

M.A. Wright Investment Fund

Jesse H. Jones Graduate School of Management
Rice University

Semi-annual Board Meeting

April 25, 2002

Agenda

- Introductions
- Fund Performance & Characteristics
- Process Improvements
- Sector Activity & Performance

Introductions

- Professors
 - ✦ Rocky McAshan – Frost Bank
 - ✦ Steve Russo – Eagle Global Advisors
- Faculty Advisor
 - ✦ Bala Drahan – J. Howard Creekmore Professor of Management

Fund Officers

- **Chief Investment Officer**

Terry Ledbetter

→ Paresh Jain

- **Chief Operating Officer**

Chris Lovisone

→ Jin T. Mok

- **Chief Marketing Officer**

John Puckett

→ Mark Burroughs

- **Chief Technology Officer**

Brent Konstanzer

→ Sandesh Hegde

Fund Performance

Annualized Returns

	<u>5 Month</u> *	<u>1 Year</u> *	<u>3 Year</u> *	<u>5 Year</u> *
M.A. Wright Fund	2.0%	-9.8%	0.4%	6.1%
S&P 500	-4.4%	-9.0%	-3.1%	9.6%

*Periods ending April 17, 2002.

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	<u>5 Month</u> †	<u>1 Year</u> †	<u>3 Year</u> †	<u>5 Year</u> †
M.A. Wright Fund	-20.4%	-13.7%	-0.7%	5.4%
S&P 500	-12.6%	-11.9%	-1.1%	9.5%

†Periods ending December 31, 2001.

Portfolio Characteristics

	M.A. Wright	S&P 500
Weighted Ave. Beta	0.99	1.00
Weighted Ave. P/B	5.5	3.3
Weighted Ave. P/E	29.7	55.5
Weighted Ave. P/CF	15.2	13.0
Weighted Ave. Market Cap.	57.6 BB	100.9 BB
Median Market Cap.	12.5 BB	8.8 BB

Top Ten Holdings

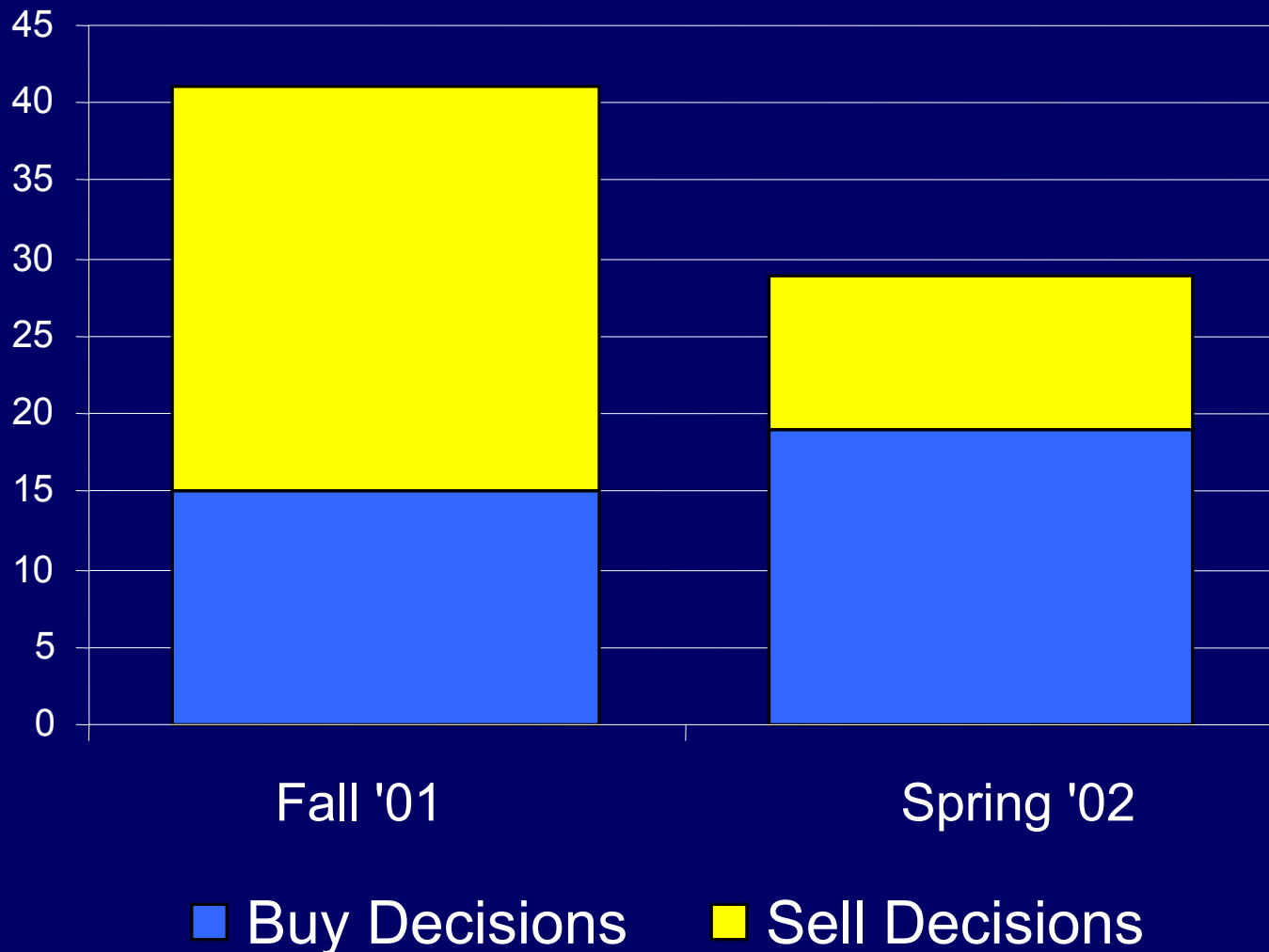
1	Bed Bath & Beyond	4.0%
2	Philip Morris	3.4%
3	Kimberly Clark	3.1%
4	Jones Apparel	3.1%
5	Amerigroup	2.8%
6	Amgen	2.8%
7	General Electric	2.4%
8	Pfizer	2.4%
9	Valero	2.3%
10	Fleet Boston	2.3%
Total:		<u>28.6%*</u>

*vs. 42.2% last semester

Process Improvements

- 1) Improved Stock Selection by replacing open voting with silent voting.
- 2) Moved towards being fully invested, holding less resources in cash and shares of the S&P 500 Index Fund.

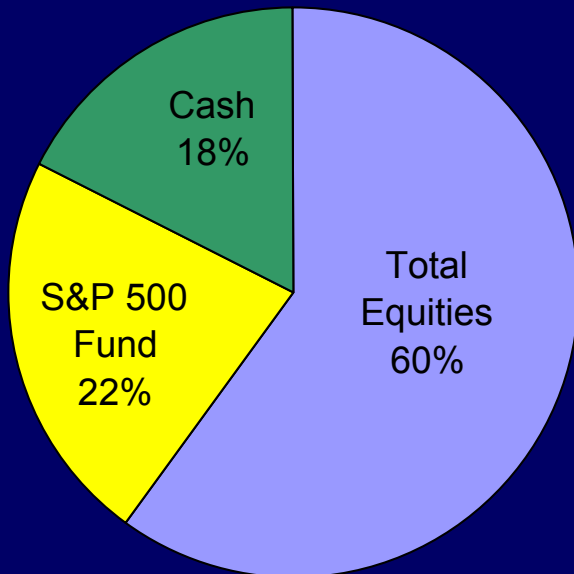
Raising the Bar Through Silent Voting



Moving Towards Being Fully Invested

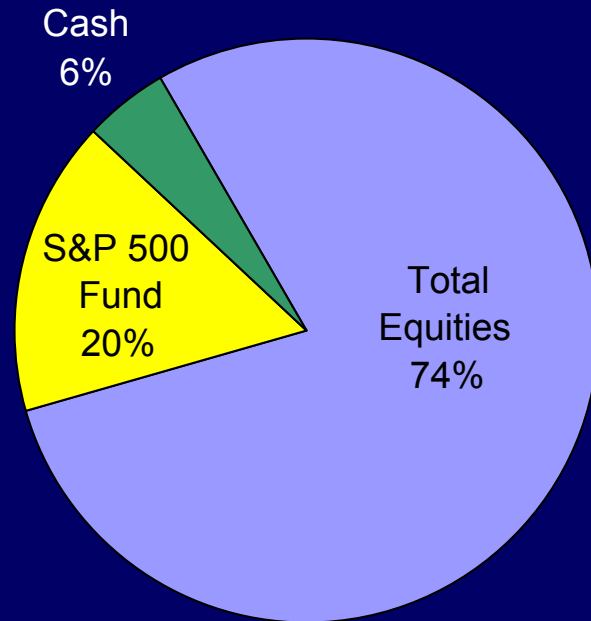
January 15, 2002:

Total Fund Value
\$605,100

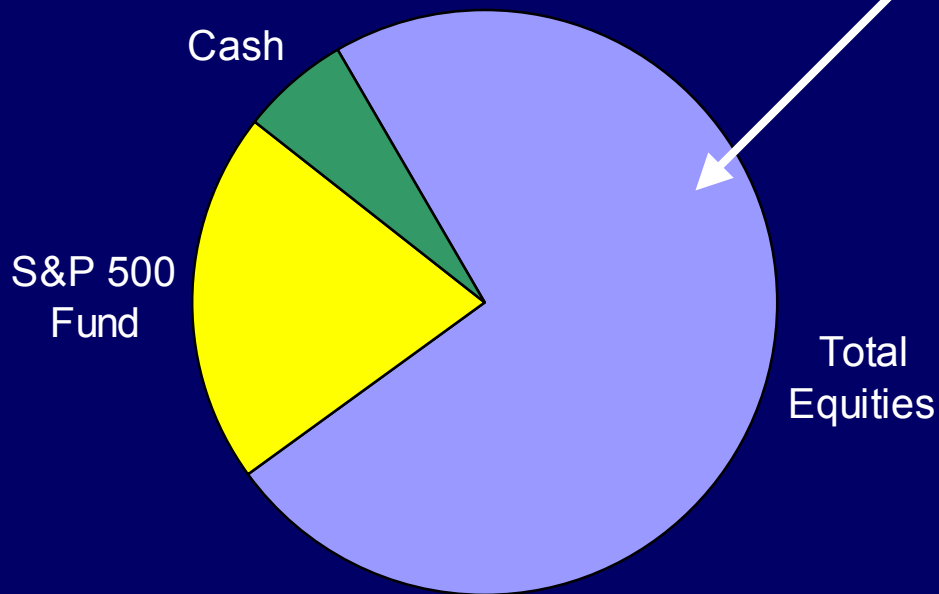


April 17, 2002:

Total Fund Value
\$626,670



Change in Fund Metrics

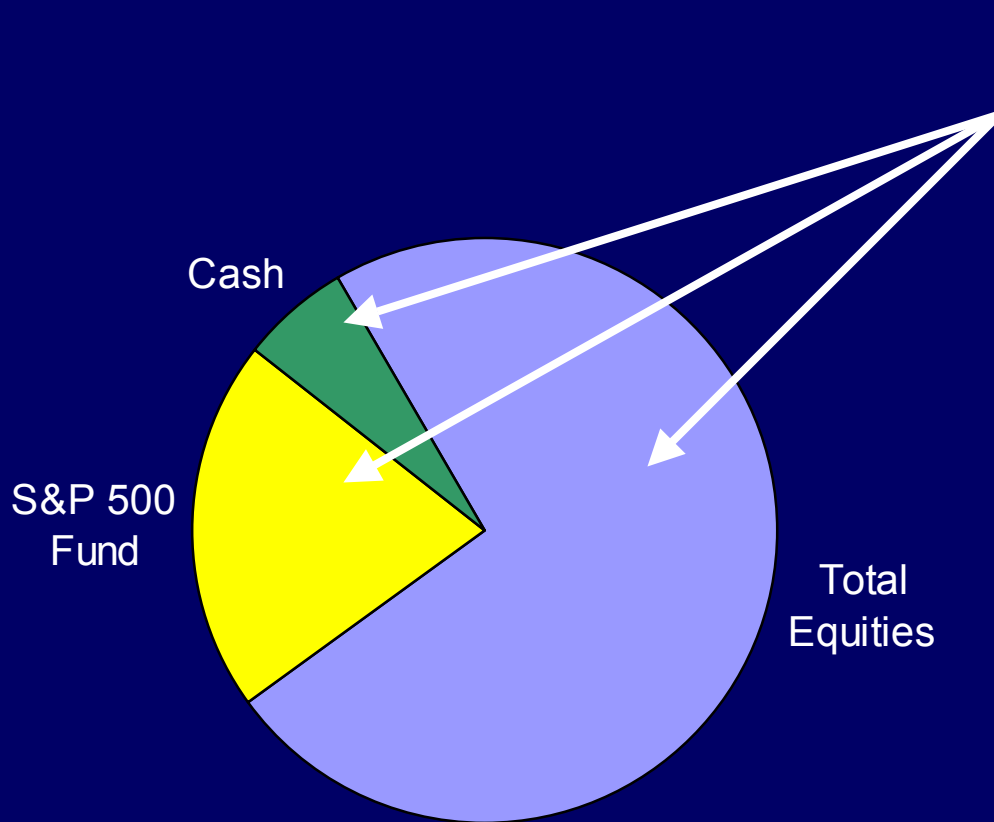


Previously, Sector Weights were based on the total value of the fund's equities

Consequence:

- As some sectors sold holdings, other sectors became overweighted.
- These overweight sectors then sold holdings to achieve their target weight.
- This downward spiral steadily increased cash reserves and S&P 500 Fund holdings.

Change in Fund Metrics

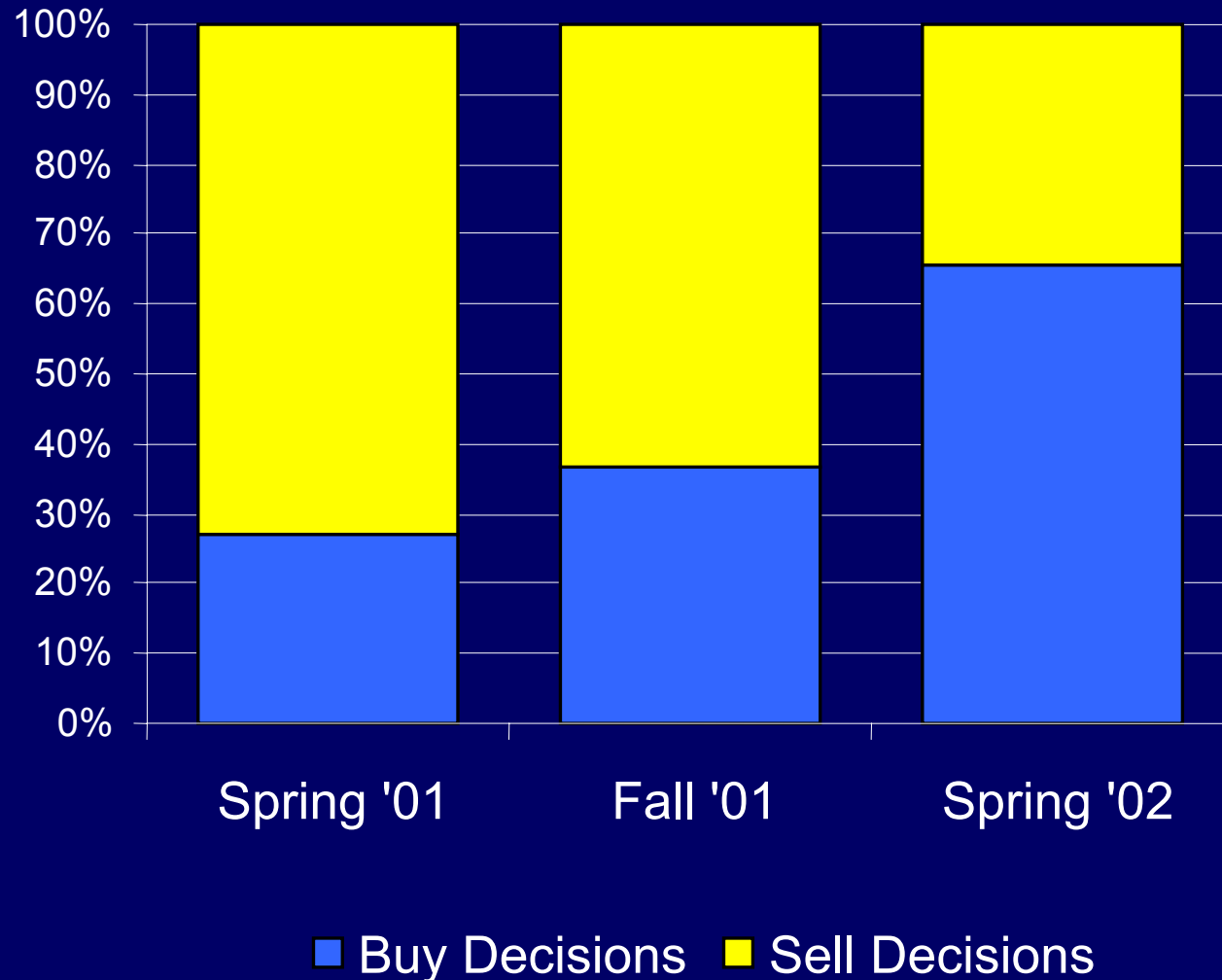


Now, Sector Weights are based on the total value of the fund itself

Consequence:

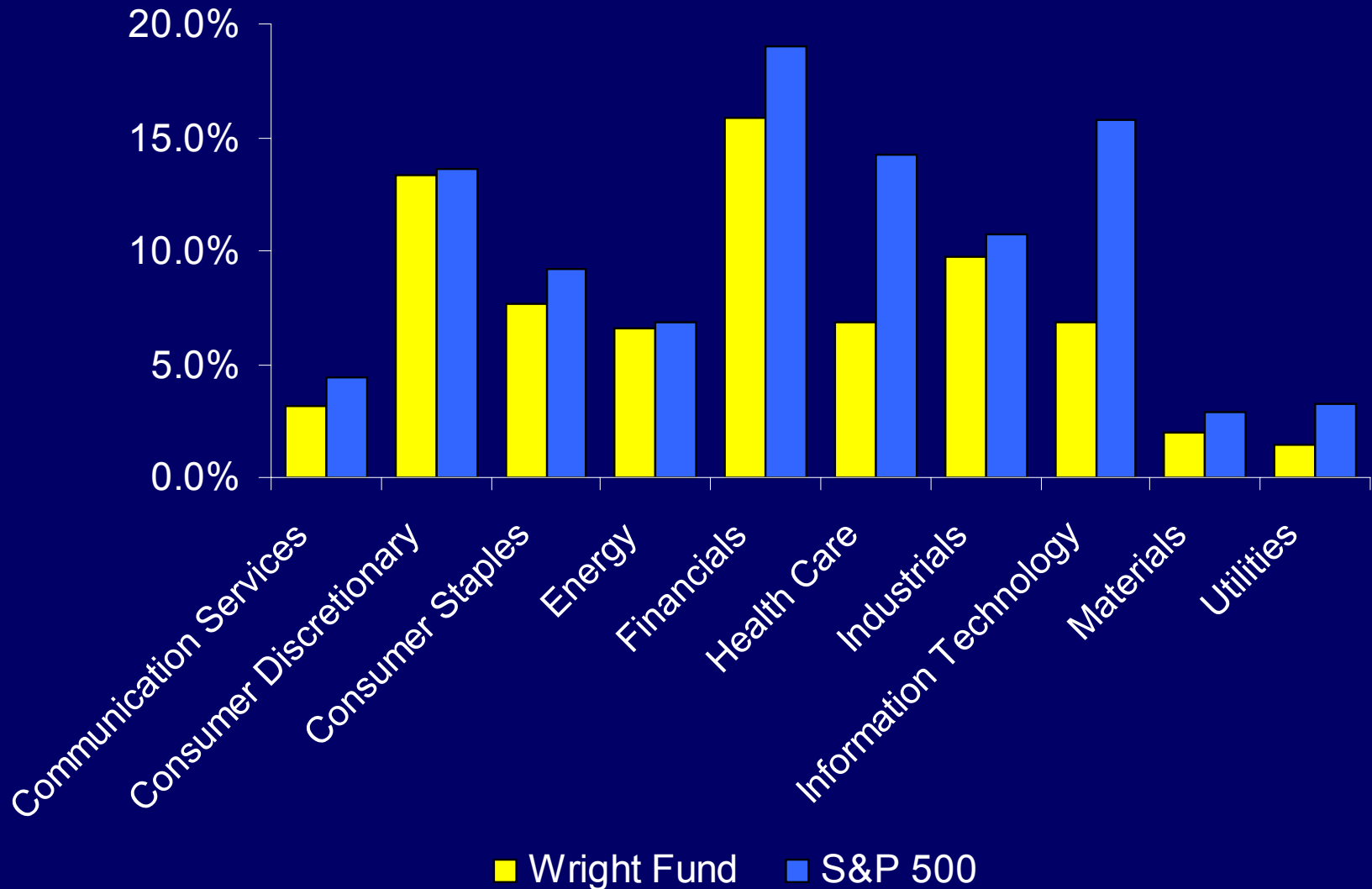
- After this decision, all sectors became underweight, thus encouraging analyst to present “Buy” recommendations, moving money out of cash and the S&P 500 Fund.
- Analysts can freely pursue the target weight for their sector.

Increase in the Proportion of “Buy” Decisions



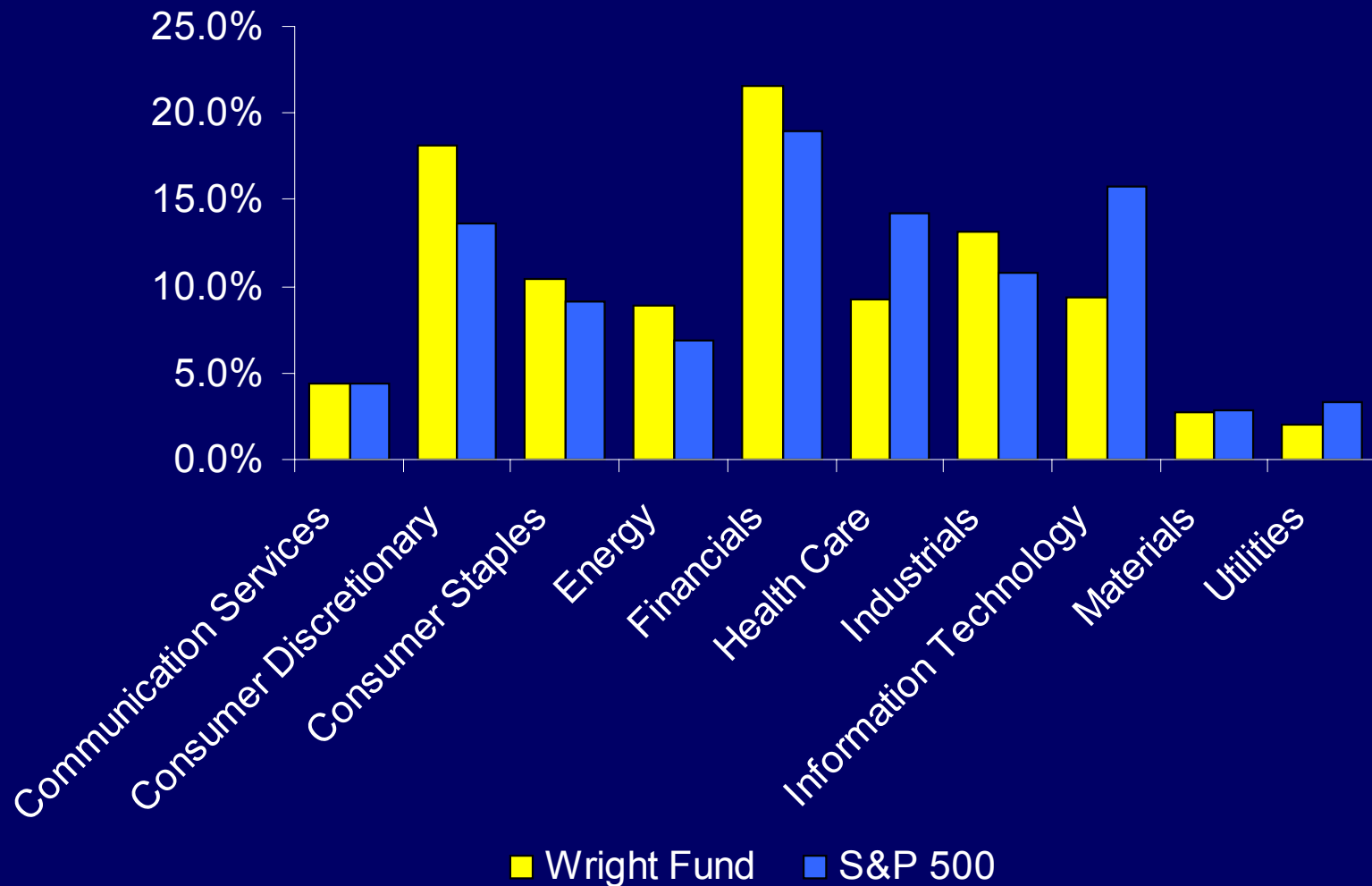
Relative Sector Weightings

Based on *Total Fund Value*



Relative Sector Weightings

Based on *Total Individual Equity Holdings**



*I.e. excluding cash and S&P 500 Index Fund holdings.

Sector Performance

Spring 2002

Relative Sector Performance



Top 5 Semester Performers

1	Hydril	27.9%
2	Amerigroup	25.7%
3	Starwood Hotels	21.5%
4	Dynegy	19.8%
5	Phelps Dodge	19.6%

(Returns through April 17, 2002)

Bottom 5 Semester Performers

1	BEA Systems	-33.0%
2	Oracle	-30.7%
3	IBM	-28.6%
4	Sprint PCS	-26.5%
5	Cisco	-18.9%

(Returns through April 17, 2002)

Sector Activity

Communication Services

Current Holdings

- ▲ Spring PCS
- ▲ Verizon
- ▲ BellSouth

Semester Transactions

- ▲ Bought 200 shares of BellSouth at \$31.83

Weight Target

- ▲ Under Weight

Semester Performance

- ▲ 0.7% Underperformance
(vs. S&P 500 Communication Services Sector)

Consumer Discretionary

Current Holdings

- ✦ Bed Bath & Beyond
- ✦ Starwood Hotels
- ✦ Jones Apparel
- ✦ KB Homes
- ✦ Mohawk Industries
- ✦ TJX Companies, Inc.

Weight Target

- ✦ Neutral to Overweight

Semester Transactions

- ✦ Sold 350 shares of Lowes at \$44.00.
- ✦ Sold 100 shares of Wal-Mart at \$61.92
- ✦ Sold 520 shares of Liberty Media at \$12.68
- ✦ Bought 220 shares of KB Homes at \$43.56
- ✦ Bought 110 shares of Mohawk Industries at \$59.10
- ✦ Bought 300 shares of TJX Companies at \$41.51.

Semester Performance

- ✦ 9.8% Outperformance (vs. S&P 500 Consumer Discretionary Sector)

Consumer Staples

Current Holdings

- ✦ Phillip Morris
- ✦ Kimberly Clark
- ✦ Nash Finch Company

Semester Transactions

- ✦ Bought 300 shares of Kimberly Clark at \$62.51.
- ✦ Sold 300 shares of Anheuser Busch at \$52.45
- ✦ Bought Nash Finch Company at \$27.79.

Weight Target

- ✦ Equal Weight

Semester Performance

- ✦ 0.3% Outperformance
(vs. S&P 500 Consumer Staples Sector)

Energy

Current Holdings

- ✦ Anadarko Petroleum
- ✦ Hydril Co.
- ✦ Valero Energy

Semester Transactions

- ✦ Bought 550 shares of Hydril Co. at \$17.20
- ✦ Bought 260 shares of Anadarko at \$48.27

Weight Target

- ✦ Equal Weight

Semester Performance

- ✦ 10.6% Outperformance
(vs. S&P 500 Energy Sector)

Financials

Current Holdings

- ✦ Citigroup
- ✦ MBNA
- ✦ Bank of New York
- ✦ Washington Mutual
- ✦ Freddie Mac
- ✦ Legg Mason
- ✦ AIG
- ✦ Amerigroup Corp.
- ✦ Fleet Boston Financial

Weight Target

- ✦ Under Weight

Semester Transactions

- ✦ Bought 250 shares of Bank of New York at \$42.15
- ✦ Bought 500 shares of Amerigroup Corp. at \$27.73

Semester Performance

- ✦ 1.8% Outperformance
(vs. S&P 500 Financials Sector)

Healthcare

Current Holdings

- ▲ Pfizer Inc
- ▲ Amgen Inc
- ▲ Cooper Companies

Semester Transactions

- ▲ Bought 300 shares of Amgen at 60.18
- ▲ Sold 200 shares of Merck at \$56.13

Weight Target

- ▲ Under Weight

Semester Performance

- ▲ 0.2% Outperformance
(vs. S&P 500 Healthcare Sector)

Industrials

Current Holdings

- ✦ American Standard
- ✦ Convergys Group
- ✦ Forward Air
- ✦ General Electric
- ✦ Honeywell
- ✦ Southwest Airlines

Weight Target

- ✦ Equal Weight

Semester Transactions

- ✦ Sold 500 shares of Concord EFS at \$31.30
- ✦ Bought 300 shares of Honeywell at \$38.27
- ✦ Bought 300 shares of Convergys Group at \$31.35
- ✦ Bought 300 shares of Southwest Airlines at \$18.67

Semester Performance

- ✦ 0.7% Outperformance
(vs. S&P 500 Industrials Sector)

Information Technology

Current Holdings

- ✦ BEA Systems
- ✦ Cisco Systems
- ✦ IBM
- ✦ Mercury Interactive
- ✦ Microsoft Corp
- ✦ Oracle Corp

Weight Target

- ✦ Underweight

Semester Transactions

- ✦ Bought 200 shares of Mercury Interactive at \$39.91

Semester Performance

- ✦ 8.2% Underperformance (vs. S&P 500 IT Sector)

Materials

Current Holdings

- ▲ Phelps Dodge
- ▲ Vulcan Materials

Semester Transactions

- ▲ Bought 200 shares of Phelps Dodge at \$34.15
- ▲ Bought 100 shares of Vulcan Materials at \$47.12
- ▲ Sold 300 shares of Praxair at \$55.75

Weight Target

- ▲ Equal Weight

Semester Performance

- ▲ 15.8% Outperformance
(vs. S&P 500 Materials Sector)

Utilities

Current Holdings

- ▲ Dynegy

Semester Transactions

- ▲ Hold Dynegy

Weight Target

- ▲ Under Weight

Semester Performance

- ▲ 16.2% Outperformance (vs. S&P 500 Utilities Sector)

Questions

Fund T-Shirts Available

The logo for the M.A. Wright Fund is centered on a white rectangular background. It features a large, dark blue oval border. Inside the oval, the text "M.A. Wright Fund" is written in a dark blue, serif font. Below this, the text "Est. 1995" is written in a smaller, dark blue, serif font. At the bottom of the oval, the text "Jones Graduate School of Management, Rice University" is written in a dark blue, serif font, following the curve of the oval's bottom edge.

M.A. Wright Fund

Est. 1995

Jones Graduate School of Management, Rice University