



**Real Money.**  
**Real Experience.**

## **Annual Report**

**June 30, 2016**

**Southern Illinois University – Carbondale**

# About the Saluki Student Investment Fund

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The Saluki Student Investment Fund (SSIF) exists to provide SIUC undergraduate students with hands-on experience in portfolio management and investment research. As such, the SSIF is modeled after a real investment management firm. SSIF students are focused on making the best investment decisions possible on behalf of their primary client, the SIU Foundation. The SSIF's investment philosophy is to capitalize on investment opportunities through focused research. The SSIF's competitive advantage is students' unique and unbiased perspective and their ability to spot opportunities in the markets, especially those that are perhaps driven by or favored by their generation.

SSIF members work in teams that focus their research on companies within specific sectors, such as the technology, financial, or healthcare sector. Each team's goal is to choose the best companies within their sector that give the portfolio the best chance to outperform the midcap equity benchmark. This requires students to put their class lessons to work within a professional environment. Moreover, students learn to collaborate and to take responsibility for their analysis and decisions as they make the case for their investment ideas.

The SSIF is open to undergraduate students from any major. In the past, most members have been from the College of Business, but students from other Colleges within the University are welcomed. In recent years, SSIF students have been majors in Finance, Business Economics, Accounting, Marketing, Management, Physics, Health Care Management and Political Science.

As of June 30, 2016, the SSIF manages a total of \$1,621,087.

# History of the SSIF

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The SSIF was established in May 2000 through the generosity of Mr. Omar Winter and his wife Carol, both alumni of Southern Illinois University Carbondale. Mr. and Mrs. Winter provided \$25,000 to start the student investment fund. Shortly thereafter, the SIU Foundation provided \$200,000 for the students to manage on its behalf – in essence, the SIU Foundation hired the SSIF as one of its portfolio managers. The goal of Mr. and Mrs. Winter and the SIU Foundation was to provide SIUC undergraduate students with hands-on experience in portfolio management and investment research.

Dr. Mark Peterson, Gordon & Sharon Teel Professor of Finance was the inaugural faculty advisor to the SSIF and remained its advisor over its first decade. During that first decade, the assets under management (AUM) for the SSIF grew to more than \$325,000 and had participation from more than 60 SIUC undergraduates. When Dr. Peterson stepped up as Chair of the Department of Finance in 2010, Dr. Jason Greene, Rehn Professor of Finance, became the SSIF faculty advisor.

In April 2011, the SSIF made a proposal to the SIU Foundation to increase its AUM from approximately \$370,000 to \$1,000,000. In recognition of the diligence of the SSIF students in managing their portfolio from the SIU Foundation, the Foundation's Investment Committee approved the increase and transferred an additional \$630,000 to the account managed by the SSIF in May 2011. In May 2015, the SIU Foundation decided that a \$2,000,000 AUM cap will be imposed upon the portfolio, in order to mitigate the percentage that the student managed portfolio contributes to the overall endowment.

Dr. Xiaoxin Wang Beardsley, Associate Professor and Hamilton Family Faculty Fellow in Finance, joined and assisted Dr. Greene in advising the SSIF from the Fall semester of 2014, after Dr. Greene stepped up to become the Interim Dean of the College of Business at SIU Carbondale. Dr. Greene departed from the college and the university after June 30, 2016. We greatly appreciate all his supports and guidance throughout the years.

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# Executive Summary

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This Annual Report is made to the SIU Foundation by the Saluki Student Investment Fund (SSIF) and discusses the performance of the SSIF for the Foundation's fiscal year ending June 30, 2016. The report begins with an annual review, followed by a summary of portfolio rebalancing. Also provided is a summary of investment policies and procedures. During FY2016, the SSIF remained focused in managing the allocated capital in a manner that is consistent with its investment mandate. The mandate is to remain fully invested in mid-cap U.S. equities, with the S&P 400 Midcap Index as a benchmark. A summary of the current organizational structure is included. The report concludes with the FY2017 outlook of the Saluki Student Investment Fund followed by a list of resolutions, and a complete member roster for the SSIF during FY2016.

This past fiscal year, the SSIF return was able outperform the S&P 400 total return by a margin of 3.26%. More about this past year's performance can be found in the Performance Analysis section of this report. The SSIF continues to focus on outperforming the benchmark over the long term by operating under an active, fundamental, value-focused strategy. Also included is an attribution of the returns by contributions from sector allocation and stock selection. The SSIF's investment process creates value through stock selection; therefore, the SSIF strives to remain sector neutral in the allocation of its assets with the goal of tracking the benchmark as closely as possible. Individual stock's contribution to performance is noted, followed by a breakdown of how the teams' investment views guided the stock purchase/hold/sell activities in FY2016.

Looking forward, the SSIF will continue to strive to outperform the benchmark while adhering to our policies and philosophies that have allowed us to be successful thus far. The Fund looks to continue improving performance, focus on our long term strategies, and enhance the learning of our members.

We thank the SIU Foundation and Investment Committee for its continued support,

Saluki Student Investment Fund

# Overview

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## **Annual Review**

The FY 2016 has provided the SSIF with several opportunities to hone valuation techniques and skills and remain committed to our investment philosophy and process. During FY 2016, the SSIF returned 4.59%, outperforming the S&P 400 benchmark total return of 1.33%. The SSIF achieved this result by remaining committed to the investment philosophy of the fund and the mandate of the SIU Foundation—which is to invest in mid-cap stocks with a key emphasis on investment in stocks that are primarily constituents of the S&P 400 midcap index. The individual sector teams were enthusiastic in conducting valuation and analyses using a variety of valuation models and resources that the SSIF has made available to its members. The Fund looks to continue its intense analysis to ensure that we outperform the S&P 400 Index for the upcoming FY2017. During the past fiscal year, the SSIF also created the Bylaws of the Fund to help further guide members. These Bylaws addressed issues related to holdings disclosure, dress code, front running policies, plagiarism, confidentiality, and public relations in terms of dealing with the press. The Bylaws are currently still under revision.

## **Performance Review**

The SSIF measures its relative return compared to the S&P 400, particularly the SPTRMDCP Index. A further look into the performance begins on page 12, including historical performance since the inception of the Fund. This past fiscal year, the SSIF was able to outperform the S&P 400 by 3.26%. Beating the benchmark is not an easy task, but by remaining vigilant to its investment philosophy, the SSIF hopes to outperform the benchmark again in upcoming FY 2017.

## Portfolio Rebalancing

Table 1 shows the SSIF portfolio rebalancing over the calendar year. The goal of the SSIF as instructed by the sector-neutral policy is to remain within a  $\pm 2\%$  margin compared to the benchmark S&P Midcap 400 Index in each sector. All sectors remained within the  $\pm 2\%$  parameter. As of June 30, 2016, all stocks held by the SSIF portfolio were S&P 400 constituents with the exception of Alaska Air Group (ALK) which climbed to the S&P 500 in May 2016. ALK will be sold shortly. This can be seen in Table 2 below.

**Table 1: Sector Weights in SSIF Compared to Those in the S&P 400**

Sector	As of 6/30/16			Sector	As of 6/30/15		
	SSIF	Benchmark	Difference		SSIF	Benchmark	Difference
Cons. Disc	13.48%	13.58%	-0.10%	Cons. Disc	13.31%	14.06%	-0.75%
Cons. Staples	4.15%	4.19%	-0.04%	Cons. Staples	3.90%	4.20%	-0.30%
Energy	2.47%	3.32%	-0.85%	Energy	4.50%	4.39%	0.11%
Financials	25.22%	25.36%	-0.14%	Financials	23.55%	24.20%	-0.65%
Healthcare	9.71%	8.08%	1.63%	Healthcare	8.69%	9.08%	-0.39%
Industrials	15.05%	15.54%	-0.49%	Industrials	16.01%	15.56%	0.45%
Info-Tech	16.59%	16.49%	0.10%	Info-Tech	17.24%	16.65%	0.59%
Materials	6.60%	7.18%	-0.58%	Materials	7.47%	7.26%	0.21%
Telecom	0.18%	0.19%	-0.01%	Telecom	0.19%	0.18%	1.00%
Utilities	5.97%	6.07%	-0.10%	Utilities	4.46%	4.42%	0.04%

**Table 2: Number of Stocks in SSIF and the S&P 400**

	As of 6/30/16	As of 6/30/15
Stocks in SSIF	50	51
Stocks in the S&P 400	49	51

# Investment Philosophy and Process

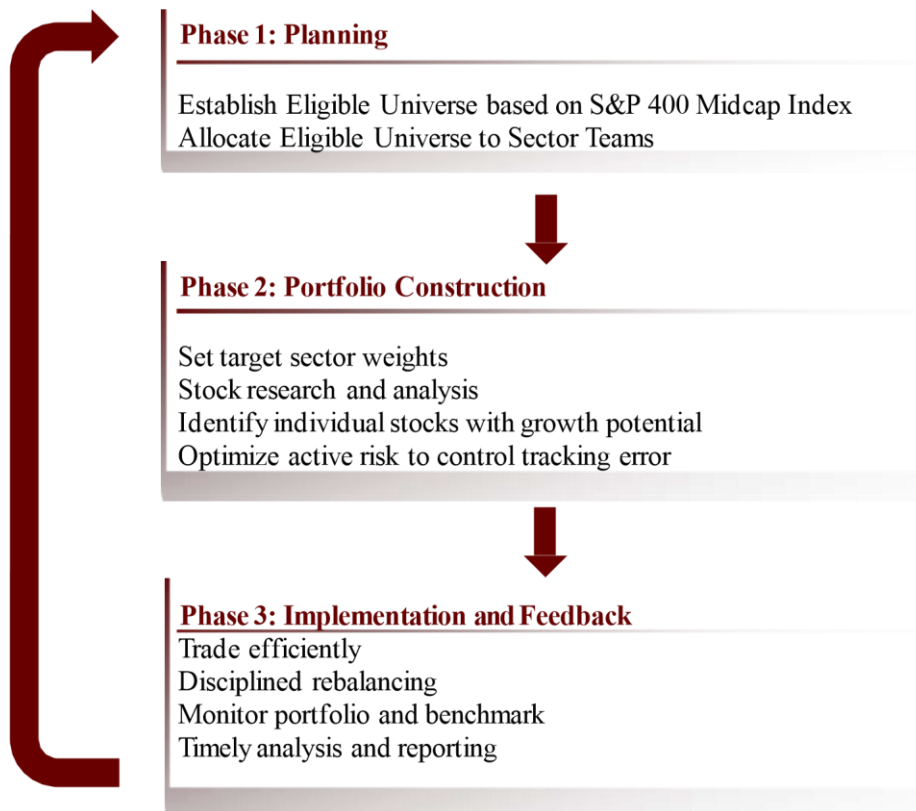
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## Investment Philosophy

- *SSIF believes markets are generally efficient; however, opportunities exist for a fundamental active strategy to outperform a passive benchmark.*
- *SSIF aims to capitalize on these opportunities by focusing on mid-cap stocks that are potentially less researched than large cap stocks, yet have sufficient liquidity and available value-relevant information.*
- *SSIF's competitive advantage originates from focused research and an unbiased student perspective of the market, operating outside of potential distractions of large investment management firms.*

## Investment Process

### SSIF Midcap Core Strategy





## **Eligible Universe**

The eligible universe resolution states that the SSIF will have a minimum of 75% of the total portfolio value invested in stocks that are constituents of the benchmark S&P 400 Midcap Index. Also, the SSIF may not hold any stock that is a constituent of the S&P 500 or S&P 600 index, so as to avoid threatening the diversification efforts of the overall university endowment. The SSIF portfolio may be invested in stocks outside the S&P 400 only if the market capitalizations of those stocks are within 10% to 90% market capitalization of the constituents in the S&P 400 Index. No more than 25% of the total portfolio can be in stocks outside the S&P 400. The eligible universe resolution became effective as of October 1, 2010.

## **Sector Weights**

The sector weight resolution states that the SSIF will normally maintain a sector weight of +/- 2% of the benchmark sector weights. Deviations outside of this range will be remediated in an orderly manner with the consideration of transaction fees. Also, if it is the decision of the SSIF members to allow for an overweighting of a certain sector, a strong thesis should be presented to the group and the thesis must pass with a majority vote. The sector weights resolution became effective on October 26, 2010.

## **Equity Weights**

The equity weight policy states that SSIF will not hold any stock in a weight above 5%. This is to protect the portfolio from excessive risk from overexposure to one stock. Any equity exceeding the 5% weight will be sold off in a disciplined manner. The team will perform quantitative optimization in order to rebalance individual equity weights and sector weights according to their targets.

## **Cash Balance**

The cash balance policy reflects the mandate given to the SSIF by the SIU Foundation to be fully invested. The SSIF cash balance policy states that the SSIF will hold no more than 1% cash (with an ideal target zone of 25bps to 75 bps) in the portfolio at any time unless there is a proposed trade within two weeks' time. Allowing more than 1% cash for a short time period helps to reduce trading costs. This recognizes the potential need for the SIU Foundation to withdraw cash periodically. If the cash balance exceeds 1% when no trade is anticipated in the near future, purchasing an Exchange Traded Fund (ETF), that tracks the S&P 400 Index, will equitize the excess of 75bps. Finally, if the cash in the portfolio falls below 25bps, appropriate actions will be taken to raise the cash back to the 75bps target. The cash balance resolution became effective as of October 26, 2010.

# Organizational Structure

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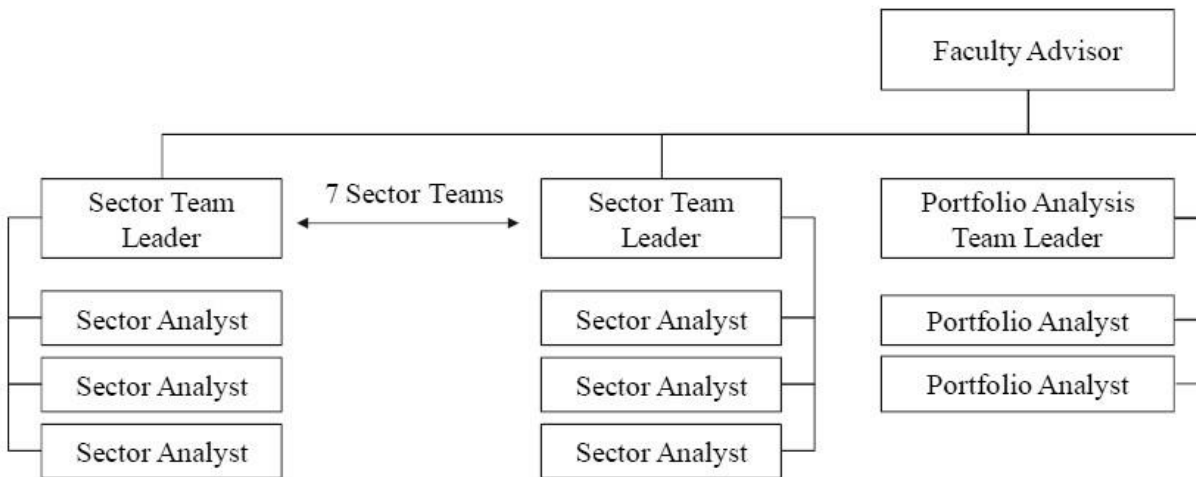
The Saluki Student Investment Fund is an investment group in which students can apply classroom lessons as professionals within an organization that operates as a real investment management firm. Students have full responsibility for researching companies and making buy/sell decisions. The responsibilities of the SSIF are divided into different categories and are assigned based on experience and general interest in a specific duty. Those duties include, but are not limited to:

**Portfolio Analyst:** Monitors equity positions and sector weights, performs quantitative optimization of the portfolio for trading and re-balancing, and does monthly performance attribution of stocks and sectors for internal analysis.

**Team Leader:** Has the responsibility of mentoring sector analysts, as well as providing guidance for buy/sell decisions.

**Sector Analyst:** Provides information for the sector team on companies either in the portfolio or those that are potential purchase targets.

**Faculty Advisor:** Advises the SSIF in all activities.



Sector Teams

- Consumer Goods & Services
- Energy & Utilities
- Financials
- Health Care
- Industrials
- Info-Tech & Telecom
- Materials

# Performance Analysis

Table 3 below shows the SSIF performance vs. the S&P 400 benchmark for various holding periods. The SSIF and the S&P 400 both posted gains over the past fiscal year, of 4.59% and 1.33% respectively. In order to continue to beat the benchmark over the long-term, the SSIF remains committed to fundamental research, analysis, and valuations that select stocks with potential to provide growth and outperformance over extended future periods. The goal of the SSIF is to continue to outperform the S&P 400 Benchmark over the 7 and 10 year periods while controlling risk relative to the benchmark measured by tracking error. As of June 30, 2016, the SSIF has successfully met this goal. The SSIF's 7-year annualized return has outperformed the benchmark by a difference of 1.90%. The SSIF's 10-year annualized return has outperformed the benchmark by a difference of 1.86%. By tirelessly working toward this long term goal, the SSIF continues to add value to the SIU Foundation's portfolio over time while limiting the risk of significant short term underperformance of the S&P 400 Midcap core benchmark.

**Table 3: Performance Summary**

As of June 30, 2016

	Quarter	Calendar YTD	1-Year	3-Year	5-Year	7-Year	10-Year	Since Inception
<b>SSIF</b>	<b>2.60%</b>	<b>7.33%</b>	<b>4.59%</b>	<b>12.16%</b>	<b>11.77%</b>	<b>18.19%</b>	<b>10.41%</b>	<b>7.92%</b>
S&P 400 Benchmark*	3.99%	7.93%	1.33%	10.53%	10.55%	16.28%	8.55%	8.86%
<i>Difference</i>	<i>-1.39%</i>	<i>-0.60%</i>	<i>3.26%</i>	<i>1.63%</i>	<i>1.22%</i>	<i>1.90%</i>	<i>1.86%</i>	<i>-0.94%</i>
Tracking Error**			3.22%	3.28%	2.83%	3.07%	4.06%	5.37%
Information Ratio***			1.01	0.50	0.43	0.62	0.46	-0.18
Months > Benchmark			67%	53%	48%	55%	53%	49%

Periods greater than one year are annualized.

Inception: June 30, 2000

\* Performance of the benchmark is reported for the S&P Midcap 400 Total Return Index (Source: Bloomberg SPTRMDCP Index)

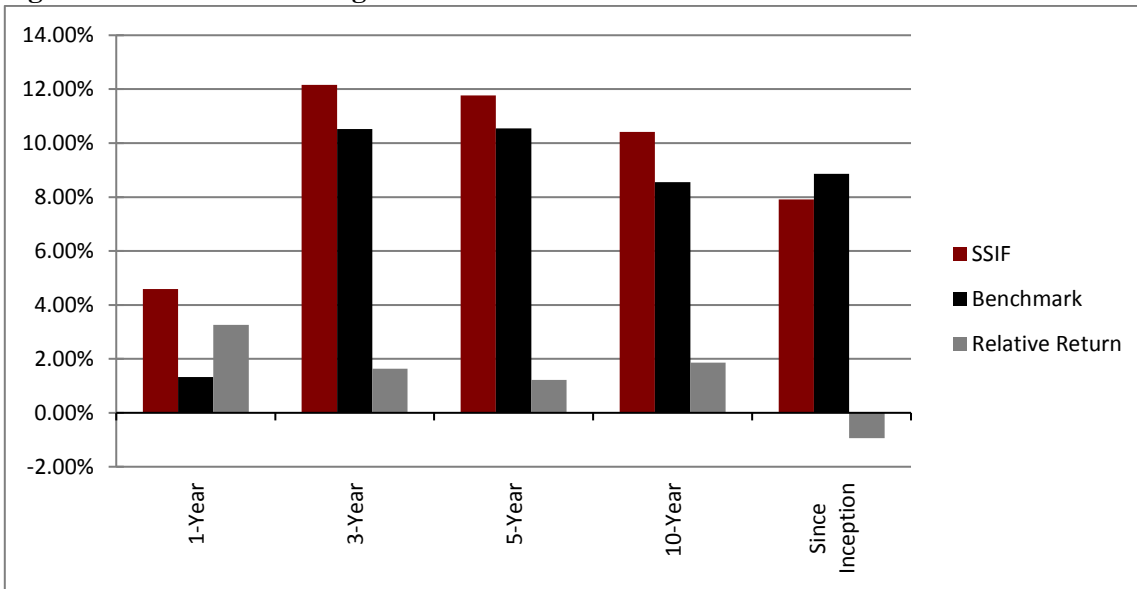
\*\* Tracking error is annualized and based on monthly return differences relative to the benchmark.

\*\*\* Information ratio is the ratio of the annualized relative return divided by the tracking error

SIU Foundation Portfolio value as of June 30, 2016: **\$1,621,087.25**

As shown in Figures 1 and 2, over the years, students of the SSIF have been dedicated to the investment philosophy and process of the SSIF. This has contributed to its outperformance over the benchmark for the most recent 1, 3, 5, and 10-year periods, although the performance since its year 2000 inception has been under the benchmark.

**Figure 1: Annualized Average Return**



**Figure 2: Cumulative Returns since Inception**

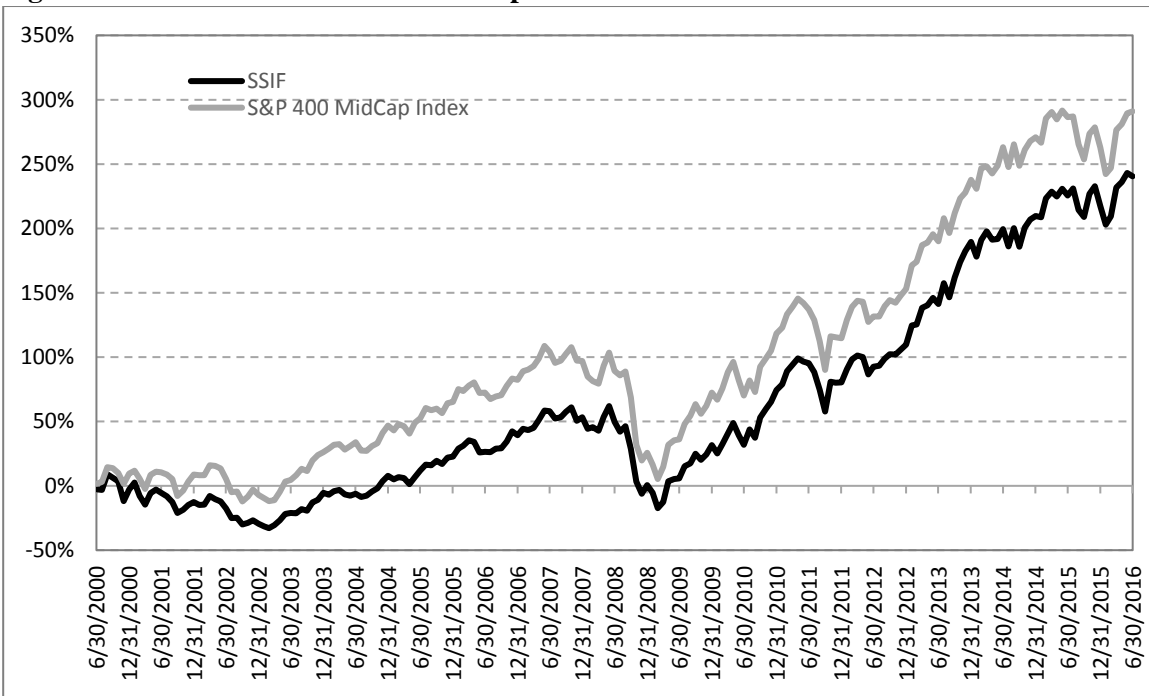
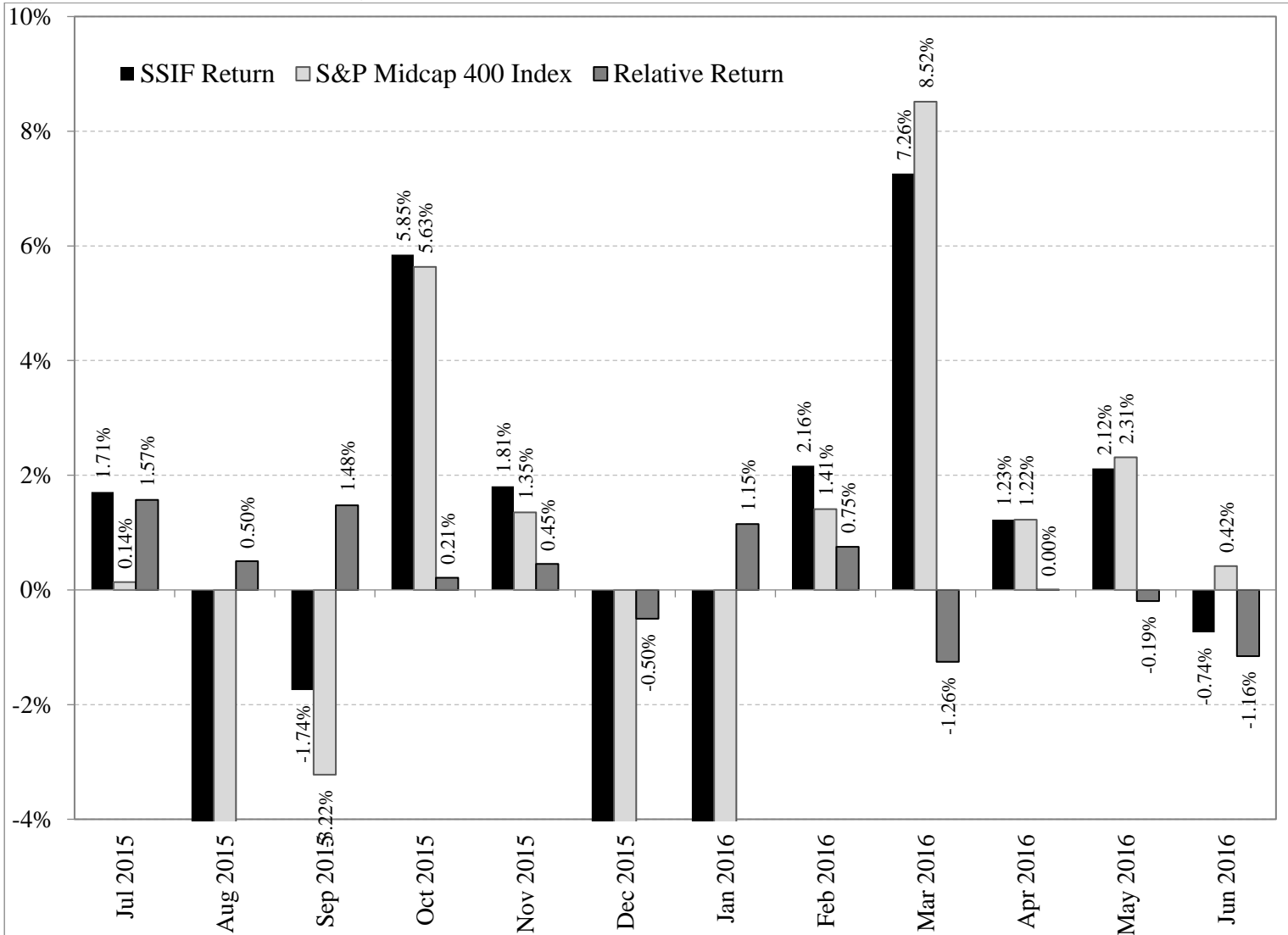


Figure 3 shows the returns for the SSIF relative to the benchmark over each month during FY 2016. SSIF was able to outperform the benchmark for over half of the time, mostly in the first half of the fiscal year. This enabled the Fund to outperform the benchmark for the fiscal year overall.

**Figure 3: Monthly Returns during the Fiscal Year**



**Figure 4: Fiscal Year 2016 Quarterly Relative Return Performance Attribution**

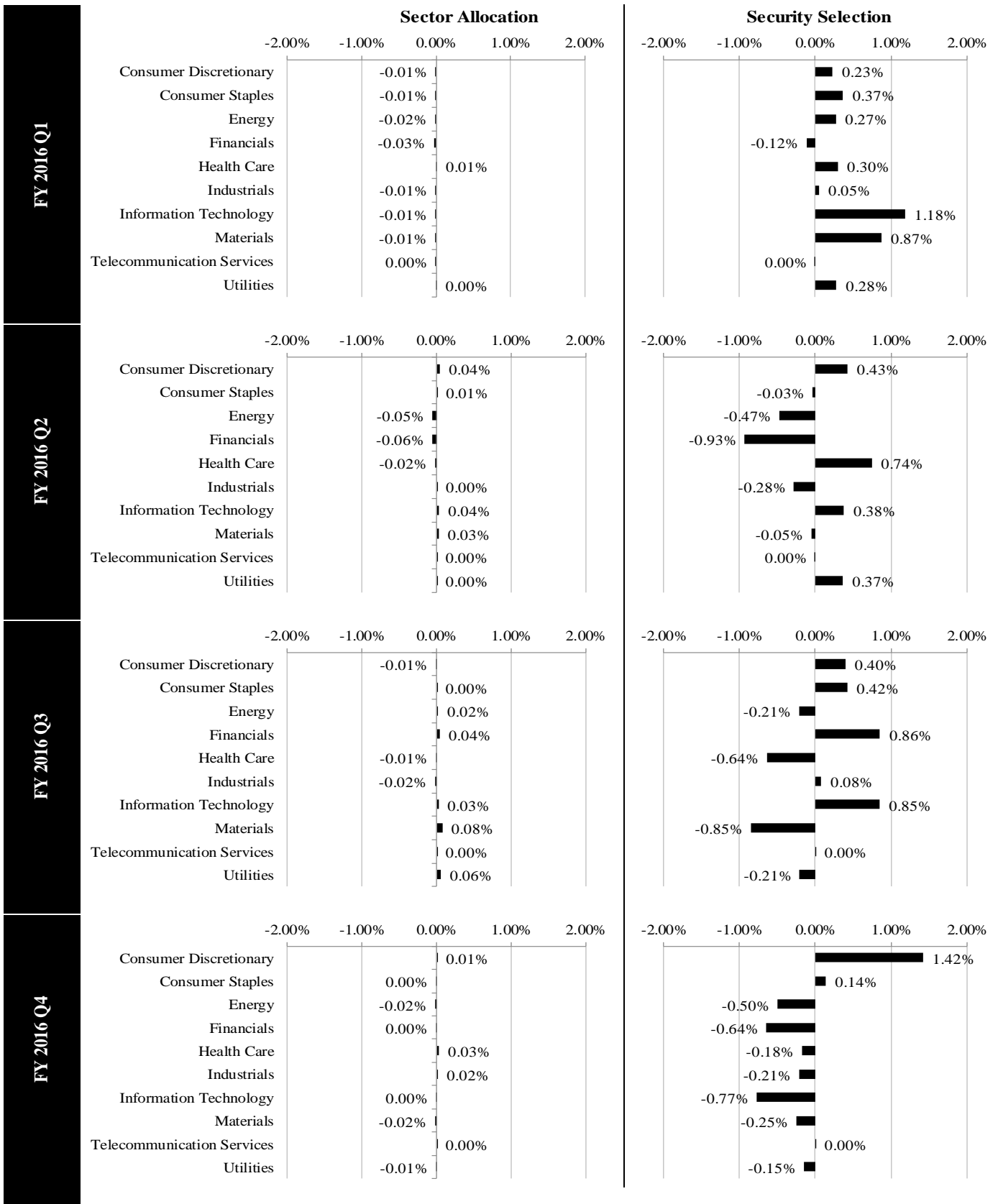


Figure 4, on the previous page, shows the quarterly performance attribution by sector allocation and stock selection, demonstrating how SSIF applies its investment philosophy and process in order to generate abnormal returns over the benchmark. The left panel of the figure shows how much of the relative return is generated from sector allocation. The right panel of the figure shows how much of the relative return is generated from stock selection. The SSIF maintains a sector neutral policy. Therefore, the very low contribution from sector allocation is to be expected. Stock selection contributes mostly to the portfolio's relative return from the benchmark, while sector allocation has virtually no role in this, indicating a thorough execution of the sector neutral policy.

**Figure 5: Relative Return Contributions and Performance Attribution for FY2016**

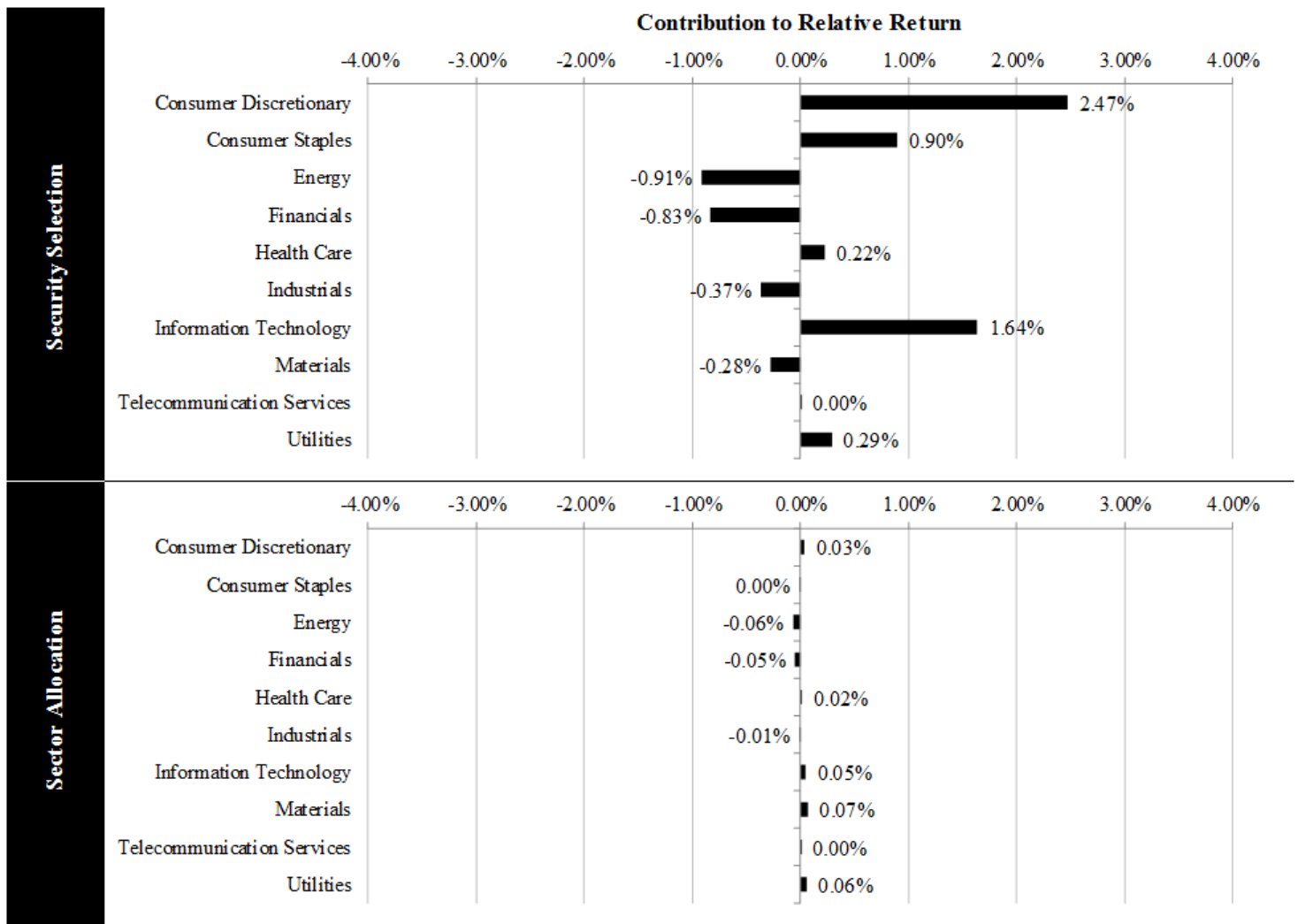




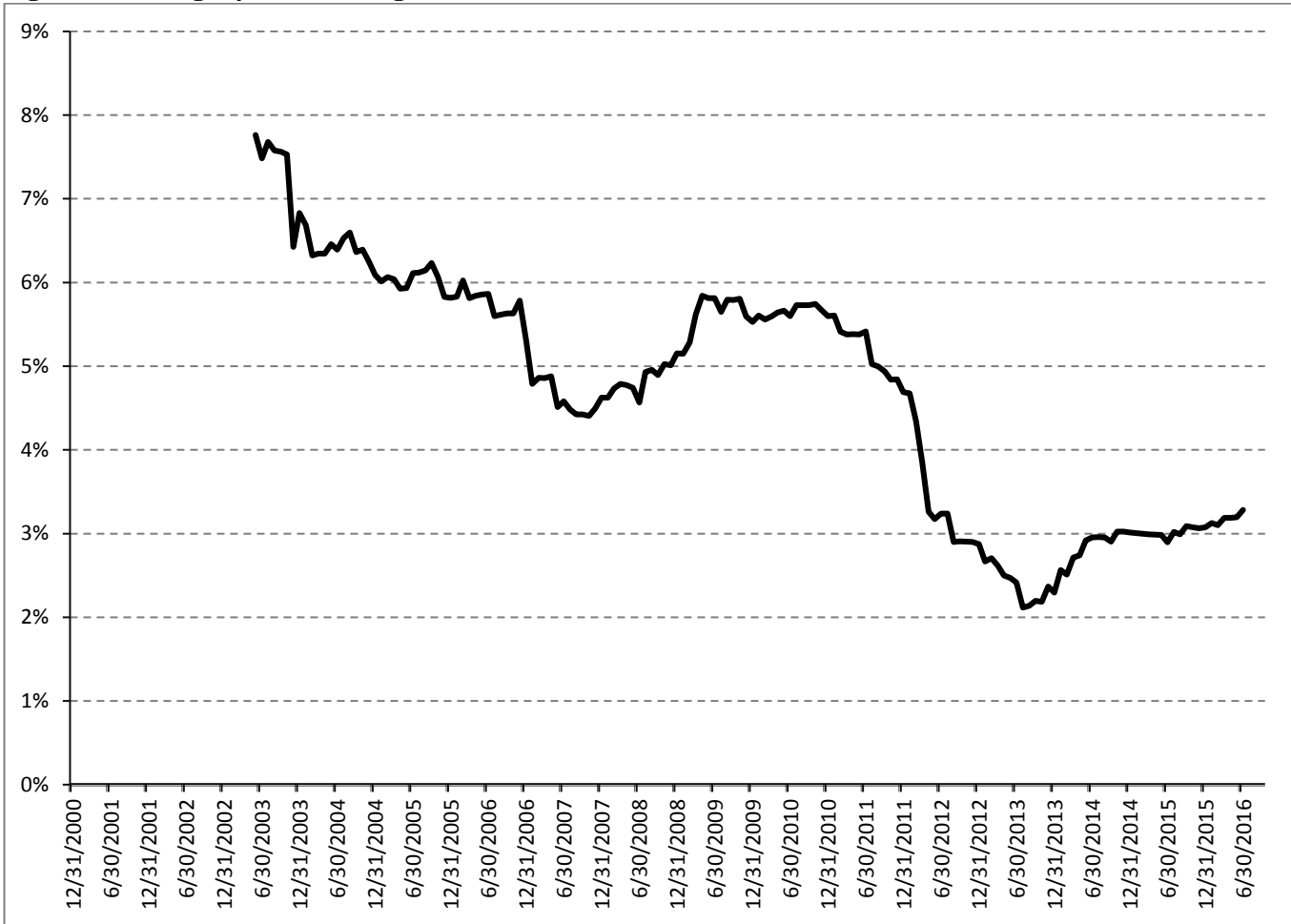
Figure 5 and Table 4 show the relative return attribution into sector allocation and stock selection for the Fiscal Year 2016. As demonstrated by Figure 4, because the SSIF maintains a sector neutral policy, the very low contribution from sector allocation is to be expected. The small returns from sector allocation are due to minor differences between the SSIF portfolio and the S&P 400 midcap benchmark and within the sector neutral level of tolerance. Also shown is the relative performance attributed to stock selection by each sector. The SSIF draws its competitive advantage from the students' fresh and unbiased perspective of markets and stock selection. Therefore, stock selection is the key contributor to the performance of the SSIF. The Consumer Discretionary, Information Technology, and Consumer Staples sectors were the top performing sectors in contrast to Industrials, Financials, and Energy, being the worst performing sectors. As shown in Table 4, a negative contribution of 6 basis points is attributed to cash. This is due to the maintenance of a small cash balance of near 1% by the SSIF during the calendar year and the zero return earned on the cash balance.

**Table 4: Full Year Relative Return Contributions by Sectors**

Sector	Full Year		Total
	Sector Allocation	Security Selection	
Cash	-0.06%	0.00%	-0.06%
Consumer Discretionary	0.03%	2.47%	2.51%
Consumer Staples	0.00%	0.90%	0.89%
Energy	-0.06%	-0.91%	-0.98%
Financials	-0.05%	-0.83%	-0.88%
Health Care	0.02%	0.22%	0.24%
Industrials	-0.01%	-0.37%	-0.38%
Information Technology	0.05%	1.64%	1.69%
Materials	0.07%	-0.28%	-0.21%
Telecommunication Services	0.00%	0.00%	0.00%
Utilities	0.06%	0.29%	0.35%
<b>Total</b>	<b>0.04%</b>	<b>3.13%</b>	<b>3.17%</b>
Actual Relative Return			3.26%
Unexplained by Attribution Model			0.09%

Figure 6 shows the 3-year tracking error of the SSIF. Since 2011, the SSIF has significantly decreased tracking error relative to the benchmark in accordance with its implemented sector neutral policy and enhanced tracking error controls through a portfolio optimizing procedure.

**Figure 6: Rolling 3-year Tracking Error**



# Individual Stock Contributions

**Table 5: Individual Stock Contributions**

Rank	Top 10 Holdings	Contr. (%)
1	Mid-America Apartment Comm	1.383
2	AQUA America Inc	1.272
3	Westar Energy Inc	1.003
4	Global Payments Inc	0.907
5	Ingredion Inc	0.872
6	Murphy USE Inc	0.637
7	Ingram Micro Inc-CL A	0.631
8	Panera Bread Company-Class A	0.606
9	Liberty Property Trust	0.477
10	Charles River Laboratories	0.464

Rank	Bottom 10 Holdings	Contr. (%)
1	Waddell & Reed Financial-A	-1.588
2	HollyFrontier Corp	-0.634
3	ITT Inc	-0.579
4	Atwood Oceanics Inc	-0.520
5	United Therapeutics Corp	-0.485
6	Kirby Corp	-0.378
7	Brinker International Inc	-0.376
8	KLX Inc	-0.354
9	Deckers Outdoors Corp	-0.295
10	Zebra Technologies	-0.240

\*Individual stock contribution is calculated by taking the stocks return in a period, multiplied by the stock's weight for that particular period.

Table 5 shows the individual stocks that contributed the most and the least to the portfolio's relative return over FY 2016. Mid-America Apartment Comm of the Financials Sector was the leading stock in its contribution to 1.38% of the overall portfolio performance. The Consumer Staples and Discretionary Sectors made up three out of the top ten performing holdings and the Industrial Sector made up three out of the bottom ten performing holdings.

# Individual Stock Theses

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Below is the value thesis for each stock that was held by the SSIF as of June 30, 2016. Data sources include: Bloomberg Professional Service, Morningstar, Yahoo Finance, Google Finance, as well as the companies' websites. Detailed portfolio holdings are provided in the section of Portfolio Holdings.

## Consumer Discretionary

### **Brinker International, Inc. (EAT)**

Brinker International, Inc. owns, develops, and operates casual dining restaurants. There well-known brands include Chili's Grill and Bar and Maggiano's Little Italy. It was purchased by the SSIF in February 2014 under the belief that Brinker International is a fiscally strong company that will continue to grow. Chili's Grill and Bar is in the process of growing their online ordering platform which will allow loyalty members to collect and use points towards online orders.

### **Deckers Outdoor Corporation (DECK)**

Deckers Brands is a global leader in designing, marketing and distributing innovative footwear, apparel and accessories developed for both everyday casual lifestyle use and high performance activities. The Company's portfolio of brands includes UGG, Teva, Sanuk, Ahnu, and HOKA ONE ONE. The SSIF has found Deckers Outdoor Corporation to be undervalued by the market. It is a recognizable company with sound management practices and corporate philosophies, as well as strong financial ratios.

### **John Wiley & Sons (JW-A)**

John Wiley & Sons is a publishing firm that produces and sells books and textbooks for universities, as well as scientific, technical, medical and scholarly communities. Wiley & Sons is a value company with steady growth, presenting a strong financial condition. The SSIF believes John Wiley & Sons has a different strategy than its competitors because of the focus on improving technological services. Holding a value publishing company that has plans to expand globally and is digitizing its products and services will better diversify the SSIF portfolio. The SSIF is confident that John Wiley & Sons is still financially stable and will continue to grow.

### **Murphy USA Inc. (MUSA)**

Murphy USA Inc. operates a chain of retail stations in the United States. They sell motor fuel products and convenience merchandise. The unique feature of Murphy USA Inc. is their partnership with Walmart which currently allows customers of Walmart to save money by using the Murphy USA gas stations. Walmart recently announced that they will discontinue their partnership with Murphy USA and create their own line of gas stations. Although they are starting up their own line of gas stations, they will continue to oversee the operations of the 1,100 stations already in service. Since Murphy USA is now on its own, the consumer sector will monitor the growth of Murphy USA Inc.

### **Panera Bread (PNRA)**

Panera Bread Company owns and operates retail bakery-cafes in the United States and Canada. The company operates under various names: Panera Bread, Saint Louis Bread Co. and Paradise Bakery and Café. Panera Bread stands out from their competitors in the mix of their high quality, fresh food in a restaurant that promotes customers interaction and productivity. Panera is still transitioning to “Panera 2.0” which is a transition to better customer satisfaction through delivery, catering, and mobile ordering. This initiative is still being implemented in stores throughout the country slowly. We find Panera to be not only a great company but a great stock that is consistent with continual growth and see much potential in the future with this company.

### **Tupperware Brands Corporation (TUP)**

Founded in 1996, Tupperware Brands Corporation is a direct-to-consumer marketer of various products across a range of brands and categories worldwide. This iconic brand is known for their preparation, storing, and serving solutions for the kitchen and home, but also has cookware, microfiber textiles, and other products under the Tupperware name. Tupperware is a brand that has become associated with all other brands in which most consumers call most food saving products “Tupperware”. We find this to be a great advantage for this company, and we see much growth from this company in the future.

## **Consumer Staples**

### **Edgewell Personal Care (EPC)**

Edgewell Personal Care, a spinoff company of Energizer Holdings Inc. is a company that deals with shaving, sun care, feminine care, infant care, skin care, and pet care. Some brands that are associated with this company include Schick, Banana Boat, Playtex, and Litter Genie. The Consumers sector feels that with the recent spin off, Edgewell will have

room to grow within its industry. We see massive growth potential within the personal care market and Edgewell is already ahead of the game.

### **Energizer Holdings, Inc. (ENR)**

Energizer Holdings, Inc. manufactures and sells a large variety of personal care, portable lighting, and battery products. It does so by dividing into Personal Care and Household Products divisions. In these divisions, there are many highly recognizable brands which include: Schick, Banana Boat, Playtex, and the namesake Energizer batteries. Energizer recently acquired the company HandStands and will enter into the car care market. The Consumers sector recognizes the power of the brands that Energizer Holdings, Inc. owns and perceives growth potential due to a well-established brand-image.

### **Flowers Foods (FLO)**

Flowers Foods is one of the largest producers of packaged bakery foods in the United States. The company operates more than 40 bakeries that produce a wide range of bakery food for retail and foodservice customers in the U.S. Each bakery operates as a separate subsidiary of the company and has its own president, human resources director, and controller. Some of their well-known brands include Bunny Bread, Sunbeam Bread, and Butternut.

### **Ingredion Inc. (INGR)**

Formerly known as Corn Products International, Inc., Ingredion Incorporated manufactures and sells starch, sweetener, and nutrition ingredients to various industries. It also offers science-based collaboration and problem solving for customers in the form of applied research, process technology, and other services. Ingredion Inc. looks to focus more on higher-value specialty ingredients which will increase total sales dollars. Recently, with an increase in dividends and its industry being ranked in the top third, the Consumers sector feels that this approach will lead to future growth through improved margins, improved earnings, as well as cash flows from the company.

## **Energy**

### **Gulfport Energy (GPOR)**

Gulfport Energy is an independent oil and natural gas exploration and production company with its main operating properties located in the Utica Shale of Eastern Ohio and along the Louisiana Gulf Coast. Over the years, GPOR has become one of the leading producers in the Utica Shale. Gulfport also has properties in Colorado, Canada, and has

taken up interests to operate in Southeast Asia. The company's business strategy is to establish a diverse asset portfolio and also to build a conservative capital structure with low levels of debt.

### **HollyFrontier Corp. (HFC)**

HollyFrontier Corp. is an independent petroleum refiner in the United States with operations throughout the mid-continent, southwestern and Rocky Mountain regions. Subsidiaries of HollyFrontier produce and market gasoline, diesel, jet fuel, asphalt, heavy products and specialty lubricant products. The Company also owns a 39% interest in Holly Energy Partners, L.P. Through this partnership, HFC has strategic growth opportunities in logistics and marketing operations which provide services that are in attractive niche markets.

### **Financial Services**

#### **American Financial Group (AFG)**

American Financial Group, Inc. is a financial holding company that engages primarily in property and casualty insurance. They focus on specialized commercial products for businesses which include fixed, indexed and variable annuities. In addition, they have a variety of supplemental products. The SSIF continues to hold AFG because it has a unique competitive advantage over competing companies with its specialized niche approach in marine, agricultural, commercial /automobile / transportation, and casualty insurance specialization. Holding AFG also increases diversification within the financial sector through investing in a property and casualty insurance company.

#### **Bank of Hawaii (BOH)**

Bank of Hawaii Corporation is a bank holding company providing a broad range of financial products and services to customers in Hawaii and the Pacific Islands. It was founded in 1897, and is one of the largest independent financial institutions in Hawaii. The company derives its competitive advantage from adhering to a disciplined and conservative style of lending. Bank of Hawaii has a high level of risk aversion compared to many regional banks. Small business loans are their main assets and sources of revenue. Bank of Hawaii emphasizes customer service and caters to needs of a community that is focused on small businesses rather than large corporations. The SSIF believes that Bank of Hawaii can add value to the portfolio by maintaining a conservative style of business while simultaneously balancing the portfolio.

### **Chicago Board of Options Exchange (CBOE)**

CBOE, the largest U.S. options exchange and creator of listed options, continues to set the bar for options trading through product innovation, trading technology, and investor education. The growth values our sector foresees in CBOE are based on the ability to fully integrate options into more indices over the next several years. The Financials sector also sees CBOE entering the global indices market as a huge compliment to their US indices, which they were primarily focused on. Looking forward, the Financials sector believes the CBOE to be an excellent holding due to strong fundamentals, and competitive advantages it has over its competitors.

### **Corrections Corporation of America (CXW)**

Corrections Corporation of America is a diversified Real Estate Investment Trust that owns, operates, and manages privatized correctional, detention, and rehabilitation facilities in the United States. It is located in Nashville, TN and serves federal, state, and local correctional authorities across the United States. Corrections Corporation of America's largest customers are the Bureau of Prisons, Immigration and Customs Enforcement, and the State of California. CXW retains a strong balance sheet with strong cash flows that come from high occupancy numbers due to the high quality of its services and facilities, along with their efficiency in maintaining this quality of service. Because of this operating efficiency and these strong cash flows, the SSIF believes that CXW adds value to the SIU Foundation's portfolio.

### **Everest Re Group Ltd. (RE)**

Everest Re Group, Ltd. (RE) is a leading international reinsurance and insurance organization. Headquartered in Bermuda, with operations that span the globe. Everest provides capacity to its clients to protect against a wide range of property and casualty risks. The growth potential for RE can be attributed to the ability of management to consciously maintain shareholders' best interests and to make the right decisions. Everest Group also enhances diversification that is needed in the insurance segment, as there are few predominantly life insurance and reinsurance companies presently in the portfolio. RE's grasp on the global market and its ability to grow within, reaffirms the SSIF's decision to hold this company. RE has successfully mitigated its own risk with diversification within the organization, which also reduces the risk of owning RE given its diverse array of segments and services. Looking forward, the financial sector has selected RE for its diversification and strong financials, coming down from strategic management.



### **Hospitality Properties Trust (HPT)**

Hospitality Properties Trust is a real estate investment trust (REIT) that purchases, operates, and owns a variety of hotels throughout the United States and Puerto Rico. The hotel properties include a wide variety of brands that range from Holiday Inn to Crown Plaza. The SSIF purchased Hospitality Properties Trust in order to fully diversify the financial sector and the SSIF portfolio. Furthermore, the consistent dividends paid by a REIT give the portfolio a reliable cash flow. HPT's strong revenue generation make it an excellent addition to the SSIF portfolio.

### **Mid-America Apartment Communities, Inc. (MAA)**

Founded in 1977 and based in Memphis, Tennessee, Mid-America Apartment Communities, Inc. is an independent real estate investment trust. The firm invests in the real estate markets of the United States. It is engaged in acquisition, redevelopment, new development, property management, and disposition of multifamily apartment communities. Mid-America Apartment Communities Inc. owns 85,000 properties in 14 states. It is regionally located in the Southeast and Midwest. Its main focus is multifamily homes and obtains its revenues through rental income. The merger with Colonial Properties Trust removes one of MAA's largest competitors in the region and creates the largest sun-belt focused REIT, thus showing strong future growth potential for the company and the SSIF portfolio.

### **Reinsurance Group of America (RGA)**

Reinsurance Group of America (RGA), is an insurance holding company that is primarily focused on traditional life, asset-intensive and critical illness insurance, as well as financial reinsurance. RGA has five financial reporting segments: U.S., Canada, Europe & South Africa, Asia-Pacific, and Corporate. Our valuations for RGA expect positive growth in the future. RGA is currently one of the largest life reinsurers. Through RGA's diversification and growth into recent markets like China, the SSIF believes there is future growth still present within the company for years to come.

### **Signature Bank (SBNY)**

Signature Bank of New York is solely located in New York, NY. The bank provides investments, loans, insurance, and personal banking to its clients. In addition, SBNY is unique in that its primary focus is providing financial services to private businesses and their senior managers. SBNY has shown remarkable potential for growth, as it has attracted and hired several financial managers from its competitors, who have brought their clients with them to Signature Bank.

SBNY was purchased after showing further growth potential in several of the SSIF valuation models and has proved to be an excellent addition to the financial sector, and the SSIF Portfolio.

### **Waddell and Reed (WDR)**

Waddell & Reed Financial provides investment management, investment product underwriting and distribution, shareholder services and administration to mutual funds, and other financial institutions. This firm's competitive advantage is the strength of their management, and their ability to continue generating increased sales of their IVY funds. In addition, management has expressed a strong desire to diversify and generate sales from other areas and funds.

## **Healthcare**

### **Bio-Techne Corporation (TECH)**

Bio-Techne is a life sciences and diagnostics tools company that offers hundreds of medical tools and equipment to hospitals, universities and business firms. Bio-Techne is headquartered in Minneapolis and was founded as The Techne Corporation in 1977. We believe Bio-Techne has potential for sustainable future growth due to recent strategic acquisitions that further diversify their current product portfolio of hundreds of medical tools. We are also confident in this company due to their business strategy and financial data.

### **Charles River Laboratories (CRL)**

Charles River Laboratories provides research models and services to help biotech firms, government agencies, and academic institutions around the globe to conduct research and develop pharmaceuticals, bio-tech, and biosimilars. The company has expanded to 65 facilities in 15 countries, while continuing to monitor future acquisitions. Charles River was purchased in February of 2014 due to their market expertise, experience, and their advantageous position compared to their peers.

### **LifePoint Health (LPNT)**

LifePoint Health is a hospital management company who owns and operates hospitals, clinics, and other provider services. The company operates largely in the southern and eastern United States and in small to mid-sized cities. The company has a reputable reputation for acquiring struggling hospitals and revitalizing them, turning them into profitable health care providers. LifePoint also has strategic partnerships with Duke University Health Systems and inclusion in the Department of Health and Human Services' Hospital Engagement Network. We believe the company's strategy and

strategic partnerships will allow the company to grow in value while improving in providing quality, cost-effective, and safe health care.

### **LivaNova PLC (LIVN)**

LivaNova is a relatively new equipment and supplies company that was created by the merger of U.S. based Cyberonics Inc. and Italy based Sorin SpA in 2015. The combined company provides products and equipment in the neuromodulation, cardiac surgery, and cardiac rhythm management markets. In December of 2015 the sector purchased this company because of the growth potential of the combined companies and their respective management teams. LivaNova has structured plans to enter new markets and expand in their current ones, and we believe they are well positioned to benefit from such expansion.

### **Mednax (MD)**

Mednax is a neonatal, maternal-fetal, pediatric, and anesthetic service provider. The health care sector bought Mednax in February of 2014 because of future growth potential as a result of their acquisitions and expansions across the United States. Mednax's advantage in an increasingly acquisition reliant industry comes from their process of acquiring and expanding which involves extensive research on new acquisitions, as well as careful and thorough integration. Since purchase, Mednax has acquired a total of five anesthesia and pediatric practices to fulfill these acquisitions plans.

### **Steris PLC (STE)**

Steris develops, manufactures, and markets sterilization and cleaning products to healthcare facilities. The company also offers consulting services on sterilization management, facility planning, engineering support, device testing, customer education, hand hygiene process, and asset management/planning. Steris is a leader in infection prevention, contamination control, decontamination, and other sterilized medical equipment. In 2015 Steris merged with another sterilization leader, Synergy Health plc, to become the world leader in the sterilization market. This strategic merger has given the company strong control over the market and resources to continue growing and innovating in its field.

### **United Therapeutics Corporation (UTHR)**

United Therapeutics is a biotechnology company that focuses on producing treatments for patients that have chronic or life-threatening illnesses. Most of the drugs they produce have been focused on patients with pulmonary arterial hypertension. We feel strongly that United Therapeutics has the potential to grow in the future. Although they are one of the leading companies in the healthcare sector and the S&P 400, they have been focusing much effort into research and development into new drugs that may be a breakthrough in their field. In the past, they have researched pharmaceuticals in the areas of cancer, but

have had most of their success in pulmonary arterial hypertension. The company has highly experienced management in these specializations and has promising products in their research and development pipeline.

## **Industrials**

### **Alaska Air Group (ALK)**

Founded in 1932 and based in Seattle, Washington, Alaska Air Group, Inc. is a holding company of both Alaska Airlines, Inc. (Alaska) and Horizon Air Industries, Inc. (Horizon). The company provides passenger and cargo services through subsidiaries with its partner regional airlines, serving approximately 100 cities in Alaska, the Lower 48, Hawaii, Canada, and Mexico. Its fleet is comprised of Boeing 737 jet aircraft and Bombardier Q400 turboprop aircraft. With the recent purchase of Virgin America, Alaska Air Group is in a strong position to continue growing their air routes and market share.

### **Hubbell Inc. (HUBB)**

Hubbell Inc. has been found to be undervalued by the market, based on our valuations, analysis, and research. They have built a solid foundation in terms of management and capital structure, along with a vision for the future that aligns with the growing industry. They have implemented specific programs for cost control that have been deemed successful by the company and their expectations. They pay good dividends, have shown increased earnings and cash flow, year over year for the past five years. HUB has beat their earnings estimates in 5 of the last 6 quarters, and have promising support for future growth because of their well-positioned status in the industry.

### **ITT Corporation (ITT)**

ITT Corporation designs and manufactures critical engineered components and customized technology solutions for the energy transportation and industrial markets. They make various products including pump valves, high pressure shock absorbers, high performance suspension systems, truck, rail, trailer, and industrial applications. Their breadth of products is a major competitive advantage of the company, helping to simplify consumers' procurement process.

### **Kirby Corporation (KEX)**

Kirby Corporation (KEX) is a marine transportation service company that also produces and repairs diesel engines. They provide service to companies by shipping bulk liquid products via river systems and coastlines. Kirby Corporation has strong growth potential due to deep roots in this niche industry and a company strategy that includes acquisitions of many of its competitors. The SSIF has conviction in Kirby Corporation's ability to prosper and feels that it will provide diversity and value to the portfolio.

### **KLX INC. (KLXI)**

KLX Inc. is a leading provider of aerospace fasteners, consumables, and logistics services globally as KLX Aerospace Solutions. It also provides oilfield services and associated rental equipment across North America as KLX Energy Services. B/E Aerospace (BEAV) is the parent company of KLX. After a strong reputation was built and extreme growth occurred in the segment of consumables management, B/E Aerospace spun-off their consumables management segment to form KLX Inc. in December 2014. This allowed the focus to be narrowed on these two rapidly growing subsidiaries. The SSIF continues to hold shares of this company due to the strong reputation built and success while operating under its parent company, the continuously increasing size of its subsidiaries, and future demand of the product line and services offered.

### **Oshkosh Corporation (OSK)**

Oshkosh Corporation is a manufacturer and marketer of access equipment, specialty vehicles and truck bodies for the primary markets of defense, concrete placement, refuse hauling, and fire/emergency. They operate in eight U.S. states, Australia, Belgium, Canada, China, France and Romania and through investments in joint ventures in Mexico and Brazil. In the summer of 2015 OSK was awarded the JTLV contract from the U.S. military to build a replacement for the Humvee which currently sees large usage in the military.

### **Information Technology**

#### **Ansys Inc. (ANSS)**

Ansys Inc. is a simulation software company, headquartered in Cecil Township, Pennsylvania that allows organizations to predict how their products will perform in real life situations. Ansys Inc. is experienced in automotive, energy, electronics, semiconductor, aerospace and defense markets. The company will continue to grow and work in the favor of customers and investors by acquiring companies that add diversification to the service line. Ansys Inc. has a solid foundation built in their specific industry that shows strong future revenue growth. They have solid fundamentals and a track record of success. We believe they will continue to grow with both vertical and horizontal integrations into their company profile.

#### **Arrow Electronics. (ARW)**

Arrow Electronics is headquartered in Centennial, Colorado. The company provides products, services and solutions to industrial and commercial users of electronic components and enterprise computing solutions worldwide. Global Components and Global Enterprise Computing Solutions are the two segments in which the company operates. Global Components segment distributes electronic components to original equipment and contract manufacturers. The Global Enterprise Computing Solutions segment distributes enterprise and midrange-computing products to value added resellers.

We believe Arrow Electronics is a good fit for the Info Tech sector because of the company's success in keeping long term debt relatively low while still acquiring companies at a rapid rate.

### **DST Systems Inc. (DST)**

DST Systems, Inc. is a trusted global provider of technology-based service solutions that help clients grow their business and provide exceptional customer experiences. They operate with clients to help safeguard, process and communicate the critical, high-value information their customers need to manage their business. DST Systems, Inc. delivers a combination of industry knowledge and experience, technological expertise and service through three segments: financial services, healthcare and customer communications. DST Systems, Inc., maintains strong relationships with customers from each of their segments. This element is one of their strongest competitive advantages in the industry. DST Systems, Inc. has the potential to maintain a conservative growth during the upcoming years. There is a need more than ever with cloud based computing applications for documents to be processed and archived, and we believe DST provides reliable and proprietary products that will be at the forefront of the next wave of digital technology.

### **Ingram Micro Inc. (IM)**

Ingram Micro is a wholesale distributor of Information technology products and services. Based in Santa Ana, California the company also markets computer hardware, networking equipment, and software products. Ingram Micro provides supply chain optimization services to suppliers and reseller customers. The company sells its products to resellers of IT products and services through sales representatives. Being a global leader in IT distribution services, Ingram Micro Inc., is able to acquire companies due to its national brand recognition. The demand for computers and computer services, combined with Ingram Micro's global network and customers, the SSIF believes Ingram Micro fits well into the Info Tech sector.

### **Lexmark Inc. (LXK)**

Lexmark, Inc. is a developer, manufacturer and supplier of printing, imaging, device management, managed print services (MPS), document workflow and, more recently, business process and content management solutions. The Company is primarily managed in two segments: Imaging Solutions and Services (ISS) and Perceptive Software. The ISS segment offers monochrome and color laser printers, laser multifunction products, as well as a range of cartridges, service parts. The Perceptive Software segment provides a suite of enterprise content management, business process management, and document output management, intelligent data capture, search software, and medical imaging vendor neutral archive software products and solution. Lexmark, Inc. made a major investment

with the acquisition of Kofax. The combination of Kofax's smart process applications with Perceptive Intelligent Capture will create a broad and deep portfolio of captures solutions in the market, ranging from Web portals and mobile devices to smart multifunction printers. The info-tech sector believes that this acquisition will strongly improve the overall performance of the company. As a company that is constantly thriving and innovating, we believe they are well positioned to deliver long term growth.

### **Zebra Technologies Corporation (ZBRA)**

Zebra Technologies Corporation designs and manufactures mobile computing, data capturing devices, RFID scanners/readers, barcode printing, and other automation products and services. The company operates in two segments; Enterprise products segment, and the Legacy Zebra segment. The enterprise product segment consists of Mobile computing, Data capture and RFID, WLAN, and Services, while the Legacy Zebra segment consists of Barcode/Card Printing, Location solutions, Supplies, and Services. With a diverse set of product involved in Enterprise Asset Intelligence, strong competitive advantages involving high barriers to entry into the industry, along with strong business relationships, the Information Technology sector believes that Zebra will continue to return value to shareholders and are in position to capture growth.

### **Materials**

#### **AptarGroup Inc. (ATR)**

AptarGroup is a diversified company and one of the leaders in the global dispensing system industry that operates in three segments: Beauty/Home, Food/Beverage, and Pharma. AptarGroup develops products such as customized packaging solutions, dispensing pumps, spray pumps, pressurized packaging, pre-filled syringe and cartridge components for companies around the world. They possess technical expertise to customize products according to their customers' needs as well as operating in highly diversified locations, constantly putting them ahead of their competitors in the industry and showing potential for promising growth in the future.

#### **Sensient Technologies (SXT)**

SXT is a prominent global corporation and retailer of colors, flavors, and fragrances. They manufactures quality food and beverage, cosmetic components, pharmaceutical substances, specialty inks, and other well-made chemicals. Their goal is to distribute products that consumers desire while offering appealing experiences that motivate brand satisfaction and increase sales. Sensient also offers value added services that allow them to go beyond their competitive market by frequently investing in improved and

pioneering technologies. Their experienced R&D staff utilizes extensive variety of technologies to create unique ingredients that help drive and accomplish the company's long and short term goals. Sensient technologies also considers customers as their partners, as Sensient walks through each stage from concept formation, to product launching, to creating products that will appeal to today's consumer needs and exceed customer's expectations, all the while adhering to regulation and environmental compliance.

### **Silgan Holdings (SLGN)**

Silgan operates in market segments of metal containers, composite containers, and plastic closures. Silgan's core business is in metal containers, which places them as the leading supplier of rigid packaging for shelf-stable food in North America. Silgan has used responsible acquisition strategies and geographic expansion to increase company size and market share. With recent acquisitions, Silgan has been able to expand its plastic enclosure offering in Europe. In the long term, the Materials sector believes that Silgan's plan for increased productivity and cost reduction will increase growth. Sales for Silgan were boosted as a result of recent acquisitions, increasing the EPS of the company. Silgan is viewed positively by the Materials sector for strong potential for future growth.

### **Telecommunication**

#### **Telephone & Data Systems Inc. (TDS)**

TDS is a diversified service company that operates in three segments: Wireline, Cable, and Hosted and Managed Services. It offers a multitude of products including smartphone messaging, international dialing plan, cloud computing and many more. Our valuations concluded that TDS is undervalued by the market, and growth is attainable.

### **Utilities**

#### **Aqua America (WTR)**

Aqua America is a holding company for regulated utilities that provides water and wastewater services to approximately 3 million people in eight states. These states include Pennsylvania, Ohio, Texas, Illinois, North Carolina, New Jersey, Indiana, and Virginia. WTR's aggressive growth strategy and has resulted in approximately 200 acquisitions in the past ten years. With this growth, Aqua America has experienced a satisfactory impact on its financial strength. The company continues to improve its water and wastewater infrastructure through capital investment to ensure the stability of the business, industry, and environment.



### **Hawaiian Electric Industries Inc. (HE)**

Hawaiian Electric is a holding company and through its subsidiaries, provides services in the electric utility and banking businesses. The electric company, Hawaiian Electric, provides electricity to 95% of the state of Hawaii and operates 3 utilities on five separate grids. Hawaiian Electric also committed to make the state to use 100% renewable energy by 2045 with most of the energy in the form of solar power. American Savings Bank is the banking business and currently is the third largest bank in Hawaii with 5 billion dollars in assets and 57 branches across the state. The combination of the businesses provides the company with a sustainable capital structure and the resources to invest in a strategic growth.

### **Westar (WR)**

Westar Energy is the largest electric energy provider in Kansas. The company provides electric generation, transmission and distribution services to approximately 700,000 customers in Kansas. WR is investing in renewable energy resources, mostly wind, and has recently issued 350 million dollars in green bonds to help support the construction of these new projects. Westar will also remain competitive in the market through its diverse generation portfolio and diverse customer base. Westar is a growing company that will continue to provide positive results and innovative technology to its customers in the future which is going to continue to make the business a leader in electric energy.

# Portfolio Holdings

Symbol/Sector	As of 6/30/15		As of 6/30/16		S&P 400 Constituent
	Shares	Market Value	Shares	Market Value	
<b>Consumer Discretionary</b>					
EAT	700	\$40,355.00	400	\$18,212.00	Yes
DECK	300	\$21,591.00	400	\$16,882.00	Yes
MUSA	800	\$44,656.00	700	\$51,912.00	Yes
PNRA	230	\$40,197.10	230	\$48,746.20	Yes
TUP	300	\$19,362.00	500	\$28,140.00	Yes
JW/A	800	\$43,496.00	900	\$46,962.00	Yes
<b>Total</b>		<b>\$209,657.10</b>		<b>\$210,854.20</b>	
<b>Consumer Staples</b>					
CHD	300	\$24,339.00			No
EPC			200	\$16,882.00	Yes
ENR	100	\$13,155.00	300	\$15,447.00	Yes
INGR	300	\$23,943.00	150	\$19,411.50	Yes
FLO			900	\$16,875.00	Yes
<b>Total</b>		<b>\$61,437.00</b>		<b>\$68,615.50</b>	
<b>Energy</b>					
ATW	1,100	\$29,084.00			No
GPOR	400	\$16,100.00	500	\$15,630.00	Yes
HFC	600	\$25,614.00	900	\$21,393.00	Yes
<b>Total</b>		<b>\$70,798.00</b>		<b>\$37,023.00</b>	
<b>Financials</b>					
AFG	700	\$45,528.00	400	\$29,572.00	Yes
BOH	700	\$46,676.00	700	\$48,160.00	Yes
CBOE	300	\$17,166.00	300	\$19,986.00	Yes
CXW			1,400	\$49,028.00	Yes
CFR	250	\$19,645.00			Yes
RE	250	\$45,502.50	300	\$54,801.00	Yes
HPT	1,500	\$43,230.00	1,800	\$51,840.00	Yes
LPT			1,200	\$47,664.00	Yes
MAA	600	\$43,686.00	250	\$26,600.00	Yes
RGA	500	\$47,435.00	500	\$48,495.00	Yes
SBNY	100	\$14,639.00			Yes
TRMK			600	\$14,910.00	Yes
WDR	1,000	\$47,310.00	1,900	\$32,718.00	Yes
<b>Total</b>		<b>\$370,817.50</b>		<b>\$423,774.00</b>	

<b>Health Care</b>						
TECH	200	\$19,694.00	150	\$16,915.00		Yes
CRL	700	\$49,238.00	600	\$49,464.00		Yes
LPNT			200	\$13,074.00		Yes
LIVN			300	\$15,069.00		Yes
MD	200	\$14,822.00	200	\$14,486.00		Yes
STE	300	\$19,332.00	400	\$27,500.00		Yes
UTHR	100	\$17,395.00	250	\$26,480.00		Yes
WOOF	300	\$16,321.50				Yes
<b>Total</b>		<b>\$136,802.50</b>		<b>\$162,988.00</b>		
<b>Industrials</b>						
AGCO	900	\$51,102.00				Yes
ALK	200	\$12,886.00	200	\$11,658.00		No
HUBB			450	\$47,461.50		Yes
ITT	1,200	\$50,208.00	1,300	\$41,574.00		Yes
KEX	250	\$19,165.00	750	\$49,792.50		Yes
KLXI	450	\$19,858.50	1,050	\$32,550.00		Yes
LII	450	\$48,460.50				Yes
OSK	300	\$12,714.00	1,100	\$52,481.00		Yes
TW	300	\$37,740.00				No
<b>Total</b>		<b>\$252,134.00</b>		<b>\$235,517.00</b>		
<b>Information Technology</b>						
ANSS	550	\$50,182.00	450	\$40,837.50		Yes
ARW	800	\$44,640.00	800	\$49,520.00		Yes
DST	150	\$18,897.00	400	\$46,572.00		Yes
GPN	250	\$18,212.00				Yes
IM	1,200	\$30,036.00	500	\$17,390.00		Yes
LXK	400	\$17,680.00	500	\$18,875.00		Yes
PLT	800	\$45,048.00				Yes
SWI	400	\$18,452.00				Yes
<b>Total</b>		<b>\$271,487.50</b>		<b>\$213,274.50</b>		
<b>Materials</b>						
ATR	350	\$22,319.50	250	\$19,782.50		Yes
SXT	700	\$47,838.00	700	\$49,728.00		Yes
SLGN	900	\$47,484.00	800	\$41,168.00		Yes
IDTI			2,100	\$42,273.00		Yes
<b>Total</b>		<b>\$117,641.50</b>		<b>\$152,951.50</b>		

**Telecommunication  
Services**

TDS	100	\$2,940.00	100	\$2,966.00	Yes
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<b>Total</b>		<b>\$2,940.00</b>		<b>\$2,966.00</b>	
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**Utilities**

LNT	300	\$17,316.00			No
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WTR	1,323	\$32,399.06	522.9506	\$18,648.42	Yes
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HE			1,500	\$49,185.00	Yes
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WR	600	\$20,532.00	600	\$33,654.00	Yes
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<b>Total</b>		<b>\$70,247.06</b>		<b>\$101,487.42</b>	
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<b>Cash</b>		\$14,219.96		\$8,509.63	No
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<b>SSIF Total</b>		<b>\$1,578,182.12</b>		<b>\$1,617,960.75</b>	
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# The COBA Portfolio

The College of Business Portfolio (COBA Portfolio) was established due to the generosity of Mr. and Mrs. Omar and Carol Winter, who provided the initial \$25,000 to start the Saluki Student Investment Fund. Managing the COBA portfolio provides the students of the SSIF with an additional responsibility and opportunity to expand valuation techniques and application to a wide variety of stocks.

The SSIF manages this portfolio in addition to the SIU Foundation portfolio. While the SSIF does not have a mandate to outperform a specific benchmark with the COBA Portfolio, the COBA portfolio performance is compared to the S&P 500 as an informal benchmark in the table below. As of June 30, 2016, the COBA portfolio holds 15 stocks with a total market value of \$ 105,778.51. Performance by calendar and fiscal year are reported in Table 6.

**Table 6: Performance of the COBA Portfolio**

As of June 30, 2016

	Quarter	Calendar YTD	1-Year	3-Year	5-Year	7-Year	10-Year	Since Inception
COBA	3.25%	4.01%	3.59%	14.60%	8.79%	13.19%	11.16%	9.47%
S&P 500 Index*	2.46%	3.84%	3.99%	11.66%	12.10%	14.92%	7.42%	4.47%
<i>Difference</i>	<i>0.79%</i>	<i>0.18%</i>	<i>-0.40%</i>	<i>2.94%</i>	<i>-3.31%</i>	<i>-1.73%</i>	<i>3.74%</i>	<i>5.00%</i>
Tracking Error**			6.02%	5.16%	7.18%	7.98%	9.16%	14.15%
Information Ratio***			-0.07	0.57	-0.46	-0.22	0.41	0.35
Months > Benchmark			42%	50%	47%	49%	53%	53%

COBA portfolio value as of June 30, 2016: **\$105,778.51**

Inception: June 30, 2000

\* Performance of the S&P 500 Total Return Index (Source: Bloomberg SPXT Index) is used for comparison purposes only. The COBA Portfolio does not have a formal mandated benchmark against which it is managed.

\*\* Tracking error is annualized and based on monthly return differences relative to the S&P 500 Index. Due to incomplete monthly data for the portfolio during the period December 2001 through April 2004, S&P 500 Index returns were used in twelve separate months for the purposes of calculating tracking error. Therefore, tracking error is likely underestimated for periods that include the December 2001 through April 2004 period.

\*\*\* Information ratio is the ratio of the annualized relative return divided by the tracking error. See note regarding tracking error.

# COBA Challenge

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In February 2014, SSIF started the COBA Challenge to determine which stocks should be bought and sold in the COBA portfolio, the portfolio originally started by Mr. and Mrs. Omar and Carol Winter in 2000. This intense competition is intended to be challenging, as it takes place over a small time span of a weekend and consists of three teams of three students each, who must conduct all related research associated with proposing a buy and a sell recommendation in the allotted period. By design, every team will be at an equal playing field because a random sector, from the Russell 1000 Index, will be chosen, but will not be revealed until the start of the competition. After hours of intensive research, the groups will present their stock pick recommendations in front of SSIF members, College of Business faculty and students, and vie for the votes of the most audience to win the competition. Once the votes for both decisions are determined, the SSIF will appropriately add and remove the winning stocks from the COBA portfolio.

This competition forces its participants to understand the most important sources of value in an investment decision, the fundamental analysis and security valuation models. In a way, the COBA Challenge's role could be linked to that of an examination. It's meant to push the boundaries of its participants and show what all they have learned, while encouraging a healthy competition that creates a better portfolio overall. While the COBA Challenge helps current members of the SSIF, it also draws attention to our organization as the presentation is open to all College of Business students and faculty. We market this event by inviting faculty members and other students to attend and observe the knowledge and skills we have acquired through our efforts with the SSIF. We also use this event as a channel to give others a better understanding of what we do at the SSIF, and potentially attract new members. The SSIF is very pleased with the first five COBA Challenges, with winning teams' names and their stock picks instated on the east wall of the trading room. In Fall 2015, we encouraged at least one new recruit to participate in each competing team, using this as an opportunity for motivated new members to dive in to the research and analyses quickly and most efficiently. We look forward to continuing our success each semester with this event in the future.

# CFA Research Challenge

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For over four months during Fall 2015 and Spring 2016, five SSIF members competed in the CFA Research Challenge, St. Louis chapter. The challenge consists of an in-depth analysis of a publically traded company from the region (chosen by the St. Louis chapter of the CFA Society), in which the team applies knowledge of equity valuation derived from coursework and the SSIF, to write an investment thesis for the company under analysis. The final buy/sell/hold recommendation is supported by an extensive equity analysis report compiled by the team members, which is then presented to a panel of expert judges so that the team can defend their research. Our team competed against several other colleges in the region in an effort to advance to the regional and eventually global level of the competition. A total of seven teams from seven universities entered the 2015-2016 local competition in St. Louis.

The SIU Carbondale Team represented by the five SSIF members (Kaid Koester, James Noonan, Angela Qu, Nathan Ray and Duncan Reidner) placed 2nd at the local competition amongst some very prestigious universities and received honors as the first runner-up for the CFA Challenge in the St. Louis area. The team was very fortunate to have mentors who so graciously committed time and effort to guide them throughout the process; Alumni Matt Arnold of Edward Jones Investments served as the group's industry mentor, and the SSIF faculty advisor Dr. Xiaoxin Beardsley served as the faculty advisor for the team. The CFA Research Challenge was an excellent learning opportunity that provided SSIF members with insight into the intricacies and challenges of equity analysis.

The SSIF is pleased with the outcome of the first CFA Research Challenge we participated in and intends to continue to participate in the coming years as well, in an effort to enhance learning for the SSIF and to represent the SIU Carbondale.

# Outlook for FY 2017

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The SSIF reflects upon the past fiscal year (FY 2016) as a model year. We plan to continue adhering to our policies and philosophy so that we can continue to outperform the benchmark again this year. We want to continue to develop the organization as a hands-on, active investment portfolio and continue to build upon the strategies already used. In addition, we look to represent SIU and our stakeholders in the best manner possible.

As we move on to FY2017, we look to further bolster our membership and continue to see strong numbers applying every semester. In addition, we look to keep our meetings and day-to-day operations running efficiently. We plan to use these as advantages in the upcoming year by having additional dedicated members contribute to our discussions and research. As always, we will work together tirelessly to ensure the mission of the group is being carried out and to enrich our learning experience in order to continue to build a sustainable portfolio as we have done in the past.

For this upcoming year, the SSIF will remain active in recruiting new members in order to maintain a strong organization and continuity. The group will continue to ensure each of its members is focused on the same goal, while also learning invaluable things as they prepare for their careers. With our phenomenal reputation on campus and within the College of Business, our hands-on style of work and learning, and our adherence to our policies, philosophies, and mandates, we believe we will be able to deliver positive results for the SIU Foundation and the overall university.



# Appendix I: Resolutions

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## Saluki Student Investment Fund Mid-Cap Core Strategy

### Resolution: *Investment Process (Cash Balance)*

The decision of the Saluki Student Investment Fund as of October 26, 2010 in regards to the investment process is as follows:

1. The cash balance of the SSIF portfolio will not exceed 1% of the overall portfolio value unless the following stipulations are true:
  - a. There will be a proposed trade by a sector team within 2 weeks' time
  - b. The sector team proposing the trade is underweight against the benchmark
2. If the above stipulations are false, then any percentage over 1% will be allocated into the benchmark ETF to correct the excessive cash balance.

If a correction in cash is needed because of the above stipulations the ETF will be sold to obtain a cash balance as close to 75 basis points as possible.

3. The cash balance will not go below 25 basis points of the overall portfolio value. If the cash balance falls below the lower limit, the SSIF will immediately sell the proper amount of the benchmark ETF to maintain the target goal of 75 basis points.
4. If the SSIF portfolio does not hold the mid-cap ETF at the point where a cash balance adjustment is needed, the group will have one week to decide the proper Equity to be sold to achieve the cash balance goal.

**Saluki Student Investment Fund Mid-Cap  
Core Strategy**

Resolution: *Investment Process (Eligible Investment Universe)*

The decision of the Saluki Student Investment Fund as of October 1, 2010 in regards to the investment process is as follows:

1. All equities in the S&P 400 are in the acceptable eligible investment universe.
2. A minimum of 75% of the portfolio value will be S&P 400 constituents.
3. All equities with a market capitalization in the 10% to 90% range of S&P 400 constituents' market capitalizations at the beginning of the semester will be in the eligible investment universe.
4. Stocks that are a constituent of the S&P 500 or 600 will not be held in the SSIF portfolio.
5. The eligible investment universe will be re-adjusted every semester to account for changes in the overall market.
6. Any holding outside the eligible investment universe for more than one semester will be removed from the portfolio in an orderly manner.

**Saluki Student Investment Fund**  
Mid-Cap Core Strategy  
Sector Weight Policy

Resolution: *Investment Process (Sector Weight)*

The decision of the Saluki Student Investment Fund as of October 26, 2010 in regards to Sector Weights is as follows:

1. With the absence of a strong thesis, sector weights will be maintained within +/- 2% of the S&P 400 Mid-Cap index.
2. Sectors that become organically under or overweighed will be addressed and brought back to the proper sector weight in an orderly manner.
3. For sector teams that wish to over or underweight their sector, the sector team must present a thesis that supports their decision to the other sector teams. The SSIF as a whole will need to approve or deny the proposed sector weight before any weights can be changed.
4. In the event that no other sector wants to make an equal under or overweight bet to the new proposed weight, then all the sectors should be adjusted equally up or down compared to the new sector weight.

# Appendix II: Yearly Performance

## SIU Foundation Portfolio

Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
SSIF	-2.62%	-13.03%	-4.01%	18.75%	19.31%	12.95%	24.99%	-5.28%	-29.40%	24.67%	48.10%	-1.34%	25.31%	24.12%	8.69%	4.59%
S&P 400 Benchmark*	8.87%	-4.72%	-0.71%	27.99%	14.03%	12.98%	18.51%	-7.34%	-28.02%	24.93%	39.38%	-2.33%	25.18%	25.24%	6.40%	1.33%
<i>Difference</i>	<i>-11.50%</i>	<i>-8.31%</i>	<i>-3.29%</i>	<i>-9.23%</i>	<i>5.29%</i>	<i>-0.03%</i>	<i>6.49%</i>	<i>2.05%</i>	<i>-1.38%</i>	<i>-0.26%</i>	<i>8.72%</i>	<i>0.99%</i>	<i>0.12%</i>	<i>-1.11%</i>	<i>2.29%</i>	<i>3.26%</i>

Fiscal year ends on June 30 of the given year

\*Performance of the benchmark is reported for the S&P Midcap 400 Total Return Index (Source: Bloomberg SPTRMDCP)

## COBA Portfolio

Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
SSIF CoBA Portfolio	2.77%	-10.93%	10.21%	34.90%	28.74%	-9.84%	31.18%	0.69%	-8.38%	16.83%	33.73%	-14.96%	19.07%	31.01%	10.90%	3.59%
S&P 500*	-14.83%	-17.99%	0.25%	19.11%	6.32%	8.63%	20.59%	-13.12%	-26.21%	14.43%	30.69%	5.45%	20.60%	24.61%	7.42%	3.99%
<i>Difference</i>	<i>17.60%</i>	<i>7.06%</i>	<i>9.96%</i>	<i>15.79%</i>	<i>22.42%</i>	<i>-18.47%</i>	<i>10.59%</i>	<i>13.81%</i>	<i>17.83%</i>	<i>2.40%</i>	<i>3.03%</i>	<i>-20.41%</i>	<i>-1.53%</i>	<i>6.40%</i>	<i>3.47%</i>	<i>-0.40%</i>

Fiscal Year ends on June 30 of the given year

\*Performance of the S&P 500 is for comparison purposes only. The COBA portfolio does not have a mandated benchmark.

# Appendix III: FY 2016 SSIF Members

(Including Those Graduated during the fiscal year)

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Kyle Adams	Moira Maclennan
Victoria Archie	Thomas Martinez
Anthony Barbato	Jace Munselle
Sam Berger	Melissa Murphy
Kendall Cole	David Navar
Alex Crawford	James Noonan
Brooke Cusumano	Xiaomei Pang
Josh Davis	Angela Qu
Sam Drever	Dalton Quinlan
Noah Fulk	Nathan Ray
Katherine Gallick	Anthony Reed
Aaron Goeckner	Duncan Reidner
Josh Goodman	Mitchell Rhymes
Kaid Koester	Karla Rosado
Matthew La Rocca	Travis Rotheiser
Eric Liaboe	William Schefelbein
Kyle Logan	Kari Schenk
Courtney Lucas	Nick Singsank