Osprey Investment Group

COGGIN COLLEGE OF BUSINESS

UNIVERSITY OF NORTH FLORIDA

Quarterly Report, December 31, 2002

Economic Review

United States

The majority of economic indicators supported the view that the U.S. economy continued a sporadic and faltering recovery in Q4. GDP showed an annualized increase of only 0.7%, the lowest figure since Q3 of 2001, which included the terrorist attacks on September 11. By contrast, 2002:Q3 growth was a robust 4.0%. Consumer spending rose only 1.0%, the lowest level since Q1 of 1993 and dramatically lower than the +4.2% experienced in Q3. Spending on durable goods, such as automobiles and appliances, had the largest drop (-7.3%) since Q1 of 1991. The figure for Q3 was +22.8%.

Fed Chairman Alan Greenspan used the term "soft patch" to describe the slowing of economic growth that began last summer. The Fed's decision to reduce short-term interest rates may have averted a "double dip" as well as set the stage for a possible jump-start for the market in Q1 of 2003.

Slightly more encouraging results were observed on the corporate front. After eight consecutive quarters of declining capital spending, businesses boosted their investment at a 1.5% rate. On the other hand, most of the spending did not involve all sectors of the economy, but was instead concentrated on software and equipment, rather than on new plants and building. Overall, corporate profits continued to be disappointing and several companies expanded their laying off of employees.

Adding uncertainty to the financial markets were international tensions and corporate governance issues. Noted concerns included imminent war with Iraq, a possible North Korean conflict, Latin American oil issues, global fear of deflation risk, and major corporate scandals and defaults. Republican victories in the recent elections could help President Bush in pushing for more tax cuts, which may stimulate the economy. A higher standard of corporate accountability through new legislation is also expected to provide stability to financial markets.

Europe

The European economy remained in an increasingly weak trend throughout Q4. The European Union continued to warn two major economic powerhouses, Germany and France, about escalating government debt levels. Influenced by the appreciating Euro, U.S. consumer demand was weak, thereby stagnating production levels. With an indecisive change in focus from employment levels to deflation aversion, disagreement in proper measures for long-term economic health through the EU remained a persistent theme while GDP growth in the Euro-zone neared negative territory. The MSCI Europe Index posted the first quarterly gain for 2002 and 2003 economic forecasts for the region were revised downward. As rates dropped to 2.75%, worries about Germany remained a problem as it represents about 30% of the Euro-zone. The difficulty Germany has faced is mainly attributable to high labor costs and rigid employment practices. The European region continued to suffer from negative trends in production, consumption, and consumer/investor confidence. Moreover, political tensions in the Middle East weighed in on the European neighbors quite heavily.

Latin America

The Latin American region is traditionally marred by political and economic unrest. Throughout Q4, Brazil and Venezuela were at the forefront of Latin American discussion. Brazil recently held Presidential elections, which were solely based on the country's recent economic struggles. Luiz Inacio Lula da Silva was elected President of Brazil and began implementing economic reforms. Venezuela's oil industry has been on strike since December 2, 2002 in an attempt to force the current President, Hugo Chavez, to resign from office. Venezuela is the world's 5th largest oil producer and the strike has had a significant impact on the world's energy supply.

Asia

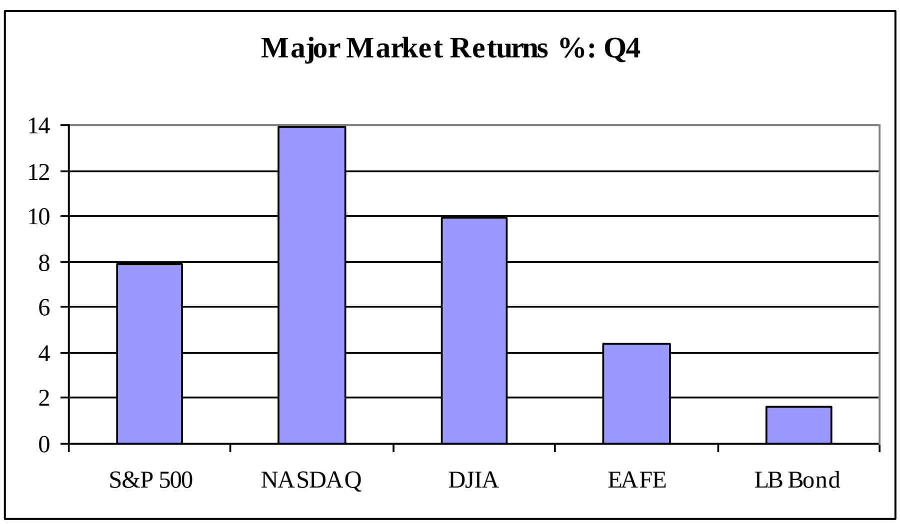
The Asia Pacific region continued to suffer from the overall sluggishness of the global economy. Japan, the region's largest economy continued to sustain a recessionary environment with no end in sight. This, coupled with Japanese government inaction on key reforms of the banking sector, only served to exacerbate their dismal economic position. One bright spot in the region was China, where GDP and foreign investment surged and the Communist regime continued to open up their markets as a result of membership in the World Trade Organization. At the end of Q4, however, the region became embroiled in a nuclear standoff with North Korea as their secret nuclear program was exposed in violation of a non-proliferation agreement with the United States. This has had a dramatic effect on the South Korean economy as foreign investment there has plummeted over 60%. The rest of the region has also been cast in a light of uncertainty over North Korea's intentions.

Market Overview

Equity Markets

The last quarter in 2002 started with the major equity market indices continuing to fall off of their late August highs and continuing their 3 year long downward trend. The Standard & Poor's 500 Index (S&P 500) sunk 5% in early October before closing at a bottom on October 9. In intraday trading on the 10th, the markets sunk even lower before reaching a bottom and rebounding sharply on an upward trend that lasted for most of the remaining quarter. This was the same scenario for both the Dow Jones Industrial Average (DJIA) and the Nasdaq Composite Index (NASDAQ). Nineteen of the 21 international markets that comprise the Morgan Stanley Capital International Europe, Australasia, Far East Index (EAFE) posted gains.

The S&P 500 rose steadily until December 2, when it reached a market high of 954.28, a return of 24.2% (low was Oct. 10 - 768.63) during this timeframe on an intraday trading basis. This was replicated in the other indices. The run in the equity markets was due in large part to a technical trading movement. The markets reacted to a trading support level. The reaction was previously seen when the market had reached an equivalent bottom on July 24. The bottom was at the same level for the major indices in July and in October. After the July low, the S&P 500 quickly rebounded and reached a new high on August 22 before retreating again until October 9, when the low was reached again. After the market returned to the resistance point in early December, it retreated by almost 10% for the remainder of Q4. Despite the volatility, the S&P 500 returned +7.9%.



An additional factor that may have contributed to the run in the markets was positive earnings reports by a few widely followed firms. The news was encouraging because there had been a long absence of significant positive news concerning the strengthening of financial condition among firms. Investors received some hope that we might be pulling out of the current bear market. Other factors were increases in productivity, better than expected consumer confidence and the Fed cutting interest rates by an unexpected 50 basis points at its November meeting.

Two commodities experienced large price increases that propelled those particular markets: oil and gold. The price of a barrel of crude oil was driven by pending war fears between the U.S. and Iraq and a Venezuelan strike that crippled its output. Gold reached prices that it had not seen in five years, breaking through the $350 mark. It was spurred by a weakening dollar, uncertainty in the market and the war with Iraq.

Technology and Telecommunications, the worst performing U.S. stock sectors during the first three quarters of 2002, led the Q4 rebound, helped by renewed expectations of better times ahead. Double–digit gains by Microsoft, IBM, Hewlett–Packard, Cisco, Verizon, SBC, and BellSouth boosted the S&P 500 in the final three months. The Materials sector also posted double-digit gains amid talks of war, a shaky economic recovery, and ongoing corporate accounting scandals.

The continued uncertainty in the market, however, made investors revert to their 2002 tentative form by December, realizing that economic progress could remain slow in 2003. That sapped the holiday spirit from the markets, sending the major U.S. stock indices to their worst December declines since 1931. When the final full–year damage was tallied, the S&P 500 fell 23.4%, NASDAQ dropped 28.9% and the DJIA fell 21.6%.

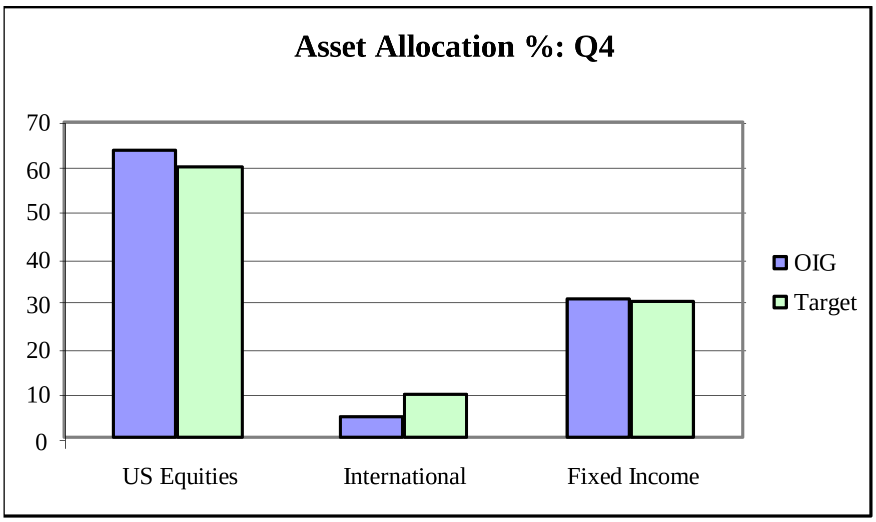
Fixed Income Market

Most major U.S. fixed-income indices, on the other hand, rose in December and enjoyed their third straight winning year as investors sought the relative safety and stability of high quality corporate and government debt. The Lehman Brothers Aggregate Bond Index (LB Bond) added a 1.6% Q4 return to its earlier gains, jumping 10.0% for the year. Corporate debt - particularly high-yield issues - staged a comeback in the final quarter as financial scandals faded, company debt issuance expanded rapidly, and high yields drew investor demand.

Portfolio Review

Asset Allocations

For the quarter ending December 31, 2002, the asset allocation for the Fund was 64% in U.S. equities, 5% in international equities and 31% in fixed income securities. Relative the allocation targets established by the University of North Florida Foundation, Inc., the Fund was 4% overweight in U.S. equities, 5% underweight in international equities and 1% overweight in fixed income. Overall, equities represented 69% of the portfolio value. These allocations were within the ranges established by the Foundation.



Sector Allocations

Since 60% of the weight of the benchmark for judging relative Fund performance is the S&P 500 Index, a primary investment strategy of the Fund for Q4 was to allocate funds across sectors to generally correspond with that of the S&P 500. Flexibility to overweight or underweight sectors by 5% was permitted as sector outlooks changed; however, the fund was typically close to market weights across these sector values throughout the period.

For Q4, Financials represented the largest degree of exposure with 21.8% of the portfolio and was over-weighted relative the S&P 500 by 1.3%. Materials was the most over-weighted sector at 6.8% versus 2.8% for the Index. This overweighting was mainly due to a hedging strategy involving a large position in a gold mining stock, Meridian Gold (MDG). Industrials and Telecommunications sectors were also slightly over-weighted. Consumer Staples, Information Technology and Consumer Discretionary sectors were slightly underweighted. The fund held no individual Utilities and gained exposure to this sector from the fund's holdings in iShares of the S&P 500 Index (IVV). The Healthcare and Energy sectors were market-weighted.

SECTOR EXPOSURE	OIG	S&P 500	+/-
Financials	21.8%	20.5%	+1.3%
Healthcare	15.1	14.9	+0.2
Industrials	13.3	11.5	+1.8
Information Technology	12.0	14.3	-2.3
Consumer Discretionary	11.8	13.4	-1.6
Consumer Staples	7.0	9.5	-2.5
Materials	6.8	2.8	+4.0
Energy	5.7	6.0	-0.3
Telecommunications	5.4	4.2	+1.2
Utilities	1.1	2.9	-1.8
Total	100.0	100.0	

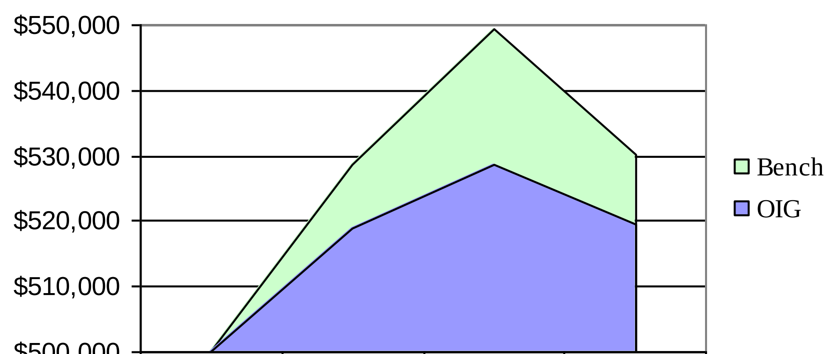
Fund managers attempted to diversify the portfolio proportionately across securities within most sectors. Each full position represented approximately 2.5% of the total portfolio. Being overweight in Financials by 1.3%, for example, represents about one-half of a position.

As this is the first quarter in the life of the Fund, managers were very deliberate in identifying securities that would potentially maximize returns within the parameters of the rules of the Fund. Until specific securities were identified, the proceeds of the Fund were held in IVV in order to track the performance of the S&P 500. In addition, as existing positions were liquidated, those proceeds were also placed in IVV until a new opportunity emerged in that sector. By the end of Q4, approximately 38.7% of Fund assets were invested in IVV.

Performance Comparison

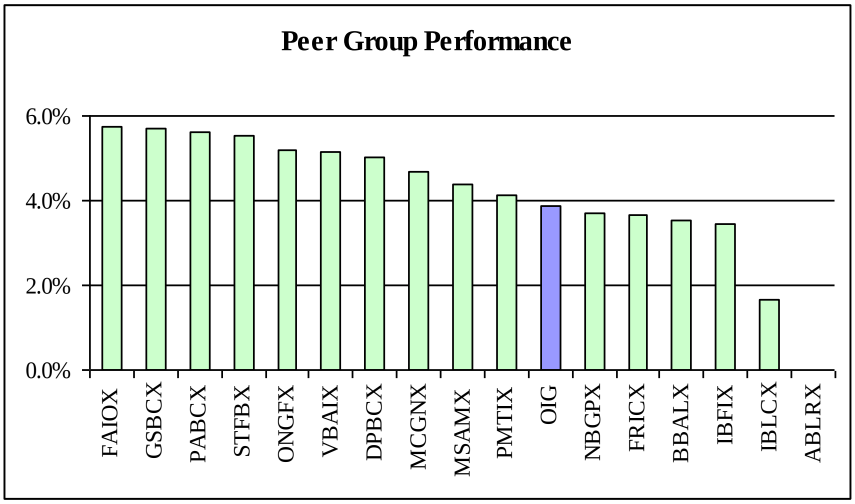
The Economic Overview and Market Overview sections above span the entire Q4 period. The launching of the Fund; however, occurred at the market open on October 11, 2002. The returns reported below are for the quarter-ending December 31, 2002 period, although the life of the Fund was about two weeks short of a complete quarter. All relative comparison figures have been adjusted accordingly to match the investment period of the Fund.

For the Q4 investment period, the Fund increased by $19,439.76, or 3.9%. When considering investable funds (gross of the $3,750 management fees), the fund rose $23,189.76 or 4.7%. Over the same time-period, the weighted benchmark of the S&P 500, the EAFE, and the LB Bond indices increased 6.0%. The Fund under performed the benchmark by 2.1%. The chart below shows the value of matching $500,000 investments in the Fund and in the benchmark over Q4.

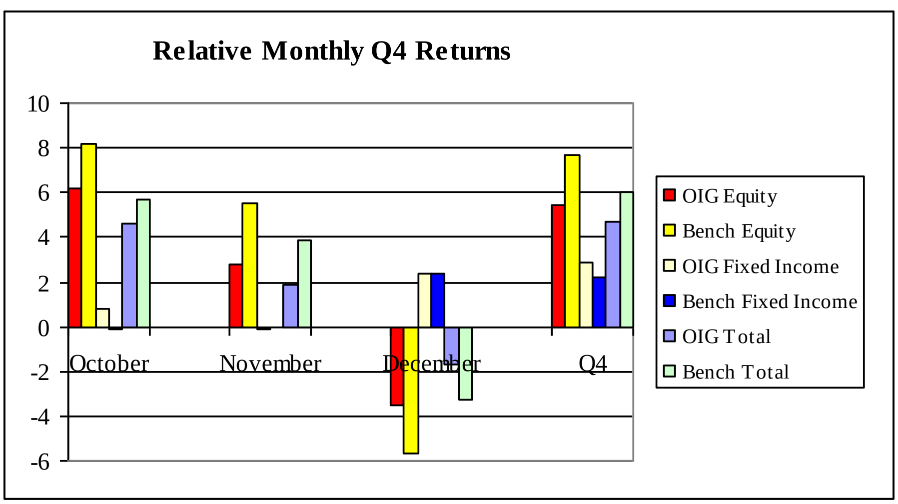


	10/10/2002	10/31/02	11/31/02	12/31/02
Bench	$500,000	$528,522	$549,415	$530,212
OIG	$500,000	$518,825	$528,621	$519,440

For Q4, a representative sample of professionally managed balanced mutual funds earned an average return of +4.2%. These funds are similar to the asset allocation parameters established by the Foundation and OIG, and serve as a proxy for measuring average performance. The fund under performed the peer group average by 0.3%. The Fund outperformed 6/16 of the professionally managed funds in the sample. Superior returns were earned by 10/16 of the peers. The relative performance of the Fund placed it in the third quintile of the peer group.



Decomposing the Q4 performance into monthly returns indicates that the Fund under performed the benchmark in October (-1.1%) and November (-2.0%), and outperformed the benchmark in December (+1.5%). Overall, the Fund under performed the bench by 1.4%. The equity component of the Fund under performed the benchmark in October (-2.0%) and November (-2.5%) and outperformed in December (+2.2%). For Q4, equities under performed the benchmark by 2.3%. The fixed income portion of the Fund did not under perform the benchmark in any of the three months and outperformed the benchmark by 0.7% for the period. [These performance figures do not include the $3,750 management fee incurred at the inception of the Fund. The net return for Q4 under performed the benchmark by 2.1%.]



Capitalization of Holdings

Large-Cap Holdings Performance

The U.S. large-cap holdings of the Fund combined for a loss of 3.3% during the Q4 holding period. The large-cap S&P 500 Index increased 7.3% during the same time period. Poorly timed purchases of Home Depot (HD) in advance of an earnings announcement, Proctor and Gamble (PG), Quest Diagnostics (DGX), Dell Computer (DELL), Anthem (ATH) and AIG contributed to the disappointing performance. The best performing large-cap holding for the Fund was Electronic Data Systems (EDS), which rose 15.1%. The Fund holds 17 U.S. firms in this size classification. Two large-cap international firms, Nokia (NOK) and China Mobile (CHL) are also held in the Fund. Both firms are in the Telecommunications sector and under performed the EAFE by 23.2%.

Mid-Cap Holdings

The S&P 400 Mid-Cap index Increased 10.6% in Q4. The mid-cap portion of the Fund increased 0.5% during the period. The mid-cap holdings of the fund were led by BJ Services (BJS), which increased 11.9% and Meridian Gold (MDG), which increased 10.8%. Currently the fund holds only one mid-cap firm, Biovail (BVF). Two positions, BVF and L-3 Communications (LLL) contributed disproportionately to the poor performance of the fund in this cap group.

Small-Cap Holdings

The lone small-cap position in the Fund was Central European Distribution Corporation (CEDC), a Polish importer and distributor of alcoholic beverages. This position was liquidated after four trading days for a 19.9% return. This compares to a 12.2% increase in the S&P 600 Small-Cap index during the Q4 period.

CAPITALIZATION EXPOSURE	OIG Return	INDEX Return	+/-
U.S. Large-Cap	-3.3%	+7.3%	-10.6%
Mid-Cap	+0.5	+10.6	-11.1
Small Cap	+19.9	+12.2	+7.7
Large-Cap International	-13.4	+9.8	-23.2

Sector Analysis

Consumer Discretionary

The S&P Consumer Discretionary Index was up 5.8% in Q4. The sector holdings for the Fund decreased by 7.8%, and under performed the Index benchmark by 13.6%. Although discretionary stocks usually outperform during market rallies, this sector was under pressure due to continuing questions over consumer confidence, weakness across the retail sector (indicated by weakness in retail bellwether Wal-Mart), and continuing economic uncertainty. Best Buy (BBY) was the best holding in the Fund within the sector, beating the Index by 6.0%. The biggest disappointment was Home Depot (HD) at -13.6%, which was a poorly timed purchase shortly before earnings were announced. The outlook for this sector remains cautious due to the same risks that have plagued it over the past several quarters.

Consumer Staples Sector

The S&P Consumer Staples Index was down 1.4% during the Q4 period. The fund’s three holdings within the sector; however, increased 2.5%, outperforming the Index by 3.9%. CEDC (+19.9%) led the sector. The outlook for the sector remains positive for the coming year mainly due continued economic uncertainty in the U.S.

Energy Sector

Energy was one of the strongest sectors during the quarter. The Fund's two holdings, BJ Services (BJS) and Apache Corp. (APA), returned 11.9% and 5.5%, respectively. They combined to produce a return of 7.7%, compared to the S&P Energy Index, which was up 4.4%. The sector was heavily influenced by volatile oil prices, which increased 6.3%. The flux in crude oil was a direct result of the growing conflict between the U.S. and Iraq, namely over Saddam Hussein’s suspected possession of weapons of mass destruction.

Financial Sector

During Q4, the Fund’s financial sector holdings experienced a loss of 3.7%. By comparison, the S&P Financial Index increased 12.3% over the same time period. The underperformance was primarily due to the AIG and Anthem (ATH) holdings, which were down 9.6% and 12.2%, respectively. Current holdings include Citigroup (C), Principal Financial Group (PFG) and Washington Mutual (WM).

Fixed Income Allocation

During Q4 the fund's fixed income holdings outperformed LB Bond by 0.7%, with a return of +2.9%, compared to the 2.2% gain in the Index. The holdings included Regency Centers Corp (REG), a self-administered, self-managed real estate investment trust (REIT), which increased 4.1%, and the Vanguard Total Bond Market Index Fund, which increased 2.4%.

Healthcare Sector

This sector experienced an unexpectedly challenging quarter. The S&P Healthcare Index was up 1.7% in Q4, but still under performed the broader market by 5.6%. The overall weakness in healthcare can be attributed to concerns over possible governmental intervention to combat rising healthcare costs and generic drug competition. Healthcare is generally viewed as a safe-haven for investors in periods of economic uncertainty due to the predictable nature of earnings within the industry. It appears, however, that investors fled from healthcare to other sectors in Q4. Nevertheless, Accredo Health (ACDO) was a strong performer for the Fund, posting an aggregate return of 20.0% and outperforming the Index by 18.3%. Biovail (BVF) and Quest Diagnostics (DGX) had disappointing performances (-18.3% and -11.5%, respectively, relative to the Index), but will be looked to in 2003 to post strong gains due to attractive growth prospects. The Fund continues to hold these two positions. Pfizer (PFE) slightly under performed the Index and should prove to be a consistent, low-risk holding in the coming year.

Industrial Sector

For Q4, the S&P Industrial Index had a return of +3.7%, while the Fund's holdings were down 4.3%. Four holdings comprised this sector: United Technologies (UTX), Federal Express (FDX), First Data Corp. (FDC) and L-3 Corp. (LLL). The initial strategy was to exploit the opportunities that appeared to be developing in defense stocks because of the pending military conflict with Iraq and the recent rise of that industry. The strategy did not work out as the defense industry as a whole (which is in this sector) took a hit and the Fund experienced a substantial loss on the first stock, LLL (-12.9%). This strategy was quickly abandoned and the subsequent purchases, although negative in returns, fared much better and provided a greater degree of diversification in the sector. UTX and FDX had negligible returns.

Information Technology Sector

The Fund's three holdings in this sector produced a 0.6% gain during the holding period. The S&P Information Technology Index, however, increased 18.8%. During Q4, the sector experienced a strong rebound, as the prospect of a return in corporate spending energized the market. The excitement pushed the Index to a return of 41.9%, for the period from October 10, the inception of the Fund, to November 28. Throughout December, the sector gave back over half of its gains produced in the quarter. Electronic Data Systems (EDS) produced a 15.1% gain for the Fund, while Dell (DELL) and Microsoft (MSFT) fell 8.0% and 6.1%, respectively.

International Holdings

The fund permits up to 10% in international exposure. Consequently, the international portion of the fund was comprised of four companies. As a group, it under-performed the EAFE Index by 14.4% (-4.5% vs. +9.8%). This was very disappointing since the international markets represented by this Index had a strong quarter. One of the strategies implemented by the analysts was to divide one position between two international telecom firms – Nokia (NOK) and China Mobile (CHL). Both firms sustained losses and significantly under-performed the Index. A full position in Biovail (BVF) had a loss of 18.4%. The only winner was CEDC (+19.9%), but it wasn't enough to carry the other firms.

Materials Sector

The S&P Materials Index generated 14.4% during the holding period. Fund holdings in this sector earned 10.8%, which consisted entirely of one holding, Meridian Gold (MDG). The Fund over-weighted the sector with this stock. MDG was purchased on three different occasions: the initial buy, after it had seen a nice run but pulled back about 4%, and after a rumor of a detrimental article from Mineweb.com came out that saw MDG's price drop 14%. The analysts believed that the selling on MDG was an overreaction to the rumor. After the article came out, the information was not as bad as first feared and the stock rebounded accordingly.

Telecommunications Services Sector

The two telecommunications holdings in the fund combined for a loss of 13.4% during Q4. Nokia (NOK) and China Mobile (CHL) were down 17.7% and 8.9%, respectively. The S&P Telecommunications Services Index was up 24.9% over the same time period. The analysts believed that investing in international telecommunication stocks would provide longer-term benefits in terms of returns and diversification.

Utilities Sector

The Fund had no utilities holdings during the quarter. The only exposure the fund had to this sector was indirectly through the iShares of the S&P 500 Index. The S&P Utilities Index, on the other hand, rose 17.5% during the period.

Portfolio Holdings

Fund Composition, December 31, 2002

Beginning Value: $500,000.00 - 3,750.00 (Management Fee) = 496,250

	Cost	Value	Change
American International Group	12,793.00	11,570.00	(1,223.00)
Apache Corporation (APA)	11,339.50	11,967.90	628.40
Best Buy Company (BBY)	12,551.00	12,316.50	(234.50)
Biovail Corporation (BVF)	12,459.75	10,167.85	(2,291.90)
China Mobile ADR (CHL)	7,822.50	7,127.20	(695.30)
Citigroup Inc. (C)	12,790.00	12,668.40	(121.60)
Coca-Cola Company (KO)	12,465.50	11,831.40	(634.10)
Dell Computer (DELL)	12,351.25	11,364.50	(986.75)
Federal Express (FDX)	12,565.30	12,470.60	(94.70)
First Data Corporation (FDC)	6,308.60	6,019.70	(288.90)
Home Depot (HD)	12,793.00	11,021.60	(1,771.40)
iShares S&P 500 (IVV)	109,648.60	137,826.00	28,177.40
Meridian Gold Inc. (MDG)	18,291.20	20,274.50	1,983.30
Microsoft Corporation (MSFT)	12,661.90	11,891.00	(770.90)
Nokia Corporation ADR (NOK)	8,007.75	6,587.50	(1,420.25)
Pfizer Inc. (PFE)	12,585.00	12,228.00	(357.00)
Principal Financial Group (PFG)	12,881.00	13,106.55	225.55
Quest Diagnostics (DGX)	12,212.50	10,811.00	(1,401.50)
United Technologies (UTX)	12,592.00	12,697.70	105.70
Washington Mutual (WM)	12,727.50	12,085.50	(642.00)
Cash		291.51	291.51
Total Equity		356,324.91	
Regency (REG)	18,686.00	19,440.00	754.00
Vanguard Total Bond Market	139,717.15	143,674.85	3,957.70
Total Fixed Income		163,114.85	
Closing Value		519,439.76	23,089.76

OSPREY INVESTMENT GROUP is comprised of undergraduate and graduate students selected to invest a portion of the Foundation's assets in a diversified, actively managed portfolio of equity and fixed income securities. The principal is from a gift from Jody and Layton Smith expressly for the purpose of enabling a special group of students to manage a $500,000 portion of the Endowment.

Osprey Investment Group, 2002-2003

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