

Investing in Experience

“Can you really explain to a fish what it’s like to walk on land? One day on land is worth a thousand years of talking about it.”

Warren Buffett, self-made investor
listed in *Forbes* as the second richest billionaire in the world

While most of the top MBA programs around the nation have student investment funds, very few are instated at small schools, the size of Texas Lutheran—until now. This past summer, Dave Sather, TLU alumnus and president of Sather Financial Group, Inc., started the Bulldog Investment Company (BIC), an “in-house” internship for TLU students to gain real world experience managing investment funds under the guidance of Sather.

“The mission of the Bulldog Investment Company is two-fold; one is to provide students with a real-world opportunity to truly think about how business should function: basic fundamental, dollars in dollars out, don’t spend more money than you make, don’t borrow more money than you’ve got, that you can’t afford to pay back, then finding investments that do a very good job of satisfying those requirements. So it’s truly just fundamental analysis when it comes to crunching numbers,” Sather said.

The second purpose is to show students that, like Buffett, business and investing can be done in an ethical and honest manner. “If you take the time to think critically, there is no reason to cheat. Buffett has shown all of us for more than 50 years that you can be very successful—while maintaining high ethical standards,” Sather said.

The Warren Buffett and Graham & Dodd school of value investing is BIC’s template for assessing investment opportunities.

“I wish that when I first got out of graduate school, someone would’ve told me ‘You’re going to get your MBA, that’s great; however, if you’re going to go into the investment business, figure out who Warren Buffett is and figure out why he’s so great.’ Fortunately not long after I got out of graduate school, I kind of figured out that was something important and started reading up on who Buffett was and what made him so successful,” Sather said.

“Buffett is by far the best teacher I have never met. One of the best quotes I ever heard from Buffett was ‘I am a better investor because I am a businessman, and I am a better businessman because I am an investor;’ the thought process is about how to rationally allocate capital to investments that make sense and not chase after the fad of the day.”

The BIC program began last summer with three students. The group grew to six students in the fall semester of 2009 and will continue to run and expand on an annual basis. The internship is designed so that even if student managers do not enter the field of investment management, they will be better in business no matter what career path they choose.

Dave Sather '89

“At some point I’d also like to run a hospital. I want to do the MD/MBA program, and I feel like being able to administer the flow of money and how it works would be a great tool in the future,” said BIC student manager Uzonna Mkparu, a senior pre-med biology major.

Based upon their own research, student managers each pick one company to invest in, prove why a certain investment makes sense, and then compete against one another with their investment choices.

The first month, students did presentations on Church & Dwight, Inc. (makers of Oxy Clean, Arm and Hammer Baking Soda, Kaboom, and Trojan condoms). The second set of presentations were on Proctor and Gamble.

“Each month, they compete head to head. They have to show me that they understand their individual company, they have to show that there is a substantial competitive advantage to that given business and then they’ve got to show quantitatively why that business is better than all other choices. That’s the concept of opportunity cost. If we make this decision, it confirms that we are bypassing all other decisions,” Sather said.

Sather has committed \$50,000 to fund the first-year’s budgetary needs. The funds are held in a brokerage account at Charles Schwab & Co. through Sather Financial Group Inc.

Outside of class, students read articles about Buffett and value oriented investing ideas that aid them in researching companies.

The next focus for the BIC will be a comparison and industry analysis of railroads, versus Johnson and Johnson, Church & Dwight, Proctor and Gamble, and two companies from the cigarette industry.

“The main reason why I chose to be part of this group is because I thought that I would enjoy learning more about stocks, knowing how to invest, when to invest, and have a more practical use of something that I’m pursuing,” said Drilona Aliu, sophomore business finance major. “That’s why this is a good opportunity; this is the best way to learn.”

What has been accomplished so far? The interns’ investments in Church & Dwight, Johnson & Johnson, Proctor & Gamble, and Oracle have produced an 11.9% return in their first three months—better than a 48% gain on an annualized basis. ■

Dave Sather, a certified financial planner™, graduated from TLU in 1989 with a Bachelor of Arts degree in business management, and from Texas A&M University with a Master of Business Administration. He holds offices as director of Business Bank of Texas, N.A., director of Houston-based investment banking firm AWDB Partners, chairman of the Finance and Investments Committee for the Brownson Children’s Home, treasurer of First English Lutheran Church in Victoria, chairman of the Investment Committee for the Southwestern Texas Synod of the ELCA, and a member of the Executive Advisory Council at TLU.

The Sather Financial Group is a Victoria-based “fee-only” comprehensive wealth management firm that oversees more than \$165 million in assets. The firm is ranked as one of the top wealth management firms in the nation and in the top 10 in Texas, according to the July 2009 *Wealth Manager Magazine*.

By **Jalisa K. Walker**
Sophomore communication
studies major