WILLIAMS INVESTMENT SOCIETY Q1 UPDATE

Introduction

WIS Summary

The Williams Investment Society employs a top-down investment procedure to identify superior companies trading at reasonable prices. The Society believes that through extensive research and analysis, it can identify companies priced by markets at significant discounts to their intrinsic values. Firms must have at least $500 MM in market capitalization and a minimum share price of $5. WIS will not hold more than 5% of its portfolio in a single stock.

Recent Activity

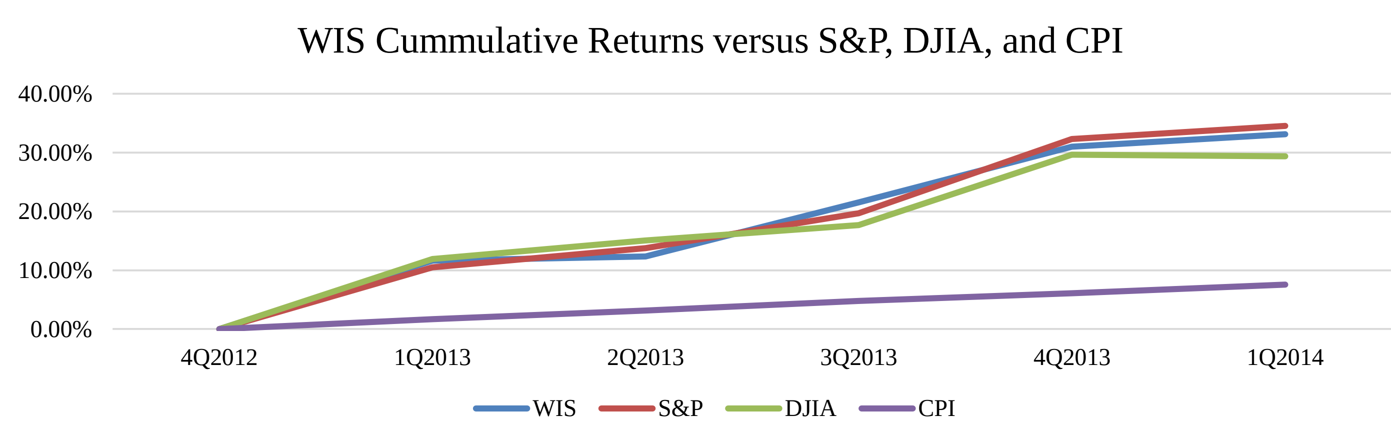
This semester, the directors wanted to focus on educating group members, specifically those new to the society. We started the year off with new member training, teaching them about the society's investment philosophy, investment research resources, how to make an effective presentation, and other topics to help them quickly add value to the group. We also invited guest professors to lecture on economics, accounting, and finance. Furthermore, the directors lead a valuation class during which we helped each group member build a basic discounted cash flow model.

In February, we met with the Board of Trustees and they decided to allocate an additional $3 million dollars to WIS. The entire group was incredibly excited and honored by this decision. Since WIS has incredibly low transaction costs, highly dedicated members, and a student-to-stock ratio around 1, we are excited to continue to provide effective yet cheap equity exposure.

Performance Summary

In the first quarter of 2014, the WIS portfolio had returned 1.607% versus an S&P return of 1.81%. Computing the holding period return was somewhat complicated due to the additional $3 million investment from the Board of Trustees. To simplify the calculation, we used the original amount in the account prior to the additional funds, which makes sense since we worked the entirety of these funds into the market during a one week period spanning from March 31 to April 7.

Some of our largest gains came from Technology and Energy returning 8.44% and 6.26% respectively, while Consumer Discretionary dragged down the portfolio with a loss of 9.18%.



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Current WIS Holdings

Basic Materials

CF	$8,861.76	11.84%
MEOH	$89,516.00	7.93%
MON	$65,417.75	-2.39%
OMG	$42,355.50	-8.76%
SLW	$22,768.10	12.43%
Total	**$228,919.11**	2.26%

Consumer Discretionary

COH	$23,836.80	-11.53%
DIS	$38,033.25	4.80%
IGT	$55,958.80	-22.58%
PII	$62,729.79	-4.07%
TJX	$41,666.55	-4.83%
Total	**$222,225.19**	-9.18%

Consumer Staples

BUD	$73,710.00	-1.09%
CVS	$56,669.02	4.60%
DANOY	$49,521.50	-2.27%
PEP	$19,622.50	0.68%
SJM	$62,622.56	-6.16%
Total	**$262,145.58**	-1.30%

Energy

ARLP	$58,056.60	9.27%
CCJ	$20,037.50	10.26%
COP	$66,832.50	-0.42%
DVN	$40,626.51	8.18%
SLB	$80,047.50	8.20%
Total	**$265,600.61**	6.26%

Financials

EFX	$51,022.50	-1.53%
SCHW	$31,429.50	5.12%
V	$21,586.00	-3.06%
VTR	$45,488.07	5.74%
WFC	$53,172.06	9.56%
Total	**$202,698.13**	3.66%

Healthcare

ABT	$32,733.50	0.47%
DVA	$68,850.00	8.65%
ENSG	$64,150.00	-1.42%
GILD	$77,946.00	-5.65%
UNH	$52,473.60	8.88%
Total	**$296,153.90**	1.48%

Industrials

CBI	$23,530.50	4.82%
GE	$31,534.02	-7.63%
SNA	$29,164.36	3.62%
UPS	$37,491.30	-7.33%
WM	$43,121.75	-6.24%
Total	**$164,841.93**	-3.70%

Technology

CNVR	$22,520.00	20.45%
CPSI	$21,770.20	4.51%
MSFT	$70,912.70	9.57%
ORCL	$40,910.00	6.93%
QCOM	$75,626.74	6.21%
Total	**$231,739.64**	8.44%

U&T

AMT	$25,461.57	2.57%
DUK	$56,976.00	3.20%
NRG	$38,160.00	10.72%
VZ	$35,677.50	-3.19%
Total	**$156,275.97**	3.25%

Totals

Cash	$8,820.28
Equities	$2,030,599.16
Total	**$2,033,749.44**

*note: holding returns calculated without dividends and cash listed without the additional allocated funds

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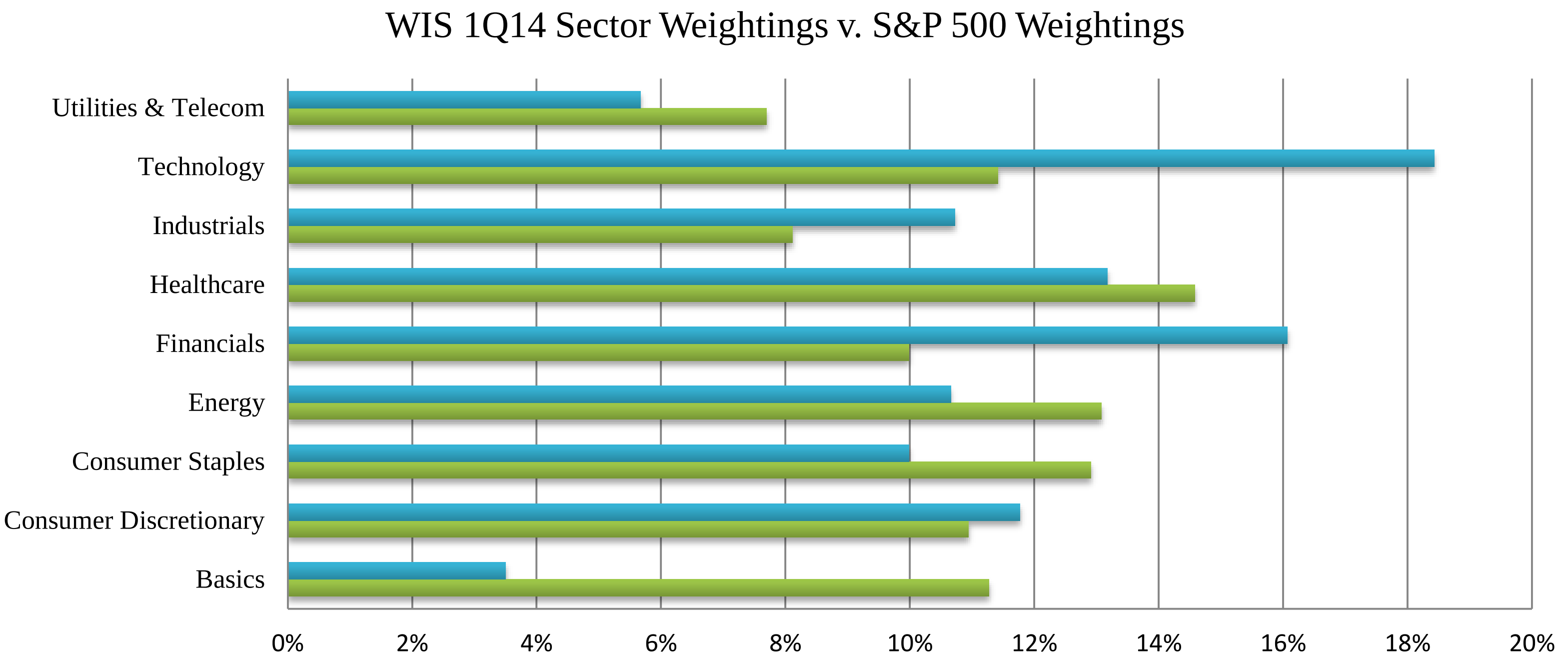

	Basics	Consumer Discretionary	Consumer Staples	Energy	Financials	Healthcare	Industrials	Technology	Utilities & Telecom
S&P Weighting	4%	12%	10%	11%	16%	13%	11%	18%	6%
WIS Weighting	11%	11%	13%	13%	10%	15%	8%	11%	8%

Investment Strategy

Portfolio Strategy

Given our macroeconomic and market outlook, the society decided to look for less risky and more stable investment options this semester. Specifically, we wanted to make sure we kept a conservative beta for the portfolio while investing in companies that are industry leaders, have a proven track record, exhibit opportunities for growth, and preferably provide a dividend. Although the world continues to improve after the financial crisis, recovery has been slow and the future remains uncertain. Furthermore, we recognized the large run-up in stock prices from the depths of the recession until now. Looking at indicators of market valuation such as the Shiller P/E, we realize the potential for a market correction as well as limited returns in the near future. With this environment in mind, we wanted to invest in strong, stable companies with proven earnings.

Macroeconomic Environment

Overall, the first quarter showed encouraging signs of slow but steady global recovery. The U.S. experienced growth of approximately 2.4% despite the harsh weather conditions on the east coast. Consumers were less optimistic in late February and March as consumer confidence fell to a four-month low. That said, disposable income rose in February by 2.1% year-over-year, the greatest increase since September 2013. Employment data has been slowly improving. Unemployment remained roughly stable, ending the quarter at 6.7%. Although this number continues to be somewhat deceiving due to workers dropping out of the labor force, there has been a negative trend in the number of “discouraged workers.” Furthermore, full-time jobs continue to replace part-time jobs. However, the total number of full-time jobs remains below the 2007 level, with the Q1 underemployment rate at 12.6%. The Fed began tapering its asset purchases in January. At its March meeting, the committee cut purchases to $55 billion per month, reaffirming its positive interpretation of U.S. economic data.

European economic data remains largely mixed, but the first quarter saw cautiously steady growth. Fourth quarter GDP was positive for the first time in nearly two years as Germany, France and Portugal posted gains. However, Italy, Spain, and Greece remain in contraction. The Eurozone composite PMI index for Q1 end showed growth for nine consecutive months and indicates potential for further expansion in the months ahead. The banking sector in Europe remains a concern as financial institutions have not yet cleaned up their balance sheets. Any further stress may reveal additional bad loans, requiring banks to raise significantly more capital. The euro remains relatively strong and has appreciated against the dollar nearly 6% over the last twelve months. The ECB maintains its commitment to expansionary monetary policy; at its March meeting, the central bank kept interest rates unchanged.

In China, growth rates are falling though the government continues to push the economy, setting its growth target at 7.5%. The first quarter saw a weak manufacturing sector as China's manufacturing sector recorded contracting PMI's for all first quarter months. Towards the end of the quarter, China began a policy of band-widening, allowing the yuan to move more freely. The PBOC has made it clear that it does not intend to allow the yuan to fully float in the near future, but a freer yuan could still increase Chinese imports and provide a boost for other countries including the U.S.

Portfolio Rebalancing

In February, we were fortunate to have been given an additional $3 million from the Board of Trustees to invest this semester. These additional funds allowed us a unique opportunity to reweight the portfolio, which was especially important given our ongoing efforts to move our industry weightings closer to those of the S&P. Our strategy for the allocation was to choose industry weightings, followed by individual stock weightings, keeping in mind the goal of maintaining a beta at or below 1 and considering the correlation between each of our holdings. Although we moved all of our industry weightings towards the S&P weighting, the decision of which industries to over- or under-weight versus the S&P involved much deliberation between industry group heads and the directors. We decided to overweight Basic Materials, Energy, and Healthcare versus the S&P, and to underweight Consumer Discretionary, Industrials, Financials and Technology. We targeted Consumer Staples and U&T at equal-weight. These industry weighting decisions came from our analysis of the future prospects for each industry overall, as well as evaluation of the society's specific holdings in each industry. Once these decisions were made, group heads suggested weightings for their holdings based on reevaluations of all holdings as well as correlation statistics, and the directors put together final target weightings.

As mentioned previously, our trading costs are incredibly low. We made 68 trades in the first week of the second quarter to work in the additional funds at a cost of only $179.82, using 50 free trades followed by 18 at $9.99 per trade. This equates to a total commission charge of roughly .6 basis points.

Investment Presentation Summaries

*note: We executed the trades for the semester at the beginning of the second quarter. Therefore, they are not reflected in the first quarter data. However, the group presented and voted on the following investment ideas during the first quarter. These presentation summaries were written by the industry group heads: (in order) Katie Lotterman, TJ Redmond, Tyler Goldman, Austin Miller, Colin Fraser, Cameron Dabir, Drew Weprinsky, Wilson Hallett, Vincent Genaro.

Basics (OMG/LYB)

The basics group presented a sell of OM Group and a buy of LyondellBasell, which the society voted to approve. We had been holding OM Group since 2008, and our original thesis was a play on cobalt. However, in 2013, OM Group completed its divestiture of its cobalt-centric advanced materials business to Freeport McMoRan. They restructured their business to focus on three segments: Magnetic Technologies, Battery Technologies, and Specialty Chemicals. With this restructuring, OM Group entered a significantly more competitive environment. As a result of this more competitive environment, OM Group has been experiencing sales issues. We believe that their growth is tied to future acquisitions, and we do not believe that the company is financially positioned to make these necessary acquisitions. Furthermore, the majority of OM Group's sales are tied to a few, large customers. Their lack of a diversified customer base poses a significant risk for future revenues. We selected LyondellBasell, the world's third largest independent chemical company, for its product and geographic diversity, its robust cash balance, and its favorable position to capitalize on macroeconomic trends. The company is well positioned to capitalize on the increasing demand for ethylene as well as lower ethane costs from the Marcellus ethane shale. We also particularly liked that LYB's ethylene expansion projects put the company's ethylene capacity 2-3 years ahead of its competitors. Finally, we are excited to see how LYB's presence in Europe will play out as European economies continue to pick up.

Consumer Discretionary (COH/SBUX)

In our most recent presentation, the Consumer Discretionary group presented a sell of Coach and buy of Starbucks, which the society voted to approve. The society purchased Coach in November 2011 with hopes that the company's strong brand and exciting growth prospects, both domestically and internationally, would help fuel high returns. After analyzing their performance over the past few years it has become evident that Coach is struggling domestically. Over the past year, sales in North America have decreased 8.6%, despite the opening of 16 new retail and factory stores. Declining sales in the US are stemming from strong competition from notable companies such as Michael Kors, Tory Burch, and Kate Spade. On the other hand, Coach continues to experience strong international growth, particularly in China, as they are an accessible luxury brand. That being said, when searching for a potential buy we certainly did not want to lose our exposure to China. With the increase in competition and downfall of their North American operations, we do not see a bright future for Coach.

Starbucks is a strong domestic company with very exciting growth prospects internationally – specifically in the China Asia Pacific (CAP) region. During fiscal 2013, Starbucks saw revenue growth of 11% in the Americas and 27% in the CAP region. The strength of their US market can be seen by their comparable store sales, which have grown 7% or higher for 15 consecutive quarters. Starbucks is also expanding its product base into many new markets: tea, with their Teavana brand, food, with their La Boulange bakery products, and premium juice, with their Evolution Fresh brand. Starbuck's strong domestic segment coupled with their international and product growth, leads us to believe that Starbucks will be a lucrative investment

Consumer Staples (DANOY/CL)

This Winter Term, the Consumer Staples group presented, and successfully passed, a sell of Danone (DANOY) and a buy of Colgate-Palmolive (CL). As a result of increasing dairy costs, general macroeconomic headwinds,

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including a slowdown in Asia and stagnant GDP growth in America, Danone's original buy thesis had played out. Typical macro variables coupled with a devastating baby formula recall in Asia has left Danone struggling to regain their prominence in the dairy market previously held. Fortunately, we held on to Danone long enough to allow a climb out of the red, ultimately realizing a 1% gain. In selling Danone, our group sought to further diversify our portfolio, conducting an intensive screening process that called for a company with stable cash flows, large brand recognition, low beta and room to run. Ultimately, we felt that Colgate-Palmolive gave us what we were looking for. Their product innovation, cost cutting initiatives, dividend payout and strong presence in emerging markets made it a relatively easy choice. We feel confident that we have bought into a company that will continue to perform at the level we have seen over the past year, and uphold Consumer Staples as one of the best groups within the Williams Investment Society.

Energy (COP/KMI)

This semester, the society voted a buy/hold for the Energy group's presentation of ConocoPhillips and Kinder Morgan. Employing the society's top-down investment philosophy, the industry team wanted to enter a part of the oil and gas market we currently lack exposure to. Even though we already own several oil and gas companies, we feel that this sector shows more promise than nuclear or renewables at the moment, particularly in the United States. We decided to look into different midstream companies, and settled on pipeline companies in particular, an area we haven't had exposure to since the sale of TransCanada last fall. We choose Kinder Morgan Inc., the third largest energy company in the US and the largest midstream company. We believe Kinder Morgan is best positioned to capitalize on the current dearth of transportation infrastructure in North America, while also serving to reduce our portfolio's exposure to commodity price sensitivity.

Financials (VTR/VRSK)

The Financials Group felt that each position (WFC, V, VTR, EFX, and SCHW) was a strong holding and knew that the sector was significantly underweight in WIS' overall portfolio versus the S&P. Therefore, Financials presented a Buy/Hold recommendation with an opportunity for WIS to purchase Verisk Analytics (VRSK), a company that provides risk assessment services and sell Ventas (VTR), the largest healthcare REIT in the U.S. With changes in healthcare regulation and enforcement and rising interest rate risk, Financials identified Ventas as their weakest holding, but maintained that rising rate risk was overestimated in the market, and that Ventas provided the WIS portfolio with much needed real estate exposure and a strong dividend yield. Verisk's business model of "buying information once and selling it many times" appealed to the Financials group, along with the company's market leading position and high customer retention rate. WIS voted to add a position in VRSK while maintaining a holding in VTR, helping to bring the weighting of the Financials sector up in the overall portfolio and aligning WIS' portfolio more closely with our benchmark, the S&P 500.

Healthcare (ABT/PFE)

The Healthcare group successfully presented a sell of Abbott and a buy of Pfizer. The industry group identified several key trends to look out for in 2014. First, the continued rollout and implementation of the Affordable Care Act will impact the Healthcare industry for years to come. Second, the general trend towards cost-efficiency both by consumers as well as companies in the form of high deductible health plans was a key focus

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of ours. Lastly, the growing middle class in emerging markets and its effect on global Healthcare spending was something we also wanted to capitalize. Specifically for our stock selection, we looked for a large, stable company that has a significant dividend yield. We felt that now is time to take on a safer position due to current market valuations even if it means sacrificing future returns. Thus, our buy selection was Pfizer. We felt the company has an incredibly strong pipeline and has proven its ability to consistently bring profitable drugs and products to market. Although they have recently lost key drugs due to patent expiration, we feel that bad news has given us an attractive entry point. As for our sell, we chose to go with Abbott Labs. We sold because we felt the company was over-valued, has lack of growth prospects compared to our current holdings, and we wanted to cash out on our approximately 70% gain. Overall, we believe the Healthcare industry will present ample opportunities to come and we are extremely excited about our holdings.

Industrials (WM/LUV)

The industrials group proposed a buy of Southwest Airlines (LUV) and a sell of Waste Management (WM); however, the society voted to maintain its current position. The group felt that Waste Management would be a good sell because their main segments of revenue had seen minimal growth as of late and also because of their risky and unpromising play in the waste to energy conversion space. As a replacement for Waste Management, the group thought that Southwest Airlines would serve as an excellent addition to our portfolio. Southwest stood out to us firstly because it was the most stable and reliable stock in the airlines industry – an industry that we felt we should gain exposure to. On top of this, Southwest's expansion into the international flight market and impressive domestic growth were key buy rational.

Technology (CNVR/GOOG)

For the 2014 Winter Term, the Technology group presented a buy of Google and a sell of Conversant (formerly known as ValueClick). The Williams Investment Society voted and agreed with our proposal. Conversant is a digital marketing services and generates revenue solely through online advertising. Google, as we all know, is an internet service provider that generates 90% of its revenue through online advertising. Our logic was simple. Holding Conversant in our portfolio means that we are making an intrinsic bet that it will outperform Google if we look to the S&P as our performance benchmark. We disagreed and believe Google is a far superior company, and one that will become the backbone of our portfolio. With Conversant serving as an ad intermediary, we believe that it is vulnerable to the increase in competition, exposed in an economic downturn with discretionary online advertising generating its entire revenue, and susceptible to major business model overhauls should Cookies become obsolete. However, we do believe that the online advertising industry as a whole has significant growth potential. We searched for a company that is already a market leader and would capture growth. Google was our selection for a number of reasons. Internet advertising revenue is increasing, non-advertising revenue (currently around 10% of total revenue) is increasing, the amount of data that Google generates from internet traffic serves as a competitive advantage, and just the innovation and acquisition in which Google is engaged.

Utilities and Telecommunications (NRG/ITC)

U&T successfully revisited its fall 2012 investment pitch in which we proposed a hold of NRG Energy with the option to buy ITC Transmissions. WIS held NRG Energy as a play on natural gas prices and valued its ability to generate returns as a merchant utility generator. As of March 2014, WIS held a 60% unrealized return on the security, which had appreciated 15% YoY. Since our proposed hold in 2012, natural gas prices have rebounded from $2 per million btu to around an economically reasonable $4.50 per million btu, where CME futures predict them to remain for the next two years. For NRG, this is of extreme importance as the company heavily hedges gas prices, an input cost, and the stock correlates directly to commodity prices as a result. Due to this, WIS feels confident we have captured the growth that we hoped for when we held NRG in 2012. Furthermore, NRG is a high Beta, highly levered merchant utility with relatively volatile financial performance. Keeping in line with WIS' overall portfolio goals, U&T looked to sell NRG in favor of a lower beta, less highly levered, and more stable company that, at the same time, offered reasonable growth potential to keep our Utility portfolio balanced.

ITC Holdings is a utility transmission company that transmits electricity from generators to local grid operators. It is the nation's largest transmission-only utility company and serves Michigan, Iowa, Minnesota, Kansas, and Oklahoma. Being a transmission utility, ITC is highly regulated with allowed returns set by the FERC. However, FERC now allows ITC an allowed return on equity of 30%, as much as three times greater than its state-regulated competitors, in order to incentivize infrastructure investment. ITC has responded with a huge capital expenditure plan and plans to spend over $800 million in each of the next three years in infrastructure investment. While much of the growth that will derive from this is already priced in to ITC stock, we believe there still exists significant room for growth in this holding. Moreover, ITC's commitment to returning value to shareholders, low beta, stable earnings, lack of commodity risk, and comparatively low leverage offer a strong holding for WIS, a diverse buy for U&T, and rare growth potential in a mature, low growth sector.

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