

Global Financial Advisors Equity Fund I, LP
Performance Report and Analysis
 September 2008

"Our favorite holding period is forever." ~ Warren Buffett

I. Performance Overview

During September, the Global Financial Advisors Equity Fund (GFAEF) underperformed its weighted benchmark by -0.7%, due mainly to the returns of a single financial stock, AIG. The Fund declined 9.5%, compared to the 80% S&P and 20% Russell weighted benchmark decline of 8.7%. To give an idea of the importance of a single stock, without AIG's negative contribution, the Fund would have out-performed its benchmark by 125 basis points. The Fund remains 29% actively managed, although with current market conditions we will be increasing that soon.

During the month, we did not add to the actively managed assets. However, every stock except AIG had returns in excess of 150 basis points over our weighted benchmark during the month. While we will not invest in companies that do not meet our rigorous investment criteria, we do need to strengthen our sell discipline. While we made errors in stock selection in the financial sector, from discussions with other portfolio managers, we were not the only ones who made those mistakes.

Table 1: Portfolio Returns as of 9/30/2008

	September	QTD	YTD	Return Since Inception
GFA Equity Fund	-9.5%	-7.6%	-21.0%	-8.6%
Actively Managed	-9.4%	-4.1%	-25.9%	-10.0%
% Actively Managed	28.8%			
Benchmark (1).	-8.7%	-6.9%	-17.5%	-3.7%
Relative Performance	-0.7%	-0.6%	-4.1%	-5.0%
S & P 500	-8.9%	-8.4%	-19.3%	-4.0%
Russell 2000	-8.0%	-1.1%	-10.4%	-2.9%

Note: The benchmark is weighted 80% S&P 500 and 20% Russell 2000

Note: The Portfolio was not fully invested in ETFs until May 23, 2006. For the purpose of this Fund, portfolio performance was changed to begin at the close of trading on May 31, 2006. The first actual stock purchase was April 6, 2006. Performance data quoted represents past performance and may not necessarily be indicative of future results. For the current portfolio and holdings, see Exhibit I.

Recent Fund performance has taught the team the importance of three critical areas: having a sell strategy in place, getting further invested, and monitoring the

portfolio during the summer. Had we had a disciplined sell strategy in place, we would have sold AIG (and Ambac for that matter) at significantly higher levels than we did. We estimate that the lack of a sell strategy resulted in most of our underperformance since inception.

Had we been more diversified, the impact of the financial stocks would not have been as strong. We are working on getting more invested, and recently purchased Proctor & Gamble, which will be discussed in next month's report.

Finally, had the Fund been managed more actively during the summer, the Fund might have started the semester in a stronger financial condition. While the Coordinating Supervisor has been reluctant to make portfolio shifts during the summer without analyst input, he should be more willing to make those decisions based on established policies and procedures. Each of these three areas were expensive lessons for the Fund, but important lessons none-the-less.

The actively managed portion of the Fund continues to perform well, ex-AIG. Currently 29% of our total portfolio is actively managed, and we continue to closely look at opportunities in the current down market. The performance of the actively managed portion of the fund has underperformed since inception, due to the under-performance of our two financial stocks, Ambac and AIG. As of month-end, we no longer have individual asset exposure to the financial sector.

II. Economic and Political Analysis

Economic change and turmoil were the trend this month in the markets. In an unprecedented move, the government stepped in again to save failing institutions, shoring up AIG with an \$85 billion loan and taking an 80% ownership in the company. Also, Congress and the White House passed a bill providing an additional \$700 billion to the markets to purchase risky mortgage backed securities in the hope that this will provide the necessary liquidity to banks that are close to insolvency.

To stave off bankruptcy, many of the nation's largest banks chose to seek out mergers, such as Merrill Lynch, who merged with Bank of America and Wachovia who is currently in talks with both Citi and Wells Fargo. Also, Goldman Sachs, who previously had seemed immune to the market turmoil, decided to reform as a bank holding company. This move allows them to collect deposits as a commercial bank would do, thus helping to offset any potential losses from risky assets.

With the upcoming elections in November, these issues in the financial market are increasingly becoming a topic of debate for politicians. We expect that this will create even more pressure for the Fed to continue to stimulate the economy. Many believe the Fed will lower its short-term interest rate even more than the recent global reduction to revitalize the markets. However, with housing prices

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still on the decline, jobless rates rising, and consumer spending at decade-low levels, the economy is still expected to struggle over the next few quarters.

III. Industry Analysis

We did not expand our active portfolio into any other industries this month. As expected, all industries were down significantly for the month (see Table 2). Our portfolio performance decline for the month is directly related to the holdings we have that follow sector funds.

During the month, we have updated all 24 of the S&P 500 sub-sectors. These updated reports can be found on the Investment Banking Club website at www.byuibc.org/node/114. In an effort to respond to these challenging times and to channel our efforts to the most attractive sectors going forward, we have also evaluated each of these 24 sub-sectors within the context of various economic scenarios relating to GDP growth, interest rates, world GDP growth, etc. Those results can be found in Appendix 3. We think you may find the results interesting.

Table 2: Sector Returns

Sector	Returns		
	MTD	QTD	YTD
Consumer Discretionary	-7.9%	-1.0%	-14.8%
Consumer Staples	-1.6%	4.1%	-4.8%
Energy	-12.0%	-25.0%	-18.9%
Financials	-5.2%	-0.1%	-31.0%
Health Care	-6.3%	0.0%	-13.5%
Industrials	-12.2%	-9.1%	-22.4%
Information Technology	-12.8%	-12.1%	-23.9%
Materials	-17.2%	-22.9%	-22.8%
Telecommunications Services	-12.7%	-15.7%	-31.7%
Utilities	-11.7%	-18.7%	-22.3%
S&P 500 Total Returns	-8.9%	-8.4%	-19.3%

We are currently looking at companies in the consumer staples, consumer discretionary, and even some technology firms that have been beaten down.

IV. Company Analysis

Apart from the active investments in the financial sector, the actively managed portion of the Fund did fairly well on a relative basis. While many of our holdings were down, they tracked fairly close to their respective industry segments, with all of them outperforming. Due to the turmoil in the markets with the impending bailout and other woes in the financial sector, many of the other sectors were down for the month, after being broad-brushed by investor fears.

AIG was the big mover this month, earning a return of -74.5% for the month, with the financial sector down only 5.2%. AIG has been struggling as of late, recording more than \$11 billion in write-downs in the fourth quarter last year.

These troubles came to a head this month when AIG was forced to seek additional liquidity to cover potential losses on their MBS portfolio. With debt markets reluctant to enter risky loans, AIG was forced to approach the government and turn over control of the company to them in exchange for an \$85 billion loan. With over \$111 billion in mortgage backed securities weighing down the company's bottom line, we felt that our investment themes had changed and that it was time to liquidate our position. We evaluated AIG's portfolio, did sensitivity analysis on the MBS portion, and realized that the implied value on the MBS portion was only 32 cents on the dollar. On September 23, we sold our position for \$5.50 a share. This AIG analysis is available on request.

Johnson and Johnson (JNJ) was down 1.6% this month. We feel this investment is well placed in the current economic environment, as with the down economy, investor preferences seem to be shifting towards larger, more stable companies who pay consistent dividends. Also, with the sector down 6.3%, this stock is outperforming its peers by a significant margin. With great confidence in both the business model and management of JNJ, we continue to like this stock and foresee holding it for the near future.

Apollo (APOL) was down 6.8% on the month, with its sector down 7.9%. This stock continues to be the star in our portfolio (with over a 45% return since inception). The Team feels that in times of recession, people are more motivated to go back to school, particularly alternative education centers where the scheduling is flexible. With the Axia acquisition last year, this company has continued to grow both internationally and through their internet programs. As such, we continue to expect this company to have strong growth. Although it has been down of late, the themes have not changed and we continue to expect this stock to outperform.

During the month we did not purchase any additional stocks. We have held Apollo, Boston Scientific, Checkpoint, Johnson and Johnson, and Timberland longer than one year and will be re-evaluating those positions over the course of the semester. Also, we will continue to search for opportunities in other industry segments where we currently have no active allocation.

V. Outlook

The team remains fairly bearish on the markets. With the financial sector still weighing down on the markets, we foresee the turmoil to easily last into late 2009. We continue to look for opportunities in industries which we see as outperforming in a time of recession. Some of the industries we are focusing on are consumer staples, health services, and "old" tech companies (large, stable tech companies).

Also, this month the Team made great steps towards setting a specific sell strategy for the Fund. We have had numerous guest lecturers speak to us about ways to adequately judge when to sell, both from a qualitative and a quantitative

perspective. At the same time, we have been implementing increased record keeping tools which will help us to analyze the information that went into purchasing a stock and comparing it with current market expectations and trends so that we can decide if we still wish to hold that stock.

Each team was also assigned responsibility for monitoring the performance of certain stocks in the portfolio on a daily basis so that we have much more oversight of our current holdings. Once a stock reaches a certain “red flag” point (which we are currently deciding the specifics on) the team will automatically begin an in-depth analysis and present their findings and recommendation to the Fund.

Thank you for your help and support for these great analysts and the Fund. We appreciate this wonderful opportunity to manage these assets, and look forward to a continued association with each of you.

VI. General Support Documents

The following support documents should be read in conjunction with this report.

- Exhibit 1. GFA Equity Holdings by Industry Segment and Security
- Exhibit 2. GFA Total Portfolio and Active Portfolio Returns
- Exhibit 3. GFA Macroeconomic Trends