



Student Managed Investment Fund

-2017-

Annual Report

# A Special Thanks



To all of the hard working faculty and staff  
that make this program possible, and the  
generous donors who continue to support  
the growth and education of the next  
generation.

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# Our Program

Since 2006, the McCoy College of Business has been the proud home of the Texas State Student Managed Investment Fund, known as “SMIF”. The fund was the brainchild of Dr. Bill Chittenden, Dr. Ken Moon, and Dr. Holland Toles that was made possible by a generous gift from the McCoy College Foundation. The Initial investment of \$100,000 has since grown to over \$850,000 with the help of additional contributions from the McCoy Foundation and prudent investing decisions made by students in the program. The Student Managed Investment Fund is accessible to undergraduate students in the McCoy College of Business and serves as a professional learning environment for the practice of asset management. The Student Managed Investment Fund

has also had the privilege to work within the T. Paul Bulmahn trading lab housed within the McCoy College of Business. The trading lab provides extensive technology resources to students and a professional environment in which to work. The creation and furnishing of the trading lab was made







possible by a generous gift from Mr. T. Paul Bulmahn. Analysts in the Student Managed Investment Fund manage three distinct, but coordinated portfolios that allow students to get a comprehensive asset management experience. Students manage a domestic equity portfolio, international equity portfolio, and fixed income portfolio. This exposure to different asset classes and the complexities of holistic asset management has allowed students to differentiate themselves after graduation. Many alumni credit their experience in SMIF to helping them land their dream jobs and launch successful careers in the field of finance. Texas State University and the McCoy College of Business are proud to offer this experience to its students and continues its dedication to preparing students for the professional world, all of which would not be possible without the generosity of the McCoy Family and the McCoy College Foundation.

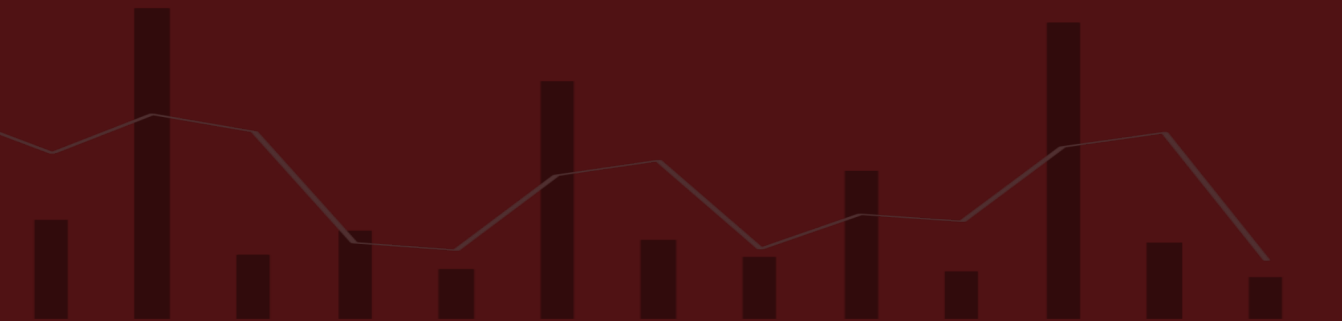
# Philosophy & Approach

The Student Managed Investment Fund serves as a place for students to put the skills they learn in the classroom to practice in a real-world environment. SMIF manages real funds for the McCoy College Foundation, and reports like a professional manager. As such, SMIF is held to the same professional standards as other managers within the foundation's portfolio. This includes adherence to an investment policy statement, and reporting regularly to the foundation's investment committee. SMIF is also responsible for making regular distributions to our client, like all other managers, and is expected to add value by outperforming our prescribed benchmark. With these responsibilities in mind SMIF employs a pragmatic, top-down approach that



seeks to balance current income with capital appreciation; measuring ourselves on total return basis.

SMIF remains student-oriented, and it is the responsibility of the student elected investment committee and sector analysts to determine how the fund should be structured each semester. Each new class, and each new semester begins similarly;



analyzing the macroeconomic environment domestically and abroad to develop an outlook for the coming year. The conclusions reached during this stage inform SMIF's decisions on asset and sector allocation. Each team of analysts is responsible for evaluating the holdings in their sector, and developing an allocation strategy for their sector (overweight, underweight, market weight). These weightings include the proposed weightings of the international portfolio based on country exposure, as well as the proposed duration and credit quality of our fixed income portfolio. After a full discussion with the entire class, a consensus is reached and analysts begin the process of making security selection recommendations. Analysts employ various valuation methods to make company selection recommendations, including cash flow intrinsic valuations, and relative valuations based on competitor performance. The comprehensive process of asset allocation, sector allocation, and security selection all combine to give students an experience very similar to the asset management process employed in the professional world.

Texas State University and the McCoy College Foundation are proud to offer such a comprehensive program that rivals those at the most prestigious schools in the country and look forward to the continued growth and success of the Student Managed Investment Fund.

# 2017

## Members & Analysts



### Spring 2017

Allen, Taylor - IT, M

Anderson, Bradley - IT, FI

Brinkley, Shane - F, HC

Bogorad, Joseph - E, T/U

Christmas, Justin - CD, T/U

Fischer, Joseph - F, HC

Galloway, Amber - I, FI

Hazelton-Harrington, Christopher - E, HC

Hendrikz, Daniel - I, FI

Huynh, Desmond - CS, IT

Johnson, Erin - REIT, Int

Khoja, Shan - F, Int

Leon, Destiny - E, Int

Lopez Haros, Humberto - CD, T/U

Mahan, Matthew - HC, M

Manuel, Kyle - Int, FI

McDonald, Brian - IT, REIT

Nourse, Kevin - CS, F

Rader, Jonah - CD, REIT

Ringo, James - E, I

Sloan, Clarissa - CS, FI

Villarreal, Taylor - M, Int

### Summer 2017

Garza, Ricardo - I, M, REIT, T/U, Int

Hull, Reagan - CS, HC, Int

Leon, Destiny - CD, E, FI



Mahan, Matthew - F, IT, Int, FI

O'Brien, Ian - CD, F, FI

Pelton-Cox, Ayla - REIT, T/U, FI, HC

Schrader, Samuel - CS, IT, Int

Youngren, Leonard—E, I, M, FI

### **Fall 2017**

Aladin, Richeler - CD, I, M

Bayless, Leila Jane - CS, REIT, T/U

Bunch, Cordell - F, Int

Fischer, Joseph - FI, Int

Galloway, Amber - F, REIT, T/U

Garcia, Carlos - E, F

Garza, Ricardo - HC, REIT, T/U

Hendrikz, Daniel - E, FI

Hermes, Jacob - I, M, IT

Khoja, Shan - Int, FI

Lopez Haros, Humberto - F, IT

O'Brien, Ian - CD, CS

O'Connell, Christopher - HC, REIT, T/U

Pelton-Cox, Ayla - CD, IT

Rader, Jonah - E, FI

Rodriguez, Aaron - E, IT

Schrader, Samuel - CS, HC

Sendejar, Andrea - CD, HC

Sloan, Clarissa - I, M, Int

Weir, Austin - CS, I, M



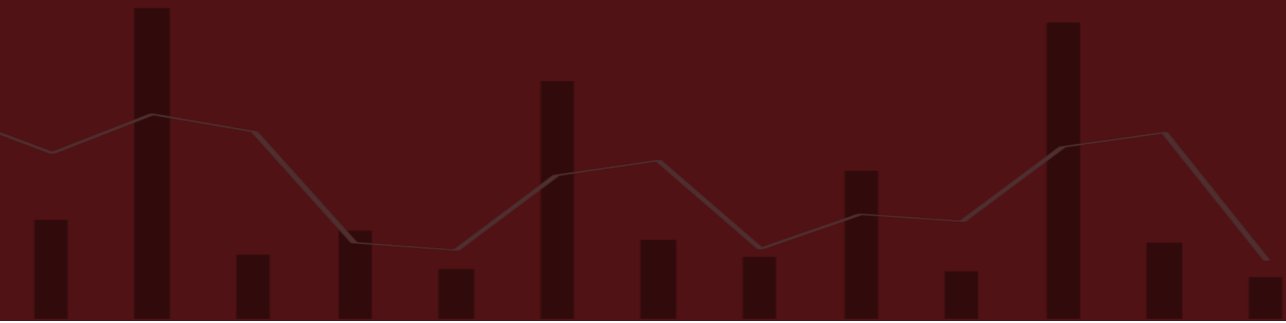
# 2017 Highlights & News

**TIPS:** At the 2017 Texas Investment Portfolio Symposium (TIPS) the Student Managed Investment Fund, represented by Joey Bochat and Kyle Manuel, was awarded third place behind MBA teams from Tulane and Rice. The competition featured



schools from Texas, Oklahoma, and Louisiana, and was hosted by the Houston CFA society. The Texas State team was proud to be the only undergraduate team to reach the finals and have the opportunity to compete with graduate students from across the region. Teams were required to present as if making a pitch to a perspective client; explaining their strategy and detailing their returns versus their benchmark. Texas State was recognized for its comprehensive approach to asset management and for being the only program present with a client focused investment policy statement that requires the manager to make distributions.

*“We have a real client we invest for and whom the students are responsible to, so they are basing their strategies and decisions on their client’s actual goals and needs.” – Dr. Holland Toles*



**CFA Challenge:** The Texas State CFA Challenge Team, comprising of McCoy Students Bradley Anderson, Christopher Harrington, Benjamin Ricard, and Nathaniel Vasquez, competed against some of the strongest financial analysts in the country in the spring of 2017. This Global Competition hosted by the CFA Institute challenges a team of students to perform a comprehensive evaluation of an assigned company and then recommend a buy, sell, or hold designation on a company's stock. Texas State was selected for the "local" finals and competed against teams from Texas, Oklahoma, and Louisiana which included teams from Rice, Baylor, and the University of Texas. With the help of an industry mentor and faculty advisor, the students performed a detailed analysis on their subject company U.S. Physical Therapy; sharpening their analytical skills and differentiating themselves from other students.

The CFA challenge is a truly global competition, growing from just five schools in 2002, to now over 1,000 universities across 75 countries. This experience and exposure helps students show off their abilities; allowing students to secure their dream job and earn recognition for their hard work.

***"It is very intense, and our students who participate go on to start great careers. It's professional level work, Employers take notice."** – Dr. Janet Payne*





# 2017 Highlights & News

**GAME Conference:** The SMIF program was invited in spring 2017 to present at the annual Quinnipiac G.A.M.E. (Global Asset Management Education) Forum and conference. The SMIF program submitted the performance of their equity and fixed



income portfolios and was selected to present to a panel of judges and industry professionals. In addition to performance, the team discussed SMIF's investment process and the programs client objectives. During the conference SMIF students had the opportunity to network with over 1500 students from 150 colleges and universities, as well as professionals from around the country. Over the 2 ½ days students learned and engaged with over 140 speakers and panelists who represented over 100 companies and organizations. The students who attended the conference gained invaluable connections and perspective, and represented the Texas State SMIF program proudly.

**Alumni Event:** At the end of the spring semester 2017, SMIF alumni were invited to attend a special end of semester presentation given by the sitting spring SMIF investment committee. Over 70 alumni attended the event and were presented the semester's investment strategy, as well as the historical performance of the portfolio. The alumni had the opportunity to ask questions and engage with students currently enrolled in the program. After the presentation current students and alumni had the opportunity to network and enjoy learning from one another. Current students made valuable connections to professionals in the industry, while alumni enjoyed the opportunity to connect with old friends and classmates.



# 2017 Highlights & News

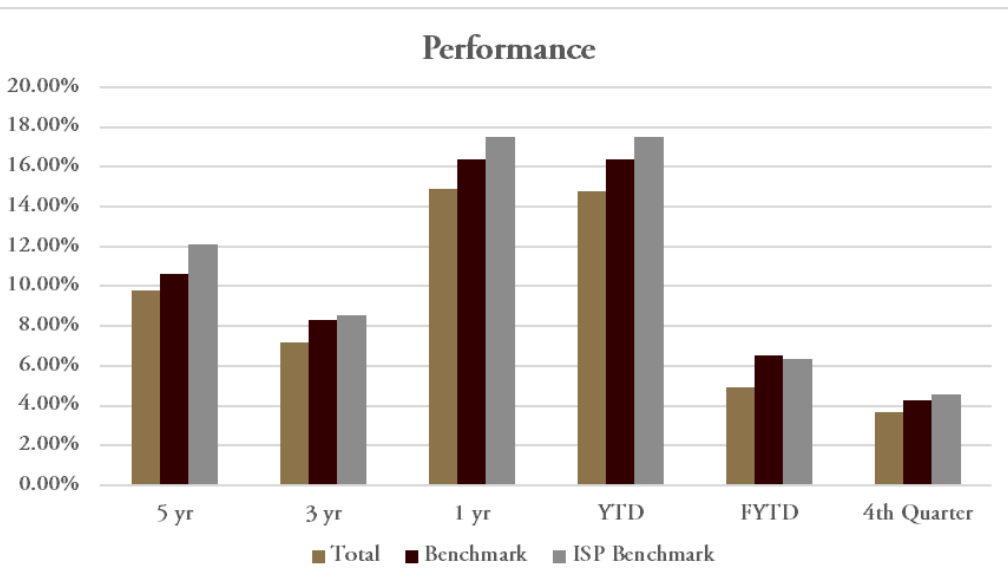
**Alumni Endowment:** In this environment of continually dwindling state resources, it is becoming increasingly important to create a secure future for the SMIF program. Several generous alumni have decided to create an endowment within the McCoy College of Business Foundation for the benefit of the SMIF program. The endowment will provide a continuous source of revenue and support the program into perpetuity. The alumni have also partnered with the McCoy College Foundation, who have agreed to match up to \$50,000 of contributions into the endowment. Special thanks go out to Danny Bean '09, Lauren Roberts Borski '09, Brad Carlisle '10, Andrew Mulder '10, Daniel Shanklin '07, and Austin Welsh '16 for their commitment and generosity in founding this endowment for the benefit of future SMIF students. To support the SMIF endowment please go to the following link: <https://donate.txstate.edu/student-managed-investment-fund>.



# 2017 Performance

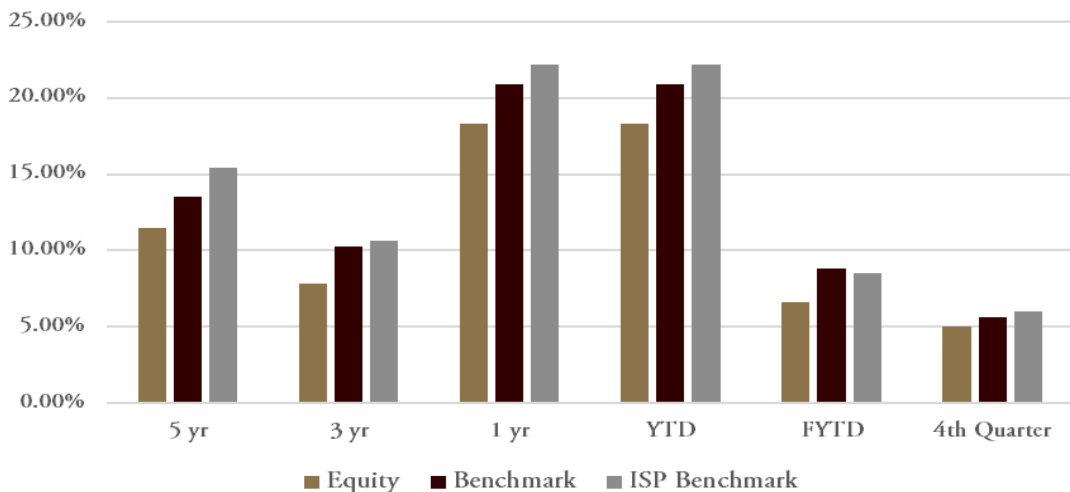
The Student Managed Investment Fund has underperformed compared to our benchmark. This is partially due to the larger weight on large cap stocks compared to our benchmark, which includes the Russell 2500. Being a large-cap fund has benefited SMIF in the past, but hurt us in recent years. We believe in staying on our current course, as our strategy will not outperform in every period. Our value approach has not performed well during this past expansion; however, this is a continually changing dynamic. Our returns were bolstered by our Fixed Income portfolio, which has performed well above the prescribed benchmark, apart from the past six months. Part of this is due to the strong economic performance of the US, and the recent performance of our long-term treasuries. Our goal moving forward is to improve our

security selection, primarily of small and midcap stocks, making up for reduced capital appreciation from our Fixed Income portfolio.

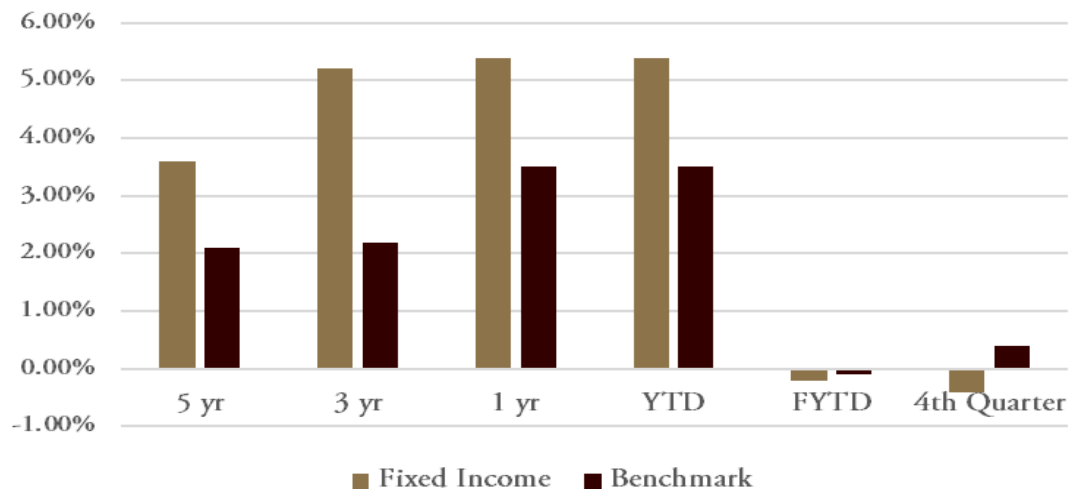


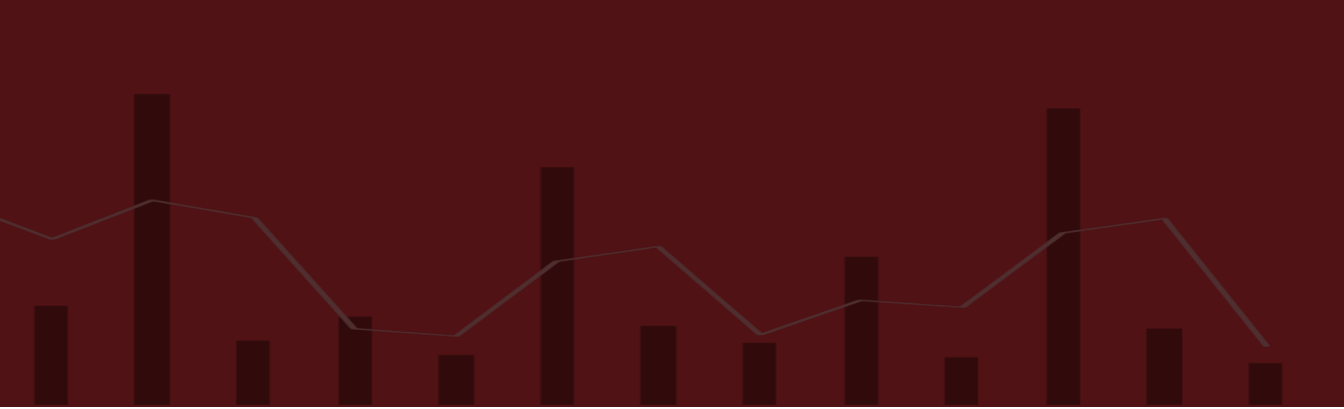
# 2017 Performance

## Equity Performance

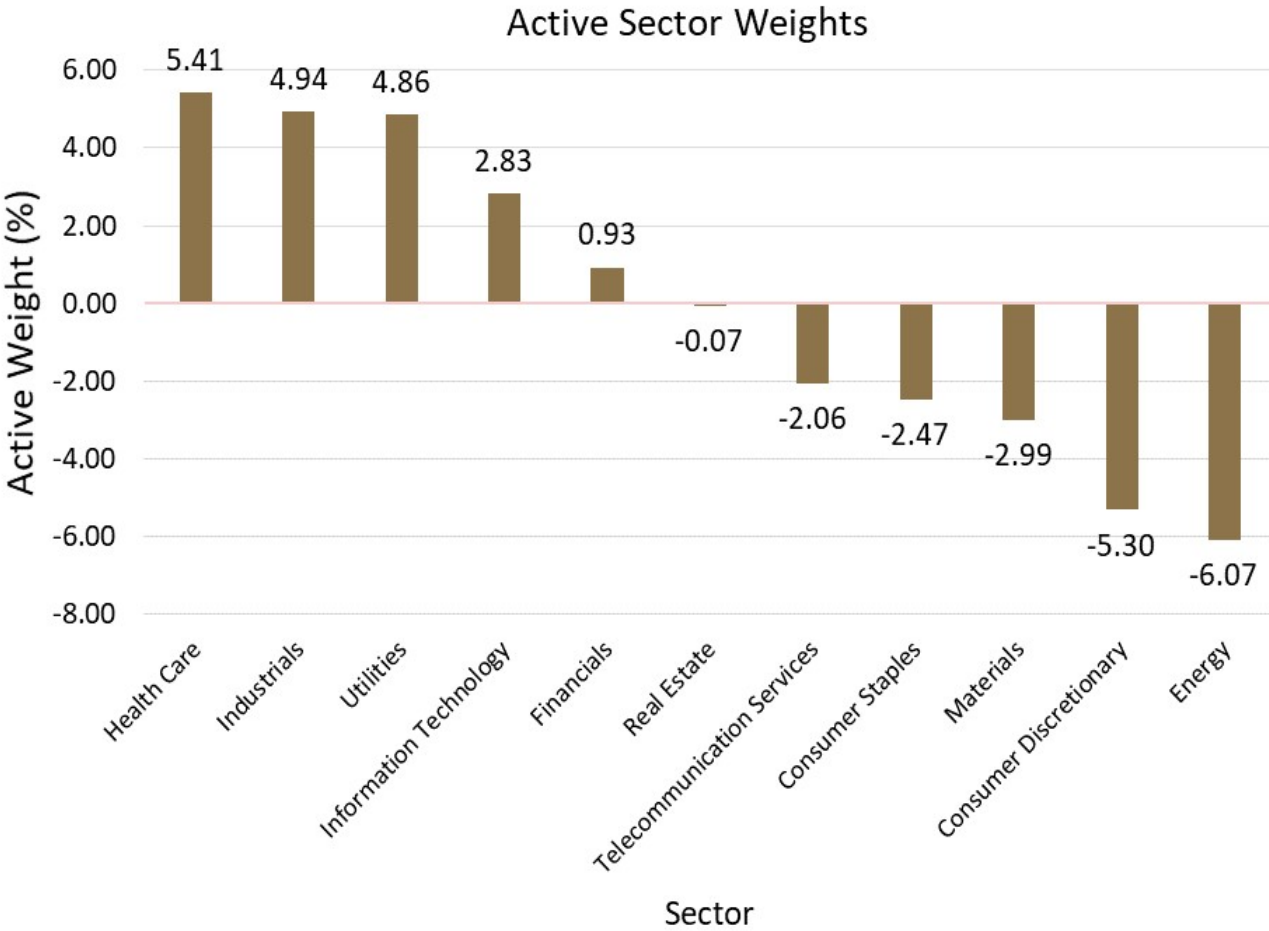


## Fixed Income Performance





# Sector Active Weights



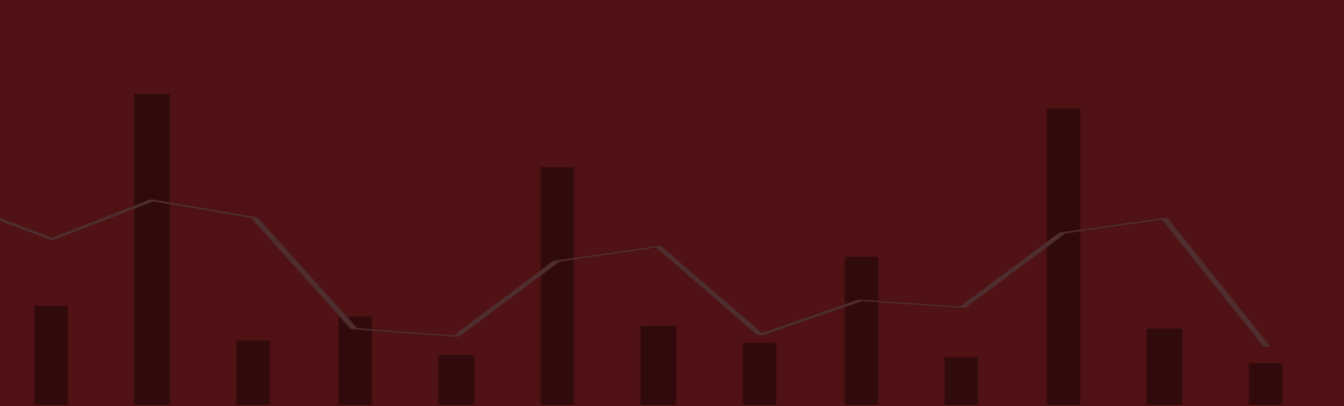


# Appendix

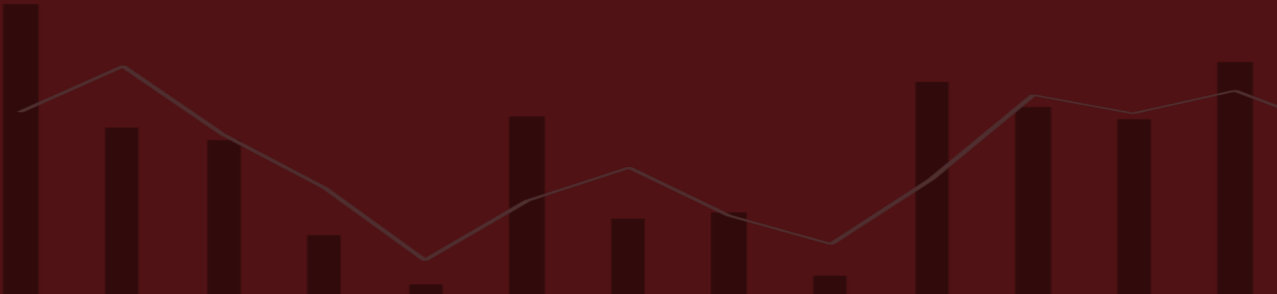
## Attribution Analysis (Domestic)

	Allocation	Selection +	Total		Allocation	Selection +	Total
	Effect	Interaction	Effect		Effect	Interaction	Effect
<b>Consumer Discretionary</b>	0.1	0.99	0.89	Discover Financial Services	0.23	0	0.23
Amazon.com, Inc.	0.59	0	0.59	Everest Re Group, Ltd.	0.44	0	0.44
Foot Locker, Inc.	0.17	0	0.17	Morgan Stanley	0.03	0	0.03
General Motors Company	0.15	0	0.15	PacWest Bancorp	0.53	0	0.53
Home Depot, Inc.	0.12	0	0.12	S&P Global, Inc.	0.1	0	0.1
Netflix, Inc.	0.01	0	0.01	Visa Inc. Class A	0.56	0	0.56
<b>Consumer Staples</b>	0.05	2.73	2.78	Wells Fargo & Company	0.22	0	0.22
CVS Health Corporation	0.66	0	0.66	<b>Health Care</b>	0.02	0.88	0.86
Dr Pepper Snapple Group, Inc.	0.06	0	0.06	Abbott Laboratories	0.63	0	0.63
Kroger Co.	0.8	0	0.8	Allergan plc	0.9	0	0.9
				Amgen Inc.	0.04	0	0.04
Molson Coors Brewing Company	0.01	0	0.01	Bristol-Myers Squibb Company	0.04	0	0.04
Omega Protein Corporation	0.62	0	0.62	Johnson & Johnson	0	0	0
Orchids Paper Products Compa-	1.26	0	1.26	Merck & Co., Inc.	0.08	0	0.08
Procter & Gamble Company	0.02	0	0.02	Supernus Pharmaceuticals, Inc.	0.13	0	0.13
Tyson Foods, Inc. Class A	0.18	0	0.18	Thermo Fisher Scientific Inc.	0.01	0	0.01
<b>Energy</b>	0.6	0.03	0.63	Utah Medical Products, Inc.	0.55	0	0.55
Buckeye Partners, L.P.	0.49	0	0.49	<b>Index</b>	0.03	0	0.03
Enterprise Products Partners L.P.	0.1	0	0.1	SPDR S&P 500 ETF Trust	0	0	0
Exxon Mobil Corporation	0.02	0	0.02	<b>Industrials</b>	0.04	0.51	0.55
Parsley Energy, Inc. Class A	0.25	0	0.25	American Outdoor Brands Cor-	0.05	0	0.05
Valero Energy Corporation	0.33	0	0.33	poration	0.11	0	0.11
<b>Financials</b>	0.1	2.76	2.66	Delta Air Lines, Inc.	0.24	0	0.24
AmTrust Financial Services, Inc.	1.51	0	1.51	EMCOR Group, Inc.	0.01	0	0.01
				EnerSys			





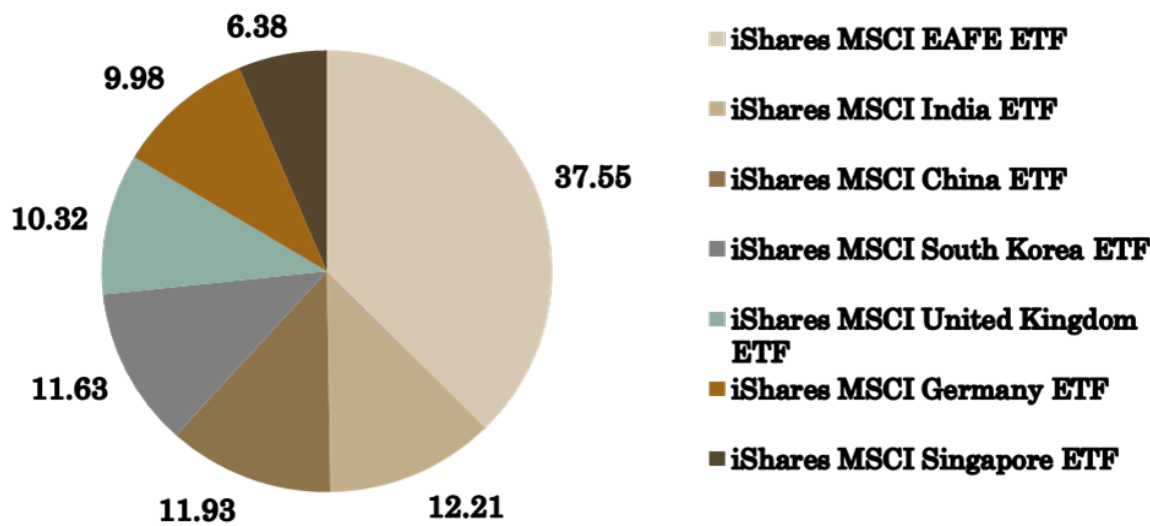
	Allocation				Allocation		
	Effect	Selection + Interaction	Total Effect		Effect	Selection + Interaction	Total Effect
Honeywell International Inc.	0.09	0	0.09	<b>Real Estate</b>	0.32	0.15	0.47
Lockheed Martin Corporation	0.45	0	0.45	Crown Castle International Corp	0.12	0	0.12
Snap-on Incorporated	0.19	0	0.19	Public Storage	0.05	0	0.05
<b>Information Technology</b>	0.23	2.24	2.47	Simon Property Group, Inc.	0.5	0	0.5
Activision Blizzard, Inc.	0.7	0	0.7	Ventas, Inc.	0.23	0	0.23
Alphabet Inc. Class C	0.64	0	0.64	<b>Telecommunication Services</b>	0.22	0.14	0.36
Apple Inc.	0.03	0	0.03	AT&T Inc.	0.22	0	0.22
Applied Materials, Inc.	0.09	0	0.09	Verizon Communications Inc.	0.08	0	0.08
Cisco Systems, Inc.	0.1	0	0.1	<b>Utilities</b>	0.45	1.09	0.64
Cypress Semiconductor Corporation	0	0	0	American Water Works Company, Inc.	0.21	0	0.21
Fabrinet	0.68	0	0.68	DTE Energy Company	0.08	0	0.08
Facebook, Inc. Class A	0.46	0	0.46	NextEra Energy, Inc.	0.26	0	0.26
International Business Machines Corporation	0.33	0	0.33				
Micron Technology, Inc.	0.11	0	0.11				
Oracle Corporation	0.17	0	0.17				
PayPal Holdings Inc	0.15	0	0.15				
QUALCOMM Incorporated	0.48	0	0.48				
<b>Materials</b>	0.09	0.2	0.29				
Compass Minerals International, Inc.	0.13	0	0.13				
Crown Holdings, Inc.	0	0	0				
DowDuPont Inc.	0.02	0	0.02				
Nucor Corporation	0.12	0	0.12				
VanEck Vectors Gold Miners ETF	0.01	0	0.01				



# International Holdings as of Dec 2017

Fund	Portfolio Weight
iShares MSCI EAFE ETF	37.55
iShares MSCI India ETF	12.21
iShares MSCI China ETF	11.93
iShares MSCI South Korea ETF	11.63
iShares MSCI United Kingdom ETF	10.32
iShares MSCI Germany ETF	9.98
iShares MSCI Singapore ETF	6.38

Holding Breakdown, International Portfolio



# Domestic Holdings as of Dec 2017

Company	Portfolio Weight
Alphabet Inc. Class C	7.46
Lockheed Martin Corporation	5.72
Visa Inc. Class A	5.42
Amazon.com, Inc.	4.45
Apple Inc.	4.02
Oracle Corporation	3.48
Abbott Laboratories	3.39
NextEra Energy, Inc.	3.34
Johnson & Johnson	3.32
Amgen Inc.	3.31
Thermo Fisher Scientific Inc.	3.16
American Water Works Company, Inc.	3.15
PacWest Bancorp	2.99
S&P Global, Inc.	2.82
Applied Materials, Inc.	2.73
CVS Health Corporation	2.58
Morgan Stanley	2.49
QUALCOMM Incorporated	2.43
Bristol-Myers Squibb Company	2.18
Everest Re Group, Ltd.	2.10
Facebook, Inc. Class A	2.10
Snap-on Incorporated	2.07
Delta Air Lines, Inc.	2.00
EMCOR Group, Inc.	1.94
Tyson Foods, Inc. Class A	1.93

Company	Portfolio Weight
Honeywell International Inc.	1.82
Molson Coors Brewing Company Class B	1.76
Dr Pepper Snapple Group, Inc.	1.73
Crown Castle International Corp	1.71
Micron Technology, Inc.	1.66
EnerSys	1.65
Supernus Pharmaceuticals, Inc.	1.51
Cypress Semiconductor Corporation	1.36
Home Depot, Inc.	1.35
PayPal Holdings Inc	1.31
DTE Energy Company	1.30
Netflix, Inc.	1.14
Ventas, Inc.	1.10

## Fixed Income Holdings as of Dec 2017

Fund	Portfolio Weight (%)
PIMCO Income Fund Insti Class	23.05
iShares 1-3 Year Treasury Bond ETF	18.38
iShares 20+ Year Treasury Bond ETF	15.45
Vanguard Short-Term Corporate Bond ETF	14.97
iShares 10-20 Year Treasury Bond ETF	11.6
iShares Floating Rate Bond ETF	5.88
SPDR Portfolio Long Term Corporate Bond ETF	4.83
Highland iBoxx Senior Loan ETF	2.77
DoubleLine Low Duration Bond Fund Class N	2.44
FEDERATED GOVERNMENT OBLIGATIONS	0.62

## Fixed Income Statistics as of Dec 2017

Compliance	Low Limit	Median	High Limit	Actual
Overall Weighted Average Credit Rating	BBB	A-AA	AAA	A+
No more than 20% below investment grade	0%	10%	20%	0.00%
Duration within +/- 20% effective duration of AGG	4.58	5.73	6.88	6.1
Alternatives between 0% - 20%	0%	10%	20%	0.0%
Real Estate	0%	5%	10%	2.9%
Convertible Securities	0%	5%	10%	0.0%

## Performance Update - Q1 2018

Through the beginning of 2018, the market has experienced increased volatility across the market. This volatility created additional opportunities for our active management, and our relatively defensive position at the end of 2017 actually allowed us to benefit from the market fluctuations during Q1. Through Q1, our fixed income portfolio, as well as our combined equity portfolios have outperformed their respective benchmarks. This, combined with our asset allocation decisions mean that our portfolio as a whole had been steadily beating the prescribed benchmark through Q1 of 2018.

