

An excerpt of the Anderson Student Asset Management Class of 2010 Annual Report follows:

Overview

The ASAM class of 2010 began the year with three strategies; F-Score, Earning Announcement Return (EAR), & Tactical Asset Allocation (TAA). While the F-Score strategy has a long successful history as an ASAM strategy, both EAR and TAA were new at the beginning of the year and were in various stages of development throughout the year. The incoming class chose to dissolve the Parametric strategy due to student interest in other quantitative strategies.

The recovery in global capital markets provided impressive results for the value-based F-Score strategy, while hurting the active return of the developing strategies, which were mainly in cash throughout the year. Given the fact that F-Score only comprises approximately 33% of the total ASAM portfolio, the aggregate ASAM fund underperformed relative to all equity benchmarks. Despite the large allocation to cash, both the EAR and the TAA strategies made huge progress during the year and are now both fully implemented and actively trading.

Purpose Of Fund

Anderson Student Asset Management (ASAM) is a student -run investment fund that aims to:

- Enhance the educational and professional development of the student-managers through experiential learning in strategy development and fund management
- Provide competitive risk-adjusted returns

A portion of the Fund's long -term profits will be donated to the UCLA Anderson School for student scholarships and research in finance.

Investment Philosophy

ASAM's objective is to preserve capital while pursuing favorable risk-adjusted returns. The student-managers adhere to stated investment policies established by the UCLA Anderson School and the ASAM faculty advisor, Professor Robert Geske.

The Fund seeks to achieve its objectives through a diversified portfolio of securities that meet the fundamental and

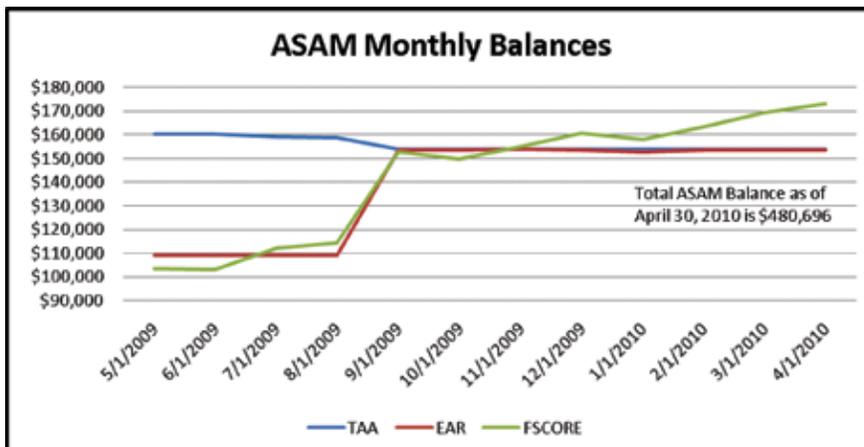
technical specifications adopted and developed by the managers. The managers believe that security prices sometimes violate sensible risk/return boundaries. Each portfolio seeks to identify and exploit these opportunities through large-sample quantitative techniques. Fund managers leverage research and analytical capabilities within the Anderson finance faculty, other academic resources, and investment management professionals.

The managers, along with the faculty advisor, determine an optimal mix of equity, fixed income and cash investments.

Overall Performance Review

The aggregate fund underperformed the Wilshire 5000 by approximately 30.5% from 4/30/2009 to 4/30/2010. While such a large underperformance is not desirable, this can largely be attributed to the large cash positions held throughout most of the year while the broader equity market experienced one of the steepest sustained rallies in recorded history. Holding large cash positions while transitioning to new strategies has been the modus operandi at ASAM, but perhaps this procedure should be revisited. Cash is an asset class and therefore an investment in and of itself. For the 2009 class, holding a large cash balance proved advantageous, while for the 2010 class, it proved detrimental to overall performance. Future classes might want to consider more carefully in what asset classes sidelined funds be placed.

Despite underperformance during the 2009-2010 academic year, ASAM fellows made significant advancements in developing and implementing their individual strategies.



A brief description of each of the three investment strategies follows.

Tactical Asset Allocation (TAA)

Tactical Asset Allocation (TAA) is a strategy where a portfolio manager rebalances his asset mix away from a Strategic Asset Allocation (SAA) in order to take advantage of market pricing anomalies. The goal of a TAA strategy would be to produce returns in excess of the SAA benchmark.

FSCORE

The FSCORE strategy is based on the academic paper: "Value Investing: The Use of Historical Financial Statement Information to Separate Winners from Losers" (2002) by Joseph Piotroski. In the paper, Piotroski concludes that small, high book-to-market companies that are financially healthy measured by nine metrics, generate abnormally high returns between 1976 and 1996. Piotroski argues that high book-to-market companies are "value" names that tend to be neglected by investors as well as the analyst community can be "financially distressed." Piotroski measures the financial health of a firm by evaluating nine factors which measure a firm's profitability, changes in capital structure and operating efficiency.

Earnings Announcement Return (EAR)

EAR is a variation of an earnings drift strategy, which seeks to exploit the earnings drift anomaly. The basic premise of the earnings drift anomaly is that when a company beats market participants' expectations of quarterly earnings, the stock price of that company has a tendency to drift higher over the subsequent 12 months. The opposite is true when a company reports

quarterly company earnings that disappoint expectations; the price of the company stock tends to drift lower over the subsequent 12 months. The EAR strategy is based on the academic research paper "Earnings Announcements are Full of Surprises" by Professors Pedro Santa Clara, Michael Brandt, Runeet Kishore, and Mohan Venkatachalam.

Distinguished Speaker Series

ASAM coordinates the Distinguished Money Manager Speaker Series at UCLA Anderson. Through the speaker series, investment management practitioners come to ASAM meetings to share their knowledge with the Anderson community. The sessions are interactive; students are encouraged to ask questions that extend their knowledge of finance beyond academia.

The 2010 Distinguished Speaker Series included the following prominent speakers:

Bill Reynolds – Previous Head of Fixed Income at T. Rowe Price

Professor Francis Longstaff

Mark Perry – Associate at Centinela Capital Partners and ASAM Alum

Phillip Lee – Portfolio Analyst at Analytic Investors and ASAM Alum

Professor Robert Geske

John Brynjolfsson, CFA – Managing Director at Armored Wolf

Jeff Hoo – Transamerica Investment Management

Bill Simon

Jay Wong – Principal at Payden & Rygel

Arthur Hovsepian – Vice President/
Emerging Market Strategist at Payden & Rygel

Professor Richard Roll

Firm Visits

Each year, ASAM student managers visit respected money management firms, most of which are in the Southern California area, to learn empirical lessons from practitioners. The following firms generously donated the time of their top managers to meet with the ASAM Fellows of 2010.

Berkshire Hathaway

Research Affiliates

Western Asset Management

PIMCO

Sterling Johnston Capital Management

Dodge and Cox

Wells Capital Management

Capital Group

Oaktree Capital Management

Dimensional Fund Advisors

Dalton Investments

Los Angeles Capital Management

Causeway Capital Management

Wilshire Associates

Brandes Investment Partners

Nicholas Applegate

Harlingwood

Relational Investors

MetWest Asset Management

The firm visits were extremely beneficial and gave the ASAM Fellows a more complete view of the industry. During firm visits, ASAM fellows learned about the organizational structure and strategic goals of the firms, their investment strategies and processes, and in some cases, their outlook for future market conditions. Career advice and interview tips given by the firms' managers were also of tremendous value.