thegeorgeinvestmentsview

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foreign investment

by Vittorio Fratta & Anders Asheim

For decades investors have been focusing almost exclusively in the U.S. stock and bond markets. This pattern was due to the strength of the American economy and its stability, which minimized risk. Following the same reasoning, investors preferred to allocate the bulk of their investments in securities of American companies. However, the soundness of this investing strategy is questionable if we consider the need to have a properly diversified portfolio. It is well proven that an investor should always try to create a portfolio composed of investments with different return patterns over time. The benefit of having such a portfolio is that by being diversified, risk is minimized because “low or negative returns rates of return on some investments during a period of time are offset by above-average returns on others”[1].

As is well known, during 2001 the American stock market plummeted

continued on page 6

editor's note –

by B.J. Gilcher

The Roland George Investments Program is a real-money, student-managed fund here at Stetson University. Through the generosity of the Roland George family, students get to have hands-on experience that cannot be taught in the classroom. It is a two-semester program that allows a small group of students to get some “real-world” experience in how to manage an investment portfolio.

Our fund is divided into an equity portfolio as well as fixed income. As students in the program, we develop our own investment goals, objectives, and criteria for managing our portfolio. What allows us to succeed on a continual basis? A combination of investment discipline and a strong investment education enables us to successfully manage our fund. Some luxuries enjoyed by the small group of students who make up the program are a state-of-the-art research and trading room, a chance to travel to New York City and a tour of the New York Stock Exchange, and an opportunity to attend the RISE Symposium at the University of Dayton in Ohio.

continued on page 13

what's *inside*

portfolio manager's report

by Jason Buser

It has been another interesting year for financial markets. The Federal Reserve began a "measured" interested rate increase, much to the dismay of the bond market. At the same time, the uncertainty created by the presidential election held the stock market down for much of the year.

In this environment, the Roland George Investments Program has had a very good year. As shown on the accompanying chart, the Growth Fund has returned 10.38% YTD. This handily outperforms the S&P 500, which returned 5.57% since the beginning of the year. The Income Portfolio posted an equally impressive performance with a 3.83% return while the Lipper Intermediate Investment Grade Bond index returned 3.3% over the same period.

The accompanying sector allocation table shows the sectors that the Roland George Program feels are poised to outperform the market. Compared to the S&P 500 the George Program is overweight in Consumer Discretionary and Consumer Staples by 14.3% and 10.9%, respectively. This reveals that the students follow the important maxim of Warrant Buffett to invest in what you know. We obviously are most acquainted with what we consume and are able to find superior companies within these industries.

The program is most underweight in technology and financials. Technology gets an underweighting because most of the students in the program simply aren't familiar enough with much of it to be able to make an intelligent investment. Many of us are also still leery from the technology sell-off of 2000-2001. Financials remain underweight because of fears of the financial sector being hurt from the sustained, measured interest rate increases of the Federal Reserve over the next year.

This investment foresight has yielded some excellent investments for the George Program in the past year. Foremost among these is Rocky Mountain Chocolate Factory (RMCF), up 80% on the year. Another standout is United Natural Foods, which made 35% before being liquidated in November. A final star among the portfolio is Dick's Sporting Goods, which returned 48% since January first.

All in all, this has been a very good semester for the George Program. The Program prides itself in the ability of its student analysts to go the extra mile in research companies, "kicking the tires" so to speak. As long as the Program maintains its focus on quality research and good fundamentals, the future looks even brighter than the present.

purchases

Central European Distribution (CEDC) distributes imported and domestic beer, wine and spirits in Poland. The company has also recently completed the acquisition of its first vodka distillery, vertically integrating. The company has a rich field of potential acquisition targets as it continues to expand its distribution operations.

Molecular Devices (MDCC) provides hardware and software solutions to streamline the medical device discovery process. The strong fundamentals of this company and the continued growth of the industry, make this a very attractive investment.

Inter Parfums (IPAR) manufactures and distributes high-end, top-quality fragrances, including Burberry's line of fragrances. The continued pricing power of this company, along with aggressive cost control, makes it a very attractive buy.

Buckle (BKE) operates a chain of retail stores of the same name. In addition to retail, the company also has its own clothing line. We feel that the company is small enough and we are investing early enough that there is very real growth potential.

WCI Communities (WCI) builds and maintains a number of upscale communities throughout Florida and the Northeast. We feel that the growth of this company will continue as second-home ownership continues to climb.

Sovran Self-Storage (SSS) owns a chain of storage unit complexes under the brand name of Uncle Bob's Storage. The company is organized as a REIT, so it must give out 90% of its profits and can make up the shortfall in financing expansion through taking on moderate debt.

Brigham Exploration (BEXP) specializes in exploring and drilling for oil in Texas and in taking over old oil wells and using new techniques to maximize the yield from these wells. These new and innovative approaches make this stock particularly attractive.

Hi-Tech Pharmacal (HITK) researches and manufactures pharmaceuticals, specializing in pharmaceuticals that can be taken by diabetics. With such a large population of diabetics in the U.S., there is ready demand for these focused pharmaceuticals.

sales

Brown & Brown (BRO) is an insurance broker based in Daytona Beach, FL. While the stock has been excellent in the program, we felt that acquisition targets may be drying up and fortunately sold the stock less than two weeks before it was adversely affected by a scandal by Marsh & McLellan that rippled throughout the industry.

United Online (UNTD) operates higher-speed dial-up internet. While this product appeared to have a niche when it was purchased, it now appears that this niche has dried up and dial-up will continue to be dominated by cable and broadband.

American Italian Pasta (PLB) manufactures and distributes a variety of dry pastas. Because of the trend toward low-carbohydrate diets, this stock has suffered and future growth prospects look grim.

Dick's Sporting Goods (DKS) operates a chain of sporting goods stores under the same name. The stock performed very well, despite earnings-related volatility over the summer. Having realized the target price that was initially put on the stock, the position was liquidated.

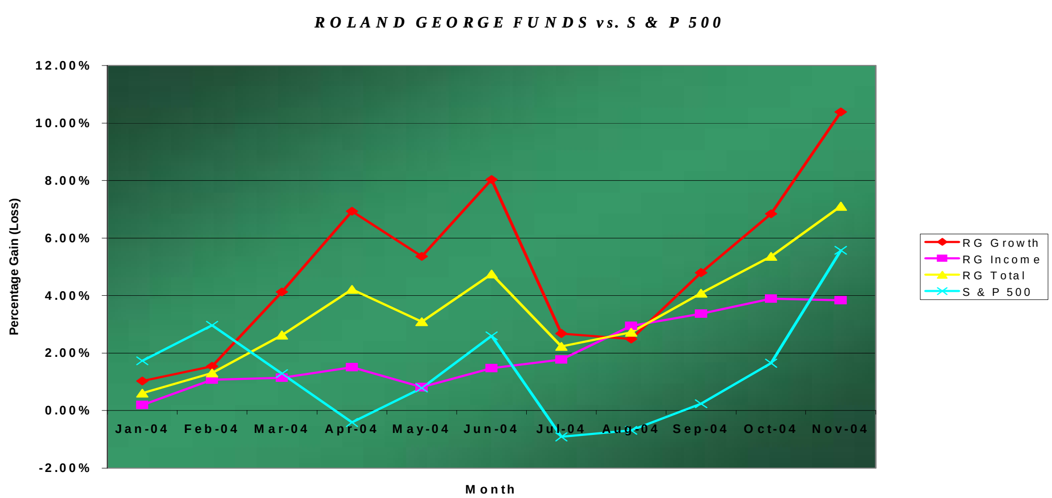
Cyberguard (CGFW) provides electronic security to commercial clients. The company's growth prospects are not what they were hoped to be upon acquisition a year ago.

United Natural Foods (UNFI) distributes health food products to such clients as Whole Foods and Wild Oats. This stock has returned very well for the program and the hoped-for target price was realized.

SurModics (SRDX) manufactures materials that are used on medical devices, such as the medicated stent produced by Johnson and Johnson. While the stock has done well with their relationship with Johnson and Johnson, the future pipeline for the company looks bleak.

MBIA (MBI) provides diverse and complex financial services. Increased government regulation of many of these vehicles prompted the George class to take its gains on this stock and liquidate the position.

NetSmart (NTST) provides technology solutions to medical companies, especially in their compliance with the HIPPA medical privacy act. While the company performed quite well immediately after acquisition, its performance has lagged in recent months.



director's *update*

by Dr. Larry Belcher

strong performance - good financials

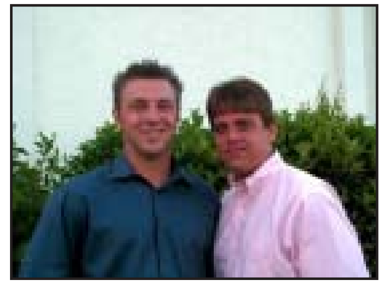
The fall is over, and for residents of Florida, that is a good thing. After getting hit with a freakish three-strong hurricane season in the central Florida region, we were ready for the fall to be behind us. The storms had a fairly disruptive effect on campus, as we lost class time on several occasions as the university was shut down. Thankfully, the damage sustained to our physical plant was modest, about $350,000, and federal insurance may cover part or all of the damage. For the students, the damage was less physical and more intellectual as they missed significant class time and had to deal with the interruptions of stopping and starting their semester several times. The holiday break never looked so good to most of the students in the George Program.

> ***"other faculty members recognize the unique position that the George Program has in the universe of student-managed funds . . ."***

The fall saw students and most people in the United States gearing up for a Presidential election. As was the case in 2000, there were substantive differences between the candidates regarding economic issues and the likely effects of policies on financial markets. The students were looking at industries that would perform well in a recovering economy and away from industries that might falter otherwise. The students continue to be wary of technology and health care companies because their earnings are so volatile. They decided to take advantage of the growing real estate boom by buying two companies in the real estate/housing sector: WCI Communities and Sovran Self Storage. WCI is a builder of upscale retirement communities and condos. They are principally in Florida but recently have begun a project in Connecticut. Sovran is a REIT (real estate investment trust) that invests in self-storage properties across the United States. Both companies were selected based on strong performance and good financials, the types of things the George students look for.

Another market change that the students noticed in this recovery is the fact that upscale retailers are performing well. As a result, two such companies were also added to the portfolio. Buckle is a maker of specialty, more upscale youth oriented apparel and Interparfum is a maker of specialty perfumes for retailers like Burberry. Both of these companies have strong brands and good outlooks.

I recently returned from a conference and participated in a panel discussion on student managed investment programs. It was good to interact with my peers from other universities across the country. Every time I do that I always come back encouraged. Our students not only stack up well against any others that I have seen, but other faculty members recognize the unique position that the George Program has in the universe of student-managed funds. We are grateful for your support to help keep us there. Please feel free to keep in touch or come by, as we like to stay abreast of our alumni and friends.



the presidential election & the stock market

by Jim Simcoke and Danny Gay

The year 2004 has seen financial markets overwhelmed with uncertainty. Over the past year, the Dow Jones Industrial Average has swayed between 9,800 and 10,600, while economic factors contributed to investor uncertainty. Geo-political factors, such as the uncertainty of the presidential election, plagued investor optimism and the market. The uncertainty of investors played itself out nicely in the stock market on Election Day. Early on, the market rallied on news of polls indicating growing support for Bush. Then, a late report said early exit polls favored John Kerry. Faced with the possibility of another locked election and more uncertainty, investors started selling. The market rallied, since George W. Bush won the election, and there was no repeat of 2000.

Historically, the first two years after a presidential election tend to be below the market average, and years three and four tend to show greater market performance. This constant trend can be accredited to the fact that in the early years shortly following an election, the president will usually make decisions that are not as popular with the public such as raising taxes, government spending, and stronger business regulation. The effects of these policies cause businesses to suffer, resulting in earnings losses and leads to poor stock market returns.

In contrast, the last two years of a President's term usually result in decisions that are appealing to the public and will encourage them to vote the President into office again. Tax cuts, increasing the money supply and other policies that serve as a catalyst for businesses and the stock market are often the policies that can be accredited to the increase in the last two years of a President's term.

Although many companies will be affected in different ways concerning the outcome of the election, we do not consider the election to be a largely significant issue pertaining to our stock selection for 2005. Criteria such as market capitalization, financial stability, industry attractiveness, and undervaluation by the market are still our primary tools in stock selection. Regardless of the outcome of the election, these criteria still remain at the top of our list.

foreign investment

continued from page 1

down leading an economic recession during that year and 2002. Some of the factors that played a big role in the stock market slowdown were the burst of the technology bubble, the terrorist attacks, and the corporate scandals of Enron and WorldCom. In this situation huge losses could have been avoided through diversifying into foreign securities, especially those that have low correlation with U.S. securities.

One of the remaining consequences of the 2001 downturn is that many individual investors have lost their confidence in the market. This lack of confidence in the market has combined with the uncertainties brought by the presidential election, the war in Iraq and high oil prices to create a flat market in 2004. Taking these current conditions into consideration, an excellent option for investors is to open up to new possibilities outside the U.S. By doing that, they will broaden their investment possibilities by 50%. Furthermore, during the last few years rates of return on non-U.S. securities have been higher than those of U.S.

Eastern Europe is one of the most promising emerging markets for investments. In this region the leaders are Poland and the Czech Republic, due to the prominent size of their economies. However, there are several smaller countries experiencing tremendous growth rates, such as Lithuania (9%) and Latvia (7.4%). In the case of most of the Eastern European countries, their growth is evidence of the impact of their recent membership in the European Union (EU) in the spring of 2004. The integration into the union has led them to develop export-oriented economies to other countries in the Union. These countries have also benefited by the privatization of the majority of state companies, banks and real estate. One clear example of the excellent investing opportunity that these countries present is the NSEL 30 Index Fund. This fund is the first Lithuanian mutual fund founded by former George Professor (1990-1994) Max Zavanelli and is an index of 30 stocks of Lithuanian companies traded on the Vilnius Stock Exchange[2]. The 2004 return to date for the NSEL 30 Index Fund is 39%.

During the current year the Roland George Investment Program has adopted a more diversified strategy to take advantage of these benefits discussed before by acquiring 1,800 shares of Central European Distribution (CEDC). This company is based in Poland and it is dedicated to importing and distributing beverages.

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[1] Brown, Reilly. Investment Analysis & Portfolio Management. (Mason, 2003) p. 68

[2] http://www.indexfund.lt/en/nsel_index_fund.htm

"warning signs often overlooked . . . "
— a guest lecturer profile —

by Gerri Catha

Former Roland George professor, Mr. Max Zavanelli returned to Stetson this semester to speak to the Roland George students. Mr. Zavanelli's lecture focused on the warning signs that are often overlooked in companies' external reports. Three case studies were discussed, including the IPO for the local drive-thru restaurant, Checkers. In each of the case studies, the Roland George students examined portions of annual reports, proxy statements and analysts' recommendations as Mr. Zavanelli highlighted bad investment disclosures hidden in footnotes, insider activity in the proxy statement and many other disclosures which often are overlooked with a quick glance of these reports. Mr. Zavanelli's message that "the first page of the report always looks the best" was quickly realized by the students as we examined the footnotes in the annual report of our first case study, Dynatronic's, which disclosed a bad loan given to the CEO's son equivalent to five years of the company's net income. Mr. Zavanelli's lecture was the beginning of the George students' study of external reports as we focused on areas of manipulation in the income statement and balance sheet throughout the latter portion of the semester.

Mr. Zavanelli also spoke to the George students about his research and investment company, Zavanelli Portfolio Research (ZPR). Once just a research firm, ZPR has evolved into three legal entities that include ZPR Investment Management, ZPR International, Inc. and ZPR Investment Research, Inc. The Roland George students were able to review the past performance of ZPR's US small cap value portfolio as well as ZPR's earnings quality and true profitability model.

In a little over an hour, Mr. Zavanelli was able to give the Roland George students a brief synopsis of his more than 30 years of research and experience which we referred to during the remainder of the semester as we researched and selected stock positions for the portfolio.

objective . . . to maximize capital gains

by Grace Brabham and Scott Rosenblum

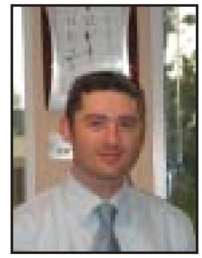
The guidelines of our portfolio were set so that the portfolio's student managers were able to have a precedent in choosing their stocks. The objective of the portfolio was to maximize capital gains. The workout period was set at 12-18 months, because the stocks will be re-evaluated on a yearly basis. Because of this short time period, and the objective at hand, the Roland George Investment Program chose to select small-cap value stocks with a market capitalization between $100 million and $2 billion. The portfolio's style was switched from small-cap growth to small-cap value because we felt interest rates were going to be rising, indicating that companies would not be able to maintain a reinvestment rate high enough to increase growth. We set a Price/Earnings ratio boundary of less than 18 and a Price/Book ratio of less that 2.5 to ensure that any chosen companies would not be heavily over-valued.

In developing the portfolio guidelines, we also wanted to specify the industry breakdown. It was agreed that we needed to increase investments in the Services and Defense industries because they are safe with the rising interest rates and because of our country's current involvement in international affairs. For these reasons we also chose to reduce the portfolio's investment in the manufacturing and discretionary industries. We decided the weight of technology securities in our portfolio should remain the same.

For added protection we opted to refrain from investing in securities with any recent large price gains. Also, stocks should have no more than three analysts following them. For liquidity safety we chose to disallow securities that had an abnormally low daily trading volume. These are the guidelines set forth by the class and were followed over the course of the semester. Though it was suggested that these guidelines be followed very closely, deviations were not frowned upon.

the buckle (nyse: bke)

by Alex Kajan



With a straightforward business model and a superior ability to keep up with the latest trends, The Buckle has positioned itself well within the competitive retail (special lines) industry. The products of The Buckle, as well as its bigger competitors (Abercrombie & Fitch and American Eagle), have become symbols that define our youth. Wearing your collar up, a brand name on your posterior, or rolling up your enormous French cuffs, to some, may seem laughable. The Buckle, however, sees this quite differently, and their vision managed to pull in $422,820,000 during fiscal year ending January 2004.

Incorporated in Nebraska in 1948, the company commenced business under the name Mills Clothing, Inc., a conventional men's clothing store with only one location. In 1967, a second store, under the trade name Brass Buckle, was purchased. In the early 1970's the store image changed to that of a jeans store with a wide selection of denims and shirts. The first branch store was opened in Columbus, Nebraska, in 1976. In 1977, the company began selling young women's apparel as well and opened its first mall store. The company has experienced significant growth over the past ten years, growing from 131 stores at the start of 1994 to 316 stores by the close of fiscal 2003. The company changed its corporate name to The Buckle, Inc., on April 23, 1991.

The Buckle recently began renovating its stores with a new design and logo created to attract the more trendy 15 to 23 year-old consumers. Additionally, due to a newly developed advanced inventory system, The Buckle is able to track in-store sales trends. This allows them to be able to predict slowing demand for an item, thus avoiding the practice of marking down items. Furthermore, their Lucky Brand jeans, though accounting for a small portion of revenues, are able to generate higher profit margins — the demand for this brand continues to grow.

There are many factors that led to the decision to add this position to our equity portfolio. Looking at a few economics numbers, we see that consumer spending has been growing at rates we haven't seen since the economic boom of 1999-2000. The same can be said for retail sales. Compared to October 2003, retail sales grew at 6.7% (October 2004). A small fraction of this pickup in consumer and retail spending can be attributed to energy prices beginning to fall back to more reasonable levels. This alleviation of the so-called "oil tax" is creating more disposable income, which (at least a portion) seems to be working its way back into retail spending.

Using a moderate growth rate of 10%, I valued The Buckle at $40 using Holt's model. After computing Malkiel's model, a price of $39 was obtained. With improving economic conditions, an innovative inventory system, renovation of existing stores, a solid ability to follow trends, and 56 years of continued growth, The Buckle's future looks exceedingly positive. Look for many good things from this company in the not-so-distant future.

hi-tech pharmacal

by MiguelGil

Hi-Tech Pharmacal Co., Inc., (HITK) was founded in 1982 and became a publicly traded company in 1992. Hi-Tech is a specialty pharmaceuticals manufacturer and marketer of branded and generic prescription as well as over-the-counter (OTC) products for the general healthcare industry. The company specializes in difficult to manufacture liquid and semi-solid dosage forms and manufactures a range of sterile ophthalmic, otic and inhalation products. The company's Health Care Products Division (HCP) is widely viewed as the leader in the OTC business targeting the diabetic consumer. Its Diabetic Tussin® line of products consistently ranks number one among sugar free cough & cold remedies. The company's fastest growing branded products are DiabetiSweet®, a unique aspartame free sweetener and Multi-betic®, a multi-vitamin, mineral and supplement formula for diabetics. Hi-Tech's strategy is to become a leader in liquid and semi-solid generic drug development, manufacturing and distribution. To achieve that, the company has been consistently investing in its manufacturing infrastructure and building its pipeline of products through internal effort, partnerships and licensing activities.

For the fiscal year (FY) ended April 31st, 2004, Hi-Tech Pharmacal announced a 19% increase in net sales. Net income rose 15% to $6.6 million. Revenues reflected growth in the generic pharmaceuticals business unit, up by 23%, driven by the core prescription products and the introduction of new products such as the Urea 40% cream and lotion line. On the other hand, the health care products business unit had a decrease of 9%, primarily caused by a one-time effect of previously exported products, which were improperly returned to the domestic market during the first half of the fiscal year.

For the second quarter of FY 2004 (ended Oct 31st), Hi-Tech Pharmacal announced net sales of $16.7 million, 7% increase in net sales compared with the same period in 2003. Net income decrease 4% to $2.3 million and fully diluted earnings per share remained at $0.27 compared to $0.27 for the same fiscal quarter the previous year. The change in net income was primarily the result of an 85% increase in research and development spending to $1.6 million from $0.9 in the prior period. During the same period of time, the company's significant customers were McKesson, Cardinal Distribution L.P., and Walgreens, which accounted for approximately 16%, 12% and 12% of sales, respectively.

future growth building blocks:

- *Market for Liquid Formulations*. This market has been expanding and will continue to grow due to the expanding geriatric population which experiences difficulties with swallowing tablets, creating additional demand for oral solutions and suspensions.

- *Patent Expirations*. The liquid market will also be benefited by the patent expiration of nasal sprays and ophthalmic products in the following 12-36 months.

- *ANDA Submissions*. The company will increase the number of new product introductions by expanding its research and development efforts, therefore increasing its ANDA submissions.

- *Develop and license branded products*. The company will focus on niche markets, such as diabetes care and related areas, such as podiatry.

short term milestones:

- *Two ANDA approvals and three non-ANDA product launches*. Hi-Tech Pharmacal expects to launch these products during FY2005.

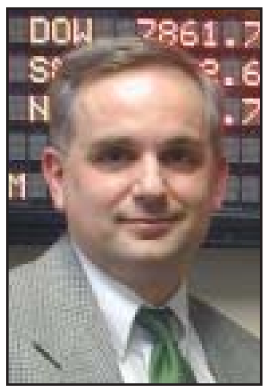
- *Distribution of Tannate 12 D S*. Recently, as of November 19th, 2004, the company announced the approval by a U.S. Court of Appeals, to start the shipments of its Tannate 12 D S cough and cold products. Distribution is expected to start by January 2005.

- *Expansion of Manufacturing and Distribution Facilities*. The company will finish its expansion plan during FY2005 for its manufacturing and distribution facilities in order to be ready to start gaining a share of the $1.4B market of nasal steroids, branded products that are set to lose patent protection, and/or marketing exclusivity in the next 12 to 24 months.

citigroup professional visits class

by Andre' Egorov

Students currently enrolled in the Roland George Investments Program had an opportunity to be lectured to by Michael J. Serio, Director and Investment Counselor for Citigroup Private Bank in Denver,Colorado. Mr. Serio visited the class on Wednesday, November 17, 2004. In the frame of class time, Mr. Serio shared as much as possible his 19 years of investments experience. He gave an overview of the global economy, equities and fixed income. In the second part of his presentation, he gave a lot of valuable information on how to start a career in Finance and Investments.


Mike Serio has been a frequent guest lecturer since 1998.

Prior to joining Citigroup Private Bank, where he is responsible for investment counseling and managing selection and client services with respect to investment portfolios, Mr. Serio was a Senior Vice President and Chief Investment Officer of Stein Roe Investment Counsel's Family Financial Advisors in Chicago. In addition, Mr. Serio has had a counseling relationship with the U.S. Agency for International Development in the development of financial markets in the Former Soviet Union.

Notably, it was very informative to hear the insight from an investments guru on the trends in the global financial markets, comparisons between United Kingdom's, European Union's, Japan's and the United States' indices and projections from Citigroup Asset Management's sources. To highlight the massive amount of information presented, the outlook for the United States' market could be outlined in few terms. If no surprises or shocks occur, the outlook is rather positive for stocks and negative for bonds. The yield curve is projected to flatten with the U.S. 10-year treasury bonds. Core inflation is expected to increase but still remain constrained despite higher oil prices and absent massive fiscal and monetary stimuli. However, there are risks — high inflation, economic slump, Asia's market strengthening, or geopolitical shock caused by continued rising of oil prices. These risks would affect the projections considerably, even down to a reversed situation in the scenario of economic slump — not that impossible with the current situation and given variables. Also, strategies for investing in terms of returns, absolute returns, relative returns and investor expectations were introduced for building portfolios, with an issue of timing in mind.

Mr. Serio then proceeded to a discussion of the current situation in the job market and opportunities in the career of investments. He gave us many valuable tips on how to start a career in Finance and succeed in it. He believes that the primary concern for college graduates should be continuing to learn — never stop learning. Looking for an opportunity to gain as much experience as possible versus trying to earn an extra dollar is the key to success in the industry. Mr. Serio's visit and lecture was a nice extra addition to all the information students get access to and experience they build up in the Roland George Investments Program.

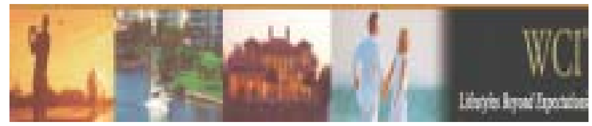
editor's note –

continued from page 1

Gerri Catha and Joseph Troendle present recommendations to the student trustees in the Lynn Business Center corporate-style board room.

If you ever get a chance to visit the Lynn Business Center at Stetson University, be sure to stop by the Roland George trading room. In the room, we have fourteen computer stations equipped with programs like Bloomberg, Reuters BridgeStation, and Thomson Baseline. These are all programs that are used by investment professionals around the world. Students in the program are also given the opportunity to obtain their NASD Registered Representative license (Series 7) or to take the Chartered Financial Analyst (CFA) level 1 exam. Along with this we have the privilege of hearing various guest professionals from the industry speak to the class.

On behalf of the class, I would like to thank our program director Dr. Lawrence Belcher, our professor Dr. K.C. Ma, as well as Dr. James Mallet. It is because of their dedication that the program is as big a success as it is and continues to improve. In addition, we would like to thank the entire Finance Department and Stetson University for making this opportunity possible. I hope that you enjoy reading this newsletter and that you continue to follow the achievements of the Roland George Investments Program. Any questions or comments can be directed to me at wgilcher@stetson.edu. Thank you.



wci communities, inc.

by Eddie Johnson

WCI Communities, Inc., has been a leading home builder — creating amenity-rich, leisure-oriented, master-planned communities — that has served affluent Florida home buyers for more than 50 years. WCI, based in Bonita Springs, Florida, serves as the primary home builder of traditional single and multifamily homes along with luxury high-rise residences. Currently, WCI has thirty active communities spanning the coastal markets in 10 Florida counties. With a fully integrated amenities division, WCI currently operates private and semiprivate resort-style golf courses, dining facilities, boat slips, and various country club, tennis, and recreational facilities.

The strategic plan for WCI leverages the company's reputation, community development expertise and management skills to increase its revenue stream and profitability. Key initiatives for 2005 include the expansion of its tower and home building activities into new markets; developing environmentally sustainable communities; expanding its brand into the rapidly growing active adult market; and forging strategic partnerships with luxury hotel operators to create high-end resort communities. WCI currently has strategic partnerships with golfers such as Greg Norman and Raymond Floyd, as well as luxury hotels including the Ritz-Carlton Golf Resort, Naples and the Hyatt Regency Coconut Point Resort.

WCI Communities, Inc., was named America's Best Builder in 2004 by the National Association of Home Builders and Builder Magazine[1].

rationale for investment

WCI Communities, Inc., acquired Spectrum Communities in May of 2004. WCI Spectrum is a very strong complement to WCI's existing business model. They focus on quality construction and premier customer services. WCI Spectrum Communities operates in one of WCI's most important feeder markets and has the platform to expand the tower business. This acquisition has contributed significantly to the growth of WCI Communities, Inc.

Demographics for WCI look very favorable. The U.S. 45+ population is projected to grow 2.0% per annum over the next 10 years versus 0.8% for the overall population. This segment is expected to make up 40.7% of the total population in 2014. Baby boomers are entering peak earning years which, in turn, will create a stronger demand for WCI Communities. WCI's products are strategically focused on this affluent, fast growing segment.

WCI has proven to be a leading homebuilder, community developer and real estate services company. With an entry point at $26, the Roland George Investment Program has already seen an impressive gain of 24% during the past 2 months. With earnings expected to grow 40% in the next year, I have forecasted a price target of $37 per share.

WCI Communities, Inc. Chart (2/1/2005)

future guidance – 2005

WCI's earnings per share for 2005 is expected to be $3.10-$3.50 —

- Represents projected growth of 30% to 50% over projected 2004 EPS

- Dependent on several variables:
    - Outcome of planned East Coast parcel sale
    - Post-hurricane permitting and subcontractor availability
    - Settlement of hurricane damaged insurance
    - Recognize revenue from the 20 towers expected to be under construction at year-end.

expected 2005 highlights

There are many exciting prospects for WCI in 2005 —

- Expect to deliver between 2,400 and 2,600 traditional homes

- Expect to start between 6 and 10 new towers in communities including:
    - North Bergen, NJ – First Northeast Tower – approximately 200 units
    - Danbury, CT – 250 acre site with 925 projected units
    - South Naples, FL – 727 projected units
    - Sarasota/Bradenton, FL – 1,000 projected units
    - Tampa, FL – 510 projected units.

[1] http://wci.wcicommunities.com/investor.asp?pageID=investor&siteID=1000&vid=1000

the george investments view

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The *George Investment View* is intended to be an educational document. Investment views belong to the authors and not Stetson University.

The Roland George Investments Program was created in 1980 by Sarah George to provide a unique experience for future investment professionals. This bequest was intended to honor her husband, Roland, who, after completing his education, began to ply his trade and promptly lost money. Mr. George decided that serious flaws were evident in the traditional educational process for future investors since by over-coming his formal education he was able to master investing and in short accumulate wealth.

From this start, Mr. George formed the ideas of creating an investment curriculum that combined academic theory with real world experience. This dream came true when Sarah George funded the Roland George Investments Program. This program provides support for the applied investments program at Stetson University where students manage a portfolio valued at over $2.8 million dollars. Insights are gained through contact with professionals such as Robert Stovall, CFA, of Wood Asset Management, Inc., Sarasota, FL.

For information on the Roland George Investments Program contact Dr. Larry Belcher at 386-822-7442.