

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

September 2009

*"Successful investing is anticipating the anticipations of others." ~ John Maynard Keynes*

**I. Performance Overview**

**Summary.** During September, the U.S. equity markets continued their rebound, as evidenced by the 4.1% (16.3% QTD) rise of the weighted benchmark of 80% S&P 500 Index and 20% Russell 2000 Index. During this same period, the Global Financial Advisors Equity Fund (GFAEF) outperformed the benchmark, rising 4.7% (16.6% QTD). In spite of the recent strong quarter's performance, the Fund has outperformed the benchmark by 0.3% for the quarter and 4.9% over the past (and very volatile) 12 month period (see Table 1). Our view remains that well-run companies purchased at attractive prices will outperform in the long-run.

**Table 1: Portfolio Returns as of 9/30/2009**

	September	QTD	12M	Return Since Inception
<b>GFA Equity Fund</b>	4.7%	16.6%	-2.3%	-10.7%
Actively Managed	5.2%	13.5%	14.4%	-4.2%
% Actively Managed	34.9%			
<b>Benchmark *</b>	4.1%	16.3%	-7.2%	-10.6%
Relative: Total Portfolio	0.6%	0.3%	4.9%	-0.2%
Relative: Actively Managed	1.0%	-2.8%	21.6%	6.4%
S & P 500	3.7%	15.6%	-6.7%	-10.4%
Russell 2000	5.8%	19.3%	-9.6%	-12.2%
* The benchmark is weighted 80% S&P 500 and 20% Russell 2000				

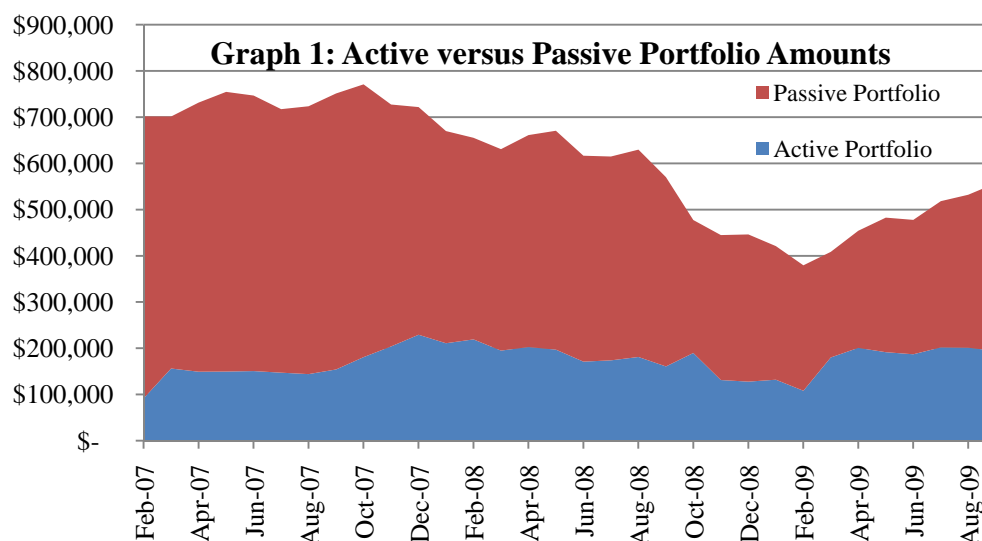
Note: The Portfolio was not fully invested in ETFs until May 23, 2006. For the purpose of this Fund, portfolio performance was changed to begin at the close of trading on May 31, 2006. The first actual stock purchase was April 6, 2006. Performance data quoted represents past performance and may not necessarily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

**Actively Managed.** The Actively Managed portion of the Fund outperformed its benchmark during September by 1.0%, gaining 5.2% during the month. Five of eight companies outperformed the weighted benchmark during the month, while IBM, Checkpoint and Johnson & Johnson underperformed. Quarter-to-date, the Actively Managed portion of the Fund underperformed by 2.8% versus the benchmark, while it has outperformed the benchmark by 21.6% over the past 12 months and 6.4% since inception.

**Risk.** The Fund was designed to minimize risk while giving analysts an opportunity to develop stock selection, portfolio management, and client reporting

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skills. Overall, the Fund is maintaining a residual standard deviation (the standard deviation of the excess returns over the weighted benchmark) of 0.3% quarter-to-date, 4.4% over the past 12 months and -0.9% since inception. The Actively Managed residual risk rose to -2.5% quarter-to-date, an all-time high of 17.5% for the last 12 months and 3.1% since inception. While returns are volatile, particularly the Active Managed portion, Fund risk has been maintained within established limits by strict adherence to our investment process.



The Fund Sharpe ratio indicated the Fund outperformed the benchmark on a risk-adjusted basis quarter-to-date basis (3.0 for the total fund versus the benchmark of 2.9), while both the Fund and Actively Managed portion outperformed the benchmark over the past 12 months (-0.5 and 2.3 versus the benchmark of -1.4, respectively). Our disciplined investment process continues to add value on a risk-adjusted basis.

**Table 2: Active Portfolio Statistics**

Prospective Price Earnings	14.2x
Price to Book value	5.0x
EPS Growth (2009)	7.8%
Dividend Yield	2.5%
Weighted Market Cap.	\$106 billion
Cash Percentage	0.6%
Active Portfolio Beta	.81

**Fund Statistics.** Compared to the S&P 500 index (see Table 4), the Actively Managed portion of the Global Financial Equity Fund I has a lower PE with similar earnings growth to the index. Portfolio statistics for the Actively Managed portion of the Fund are given in Table 2. During September, turnover was 3.3%. Quarter to date, the Fund has had turnover of 3.3%, with 59.7% for the last 12 months.

*Team.* During September we started a new team of analysts reviewing existing holdings, understanding our investment process, and evaluating each of the 24 industries of the S&P. To see our view on each of the 24 sectors of the S&P 500, see the Capital Markets Club website at <http://byuibc.org/node/218> where this data is made available.

## II. Economic and Political Analysis

In September, equity markets suggested wide anticipation of continued recovery, though many agree such a recovery will be quite protracted. During the month, the S&P 500 rose 3.7%. Other signs of slowly increasing risk appetite included declining 10-year Treasury yields (from 3.38% to 3.31%) and a weakening dollar (from \$1.42 to \$1.46 against the Euro, as well as a 3.7% depreciation against the Yen). Despite this apparent increase in investor risk tolerance, however, opinions still vary widely on where the economy and financial markets will go from here.

Economic data was fairly mixed, though equity markets showed an increased willingness to emphasize positive over negative data. On the positive side, leading economic indicators rose again in August, according to the Conference Board's September 21st report; the ISM Non-Manufacturing Index rose above 50 (51.3) for the first time since early 2008; consumer sentiment continued its rise; and yield spreads continued their decline.

Bulls also see rising corporate profits, resulting both from top-line growth and cost-cutting. The Federal Reserve reinforced its commitment to stimulate growth by leaving the Federal Funds rate near zero. This should promote spending and lead to cheaper borrowing opportunities for corporations looking to grow. Along with top-line growth, cost-cutting will hopefully allow companies to turn those revenues into profits—an effect we have already witnessed. As the October 1st, 2009, Wall Street Journal suggested, “Corporate profits have come in above reduced expectations, in large part due to cost cutting.”

However, much of the cost-cutting came through layoffs, and the labor market still presents a significant threat to economic recovery. The Labor Department's October 2nd report revealed that unemployment rose to 9.8% as nonfarm payrolls declined by 263,000 in September. As recently as July 2008, unemployment was below 6%. Since the beginning of the recession in December 2007, the unemployment rate has doubled. Though some stress that unemployment is a lagging indicator, there is little doubt that continuing high unemployment would drag on consumer spending and stunt economic growth.

Unemployment is not the only threat to consumer spending. Bulls also point to a high savings rate in the United States, poor expectations for the Holiday season, and rising energy prices. Their concerns do not stop there. As the Wall Street Journal's October 1st, 2009, edition explained, “Despite signs that the global economy is improving, there are risks, including unexpected economic weakness and, eventually, higher interest rates and possible inflation.”

Regarding unemployment, President Obama promised that he is working to “explore any and all additional measures” to spur growth, and underscored forecasts for the Federal Reserve to keep its benchmark interest rate near zero through next year. Even though the higher-than-expected jobless rate is disappointing, the administration is still focusing on the overall trend of slowing job loss.

Fed chairman Bernanke said that the growth of the economy is not enough to bring down the unemployment rate. This means that the central bank will be slow in draining trillions of dollars that it pumped into the market. As the government stimulus wanes, more companies will cut down on jobs. The Fed and the government is considering maintaining policies to support economic growth, lowering unemployment until the recovery is assured.

### III. Industry Analysis

September turned out to be a month with positive growth in every industry. Each sector saw 2-6% growth, with the exception of Health Care (0.9%) and Utilities (1.1%). Volatility between sectors has increased dramatically, as shown by the difference between the best performing section year-to-date, Information Technology which was up 44.8%, and the worst performing sector, Telecommunications Services, which was down 3.1% (see Table 3).

**Table 3: Sector Returns without Dividends (9/30/09)**

Sector	Returns		
	MTD	QTD	YTD
Consumer Discretionary	5.2%	18.9%	27.8%
Consumer Staples	3.3%	10.5%	6.7%
Energy	4.6%	9.5%	5.9%
Financials	1.9%	25.1%	19.2%
Health Care	0.9%	8.9%	7.9%
Industrials	6.6%	21.2%	11.9%
Information Technology	4.5%	16.7%	44.8%
Materials	4.7%	21.0%	35.9%
Telecommunications Services	2.8%	3.9%	-3.1%
Utilities	1.1%	5.0%	0.7%
<b>S&amp;P 500 Total Returns</b>	3.6%	15.0%	17.0%

Source: Standardandpoors.com

### IV. Company Analysis

Carrying over from last semester, we will continue with our goal to screen analyze three to five companies a week, and we have been pleased with the depth of analysis and scrutiny happening as we discuss various investment ideas. We have already run our quarterly screen of all the companies in our investment universe, weighted them by their relevant metrics, and run the Pricing Tool on the

results. This will help us tailor our research agenda to the best opportunities this semester.

We continue to believe that there are companies in the market trading at discounts to true intrinsic value. Our focus now is making sure that we are buying companies at the right price. We have identified many great companies, but are not all are trading at truly great prices yet. With every company that is screened, we decide upon a price at which we would potentially buy. Our watch list is filling with great companies, and we are waiting until the companies trade below our required price. The following is an update of the companies in which we are currently invested:

The Coca Cola Company was our biggest winner this month with shares up 10.1%. This was a 6.8% increase over its sector. The Coca Cola Company has been making several positive company image contributions by donating over \$7mm to Atlanta University for education enhancements, launching a innovative learning lab project to foster economic development in Africa, as well as begin to display nutritional information on all products emphasizing a healthy lifestyle and balanced diet. Coca Cola also announced an additional \$200mm investment in Vietnam in order to capture an important international growth market.

**Table 4: Sector Price Earnings and Operating Earnings Growth (9/30/09)**

Sector	2009		2010	
	PE	OE Growth	PE	OE Growth
Consumer Discretionary	25.2	63%	16.0	57%
Consumer Staples	14.9	3%	13.6	10%
Energy	24.2	-67%	12.7	90%
Financials	39.1	NM	16.9	132%
Health Care	12.7	8%	11.5	10%
Industrials	16.4	-33%	15.1	8%
Information Technology	21.7	-4%	16.3	33%
Materials	36.7	-37%	17.9	105%
Telecommunications Services	13.5	-3%	12.9	5%
Utilities	12.8	-5%	11.5	11%
<b>S&amp;P 500</b>	19.3	10%	14.3	35%

OE = Operating Earnings, Source: Standardandpoors.com

Alliance Resources Partners (ARLP) was up 9.6% for the month, versus a 4.6% increase in the Energy ETF. This is a high dividend yield stock so its current price fluctuations shouldn't affect our investment as much. There has been little change in the company during the month, except that ARLP Directors have been buying stock lately.

Covidien (COV) was up 9.3% for the month, versus a 0.9% increase in the Health Care sector. During the month, COV announced the acquisition of Aspect Medical Systems, Inc., which is a \$210 million deal expected to be completed by the end of calendar 2009. COV also announced acquisition of Power Medical Interventions, Inc. for \$65 million and received FDA approval for DuraSeal spine

sealant for use in the US. The fundamentals continue strong and make this stock look attractive within the sector.

Potash Corporation (POT) dropped significantly in a short period of time while the sector continued to appreciate. We applied our sell strategy and sold our small holding of POT on September 18th, 2009 at \$96.67, giving us a 9.1% return for September. POT had underperformed its sector by over 20% and was at 87% on the Pricing Tool--indicating it was quite expensive compared to its history. The company's stock had dropped consistently since June with a plunge in 2Q profit and revenue, and as POT lowered its 2009 EPS outlook. Our current sell strategy is to closely monitor a stock once it has decreased 10% in value, and to discuss selling our holding after a 20% drop in value.

P&G was up 7.0% this month, versus a 3.3% rise in Consumer Staples. This increase came through several big news items. First, P&G announced the all cash sale of their global pharmaceuticals business to Warner Chilcott for \$3.1bn. Second, P&G reaffirmed its fiscal 2010 guidance of organic sales growth of 1%-3% while its expected 2010 EPS will be around \$3.99-\$4.12 per share. Third, Citigroup upgraded P&G to a buy as it "is poised to win market share through aggressive pricing." P&G also is teaming with Accenture to transform its global web technology infrastructure and on-line digital capability.

IBM's stock has increased 1.8% during the month of September, underperforming the Information Technology sectors 4.5% return. IBM's "Smart Planet" strategy is in full swing as IBM has struck multiple deals throughout the world including innovation centers in India, Kazakhstan, China, Italy, and South Africa. On the acquisition side, IBM has acquired RedPill Solutions, which provides advanced customer analytics services to businesses in such as financial services, telecommunications, and technology. IBM has also bid \$1.2 billion for SPSS Inc., which would help resolve trademark disputes.

Johnson and Johnson (JNJ) increased 1.6% in September versus a 0.9% increase in the Health Care sector. JNJ subsidiary Centocor Ortho Biotech Inc. received FDA approval on Stelara, a new drug used to treat moderate to severe psoriasis in adults. Boston Scientific Corp. and JNJ reached a settlement regarding patent disputes where Boston Scientific will make a payment of \$716 million to JNJ. We are pleased with our current position in the stock and will continue to monitor its performance relative to the sector.

Check Point Software (CHKP) rose 1.4% in September, underperforming the Russell 2000's return of 5.8%. In spite of this underperformance, quarter-to-date CHKP is up 27.1% versus the Russell return of 19.3%. Check Point Software Technologies (CHKP) announced that Check Point IPS solutions shield customers against exploits associated with the FTP Service in Microsoft Internet Information Services vulnerability. Successful exploitation of this unpatched vulnerability could allow hackers to take over an affected company's systems. In addition, FBR Capital Market recently downgraded CHKP to a Market Perform from

Outperform rating. Despite this downgrade, CHKP is expected to see a potential growth into 2010 as the Nokia security appliance acquisition begins to manifest a catalyst for growth.

## V. Outlook

We are very excited to start this semester with a new team. We know that through hard work, following our investment process and discipline, and utilizing and improving the tools available, we will find several companies that are temporarily undervalued but which will add value to the Fund. Each team continues to monitor the individual stocks in their respective sectors. This gives us more oversight and will help in securing any gains that any one stock may have had in any given holding period. We continue to perform well on a relative basis and are confident that going forward this semester we will find many companies that will add to that performance.

Thank you for your interest in the Global Financial Advisors Equity Fund I. We appreciate your help and support, and all that you do for the analysts, the Marriott School, and Brigham Young University.

Sincerely,

Scott Smith	Kurt Barton	Trevor Maddux	Curtis Lefrandt
Nate Leishman	Colton Burr	April Lindgren	Ryan Smith
Tuan Luong	Aleksandra Salo	Eric Olson	Seung Hyun Ko
John Russell	Jun-ho Song	Neil Whitehead	Viet Tran

Bryan Sudweeks, Faculty Advisor

## 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