



FIU

Business

**STUDENT MANAGED
INVESTMENT FUND**

ANNUAL REPORT
2017-2018

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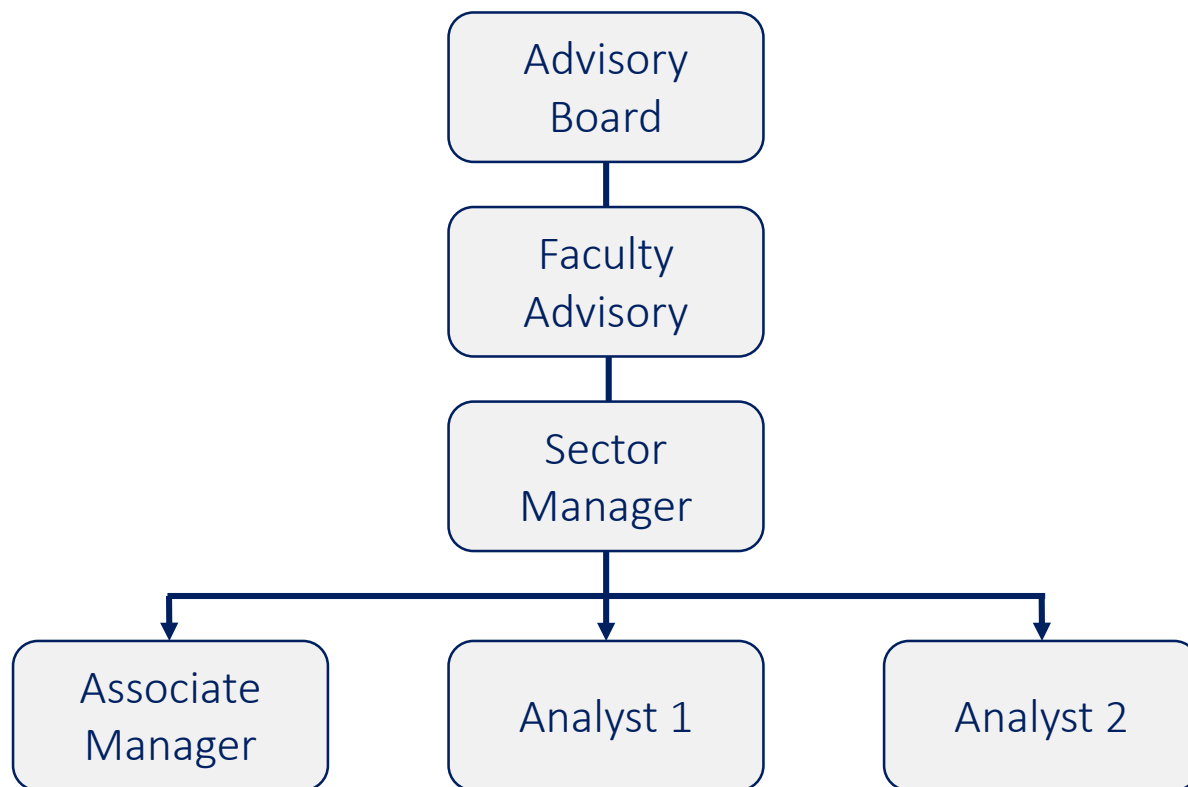
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About SMIF

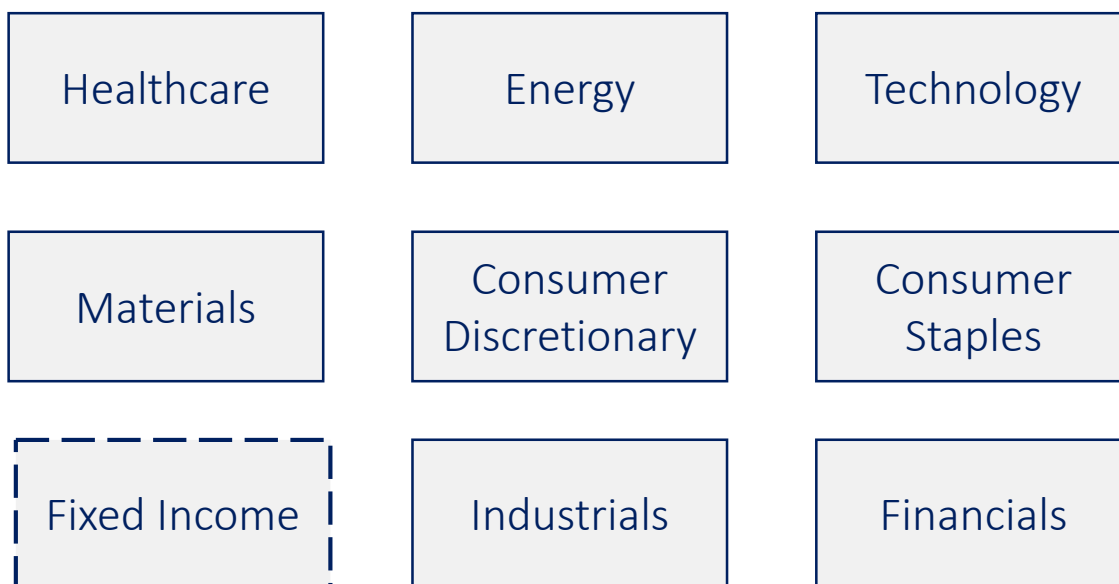
- Founded in 2008, the SMIF was originally spearheaded as an investment club whose participants gathered every week to exchange ideas. Eventually the club received donations that launched the Student Managed Investment Fund as it is known today – a for-credit course for undergraduate students.
- The purpose of the course is to gain hands-on experience in equity-analysis and portfolio management. Under the guidance of faculty advisor, Flavio Carrillo, students engage in fundamental analysis of equities to discover undervalued and profitable long-term positions in U.S. markets. To minimize portfolio risk, the teams use effective means of diversification and risk management tools including, but not limited to, sector diversification, top-down analysis, and mean/variance optimization.
- Segmented into sectors comprising of one sector manager per team and multiple analysts, the students exchange ideas and stay up-to-date on market news. SMIF students utilize the Capital Markets Lab as a research facility. The lab consists of 49 dual-screen computer terminals equipped with a variety of finance and business software. The terminals house trading platforms, research tools, risk management programs, and market simulations. Key databases include Bloomberg Professional (16 terminals; overall research and analysis), IBISWorld industry research, and Capital IQ.
- The Student Managed Investment Fund fuses textbook theory with real world application providing for an unparalleled experience. This pragmatic course challenges students to think outside the box. As a result, many graduate students participate in the course purely for its practical value without obtaining course credit.

Class Organization

Organizational Structure



Participating Sectors



Sector Descriptions

CONSUMER DISCRETIONARY

The consumer discretionary sector encompasses those industries that tend to be the most sensitive to economic cycles. Its manufacturing segment includes automotive, household durable goods, textiles & apparel and leisure equipment. The services segment includes hotels, restaurants and other leisure facilities, media production and services, and consumer retailing and services. This sector performs better when the economy is doing well.

CONSUMER STAPLES

The consumer staples sector includes companies whose businesses are less sensitive to economic cycles as they are always in demand, no matter how well the economy is performing. The companies within the consumer staples sector sell nondurable goods that usually do not last longer than three years. The sector consists of manufacturers and distributors of food, beverages and tobacco, and producers of non-durable household goods and personal products.

ENERGY

The energy sector contains companies whose businesses are dominated by either of the following activities: the construction or provision of oil rigs, drilling equipment, and other energy related services and equipment, including seismic data collection. Companies in this sector are engaged in the exploration, production, marketing, refining and/or transportation of oil and gas products, coal and other consumable fuels.

FINANCIALS

The financial sector is comprised of companies involved in activities such as banking, mortgage finance, consumer finance, specialized finance, investment banking and brokerage, asset management and custody, corporate lending, insurance, financial investment, real estate investment trusts (REITs), as well as companies engaged in real estate management & development. Firms within the financial sector tend to make larger profits during bullish time periods, when interest rates are low.

HEALTHCARE

The health care sector encompasses two main industry groups. The first includes companies who manufacture health care equipment and supplies or provide health care related services. The second regroups companies primarily involved in the research, development, production and marketing of pharmaceuticals and biotechnology products. The healthcare sector is historically non-cyclical and defensive in times of overall market underperformance.

INDUSTRIALS

The industrials sector includes companies whose businesses are dominated by one of the following activities: the manufacturing and distributing of capital goods, the provision of commercial services and supplies, and the provision of transportation services, including airlines, couriers, marine, road & rail and transportation infrastructure.

MATERIALS

The materials sector encompasses a wide range of commodity-related manufacturing industries. Included in this sector are companies that manufacture chemicals, construction materials, glass, paper, forest products and metals, minerals, and mining companies.

TECHNOLOGY

The information technology sector covers: technology software & services, technology hardware & equipment, and semiconductors & semiconductor equipment manufacturers.

Investment Methodology

I.

The teams first analyze the sector and its various industries through a top-down analysis. Each industry consists of its individual drivers and fundamentals; the history, current outlook, and future outlook of potential investments are all taken into consideration.

II.

Once the industries have been analyzed, an equity screening process begins using Bloomberg Professional. Equity data is collected based on respective industry metrics.

III.

After the securities are chosen, analysis is required. Business models, profitability, liquidity, growth, efficiency, and other aspects are assessed and measured. Because every security has different risks involved, such risks must be carefully realized to minimize potential loss.

IV.

The teams then create reports using the data gathered and pitch the positions to the Faculty Advisor and, with approval, to the Advisory Board.

V.

After the pitch is concluded, the Advisory Board determines if the proposed equity is purchased based on a majority vote.

From the Faculty Advisor

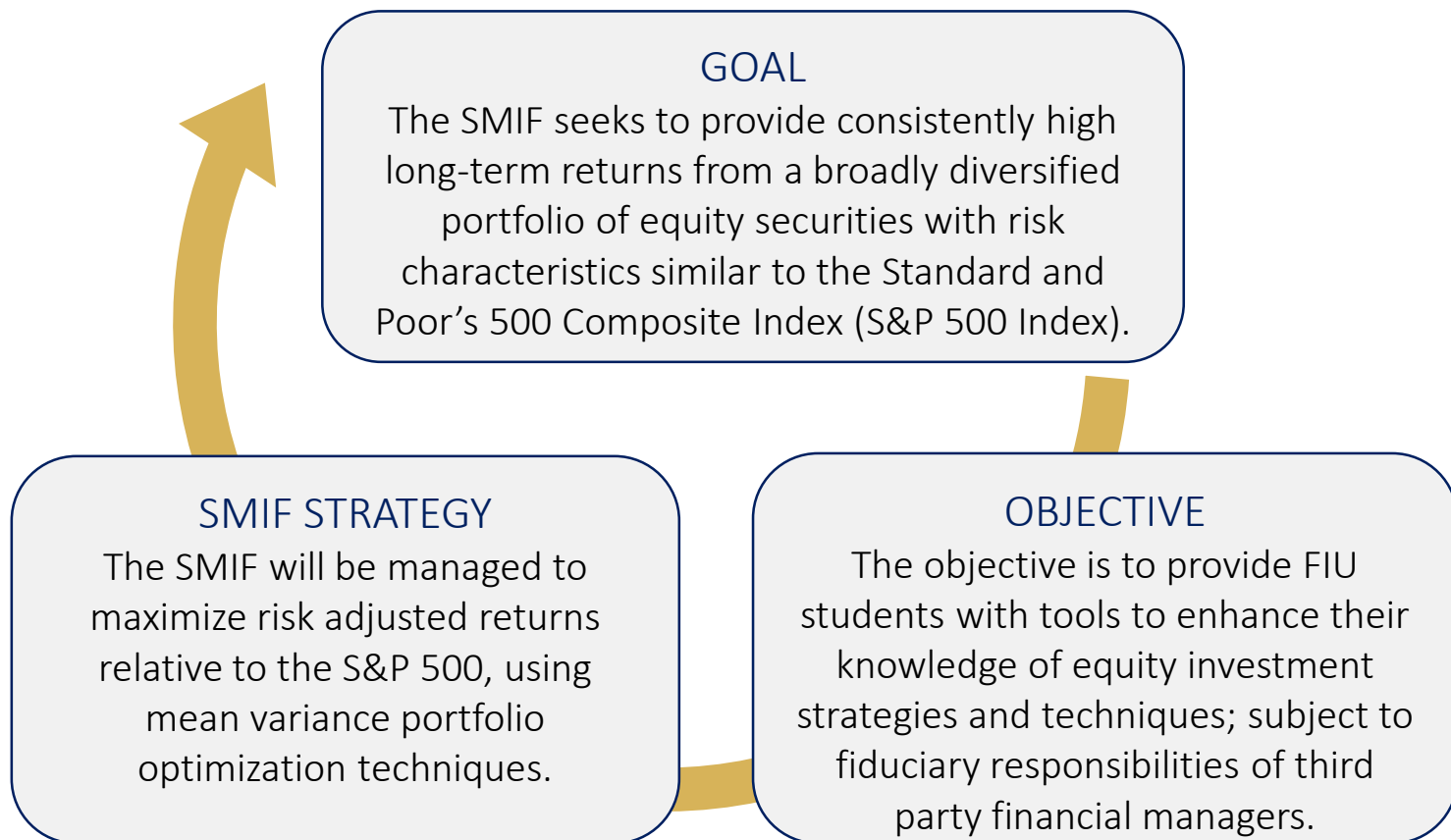
On behalf of the SMIF class of 2017-2018, I am pleased to present the ninth annual report for the period ending June 30th, 2018. The SMIF class of 2017-2018 worked arduously screening, evaluating, and presenting their investment selections to the advisory board at the end of the fall and spring semesters.

The support from the local South Florida community has been outstanding. Without them, our students' experience in the course would have been limited. Many advisory board members met with the students prior to the actual presentations and offered constructive criticism. Not only do they help broaden our students' understanding of their respective industries but also serve as potential employers to our graduates.

The success of our program would be limited without the help of our wonderful staff and interns. Their support made our lab operations, activities, and compilation of this report possible. On behalf of the Capital Markets Lab, I want to thank all of the individuals who have participated in the SMIF during this academic year.

- Flavio Carrillo, Faculty Advisor

Investment Strategy



Organizational Structure

- The SMIF will be managed by a portfolio manager selected by the SMIF Investment Committee, usually the Faculty Advisor. The SMIF Advisory Board will be comprised of the portfolio manager, the chair of the FIU Department of Finance or their designee, and a varying number of outside business professionals.
- The SMIF Investment Committee will be comprised of a faculty member designated by the Executive Dean of the College of Business from the Finance and Accounting faculty in consultation with the Department Chair of the Finance Department and the Director of the School of Accounting will be a member of the Investment Committee, along with another member chosen by and from the FIU Foundation Board of Directors.
- The FIU Foundation, through its Investment Committee, has ultimate authority over investment decisions as defined in the FIU Foundation Investment Policy.

Investment Policy

1. The SMIF seeks above-average returns by investing in securities that are determined, through analysis by student analyst teams, to be undervalued or poised for abnormal future growth. The analysis of the portfolio investments will be based on commonly accepted fundamental intrinsic valuation techniques, e.g., discounted cash flow models. Portfolio sales will be based on the same type of analysis.
2. The portfolio will consist of publically traded common stock investments and Exchange Traded Funds (ETFs) listed on the NYSE, AMEX, or NASDAQ. Cash and/or money market funds may also be employed for non-invested funds, along with protective put options, covered call options and option collars as risk management tools only.
3. Portfolio stock purchases will be for cash; no margin trading will be permitted.
4. Short positions and naked derivative trades are not permitted. (The VIX may be utilized to help reduce the overall volatility of the portfolio).
5. Sector analysis is required as part of the fundamental stock analysis.
6. No stock sector will comprise more that 20 percent of the portfolio and no individual stock position will comprise more than 10 percent of the entire portfolio.
7. 50 percent of the net annual gain will be reinvested into the SMIF. The remainder of the net gain will be distributed to the COB Capital Markets Lab (CML). Should an annual loss incur, the cumulative loss must be recovered before distributions are made.
8. This policy can be amended and revised as needed.

Investment Risk

EQUITY MARKET RISK

The price of equity securities may rise or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors, or industries selected for the SMIF's portfolio or the securities market as a whole, such as changes in economic or political conditions.

GENERAL MARKET RISK

Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or region.

COMMODITIES RISK

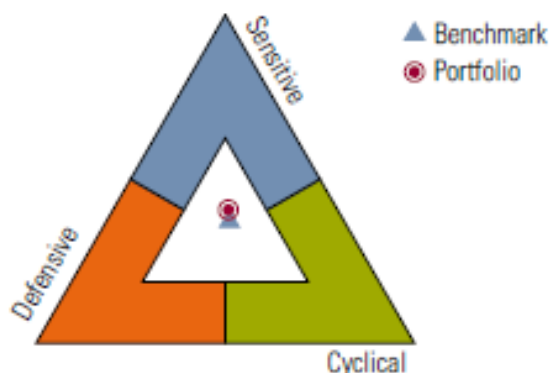
Certain selected equities may be highly correlated to the performance of certain commodities (e.g. oil, natural gas, gold, silver, corn, wheat etc.) which increases the likelihood that events or conditions negatively or positively affecting the price of commodities to cause the price of equity securities to rise or fall rapidly or unpredictably.

MID CAP COMPANY RISK

Investments in mid cap companies may be riskier, more volatile and more vulnerable to economic, market, and industry changes than investments in larger, more established companies. As a result, share price changes may be more sudden or erratic than the prices of other equity securities, especially over the short term.

Sector Allocation

Stock Sectors



	Portfolio (%)	Bmark (%)
Cyclical	27.42	32.33
Basic Matls	2.77	2.40
Consumer Cycl	9.44	11.63
Financial Svs	11.95	16.01
Real Estate	3.26	2.29
Sensitive	50.08	41.86
Commun Svs	0.00	3.51
Energy	9.10	5.69
Industrials	11.54	9.93
Technology	29.44	22.73
Defensive	22.50	25.81
Consumer Def	9.70	7.79
Healthcare	12.80	14.93
Utilities	0.00	3.09

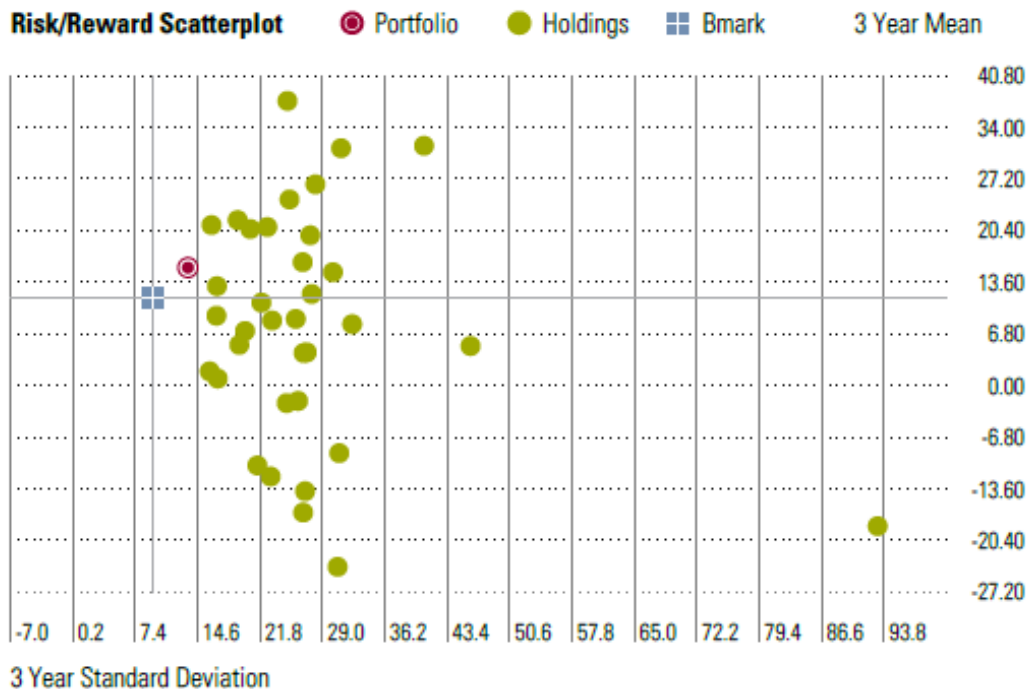
Portfolio Statistics

Indicator	S&P 500	SMIF
Yield	1.91%	2.33%
P/E	19.07	12.80
P/CF	12.80	8.83
P/B	3.08	2.13
Debt/Capital	37.28	42.67
Alpha	N/A	1.47
Beta	1.00	1.25
R-Squared	N/A	75.36

Top 10 Holdings

Company	Ticker	Type	Holding Value\$	% Assets
Apple Inc (USD)	AAPL	ST	22,213	7.14
Activision Blizzard Inc (USD)	ATVI	ST	21,064	6.77
Salesforce.com Inc (USD)	CRM	ST	20,460	6.57
Micron Technology Inc (USD)	MU	ST	19,770	6.35
Knight-Swift Transportation Holdings Inc A (USD)	KNX	ST	15,857	5.09
United Therapeutics Corp (USD)	UTHR	ST	14,596	4.69
Citigroup Inc (USD)	C	ST	14,321	4.60
Gentex Corp (USD)	GNTX	ST	12,822	4.12
Catalent Inc (USD)	CTLT	ST	12,818	4.12
KeyCorp (USD)	KEY	ST	11,529	3.70

Risk Analysis



Type Weightings

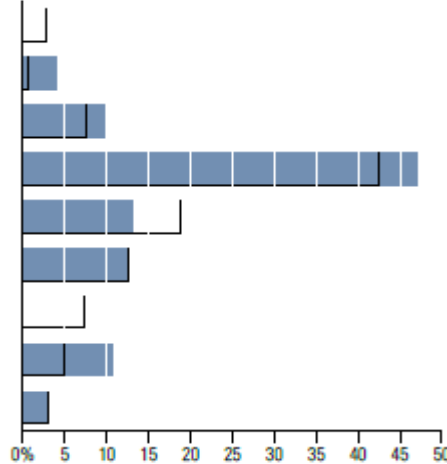
% of Stocks

- ▣ High Yield
- ▣ Distressed
- ▣ Hard Asset
- ▣ Cyclical
- ▣ Slow Growth
- ▣ Classic Growth
- ▣ Aggressive Growth
- ▣ Speculative Growth

■ Portfolio ▣ Bmark

Not Available

Type	Portfolio	Bmark
High Yield	—	2.73
Distressed	4.04	0.52
Hard Asset	9.83	7.64
Cyclical	47.10	42.53
Slow Growth	12.96	18.79
Classic Growth	12.42	12.50
Aggressive Growth	—	7.25
Speculative Growth	10.69	4.99
Not Available	2.95	3.05



Statistics (July 1st, 2017 - June 30th, 2018)

Return	S&P 500	SMIF
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Holding Period Return	12.17%	16.94%
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Risk	S&P 500	SMIF
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Standard Deviation	9.39%	13.49%
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Sharpe ratio (SR)	1.16	1.14
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Advisory Board

We would like to express our deepest appreciation to our outstanding SMIF Advisory Board members who have taken the time out of their busy schedules during the past academic year to meet with our class and offer their insight and expertise.

Kirk Landon

In memoriam
Landon Foundation

J. Cooper Abbott

Co-COO & Executive VP of Investment
Eagle Asset Management

Barry M. Sine, CFA, CMT

Managing Director, Equity Research
Drexel Hamilton

Alex Saldarriaga

Senior Manager, Emerging Compliance
Risk Management
Raymond James

Juan Pablo Alfonso

Associate
H.I.G. Capital

Jorge Miranda

Co-Founder
GenSmart

Vincent Scourza

Financial Advisor and
Chartered Alternative Investment Analyst

Andre Villareal, CFA

Research Analyst
Taplin, Canida and Habacht, LLC
BMO Global Asset Management

Karen Chancy

Vice President
Intellus Advisors of Raymond James

Nina Nikolic, CFA

CEO at Idea Capital
CFO at ARTMIAMI.TV

Frank J. Reda, CMT

Portfolio Manager / Director of Trading
Taplin, Canida and Habacht, LLC
BMO Global Asset Management

Mark del Pezzo, CFA

Instructor, Department of Finance
Florida International University

Kevin Divney, CFA

Chief Investment Officer
Beaconcrest Capital Management

Julian Mesa, CPA

Executive VP Professional &
Business Development
Sabadell Bank