Crummer Investment Management
Employee Handbook

Effective January 1, 2014

ROLLINS MBA
CRUMMER GRADUATE SCHOOL
Welcome to Crummer Investment Management. This handbook will familiarize you with our firm and your role as a new associate.

Crummer Investment Management has been serving institutional and individual clients for over 50 years. We provide portfolio management advice by developing investment policy statements, designing asset allocation strategies, and recommending individual securities. We counsel our clients that over the long run two factors determine portfolio performance: asset allocation and security selection. Asset allocation determines expected investment risk and return and the best asset allocation policy respects long-term market history as well as short-term prospects based on economic analysis with a sector focus. Investment managers contribute to portfolio performance through security selection and market timing. Our firm has three operating divisions: portfolio strategy and security selection, economic analysis, and administration (including account representatives, IT, accounting, legal, and compliance).

**Portfolio Strategy and Security Selection**

The Portfolio Team is responsible for all investment portfolios. This division is divided into teams by client. Investment policy and portfolio strategy are at the heart of our firm. We insist that all our clients formally adopt an investment policy statement that outlines their objectives and constraints. Each statement positions asset allocation as the client’s ultimate responsibility, with our help. We conduct annual reviews with all clients that cover our views on sector and asset class return and risk as well as any policy changes we recommend. We strive to help each client understand the importance of asset allocation as a risk management policy tool.

We recommend individual securities within the context of our asset allocation strategy. Our recommendations follow from our economic analysis. We believe U.S. capital markets are relatively efficient but we do spend a great deal of time on fundamental research. We reference the consensus view while conducting our own analysis. Using our proprietary DCF and P/E models, we favor companies that have a fundamental long run growth story with a short-term catalyst. We also look for signals from insider ownership and trading, the quality of the Board, share repurchase programs, float, and other areas often neglected by main line analysts.

For security selection we divide the equity universe into large growth and large value as well as small growth and value. We typically avoid transaction risk by considering only individual equities that are listed on a U.S. exchange, including ADRs. Outside the U.S. we also recognize emerging markets as a separate asset class. Upon request we will consider midcap equities as an asset class. Our bond asset classes cover short, medium, and long duration domestic governments and corporates as well as foreign sovereigns. We do not usually consider foreign corporate bonds because of the difficulty in obtaining reliable credit analysis. REITs normally cover our allocation to real estate. We will invest in well-managed equity and bond mutual funds when appropriate.

**Economic Analysis**

Our economic analysis builds a scenario for the next twelve months at the macro level and focuses on the U.S. Every portfolio management team uses this scenario to develop their own views on the prospects for sectors and individual securities. We use the ten S&P sectors: Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Materials, Technology, Telecommunications, and Utilities, as the focus of our
analysis. We weight these sectors based on their expected performance during our forecast economic scenario. This year we face the additional challenge of forecasting the effects of the Fed’s taper – new territory that the economy had yet to explore.

**Bloomberg**
Bloomberg equity certification is essential to be a contributing member of the portfolio management team. If you are not already certified, please make arrangements to do so within two weeks of your hire date.

**Company Visits**
Company site visits are an important part of our firm’s due diligence. Typically, analysts are asked to visit companies that are not part of their portfolios to provide an independent perspective.

**Compliance**
Compliance is an integral component of everything we do. We believe following all laws, rules, and regulations is important not only because it is our obligation but also because it makes good business sense. Ultimately, regulation protects our clients and our reputation. One thoughtless act can ruin this firm’s reputation. Your colleagues are counting on you.

**Performance Appraisal**
Your raise and bonus (course grades) will be based on your performance of the tasks assigned:
- 75% written security research and presentation
- 15% class participation and contribution
- 10% personal investment policy statement
January 24 – Class 1
Introduction to security analysis and portfolio management; review current portfolio, investment policy statement, team organization and individual assignments; assess the future of the global economy

Read:
1. Crummer Investment Management Employee Handbook (course syllabus);
2. Crummer SunTrust Investment Policy Statement
4. 2013 Crummer SunTrust Report

Learning Outcomes: review of bottom up and top down security analysis; understand the relation between portfolio management theory and practice; introduction to reading and interpreting investment account statements; investment policy statements

Guest speakers: Kevin Mayo, CNL; Bhawna Talwar, RVR Consulting Group; Chris Enger, Aviance Capital Management.

January 31 – Class 2
Security selection in practice; Qualitative and quantitative security analysis; Growth stories; security research; Discounted Cash Flow (one, two, three stage and H-models); P/E valuation; Asset allocation strategies, the role of asset classes in the portfolio

Read: Crummer Investment Management Memo titled: Crummer SunTrust Portfolio Security Analysis, dated January 24, 2014
Read: Using Google Docs for Business Research

Learning Outcomes: understand the rationale behind valuation models and how these models are applied in practice; understand the implications of asset class allocations; apply the history of relative asset class returns to asset allocation decisions

Guest speaker: John Race, DePrince, Race and Zollo

February 7 – Class 3
Financial accounting and pro forma financial statements

Learning Outcomes: understand the motivations for differences in financial accounting practices; gain experience constructing pro forma financial statements suitable for valuation analysis

Read: Developing an Investment Policy Statement

Assignment due: Review of holdings. Health Care, Industrials, Materials, IT, Telecommunications and Utilities review the stocks in their sector.
Guest speaker: Professor William Seyfreid, Crummer

January 24, 2014
February 14 – Class 4
Economic overview; Sector analysis and research; Portfolio strategy; Credit analysis

Read:
4. Taking Turns at the Top – Sector Rotation

Learning Outcomes: Relate economic scenarios, sector behavior and portfolio strategy; Understand the specialized focus of credit analysis


Guest speaker: Phillip Rich, Chief Market Strategist, Seaside National Bank & Trust

February 21 – Class 5
Technical analysis in portfolio management and security selection

Read:
1. *Understanding Head and Shoulders*, Bloomberg Magazine, September 2010
5. Tractor Beam, Dennis Dick, CFA Magazine, March-April 2012

Learning Outcomes: Be able to describe the role of technical analysis in security selection and portfolio management

Assignment due: Proposed changes to the portfolio. Health Care, Industrials, Materials, IT, Telecommunications and Utilities present their recommendations for potential buys, sells and holds in their sector and demonstrate how well their recommended allocation would have tracked their sector index.

Guest speaker: John Moskos and Cameron Dawson, Bank of America
Sabina Lein, SunTrust Investment Services, Inc., Private Wealth Management

January 24, 2014
February 28 – Class 6
Modern portfolio theory tools: mean-variance optimization; asset class approach; building blocks method and Black-Litterman analysis
Read: Crummer SunTrust Portfolio Management – Black-Litterman, dated January 24, 2014
Assignment due: Proposed changes to the portfolio. Consumer Discretionary, Consumer Durables, Financials, Energy, and Bonds present their recommendations for potential buys, sells and holds in their sector and demonstrate how well their recommended allocation would have tracked their sector index.
Learning Outcomes: understand how the tools of modern portfolio theory are used in practice; be able to apply MVO and Black-Litterman to a portfolio
Guest speaker: Jay Menozzi, Chief Investment Officer, Semper Capital Management

March 14 – Class 7
Assignment due: Personal IPS
Guest speaker: Rick Ahl, Ahl Investment Management

March 21 – Class 8
Portfolio Strategy – team reviews and selects economic scenario; proposes tentative sector allocation
Learning Outcomes: understand how to translate theoretical models into investment decisions
Moses Dedication 6 PM Crummer lobby

March 28 – Class 9
Portfolio Strategy – team reviews MVO, VaR and Black-Litterman results; reviews tentative asset allocation
Learning Outcomes: be able to apply valuation tools and statistical analysis to build a case for an investment strategy
Site Visit: Tupperware Corporation, 14901 S. Orange Blossom Trail, Orlando, FL, 32837. Class will be held at the corporate headquarters starting at 6:00 PM. Please be prompt.

April 4 – Class 10
Portfolio strategy – team determines final allocation and security selection
Learning Outcomes: building practical and defensible portfolio strategies and security selections
Guest speaker: Derek Grimm, Merrill Lynch

January 24, 2014
April 11 – Class 11
  Presentation dress rehearsal
  **Final report due**

April 18 – Class 12
  Presentation to Board from 6:00 until 8 PM. Venue to be announced.