



Fall 2009 Portfolio Summary Report

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Summary

As of
09 December 2009

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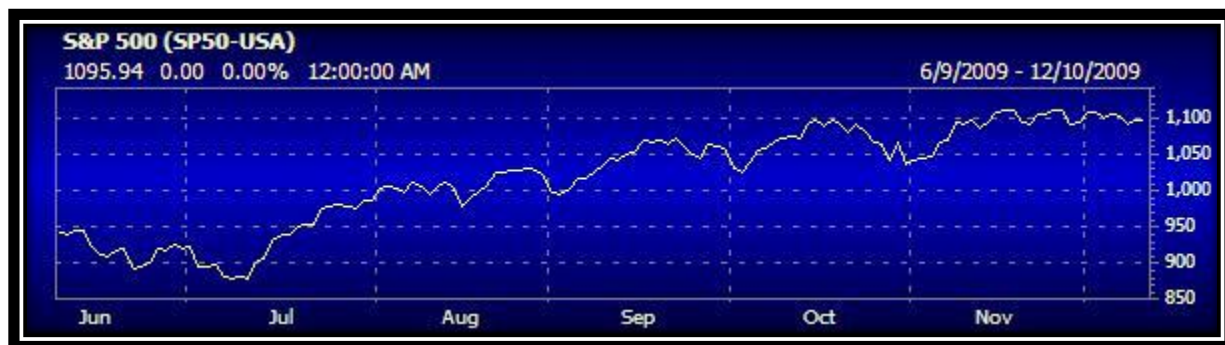
Market Update

During the Fall 2009 semester the market was still recovering from the 2008 recession. Economic indicators were starting to show positive economic data such as less unemployment claims, rising GDP (internationally), and growth of small businesses. Additionally the Dow hit 10,000 once again – a symbolic, psychological landmark. Despite those factors, there was still a flight to quality – Treasury bonds – further driving down yields. And although the VIX, CBOE volatility index, has considerably stabilized an air of uncertainty seems to remain in the market. Fed chairman, Ben Bernanke, has commented that he believes the recession is over, but no official statement has yet been made. Meanwhile, analysts don't expect a significant rebound until at least the 2nd quarter of 2010.

Elsewhere, second and third quarter earnings often surprisingly beat consensus estimates. However, this raised concerns whether results were caused by organic growth or restructuring and efficiency efforts. Further, stimulus spending from the Obama administration had not yet officially boosted the economy, but has provoked a definitive effort on green and sustainable technology building up to Copenhagen conference in December.

Internationally, a weak dollar and economic scare in Dubai has raised questions about America's economic power and reliance on eastern countries. Exports have boosted as American goods are now cheaper abroad but this is drawing backlash from countries such as China who believe the US is purposefully letting the dollar devalue by means of still generous monetary policies. On a related issue, inflation potential is still a concern as the monetary base has increased 130% since January 2008.

Keeping those events in mind, the S&P 500 grew roughly 6% during this time.



Holdings Summary

In Fall '09 IPO's portfolio saw some important changes. The portfolio itself is best classified a "legacy portfolio", with holdings inherited and thus no current investment thesis. Perhaps in reaction to that state, the group voted on over 10 moves this semester - 7 of which passed with 2/3 vote or more. This is a departure from the past few years of long term holding periods with little re-evaluation of current positions, and has made this the most active semester in terms of proposals since 2003 when the record began. Included in this tally is the first successfully performed covered call strategy on holding CEDC, masterminded by PM Alex Perry. Please refer to the following chart for transaction history:

<u>Date</u>	<u>Type</u>	<u>Ticker</u>	<u>Price</u>	<u>Shares</u>	<u>Total Value</u>	<u>Commission</u>	<u>Vote</u>	
10/8/2009	SO	CEDC	2.70	100	270.00	9.99	92%	Sell Call
10/22/2009	SC	ERTS	20.19	22	434.17	9.99	95%	
11/5/2009	BO	DRI	32.72	50	1645.99	9.99	75%	
11/12/2009	SC	MMM	77.22	21	1621.62	9.99	99%	
11/12/2009	SC	WAG	39.06	46	1796.76	9.99	99%	
11/12/2009	BO	TTEK	25.46	60	1527.60	9.99	68%	
11/12/2009	BO	HCP	29.24	52	1520.48	9.99	73%	
Types of Transactions								
	BO	Buy to Open your position.						
	BC	Buy to Close your position, "covering a short sell."						
	SO	Sell to Open your position, "short selling" / options						
	SC	Sell to Close your position.						

Along with the changes in holdings we have seen an obvious change in the overall structure of the portfolio – market capitalization, sector weightings, and cash holdings. However, while the overall EPS has remained relatively unchanged, the global portfolio P/E has been reduced from 40.94 to 26.16 as the recession continues to erode valuation of legacy holdings and the addition of more realistically valued firms. As of December 9th, 2009, the Seidman Investment Portfolio Organization's holdings are as follows:

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none">• Citigroup• CPFL Energia• Central European Distribution• Cisco• Gentex• Darden Restaurants• HCP• Home Depot• Itron | <ul style="list-style-type: none">• Medtronic• PBW Clean Energy ETF• Pfizer• PetroChina Company• Qualcomm• Stryker• Tetra Tech• UPS• Wells Fargo & Company |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Sell Electronic Arts – Matt Weller

As of October 2009, Electronic Arts was in the midst of 4 years of declining earnings, culminating in a loss of \$3.40 per share in FY 2009. In addition, Electronic Arts is in a very competitive industry with declining margins. Competitors Activision and Nintendo had more eagerly anticipated holiday releases, and sales of Electronic Arts stand-out performers, such as Madden and FIFA, were declining for the first time in franchise history. Potential risks to the sale include a potential out-of-the-blue holiday blockbuster and hardware price cuts spurring greater demand for software.

Buy Darden Restaurants – Matt Lipsky

Darden is intended to increase the diversification of IPO's portfolio. It is the leader in the casual dining industry and has a strong brand loyalty among its customers. Darden also offers an exceptional growth opportunity. Darden plans on increasing the number of locations of its three main chains of Olive Garden, Red Lobster and LongHorn Steakhouse. LongHorn Steakhouse is its most interesting growth opportunity and a key to Darden's future success.

Sell 3M – Charles Ragauss

3M is a decent large cap company that has performed moderately well. However, the company performance has not translated into good stock performance over the 5 year holding period. In fact, when including transaction costs, the stock was only profitable 9% of its holding. Although the firm is highly diversified, it is believed that the actual stock is traded at a diversified discount – essentially is over-diversification is reflected in the stock price. Among other things the company also suffered from poor cash utilization (average FCF per year since 2004 was \$3.05 billion!), looming legacy/pension costs, and underperformance compared to peers. And although the company is projected to achieve 6% growth in the coming year, IPO's assets can be better utilized elsewhere.

Sell Walgreens – Will Hibler

WAG is expected to face increased competition from Walmart and a relatively streamlined and updated CVS/Caremark. Unlike their competitors, they have not partnered with a Pharmacy Benefit Manager, which are third party companies that work directly with employer health insurance plans to either funnel prescription traffic to certain retail pharmacies, or to siphon them off to their own mail order services. Finally, no one in the industry is sure what affects the Health Care reform bill will have on the retail pharmaceutical industry. As a result of these issues, WAG is not expected to continue the same strong growth pattern it has enjoyed in the past few years. My thesis is that there will be better performers both within the industry (CVS/Caremark) and completely outside the industry/sector.

Buy TetraTech – Charles Ragauss

Tetra Tech is an industry leader in consulting, engineering, and construction for infrastructure projects. Its main emphasis – water infrastructure – constitutes 70% of their business and makes them the number one firm in that niche. Recent UN reports suggest that freshwater growth has grown at twice the rate of population in the last century and will continue to do so for the foreseeable future, thus TTEK is a leader in the preservation of an increasingly limited resource. In addition, the firm is seeing growing margins and also has some of the largest water projects (remediation, etc) for the US government. With US aid poised to double in the coming year, TTEK will have ample opportunity to increase its business.

Buy HCP, Inc – Alex Shelhaas

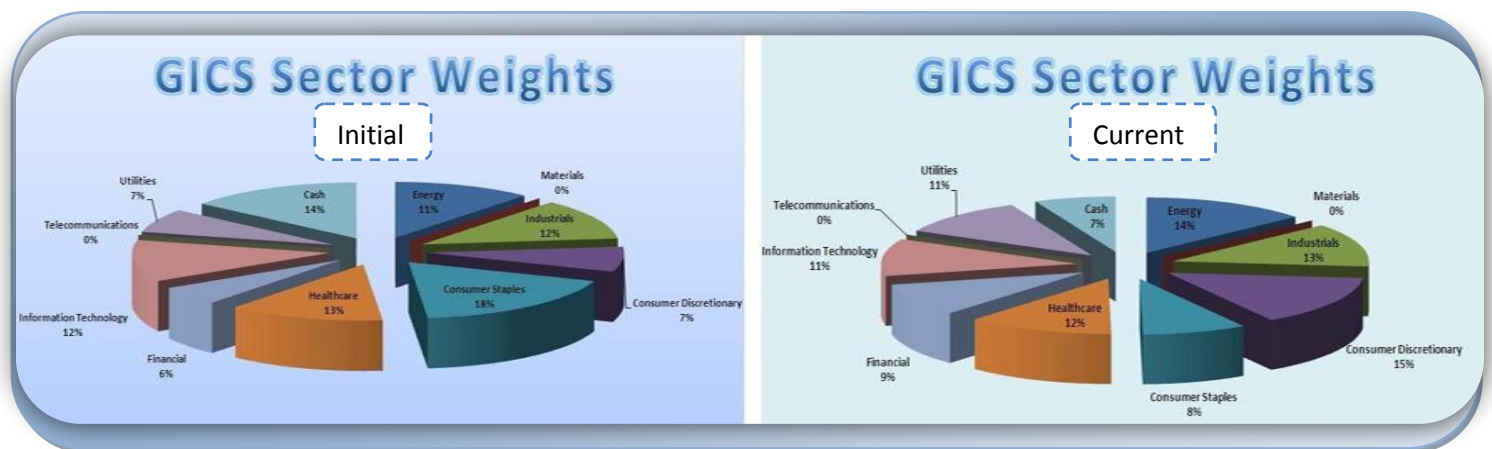
Health Care Properties is a REIT that provides high dividends, as well as steady growth. It will provide us with real estate exposure in the down market (contrarian investment strategy), as well as providing IPO a way to capitalize on an aging population. Government spending on health care, as a percentage of GDP has steadily increased over the last 30 years giving more incentives to businesses to develop in the medical industry, also helping HCP in the long run.

Asset Allocation Analysis / GICS Sector Weight

Sector allocation shifted as a broader economic recovery solidified, surprisingly rebounding some players while simultaneously suppressing others. The most notable change took place in cash as it decreased from 14% of the portfolio and settled in at 7%. For a long period of time, the organization was sitting on a decent sum ready to be invested – it is opportunistic that general sentiments changed towards better cash utilization.

Notable changes that affected sector exposure:

- Utilities up 4 percentage points
 - CPL increases 24% over the semester, overtaking CEDC as the portfolios largest holding
 - With only 1 utility player this growth is fairly significant
- Financials up 3 percentage points
 - Addition of HCP with a value of \$1641 (4.9%)
- Consumer Staples down 10 percentage points
 - CEDC, once the largest holding weight steps back from over 10% to slightly over 8%
 - Closed position on Walgreens, roughly 5% of the portfolio
- Consumer Discretionary up 8 percentage points
 - Gentex rebounds after explosive 3Q09 on surprise growth, new dividend issue and favor by the street – up 25.7%
 - Addition of Darden Restaurants – currently 4.7% of portfolio



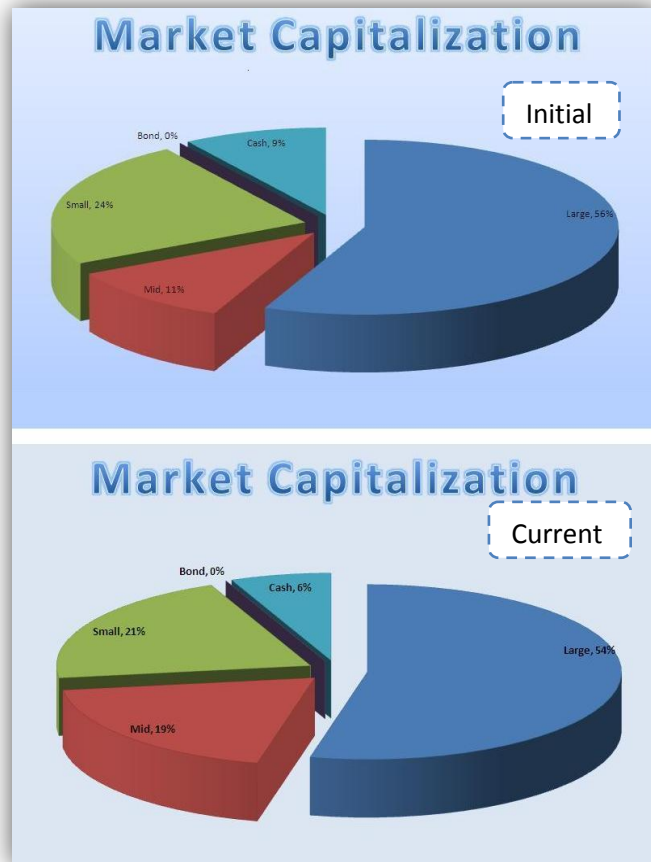
The shifts in sector allocation helped realign our distribution more equally, as well as provide greater accord with bylaw requirements of no less than 5% in any invested sector which we were moderately close to piercing at the onset of the semester.

Asset Allocation Analysis / Market Capitalization

This semester was a fundamental shift in the approach of capitalization allocation. Spearheaded by portfolio manager, Matt Weller, IPO took a conscious effort to reduce large cap exposure. As small cap typically sees more movement, it is better suited in the interim as membership is often limited to several semesters. Thus, these small cap firms are likely to provide greater learning and more interest, holistically.

Referencing the charts, the large cap category aesthetically appears not to change much. However, within that division the elimination of MMM and Walgreens created a 'would be' reduction of 10% had CPFL not increased into the \$10 billion market cap range, thus shifting it into Large cap.

Similarly, we are seeing an increase in small and mid cap companies as the new additions of Darden, HCP, and Tetra Tech were mid-cap. Also to note – although not affecting this structure is that Gentex also shifted into a mid cap stock as well.



Overall, small and mid cap exposure did increase by 31% (to \$13,306) this semester – although again, not easily identified in the chart. These changes were the result of a reduced cash position, overall growth in portfolio value, and shift in several firm capitalizations.

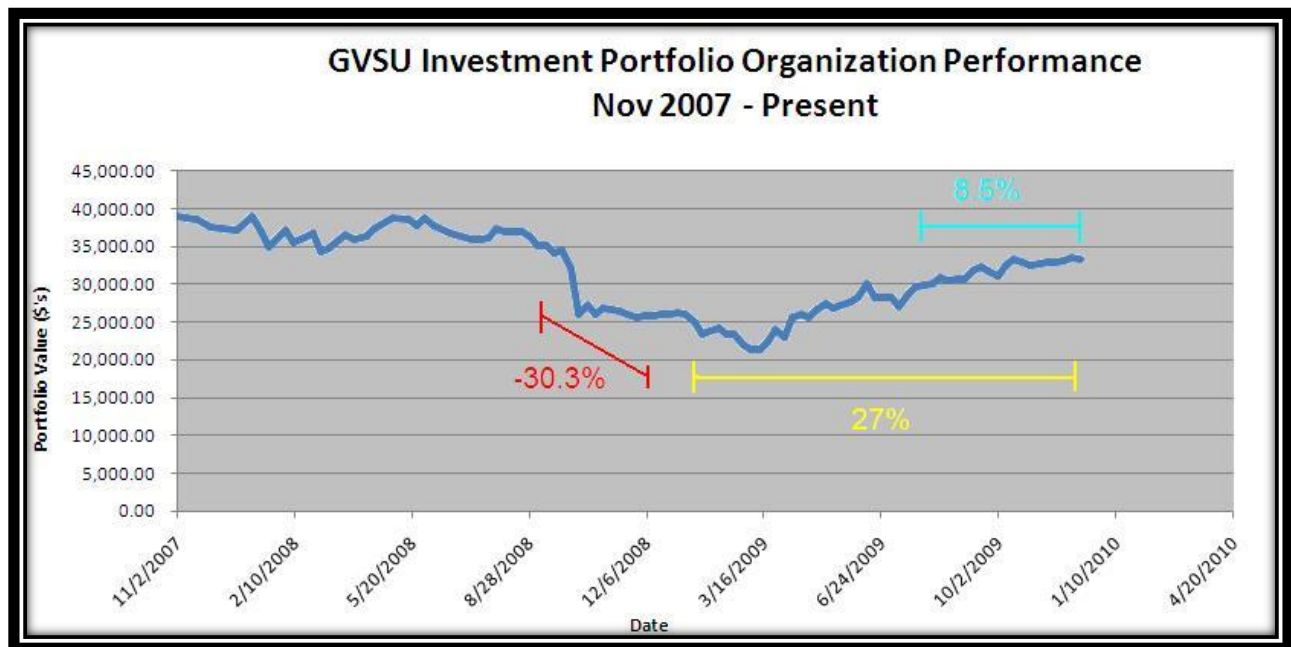
Asset Allocation Analysis / Policy Change

Again stated, the main goal this semester was to create more exposure to active stocks within the mid, and more importantly, small cap divisions. A 31% increase is of course impressive, but going into 2010, increasing that exposure is likely to be beneficial for the portfolio and incoming members.

Performance Analysis / Absolute Returns

The following calculations assume the semester IPO semester began on September 3rd, 2009 – value: \$30,696.06. Referring to the following chart, three main time periods are worth note.

- **Red** – Roughly the time of Lehman’s fall until Jan 1st, 2009
 - Portfolio saw huge losses as the broader markets and indexes collapsed during the recession
 - Overall decrease of 30.3% to \$26,188.93, the lowest point since September 2003
 - This period also saw one of IPO’s largest weekly drops of \$6,060 (-18.84%)
- **Yellow** – Year return from Jan 1, 2009 until December 09, 2009
 - Off of the March lows the portfolio started to recover along with the economy.
 - Third quarter saw positive news of economic turnaround positively affecting stocks
 - Total increase of 27%
- **Light Blue** – Fall semester ‘09
 - Strategic shift in asset allocation and further market recovery boosts overall performance.
 - Only 8.5% growth during the semester



According to the infamous IPO spreadsheet, the portfolio currently stands at \$33,330.53, only 1.36% total return. This semester, IPO has been flirting with the breakeven point.

Performance Analysis / Relative Returns

As always, IPO compares its performance to the S&P 500 benchmark. For relative returns please refer to the following table:

<u><i>Return Period</i></u>	<u><i>I.P.O.</i></u>	<u><i>S&P 500</i></u>	<u><i>Comments</i></u>
<i>1 Week</i>	-0.27%	-0.36%	<i>Seidman I.P.O. out-performed the S&P 500 by 0.09%.</i>
<i>1 Month</i>	1.51%	0.80%	<i>Seidman I.P.O. out-performed the S&P 500 by 0.71%.</i>
<i>3 Month</i>	4.76%	4.96%	<i>Seidman I.P.O. under-performed the S&P 500 by 0.21%.</i>
<i>6 Month</i>	11.03%	15.99%	<i>Seidman I.P.O. under-performed the S&P 500 by 4.96%.</i>
<i>1 Year</i>	28.68%	25.45%	<i>Seidman I.P.O. out-performed the S&P 500 by 3.23%.</i>
<i>2 Year</i>	-4.37%	-17.78%	<i>Seidman I.P.O. out-performed the S&P 500 by 13.41%.</i>

As indicated by the chart, the portfolio outperforms the benchmark 66% of the time – strike this to your great portfolio managers!

Why is relative return so important? Because it is a way to measure the performance of actively managed funds, which should get a return greater than that of the market. After all, you can always buy an index fund that has a low management expense ratio (MER) and will guarantee the market return. If you're paying a manager to perform better than the market and the investment doesn't have a positive relative return over a long period of time, it may be worth your time shopping around for a new fund manager!¹

Although we are not as actively managed as say a mutual or hedge fund, these relative gains do suggest that your PMs have been doing their job by researching to add great new companies and weed out the slackers.



¹ "Whats the difference between relative and absolute value." *Investopedia* N.p., n.d. Web. 10 Dec. 2009.

Recommendations

Some thoughts that never made it to the drawing board during the semester

1. Consider revising policy to have automatic sells when a stock hits a certain return. We have some names in our portfolio that have hit that growth wave and now just sit there at a few hundred percent. Let's increase some stock turnover!
2. Revise bylaws for greater flexibility in asset allocation regarding market cap limits.
3. When a GM successfully presents a stock, have them update us periodically on the current events – essentially becoming an interim PM, or similar. However, some boundaries need to be established to differentiate between E-board and GMs and important distinction to maintain.

E-Board Officers

President - Brian Bakker

V.P. of Portfolio Management - Charles Ragauss

Portfolio Manager - Tracy Preifer

Portfolio Manager - Alex Perry

Portfolio Manager - Jonathan Ericksen

Portfolio Manager - Matt Weller

V.P. of Operations - Nenad Ciric

Treasurer - Alex Schelhaas

Secretary - Kathryn Burch

Marketing - Kristina Hall

IPO Master Excel

<u>Ticker</u>	<u>Price</u>	<u>Shares</u>	<u>Value</u>	<u>Paid</u>	<u>Initial Cost</u>	<u>% Gain</u>	<u>\$ Gain</u>	<u>Sector</u>	<u>Portfolio % Weight</u>	<u>Mkt Cap (Billions)</u>	<u>P/E Ratio</u>	<u>EPS</u>
Cash	1.00	2133	\$ 2,133.20	1.00	\$ 2,133.20			Cash	6.400%	-		
C	3.86	33,477	\$ 129.22	44.24	\$ 1,469.87	-91.21%	(\$1,340.65)	Financial	0.388%	88.25	0.00	(\$3.34)
CPL	63.28	54,872	\$ 3,472.30	41.00	\$ 2,223.95	56.13%	\$1,248.35	Utilities	10.418%	10.12	14.50	\$4.27
CEDC	27.31	100	\$ 2,731.00	15.87	\$ 1,596.95	71.01%	\$1,134.05	Consumer Staples	8.194%	1.59	22.90	\$1.21
CSCO	23.86	65	\$ 1,550.90	18.48	\$ 1,211.15	28.05%	\$339.75	Information Technology	4.653%	137.26	24.30	\$0.98
GNTX	18.03	86,479	\$ 1,559.22	16.55	\$ 1,433.25	8.79%	\$125.97	Consumer Discretionary	4.678%	2.49	101.60	\$0.18
DRI	31.94	50	\$ 1,597.00	32.72	\$ 1,645.95	-2.97%	(\$48.95)	Consumer Discretionary	4.791%	4.46	12.20	\$2.62
HCP	31.56	52	\$ 1,641.12	29.24	\$ 1,530.43	7.23%	\$110.69	Financial	4.924%	9.25	91.00	\$0.49
HD	27.55	54,201	\$ 1,493.24	28.56	\$ 1,552.19	-3.80%	(\$58.95)	Consumer Discretionary	4.480%	46.96	20.20	\$1.34
ITRI	63.12	25	\$ 1,578.00	62.69	\$ 1,577.19	0.05%	\$0.82	Technology	4.734%	2.53	0.00	(\$0.09)
MDT	42.84	26.08	\$ 1,117.27	47.70	\$ 1,250.15	-10.63%	(\$132.88)	Healthcare	3.352%	47.42	22.00	\$1.94
PBW	10.58	250	\$ 2,645.00	15.90	\$ 3,975.00	-33.46%	(\$1,330.00)	Energy	7.936%	0.00	0.00	\$0.00
PFE	18.24	38,271	\$ 698.06	32.98	\$ 1,263.19	-44.74%	(\$565.13)	Healthcare	2.094%	147.19	14.80	\$1.20
PTR	124.80	13,749	\$ 1,715.88	21.06	\$ 283.73	504.76%	\$1,432.15	Energy	5.148%	228.41	15.20	\$8.18
QCOM	44.77	42,564	\$ 1,905.59	35.37	\$ 1,495.49	27.42%	\$410.10	Information Technology	5.717%	74.78	47.10	\$0.95
SYK	50.83	40	\$ 2,033.20	33.48	\$ 1,349.13	50.70%	\$684.07	Healthcare	6.100%	57.34	19.10	\$2.70
TTEK	26.25	60	\$ 1,575.00	25.46	\$ 1,537.55	2.44%	\$37.45	Industrials	4.725%	1.61	30.60	\$0.85
UPS	57.76	42,992	\$ 2,483.22	72.66	\$ 3,061.67	-18.89%	(\$578.45)	Industrials	7.450%	57.34	35.10	\$1.64
WFC	25.96	49,003	\$ 1,272.12	46.60	\$ 2,293.35	-44.53%	(\$1,021.23)	Financial	3.817%	121.62	30.60	\$0.85
			\$ 33,330.53		\$ 32,883.38	1.36%	\$ 447.15		100%		26.16	1.72