McIntire Investment Institute

Annual Report
For the Year Ended
December 31, 2011

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

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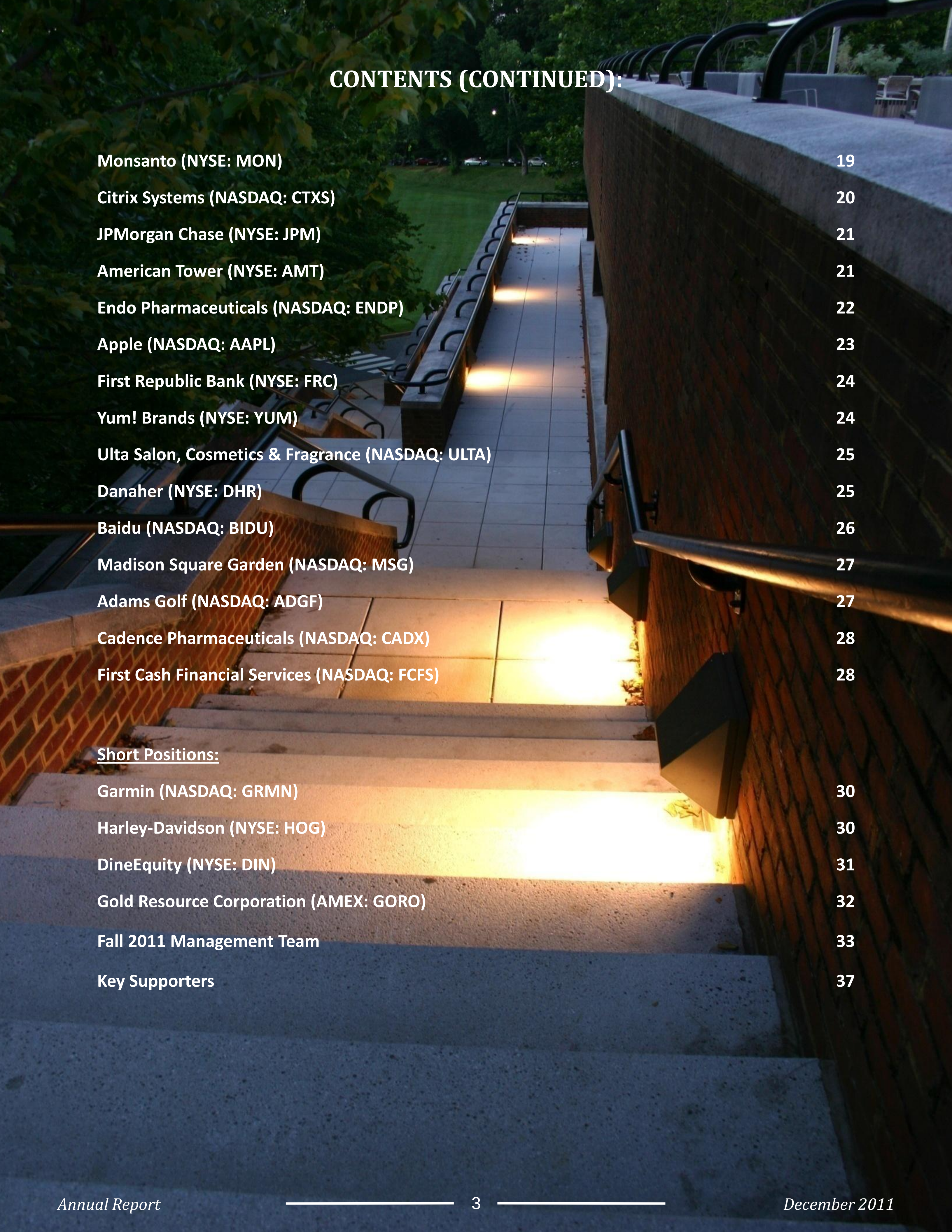

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McIntire Investment Institute

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 2011, the McIntire Investment Institute ("MII") achieved successful results both in terms of portfolio performance and organizational development. We managed to deliver an absolute return of 5% despite operating in an incredibly challenging market environment. This annual return exceeds that of our benchmark, the S&P 500, by 5%. From an organizational perspective, MII made considerable progress by providing increased involvement opportunities for our members and hosting a number of events, which contributed to the enrichment of students across the University.

During the past year, we saw equity markets behave in a way that could only be described as inconsistent and unpredictable. We started the year riding on bullishness resulting from quantitative easing during the end of 2010. However, in the middle of March, the Japanese earthquake caused a significant sell-off. Markets would recover and reach new highs. However, concerns over sovereign debt caused stocks to decline in July. This was followed by a downgrade in U.S. debt, which caused markets to fall further. The last quarter of 2011 was marked by volatility related to overall uncertainty. Despite a bumpy ride, the S&P finished 2011 essentially where it started.

MII was able to navigate the challenging market conditions of 2011 relatively well, outperforming the S&P 500 price return by 5%. Our portfolio currently consists of 25 positions, 21 long and 4 short. At year-end, we're sitting at a gross exposure of 84.8% and a net exposure of 74.8%, with $79,092 in un-invested cash. We believe that increased conservatism and a focus on opportunities related to longer-term secular trends were the main drivers of MII's outperformance in 2011.

During 2011, 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 GOOG, 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 and CXW. With 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.

MII started 2011 with three key organizational goals. First, we wanted to improve idea generation and portfolio administration. Second, we looked to increase the engagement of our general membership. Third, we hoped to enhance outreach and increase membership diversity. We knew from the start that achieving these goals would be challenging, but that doing so would be essential in order to further MII's position as UVA's premier finance organization. Through the leadership of our hardworking management team, the commitment of our general membership, and the support of our faculty advisor, MII was able to meet and exceed all of these goals.

In terms of improving idea generation, MII managers looked to provide general members with more guidance on stock selection. In the past, managers were relatively uninvolved with helping general members come up with ideas. This was a source of inefficiency within MII, as the most experienced members of the organization actually contributed very little to idea generation.

This year, managers were much more active in discussing potential ideas with our mentees. In fact, several of our portfolio additions this year, such as First Cash Financial Services, Gold Resource Corporation, and Harley-Davidson, were ideas that a member and manager came up with together.

With regards to portfolio administration, MII managers focused on reevaluating current positions more frequently. This semester, we developed a system that allows us to follow current portfolio positions more efficiently. This involved 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.

One of our most important goals of 2011 was to increase the engagement of our general membership. We were able to accomplish this through the development of a new member research initiative. The new member research initiative was formed with the goal of increasing responsibility for associates, while giving general members more of an opportunity to get involved. The program has been a huge success so far, as almost 3/4 of our general members are involved (see Page 8).

In order to achieve our goal of enhancing outreach, we engaged in a wide range of special events this year. These events include participating in the Michigan Interactive Investments Undergraduate Conference for the second year in a row, holding our own stock competition, hosting joint enrichment events with other University organizations, holding events with potential employers, and more. We hope to continue seeking opportunities to be involved with such events moving forward, as they allow us to increase our visibility within the University community and beyond (see Pages 9 and 10).

MII was also able to exceed our goal of increasing diversity this year. In 2011, over a quarter of MII ideas were pitched by female members, a significant increase from past years. Furthermore, in fall 2011, Sarah Salinas became the first female member to be named MII's star analyst (see Page 11).

Our management team is extremely pleased with MII's accomplishments in 2011. We outperformed our benchmark and made significant progress as an organization. As the current management team's term comes to an end, we look forward to seeing our successors carry on MII's vision.

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 PORTFOLIO HIGHLIGHTS FROM 2011

In 2011, MII continued to execute our core strategy of going long companies with strong fundamentals and shorting companies that we believe are fads, frauds, or fading stars. This year, we focused more specifically on being conservative in our stock picking, as unpredictability in the markets made it difficult for us to develop strong conviction in contrarian plays. Our efforts yielded very positive results in 2011, as MII's portfolio outperformed our benchmark, the S&P 500, by 5%.

Lessons Learned in 2011

MII shorted Weight Watchers at $57.70/share in mid-September. MII managers were skeptical of the company's ability to maintain revenue growth due to increasing threats from free online providers and a conversion to PAYGO model. Between the time we entered the position and late October, shares ran up against us by over 30%. We began to lose conviction in our original thesis and covered our position at a 14% loss following a price drop. Since covering our short, shares have traded down to below our original entry price.

MII longed Thoratec at $28.72/share in late December of 2010 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, returning over 45% through December 31st.

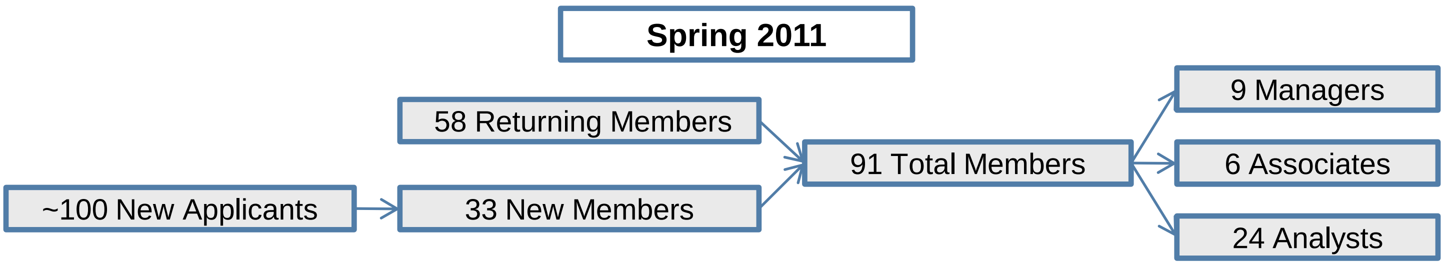
Interesting Positions Moving Forward

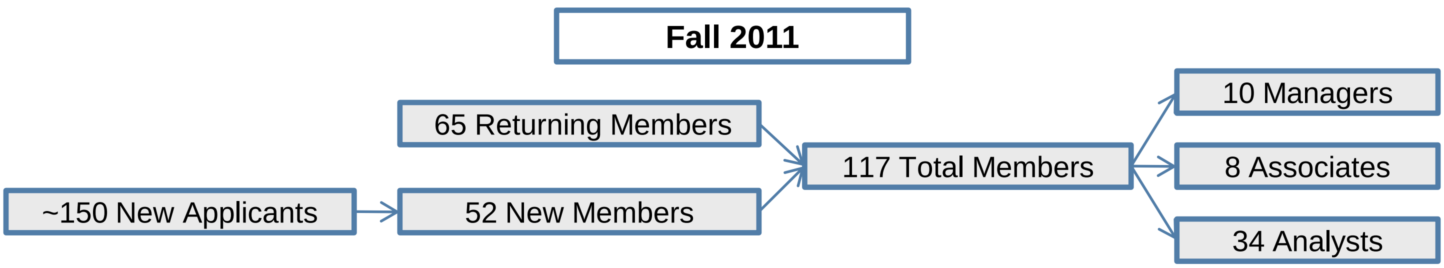
MII initiated a 3% long position in Baidu during mid-November at $137.76/share. MII managers believe Chinese internet is an exciting area with a long runway for growth. We chose Baidu primarily because of its stronghold in the online search market and positive EPS, which was rare amongst Chinese internet firms. At year end, our position was sitting at a 15.5% loss. However, we believe secular tailwinds and Baidu's market leadership will win out in the long-term, leaving our short-term losses in the dust.

In the beginning of November, MII was introduced to probably our most interesting short idea of the year. Gold Resource Corporation was pitched as a potential fraud with numerous red flags that paid a suspect dividend which was clearly unsustainable. Although it was difficult to borrow shares, we managed to initiate a short position of .75% on November 28th. At year end, the stock had run up against us by 14.4%. However, the red flags are still in tack and we look forward to seeing how things will play out.

2011 MII MEMBERSHIP UPDATE

MII continues to attract talented University students who are interested in investing. In 2011, MII saw over 250 new applicants (spring and fall) and extended membership at a rate of approximately 30%. MII has also made significant progress with our ongoing goal of increasing membership diversity. Female membership nearly doubled in 2011. More importantly, our female members have been more active than ever. In 2011, over 25% of ideas were presented by female members.





MII MEMBER RESEARCH INITIATIVE IS GAINING MOMENTUM

Towards the end of spring 2011, MII experimented with a new research initiative aimed at supporting our goal of increasing membership engagement. Fall 2011 was the first semester where we fully implemented the program. The new research initiative allows members to sign up for “coverage teams” lead by MII associates who are already covering certain positions. These “coverage teams” give associates more responsibility and members an increased opportunity to gain hands-on experience with investment research. The program has yielded extremely positive results so far, with 62 member participants. Members who are part of the program are now actively engaged in assisting associates with the production of update reports for MII’s current positions.

MII ACHIEVES OUTSTANDING JOB PLACEMENT IN 2011

As an educational organization, one of MII’s main goals is to prepare members for successful careers in finance. Our 2011 full-time and summer analyst placement once again highlights MII’s reputation for being one of the top UVA organizations for launching finance careers. MII members were offered positions at the following firms during full-time and summer analyst recruiting in 2011:

Goldman Sachs · Blackstone · Lazard · Greenhill · William Blair

J.P.Morgan · Morgan Stanley · citi · Bank of America Merrill Lynch · UBS

Perella Weinberg Partners · Scopia Capital · Jefferies · Nomura · Moelis & Company

MII INVITES DCM AND UVIMCO FOR JOINT ENRICHMENT EVENTS

In 2011, MII sought out 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 within the University community.

This year, we continued our relationship with the University of Virginia Investment Management Company (UVIMCO) by inviting them for a presentation in March. We also held two events where members from Darden Capital Management (DCM) came and presented ideas to MII members. We hope to continue these relationships moving forward, as they provide great learning opportunities for our members.

MII HOSTS EMPLOYERS FOR RECRUITING AND ENRICHMENT EVENTS

This year, MII hosted enrichment events with potential employers who are interested in recruiting UVA students. These events provide our members with great opportunities to learn about various firms and network with professionals. In September, Sands capital came to present OpenTable as a long. In October, representatives from Barclays Capital put on a “Role of the Analyst” panel. In November, investment bankers from Citi delivered a case study presentation.

MII HOLDS PANEL AND GOES TO DINNER WITH A MCINTIRE ALUMNUS

This fall, MII hosted a panel with two “buy-side” analysts. Laura Roller from UVIMCO and Richard Wampler from Quantitative Investment Management discussed what it takes to be a good analyst for an investment management firm.

In October, Justin Jacobs, a McIntire alumnus and managing director at private equity firm Mill Road Capital, invited MII managers for a dinner. Managers had an opportunity to learn about Justin’s background and discuss careers in finance.

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. MII managers Tim Chen, Ryan Rechkemmer, Rob Sampson, and Chuhan Wang presented Cal-Maine Foods (NASDAQ: CALM) as a long. 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. Although MII fell short of repeating its finals appearance at last year's competition, the team's performance was very well received. Strong showings at such events help strengthen our organization's reputation outside of the University community.

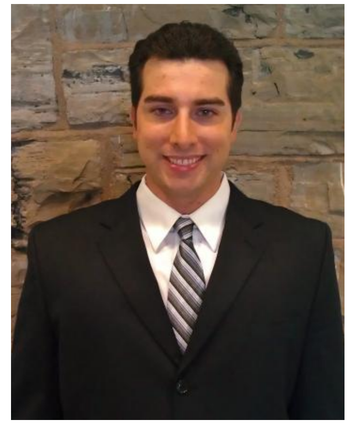
MII HOLDS A STOCK PITCH COMPETITION FOR UVA UNDERCLASSMEN

In April 2011, MII hosted a stock pitch competition for second and third-year UVA students. This was a great opportunity for younger students to develop their stock analysis skills. We had over 20 participants. The first round consisted of an investment memo and those selected as finalists were asked to present to a panel of judges. We hope to continue hosting such competitions in the future.

Winners pose with judges. From left to right: Alvin Kuai, Avery Chew, Rahul Gorawara, Nick Jones, Brendan Dawson, and Michael Cricenti.

Judges	Finalists
First Round:	Matt Blank and Seth Kramer
Patrick Dennis (McIntire Faculty)	Avery Chew
David Smith (McIntire Faculty)	Dorothy Ho and Xinyi Cao
Final Round:	Garrett Hynson
Rahul Gorawara (Rivanna Capital)	Nick Jones
Brendan Dawson (UVIMCO)	Alvin Kuai
Michael Cricenti (Bluestream AM)	Ryan Rechkemmer
Winners	
1. Nick Jones ($500 prize)	**GORO (Short)**
2. Alvin Kuai ($300 prize)	TZOO (Short)
3. Avery Chew ($200 prize)	AMZN (Long)

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



Eric is a fourth-year 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. Last summer, he researched potential investment properties for a real estate investment company that he co-founded, Nantasket Investments LLC. Following graduation, Eric will be joining CBRE group, the world's largest commercial real estate firm, in Washington D.C.

Eric received the Star Analyst Award for his long pitch on Adams Golf (NASDAQ: ADGF). In pitching Adams Golf, Eric uncovered an overlooked gem that has played out well for MII already. MII entered into a 3% position on April 10th. By May 12th, the stock was up over 40% and we took profits on part of our position. We current hold a 2.5% position in the stock.

FALL 2011 MII STAR ANALYST AWARD: SARAH SALINAS (CLAS, '14)

Sarah is a second-year from Houston, TX, planning to double major in economics and foreign affairs, with a leadership minor. Outside of MII, Sarah enjoys participating in Flash Seminars, working with Abundant Life, and serves on the leadership nominating committee for her sorority, Pi Beta Phi. She spent last summer working in the finance department at Duke Net Communications and studying Spanish in Valencia, Spain. This summer, Sarah plans to study abroad at the London School of Economics.

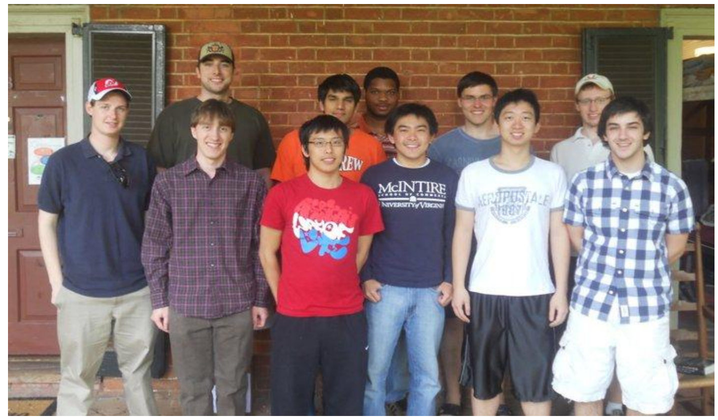
Sarah received the Star Analyst Award for her long pitch on American Tower (NYSE: AMT). In pitching American Tower, Sarah brought an excellent company with a strong moat and great growth outlook back to the attention of MII managers. Shares are up ~6% since our entry in October.

MII PRESENTS TO MCINTIRE BOARD

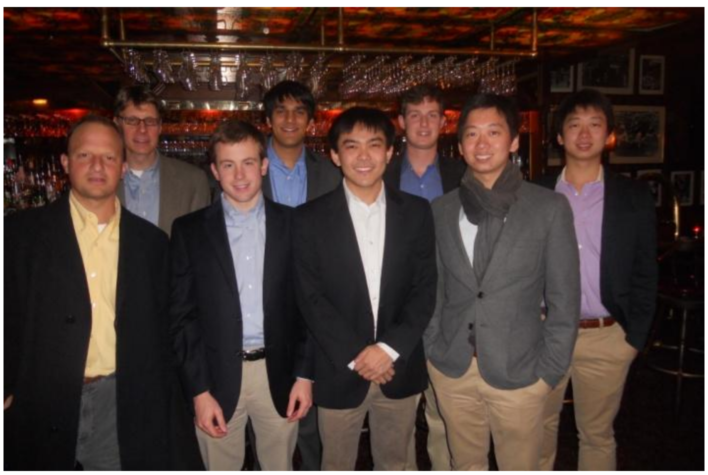
On April 29th, the McIntire Board had its annual meetings. Prior to the meetings, there was an introduction featuring presentations from a select group of McIntire student organizations and programs. MII was invited as one of the organizations that McIntire wanted to showcase. MII president Will Liang's 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.

2011 WAS A FUN AND MEMORABLE YEAR FOR MII

MII managers enjoy an end-of-semester dinner with faculty advisor Patrick Dennis at C&O restaurant in spring 2011.



Current MII managers host a special event recognizing graduating former managers and our Star Analyst Award recipient in spring 2011.



MII managers invite McIntire finance professors David Smith and Patrick Dennis for a dinner at Aberdeen Barn in fall 2011.

MII hosts a reception for all members during Lighting of the Lawn. Members enjoyed an evening of company, lights, and Raising Canes.

MII managers Rob Sampson and Jon Haas show off their new MII gear while on a winter trip to Israel.

MII hosts a dinner for management election candidates. We'd like to congratulate Kelvin Wey, Jonathan Wulkan, Nick Jones, and Haroon Masood for being elected to the management team for spring 2012!

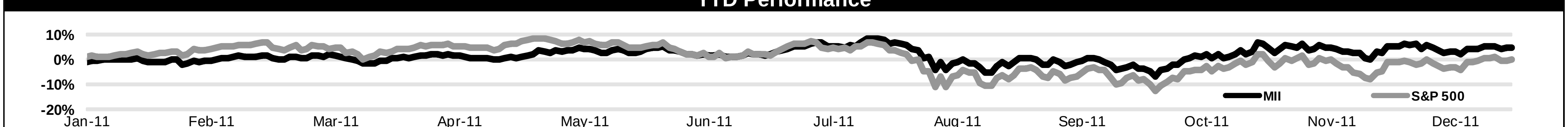
PORTFOLIO AS OF DECEMBER 31, 2011

McIntire Investment Institute

Officers: Will Liang, Harrison Freund, Tom Chen, Rob Sampson, Jon Haas
Managers: Alex Abosi, Tim Chen, Andrew Fredrickson, Ryan Rechkemmer, Vivek Vakil
www.uvamii.com

Portfolio Valuation as of Dec. 31	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**
Philip Morris International	PM	443	58.53	Oct-09	48.50	21,486	78.48	34,767	8,838	34.1%	**61.8%**	22.0%	6.69%
Coach	COH	520	55.31	May-08	35.55	18,486	61.04	31,741	2,980	10.4%	**71.7%**	14.9%	6.11%
Steinw ay Musical Instruments	LVB	1,032	19.85	Jun-10	17.84	18,410	25.04	25,841	5,356	26.1%	**40.4%**	20.8%	4.98%
Cal-Maine Foods	CALM	700	31.58	Mar-11	28.28	19,796	36.57	25,599	3,493	15.8%	**29.3%**	28.3%	4.93%
Google	GOOG	37	593.97	Apr-09	363.61	13,454	645.90	23,898	1,921	8.7%	**77.6%**	21.2%	4.60%
Cisco Systems	CSCO	1,302	20.23	Feb-11	18.85	24,543	18.08	23,540	-2,799	-10.6%	**-4.1%**	-3.7%	4.53%
Monsanto	MON	325	69.64	Nov-08	75.35	24,490	70.07	22,773	140	0.6%	**-7.0%**	-2.1%	4.38%
Citrix Systems	CTXS	360	68.41	Dec-10	68.05	24,498	60.72	21,859	-2,768	-11.2%	**-10.8%**	-8.6%	4.21%
JPMorgan Chase	JPM	635	42.42	Oct-11	31.89	20,250	33.25	21,114	-5,823	-21.6%	**4.3%**	9.5%	4.07%
American Tow er	AMT	326	51.64	Oct-11	56.79	18,514	60.01	19,563	2,729	16.2%	**5.7%**	13.7%	3.77%
Endo Pharmaceuticals	ENDP	553	31.94	Sep-11	30.71	16,983	34.53	19,095	1,432	8.1%	**12.4%**	22.6%	3.68%
Apple	AAPL	47	322.56	Aug-11	397.47	18,681	405.00	19,035	3,875	25.6%	**1.9%**	2.8%	3.67%
First Republic Bank	FRC	605	29.12	Sep-11	23.63	14,296	30.61	18,519	901	5.1%	**29.5%**	64.8%	3.57%
Yum! Brands	YUM	300	49.05	Feb-09	31.62	9,486	59.01	17,703	2,988	20.3%	**86.6%**	22.1%	3.41%
Ulta Salon, Cosmetics & Fragrance	ULTA	234	34.00	Oct-11	67.48	15,790	64.92	15,191	7,235	90.9%	**-3.8%**	-8.8%	2.92%
Danaher	DHR	284	47.17	Apr-11	52.71	14,970	47.04	13,359	-37	-0.3%	**-10.8%**	-11.2%	2.57%
Baidu	BIDU	114	96.53	Nov-11	137.76	15,705	116.47	13,278	2,273	20.7%	**-15.5%**	-35.4%	2.56%
Madison Square Garden	MSG	454	25.78	Apr-11	28.68	13,021	28.64	13,003	1,298	11.1%	**-0.1%**	-0.1%	2.50%
Adams Golf	ADGF	2,009	4.71	Apr-11	5.50	11,050	6.46	12,978	3,516	37.2%	**17.5%**	17.9%	2.50%
Cadence Pharmaceuticals	CADX	2,925	7.55	Oct-11	6.06	17,726	3.95	11,554	-10,530	-47.7%	**-34.8%**	-60.5%	2.22%
First Cash Financial Services	FCFS	281	30.99	Oct-11	41.95	11,788	35.09	9,860	1,152	13.2%	**-16.4%**	-30.1%	1.90%
Long Portfolio								**414,270**					**79.76%**
Garmin	GRMN	190	31.21	Apr-10	37.83	7,188	39.81	7,564	-1,634	-27.6%	**-5.2%**	-2.6%	1.46%
Harley-Davidson	HOG	183	40.96	Mar-11	40.96	7,496	38.87	7,113	382	5.1%	**5.1%**	5.0%	1.37%
DineEquity	DIN	140	49.38	Nov-10	50.65	7,091	42.21	5,909	1,004	14.5%	**16.7%**	12.1%	1.14%
Gold Resource Corporation	GORO	255	28.84	Nov-11	18.58	4,738	21.25	5,419	1,935	26.3%	**-14.4%**	-48.0%	1.04%
Short Portfolio								**26,005**					**5.01%**

YTD Performance



Portfolio Exposure and Value		
Cash Position	79,092	15.2%
Gross Exposure	440,276	84.8%
Net Exposure	388,265	74.8%
Total Portfolio Value	**$ 519,368**	**100.0%**
January 1, 2011	$ 495,152	

Portfolio Performance	**2011**	**2010**
MII Portfolio	**4.9%**	**8.4%**
S&P 500 Index*	**0.0%**	**12.8%**
Spread	**4.9%**	**-4.4%**

*S&P 500 price return data

Recent Long Transactions		
Date	**Company**	**Order**
Dec. 12	Steninw ay Musical	Trim to 5%
Dec. 12	BlackRock	Close
Nov. 13	Baidu	Initiate at 3%
Oct. 31	Ulta Salon	Initiate at 3%

Recent Short Transactions		
Date	**Company**	**Order**
Nov. 28	Gold Resource Corp.	Initiate at .75%
Nov. 13	Weight Watchers	Cover
Sep. 11	Weight Watchers	Short 1.5%
May. 12	GreenDot	Cover

SUMMARY OF 2011 TRANSACTIONS

Long Transactions

Date	Order Type	Company	Price	Shares	Gain/Loss
30-Jan	Close Position	Thoratec	23.13	615	(3,440.93)
30-Jan	Initiate at 2.5%	Brinks	26.56	456	-
13-Feb	Close Position	Diageo	77.36	320	3,726.40
20-Feb	Initiate at 3.5%	Cisco Sytems	18.71	935	-
20-Feb	Close Position	Ritchie Brothers Auctioneers	26.35	420	2,557.80
4-Mar	Close Position	Cadence Pharmaceuticals	8.50	1,585	1,093.65
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	52.71	284	-
28-Apr	Initiate at 3%	Cameco	29.16	514	-
24-Apr	Trim to 6%	Philip Morris	67.61	57	3,853.77
24-Apr	Close Position	Rocky Mountain Chocolate Factory	10.40	2,575	1,609.37
24-Apr	Close Position	CME Group	309.74	65	1,346.80
24-Apr	Close Position	Digital Globe	28.95	500	975.00
12-May	Trim to 3%	Adams Golf	7.71	729	1,611.09
12-May	Close Position	Winn-Dixie	7.99	1,275	(2,600.75)
26-May	Close Position	Corrections Corporation	22.97	935	(1,954.00)
1-Aug	Initiate at 3%	Apple	397.47	47	-
4-Sep	Close Position	Nalco	36.03	545	2,261.75
4-Sep	Initiate at 3.5%	Endo Pharmaceuticals	30.71	553	-
11-Sep	Trim to 5.5%	Steinw ay Musical	22.48	207	962.55
11-Sep	Close Position	Quest Diagnostics	48.32	308	(2,810.50)
11-Sep	Close Position	Covanta	15.50	995	(1,900.45)
15-Sep	Add to 4%	Citrix Systems	53.58	105	-
25-Sep	Add to 3%	First Republic Bank	23.63	605	-
2-Oct	Add to 2.5%	First Cash Financial Services	41.95	281	-
16-Oct	Add to 4%	JPMorgan	31.89	635	-
16-Oct	Add to 3.5%	Cadence Pharmaceuticals	6.06	2,925	-
23-Oct	Add to 3.5%	American Tow er	56.79	326	-
23-Oct	Close Position	Cameco	22.80	514	(3,271.61)
23-Oct	Close Position	Brinks	28.5	456	882.36
31-Oct	Close Position	American Express	51.25	250	2,997.50
31-Oct	Initiate at 3%	Ulta Salon, Cosmetics & Fragrance	67.48	234	-
13-Nov	Initiate at 3%	Baidu	137.76	114	-
12-Dec	Close Position	BlackRock	167.44	60	7,355.40
12-Dec	Trim to 5%	Steinw ay Musical Instruments	25.00	146	1,045.36

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	(2,209.00)
24-Apr	Cover Position	Align Technologies	24.99	370	(1,792.65)
24-Apr	Cover Position	Gamestop	26.54	325	(1,360.13)
12-May	Cover Position	Nuance	22.20	405	(1,559.00)
12-May	Cover Position	GreenDot	40.53	135	1,815.45
11-Sep	Initiate at 1.5%	Weight Watchers	57.70	125	-
10-Nov	Cover Position	Weight Watchers	65.79	125	(1,117.59)
28-Nov	Initiate at .75%	Gold Resource Corporation	18.57	225	

LONG POSITIONS

Philip Morris International (NYSE: PM)

Philip Morris International (“Philip Morris”) produces, markets, and sells cigarettes in countries outside of the United States and was spun off from Altria Group 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 eliminate the threat of new brands stealing market share. Philip Morris is particularly well-positioned because of 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 its 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 a product with nearly inelastic demand. Furthermore, 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 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. Managers also grappled with the ethical considerations of investing in tobacco and concluded that international labeling requirements and marketing restrictions ensure Philip Morris customers are not misinformed or unfairly targeted when purchasing cigarettes.

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, business cases, footwear, clothing, jewelry, travel bags, watches, fragrances, and other accessories. MII's thesis focuses on Coach's growth potential as it enters new markets, its expansion within existing markets, its superior brand equity, and its operational efficiency, which drives a high ROIC.

Since its IPO in 2000, Coach has exhibited strong growth in the premium accessories market, 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 holds tremendous potential as a burgeoning luxury goods market where Coach now operates 71 stores and has consistently generated double-digit growth in comparable store sales. Moving forward, Coach's growth prospects in China look strong because the company's accessible luxury product proposition gives it greater access to the growing middle class and steers it away from direct competition with established ultra-luxury brands.

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. Women now buy 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. The company's brand positioning and product offering give it a strong 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 higher margin items and improving its sourcing to reduce costs, contributing to operating margins of approximately 30%. With its proven ability to turn sales into free cash flow, Coach is in an excellent position to fund sustained growth and capture emerging opportunities worldwide.

Steinway Musical Instruments (NYSE: LVB)

STEINWAY MUSICAL INSTRUMENTS, INC.

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 has focused on Steinway's piano division as the primary value driver because it accounts for most of the company's earnings and has the most growth potential.

Steinway is the world's premier piano manufacturer, 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. A catalyst to drive shares higher could arrive soon, as the company has begun the process of evaluating strategic alternatives for the Steinway Hall property.

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, and institutions like Shenandoah Conservatory continue to be added to the program with the purchase of new Steinway pianos. Additionally, MII anticipates strong growth in foreign markets. China is particularly appealing because Steinway pianos are viewed as status symbols and the Chinese market is relatively underpenetrated, with only 2% of Chinese families currently owning a piano, compared to 16% in Japan. Furthermore, new outreach initiatives, such as the highly successful launch of the Steinway & Sons record label, will continue to build the Steinway brand and attract new customers.

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 30% stakeholder in the company. Moreover, increased attention brought upon Steinway by large value-oriented investment companies and activist shareholders should prove to unlock Steinway's hidden value. Steinway CEO Dana Messina and Chairman Kyle Kirkland resigned earlier this year, as they and other managers made an unsolicited bid for the company's band instrument and online music divisions, an offer that Steinway is now considering along with other alternatives. Shareholders are likely to benefit as new details concerning the future plans for Steinway develop.

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."

MII believes low analyst coverage of Cal-Maine has led 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. So far, Cal-Maine's thesis points have been playing out, as the company is passing rising costs on to consumers and is demonstrating potential for further inorganic growth.

Cal-Maine has been able to pass on its rising costs, mainly feed, to retailers enabling it to maintain strong margins. Grocery stores sacrifice their margins on commodity goods such as eggs in order to attract customers for other higher margin products. The market's misperception is that rising feed costs hurt Cal-Maine.

Cal-Maine controls 18% of the industry and total egg supply drives the company's profitability. As supply of eggs increases, profitability drops because egg prices drop. Large drops in egg prices, as a result of supply increases, force smaller companies out of the industry. 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.

MII entered its position in Cal-Maine at around 7x earnings; the company is now trading at 13x earnings. However, we believe Cal-Maine remains a long. Despite CALM's feed costs in Q2 2011 being 20% higher than that in Q2 2010, CALM's profits rose from $0.64 per share to $0.97 per share. Premium corn prices present a potential headwind and going forward MII will continue to follow margins and fluctuations in the supply and demand of egg production.

Google (NASDAQ: GOOG)

Google is a global technology company that maintains the largest, most comprehensive index of websites and associated online content. The McIntire Investment Institute's investment thesis is focused on Google's dominant advertising position, its R&D capabilities and strategic flexibility, and the projected future of new ventures.

Approximately 96% of Google's revenue stems from online advertisements in which they currently have 65.3% of the U.S. market share. The company's dominance of online advertising is rooted in the Google Martix, a search algorithm which yields relevant results for users and allows advertisers to provide targeted messages.

The market does not feel comfortable with Google expanding into "non-core" businesses. However, MII sees this expedition into other sectors such as smartphone software as a means of reinforcing its core business. Furthermore, we noticed that consumers have grown keen to cloud computing. As a result, Google created its very own Netbook computer. As social networking grows increasingly popular, Google introduced Google+, its very own social network which is set to take advantage of the Social Media Optimization of online searches and content.

Google previously heavily employed Search Engine Optimization but this began to dilute the quality of its search results by achieving high rankings for low-quality content. Google is now taking charge of Social Media Optimization primarily using these three strategies. (1) Launching the Google Panda algorithm - which is an online winnow for low-quality sites. (2) Acquiring PostRank - a social media analytics company. The technology basically looks at tweets, likes, and links - finding the connection between popular sites using "social signs." (3) Introducing Google+, which allows individuals to share personal information online.

We believe Google is perhaps one of the most dynamic and agile companies we have seen in recent years. Its ability to adjust to the major shifts in the tech industry makes Google an excellent core holding for MII.

Cisco Systems (NASDAQ: CSCO)

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

Cisco laid out an ambitious strategy with respect to broadening its customer base, making Cisco not only a leader in networking infrastructure provisions but also a dominant communications provider in enterprise and consumer space. Management knew that this strategy would be complicated, and ultimately the plan backfired - with Cisco posting weak earnings, worrying investors, and depreciating in market valuation.

This lower market value creates opportunities for long-term investors. The company's management also learned from these mistakes and built a roadmap to improve company performance. Their first foundational priority is to gain leadership in Cisco's core business model - Switching and Routing. Cisco recently introduced new routers and switches into its product line, but there was a significant lag in customer adaptation earlier last year - hurting its gross margins in that area. The second foundational priority is Video. Cisco's strategy is to make video much more practical, easier to use, and easier to consume. Cisco has the strongest end-to-end architecture for video - going from cloud to end device - enabled by its Medianet architecture and Videoscape platform. They have gained significant market share as a basic video service provider. The third priority is Collaboration - which offers key productivity opportunities for a wide variety of its customers to work directly with Cisco. The fourth priority is Data Center - which is an extraordinary "map" from physical components to virtualization and eventually to the cloud. The last priority is Cisco's Business Architecture - which focuses on products that transform and revolutionize business practices. Cisco has made significant strides across the board.

The McIntire Investment Institute holds a position in Cisco Systems because we believe the market is underestimating the growth potential that the company has in the next few years; and therefore we seek to benefit from its discounted valuation.

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 the 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.

Monsanto is an attractive investment, as it is the market leader in an industry with extremely high barriers to entry. Compared to its next largest competitor, DuPont, Monsanto's products have higher yields. For example, Monsanto boasts a nine bushel/acre advantage over DuPont in corn. In addition, Monsanto is favorably positioned to profit from increases in global food demand and dietary shifts. Economic growth in China, India, Brazil, and other developing nations will lead to 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, which increases its robust pipeline, will support its position as market leader. For example, Monsanto improved its Roundup Ready 2 soybean seeds to have an increased yield of 4.2 bushels/acre versus 3.8 bushels/acre last year.

Short-term catalysts for Monsanto include higher prices for corn and soybeans in 2011/2012. These higher commodity prices allow Monsanto to charge higher prices for its seeds. Furthermore, Monsanto can charge a higher price per gallon for its Roundup products, increasing EPS.

MII's VAR confirms that Monsanto is a well-run company that is positioned to profit from macroeconomic trends. Although Monsanto might face 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. Given the possible upside and the fact that Monsanto's forward P/E is only 20x which is below the five year average of 25x, MII believes that Monsanto presents significant upside opportunity.

Citrix Systems (NASDAQ: CTXS)

CITRIX®

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 discount to key competitors.

Our research indicates that the virtualization industry is underpenetrated even though many firms are expected 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 its main competitor, VMware. Research contacts attest that Citrix's FlexCast technology is superior to the Virtual Desktop Interface solution offered by VMware. 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 better 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.

JPMorgan Chase (NYSE: JPM)

JPMorgan Chase ("JPMorgan") is an American multinational banking corporation with large operations in retail, commercial, and investment banking. With assets of almost $2.3 trillion and net income of $17.3 billion, JPMorgan is among the largest and most profitable financial institutions in the world. Throughout the 2008 - 2010 financial crisis, JPMorgan succeeded in strengthening its position in the financial services industry through acquisitions and the shedding of toxic assets. MII's thesis focuses on JPMorgan's favorable position in the industry, its strong management team, and its strong financial position.

JPMorgan operates in the highly competitive, risky, and profitable financial services industry, with its Chase brand commercial and retail bank providing a cheap source of capital for its J.P. Morgan brand investment bank. While the financial industry as a whole has been viewed unfavorably due to Euro-zone risk, the threat of regulation, and systemic risk throughout the industry, MII's VAR through talking to several executives at JPMorgan and other firms shows that JPMorgan continues to operate more effectively than its competitors, returning to high profitability in a risky year.

JPMorgan remains a respected leader in its field, as its ability to raise large amounts of cheap capital serves as a competitive advantage over competitor Goldman Sachs and other investment houses. It largely escaped the sub-prime crisis due to foresight by its management team. Since financial services represent a crucial part of the American economy, JPMorgan will continue to thrive during the economic recovery.

The management team, lead by CEO Jamie Dimon, helped the company largely steer clear of trouble during the financial crisis and made the cheap acquisition of Bear Sterns, growing JPMorgan into a larger and stronger company. Dimon manages the company extremely closely. His influence with the White House will ensure than any regulation of the financial industry still leaves plenty of room for profitability at JPMorgan.

A comparable analysis shows JPMorgan is valued equally or worse than many of its competitors, despite the competitive advantages listed above. JPMorgan recently posted strong earnings. Resolution of the Euro-zone crisis, as well as continued economic recovery, will lead to a even greater upside for MII.

American Tower (NYSE: AMT)

American Tower is a leading Boston-based owner and operator of wireless and broadcast communication facilities in North America and other countries, with over 39,927 sites in North America alone. Its main business consists of leasing antenna space to multiple wireless service providers, radio companies, and TV companies on the communications towers that it owns. American Tower also operates antenna systems within buildings and offers services relevant to supporting its rental and management services. American Tower's strategy focuses on capturing the growth in wireless communications services and the required infrastructure in relation to wireless communication technologies.

MII believes that American Tower will outperform the market because of three key points: its history of acquisitions and growth, its competitive position, and its REIT status. American Tower has been substantially growing both internationally and domestically and is benefiting from the increased demand for 3G and 4G phones. In addition, American Tower has demonstrated strong growth after its merger with Spectra. Next, American Tower's market leading position with the largest tower portfolio in the U.S. allows it to overcome tower-zoning requirements, which represents a significant barrier to entry for competitors. Finally, American Tower's increased share buyback program further bolsters the company's solid fundamentals.

Endo Pharmaceuticals (NASDAQ: ENDP)

ENDO PHARMACEUTICALS

Endo Pharmaceuticals ("Endo") is a specialty health care company focused on providing branded drugs, generic drugs, and medical devices for the pain and urology markets. Endo is known for its two major branded drugs, Lidoderm and Opana. Endo is a compelling long because the McIntire Investment Institute believes there is a significant market misperception of Endo's value. As Endo continues to prove its revenue and profit generation ability, MII believes the company will experience significant multiple expansion.

Endo currently trades at a discount to its specialty pharmaceutical peers. Historically, Endo's revenues have been heavily concentrated, with the majority of its revenue coming from one drug, Lidoderm. Lidoderm is set to go off patent and thus this low valuation has been justified in the past. However, MII believes that through key acquisitions and strong growth in Endo's painkiller franchise, Opana, Endo will have continued revenue growth despite losing its patent on Lidoderm. Endo acquired a major medical device company and a generics manufacturer in 2011. MII believes these two businesses have excellent growth potential and provide Endo with consistent revenue streams to compliment its riskier branded pharmaceutical business. Both acquisitions operate in niche markets and have favorable relationships with doctors. Additionally, both lines of businesses cater to older patients, allowing Endo to capitalize on an aging American population. The acquisitions have just recently closed and thus MII believes the market has not fully priced in these new revenue streams.

Lastly, Endo's painkiller drug, Opana, has shown strong growth, as doctors continue to prescribe the drug more and more over other painkillers. Endo was recently awarded a second patent on the drug in December, 2011, extending its exclusivity on the drug, and providing continued growth for the coming years. MII will continue to monitor the position, including the integration of the new acquisitions. However, as more doctors begin using Endo's products and Endo shows its investors continued revenue growth, MII is confident that Endo will experience significant multiple expansion and will continue to be a profitable investment.

Apple (NASDAQ: AAPL)

Apple designs and markets brand name personal computers (Mac, 20% of 2011 sales), mobile phones (iPhone, 43%), portable digital music and video players (iPod, 7%), and tablet computers (iPad, 19%); and sells a variety of related software, services, peripherals, and networking solutions (iTunes, etc., 11%). Unit sales of the iPhone experienced a robust growth rate of 81% compared to the 50% to 60% increase in total smartphone shipments in 2011. Mac sales grew 22% over the past year on a unit shipment basis, much faster than the mid-teens growth for the overall PC industry. Apple currently dominates in the fast growing tablet market with the iPad, even as new entrants threaten to dilute Apple's market share.

MII is encouraged by current trends in consumer preferences for Apple devices, particularly survey results finding that 41% of North American cell phone users plan on buying an iPhone as their next phone, compared to 27% market penetration in the United States for the iPhone at present. Moreover, the addition of Sprint as a carrier of the iPhone, increasing enterprise purchases and support of Apple products for employees, and consumer preferences for a cohesive suite of compatible Apple products continue to favor Apple. This has been proven by an accelerating product roll-out cycle as each successive new product category launch by Apple has garnered exponentially faster sales growth than the previous launch.

An often overlooked growth opportunity for Apple is the Asia-Pacific market, of which China is by far the largest component, where year over year growth in Apple's net sales was a staggering 160% and 174% in 2010 and 2011, respectively, accounting for 7% of Apple's net sales in 2009 and 21% in 2011. An expanding middle class, improving cellular networks and carrier distribution deals, and a strong brand image among consumers bode well for sustained growth in sales of Apple products, particularly the iPhone, in the Asia-Pacific region, especially China.

With cash equivalents of $81.57B and no debt at the end of FY 2011, Apple has substantial reserves with which to fund future research and development, make acquisitions, and launch new products. In particular, recent executive turnover is a catalyst for strategic deployments of cash resources, including a dividend. The health of Apple's balance sheet and its sustained revenue growth also makes it attractive as a safe-haven investment, limiting its downside risk.

MII is optimistic about the success of Apple's product pipeline, including the iPhone 5, iPad 3, next-generation laptops and desktops, and potential new product categories. In particular, a novel internet-enabled Apple TV has the potential to disrupt traditional cable providers and media creation companies as iTunes previously did to the music industry, thus strengthening the network effect for Apple's existing digital distribution channels of iTunes, App Store, and iBooks.

First Republic Bank (NYSE: FRC)

First Republic Bank ("First Republic") is a California state-chartered commercial bank that provides personalized, relationship-based, preferred banking, preferred business banking, real estate lending, trust, and wealth management services to clients in metropolitan areas of the United States. The company was taken public in 2010 after a management and private equity-led buyout from Bank of America Merrill Lynch.

First Republic focuses on provides banking and wealth management services to high net worth individuals, leveraging its relationship expertise to cross-sell home and business loan services and grow its asset base. By catering to this wealthy, stable client base, First Republic maintains a significantly higher level of asset quality in relation to its peers, strengthening the bank's ability effectively commit its assets towards safely and efficiently generating interest income. As a result, the bank continued to grow its balance sheet throughout the financial crisis and never requested or accepted TARP funds.

MII has begun to take advantage of a value correction as First Republic separates itself from its peers and distinguishes itself as a strong performer in a turbulent market sector. The fund expects to generate further returns as First Republic continues its expansion into large high net worth household markets in New York and Boston while furthering its penetration of markets within the bank's established presence in California.

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! continues to focus focuses on two key thesis points. Yum!'s relatively low market penetration in China will allow Yum! to continue its current pace of growth given its significant advantages of brand recognition, local talent, and locations. Yum! also has recently begun to include India in its reporting structure, which provides hopeful sources of accelerated top-line and profit growth.

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.

Last, Yum! sustained some delays in growth due to headwinds such as high inflation in China and other emerging markets, as well as a U.S. lawsuit against Taco Bell. However, we believe Yum! will easily overcome these obstacles. For instance, the very inflation that is driving commodity prices higher is caused by increasing demand. We believe increased demand for Yum!'s products will allow the company to pass costs on to customers. Overall, Yum! is expected to drive high earnings growth as it continues to expand into China and other developing markets.

Ulta Salon, Cosmetics & Fragrance (NASDAQ: ULTA)

Founded in 1990, Ulta Salon, Cosmetics & Fragrance ("Ulta") is the largest beauty retailer of prestige, mass, and salon products and services under one roof in the United States. As of May 2011, it operates 394 stores in 40 states; segments include retail stores, salon services, and e-commerce. MII's thesis points focus around Ulta's compelling leadership, momentum in its growth strategy, and stable financials.

Ulta markets itself as the one stop shop for prestige, mass, and salon products at all prices, offering an incredibly eclectic selection of over 21,000 beauty products across all categories. Not only does it offer diverse products, its brick-and-mortar stores are in prime off-mall locations to capture traffic. Ulta customer loyalty program, coupled with its ability to add new brands to its offering, helps the company retain and grow customers.

Given its diversity of products and locations, Ulta has seen increasing same store sales growth of almost 20% per year. With this growth, Ulta controls 44% market share of hair care services, 10% skin care, and 9% cosmetics. Ulta is growing sales at a CAGR of 20%. It's operating with no long-term debt with enough cash flow from operating activities to cover capital expenditures.

Misperceptions include that an economic recession and volatility in global economic conditions will affect the beauty product industry – especially in terms of liquidity. Valuation was definitely a concern for us, as the stock was trading at 35x earnings. Risks include a decrease in sales, Ulta's inability to gauge beauty trends and track customer preference changes, and the potential for increased competition.

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 its 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. For example, it acquired medical testing leader Beckman Coulter, which is expected to add $350 million in synergies by 2012. In 2010 the company spent $2 billion dollars on acquisitions and plans to spend an additional $5 billion on M&A over the next two years. MII expects Danaher to continue making lucrative acquisitions.

Danaher has favorable exposure to emerging markets, which make up 23% of sales. China alone makes up 10% of sales. Management is using 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. In addition, 35% of production headcount is now in low-cost emerging markets. That number is expected to increase and Danaher can further cut costs by outsourcing production.

Risks of budget cuts, for example municipal governments spending less on water infrastructure, present short-term headwinds. However with emerging market growth to counter the temporary softness in Europe and the U.S. and given the company's leadership positions in its various industries, Danaher remains a solid company for the MII portfolio.

Baidu (NASDAQ: BIDU)

Baidu was founded in 2000 and is now the largest search engine in China with over 80% of the market share for internet searches. Baidu also has a Japanese search engine. However, China makes up the overwhelming majority of its revenue. MII's thesis focuses on Baidu's leadership position in the market, future growth of the Chinese search engine market, and potential expansion beyond search engines.

As of the second quarter of 2011, Baidu held an 84% market share for internet searches in China, as well as 74% share of all revenue made from internet searches. Strong brand recognition and limited competition in the industry should allow Baidu to continue to hold its position as a market leader.

The online search engine industry in China is expected to continue its healthy growth in the future. The number of people in China with access to the internet should continue to rise, as only 36% of Chinese citizens have access to the internet. Online advertising in China is also experiencing robust growth. The online advertising market for all of 2010 was 32 billion RMB while this market in the second quarter of 2011 alone reached 11 billion RMB.

Lastly, similar to Google in the United States, we expect Baidu to expand into new markets such as e-commerce and online videos. Today e-commerce is a significantly smaller proportion of all internet searches in China than in the United States. Baidu will benefit greatly as e-commerce becomes a larger proportion of internet searches.

Madison Square Garden (NASDAQ: MSG)

Madison Square Garden is an integrated company comprised of three business segment: Media (48% of revenue), Sports (46%), and Entertainment (26%). The company also owns and operates the Madison Square Garden arena located in the heart of the New York metropolitan area. MII considers Madison Square Garden to be undervalued relative to its demonstrated leadership in managing events at major venues and distributing premium media content through its various television networks.

Madison Square Garden 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 because 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 diversifies Madison Square Garden because it doesn't have to rely solely on revenue from ticket distribution since 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. Madison Square Garden 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, Madison Square Garden 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.

MII's variant perception stems from the lack of recognition for the full value of the Madison Square Garden brand and its sustained earnings growth, which are both underappreciated by the few analyst who cover the company. MII expects Madison Square Garden to benefit from the realization of value for its various assets, particular the Madison Square Garden arena, which could be worth $1.7 billion in today's real estate market based on prices of comparable properties. Other catalysts that could drive shares higher 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.

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 golf bags, hats, and other golf 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 in 2010. VAR also supports the superiority of Adams' products and demonstrates that many golfers recognize the effectiveness of Adams clubs.

MII believes favorable marketing will benefit Adams going forward. Use by professionals, including the longest hitter in the world, two-time Long Drive champion Jamie Sadlowski, provides great advertising and will continue to drive 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. MII expects Adams to generate further returns from an increase in discretionary spending as the U.S. continues to move out of a recessionary environment. We also believe Adams is in good position to capture growth opportunities in international markets.

Cadence Pharmaceuticals (NASDAQ: CADX)

Cadence Pharmaceuticals ("Cadence") is a new pharmaceutical company that acquires the rights to late stage FDA approved treatments and drugs. Most of Cadence's future rests on its main drug, Ofirmev, which is intravenous acetaminophen (Tylenol). Cadence is a solid investment because Ofirmev improves healthcare, lowers hospital operating costs, and is the first drug of its type.

Ofirmev's niche is in postoperative surgery, where pain control must be administered with low side effects. While opioids (morphine) and NSAIDs (ibuprofen) diminish pain, both have many harmful side effects. The occurrence of these side effects causes more time spent in hospitals and more money spent on nursing.

Ofirmev, which has had FDA approval since the end of 2010, has swiftly entered over 1500 hospital formularies and is in strong demand by doctors, as it fills a much-needed niche in postoperative surgery.

Ofirmev has exceeded the street's expectations with its consistent entry into hospitals. As a new drug company, Cadence still has to continue to demonstrate its ability to grow prescription drug sales of Ofirmev. Due to the simplicity of the drug and the fact that it fills a much-needed niche, we believe Cadence is a good long.

First Cash Financial Services (NASDAQ: FCFS)

First Cash Financial Services ("First Cash") is a specialty consumer finance and retail company that operates pawn and payday loan businesses in Mexico and the United States. The company's pawn stores, which generate 90% of gross revenue, offer small, non-recourse loans amounting to 40 to 45% of pledged collateral. These stores generate revenues from the receipt of interest payments and the sale of pledged collateral from defaulted loans. The company's payday stores, on the other hand, offer both secured and unsecured loans.

Mexico, with its favorable regulatory and credit environments, continues to provide tremendous growth opportunities for First Cash. The company aims to leverage its first-mover advantage in Mexico to double its existing store-base of over 400 in the next five to six years. MII believes that First Cash will achieve these goals because of the strong demand for small consumer loans in Mexico, the company's stellar financial position, and the barriers to entry that exist for competitors that try to emulate First Cash's highly successful full-format retail pawn business. Same-store sales driven by existing store-base maturation and a tight credit environment in the U.S. should further propel First Cash's top-line performance.

In the past, First Cash has traded closely with gold – far closer than its competitors. This pattern reveals a misperception amongst investors that First Cash's operating performance is dependent on gold prices. As a percentage, the company has significantly less gold jewelry in its inventory than any of its direct competitors. Also, gold jewelry is not the company's largest inventory item. Additionally, a conversation with First Cash's CFO revealed that while the company is exposed to some risk associated with gold-price volatility, it manages this risk by smelting some of its gold inventory and selling it on the commodities exchange at opportune times. As the company continues to show strong long-term growth despite gold-price fluctuations, MII believes its stock price will appreciate.

SHORT POSITIONS

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. However, after entering the position in April 2010 at $37.83, it has moved against MII slightly, trading at $39.99 in December 2011 with slight multiple expansion.

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, as well as competitors such as TomTom. However, at the same time, some industries such as trucking and taxi require the use of GPS systems such as Garmin.

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. It offered its GPS system as a free application for the iPhone and Android devices in 2010. It has also expanded into the marine and outdoor segments of its business, leading that market with premium designs, quality goods and strong demand. Although the company missed its Q2 2011 earnings due to rapidly declining volumes in its personal navigation devices (PND) segments, Garmin crushed Q3 earnings due to rapidly increasing growth in its aviation, outdoor, and fitness businesses, as well as overseas growth in Asia and EMEA. While overall unit sales were down in Q3, higher ASP goods in the non-PND business lifted the company's margins.

Despite this drastic shift in consumer base, around 68% of the company's revenues still come from its PND business. Until the company can successfully diversify its revenue streams to not rely on PNDs or strengthen its competitive position in the PND space, MII still believes Garmin is a short.

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. 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 and female 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, Harley-Davidson's growth prospects in the female market are slim. 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 more significant rate.

So far, MII's thesis points have been playing out. In October, 2011, Harley-Davidson announced that its gross margins would be lower than expected due to very weak consumer demand for its more expensive and profitable bikes. Also, while total bike sales have increased year over year, they haven't done so at a pace necessary to reach pre-recession sales in the foreseeable future. MII remains confident that Harley-Davidson faces long-term challenges that will continue to drive down the value of the company.

Great franchisees. Great brands.™
dineEquity™

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 has a very risky balance sheet, and remains highly leveraged several years after its purchase of Applebee's. It has attempted to reduce its long-term debt-to-equity ratio, currently at 19.5, by selling off company-owned Applebee's restaurants. Since DineEquity purchased Applebee's at the peak of the real estate bubble in 2007, DineEquity has failed to break even on many of its restaurant sales. Furthermore, such sales present only a short-term solution for raising capital to fund DineEquity's burdensome debt.

A comparable companies analysis has shown that DineEquity remains overvalued, with debt metrics continuing to climb unsustainably and DineEquity barely able to meet its interest obligations. The strategy of selling company-owned restaurants that DineEquity is currently using to support its debt is unsustainable, as 96% of its restaurants are already franchised. In addition to DineEquity's poor business fundamentals, failure to meet debt obligations or interest payments and the continued decline of its financial position would further contribute to our upside on the short.

Gold Resource Corporation (AMEX: GORO)

Gold Resource Corporation ("Gold Resource") is a low cost gold producer headquartered in Colorado Springs that operates in Oaxaca Mexico. Since Gold Resource's inception, it has acquired six properties in Mexico. The company began commercial production for the first time in 2010 at its El Aguila property. MII's short thesis focuses on Gold Resource's lack of production and proven reserves, unsustainable dividend, and poor management team. All of these factors raise red flags regarding Gold Resource's ability to meet its extremely optimistic projections.

Gold Resource calls itself a junior gold producer but doesn't produce very much gold. By ounce, less than .5% of Gold Resource's production is gold while over 95% of its production by ounce is silver. Three other separate mining companies passed on the one property that Gold Resource is currently producing from, all of whom completed feasibility studies on the property and found it lacking in reserves. Gold Resource has not yet been able to produce a feasibility study showing anything to the contrary.

Gold Resource is currently paying a dividend yield of over 5% while making a negative operating profit. The money to pay the dividend is coming from the sale of additional shares of common stock which is unsustainable in the long-run.

Finally, Gold Resource's management team is made up completely of members of the Reid family who will not let anyone outside of the family into the company. This is shown by their refusal to hire a full-time CFO, instead choosing to hire one on an hourly basis. Bill and David Reid, who now run Gold Resource Corp, have prior experience in the low cost gold producing business with U.S. Gold Corporation, but were unable to lead that company to a single profitable quarter during their time there. If Gold Resource is led to a similar fate, there will be significant upside for MII on the short.

FALL 2011 MANAGEMENT TEAM

Will Liang

President

Will is a 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, plays violin for the Charlottesville and University Symphony Orchestra, and coaches youth sports through Madison House. Last summer, Will interned with Blackstone's M&A group in New York. Following graduation, he will be joining Lazard Frères & Co. as an analyst in New York.

Harrison is a third-year from Salem, VA majoring in commerce (finance), with a minor in art history. In addition to serving as vice president of MII, Harrison wrote the "Following the Money" finance column for *The Cavalier Daily*. Harrison is also a competitive sailor on UVA's Sailing Association and enjoys weightlifting. This summer, he hopes to intern in investment banking in New York.

Harrison Freund

Vice President

Tom Chen

Chief Financial Officer

Tom is a fourth-year from Herndon, VA majoring in commerce (finance, management, and entrepreneurship). Outside of MII, Tom is a choreographer for AKAdeMiX Dance Crew and an active member of Entrepreneurship Group at McIntire. Last summer, Tom interned at J.P. Morgan's Private Bank in New York. After graduation, he plans on pursuing start-up endeavors in mobile and online media. His current ventures include iPhone app development and TimTomBlog.

Rob Sampson
Chief Information Officer

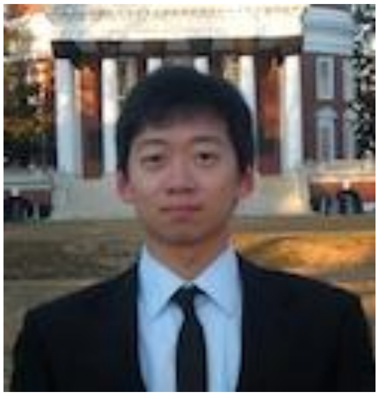
Rob is a third-year from Stony Brook, NY majoring in biology (pre-med). Outside of MII, Rob researches autoimmune disease in a laboratory, plays cello, volunteers as an EMT, and employs nine students at TJ Tea, his student-run bubble tea company. In his free time, Rob fences, plays ping-pong, manages his private portfolio, and is an entrepreneur. In the future, he would like to combine medicine and finance to better serve patients.

Jon is a 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. Last summer, Jon worked as a summer analyst for Jefferies & Company in New York.

Jon Haas
Chief Marketing Officer

Alex Abosi
Manager

Alex is a third-year from Gaborone, Botswana majoring in commerce (finance and IT). Outside of MII, Alex rowed for UVA's Men's Crew Team for two years and also helps run the McIntire Sales and Trading Group. This summer, Alex hopes to obtain a finance internship in New York.



Tim Chen

Manager

Tim is a fourth-year from Herndon, VA majoring in commerce (finance and management). Outside of MII, Tim choreographs for AKAdeMiX, a hip hop dance crew. Last summer, Tim interned for Scopia Capital, a $2 billion hedge fund in New York. Following graduation, he will be joining Nomura Securities as an investment banking analyst in New York.

Andrew is a fourth-year from Virginia Beach, VA majoring in commerce (finance). This past spring, he studied international business at the Danish Institute for Study Abroad in Copenhagen, Denmark. Outside of school, Andrew coaches a YMCA lacrosse team, travels, and enjoys managing his own portfolio. Last summer, Andrew worked at William Blair and Company in their equity capital markets division and accepted an offer to return full-time.

Andrew Fredrickson

Manager

Ryan Rechkemmer

Manager

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

Vivek Vakil

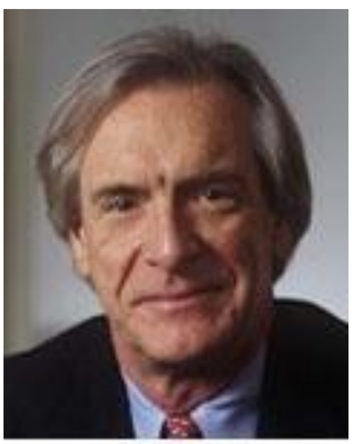
Manager

Vivek is a fourth-year from Reston, VA majoring in commerce (finance and management). Outside of MII, Vivek is involved with his business fraternity and coaches youth soccer in Charlottesville. Last summer, Vivek worked as an Equity Research summer analyst at J.P. Morgan Investment Management. After graduation, he will be joining Citigroup's Sales and Trading division as an analyst in New York.

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



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