HASLAM TORCH FUND

QUARTERLY REPORT
APRIL 1, 2011 – JUNE 30, 2011

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LETTER FROM THE MANAGERS

Dear Mr. Haslam:

As a preliminary matter, we note that our results focus on an analysis of the original Haslam Torch Fund portfolio that we began managing on October 1, 2010, as this is the portfolio with which we are competing against the Laporte Fund. We have also provided information on the returns and transactions involving the current Haslam Fund, which includes the infusion of cash that you generously endowed to the University of Tennessee at the beginning of this calendar year (the “New Haslam Fund”). Therefore, except where otherwise noted, our discussion focuses on the original Haslam Fund.

During our third quarter as managers of the Haslam Fund, the portfolio lost 2.708%, decreasing in value from $196,302.12 on the close of 3/31/2011 to $190,986.59 on the close of 6/30/2011. During this same period, the benchmark S&P 500 gained 0.099%. Using the Sharpe and Treynor methods for comparison, we also underperformed the benchmark on a risk-adjusted basis, with the Haslam Fund measuring -0.426 and -0.114, compared to 0.110 and 0.017 for the S&P 500, respectively.

The third quarter was characterized by lethargic economic growth and weary consumer sentiment. Our team’s outlook had initially predicted a greater response in the overall economy, but this did not come to fruition. Unemployment, stagnant housing markets, and overall uncertainty about the future of the global economy shaped the landscape for this quarter.

During this quarter, with regards to the original Haslam Fund, our team acquired Target, Resources Connection, and Rio Tinto, reacquired Amgen, and increased the portfolio’s holdings in General Motors and Applied Materials. Also during this quarter, our team sold Berkshire Hathaway, Cree, FedEx, Martin Marietta Materials, Rubicon Technology, and Visa. We currently have $13,454.44 in cash, accounting for 7.04% of the portfolio. Our transactions for the New Haslam fund include the acquisition of Amgen, Rio Tinto, and the Fidelity Contrafund.

One of our major decisions this quarter was to reevaluate our LED play. Last quarter, we believed that consumer discretionary spending would likely increase, making LED companies very attractive for consumer purchases as well as government expenditures. However, the economic data for this quarter showed a worse-than-expected response from consumers to go along with the slowly recovering economy. High inventories in this field, coupled with our outlook that the economy will continue on its sluggish pace, led to the conclusion that the most prudent cause of action was to liquidate the portfolio’s LED holdings.

In our final quarter, we will look for pockets in various sectors to find companies that will provide solid returns. The unfavorable economic data that has been revealed over the past quarter leads us to believe that our final quarter as managers of the fund will not be particularly strong for the market. Although we will be fairly conservative in our approach to finding new investments, we are confident that we will be able to find companies that will allow us to add value to the portfolio. Once again, we thank you for your contribution to the University of Tennessee. We look forward to reporting the results of our final quarter to you this fall.

Very Sincerely,

_________________________ PETER G. CONFALONE

_________________________ IAN J. HARMAN

_________________________ S. RYAN HOFFMAN

_________________________ JULIAN B. WOOD

2010 – 2011 Haslam Torch Fund Managers

HASLAM TORCH FUND
Q2 PERFORMANCE SUMMARY

▼ **Fund Value: -2.708 %**

▲ **S&P 500: 0.099%**

RESULTS[1]

During our third quarter as portfolio managers, the fund lost 2.708%, decreasing in value from $196,302.12 on 4/1/2011 to $190,986.59 on 6/30/2011. The benchmark S&P 500 Index gained 0.099% during the same period.

HEAVIEST WEIGHTED SECTORS

The heaviest weighted sectors of the portfolio in Q3 were Healthcare (26.18%), Consumer Discretionary (23.15%), and Industrials (9.35%).

LIGHTEST WEIGHTED SECTORS

The lightest weighted sectors of the portfolio in Q3 were Utilities (0.00%), Telecommunications (0.00%), and Consumer Staples (3.33%).

OUTPERFORMERS*

COMPANY	TICKER	RETURN
1. JOHNSON & JOHNSON	JNJ	13.23%
2. WELLPOINT, INC.	WLP	13.23%
3. ACCENTURE PLC	ACN	10.73%
4. BECTON, DICKINSON & CO.	BDX	8.74%
5. THE PROCTER & GAMBLE CO.	PG	4.05%

*Dividends included

UNDERPERFORMERS*

COMPANY	TICKER	RETURN
1. RUBICON TECHNOLOGY, INC.	RBCN	-20.48%
2. NOBLE CORP.	NE	-13.29%
3. RESOURCES CONNECTION, INC.	RECN	-12.91%
4. LOWES COMPANIES, INC.	LOW	-11.39%
5. WELLS FARGO & CO.	WFC	-11.13%

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[1] Correction: In the Q2 report, we reported the S&P return as 5.39%. Bloomberg has changed the reported data, and the Q2 return is now 5.92%.

FUND PERFORMANCE METRICS

PORTFOLIO GAIN/LOSS ANALYSIS (Q1)

Portfolio Value, 9/30/10 close	$175,421.80
Portfolio Value, 12/31/10 close	$191,030.87
Net Gain for Q1	+$15,609.07

PORTFOLIO GAIN/LOSS ANALYSIS (Q2)

Portfolio Value, 12/31/10 close	$191,030.87
Portfolio Value, 3/31/11 close	$196,302.12
Net Gain for Q2	+$5,271.25

PORTFOLIO GAIN/LOSS ANALYSIS (Q3)

Portfolio Value, 3/31/11 close	$196,302.12
Portfolio Value, 6/30/11 close	$190,986.59
Net Gain (Loss) for Q3	$(5,397.53)

PORTFOLIO GAIN/LOSS ANALYSIS (TENURE)

Portfolio Value, 9/30/10 close	$175,421.80
Portfolio Value, 6/30/11 close	$190,986.59
Net Gain (Loss) for Tenure	$15,564.79

PORTFOLIO RETURN*

	Q3	TENURE
HASLAM PORTFOLIO	-2.708%	8.87%
S&P 500	0.099%	17.43%

*Dividends included

RISK ANALYSIS

	Q3		TENURE	
	HASLAM	S&P 500	HASLAM	S&P 500
BETA	1.050	1.000	0.987	1.000
STANDARD DEVIATION	0.015	0.008	0.011	0.008
SHARPE (ANNUALIZED)	-0.426	0.110	0.894	2.127
TREYNOR (ANNUALIZED)	-0.114	0.016	0.186	0.320

INDIVIDUAL STOCK PERFORMANCE

Sectors	Ticker	Weight as of 6/30/11	Market Value as of 6/30/11	Q3 Total Return	Tenure Return
Consumer Discretionary					
General Motors Co.	GM	7.63%	$14,572.80	-4.75%	-12.58%
InterContinental Hotels Group PLC	IHG	5.41%	$10,335.00	1.34%	17.78%
Lowe’s Companies, Inc.	LOW	4.58%	$8,741.25	-11.39%	-12.05%
Target Corp.	TGT	5.53%	$10,554.75	-5.59%	-5.59%
Total Consumer Discretionary		23.15%			
Consumer Staples					
The Procter & Gamble Co.	PG	3.33%	$6,357.00	4.05%	7.61%
Total Consumer Staples		3.33%			
Energy					
Noble Corp.	NE	6.19%	$11.823.00	-13.29%	17.86%
Total Energy		6.19%			
Financials					
Visa, Inc.	V	0.00%	$0.00	3.85%	4.24%
Capital One Financial Corp.	COF	4.06%	$7,750.50	-0.46%	31.02%
Wells Fargo & Co.	WFC	4.41%	$8,418.00	-11.13%	-8.08%
Total Financials		8.47%			
Healthcare					
Amgen, Inc.	AMGN	7.64%	$14,587.50	1.18%	0.068%
Becton, Dickinson & Co.	BDX	4.51%	$8,617.00	8.74%	17.40%
Johnson & Johnson	JNJ	4.35%	$8,315.00	13.23%	10.33%
Novo Nordisk A/S	NVO	3.28%	$6,264.00	1.12%	16.71%
WellPoint, Inc.	WLP	6.39%	$12,209.35	13.23%	39.95%
Total Healthcare		26.18%			
Industrials					
FedEx Corp.	FDX	0.00%	$0.00	1.42%	11.24%
Berkshire Hathaway, Inc.	BRK.B	0.00%	$0.00	-2.40%	-1.28%
General Electric Co.	GE	4.94%	$9,430.00	-5.24%	18.52%
Resources Connection, Inc.	RECN	4.41%	$8,428.00	-12.91%	-12.91%
Total Industrials		9.35%			
Information Technology					
Cree, Inc.	CREE	0.00%	$0.00	-2.63%	-8.83%
Rubicon Technology Inc.	RBCN	0.00%	$0.00	-20.48%	-11.32%
Accenture PLC	ACN	4.75%	$9,063.00	10.73%	44.32%
Applied Materials, Inc.	AMAT	4.09%	$7,806.00	-10.90%	-5.98%
Total Information Technology		8.84%			
Materials					
Martin Marietta Materials, Inc.	MLM	0.00%	$0.00	-4.10%	0.45%
Rio Tinto	RIO	7.47%	$14,260.00	-0.06%	-0.06%
Total Materials		7.47%			
Telecommunications		0.00%			
Utilities		0.00%			
Cash		7.02%			
Ending Cash Balance			$13,454.44		
TOTAL			$190,986.59		

TRANSACTIONS HISTORY

DISPOSITIONS*

COMPANY	DATE SOLD	PRICE SOLD	CLOSING PRICE ON 6/30/2011	% CHANGE AFTER SALE
FedEx, Inc. (FDX)	04/05/11	94.75	94.85	0.11%
Cree, Inc. (CREE)	04/05/11	44.95	33.59	-25.27%
Martin Marietta Materials, Inc. (MLM)	04/19/11	85.99	79.97	-7.00%
Berkshire Hathaway, Inc. B (BRK.B)	05/03/11	81.62	77.39	-5.18%
Visa, Inc. (V)	06/09/11	76.31	84.26	10.42%
Rubicon Technology Inc. (RBCN)	06/09/11	22.01	16.86	-23.40%

ACQUISITIONS*

COMPANY	DATE BOUGHT	PRICE BOUGHT	CLOSING PRICE ON 6/30/2011	% CHANGE AFTER BUY
General Motors Co. (GM)	04/05/11	32.72	30.36	-7.21%
Target Corp.(TGT)	04/26/11	49.95	46.91	-6.09%
Amgen, Inc. (AMGN)	05/03/11	57.67	58.35	1.18%
Resources Connection, Inc. (RECN)	05/26/11	13.82	12.04	-12.88%
Applied Materials, Inc. (AMAT)	05/26/11	13.76	13.01	-5.45%
Rio Tinto (RIO)	06/30/11	71.34	71.30	-0.06%

* Includes fees and commissions

CASH ANALYSIS

ACTIVITY	DATE	CASH
Cash Balance	03/31/11	**$21,005.43**
Dispositions		
Cree, Inc. (CREE)	04/05/11	$9,887.90
FedEx, Inc. (FDX)	04/05/11	$10,896.69
Martin Marietta Materials, Inc. (MLM)	04/19/11	$6,449.42
Berkshire Hathaway, Inc. B (BRK.B)	05/03/11	$8,162.14
Visa, Inc. (V)	06/09/11	$11,446.02
Rubicon Technologies, Inc. (RBCN)	06/09/11	$6,338.86
Acquisitions		
General Motors Co. (GM)	04/05/11	($7852.69)
Target Corp. (TGT)	04/26/11	($11,239.55)
Amgen, Inc. (AMGN)	05/03/11	($14,417.00)
Resources Connection, Inc. (RECN)	05/26/11	($9,676.96)
Applied Materials, Inc. (AMAT)	05/26/11	($4,128.75)
Rio Tinto (RIO)	06/30/11	($14,267.95)
Dividends Received		$846.66
Interest Earned on Cash		$4.21
Ending Cash Balance (06/30/11)		$13,454.44

DIVIDENDS

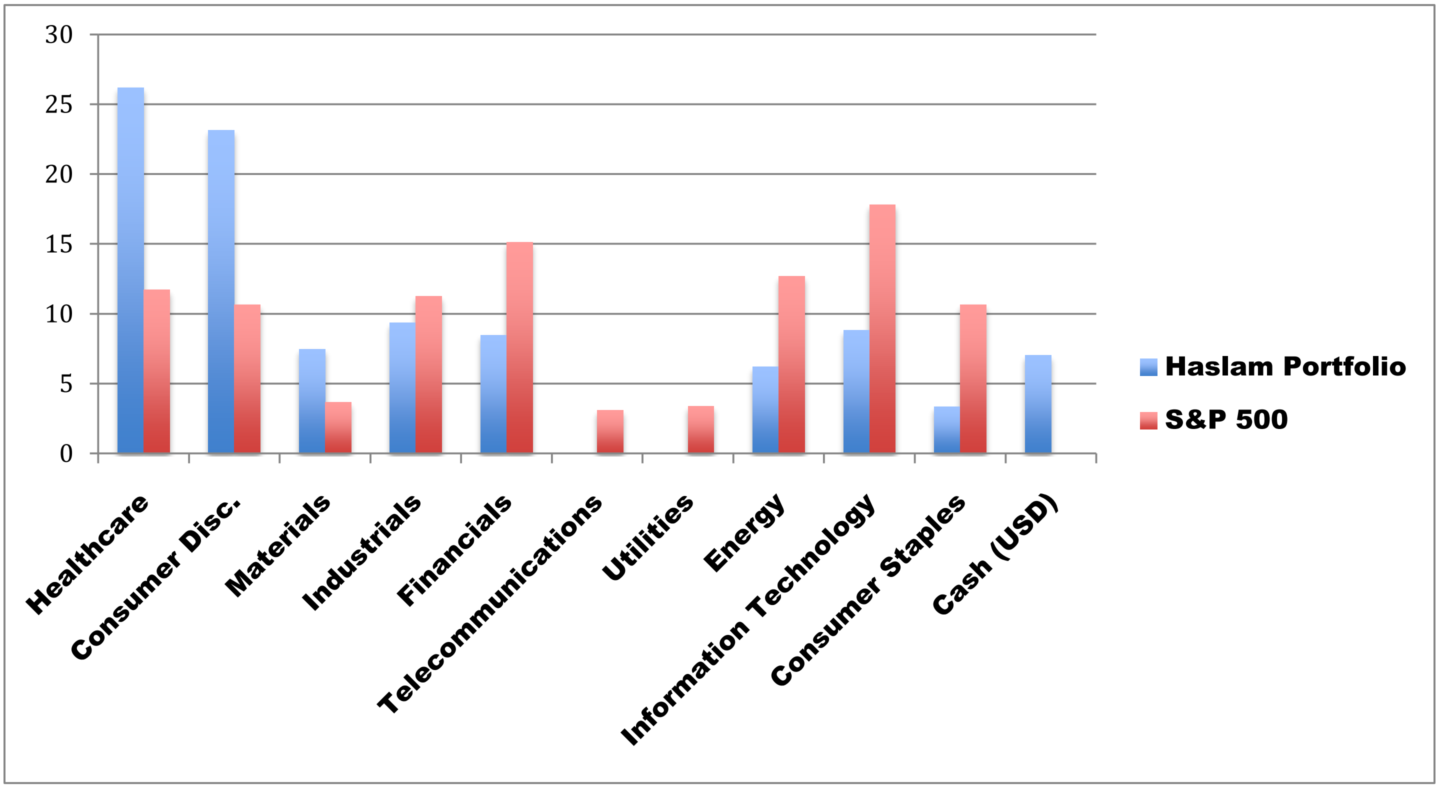
COMPANY	TICKER	VALUE	SHARES	DATE
ACCENTURE	ACN	$67.50	150	05/12/11
APPLIED MATERIALS	AMAT	$48.00	600	06/23/11
CAPITAL ONE	COF	$7.50	150	06/06/11
FEDEX	FDX	$13.80	115	04/01/11
GENERAL ELECTRIC	GE	$70.00	500	04/25/11
INTERNATIONAL HOTEL GROUP	IHG	$168.50	500	06/03/11
JOHNSON & JOHNSON	JNJ	$71.25	125	06/14/11
LOWES	LOW	$41.25	375	05/04/11
NOBLE	NE	$43.96	300	05/19/11
NOVO NORDISK	NVO	$67.90	50	04/05/11
PROCTER & GAMBLE	PG	$52.50	100	05/16/11
TARGET	TGT	$56.25	225	06/10/11
VISA	V	$22.50	150	06/07/11
WELLS FARGO	WFC	$36.00	300	06/01/11
WELLPOINT	WLP	$38.75	155	06/27/11
BECKTON DICKINSON	BDX	$41.00	100	06/30/11

PORTFOLIO WEIGHTINGS AS OF 6/30/11

SECTOR WEIGHTING BY THE NUMBERS

SECTOR	HASLAM	S&P 500	RELATIVE WEIGHTING. (+/-)
Healthcare	26.18	11.71	+14.47%
Consumer Discretionary	23.15	10.65	+12.50%
Materials	7.47	10.64	-3.81%
Industrials	9.35	11.26	-1.91%
Financials	8.47	15.13	-6.66%
Telecommunications	0.00	3.09	-3.09%
Utilities	0.00	3.38	-3.38%
Energy	6.19	12.68	-6.49%
Information Technology	8.83	17.79	-8.96%
Consumer Staples	3.33	10.64	-7.31%
Cash (USD)	7.04	--	+7.04%

VISUAL SECTOR WEIGHTING



SUMMARY OF FUND HOLDINGS

CONSUMER DISCRETIONARY

InterContinental Hotels Group PLC (IHG)
The 500 shares of IHG in the portfolio increased 1.34% in Q3 to $39.41 per share. During our tenure, IHG has increased 19.66%, adding $1,365 to the portfolio.

InterContinental is the largest franchiser, manager, and owner of hotels in the world, as measured by total rooms, with more than 4,400 hotels and 440,000 rooms in more than 100 countries in its system. The company's portfolio of brands include the largest midscale hotel brand, Holiday Inn and Holiday Inn Express, and two of the largest upscale brands, InterContinental and Crowne Plaza. Franchised properties represent 37% of sales, with managed properties at 27% of sales, and owned and leased properties at 37% of sales.[2]

IHG is still realizing benefits from its Holiday Inn rebranding campaign and is seeing above average growth in China, where revPAR (revenue per available room, a key metric) was up 18% in China this previous quarter. With more hotels in the pipeline around the world than any other competing company, IHG is well positioned for an eventual recovery.

General Motors Co. (GM)
The weakness in GM this quarter prompted the team to double the portfolio's holdings in the stock. The portfolio now holds 480 shares of the automaker. The stock decreased 4.75% during the quarter.

General Motors Company emerged from the bankruptcy of General Motors Corporation (old GM) in July 2009. GM has 13 brands and operates under four segments: General Motors North America, General Motors Europe, General Motors South America and General Motors International Operations. The United States now has four brands (Chevrolet, GMC, Buick, and Cadillac) instead of eight under old GM. The company remains the market leader in the United States with about 19% share. GM Financial became the company's captive finance arm on October 1, 2010.[3]

Sales and the quality of GM's new lineup offers much upside to the stock once the U.S. Government liquidates its remaining shares of the stock. Future resolution of uncertainty around GM, like UAW negotiations and the general economic recovery, will lower risk for the company. The team still sees systematic advantages increasing GM's stock price, like being listed in an index, as a definite plus in owning the stock going into Q4 and Q1 2012.

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[2] http://library.morningstar.com.proxy.lib.utk.edu:90/stocknet/MorningstarAnalysis.aspx?Country=USA&Symbol=IHG

[3] http://library.morningstar.com.proxy.lib.utk.edu:90/stocknet/MorningstarAnalysis.aspx?Country=USA&Symbol=GM

Lowe's Companies, Inc. (LOW)

Lowes, which was purchased just before the end of Q2, fell 11.39% during Q3 to $23.31. At the quarter's end, the portfolio held 375 shares of LOW valued at $8,741.25. Since its purchase, LOW has decreased 12.05%. The portfolio received a dividend of $41.25, or $0.11 per share.

Lowe's is the second-largest home-improvement retailer in the world and operates about 1,700 stores throughout the United States, Canada, and Mexico. The company's stores offer products and services for home decorating, maintenance, repair, and remodeling. Lowe's targets retail do-it-yourself and do-it-for-me customers, as well as commercial business clients. Based in Mooresville, N.C., the firm employs about 230,000 people.[4]

The team initially purchased Lowe's thinking that housing credits and a stormy season would help improve sales of home improvement products. However, it seems the stormy season has delayed those plans, as homeowners are first dealing with damage from storms and keeping any other household projects under the $500 range.[5] Lowe's missed earnings estimates this quarter by $0.02 ($0.36 per share estimate, $0.34 per share actual). Although the stock has declined this quarter, our team still believes Lowe's is a promising holding as homeowners will eventually begin to start the larger improvement projects again.

Target Corp. (TGT)

In Q3, the portfolio's 225 shares of Target decreased 5.59% to $46.91, reducing the holding's value by $684.80. Target was purchased on April 19, 2011.

Target operates large-format discount stores that sell name-brand and private-label family apparel, home decor items, food, and everyday consumables. It operates more than 1,740 stores. About 240 of these are SuperTarget stores, which average about 175,000 square feet and feature a greater selection of groceries and consumables. The remainder are smaller-format discount stores, which average about 122,000 square feet and feature a more limited grocery section.[6]

We believe Target offers low prices that have been shown to be in line, if not cheaper, than WalMart's. However, Target also projects a perception of better quality. In addition, Target has introduced its RedCard, which provides shoppers with 5% cash back on all Target purchases, and has redesigned their website for improved functionality. While WalMart has struggled in international markets, Target has shown that its expansion into Canada could be a large growth area for the company.

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[4] http://library.morningstar.com/Quote/Quote.html?country=USA&ticker=LOW&TimeFrame=

[5] LOW Quarterly Earnings Release

[6] http://money.cnn.com/2011/03/07/news/companies/walmart_target_better_price/index.htm

CONSUMER STAPLES

The Proctor & Gamble Co. (PG)
As the portfolio's only consumer staple holding, P&G experienced an increase of 4.05% in Q3. The stock rose to $63.57, helping provide a return throughout our tenure of 8.49%. The portfolio received a $52.50 dividend from P&G in Q3, or $0.525 per share for its 100 shares.

Since its founding in 1837, Procter & Gamble has become the world's largest consumer product manufacturer, with a lineup of famous brands. The brands are sold through three global business units and include Tide laundry detergent, Charmin toilet paper, Pantene shampoo, Cover Girl cosmetics, and Iams pet food. Since 2001, the company has doubled the sales it derives from developing markets, acquired and integrated Wella and Gillette, and sold its pharmaceutical and coffee businesses.[7]

P&G continues to focus on the emerging market consumer, seeking to reach five billion consumers by 2015. Although the emerging market consumer seems receptive to P&G, the emerging market product mix and exchange rate risk has lowered profits overall. In the domestic market, the consumer is still sluggish. With more billion dollar brands than any other product manufacturer, however, P&G is still a blue-chip holding and will be able to weather the economic conditions.

ENERGY

Noble Corp. (NE)
Noble, which was the top performer in Q2, decreased 13.29% in Q3 to $39.41. Throughout the team's tenure, Noble has increased 17.86%, adding $1,686 to the portfolio. There are 300 shares of Noble in the portfolio.

Noble operates a fleet of 76 offshore rigs that drill for oil and natural gas globally, which includes 11 rigs under construction. About 60% of Noble's customer base is national oil companies, which places the vast majority of the firm's rigs internationally. The company also provides engineering and consulting and contract drilling services.[8]

There has been much volatility with oil prices, as the U.S. recently began releasing reserves. Noble has an excellent reputation and works hard to retain its top staff, which also offers oil services consulting. As oil becomes harder and more expensive to extract, Noble, with its knowledge and equipment, will be ready to handle the task. We believe Noble will continue to be a top performer despite the decrease this past quarter.

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[7] http://library.morningstar.com.proxy.lib.utk.edu:90/stocknet/MorningstarAnalysis.aspx?Country=USA&Symbol=PG

[8] http://library.morningstar.com.proxy.lib.utk.edu:90/stocknet/MorningstarAnalysis.aspx?Country=USA&Symbol=NE

FINANCIALS

Berkshire Hathaway, Inc. (BRK/B)
Berkshire decreased 2.40% this quarter during the time it was held in the portfolio. For our tenure, Berkshire provided a 1.28% loss, prior to being sold on May 3, 2011.

Berkshire Hathaway is a holding company that owns and manages several subsidiaries across a variety of business sectors. Its principal operations are insurance businesses conducted nationwide on both a primary basis and a reinsurance basis. Berkshire Hathaway's other business sectors include retail furniture, clothing, shoes, and a railway.[9]

Berkshire had been a relatively stable stock since our team began managing the portfolio. Many of Berkshire's non-insurance subsidiaries have experienced solid growth, and Berkshire's two most recent acquisitions, Burlington Northern Santa Fe and Lubrizol, have been viewed as successes. However, the recent natural disasters, including the tsunami in Japan and Australian earthquakes, hurt the bottom lines of Berkshire's insurance and reinsurance operations. The concern of further inclement weather and uncertainty regarding the ultimate disposition of the investigation against David Sokol changed the risk profile of Berkshire. Because our team believed that these risks outweighed the upside for the company, our team liquidated the portfolio's holding of Berkshire on May 2, 2011.

Capital One Financial Corp. (COF)
Capital One lost 0.46% for the portfolio this quarter. However, the stock has been one of the top performers for our tenure, increasing by 31.02%. It currently accounts for 4.06% of the portfolio's assets.

Capital One is a diversified bank that, through its subsidiaries, offers a broad range of financial products and services to consumers, small businesses, and commercial customers in the United States, Canada, and the United Kingdom. These offerings include various deposit accounts, credit card lending, automobile lending, and home mortgage lending.[10] Capital One has bank locations in Connecticut, Louisiana, New Jersey, New York, and Texas.[11] 70% of the company's revenue comes from its credit card segment.

The company has continued to see improvement in its bottom line as consumer credit improves. During this quarter, Capital One announced its plans to buy online bank ING Direct USA for $9 billion.[12] With the acquisition, Capital One will now move from the 9th largest depository bank in the United States to the 5th largest, in addition to becoming the largest online bank. We believe this transaction will allow Capital One to reach more

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[9] http://www.bloomberg.com/apps/quote?ticker=BRK%2FB:US

[10] http://finance.yahoo.com/q/pr?s=COF

[11] http://www.bloomberg.com/apps/quote?ticker=COF:US

[12] http://www.washingtonpost.com/business/economy/capital-one-bank-to-acquire-ing-direct-usa/2011/06/16/AG4fVzXH_story.html

customers, and is likely a prudent use of capital given that consumer confidence and spending have been a little shaky. As the economy improves, even at a slow pace, we look for Capital One to benefit from further consumer spending.

Visa, Inc. (V)

Visa returned 3.85% to the portfolio during this quarter, which included a $22.50 dividend, before its liquidation on June 9, 2011. For our tenure, the stock returned 4.24%.

Visa operates a worldwide, retail electronic payments network that facilitates commerce between financial institutions, business, merchants, consumers, and governmental entities. Visa's wide range of payment systems allow its customers to offer credit, debit, prepaid payments, and cash access programs for cardholders, rather than Visa providing the credit itself. In addition, Visa offers other value-added processing services, including risk management and dispute management services.[13]

Since the news of the Fed's proposal to cap debit card interchange fees in Q1, Visa's stock price has been extremely volatile. We were very concerned over the loss of revenue which would result from the final disposition of these fees, although we believed that the bank lobby would be somewhat successful in lowering these caps from the Fed's original proposals. However, we still believed the risk of the resulting loss of revenue outweighed the potential upside from this stock. Further, since Visa trades like a financial stock, our team was concerned over our exposure to this sector. Therefore, we liquidated this holding from the portfolio on June 9, 2011. Unfortunately, the announcement of the final caps on swipe fees were much lower than expected (21 cents per transaction versus the original proposal of 12 cents), and Visa's stock price rose 15% in one day at the end of June.[14]

Wells Fargo & Co. (WFC)

Wells Fargo lost 11.13% for the portfolio this past quarter, including a $22.50 dividend. The stock has decreased by 8.08% since its acquisition on December 21, 2010. It currently accounts for 4.41% of the fund's value.

Wells Fargo, through its subsidiaries, provides commercial, retail, and corporate banking services mainly in the United States. The company operates in three segments. Through its Community Banking segment, which accounts for almost 70% of Wells Fargo's revenue, Wells Fargo provides a wide range of services, such as investment, insurance, and trust services, to consumers and small businesses. Through its Wholesale Banking segment, the company provides a line of commercial, corporate, capital markets, cash management, and real estate banking products and services to businesses across the United States and to financial institutions globally. Through its Wealth, Brokerage, and Retirement segment, Wells Fargo provides a full range of financial services to high net worth and affluent individuals. This includes financial

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[13] http://finance.yahoo.com/q/pr?s=V

[14] http://www.alexanderproudfoot.com/News/Recent-News/Federal-Reserve-Announces-Higher-Swipe-Fee-Limit.aspx

planning, private banking, credit, investment management, trust and estate services, and business succession planning. As a result of its acquisition of Wachovia, Wells Fargo is now the fourth largest bank by assets in the United States.[15]

The fundamentals on Wells Fargo continue to be solid. The first quarter of 2011 saw strong increases in the company's Wholesale Banking and Wealth, Brokerage, and Retirement Segments, which allowed the company to realize record profits.[16] Wells has also been successful in cross-selling its products to existing clients. Although consumer loans declined, Wells saw strong growth in commercial loans. We believe the stock price has been depressed by concerns over liability for mortgage practices and the securitization of mortgaged-backed securities that Wells inherited from its acquisition of Wachovia. We do not believe this liability will be as high as some investors fear. Wells success in its various areas of business, coupled with the fact that the company has one of the best management teams in the banking sector, makes us optimistic towards Wells' potential moving forward.

HEALTHCARE

Amgen, Inc. (AMGN)

On May 2, 2011, the team voted to purchase 250 shares of Amgen, Inc. Since the purchase, Amgen has gained 1.18%. The team voted to purchase these shares based on numerous pieces of information that were not available at the time of our most recent liquidation. Amgen's plan to expand into the Japanese and Asian markets, where branded pharmaceuticals are more highly sought after than in western markets, should help to drive growth and expansion. Couple this with the forecasted earnings growth and the company's announcement of a new dividend policy, Amgen became a much more attractive investment opportunity.

Amgen is a leader in biotechnology-based human therapeutics, with historical expertise in renal disease and cancer supportive care products. Flagship drugs include red blood cell boosters Epogen and Aranesp, immune system boosters Neupogen and Neulasta, and Enbrel for inflammatory diseases. Amgen introduced its first cancer therapeutic, Vectibix, in 2006 and received approval for osteoporosis drug Prolia in 2010.[17]

We hope to see Amgen benefit from its expanded pharmaceutical lines as well as its increasing global footprint. Also, the expiration of the profit sharing agreement over the blockbuster drug ENBREL should help to boost income by $800 million per year. Through the remainder of our tenure we could see some excellent growth out of Amgen as the company benefits from the increased interest in healthcare and pharmaceutical companies as investment options.

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[15] http://finance.yahoo.com/q/pr?s=WFC

[16] https://www.wellsfargo.com/downloads/pdf/press/1q11pr.pdf

[17] http://library.morningstar.com.proxy.lib.utk.edu:90/stocknet/CompanyProfile.aspx?Country=USA&Symbol=NVO

Becton, Dickinson and Co. (BDX)
Becton Dickinson saw an excellent quarter, gaining 8.74% on the back of strong sales and higher than forecasted earnings. BDX reported earnings of $1.38 as opposed to estimates of $1.30 in their most recent quarter. This was a 13% increase over the previous year. Revenue also rose 7% in the most recent quarter, which was 3.6% higher than expected. For the quarter ahead, sales are expected to grow quickly inside and outside the U.S.

Becton Dickinson is the world's largest manufacturer and distributor of medical surgical products, such as needles, syringes, and sharps-disposal units. The company also manufactures diagnostic instruments and reagents, as well as flow cytometry and cell imaging systems. International revenue accounts for 57% of the company's business.[18]

Moving forward, Becton Dickinson should continue to see its revenues and sales increase as the company continues to expand its business segments around the world. The growing need for health care technology and products that Becton Dickinson manufactures should help this stock to continue its upward trend.

Johnson & Johnson (JNJ)
Johnson and Johnson rebounded and gained 13.23% this quarter. The company is still being plagued by recalls as can be seen by the June 28th recall of 60,000 bottles of Tylenol, but sales are continuing to rebound worldwide. The company saw exponential growth overseas as it continues its push outside the U.S. J&J is expected to see further growth as it continues to focus on quality and international expansion.

Johnson & Johnson ranks as the world's largest and most diverse health-care company. The company comprises three divisions: pharmaceutical, medical devices and diagnostics, and consumer. While the pharmaceutical division currently represents 35% of total sales, we expect patent losses to reduce this proportion to 30% over the next 10 years, with the remaining divisions picking up equal shares.[19]

Johnson & Johnson was largely hampered in 2010 by product recalls, including children’s pain relievers, Tylenol, Motrin, Zyrtec, and Benadryl, and the slower sales that accompany them. However, the drug division saw growth of 6% in operational income and the consumer division should rebound this year with new safety procedures. With 70% of its products being number one or two in market share, Johnson & Johnson has a strong brand name and should continue to provide steady growth for the portfolio.

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[18] http://library.morningstar.com.proxy.lib.utk.edu:90/stocknet/CompanyProfile.aspx?Country=USA&Symbol=BDX

[19] http://library.morningstar.com.proxy.lib.utk.edu:90/Quote/Quote.html?country=USA&ticker=JNJ&TimeFrame=

Novo Nordisk A/S (NVO)

Novo Nordisk saw a very flat return of 1.12% this quarter as it saw some uncertainties regarding FDA approval of some of its insulin products and increased competition from other major pharmaceutical companies.

With roughly 50% market share by volume of the global insulin market, Novo Nordisk is the leading provider of diabetes care products in the world. Based in Denmark, the company manufactures and markets a variety of human and modern insulin, as well as oral anti-diabetic agents. Novo Nordisk also has a biopharmaceutical segment (comprising roughly 25% of revenue) that specializes in protein-related therapies for hemophilia and other disorders.[20]

For the next quarter, Novo Nordisk is well-positioned with its many healthcare offerings. The company is now seeking approval for expanded usage of Victoza, which has been approved by numerous regulatory agencies and could help the company boost sales here in the U.S. The company continues to be a market leader in the global insulin market and is expected to continue growing as the number of diagnosed individuals with Diabetes worldwide has now reached 350 million. The company's specializations in the diabetes market, especially its insulin products, have helped the stock price to continue to appreciate.

WellPoint, Inc. (WLP)

WellPoint continued to see strong growth this quarter, gaining 13.23%.

WellPoint is the largest U.S. health insurer by medical membership, serving 34 million people. It holds the exclusive license to the Blue Cross and/or Blue Shield names in 14 states, including California, Georgia, New York, and Ohio. Non-risk-based plan management complements traditional risk-based insurance products.[21]

We are planning to hold the fund's position in WellPoint as it makes the necessary changes to its business model to comply with the new healthcare regulations. The company has stated that they expect to see strong growth for years to come as over 1 million Americans become eligible for Medicare each year until 2030. This prompted the company to purchase CareMore on June 8th. CareMore insures 54,000 people aged 65 and up. This revenue should start hitting the books in 2013 and is much needed for a company that has seen flat revenues for five quarters in a row. WellPoint will likely see continued growth as the largest health insurance provider in the U.S.

INDUSTRIALS

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[20] http://library.morningstar.com.proxy.lib.utk.edu:90/stocknet/CompanyProfile.aspx?Country=USA&Symbol=NVO

[21] http://library.morningstar.com.proxy.lib.utk.edu:90/stocknet/CompanyProfile.aspx?Country=USA&Symbol=WLP

General Electric Co. (GE)

General Electric underperformed this quarter, losing 5.24%, hurt by the slow U.S. recovery and slower than expected international orders. GE did, however, recognize a $27 billion order for its aviation division towards the end of the quarter that should help to boost the company for the year.

General Electric is a diversified manufacturer and is organized into five segments: technology infrastructure, energy infrastructure, home and business services, and capital services.[22]

Looking ahead, General Electric should continue to increase its sales and revenues. The continued recovery of the U.S. economy is important to the continued appreciation in the company's stock price. We plan to hold the current stake in General Electric as we feel that its business units in the U.S. and internationally provide an excellent opportunity for future growth.

FedEx Corp. (FDX)

During the quarter, we liquidated all 115 shares of FedEx. The stock returned 1.42% for the few days we held it in Q3 before liquidation.

FedEx, which pioneered overnight delivery in 1973 and remains the world's largest express delivery firm, derives about two thirds of its revenue from its express division. The company's ground segment delivers small parcels at a lower cost than express to the entire U.S., and the freight segment provides less-than-truckload freight services. FedEx Office provides document production and shipping services, and Trade Networks offers freight forwarding services.[23]

Though FedEx continues its upbeat message on the economy, ongoing commodity volatility has a notable affect on the performance of the stock. The team decided that commodities would probably remain the same, if not tick higher during the summer, which ultimately hurts FedEx's air business. The managers decided to sell the stock on April 4, 2011.

INFORMATION TECHNOLOGY

Accenture (ACN)

The portfolio has held 150 shares of Accenture since the current managers began their tenure in October 2010. Accenture is one of the strongest performers in the portfolio, returning more than 44% (including dividends) for this portfolio's fiscal year-to-date.

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[22] http://library.morningstar.com.proxy.lib.utk.edu:90/stocknet/CompanyProfile.aspx?Country=USA&Symbol=GE

[23] http://library.morningstar.com.proxy.lib.utk.edu:90/stocknet/MorningstarAnalysis.aspx?Country=USA&Symbol=FDX

Based out of Dublin, Ireland, Accenture is a leading provider of consulting, technology services, and outsourcing solutions to a global client base. It serves 96 of the Fortune Global 100 and more than three quarters of the Fortune Global 500. Accenture's business is organized within five operating groups: communications and high tech, financial services, products, resources, and health & public services. It employs more than 200,000 people spread over 52 countries.[24]

Accenture continues to produce excellent results quarter after quarter as companies' appetites for management consulting appears healthy. The stock was propelled further at the close of the quarter with Standard and Poor announcing the addition of the stock to its namesake index after the close of trading July 5, 2011.

Applied Materials (AMAT)
During the quarter, the portfolio took advantage of weakness in the semi-conductor space to double its 300 share ownership of Applied Materials to a total of 600 shares. During Q3, Applied Materials had a negative return of 10.90%.

Applied Materials is the world's largest supplier of semiconductor manufacturing equipment. The firm's systems are used in the chemical vapor deposition, physical vapor deposition, and electroplating steps of the chip-fabrication process. Applied also supplies etching, chemical mechanical polishing, and wafer- and reticle-inspection systems, as well as critical-dimension measurement and defect-inspection scanning electron microscopes.[25]

Applied Materials had a lackluster quarter performance-wise. The underperformance was primarily due to two factors: the acquisition of Varian Semi-conductor, which some analysts criticized as an expensive purchase, and broad market pessimism towards the semi-conductor sector. The team decided that Applied would have better pricing power with the Varian purchase and was still a strong company in the sector, using the weakness to double-down on the stock with the expectation that computer sales will recover during the first half of 2012.

Cree, Inc. (CREE)
During Q3, the team liquidated the 220 shares of Cree purchased into the portfolio during Q2. Cree worked as part of the broader LED play in the portfolio along with LED supplier Rubicon Technology. During the quarter, Cree lost 2.63%.

Cree is a leading developer and manufacturer of light-emitting diode chips, components, and lighting solutions. LED lights are considered to be more efficient and have longer lives than traditional incandescent or fluorescent lights, in turn allowing customers to reduce their energy costs and usage. The firm was founded in 1987 in North Carolina,

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[24] http://library.morningstar.com.proxy.lib.utk.edu:90/stocknet/MorningstarAnalysis.aspx?Country=USA&Symbol=ACN

[25] http://library.morningstar.com.proxy.lib.utk.edu:90/stocknet/MorningstarAnalysis.aspx?Country=USA&Symbol=AMAT

and the company has production facilities in both North Carolina and China.[26]

The team bought into Cree during increased risk because of inventory overstock. The overstock was thought to be temporary, but the company advised before earnings that the inventory issue could still have effects on revenue. The team preemptively sold the stock on April 4, 2011 to avoid further losses.

Rubicon Technology, Inc. (RBCN)
The holding of Rubicon this quarter was part of the bigger LED investment with Cree. The team purchased 288 shares of the stock for the portfolio in the previous quarter, which produced quick gains at the end of Q2 that quickly pared back during Q3. The stock lost 20.48% during the quarter.

Rubicon Technologies is an advanced electronic materials provider that develops, manufactures and sells crystalline products for light-emitting diodes, ratio frequency integrated circuits, blue laser diodes, and other optical applications. The company grows its own sapphire crystals and develops them into these products, which are then sold to its customers in North America, Europe, and Asia.[27]

The managers originally liked this stock because the company appeared to have strong pricing power, but the company's prices caused partners farther down in the supply chain to consider making the crystals produced by Rubicon instead of buying them. Purchase of this equipment by Rubicon's customers prompted the team to liquidate the shares of the stock, closing a rather unsuccessful LED investment.

MATERIALS

Martin Marietta Materials, Inc. (MLM)
Before its liquidation, MLM decreased 4.10%. All 75 shares were sold on April 19, 2011. For our tenure, MLM returned 0.45%.

Martin Marietta Materials is a leading producer of aggregates for the construction industry. The firm also has a specialty products segment that manufactures magnesia-based chemical products, which accounts for less than 10% of total sales. Sales of aggregates to North Carolina, Texas, Georgia, Iowa, and Florida accounted for more than 60% of total sales in 2008. In 1994, the firm completed its IPO, separating itself from its parent, the current-day Lockheed Martin.[28]

The team originally purchased MLM with the thought that politicians might agree to more job stimulus funding for highway construction, which would benefit MLM. However, with political debate over budgets looking deadlocked and commodity inputs

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[26] http://library.morningstar.com.proxy.lib.utk.edu:90/stocknet/MorningstarAnalysis.aspx?Country=USA&Symbol=CREE

[27] http://library.morningstar.com.proxy.lib.utk.edu:90/stocknet/MorningstarAnalysis.aspx?Country=USA&Symbol=RBCN

[28] http://library.morningstar.com/Quote/Quote.html?country=USA&ticker=MLM&TimeFrame=

for asphalt increasing, the team though it was in the portfolio's best interest to liquidate MLM.

Rio Tinto, PLC

Rio Tinto, which was acquired on June 30, 2011, is the newest addition to the portfolio. In its one day in the portfolio, Rio has provided a -0.06% return. The company accounts for 7.47% of the fund's assets.

Rio Tinto searches for and extracts a variety of minerals worldwide, with the heaviest concentrations in North America and Australia. Major products include aluminum, copper, diamonds, energy products, gold, industrial minerals, and iron ore. The 1995 merger of RTZ and CRA, via a dual-listed structure, created the present-day company. The two operate as a single business entity. Shareholders in each company have equivalent economic and voting rights in Rio as a whole.[29]

We believe that Rio, as a diversified mining company, stands to benefit from the demand in emerging countries for staple commodities, such as iron and copper. Further, Rio stands to gain from demand for natural resources in China. Rio has top-notch management, which focuses on delivering value to shareholders. We believe that when the economy improves, Rio's stock will see strong increases. We also view Rio as a stable company that has limited downside as we wait for economic recovery.

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[29] http://library.morningstar.com.proxy.lib.utk.edu:90/stocknet/MorningstarAnalysis.aspx?Country=USA&Symbol=RIO

HASLAM TORCH FUND MANAGERS

PETER CONFALONE

Peter Confalone, from Reading, Pennsylvania, completed his undergraduate degree in Sports Management and Law & Society from DeSales University, graduating *summa cum laude* in 2010. While at DeSales, Peter served as both the Student Body Treasurer (08-09) and Student Body President (09-10), and completed four internships in areas of sports marketing, community relations, athlete representation, and sports information. Peter is currently a first year MBA student, working towards a concentration in finance. He is interested in pursuing corporate finance with the long-term goal of being an NFLPA certified agent and financial advisor.

IAN J. HARMAN

Ian Harman graduated from Maryville College in May of 2008 with a BA in International Business. During his undergraduate years, he also spent a semester at The Chinese University of Hong Kong and a summer at Pace University in New York City. He interned with Meridian Securities Group in Knoxville, Tennessee, and in New York City with Scher Financial Group. After graduation he was responsible for international business development with Attention-IT, Inc. throughout the United States and United Kingdom. While working with Attention-IT, Inc., he was named to the board of directors for the Energy Technology and Environmental Business Association. Ian's goals are to further improve his investment management skills and abilities through his involvement in the Haslam Torch Fund. He is currently a first-year MBA student at the University of Tennessee with a concentration in Supply Chain

HASLAM TORCH FUND MANAGERS

S. RYAN HOFFMAN

Ryan Hoffman is from Anderson, South Carolina. He graduated *magna cum laude* from Clemson University in 2007, receiving a Bachelor of Arts in Political Science and a minor in Economics. After completing his undergraduate studies, Ryan enrolled in the University of Tennessee College of Law. He graduated from law school *magna cum laude* with a Concentration in Business Transactions in 2010. Ryan is currently a first-year student in the University of Tennessee MBA program where he is concentrating in Finance.

JULIAN B. WOOD

An East Tennessee native, Julian Wood graduated *summa cum laude* from the University of Tennessee in Spring 2010 with a degree in Journalism and Electronic Media. Specializing in visual communication and web journalism, Julian worked in graphic design and photography positions for organizations like the Tennessee Journalist (tnjn.com) and the Knoxville News Sentinel (knoxnews.com). Outside of media, Julian worked for AT&T during the original and 3G iPhone launches, which paved the way for his work at an Apple Retail Store. A finance class during undergraduate school interested Julian in investing and financial journalism. It was then Julian first started investing and monitoring markets for a personal portfolio. Julian sees the MBA and the Torch Fund as an opportunity to fine tune skills necessary for a career shift into finance.

QUARTER ONE ECONOMIC OUTLOOK

January 10, 2011

Looking to the future, the US economy is a long way from recovering. The discussion of a full economic recovery can no longer be based upon quick fixes or one to two-year plans. There are serious problems in the underpinnings of the US economy, and many arise from uncertainty – uncertainty of the markets, the government, new regulation, and the perceptions of the average citizen.

Quantitative easing will set the tone for our tenure. The Federal Reserve has indicated its intent to purchase 600 billion dollars in U.S. Treasury's. Increases in the money supply will likely cause inflationary pressures, exerting downward pressure on the dollar. The Fed expects these actions to stimulate the economy, but will increase interest rates as high as 1% to prevent excessive inflation. These measures should provide momentum to set the economy down the road to recovery. However, we do not forecast GDP growth above 3% over our tenure.

On the international level, the weakened dollar could provide for domestic export growth, but this has yet to be seen, as other countries are engaging in currency manipulation to help their own exports. Growth driven by imports and consumers spending in countries such as Brazil, China, and India will provide equity investment opportunities in companies with an international presence or high rate of exports from the U.S. The increased usage and availability of consumer debt (credit cards, etc.) among the middle and upper class consumers is spurring growth in these countries. With high GDP growth rates, low unemployment, and solid interest rates we look for future opportunities in these countries. However, it will be important to examine each investment based on that countries regulatory structure and uncertainty of government interference.

The domestic landscape is wrought with uncertainty in areas such as tax law, energy policy, financial reform, and healthcare. Without decisive mid-term victories for either party, this uncertainty will continue. Regardless of the outcome of the elections, we believe the Bush Tax Cuts will be renewed, providing excess capital for individuals and small businesses. Although there will be more spending power, we believe businesses will look to increase cash reserves or upgrade infrastructure rather than increase hiring. This will result in stagnant unemployment around 9.5%. The housing industry and foreclosures will remain unchanged as well because people will not have the income or security to purchase a home in the immediate future.

Businesses are expected to develop their technology infrastructure, creating potentially good plays within the technology and capital goods industries. Domestically, consumers are expected to purchase high-end electronics such as flat panel TVs and tablet computers, creating opportunities in the consumer discretionary sector. Increased spending on discretionary items will be offset by lower consumption in consumer staples.

Financials and Healthcare are facing uncertainty due to recent regulation and the potential future effects, but there could be many plays within these industries as stocks could be undervalued. Energy is a sector that we will continue to monitor closely as it is both volatile and there is much talk about upcoming federal regulation. With these factors in mind we will look to manage the fund through fundamentally sound investments fully aware that taxes and trade fees are a factor in managing our clients portfolio.

2010 – 2011 HASLAM TORCH FUND CHARTER

The management team will operate under the following conditions:

1. Decisions leading to the acquisition or liquidation of assets must be made on a majority basis, in that 3 out of the 4 managers must be in agreement.

2. In the case of a dissenting opinion, the dissenting manager(s) may prepare a statement as to why they disagree or to answer specific questions, which will then lead to a second vote.

3. The second vote must also receive a three-fourths vote in order to proceed with the acquisition/liquidation.

4. If the second vote does not pass, the dissenting manager(s) can make a final argument about the acquisition or liquidation, but not in a week immediately following the second vote. If it does not pass on the third vote, the issue may not be brought up again in the following week.

5. During the academic term, mandatory meetings will be held weekly.

6. During academic recess (*i.e.*, holidays and summer breaks), the group will meet weekly via videoconferencing, conference calls, Internet chat discussion, or however the conditions may allow.

7. In the case of an emergency liquidation scenario, the monitoring manager must discuss with faculty advisor, Dr. Deborah Harrell, so a proper course of action can be chosen. After consultation with Dr. Harrell, all other managers must be notified.

8. Weekly research will be disbursed to other Haslam Fund managers 48 hours prior to our group meeting, in order to give other members sufficient time to review said research.

9. Research will not be rushed. If our group feels that we need further analysis to understand a company, we will take additional time as needed.

10. Each manager is responsible for monitoring specific sectors assigned to them and specific equities assigned by sector and weight of the portfolio. However, anyone can motion to acquire or liquidate an equity regardless of sector.

11. In the case of an advanced-notice absence from a meeting that involves a transaction vote, the absent member must send his or her vote along with substantive rationale to the team members no later than 12 hours before the start of the meeting. During meetings with a transaction event, the manager who proposed the transaction will document the reasons and risks behind the purchase or liquidation of stock to capture the thesis behind the transaction.