McIntire Investment Institute

Semi-Annual Report

For the Six Months Ended

June 30, 2011

Post Office Box 400173 • Charlottesville, VA 22904
www.uvamii.com

CONTENTS:

MCINTIRE INVESTMENT INSTITUTE

McIntire Investment Institute: An entirely student-run long-short equity fund. With a portfolio currently valued at approximately $520,000, the MII operates as a nonprofit organization under the McIntire Foundation. Our mission is to educate present and future University students in securities and portfolio management through investing experience with real money.

History: The McIntire Investment Institute was conceived by McIntire alumnus (COMM, '85) John Griffin (President, Blue Ridge Capital). Mr. Griffin donated $1,000,000 to the University in 1993; $575,000 was earmarked for a student-run investment organization. An initial $100,000 was made available to the students in October 1994, and an additional $200,000 was allocated to the fund in 2000. The Institute has since donated $150,000 of its gains, including $75,000 in April 2006 to the new McIntire building on the Lawn.

Investment Philosophy: The Institute strives to achieve real capital appreciation through a variant perception of the market. The MII believes this variant perception is gained by focusing on the key drivers of value for our investment idea and establishing credibility with our research through VAR (value-added research). VAR involves contacting stakeholders (including customers, suppliers, competitors, employees, experts, etc.) to understand the business. In short, our strategy is to go long companies with a sustainable competitive advantage and go short companies with unsustainable business models.

Involvement: All University students are welcome and encouraged to actively participate. The MII offers a number of programs for engaged students from the beginner to the experienced investor. Students can seek management roles, research and present a company, or simply attend weekly meetings and participate in discussion. The complete list of involvement positions includes: Manager, Associate, Analyst, and Member. Managers are elected for annual terms based on investment memos and prior involvement. Managing Officer elections are held in December and General Manager elections are held in April of each year.

LETTER FROM THE PRESIDENT

Dear Friends of the McIntire Investment Institute:

In the first half of 2011, MII experienced success in terms of both portfolio performance and organizational development. Despite operating in an incredibly challenging market environment, MII managed to deliver a year-to-date absolute return of 4.4%. This YTD return puts us ahead of our benchmark, the S&P 500, for the six-month reporting period. MII also made considerable progress from an organizational perspective, as we continue to build an engaged membership by increasing opportunities for all University students.

During the past six months, equity markets experienced considerable inconsistency and unpredictability. There were times when the market would “be like Charlie Sheen”, as hedge fund manager David Einhorn put it. During these overly optimistic periods where “all news was good news”, it was particularly difficult for MII to develop conviction in shorts. On the other hand, overall market returns in the past six months were limited by sovereign debt worries, natural disasters, and anemic economic growth. The S&P 500 was incredibly volatile, but ultimately returned a modest 3.8% after rallying in late June.

MII managed to navigate challenging market conditions in the first half of 2011 relatively well, outperforming the S&P 500 price return by 0.5%. Our portfolio currently consists of 22 positions, 19 long and 3 short. At the close of the six-month reporting period, we’re sitting at a gross exposure of 74.7% and a net exposure of 66.5%, with $130,641 in uninvested cash. We attribute our solid performance primarily to improved portfolio administration, a more conservative approach with longs, and a few big performers. Of course, a little luck here and there never hurts.

In terms of portfolio administration, MII managers focused on reevaluating current positions more frequently. The current management team inherited a portfolio containing many solid positions, but also some legacy positions with thesis points that were no longer in play. This semester, we developed a system that allows us to follow current portfolio positions more efficiently, which involves giving associates and members more responsibility, and striking a better balance between time spent discussing current positions vs. potential new positions. Revisiting current positions more consistently allowed us to be more opportunistic in adjusting position weightings and adding new positions.

During the past six months, the management team took a more conservative approach in response to the volatile market environment. We focused on keeping more capital allocated to lower risk, high conviction long positions, such as LVB, COH, PM, and MON, which we believe are exposed to steady long-term secular growth trends. We aimed at decreasing exposure to higher risk contrarian plays such as WINN, CXW, and ALGN. With the markets as inconsistent as they were, the last thing we wanted to do was amplify the inherent risk with high risk positions. Our strategy was successful overall, as our core long positions performed well and set the foundation for our overall performance.

In addition to the consistency of our core positions, a few big performers provided an additional boost to our overall returns. During the past six months, ADGF, AXP, YUM, CTXS, and our short in GDOT were lower weighted positions that performed particularly well.

Although MII finished the six-month period with returns that topped our benchmark, there were some positions from which we learned important lessons. These lessons primarily included long positions for which we misjudged exit points by being overly cautious, and short positions that moved against us due to circumstances that were difficult to anticipate. We analyze these positions in more detail on page 6 of this report.

As we move into the second half of 2011, we expect market conditions to remain challenging as U.S. debt ceiling and sovereign debt concerns continue amidst an environment of sluggish overall economic recovery. However, we are confident that our portfolio is well-positioned to weather a difficult market and that our solid performance will continue.

As an organization, MII is stronger than ever. Since implementing our new membership process last year, we've seen the quality of our membership improve dramatically. This semester, we extended membership at a rate of approximately 30% to almost 100 new applicants. More importantly, our membership as a whole is more active than ever. We've also continued to make progress with our ongoing goal of increasing membership diversity. Furthermore, we successfully piloted a new member research initiative, and hope to fully implement the program at the start of next semester. Please find more details regarding our membership on page 7 of this report.

This semester, MII continued to seek opportunities to reach out beyond our regular activities. In March, we participated in the Michigan Interactive Investments Undergraduate Investing Conference for the second year in a row. This event is a great learning opportunity for members of our management team, and we look forward to participating again next year. In addition to the Michigan conference, we also held events with the University of Virginia Investment Management Company and Darden Capital Management. We hope to continue holding special enrichment events moving forward, as they allow us to increase our visibility in the University community and beyond.

Overall, our management team is very pleased with the way things went for MII in the first half of 2011. We performed well in terms of portfolio returns and continued to make progress as an organization. As summer concludes, we all look forward to getting back to work on what promises to be an exciting second half.

MII continues to be a unique organization that's a special part of the University community. We've outperformed the market since inception and provide students with an opportunity to learn finance by investing real money. Our success as an organization hinges on the contributions of MII's managers, members, alumni, and friends. John Griffin, our benefactor, deserves a special recognition, as his generous gift continues to inspire young investors. We would also like to thank Dean Zeithaml, Dean Starsia, our faculty advisor Patrick Dennis, other McIntire faculty members, and my predecessor James Rogers, for providing consistent guidance and support for our activities.

We appreciate your interest in MII and encourage you to reach out with any questions or comments.

Sincerely,

Will Liang
President
zl5z@virginia.edu
804-304-9565

MII LESSONS LEARNED FROM THE FIRST HALF OF 2011

In the first-half of 2011, MII managers focused on taking a more conservative approach with long positions and developing conviction with short positions. While our strategy yielded positive results overall, there are several positions from which we learned important lessons. Below we analyze long positions for which we misjudged exits points by being overly cautious, and short positions that moved against us due to circumstances that were difficult to anticipate.

Misjudged Longs

MII longed Thoratec at $28.72/share in late December and sold just one month later at $23.13/share. The company's disappointing Q4 results and weak 2011 forecast, coupled with increased competitive pressures posed by HeartWare's FDA application for a comparable device, undermined the management team's conviction. Since our exit, Thoratec has shown that the woes were temporary, having rebounded by 42% through June 30th after reporting solid Q1 results.

MII bought Winn-Dixie in mid 2010 at a price of $10.03/share. Our thesis focused on the company's ability to successfully implement a post-bankruptcy turnaround. Despite already trading at a steep discount to peers relative to book value and sales, Winn-Dixie continued to underperform. MII exited the position at $7.99/share. Following our exit, Winn Dixie rallied 17% upon beating Wall Street analyst's expectations for Q3 earnings.

Risky Shorts

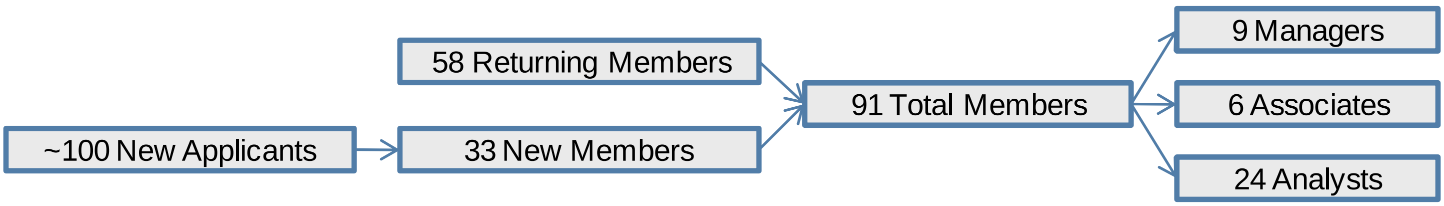
MII shorted Blackboard in late 2009 when the stock was trading at $39.98/share. Managers were wary of unrealistic market expectations for the company's future growth prospects. The position was performing well, as Blackboard traded as low as $33.91/share in March. However, in late April, Blackboard agreed to be acquired by a private equity firm. MII exited the position at $48.80/share, taking a loss and learning a tough lesson on buyout risk and short positions.

Align Technology was trading at $20.15/share when MII shorted the stock in December. We believed growth expectations were overoptimistic, as lower-priced competitors would capture market share and international growth would present significant challenges. Contrary to our research, Align received regulatory approval in China without any issues, causing the share price to increase over 20%. MII was forced to cut losses, as our thesis was undermined.

SPRING 2011 MII MEMBERSHIP UPDATE

MII continues to attract talented University students who are interested in investing. This semester, MII saw almost 100 new applicants and extended membership at a rate of approximately 30%. Our membership as a whole is more active than ever. In fact, all 18 presentation slots for this past semester were completely filled by the third weekly meeting.

MII has also continued to make progress with our ongoing goal of increasing membership diversity. Female membership increased by 50% this past semester. More importantly, our female members are increasingly active. This semester, half of our female members presented at weekly meetings.



MII MEMBER RESEARCH INITIATIVE AIMS TO INCREASE ENGAGEMENT

Towards the end of this semester, MII experimented with a new research initiative aimed at supporting our goal of increasing membership engagement. The new research initiative allowed members to sign up for "coverage teams" lead by MII associates who were already covering certain positions. These "coverage teams" give associates more responsibility and members an increased opportunity to gain hands-on experience with investment research. There was a very high level of interest shown in the experimental stages of this initiative, and we hope to fully implement the program at the start of next semester.

MII MEMBERS OBTAIN POSITIONS AT TOP FINANCIAL FIRMS

As an educational organization, one of MII's main goals is to prepare members for successful careers in finance. Our full-time and summer analyst placement this year once again highlights MII's reputation for being one of the top UVA organizations for launching finance careers.

Name	Grad. Year	Position	Firm	Group
James Rogers	2011	Analyst	Blackstone	Tech M&A
Ryan Comisky	2011	Analyst	Lazard	Real Estate IB
Hideyuki Liu	2011	Analyst	Deutsche Bank	Global Markets
Matthew Martorana	2011	Analyst	UBS	IBD
Will Liang	2012	Summer Analyst	Blackstone	M&A
Tom Chen	2012	Summer Analyst	J.P. Morgan	Private Banking
Jon Haas	2012	Summer Analyst	Jefferies	IBD
Tim Chen	2012	Summer Analyst	Scopia Capital	-
Andrew Fredrickson	2012	Summer Analyst	William Blair & Co.	IBD
Sarah Andrekovich	2012	Summer Analyst	UBS	Wealth Mgmt.
Joe Angello	2012	Summer Analyst	Blackstone	Tech M&A
Gordon Carver	2012	Summer Analyst	Morgan Stanley	M&A
Alexis He	2012	Summer Analyst	Goldman Sachs	Securities
Alan Rogers	2012	Summer Analyst	Houlihan Lokey	Corp. Finance
Vivek Vakil	2012	Summer Analyst	J.P. Morgan	Investment Mgmt.
Chuhan Wang	2013	Summer Analyst	BofA Merrill Lynch	IBD

*non-comprehensive list, consisting of current/former managers and other selected members

MII INVITES DCM AND UVIMCO FOR ENRICHMENT EVENTS

MII continues to seek opportunities to partner with other UVA affiliated organizations to hold joint enrichment events. These events not only provide members with a chance to learn beyond what we do on a regular basis in MII, but also allow us to develop key relationships which help increase our visibility in the University community.

UNIVERSITY of VIRGINIA
DARDEN SCHOOL OF BUSINESS
Darden Capital Management

In the first half of 2011, we invited Darden Capital Management (DCM) and the University of Virginia Investment Management Company (UVIMCO) to present to MII. Jon Frair and Gary Ribe of DCM presented at an MII meeting in February. Their presentation discussed what DCM looks for in potential investment opportunities, as well as two case studies of former investments made by DCM (IMAX-Long and HCSC-Short).

UNIVERSITY of VIRGINIA
Investment Management Company

Every year, we invite UVIMCO to present at an MII meeting. This March, David Russell and former MII manager Brendan Dawson of UVIMCO gave a presentation featuring case studies that were directly applicable to the way we think about investment ideas in MII. MII members always learn a lot from UVIMCO's presentations, and we hope to continue this relationship moving forward.

MII PRESENTS TO MCINTIRE BOARD

On April 29th, the McIntire Board had its annual meetings. Prior to the meetings, there was an introduction featuring presentations from a select group of McIntire student organizations and programs. MII was invited as one of the organizations that McIntire wanted to showcase. MII president Will Liang's presentation provided an update on MII's mission and organization. The presentation was well received by members of the McIntire community who were present, including John Griffin, founder and president of Blue Ridge Capital, and the benefactor who seeded MII.

MII RETURNS TO MICHIGAN INTERACTIVE INVESTMENTS CONFERENCE

Managers (left to right) Chuhan Wang, Ryan Rechkemmer, Tim Chen, and Rob Sampson represent MII in Michigan.

MII participated in the annual Michigan Interactive Investments Undergraduate Investing Conference for the second straight year in March. This undergraduate investing conference, held at the University of Michigan's Ross School of Business, is the largest in the country. The highlight of the conference is an intercollegiate stock pitch competition featuring high-caliber teams from 24 schools, including other powerhouse undergraduate business programs such as Penn, NYU, and Cornell.

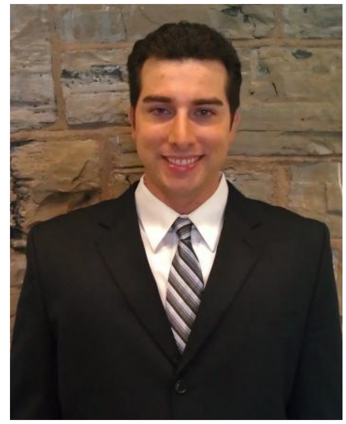
MII managers Tim Chen, Ryan Rechkemmer, Rob Sampson, and Chuhan Wang presented Cal-Maine Foods (NASDAQ: CALM) as a long. The team conducted extensive value-added research and detailed analysis to show that the stock was undervalued by the market. The judges for the competition were most impressed by the effort the MII team put forth in order to gain a thorough understanding of the business fundamentals.

MII's team discusses CALM's thesis points during its pitch to judges and competition attendees.

Large conference audience applauds after presentation by keynote speaker.

Although MII fell short of repeating its finals appearance at last year's competition, the team's performance was very well received. MII hopes to continue making strong showings at this event, which will help further our organization's reputation outside of the University community. MII also sees this event as an excellent opportunity for more junior members of the management team to gain a valuable experience. Following the conference, first-year MII manager Ryan Rechkemmer said, "It's very interesting to hear what ideas students at other schools are looking at."

SPRING 2011 MII STAR ANALYST AWARD: ERIC THOMAS (COMM, '12)



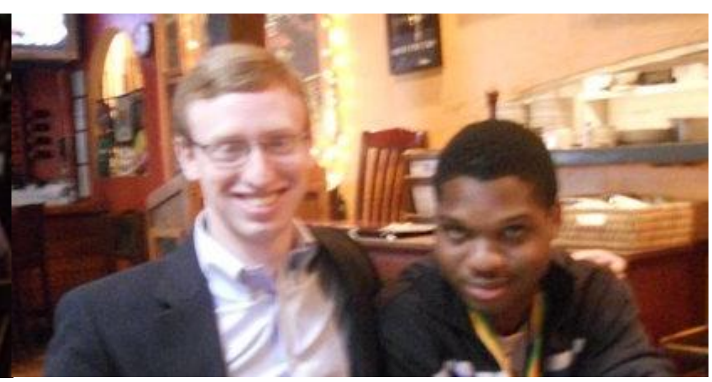
Eric is a rising fourth-year originally from Orange, MA, majoring in Commerce (Finance and Real Estate Track) and History. Before attending UVA , Eric played several years of professional baseball with the Milwaukee Brewers and the Los Angeles Angels of Anaheim, but decided to return to school after a career-ending injury. This summer he will be taking several summer session classes in the History department and helping research potential investment properties for a real estate investment company that he co-founded, Nantasket Investments LLC.

Eric is receiving the Star Analyst Award for his long pitch on Adams Golf (NASDAQ: ADGF). In pitching ADGF, Eric uncovered an overlooked gem that has played out very well for MII already. MII entered into a 3% position on April 10th, and the stock is currently up 36% from our entry point.

MII HOLDS SOCIAL EVENTS TO RECOGNIZE CONTRIBUTIONS

MII Managers enjoy an end-of-semester dinner with faculty advisor Patrick Dennis at C&O restaurant.

Current MII managers host a special event recognizing graduating former managers and our Star Analyst Award recipient.



MII managers host a dinner recognizing members who participated in the manager election. This semester's election was one of the most competitive in MII's history. We would like to congratulate Alex Abosi (COMM, '13) and Vivek Vakil (COMM, '12) on their election to the management team.

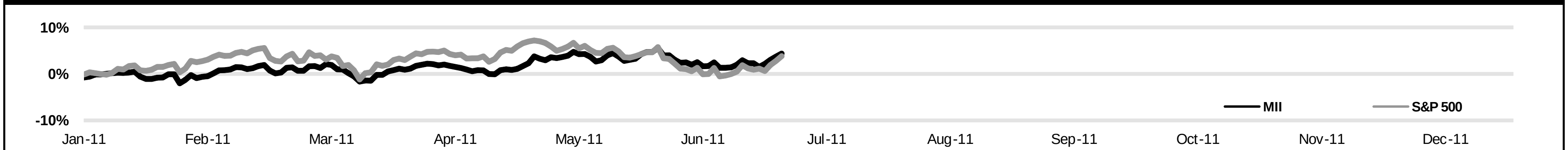
PORTFOLIO AS OF JUNE 30, 2011

McIntire Investment Institute

Officers: Will Liang, Harrison Freund, Tom Chen, Rob Sampson, Jon Haas
Managers: Tim Chen, Andrew Fredrickson, Ryan Rechkemmer, Chuhan Wang
www.uvamii.com

Portfolio Valuation as of June 30	Historical Information			Entry			Position			Percent Change			
Company	**Symbol**	**Shares**	**Price Jan 1 or IPO**	**Date**	**Price**	**Value**	**Price**	**Value**	**2011 P/L**	**2011**	**Total Gain**	**Annualized**	**Weight**
Steinway Musical Instruments	LVB	1,385	19.85	Jun-10	17.84	24,707	25.69	35,581	8,088	29.4%	**44.0%**	39.8%	6.89%
Coach	COH	520	55.31	May-08	35.55	18,486	63.93	33,244	4,482	15.6%	**79.8%**	20.2%	6.44%
Philip Morris International	PM	443	58.53	Oct-09	48.50	21,486	66.77	29,579	3,650	14.1%	**37.7%**	20.5%	5.73%
Monsanto	MON	325	69.64	Nov-08	75.35	24,490	72.54	23,576	943	4.2%	**-3.7%**	-1.4%	4.57%
Cal-Maine Foods	CALM	700	31.58	Mar-11	28.28	19,796	31.96	22,372	266	1.2%	**13.0%**	46.0%	4.34%
Citrix Systems	CTXS	255	68.41	Dec-10	68.05	17,353	80.00	20,400	2,955	16.9%	**17.6%**	34.1%	3.95%
Cisco Systems	CSCO	1,302	20.23	Feb-11	18.85	24,543	15.61	20,324	(6,015)	-22.8%	**-17.2%**	-37.4%	3.94%
Google	GOOG	37	593.97	Apr-09	363.61	13,454	506.38	18,736	(3,241)	-14.7%	**39.3%**	15.7%	3.63%
Quest Diagnostics	DGX	308	53.97	Apr-11	57.44	17,692	59.10	18,203	1,580	9.5%	**2.9%**	11.3%	3.53%
Yum! Brands	YUM	300	49.05	Feb-09	31.62	9,486	55.24	16,572	1,857	12.6%	**74.7%**	26.0%	3.21%
Covanta	CVA	995	17.19	Jan-07	21.93	21,820	16.49	16,408	(697)	-4.1%	**-24.8%**	-6.1%	3.18%
Nalco	NLC	545	31.94	Dec-10	31.88	17,375	27.81	15,156	(2,251)	-12.9%	**-12.8%**	-22.1%	2.94%
Adams Golf	ADGF	2,009	4.71	Apr-11	5.50	11,050	7.49	15,047	5,585	59.0%	**36.2%**	219.7%	2.92%
Danaher Corporation	DHR	284	47.17	Apr-11	52.71	14,970	52.99	15,049	1,653	12.3%	**0.5%**	2.1%	2.92%
The Brinks Company	BCO	456	27.51	Jan-11	26.56	12,111	29.83	13,602	1,058	8.4%	**12.3%**	25.4%	2.64%
Cameco Corporation	CCJ	514	40.38	Apr-11	29.16	14,988	26.35	13,544	(7,211)	-34.7%	**-9.6%**	-36.0%	2.62%
American Express	AXP	250	42.92	Apr-08	34.63	8,658	51.70	12,925	2,195	20.5%	**49.3%**	13.3%	2.50%
Madison Square Garden	MSG	454	25.78	Apr-11	28.68	13,021	27.53	12,499	795	6.8%	**-4.0%**	-15.0%	2.42%
BlackRock	BLK	60	190.58	Apr-03	44.85	2,691	191.81	11,509	74	0.6%	**327.7%**	19.2%	2.23%
Long Portfolio								**364,325**					**70.60%**
Harley-Davidson	HOG	183	40.96	Mar-11	40.96	7,496	40.97	7,498	(2)	0.0%	**0.0%**	-0.1%	1.45%
DineEquity	DIN	140	49.38	Nov-10	50.65	7,091	52.27	7,318	(405)	-5.9%	**-3.2%**	-4.6%	1.42%
Garmin	GRMN	190	31.21	Apr-10	37.83	7,188	33.03	6,276	(346)	-5.8%	**12.7%**	10.2%	1.22%
Short Portfolio								**21,091**					**4.09%**

YTD Performance



Portfolio Exposure and Value			
Cash Position	$	130,641	25.3%
Gross Exposure	$	385,416	74.7%
Net Exposure	$	343,234	66.5%
Total Portfolio Value	**$**	**516,057**	**100.0%**
January 1, 2011	$	494,465	

Portfolio Performance	2011	2010
MII Portfolio	**4.4%**	**8.4%**
S&P 500 Index*	**3.8%**	**12.8%**
Spread	**0.5%**	**-4.4%**
*S&P 500 price return data		

Recent Long Transactions		
Date	**Company**	**Order**
May 12	Winn-Dixie Stores	Close
May 12	Adams Golf	Trim to 3.0%
Apr. 24	Cameco Corporation	Long at 3.5%
Apr. 24	Digital Globe	Close

Recent Short Transactions		
Date	**Company**	**Order**
May 12	Green Dot	Cover
May 12	Nuance	Cover
Apr. 24	GameStop	Cover
Apr. 24	Align Technologies	Cover

SUMMARY OF 2011 YTD TRANSACTIONS

Long Transactions

Date	Order Type	Company	Price	Shares	Gain/Loss
30-Jan	Close Position	Thoratec	23.13	615	(3440.93)
30-Jan	Initiate at 2.5%	The Brinks Company	26.56	456	-
13-Feb	Close Position	Diageo	77.36	320	3726.40
20-Feb	Initiate at 3.5%	Cisco Sytems	18.71	935	-
20-Feb	Close Position	Ritchie Brothers Auctioneers	26.35	420	2557.80
4-Mar	Close Position	Cadence Pharmaceuticals	8.50	1,585	1093.65
21-Mar	Initiate at 3.5%	Cal-Maine Foods	28.28	700	-
27-Mar	Add to 4.5%	Cisco Systems	17.28	367	-
3-Apr	Initiate at 3.5%	Quest Diagnostics	57.72	308	-
10-Apr	Initiate at 3%	Adams Golf	5.50	2,738	-
10-Apr	Initiate at 2.5%	Madison Square Garden	27.61	454	-
17-Apr	Initiate at 3%	Danaher Corp	52.71	284	-
24-Apr	Trim to 6%	Philip Morris	67.61	57	3853.77
24-Apr	Close Position	Rocky Mountain Chocolate Factory	10.40	2,575	1609.37
24-Apr	Close Position	Chicago Mercantile Exchange	309.74	65	1346.80
24-Apr	Close Position	Digital Globe	28.95	500	975.00
12-May	Trim to 3%	Adams Golf	7.71	729	1611.09
12-May	Close Position	Winn Dixie	7.99	1,275	(2600.75)
26-May	Close Position	Corrections Corporation	22.97	935	(1954.00)

Short Transactions

Date	Order Type	Company	Price	Shares	Gain/Loss
27-Mar	Initiate at 1.5%	Harley-Davidson	40.96	183	-
24-Apr	Cover Position	Blackboard	48.80	160	(2209.00)
24-Apr	Cover Position	Align Technologies	24.99	370	(1792.65)
24-Apr	Cover Position	Gamestop	26.54	325	(1360.13)
12-May	Cover Position	Nuance	22.20	405	(1559.00)
12-May	Cover Position	Green Dot	40.53	135	1815.45

LONG POSITIONS

Steinway Musical Instruments (NYSE: LVB)

Steinway Musical Instruments (“Steinway”) manufactures pianos under its Steinway & Sons, Boston, and Essex brands, and band instruments through the Conn-Selmer division, where sales have historically tracked secondary school music enrollment numbers. Due to Conn-Selmer's predictable sales and steady margins, MII focuses on Steinway's piano division as the primary value driver because it accounts for most of the company's EBITDA and provides the most growth potential.

Steinway is the world's premier piano brand, with 98% of concert pianists playing exclusively Steinway pianos. Despite its fame in the music world, Steinway is not widely followed by investors or analysts due to its small market capitalization. Consequently, MII believes Steinway is more likely to be inefficiently priced. Indeed, the company is significantly undervalued based on the tangible worth of its real estate properties. Steinway owns Steinway Hall in Manhattan and a 12 acre factory in Queens, which carry severely understated book values of $23 million and $3 million respectively.

Furthermore, Steinway is poised to realize significant sales growth. VAR confirmed that the "All-Steinway" designation is becoming a requirement for reputable conservatories and music colleges. Additionally, MII anticipates very strong growth in foreign markets. China is particularly appealing because Chinese culture values classical music and views Steinway pianos as a status symbol. Steinway opened a Shanghai showroom in 2003 and Chinese piano sales tripled from 2006 to 2009. Steinway has increased its market share in China accordingly, and the country presently accounts for 11% of its total piano sales, making it a great growth opportunity. In 2010, unit sales in China increased by 50%, making it the third biggest market for the company behind the U.S. and Europe.

Recent corporate actions taken by Steinway may also boost the stock’s performance. Steinway has now eliminated the dual class voting structure of its common stock, which MII interprets as potentially preceding a closer strategic partnership between Steinway and Samick Instruments, a 33% stakeholder in the company. Moreover, increased attention brought upon Steinway by large value-oriented investment companies and activist shareholders should help to unlock Steinway’s hidden value.

Coach (NYSE: COH)

Coach is a designer and marketer of luxury lifestyle accessories for women and men in the United States and abroad, primarily in East Asia. Coach's product offerings include handbags, women's and men's accessories, footwear and jewelry, business cases, sunwear, travel bags, fragrances, and watches. MII's thesis focuses on Coach's growth potential as it enters new markets, its expansion within existing markets, superior brand equity, and its operational efficiency, which drives a high ROIC.

Since its IPO in 2000, Coach has exhibited strong growth in the market for premium accessories, fueled largely by its luxury handbags. The company is expanding rapidly with plans to achieve a long-term target of around 500 stores in North America. As Coach products are being well received abroad, particularly in Japan, international expansion is important to Coach's continued growth strategy. MII anticipates that Coach will experience a rebound in sales from Japan, where Coach garners around 21% of its sales, despite the economic contraction experienced due to the recent tsunami. China also presents tremendous potential as a burgeoning luxury goods market where Coach now operates 55 stores and has consistently generated double-digit growth in comparable store sales.

Beyond its expansion into new markets, Coach is also growing its existing product lines. The women's handbag business has grown from $2.5 billion in 2001 to nearly $5 billion today, with women now buying an average of four handbags per year, twice what they purchased in 2001. Coach is well-positioned to capture repeat handbag purchases because it fills the void between moderate brands and ultra-luxury designer labels. Coach's brand positioning and product offering give it a wide economic moat and are the reasons for its outperformance in a modestly improving retail environment.

Coach's management has also been successful in translating its sales growth into earnings by shifting its product mix toward high margin items and improving its sourcing to reduce costs, contributing to operating margins of approximately 30%. With the proven ability to turn sales into free cash flow, Coach is in an excellent position to fund sustained growth and capture emerging opportunities worldwide.

Philip Morris International (NYSE: PM)

PHILIP MORRIS INTERNATIONAL

Philip Morris International ("Philip Morris") produces, markets, and sells cigarettes in countries outside of the United States and was spun off from Altria in March 2008. The McIntire Investment Institute's investment thesis focuses on high barriers to entry, strong growth in cigarette volumes, and stable cash flow.

First, the cigarette industry has high barriers to entry and Philip Morris is best positioned with a strong moat. High capital requirements and government regulations limiting cigarette advertising eliminates the threat of new brands stealing market share. Philip Morris is particularly well-positioned with its strong brands. Marlboro is the company's flagship brand and the world's most popular cigarette which is enjoying an increase in market share.

Additionally, Philip Morris is experiencing volume growth in many of its markets. It has first mover status among foreign tobacco companies in China and significant exposure to the high growth Indonesian and Eastern European markets. The company's expansive brand portfolio effectively segments the market and is well-positioned for a consumer shift toward higher margin "premium" brands like Marlboro and Parliament. VAR conducted during a study abroad and through interviews with foreign students confirms that Philip Morris brands are among the most desirable cigarettes in several major Asian and European markets.

Finally, the company has strong and steady cash flows. It is selling an addictive product with nearly inelastic demand. Philip Morris has significant operating leverage that allows it to increase volumes without a significant increase in fixed costs. Management has proven its willingness to return cash flow to shareholders through a combination of dividends and share buybacks.

Although the MII invested in Philip Morris based on company fundamentals, managers also considered the potential impact of macroeconomic forces. The managers concluded that the company is well-positioned for an inflationary environment and potential weakening of the U.S. dollar.

Monsanto (NYSE: MON)

Monsanto is a leading global provider of agricultural products. Its seeds, biotechnology trait products, and herbicides provide farmers with solutions that improve yield, reduce costs and risks of farming, and produce better foods for consumers and better feed for animals. Monsanto's seeds also protect crops from insects, herbicides, and drought.

With its market leadership and presence around the world, Monsanto is best positioned to profit from increases in global food demand and the dietary shifts that accompany growing affluence. Economic growth in China, India, Brazil, and other developing nations will be met with higher quality and more protein intensive diets. Monsanto, through its seeds, is poised to support the livestock this growth requires. Outside of global macro trends, Monsanto's continued investment in R&D initiatives and robust pipeline should ensure future innovation.

MII's VAR confirms that Monsanto is a well-run company that is positioned to profit from macroeconomic trends. Although Monsanto faces possible future risk via government regulation on genetically modified organisms, the risk is low and is far outweighed by possible benefits. Monsanto's seed innovations will drive growth and profitability, and the management team is encouraged by Monsanto's pipeline and first mover status in many seed traits. We believe the market's current misperception presents significant opportunity.

Cal-Maine Foods (NASDAQ: CALM)

Cal-Maine Foods ("Cal-Maine") is the industry leading fully-integrated producer and marketer of shell eggs in the Southwestern, Southeastern, Midwestern, and Mid-Atlantic regions of the U.S. It owns three notable brands, "Farmhouse," "Egg-land's Best," and "4-Grain."

Poor analyst coverage of Cal-Maine has lead to misperceptions by the market. Only three analysts cover the company, all of whom cover the poultry industry, causing Cal-Maine to often be associated with the wrong industry. Furthermore, an egg recall in August and November 2010 for salmonella concerns damaged Cal-Maine's reputation, even though Cal-Maine did not produce these eggs. Cal-Maine has a solid track record under regulatory scrutiny and this negative publicity will only persist in the short-run. MII believes Cal-Maine will be a strong investment because it is able to pass rising costs on to consumers, has had a strong track record of inorganic growth, and the Humane Society of the United States will prove to be a beneficial shareholder.

Cal-Maine is able to pass on its rising costs, mainly feed, to retailers and thus maintains strong margins. Grocery stores sacrifice their margins on commodity goods such as eggs in order to attract customers and maintain traffic. The misperception is that feed costs drive the industry. However, for Cal-Maine, who owns 18% of the industry, total egg supply drives the company's profitability. As supply of eggs increases, profitability drops because eggs prices drop. Large drops in egg prices as a result of supply increases force smaller companies out of the industry.

Additionally, Cal-Maine has had success integrating acquisitions to provide inorganic growth. It has acquired 16 companies since 1989. Strong synergies exist with Cal-Maine's acquisitions because the company buys family-owned farms that look for pure-play egg producing acquirers. These acquisitions have allowed the company to expand by sidestepping more significant capital expenditures and the need to acquire licenses.

Lastly, the Humane Society of the United States (HSUS) promotes a cage-free movement for chickens nation-wide and has acquired enough Cal-Maine shares to become an activist. HSUS is actually Cal-Maine's best defense because the cage-free movement will effectively decrease the amount of eggs produced per cage, lowering overall supply. This will lead to higher egg prices and, as a result, higher margins for Cal-Maine.

Citrix Systems (NASDAQ: CTXS)

Citrix Systems ("Citrix") provides virtualization services that allow clients to remotely access data. Most of Citrix's revenue is derived from selling licenses for its operating systems. The company focuses on enterprise clients. Citrix is a solid investment because it is best positioned to benefit from rapid growth in the desktop virtualization industry and is trading at a relative discount to key competitors.

Research indicates that the virtualization industry is underpenetrated now with many firms expecting to adopt desktop virtualization as the economy recovers and corporate IT budgets rise. The industry as a whole should grow rapidly as corporations recognize the value of virtualization. Virtualization has an attractive ROI for customers as it reduces IT management costs, aids IT updates and maintenance, and provides greater mobility and ease of access for employees.

Citrix is best positioned to profit from virtualization growth. Several misperceptions exist regarding Citrix's competitiveness with VMware. Research contacts attest that Citrix's FlexCast technology is superior to the Virtual Desktop Interface solution offered by its main competitor. Citrix products also use less bandwidth and processor time than View 4 from VMware.

Furthermore, Citrix's HDX technology enhances the user experience by accelerating communication between the client and server, which results in superior Flash video viewing. IT professionals note that user adoption rates often disappoint as employees complain about slow and unreliable virtualization services. Citrix's superior product appeals to IT professionals because its reliability increases the probability of user adoption. Overall, MII believes several key misperceptions exist regarding Citrix's competiveness with VMware. Consequently, Citrix is the best way for us to take advantage of the rapidly growing desktop virtualization industry.

Cisco Systems (NASDAQ: CSCO)

Cisco Systems ("Cisco") is an international manufacturer of internet protocol (IP) equipment and other information-technology related products. Its wide diversity of products appear frequently in enterprise, government, education, and residential environments. Cisco's key revenue drivers are routers and switches – essential network components.

Recently, Cisco shares have been negatively affected due to decreasing revenues and poor management decisions. While we believe its management has room to improve, the Street is misperceiving the costs associated with switching from the Catalyst 6000 to the Nexus 3000, its main switch series. Due to this major change, significant losses have been incurred. However, we acknowledge steep costs in product realignment for Cisco were necessary to continue to be the leader in IP technology.

MII believes Cisco is very undervalued as it will continue to be the best in breed. We see this as an opportunity to buy a strong company at a steep discount to intrinsic value and that promising returns will ensue as the Street looks past some of the company's difficulties in the short-term.

Google (NASDAQ: GOOG)

Google is a global technology company that maintains the largest, most comprehensive index of websites and associated online content. MII believes that Google offers significant value and our investment thesis focuses on Google's dominant advertising position, its R&D capabilities and strategic flexibility, and the projected future of new ventures.

In 2010, Google generated 96.2% of its revenue from advertising. The company's dominance of online advertising is rooted in the Google Matrix, its superior search algorithm, which yields relevant results for users and allows advertisers to provide targeted messages. Through May 2011, 63.6% of searches worldwide were conducted on a Google site. Google complements its high volume with superior pricing for its targeted advertisements. The company collects an average of $52.50 in revenue per unique visitor, while Yahoo collects $22.00 and Microsoft makes $8.33. MII believes the core search function has a sizable moat and will continue to generate significant cash flow as internet penetration rises globally and Google expands its proven platform.

MII is also encouraged by Google's R&D function and believes organic innovations will drive future growth. Though Google's spending on R&D has grown faster than its revenue, it has generated important patented technologies that give Google a competitive edge and will drive future sales. These technologies include ranking algorithms, text matching techniques, sorting technologies, the AdWords Auction System, and the AdSense Contextual Advertising Technology. Importantly, Google holds over $35 billion in cash and has no debt, so the company can continue to fund its robust R&D efforts, acquire emerging competitors, and purchase promising start-ups that compliment internal projects.

Google has unveiled promising platforms such as its Chrome browser and the Android mobile platform. As these systems gain market share, MII expects management to become more focused on monetizing them. Through the successful acquisition and integration of YouTube, Google has proven that it can monetize new platforms. Beyond existing technologies, MII is also encouraged because Google is well-positioned to benefit from the cloud computing trend and the development of white space as more devices are connected to high-speed wireless internet.

Quest Diagnostics (NYSE: DGX)

Quest Diagnostics is a leading provider of diagnostic testing, information, and services that individuals and doctors use to make informed healthcare decisions. These tests range from blood tests, such as cholesterol or white blood cell count testing, to advanced types of cancer testing, to gene-based and molecular testing. The company's services help healthcare professionals detect and diagnose diseases and then monitor the patient's recovery. MII likes Quest Diagnostics because of the limited competition it faces, the company's electronic health records solution, and the growing importance of lab testing in the healthcare industry as the U.S population ages.

Quest Diagnostics competes primarily against LabCorp in the $55 billion clinical testing market. These two companies dominate the space and are posed to benefit the most from the rise in demand of clinical testing and diagnostics. The clinical testing market currently makes up less than 3% of healthcare spending and we believe that it has room to grow as the U.S. population ages. We favor Quest Diagnostics over LabCorp because of its electronic health records and healthcare IT products. We believe that the combination of these long-term trends and leading solutions will propel Quest Diagnostics forward.

We believe that the market misperceives the company to be struggling with declining revenues and that it will have a tough time finding sustainable growth. The industry as a whole has been affected by the recession because of less workplace drug testing and less visits to physicians. Quest Diagnostics has been further hurt by an increase in competition. MII believes that Quest Diagnostics will be able to overcome these short-term headwinds and surprise doubters. We like the company and its growth potential in electronic health records and specialized diagnostics tests, as well as the exposure it gives us to the healthcare industry.

Yum! Brands (NYSE: YUM)

Yum! Brands ("Yum!") was incorporated in 1997 and is a quick service restaurant company with over 37,000 units in more than 110 countries. Through the three concepts of KFC, Pizza Hut, and Taco Bell, the company develops, operates, franchises, and licenses a global system of restaurants. The company either operates units or contracts with independent franchisees or licensees. In addition, the company owns non-controlling interests in unconsolidated affiliates in China who operate similar to franchisees.

MII's investment in Yum! focuses on two key thesis points. First, the company's revenue growth has been driven by strong expansion in non-U.S. geographic regions. Yum! successfully entered the Chinese market through powerful branding while customizing its offerings to local tastes. For example, Pizza Hut has been marketed as a high-end restaurant chain and has even become synonymous with pizza itself, in China. Yum! has also focused on increasing its presence in India by tripling its number of restaurants there. Even with this recent expansion, MII believes that Yum! still has significant room to grow in China, India, and other emerging markets.

MII's second thesis point focuses on the company's superior management. VAR contacts noted that senior managers visit the company's restaurants periodically to ensure product quality and mentor staffers. Yum!'s cash generation and impressive return on invested capital demonstrate management's abilities to create shareholder value. Yum!'s recent decision to focus on its core brands by divesting its Long John Silver's and A&W Root Beer chains reaffirms MII's view of management. Overall, MII believes that Yum! will continue to realize strong organic growth and high efficiency due to management's proven judgment and ability to enter new markets.

Covanta (NYSE: CVA)

Covanta is composed of an energy subsidiary that focuses on Energy-from-Waste solutions and the National American Insurance Company of California. MII is focused on the Energy-from-Waste division and its growth potential as municipalities become increasingly focused on environmental sustainability and reducing landfill use. Covanta is a well-established "green" company with proven technology and a strong track record of performance. Its solid waste combustion process generates clean electricity and results in net greenhouse gas reduction.

VAR contacts at a consulting firm confirmed the company is the Energy-from-Waste industry leader. Sources at the Environmental Protection Agency noted that Energy-from-Waste capacity could double as municipalities try to reduce landfill use. Although the United States does not have land use restrictions like Europe, MII believes environmental initiatives will spur a transition to more waste incineration.

The EPA policymakers do not believe Covanta will qualify to sell carbon credits under recent cap-and-trade legislation, but they did note that its process is favorably viewed by most environmentalists. Crucially, Energy-from-Waste is classified as a renewable energy source by the federal government. Overall, MII hopes to benefit from increasing environmental awareness and "green" energy initiatives through its investment in Covanta.

Covanta started out strong in 2011, gaining long-term extensions with municipal governments on projects extending until 2020. Although Covanta has taken on more long-term debt, it should be able to pay it off with its strong source of FCF from projects that last up to 2032. One such project includes a special prescription drug recycling program that has been met with success.

Moving forward, Covanta will look to expand into China, while remaining a strong player in Europe and Canada. Potential risks concerning Covanta's project expansions include inability to successfully teach local residents about safety and procedures of a waste-plant. However, we believe Covanta has the necessary resources and expertise to overcome these challenges.

Nalco (NYSE: NLC)

Nalco produces and sells water treatment equipment, consumable chemicals, and services to industrial and commercial clients. These products prevent problems such as calcium buildup and corrosion that commonly exist in water storage and treatment systems. MII believes that Nalco is a solid long-term investment due to its recurring revenue base, industry-leading 3D TRASAR system, and growth opportunities which are currently underestimated by the market.

Nalco has high recurring revenues because its systems are non-discretionary for industrial customers and exhibit high switching costs. It is often incorrectly believed that a reduction in industrial production results in less water use, however, in reality many industrial water systems continue running at the same pace even when a facility is below full capacity. Additionally, it is difficult for customers to replace Nalco's systems because water treatment is essential for production processes. These systems require specialized installation and operation conducted exclusively by Nalco's technicians, thus preserving the company's proprietary technology. As a result, customer churn is below 5% annually.

Nalco's 3D TRASAR treatment technology is protected by 27 patents and provides a higher internal rate of return for customers than competing systems because it uses less energy, water, and chemicals to operate. This business model creates a significant economic moat through its intellectual property protection and high switching costs for customers. Nalco is the leading name in industrial water treatment, and the company's brand strength will allow it to gain market share as new operators come on-line. Nalco expects strong pricing to offset high raw material costs this year.

Many analysts misperceive Nalco as a mature and unexciting industrial water treatment company while, in reality, Nalco is well-positioned to benefit from upgrades of outdated municipal facilities in the United States and increased demand for water treatment in emerging markets, where the company currently derives only 20% of its revenue. MII anticipates that Nalco will gain market share and realize surprising growth due to infrastructure improvements and additional industrial growth in these markets, in addition to an expanding customer base among energy companies with increasingly water-intensive applications.

Adams Golf (NASDAQ: ADGF)

Adams Golf ("Adams") is a golf equipment company that designs, manufactures, and distributes a full range of drivers, irons, woods, wedges, and putters while also offering a line of golf bags, hats, and other accessories. Adams sells its products in the U.S. and in international markets through golf shops, sporting goods retailers, and mass merchants.

MII's investment in Adams focuses primarily on its innovative, superior product line. Adams' Speedline driver is considered to be one of the longest drivers on the market, and Adams was the number one hybrid on the PGA, Nationwide, and Champions tours during 2010. Extensive VAR also supports the superiority of Adams' products and that many golfers recognize the effectiveness of Adams clubs.

Use by professionals, including the longest hitter in the world, two-time Long Drive champion Jamie Sadlowski, provides great advertising and will further improve brand value. As a result, we expect Adams to generate additional sales and profit as the company gains market share from its larger competitors, including Nike and Callaway. Adams will also benefit from both increased leisure spending, as the U.S. moves out of the recession, as well as significant growth opportunities in international markets.

MII believes that Adams is an overlooked small cap company. No analysts currently cover the firm, and Adams currently has price-to-earnings and price-to-book ratios well below the industry average. Adams' lack of coverage, along with its superior products and solid financial position, offers MII an opportunity to take advantage of future growth in market share, sales, and earnings before the rest of the Street.

Danaher Corporation(NYSE: DHR)

Danaher Corporation ("Danaher") is an industrial conglomerate that designs, manufactures, and markets a wide range of professional, medical, industrial, and consumer products. The company is organized into five business segments: Test & Measurement, Environmental, Life Sciences & Diagnostics, Dental, and Industrial Technologies. MII sees Danaher as a compelling long because of the company's strong portfolio of brands, proven track record of strategic acquisitions, and favorable exposure to emerging markets.

Danaher holds either the number one or two position in all of its business segments. Due to the dominance of Danaher's brands, we expect total sales to rise as the global economy continues to improve.

The company maintains this dominance through research and development, and strategic acquisitions. While M&A integration presents risks, Danaher has had success finding other firms that fit synergistically into its existing portfolio, such as medical testing leader Beckman Coulter. In 2010 the company spent two billion dollars on acquisitions. With over $1.8 billion in free cash flow, MII expects Danaher to continue making lucrative acquisitions to boost sales and profit.

Additionally, Danaher has a favorable exposure to emerging markets, which make up roughly 20% of sales. China alone makes up 10% of sales. Management has levered the growth model developed in China for use in India and other emerging nations. MII expects these penetration and sales trends to continue as developing nations continue to purchase industrial products from Danaher.

The Brinks Company (NYSE: BCO)

The Brinks Company ("Brinks") provides banks, financial institutions, and other commercial operations with cash-in-transit (CIT) armored car transportation, ATM replenishment and servicing, global services, cash logistics, and guarding services. The company is a long for three key reasons.

First, Brinks' full-solution service commands an edge in retail. The company offers an integrated approach to cash logistics through its CompuSafe service, a leading closed-loop cash management system in North America. CompuSafe combines secure transportation with cash management services, providing retailers with accelerated funds availability, streamlined operational processes, and visibility and control over cash handling. Furthermore, as virtual vaults increase in popularity, there is an increase in demand for closed-loop cash management services.

Second, Brinks has demonstrated consistently strong returns, which attests to its dominance as the industry leader. It is also actively expanding into emerging markets while competitors are hampered by debt burdens. In 2010, Brinks acquired SPP, Mexico's largest secure logistics company, and Threshold Financial Technologies, a leading provider of payments solutions specializing in ATM and transaction processing services in Canada.

Last, high ATM growth worldwide and growth in global cash circulation drives demand for the company's core services. Overall ATM growth in Europe was 23% in 2010; the company derives 40% of its revenues from EMEA. Furthermore, despite proliferation of credit and debit cards, cash money in global circulation has increased at a rate of 9.09% compounded annually. Also, as banks return to traditional banking and consolidate branches, Brinks grows through "piggy-backing" because its services are contracted at the corporate level, rather than the branch level.

Cameco Corporation (NYSE: CCJ)

Cameco

Cameco Corporation ("Cameco") is the world's largest publicly traded uranium mining company. Based in Canada, it is currently the world's second largest uranium producer, accounting for 16.3% of the world's uranium production in 2010. Cameco provides processing services for the refining, conversion, and fabrication of uranium for nuclear power reactors. In 2010, it produced approximately 22.8 million pounds of uranium from mines in North America and Kazakhstan alone.

Cameco plans to double its uranium production to 40.0 million pounds per year by 2018. Half of this planned production would stem from mines currently operating while the other half would come from mines that are under development or under evaluation. Cameco owns 70% of the McArthur River – the world's largest high grade uranium deposit, situated in Saskatchewan, Canada – and is currently planning on expanding the mine which would extend their mining area and production capacity in the years to come. Geographically, 49% of Cameco's revenue stems from nuclear utilities in North and South America, while Europe accounts for 30% and the remaining 21% of revenues comes from utilities in the Far East.

We understand the significance of clean energy and electricity, and the potential that Cameco has to be a driving force in the uranium market and development of nuclear utilities. Cameco, with its geographically diverse uranium assets, low-cost mining operations, innovative technology, strong customer base, and worldwide marketing presence, is in a great position to not only drive innovation in the energy markets but to also innovate the way the globe consumes energy.

American Express (NYSE: AXP)

American Express ("Amex") is a leading global payments and travel services company. During the recession, many investors were deterred from Amex due to the company's consumer credit exposure. However, MII has held Amex through the recession and our thesis focuses on the advantages of Amex's business model, the company's ability to capture global growth in credit card usage, and the misperception surrounding Amex's credit exposure risk.

Amex has a unique spend-centric and closed loop system with outstanding growth potential. This business model gives the company a competitive advantage in terms of customer satisfaction that Visa and MasterCard cannot easily overcome. This model is also advantaged as Amex increases its acceptance rate, which is currently lower than the acceptance rates for Visa and MasterCard. Merchants are incentivized to join the Amex network and capture revenues from the company's affluent cardholder base.

Additionally, MII believes Amex will benefit from broader global growth in credit card usage. Credit card purchase volume is expected to rise 40% by 2011. While debit cards will also gain popularity, credit cards will remain the consumer preference for purchases over $50. Since the typical Amex charge card operates similar to a debit card while also offering a one month, interest-free window before payment, the company will fare better than its competitors as debit card usage increases.

Finally, investors have overestimated the credit exposure of Amex. 85% of Amex's cardholders always or usually pay their balances in full each month. The company focuses on generating revenue as a result of high spending volume and its industry-leading 2.57% average merchant discount rate, as opposed to lending fees. With regard to credit exposure, Fair, Isaac and Company (FICO) scores have actually increased among Amex cardholders since 2004 and are higher than 2007 levels, indicating that Amex has managed to increase overall credit quality during a time period where nearly every other bank has seen credit quality deteriorate.

Amex has been playing out in line with MII's thesis points. Year-to-date, Amex is up over 19% as revenues and earnings have grown in the past year. Amex's growth has mainly been driven by higher card member spending which was up 17% in the last quarter. Additionally, credit quality has improved drastically, with provisions for losses down to $97 million in 2011 Q1 from $943 million in 2010 Q1. MII remains bullish on Amex because of its continued network expansion and an overall improvement in customer credit quality.

Madison Square Garden (NASDAQ: MSG)

Madison Square Garden ("MSG") is an integrated company comprised of three business segments: MSG Media (42% of revenue), MSG Sports (33%), and MSG Entertainment (25%). The company also owns and operates the Madison Square Garden arena located in the heart of the New York metropolitan area. MII considers MSG to be undervalued relative to its demonstrated leadership in managing events at major venues and distributing premium media content through its various television networks.

MSG is well-positioned to capitalize on multiple competitive advantages, including its vertically-integrated distribution channel, superior brand and properties, and high barriers to entry. The company is vertically-integrated as it supplies entertainment, has ownership of the basketball and hockey teams that perform in its arena, and distributes its entertainment through its own media outlets. This vertical integration differentiates MSG because it does not have to rely solely on revenue from ticket distribution as it brings in money through ownership of the arena and through distributing content though its TV channels.

The large initial cost of building an arena deters potential competitors, contributing to the industry's high barriers to entry. MSG is also in a good position to mitigate potential risks presented by media piracy, as live sports broadcasting is a unique market where customers are less likely to watch pirated content. Furthermore, MSG is protected from a short-term drop in event attendance because of the relative stability of its media business and the strength of its brand.

The variant perception held by MII stems from the lack of recognition for the full value of the MSG brand and its sustained earnings growth, which are both underappreciated by the few analysts who cover the stock. MII expects MSG to benefit from the realization of value for its various assets, particular the Madison Square Garden arena, which could be worth $1.7B in today's real estate market based on prices for transactions of comparable properties. Other catalysts for outperformance by MSG are a diversification and expansion of its cable channels and content, a continued ability to attract prime performers for live events at its own venues, and an increase in ticket sales and pricing.

BlackRock (NYSE: BLK)

BlackRock is one of the largest and most innovative investment management firms in the world. The McIntire Investment Institute has held BlackRock since 2003 and continues to view the company as an attractive play on the asset management industry. The current thesis focuses on synergies from BlackRock's acquisitions, unique growth platforms such as BlackRock Solutions, improving equity markets, and trends towards passive investing.

The acquisition of the iShares franchise from Barclays offers BlackRock a reputable name in equity index fund management, a field set to grow as more U.S. and foreign retail customers invest in financial markets. In addition to BlackRock's historical reputation centering on fixed income products, the new growth in equity products, multi-asset class, and alternative investments gives BlackRock a wide breadth of solutions for clients.

BlackRock has many avenues for continued growth. First, their increasing presence in the Asia-Pacific region, which currently makes up less than 7% of total revenue, will result in rising AUM and performance fees. BlackRock has also gained the reputation of being a "problem fixer" for institutional clients. As a result, BlackRock Solutions, the company's risk advisory arm, has shown exceptional growth. Additionally, our research indicates that BlackRock Solutions has significant barriers to entry as well as steep switching costs.

Promising growth opportunities combined with a management committed to using available cash flow for share buybacks and dividend increases makes BlackRock a compelling investment.

SHORT POSITIONS

Harley-Davidson (NYSE: HOG)

Harley-Davidson is a heavyweight (engine displacement of 651+ cc) motorcycle manufacturer. Harley-Davidson sells its motorcycles directly to dealerships around the world, and helps consumers finance their purchases through its financial services segment. Harley-Davidson has had a successful history developing a loyal customer base with the baby boomer generation. However, our research shows that Harley-Davidson faces significant headwinds as total motorcycle sales for Harley-Davidson have decreased 40% from 2006 to 2010. MII's thesis points focus around a loss in Harley-Davidson's current customer base, troubles with an aging consumer base, and misperceptions of growth in emerging and female markets.

Harley-Davidson's key consumer markets, the United States and Europe, which represent over 75% of sales, have been in significant decline. The heavyweight motorcycle industry as a whole has seen new registrations decline over 50% from 2006 to 2010 in the U.S. and over 20% in the European market. While these key markets have been in decline, Harley-Davidson has failed to attract new, younger customers. The average age of a Harley-Davidson rider has increased from 42 years in 2004 to almost 50 years in 2010. This demographic's net worth has significantly decreased in the latest economic recession, and many are postponing retirement in order to help rebuild their assets, which does not bode well for expensive discretionary purchases such as Harley-Davidson motorcycles.

Additionally, there is a misperception of Harley-Davidson's growth prospects in emerging markets. Latin America and Asia (non-Japan) only make up 7% of total sales. In order for these two markets to provide enough sales to help stop the losses from the much larger American and European market, they would have to grow at astronomical rates, which is unlikely as both markets have been declining in past years.

Lastly, there is also a misperception of Harley-Davidson's growth prospects in the female market. Harley-Davidson touts that as a percentage of total riders, females have been growing. However, an actual look into the number of female riders shows that sales to women from 2003 to 2011 have actually been decreasing. The reason female riders have been growing as percentage of total riders is because Harley-Davidson has been losing male customers at a much more significant rate. MII will continue to monitor sales of Harley-Davidson motorcycles, especially in emerging markets and amongst female riders. However, with customers currently leaving the brand at a rapid pace, and slim prospects for growth, MII is confident that Harley-Davidson will prove to be a good short.

DineEquity (NYSE: DIN)

DineEquity is the parent company of two well-known restaurant chains, IHOP and Applebee's. With over 1,500 IHOP and over 1,900 Applebee's locations, DineEquity is the largest full-service restaurant company in the world. In 2007, the company completed a highly levered acquisition of Applebee's. MII's thesis focuses on DineEquity's inferior position in an increasingly competitive industry, limited growth opportunities, and a questionable turnaround strategy.

DineEquity operates in the casual dining industry, which faces significant demographic, competitive, and economic headwinds. While management believes that IHOP and Applebee's have leadership positions within the industry, VAR shows that this is not necessarily the case. Through a telephone survey of 60 casual dining restaurants across the U.S., MII learned that competitors have wait times that are often twice as long as that of an Applebee's in the same ZIP code.

Domestic saturation and poor international appeal limits DineEquity's growth prospects. An analysis of DineEquity's 3,400 domestic restaurants shows that there are already approximately 14 restaurants per U.S. city with a population over 100,000. International growth prospects are weak as well. Don't be fooled by the name, only 1.6% of IHOP (International House of Pancakes) restaurants are actually located abroad. In addition, discussions with consumers in China show that Applebee's is unheard of and that the idea of eating pancakes for dinner is unappealing.

DineEquity's current strategy includes selling off company owned restaurants to pay off debt and remodeling restaurants to increase same store sales. However, DineEquity acquired Applebee's at the top of the real estate market in 2007. The current market is much weaker than in 2007, which means that DineEquity is unlikely to get good valuations for its restaurants. Furthermore, over 95% of DineEquity's restaurants are already franchised, making this an unsustainable strategy. In addition, store remodeling has had a negligible effect on sales so far, as same store sales continue to decline.

A comparable companies analysis shows that DineEquity is overvalued based on valuation metrics such as EV/EBITDA. Furthermore, DineEquity's free cash flows have been decreasing and ratios related to debt covenants have been getting worse. If DineEquity is unable to improve cash flows, failure to meet interest payments or satisfy covenants could increase our upside.

Garmin (NASDAQ: GRMN)

Garmin produces Global Positioning Services (GPS) devices with applications in automobiles, outdoors & fitness, marine, and aviation. The majority of the company's revenue and operating profit comes from its fixed-mount, GPS-enabled products that are placed on car dashboards. Garmin is one of the top two global personal navigation devices (PND) producers. MII believes smartphone applications will cannibalize PNDs sales. MII also believes margins will deteriorate as Garmin sells fewer units and is unable to enter new navigation markets.

Many smartphones are now equipped with GPS applications that assist navigation. The iPhone, Blackberry, and Android applications are cheaper than Garmin's units and more convenient to use than dash-mounted GPS devices. Going forward, MII expects consumer demand to significantly decline as Garmin's price point is uncompetitive compared to more versatile and trendy smartphones.

Although sales for personal navigation devices have fallen, sales for aviation, marine, and outdoor products have actually increased in the low to mid teens. This marks a fundamental switch for Garmin as it starts to target different customers.

As a result of increasing navigation competition and declining demand for Garmin's traditional units, Garmin has switched business strategies to target a different set of consumers and found success. Despite this drastic shift in consumer base, MII still believes Garmin is a short because recent successes will not be sustainable in the long-term.

SPRING 2011 MANAGEMENT TEAM

Will Liang

President

Will is a rising fourth-year from Midlothian, VA majoring in Commerce (Finance and Management) and Economics. Outside of MII, Will is an active member of his business fraternity and plays violin for the Charlottesville and University Symphony Orchestra. Last summer, Will interned at Transact Capital Partners, a boutique investment bank in Richmond, VA. This summer, he will be joining Blackstone's M&A group in New York as a Summer Analyst.

Harrison is a rising third-year from New York, NY majoring in Commerce, with a minor in Art History. In addition to serving as Vice President of MII, Harrison writes the "Following the Money" finance column for the Cavalier Daily. Harrison is also a competitive sailor and the Treasurer of UVA's Sailing Association. This summer he will be teaching sailing on the shores of Long Island Sound.

Harrison Freund

Vice President

Tom Chen

Chief Financial Officer

Tom is a rising fourth-year from Herndon, VA majoring in Commerce (Finance and Management). Apart from MII, Tom choreographs for his dance group, and enjoys working on start-ups. This summer, Tom will be interning at J.P. Morgan's Private Bank.

Rob is a rising third-year from Stony Brook, NY majoring in Biology (Pre-Med). Outside of MII, Rob researches autoimmune disease in a laboratory, serves as an advisor for the Peer Advising Family Network (PAFN), plays cello, and is an EMT. In his free time, Rob fences, plays ping-pong, manages his private portfolio, and is an entrepreneur. In the future, he would like to combine medicine and finance to better serve patients.

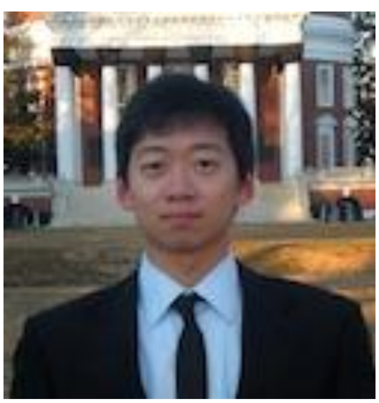
Rob Sampson

Chief Information Officer

Jon is a rising fourth-year from Wayne, NJ majoring in Commerce (Finance and Management) and Economics (Financial Economics), with a history minor. Outside of MII, Jon serves as President and plays Defense for the UVA Men's Ice Hockey team and enjoys skiing. Jon spent his last summer studying Economics at the University of Oxford. He will be joining Jefferies & Company this summer as an Investment Banking Summer Analyst.

Jon Haas

Chief Marketing Officer



Tim is a rising fourth-year from Herndon, VA majoring in Commerce (Finance and Management). Outside of MII, Tim choreographs for AKAdeMiX, a hip hop dance crew. Tim will be interning at Scopia Capital, a $2 billion hedge fund in New York, for the summer.

Tim Chen

Manager

Andrew Fredrickson

Manager

Andrew is a rising fourth-year from Virginia Beach, VA majoring in Commerce (Finance and IT). Outside of school, Andrew coaches a YMCA lacrosse team and enjoys playing sports. During the summer, Andrew will be interning at William Blair and Company in their Corporate Finance department.

Ryan is a rising second-year Pre-Commerce student from Virginia Beach, VA. In addition to his involvement with MII, Ryan participates in activities with the Intervarsity Christian Fellowship and plays the violin. He is an avid reader and a constant follower of developments in the global financial markets. Ryan hopes to obtain an internship in finance next summer.

Ryan Rechkemmer

Manager

Chuhan Wang

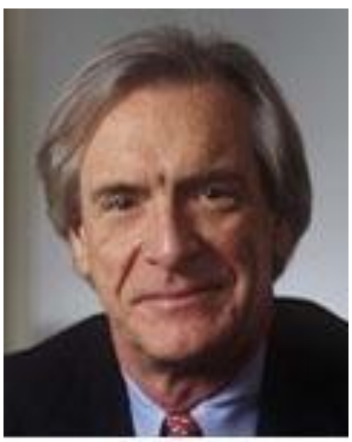
Manager

Chuhan is a rising third-year from Beijing, China. She is pursing a degree in Commerce with an additional major in Theatre. In addition to MII, she is the founder and chapter lead of Smart Woman Securities' UVA Chapter. She is also actively involved in the Honor Committee, the Jefferson Literary and Debating Society, and the Admission Office. This summer Chuhan will be interning at Bank of America Merrill Lynch in their Investment Banking Division.

Thank you to our advisers John Griffin, Dean Zeithaml, Dean Starsia, and Professor Dennis for their support of the fund. We sincerely appreciate this learning opportunity and your continued involvement.

John Griffin

MII Benefactor



Dean Carl Zeithaml

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