



APM Returns: 4th Quarter: -12.24% Year-To-Date: -7.17%

The portfolio held 26 stocks. It was valued at \$402,234 - ending 2000 down 7.17%, compared to the S&P loss of 10.1%. We experienced average gains throughout the year, unfortunately, in the 4th quarter, our technology stocks suffered and brought down our performance. We missed an opportunity here since the Schwab account did not allow us to short. There were some big winners, however, with American Italian Pasta and Anchor Gaming, both up 50 +%.

Contributions

We want to extend our appreciation to Syd Pohl for his 4Q donation.

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

Remarks from the Dean

The Applied Portfolio Management course has been a success in the KU School of Business. As you probably know, with the generosity of time and money from Kent McCarthy, the APM course has been a part of KU since 1994. Coming in as the new dean, I've taken the opportunity to discuss this course with Kent and involved faculty in order to understand what has been accomplished. And I must admit, I'm impressed.

Although a lot has been accomplished, Kent and I share the vision of making APM bigger and better. Again, thanks to Kent's generosity in supplying the additional funds to hire Denise Bergin, we are continuing APM's development. The School is also making a commitment. For several years, Paul Koch has assisted with the course, much of his time coming

as an overload. Paul has done a great job, and will continue to be involved, along with some other initiatives he is pursuing. Additionally, next fall, Catherine Shenoy, an assistant professor in finance, will be working with Kent and Denise in teaching and administering the course.

Several business schools around the country are developing trading facilities, realizing the same wisdom that Kent did several years ago. However, only a handful have funds like KU does where students are engaged in actual trading transactions. It is clear what the KU environment does for the education of our students. Those of you who have been through the course know its value, and its demands. The School plans to leverage efforts of the past with new revenues and a vision to make APM an even more important offering in our curriculum. We have a great story to tell, and we will expand our efforts to aggressively tell it. I invite your feedback and support of APM as it develops its national reputation for excellence.

William L. Fuerst
Dean and H.D. Price Professor of Business
KU School of Business

Big Changes

As Dean Fuerst mentioned we've created a new position, Manager, for the class. We're all very excited about hiring alumni, Denise Bergin, to that position.

She will be working with Kent, Catherine, and the School to organize class sessions and speakers, manage the fund, solicit contributions, and solidify the network of alumni.

Prof. Catherine Shenoy, currently is helping us all organize for next semester and getting ready to take over teaching some of the classes. During the fall 2001 semester, Catherine will work with the class as the faculty advisor and will teach in Spring 2002.

Alumni Picks

We are planning to purchase an interest in Stillwell Financial (SV), which was spun off from Kansas City Southern Industries (KSU) this past year. This sounds like a terrific fit for our portfolio, plus two wise alumni recommended it. Thanks for the great work John Katzer and Guan –Hwee Lim!

We have also learned that this stock is a favorite of Mark Hirschey, who sees SV as a great value at \$42. We're planning to have Prof. Hirschey present a case on this stock in the fall semester.

BSX has also been a great pick. Thanks, Prof. Koch!

Scholarships

Applied Portfolio Management has been offering a KU men's basketball scholarship in the past and will continue doing so in the future. It's one of our best investments this year with the Jayhawks enjoying another winning season!

A scholarship is available to a minority student in the MBA program. Nominations are welcome!

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
Italian Trio	Spring '00	TLEAF
Jessica Reuss	Spring '96	LVL
Brian Murray	Fall '96	Q
Greg Greenberg	Spring '96	SPCT

Percent of Portfolio **22**

We are enjoying the American Italian Pasta (PLB) recommendation and look forward to doing a case in the fall.

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
Mark Hensel	Enron	Wichita
Scott Jones	Interstate Securities	Atlanta
Paul Maxwell	Sal. Smith Barney	New York
Matt Michaelis	Greenhill & Co.	New York
Matt Moore	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 LVL has been performing very well so far this year. According to Jim Crowe, CEO, communication revenues are expected to be around \$825 million with a GM of 25%. For 2001, revenues should be around \$1.7 billion and GM should increase to 50%. The company is fully funded to cash flow breakeven, which is very important in this tough credit environment.

LVL has its investor conference in NY on Jan 29th. Last year the stock reacted very favorable to this event and Jessica expects the company to give further positive financial guidance again this year. She still likes LVL and has complete confidence in management.

Trading Suggestions

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.

Visit us at <http://eagle.cc.ukans.edu/~prtfolio> to update your contact information. We would like to hear from you, to reacquaint ourselves with past students, speakers and supporters. You can also email Kent at his address (listed above) to let us know what you have been up to. We are updating an email database for Kent; so email prtfolio@eagle.cc.ukans.edu as early as possible.

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

How Is The Fund Split?

By SECTOR

Basic Materials		8.19%
Capital Goods		8.68%
Consumer/Non-Cyclic		2.84%
Energy		4.88%
Entertainment		3.10%
Financial		6.62%
Healthcare		5.12%
Services	(total) =	34.54%
	Casinos & Gaming	4.13%
	Communications Services	23.82%
	Printing & Publishing	3.08%
	Retail (specialty)	3.51%
Technology	(total) =	14.70%
	Communications	3.23%
	Computer Networks	2.45%
	Computer Services	9.03%
Utilities	(total) =	6.57%
	Electric Utilities	6.57%
Cash		4.76%
TOTALS		100%



Message from Denise

It's great to be back at KU! I began working full time this week as the manager of the APM Program. Although, I have been involved in planning the future of the course with Kent, Dean Feurst, Associate Dean Chauvin, Catherine Shenoy, Karyl Leggio, and the three brilliant TA's throughout the fall.

For those of you whom I haven't met, I am a fall '96 course alum – our group won the shirt at the end of the year for losing ours shorting Iomega. I have a BS in Business ('84) and an MS in Accounting/Tax ('97). My work background is in the financial services industry, public accounting and commercial real estate. I have three children Justin 13, Nicholas 11, and Shannon 8.

As you would expect, Kent has several different areas in mind that I will be focusing on. In the coming months I look forward to sharing these details with you all. The goal of these projects is in line with that of the University and the School of Business - to achieve excellence and gain national recognition for what we all value so much – a KU education.

It is my goal to meet as many of the friends and alumni of APM as possible and hear your suggestions – whether for the future of the school, or the next big stock pick. You can email me at dbergin@ku.edu.

It is truly an honor to be a part of this program that enjoys such strong support from distinguished faculty members, corporate leaders, Wall Street professionals, TA's, alumni, and friends. Before joining Kent in this effort, it was easy to think of his commitment as just a (very generous) monetary gift and an opportunity to take a few hours a week to discuss his work, and pick on the student, who foolishly comes to class knowing neither the rate on the long bond, nor the market cap of his stock. Now I have a full understanding of the hundreds (thousands) of hours of work behind the scenes, and the energy and vision for KU and the School of Business that Kent has.

Thanks Kent, for all of your hard work over the past decade and thanks for giving me a chance to

participate in the future! I know that it will be a great success.