



Student  
Managed  
Investment  
Fund

## 3<sup>rd</sup> Quarter 2022 Report – The Student Managed Investment Fund (SMIF)

Dear Partners,

The recent downturn in the market has posed challenges to our portfolio and the market at large. Some issues at the forefront of our minds while navigating this tumultuous period are the Fed raising rates, persistent inflation, continuous conflict in Ukraine, uncertainty surrounding energy prices, and questions regarding the future trade relationship between China and the US. This letter will cover the following: allocation & performance, portfolio characteristics, recent trades, class operations, and a conclusion.

### Allocations and Performance

At the beginning of the semester, the Equity Strategies team reviewed the outlook of all sectors broadly and each of our individual holdings. After review, they formed a proposal for new sector weightings based on where they see the economy going. It was clear from the pitch that Equity Strategies believes an economic downturn is imminent and the class agreed strongly as 100% of the votes were cast in favor of the proposed allocations. Due to rate hikes and an uncertain economic environment, the ES Team proposed underweighting the Technology sector by 1.00%. Additionally, the new allocations proposed going overweight in Staples, REITs, Energy, and Healthcare. This reflects our belief that investors will flock to companies that provide essential goods and services as opposed to more speculative bets in industries such as Discretionary, Technology, and Communication Services.

	Healthcare	Industrials	Technology	Comm. Services	Staples	REITs	Discretionary	Energy	Financials	Cash
Current SMIF Weight	16.01%	8.80%	25.24%	4.77%	8.15%	5.89%	11.18%	10.34%	8.88%	0.73%
Current S&P Weight	15.40%	8.30%	26.16%	7.25%	6.94%	5.20%	10.77%	8.43%	11.55%	0.00%
Difference	0.61%	0.50%	-0.92%	-2.48%	1.21%	0.69%	0.41%	1.91%	-2.67%	0.73%
8/31 ES Target	3.00%	0.00%	-1.00%	-3.00%	1.00%	1.00%	1.00%	2.00%	-2.50%	0.50%
O/U Targets	-2.39%	0.50%	0.08%	0.52%	0.21%	-0.31%	-0.59%	-0.09%	-0.17%	0.23%

The varied performance of single stocks in each sector has shifted the SMIF portfolio's actual sector weightings away from the targets set on 8/31/22, the date of the last Equity Strategies Pitch. The ES team will propose a rebalance to the portfolio on 11/16/22 that reflects the class's views on current Federal Reserve policy and macroeconomic impacts on the market.

For the period of 12/31/2021 - 10/31/2022, the SMIF portfolio outperformed the S&P 500 index by 69 basis points. We generated 241 basis points of alpha from the allocation effect and -172 basis points from the selection effect, indicating that sector weightings have contributed more to our positive performance YTD than single stock selections. Much of this outperformance came from the Discretionary, Staples, Energy, Industrials, and REITs sectors. Sector underperformance was seen in the Communication Services, Financials, Healthcare, Materials, and Utilities.

31-DEC-2021 to 31-OCT-2022

	SMIF Portfolio			SPDR S&P 500 ETF			Attribution Analysis		
	Port. Average Weight	Port. Total Return	Port. Contrib. To Return	Bench. Average Weight	Bench. Total Return	Bench. Contrib. To Return	Allocation Effect	Selection Effect	Total Effect
<b>Total</b>	<b>100.00%</b>	<b>(17.00%)</b>	<b>(17.00%)</b>	<b>100.00%</b>	<b>(17.69%)</b>	<b>(17.69%)</b>	<b>2.41%</b>	<b>(1.72%)</b>	<b>0.69%</b>
Communication Services	3.21%	(46.17%)	(2.11%)	8.83%	(39.50%)	(4.06%)	1.30%	(0.34%)	0.96%
Consumer Discretionary	9.18%	(4.65%)	0.08%	11.48%	(29.76%)	(3.89%)	0.36%	2.46%	2.81%
Consumer Staples	5.84%	2.42%	(0.12%)	6.52%	(3.85%)	(0.29%)	(0.27%)	0.21%	(0.07%)
Energy	4.57%	80.90%	2.27%	4.22%	68.75%	1.71%	0.26%	0.22%	0.48%
Financials	10.67%	(17.72%)	(2.49%)	11.07%	(11.75%)	(1.26%)	(0.21%)	(0.77%)	(0.98%)
Health Care	17.89%	(23.58%)	(4.18%)	14.09%	(4.65%)	(0.23%)	0.40%	(3.13%)	(2.73%)
Industrials	9.71%	(5.17%)	(0.59%)	7.76%	(9.77%)	(0.72%)	0.18%	0.39%	0.57%
Information Technology	24.19%	(27.74%)	(7.76%)	27.32%	(26.09%)	(7.41%)	0.02%	(0.45%)	(0.43%)
Materials	1.99%	(23.33%)	(0.48%)	2.60%	(16.88%)	(0.49%)	0.02%	(0.15%)	(0.12%)
Real Estate	5.63%	(15.90%)	(0.86%)	2.71%	(27.47%)	(0.83%)	(0.17%)	0.65%	0.49%
Utilities	3.75%	(15.67%)	(0.29%)	2.86%	(4.76%)	(0.22%)	(0.02%)	(0.02%)	(0.04%)
Cash	0.76%	1.29%	0.01%	0.25%	1.29%	0.00%	0.11%	0.00%	0.11%
Other [ETFs]	2.61%	(12.02%)	(0.48%)	0.29%	16.11%	(0.01%)	0.43%	(0.79%)	(0.36%)

## Portfolio Characteristics

Since the last quarterly letter, the number of securities in the portfolio has increased from 33 to 35. Historically the fund has been very “value” oriented, although now with the addition of companies like Match Group, we have seen an increase in the “growth” category. Additionally, we have seen a slight shift towards smaller companies. This is likely a result of sector teams trying to find overlooked investment opportunities in the corners of the market that don’t have as much professional analyst coverage.

Characteristic	SMIF Portfolio	S&P 500
# Securities	35	506
Market Cap.	395,358	423,395
Dividend Yield	1.5%	1.7%
P/E	20.6x	18.8x
P/E using FY1 Estimates	17.8x	16.3x
P/E using FY2 Estimates	16.8x	15.9x
Price/Book	3.4x	3.5x
Price/Sales	2.6x	2.4x
ROE	24.5%	27.3%

		SMIF					S&P 500		
Large	↑	10	35	34	Large	↑	20	28	37
		3	14	2			5	5	4
Small		0	0	2	Small		0	0	0
		Value → Growth					Value → Growth		

## Recent Trades

Displayed below are trades that have been made this Fall. These trades came at opportune times as these companies did not perform well after sale and in every case performed worse than their respective sector of the S&P 500. Proceeds from these trades were used to take positions in Deere & Co., Broadcom, Mondalez, and Madison Square Garden Sports Co.

Sector	Holding	Sell Date	Buy Date	Sell Price	Shares Sold	Cost Basis	HPR	Current Price	Return Since Sell	S&P 500 Return Since Sell
Industrials	UNP	9/13/22	10/22/21	\$232.96	236	\$236.94	-1.7%	\$192.53	-19.0%	-17.3%
Tech	ADBE	9/30/22	4/29/22	\$281.49	137	\$221.73	27.0%	\$301.22	-23.9%	-9.0%
Staples	XLP	10/18/22	4/29/22	\$71.29	863	\$73.77	-3.4%	\$71.25	-8.2%	-9.0%
Discretionary	APTV	10/28/22	4/1/21	\$106.40	385	\$139.34	-23.6%	\$88.00	-37.5%	-6.5%

## Class Operations

Recent changes to class structure include a new mentorship program. Unlike the alumni mentorship program, the new mentorship program allows analysts to meet with Luke Daniel (Vice President) and Catherine Kight (President) one time each semester. The program is intended to help analysts acclimate to the class and voice any concerns they may have. We hope that through this program analysts feel more comfortable and are eager to put forth their best effort during class discussion and while constructing and presenting pitches.

In addition to the new mentorship program, we started a monthly newsletter that goes out to members of the Terry community. The newsletter updates students on what has been pitched in SMIF, why it was pitched, and whether it was passed into the portfolio. There will also be resources in each newsletter including articles with analyst commentary, helpful podcasts, and insightful tweets. It is our goal to give the Terry student body a peek behind the scenes and hopefully increase interest in the class so that future leadership can draw from an even better applicant pool. Our belief is that developing informed opinions early on is crucial to Terry students, so articles and commentary are meant to give students a taste of what we think about certain holdings, happenings in the markets, and investment ideas so that they may form their own opinions.

## Conclusion

The first semester is almost to a close and we are pleased with the work we have done to date. Due to the diligent efforts of the analysts, we feel we have made some valuable additions and subtractions to the portfolio that better position us to capture alpha. We look forward to continuing to monitor the positions within the portfolio and will further scan the market for investment opportunities. Thank you for your support and please reach out if you have any comments, questions, or concerns.

Best,

Catherine Kight  
President

Catherine Kight

Madison Grosse  
Portfolio Manager  
*Madison Grosse*

Luke Daniel  
Vice President

*Luke Daniel*

Jack Jurgovan  
Alumni Relations

*Jack Jurgovan*