



# THE EAGLE INVESTMENT GROUP

*of the Conard Foundation Center for Financial Education*



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**2009 ANNUAL REPORT**

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**Dauch College of Business and Economics  
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## **Report of the Director – December 31, 2009**

Calendar 2009 was a challenge for the Eagle Investment Group as the market volatility that characterized 2008 continued into the first half of 2009. The Group had created a bond ladder in the portfolios in September, 2008, and was content to stay in that position, with a large amount of cash throughout 1<sup>st</sup> quarter and into 2<sup>nd</sup>. However, because we had never actively managed the portfolios during the summer, we missed the dramatic improvement in the market that began in June and continued until school started in August when I welcomed twenty-nine (29) new members of the Eagle Investment Group.

March 2009 was actually the 10<sup>th</sup> anniversary of the establishment of the Eagle Investment Group which received the initial funding from the Investment Committee of the Board in March, 2000. Over 200 students have been a part of the program which continues to improve as each year passes. We graduated 31 seniors on the 2<sup>nd</sup> Saturday in May which was the most Finance majors to graduate during my tenure.

Organizationally, we welcomed Dr. Hongxia Wang, PhD, to the faculty as the fall semester began. Dr. Wang has her doctorate from Southern Illinois University and demonstrated superior research skills as well as teaching skills. With the creation of the Institute for Contemporary Financial Studies, we will rely on her to work closely with our students in their research projects. The first research project sponsored by the Institute was Amanda Smith's (Class of 2009) research into the changing nature of investor behavior which was accepted for presentation at the 11<sup>th</sup> annual meeting of the National Business and Economics Society. I should mention that we initiated a campaign during the summer to "name" the Institute which is going along well.

We also welcomed Dr. Jeff Russell, PhD, as our Interim Dean. As Director of the Institute, I had the privilege of working directly with Jeff who has demonstrated continuing support for the

Eagle Investment Group, Finance, and the initiatives we have undertaken. We are pleased that Dr. Russell was appointed Dean in March, 2010.

As the fall semester began, Professor Chuck Bryant started his doctoral work at Cleveland State University, which consumed a great deal of time and very challenging, but the report is that he is doing very well.

Professor Terry Rumker continued to show his commitment to the major by tackling some curriculum revisions that would make our offerings even better. His work culminated in March, 2010, when it was approved for inclusion in the 2010 – 2011 catalog. He continues to be an effective sounding board and voice of reason as we undertake various initiatives and projects which is very much appreciated.

We continue to host our corporate partners' visits to campus as we have in the past. Le Herron, former president of Scott's Miracle Gro gave the Investment Group a different message in February when he talked about his career and behavior that he undertook to focus on his customers, employees, and shareholders as he built a very successful business. Kurt Camden and alum Tim Schantz of First Investors made their first visit to Dauch in April to present their firm and its business model.

Price Woodward and Andy Cole of the home office of Edward Jones Investments returned in September, being joined by Mike Neill, Class of 2001, for two days of presentations to various classes, an evening symposium of the current events in the markets, and recruiting. And, Carl Walter, of Chess Financial in Beachwood, OH, visited with the Group about his firm which caters to the financial needs of a very select group of clients.

Kirsten McKaskle of the home office of New York Life returned as well for two days in October, during which time Tim Corrigan, a partner from the Cleveland office, and Danny Evans, Class of 2009, of the Columbus office, visited with the Group as well. We were also able to establish a day for

Eagle to tour the home office when we are in New York in April, 2010.

We also welcomed Kartik Mehta, John Healy, and Nick Mitchell of Northcoast Research for their first time on campus in November. Joe Fox, John Durbin, and Greg Hill of the Eagle Investment Group gave a presentation about the program which was followed by an introduction to the work of Northcoast. This was the first time that a firm from the “Sell” side had explained their research process.

Paul Bicklehaupt, Andrew Smith ('09), and Andy Farver ('09) of the Surety Department of the Westfield Group visited as well in November, presenting the work of Surety which was a totally different aspect of the Westfield business. And, Keith Lockwood and Nathan Moore, both of the Class of 2002, from AXA Advisors completed our corporate partners program with another session on the different opportunities that are available at AXA.

Eleven (11) members of the Eagle Investment Group participated in the RISE Forum at the University of Dayton. John Fox, Amanda Smith, and Derek Riedel presented the results of their work to a panel of judges, receiving “excellent” marks. The judges were most impressed with the autonomy with which Eagle works as most student investment groups have to obtain permission from faculty or an advisory board before entering into any transactions. Based on the portfolio’s performance in 2008, Eagle Investment Group finished 5<sup>th</sup> for the second year in a row in the “blended” portfolio competition.

We were also invited to participate in the 1<sup>st</sup> CFA Research Challenge, sponsored by the Cleveland Chapter of the CFA Institute. Brandon Akey, John Durbin, and Greg Hill undertook the research which would culminate with a presentation in February 2010.

We did something else that was a terrific experience for the students: the 1<sup>st</sup> Annual Eagle Investment Group Golf Outing. On July 13, eighty-eight (88) golfers assembled at Westfield Country Club for a day of golf and a Silent Auction which significantly helped the program financially.

The students, under the direction of Chris Bacon ('10), Erika Hauser ('10), and Jennifer Winter ('11), were organized to address marketing, operations, and accounting. It was a difficult task, but the day dawned sunny and warm, the course was in great shape, and some great golf was played. Working with that model, the 2<sup>nd</sup> Annual Outing is scheduled for June 21, 2010, at the Country Club of Ashland.

2009 was a great year for the Eagle Investment Group, the Finance major, and the Institute for Contemporary Financial Studies. The students managed the portfolios effectively, carrying out their mandate to be prudent and responsible in their fiduciary capacity for the Board of Trustees. Dr. Wang became acclimated to the program, and Professor Bryant was swamped with his teaching and work at Cleveland State. Professor Rumker handled most of the administrative chores which left me to fund raising and other development activities. We said “so long” to the Class of 2009 and welcomed the Class of 2010, a year which promises to be just as eventful as was 2009.

TWH  
March, 2010

## **Overall Performance for 2009**

The performance of the Eagle Investment Group in 2009 truly reflected our ability to adapt to market conditions and our mission to prudently and responsibly manage the endowment fund of Ashland University. In the past, the Eagle Investment Group has provided consistent returns that have beaten the market year in and year out. In 2009, however, market volatility and uncertainty of the effects of government bailouts sent many investors running for very conservative investments including members of the Eagle Investment Group. After some well-evaluated investments posted negative returns for the group at the beginning of the year, the class of 2009 developed a very conservative bond ladder strategy. With this still in effect, and the inactivity of managing the portfolio during the summer, the group missed out on the summer run-up of about 30%. We have addressed this omission to make sure that the incoming class is vigilant about the markets and the portfolios.

Once our Class of 2010 took over the portfolios in August, there was a significant change in the strategy of Eagle. Since the market had rebounded from its March lows, even with the run-up during the summer, we felt there were plenty of opportunities in the market, and it was still a good time to start putting our money back into securities. As we diligently disbanded the bond ladder to generate cash, we developed our 2010 class criteria for selecting stocks for the portfolios, along with another new strategy that had not been done yet in the Eagle Investment Group.

As we began to look more in depth at some companies and evaluate how to get back into the market, we began to see an opportunity in small to mid-cap stocks. With this idea, we soon turned to a new strategy to move away from having both portfolios mirror each other and to create one portfolio to be mainly a diverse large-cap portfolio containing around two-thirds of our fund (Portfolio A), while the other one third of our fund would be in a second portfolio representing small and mid-cap growth stocks (Portfolio B). With this new development, we set separate criteria for each portfolio which are listed on the next page.

**Portfolio A**

Market Cap: 9 billion +

Cash position – 95% invested

**Fundamental Analysis**

Quarterly revenue growth: double digits

P/E: Less than 25

PEG: Less than 1.5

Beta: .5 – 1.5

ROE and ROA: Top 10% of industry

Short Sales: Decreasing

Intrinsic Value: Price less than intrinsic value

***\*\*Must meet 5 of 8 criteria to present*****Portfolio B**

Market Cap: 300 million - 8 billion

Cash position – 95% invested

**Fundamental Analysis**

Quarterly revenue growth rate at least 15%

P/E: 30x or less

PEG: 1x or less

Beta: Maximum of 2x

ROE and ROA: Above industry average

Short Sales: Decreasing

Intrinsic Value: price less than intrinsic value

Price to Book: less than 7.5x

Debt/Equity Ratio: 0/100 to 30/70

***\*\*Must meet 6 of 9 criteria to present***

Our performance for 2009 was approximately 9% return which was below the market return of approximately 20% of the Dow Jones and S&P500 for the same period. In the past, the Eagle Investment Group reported results on the basis of the academic year which has always included the first quarter of the new calendar year. To achieve consistency with market indices, we have moved our reporting date to December 31.

Since January 1, 2010, we have achieved a significant growth in the value of the funds as our investments in the previous semester have made strong gains year to date. Thus far the total portfolio has a first quarter return of 7.28% making the total portfolio worth just shy of \$715,000.

Sincerely,

Class of 2010

# Health Care Sector

## Sector Analysts



**Chris Bacon**



**Ryan Rusiska**



**Dayna Hess**

## Past Year Sector Performance

With the shift in our portfolio strategy in early 2009 to a very conservative one after the market crash at the end of 2008, the health care sector had very few holdings. Toward the end of 2009 we saw many undervalued companies that were acquiring other companies which strengthened their competitive position. We also focused on investing in smaller companies that had promising pipelines for the future, as well as those benefiting from the H1N1 vaccinations. Despite our loss with Abbott Laboratories, Inc. early in 2009, we were able to manage a modest unrealized return of 14.48% for 2009 calendar year.

The outlook for the healthcare sector seems promising in the pharmaceutical, hospital, and distribution industries since there will always be a demand for better drugs and treatment. The direction of proposed health care bills developed by our current government administration will determine the opportunities presented by the health care insurance industry. So far in the first quarter of 2010, the health care sector has continued to see significant gains from Cardinal Health (CAH), China Biotics (CHBT), and Cubist Pharmaceuticals (CBST).

Investment	Portfolio	Shares	Date Bought	Buy Price	Date Sold	Sell Price/ Price as of 12/31/09	Realized Gain/(Loss)	Unrealized Gain/(Loss)
ABT	A/B	200/200	2/19/09	54.42	3/2/09	\$46.03	(15.52)%	
CAH	A/B	400/400	9/3/09	25.22	-	\$32.24	-	27.84%
CHBT	B	600	11/12/09	12.00	-	15.47	-	28.92%
CVD	A/B	100/100	10/6/09	52.29	-	54.57	-	4.36%
CBST	B	400	11/12/09	17.75	-	18.97	-	6.87%
LHC	B	300	11/12/09	29.38	-	33.61	-	14.40%
ABT	A/B	200/200	9/3/09	45.00	-	54.06	-	20.00%

## Investment Logic

After the market lows in March 2009, we were able to find some undervalued companies such as Abbott Laboratories, Inc. even after selling out during the first part of the year.

The spin-off of CareFusion Corporation was a sign that Cardinal Health was getting back to their distribution basics, and we saw it as a very good decision by management. The drop in stock price made it a very undervalued company.

We saw great potential in smaller companies such as CHBT, CBST, and LHC with strong pipelines and good growth strategies in the future. We consider these investments to be moderate to long-term.

In the first quarter of 2010 the Healthcare sector returns are 9.66%.



# Utilities Sector

## Sector Analysts



**Josh Kirsten**



**Arthur Govea**

## Past Year Sector Performance

As the Fed planned to maintain low interest rates for 2009, we understood that would be a positive impact for this sector since utility companies are likely to borrow large sums of money to build its facilities.

The Utilities sector underperformed in 2009 and is continuing to do so at the beginning of 2010. The focus for this sector is one of going green which means there should be a possibility of a positive impact in the industry; however, the idea of going green should play a long-term role in this sector therefore as of now there should not be any major changes.

Investment	Portfolio	Shares	Date Bought	Buy Price	Sell Price/ Current Price	Date Sold	Realized Gain (Loss)	Unrealized Gain(Loss)
NRG	A	400	9/30/09	\$28.30	\$23.30	11/03/09	(17.66)%	-

## Investment Logic

We invested in NRG because the company announced that it planned to focus in nuclear energy, wind and sun which is supposed to be the next trend for this sector. With this information NRG met strategic requirements for going green in light of bringing more future profitability to the company.

Also, NRG Energy reported plans to increase employment levels and new sources of reserves.

Apparently that was not enough to raise its stock price to analysts' expectations.



# Telecommunications Sector

## Sector Analysts



**Mike Whisler**



**Heidi Parker**

## Past Year Sector Performance

There was a clear shift in the strategy of the portfolio strategy as the members of the Eagle Investment Group entered the 2009 year. With the market crash in late 2008, the group shifted to a more conservative strategy that would include fewer equities and more fixed income positions. With this change in allocation, the telecommunications sector saw even fewer positions, but within the sector, there seemed to be value plays in Verizon and Vodafone. As displayed in the chart below this sector is lagging behind the total growth and recovery of the S&P 500 which is to be expected.

The outlook for the telecommunications sector is a little less optimistic than the overall market outlook. Telecommunications is a lagging sector and will continue to grow at a steady pace with the overall market outpacing it. The future of the telecommunications sector lies in the emerging markets which presents the greatest opportunity for gain.

Investment	Portfolio	Shares	Date Bought	Buy Price	Date Sold	Sell Price/ -End Price	Year	Realized Gain/(Loss)	Unrealized Gain/(Loss)
VZ	A/B	300	11/07/08	\$ 29.82	9/30/09	\$ 30.30		1.50 %	-
VOD	A/B	400	9/30/09	\$ 22.61	-	\$ 23.09		-	1.97 %

## Investment Logic

The important part of moving into the telecommunications sector is timing. Verizon did not experience as large a decline as the overall market late in 2008 so this seemed to be a safe haven to shelter an investment and see a gain. The spread of cell phone usage also played a roll into the decision as increased profits were expected. Overall, the investment returned slightly under what the sector did throughout the year.

There were a couple of reasons why Vodafone made sense for the portfolio. As we tracked the performance of VOD, we found that it was highly correlated with the market which could provide a positive return. With the market recovering later in the year the time seemed right to make the investment. By the end of the year there was nearly a 2% unrealized gain on VOD. In first quarter 2010 the telecommunications sector has had a 4.21% return collectively, with the CTEL being the best performer, a 35% return.



# Business Services Sector

## Sector Analysts



**Tim Heckman**



**Zach Appleby**



**Greg Hill**

## **Past Year Sector Performance**

The business services sector contains a diverse group of companies. Firms that are part of the business service sector are simply firms that have businesses as their customers. The 2009 year saw the discretionary spending of many businesses cut, as cost cutting measures were a part of nearly every firm. This negatively affected the revenues of many firms in the business services sector, as many of their services are discretionary. The sector as a whole participated in the general market uptrend during the 2009 fiscal year, as the sector index returned a 58.3% return. Much of this gain can be contributed to the 2009 bear market as the stock market climbed off its March lows. However, even with the recent year's exceptional returns, the three year return of the sector is a minimal 1.59%.

Investment	Portfolio	Shares	Date Bought	Buy Price	Sell Price/ Price as of 12/31/09	Date Sold	Realized Gain/(Loss)	Unrealized Gain/(Loss)
ALGT	A/B	400	9/21/09	\$43.00	\$38.52	11/03/09	(10.42%)	-
APEI	B	400	11/16/09	\$33.74	\$34.36	-	-	1.84%
TSS	A/B	400	10/14/09	\$16.53	17.26	-	-	4.42%

## Investment Logic

For the business services sector, our positions produced low returns due to the slow recovery of the economy. **Allegiant Travel Company (ALGT)** was purchased do to signs of increases in leisure travel. Though the company had record earnings, the market never took interest in the stock and gave a return of -10.42%. **American Public Education (APEI)** was purchased with signs of increase in education in the military. The company had a strategic plan to increase its availability to military overseas and faces low competition. Lastly, **Total System Services (TSS)** deals with credit card processing. As the economy continues to strengthen, the price of Total System Services should increase as well. The return for the sector in 1st quarter 2010 was 8.96%.



# Hardware Sector

## Sector Analysts



**Nik Cioletti**



**Kyle Jacob**

## Past Year Sector Performance

As we know, the stock market crash devastated companies, especially hardware companies. However with changing times, companies are now able to invest more into R&D which is allowing hardware companies to grow and post profits.

It is expected that these companies will continue to see increased growth in R&D which will translate to increased earnings and share prices.

Investment	Portfolio	Shares	Date Bought	Buy Price	Sell Price/ Price as of 12/31/09	Date Sold	Realized Gain (Loss)	Unrealized Gain/(Loss)
<b>IBM</b>	B	100	2/23/09	\$89.00	\$130.90	10/26/09	34.60%	-
<b>GRMN</b>	B	200	10/26/09	\$38.40	\$32.00	10/28/09	(16.80%)	-
<b>CTSH</b>	B	400	9/21/09	\$38.64	\$45.33	-	-	17.30%

## Investment Logic

Some of our investments in the hardware sector for 2009 showed great returns as compared to other investments. **IBM (IBM)** showed a gain of 34.6% since its purchase. IBM is a financially strong company with sound principles which we planned to hold for the foreseeable future. **Cognizant (CTSH)** was another promising hardware stock. The company showed continued revenue growth of 50% annually with consistent performance with the share price increasing 13% in the first quarter of 2010. **Garmin LTD (GRMN)** was one stock on which we lost money. Shortly after purchasing, the competition unveiled new products while Garmin posted lower sales and earnings. The return for first quarter was of 6.22%.



# Industrial Materials Sector

## Sector Analysts



**Phillip Christy**



**Stephanie McQuillen**

## Past Year Sector Performance

Commodities were heavily invested in during the 2009 year as the reports of the market were down in late 2008. Thus we tried to get into the gold market with Yamana Gold. Our stock choices did not fair well this year due to inconsistent stock value pricing. In the late trading period of 2009 the behavioral data showed a possible drop in earnings for Harbin Electric and the stock price plummeted in December below its stop.

The Dresser Rand Corporation was too stagnant in stock price for the portfolio, and we sold it for a small loss from the value purchased. Yamana Gold became another victim of poor behavioral data that made that stock price sink and it too was stopped out. ITT was the only major gain for the year as the company expanded and had positive earnings for the first three quarters of 2009 we sold this stock for an 18.78% gain.

Investment	Portfolio	Shares	Date Bought	Buy Price	Sell Price/ Price as of 12/31/09	Date Sold	Realized Gain/(Loss)	Unrealized Gain/(Loss)
ITT	A/B	200	2/23/09	\$40.90	\$49.74	-	-	18.62%
HRBN	A	400	11/18/09	\$20.55	\$20.54	-	-	(.04%)
AUY	B	800	11/18/09	\$13.18	\$11.38	-	-	(13.66%)
DRC	A/B	200	10/09/09	\$32.49	\$30.97	11/18/09	(4.93%)	-

## Investment Logic

Harbin Electric's third quarter financials in 2009 was the best quarter in company's history. In 2009 Harbin bought Xi'an Motor to add to their rotary motor presence

Yamana Gold had been aggressively boosting its production with the acquisition of Meridian Gold

Dresser-Rand was the largest supplier of rotating equipment to the worldwide oil, and gas industries.

ITT was the leader in defense electronics and fluid technology products which had periodic acquisitions that would ensure revenue growth for years.



# Software Sector

## Sector Analysts



**Amy Bland**



**Regan Teague**

## Past Year Sector Performance

Over the past year, the software sector has been hit by the recession as spending cuts on new software licenses and purchases which, therefore, have affected the performance of the software companies. Corporate spending on software maintenance has kept the sector somewhat afloat over the past year.

The outlook for the software sector is better than the other technology sectors. Companies are expected to boost sales while decreasing costs which should result in higher earnings.

Investment	Portfolio	Shares	Date Bought	Buy Price	Sell Price/ Price as of 12/31/09	Date Sold	Realized Gain/(Loss)	Unrealized Gain/(Loss)
EBIX	A/B	600/600	9/10/09	16.89	17.48	11/06/09	3.49%	-
EBIX	A/B	600/600	10/12/09	20.16	17.48	11/06/09	(13.29%)	-
ATVI	A/B	600/600	9/10/09	11.73	11.67	11/17/09	(0.50%)	-

## Investment Logic

The two investments we have in the software sector did not perform to our expectations. With the economy being down, the discretionary income that is usually spent on the entertainment area of the software sector was just not there. This caused the price of ATVI to stay flat for the three months we owned it. With EBIX, the market just did not like it. All the signs pointed to this being a great investment, and we doubled our position due to a 3 for 1 stock split.



# Consumer Services Sector

## Sector Analysts



**Al Yambor**

**Franz Konczak**

## Past Year Sector Performance

The consumer services sector experienced considerable growth during 2009, the majority of which occurred during the summer months shortly after the S&P 500 reached its lowest point. Toward the end of the 2009 fiscal year growth began to slow significantly among U.S. large cap companies. Emerging companies in China contributed heavily to the success of the sector's performance. Continued growth in 2010 will be heavily dependent on the global financial recovery.

Investment	Portfolio	Shares	Date Bought	Buy Price	Sale Price/ Price as of (12/31/09)	Date Sold	Realized Gain/(Loss)	Unrealized Gain/(Loss)
CCL	A/B	200/200	9/30/09	\$33.25	\$29.11	11/3/09	(12..45%)	-
KSS	A/B	100/100	9/30/09	\$56.94	\$53.93	-	-	(5.28%)
MNRO	A	300	11/20/09	\$29.97	\$33.44	-	-	11.58%

## Investment Logic

The several investment decisions made in the Consumer Services Sector for 2009 reflected an objective of investing in companies displaying strong fundamentals and positive technical trends. **Carnival Cruise Line** showed strong upside potential. Overall, pessimistic investor sentiment toward the travel market led to a realized loss of 12%. **Kohl's Corp.** showed an attractive expansion plan that included increasing same store sales significantly. We believe that this expansion will be reflected in the long-term share price. **Monroe Muffler Brake Inc.** is another company that showed significant upside potential due to their projected growth and high profit margins. Their aggressive involvement in acquisitions also made **Monroe** an attractive investment. The return in 1<sup>st</sup> quarter was 13.46%.



# Energy Sector

## Sector Analysts



**Brian Montgomery**

**Chuck Peters**

## Past Year Sector Performance

In 2009 the Energy sector has seen positive returns: The main reason being oil prices rose steadily throughout the year, closing the year at over \$70 per barrel. The restructuring of companies after the recession also helped to improve returns in the sector. The outlook for the Energy sector remains positive. Energy consumption will continue to be a major expenditure for consumers. The oil industry could start to see increased competition from green energy companies as technology helps these companies to become more efficient. However, for the short term, oil will continue to dominate the Energy sector as its largest component.

Investment	Portfolio	Shares	Date Bought	Buy Price	Sell Price/Price as of 12/31/09	Date Sold	Realized Gain (Loss)	Unrealized Gain/(Loss)
ESV	A/B	100/100	9/29/09	\$42.38	\$39.97	12/23/09	(5.68%)	-
NE	A/B	100/100	9/29/09	\$37.62	\$40.70	-	-	8.18%
NS	A/B	200/200	2/17/09	\$47.12	\$56.09	-	-	19.03%

## Investment Logic

The energy sector had three stocks in the portfolio during the 2009 year. **EnSCO International plc (ESV)** was purchased in October and had strong gains reaching \$50 a share. However, just before the end of December, it declined and hit its stop value at \$39.97. **Noble Corp (NE)** and **NuStar Energy L.P. (NS)** both saw positive gains in 2009, increasing by 8.18% and 19.03% respectively. All of these stocks were purchased on the basis of increasing market share and more efficient cost restructuring after the recession. Both NE and NS are currently still in the portfolio. The return for 1<sup>st</sup> quarter 2010 was 4.07%.



# Financial Sector

## Sector Analysts



**Ryan Smith**



**Erika Hauser**

## Past Year Sector Performance

Entering 2009, the Eagle Investment Group had no presence in the financial sector due to the recent recession in the financial industry. It was evident that the financial sector took a major hit in the market crash of 2008 and that consumers lost confidence and trust within the sector. Very few plays were made within the sector during 2009 due to overall sector performance.

The outlook for the financial service sector is encouraging with consumer confidence strengthening. The financial sector will continue to grow as consumers again build trust within the financial services. Great investing opportunities will emerge within the sector.

Investment	Portfolio	Shares	Date Bought	Buy Price	Sell Price/ Price as of 12/31/09	Date Sold	Realized Gain/(Loss)	Unrealized Gain/(Loss)
JPM	A/B	100/100	10/19/09	\$45.97	\$42.66	12/1/09	(7.76%)	-
WFC	A/B	200/200	9/1/09	\$27.34	\$26.99	-	(1.30%)	-
EFX	A/B	200/200	9/21/09	\$28.79	\$30.89	-	-	7.29%

## Investment Logic

The Financial Sector had a few selective investments in 2009, two of the three resulting in losses. **JP Morgan (JPM) & Wells Fargo (WFC)** were both purchased during the time of consumer confidence rising in the banking industry. Both firms demonstrated strong financial fundamentals, but never gained the momentum we believed they would. **Equifax (EFX)** was purchased after the announcement of strong international growth and financial stability. Equifax has continued to strengthen and build momentum over the last five months.

The losses of the sector in 2009 for our portfolio has been followed by steady growth and appreciation in the first quarter of 2010. Through the first quarter of 2010 we have already seen a YTD return of 13.47%.



# Consumer Goods Sector

## Sector Analysts



**Kyle Hoopingarner**



**Kris Kennedy**

## Past Year Sector Performance

During calendar year 2009, the consumer goods sector regained much of what was lost during the 2008 market collapse. The sector returned 20%, much of which came in the last two quarters of 2009. These gains can be attributed to some sense of consumer confidence reentering the retail markets. The consumer goods sector return was consistent with the performance of the S&P500. The outlook for 2010 is projected to continue growth and be consistent with the market.

Investment	Portfolio	Shares	Buy Price	Sell Price/ Current Price	Realized Gain (Loss)	Unrealized Gain (Loss)
CL	A	300	\$61.20	\$77.57	26.70%	-
GD	A	400	\$63.13	\$68.17	-	8.00%
FOSL	B	300	\$28.42	\$33.56		18.09%

## Investment Logic

The investments that the consumer goods sector had in 2009 all had impressive gains. **Colgate Palmolive (CL)** was purchased amidst the March '09 market downfall and resulted in a 26.7% gain in 8 months. **General Dynamics (GD)** was purchased on the basis of its recent acquisition of Axsys Technologies and consistently outperforming the industry and market. Similar to General Dynamics, **Fossil, Inc. (FOSL)** is currently still held in the portfolio. FOSL was purchased with intent to populate the B portfolio. The purchase was prior to the third quarter earnings report, which outperformed guidance and has proven to be an outstanding investment. The return in 1<sup>st</sup> quarter was 12.63%.



# Fixed Income Holdings

## Sector Analysts



**John Durbin**

**Aaron Hillyer**

**Joe Fox**

## Past Year Sector Performance

Interest rates remained low during 2009 which led to an increased demand for investment grade corporate bonds. The yields on already issued corporate bonds were above the current issue levels which added to the increased demand.

The outlook for the fixed income markets remain weak. Although there is still demand for investment grade corporate bonds, equity securities will become the choice for investors as the economy enters a strong growth period.

Corporations are expected to begin issuing more debt while interest rates are still low and use the cash to help expand their business at lower than normal costs.

## Investment Logic

The Eagle Investment Group started 2009 with a \$165,836 fixed income position and added an additional \$45,204 position throughout February.

At the beginning of September, the Eagle Investment Group sold off \$135,703 worth of positions resulting in a 2.32% realized gain.

At the end of 2009, the Eagle Investment Group still held a \$41,377 position totaling a 3.88% unrealized gain.

The Eagle Investment Group decided to establish a large position in the fixed income markets due to the weak equity markets and lack of return associated with money market accounts.

During the summer, we kept our fixed income positions for two main reasons:

- Our investments continued to not only continue paying interest payments but the value of the bonds were also increasing.
- The Standard & Poor's 500 was facing key technical resistance levels and was not showing a clear direction.



Investment	Portfolio	Shares	Date Bought	Buy Price	Sell Price/ Current Price	Date Sold	Realized Gain(Loss)	Unrealized Gain(Loss)
Astrazeneca	A	5		105.609	107.375		1.67%	-
Campbell Soup	B	5		105.611	104.875		(0.69%)	-
Phillips Pete	A & B	10		105.393	104.875		(0.49%)	-
Bank of America	A & B	10		100.208	103.236		-	3.02%
Verizon	A & B	20		104.836	105.678		-	0.80%
AT&T Wireless	A & B	10		103.524	107.440		-	3.78%
Abbott Laboratories	A & B	10		105.585	106.063		-	0.45%
Berkshire Hathaway	A & B	18		102.653	106.607		-	3.85%
Dow Chemical	A & B	10		96.604	107.571		-	11.35%
Oracle/Ozark Holding	A & B	10		102.698	102.875		0.17%	-
United Parcel Service	A & B	10		104.480	104.875		0.37%	-
PepsiCo	A & B	10		105.343	106.875		1.45%	-
Hewlett Packard	A & B	10		101.508	104.875		3.31%	-
WalMart Stores	A & B	12		104.118	104.875		0.72%	
Coca-Cola Enterprises	A & B	10		108.018	116.625		7.97%	-
Pepsi Americas	A & B	12		101.150	102.875		1.70%	-
General Electric Capital	A & B	12		95.362	102.375		7.35%	-
WalMart Stores	A & B	12		97.471	98.250		0.80%	-
Cisco Systems	A & B	12		98.681	102.875		4.25%	-

# Exchange Traded Funds Sector

## Sector Analysts



**Brandon Akey**



**Kyle Beavers**

## Past Year Sector Performance

The rise of the oil commodity prices contributed to the most gain, as seen in the performance of the United States Oil fund (USO).

ETFs are one of many ways to hedge risk in a portfolio. Our investment in ETFs will be used to maximize our gains within the different sectors of the market as investors begin to regain confidence.

Investment	Portfolio	Shares	Date Bought	Buy Price	Sell Price/ Price as of 12/31/09	Date Sold	Realized Gain/(Loss)	Unrealized Gain/(Loss)
GLD	A	200	2/23/09	96.65	84.92	4/17/09	(12.14%)	
USO	A	1200	3/23/09	30.68	38.94	-	26.92%	26.92%
EEM	A	600	9/29/09	38.82	41.50	-	-	6.90%
VNQ	A	600	9/29/09	42.67	44.74	-	-	4.85%
VBK	A	400	9/29/09	58.07	59.87	-	-	3.10%
PID	A	1500	12/3/09	14.37	13.97	-	-	(2.78%)
CSM	A	500	12/3/09	49.64	50.15	-	-	1.03%
NFO	A	1000	12/4/09	25.05	26.91	-	-	7.43%
PKW	A	1000	12/4/09	20.30	20.70	-	-	1.97%
NY	A	400	11/25/08	45.91	46.81	12/2/09	1.96%	-
BEARX	A	2894	12/23/08	6.91	5.91	9/1/09	(14.47%)	-
PQY	A	1000	12/3/09	22.20	23.28	-	-	4.86%

## Investment Logic

Through the investment of differentiated ETFs, we aim to capture the movement of the general global economy. This has allowed us to diversify the risk within the portfolio, while aiding to the appreciation of the portfolio during 2009. This has been possible through specific ETFs such as iShares MSCI Emerging Markets Index, which tracks equities in emerging international markets. Also, such funds such as the United States Oil Fund and the SPDR Gold Fund have allowed us to invest in commodities, providing even greater diversity throughout the portfolio. Specific objective funds, such as the AlphaQ, 130/30, Dividend Achievers, and the Claymore Insider Fund have allowed us to use differentiated strategies outside of the possibilities offered through common equities. The return in 1<sup>st</sup> quarter was 12.97%.

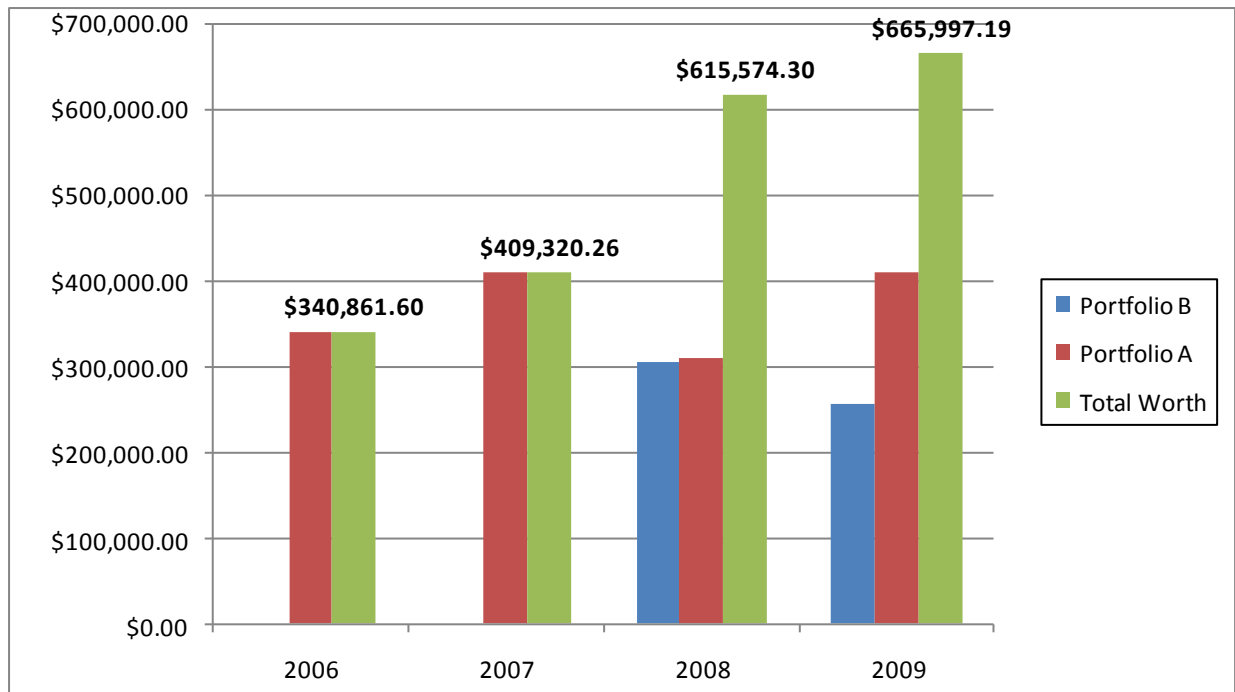
# Performance Against the Market

<b>Portfolio A</b>	<b>\$445,669.10</b>
Beta	0.81
<b>Portfolio B</b>	<b>\$278,014.40</b>
Beta	1.11
<b>Combined Portfolios</b>	<b>\$723,683.50</b>
<b>Beta</b>	<b>0.92</b>

	August 31	Current	Gain/Loss
Eagle	\$638,305.00	\$723,683.50	13.38%
DJIA	9,496.28	10,725.36	12.94%
S&P 500	1,020.61	1,158.77	13.54%
Russell 2000	572.07	673.47	17.73%

	12/31/2008	12/31/2009	Gain/Loss
Eagle	\$615,574.30	\$665,997.19	8.19%
DJIA	8,772.25	10,428.05	18.88%
S&P 500	902.99	1,115.10	23.49%
Russell 2000	499.51	625.39	25.20%

<b>Year End Market Values</b>			
	<b>Portfolio B</b>	<b>Portfolio A</b>	<b>Total Worth</b>
<b>2006</b>		\$340,861.60	\$340,861.60
<b>2007</b>		\$409,320.26	\$409,320.26
<b>2008</b>	\$306,102.29	\$309,472.01	\$615,574.30
<b>2009</b>	\$257,182.65	\$408,814.54	\$665,997.19





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