



APM Returns: 3rd Quarter: 0.40% Year-To-Date: 5.77%

NOTICE: This Semester the assistants are trying to put together an e-mail database for Kent to keep in better contact with you!

Please Visit the Web Site at <http://eagle.cc.ukans.edu/~prtfolio> and check to see if we have your e-mail and if it's correct (view the alumni database link.) If we don't have it, you won't receive next quarter's newsletter because from now on, we're moving to an electronic newsletter! E-mail prtfolio@eagle.cc.ukans.edu information on 1.) your new e-mail address, 2.) which class you were in, and 3.) what you're doing now (please tell us if you've changed your name.)

The portfolio held 27 stocks and 1 mutual fund. It was valued at \$458,321. So far for 2000 it's up 5.77%. This follows a great 1999 where we performed 55.31%.

Coulter Pharmaceutical Deal

Coulter Pharmaceutical was recently acquired by Corixa Corp. in a deal valued at \$900 million. Coulter President and CEO Michael Bigham has presented to the APM class twice in the last couple of years. The company, whose shares rose 13% on the announcement, currently holds a 4% position in the class portfolio. Good luck to Mr. Bigham and Coulter with their strategic deal.

Donors

The 2Q donors were: Thad Bolline, Ryan Sprott, Gene Diederich, Emprise Financial Group, ARCO, and Ernst & Young Foundation. All apologies for not getting that right in the 2nd Quarter Newsletter.

We want to extend our appreciation to the following 3Q donors: Fred Coulson, Proctor & Gamble and Sprint Foundation

	Year	Campus	Total	# of Contributors
	Fall	94 Lawrence	6,150	7 of 16
	Fall	94 Regents	1,501	6 of 14
	Spring	95 Lawrence	548	5 of 13
	Fall	95 Regents	450	3 of 21
	Spring	96 Lawrence	100	1 of 25
	Fall	96 Lawrence	0	0 of 23
	Spring	97 Lawrence	0	0 of 17
	Fall	97 Regents	0	0 of 26
	Fall	98 Regents	0	0 of 21
	Fall	99 Regents	100	1 of 28
	Spring	00 Lawrence	0	0 of 16
Students			8,849.3	25 of 220
Supporters			74,575	13
Corporate			11,198	15
Total			94,622.3	

Thank you all for your contributions!

If you would like to make a contribution to the portfolio, please mail your donation to:

KU Endowment Association McCarthy Fund
School of Business Endowment Portfolio
c/o Kent McCarthy
8201 Mission Road, Suite 110
Prairie Village, KS 66208

Arch Wireless

For all ex-students interested in making suggestions please follow the following guidelines:

1. Email the ideas to Kent:
kent@jayhawkcapital.com
2. One page format with the following three defined sections: 1) Company Profile, 2) Fundamentals, 3) Analysis and Conclusion
3. Include email address and phone number where current students or teaching assistants can contact you.

We are currently switching the account over from Charles Schwab to A.G. Edwards. Hopefully, by the time you read this we will be enjoying the ability to short stocks again!

China welcomes the WTO

Fall 1994 alumnus, Jeff Brueggemann visited Asia for the first time in 1979. During the past three years Jeff has made six mainland China visits. We went to Jeff for his knowledge on China, with our curiosity growing, in anticipation of China receiving favored nation status in the World Trade Organization.

China has two domestic stock markets—one located in Shanghai and the other in Shenzhen—both were officially established in the early 1990's. The Municipal Government in Shanghai allowed (listed) companies to issue B shares to attract foreign investments in 1991. The A shares are sold only to domestic investors. China plans to merge both exchanges moving them to Shanghai and create a NASDAQ-style market in Shenzhen for hi-tech companies. When this is completed the A shares will likely be opened to foreign investors.

In early September, while Jeff was in China he met with senior government officials and attended several conferences. Jeff learned of changes being made in China's economic policies and remains bullish on the near-term and long-term prospects of investments in China. Three positive economic indicators include 1) China's GDP, growing in excess of 8% per year; 2) strong exports; and 3) Chinese people are dipping into their savings to enhance their quality of living. We have three positions in China.

In the last APM Quarterly, we mentioned Arch Communications and their desire for strategic repositioning. Since, June the company has been busy forming strategic partnerships. In early June, the company signed an agreement with WirelessMD under which Arch's wireless network will be linked with WirelessMD's software to provide medical professionals with patient information. A few weeks later Arch struck another alliance with weather.com (The Weather Channel) under which Arch's services will be marketed on The Weather Channel.

A week later Arch announced that Onvia, a leading online B2B exchange for small business buyers and sellers, would offer Arch's interactive and traditional messaging services.

The next week Arch signed an agreement with Bolt, Inc., a leading global communications platform (for) people age 15-20. Finally, Arch recently made an alliance with Oracle subsidiary OracleMobile. Arch will market to its customers the [Ask@OracleMobile](#) service that allows Arch customers to download items from the Internet without a Web browser.

On the corporate side, PageNet, which plans to merge with Arch, recently received court approval of its disclosure statement regarding Chapter 11 bankruptcy, and a hearing has been booked for late October to confirm the reorganization. PageNet also has the right to solicit its stakeholders votes on the merger. The reorganization will expedite the merger plans, under which Page bondholders will receive 84.9 million Arch shares and a 60.5% stake in Vast Solutions (a future Page spinoff) while the shareholders will receive 5 million share of Arch and a 20% stake in Vast.

The most recent activity occurred on September 25, when Arch became Arch Wireless (ARCH). The new corporate identity is expected to leverage the company's ReFLEX technology in the enterprise marketplace.

VoiceStream Wireless

VoiceStream (VSTR) headquarters in Bellevue, WA has been a positive performer in our portfolio. It is the largest U.S. provider of personal communication services using the globally accepted GSM technology. Three out of four people in the U.S. live in areas licensed to be served by VSTR or affiliates, and VSTR has almost 2.3 million subscribers. GSM is adopted by 149 countries and is the most widely used digital wireless standard in the world with more than 330 million subscribers on six continents.

Deutsche Telekom (DT: NYSE ADR) and VSTR announced plans to merge on July 24, 2000. Both boards approved DT's \$50.5 billion cash and stock purchase of VSTR. Under the terms DT will offer 3.2 of its shares plus \$30 in cash for each VSTR share. DT is dancing through regulatory hoops; they passed the first step in U.S. regulatory review—the U.S. Department of Justice cleared their review on September 7. DT is Europe's largest telecommunications company and the fourth largest carrier worldwide with 1999 revenues of \$35.7 billion (EUR 35.5 Billion).

Alumni Interview

Jessica Reuss, an alumnus from spring 1996, earned an accounting undergraduate and masters degree at KU. After taking APM as an undergraduate Jessica became a teaching assistant, for one year, under Kent and Prof. Koch. She began working for KCM Capital, then moved to Nebraska as an analyst for Kirkpatrick Pettis. This summer Jessica moved to Florida to begin work as a Portfolio Manager for SunTrust Bank. Jessica has remained in touch with APM by recommending Level 3 (LVLT) as one of our alumni picks.

When asked how has APM helped Jessica progress in a finance career she responded,

“I learned a lot from the APM class, not only from Kent, but also from the guest lecturers and the other students in my group.”

Jessica enjoys being a portfolio manager, viewing it as an extension from her analyst position. She says the extension rises from making the final investment decision and customer contact. Best regards in your new position and thanks for the LVLT pick.

Scholarships

The Applied Portfolio Management Basketball Scholarship has, in the past, been awarded to Jeff Boschee, Paul Pierce and Jelani Janisse.

An Applied Portfolio Management Scholarship is also given to a high potential, but financially challenged, MBA student. We wish this student all the best in their academic pursuits.

Portfolio Overview

Alumni

Name	Class	Stock
Robert Tracy	Fall '98	SLOT
Chris Rasmussen	Fall '98	BKS
Joe Searle	Fall '95	CERN
Betsy Rowe	Fall '95	DUSA
Marc Hensel	Spring '96	ENE
Italian Trio	Spring '00	TLEAF
Jessica Reuss	Spring '96	LVLT
Brian Murray	Fall '96	Q
Greg Greenberg	Spring '96	SPCT

Percent of Portfolio **25**

We appreciate Robert Tracy's SLOT pick, it's doubled since March of 2000.

Anders Hagh, a spring of 2000 APM alum, was a little less fortunate with his pick, XING Telecomm, which is down to 10 from its year high of 70. Luckily the class chose not to invest. Anders, we hoped you've learned your lesson with stock chat rooms.

And, to all of you who paid attention in class as to why Kent was a bear all of these years look at the chart on Scient (50 to 133, now down to 16!!!)

On The Street

Alumni	Company	Location
Jeff Brueggemann	Jayhawk Capital	Prairie Village
Fred Coulson	Morgan Stanley	New York
Trevor Cox	Koch Industries	Houston
Gene Diederich	A.G. Edwards	Kansas City
Dan Drake	TalMOR Capital	Boulder
Greg Greenberg	Olde	Kansas City
Mank Hensel	Enron	Wichita
Scott Jones	Interstate Securities	Atlanta
Plaul Maxwell	Sal. Smith Barney	New York
Matt Michaelis	Greenhill & Co.	New York
Matt Morre	Paine Webber	Denver
Jeff Morrison	Commerce Bank	Kansas City
Brian Murray	K.C. Life	Kansas City
Max Myers	Western Resources	Topeka
Shane Parr	George K. Baum	Kansas City
Todd Preheim	Sprint (M&A)	Kansas City
Jessica Reuss	SunTrust Bank	Orlando
David Reynoldson	George K. Baum	Kansas City
Josh Selzer	Iron Horse	Kansas City
Ryan Sprott	C.S. First Boston	New York
Jeremy Tasset	A.G. Edwards	Lawrence

Heard On The Street

Jessica Reuss says of her pick, Level 3 Communications, "I am still very bullish on LVL3. The stock is extremely volatile, but I think the volatility presents buying opportunities. The network is scheduled to be completed by year end, although I think we will hear an announcement very shortly. This management team is known for under-promising and over-delivering. Level 3's business plan is fully funded with the company sitting on over \$5.5 billion in cash. Management recently increased its core communication revenue guidance from \$750 to \$825 million for 2000. In 2001, the Company is expecting communications revenue of \$1.75 billion. I look for good things to come out of Level 3 for the remainder of 2000 and 2001"

Brian Murray talks about his alumni stock pick Qwest communications (Q). "Q share price finished the quarter down 3.27% compared to down 2.5% for the NASDAQ and plus 6.4% for the S&P Telephone index. It closed at 48 1/8 on 9/29/00. Q officially finished the \$44 billion US West acquisition on June 30 by giving US West shareholders 1.73 shares of Q

for every US West share held. Behind the scenes, integration will continue for quite some time and this will consume much of the company's efforts.

In the last year, Qwest was almost bought by Deutsche Telekom. However, the likelihood of Q being bought anytime soon has significantly diminished as DT and other large potential suitors have seen their share prices (used as acquisition currency) plummet.

In other news, the company raised its revenue, EBITDA, and CAPEX targets for 2000 and 2001 by a couple of percentage points. Also, as soon as the merger was completed, Moodys and Standard and Poors raised the credit ratings on Q from below investment grade Ba1/BB+ to above investment grade Baa1/BBB+. This rise in ratings will make it cheaper for Qwest to issue debt."

Thanks a lot for your tips and advice on these picks!

How Is The Fund Split?

By SECTOR

Basic Materials	4.39%
Capital Goods	8.78%
Consumer/Non-Cyclic	1.67%
Energy	7.06%
Entertainment	2.52%
Financial	4.95%
Healthcare (biotech)	6.51%
Services (total) =	35.08%
Casinos & Gaming	4.34%
Communications Services	24.50%
Printing & Publishing	4.09%
Retail (specialty)	2.15%
Technology (total) =	13.13%
Communications	2.54%
Communications Equipment	3.07%
Computer Networks	2.03%
Computer Services	5.49%
Utilities (total) =	9.30%
Electric Utilities	5.47%
Natural Gas Utilities	3.82%
Funds	2.68%
Cash	3.93%
TOTALS	100%