Herman Crown Fund: An Accounting Society Activity

April 10. 2008
Herman Crown Fund

- History
  - Grant from Henry and Ada Crown Foundation ($4,000) to foster understanding of investments (circa 1962)
  - From original grant of $4,000, grew to $75,000
  - $55,000 used from fund with donor approval to support scholarships and business programs at UC

- Current Status
  - Investment fund ($26,000)
  - Held at Charles Schwab (prev at Smith Barney)
Herman Crown Fund: Agenda Re Fund

- Recast By-laws re investment policy and use of funds
- Choose group to decide on fund investments
- Educate group re
  - Sources of information re investments
  - Framework for deciding on investments
Herman Crown Fund: By-Laws

☐ Need committee to examine by-laws

☐ Issues:
  ■ What can/cannot be acquired in fund
  ■ What can funds be used for?
  ■ How should excess funds be computed?
Herman Crown Fund: Investment Committee

- Schedule time to consider alternative investments...
- Make membership open...accountants, financiers, managers, etc.
Herman Crown Fund: Education

- Many, many web based resources
  - http://www.investopedia.com/university/beginner/
  - finance.yahoo.com
  - Etc.

- Finance courses-UC
Herman Crown Fund: Investing Guides

- Other material:
  - Tobias-The Only Investment Guide You'll Ever Need
  - Malkiel-A Random Walk Down Wall Street
  - Greenblatt-Magic Formula Investing
Herman Crown Fund: Investing Theories

- Efficient market hypothesis
  - Gaining and using insider information
  - Fundamental analysis
  - Technical analysis

- Using stock message boards—eg InvestorVillage.com

- Using smart-persons
  - Gurus
  - Pundits (Cramer)
Herman Crown-Suggestions

By-laws—Investment Policies:
- Remain fully invested at all times
- Buy shares in domestic and international index funds as benchmark
- Split buying of remainder of fund among minimum of 5 sectors-1 stock in each
- Buy stocks long; may sell covered calls as method of improving yield; may buy puts as protection
- Rebalance portfolio annually
Herman Crown-Suggestions

- Index funds
  - Funds that mimic the market;
  - 80% of professional money-managers do NOT beat the market
  - Vanguard Funds-VTSMX (domestic) and VGTSX (international) (or spydrs)

- Vanguard-www.vanguard.com
Herman Crown-Suggestions

- Sectors—11 in all
  - [http://stocks.about.com/od/understandingstocks/a/stocksectors.htm](http://stocks.about.com/od/understandingstocks/a/stocksectors.htm)
  - Defensive-utilities; consumer staples
  - Cyclical-
    - Basic Materials
    - Capital Goods
    - Communications
    - Consumer Cyclical
    - Energy
    - Financial
    - Health Care
    - Technology
    - Transportation
Herman Crown-Suggestions

☐ Current holdings:
  ■ VZ-Verizon (Communications) 1.5k
  ■ JNJ-Johnson & Johnson (Health care) 11.3k
  ■ IAR-Idearc (Services) 10
  ■ WMI-Waste Management (Industrial goods) 2.4k
  ■ Cash 9k
Herman Crown-Suggestions

Proposed:
- VTSMX-3k
- VGTSX-3k
- WMI-4k (Industrial goods)
- VZ-4k (Communications)
- ELN-4k (Health care)
- MSFT-4k/RMBS-4k (Technology)
- PBW-4k (Exchange traded fund: Specialty-natural resources)