ANNUAL REPORT 2015

BASIS: Bond And Securities Investing by Students

January 1 – December 31, 2015

Pamplin College of Business
Submitted to the Virginia Tech Foundation in February 2016

For the names of the members who compiled this report, please consult the last page of the report

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About BASIS

BASIS is a student-managed fixed income portfolio responsible for managing approximately $5 million of Virginia Tech's endowment. Our dual mandate consists of generating competitive returns for the Virginia Tech Foundation while striving to provide an unparalleled educational experience for each of our members. Investing with real money allows our student members to take their classroom education and make practical use of it with genuine money management experience.

Unlike the equities market, the bond market suffers from a lack of transparency and high investment capital requirements. As a result, the average student rarely explores the intricacies of the fixed income world. The added complexity of fixed income portfolio management requires that students be at the top of their class academically in addition to having an unrivalled work ethic. Students graduating from BASIS find that the market and fixed income knowledge that they have acquired is invaluable as they start their careers. Our students have an unquestionable advantage when competing for jobs at any firm.

BASIS recruits the best students across the University, creating a forum for assimilating diverse knowledge and market perspectives. In the process of selecting credits and managing the portfolio, we leverage the skill sets of members who excel in finance, accounting, economics, communications, marketing, engineering, mathematics, physics, and programming. To progress through the group, each member must generate reports in Microsoft Word and Publisher, give presentations made in Microsoft PowerPoint, backed by models created in Microsoft Excel using data from Bloomberg terminals. The ability to defend one's position, engage in lively dialogue and discussion, admit to and fix one's errors helps each of our members grow throughout their time in BASIS.

Organizationally, BASIS is divided into four sectors. The four sectors consist of Treasuries, Sovereigns/Agencies/Supranationals (SAS), Financials, and Industrials/Utilities (I/U). Members of the Treasuries sector cover the American macro environment and manage the interest rate portion of our portfolio. They monitor economic indicators and construct models to predict forward rates, inflation, and GDP. The SAS sector invests in government-sponsored enterprises and U.S. dollar-denominated foreign sovereign debt. SAS is accountable for understanding the global macroeconomic environment, currency movements, foreign central bank actions, and the potential effects those may have on the holdings within the portfolio. SAS is also responsible for disseminating global news developments to the broader team. The Financials and Industrials/Utilities (I/U) sectors focus on analyzing the credit worthiness of individual companies. Analysts research their holdings, document their findings, and create company reports. Students frequently build financial models in Excel to analyze the financial statements and overall fitness of a firm. Each sector also focuses on industry trends such as government regulation in the financial industry and consumer trends in an improving economy.

Finally, BASIS members in leadership roles perform duties comparable to corporate business leaders. BASIS executives foster an open dialogue with the broader group concerning portfolio strategy and tactical allocations. Software tools have been developed to attribute performance and manage risk, often coming from a leadership mandate. Once an investment decision is made, the leader works with our four brokers and our asset custodian to execute the trade. In addition to managing the portfolio, the leadership team must manage recruiting and human resource decisions, liaise with faculty advisors, the Pamplin College of Business and the Virginia Tech Foundation, and give presentations to potential donors and other interested parties.

BASIS has grown immensely in the years since inception. From a startup fund, we now have fine-tuned practices in all of our sectors for generating reports, educating our new members, making investment decisions, and executing trades. The Foundation's support and trust allows us to pursue ever more interesting opportunities within the portfolio. Each year, BASIS is better able to generate competitive returns while graduating exceptional students.

The BASIS team during orientation in August 2015

Letter from the Executives

Dear Virginia Tech Foundation,

The fixed income market during 2015 focused intently on the decision of the Federal Reserve to raise interest rates. BASIS experienced a great opportunity to observe the many facets, macro and micro, that influence the decision of the United States to tighten monetary policy. As global growth slowed and emerging markets struggled, specifically China, the United States conversely showed relatively strong GDP and job growth. Notably, unemployment fell to 5.0%. Attempting to bolster growth, European and Asian countries were increasing their stimulus, loosening their monetary policy, and decreasing their interest rates. Partially due to the divergence in monetary policy, the USD appreciated significantly against foreign currencies. Additionally, although many believed oil would rebound after plummeting about 50% at the end of 2014, the price of oil eventually fell over 25% during 2015 from $52 to $37 per barrel. The credit quality of energy and basic materials companies significantly deteriorated. Finally, fear of Greece defaulting during the summer added concern about the Eurozone. Ultimately, despite relatively strong economic performance in the United States, the Fed delayed the rate hike on several occasions. The main concerns of the Fed were that core inflation remained under 2.0% and global growth was slow. Nevertheless, the Fed decided to increase their target rate by 0.25% in the December meeting. Expectations were for three rate hikes to happen in 2016. If the United States continues to increase interest rates, USD will likely strengthen, putting downward pressure on the price of oil and bolstering global deflationary pressure. The global economy will have a more difficult time growing, and the United States core inflation rate will likely remain under 2.0%. BASIS identifies diverging monetary policy and the increasing interconnectedness of global economies as a major theme in 2016. We are anticipating the Fed to handle future rate hikes strategically given the current precarious economic situations.

BASIS's performance for calendar year 2015 was 0.59%, outperforming our benchmark by 73 basis points. During the first quarter of 2015, we remained underweight overall duration with a flattener, being overweight the long end of the curve and underweight the short end, and we performed approximately flat versus the index. As we approached the summer and the early expectations of the first Fed rate hike, our analysis pointed towards the Fed raising rates slower than the market expected. Also, we had concerns about geopolitical events and economies outside of the United States worsening. Consequently, we increased our overall duration, increasing our duration on the short end and long end of the curve. We outperformed over the summer and into the end of the year. In addition to our curve positioning, we were significantly underweight the energy sector in the last quarter. We believe that was a major factor in our outperformance. Despite the Fed raising rates in December, we earned the most outperformance in the last quarter of 2015. Our outperformance towards the end of the year was a combination of the yield curve actually tightening and the strategic sector allocation in our credit investments.

BASIS faced a difficult task of analyzing credit investments in a record year for M&A in 2015 following the previous record year in 2014. Those credit opportunities all provided hands-on, real-world experience to understand how such corporate actions would affect how the companies operated and how that would affect bondholders. Additionally, we saw incredible debt issuance during 2015. Due in part to companies trying to lock in low rates for financing, companies were issuing substantial amounts of debt to fund inorganic growth. We were provided the educational experience of analyzing the immediate effect of those strategic financial decisions, but more importantly, BASIS had to analyze the future credit-worthiness of the companies who increased their leverage to fund inorganic growth.

BASIS made improvements to the new member recruitment and the rigorous training program we developed for new members. In the spring semester of 2015, we accepted six junior analysts. However, in order to boost efficiency, we decided to limit recruitment to the fall semester with the potential for targeted recruiting in the spring semester intended for transfer students. Understanding that recruiting the best people drives the success of BASIS, we placed extra emphasis in recruitment efforts, and we received a record number of applications. We received 115 applicants and ultimately added 15 junior analysts to the group. There are currently 26 members in the group. Additionally, we are expanding the Junior Analyst education program to two semesters. We will give the Junior Analyst exam only in the fall. In addition to boosting efficiency, we intend to provide a more robust educational experience for the new members. The first semester will focus on specifics to operations of BASIS and credit analysis, and the second semester will focus on more fixed income securities knowledge in preparation for the exam.

In 2015, BASIS maintained the four sector organizational setup we had employed in the past. We felt that setup to be most beneficial for the analysts to gain more hands-on experience and to allow the executives more freedom to focus on running the fund and making portfolio adjustments. We continued creating newsletters to allow the group to remain educated on relevant market themes and to practice writing professional reports. We decided to switch newsletters from bi-weekly to quarterly in order to increase the breadth of content and boost the quality of the reports. We published a Q3 2015 newsletter on our website and distributed it to alumni. Finally, we have bi-weekly presentations for each sector, allowing group members several opportunities to practice presenting in a critical environment.

Along with the educational and portfolio management aspect of BASIS, we also attempt to fulfill the spirit of the university motto, Ut Prosim. Members of BASIS gave back to the rest of the university and held resume review sessions before the career fairs. We visited Blacksburg High School to give an educational talk about finance and specifically the global oil markets to educate high school students on international markets and domestic interest rates.

After a short experiment, CEO will no longer be elected on staggered terms. We evaluated the process of staggered CEO terms in 2015 and concluded that staggered terms are actually less efficient given the structure of BASIS. Co-CEOs will be elected together each year, and the exiting Co-CEOs are responsible for training the incoming Co-CEOs. When the Co-CEOs are elected as a pair versus individually, we found they will work more diligently together to learn the responsibilities of being CEO.

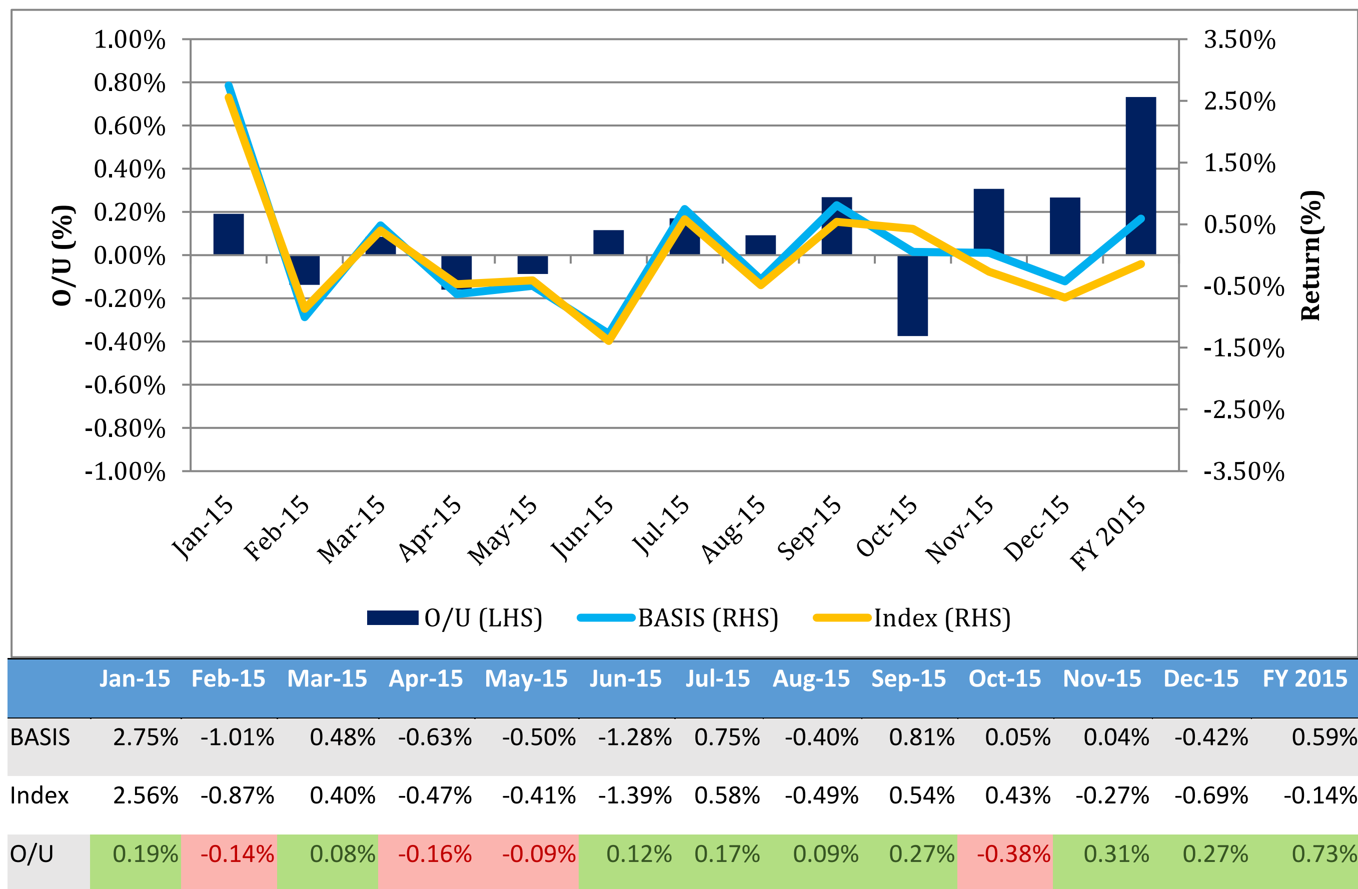
We are extremely grateful for the opportunity to participate in BASIS, and we appreciate everything the Foundation has done to make the fund possible. Thank you to all of the members of the group who allocate many hours each week contributing to the operation of the fund and working to find ways to continuously improve BASIS. We all understand how unique an opportunity we have been provided, and we are grateful to be given this incredible experience. We will always work to pay-it-forward. Finally, we would like to say thank you to our advisor Dr. George Morgan for his incredible support and knowledge. We are looking forward to another interesting year in the fixed income market and are excited for the new challenges and opportunities involved.

Best Regards,
Will Coleman, Co-CEO

Christine Smith, Co-CEO

Performance Overview

Figure 1: BASIS Return vs. Index



	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	FY 2015
BASIS	2.75%	-1.01%	0.48%	-0.63%	-0.50%	-1.28%	0.75%	-0.40%	0.81%	0.05%	0.04%	-0.42%	0.59%
Index	2.56%	-0.87%	0.40%	-0.47%	-0.41%	-1.39%	0.58%	-0.49%	0.54%	0.43%	-0.27%	-0.69%	-0.14%
O/U	0.19%	-0.14%	0.08%	-0.16%	-0.09%	0.12%	0.17%	0.09%	0.27%	-0.38%	0.31%	0.27%	0.73%

Table 1: Portfolio Duration versus Index in 2015

	January 1, 2015	April 1, 2015	September 30, 2015	December 31, 2015
BASIS	6.34	6.29	6.26	6.58
Index	6.48	6.52	6.33	6.24
O/U	-2.23%	-3.58%	-1.05%	5.55%

Table 2: Sector Breakdown by Market Value

	January 1 Market Value	% Total	December 31 Market Value	% Total
Cash	$ 21,460	0.43%	$ 903	0.02%
I/U	$ 2,158,706	42.90%	$ 2,160,803	42.85%
Financials	$ 1,016,917	20.21%	$ 1,413,722	28.03%
SAS	$ 624,378	12.41%	$ 515,347	10.22%
Treasuries	$ 1,211,074	24.06%	$ 952,463	18.89%
Total	**$ 5,032,533**		**$ 5,043,238**	

Table 3: Return Attribution Breakdown by Sector

	BASIS			Index			Difference
Sector	Return	Weight	Return Contribution	Return	Weight	Return Contribution	Return Contribution
I/U	-0.03%	42.88%	-0.01%	-0.67%	46.00%	-0.31%	0.30%
F	1.88%	24.12%	0.45%	-0.22%	21.00%	-0.05%	0.50%
T	0.13%	21.48%	0.03%	0.85%	20.00%	0.17%	-0.14%
SAS	1.07%	11.32%	0.12%	0.34%	13.00%	0.04%	0.08%
Cash	0.00%	0.23%	0.00%	0.00%	0.00%	0.00%	0.00%
Total (bps)			**59**			**-14**	**73**

Figure 2: Duration Contribution (January 1)

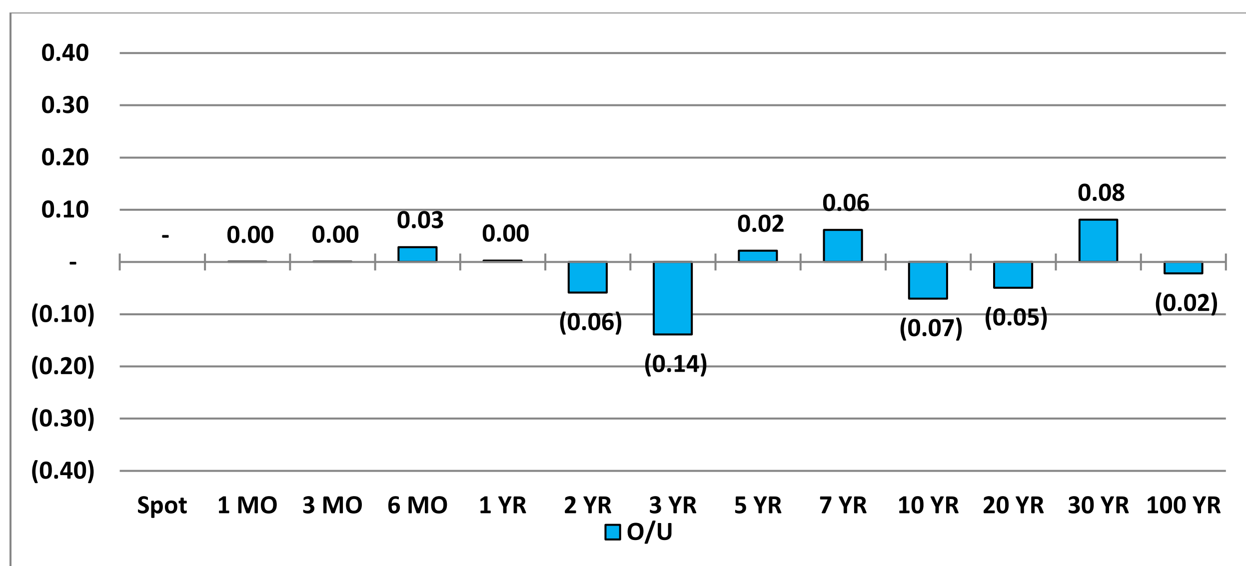
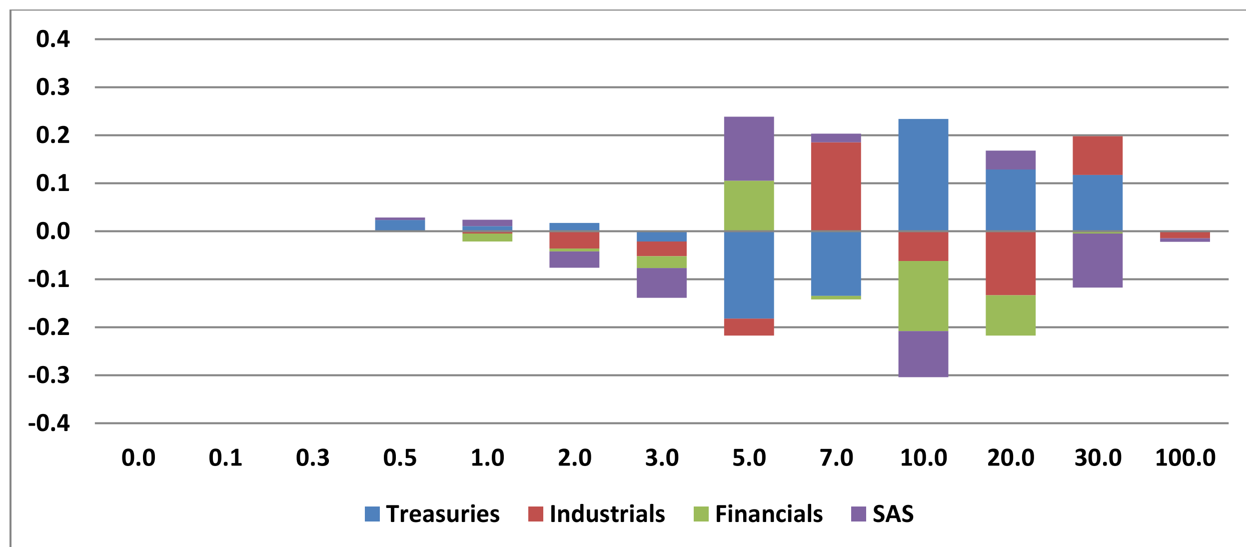


Figure 3: O/U Sector Duration Contribution (January 1)



During the first quarter of 2015, BASIS mostly performed flat against the index. We were underweight overall duration versus the index but tried to keep an overweight position in the 30-year maturity bucket, as seen in Figure 2. Most of our outperformance was obtained going into the summer and at the end of the year because we positioned the portfolio correctly. From a Rates view, we positioned the portfolio such that the Fed would raise rates slower than expected and geopolitical and global issues would keep long-term rates down. Therefore, we added more duration going into the end of the year. From a Credit view, we tried to invest in higher-rated bonds and focused on targeting specific industries. Specifically, we were underweight energy in the beginning of 2015, and we decided later in the year to position the portfolio even more underweight energy by selling our $150,000 position in KMI in October.

From April to September, BASIS performed better than our benchmark by 40 bps. In April and May, we underperformed, but we were well-positioned for the summer as we outperformed every month during that three month time frame. September continued the trend with another strong outperformance of 27 bps. The second half of 2015 was an interesting time to be a fixed income investor. Anticipation of Federal Reserve hikes, concern of Greece leaving the Euro, and effects of Chinese currency devaluations were all exciting themes that provided the group with interesting opportunities.

In April, we saw crude oil bounce off the lows and return toward $60 per barrel. Many were expecting that trend would continue as energy bonds and stocks fared well during April. GDP came in much lower than expected and began to give people doubts about the actual strength of the economy and whether the Fed would actually hike in 2015. The ECB's QE program was in full effect by this time and was causing a massive European fixed income rally as German Bunds touched an all-time low of 7.5 bps. However, beneath the surface, the Greek situation was destabilizing as actual default became a real possibility. BASIS underperformed 16 bps in April as credit rallied against our underweight credit positioning.

May was highlighted by the furious rally in the Shanghai Composite, leading many to suspect a bubble was forming. German Bund yields ripped higher off their all-time lows in yield as a crowded trade unwound quickly. US growth was again revised lower which pushed Fed hike expectations out again. Towards month-end, Greece became the topic on everyone's mind as the Greek government and its creditors still couldn't reach an agreement. Again, BASIS underperformed in May led by poor performance in our Treasuries sector that was offset by outperformance in Financials.

In June, commodity price weakness took center stage as base metals were sliding hard on China concerns. Also, China's equity market bubble couldn't be sustained, and fast declines were seen in Chinese equities. The Chinese government intervened significantly as the government bought shares directly and imposed short-selling bans. Interest rates were choppy lacking direction as the market was generally held hostage by the Greece situation and what the Fed was planning to do. Commodity concerns mounted and the underperformance of commodities exposed sovereign debt in the index. Consequently, our major underweight position in SAS, as seen in Figure 5, provided some of our outperformance in June. Ultimately, we outperformed by 13 bps as risk aversion was taking hold and an underweight credit strategy was finally reaping benefits.

July was another interesting month. A solution to the Greece crisis was found. Economic data also indicated an improved economy, and bonds rallied as Chinese growth concerns were taking center stage. Commodities were still under significant pressure and emerging markets countries were facing two related economic shocks through a slower Chinese economy and lower commodity prices. July saw solid

performance from both IU and Financials as credit continued its summer sell-off and BASIS benefited from being underweight duration in those sectors. BASIS outperformed the index by 17 bps.

August was one of the most interesting months in years as volatility exploded higher with a surprise Chinese currency devaluation being blamed for inciting investor fear. Bonds rallied with a flight-to-quality trade as equity markets reeled from a particularly volatile end to the month. The VIX index surged to levels not seen since the initial Eurozone crisis. August was another positive month as BASIS outperformed by 9 bps, held back by a poor month from IU but bolstered by continued strong performance in Financials.

September saw equity markets calm down and rebound from the recent lows. Bonds however showed no signs of stopping and continued to rally. That was due to a particularly dovish September Fed meeting that shocked investors and pushed out rate hike expectation to 2016. Idiosyncratic credit risk also took center stage as many investors were becoming worried about large commodity trading houses such as Glencore that saw substantial declines in both its share and bond prices. We made a $100,000 investment in Goldman Sachs to increase our duration in the Financials sector, as seen in the Appendix. BASIS had its best month of the year as it returned 27 bps above the index. That was due to a very strong month for both Financials and IU due to our higher credit quality and low exposure to emerging markets versus the index.

In October, we made a few changes to our portfolio to bring us closer to our new desired positioning. In order to decrease our risk in the I/U sector and specifically in Energy, we sold our $150,000 investment in Kinder Morgan (KMI). We purchased $100,000 in Morgan Stanley and $100,000 in Northrop Grumman (NOC), as seen in the Appendix. We wanted to increase our duration in Financials and replace our risky KMI holding with NOC because it is a much safer credit. Ultimately, we underperformed by 38 bps due to our credit holdings. Certainly, we suffered with transaction costs, but we also underperformed overall in I/U, Financials, and SAS.

In November, the energy industry continued to suffer, and we benefitted since we were extremely underweight. Further, our Goldman Sachs and Morgan Stanley investments allowed us to take an overweight position in Financials, leading to substantial outperformance as Financials had a strong month. We underperformed in SAS due to our underweight duration position in the sector and credit rallied in November. November provided the greatest source of outperformance for BASIS versus the Index. We outperformed in every sector except for SAS, resulting in a total outperformance of 31 bps

In December, we reduced our underweight duration bet in the short end of the curve by purchasing $150,000 in a 5-year US Treasury. Also, we added credit duration in the 10 and 30 year bucket by purchasing $100,000 of the A-rated UPS. The contrast between Figure 2 and 4 (above) and Figure 3 and 5 (below) display the repositioning of the portfolio to fit our current strategy. We believe the Fed will find it difficult to hike a substantial amount in the current low growth world. Additionally, we believe long end rates can fall further as the market begins to price in an even more dovish Fed than is currently anticipated. Towards the end of 2015, the yield curve flattened, and BASIS benefited substantially since we were overweight duration. BASIS outperformed by 27 bps in December.

We wish to remain underweight credit and focus our buys on US-centric names. That is due to our belief that there will be poor revenue growth opportunities abroad and currency translation will continue to hurt many multinational names. We believe that emerging market exposure changed from a benefit to

a detriment, so we want to limit our holdings that have a lot of exposure to emerging markets. We will also review our current holdings that have substantial emerging markets exposure and determine if those credits still provide the proper risk/reward ratio in the current environment.

Figure 4: Duration Contribution (December 31)

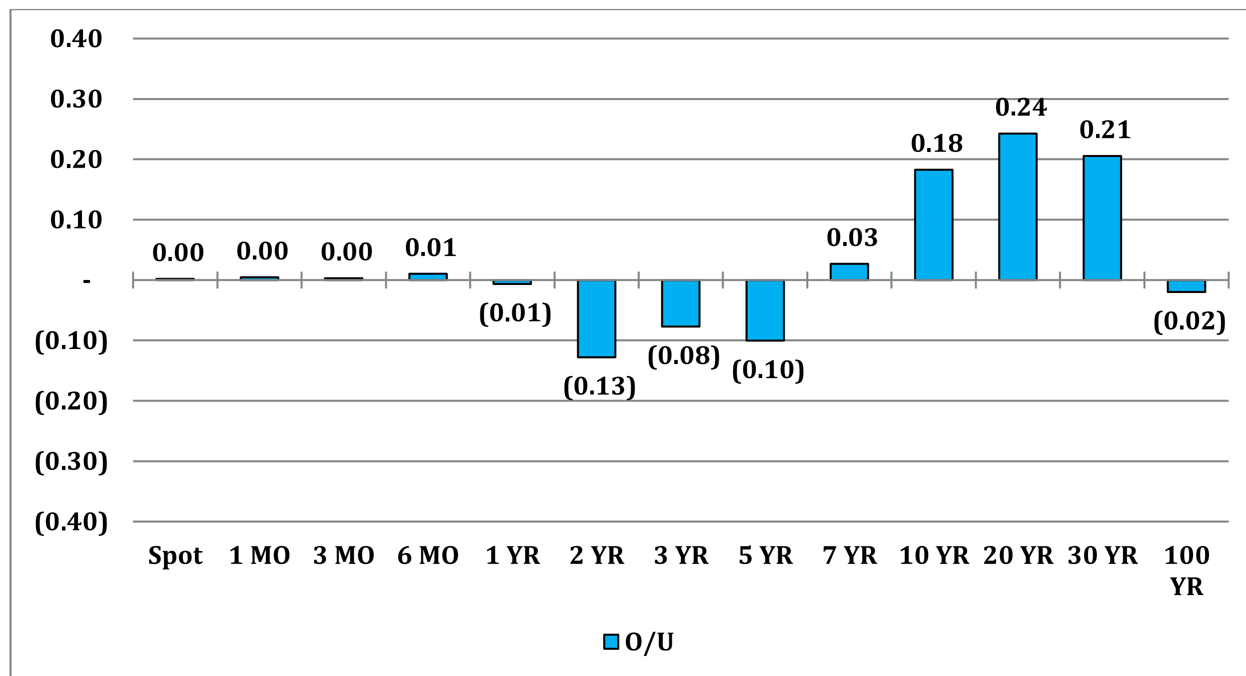
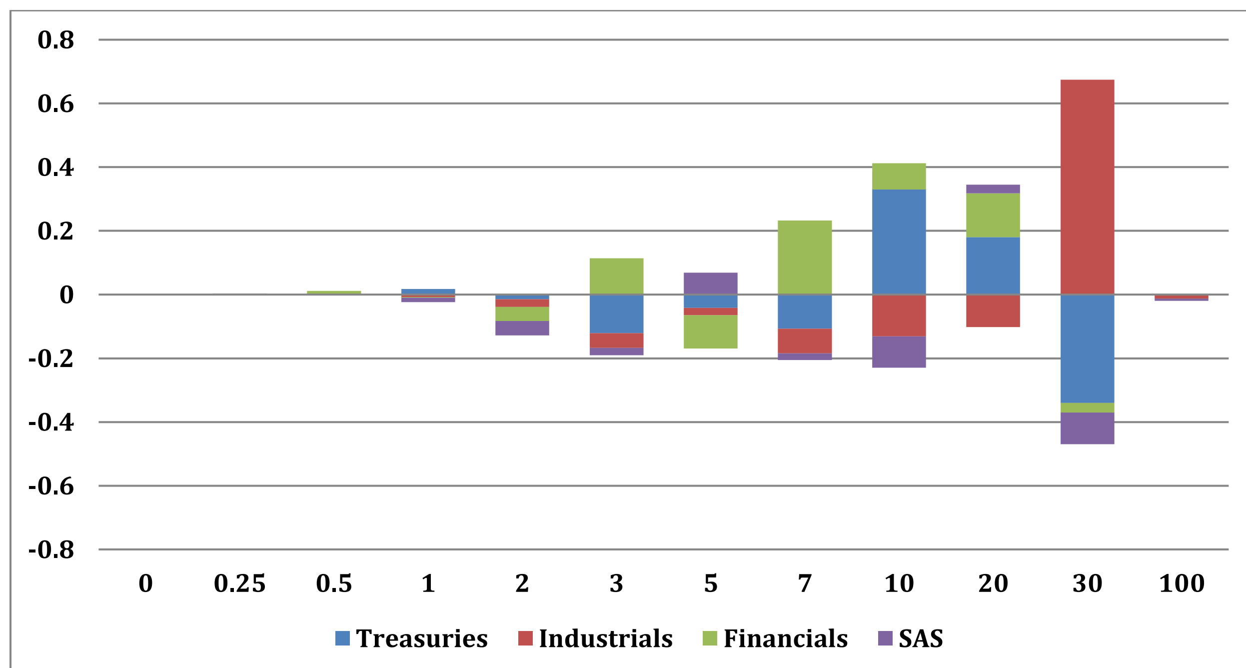


Figure 5: O/U Sector Duration Contribution (December 31)



Industrials & Utilities (I/U)

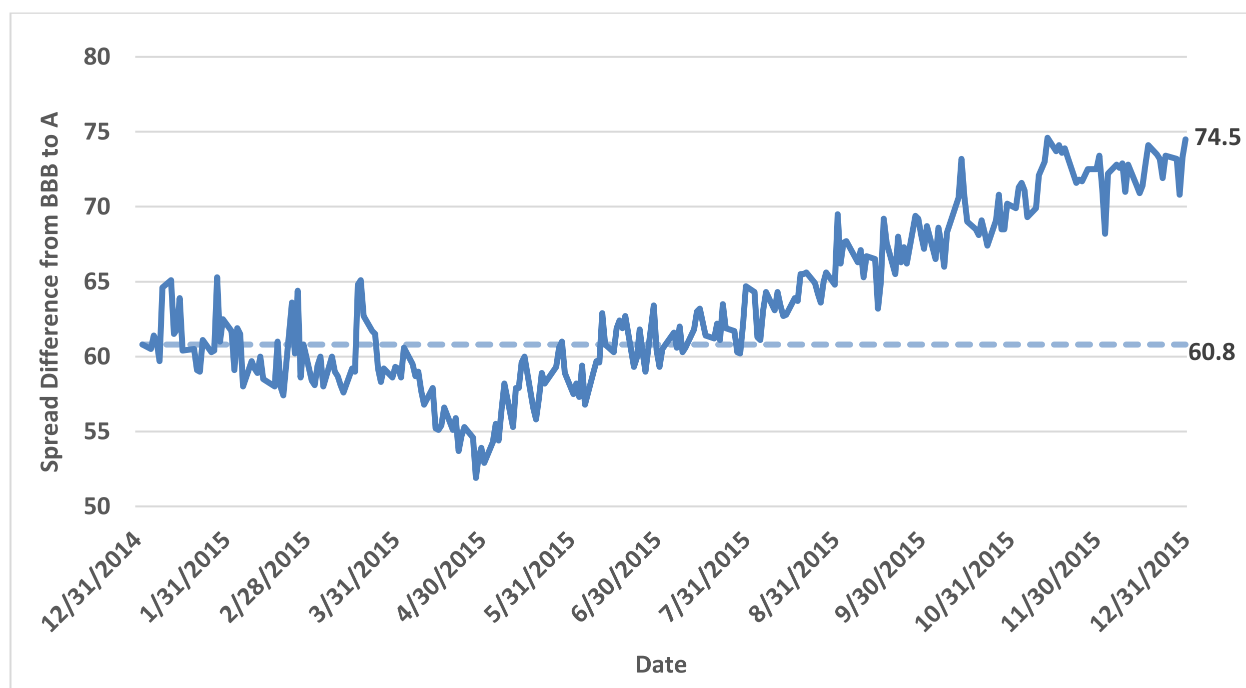
Sector Overview

During 2015, the I/U team remained active managing exposure to commodity based names while continuing to focus on US-centric long credit. That in conjunction with an overweight duration position led to an outperformance of 64 bps versus our index for the year. I/U saw the largest returns during the summer months and at year end, benefiting from equity market volatility and the subsequent risk off trade by other investors. The excess returns during this period were seen despite persistent credit underperformance throughout the year. We saw credit performance driven by a highly active M&A market and downward pressure on commodity prices. Notably Halliburton, Kinder Morgan Energy Partners, Potash, and Weyerhaeuser all experienced material weakness due to commodity prices and Actavis/ Allergan and Intel were the most influenced by M&A activity.

Performance

The beginning of 2015 brought slow economic growth both domestically and internationally. Nonetheless, the I/U sector outperformed by 13 bps in the first quarter of 2015, driven mostly by our neutral position against the index. Credit spreads began to widen as commodities continued to suffer and the outlook remained dim. We limited our exposure by selling Halliburton, electing to maintain an underweight position on the sector as a whole. However, KMI negatively drove our returns throughout the summer. With energy prices falling substantially, KMI's top line revenues fell dramatically. Our group was surprised because we regarded the name as safe from commodity moves due to its fee-based pipeline model. The decline in oil prices caused a dip in distributable cash flow to investors. Coupled with the performance of the subsector as a whole, KMI credit spreads increased dramatically. After reevaluating the holding, the group decided to sell the position due to our belief that downward pressure on commodities would continue over the next year.

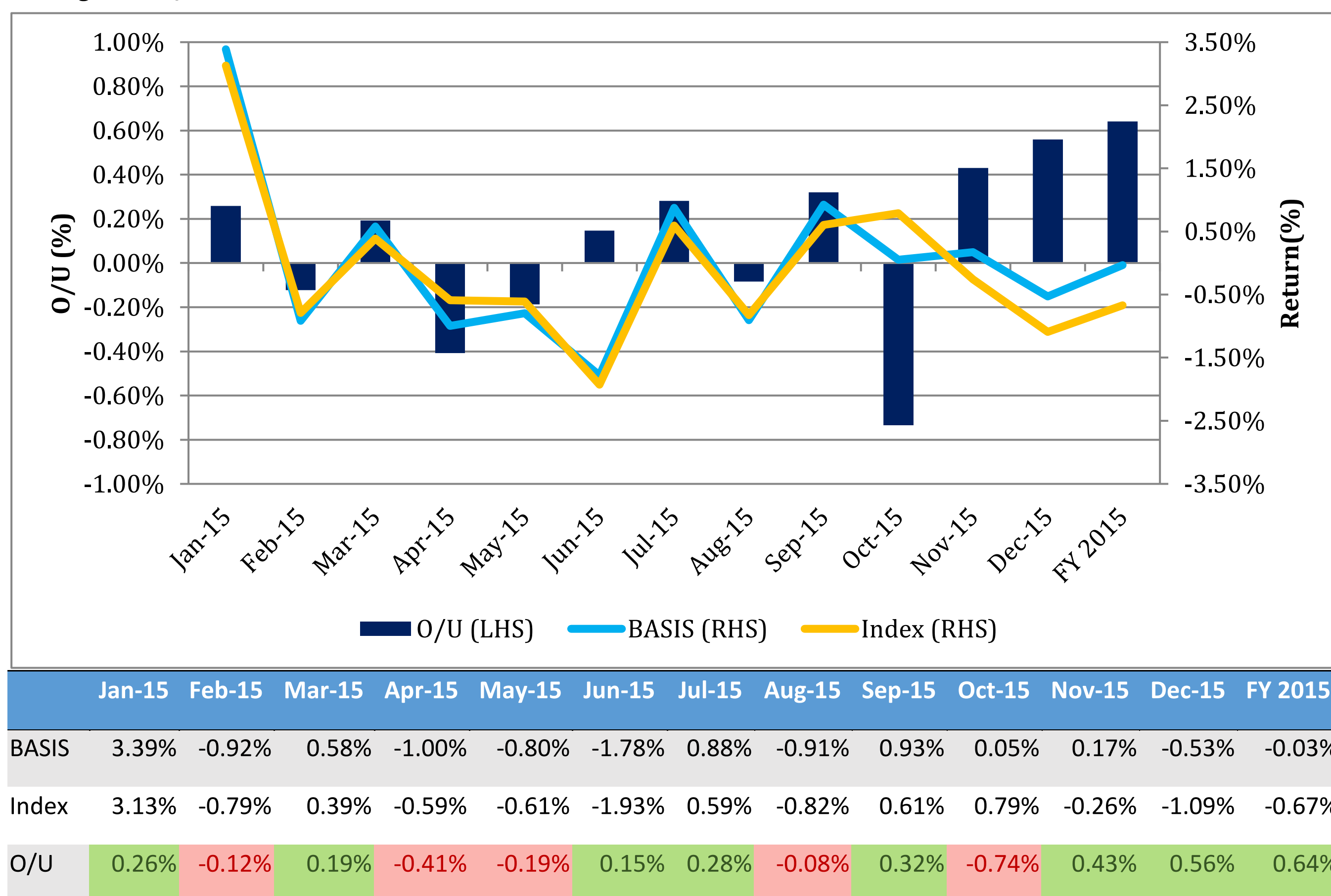
Figure 6: Analyzing the Change in Spread Difference between BBB and A rated IG Credit in 2015



In the second and third quarters of 2015, we saw spreads in the long end of the curve tighten, which was a positive for our portfolio because sizable amount of our IU holdings lie in longer duration buckets. Our underweight duration and overweight in solid US-centric names strategy helped strengthen our returns throughout the volatile summer months where credit persistently underperformed. As shown by Figure 6, we began to see spreads widen between BBB-rated US industrial corporate bonds and A-rated US industrial corporate bonds. That widening helped our performance as we remained overweight higher-rated credit and continued focusing our purchases on such names.

Year-end brought continued volatility and spread widening, spurred by record M&A totaling $1.75 trillion in 2015 and concerns over slowing global growth. Our US centric overweight duration positioning outperformed the index by 20 bps in the fourth quarter. We benefited from Pfizer's announced acquisition of Allergan and the subsequent tightening Allergan's bonds experienced from the implied ratings benefit if the acquisition is successful.

Figure 7: I/U Return vs. Index



	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	FY 2015
BASIS	3.39%	-0.92%	0.58%	-1.00%	-0.80%	-1.78%	0.88%	-0.91%	0.93%	0.05%	0.17%	-0.53%	-0.03%
Index	3.13%	-0.79%	0.39%	-0.59%	-0.61%	-1.93%	0.59%	-0.82%	0.61%	0.79%	-0.26%	-1.09%	-0.67%
O/U	0.26%	-0.12%	0.19%	-0.41%	-0.19%	0.15%	0.28%	-0.08%	0.32%	-0.74%	0.43%	0.56%	0.64%

Holdings

Table 4: I/U Holdings

Security	% of Sector
CSCO 5 1/2 02/22/16	3.69%
EL 5.55 05/15/17	2.58%
EXC 6.2 10/01/17	5.24%
POT 3 1/4 12/01/17	2.50%
F 6 1/2 08/01/18	4.34%
PG 4.7 02/15/19	3.44%
EMR 5 04/15/19	2.15%
SYK 4 3/8 01/15/20	2.65%
CBS 5 3/4 04/15/20	5.44%
XOM 8 5/8 08/15/21	4.76%
ECL 4.35 12/08/21	5.21%
EQR 4 5/8 12/15/21	5.26%
AGN 3 1/4 10/01/22	4.70%
VZ 5.15 09/15/23	8.05%
WMT 7.55 02/15/30	3.41%
DE 8.1 05/15/30	3.08%
WY 7 3/8 03/15/32	6.07%
UPS 6.2 01/15/38	3.02%
INTC 4.8 10/01/41	2.52%
WMT 4 3/4 10/02/43	5.35%
IP 4.8 06/15/44	4.48%
NOC 3.85 4/15/45	3.02%
EIX 3.6 02/01/45	4.41%
ORCL 4 1/8 05/15/45	4.63%

Recent Trades

The IU sector remained active this year purchasing four bonds and selling three positions. On May 6th, we purchased 100 bonds of the 4.8% 2044 International Paper issuance for $97.35 and 100 bonds of the 4.125% 2045 Oracle issuance for $96.395. On October 27th, we purchased 100 bonds of the 3.85% 2045 Northrup Grumman issuance for $92.20. On December 17th, we purchased 100 bonds of the 6.2% 2038 UPS issuance for $131.26.

On February 27th, we sold 100 bonds of the 3.25% 2021 Halliburton issuance for $105.23 and 50 bonds of the 3.25% 2020 EBay issuance for $101.87. On October 13th, we sold 150 bonds of the 5.5% 2044 Kinder Morgan issuance for $82.73.

Looking Ahead

Currently, we are maintaining an underweight credit strategy and will move away from companies with global exposure. Instead, we will focus on US-centric credits (the motivation for which is addressed in the rates portion of this report). We feel that the US will continue to be the strongest economy on a relative basis and would like to avoid unnecessary volatility that will be associated with credit that have significant foreign exposure. Additionally, we plan to diversify and enter sectors that BASIS has historically either not had a position in or been underweight versus the index. For example, we are interested in the defense industry because of the stability the sector offers during time of potential economic downturn. As we enter into a time where Russia, China and the Middle East become more and more unpredictable, we believe that Western governments will begin to revamp their spending on national defense to deal with the concerns of their citizens.

In light of year end market turmoil, we plan to reevaluate all our holdings to make sure that they still are in line with our original investment thesis when they were bought. We can focus all our efforts on holding superior credits and removing credits from our holdings that have deviated from our original investment theory or whose justification no longer is consistent with the global economic environment.

Financials

Sector Overview

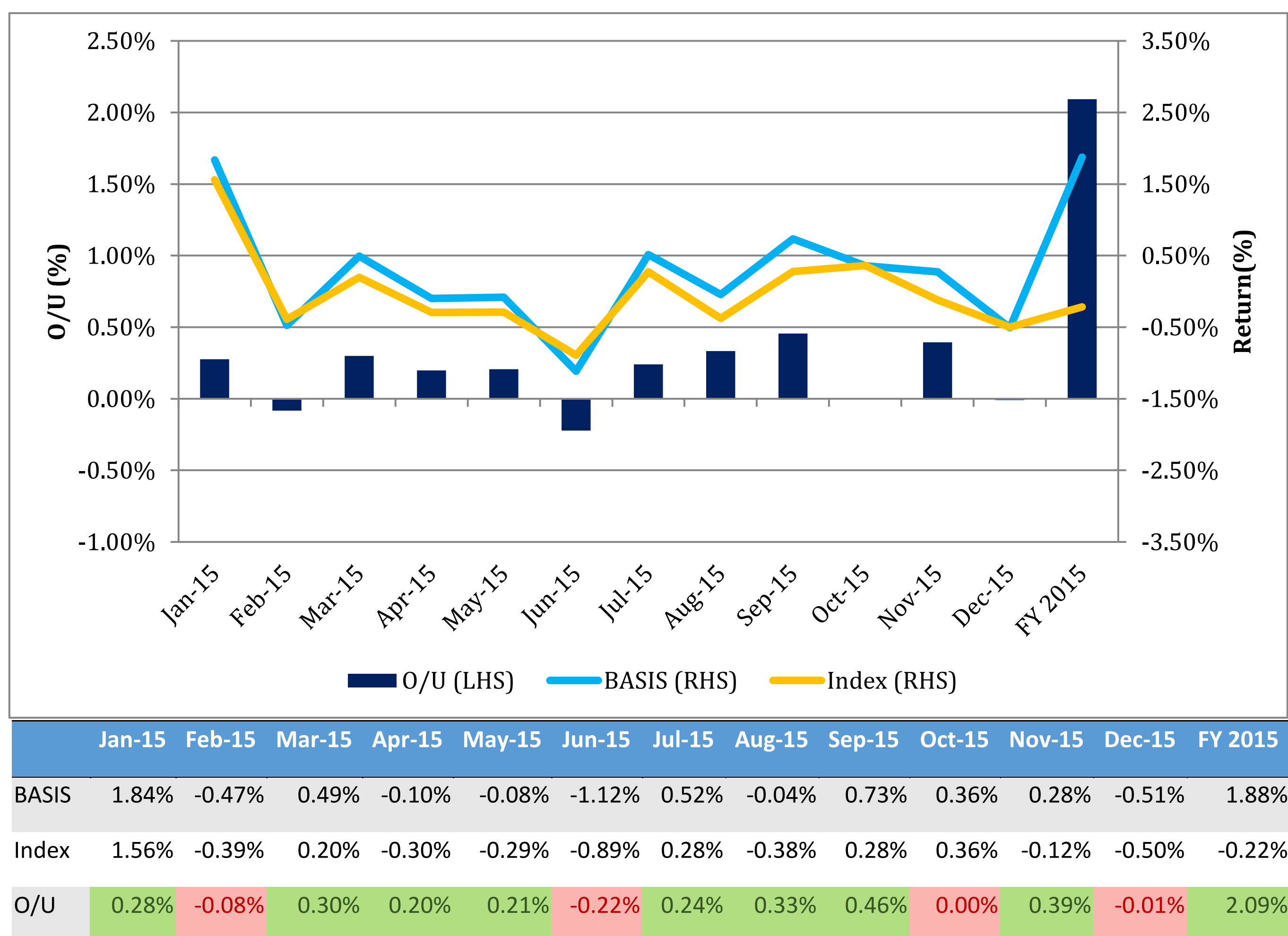
The Financials portfolio performed exceptionally well relative to the index in 2015. We outperformed the index by 2.09% for the year. Key months of outperformance were September and November where we outperformed the index by 0.46% and 0.39%, respectively, as seen in Figure 8. We attribute our recent strong performance to our effective portfolio strategy. In the latter half of 2015, we continued to increase our exposure to non-commercial banking holdings. Those moves increased the divergence between our portfolio and the index's commercial banking positioning.

As expected, the Fed hiked interest rates during December. It was our belief that additional interest rate hikes would be gradual in 2015 and 2016. Consequently, we focused on adding exposure to fee-based Financials companies and holding constant our exposure to banks with greater interest revenues.

Performance

High levels of M&A, IPOs, and debt issuance benefited our investment banking holdings that experienced significant spread tightening toward the end of 2015.

Figure 8: Financials Return vs. Index



	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	FY 2015
BASIS	1.84%	-0.47%	0.49%	-0.10%	-0.08%	-1.12%	0.52%	-0.04%	0.73%	0.36%	0.28%	-0.51%	1.88%
Index	1.56%	-0.39%	0.20%	-0.30%	-0.29%	-0.89%	0.28%	-0.38%	0.28%	0.36%	-0.12%	-0.50%	-0.22%
O/U	0.28%	-0.08%	0.30%	0.20%	0.21%	-0.22%	0.24%	0.33%	0.46%	0.00%	0.39%	-0.01%	2.09%

Towards the end of 2015, asset managers began to see increased net client cash outflows due to market uncertainty. The recent equity market selloff also has cut total AUM, which will ultimately put downward pressure on revenues. Concerns over slow global economic growth and commodity prices caused volatility to spike in the summer of 2015 and may continue to have this effect going forward as those concerns persist.

Solid loan growth and low net charge-offs benefited lenders in 2015. Regional banks that are significantly exposed to energy are the most likely firms to see dramatic increases in charge-offs. Recent consumer data has given our sector confidence that retail lending in the United States should maintain stable credit quality.

Holdings

Table 5: Financials Holdings

Security	% of Sector
AMG 3.5 8/1/2025	6.85%
BX 5 6/15/2044	3.66%
COF 3.5 6/15/2023	7.09%
GE 6.75 3/15/2032	4.80%
RABOBK 3.875 2/8/2022	3.75%
GS 5.75 10/1/2016	3.57%
GS 3.625 1/22/2023	7.21%
JPM 6.3 4/23/2019	6.18%
LNC 8.75 7/1/2019	10.55%
MS 4.875 11/1/2022	7.68%
MS 7.25 4/1/2032	8.15%
NRUC 10.375 11/1/2018	3.66%
PNC 6.7 6/10/2019	3.35%
STANLN 6.4 9/26/2017	7.62%
AMTD 5.6 12/1/2019	8.23%
WFC 5.75 6/15/2017	3.80%
WFC 5.625 10/15/2016	3.86%

Recent Trades

Since April, Financials has made three $100,000 purchases: Affiliated Managers Group, Goldman Sachs, and Morgan Stanley. The purchase of 3.5% 8/1/2025 Affiliated Managers Group bonds increased our exposure to fee-based Wealth Managers, an area within the Financials sector we believed would perform well relative to banks if changes in interest rates are minimal. We also purchased 100,000 Goldman Sachs bonds that mature in 2023 to increase our duration contribution of the credit since our Goldman Sachs bonds mature in October 2016. Adding $100,000 of 7.25% 4/1/2032 Morgan Stanley

bonds not only increased the duration of the financials portfolio but added exposure to a company we believed could have more stable cash flows as it increased its Wealth Management business.

Looking Forward

We expect the key drivers in Financials for 2016 to be central bank monetary policy, global economic growth, and regulation. If central banks around the world continue to lower benchmark rates and the Fed fails to hike significantly, commercial banks will suffer. Additionally, if global growth continues to underwhelm, Financials will suffer because there will likely be higher default rates for lenders, lower issuance adversely affecting investment banking fees, and decreased AUM for asset managers as investors withdraw funds. Regulation has played a large role in the financial industry in 2015 and will likely be a key driver in 2016 as well. Strict government regulation has led diversified banks to move away from more capital intensive businesses such as fixed income trading and investment banking. In 2015, we saw major banks such as Morgan Stanley and Credit Suisse drastically reduce their fixed income trading operations. As banks continue to simplify their balance sheets and reduce their trading operations, we see a reduction of liquidity in the bond market. Regulation should be credit positive for our commercial bank holdings, however, which will become safer and lower default risk for us as bondholders.

Another threat to the financials industry as a whole are new entrants to the industry. Recently, robo-advising has caused ripples in the Wealth Management industry. We believe that robo-advisers like Betterment and Wealthfront could threaten the market share of traditional Wealth Managers in the long term. However, older generations that still control most of the wealth in America are not as comfortable as Millennials are with a software program managing their retirement savings. Commercial banks are also vulnerable to the threat of new entrants in lending services. Startups like Kabbage lend to small business with flexibility and quick decision-making. Other startups perform the same services for individuals. While a bank may take weeks to make a loan, those startups lend in a matter of minutes. CEO of JP Morgan, Jamie Dimon, warned shareholders this past April of the Silicon Valley threat. Dimon said that the firm is working on improving their services in order to compete with Financial Technology startups. Also, Dimon mentioned that JP Morgan would be comfortable partnering with startups where it makes sense. Overall, we believe that BASIS' Financials portfolio is relatively better positioned for those threats as many of our holdings such as Capital One and Goldman Sachs have placed an emphasis on technology.

Emerging markets are also a point of concern. Our portfolio has minimal exposure to emerging markets. Nonetheless, Standard Chartered is one of the most emerging-markets-exposed holdings in the entire BASIS portfolio. The U.K.-based bank earns roughly 30% of its operating income from Greater China and about 10% from the oil-reliant region of the Middle East, North Africa, and Pakistan. Fortunately, our $100,000 in Standard debt matures in less than two years and has not seen drastic spread movements as the bank's long term debt has. Standard Chartered's new CEO Bill Winters, has been aggressively cutting costs and reducing the bank's risk weighted assets since he took office this past June. Although Standard Chartered has been one of the top performers in the Financials portfolio, our Financials team is actively evaluating our position in Standard Chartered and accessing the risk associated with emerging markets exposure going into 2016.

The Financials sector will continue to align with the investment outlook of BASIS for 2016, shifting the portfolio to more US-centric names with higher credit ratings. Our analysts have also thoroughly reviewed how our holdings are exposed to the oil and energy industry.

Rates Sector

The Treasuries and SAS sectors have been combined into one Rates sector. We feel this organization is better for the portfolio due to the SAS being the smallest part of our portfolio and the fact that the two sectors are usually driven by the same global risk factors.

Treasuries

Sector Overview

Longer term US interest rates have been broadly stable throughout 2015. Ten year yields began the year at 2.11% and ended the year up 15 bps at 2.26%. The bigger moves have been in the short end of the curve as 2yr yields sold off from 0.66% to 1.04%. That move was led by the Fed commencing the interest rate cycle as the initial interest rate hike occurred in December. Markets initially were expecting a September hike, but after global market weakness and China concerns, the Fed waited until December. Markets calmed down and there was little surprise or market reaction to the long-awaited initial hike.

Short term US rates now reside in a 0.25% to 0.5% range. That is achieved by using interest on excess reserves (IOER) as the ceiling and the Fed's new overnight reverse repo program (ON RRP) as the floor. The Fed has indicated that those two tools will serve as the new mechanism for setting interest rates. Additionally, the Fed has not reduced its holdings of Treasuries or mortgage-backed securities (MBS). The Fed has indicated that will occur once short term rates have reached a more normal level. For now, the Fed reinvests the proceeds from its Treasuries and MBS holdings.

The past year was an interesting year from a macroeconomic perspective. It started off relatively quietly; however, market volatility picked up substantially over the summer. Greek default concerns came back to center stage as a last minute deal between Greece and its creditors was reached to avert a default.

China also took center stage with a huge equity sell-off, surprise currency devaluation, and slowing growth becoming concerns for investors around the globe. China still remains a constant risk for investors as the world must find a new engine for global growth. Additionally, Chinese policy makers offer little clarity on their policy actions. That is good for the Treasury market as investors remain worried about further currency weakness.

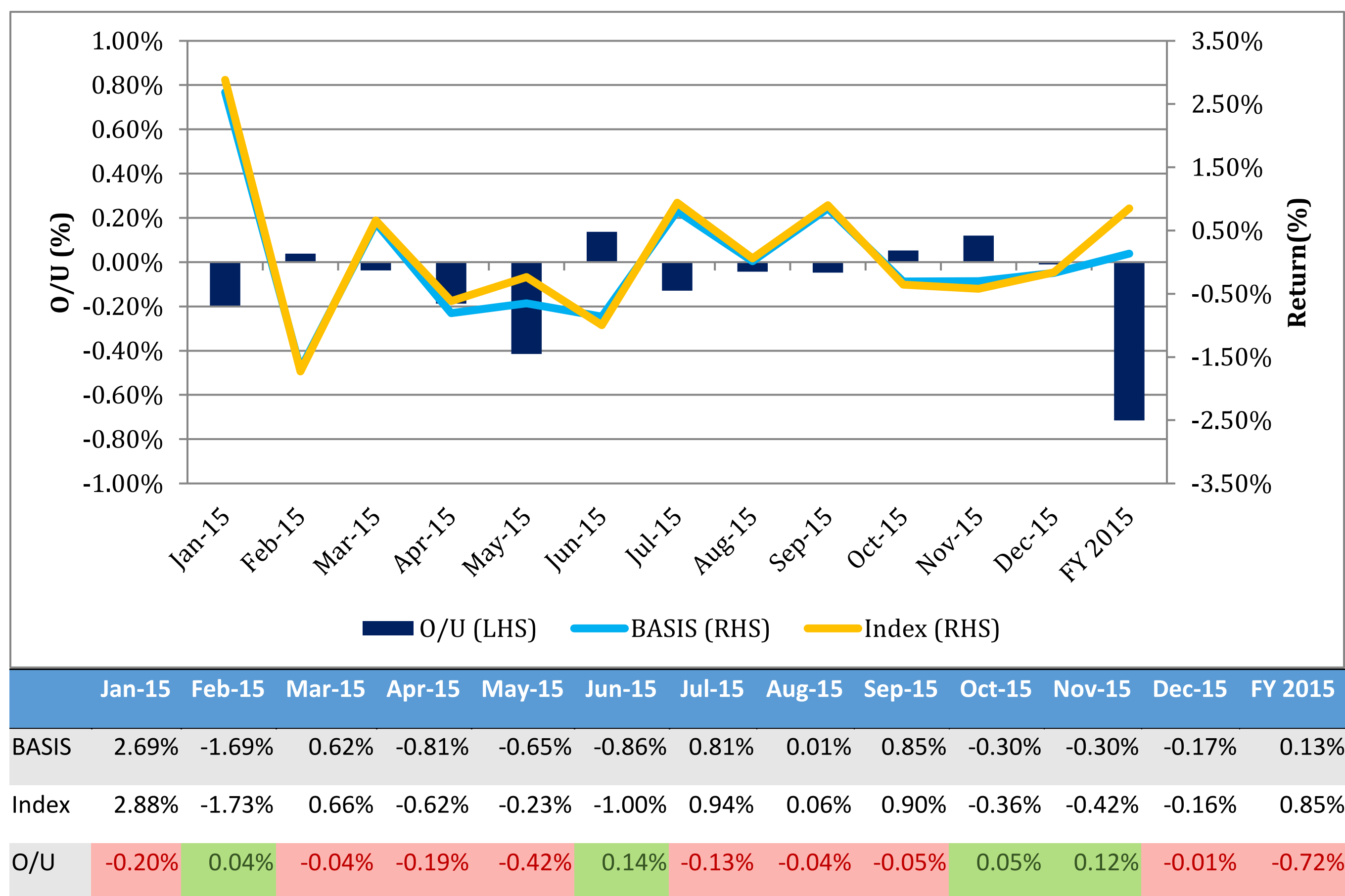
Oil has been the other large macro story of the year. Prices have continued to fall as the market remains oversupplied and demand has continued to be weak. That seems set to continue as OPEC refuses to cut production and US shale producers must produce to avoid bankruptcy. As a result of the fall, oil-producing countries are now running deficits and have tapped into their Sovereign Wealth Funds to plug the deficit gap. This is likely a key reason for the fall in global equity prices, rise in credit spreads, and stability of US Treasury yields even though the Fed has undertaken an interest rate hike.

Performance

The Treasuries sector underperformed approximately 72 bps in 2015. The majority of the underperformance was due to a poor start to the year. The sector rebounded slightly towards the end of the year with positive months in October and November. Flight to quality did not help the Rates sector as the sector was underweight duration in the second half of the year. That was due to the group selling long duration Treasuries to fund our purchases of long duration credit. The Rates sector positioning moved from a flattener towards a more balanced view before the summer as a result of those credit purchases.

The Rates sector's previous bull flattener and overweight duration positioning hurt the sector substantially in May as the Treasury curve sold off and steepened. That was the sector's worst performing month of the year. The group maintained the flattener positioning on an overall duration basis, but the majority of the duration was found in the I/U sector as a result of those trades. The Rates sector is currently underweight duration as we sold off long end Treasury bonds to buy long end corporates. This shifted our Rates sector overweight duration positioning at the beginning of the year to the current Rates sector underweight duration positioning.

Figure 9: Treasuries Return vs. Index



	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	FY 2015
BASIS	2.69%	-1.69%	0.62%	-0.81%	-0.65%	-0.86%	0.81%	0.01%	0.85%	-0.30%	-0.30%	-0.17%	0.13%
Index	2.88%	-1.73%	0.66%	-0.62%	-0.23%	-1.00%	0.94%	0.06%	0.90%	-0.36%	-0.42%	-0.16%	0.85%
O/U	-0.20%	0.04%	-0.04%	-0.19%	-0.42%	0.14%	-0.13%	-0.04%	-0.05%	0.05%	0.12%	-0.01%	-0.72%

Recent Trades

Please see the Appendix for a list of the recent trades and Treasuries holding.

Looking Forward

BASIS remains positive on a long duration position. The group's macroeconomic outlook is bearish and as a result we are looking to maintain our overall bull flattener duration positioning. Large risks are still present and are unlikely to be resolved quickly. A larger Chinese growth slowdown seems likely as a result of their demographic and debt situation. Additionally, a further Chinese devaluation continues to loom. That would be a large policy shift with broad implications. Ultimately, it will be hard for the world to break out of the current low growth environment with China slowing down. That will be a drag for years

to come and should support Treasuries. The divergence between Fed policy and other major central banks will likely provide further USD strength. That will continue to hurt the US economy and will make it hard for the Fed to reach the 3.5%-4% terminal rate they currently expect.

As a result of our macro view, we believe a bull flattener is the best overall duration positioning for the portfolio. The market does not expect the Fed to follow through with the guidance they have provided in terms of future rate hikes. We believe the Fed will not hike four times next year, which was the median dot expectation from their December meeting. However, we do believe they will hikes rates and signal future monetary policy at a faster rate than the extremely dovish market pricing of only one rate hike in all of 2016. As laid out previously, we feel that will be a mistake as global growth and inflation should remain anemic with large risks emanating from China and other emerging markets countries. In this “policy mistake” environment, we expect long-duration Treasuries to perform well due to investors’ fear of a Fed mistake that will force the Fed to cut rates before meeting their expected terminal rate. Additionally, we feel that there exists tail risks towards the down-side for global markets. This is why we will continue to hold an overall overweight duration positioning in order to benefit from markets that could become quickly unsettled by the risk factors we have discussed.

A major risk is that Treasury bonds are weak as a result of large scale selling from Sovereign Wealth Funds and other reserve managers who attempt to keep their currency stable. The largest and most worrisome of those is China, who has likely run through $1 trillion in FX reserves over the past year. BASIS thinks that has been a factor recently and will likely continue to hurt the market. However, we feel that the macroeconomic environment is the more important consideration for the market and yields will likely head lower over time as the world adjusts to lower growth and inflation for the foreseeable future.

SAS

Sector Overview

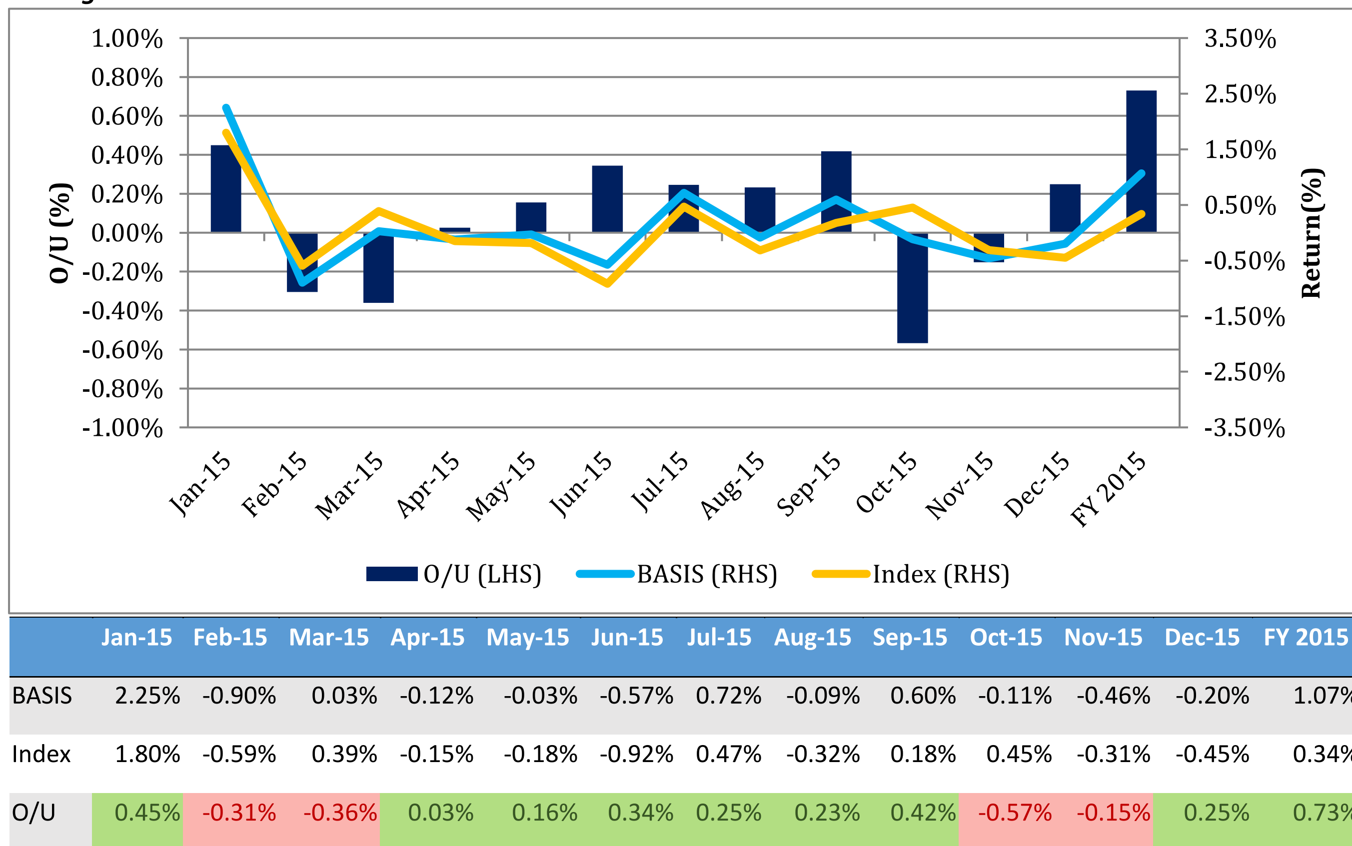
SAS has performed well as BASIS maintains a low risk profile overall versus our SAS index. Most of SAS consists of US Agencies that offer low spread and mostly trade like US Treasuries. Those bonds have benefited from the recent risk-off environment. BASIS's riskier holdings consist of Qatar, TVA, and British Columbia. British Columbia has weakened substantially as a result of the oil sell off. Qatar has remained relatively stable throughout 2015 even with the oil price fall and an increase in geo-political risks in the Middle East.

Many emerging market countries in the SAS universe have performed very poorly recently. That pressure is the result of oil prices continuing to fall as many countries rely on oil and other commodity-based revenue for a significant portion of their revenue. Even countries that are not reliant on commodity revenue are finding themselves in a tough environment as the stronger USD has hurt issuers of USD debt. A stronger dollar will likely continue to have negative effects for emerging markets countries as their currencies continue to sell off.

Performance

The SAS sector outperformed its benchmark for 2015, beating the index by 73 bps. Most of the outperformance was during the April-September period. That was likely due to the sector's shorter duration and lower credit risk profile. That period was a tough environment for many of the benchmark index's holdings as they were not reacting well to the continuously falling price of oil.

Figure 10: SAS Return vs. Index



	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	FY 2015
BASIS	2.25%	-0.90%	0.03%	-0.12%	-0.03%	-0.57%	0.72%	-0.09%	0.60%	-0.11%	-0.46%	-0.20%	1.07%
Index	1.80%	-0.59%	0.39%	-0.15%	-0.18%	-0.92%	0.47%	-0.32%	0.18%	0.45%	-0.31%	-0.45%	0.34%
O/U	0.45%	-0.31%	-0.36%	0.03%	0.16%	0.34%	0.25%	0.23%	0.42%	-0.57%	-0.15%	0.25%	0.73%

Notably, SAS performed well in August and September, the two most volatile months of the year for markets. Additionally, its worst month was October when markets rallied strongly as China devaluation and Fed risks in August and September receded. SAS should continue to perform well in a risk-off environment as the index features more oil-sensitive and commodity-sensitive credits.

Recent Trades

SAS had two securities mature in 2015. Both of those were US Agency holdings. The money received was used to fund corporate and Treasury bond purchases at the end of the year to move the overall portfolio duration more in line with our view. Please see the Appendix for a full list of SAS holdings.

Looking Forward

BASIS remains underweight the SAS sector. Moving towards an overweight positioning by increasing our exposure to Agencies is something the Rates sector will further analyze. Those bonds have performed well this year and are a reason for the sector's outperformance. Liquidity has been a concern in the past for BASIS when trading certain Agencies. The group will analyze how big of an effect liquidity may have and see if we want to continue our current strategy of putting more exposure into Treasury bonds instead of higher returning but less liquid Agency bonds.

Other SAS opportunities, most notably certain Sovereign bonds, are essentially correlated to how oil and other commodities will do. That makes for a tough investing environment in those specific credits. The group does not have a strong opinion on oil and will continue to avoid the commodity sensitive names in the sector. Qatar and British Columbia do represent risks; however, we feel those credits are higher quality than many other names and will be able to withstand further commodity weakness.

SAS risk is mostly concentrated in interest rate risk as a result of the very low credit risk profile of the sector. BASIS sees little value in many sovereign securities and will likely remain substantially underweight the sector despite the 94 bps excess performance relative to Treasuries in 2015. If global conditions change, BASIS may find more opportunities outside the U.S., but as things currently stand, the group likes staying away from taking more credit and liquidity risk in the SAS sector.

Placement

BASIS had another successful year of placement in 2015. We saw growth in the market for students with first time interviews at T. Rowe Price, increased Vanguard interactions, strong on-going placement at GS, and first-time full-time placements at RBC Capital Markets and Brown Advisory.

Full-Time		Internship	
BAML	Capital Markets (1)	BAML	Research (1)
Brown Advisory	Research (1)	BB&T*	Investment Banking (1)
Capital One	Corporate Banking (2)	Brown Advisory*	Research (1)
Citi	Sales and Trading (2)	Deloitte*	Consulting (1)
Citi	Capital Markets (2)	Genworth Financial*	Investments (1)
Computer Sciences Corporation	Treasury Advisor (1)	Goldman Sachs*	Investment Banking (1)
Ernst and Young	Consulting (1)	Goldman Sachs*	Sales and Trading (1)
General Electric – Energy	FMP (1)	IBM*	Computer Science (1)
International Paper	Engineering (1)	RBC Capital Markets*	Sales and Trading (1)
Patriot Investment Management	Financial Planning (1)	Harris Corporation	Financial Advisory (1)
Raymond James	Investment Banking (1)		

*Received full-time offer of employment for 2016.

Special Thanks

BASIS would like to thank the Virginia Tech Foundation, the Pamplin College of Business, and the Virginia Tech Finance Department for their continued support of the program. Additionally, we would like to show our appreciation to the BASIS Advisory Board and our alumni across the country for their ongoing guidance in the fund's direction and in our strong career placements. We recognize the 36 alumni who donated to the GEM Scholarship.

We also owe a debt of gratitude to corporate sponsors who provide us with financial support. We thank Altria for doubling their grant to us to fund our TTS training, Wells Fargo for matching the support of their employees and Fidelity for their contribution. Special thanks to Ben Marshall and Kevin Klose for continuing to lead the funding raising efforts for the GEM Scholarship Award that allowed at least 36 alumni to donate so that the scholarship funding was completed in the middle of the year.

Finally, we would like to thank the entire BASIS team for all of their perseverance and hard work throughout the year. Our faculty advisor, Dr. George Morgan has been invaluable in providing direction and in managing an extremely bright group of Hokies. With the passing of 2015, BASIS has grown tremendously from both a market awareness and competitive performance perspective. We hope to do all that we can to continue that upward trajectory into 2016.

Management Team

The management team responsible for the performance of the fund and for completion of this report is:

Will Coleman, Co-CEO

Christine Smith, Co-CEO

Danny Murray, CFO

Evan Christian, Sector Head, Credit (Industrials and Utilities / Financials)

Darren DesRoches, Sector Head, Rates (Treasuries and Sovereigns, Agencies and Supranationals)

Zarek Stafford contributed to the report as Chief Credit Offer

The faculty advisor for BASIS is Dr. George Morgan

bond
and
securities
investing by
students
BASIS

Appendix

Transactions in January – December 2015

Table 5: Transactions in January – December 2015

Matured Security	Coupon	Maturity	Market Value
US Treasury Note	2.500%	3/31/2015	$ 20,000.00
US Treasury Note	1.250%	8/31/2015	$ 100,000.00
Fannie Mae	4.375%	10/15/2015	$ 40,000.00
US Treasury Note	0.250%	12/15/2015	$ 60,000.00
US Treasury Note	1.250%	10/31/2015	$ 100,589.20
Freddie Mac	4.750%	11/17/2015	$ 51,149.40
US Treasury Note	0.250%	12/15/2015	$ 60,042.67

Security Sold	Sale Date	Coupon	Maturity	Size	Market Value
Halliburton	2/27/2015	3.250%	11/15/2021	100	$ 105,234.03
EBAY	2/27/2015	3.250%	10/15/2020	50	$ 51,877.43
US Treasury Bond	3/6/2015	3.000%	11/15/2044	20	$ 20,758.48
US Treasury Bond	3/6/2015	3.125%	8/15/2044	40	$ 42,211.91
US Treasury Note	3/6/2015	2.750%	2/28/2018	30	$ 31,401.82
US Treasury Bond	5/6/2015	5.000%	5/15/2037	60	$ 83,389.95
US Treasury Bond	5/6/2015	2.750%	11/15/2042	80	$ 77,513.88
US Treasury Note	5/6/2015	4.250%	8/15/2015	50	$ 51,049.70
US Treasury Note	5/13/2015	2.750%	2/15/2024	100	$ 105,094.29
US Treasury Note	5/13/2015	2.375%	8/15/2024	90	$ 91,493.44
Kinder Morgan	10/13/2015	5.500%	3/1/2044	150	$ 124,106.25

Security Purchased	Purchase Date	Coupon	Maturity	Size	Market Value
Capital One	2/27/2015	3.500%	6/15/2023	100	$ 103,368.06
US Treasury Note	3/2/2015	2.000%	2/15/2025	50	$ 49,747.33
US Treasury Bond	3/2/2015	3.000%	11/15/2044	20	$ 21,583.70
US Treasury Bond	3/4/2015	5.000%	5/15/2037	100	$ 42,839.65
Southern California Edison	3/6/2015	3.600%	2/1/2045	100	$ 96,817.00
Affiliated Managers Group	5/6/2015	3.500%	8/1/2025	100	$ 99,213.56
International Paper	5/6/2015	4.800%	6/15/2044	100	$ 99,296.67
Oracle	5/6/2015	4.125%	5/15/2045	100	$ 96,463.75
US Treasury Note	5/13/2015	2.125%	5/15/2025	190	$ 187,521.17
Goldman Sachs	9/24/2015	3.625%	1/22/2023	100	$ 102,708.65
Morgan Stanley	10/20/2015	7.250%	4/1/2032	100	$ 31,607.00
NOC	10/27/2015	3.850%	4/15/2045	100	$ 92,200.42
UPS	12/17/2015	6.200%	1/15/2038	100	$ 131,236.00
US Treasury Note	12/18/2015	1.625%	11/30/2020	150	$ 49,811.74

List of Holdings as of December 31, 2015

Table 6: List of Holdings as of December 31, 2015

Security	Coupon	Maturity	End of December Market Value	CUSIP
Allergan	3.250%	10/1/2022	$ 98,315.00	942683AF0
Affiliated Managers Group	3.500%	8/1/2025	$ 95,115.00	008252AN8
Blackstone	5.000%	6/15/2044	$ 51,049.00	09256BAG2
Capital One	3.500%	6/15/2023	$ 99,389.00	14040HBD6
CBS	5.750%	4/15/2020	$ 110,996	124857AD5
Cisco Systems	5.500%	2/22/2016	$ 75,478.50	17275RAC6
Rabobank	3.875%	2/8/2022	$ 52,769.00	21685WDD6
Deere	8.100%	5/15/2030	$ 63,359.55	244199AZ8
Ecolab	4.350%	12/8/2021	$ 106,777.00	278865AL4
Emerson Electric	5.000%	4/15/2019	$ 43,633.60	291011BA1
Equity Residential	4.625%	12/15/2021	$ 108,528.00	26884AAZ6
Estee Lauder	5.550%	5/15/2017	$ 52,643.50	29736RAB6
Exelon Generation	6.200%	10/1/2017	$ 106,692.00	30161MAE3
Federal Home Loan Bank	4.625%	9/11/2020	$ 140,212.50	3133XD4P3
Fannie Mae	5.375%	6/12/2017	$ 53,104.00	31359MZC0
Ford Motor	6.500%	8/1/2018	$ 88,556.80	345370BX7
General Electric	6.750%	3/15/2032	$ 65,330.50	36962GXZ2
Goldman Sachs	5.750%	10/1/2016	$ 48,472.98	38141GER1
Goldman Sachs	3.625%	1/22/2023	$ 101,136.00	38141GRD8
Intel	4.800%	10/1/2041	$ 52,124.00	458140AK6
International Bank for Reconstruction and Development	5.000%	4/1/2016	$ 101,185.00	4590568Y6
International Paper	4.800%	6/15/2044	$ 90,972.00	460146CK7
JP Morgan	6.300%	4/23/2019	$ 84,097.50	46625HHL7

Lincoln National	8.750%	7/1/2019	$	144,122.40	534187AX7
Mobil	8.625%	8/15/2021	$	94,422.96	607059AT9
Morgan Stanley	4.875%	11/1/2022	$	106,125.00	6174824M3
Morgan Stanley	7.250%	4/01/2032	$	131,055.00	617446HD4
National Rural Utilities Cooperation	10.375%	11/1/2018	$	48,799.60	637432LR4
Northrop Grumman	3.850%	4/15/2045	$	89,859.00	666807BJ0
Oracle	4.125%	5/15/2045	$	94,819.00	68389XBF1
PNC Funding	6.700%	6/10/2019	$	45,719.60	693476BF9
Potash	3.250%	12/1/2017	$	51,086.00	73755LAJ6
Procter & Gamble	4.700%	2/15/2019	$	70,824.00	742718DN6
Province of British Columbia	2.000%	10/23/2022	$	48,569.50	11070TAB4
Qatar	5.250%	1/20/2020	$	110,475.00	74727PAK7
Southern California Edison	3.600%	2/1/2045	$	90,566.00	842400GE7
Standard Chartered	6.400%	9/26/2017	$	106,306.00	853250AB4
Stryker	4.375%	1/15/2020	$	53,789.50	863667AB7
TD Ameritrade	5.600%	12/1/2019	$	111,426.00	87236YAA6
Tennessee Valley Authority	4.650%	6/15/2035	$	56,002.50	880591DX7
UPS	6.200%	1/15/2038	$	128,265.00	911312AJ5
US Treasury Bond	5.000%	5/15/2037	$	109,634.40	912810FP8
US Treasury Bond	5.375%	2/15/2031	$	67,802.50	912810PU6
US Treasury Note	2.125%	5/15/2025	$	187,520.50	912828J27
US Treasury Note	2.000%	2/15/2025	$	48,877.00	912828NA4
US Treasury Note	1.625%	11/30/2020	$	149,109.00	912828M98
US Treasury Note	2.750%	2/28/2018	$	103,434.00	912828PE4
US Treasury Note	3.125%	4/30/2017	$	205,766.00	912828PS3
US Treasury Note	2.000%	4/30/2016	$	35,175.00	912828PY0
US Treasury Note	2.000%	1/31/2016	$	40,048.00	912828QF0

Verizon	5.150%	9/15/2023	$	164,899.50	92343VBR4
Wells Fargo	5.750%	6/15/2017	$	52,930.50	929903CH3
Wells Fargo	5.625%	10/15/2016	$	51,620.00	929903DT6
Wal-Mart	4.750%	10/2/2043	$	197,557	931142BF9
Wal-Mart	7.550%	2/15/2030	$	70,489.50	931142DK6
Weyerhaeuser	7.375%	3/15/2032	$	118,998.00	962166BR4
Cash (net of expense fee)			$	903.00	