

CARLSON FUNDS ENTERPRISE

A newsletter of the Carlson School Enterprises

CARLSON
SCHOOL OF MANAGEMENT
UNIVERSITY OF MINNESOTA

Investing in the Future

Piper Jaffray and the Carlson Funds Enterprise

Piper Jaffray has been bringing financial markets to student analysts since the inception of the Carlson Funds Enterprise six years ago.

By consistently providing internships, Piper Jaffray helps the student analysts develop their skills. Cortney Madden, a 2005 MBA candidate, serves as the fixed income fund's portfolio strategist. She received a summer internship at Piper Jaffray, where she worked as a sales and research analyst in the fixed income area.

When the internship ended, Piper Jaffray asked her to remain through the school year. These days, Madden balances her time between the Funds Enterprise, her MBA program, and Piper Jaffray.

"The Funds Enterprise has given me knowledge and understanding of the

investment industry," said Madden.

"And I've had the opportunity to work with one of the premier brokerage firms in the Twin Cities. Piper Jaffray is one of our primary brokers, and I've been given the opportunity to interact with



Cortney Madden at Piper Jaffray's downtown Minneapolis office.

the sales and trading team. They have been more than willing to answer my questions and to mentor me throughout

the transaction process."

Mike Cox, MBA '03, is a senior retail analyst with Piper Jaffray. Cox recently visited the Funds Enterprise as a panelist, speaking to current students about the various fields open to graduates. Cox said to student analysts, "If you love financial markets, you'll love the Funds Enterprise." The Enterprise works to help students discover their passion, as Cox found in his career at Piper Jaffray.

Bob Peterson, Piper Jaffray's director of investment research, has been hiring Funds Enterprise graduates since the program was founded.

"Funds Enterprise students have real-world experience that gives them a competitive edge and a more intuitive understanding of the financial industry," he said. "The Funds Enterprise is a valuable source of talented employees."

Right on Target

How does Target Corporation decide to open a new store? Carlson Funds Enterprise students experienced the decision-making process when executives Colin Dougherty, director of capital finance, and Brad Thompson, financial analyst (and last year's managing director of the growth fund), taught a recent class on corporate finance.

Student analysts role-played the process used by Target Corporation's Capital Expenditure Committee, which evaluates new store openings. In a typical year, the committee approves approximately \$3.5 billion in new capital projects.

Dougherty and Thompson presented five projects to the student analysts using Target Corporation's "dashboard" data

summary, which compares financial ratios for a projected store with a prototype. The students queried the presenters about cash flows, demographics, and competitive positions before deciding whether or not to approve the projects. Finally, Dougherty offered insight into the Capital Expenditure Committee's actual decisions.

"Thanks to this class, the students saw how to boil important data down onto one page, digest it, and make a decision in a short time," said Joe Barsky, director of the Funds Enterprise. "In fact, the students learned that the committee can review and make decisions on as much as a \$300 million in projects in a one-hour meeting!"

Corporate involvement ensures that the student analysts will have the skills to succeed in corporate finance, a field chosen by approximately one-third of Funds Enterprise graduates.



Ben Stoddard

Meet an Analyst

“The Carlson School offers one of the most unique opportunities in top full-time MBA programs—the opportunity to manage real money,” said MBA candidate Ben Stoddard, managing director of the Carlson Funds Enterprise fixed income fund. “I didn’t see any other program offering the depth and resources that the Carlson School does.”

Stoddard feels passionate about his leadership role. Over the summer, he held monthly meetings with other student analysts and developed a detailed plan for the management of the fund over the 2004–2005 year. His team plans to make the fixed income fund as strong as it can be for the next class by forging stronger mentor relationships, smoothing transitions from year to year, and taking full advantage of the advisors.

In pursuing his MBA, Stoddard works to further develop his existing quantitative and analytical skills as a mortgage analyst in the fixed income fund. Before coming to the Carlson School, Stoddard had a successful career at Merrill Lynch in Florida. He held positions including project manager, team supervisor, and residential lending officer.

Stoddard spent his summer internship in the Waycrosse Family Office of Cargill, where he worked on a global fixed-income project. The project provided a valuable opportunity to gain knowledge that he could apply to the fixed income fund.



Letter from the Director

It is my pleasure to announce new additions to the staff of the Carlson Funds Enterprise.

Linda Henderson, MBA ‘81, joins us this fall as professional advisor for the growth fund. Linda recently retired from RBC Dain Rauscher after a 19-year career in which she managed analysts, traders, marketers, and brokers.

Corey Redfield continues as the professional advisor for the fixed income fund. His background includes stints with several firms. Most recently, Corey was chief fixed income strategist for Piper Jaffray. Sara Nivala, our new program coordinator, has a background working for Piper Jaffray in fixed income.

The Funds Enterprise also boasts new academic advisors: Pervin Shroff and Bob Goldstein. Shroff, an associate professor of accounting, is an expert in financial statement analysis and security valuation. She will bring her knowledge to the role of advisor to the growth fund students. Goldstein recently joined the Carlson School as an associate professor of finance. His expertise in financial economics and option pricing make him a valuable advisor to the fixed income fund students.

I joined the Funds Enterprise as program director after a thirty-year career in the investment industry as an analyst, portfolio manager, and head of mutual fund equities for American Express Financial Advisors.

We have prepared a new pitch book, and we will be actively soliciting new investors over the next few months. And thanks to a major gift from State Farm Insurance, we have new, state-of-the-art technology in our financial markets lab.

We are fortunate to be able to draw on the expertise and experience of the members of our advisory board, who have worked hard over the past year. Bill Westhoff, MBA ‘74, was recently elected chairman. He has set some ambitious goals for the board.

We enjoy tremendous support from our mentors in the Twin Cities business community. Mentors actively help our student analysts by working with them on their research recommendations and career objectives. Equally important, mentors play the vital role of the investment policy committee for each fund.

Our graduating students have had great success finding employment. Our current class is working on their research recommendations. And we’ve had a strong response to our information sessions for the class of 2006.

As always, we invite your comments and ideas to improve our program.

Best wishes,

Joe Barsky

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A Mentor's Perspective

Joe Barsky sat down with Jon Horick, MBA '97, to discuss his experiences as a mentor with the Funds Enterprise.

Jon Horick is a portfolio manager/analyst in White Pine Capital's all-capital and small-capital equity strategy. A CPA and CFA, Horick's professional background includes institutional finance exposure at Minnesota Mutual, Sit Investment Associates, Dougherty & Company, and Deephaven.

Joe Barsky: You've been a mentor for quite some time. What keeps you in the role?

Jon Horick: Two reasons. One, I believe we exist to give back. Two, when I was doing my graduate work I yearned for "applied" experience that wasn't then offered in the curriculum.

Today's Funds Enterprise students acquire a great deal of applied experience in a very short period of time and, I should add, receive a boost to their confidence in their skills.

JB: What has changed about the program since your arrival?

JH: Without a doubt, the roles of the advisory board and the mentors have improved significantly. The Carlson Funds Enterprise is one of the few applied programs in the country with a thriving, visible adjoining financial services community.

As a mentor, I work to ensure that my investment community peers learn how well-prepared the Carlson finance graduates are. The result? The Funds Enterprise can help graduates find places in visible, active roles in both the sell-side and buy-side communities.

JB: What should we do to improve the experience?

JH: Exactly what you are doing today: promoting the fund as a viable entity within the graduate program. I also like the efforts to improve the transition of the first-year students into second-year fund analysts. By educating a first-year

student, he or she will take more ownership of the process.

Therefore, the Funds Enterprise becomes better-centered on campus and gains a stronger identity from graduates who take on professional roles in markets here and nationally.

JB: Word is, you sponsor a dinner each spring for the graduating class. Do you plan to continue this tradition?

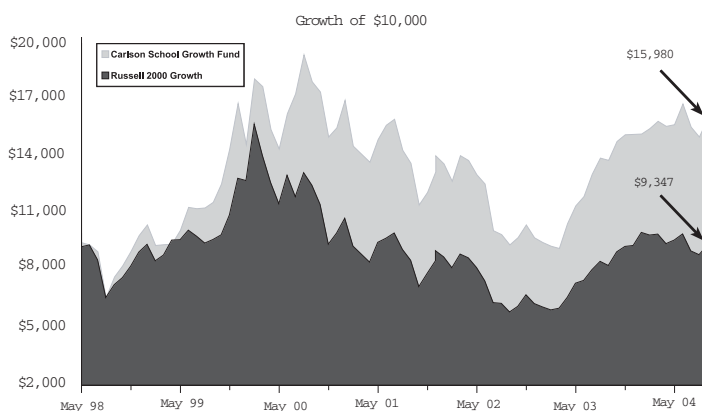
JH: Absolutely! Relationships are everything in our business. Each student I've worked with has had a successful career. And, I will add, each and every one has helped me with my own objectives in one way or another.

We had more than a dozen Funds Enterprise graduates at the last dinner. That usually means they've forgiven me for asking the tough questions during their presentations.

Performance Snapshot

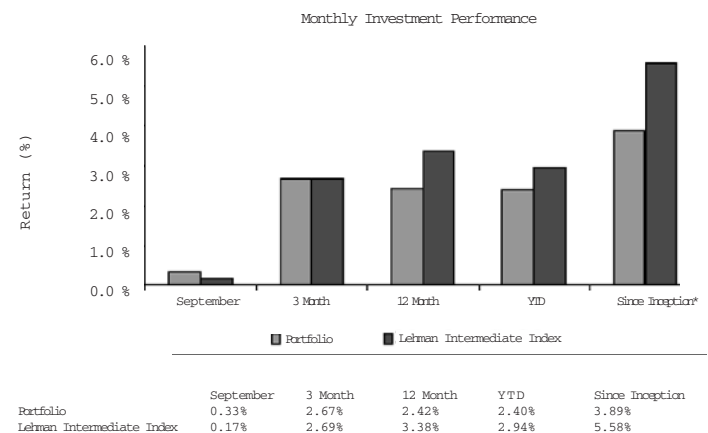
The most significant sign that the Funds Enterprise is a success is the performance of the two funds themselves.

The growth fund continues to outperform its benchmark and is up five percent for the year through September (see chart below). The students are currently working on new stock recommendations that will be presented to the mentor oversight committee in December.



Date of inception is May 1, 1998

The fixed income fund has been moving closer to its benchmark as the students have added more corporate bonds to the portfolio. The fund is now about 18 months old, and the start-up expense and growing pains are increasingly in the past (see chart below). The fixed income analysts presented new recommendations to their mentors in November.



* Date of inception is March 1, 2003

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A Good Neighbor

State Farm Insurance recently demonstrated that it really is a good neighbor with a \$50,000 commitment to the Carlson Funds Enterprise. State Farm's generosity will enhance the education of Carlson School students, thanks in part to the commitment of Don Heltner, MBA '74.

As vice president of fixed income for the *FORTUNE 18* company, Don Heltner is helping to lead State Farm's efforts to become a comprehensive financial services company. He also shares his knowledge and expertise as a member of the Carlson Funds Enterprise advisory board.

With the help of State Farm's gift, new technology is improving the Funds Enterprise's financial markets lab, where students perform the daily operations of maintaining two student-run investment funds. The lab has two new state-of-the-art 40-inch video monitors with the flexibility to display charts, graphs, price quotations, video feeds, and presentations simultaneously.

Students will experience the front line technology used in major brokerage firms today. The gift also funds travel for

student analysts to visit prospective investment targets and meet with management face-to-face, a requirement of the program.



From left: Mike Berry, portfolio strategist for the growth fund; Don Heltner; Ben Stoddard, managing director for the fixed income fund; and Courtney Madden, portfolio strategist for the fixed income fund.