Greetings!

On behalf of the CFA Society Pittsburgh Board, I am pleased to present our 2015 annual report! Contained in this document are highlights of the 2014-2015 year including a recap of our strategic plan, special events, educational endeavors, programs, and ground-breaking work in the area of financial literacy. With a society membership totaling over 460 members, we are poised for continued growth and influence as we endeavor to increase public awareness through educational outreach to our members in the greater Pittsburgh community.

In July 2014, the Board devised six objectives as a part of our strategic plan developing a committee structure to support each objective. The CFA Society Pittsburgh was awarded a one-year renewable Society Growth Funding award for 2014-2015 based on our financial literacy goals which have been a marquee achievement through our financial plan competition and high school financial literacy campaign. We hosted at least one monthly luncheon with a wide diversity of speakers throughout the year. We completed a financial compensation survey as well as a program satisfaction survey. We continued our highly successful Investment Research Challenge competition for college students as well as our annual Forecasting Dinner. We sponsored our 3rd annual Endowments and Foundations conference. We hosted a number of educational outreach opportunities for our CFA candidates as well as area high schools and colleges. We recorded a video promoting the Future of Finance initiative as well as obtained a proclamation from our mayor regarding our outreach efforts. We launched our first ever sponsorship program which was highly successful in funding our expanding program efforts this year.

On behalf of the Board, thank you for your support and participation this past year!

Dr. Greg Filbeck, CFA, FRM, CAIA
President, CFA Society Pittsburgh
OUR HISTORY

HISTORY OF THE SOCIETY

Our society is an association of local investment professionals. Consisting of portfolio managers, security analysts, investment advisors, and other financial professionals, we promote:

- ethical and professional standards within the investment industry,
- encourage professional development through the CFA Program and continuing education,
- facilitate the exchange of information and opinions among people within the local investment community and beyond, and;
- work to further the public's understanding of the CFA designation and investment industry.

As one of CFA Institute member societies, our society connects members to a global network of investment professionals.

HISTORY OF CFA INSTITUTE

CFA Institute is a global association of investment professionals that traces its lineage back to the establishment of the Financial Analysts Federation (FAF) in 1947.

Leadership of the FAF established an independent organization — the Institute of Chartered Financial Analysts (ICFA) — to administer the CFA credentialing program in 1959; and the ICFA administered the first CFA exams in 1963. Later, the FAF and the ICFA merged to become the Association for Investment Management and Research (AIMR). In 2004, AIMR changed its name to CFA Institute.

MISSION

CFA Society Pittsburgh's mission is to serve the interests of its members and to be a resource for its community of investors by delivering sustainable member value through network events, support of continuing education, and career development and increasing public awareness through community education and outreach projects, seminars, ads in local publications, and sponsorship of relevant events.

VISION

To position the society as the premier local forum for local financial industry stakeholders.
OUR STRATEGIC PLAN

MEMBERSHIP ENHANCEMENT
COMMITTEE RESPONSIBLE: Membership (Cale Grove, Chairman)
Action Steps:
- Create and maintain an active Membership Committee.
- Distribute CFA Institute pins and thank you letter
- Follow-up on those who have not renewed
- Conduct volunteer outreach
- Survey members on event topics, time, location?
- Recruit volunteers to help with larger events (conferences, dinners, etc.)
- Launch student membership program

LAUNCH AND MAINTAIN A SPONSORSHIP PROGRAM
COMMITTEE RESPONSIBLE: Sponsorship Committee (Joe Lantz, Chair)
Action Steps:
- Create and maintain an active Sponsorship Committee
- Develop promotional piece to attract sponsors
- Identify sponsors for special event dinners/lunches
- Identify sponsors for charter event/annual meeting
- Identify sponsors for Investment Research Challenge
- Identify sponsors for luncheons
- Identify sponsors for Growth Partnership Money 101

INCREASE FINANCIAL LITERACY EFFORTS
COMMITTEE RESPONSIBLE: Financial Literacy (David Zawadski, Chairman)
Action Steps:
- Maintain an active Financial Literacy Committee
- Apply for Growth Partnership Funding for financial literacy initiative.
- Expand the number of colleges in the area that have incorporated The Missing Semester and who are applying the ideas within the book to their own personal financial future.
- Create and provide a "certificate of accomplishment" to college students that complete the creation of personal financial plans and meet a minimum standard.
- Review the top ten financial plans and the society reviews and awards the top teams with a monetary prize.
- Review and provide feedback on the Collegiate personal financial plans (similar to college-to-high school feedback from the JA Money 101 program)
- Assist in the development of a survey to test knowledge gain
- Analyze results of pre- and post-tests will be administered to measure knowledge gained.
- Recruit members participating in this project through the financial literacy committee.
- Increase awareness with high schools and universities and media of the CFA Program and other educational offerings of the society, and of CFA Institute.
FOSTER GREATER MARKETING AND COMMUNICATIONS EFFORTS

COMMITTEE RESPONSIBLE: Marketing and Communications (Craig Gomulka, Chairman; Chris Wiles, Ryan Bend)

Action Steps:
- Create and maintain an active Marketing and Communications Committee
- Create and maintain a quarterly newsletter
- Increase Newspaper/promotional ads (New member ads in local publications)
- Initiate at least four press releases annually
- Increase use of social media (Facebook, linkedin, Twitter, Analyst Forum)
- Update website content monthly
- Conduct post-event surveys
- Engage other "crowds" (CPAs, Private Wealth, Equity Analysts, Regulators, Academicians)
- Explore Webcast/Livestream events
- Develop media directory

ENHANCE REGULAR PROGRAMMING

COMMITTEE RESPONSIBLE: Program (Chris Wiles, Chairman)

Action Steps:
- Secure speakers for monthly luncheons with a goal of 10 monthly luncheons
- Use Speaker’s Bureau (CFA Institute) if applicable
- Partnering with other organizations

ENHANCE SPECIAL EVENTS

COMMITTEES RESPONSIBLE: Investment Research Challenge/Annual Forecasting Dinner (Ryan Bend, Chairman); Endowments and Foundations Conference Committee (Joe Lantz/Jim Herrington, Co-Chairmen); Future of Finance (George Emanuele, Chairman)

Action Steps:
- Create and maintain Investment Research Challenge/Forecast Dinner Committee
- Plan and execute the Investment Research Challenge
- Recruit team mentors and judges
- Recruit volunteers as needed
- Plan and execute the Annual Forecast Dinner
- Secure panel for dinner
- Maintain Endowment and Foundations Conference committee
- Plan and execute an annual Endowment and Foundation conference
- Create and maintain Future of Finance Committee
- Plan and execute events for Future of Finance initiative

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Social Hour and Committee Sign Up

Heavy appetizers and cocktails were served on August 27, at Six Penn Kitchen in a free event to socialize with fellow CFA members and candidates. Opportunities to sign-up to help on several of our newly formed committees were featured.

The August 27 kick-off event for committee sign-ups was a great success. We had over 60 members attend the event at Six Penn, and many of them signed up to help with various committees.

The Warhol Legacy—Art as an Investment

On Wednesday, October 1 we held our annual meeting and new charter holders induction ceremony at The Warhol Museum. While the event coincided with the Pirates home playoff game, we still had nearly 100 attendees.

We heard an excellent presentation by Museum Director Eric Shiner on the wonderful, crazy world of art as an investment. He explained how, at the high-end, art is purchased equally for ego as well as a store of value. Especially in today’s world of zero interest rates, many global billionaires see art as a safe and portable way to park cash. For those of us with mere wealthy clients, art should be purchased for pleasure. Occasionally, if you acquired wisely, and you get lucky, art can be a rewarding investment. Overall, art can be a excellent and enjoyable portfolio diversifier.

After the presentations we were given private tours of the museum’s collections. Overall, those members in attendance were treated to a memorable evening.

Speaker: Eric Shiner, Director

Topic: Investing in Art

Biography

Eric Shiner is the Director of The Andy Warhol Museum, the most comprehensive single-artist museum in the world, located in Pittsburgh, PA. At The Warhol Museum, Shiner organized Factory Direct: Pittsburgh, an exhibition that showcased the artwork of 14 established contemporary artists invited to conduct artist residencies in Pittsburgh-based factories. In addition, Shiner led The Warhol team in creating Andy Warhol: 15 Minutes Eternal, the largest traveling exhibition of Warhol artwork in Asia, as well as the first retrospective of appropriation artist Deborah Kass, titled Before and Happily Ever After. In 2013, Shiner curated Armory Focus: USA at The Armory Show, which presented a broad snapshot of the country’s contemporary cultural practices. Further, Shiner is a scholar of contemporary Japanese art and a leading authority on Andy Warhol. His hometown is New Castle, PA. He received a Bachelor of Philosophy in The History of Art & Architecture and Japanese Language & Literature from The University of Pittsburgh Honors College in 1994, an M.A. in The History of Art from Osaka University in 2001, and an M.A. in The History of Art from Yale in 2003.
CFA Mock Exams

On **Saturday, November 15 and May 16**, we sponsored a mock exam for those sitting for CFA Level 1. Held using the Kaplan Schweser materials, the exam was held at Robert Morris University from 8:30 - 4:00. This was an excellent opportunity to refresh the test taking skills, and increase candidate's comfort level.

An Overview of CFA Exam & Study Strategies

On **Wednesday, December 3**, at The Duquesne Club, our President, Dr. Greg Filbeck, CFA, FRM, CAIA, gave an overview of the CFA program along with study strategies, to enhance the opportunities for success on exam day.

Over 40 CFA candidates attended, and study groups for all three levels were formed.
PROGRAMS
A Message from the FED

On Thursday, September 4, in conjunction with The Economics Club of Pittsburgh, we had the honor of hearing from Loretta J. Mester, the new President and Chief Executive Officer of the Federal Reserve Bank of Cleveland.

This was President Mester’s first public presentation, and for the most part it was typical Fed boilerplate. By parsing through her words we may conclude that she is leaning towards the hawkish camp. For example, when it comes to leaving interest rates at zero “for a considerable period”, she favors dropping the “considerable period” language. She doesn’t like the idea of using specific dates for when the Fed will begin raising rates, but instead prefers to keep everything data dependent. She also doesn’t believe the Fed should wait for wages to rise before raising rates, “We should expect wages to rise with prices, not necessarily lead prices.”

It was interesting that after her first FOMC meeting on September 16 & 17, she was not in the dissenters camp, with her old boss at the Philly Fed, Charles Plosser and Richard Fisher of the Dallas Fed. Maybe not that unusual given it was her first meeting as a voting member.

As president and chief executive officer of the Federal Reserve Bank of Cleveland, Loretta J. Mester participates in the formulation of U.S. monetary policy, and oversees 950 employees in Cleveland, Cincinnati, and Pittsburgh who conduct economic research, supervise banking institutions, and provide payment services to commercial banks and the U.S. government. She assumed her role as president and CEO in June 2014.

Dr. Mester is a distinguished, widely respected economist, and leader with vast experience and deep knowledge of economics, finance, financial intermediation, banking issues, and the Federal Reserve System. She began her career at the Federal Reserve Bank of Philadelphia in 1985 as an economist and advanced to positions of increasing responsibility, most recently serving as executive vice president and director of research. As director of research she served as the chief policy advisor, attended meetings of the Federal Open Market Committee, and had oversight of a staff of research economists and analysts in the Research Department. In addition, she oversaw professionals in the Financial Statistics Department and the Payment Cards Center.
Biography

Dr. Mester has published numerous articles in refereed academic and professional journals on a variety of topics including economics, central banking, and financial issues. Her areas of research expertise and interest include the organizational structure and productive efficiency of financial institutions, financial intermediation and regulation, agency problems in credit markets, credit card pricing, central bank governance, and inflation. She has presented her research at many professional conferences and seminars and has spoken regularly to business audiences about the economy, monetary policy, and financial regulation.

Dr. Mester is a director of the Greater Cleveland Partnership, a member of the Cleveland Clinic’s Board of Trustees, a founding director of the Financial Intermediation Research Society and a member of the advisory board of the Financial Intermediation Network of European Studies (FINEST). She is a member of the American Economic Association, the American Finance Association, the Econometric Society, and the Financial Management Association. In addition, Dr. Mester is co-editor of the Journal of Financial Services Research and the International Journal of Central Banking; and is an associate editor of several other academic journals. She is an adjunct professor of finance at the Wharton School of the University of Pennsylvania, and a fellow at the Wharton Financial Institutions Center.

Dr. Mester graduated summa cum laude with a bachelor of arts degree in mathematics and economics from Barnard College of Columbia University. She earned M.A. and Ph.D. degrees in economics from Princeton University, where she was a National Science Foundation Fellow.
The Fateful History of Fannie Mae

On Wednesday, September 17, we had the pleasure to hear from Wall Street Journal reporter, Bob Hagerty on the history of Fannie Mae. Bob wrote the book "The Fateful History of Fannie Mae" and has over 30 years of experience in financial reporting. He is currently based here in Pittsburgh and covers the manufacturing sector for the WSJ.

Bob gave an excellent presentation on the history of Fannie Mae, how it became such a profitable enterprise by using it's implied government guarantee, and eventually how it collapsed.

Fannie and Freddie have always been used as political tools, and even though there have often been calls for their privatization there are very few politicians who want to give up control of such a powerful tool in the housing industry.

The current legal challenges by minority shareholders, to the governments "full income sweep" should make for some interesting theater.

When asked if his next book might be about the Student Loan bubble Bob replied, "I'd like to write about something with a happy ending."

Speaker: Bob Hagerty - Wall Street Journal
Topic: History of Fannie Mae and Its Current Status (also Q&A regarding the Manufacturing Sector)

Biography: James R. (Bob) Hagerty, based in Pittsburgh, is a staff reporter for The Wall Street Journal. Over the past 30 years, he has worked as a reporter, editor and bureau chief for The WSJ and the International Herald Tribune in Hong Kong, London, Brussels, Paris, Atlanta and New York. He holds a degree in economics from the University of North Dakota.

Hagerty is the author of "The Fateful History of Fannie Mae" (History Press, 2012). He is the founder of a Scrabble club in Mt. Lebanon, where he lives with his wife, Lorraine, and two children.
Making Sense of Today's Bond Market

On Wednesday, October 15 Dan Fuss of Loomis Sayles shared some of his 55 years of fixed income experience with us.

Dan believes that any study of financial markets must touch on: Peace, People, Politics, Prosperity, and Central Banks. He said that over the last decade or so, the expanding role of Central Banks has become one of the most important market forces. Our Fed's dual mandate of full employment and stable prices has been joined by a dotted line to stability in global financial markets. The Fed has become much more political over the years, and is now closely aligned with the Treasury. This explains the Fed's growing reluctance to tighten in the face of a global slowdown. In fact, further easing in the form of a QE4 can't be ruled out.

The US budget has shown sharp improvement in the last few years as spending has stabilized and tax revenues have grown. But that improvement will be short-lived due to increased social spending and an increase in defense spending. Dan mentioned that serious discussions are being had about implementing a War Tax.

Longer term demographics will play an increasingly important role in interest rates. Generational theft from the young to the old will continue to accelerate, and this will in turn put downward pressure on inflation and interest rates.

As far as today's markets go, Dan sees very little money to be made buying developed world sovereign debt. You can play the yield curve, and expect it to remain steeper for longer. He also believes that the illusion of liquidity in some ETF's, especially high-yield, emerging market bonds, and variable rate, are an accident waiting to happen.

Biography:

Dan Fuss has 58 years of experience in the investment industry and has been with Loomis, Sayles & Company since 1976. He is vice chairman of the firm and manages the firm's flagship Loomis Sayles Bond Fund—which won the 2009 Morningstar Fund Manager of the Year award in the fixed income category—In addition to the Loomis Sayles Investment Grade Bond, Investment Grade Fixed Income, Strategic Income, Fixed Income, Institutional High Income, Capital Income and Global Equity and Income funds. In 2012, Dan received both the Institutional Investor Money Management Lifetime Achievement Award, and the lipper Excellence in Investing Award. In 2013, Dan received the CFA Society of Milwaukee Lifetime Achievement Award. In 2000, he was named to the Fixed Income Analysts Society's Hall of Fame in recognition of his contributions and lifetime achievements toward the advancement of the analysis of fixed income securities and portfolios. He has twice been president of the Boston Security Analysts Society. Dan earned a BS and an MBA from Marquette University. He served in the US Navy from 1955 to 1958 and held the rank of Lieutenant.
A Pittsburgh Based Pioneer in 3-D Printing—ExOne (XONE)

On Wednesday, November 19 we had the pleasure of hearing from Brian Smith, Chief Financial Officer and Treasurer of North Huntingdon, PA based ExOne Company.

Brian gave an enlightening presentation on the history of Ex-One, and the rapidly developing 3D printing world. We learned about the challenges and growth opportunities in front of both ExOne and their competitors. One interesting development was the economic sanctions against Russia, which are delaying a major shipment and impacting current revenue recognition.

Here is link to an article about the meeting that ran in the Pittsburgh Post Gazette:

Speaker: Brian Smith, CFO and Treasurer-ExOne
Topic: The Future of 3-D Printing and ExOne's Role

Biography:

Brian Smith is the Chief Financial Officer and Treasurer at The ExOne Company, where he is responsible for all financial management and accounting matters. Mr. Smith received his Bachelor of Arts degree in Accounting, with a minor in Economics, from Westminster College. He is also a certified public accountant.

Prior to joining ExOne in January 2014, Mr. Smith was an Assurance Client Service Partner with PricewaterhouseCoopers (“PwC”). Mr. Smith joined PwC in 1984, was admitted as a Partner in 1995 and spent several years working in a PwC advisory business assisting industrial products, healthcare and energy companies with internal control reviews, system implementations, process transformation and change management. Among his various leadership responsibilities within PwC, Mr. Smith led initiatives in specific consumer and industrial product sectors.

*ExOne became public 2/7/2013 at $18 per share, it traded as high as $70.85 on 8/14/2013, and is currently trading around $26 per share.*
Taking the Market's Pulse

On Wednesday, December 10, we had the pleasure of hearing from one of Wall Street’s most respected technical analysts, Chris Verrone. Chris is head of Strategas’ Technical Analysis team where he identifies trends in various asset classes.

Chris gave an excellent presentation on current market trends and momentum. Chris believes that the U.S. Equity market is still in an uptrend, and while momentum may be faltering slightly it is still the best place to invest.

The recent collapse in High-Yield is almost entirely centered in the energy sector, and Chris believes that the next warning sign will come from watching to see if it spills over into the financial sector.

He also found it pretty amazing that not one out of 83 economists believes ten year treasuries will be below 2.5% at the end of next year, even with the yield currently at 2.17%!
Market Structure & Enhancing Returns

On Wednesday, January 21, we will have the pleasure of hearing Niall O'Malley, Founder of Blue Point Investment Management, talk about the changing shape of our capital markets, and the risks and opportunities this presents. This event will be held at The Duquesne Club.

Niall has a wealth of experience in Credit and Risk Management as well as Investment Management.

Niall has often been quoted in the press by the Baltimore Business Journal, Baltimore Sun, Bloomberg, Citybizlist Baltimore, Financial Advisor, Markets Media and The Trade. He has been a radio show guest on VoiceAmerica's Insightful Investor, and he has been a guest speaker at the Baltimore Business Journal, the Baltimore Family Office Group, the Carey School of Business, the Loyola University Financial Management Association, the Towson University Investment Group's International Markets Summit and the Wednesday Club. As Adjunct Professor, he has taught "Investments and Equity Security Analysis" and "Financial Principles of Financial Management" at Towson University's College of Business and Economics. Niall served as President of the CFA Society of Baltimore and now serves on the Board and the Program Committee. Niall founded the Society's Baltimore Business Review and serves as the Co-Editor.

Speaker: Niall O'Malley - Founder - Blue Point Investment Management, LLC
Topic Description: Mr. O'Malley discussed the changing shape of our capital markets and the risks and opportunities this presents.

Biography

Niall O'Malley founded Blue Point Investment Management, LLC, in 2006. Prior to starting Blue Point Niall worked for commercial banks, buy-side firms and consulting. Working for Crestar Bank and SunTrust Bank as a Credit & Risk Management Officer he underwrote over a $1 billion dollars of equipment financing transactions. As Blue Point's Portfolio Manager, he leverages a keen understanding of the creative destructive cycle that governs innovation, 12-years of international experience and his understanding of the capital markets to add value for clients.

Niall has often been quoted in the press by the Baltimore Business Journal, Baltimore Sun, Bloomberg, Citybizlist Baltimore, Financial Advisor, Markets Media and The Trade. He has been a radio show guest on VoiceAmerica's Insightful Investor, and he has been a guest speaker at the Baltimore Business Journal, the Baltimore Family Office Group, the Carey School of Business, the Loyola University Financial Management Association, the Towson University Investment Group's International Markets Summit and the Wednesday Club. As Adjunct Professor, he has taught "Investments and Equity Security Analysis" and "Financial Principles of Financial Management" at Towson University's College of Business and Economics. Niall served as President of the CFA Society of Baltimore and now serves on the Board and the Program Committee. Niall founded the Society's Baltimore Business Review and serves as the Co-Editor.
**High Yield Market: Credit Cycle Crossroads?**

The High Yield market is entering a critical stage of the credit cycle even as a wider range of investors ranging from pensions to wealth advisory look to the asset class at a time of income starvation and multi-asset class return compression across both debt and equity. As we move further into the sixth year of the credit cycle recovery, we take a look at where the credit cycle is positioned against a backdrop of rising fundamental pressure in some key industry segments such as oil and gas and metals and mining. We provide some portfolio context on the relative risk and reward trade-offs that High Yield presents versus other asset classes. Is the market properly measuring risk versus return? What is distinctive about this credit cycle vs. prior cycles? What are the critical swing factors in the direction of risks in the face of the Volcker Rule and the more onerous rulemaking regime for leveraged loans at the OCC?

On **Wednesday, March 4**, we had the pleasure of hearing high-yield veteran and founder of CreditSights, Glenn Reynolds, talk about the credit cycle and where we might be headed. Glenn gave a real insiders view of the High Yield market. He believes we are entering a critical stage in the credit cycle where an ever larger range of investors are entering the high-yield market in their search for yield. Glenn is a real student of cycles, since he’s lived through a few, and believes that eventually this very bullish high-yield cycle will end, like they all do - with a bang.

While High-Yield has corrected some in the last several months, almost all of that can be attributed to the decline in the price of oil. Historically bear markets in High-Yield have coincided with flat yield curves.

What’s really troubling about this market environment is the total lack of liquidity. The Volcker Rule has made markets much thinner, while ETFs and mutual funds have propagated the illusion of liquidity.

The current environment in High-Yield can be summarized as "**Picking up nickels in front of a steam roller**"- The risk just isn’t worth the reward.

**Biography**

Glenn Reynolds is the CEO and Co-Founder of CreditSights (founded in 2000). He was a Managing Director of Global Credit Research at Deutsche Bank (1997-2000) and a Managing Director at Lehman Brothers (1986-1997) in roles including Director of Global Credit Research and Chief Credit Officer. He has worked on the buy side and sell side and supervised analysts in numerous global markets across the US, Europe, and Asia. On the buy side, Mr. Reynolds worked at Prudential Insurance (1984-1988) on a range of high yield and high grade portfolios after previously working as a CPA for Deloitte (1980-1983). He has received Institutional Investor All-America recognition in a range of categories including corporate strategy, autos, transportation, industrials, and energy. He has testified before various Senate and House Committees and the SEC on topics such as Enron, the auto industry restructuring, and rating agency reform. Mr. Reynolds was inducted into the Fixed Income Analysts Society Hall of Fame in 2012. He graduated from Harvard College in 1980 with an AB in History and Economics and received an MS in Accounting from NYU in 1981.
Private Equity: A Local SBIC Fund's Perspective

On Wednesday, March 18, we heard from one of our own members, Stephen Gurgovits, of F.N.B. Capital Partners. Stephen gave a very interesting presentation on mezzanine financing in the small-cap space.

Stephen's firm helps small business owners finance restructuring's and changes in ownership. Since the financial crisis, the number of opportunities for financing outside of the normal bank channels has grown dramatically. In our state area there are almost always about 200 businesses for sale at any time.

Surprisingly, the providers of mezzanine debt are still generating returns in the 12%-14% range. This in an age when high-yield bonds yield less than 6%. Of course these types of returns are attracting more competition for deals as family offices and foundations enter the space. Stephen wouldn't characterize the market as frothy, but he is clearly seeing areas where pricing is very competitive, especially for the larger deals.

Stephen J. Gurgovits, Jr. is the Managing Partner and co-founding partner of F.N.B. Capital Partners, a $175 million SBIC fund managed by Tecum Capital Management for which he serves as President. In this capacity, he is responsible for providing strategic, operational and investment management leadership to the fund, including its overall planning, fund raising, growth and execution. Mr. Gurgovits, Jr. also currently serves on the board of directors for Uncle Charley's Sausage Company and Tri-Tech Forensics, Inc.

When contemplating new investments with F.N.B. Capital Partners, Mr. Gurgovits, Jr. and his partners will structure, research, negotiate and approve investments in companies, based on financial analysis, financial modeling, industry research, and overall coordination of additional internal and/or external resources. After the investment has closed, Mr. Gurgovits, Jr. and his team advise companies and/or partner with management teams to create profitable and sustainable businesses to protect and secure adequate returns on the investment portfolio.
Biography:

Prior to founding F.N.B. Capital Partners, Mr. Burgovits, Jr. was President and C.E.O. of F.N.B. Capital Corporation, LLC, a wholly-owned merchant banking subsidiary of F.N.B. Corporation (NYSE: FNB) from its Inception in 2006. Mr. Burgovits, Jr. started his career with KPMG and was also the controller for The Sports and Exhibition Authority prior to joining F.N.B. He graduated with High Distinction from Pennsylvania State University after earning a Bachelor of Science in Accounting and subsequently obtained his MBA from the Katz School of Business at the University of Pittsburgh. Mr. Burgovits, Jr. holds a CFA Charter designation and is a licensed CPA in the state of Pennsylvania. A native of western Pennsylvania, he currently resides in Pittsburgh, PA.
Global Value Investing

On **Wednesday, April 15**, we enjoyed a lively presentation by Mebane Faber, co-founder and Chief Investment Officer of Cambria Investment Management, on Global Value Investing.

Meb spent some time showing that by nearly any historic value measures the U.S. equity market is trading near all-time highs, which generally doesn't lead to very positive outcomes in subsequent years. The same holds true for fixed-income investors as well.

This leads Meb to take a global view of value. His firm has calculated the Cyclically Adjusted P/E's for nearly every country in the world, and while the U.S. is one of the most expensive markets there are many others that are historically very cheap. Simply buying a basket of the cheapest countries in the world, while avoiding the most expensive countries, would greatly enhance returns over time.

Of course this type of value investing is not for the faint of heart, some of the top countries currently are Greece, Russia, and Turkey.

Cambria has developed an ETF to implement this philosophy, GVAL.

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**Biography**

Mr. Faber is a co-founder and the Chief Investment Officer of Cambria Investment Management. Faber is a manager of Cambria’s ETFs, separate accounts and private investment funds for accredited investors. Mr. Faber has authored numerous white papers and three books: Shareholder Yield, The Ivy Portfolio, and Global Value. He is a frequent speaker and writer on investment strategies and has been featured in Barron’s, The New York Times, and The New Yorker. Mr. Faber graduated from the University of Virginia with a double major in Engineering Science and Biology.
Special Luncheon
Colonel Mateo Martemucci, U.S. Air Force
U.S. Cyber Security & Economic Threats

In 2011, when the list of threats to U.S. security was put together, the cyberthreat was not even mentioned. Today it is the number one threat to our nation.

On **Wednesday, April 29**, we had the privilege of listening to Colonel Matteo Martemucci, the commander of the Air Forces 318th Cyberspace Operations Group. After 21 years in military intelligence Col. Martemucci will be moving to Washington this summer to join the Joint Chiefs of Staff. He is one of our nations leading experts on cybersecurity, and cyber-warfare from both a defensive and offensive perspective.

His presentation was knowledgeable and eye-opening, but very disconcerting as well. First, everything with an IP address is at risk; from your home security system, to your car and phone, to the company you work for, to the financial institutions you bank with. There are various levels of vulnerability, but everything is vulnerable to a certain degree. Smart phones are vulnerable phones, smart grids are vulnerable grids, and smart banking is vulnerable banking.

Who are these bad actors?
- Nation States - China & Russia in espionage and theft of intellectual property. As well as North Korea & Iran in outright theft and disruption.
- Non-Government - Terrorists like ISIS, and International criminals like the RBN (Russian Business Network).
- Individuals - Hacktivists pushing a particular political agenda, or thieves looking to extort or steal money.

He reminded us of an attack last year on Las Vegas Sands, where several of their casinos were partially shutdown as their computer hard drives were erased. We recently found out that this attack was carried out by Iran, in retaliation for the Sands CEO, Sheldon Adelson's outspoken support of Israel. An attack on a corporation because of a CEO's political views.

When do attacks like this, and the one on Sony rise to the level of Cyberwar? When does the U.S. government step in to protect/retaliate against these bad actors? We are currently losing $400 billion a year to economic espionage...at what level is enough enough? These are the tough questions that need to be answered. Today when you find that your Visa was hacked, you simply call your bank and they issue you a new card while eating the loss. When does the bank and Visa say enough, we want the government to protect us?

Col. Martemucci drew an interesting analogy between today's cyber-piracy and the real piracy of the Barbary Wars. In the late 1700's early 1800's pirates in the Mediterranean would capture ships and hold them for ransom. The wealthy European countries would pay the
ransom, but the U.S. struggled with this idea. Even though he was opposed to the government getting involved militarily in the affairs of commerce, President Jefferson eventually acquiesced and led the first war against these pirates in 1801.

Today we are faced with a similar question, what is the government's role in protecting commerce on the "high seas" of cyberspace?

The biggest problem today is not necessarily a technology problem, it is a process problem. The Department of Defense protects .mil, the FBI protects .gov, but who protects .com, .org, .net, and .edu? We simply don't have processes in place to protect civilians and corporations while balancing civil liberties.

Unfortunately the advantage always goes to the attacker, since the bureaucracy inherent in governments will be a constant impediment. Col. Martemucci would like to see a private, as opposed to a government solution, and is encouraged with several of their joint private/military collaborations. But for now, the attacks on our corporations and economy will continue until there is a "principled American outrage."

Biography

Colonel Martemucci is a career intelligence officer and cyberspace operator whose career highlights include command of the Air Force's premier Computer Network Attack squadron and contributions to the creation of U.S. Cyberspace Command's 6,000-person Cyber Mission Force construct.

His twenty-year career has included assignments in Joint Special Operations, Intelligence and cyberspace commands. In addition to his many stateside assignments, he has completed assignments or deployments to Korea, the Czech Republic, France, Saudi Arabia, Iraq, Qatar and Afghanistan. His numerous decorations include the Defense Meritorious Service Medal and the Bronze Star Medal.

He holds a BA in International Politics from Penn State University, an MS in International Relations from Troy University, an MS in Joint Campaign Planning & Strategy from the National Defense University, a Graduate Certificate in Organizational Management from George Washington University and a National Security Affairs Fellowship at the Hoover Institution on War, Revolution and Peace at Stanford University. He is also a graduate of the Air Command and Staff College, the Air War College, and the Joint Advanced Warfighting School, Joint Forces Staff College.

He is a published author, with work on Strategic Communications appearing in the IOSphere - the professional journal of Joint Information Operations, and he has forthcoming work on cyber defense being published in the Case Western Reserve Law Review.
"The Nature of Investing"
Featuring Katherine Collins

On Wednesday, May 20th 2015, Katherine Collins Founder and CEO of Honeybee Capital, joined us for a lively presentation on using insights from nature to help us in forming investment decisions.

Katherine walked us through the many changes in data collection and analysis throughout her years at Fidelity Management. She believes that while we have more data than ever at our fingertips we still might not be making any better decisions. Having your relative performance flashing on your iPhone constantly is probably not helping you make more informed long-term decisions. She quotes Henry David Thoreau in, “We have become the tool of our tools.”

She believes we should thoroughly know and understand the difference between risk and uncertainty. Risk is where we know and can measure a range of potential outcomes. On the other hand, uncertainty can’t be measured or known. The biggest problems occur when we pretend that uncertainty is risk. She often looks to nature for answers, implementing WWND - What Would Nature Do? Nature is not survival of the fittest, it is survival of the most adaptable to change.

Biography
Prior to founding Honeybee, Katherine served in numerous capacities at Fidelity Management and Research Company: as head of US Equity Research, she led one of the largest buy-side research operations in the world. As Portfolio Manager, she was solely responsible for investment decisions for the multi-billion dollar Fidelity America funds while based in London, and for the entire range of Fidelity Mid-Cap Funds while based in Boston. Every fund that Katherine managed at Fidelity outperformed its relevant benchmark during her tenure. As Analyst, she managed several different industry-specific Select funds and researched over a dozen different industries. She also spent two years at the Fidelity Foundations, acting as Program Officer for these large philanthropic organizations.

After a long and successful career in traditional equity management, Katherine set out to reconnect her investment philosophy with the broader world, traveling as a pilgrim and volunteer, earning her MTS degree at Harvard Divinity School, and studying the natural world as guide for investing in a valuable and integrated way, beneficial to our communities and our planet.

Katherine’s book, The Nature of Investing, was published in spring 2014 and she was recently featured in the CFA Institute Magazine feature article “The Herd and the Bees” (July/August 2014). Katherine is an alumna of Wellesley College and Harvard Divinity School, and holds a CFA designation.
"U.S. Equity Sector Outlook"

On **Wednesday, June 17**, we welcomed Lance Stonecypher, CFA to Pittsburgh. Lance is Ned Davis Research Group’s Chief U.S. Equity Sector Strategist.

Mr. Stonecypher joined the firm in 1988. He and his team have created several quantitatively based ranking systems for the U.S. industries. Mr. Stonecypher and the sector team write the industry focus and industry comment, which provide insights on U.S. group and sector leadership trends based on macro, fundamental, valuation, quantitative, and technical analysis. He produces the sectors and industries section of the firm’s monthly Investment Strategy publication.

Mr. Stonecypher has held a number of other positions since joining the company, including Director of Research, Director of Custom Research Services, as well as the firm’s research assistant in the development of hundreds of the firm’s indicators and studies. He and the investment management team also quantitatively manage an equity pension portfolio using the firm’s ranking systems and risk control techniques.

Mr. Stonecypher has also been featured as a guest on CNBC and Bloomberg television in addition to being quoted by The Wall Street Journal, Barron’s, Investor’s Business Daily, and others. He is also featured in the popular book, Technically Speaking.

Mr. Stonecypher is a CFA charter holder and a member of the CFA Institute as well as the Market Technician’s Association. He is a magna cum laude graduate of the University of San Diego.

Lance talked to us about the firm motto, "**Being Right or Making Money**". Which is a data driven approach, that tries to weigh both fundamentals and technical.

Currently, the firm believes we are still in a secular bull market for equities, and would overweight Consumer Staples & Discretionary, Technology, and Health Care. They are very bearish on Commodities, and believe we will see another leg down in the Energy sector.

Three key tenets of the firms investment philosophy:

1. Don’t Fight the Fed
2. Beware of Crowds at Extremes
3. Don’t Fight the Tape
**Biography**

Mr. Stonocypher joined the firm in 1988. He and his team have created several quantitatively based ranking systems for the U.S. industries. Mr. Stonocypher and the sector team write the industry focus and industry comment, which provide insights on U.S. group and sector leadership trends based on macro, fundamental, valuation, quantitative, and technical analysis. He produces the sectors and industries section of the firm’s monthly Investment Strategy publication.

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2015 Speaker Series

**Speaker:** Cale Grove CFA  
**Audience:** Smart Woman Securities' CMU chapter  
**Date:** October 2, 2014  
**Topic:** Analyzing Companies & Industries  
**Attendance:** Approx. 35 students

**Speaker:** Manoharal Sukhwani PhD, CFA  
**Audience:** Smart Woman Securities' CMU chapter  
**Date:** November 2, 2014  
**Topic:** CFA and CIPM Program  
**Attendance:** Approx. 16 students

**Speaker:** Chris Wiles CFA  
**Audience:** Smart Woman Securities' CMU chapter  
**Date:** September 25, 2014  
**Topic:** Finding and Researching Investment Ideas  
**Attendance:** Approx. 30 students

**Speaker:** Manoharal Sukhwani PhD, CFA  
**Audience:** Pitt MBA Finance Club  
**Date:** September 11, 2014  
**Topic:** CFA and CIPM Program  
**Attendance:** Approx. 40 students
The 2015 Forecast Dinner

What a great way to kick off the New Year! On January 5, 2015 we held our annual Forecast Dinner at The Rivers Club. This sold-out event featured the investment wisdom of:

Charlie Smith of Fort Pitt Capital
Greg Melvin of CS McKeel
Ron Muhlenkamp of Muhlenkamp & Company
Martin Schulz of PNC Capital Advisors
And our moderator, Bernard Schoenfeld of BNY Mellon

The general tone was somewhat positive: 2015 should experience slow, but decent US GDP growth. Falling oil prices are more positive than negative, and will add to already low inflation expectations, which should also keep interest rates lower for longer. All of this adds up to single digit gains for stocks in 2015.
Here were some highlights:

- Charlie Smith is expecting S&P 500 earnings around $124, with a P/E of 18, which would equate to an 8% gain.
- Greg Melvin is looking for about 6% earnings growth plus a 2% dividend yield, but a lower P/E, which will translate into 5% total returns.
- Ron Muhlenkamp is looking for 2% real GDP growth and 2% inflation. Prefers US stocks over international, but also thinks the strong dollar will hurt exporters.
- Martin Schulz took more of a global view, and likes developed markets over emerging markets. Overseas should perform better than the US because of weaker currencies, but the strong dollar will mitigate returns for US investors.

Greg and Ron were in general agreement that the sell-off in oil is pretty overdone, and a more normal price would be in the $70's. The sharp drop in oil may also lead to a negative CPI print by mid-year. Hard to see the Fed raising rates in the face of a negative CPI print. Eventually these negative real rates will end badly.

Ron is worried that yield hunters have driven up the valuations on many yield plays way higher than fundamentals would dictate. He would avoid REIT's and Utilities. Greg concurred with those views and would own some gold as insurance.

Charlie sees a flatter yield curve this year, and worries that a Greek exit from the Euro may be the first domino to fall on the road to breaking up the Euro.

Martin was more constructive on Europe saying that Germany would do whatever necessary to keep the Euro together. He also believes that a non-consensus event would be a melt-up in stocks.

Again, a big thanks to our Silver sponsor MFS Investment Management, and our Bronze sponsor PNC Wealth Management.
What a wonderful Stock Pickers luncheon we had on **February 18, 2015**. Congratulations to last year's winner, Frank Aloisi of PNC's Hawthorn Group, whose average return was 18.58%.

Frank's picks for this year are:
- Delta Airlines (DAL) $45.27
- Gilead Sciences (GILD) $103.94
- Resonant (RESN) $17.74

Last year's runner-up, Malcolm Polley chose:
- NeuStar (NSR) $25.89
- Gamestop (GME) $37.50
- Tetra Tech (TTEK) $24.99

New contestant, Kim Forrest of Fort Pitt selected:
- Xilinx (XLNX) $41.66
- Netscout Systems (NTCT) $39.21
- Audiovox (VOXX) $8.69
Bob McGee of CS McKee chose:
- Synaptics (SYNA) $80.08
- Chart Industries (GTLS) $32.15
- China Eastern Airlines (CEA) $23.92

And last but not least, Mauricio Viana of Hefren-Tillotson chose:
- Petroleo Brasilerio (PBR) $6.96
- Arcelor Mittal (MT) $11.26
- Gilead Sciences (GILD) $103.94

All of our guests had the opportunity to try their hand at crystal ball gazing, and the results were interesting.

- When asked to forecast the year-end level for the S&P 500 our average response was for an additional gain of 4.6% to $2,193, but the range was from a positive 16.8% to a negative -21.3%.
- For 10-year Treasuries the average prognostication was an increase to 2.41%, with a high estimate of 3.25% and a low estimate of 1.25%.
- The average estimate for WTI Crude Oil was $62.64, with a high estimate of $104, and a low estimate of $38.
- And our fearless forecasters saw Gold rising slightly to $1,290, with a low estimate of $1,000 and a high estimate of $1,890.
The CFA Society of Pittsburgh held its 3rd Annual Endowments and Foundations Investments and Governance Conference on Thursday, May 21.

We were pleased to join leaders from Endowments and Foundations, investment consultants, money managers, and subject experts for this full-day educational conference covering today's critical investment and governance issues.

This year's conference included a mix of regional and national speakers from investment organizations and the Endowments and Foundations community, a keynote address by Michael Psaros, Co-founder and Managing Partner of KPS Capital Partners, and our CIO Roundtable returned by popular demand with a new cast of CIOs.

The event was both well attended, and well received by the audience. Although targeted towards E&F community, many of the topics presented were also applicable to a wider audience and investor base.

Keynote Speaker Michael Psaros of KPS, had the audience highly engaged, as he spoke about the realities of private equity investing, and how jobs and industries once common to the Pittsburgh area are returning.
FINANCIAL LITERACY OUTREACH
2014 Student Panel
"Money 101– Taking Control"

On Friday, April 10, in conjunction with the CFA Institutes Financial Literacy month we hosted a student panel discussion on money.

This was an excellent event for financial professionals to see and hear from students in our area on their thoughts and fears of money. It is one of those rare opportunities to actually hear what teenagers are thinking regarding money, as they head into college.

This presentation was brought to us by The Missing Semester, The Vanguard Group, and the University of Pittsburgh.
2014-2015 Collegiate Personal Finance Planning Competition

The CFA Society Pittsburgh held its first annual Collegiate Personal Financial Planning Competition this year. A financial plan is a road map to help students achieve financial goals. The CFA Society of Pittsburgh hopes to help our regions students:

1. Begin preparing for the financial realities of life after college.
2. Take ownership of their financial future.

To accomplish this objective, the society expanded the number of colleges in the area that have incorporated The Missing Semester, and who are applying the ideas within the book to their students own financial future. While recommended, The Missing Semester is not required.

**Eligibility:** Students currently enrolled at a two or four year academic institution are eligible to compete.

**Submission:** Spring and Fall Semester entries were eligible. The deadline for entries was Friday March 13th.

**Registration:** Schools registered by contacting Gene Natali at: emnatali@csmckee.com

**Sample Plans:** For samples from the University of Pittsburgh, participants visited: [http://www.themissingsemester.com/testimonials/studenttestimonials.html](http://www.themissingsemester.com/testimonials/studenttestimonials.html)

**Personal Financial Plan Guidelines:** The guidelines for the competition:

- 4 to 5 pages of a comprehensive plan (4.5 pages is ideal)
- You may use single spaced text or a detailed outline format
- Pick a start date like graduation or the starting date of your job
- Plan for a 1 year, 3 year and 5 year horizon
- Financial goals should be clearly outlined, as should be the plan to achieve these goals
- Use a cover page and a table of contents
- Put all exhibits in appendices
- Number your pages of outline or text (do not number the cover page or table of contents)
- Your final page should be sources cited or a bibliography

**Awards:** All participants, whose financial plans meet a minimum level of standard, qualified to receive a "Certificate of Achievement", awarded by the society. First prize was $1,000, second prize $500, third prize $300, fourth through tenth prizes were $250. Over 130 plans were received from ten area colleges.

**Judges Criteria:** Winners were selected by the society’s financial literacy committee and based upon completeness, format, creativity, supporting exhibits and use of sources.

Below is a list of winners for the competition:

<table>
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<tr>
<th>Name</th>
<th>School</th>
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<td>Xiao</td>
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<td>Prosper</td>
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<td>Roop</td>
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<td>Sunberg</td>
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<td>Ginsburg</td>
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<td>Rodriguez</td>
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<tr>
<td>Grove</td>
<td>Harrisburg</td>
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Financial Literacy Campaign

The CFA Society Pittsburgh has secured our first sponsorships to benefit our Financial Literacy Campaign initiatives.

We'd like to thank the University of Pittsburgh's Katz School of Business, and the Penn State Erie Behrend College for their gold and silver sponsorships, respectively. These sponsorships in conjunction with a Growth Funding award received from the CFA Institute will be utilized to support a variety of programs including a collegiate personal financial plan competition, educating high school students through a partnership with Junior Achievement, and eventually an initiative to involve inner city schools and students.

L-R: David Zawadski, BNY Mellon; Brad Prosper, Penn State Behrend (3rd Place Financial Plan Winner); Michael Sundberg, Penn State Behrend (6th Place Financial Plan Winner)
Employment Trends in Finance – A Panel Discussion

On May 6th we had a very interesting panel discussion with two of our areas leading experts in the recruiting and hiring of CFA’s, Karen Gigliotti - Vice President & Director of Employment at Federated Investors, and Tom O’Connor - President of O’Connor, O’Connor, Lordi, Ltd.

Both of our panelists believe that the CFA designation is gaining in importance and prestige. Historically CFA’s were almost exclusively hired in investment research and portfolio management, and here in Pittsburgh most of the hiring was done at the larger banks and a large mutual fund company. But times are changing. CFA’s are starting to be recognized and sought in other industries in Investor Relations, and Corporate Finance roles. CFA’s are being sought for their stamina, intelligence, ethics and integrity.

Both speakers recommend that young graduates seek the CFA while working before getting their MBA. An MBA without industry experience is not as valuable as a CFA.

Discussion Points:

- How familiar are HR representatives with the breadth of material covered in the CFA program?
- How well does a CFA designation transfer to other non-investment careers, such as accounting or corporate finance? Are there other employment opportunities for CFA’s?
- Has the Chartered Financial Analyst program become a victim of its own success, awarding so many charters that its market value is diluted?
- Compare and contrast the value of a CFA designation versus an MBA designation. Has your view of either designation changed over the last several years?
- The financial crisis has displaced more experienced investment professionals, some with CFAs, some with level 1 or 2, and some without; how do you weigh experience versus education and designations?
- How do you judge and weigh more qualitative characteristics like ethics and integrity in your hiring searches?
- How have advancements in technology changed the skill sets you are looking for?
The panelists consisted of:

- Karen Gigliotti - Vice President & Director of Employment - Federated Investors
- Tom O'Connor - President - O'Connor, O'Connor, Lordi, Ltd
- Rob Barr - Vice President - Challenger, Gray & Christmas, Inc

We also discussed the highlights of our CFA Society Pittsburgh Compensation Survey where we had 85 respondents:

- Over 60% of respondents work in Wealth Management or Asset Management (including Mutual Funds); a full 40% work in asset management / mutual funds!

- A large majority of respondents (2/3) have graduate degrees.

- There is a wide, wide range of compensation: Salaries ranged from $25K - $390K, and total compensation ranged from $25K - $2 million! Median salary was $127K and median total comp was $161K. Average salary was $138K and average total comp was $255K. Ten earned under $100,000 & four earned over $1 million.

- Our workforce in Pittsburgh is VERY experienced. Median years of experience was 18, and the average was 19. There were 16 with under 10 yrs. experience and 13 with over 30 yrs.

- Most people (51/85) received some form of non-cash compensation. The most prevalent is profit sharing / retirement contributions, followed by Company Stock / Stock Options.

- Most folks are happy with their compensation. On our 7-point scale (7 is "Highly Satisfied with Compensation"), 54% were happy (scored 5-7).
April is Financial Literacy Month

The Missing Semester, CFA Society of Pittsburgh & University of Pittsburgh invite you to join us:

Friday, April 10, from 11:00 – 12:00

University of Pittsburgh
The University Club, Ballroom A
123 University Place
Pittsburgh, PA 15260

2015 Student Panel on Financial Literacy

“Money 101: Our future is in our hands”

Hosted by:
Jay Suksits
- Asst. Professor of Business Administration, Katz School of Business
Gene Natali, Jr.

Moderated by:
George Emanuele
- Investment Advisor & VP, PNC Wealth Management
David Zawadski
- VP Wealth Management, BNY Mellon

Participating Schools:
Allegheny Intermediate Unit
Butler County Community College
Carnegie Mellon University
Central Catholic High School
Duquesne University
Penn State University - Erie
University of Pittsburgh
Westminster College

CFA Society Pittsburgh
2015 Regional Investment Challenge

This year, six universities competed in the Investment Research Challenge. Each team completed a valuation of Black Box. This year’s winner was the University of Pittsburgh with Penn State—University Park and Penn State Behrend finishing second and third, respectively. Pitt advanced to Atlanta for the Americas Regional competition and represented our region.

Please join us in congratulating The University of Pittsburgh as the winners of the 2015 Regional Investment Challenge!

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<tr>
<th>Presentation Time</th>
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<tr>
<td>4:00 PM</td>
<td>Robert Morris University</td>
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<td>4:30 PM</td>
<td>Carnegie Mellon University</td>
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<td>5:00 PM</td>
<td>University of Pittsburgh</td>
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<td>Washington and Jefferson</td>
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<td>6:00 PM</td>
<td>Penn State - Behrend</td>
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<td>6:30 PM</td>
<td>Penn State - University Park</td>
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<tr>
<td>7:00 PM</td>
<td>Winner Announcement</td>
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L-R Brandon Swartz (Mentor, PNC), Charles Matthews, Matthew Lark, Daniel Lebby
Ukraine Conflict Impacts ExOne

November 19, 2014 9:24 PM


ExOne quarterly earnings report disappointing

By Len Boselovic / Pittsburgh Post-Gazette

Sanctions imposed on Russia because of its policy toward Ukraine are one reason why The ExOne Company delivered disappointing quarterly results, the CFO of the North Huntingdon 3-D printer told Pittsburgh certified financial analysts Wednesday.

Brian Smith said the sanctions also prompted the company to reduce its 2014 revenue forecast when it announced third-quarter results last week. At issue is whether Russian customers can use ExOne’s 3-D printers for military applications.

“We have other orders from Russia that we are running through the sanctions,” Mr. Smith told members of the CFA Society of Pittsburgh at a Duquesne Club luncheon.

Last week, ExOne reported a quarterly loss of $4.5 million, or 31 cents per share. Revenue fell 17 percent to $9.6 million, largely because the sale of several 3-D printers was delayed. The company also said it expects $45 million to $50 million in sales this year, not the $55 million to $60 million it had been forecasting.

On a Nov. 13 call with analysts, chairman and CEO S. Kent Rockwell emphasized that the $4 million to $5 million in printers that did not ship during the quarter will ship in the current quarter and beyond. But he told them he is not counting on much business for the time being from Russia, which he said has been a good customer.

“We have to assume that Russia is a stand down,” he said.

ExOne had plans to open a production service center in Russia where potential customers can give 3-D printing a test drive. But those plans have been put on hold.
The company’s 3-D printing technology is used by Ford, John Deere, Tesla and other manufacturers. The process involves feeding a digital image of a product to be made into a printer that emits alternating layers of sand and metal powders into a "build box" where a liquid binder is used to bind the material into the finished part.

The potential of the process to reduce the time and cost of designing and manufacturing fueled a rally last year in ExOne and other 3-D printing stocks. ExOne shares were issued at $18 in February 2013 and eventually topped out at around $78. Since then, a string of disappointing quarterly results and a more reasoned valuation of the industry’s short-term prospects have taken away most of the gains. ExOne shares closed Wednesday at $21.47, down 62 cents.

Mr. Smith told the certified financial analysts the company expects to grow its existing business by 25 percent to 35 percent next year. Plans include producing new, faster printers and developing more materials that can be used in 3-D printing, he said.

"We will begin to focus on sustainable profitability in 2015," he said.

Len Boselovic: 412-263-1941 or lboselovic@post-gazette.com. First Published November 19, 2014 2:55 PM

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CFA Society Pittsburgh Kicks off Sponsorship Program with Early Success

The CFA Society Pittsburgh is very fortunate to have obtained its first Gold Annual Partnership Sponsorship with Federated Investors. Additionally, our Market Outlook Forecast Dinner was the beneficiary of a Silver Sponsorship by MFS Investment Management and a Bronze Sponsorship by PNC Wealth Management, and as such they received a variety of forms of recognition in relation to that event.

As an Annual Partner, Federated will receive a table at each of our special events, providing them a great opportunity to treat valued clients and reward special employees with attendance to these premier events. Additionally, you’ll also see them recognized on our internet site, this newsletter, and during the opening remarks at the special events.

These sponsorships enable us to provide valuable programs to our members throughout the year. We recognize corporate support is vital to the society’s mission and hope your organization will consider an event or annual partnership sponsorship as well.
Treasurer's Report

Fiscal Year 2015 was a year filled with increased programming and many new initiatives, as well as new revenues and expenses. This year we sought to take a more granular recordkeeping process designed to more closely tie revenue/resources to associated expenses. We plan to use this information as an expense management tool for the 2016 fiscal budgeting process. Some of the 2015 financial highlights include

- A 48.8% increase in reported revenue accompanied by a 61.5% increase in reported expenses over 2014 as we’ve introduced new programs and initiatives, resulting in an 8.1% decrease in the society’s operating assets.
- Receipt of a Growth Funding Grant of $14,000 from the CFA Institute dedicated to our Financial Literacy Initiatives.
- Inaugural Sponsorship Program that raised $10,250 to benefit society programs.
- 27 job postings to our society website resulting in approx. $6,750 in added revenue.
- Fourteen subsidized speaker luncheons and four subsidized networking/social events.
- Implementation of our first society e-mail newsletter.
- An initial deposit in support of our first College Student Career Fair.
- Committee support expenses of $2,392.95 as we seek to increase our membership and community outreach.
Notes to Financial Statements:

Operating Funds

In addition to increased membership and a new student membership, local membership dues reflect an increase due to timing of an increased # of next year's dues being collected earlier and an increase in the dues rate.

As a member society of the CFA Institute, CFA Society Pittsburgh receives operational funding provided by CFAI through their CFAI funding model. This operational funding is available to all societies to assist in attaining the Society Membership Service Standards (SMSS).

The expenses for society luncheons increased significantly from last year as the # of programs increased from 8 to 14. The cost of the lunches typically range from an average of $47 to $63 per person.

Revenues for the Endowments & Foundations conference are inclusive of sponsorships.

As the society uses cash basis accounting, the society has a $2,500 unpaid liability associated with a contest award related to the Endowments & Foundations conference which will be paid in 2016.

Financial Literacy Account

A pending liability of $5,000 exists related to the purchase of copies of the book "The Missing Semester" to be used in conjunction with teachings at the Allegheny Intermediate Unit.
Greg Filbeck holds the Samuel P. Black III Professor of Finance and Risk Management at Penn State Erie, the Behrend College and serves as Associate Director for the Black School of Business and Department Chair for Finance & Business Economics. Before joining the Faculty at Penn State Erie in 2006, he served as Senior Vice-President of Kaplan Schweser from 1999 to 2006 where he was in charge of all content and curriculum. He also held academic appointments at Miami University (Ohio) and the University of Toledo, where he also served as the Associate Director of the Center for Family Business.


Professor Filbeck conducts consulting and training world-wide for candidates for the Chartered Financial Analyst (CFA), Financial Risk Manager (FRM®), and Chartered Alternative Investment Adviser (CAIA®) designations as well as holding all three designations. He has conducted training for Goldman Sachs and the New York Society of Financial Analysts as well as numerous public, online, and video-based programs. He currently serves as President of the Board of Directors for the CFA Society of Pittsburgh and was the President of the CFA Society of Toledo from 1996 to 1999.

Professor Filbeck currently teaches the capstone course on financial decision making in Penn State’s iMBA program as well as graduate and undergraduate courses in corporate finance and derivatives. He received the outstanding teaching award among iMBA faculty in 2010 and 2012, received the Penn State Behrend Regents award for Outstanding Researcher in 2011, and is the 2013 recipient of the Penn State Behrend Outstanding Outreach Award.

He received his BS (engineering physics) from Murray State University; attended the MBA program at Owen Graduate School of Management at Vanderbilt University; and holds an MS in Applied Statistics from Penn State University and a DBA (finance) from the University of Kentucky. Besides his work in finance, Professor Filbeck is a Registered Parliamentarian, is a qualified administrator of the Myers-Briggs Type Indicator, and has 12 years of experience in radio broadcasting. He holds leadership roles in numerous community organizations.

Craig Gomulka currently serves as Vice President of Strategic Investments at Highmark Health and as Managing Director of Highmark Ventures Inc. (HVI), a corporate venture capital fund held as a wholly owned subsidiary of Highmark. Highmark Health is a leading health and wellness company and one of the largest health insurers and providers in the nation. For Highmark, Craig is responsible for identifying and executing strategic investments and oversees all HVI fund management efforts.

Before joining Highmark, Craig served as the Chief Investment Officer of Innovation Works (IW), a Pittsburgh-based fund that has invested over $60 million in more than 200 companies since 2000. This pace of investment has made IW one of the most active early-stage investors in the United States. Craig oversaw IW’s investment fund, chaired its investment committee and helped IW fund, evaluate and invest in the region’s most promising startups. Over the span of two years, Craig executed numerous transactions for IW including over 40 portfolio investments and 11 company exits.

Prior to Innovation Works, Craig was a Director and Partner with Draper Triangle Ventures, an early stage, technology focused venture capital firm with $185 million under management. Draper Triangle is the Pittsburgh affiliate of Draper Fisher Jurvetson, a recognized venture fund network with over 25 offices across the United States and
worldwide. At Draper, Craig was responsible for building and maintaining strategic fund relationships, sourcing deal flow, transaction execution, and working with portfolio companies in all aspects, such as long-term strategy development, financial and accounting concerns, customer acquisitions, competitive analysis, and corporate transactions. Craig has served on the boards of BitArmor Systems, Imago Scientific Instruments and Hypernex, and as a board observer for the publicly-traded Nova Measuring Instruments, Inc. (NASDAQ: NVMI).

Prior to joining Draper Triangle, Craig worked for Intel Corporation where he worked on supplier pricing software and with RRZ Investment Management, where he was responsible for the design and programming of fixed income and equity trading software as well as the portfolio management of $100 million of fixed income investments.

Craig received his B.A. in Geology from Colgate University. Craig achieved his MBA from Carnegie Mellon University Tepper School of Business in May of 2000 and was awarded the Chartered Financial Analyst (CFA) designation in September of 2000.

Craig is also involved in the community where he is an advisor to several economic development organizations and a board member of the CFA Society of Pittsburgh. In addition, Craig is a private pilot and often volunteers his time with Pilot’s N Paws, an organization dedicated to transporting shelter animals to new adopting homes.

Joe Lantz, CFA, CAIA is currently Vice President/Senior Manager of Institutional and Alternatives Market Research at Federated Investors and holds both the CFA and CAIA Charter Holder designations. He has over 19 years of investment industry experience including Investment Consulting, Investment Advisory, Relationship Management, and Investment and Market Research. His prior employment experiences include Vice President/Institutional Relationship Manager with Allegiant Asset Management, Portfolio Manager with PNC Advisors Institutional Investment Group, Research Analyst with Mellon Institutional Asset Management, and Institutional Investment Consultant with Yanni-Bilkey Investment Consulting.

Joe’s academic credentials include a B.S.B.A. from Duquesne University and an MBA from the University of Pittsburgh. He serves as the Treasurer of CFA Society Pittsburgh, developed the society’s inaugural Endowments & Foundations conference and currently serves as Co-Chair of the program and also developed the society’s Sponsorship Program. Additionally, he sits on the investment committee of the United Way of Allegheny County.

George Emanuele, CFA
Secretary
Elected 2014

George Emanuele, CFA is vice president and investment advisor at PNC Wealth Management. As vice president and an investment advisor, George Emanuele develops, communicates and executes tailored investment strategies for clients. He is responsible for managing complex fiduciary, agency and individual retirement accounts, as well as alternative investment products. Emanuele also works with a team of experts in financial and estate planning, banking services and trust to help clients achieve their financial objectives. Emanuele has worked in the Wealth Management field for over 10 years and has been with PNC since 1997.

He holds a BS from Pennsylvania State University and a BS in Business from the University of Pittsburgh. Emanuele earned his Chartered Financial Analyst designation in 2006.
Chris Wiles has over 30 years of diversified experience in the investment management industry, including extensive experience in securities analysis and portfolio management.

He is currently the Founder and Chief Investment Officer of Rockhaven Capital Management. Prior to founding Rockhaven Capital Management he and his team had several corporate affiliations (National City Bank, Strong Capital Management, and Am-South Bank). Prior to his Rockhaven years Mr. Wiles was a Senior Portfolio Manager at Federated Investors, and Senior Trust Investment Officer at Mellon Bank.

Mr. Wiles holds a BS in Finance from Youngstown State University, and an MBA from Cleveland State University. He earned his Chartered Financial Analyst designation in 1987.

Cale Grove is an Associate at Incline Equity Partners, a Pittsburgh-based private equity firm that has raised over $750 million in commitments and invested over $425 million through 115 platform and add-on acquisitions. Cale’s responsibilities at Incline include transaction sourcing, financial modeling, due diligence, and working with portfolio companies post-acquisition to realize strategic objectives.

Prior to joining Incline in 2012, Cale was an investment banking analyst in the Syndicated and Leveraged Finance group of J.P. Morgan, focusing on originating leveraged loans and high yield bonds. While at J.P. Morgan, Cale completed transactions raising over $12 billion in aggregate capital for a variety of projects, including resort construction, LBOs and MBOs, acquisitions, dividend recapitalizations. At J.P. Morgan, Cale was responsible was structuring and underwriting new securities, drafting information memoranda, financial modeling, and working with private investors through diligence processes.

Cale graduated magna cum laude from Washington & Lee University in 2010 with degrees in Mathematics and Business. He received the CFA designation in December 2013, and is an MBA candidate at The Wharton School of the University of Pennsylvania.

Dr. Sukhwani, a charter holder since 2001, is currently a faculty member at the University of Pittsburgh’s Joseph Katz Graduate School of Business. He also serves as faculty advisor to the University of Pittsburgh’s CFA Investment Research Challenge team. Previously, he was a faculty member at Duquesne University’s A.J. Palumbo School of Business Administration. Dr. Sukhwani earned his doctoral degree in Finance from the University of Pittsburgh.

Ryan Bend is a senior portfolio manager at Federated Investors in Pittsburgh. He joined Federated in 2008 as part of the company’s acquisition of the Prudent Bear Fund after serving as research coordinator and as an equity analyst for David W. Tice & Assoc. Inc. since 2004. Bend earned his MBA from Indiana University and his undergraduate business degree from the University of Western Ontario, Canada. He is a CFA charterholder and a member of the board of directors for the CFA Society of Pittsburgh.
David Zawadski is a vice president and senior portfolio manager for the central region of Wealth Management. David works with ultra-high net worth trust and investment clients on complicated trust and estate planning arrangements. He works with clients, and/or their advisors in developing investment goals and the strategies to meet them.

David has been with BNY Mellon since 1993, having worked in the core trust and investment area as a senior relationship manager and team leader, as well as spending time in the family office division. He has worked with other large financial institutions in similar roles since 1980.

David holds a BBA in Finance from Cleveland State University and is a CFA charterholder, and former President of the CFA Society of Pittsburgh, as well as the current chairman of the society's financial literacy committee.

Caryn Loehr is the Executive Administrator with the CFA Society Pittsburgh since 2009. In addition to her role with the Pittsburgh Society, she also is the Administrator of both the CFA Society Rochester and the CFA Society Arkansas.

Prior to her work with the Society, Caryn worked as a Software Engineer and Team Leader with PNC Treasury Management and an Information Analyst with Eli Lilly Pharmaceuticals. Caryn received her BS degree in Information Science from the University of Pittsburgh.

In her spare time, Caryn is an active volunteer in numerous community and church organizations. She leads the Orphan Care team, and volunteers in the Welcome Center and the Women’s Ministry teams at her church. She is also the team manager of the Butler Valley Dawgs Mite hockey team, the Treasurer of the Pine Richland Youth Wrestling team, and holds various other roles with the PTO.