

# LIONS ON WALL STREET: THE NITTANY NOTICE



Farnoosh Torabi

## She's So Money: Farnoosh Torabi

Farnoosh Torabi is a graduate of Pennsylvania State University with a degree in Finance and Journalism. She furthered her education at Columbia University, where she obtained an M.A. from the School of Journalism. Throughout her career she has written for publications such as Money, Time, New York Times Daily, and Newsday.

When asked what advice she would give to Finance students who are currently facing graduation, Farnoosh said, "Wall Street is not the only place to work in Finance. Students should look for other opportunities; the pursuit of wealth is great but starting out of college now you need to take an initial cut".

Farnoosh also talked about the current financial situation and contributes most of the crash to human psychology and reactions to headlines. Although confidence on mainstreet has been shaken, she encourages people to have faith and to seize this opportunity to educate themselves about the market and protecting their assets. In the coming months, Farnoosh continues to unveil new and exciting projects as her career evolves. On October 17th, she will be appearing on a new show on TLC, Real Simple Real Life. The show makes over one woman per episode through consultations with experts. Farnoosh serves as the financial guru and will be featured in two-thirds of the episodes. Along with television, Farnoosh is also involved in the "Be Money on Campus Contest", which involves her traveling to three different college campuses where students can ask financial questions to the "Be Money" expert herself. This project also includes an online portion, in which students can submit financial ideas with the chance of winning \$25,000.

In her early career, Farnoosh worked as a business producer and on-air reporter for NY1 News, Time Warner's 24-hour news channel in New York City, and is now TheStreet's monthly columnist for Entrepreneur Magazine. Farnoosh is also the author of "You're So Money", a personal finance guide for young adults that explains how to tackle debt and continue to live life at the same time.

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### Points of Interest

- Feature Story— Farnoosh Torabi
- Professional Updates
- Smeal Updates
- Fund Manager of The Month— Adam Brown
- Stock Pick of The Month— ConocoPhillips
- Nittany Lion Fund September Sector Summaries
- Nittany Lion Fund Portfolio Performance

### Professional Updates

- In August, Nathan Kline founded Naissance Management, LLC to manage a long/short equity hedge fund focused on emerging markets, trends, technologies and products. The fund is called de' Medici Fund, LP and is expected to launch October 15th.
- David Estes was recently promoted from Senior Associate to Manager within the Investment Management practice at PricewaterhouseCoopers.
- David Horowitz, an Associate at Goldman Sachs, recently received his CFA charter.

### Smeal Updates

- The Wall Street Initiative event will be **Wednesday, November 19th** at the Bank of America Building at 6pm.
- On August 29th, Wall Street Boot Camp kicked off it's second annual program with a record number of attendees
- Nittany Lion Fund adds Public Relations position
- PSIA had almost 1000 Smeal students sign up for Fall Semester
- New Nittany Lion Fund Website expected to launch in late December

Visit our website at <http://psia.smeal.psu.edu/>

## Nittany Lion Fund Manager of the Month— Adam Brown

Adam Brown is currently a junior finance major in the Schreyer Honors College and is from Yardley, PA. He is the Lead Analyst of the Consumer Discretionary sector for 2008 and was an analyst for the Utilities sector in 2007. Last summer he interned at Morgan Stanley in their Global Wealth Management Group, working in the Capital Markets division. This coming summer, he is looking to secure an Investment Banking or Global Capital Markets internship. Adam is involved in a number of different business organizations on campus, as well as an active member of the Penn State Club Golf team.

The Consumer Discretionary sector has outperformed their respective index by 21.54% YTD. Current holdings for the sector include Nike Inc (NKE), Walt Disney Co. (DIS) and VF Corp (VFC). Bench holdings in-

clude McDonalds Corp (MCD) and Big Lot Inc. (BIG).

“ I took over as the Lead Analyst of the Consumer Discretionary sector at the start of 2008. As a Fund Manager, two experiences have been particularly memorable. First, the NLF had the opportunity to meet Jim Cramer and discuss each sector's strategy with him prior to his taping of 'Mad Money' at Penn State last semester. Second, I had the opportunity to attend the Redefining Investment Strategy Education (R.I.S.E.) Forum at the University of Dayton with three of my fellow Fund Managers. The R.I.S.E. Forum featured keynote speakers including Dr. Finn Kydland (2004 Noble Laureate in Economics), David Rosenberg (Chief North American Strategist, Merrill Lynch), and Roel Campos (Former S.E.C. Commissioner) among others”.



The Nittany Lion Fund is the most practical, real-world experience Penn State has to offer. Skills I will take away from my years as a Fund Manager include an enduring work ethic, presentation skills, and an overall appreciation for the market. Additionally, learning to navigate through an economic downturn will serve me well in the future. While the landscape of Wall Street has been in constant flux over the past several months, the learning experience for the Nittany Lion Fund students is invaluable.

## Stock Pick of the Month— ConocoPhillips (COP)



With the volatility of the energy sector as of lately, to put your money into any company would be to make a serious bet. **ConocoPhillips (COP)**, an international integrated oil and gas company, was bought by the fund at \$79.00/share. **Charles Petredis** and **Rishin Banker**, the Lead and Associate Analysts in the Energy Sector recommend this company because it is a

secure play in this type of market.

### Key Drivers

**1. Diversified and Adaptive Business Segments:** ConocoPhillips has a strong exposure to the refining industry which allows them to adapt and outperform in a volatile commodity environment. As demonstrated in their recent quarterly earnings reports, when oil is increasing their E&P segment outperforms, and when the opposite takes place their R&M segment outperforms. COP has beaten analysts' earnings estimates 12 out of the last 14 quarters by shifting their business focus based on commodity trends.

**2. LUKOIL Investment and International Exposure:** ConocoPhillips differs from the other major integrated companies by holding a 20% stake in

a huge part of the global energy story and COP is the only way for U.S. investors to gain significant exposure into their industry, which benefits from its non-OPEC status and lower tax rates.

**3. Valuation and Strong Commitment to Investors:** The greatest testament to the future of ConocoPhillips is the confidence its management has in the growth of its share price. Not only has the dividend been growing at a CAGR of 15%, but they have also instituted a monstrous share repurchase plan of \$10 billion over 2008. With a strong 2008 cash flow at \$28.6 billion, a large market cap at \$114.64 billion, a low WACC of 9.88%, and an attractive trailing P/E of 5.60, COP is a reliable play in a volatile sector.

# THE NITTANY LION FUND

## September's Sector Summaries

**Consumer Discretionary** returned 3.05% during the month of September, an increase of 11.91% relative to the benchmark. Nike Inc. (NKE) led the sector during the month, returning 9.76% while Walt Disney Co. (DIS) lagged the sector, returning -5.40% and VF Corp. (VFC) returned -2.42%. The footwear sub-sector remained strong through the month of September, while hotels and resorts lagged as consumer spending continues to decrease.

**Consumer Staples** returned 7.55% during the month of September. Coca-Cola Co. led the way returning 0.79% while Fomento Economico Mexicano lagged, returning -12.07%. During the month, the sector sold out of CVS Caremark and replaced the position with Kimberly-Clark Corp. on September 29. During the month, the Consumer Staples sector mainly experienced weakness from exposure to the Mexican economy, which is seen in the returns from FMX. .

**Energy** returned -16.08% for the month of September. Natural gas, small-cap, and mid-cap equities fell the most as investors fled the market in fear. At the end of the month the Energy Sector was relatively outperforming the S&P 500 Energy Composite by 5.69%. This number is down from the end of August relative return of 10.83%.

**Financials** returned -9.27% for the month of September. During the month, the sector sold out of Bank of America, which appreciated 3.10%. The Financials sector also sold out of MetLife and re-placed the position with BlacRock on September 31st.. Goldman Sachs lagged, returning -22.57% due to its worst slump in profits since going public and concerns about the future profitability of investment banks. Federated Investors re-turned -16.33% and Visa returned -18.14% due to concerns about consumer credit and spending.

**Healthcare** returned -10.15% during the month of September. The Healthcare sector had a monthly relative return of -4.08%. Stryker was off the least in the month of September with a return of -7.28%. The worst performing holding was Gilead with a return of -13.88%. The sector had a sell pitch for Mylan Inc., and a bench pitch for Thermo Fisher Scientific Inc. The sector was mainly hurt due to two downgrades to Gilead Sciences; however, they still feel the company can outperform due to its strong market share within the HIV/AIDS area.

**Industrials** returned -21.08% nominally while returning -10.16% relatively. During the month, Ametek led the way returning -14.81%, while our biggest laggard was ABB Ltd which returned -20.68%. We sold Harsco Corporation on September 23, 2008 at a price of \$40.86 for an overall loss of 30.35%. In replacement of Harsco we added DanaHER Corporation on September 29, 2008 at a price of \$70.03 a share. During the month the Industrials sector experienced weakness from overexposure to Aero-space and Defense as well as the European and emerging market economies.

**Information Technology** returned -7.74% nominally in September, but outperformed the S&P500 IT benchmark by 5.73%. Cerner outperformed its respective benchmark by 9.35% as investors thought the IT/Healthcare sub-sector would fare better than the broader IT sector during the economic downturn. The safe-haven ADP outperformed 8.64%. Microsoft gained 9.93% on the benchmark, mainly due to an announcement of a generous stock dividend and overhaul of the company's capital structure. Google underperformed by just 43 basis points, and Amphenol underperformed the benchmark by 2.91%

**Materials** returned -32.01% during the month of September. During the month, the leader was Praxair with a return of -17.46% while the laggard was Freeport-McMoRan with a return of -28.55%. Bunge Co. was pitched for the bench and was approved by the fund managers. Sell pitches for Freeport McMoRan and FMC were completed but did not get approved. The Materials sector experienced weakness from the overall fear driven sell off and the volatile prices of commodities.

**Telecommunications** returned -8.68% during the month of September. During the month, L-3 Communications was the best performer returning -6.33% while American Movil lagged, returning -11.50%. On a relative basis, the Telecommunications sector returned 4.60% relative to the industry benchmark. During the month, the sector pitched a bench pitch for Deutsche Telekom and finished the month with a sell pitch for American Movil. The sector saw weakness across the board in all subsectors, primarily due to macroeconomic fears and reduced enterprise spending forecasts.

**Utilities** returned -10.20% nominally during the month of September, outperforming the S&P Utilities by 1.65%. During the month, TransCanada Corp. was the sector's strongest performer returning -2.53%, while Exelon Corp. was the sector's laggard returning -11.55%. In addition, the Utilities sector made two trades during the month. On September 23, the sector closed its position in CPFL Energia S.A., using the cash to open a position in Sempra Energy on September 29.

# THE NITTANY LION FUND

Sector	NLF	S&P	Relative Performance
Consumer Discretionary	3.05%	-8.87%	11.91%
Consumer Staples	-7.55%	-1.52%	-6.03%
Energy	-16.08%	-11.44%	-4.64%
Financials	-9.27%	-4.99%	-4.27%
Healthcare	-10.15%	-6.07%	-4.08%
Industrials	-21.08%	-10.92%	-10.16%
Information Technology	-7.74%	-13.47%	5.73%
Materials	-30.78%	-14.42%	-16.36%
Telecommunications	-8.68%	-13.28%	4.60%
Utilities	-10.20%	-11.85%	1.65%

NLF Holdings	Purchase	Current	P/E Ratio	Overall
Nike Inc	\$ 41.46	\$ 67.79	18.60	63.49%
The Walt Disney Co.	\$ 32.07	\$ 32.75	14.20	2.12%
V F Corp.	\$ 78.99	\$ 80.23	14.40	1.57%
Fomento Economico Mexicano	\$ 42.73	\$ 39.06	17.00	(8.59%)
Coca-Cola Co	\$ 51.46	\$ 52.48	21.20	1.98%
Philip Morris International Inc	\$ 47.66	\$ 50.90	15.64	6.80%
Apache Corp.	\$ 126.66	\$ 109.88	8.90	(13.25%)
Helix Energy Solutions	\$ 36.92	\$ 25.85	6.70	(29.98%)
Noble Corp.	\$ 43.50	\$ 46.91	8.90	7.85%
Chesapeake Corp.	\$ 34.11	\$ 37.94	9.70	11.21%
Schlumberger Ltd.	\$ 78.32	\$ 86.03	19.40	9.84%
Southwestern Energy	\$ 23.12	\$ 33.24	31.50	43.77%
Conoco Phillips	\$ 79.70	\$ 76.24	6.90	(4.34%)
The Goldman Sachs Group	\$ 134.58	\$ 137.99	8.30	2.54%
Metlife Inc.	\$ 62.40	\$ 53.81	11.30	(13.77%)
Federated Investors Inc.	\$ 35.15	\$ 32.02	14.70	(8.89%)
Aflac Inc.	\$ 65.07	\$ 59.88	16.60	(7.97%)
Bank of New York Mellon Corp	\$ 36.31	\$ 36.38	15.00	0.19%
Visa Inc.	\$ 85.70	\$ 62.04	28.10	(27.61%)
Gilead Sciences, Inc.	\$ 40.34	\$ 48.64	27.00	20.58%
Becton Dickinson Co.	\$ 85.81	\$ 82.36	19.10	(4.02%)
Mylan Labs Inc.	\$ 21.88	\$ 11.70	23.00	(46.53%)
Stryker Corp	\$ 65.19	\$ 64.31	24.40	(1.34%)
General Dynamics	\$ 53.64	\$ 74.92	13.00	39.67%
Precision Castparts Corp	\$ 115.99	\$ 81.38	10.00	(29.84%)
Ametek Inc.	\$ 38.51	\$ 40.74	17.50	5.80%
ABB Ltd.	\$ 28.65	\$ 20.16	11.90	(29.63%)
Microsoft Corp.	\$ 26.50	\$ 27.40	14.70	3.40%
Automatic Data Processing Inc.	\$ 43.59	\$ 43.73	20.00	0.32%
Google Inc.	\$ 456.46	\$ 431.04	28.30	(5.57%)
Cerner Corp.	\$ 44.53	\$ 47.32	27.30	6.27%
Amphenol Corp.	\$ 35.29	\$ 42.72	19.40	21.06%
Freeport Copper & Gold Inc.	\$ 64.88	\$ 63.82	8.20	(1.63%)
FMC Corporation	\$ 36.00	\$ 57.75	15.80	60.39%
Praxair Inc.	\$ 87.76	\$ 74.15	18.70	(15.51%)
L3 Communications	\$ 73.54	\$ 99.91	14.30	35.86%
America Movil SA de CV	\$ 28.11	\$ 47.92	15.20	70.47%
Cisco Systems, Inc.	\$ 26.00	\$ 23.82	18.20	(8.38%)
AT&T Inc.	\$ 38.44	\$ 30.00	13.50	(21.96%)
Transcanada Corp.	\$ 38.01	\$ 36.66	14.60	(3.55%)
Exelon Corp.	\$ 85.66	\$ 67.16	16.90	(21.60%)