



4th Quarter 2022 Report – The Student Managed Investment Fund (SMIF)

Dear Partners,

Since our last letter, the broader market declined temporarily and has since climbed back to the same level it was when we delivered our Q3 letter. The economy has been a bit of a contradiction over the past few months, and it has been difficult to predict with accuracy what sectors stand to benefit from secular trends. Although inflation remains rampant, we are still at a historically low unemployment rate of 3.5%, consumer spending is still strong, and defaults are at a historic low. Bank earnings gave insight into the strength of the consumer as discretionary spending remains high and credit card spending is up 10% over the past year.

Some questions that we are asking as the Spring semester begins: to tame inflation, will the Fed trigger a recession? Republicans have rediscovered their fiscal conservatism, what does this mean for industries highly reliant on government contracts? As recession indicators such as the inverted yield curve appear and companies such as Google and JP Morgan take precautionary measures in the form of laying off employees and setting aside cash, will they fulfill the prophecy of recession they wish to avoid?

There are a lot of indicators pointing towards an imminent recession, however, due to the strength of consumer spending observed by Banks in the previous quarter, we feel confident about the economy over the coming 3 months.

Allocations & Performance

Last quarter, the Equity Strategies team had a strong belief that a decline in the market was imminent due to the Federal Reserve's determination to rein in inflation with increasingly aggressive rate hikes. In anticipation of a hawkish environment, the class decided to underweight sectors such as technology, and instead put more capital into sectors such as Staples, REITs, Energy, and Healthcare which have historically been more resistant to the whims of the market at large. While many of these predictions played out, the high level of exposure that the portfolio had to Alphabet and MatchGroup in the Communication Services sector hurt overall performance. Alphabet accounts for 45% of our holdings in the Communications Services sector and news of them laying off workers was not received well by the market.

	Healthcare	Industrials	Technology	Comm Serv	Staples	REITs & Materials	Discretionary	Energy & Utilities	Financials	Cash
Current SMIF Weight	14.8%	8.4%	26.1%	7.1%	5.6%	5.6%	10.8%	8.4%	12.9%	0.4%
Current S&P Weight	14.6%	8.4%	26.8%	7.9%	6.7%	5.6%	10.7%	7.8%	11.6%	0.0%
Difference	0.3%	0.0%	-0.8%	-0.8%	-1.1%	0.0%	0.1%	0.5%	1.3%	0.4%
01/18 ES Target	0.0%	0.0%	-1.5%	-1.0%	-1.0%	0.0%	1.0%	1.0%	1.0%	0.5%
O/U Targets	0.3%	0.0%	0.7%	0.2%	-0.1%	0.0%	-0.9%	-0.5%	0.3%	-0.1%

In contrast to Equity Strategy's pitch last semester, they are now showing cautious optimism in the short term. This is largely driven by a belief in the strength of the consumer. Bank earnings gave us insightful data about the state of the consumer: consumers continue to spend on discretionary items like travel, credit charges aren't being paid off as quickly, defaults are at historic lows, and consumer confidence is rising. Due to the strong labor market and consumer spending, the Equity Strategy team believes that the economy will stay afloat for at least the next three months. As a result, the class approved the following allocations: overweight Financials, Consumer Discretionary, Energy & Utilities, equal weight Industrials, Real Estate and Materials, and Healthcare, and underweight Technology, Consumer Staples, and Communication Services.

31-OCT-2022 to 31-DEC-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
Total	100.00%	(0.65%)	(0.65%)	100.00%	(0.49%)	(0.49%)	0.15%	(0.31%)	(0.16%)
Communication Services	3.13%	(9.06%)	(0.39%)	7.30%	(1.52%)	(0.13%)	0.01%	(0.22%)	(0.21%)
Consumer Discretionary	11.29%	8.25%	0.99%	10.23%	(10.38%)	(1.13%)	(0.13%)	2.16%	2.03%
Consumer Staples	8.45%	4.66%	0.39%	7.03%	3.37%	0.22%	0.06%	0.10%	0.16%
Energy	5.84%	(7.05%)	(0.43%)	5.20%	(1.72%)	(0.06%)	0.00%	(0.33%)	(0.33%)
Financials	9.32%	(4.92%)	(0.36%)	11.55%	1.46%	0.22%	(0.05%)	(0.55%)	(0.61%)
Health Care	17.84%	(0.84%)	(0.14%)	15.37%	2.70%	0.38%	0.13%	(0.57%)	(0.44%)
Industrials	9.11%	6.21%	0.56%	8.51%	4.65%	0.40%	0.04%	0.12%	0.16%
Information Technology	23.61%	(7.51%)	(1.92%)	26.07%	(2.86%)	(0.79%)	0.04%	(1.15%)	(1.12%)
Materials	1.61%	0.77%	0.03%	2.69%	5.57%	0.15%	(0.05%)	(0.07%)	(0.12%)
Real Estate	4.20%	5.07%	0.24%	2.67%	1.75%	0.05%	0.04%	0.13%	0.18%
Utilities	4.85%	8.41%	0.37%	3.03%	6.45%	0.18%	0.12%	0.08%	0.20%

The 4th quarter resulted in an under performance of 16 basis points compared to the S&P 500. Underperformance was entirely attributable to the stock selection effect with -31 basis points of alpha, while 15 basis points of positive alpha were attributable to the sector allocation strategy. The largest under performance was seen in the Information Technology sector, which is dominated by Google parent company, Alphabet. Recently, Google has underperformed due to a decrease in advertisement spending. The largest outperformance came from the Consumer Discretionary sector largely due to Starbucks beating analyst estimates in Q4 2022. These results were a function of a highly successful fall promotion causing store visits to reach 95% of pre pandemic levels and customers to spend more on drinks.

Portfolio Characteristics

A large effort was made to point out the fact that the portfolio has shifted away from metrics typically associated with value-oriented companies. Our current portfolio exceeds the S&P 500 in price to earnings, price to sales, and forward-looking price to earnings. Our portfolio is much less volatile than the S&P 500 and there is a concern that we may be paying a premium for stocks that are well established and possibly overvalued. In the coming semester, an emphasis will be placed on finding deep value stocks that the market is discounting in some way, rather than paying

for well-known stocks that trade at a premium and have less upside. As Howard Marks says, “Being right may be a necessary condition for investment success, but it won’t be sufficient. You have to be more right than others... which by definition means your thinking has to be different,” We hope to make some contrarian bets in the value vein this semester to position us to capture alpha.

Characteristics	SMIF Portfolio	S&P 500
# of Securities	36	505
Market Capitalization	470,601	487,967
Dividend Yield	1.42%	1.58%
Price/Earnings	23.40x	20.75x
P/E using FY1 Est	19.05x	18.79x
P/E using FY2 Est	17.99x	17.31x
Price/Book	3.56x	3.85x
Price/Sales	2.76x	2.53x
ROE	22.35%	26.08%

SMIF				S&P 500			
Large	9	31	39	Large	20	29	37
	7	10	2		5	5	4
Small	0	0	2	Small	0	0	0
	Value		Growth		Value		Growth

Recent Trades

The Communication Services sector proposed a full sell out MatchGroup. This move represents the broader theme we are trying to enact in our portfolio of moving away from growth and towards value. Since our purchase of MatchGroup last Spring, the share price declined more than 50%. The company fell out of favor with the market as of late due to online dating trends not reaching pre-pandemic levels and the strengthening of the US dollar compared to foreign currencies. The company missed earnings last quarter, experiencing a 1% decline in subscribers from the year-earlier period. 98% of the class voted in favor of the trade with one analyst stating “MatchGroup is still trading at ridiculous multiples,” The company was bought due to belief in the decreasing stigma surrounding online dating, increased access to highspeed internet, and the popularity of dating apps such as Hinge.

Sector	Holding	Sell Date	Buy Date	Sell	Shares	Cost Basis	HPR	Current	Return	S&P 500
Comm. Serv	MTCH	11/21/2022	3/25/2022	\$ 46.98	347	\$ 104.91	-55.2%	48.45	3.13%	-4.51%

Class Operations

Class operations are continuing as normal. Additionally, Catherine and Luke have put much effort into planning this year's Stock Pitch Competition which will take place on February 16-17. UGA will be well represented as two teams from SMIF are eagerly preparing to present their pitches. More than 20 teams applied and 15 were granted admittance including first-time participants from Princeton and Georgetown. We look forward to the competition and networking opportunity.

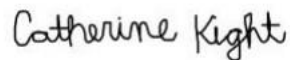
Conclusion

It has been a tumultuous time in the markets, but we hope this presents great buying opportunities for the fund. Thank you for your continued support and feel free to reach out if you have any questions or comments.

Best,

Catherine Kight

President



Luke Daniel

Vice President



Madi Grosse

Portfolio Manager



Jack Jurgovan

Alumni Relations

