

## Ohio State's Best and Worst Stocks of Spring 2008

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Do you think you could steer a \$25 million portfolio to beat out the **S&P**? Here's the catch: you can only trade once a quarter.

While that may sound like a tough task, students in Ohio State University's Student Investment Management (SIM) program did just that. Here's a look at how they've done since January.

### The Quarter That Was

We gave you your first look at the SIM program [back in January](#). And while [subprime](#) rumblings were definitely being heard then, their effects on the market really didn't come to light until months later.

Needless to say, this quarter has been a challenging one for investors. But that challenge is multiplied when you're only allowed to trade once every three months.

However, despite their limitations on when they can buy and sell, the first SIM class of 2008 can certainly be called a success.

How much of a success? Spring's SIM class beat the S&P by 1.01% (down 402 [basis points](#) versus the S&P's 503 basis point loss). And while a percentage point might not sound like a lot, you've got to remember that unlike most other student-run investment funds, Ohio State's student fund managers only have a few months to work with. Over that period, SIM students ended up beating the average U.S. stock [mutual fund](#) by 66 basis points.

So which of those stocks helped 30 MBAs and undergrads from Ohio beat Wall Street?

### One Sweet Apple

One of SIM's best performers this spring was **Apple** APPL.

"With Apple, the timing couldn't have been better," says Matthew Falk, SIM's graduate associate. "Apple had kind of dipped, and it turned out that it coincided with the end of the quarter. We jumped in, and we're up 45% on that trade... that's over the course of two months."

According to Falk, their investment in Apple came from a compelling growth story: "We had owned **Hewlett-Packard** HPQ, and basically Apple was so much more compelling, given its drop in [stock] price and everything from [Apple's] iPod to the iPhone to the growth of the Mac market share. We've historically had more of a lean towards [value](#), but it just happened at that time that we thought Apple was better than [Hewlett-Packard](#), so we sold out of Hewlett-Packard and bought Apple."

Now that they've seen impressive returns from Apple though, Falk says they'll likely take their gains and put money back in [HP](#).

Another good tech buy for the group was **SanDisk** SNDK. The company has returned a solid 20% since they bought into it this year.

### **WellPoint... Not So Well**

Falk says that the group's worst play of the quarter was **WellPoint** WLP. SIM bought the health benefit company at almost \$79 per share and watched it tumble to its current mid-\$50 range.

"I would say that WellPoint would have to be close to our worst play," recounts Falk. "We had marginally increased our position close to Easter, and a few days later they had an earnings release and fell something like 20%."

Lesson learned?

"Here's where the importance of having a [diverse](#) portfolio comes into play," Falk says. "We're down almost 31% in WellPoint. Indeed, big-gainers like Apple did a good job of lessening the effect of WellPoint's blow, but it doesn't take the sting out of a losing pick."

Falk concedes, "In selecting stocks for the portfolio, we go through pretty much the same process of [fundamental analysis](#), [discounted cash flow](#), and projecting out the value of the stocks, but no matter how accurate those may be, any number of things can happen. Things can't be predicted to a certainty."

### **'Really Look at These Companies'**

But that's not the only lesson this quarter's SIM class is taking home with them. "I would advise students coming into the program next year to sit down and really look at these companies," says David Drago, an undergraduate SIM student following the consumer staples sector.

Drago remembers an instance where he and fellow student [analysts](#) started looking at a company highly touted by others, only to find that it looked like a mediocre investment. "Don't follow the widespread feelings about a company," advises Drago. "Market sentiment doesn't always tell you how a company is going to perform."

What's next for SIM's portfolio? Drago and John Dingle, SIM's other consumer staples analyst, just presented and convinced the group to sell **Wal-Mart** WMT and replace it with **Sara Lee** SLE and **Kraft** KFT. With the new SIM class at the reins now, we'll soon see how that decision and others stack up for the group's performance during the upcoming summer quarter.