

WILLIAMS INVESTMENT SOCIETY Q3 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

The Society spent the beginning of the fall semester preparing for our investment presentations in both old and new ways. As in semesters past, the schedule included group updates, faculty and guest lecturers, and valuation workshops. To start the semester off, the group reviewed the performance and relevant news from the summer for our holdings, and the group heads met with the directors to advise about the sector weightings of the portfolio. Professor Hooks gave a quite topical lecture about current monetary policy and how it might affect our investment decisions, specifically drawing on her experience working at the Federal Reserve. We were also very lucky to have a guest presentation from Sands Capital, in which they walked us through a case study of an investment decision they recently made. We also held another DCF workshop, building from the foundations we covered last year.

This semester's schedule included two new additions. The first was a meeting dedicated to a

macroeconomic update, which consisted of each industry group reporting on the current macro conditions of various regions across the globe, focusing on trends that might be pertinent to our investment decisions this semester. The other new addition to the syllabus was an interview preparation meeting. The directors lead a discussion of how to use WIS experiences as a positive in finance internship interviews. Then, senior members of the group discussed their various experiences during the interview process with younger members.

Performance Summary

In the third quarter, the WIS portfolio returned 0.49% versus an S&P return of 0.62%. Part of this underperformance can be explained by our decision last semester to pursue larger cap stocks and to slightly lower the beta of the portfolio. Our largest absolute sector gain in the third quarter came from Healthcare with a return of 6.55%. However, this constitutes an underperformance on a relative basis versus the XLH return of 16.50%. Our greatest outperformance came from Consumer Discretionary with a return of 5.15% versus the XLY's 0.24%, spurred on by large gains from Polaris and TJX Companies. Other top performing holdings included Gilead Sciences, Ensign Group, and Microsoft. The WIS Energy sector contributed the largest loss at a return of -8.59%, but actually outperformed the XLE's -9.05%. Much of this success came from Kinder Morgan, our most recent addition, which posted the only positive gain for the energy sector. Other notable losses came from Chicago Bridge and Iron, Silver Wheaton, and CareTrust REIT, which we acquired from the Ensign spin-off.

Current WIS Holdings

Basic Materials

CF	\$	32,668.74	16.09%
LYB	\$	71,715.60	11.27%
MEOH	\$	93,520.00	8.13%
MON	\$	72,456.44	-9.80%
SLW	\$	64,274.25	-24.13%
Total	\$	334,635.03	-2.76%

Consumer Discretionary

DIS	\$	161,589.45	3.84%
IGT	\$	67,142.60	6.03%
PII	\$	67,255.71	15.01%
SBUX	\$	126,395.50	-2.48%
TJX	\$	101,180.70	11.33%
Total	\$	523,563.96	5.15%

Consumer Staples

BUD	\$	113,067.00	-3.56%
CL	\$	82,177.20	-4.34%
CVS	\$	143,421.18	5.60%
PEP	\$	161,511.15	4.20%
SJM	\$	63,749.56	-7.11%
Total	\$	563,926.09	0.24%

Energy

ARLP	\$	90,392.40	-8.17%
CCJ	\$	67,991.00	-9.94%
COP	\$	124,727.60	-10.74%
DVN	\$	89,656.70	-14.13%
KMI	\$	134,573.40	5.74%
SLB	\$	146,230.22	-13.79%
Total	\$	653,571.32	-8.59%

Financials

EFX	\$	120,705.10	3.03%
SCHW	\$	118,441.70	9.13%
V	\$	147,225.30	1.26%
VRSK	\$	113,255.40	1.45%
VTR	\$	72,791.25	-3.35%
WFC	\$	192,645.18	-1.31%
Total	\$	765,063.93	1.57%

Healthcare

CTRE	\$	36,393.50	-27.78%
DVA	\$	201,135.00	1.13%
ENSG	\$	88,566.00	11.97%
GILD	\$	216,093.50	28.39%
PFE	\$	170,175.35	-0.37%
UNH	\$	116,437.50	5.50%
Total	\$	828,800.85	6.55%

Industrials

CBI	\$	64,213.50	-15.18%
GE	\$	87,312.96	-2.51%
SNA	\$	108,972.00	2.16%
UPS	\$	89,443.90	-4.26%
WM	\$	75,810.35	6.26%
Total	\$	425,752.71	-2.51%

Technology

CPSI	\$	100,147.58	-9.61%
GOOG	\$	93,532.32	0.36%
GOOGL	\$	95,322.42	0.64%
MSFT	\$	167,823.20	11.18%
ORCL	\$	137,808.00	-5.55%
QCOM	\$	140,941.45	-5.59%
Total	\$	735,574.97	-1.25%

Utilities & Telecommunications

AMT	\$	61,795.80	4.06%
DUK	\$	108,416.50	0.78%
ITC	\$	66,984.40	-2.33%
VZ	\$	72,985.40	2.17%
Total	\$	310,182.10	1.04%

Equities	\$	5,141,070.96	0.04%
Cash	\$	148,051.42	19.26%
Total Portfolio	\$	5,289,122.38	0.49%

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