the best performing and most financially secure rail transportation companies in 2008. In addition, Norfolk Southern saw profits jump 18 percent to \$1.21 per share in the last quarter even as freights volumes fell 8 percent in 2008. The catalysts behind these reductions in freight volumes are ailing housing and automotive indus-

Community Outreach



Bulldog Fund Analysts Parker Gilbert and Landon Eckhardt with students at Ramsay High School.

This semester's Bulldog fund approached our community outreach efforts with a renewed fervor and decided that our purpose in doing so was twofold: first, share both insight to and the importance of investing, and second, spur interest in and excitement for the fund and Samford University as a possible college choice. This semester, we visited two local schools, Hoover High School and Ramsay High School, to speak with students about the Bulldog Fund and investing in general. James Lee, one of the analysts that spoke with students at Hoover High School, had this to say about the experience: "We described our general strategy and investment philosophies and how we compared against similar funds. We were also able to walk through the process of researching a company and trying to understand and adapt to market trends and conditions. We definitely believe we spurred some interest in the fund and just might have recruited some future managers."
-Landon Eckhardt

Stock Summaries Continued

try. Both of these industries rely heavily on rail freight to ship their products and materials. Although the recession has hurt industry freight volumes, we believe that Norfolk will continue to be a safe and consistent performing company. -Chris George

Peabody Energy (BTU), Energy

Peabody is the world leader in coal and owns numerous subsidiaries while exploring, mining, and producing coal in the United States and Australia. The Fund acquired Peabody in the fall of 2008 as it provided diversity within the energy sector through exposure to coal. As the world economy recovers expect Peabody to benefit more than most as it currently provides coal to power roughly 2 percent of global energy. -Michael Krombach

Sysco (SYY), Consumer Staples

Sysco Corporation is a North American distributor of food and related products primarily to the foodservice or food-prepared-

away-from-home industry. It provides products and related services to over 400,000 customers, including restaurants, health care and educational facilities, and lodging establishments. The company is an industry leader, with 15 percent market share which will likely continue to grow as the industry is highly fragmented. -Landon Eckhardt

Qualcomm, Inc. (QCOM), Information Technology

Qualcomm Inc. designs, manufactures, and markets digital wireless telecommunications products and service based on its Code Division Multiple Access (CDMA) technology. Qualcomm also has a very profitable semiconductor business which encourages the Fund to remain invested in the company. As more devices switch to 3G and CDMA technology, Qualcomm should see increased profits due to the continued expansion of wireless technology in global markets as well as through the royalty fees the company collects on specific contracts. -Brad Johnson

Transocean, Inc. (RIG), Energy

Transocean, Inc. provides high-specialty ultra-deep water contract drilling for oil and gas wells. The company is the largest of its competitors and despite falling oil prices still has a majority of its rigs under contract for the next several years. Analysts believe that the company will significantly outperform the market as oil prices recover and fleet utilizations approaches 100percent over the next 12-18 months. -Michael Krombach

The Travelers Companies, Inc. (TRV), Financials

Travelers was added to the fund in the first quarter of 2009 as part of the Fund's goal of re-investing in the financial sector. The Fund wanted to look beyond banks and into other financial companies with strong positions. Travelers met that criteria and is a property and casualty insurer that operates as a holding company. Travelers was also purchased for its price stability, which allowed the Fund to re-invest in the financial sector with a great deal of confidence. -Parker Gilbert

Varian Medical (VAR), Health Care

Varian Medical operates in the medical supplies industry. The company is the leading maker of cancer care systems and has a strong international presence. Varian Medical's most recent X-ray treatment product is the RapidArc technology equipment. The company is continuing to introduce and manufacture new products, including an improved proton therapy system. Varian Medical has a strong international influence with equipment and services, which continues to contribute to sales. We feel that continuing to hold this equity will benefit the fund. -David Wallen

*In addition to the above, the Fund also currently holds Johnson & Johnson (JNJ), Coca Cola (KO), and Wal-Mart (WMT).

The Bulldog Fund NEWS is a publication of The Bulldog Investment Fund, a student-managed investment portfolio. The opinions expressed herein are those of the authors and not Samford University. The Bulldog Investment Fund is an educational enterprise for its managers. Nothing herein constitutes investment advice.