



ANNUAL REPORT

FISCAL YEAR 2008

PREPARED BY:

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PRESIDENT
FINANCIAL MANAGEMENT ASSOCIATION

JULY 25, 2008



FY08 ACHEIVEMENTS

- The Association participated in RIT's Innovation Festival and hosted an exhibit entitled "Financial Innovation." The exhibit included an extensive web portal focusing on the financial innovation of Exchange Traded Funds (ETFs).
- The Association received \$75,000 in additional funding for its investment portfolio.
- An investment policy statement was adopted for the Association's investment portfolio.
- An active and diversified membership body was maintained throughout the fiscal year. The Association met virtually every Friday. Many members contributed towards investment research reports and other presentations.

FY08 ASSOCITATION ACTIVITIES

MEETINGS

- General Meetings (28)
- Portfolio Committee Meetings (27)
- Innovation Festival Committee Meetings (5)

PRESENTATIONS

- Investment Analysis (22)
- Fundamental Analysis (3)
- Technical Analysis (2)
- Hedge Fund Strategies (1)
- Defined Benefit and Defined Contribution Pension Plans (2)
- Portfolio Benchmarking (2)
- Roth IRA's (1)

GUEST SPEAKERS

- Mr. Crisson Jno-Charles, Associate, DE Shaw
- Mr. Frank Sklarsky, Executive Vice President, Eastman Kodak Company
- Dr. James H. Watters, Senior Vice President for Finance and Administration, RIT
- Mr. E. Philip Saunders, Chairman, Griffith Energy
- Mr. Rusty Olson, Pension Director, Eastman Kodak Company (Ret.)

OTHER ACTIVITIES

- Innovation Festival

FY08 PORTFOLIO PERFORMANCE

- Throughout FY08 the portfolio committee worked diligently to diversify the portfolio into ETF "buckets" following a significant contribution of \$75,000. Subsequent to this broad diversification, the committee began a sector by sector analysis that will continue through FY09.
- The FMA portfolio has outperformed its blended index benchmark calendar year to date (CYTD). This is primarily attributed to strong performance of the portfolio's real assets allocation.
- Although outperforming its respective benchmark, the portfolio earned a -3.02% CYTD. This was attributed to weakness in the domestic and international equity allocations.



PORTFOLIO PERFORMANCE (NET OF FEES)
AS OF JUNE 30, 2008

PERFORMANCE SUMMARY

	Quarter-ending	Cal Year To Date		
Portfolio Time-weighted Return:	0.30%	-3.02%		
Portfolio Blended Index Return:	-0.30%	-4.43%		
			Current Allocation	Target Allocation

DOMESTIC EQUITY

	Quarter-ending	Cal Year To Date	31.26%	35.00%
Domestic Equity Time-weighted Performance:	-2.72%	-10.64%		
S&P 500 Index:	-2.73%	-11.91%		

Position	Date Acquired	Quarter-ending Market Value	Quarter-ending Return	Cal Year To Date Return	
Chevron (CVX)	2/1/2008	\$ 1,982.60	16.10%	21.08%	2.13%
Consolidated Edison (ED)	3/26/2008	\$ 1,719.96	-0.06%	-1.01%	1.85%
CVS Corp (CVS)	2/15/2008	\$ 3,165.60	-2.32%	-0.35%	3.40%
Dow Jones Industrial Average ETF (DIA)	11/2/2007	\$ 2,495.24	-7.25%	-14.19%	2.68%
PPL Corp. (PPL)	3/26/2008	\$ 1,933.99	13.83%	10.95%	2.08%
United Health Group (UNH)	2/25/2008	\$ 1,863.75	-23.60%	-45.45%	2.00%
Vanguard Total Stock Market ETF (VTI)	11/2/2007	\$ 14,612.52	-2.14%	-11.26%	15.69%
Corning (GLW)	4/18/2008	\$ 1,336.90	-10.68%	-10.68%	1.44%

GLOBAL EQUITY

	Quarter-ending	Cal Year To Date	26.80%	35.00%
Global Equity Time-weighted Performance:	-0.65%	-7.51%		
MSCI All Country World Index:	-1.36%	-10.41%		

Position	Date Acquired	Quarter-ending Market Value	Quarter-ending Return	Cal Year To Date Return	
MSCI EAFE ETF (EFA)	11/9/2007	\$ 12,497.94	-2.67%	-10.86%	13.42%
MSCI Emerging Markets ETF (EEM)	1/26/2007	\$ 2,714.40	2.15%	-8.67%	2.92%
Nintendo (NTDOY.PK)	4/13/2006	\$ 3,249.12	9.42%	-5.64%	3.49%
Thermo Fisher Scientific (TMO)	2/25/2008	\$ 3,343.80	-1.95%	-2.48%	3.59%
Transocean (RIG)	2/1/2008	\$ 1,981.07	12.71%	21.53%	2.13%
MEMC Electronics (WFR)	4/18/2008	\$ 1,169.26	-20.93%	-20.93%	1.26%

FIXED INCOME

	Quarter-ending	Cal Year To Date	15.89%	15.00%
Fixed Income Time-weighted Performance:	-1.54%	-0.32%		
Lehman Aggregate Bond:	-1.02%	1.13%		

Position	Date Acquired	Quarter-ending Market Value	Quarter-ending Return	Cal Year To Date Return	
Vanguard Total Bond Market ETF (VBMFY)	10/19/2007	\$ 8,460.38	-1.09%	1.09%	9.09%
Lehman International Treasury ETF (BWX)	5/9/2008	\$ 6,336.50	-2.13%	-2.13%	6.81%

REAL ASSETS

	Quarter-ending	Cal Year To Date	25.33%	15.00%
Real Assets Time-weighted Performance:	6.78%	12.67%		
MSCI US REIT / DJ AIG Commodity Index / LB TIPS Blend:	4.63%	10.92%		

Position	Date Acquired	Quarter-ending Market Value	Quarter-ending Return	Cal Year To Date Return	
DB Commodity Index ETF (DBC)	11/9/2007	\$ 10,075.50	25.19%	41.89%	10.82%
Vanguard REIT ETF (VNQ)	12/14/2007	\$ 8,763.00	-5.83%	-3.65%	9.41%
Vanguard Inflation Protected Securities (VIPSX)	5/9/2008	\$ 4,744.52	0.58%	0.58%	5.10%

CASH	\$	667.51			0.72%	0.00%
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TOTAL PORTFOLIO	\$	93,113.56			100.00%	100.00%
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FY09 GOALS

- **Increase Association membership and participation.**
Active participation will be facilitated with the implementation of membership requirements. The Director of Marketing will be attending several Student Government events throughout the fiscal year to promote membership in the Association.
- **Increase faculty and alumni awareness and involvement in the Association**
The Association's potential involvement in the FY09 Innovation Festival may potentially increase faculty and alumni awareness and involvement in the Association. Other venues will be examined to increase alumni involvement.
- **Procure analytical tools and database access for investment analysis**
The Association's portfolio committee is in need of an asset allocation optimizer, performance reporting software, and access to databases for various indices. Budget resources and potential donations will be needed to obtain these analytical tools.
- **Meet the investment portfolio's educational and investment return objectives as discussed in the Investment Policy Statement (A-5)**

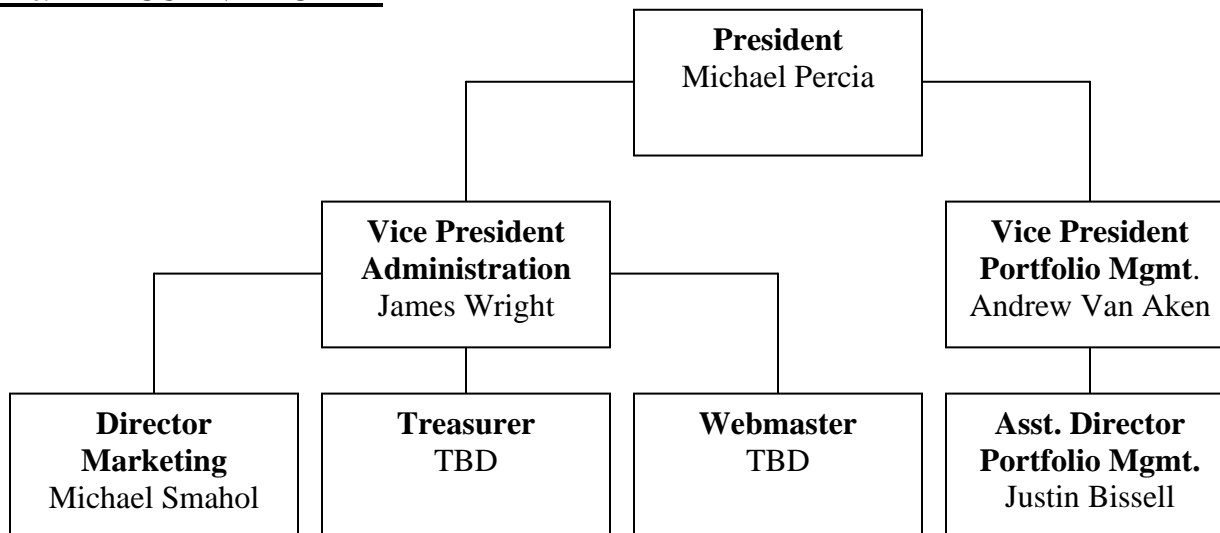
FY09 BUDGET

- RIT Student Government appropriated \$340 for the Association's FY09 budget.

FY09 ACTIVITIES

- The Association is planning a visit to W.L. Ross headquarters in New York City this fall.

FY09 EXECUTIVE BOARD



VACANCIES

- Treasurer (responsibilities currently delegated to the Vice President for Administration)
- Webmaster (duties currently performed by the President)



APPENDIX

A-1: BACKGROUND INFORMATION

A-2: EXECUTIVE BOARD POSITIONS & RESPONSIBILITIES

A-3: ACTIVE MEMBERSHIP REQUIREMENTS

A-4: PORTFOLIO ANALYST DESIGNATION

A-5: INVESTMENT POLICY STATEMENT



A-1: BACKGROUND INFORMATION

MISSION

- The mission of the Financial Management Association is to educate students about the expansive world of Finance.

FOCUS AREAS

- Personal Financial Management
 - Pay Yourself First
 - Time Value of Money
 - Retirement Planning
- Financial Innovation
 - Exchange Traded Funds
 - Exchange Traded Notes
- Portfolio Management
 - Asset Allocation
 - Alternative Investments
 - Valuation Methodologies
 - Fundamental Analysis
 - Technical Analysis
 - Benchmarking
 - Risk Measurement
- Economic Data/Market Conditions
- Globalization



A-2: EXECUTIVE BOARD POSITIONS & RESPONSIBILITIES

PRESIDENT

- Responsible for organizational oversight and strategic direction.
- Responsible for providing necessary guidance to the FMA vice presidents and other executive board members.

Requirements:

- Must attend a minimum of 75% of the cumulative general and portfolio meetings per quarter.
- Must contribute to a minimum of 1 interactive presentation/discussion per quarter during a general meeting.
- Must contribute to a minimum of 1 investment research report/presentation per quarter.

VICE PRESIDENT FOR ADMINISTRATION

- Responsible for oversight of the Innovation Festival Committee.
- Responsible for tracking and reporting active membership to the FMA president and faculty advisor.
- Responsible for working with the president to determine general meeting agendas.
- Responsible for special event coordination (e.g. guest speakers).
- Responsible for providing the marketing director and web master with necessary event information.

Requirements:

- Must attend a minimum of 75% of the general meetings per quarter.
- Must contribute to a minimum of 2 interactive presentations/discussions per quarter during general meetings.

VICE PRESIDENT FOR PORTFOLIO MANAGEMENT

- Responsible for leading weekly portfolio meetings.
- Responsible for all communication with portfolio committee members. Must maintain a portfolio committee mailing list.
- Responsible for Investment Policy Statement compliance and financial reporting.
- Responsible for delegating tasks to the assistant director for portfolio management.

Requirements:

- Must attend a minimum of 75% of the portfolio meetings per quarter.
- Must contribute to a minimum of 2 investment research reports/presentations per quarter.

DIRECTOR MARKETING

- Responsible for marketing Association events within the FMA's budgetary constraints and providing advertisements for the "Big Screen."
- Responsible for promoting Association membership and providing prospective members with information about the FMA.
- Responsible for fall quarter orientation.
- Attendance at "Club Days" is voluntary.

Requirements:

- Must attend a minimum of 50% of the general meetings per quarter.
- Must contribute to a minimum of 1 interactive presentation/discussion per quarter during a general meeting.



ASSISTANT DIRECTOR, PORTFOLIO MANAGEMENT

- Responsible for completing tasks requested by the vice president for portfolio management.
 - Responsible for documenting investment decisions. May also delegate this responsibility to portfolio analysts.
 - Assign specific investments to analysts.
- Requirements:*
- Must attend a minimum of 75% of the portfolio meetings per quarter.
 - Must contribute to a minimum of 2 interactive presentation/discussion per quarter during a portfolio meeting.

TREASURER

- Responsible for Student Government compliance including quarterly reports, and budget proposals.
 - Responsible for attending Student Government meetings. If unable to attend, must find a replacement.
 - Reimbursements
- Requirements:*
- Must attend a minimum of 50% of the general meetings per quarter.
 - Must contribute to a minimum of 1 interactive presentation/discussion per quarter during a general meeting.

WEBMASTER

- Responsible for updating the FMA website weekly.
 - Responsible for creating necessary Innovation Festival web infrastructure.
- Requirements:*
- Must attend a minimum of 50% of the general meetings per quarter.
 - Must contribute to a minimum of 1 interactive presentation/discussion per quarter during a general meeting.

ADDITIONAL COMMENTS

- The Association is active during the fall, winter, and spring quarters. The requirements stipulated in this document will not be in force during the summer quarter.
- Executive board elections are held during the 10th week of every spring quarter. If a vacancy exists, a special election can be held at any time.
- If an executive board member is unable to participate during a quarter due to co-op, an election will be held to fill their position. The newly-elected Association member will hold the position until the end of spring quarter.
- Requirement compliance will be reported during the tenth week of every quarter to the faculty advisor and FMA president. If an executive board member does not meet their positions requirements for the quarter, an election will be held during the first week of the subsequent quarter.
- During general meetings, interactive presentations/discussions may be co-led with a maximum of two other Association members.
- During portfolio meetings, investment research presentations may be co-led with a maximum of two other portfolio committee members.



A-3: ACTIVE MEMBERSHIP REQUIREMENTS

- Must attend a minimum of 50% of the general meetings per quarter to have active member status.
- Must contribute to a minimum of 1 interactive presentation/discussion per quarter during a general meeting.

A-4: PORTFOLIO ANALYST DESIGNATION

- Must attend a minimum of 50% of the portfolio committee meetings per quarter to have Portfolio Analyst status.
- Must contribute to a minimum of 2 investment research reports/presentations per quarter.



A-5: INVESTMENT POLICY STATEMENT

- Adopted: September 3, 2007
- Last Modified: January 2, 2008

1. STATEMENT OF PURPOSE

The purpose of the Financial Management Association (FMA) portfolio is to seek capital appreciation while achieving the following objectives:

- (1.1) **Education Objective:** Through committee interaction, presentations, and investment discussions, the portfolio serves as an indispensable tool to educate FMA members about finance and more specifically investments. Most importantly, the portfolio offers an opportunity for members to share their varying skill sets to learn valuable knowledge from each other. This knowledge is key to each member's future success in their personal and/or professional endeavors.
- (1.2) **Investment Objective:** The primary investment objective of the FMA portfolio is to earn an absolute rate of return of 9% per annum (net of fees). As a secondary investment objective, the portfolio seeks to outperform (net of fees) the weighted benchmark which the assets are compared to on a per annum basis. Attainment and sustainability of the investment objective serves (in part) as external validation of the educational objective's success or failure.

2. ROLES AND RESPONSIBILITIES

- (2.1) **Management:** The FMA portfolio is the property of the University. The Dean of the College of Business has been delegated the authority for overall management of the investment portfolio. The Dean may elect to have a representative (FMA Faculty Advisor) act on his/her behalf.
- (2.2) **FMA Faculty Advisor:** The FMA Faculty Advisor must review any portfolio transaction.
- (2.3) **FMA President:** The FMA President is ultimately responsible for enforcing the Investment Policy Statement on behalf of the Association and for overseeing the Portfolio Director.
- (2.4) **FMA Portfolio Director:** The FMA Portfolio Director is responsible for adhering to the Investment Policy Statement, and for administering weekly portfolio meetings.
- (2.5) **FMA Portfolio Committee Members:** The Portfolio Committee shall consist of no less than six members, with at least one member being the Dean of the E. Philip Saunders College of Business or his/her representative (FMA Faculty Advisor). The FMA Portfolio Committee Members are collectively responsible for voting on positions and policies.

3. VOTING

- (3.1) **Asset Acquisition:** A majority of the members of the Portfolio Committee shall constitute a quorum for asset acquisition. When a quorum exists a two-thirds (2/3) majority vote is required.



- (3.2) Asset Disposition: A majority of the members of the Portfolio Committee shall constitute a quorum for asset disposition. When a quorum exists a two-thirds (2/3) majority vote is required.
- (3.3) Trading Stipulations: A majority of the members of the Portfolio Committee shall constitute a quorum for placing limit orders, stop losses, etc., on assets. When a quorum exists a two-thirds (2/3) majority vote is required.
- (3.4) Amendments: A majority of the members of the Portfolio Committee shall constitute a quorum for any amendment to the Investment Policy Statement. When a quorum exists a three-fourths (3/4) majority vote is required.
- (3.5) Re-occurring Proposals: Any proposal, whether related to asset acquisition, disposition, etc., can be reconsidered for voting at the next scheduled Portfolio Committee Meeting.

4. RISK AND RETURN OBJECTIVES

The risk/return profile of the FMA portfolio is similar to that of the RIT Endowment. All investment decisions will be made in the context of institutional investors, not individual investors.

- (4.1) Risk Objective: Average risk tolerance is acceptable for the portfolio. When making investment decisions, evaluating systematic risk and stand-alone risk of the asset under consideration is necessary. Comparing the risk profile of the investment to similar competitors is also required.
- (4.2) Return Objective: The return objective of the portfolio is to meet the absolute return objective as stated in (1.2). Furthermore, every asset must be compared to an appropriate benchmark. While each asset might not outperform its respective benchmark on a per annum basis, a secondary return objective is that the portfolio collectively outperforms the weighted returns of all the benchmarks being employed.

5. PORTFOLIO STRUCTURE AND INVESTMENT CONSTRAINTS

(5.1) Asset Allocation:

Asset	Target Allocation	Minimum	Maximum
Domestic Equities	35%	30%	40%
Global Equities	35%	30%	40%
Fixed Income	15%	10%	20%
Real Assets	15%	10%	20%

- (5.1.1) Domestic equities are defined as U.S.-based corporations that do not have significant international exposure.
- (5.1.2) U.S.-based corporations with “significant” international exposure may be considered global equities.
- (5.1.3) With respect to global equities, no more than 50% of the allocation shall be concentrated within a specific global region.



- (5.2) Cash Balance Policy: Cash is excluded from the asset allocation. Assets should be fully invested at all times and cash equivalent holdings should be kept to a minimum. Cash equivalents may include money market-type securities (such as certificates of deposit, commercial paper, US Treasury bills, and other similar investments) with an effective maturity date of less than one year at time of purchase. In the event of deteriorating market conditions, a considerable amount of the portfolio's funds may be temporarily invested in a money market vehicle or remain as a cash balance.
- (5.3) Individual Asset Diversification: On a cost basis, no single asset may comprise more than 10% of the portfolio's total market value (cash positions and money market funds are excluded from this calculation). On a market value basis, no single asset may comprise more than 20% of the portfolio's total market value. If this occurs, a liquidation of the asset(s) in excess of 15% of the portfolio's total market value is required.
- (5.4) Time Horizon: The investment time horizon extends ad infinitum. Regardless of this fact, investment decisions may be made with consideration to: short-term, intermediate term, and/or long-term time horizons. Day-trading (acquisition or disposition of any asset within a five-day time period) of any asset is prohibited.
- (5.5) Investment Analysis Methodology: Use of both fundamental and technical analysis are encouraged. Both top-down and bottom-up investment analysis may also be employed.
- (5.6) Authorized Investment Vehicles: These vehicles include money market funds, equities, fixed income, mutual funds, and exchange traded securities (e.g., exchange traded funds (ETFs), exchange traded trusts (ETTs) and exchange traded notes (ETNs)). Financial derivatives such as equity options, futures contracts, or foreign exchange (FOREX) trading are prohibited. Commodities, bonds, and real assets may only be held via the following investment vehicles: equities, mutual funds, and ETFs.
- (5.7) Liquidity: There are no liquidity requirements for this portfolio.
- (5.8) Taxes: The impact of any taxes relating to asset dispositions, dividends etc., must be considered in investment analysis.
- (5.9) Legal and Regulatory: External factors such as government regulations and University policies may constrain certain investment decisions. Such factors must be considered in investment analysis.
- (5.10) Other Constraints:
- (5.10.1) Acquisitions pertaining to U.S. equities must be traded on the NYSE, NASDAQ, or AMEX. (This constraint may be overruled via a two-thirds (2/3) majority vote.)
- (5.10.2) Penny stocks (equities valued under \$5.00 per share and/or equities with a market capitalization under \$250 million) and companies considered as a bankruptcy risk may not be held in the portfolio.
- (5.10.3) Equities must have an average daily trading volume of 250,000 shares at a minimum to be considered for an acquisition.



(5.10.4) ETFs, ETTs, and ETNs must have an average daily trading volume of 150,000 shares at a minimum to be considered for an acquisition.

(5.10.5) Additional constraints deemed necessary by the Dean of the E. Philip Saunders College of Business or his/her representative.

6. PORTFOLIO OVERSIGHT AND PERFORMANCE EVALUATION

(6.1) Performance Evaluation: Must be quantitative in nature. Each asset must be compared to its appropriate benchmark. If the asset does not outperform its benchmark (on a semi-annual basis), action should be considered.

(6.2) Asset Allocation Adjustments: The portfolio will be constructed to approximate the targeted allocation set forth in (5.1). The Committee has set forth acceptable ranges of the targeted allocation around each asset class' targeted allocation.

The Committee will review the asset allocation on a regular (but at a minimum quarterly) basis. Whenever a particular asset class falls outside the acceptable range, the Committee will either (a) take action to rebalance the portfolio to bring each asset class within its acceptable ranges given a thorough analysis of market conditions or (b) specifically approve a temporary deviation from the acceptable ranges. Action must be taken with regard to any individual asset exceeding 20% of the entire portfolio market value (see 5.3).

(6.3) Financial Reporting: Quarterly and annual reports must be prepared and distributed to appropriate parties; 10 business days after the close of the quarter is allowed for financial reporting preparation.

(6.4) Summer Academic Quarter Administration: The portfolio must be actively managed during the Summer Academic Quarter.

(6.5) Emergency Portfolio Management: In the event of extreme market volatility, an emergency portfolio meeting will be called at the discretion of the FMA President or the Portfolio Director.