

# Student Managed Investment Fund

ANNUAL REPORT 2015 - 2016



**FIU**

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**Business**

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# About SMIF

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- 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), 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.

# From the Faculty Advisor

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On behalf of the SMIF class of 2015-2016, I am pleased to present the seventh annual report for the period ending June 30th, 2016. The SMIF class of 2015-2016 worked arduously screening, evaluating, and presenting their investment selections to the advisory board at the end of the fall and spring semesters.



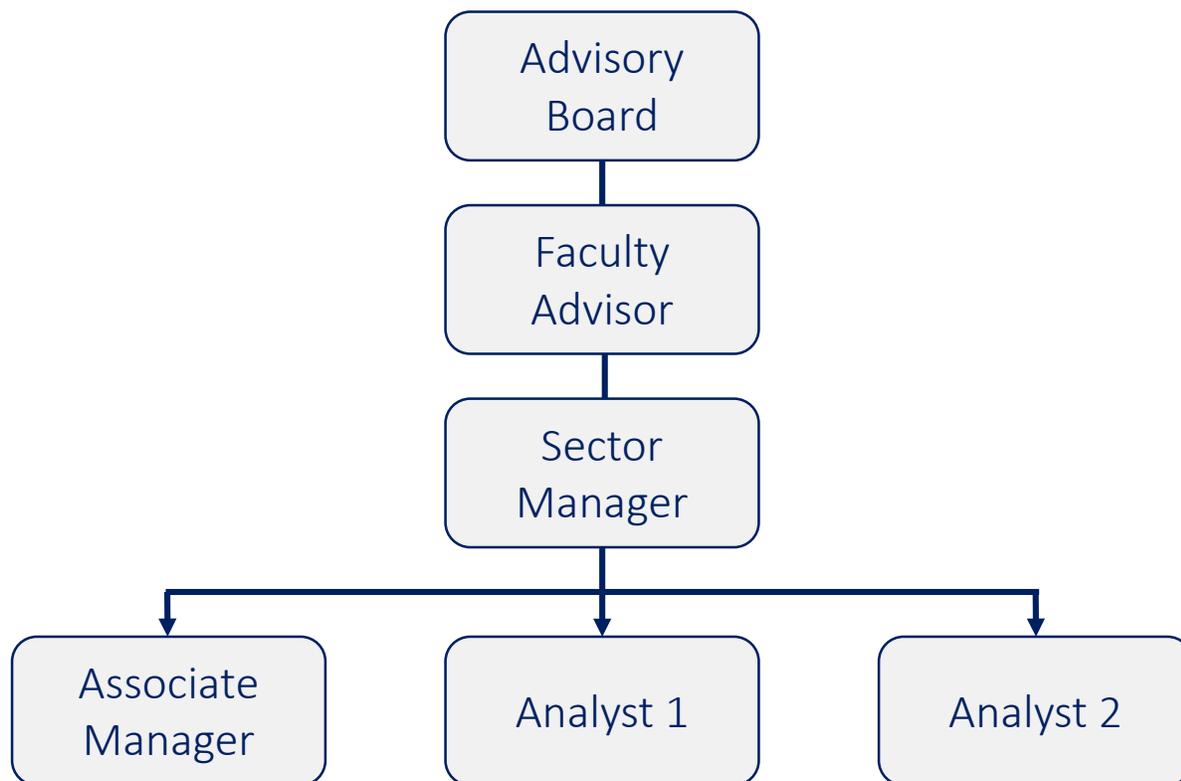
*SMIF students on a visit to Raymond James headquarters in St. Petersburg, FL. Accompanied by Tom Knapp from Raymond James, Faculty Advisor, Flavio Carrillo, and CML Manager, Katherine Grau*

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.

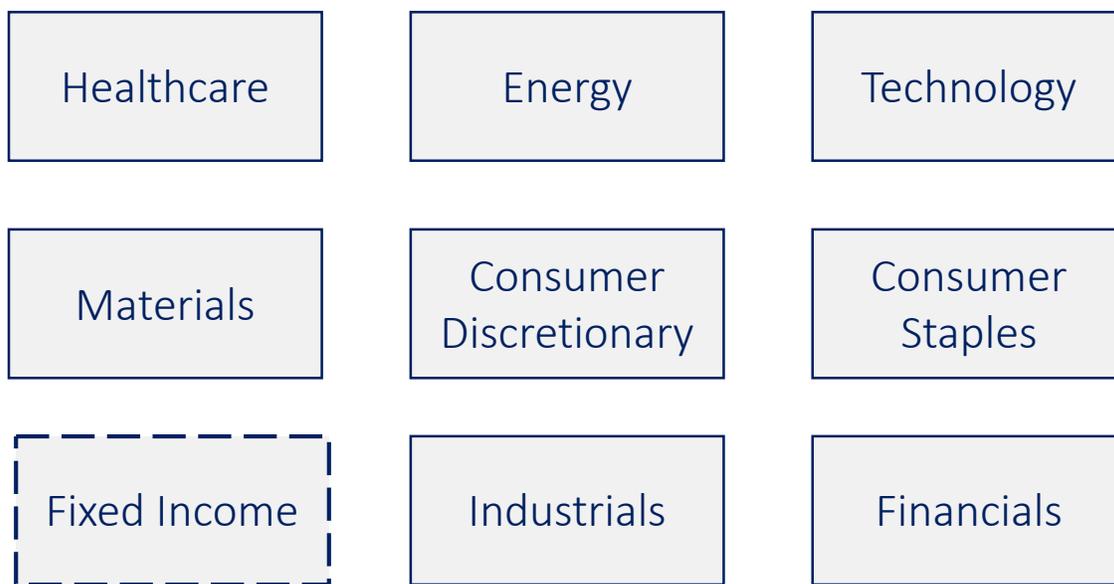
- Flavio Carrillo, Faculty Advisor

# Class Organization

## Organizational Structure



## Participating Sectors



# Investment Methodology

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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, further analysis is required. Business models, financial ratios, and other factors are assessed and measured.

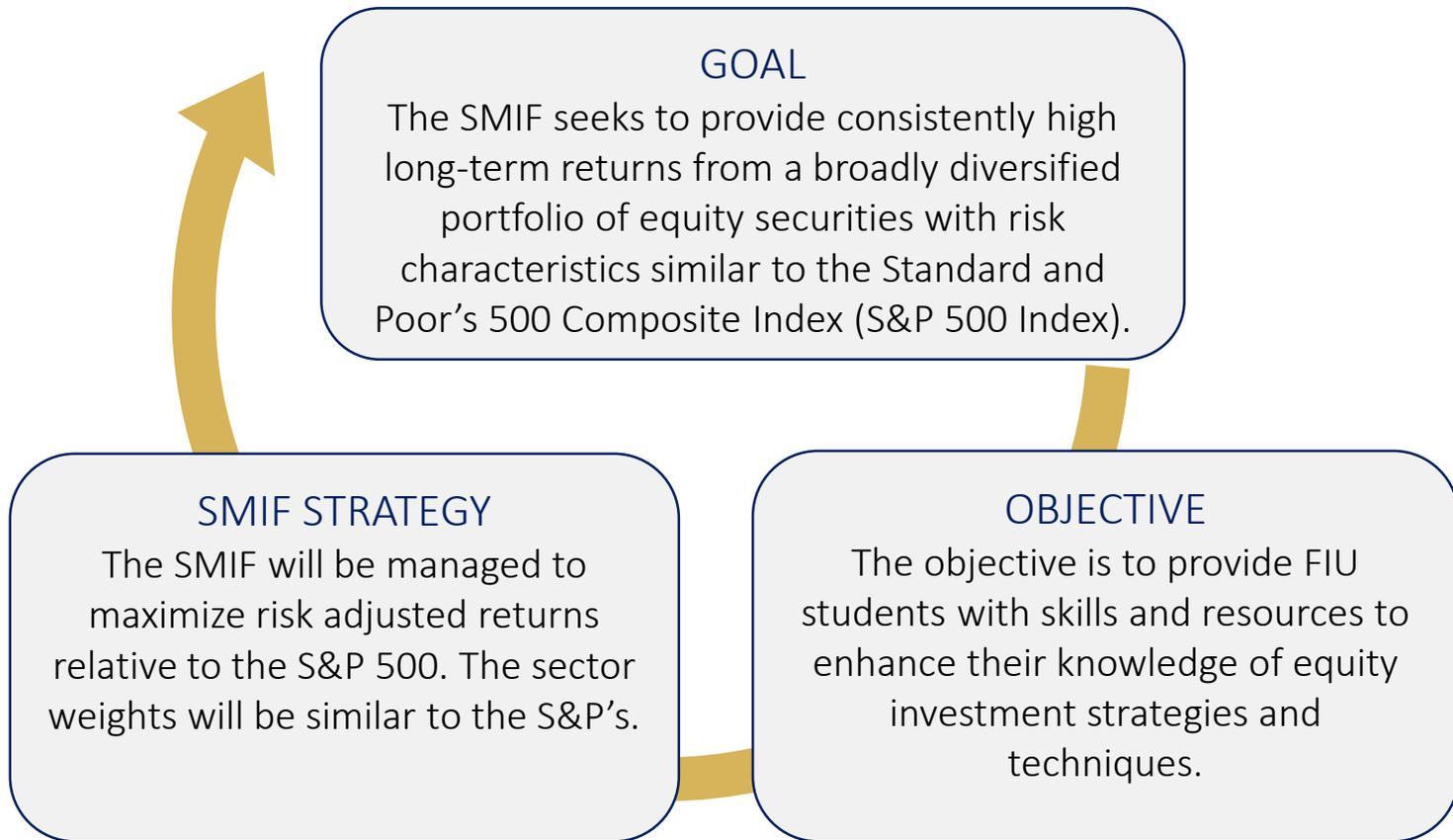
IV.

The teams then create reports using the data gathered and pitch the equities 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.

# 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

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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

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## **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 Descriptions

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## **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.

# Recommendations – Fall 2015

Company	Industry	Market Cap	Vote
	Healthcare	\$20.3 bn	NO
	Consumer Staples	\$20.3 bn	YES
	Consumer Discretionary	\$20.3 bn	NO
	Financials	\$20.3 bn	YES
	Energy	\$20.3 bn	NO
 <b>PPG Industries</b>	Materials	\$20.3 bn	YES
	Industrials	\$20.3 bn	YES
	Technology	\$20.3 bn	YES

# Student Participants – Fall 2015

## Consumer Discretionary

Manager	Sebastian Dill
Associate Manager	Jose Laphitzondo
Analyst	Robert Gutierrez
Analyst	Jessica Alcivar
Analyst	Daniel Berrido
Analyst	Jeffrey Delva
Analyst	Rigueline Joachim

## Healthcare

Manager	Argenis Bouza
Manager	Natalie Von Cieminiski
Associate Manager	Rene Roa
Associate Manager	Yaima Lamela
Analyst	Anthony Gondola
Analyst	Daniel Riley

## Consumer Staples

Manager	Sebastian Navarro
Associate Manager	Juan Montes De Oca
Analyst	Kasandra Mayor
Analyst	Kevin Lozano
Analyst	Antonio Ferguson

## Industrials

Manager	Scott Nunez
Associate Manager	OVIDIO MIJARES
Associate Manager	Eduardo Madrid
Associate Manager	Carlos Telleria
Associate Manager	Mauricio Loschi

## Energy

Manager	Juan Vado
Associate Manager	Cesar Davila
Associate Manager	Luis Fong
Analyst	Patricia Katri
Analyst	Corey Amador
Analyst	Leandro Vega
Analyst	Julian Recinos
Analyst	Rigueline Joachim

## Materials

Manager	Karyna Mursuli Soto
Associate Manager	Rafael Lopez
Analyst	Leimys Ramirez
Analyst	Yamilet Castillo
Analyst	Jose Gonzalez
Analyst	Mateo Ianotti

## Financials

Manager	David Castellano
Associate Manager	Pooria Dariush
Analyst	Matthew Harrington
Analyst	Mohammed Ally
Analyst	Andrew Hayden
Analyst	Andres Vallejo
Analyst	Malcolm Simon
Analyst	Michael Lopez

## Technology

Manager	Andre Artidiello
Analyst	Omar Gargouri
Analyst	Sebastian Dill
Analyst	Gabriel Garcia
Analyst	Maria Rodriguez
Analyst	Edgard Morales
Analyst	Hans Telge

# Recommendations – Spring 2015

Company	Industry	Market Cap	Vote
 Catalent	Healthcare	\$20.3 bn	YES
 DELTA	Industrials	\$20.3 bn	NO
 EAST WEST BANCORP	Financials	\$20.3 bn	NO
 Go Daddy	Technology	\$20.3 bn	NO
 HAIN CELESTIAL	Consumer Staples	\$20.3 bn	NO
 MOHAWK INDUSTRIES, INC.	Consumer Discretionary	\$20.3 bn	YES
 VALERO	Energy	\$20.3 bn	NO
 Vulcan Materials Company	Materials	\$20.3 bn	NO

# Sector Teams – Spring 2015

## Consumer Discretionary

Manager	Andre Artidello
Associate Manager	Santiago Vilchez
Analysts	Raul Busto
Analysts	Maria Chahin
Analysts	Jose Morales
Analysts	Ramal Pitts

## Healthcare

Manager	Daniel Riley
Associate Manager	Argenis Bouza
Analyst	Ivan Radi
Analyst	Michael Lopez
Analyst	Carlos Santiago
Analyst	Rene Maurice

## Consumer Staples

Manager	Antoine Parant
Associate Manager	Daniel Lambert
Analysts	Michael Morales
Analyst	Elaine Guzman
Analyst	Omar Gargouri
Analyst	Teresa Pagalday

## Industrials

Manager	Patricia Katri
Associate Manager	Sasha Mallet
Analyst	Nicholas Levy
Analyst	Jonathan De Ponte
Analyst	Natalie Reyes
Analyst	Alexander Durant

## Energy

Manager	Yamil Gonzalez
Associate Manager	Diego Kramer
Analyst	Samita Thephasit
Analyst	Ryan Morrison
Analyst	Nikolas Arenas
Analyst	Federico Mulieri
Analyst	Corey Devito

## Materials

Manager	Jacob Grohoski
Associate Manager	Cesar Davila
Analyst	Jose Gonzalez
Analyst	Reyner Alvarez
Analyst	Stephanie Mendez
Analyst	Nicholas Sanz

## Financials

Manager	Natalie Von Cieminski
Associate Manager	Kevin Lozano
Analyst	Martin Arias
Analyst	Paula Cespedes
Analyst	Juan Pablo Cobian
Analyst	Chahnaz Ksontini

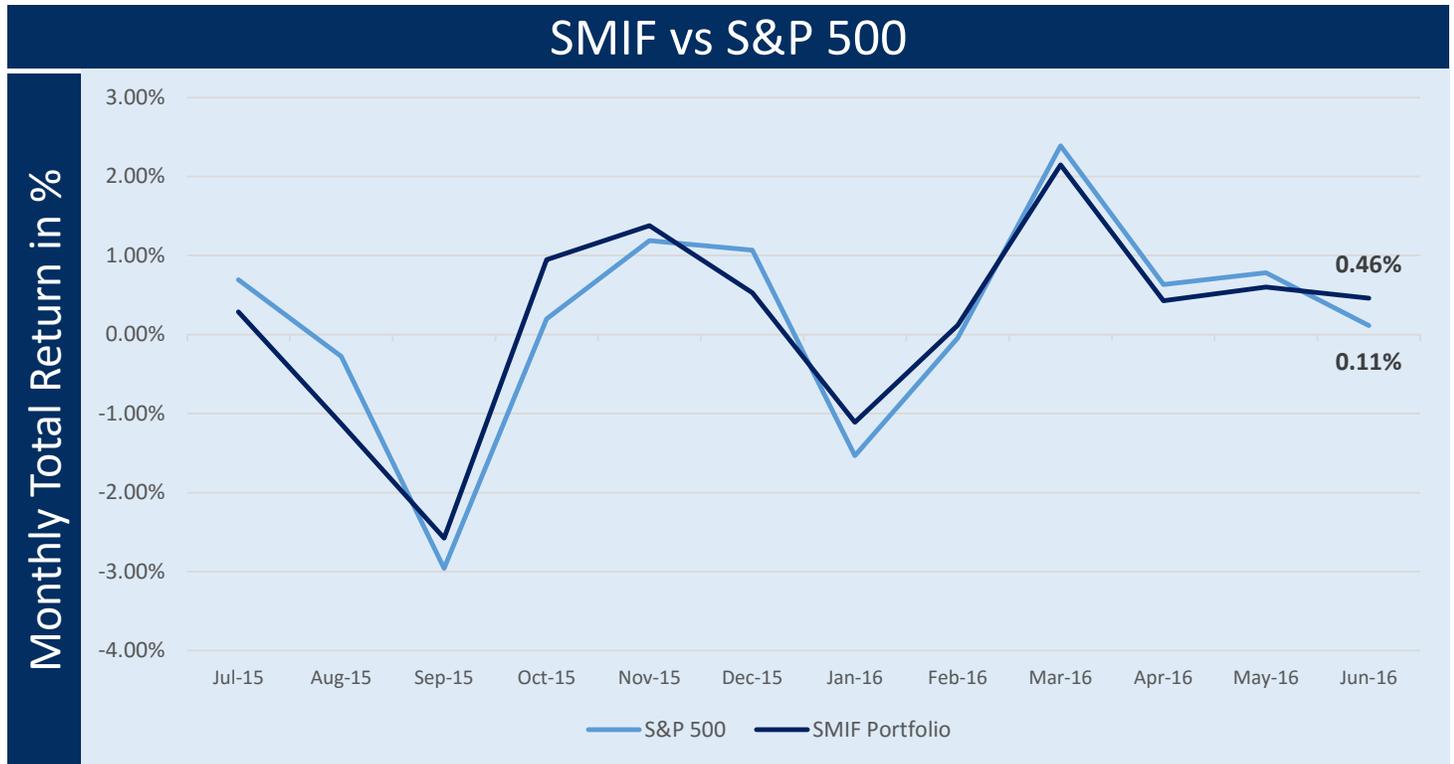
## Technology

Manager	Alejandro Mendez
Associate Manager	Laura Ayala
Analyst	Daphne Zizi
Analyst	Julian Recinos
Analyst	Juan Vado
Analyst	Carlos Montenegro
Analyst	Dayairis Mejia

# Current Holdings

Company	Market Value	Share in Portfolio
AAPL	\$4,926.60	2.23%
BAC	\$4,604.69	2.09%
VXX	\$5,468.76	2.48%
BA	\$8,441.55	3.82%
CALM	\$8,731.04	3.95%
DLPH	\$10,016.00	4.54%
EXP	\$9,335.15	4.23%
EMN	\$10,796.10	4.89%
EA	\$10,000.32	4.53%
EL	\$6,371.40	2.89%
GILD	\$4,421.26	2.00%
HBI	\$2,085.79	0.94%
HOMB	\$12,388.54	5.61%
KEY	\$10,409.10	4.71%
LCI	\$4,972.11	2.25%
LGF	\$3,196.34	1.45%
MU	\$3,274.88	1.48%
PPG	\$19,684.35	8.91%
CRM	\$12,626.19	5.72%
SPG	\$5,639.40	2.55%
SYNA	\$5,213.75	2.36%
TRGP	\$2,275.56	1.03%
TMO	\$8,570.08	3.88%
TSN	\$18,701.20	8.47%
UN	\$5,351.16	2.42%
UNP	\$13,785.50	6.24%
WWAV	\$6,243.02	2.83%
WLL	\$1,138.98	0.52%
WYNN	\$2,175.36	0.99%

# Performance



## Statistics

Return	S&P 500	SMIF
Mean Return	0.01%	-0.04%
Maximum Return	3.90%	3.01%
Minimum Return	-3.94%	-4.59%
Total Return	1.73%	-9.80%

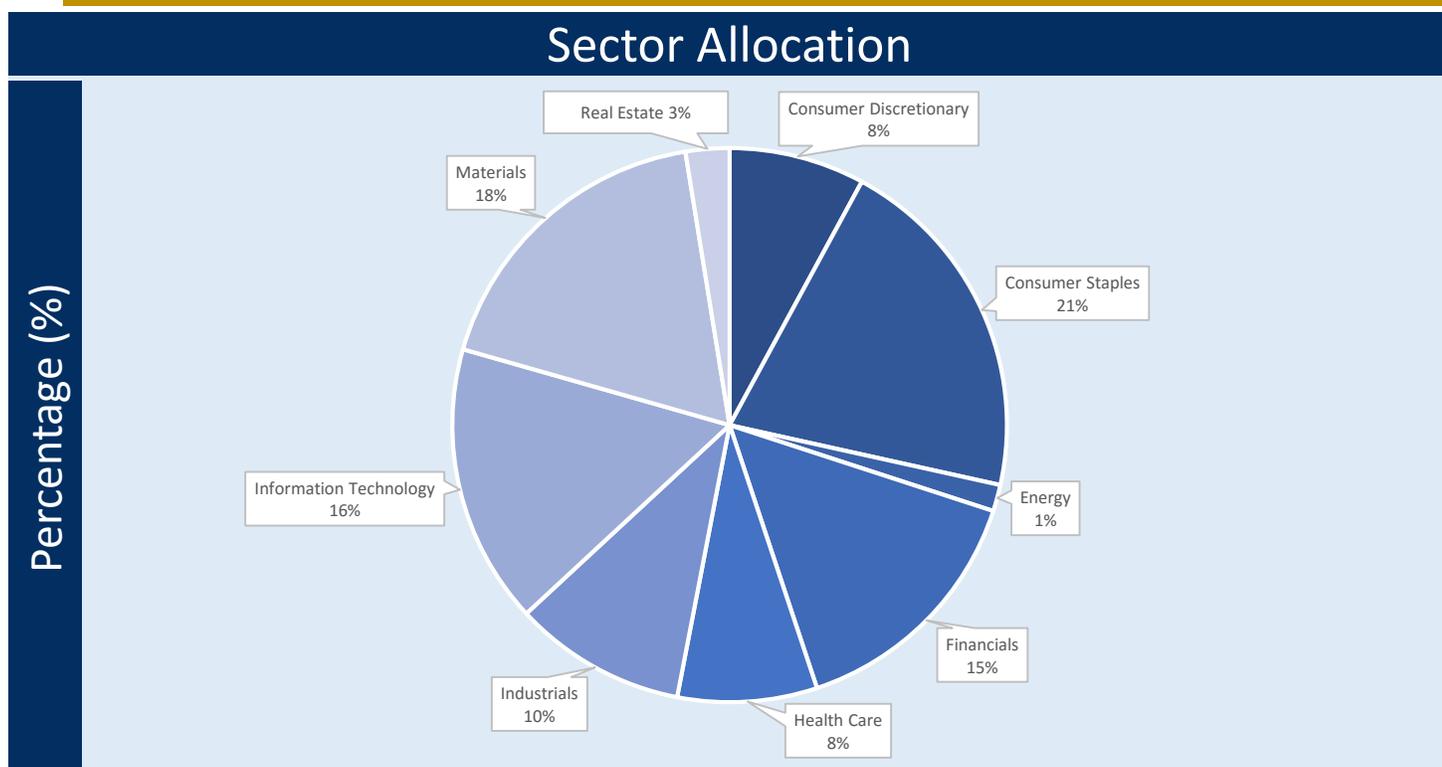
  

Risk	S&P 500	SMIF
Standard Deviation	17.17%	17.89%
Skewness	-26.17%	-34.78%

Risk/Return	S&P 500	SMIF
Sharpe ratio (SR)	2.50%	-87.78%

# Portfolio Allocation



## Portfolio Statistics

Indicator	S&P 500	SMIF
Yield	1.90%	1.40%
P/E	19.75	20.22
P/CF	11.0	13.90
P/B	2.78	3.15
Debt/Equity	111.60	108.24
Beta	1.00	0.95

## Top Performing Stocks

Company	Return YTD
TYSON FOODS INC CL A	56.67%
SIMON PROPERTY GROUP COM	25.36%
SALESFORCE.COM INC COM	14.05%
ELECTRONIC ARTS COM	13.92%
THERMO FISHER SCIENTIFIC COM	13.87%

# Advisory Board

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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 Managing Consultant  
IBM Global Business Services

## **Juan Pablo Alfonso**

Analyst, Private Banking  
JP Morgan

## **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

## **Julian Mesa, CPA**

Executive VP Professional &  
Business Development  
Sabadell Bank

## **Karen Chancy**

Vice President  
Intellus Advisors of Raymond James

## **Tony Vu**

Treasurer  
Florida International University

## **Nina Nikolic, CFA**

CEO at Idea Capital  
CFO at ARTMIAMI.TV

## **Jose Aldrich**

Acting Dean- College of Business  
Florida International University

## **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