

2007 Barron's Challenge

Using our statistical measures and our financial screens we put together a 'team' of companies from our LSGI portfolio to play in the 2007 Barron's Challenge. This contest requires the manager to run a relatively diversified portfolio over a six month period, using \$100,000 in hypothetical money. At the end of the contest the goal as manager is to add the most value.

By their nature these contests are inherently flawed. Psychologists tell us that investment losses are three times as painful as investment gains are pleasurable.

As a result many real money investors do not sell their losses timely, waiting for them to 'break even' using the rationale that a loss is not a loss until it is recognized. Hypothetical losses in a contest have no psychological impact on investor behavior since the money is not real.

The Barron's Challenge pitted us against 1,976 portfolios run by finance students and professors nationwide. Our portfolio came in sixth overall, and second in the professor category. Last year, out of an estimated 1,600 portfolio our portfolio came in third overall, and second in the professor category.

The fear of loss was present for each of our positions since we also held these positions in the LSGI Fund portfolio – and we still managed to place in the top 1% of all the actively managed portfolios both years.

The odds of us placing where we did two years in a row by random chance - against thousands of competitors - is similar to the odds of an individual being struck by lightning.

We maintain that certain sectors of the stock market are not efficient, and we have been able to capitalize on that fact, in both the contest and for investors over the longer term.



The Top Finishers

Students	College	Gain*
Felix Wang	Wharton/U. of Pa.	114.00%
Todd Banner	Memphis	34.95
Derek Zoch	Wharton/U. of Pa.	34.94
Mike Cagle	Georgia State	33.00
Stacy Mickerlie	Arizona State	32.00
Professors	College	Gain*
David Vaurio	St. Leo	34.00%
Joseph Dancy	Southern Methodist	33.00
Ron Smith	Wisconsin	29.00
Dennis Palkon	Florida Atlantic	27.00
Arnold Bemben	Brookdale Community College	22.00
S&P 500		4.00
Dow		3.30
Nasdaq		3.40

Oct. 30, 2006, to April 30, 2007

Source: Stock-Trak, Atlanta, Ga.