

➤ **Barron's Portfolio Management Challenge**

We placed second in the Professor Division and third overall in the Barron's Challenge portfolio management contest. *The Barron's Challenge* spanned six months and was open to full or part-time undergraduate and graduate students and professors at accredited U.S. colleges or universities. Prizes of \$1,500, \$1,000 and \$500 were awarded to the active managers whose strategy produced the largest total portfolio returns.

Our Barron's portfolio was comprised of companies that made LSGI's quantitative screens and passed our due diligence hurdles, firms we have been buying for the LSGI Venture Fund L.P. and continue to hold.

While we were competing against managers of hypothetical portfolios who have no money at risk, our portfolio reflected firms we actually own – firms we identified as attractive with attractive risk/reward profiles for our investors. Our LSGI Barron's Challenge portfolio was up 86.8% during the contest period versus 8.3% for the S&P 500 index.

With regard to our success, Dr. Dean Johnson, Professor of Finance and Director of the Applied Portfolio Management Program (APMP) at Michigan Technological University's School of Business and Economics noted "Joe is an outstanding fund manager. His success speaks for itself. I strongly believe the number one enduring anomaly in investments has been the size effect-small firm effect, which has been the basis of the LSGI's investment approach."

What our performance tells us, as an investment manager, is that in practice our quantitative screens and due diligence are delivering excess returns – returns that we would predict using applied financial theory. The disconnect between the academic theory and the actual portfolio returns investors obtain - so often a factor in actively managed portfolios - is not present, at least not recently.

Since we are an avid Barron's subscriber, and have provided so much support to educational programs aimed at high school and college students interested in applied finance and investment theory, we were disappointed that we were not interviewed for the article that appeared in the May 1<sup>st</sup> edition. As Barron's Editor Alan Abelson would say, maybe next year.

**Final Report Card**

Name	Account Value*	Change	School
<b>STUDENTS</b>			
Donald Sauder	229,763.09	129.8%	Louisiana State
Michael Cagle	180,180.55	80.2	Robinson Business
Michael Zinn	176,688.97	76.7	DeSales
Maurizio Sorbara	175,645.86	75.6	St. John's
Andrew Rivard	166,627.89	66.6	Central Michigan
Ryan Anderson	166,547.25	66.5	Ohio Northern
David Graver	162,426.91	62.4	DeSales
Samuel Pambah	160,444.26	60.4	Brandeis
James Kelly	157,578.08	57.6	Walsh College
Ben Heldt	155,653.09	55.7	Concordia
<b>PROFESSORS</b>			
Joseph Ricciotti	202,401.25	102.4	Fairfield
Joe Dancy	186,808.25	86.8	Southern Methodist
Christian Johnson	167,989.35	69.0	Metro College
James Felton	164,825.15	64.8	Central Michigan
Norman Subotky	155,552.93	55.6	U of Phoenix (Reno)
David Vaurio	155,204.73	55.2	Saint Leo
Bruce Kamich	152,967.26	53.0	Baruch College
Arnold Bembem	146,951.71	47.0	Brookdale Com Coll
Stephen Krelle	144,513.61	44.5	Golden Gate
James Kelly	142,190.92	42.2	Fordham
S&P 500 Index		8.3	
Dow Jones Industrials		7.6	
Nasdaq Composite		12.4	

\*-At contest's end, participants began with a theoretical \$100,000

\*As of the last trading day, April 13, 2006

Source: Stock.Trak