The Green and Gold “Scholarship” Fund has helped our students in many ways this year. We have funded student trips to the Quinnipiac Game Forum, RISE Student Investment Forum, and stipends to those involved in leadership roles. Last year, our fund reached our $500,000 benchmark, and we were able to take out about $50,000 for scholarships for our members and students wanting to pursue a finance degree. Continuing our success over the past month, we were able to provide $40,000 to fund scholarships.

During this semester, we have had quite a few activities that have occurred involving members of our fund. James Lucas, Lee Whitworth, Katie Crawford, and Ryan McCoy competed in the CFA Challenge, and placed in the top four in the Southeastern Conference in Alpharetta, GA. In the past month, Menanteau Moolman, Jacob Ledbetter, Shane Thompson, and I attended the Quinnipiac GAME Forum in New York City. This conference was 2.5 days and included panels and discussions involving several influential members in the finance community. I was even lucky enough to attend the closing ceremony of the NASDAQ OMX, and my photograph was featured on their billboard in Times-Square. During this time, I gained insight to several professional views of the financial and economic situation of the current environment. It was such a great opportunity to have this experience. This same group of students also attended the RISE Student Investment Forum along with Andrew Clifton. This conference was similar to Quinnipiac and presented several panels and discussions regarding our markets. The fund benefited tremendously by attending the forums. The panels and workshops elevated our knowledge from a classroom level to that of a professional level. We were also able to connect with many students throughout the world and gain ideas about how to improve our organization. Through career panels, our students were able to shape ideas as to what career path they might want to embark on. During one of the keynote speaker panels, our Chief Economist, Jacob Ledbetter, was a student representative on stage. It was very rewarding to see a talented UAB student contribute on a high level with those in the professional world.

Continued on page 2
GREEN AND GOLD REPORTER

At the start of the previous semester, we made a goal to increase our marketing activity on campus and in the Birmingham community. Our Chief Marketing Director, Alicja Foksinska, has done a marvelous job of promoting our organization. At this moment, all of our marketing is organic. A brief overview of our statistics includes 123 likes on Facebook, with 2140 people reached. Our posts have been viewed by many in other parts of the country such as New York, Chicago, Seattle, Boston, St. Louis, Atlanta, Tampa, Memphis, Los Angeles, Dallas, Charlotte, etc. We have also obtained publicity throughout the world in areas such as the UK, Brazil, France, India, Canada, Italy, South Korea, etc. Mainly those between the ages of 18-25 view our posts, but our second largest group is those in their 30’s. My photograph in Times Square remains the most popular post with 600+ views on our page and topping 10,000+ views on the Collat School of Business Facebook page. We could not be happier with how we stand in our marketing campaign. Thank you, Alicja, for all of your hard work!

At the end of 2013, we were unsure of the impact of the Fed’s policy changes along with continued political instability in the United States. As a result, we decided to liquidate a large portion of our fixed income securities. Since we must meet a particular allocation at the end of the school year, we have recently gone back into the market and purchased many short term and low duration securities. We feel this will be our best set up for “when” interest rates do, in fact, increase. We have relatively maintained our equity securities throughout the school year, as we are a value-oriented fund and look to hold securities for a few years before liquidating them. In our alternatives sector, we have approached opportunities to hedge risks in innovative ways. We have recently found unique opportunities to hedge the risk our fund faces, while meeting our investment policy statement. In each of our sectors, we calculated the total return including dividends for each holding and compared this to the total return of an equivalent index. In each of the sector graphs included in this article, you can compare our performance to these benchmarks. Thank you all for a wonderful year, and I look forward to The Green and Gold Fund’s success for years to come.

CHIEF ECONOMIST REPORT: JACOB LEBETTER

The first two quarters of 2014 have experienced influential monetary and fiscal policies with improvements in economic growth and consumer spending. Since Janet Yellen assumed the position of Federal Reserve Chairman earlier this year, Fed policy has become somewhat more hawkish with cuts to the quantitative easy programs. However, the Fed has signaled that it will likely pursue a historically usual accommodative policy for the foreseeable future.

In early 2014, the Federal Open Market Committee announced the tapering program, which cut back asset purchases by $10 billion increments. This program created downward pressure on longer-term interest rates, supported mortgage markets, and helped to make broader financial conditions more accommodative.

With new concern over inflation, the FOMC announced in March that they would be focusing on the 2% target level. Inflation levels will be monitored by watching labor market conditions, indicators of inflation pressures, and inflation expectations and readings on financial de-
velopments. The Federal Funds Rate target will remain in its current rate of 0% to .5%.

Yellen and her predecessor have both signaled an unemployment rate of 6.5% as their explicit goal for the labor market before tightening monetary policy significantly. However, during the past couple FOMC press conferences, this target has been relaxed, with ambiguous language on future plans. With a stated goal of normalizing interest rates in the future, we are hedging our position in the fixed income sector by continuing to focus on shorter term duration bonds.

With battles in Congress keeping Washington at a standstill politically, monetary policy continues to be the key driver in the financial markets. In March of 2014, the deadline for registration under the president’s signature healthcare law, the Patient Care and Affordable Care Act occurred with continuous uncertainty among businesses and organizations weary to hire new employees with more stringent insurance coverage requirements. With the deadline now passed, future data releases should cast a better view on how successful the program has been in securing healthcare for Americans. The success of insurance enrollment could positively impact our healthcare sector holdings, with hospitals less prone to unpaid healthcare bills.

Over the past two periods, the economy has experienced increases in consumer confidence and spending. This trend will continue to have a positive influence on the Fund’s consumer sector holdings. With the negative economic effects of a historically deep winter now behind us, there is an expectation of an improving housing market for new constructions. The industrials sector should anticipate these improvements in the coming months.

In the financial sector, banking institutions continue to limit lending to those with high credit. A continuing “credit crunch” is anticipated even with low interest rates available.

Currently, many emerging market funds are showing the lowest price-to-book ratios in over a decade. The caveat of growth is, of course, political risk. International events, particularly the standoff in Crimea, are a part of our weekly analysis. These geopolitical risk factors, however, could have a silver lining as world leaders continue to weigh the benefit of broad economic sanctions on Russia, a move that could leave Europe looking for new supply chains for their energy needs, particularly in natural gas. Should this transpire, American natural gas producers are in a prime position to capitalize on the boom in domestic energy production and exports.

In short, this period has seen major shifts in policy, but a positive outlook in overall economic health. With continued focus placed on inflation, unemployment and low interest rates, the FOMC has kept a transparent and comprehensive commitment to continuous improvement in the economy. In the coming months, the economic division of the Fund will continue to monitor monetary policy changes, effects of legislation, and international events affecting our portfolio.
Alternatives Sector: Ryan McCoy

The alternatives sector continues to hedge the risk of the fund as a whole while also providing innovative investments in a volatile market. To accomplish this, the alternatives sector currently holds positions in three equity funds:

- Permanent Portfolio ETF (PRPFX)
- Oppenheimer Developing Markets (ODMAX)
- GlobalX InterBolsa Columbia (GXG)

The Permanent Portfolio ETF (PRPFX) is a core holding of the sector and a consistent strong performer. Designed as a core portfolio holding, ODMAX and GXG represent an investment in developing markets as the global economy continues to recover.

PRPFX was described in last year’s annual report by the 2011-2012 portfolio manager, Louis Jackson, as the “backbone” of the alternatives sector due to its diversification across several low-correlated asset classes including gold, silver, US Treasuries, Swiss Franc assets, real estate, natural resources stocks, and aggressive growth stocks. This core holding remains a strong performer for the fund for much the same reason that it did in 2011 and 2012.

PRPFX does not attempt to anticipate short-term market activity or predict future economic events, but rather it tries to limit downside risk while providing profit potential in any environment. The Portfolio seeks to achieve its objective by investing in a diversified mix of non-correlated asset classes, chosen for their long term potential to preserve purchasing power, pursue high profit potential, achieve low volatility, and provide international diversification.

The alternatives sector continues to view this investment as a core holding of the fund and does not recommend any movement away from this equity for the foreseeable future.

From the portfolio management perspective of the alternatives sector, the sale of CORN and OZM this year have helped our sector return to investments that are appropriate for the sector according to the Investment Policy Statement (IPS). The sale of these assets have provided some liquidity for what we hope to be a successful implementation of a downside insurance strategy for the fund that will involve the purchase of derivative assets, which will limit the overall fund’s downside risk in the event of a near term market correction, while leaving the fund’s upside potential still available. We have suggested that an amendment be made to the Derivatives section of the IPS that allows for this type of alternative asset. This suggestion is pending review.

Additionally, a watch list of potential funds has been compiled, consisting of total return strategy funds that will bring exposure to non-

Continued on page 5
correlated returns in all market conditions, which will be consistent with our overall strategy.

Recently, we have suggested purchasing (EMNCX) Virtus Dynamic AlphaSector Fund, Class C Shares, which is a long-short strategy utilizing a sector rotation that invests in nine sectors of the S&P500. After the purchase of 1750 shares, this fund will make up approximately 33% of the Alternatives Sector and 3.3% of the Entire Green and Gold Fund as a whole.

We have also suggested a purchase of 190 shares of VXX, which will bring access to equity market volatility through volatility index futures, VIX futures contracts, and reflect the implied volatility of the S&P 500.

Both will fit well in our "total returns strategy" and act as a holding place for some of our cash to bring our portfolio in line as suggested, until we are able to get a response about our request to edit the IPS to allow for a long put option strategy.

**Consumer Goods Sector: Menanteau Moolman**

The auto industry sees great potential for growth in China. According to the World Bank, China had 58 motor vehicles per 1,000 people at the close of 2010, compared to the U.S. who had 797 cars per 1,000. China’s 2014 GDP growth forecast at 7.5% is still three-times higher than the global average of 2.8%. This will lead to an increase in household wealth and new car demand growth. The auto industry has hit the aging vehicle sweet spot that will drive more new car sales. About 100 million cars have been in use more than eight years and will demand replacement instead of repair.

The home appliance and improvement industry will benefit from the recovering housing market, advances in home technology, and the increase in smaller appliances. We see a return to normal demand in US Appliance Industry as there has been an increase in demand of 9% during 2013 and a projected 7% increase for 2014. Only 15-30% of the households in China, the Middle East, Africa, and India have appliances. This indicates significant international growth opportunities for the home appliance industry.

Strengthening U.S. consumer confidence along with a rising disposable income will further support spending for non-alcoholic beverages. Consumer confidence has been rising steadily since early 2013 on a 17% increase in disposable income, which supported the higher spending on

Continued on page 6
beverages for home consumption. Consumer companies are also focusing more on healthier and nutritious products in order to benefit from the increasing health awareness among consumers. The demand for organic products has created a $35 billion industry. The number of certified organic farms and businesses grew by 4.2% in 2013 and 245% since 2002, according to USDA data. Beverage companies are expanding their portfolio of non-carbonated drinks with a focus on lower calorie intake and more nutritionally beneficial drinks.

Online investments have supported sales growth and will continue to grow with tablet use and mobile commerce. Online sales represent 7.1% of retail sales. Retail companies are working to provide integrated site-to-store experiences, while also enhancing e-commerce platforms to secure customer loyalty and drive sales. Mass merchants, especially discount stores, can increase their market share by generating smaller urban stores. Smaller stores located near existing supercenters performed the best.

**Fixed Income Sector: Michael Howard**

It has been a busy year. The Fixed Income sector is very different now from when we started in September. It is much less sensitive to changes in interest rates.

The fall was spent primarily liquidating the most interest rate sensitive securities, namely those with the highest duration. The sell-off culminated with a final proposal before Christmas to sell our entire position in three funds that did not match our low duration sector strategy. Shortly thereafter, the Federal Reserve announced the gradual tapering of their massive bond buying program. Frankly, we expected more of a reaction from the market following the actual announcement, as there had been a big jump in yields last spring based simply on hints of tapering. The jump in rates that we expected just did not materialize.

Consequently, as we rebuilt the sector in the new year, we were more confident in taking some interest rate risk to maintain an acceptable level of return. We built a significant watch list looking for a setup that could endure surprises from the market while providing acceptable income for the long term. We had decided in the fall that, given on our size, mutual funds and ETFs would give us the best access to the wide array of securities necessary for adequate sector diversification. Funds would also provide liquidity, since there are sectors of the bond market that are highly illiquid, especially when trying to purchase or sell in the amounts that our size dictates. We, therefore, set up a screener for investment grade funds with a short maturity duration.

Continued on page 5
focus, low expense ratios, and good returns. We ultimately narrowed our focus to ETFs because of their more transparent and timely reporting characteristics and to further ensure liquidity. We selected two index ETFs as our core investments, Vanguard’s Short-Term Corporate Bond ETF (VCSH) and SPDR Barclays Corporate Bond ETF (SCPB). For exposure to government debt, we added Vanguard’s Short-Term Bond ETF (BSV). In order to add a holding from another fund family, as well as lower our sector duration, we also bought PIMCO’s Enhanced Short Maturity ETF (MINT). Finally, we increased our holdings of our Peritus High Yield ETF (HYLD) to max out our non-investment grade holdings in line with our investment policy. The final buy proposal was over $123,000.

After all was said and done, the sector’s modified duration had been lowered from 5.78 to 2.43, and the size of our holdings matched the required allocation of at least 30% of the overall fund. With all of our explicit goals accomplished, our activities have turned to monitoring our holdings within the larger economic environment. There will be plenty to keep an eye on over the summer, particularly the inflation figures that Fed Chair Janet Yellen is regularly citing as a gauge for the necessity of further action.

Continuity of the sector management will be facilitated next year by the return of lead sector analyst Morgan MacDougall as Fixed Income Portfolio Manager in the fall. He has been involved in the sector from the very first meeting of this academic year, taking on tasks of increasing complexity as his understanding of fixed income markets grew. Having assisted in developing the strategy that we implemented this year, Morgan will take the helm with a clear understanding not only of what we hold but also why we hold it. Good luck, Morgan!

**Energy Sector: James Lucas**

Since the publication of our last newsletter, the primary change in the construction of our portfolio was the removal of the Energy Income and Growth Fund. Our decision to sell was based primarily on the requirement to reduce our holdings due to energy being overweight by over $10,000. Furthermore, this particular closed end fund duplicated many of the other holdings in our core ETF, the Powershares Oil and Gas ETF (PXJ). We were able to see a 43% appreciation in share price during the two years of ownership.

Our sector has continued to be a bit overweight. As the chart indicates, we have seen nice returns from Halliburton, a stock where the fund has made money off the buy. The stock was wisely purchased by our Fund when the shares were beaten down in the aftermath of the Deepwater Horizon crisis in the Gulf of Mexico. There is also a surprising uptick in our Vanguard Utilities ETF. This could be the result of money being moved from the stock market’s overvalued momentum stocks in the technology sector into the more conservative dividend paying utilities. The market never ceases to amaze.

We see more tepid results from our other two holdings. Occidental Petroleum (OXY) is a work in progress. There have been strong calls for a change in management and for better use of capital. At this point, it may be useful to sell this posi-

Continued on page 8
tion. However, many stocks in the energy sector are either fully valued, or simply misunderstood. As a result, our team has determined to take a wait and see approach to this company. The Alerian MLP ETF (AMLP) gives us exposure to the MLP investment structure that should be present in the portfolio of any energy stock. It has been range bound since the beginning of the year, but appears to be appreciating a bit in price as we move into the summer months. In sum, our sector has not lost any capital and has seen a bit of growth over the semester.

**Financials Sector: Kyle Portwood**

The Financial sector is currently searching for opportunities in the banking, broker and exchange industries as well as the credit services industry for potential investments.

With the Fed stating that it will reduce bond purchases, the anticipation of higher interest rates may benefit bank margins. We think banks with tight expense controls, solid revenue mixes, and large capital should outperform in the long run. However, the soon to be enforced Volker Rule will place a heavy burden on financial institutions due to increased compliance costs and enforcement activities.

Our analysts think that capital uncertainty, moderate growth, and slowly improving credit quality will be the topics driving returns in most of the developed nations in the short term. Although developing nations face similar hurdles, economic, capital, and credit growth anticipations are highly optimistic. Financial institutions will also likely benefit from this environment. Therefore, we are screening for banks with strong balance sheets and income statements, in both developed and developing economies.

Higher interest rates will boost profit growth for investment brokers and managers. *Morningstar* reported that the main drivers of the broker and exchange industry's earnings and stock prices will be market volatility and the strength of the economic recovery. Historically, volatility in capital markets has a
positive effect on trade volume, as investors sell their positions, find opportunities to speculate in, or hedge their portfolios. Our analysts are searching for brokers and investment banks that have stable revenue streams and a large range of products and services.

The backbone of the credit services industry is the global debit and credit card systems, such as MasterCard and Visa. Many consumers around the world are using electronic payment methods, instead of paying with cash or checks. Small businesses and governments have also learned the advantages of electronic payments and are integrating electronic payments into their purchase and disbursement transactions. This global transformation and behavioral change creates a large opportunity for the industry and will continue to boost profits for these companies. Additionally, there are opportunities for growth in emerging markets. Within the next 10 years, the economies of developing nations will begin to grow at a faster rate than developed nations. This will increase consumer spending in developing nations, which will result in more transaction fees for players such as MasterCard and Visa.

**INDUSTRIALS & MATERIALS SECTOR: ANDREW CLIFTON**

Despite consistent growth and a strong finish to end 2013, the Industrials sector has had mixed results through the first few months of 2014. Both the DOW and NASDAQ industrial indices experienced a steep downturn in February. It has since improved, but has been met with much fluctuation. Three of our most productive holdings, GE and UPS, and XLI (industrial ETF) have closely reflected the state of the sector.

Since being purchased mid-2013, DR Horton (DHI) has produced dismal returns. DHI was acquired on two different occasions, at $25.71 and $21.5. It has seen glimpses of hope, but it has largely ridden the uncertainty of the housing wave. Its price per share hit a low point of $18.00 in 2013 and has since managed to recover to its original purchase price. Due to the over weight of the sector’s allocation, DHI has been completely liquidated in order to eliminate the risk associated with the volatile housing market.

One particular industry that has piqued our interest within the Industrials sector is Self-Storage REITs. REITs (real estate investment trust) are companies that invest directly into real estate by owning, managing, or simply providing capital, and in this instance, self-storage facilities. The self-storage industry has been extremely steady over the past decade and through the financial crisis. Part of this success is due to how straightforward their operations are; over 90% of revenue is generated from rental income. Another attractive aspect is that because of tax incentives, REITs are legally

Continued on page 10
obligated to distribute at least 90% of taxable income as dividends. One particular company that we will continue to valuate is Extra Space Storage (EXR).

The Materials sector experienced mild, yet steady growth throughout 2013 and into 2014. Within the fund’s sector, target allocation was underweight so we needed to buy. Our proposed purchase was of Kaiser Aluminum Corp (KALU). The recovering US economy offers many expanding markets that are major influences on the aluminum industry. Among those, the automotive and commercial aerospace industries have experienced large growth over the past several years and are poised to continue expanding operations. Aluminum is in an excellent position to take advantage of the need for lighter, more fuel-efficient, and environmentally friendly vehicles and aircraft.

The Information Technology and Telecommunication industries continue their development with a focus on meeting the average consumer’s emergent expectations in a cost effective manner.

Many technology companies are dealing with lower cost competition, which is causing their market share to dwindle. This cost efficiency will trickle down into products that companies intend to use to enter into new markets such as China and India. Apple’s entrance into these markets did not meet expectations, as their product’s offering price was still expensive relative to competitors.

Many companies are beginning to focus on wearable devices, such as Samsung’s Gear and Google Glass, but time will tell concerning consumers’ actual demand for these products. As shown by phone manufacturers, mobility is becoming the main focus for both industries. As devices become more advanced, telecom companies are presented with opportunities for innovation. This will be the main growth potential in the Telecommunications industry during the upcoming year, which is going to lead to exciting products available to the consumer in the near future.

Throughout this semester, we continued to focus on meeting the fund’s allocation rates for our sectors. Information Technology was at an allocation rate of 10.02%, which resulted in being overweight by .14%. Telecommunications remained at an allocation rate of .46%, which results in being underweight by 1.18%. Both sectors are due for improvements. Consequently, our telecom rates did not increase this quarter, but a wealth of information was gathered concern-
We felt our current Information Technology holdings were performing well in the current market. This market is particularly volatile, so removing a holding and replacing it with a high beta equity was not a viable option to increase our return. Liquidating our holdings of KEYW increased space in IT. This liquidation was completed based on their unstable performance over Q4 2013 and Q1 2014, their recent internal restructuring resulted in uncertainty within the company, and the large U.S. Government discretionary spending cuts. This resulted in covering our cost basis from the 2013 purchase while freeing space for new holdings in this sector. With the increasing issue of cyber security and popularity of convenient business practices, a major market to monitor would be software development. We plan to monitor these markets as well as the industry leaders in chipmaking/hardware for mobile devices. This has become a competitive and exciting market as companies try to find the most efficient way to manage cost, increase storage size, and reduce the physical size of their products to meet consumer demand.

The Telecommunications industry remains to be dwarfed by the development of the Information Technology industry. This has led to limitations concerning our investments. Because of this, we will continue to limit investments to ETFs as they allow diversification into small cap and foreign companies that would not usually meet the Policy Statement. The Vanguard Telecom Services ETF (VOX) is a well-diversified fund and has the potential to offer investments into foreign communication that is not available through our current holdings. Also, changes in the telecommunications industry concerning personal devices at work has led to an awareness of security concerns. While we liquidated our current cyber security holding, a different cyber security holding would benefit our portfolio given the importance of cyber protection in the future.

Finally, we have an ever-changing list of equities being monitored and analyzed for our sectors. Some of these securities are Qualcomm, Inc. (QCOM), Vanguard Telecom Services ETF (VOX), VMware, Inc. (VMW), ePlus, Inc. (PLUS).

Since the fall update, the healthcare sector has been in much of a slump. The winter and spring has shown minimal gains for both the S&P 500 as well as the Health Care Select Sector SPDR (XLV), as these have only a 1.91% and 3.07% increase respectively since mid-November. After selling Synergy Pharmaceuticals (SGYP) due to the inconsistency with the IPS guidelines, the Healthcare sector currently holds three individual securities, Abbott Laboratories (ABT), AbbVie (ABBV), and Gilead Sciences (GILD). The owned equities have all performed negatively during this same period, averaging an approximate –3.00%.

For GILD, one of the main reasons for its decline has been the rise of data from other companies, such as ABBV and Merck (MRK), regarding their advancements in their respective Hepatitis C drugs currently in development. Sovaldi, GILD’s approved, single-pill Hepatitis C drug, recently released a strong showing from its Phase II data regarding low side-effects and a high efficacy in its patients. However, this recent data seemed to be overshadowed in the market by ABBV’s filing for FDA approval for its drug after successful treat-
ment on Hepatitis C patients and MRK’s strong data release at a recent conference. Further troubling GILD is combined pressure from Express Scripts (ESRX) and the U.S. Congress to lower the high prices of the Hepatitis C medication as well as multiple patent lawsuits from other pharmaceutical companies on Sovaldi, which interestingly enough only surfaced after its positive momentum. Despite this, GILD seems to be in a prime position, with Sovaldi’s success and their expansion from solely HIV and Hepatitis C drugs into cardiopulmonary and leukemia drugs, to name a few.

That being said, GILD’s controversy with Congress over the drug pricing should be watched. Many other pharmaceutical and biotechnology companies sell their drugs at extremely high prices as well. This has most likely contributed to the recent downtrend for other similar biotech companies since the controversy arose in March.

Another owned company, ABBV, took a sharp decline earlier this month on its withdrawal from a lawsuit against European drug regulators. The EU regulators wanted to release detailed clinical trial data to improve testing on drug claims by third party scientists. Pharmaceutical companies fear that it will damage the exclusivity of their patents by hurting their ability to defend them in the future. This is especially concerning for ABBV, which holds one of the world’s best selling prescription drugs in Humira.

On a larger scale, the official enrollment date for health insurance under the Affordable Care Act without penalization came and went, but not without the similar troubles from 2013. Enrollment website servers were down resulting in heavy waiting times and delay of service sign-ups. Fortunately for the Obama Administration, their campaign to get 7 million Americans to enroll seems to have succeeded after initial estimations. Despite this, there are still plenty of Americans who failed to sign up and, if not in a state with ACA extensions, will be forced to pay a penalty. Some insurance companies are in a prime position to profit from the signups while others are not, depending on their decision whether or not to participate in the healthcare exchanges. After the signups end and the final numbers are decided, it will be interesting to see how much of a bump the extra numbers are for insurance companies or how much the extra coverage will hurt them.