THE ADVISOR

THIS ISSUE

Passing the baton

Distinguished alumni, faculty, and students, we would like to take this opportunity to introduce the new portfolio managers of Darden Capital Management. The twenty new managers and three leadership team members took over the investment responsibilities on April 1st and hope to follow the footsteps of our predecessors (see page 8 for a full listing of the new DCM leadership). The team members bring with them professional experience in roles across the financial industry, including investment banking, trading, equity research and investment management.

We have taken over at a particularly interesting moment in time and look forward to guiding the funds through this volatile market. Earlier this year, Darden Capital Management launched a new fifth fund i.e. the Rotunda Fund that focuses on sustainability metrics as a core component of the investment strategy. The fund has outperformed its benchmark by 4.7% in May and 3.0% since April 1st (See page 3 for a performance summary for the different funds).

The next year is shaping up to be a busy one for the club. We are planning several DCM sponsored guest speakers, the Annual Stock Pitch Competition in November, the Financial Markets Competition, and several networking events and training seminars aimed at giving first years a better understanding of the asset management industry.

In closing, we would particularly like to thank the class of 2010. They left us with well thought out and positioned portfolios and we look forward to the challenge of meeting the standard they set. Further we particularly thank them for all the guidance and advice they offered us as first years. Navigating the first year at Darden can be as choppy as managing an investment portfolio through a turbulent market and we hope to pass on all what our predecessors taught us to the class of 2012. We look forward to a great year.

Jon Friar D'11, Chief Investment Officer

A Letter from the Chief Investment Officer

The incoming class of DCM managers assumed their various roles and responsibilities on April 1st of this year. In addition to the normal activity surrounding the transition, DCM officially launched the Rotunda Fund this April. To support the new fund, outgoing and incoming managers from across DCM pitched their best ideas in the area of sustainability to the new managers of Rotunda. This willingness to help out spoke volumes about DCM as an organization and resulted in roughly twenty pitches to the Rotunda Fund in just its first month of existence. As a group, we are extremely proud of the effort that was put into supporting the launch of the Rotunda Fund.

This downside of this burst of activity is that our timing was less than perfect as our initial round of stock pitches and capital deployment occurred near the market's April highs. Despite this, all of the Funds have managed through the volatility of the last two months with every fund posting positive relative performance numbers in May. Inevitably, the markets will continue to surprise us, but we are committed to being thoughtful and diligent in our risk management while pursuing our broader goals of strong risk adjusted returns.

In addition to the launch of the Rotunda Fund, the club committed to several new resources to enhance our fundamental research and portfolio management capabilities. By and large these tools can still be better incorporated in the operations of the funds. As a leadership team, we view the roll out of these new resources as a great opportunity to fulfill the educational mission of the club. For example, the implementation of the new Morningstar portfolio management software is forcing the members to think about allocation, correlation, attribution, and how these tools can be used to manage risk across the portfolio. Similarly, the use of Capital IQ is allowing the members to spend less time compiling data and more time focusing on analysis and value added research. Overall, the hope is that these tools will allow for both a richer learning experience and better returns over the long run.

Lastly, as this is my first letter as CIO, I want to conclude by thanking the alumni and faculty who help support DCM. We have wonderful resources surrounding us at Darden, but one of the resources we really hope to take better advantage of in the coming year is our base of Alumni. The membership truly enjoys interacting with professionals currently in the asset management industry. To support this interest we recently hosted a panel discussion of local DCM alums that was very well received by the current class of DCM members. We hope to do more of this in the future, so please stay in touch with DCM and don't be surprised if you hear from one of us.

Sincerely,

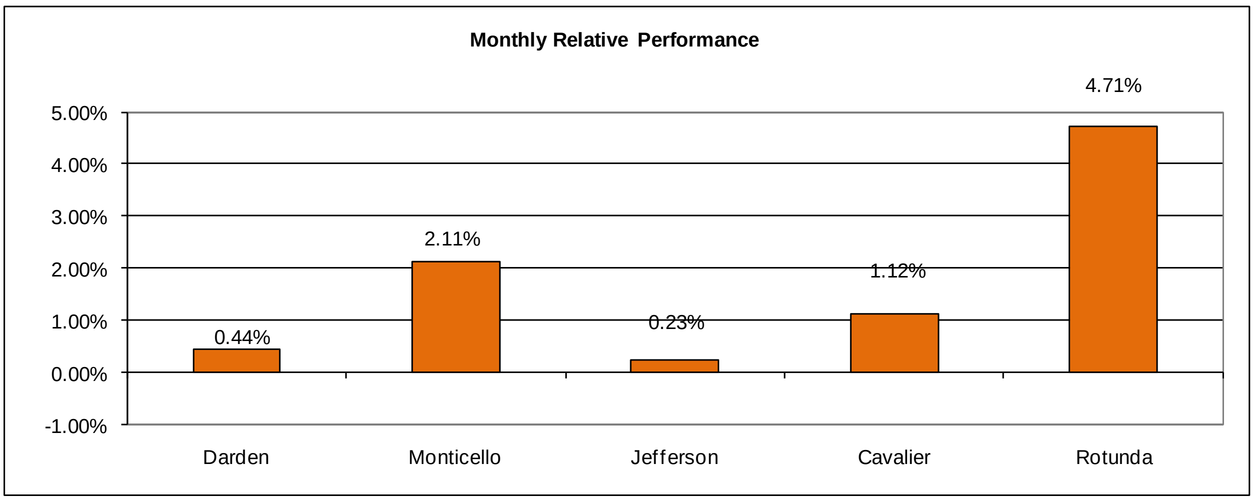
Jon Friar

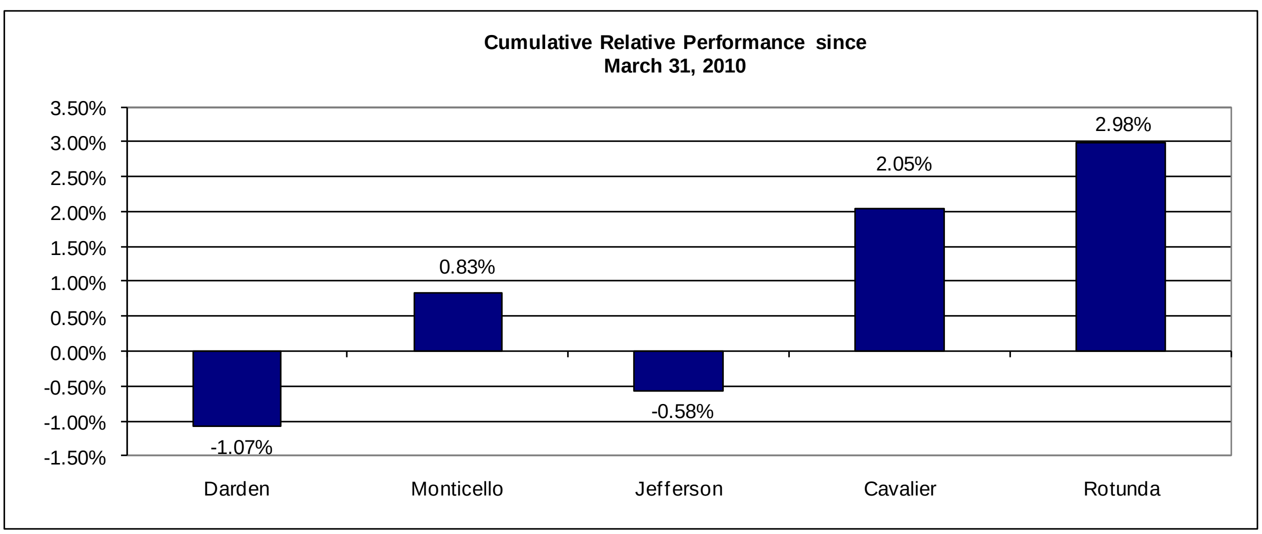
Chief Investment Officer

Fund Performance and Summaries (as of end May 2010)

Fund Performance and Asset Allocation

	Darden	Monticello	Jefferson	Cavalier	Rotunda	Russell 1000	S&P 600	S&P 500	MSCI World
Cumulative Return since March 2010	**-3.01%**	**-9.23%**	**-7.10%**	**-4.79%**	**-3.86%**	-6.52%	-1.94%	-6.84%	-10.06%
Relative Over/(Under) Performance									
Russell 1000	--	--	-0.58%	--	--				
S&P 600	-1.07%	--	--	--	--				
S&P 500	--	--	--	2.05%	2.98%				
MSCI World	--	0.83%	--	--	--				
Monthly Return	**-6.85%**	**-7.80%**	**-7.91%**	**-7.07%**	**-3.49%**	-8.13%	-7.29%	-8.20%	-9.91%
Relative Over/(Under) Performance									
Russell 1000	--	--	0.23%	--	--				
S&P 600	0.44%	--	--	--	--				
S&P 500	--	--	--	1.12%	4.71%				
MSCI World	--	2.11%	--	--	--				
Asset Allocation									
Equity	81.4%	84.2%	88.1%	98.4%	54.2%	100%	100%	100%	100%
Fixed Income	0.0%	0.0%	0.0%	0.0%	0.0%				
Cash and Short-term US Treasuries	18.6%	15.8%	11.9%	1.6%	45.8%				





Chris Haffenreffer

KVH Industries (KVHI)
June 5, 2010

Investment Snapshot
KVH Industries (NASDAQ: KVHI)

KVH is a mobile technology provider specializing in communications equipment for the auto, marine and airline industry as well as digital compass- and fiber optic gyro (FOG)-based systems that meet the requirements of military and commercial customers for precision guidance, stabilization, and navigation.
The company's defense-based segments have proven to be high growers throughout the recession and will continue to offer strong growth going forward. Additionally, in 2007 the company launched a communications product for the marine industry that will result in strong future revenue growth and margin expansion as the product gains traction.

Share Information
(@ 06/04/2010)
(in millions, except per share)

Price	$12.10
Market Cap	$173.81
Shares outstanding:	$14.36

Valuation	KVHI
DCF	$16.51
EV/2014 EBITDA (Discounted)	$22.93

Company Overview

Mobile Communications

- Manufactures antennas, which provide satellite internet, television and phone access for mobile users in the auto, RV and marine industries.
- Historically, has been the primary driver of both revenue and profitability for the company.
- Beginning in mid-2008, sales in this segment have plummeted—falling 40% from a peak of $11.3M in Q108 to $6.7M in Q109—as the global financial crisis severely impacted sales in this highly discretionary space.

Guidance & Stabilization

- Several years ago management diversified and began manufacturing guidance and stabilization products.
- Specifically, the company manufactures fiber optic gyros, which provide precise stabilization for platforms, such as remote weapons systems.
- Sales in this segment are mostly contracted through the US military, and as the military has become increasingly focused on remote weapons systems, FOG revenues increased 216% in 2009 from $9M to $29M.
- The strength of this segment has helped the company survive during the recession.

TracPhone V7 &Mini-VSAT Broadband

- During the fourth quarter of 2007, KVH launched a revolutionary new satellite antenna for marine vessels, the TracPhone V7, and accompanying broadband internet service, Mini-VSAT Broadband.
- This product and service is the result of a partnership between KVH and California-based ViaSat.
- KVH's superior antenna technology is combined with ViaSat's proprietary ArcLight technology, and together they enable broadband internet access at sea up to four times faster than existing internet access.
- While the majority of existing mobile internet access is offered at per MB pricing of between $5 and $12 per MB, the TracPhone V7 utilizes Ku-band satellites which enable unlimited internet access at a fixed monthly price between $995 and $5,995 (depending on speed).
- For high-data users at sea (e.g. energy fleets, government ships, cruise liners), adoption of this product will result in substantial cost savings, and the up-front cost of the equipment ($32,000) is quickly paid back.
- KVH is also for the first time providing and selling airtime. It is this service component—the Mini-VSAT Broadband—that is a significant change in business model for KVH and will drive the earnings power.
- KVH estimates that each antenna sold results in $24,000 of annual airtime revenue on average, and each user is contracted for 36 months.
- As the number of installed units increases, service revenue increases exponentially because the entire installed base drives the revenue.
- Finally, the company has high operating leverage on the service revenue. Fixed costs are approximately $10-12M annually, and variable cost is only the revenue sharing with ViaSat, which is most likely in the range of 25-35% of service revenue.

Investment Opportunity

- The company has sold between 500 and 700 V7 antennas over the past two years in a difficult environment.
- These antennas have resulted in strong service revenue, but low margins as fixed costs remain high relative to service revenue.
- With a conservative market size of 50,000 vessels (the company estimates potential market at 100,000 vessels), the current installed base is a minor part of the market.
- Given the superiority of the product to legacy solutions, 60% annual unit growth is very feasible (installed units grew more than 100% in 2009, and 60% unit growth would result in less than 10% of a 50,000 vessel market in five years).
- With 60% unit growth, KVH will see substantial margin expansion in 2011 as service revenue grows exponentially and 70% incremental margins drive bottom-line growth.

Valuation

- These dynamics result in earnings growth of 50-200% over the next five years and earnings per share in the range of $2-3 in 2013 and 2014.
- With such strong earnings growth and EPS in the $2-3 range, it is very possible that this stock will be valued between $50-80 in 3 years.
- However, there is the distinct risk that the product does not see substantial traction or a new technology enters the market.
- By looking at various scenarios of V7 growth that takes the potential downside into consideration, I derive a price target of $20 by blending results from both a DCF and EV/EBITDA multiple analysis in out years.

For questions or comments, please contact Chris Haffenreffer at HaffenrefferC11@Darden.Virginia.edu

Donato Tierno/Mason Antrim-Portfolio

Florida Power & Light

March 29, 2010

Investment Snapshot

Florida Power & Light (NYSE: FPL)

FPL Group is one of the U.S.' largest providers of electricity-related services. It has two principal operating subsidiaries, FPL and NextEra Energy Resources. FPL serves nearly 8.7 million people throughout the east and lower west coasts of Florida. NextEra is the competitive energy subsidiary of FPL Group, generating electricity primarily using wind, natural gas, and nuclear resources.

Share Information

(@03/25/2010)

(in millions, except per share)

Price	$47.45
Market Cap	$19.6 billion
Shares outstanding:	$413.7 million

Valuation

	ES (implied price)
DCF	NM
P/E 12.5x 2010 Diluted EPS	$53.17
Target:	$55.00

Company Overview

- FPL Group is one of the U.S.' largest providers of electricity-related services. It has to principal operating subsidiaries, FPL and NextEra Energy Resources. FPL serves nearly 8.7 million people throughout the east and lower west coasts of Florida. Next Era is the competitive energy subsidiary of FPL Group, generating electricity primarily using wind, natural, gas and nuclear resources.
- FPL:
  - During 2009, FPL served roughly 4.5 million customer accounts and is a rate regulated utility
  - Revenue breakdown is 56% residential, 41% commercial, 3% industrial and 1% wholesale
  - Comprises approximately 73% of FPL Group's overall revenue
- NextEra Energy:
  - Comprises approximately 27% of FPL Group's revenue
  - Competitively sells energy with "wholesale generator status" and is unregulated
  - NextEra owns, develops, constructs and operates domestic electricity producing facilities using wind, solar and nuclear resources. It is the largest product of solar and wind energy in North America

Investment thesis

- Top tier energy provider with the downside protection of a regulated utility at 4+% dividend yield and upside with NextEra business
- Largest sustainable energy producer in the US is attractive to Rotunda Fund thesis
- Attractive valuation relative to peers on a P/E basis

Investment Highlights

- FPL trades at 12x 2010 est. EPS relative to industry average of 13x despite superior earnings and earnings growth estimates
- Potential beneficiary of renewed energy legislation with passage healthcare reform bill
- Company able to access tax credits for sustainable energy production and has a $5 billion capital expenditure pipeline
- In the real estate downturn, the Company still saw increases in retail customer growth in both 2008 and 2009, proving out its financial stability
- Diversified geographic and fuel mix for its FPL subsidiary, with 56% coming from natural gas
- Since 1970s Company has focused on environmentally sustainable practices and is the leading producer of solar and wind energy in North America

Investment Considerations

- Concentration of residential and commercial customers in Florida, which has been beleaguered by the real estate downturn and current economic environment, could be a drag on growth
- The Company recently lost a base rate case with a material decline in the amount requested. The Company has suspended approximately $10 billion of investment over the next five years for the FPL subsidiary until appeal results

Valuation

A DCF is a less relevant measure of value given most utilities' magnitude of capital expenditures. A relative P/E valuation is the most prudent in this scenario. FPL's relative peer group trades at 13x and using FPL's estimated 2010 EPS of $4.40 per share, a conservative valuation range of 12x-13x leads to range of $51.40-$55.30. The target value is $55.00

For questions, comments, or to view the full report, please contact Mason Antrim at AntrimM11@darden.virginia.edu

Saj Khatiwada

International Business Machines (IBM)

April 15, 2010

Investment Snapshot

International Business Machines (NYSE: FPL)

IBM develops, manufactures and offers information technology products and services worldwide. The Company is comprised of five operating segments: Global Technology Services, Global Business Services, Software, Systems and Technology, and Global Financing.

Share Information

(@04/14/2010)

(in millions, except per share)

Price	$129.03
Market Cap	$165.5 billion
Shares outstanding:	1,282.3 million

Valuation

	ES (implied price)
DCF	$167.74
Sum of Parts (TEV/Rev.)	$148.90
Target:	$157.58

Company Overview

- International Business Machines Corporation (IBM) develops and manufactures information technology (IT) products and services worldwide. Its Global Technology Services segment offers IT infrastructure and business process services. The company's Global Business Services segment provides professional services and application outsourcing services. IBM's Software segment offers middleware and operating systems software comprising WebSphere software enabling clients to integrate and manage business processes across their organizations. The Systems and Technology segment provides computing and storage solutions, including servers, disk and tape storage systems and software, microelectronics, retail store solutions, and semiconductor technology, products, packaging solutions. The Global Financing segment provides lease and loan financing to external and internal clients. The approximate revenue breakdown of the five segments is as follows:
- Global Technology Services- 40.5%
- Global Business Services- 19.4%
- Software- 25.1%
- Systems and Technology- 17.9%
- Global Financing- 4.3%

Investment thesis

- Undervalued on sum of parts basis relative to shift of overall business to focus on higher value IT segments- service and software
- Leader in sustainable operations and business focus, top 5 ranking in Newsweek Green Rankings

Investment Highlights

- Operational restructuring is reaping rewards with 5% operating margin expansion from 2005 to 2008
- Service order backlog increased by $7 billion to $13 billion in fiscal fourth quarter for Global Services
- Industry leader in energy usage and emissions and corporate governance
- Key one stop provider of IT services due to its portfolio of hardware, mainframe, software, service and financing products and services
- Diverse geographic reach protects downside and provides growth upside due to exposure to emerging markets

Investment Considerations

- Business spend on multi-million dollar IT systems has been dampened due to the economic slowdown, which may put pressure on IBM's higher margin follow on services.
- Technology risk due to cloud computing positioning which may make a large amount of computing capacity available for rent and diminish outright purchases of IT infrastructure
- High margin mainframe business will continue to decline as companies shift from in house data containment to secure outsourcing.
- Market pressure to increase M&A activity may result in overpaying for larger dollar targets and dilute EPS.

Valuation

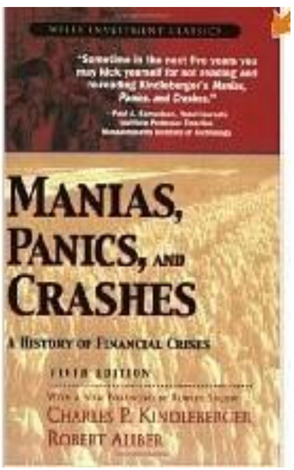
On sum of parts valuation for relevant comps in the software, hardware and service space, fair value price is projected to be $148.90. Using the DCF method, incorporating a perpetuity growth percentage of 3.00% and a 9.00% WACC, the per share expectation was $167.54. Using a current peer trading EBIT multiple of 12.1x, the inferred share price was $167.94. The target price reflects the average of the sum of parts and the DCF valuation, amounting to $157.58.

For questions, comments, or to view the full report, please contact Saj Khatiwada at KhatiwadaS11@darden.virginia.edu

DCM Summer Reading List:

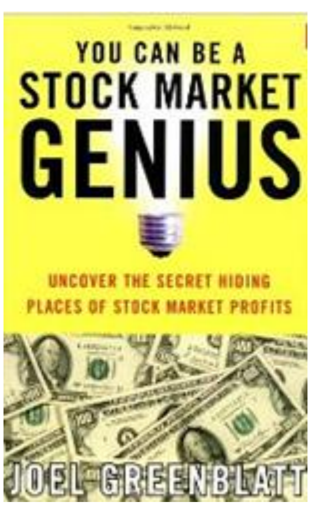
Fooling Some of the People All of the Time delves deep inside Wall Street, showing how the $6 billion hedge fund Greenlight Capital conducts its investment research and detailing the maneuvers of an unscrupulous company. Along the way, you'll witness feckless regulators, compromised politicians, and the barricades capital markets have erected against exposing misconduct from important Wall Street customers.
The book gives details of the truth about investing, short selling, and the politics of business. It shows the failings of Wall Street: its investment banks, analysts, journalists, and especially our government regulators.

David Einhorn is President of Greenlight Capital, a long-short value-oriented hedge fund, which he began with $1 million in 1996. Greenlight has generated greater than a twenty-two percent annualized net return for partners and investors.



Manias, Panics, and Crashes is an entertaining account of how the mismanagement of money and credit has led to financial explosions, more than once! Kindleberger covers topics that include the history and anatomy of crises, speculative manias, and the lender of last resort, yielding a highly descriptive and informative perspective of turbulence to the financial landscape.

Charles P. Kindleberger was the Ford Professor of Economics at MIT for thirty years. He is a financial historian and has published over thirty books.



You Can Be a Stock Market Genius shows how stock market profits can be found in some areas not usually considered by the average investor: spin-offs, mergers, risk arbitrage, restructurings, rights offerings, bankruptcies, liquidations, and asset sales. Greenblatt acknowledges that pursuing them will require some time, effort, patience, and experience. But he argues that because these areas are not over studied by the analysts, possible market inefficiencies can be exploited. He explains each area with case studies from his own experience.

Joel Greenblatt is a value investor, and adjunct professor at the Columbia University Graduate School of Business. He is the former chairman of the board of Alliant Techsystems and founder of the New York Securities Auction Corporation.

New DCM Leadership

Darden Fund

The Darden Fund is a small-cap fund that seeks to maximize returns through disciplined fundamental research and analysis. The benchmark for the fund is the S&P 600.

- Sr. Portfolio Manager: Christopher Haffenrefer
- Portfolio Manager: Jeffrey Butt
- Portfolio Manager: Molly McInerney
- Portfolio Manager: Gary Ribe

Monticello Fund

The Monticello Fund uses fundamental analysis to identify and invest in companies that are well positioned for growth but inexpensively valued.

- Sr. Portfolio Manager: Peter Rabover
- Portfolio Manager: Lindsay Cressy
- Portfolio Manager: Nicholas Du
- Portfolio Manager: Vahid Gholampour

Jefferson Fund

The Jefferson Fund seeks to generate excess returns through a value-based strategy with a concentration on companies with market capitalizations between $200 million and $5 billion.

- Sr. Portfolio Manager: Richard Offen
- Portfolio Manager: Christian Eicher
- Portfolio Manager: Adam Fitzer
- Portfolio Manager: Ian Thomas

Cavalier Fund

The Cavalier Fund is a long / short equity hedge fund that focuses primarily on domestic equities including small, mid- and large capitalization companies.

- Sr. Portfolio Manager: Nash Dykes
- Portfolio Manager: Carlos Barrozzi
- Portfolio Manager: Thomas Rein
- Portfolio Manager: Jessica Zhang

Rotunda Fund

The Rotunda Fund is based on the core belief that sustainability research provides valuable and unique insights into a company by exposing risks, highlighting strengths, and underscoring growth opportunities.

- Sr. Portfolio Manager: David Policano
- Portfolio Manager: Mason Antrim
- Portfolio Manager: Saj Khatiwada
- Portfolio Manager: Seth Chokel

THE ADVISOR

The Advisor is a publication of the Darden Capital Management Club at the University of Virginia's Darden School of Business. Darden Capital Management operates four student-run investment funds for the Darden School Foundation with approximately $6MM in assets under management.

To learn more about Darden Capital Management and the Darden School of Business, please visit: http://student.darden.virginia.edu/dcm/new and http://www.darden.virginia.edu

ADVISOR STAFF

Editor-in-chief
Abhinav Agrawal

Contributors: *David Policano, Saj Khatiwada, Christopher Haffenrefer, Jon Friar, Donato Tierno, Mason Antrim and Richard Offen*

Jon Friar
Chief Investment officer

Elizabeth Dove
Chief Operating Officer

Abhinav Agrawal
Director of Research