

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)
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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
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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?
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Herman Crown Fund: Investment Committee

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

- Many, many web based resources
 - <http://www.investopedia.com/university/beginner/>
 - finance.yahoo.com
 - Etc.
 - Finance courses-UC
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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
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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)
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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
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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>)
 - Defensive-utilities; consumer staples
 - Cyclical-
 - Basic Materials
 - Capital Goods
 - Communications
 - Consumer Cyclical
 - Energy
 - Financial
 - Health Care
 - Technology
 - Transportation
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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
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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)
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