THE ADVISOR

THIS ISSUE

Jennifer Mandeville

New Season, New Managers

As spring begins in Charlottesville, the tenure of the 2007 class of Darden Capital Management comes to end. The 2008 managers officially take over portfolio responsibilities on April 1st, and a great group of managers has been selected for next year. Of the 26 applicants that applied for portfolio managers positions, 18 were selected. A new addition to DCM this year is a Director of Research position. The 2007 class of managers saw a need for better coordination among the funds for research on positions, sectors, and the global economy. The new Director of Research position will be in charge of coordinating these research efforts with further responsibilities of reaching out to first year students that may want or need additional exposure to stock picking. The fund managers, Chief Investment Officer, and new Director of Research position are displayed in the table below.

Although spring is beginning, the past winter has been filled with great activities for DCM. First, back in November, three portfolio managers from Darden Capital Management won second place in Cornell's MBA Stock Pitch Competition. Ben Mackovjak, Brian Pratt, and Glenn Miller represented Darden and tied with the University of Maryland for second place with a pitch to go long Pulte Homes. Given the high quality of the 2008 managers, we're looking forward to having a DCM team represent Darden next year in the competition.

Another exciting activity for DCM and Darden as a whole was the filming of Jim Cramer's Mad Money at Darden on February 7th. DCM provided numerous volunteers for the production of the show and had several managers asking Jim Cramer stock questions. The energy and enthusiasm shown by the entire Darden community was fantastic, and Jim Cramer himself expressed his appreciation for how helpful Darden was throughout the entire process. This was great exposure for Darden, and DCM had a fun time helping out with the show.

As the class of 2007 wraps up its management of the DCM funds, I'd like to reflect back on ways in which we may have helped further the DCM organization. This was the first year where shorting was allowed in the portfolios, and two funds took particular advantage of this aspect of our mandate. The Trustees enabled international investing and numerous positions were implemented around this across all the funds. We continued to monitor the risks of the portfolio by adhering to the risk guidelines set forth in the operating agreement and were able to clarify some guidelines based on situations we incurred throughout the year. There were some wins and some losses, but the learning lessons gained from these new experiences will prove invaluable to the managers in the workplace. For the broader organization, we revamped the newsletter, reached out to DCM alumni, initiated a fundraising effort for DCM in conjunction with the Darden Development office, and are working with the Career Development Office on attracting more investment management firms for recruitment at Darden. All in all, we've all worked diligently this year trying to make DCM a better organization than when we first began and have learned a substantial amount in doing so. While DCM still has many long term goals to reach, we hope that we, the class of 2007, have left our indelible footprint on the organization as so many other classes have done before us.

DCM MANAGEMENT: CLASS OF 2008

Chief Investment Officer Rob Forker
Director of Research Jonathan Chou

Cavalier Fund	Darden Fund	Jefferson Fund	Monticello Fund
Richard Bodzy *(Senior PM)*	Jeff Sutton *(Senior PM)*	Michael Mussio *(Senior PM)*	Ed Duggan *(Senior PM)*
Greg McCullough	Neil Kansari	Divyaksh Kapur	Maureen Singer
Chris Delaney	George Gao	Daniel Logue	Daniel Mooney
Robert Birdsey	Matthew Jackson	Tad Lehmann	Edward Shim

Darden Fund

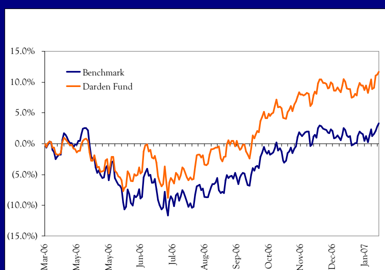
Managers

Sr. Portfolio Manager	Brian Pratt
Portfolio Manager	Glenn Miller
Portfolio Manager	Charles Seidman
Portfolio Manager	Luke Semple

Investment Strategy

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.

Performance vs. Benchmark



Fund Holdings

Aldila, Inc.
America's Car Mart
Avid Technology, Inc.
Clean Harbors, Inc.
Corrections Corp. of America
Curtiss Wright Corp.
Delphi Financial Group Inc. (Class A)
Emcor Group, Inc.
Equity One
Footstar Inc.
FTI Consulting
Gardner Denver
Great Atlantic & Pacific Tea Co.
J2 Global Communications
Kanbay International (Sold on 10/26)
Molecular Devices Corporation
Mueller Water Product, Inc. B
New Frontier Media
Piedmont Natural Gas Company
THQ Inc.
Texas Capital Bancshares
Thor Industries
TravelCenters of America, Inc.
Walter Industries, Inc.

Jefferson Fund

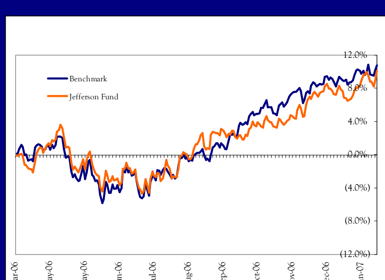
Managers

Sr. Portfolio Manager	Christopher Eastman
Portfolio Manager	Will Cohen
Portfolio Manager	Manuel Artime
Portfolio Manager	Benjamin Mackovjak

Investment Strategy

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.

Performance vs. Benchmark



Fund Holdings

Anheuser Busch
Bank of America
Berkshire Hathaway Class B
Bunge
Chevron
Chesapeake Energy
Chiquita Brands
Crocs (short position)
Diversa Corp. (short position)
Dyncorp International
Fastweb
FPIC Insurance
General Dynamics
Hanesbrand
Hospira
JP Morgan Chase
Nokia Corp ADR
Norfolk Southern
Pantry
Pengrowth Energy Trust
Petsmart
Pfizer
Pulte Homes
TEVA
Under Armour (short position)
United Fire & Casualty
Verizon Communications

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 $5 million 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

http://www.darden.edu

ADVISOR STAFF

Luke Semple
Editor-in-chief

Brian Pratt
Editor

Contributers
Jennifer Mandeville, Ed Duggan, Richard Bodzy, Brian Pratt

Jennifer Mandeville
Chief investment officer

"MAD MONEY" COMES TO DARDEN

CNBC's Jim Cramer (pictured here with second-year fund managers) paid a visit to Darden in February. In the show, Cramer focused on Crocs and UnderArmour and suggested viewers should be long both stocks. Prior to the show, the Jefferson Fund had established short positions in both stocks. Since the taping, Crocs is down 16.6% and Under-Armour is up 7.0%.*

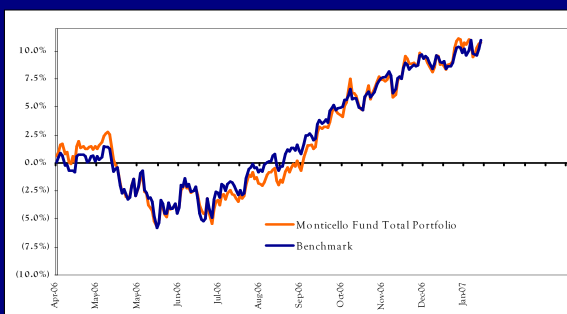
*Based on closing prices from February 7 through March 30.

Monticello Fund

Managers

Sr. Portfolio Manager	Brian Carney
Portfolio Manager	Josh Ayers
Portfolio Manager	Chris Pond
Portfolio Manager	John Spears

Performance vs. Benchmark



Investment Strategy

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

Fund Holdings

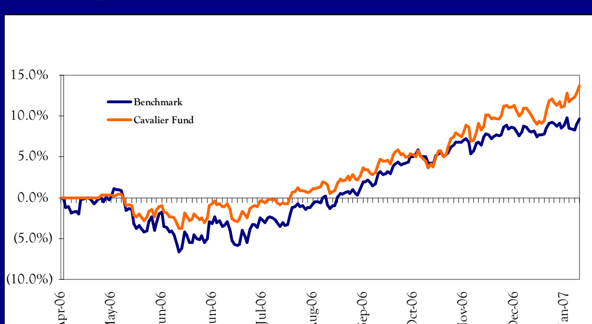
AIG Corporation	Allied Waste
Berkshire Hathaway "B"	BJ Services Company
Capital One Financial	CBS Corporation
Chipotle	Del Monte
Genentech	Herbalife
IBM	iShares Russell 1000 Index
Kellogg	Lam Research Corporation
Newmont Mining	Norfolk Southern
Patterson Companies	Pepsico
Suntech Power	Target
Tempur-Pedic International, Inc.	Wyeth

Cavalier Fund

Managers

Sr. Portfolio Manager	Ellen Lee
Portfolio Manager	Brian Duff
Portfolio Manager	Will Snellings
Portfolio Manager	Brad Sullivan

Since-inception Performance vs. Benchmark



Investment Strategy

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

Fund Holdings

Microsoft	Monsanto
Umicore	American International Group
ConocoPhillips	Corning
International Paper	Limited Brands
Pfizer	Rent-A-Center
Verisign	Wellcare Health Plans
Sara Lee	Boston Scientific
Idearc	Under Armour
Pre-paid Legal Services	Ebay
Kinetic Concepts	

2ND ANNUAL STOCK PITCH COMPETITION

FIRST YEAR PARTICIPANTS AND IDEAS

Maxwell Gover, Footstar
Michael Mussio, McCormick & Company
Vipin Singh, Caliper Technologies
Robert Birdsey, UnitedHealth (short)
Greg McCullough, Yum! Brands
Joseph Rioff, Epoch Holding Corporation
Ed Duggan, Fastweb
David Ding, United Natural Foods, Inc.
Richard Bodzy, Waste Management, Inc.

Left: Winner, Ed Duggan, with runner-up, Richard Bodzy

Jennifer Mandeville

Successful Competition

On Saturday, November 5th, Darden Capital Management held its 2nd Annual Stock Pitch Competition for Darden first year students. Twelve first year students participated in the event and pitched stock ideas ranging from international telecom companies to healthcare short ideas. The students were responsible for sourcing the idea, researching the company and industry, preparing a write-up, and pitching the stock during a 15 minute presentation to a panel of judges. The stock pitch competition is a way for first year students to gain experience in researching stock ideas, much like the portfolio managers do for the four DCM funds in their second year.

This year's first and second place winners were Ed Duggan and Richard Bodzy, respectively. Ed Duggan's stock idea was a long investment in Fastweb, which is the leading alternative telecom provider in Italy. Richard Bodzy won second place with his pitch for a long position in Waste Management. Both the Fastweb and Waste Management stock pitches presented at the competition are included on pages five and six of this month's issue.

The students were judged across five criteria:

- Thorough understanding of underlying businesses and competitive strengths/weaknesses
- Meaningful discussion of key valuation metrics
- Discussion of macro-economic forces and other key risks
- Effectiveness of written pitch and oral presentation
- Ability to provide thoughtful answers during Q&A session

The first and second place winners were the two students whose stock pitches earned the highest scores across all categories.

One of the success factors in this year's competition was the distinguished panel of judges volunteering their time and effort. Returning for a second year were judges Chris Brightman and Corley Farber. Chris Brightman is currently Chief Investment Officer of the University of Virginia Investment Management Company. Corley Farber recently left his position at Investure to start his own domestic long-only investment company – Acme Capital Management. The panel of judges was rounded out by Jason Swiatek, Neil Smaldon, and Gary Cheung. Jason Swiatek is currently the small-cap equity portfolio manager for Prudential (Jennison Associates), and Neil Smaldon and Gary Cheung work in the macro trading group at Tudor Investment Corp.

The participation from first year students in the DCM organization continues to be strong, with many students pitching stocks at fund meetings or at the com-petition. Additionally, even first year students that weren't pitching a stock at the competition attended in order to show their support for their fellow class-mates and for the DCM organization in general. We continue to be impressed with their enthusiasm and active participation and hope this translates into a continued commitment next year

Ed Duggan

Fastweb

November 4, 2006

Investment Snapshot

Fastweb

(FWB.IM)

Business:

Fastweb is the leading alternative telecommunications provider in Italy offering services to residential and business customers. Residential services include broadband internet at speeds up to 20Mbs, telephony and pay-television including VoD libraries, DVR functionality and premium content (Sky Italia). Business services include broadband internet, fixed telephony, video communication and VPNs.

Share Information

(@11/4/2006)

(Euros in millions, except per share)

Price	37.57
Market Cap:	2,987.1
Diluted shares:	79.5
Enterprise value:	3,687.0

EV / EBITDA	Comps avg.	FWB
2006E	10.2x	8.6x
2007E	7.4x	5.8x

Investment highlights

• **Key Player in Attractive Italian Market:** FWB is well positioned to take advantage of the projected strong growth in both the pay-TV and broadband internet markets in Italy. In the pay-TV market, FWB is the primary competitor to Sky Italia and differentiates itself with a premium product offering including and extensive VoD library of Movies and TV shows as well as through bundled service offerings. In the broadband market FWB is well positioned to benefit from both the growth in the market and market share erosion of the incumbent Telecom Italia. Current strategy of offering lower-tier services aimed at cannibalizing customers away from TI then up-selling premium products has proven effective.

• **Focused Growth Strategy:** FWB has benefited from a focused organic growth strategy and will soon begin to reap the rewards. The company has strictly focused a single country strategy (unlike its competitors) and focused on attracting high margin customers, refusing to sacrifice profitability for growth.

• **Network Build-out Now Complete:** Fastweb has invested a total of > €3.0BN in its network infrastructure resulting in a network covering 9.5MM households or 45% of the population. Milan is exclusively fibre-to-home (traditional cable network) while the rest of the network unbundles Telecom Italia's central offices (800 unbundled CO's currently). Completion of the network has important implications: future investments will focus on success based capex with average payback < 12 months; clear path to positive FCF and net income; access to 70% of €16.0BN Italian fixed line market including access to lucrative Public Administration contracts for the first time in 2006.

• **Key New Contracts and Operating Agreements:** In the past 2 months Fastweb signed 2 key strategic agreements and lucrative one government service contract which will drive future top line growth.

• **Positive Free Cash Flow in 4Q'06; Net income in 2007:** The completion of FWB's network build-out along with solid revenue and EBITDA growth (34% and 40% respectively in 2006) will drive positive FCF and NI. FCF breakeven marks a key inflection point for the company.

• **Potential Acquisition Target:** There are a number of scenarios in which FWB could be an acquisition target for a strategic or financial buyer.

Valuation

• **Significant Downward Pressure in 1H'06:** FWB stock experienced significant downward pressure following an announcement by the company that it was not interested in takeover bids, and continued through the the release of 1Q and 2Q results. While the company reported strong y-o-y revenue and EBITDA growth for each period, investors were concerned about a decrease in APRU, lack of progress with government contracts and skepticism regarding growth. Positive news including strong preliminary 3Q numbers, key strategic agreements with Vodafone and Sky Italia and important new government contracts (see Investment Considerations) have allowed the stock to reverse the downward trend in recent months.

• **Rating: Buy with a €43.0 Price Target:** FWB currently trades at a discount to its peers on an EV / EBITDA basis at 8.6x 2006 and 5.8x 2007 vs. comps average of 10.2x 2006 vs. 7.4x 2007. Given the company's strong growth potential and quality cash flows this multiple should converge with the comparable averages implying a share price of €40.5 - €47.0 supporting a price target of €43.0. A discounted cash flow analysis further justifies this price target with an implied value per share of €41.50 – €48.50 assuming a 9.0% discount rate and terminal EBITDA range of 5.5x – 6.5x.

Investment risks

• **Exposure to Italian Economy:** Virtually all of FWB's revenues originate from within Italy.

• **Increasing Pressure from Competitors:** Both competing Alternative operators Wind and Tiscali soon to be in a better position to make significant network investments. Wind likely to IPO 4Q'06 and Tiscali selling non-core assets to generate cash for investment.

• **High Average Revenue per User (ARPU):** Due to the premium nature of FWB's products they have historically commanded a high ARPU. The introduction of lower tier products and increasing competition could negatively impact ARPU in the future.

For questions, comments, or to view the full report, please contact Ed Duggan at DugganE08@darden.virginia.edu

Richard Bodzy

Waste Management

November 4, 2006

Investment highlights

Executives, promotion from within: David Steiner currently serves as CEO of Waste Management, Inc. Steiner has been with the company for six years and previously served as CFO. Second in command is Lawrence O'Donnell, III who currently serves as President and Chief Operating Officer. O'Donnell has been promoted four times since 2000. These two men are extremely familiar with the business and have been successful within the organization for many years.

Network of operations and scope of assets: 413 collection operations, 370 transfer stations, 283 active landfill disposal sites, 17 waste-to-energy plants, 131 recycling plants, 95 beneficial-use landfill gas projects and 6 independent power production plants.

Cost cutting and cost prevention: Last year WMI eliminated an entire layer of functional support staff by transferring greater accountability and responsibility to the market areas. In addition, WMI installed a proprietary maintenance management system in their transfer vehicles which automatically schedules preventative maintenance to reduce transfer vehicle breakdowns. This web-based interactive management tool along with the re-organization mentioned above have saved WMI an estimated 70 million dollars thus far.

Vertical integration advantage: Waste Management landfills manage the disposal of 125 million tons of waste per year. The margins on the tipping fees WMI receives are approximately three times those from collections. These 283 active landfills dwarf their competitors. In fact, their active landfills are greater than Allied Waste (AW), Republic Services (RSG), and Waste Connections (WCN) combined.

Going green: Waste Management, combined with its wholly owned subsidiary WM Recycle America, is North America's largest recycler.

Investment Snapshot

Waste Management, Inc.
(NYSE: WMI)

Business:
Waste Management, Inc. provides integrated waste management services to commercial, industrial, municipal and residential customers throughout the United States, Puerto Rico and Canada. Its core business includes collection, disposal, transfer, waste-to-energy and recycling services. WMI manages its operations through six Groups, four of which are organized by geographic area and the other two are organized by function.

Share Information
(@11/04/2006)

(in millions, except per share)

Price	37.42
52-Week Range	29.67-38.64
Market Cap	20,019.7
Shares outstanding:	535.0
Enterprise value:	26,790.0

Estimates

	2006E	2007E
EPS	$1.81	$1.98

Saving space: Waste Management has taken a leadership role in promoting the recycling and reuse of materials that would otherwise end up taking up space in landfills. Through its waste-to-energy plants, WM uses solid municipal waste to generate power. This reduces the volume of the waste by 90 percent and saves space in local landfills while providing an economical alternative to the use of fossil and nuclear fuels.

Predictable cash flows: Waste Management provides an essential service that creates strong and predictable cash flows, regardless of the economy. Management has publicly stated that this free cash will be used for dividends and stock buybacks in the near future.

Dividend: Waste Management's dividend (introduced in 2004) has increased in 2006 to a payout of $0.88 per share

Recommendation: Buy

WMI accounts for almost 40% of all of the domestic waste needs in commercial as well as residential waste markets. Their vertically integrated business model is a constant cash producer regardless of economic fluctuations, and they plan to sell off any contracts or business units which are hurting their operating margins. This strategy should increase their average margin per customer and free up resources to pursue additional high margin contracts. As the population grows there will be increasing needs for waste management services, and WMI is the most dominant organization in this industry.

Investment risks

Stock price is at five year high: WMI hovered in the lower thirties in 2001 before trading in the $20-$30 range for about four years. Recently the stock has taken an upward trend, causing WMI to reach 5 year highs.

Business plan hinges on selling off contracts: Waste Management plans to sell $900 million of businesses and contracts that currently generate operating margins of 3%-5%, which is significantly below the companywide average of more than 13% per customer contract and business unit.

Industry Risk: The waste industry is exposed to significant regulatory risk.

Rising Diesel Fuel Costs: Fuel costs currently account for about 6% of COGS. Increases in fuel prices will increase WMI's COGS expense.

For questions, comments, or to view the full report, please contact Richard Bodzy at BodzyR08@darden.virginia.edu

Brian Pratt

Great Atlantic & Pacific Tea Company, Inc.

December 1, 2006

Investment Snapshot

Great Atlantic & Pacific Tea Co.
(NYSE: GAP)

Business:
The Great Atlantic & Pacific Tea Company, Inc. is engaged in the retail food business. The Company operated 405 stores averaging approximately 40,700 square feet per store as of February 25, 2006. It sells groceries, meats, fresh produce and other items offered in supermarkets. The Great Atlantic & Pacific Tea Company, Inc. markets its products under the brand names, including A&P, Super Fresh, Sav-A-Center, Farmer Jack, Waldbaum's, Super Foodmart, Food Basics and The Food Emporium.

Share Information
(@12/01/2006)

(in millions, except per share)

Price	26.29
Market Cap	1,092.9
Shares outstanding:	41.5

Valuation

	GAP	Peers
2007 EV / EBITDA	4.5x	6.5x

Investment thesis

GAP is a turnaround story in the supermarket space. GAP operates approximately 400 stores, primarily in the Northeast, and primarily under the "A&P" brand. The company is in the midst of executing a turnaround following several years of underinvestment in its stores. Last year, it sold its successful Canadian operations to pay down debt and invest in its core Northeastern stores. A new CEO has been brought in from A&P Canada, where he led a successful turnaround effort. Following several years of underinvestment, the company is now engaged in a significant re-branding and renovation effort which we believe will improve traffic and profitability. If the company is successful and can improve margins to a level more in line with its peers and its historical experience, the stock has significant potential upside. On the downside, we believe that the market has priced in very low expectations, as it is trading at steep discounts to its peers.

Investment Considerations

• The company's stores are of below average quality, and have suffered from years of underinvestment, which has led to declining store traffic.
• Core Northeast market has suffered from irrational pricing, though this has abated recently.
• Store reformatting: GAP is replacing its "one-size-fits-all" approach with more targeted store offerings. For example, the company will transition stores in higher income areas to the SuperFresh format, a more upscale offering with greater focus on higher margin fresh products and greater customer service than conventional supermarkets, while the FoodBasics format will emphasize discount pricing and lower service levels, filling the void of value shopping in the New York market.
• Store Revitalization: Beyond reformatting, the stores experienced underinvestment as the company struggled in recent years, leading to an inferior customer experience and declining sales.
• Sales growth should come from improved unit growth (due to store revitalization and reformatting) and pricing (improved purchasing & distribution efforts).
• Margins should expand due to the abatement of irrational pricing in core markets, the outsourcing of distribution to more capable parties, a mix shift to perishables, an under-exploited private label opportunity, and, for SG&A, the leverage impact of sales growth.
• The company owns a significant stake in publicly traded Canadian grocery chain Metro, which bought A&P Canada.

Valuation

• Given the multi-year turnaround effort in which GAP is involved, it is necessary to value GAP based upon discounted free cash flows.
• On the upside, I assume nominal annual square footage growth, gradual but significant improvement in sales/square foot to get to rough parity with Northeast peers. I also assume gradual margin expansion to get to rough parity with peers (and historical experience) over the next 7 years. I assign no upside potential to Metro, which appears to be fairly valued. This generates a value of over $70 per share.

• On the downside, I aggressively assume no value to U.S. A&P operations, and a worst-case scenario for Metro (low end of EPS estimate range, and historically low trading multiple). This generates a value of approximately $10 per share.

• Applying probabilities to these upside, downside, and intermediate scenarios generates an intrinsic value estimation in the low to mid $40s. With the stock at a recent $28, this represents a 35% discount to intrinsic value. The stock's current valuation reflects too much pessimism regarding the potential for fundamental improvement.

For questions, comments, or to view the full report, please contact Brian Pratt at PrattB07@darden.virginia.edu