

Class Summary
January 29, 2007

- Fed Funds rate is expected to remain the same
- Yield curve is currently inverted; lower long term rate than short term
- Largest holder of US treasury debt is China
- China is a major reason interest rates are down, if they stop the curve will likely no longer be inverted
- US debt is more liquid than foreign mkt, has better yields and other countries are used to dealing with US\$

- Oil prices are around \$54 per barrel and continuing to go down
- No apparent effect on the economy when oil was at or above \$60/barrel

Individual Reports

BRK.B: 1/30 the cost of A shares
Up 20% from a year ago
Buffet runs Berkshire
P/E 13.12

EAC: E&P mainly in oil
APM would like to sell remaining shares of company

KWK: E&P mainly in natural gas
Replacing EAC as an energy company in the portfolio
\$2.85B mkt cap, P/E = 27.5

Internacional de Ceramica: Mexican company produces & distributes ceramic tile
Very little trading volume so it's hard to get in and out
Record sales reported in 2006Q3
New plant in TX to increase production by 11%

China Green (904.hk): 9% of APM portfolio, agriculture, fresh food
In Hong Kong, currency risk along with default risk
Sell to Japanese mkt who are picky eaters (a good sign their product is fresh and healthy)
\$3.47B

SOHU: similar to yahoo.com except based in China and directed toward the Chinese mkt.
Advertising is major source of revenue
Is the 2nd most used in China and has a very well known brand name

RyanAir: Regional European airline used at smaller more rural airports
2.25% of APM's portfolio with a P/E=21.52
Extremely low costs account for pricing differential

Similar to a SWA or JetBlue

Suggested by Kent McCarthy to purchase more Golden Meditech (8180.hk), the company is currently trying to delist from the HKEX and onto the NASDAQ. The company is relatively unknown and if it gets onto the NASDAQ the P/E could rise significantly. See Mind Ray's PE for comparison
Launch Tech is thought to be good buy
EAC and Linktone are planning to be sold

Recommendations for future cases:

- Valuations need to be better explained with more numbers included in the write ups
- Descriptions of the companies should lead directly into the model/write up of the company
- PAY ATTENTION TO MARGINS of companies
- References need to be more specific
- Adjectives used to describe the companies need to be backed up with factual information, we are analysts, not salesmen

Matt Taylor, Merrill Lynch

Matt's 2002 APM group recommended GRMN at \$12.90/sh

Picked b/c company had great growth potential

3 key points about GRMN to pay attention to:

- Gross Margin; traditionally high margins, but miniscule changes make a big difference

- Continued Innovation in all four segments of the business

- Competition has increased the most recent company being TomTom

DCF valuation is the best for GRMN

Use the "Smell Test", make sure it seems reasonable

Matt's cost of capital 9.5% which will raise his price to \$55.50

Red Flags include decrease in margin or market share and/or pricing

Watch insider activity

It's all in the details

Next week reports on LSB, remember to convert preferred shares to common and value as equity