



# **Annual Report**

**June 30, 2019**

**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 real investment management firms. 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 fundamental research. The SSIF's competitive advantage is our students' unique and unbiased perspective and their ability to spot opportunities in the markets, especially those that are driven or favored by their generation.

SSIF members work in teams that focus their research on companies within specific sectors, such as information technology, financial services, and healthcare. Each team's goal is to choose the best companies within their sector that give the portfolio the best chance to outperform the mid-cap equity benchmark (the S&P 400 total return index SPTRMDCP). This allows students to put their class lessons to work in a professional environment. Moreover, students learn to collaborate and to take responsibility for their analysis and decisions as they must support their 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, 2019, the SSIF manages a total of \$2,429,040.90.

# 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 SSIF's assets under management (AUM) grew to more than \$325,000 with 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 students' diligence, the SIU Foundation approved the increase and transferred the additional \$630,000 to the SSIF's fund in May of 2011. After the May 2015 SIU Foundation meeting, a \$2,000,000 AUM cap was established for the portfolio in order to mitigate the percentage that the students 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.

After the Spring 2016 semester, Dr. Greene stepped away from the SIU College of Business and SSIF. Clinical Assistant Professor, Dr. Timothy Marlo, took the reins as faculty advisor of the SSIF at the beginning of the Fall 2016 semester. In November 2017, the SSIF hit the AUM cap, and \$500,000 was transferred back to the SIU Foundation. On August 30, 2018, the SIU Foundation approved the merge of the Graduate Student Investment Fund with the SSIF, transferring \$870,214 and increasing the AUM cap to \$3,000,000.

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# Executive Summary

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 fiscal year (FY) ending June 30, 2019. The report begins with an annual review followed by a summary of portfolio rebalancing. A summary of investment policies and procedures is also provided. During FY 2019, 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 FY 2019 outlook of the Saluki Student Investment Fund followed by a list of resolutions, and a complete member roster for the SSIF during the FY 2019.

Over the past calendar year, SSIF portfolio beat the benchmark. This performance can be evaluated in detail on the monthly returns chart. The SSIF does not focus on this short-term outperformance but rather continues to focus on outperforming the benchmark over the long-term by operating on an active, fundamental, and value-focused strategy. Included is an attribution report 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. An 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 FY 2019.

Looking forward, the SSIF will continue to work diligently to adhere to the SSIF investment philosophy in order to generate sustainable returns while maintaining focus on long-term success in the future. We will also continue to improve the performance of the fund as well as the learning experience of the members in FY 2019.

Thank you for your continued support,

The Saluki Student Investment Fund

# Overview

## Annual Review

We still believe there is attainable value in mid-cap stocks, particularly in the S&P 400 Index and that we are well-equipped to find this value. Over the course of the year, we made a significant effort to build a well-documented, repeatable process for future members so that we can continue to outperform the benchmark over the long-term. The SSIF is in the process of enhancing its operational policies to improve the educational process and expectations of its members.

The SSIF also merged with the Graduate Student Investment Fund (GSIF) in Quarter 3, 2018. By doing this, we aim to enhance our client's returns and create a more efficient, academic environment. In addition to all of this, we were fortunate to have lessons from industry professionals, professors, and experienced Fund members to better educate our members about our investment process. Moving into 2020 we are confident in our abilities and are excited for the opportunities that lie ahead.

## Performance Review

The SSIF measures its relative return compared to the S&P 400, particularly the SPTRMDCP Index. Further discussion on performance begins on page 12, including historical performance since the inception of the Fund. This past fiscal year, the SSIF outperformed compared to the S&P 400 by 3.01%. In addition, the Fund has outperformed the benchmark over the 5-Year, 7-Year, and 10-Year periods. Beating the benchmark is not an easy task. But by remaining vigilant to its investment philosophy and finding undervalued companies, the SSIF hopes to continue outperforming the benchmark in upcoming FY 2019.

## Portfolio Rebalancing

Table 1 shows the SSIF portfolio sector weights over the calendar year. One of the goals of the SSIF, as instructed by the sector neutral policy, is to remain within a +/- 2% margin compared to the benchmark S&P Midcap 400 Index in each sector's weight. All sectors remained this parameter.

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

As of 6/30/2019				As of 12/31/2018			
Sector	SSIF	Benchmark	Diff.	Sector	SSIF	Benchmark	Diff.
Consumer Discretionary	11.89%	11.81%	-0.31%	Consumer Discretionary	11.79%	11.81%	-0.02%
Consumer Staples	2.70%	3.49%	-0.07%	Consumer Staples	2.76%	3.49%	-0.73%
Energy	3.46%	4.47%	0.03%	Energy	4.39%	4.47%	-0.08%
Financials	16.93%	16.48%	0.05%	Financials	16.06%	16.48%	-0.42 %
Health Care	9.31%	9.82%	-0.12%	Health Care	9.92%	9.82%	0.11%
Industrials	15.58%	15.22%	0.13%	Industrials	15.65%	15.22%	0.43%
Information Technology	15.51%	14.82%	-0.33%	Information Technology	15.01%	14.82%	0.20%
Materials	6.75%	6.73%	0.12%	Materials	6.74%	6.73%	0.01%
Real Estate	9.98%	9.56%	-0.11%	Real Estate	9.93%	9.56%	0.37%
Communication Services	2.57%	2.35%	-0.06%	Communication Services	2.21%	2.35%	-0.14%
Utilities	4.64%	5.24%	-0.03%	Utilities	5.27%	5.24%	0.03%

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

	As of 6/30/2019	As of 12/31/2018
Stocks in the SSIF	44	43
Holdings in the S&P 400	44	43

# Investment Philosophy and Process

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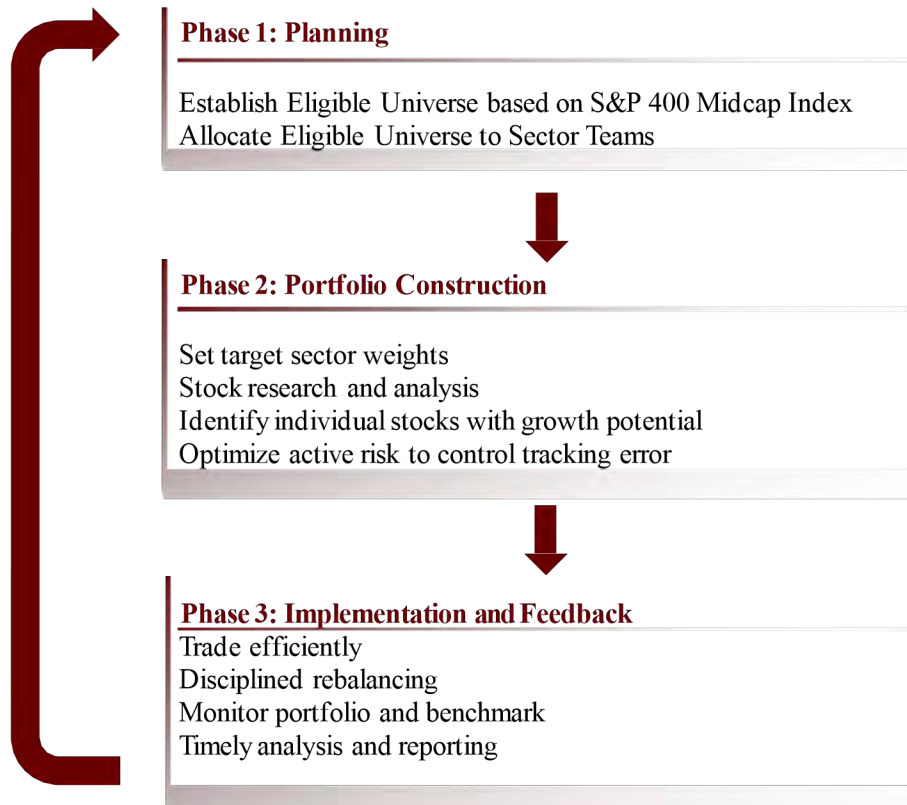
## Investment Philosophy

- 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

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## **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 imposing on the diversification efforts of the overall university endowment, we will sell any holdings that move into these indices. 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. 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 a S&P 400 Exchange Traded Fund (ETF) 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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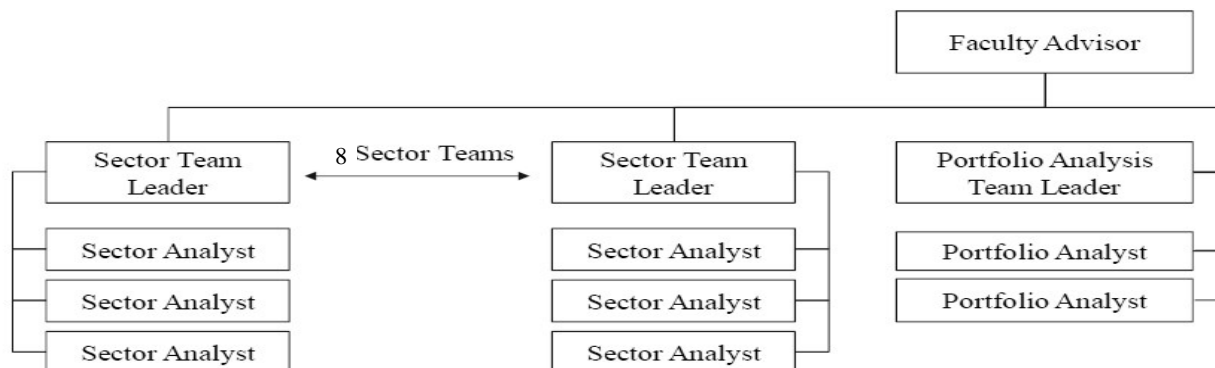
The Saluki Student Investment Fund is an investment group in which students can apply classroom lessons as professionals within an organization that operates as a real investment management firm. Students have full responsibility for researching companies and making buy/sell decisions. The responsibilities 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.



The teams are broken down into Global Industry Classification Standards (GICS) and are as follows:

Communication Services  
 Consumer Discretionary & Staples  
 Energy & Utilities  
 Financials  
 Health Care

Industrials  
 Information Technology  
 Materials  
 Real Estate

# Performance Analysis

Table 3 below shows the SSIF performance against the S&P 400 benchmark for various holding periods. The SSIF posted gains over the past calendar year of 4.38%, and the S&P 400 posted a gain of 1.36% resulting in a SSIF outperformance of 3.01% for FY 2019. In order to continue to beat the benchmark over the long-term, the SSIF remains committed to fundamental research, analysis, and valuations to 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 10- and 15-year periods while controlling risk relative to the benchmark. By tirelessly working toward this goal, the SSIF adds 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, 2019

	Quarter	Calendar YTD	1-Year	3-Year	5-Year	7-Year	10-Year	15-Year	Since Inception
<b>SSIF</b>	<b>3.07%</b>	<b>15.50%</b>	<b>4.38%</b>	<b>10.50%</b>	<b>8.93%</b>	<b>13.22%</b>	<b>15.83%</b>	<b>11.17%</b>	<b>8.32%</b>
S&P 400 Benchmark*	3.05%	17.97%	1.36%	10.90%	8.02%	12.68%	14.64%	9.67%	9.18%
<i>Difference</i>	<i>0.02%</i>	<i>-2.47%</i>	<i>3.01%</i>	<i>-0.41%</i>	<i>0.91%</i>	<i>0.55%</i>	<i>1.18%</i>	<i>1.50%</i>	<i>-0.86%</i>
Tracking Error**			5.82%	4.33%	3.75%	3.60%	3.49%	4.16%	5.21%
Information Ratio***			0.52	-0.09	0.24	0.15	0.34	0.36	-0.16
Months > Benchmark			50%	47%	52%	49%	53%	52%	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, 2019: \$2,429,040.90

Over the years, students of the SSIF were relentless and dedicated to the investment philosophy and process of the SSIF which contributed to its outperformance over the benchmark for the most recent 5, 7, 10, and 15-year periods.

**Figure 1: Annualized Average Return**

<b>Fiscal Year</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>SSIF</b>	<b>-2.62%</b>	<b>-13.03%</b>	<b>-4.01%</b>	<b>18.75%</b>	<b>19.31%</b>	<b>12.95%</b>	<b>24.99%</b>	<b>-5.28%</b>	<b>-29.40%</b>	<b>24.67%</b>
<b>S&amp;P 400 Benchmark</b>	<b>8.87%</b>	<b>-4.72%</b>	<b>-0.71%</b>	<b>27.99%</b>	<b>14.03%</b>	<b>12.98%</b>	<b>18.51%</b>	<b>-7.34%</b>	<b>-28.02%</b>	<b>24.93%</b>
<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>
<b>Fiscal Year</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2019</b>
<b>SSIF</b>	<b>48.10%</b>	<b>-1.34%</b>	<b>25.31%</b>	<b>24.12%</b>	<b>8.69%</b>	<b>4.59%</b>	<b>17.40%</b>	<b>10.10%</b>	<b>4.38%</b>	<b>4.38%</b>
<b>S&amp;P 400 Benchmark*</b>	<b>39.38%</b>	<b>-2.33%</b>	<b>25.18%</b>	<b>25.24%</b>	<b>6.40%</b>	<b>1.33%</b>	<b>18.57%</b>	<b>13.50%</b>	<b>1.36%</b>	<b>1.36%</b>
<i>Difference</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>	<i>-1.16%</i>	<i>-3.40%</i>	<i>3.01%</i>	<i>3.01%</i>
<b>Calendar Year</b>	<b>2000**</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>SSIF</b>	<b>-2.88%</b>	<b>-10.12%</b>	<b>-19.13%</b>	<b>34.14%</b>	<b>13.69%</b>	<b>13.97%</b>	<b>13.64%</b>	<b>9.93%</b>	<b>-34.43%</b>	<b>30.84%</b>
<b>S&amp;P 400 Benchmark*</b>	<b>9.41%</b>	<b>-0.60%</b>	<b>-14.51%</b>	<b>35.62%</b>	<b>16.48%</b>	<b>12.56%</b>	<b>10.32%</b>	<b>7.98%</b>	<b>-36.23%</b>	<b>37.38%</b>
<i>Difference</i>	<i>-12.30%</i>	<i>-9.52%</i>	<i>-4.62%</i>	<i>-1.48%</i>	<i>-2.79%</i>	<i>1.42%</i>	<i>3.32%</i>	<i>1.95%</i>	<i>1.80%</i>	<i>-6.54%</i>
<b>Calendar Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013**</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2018</b>
<b>SSIF</b>	<b>32.59%</b>	<b>3.40%</b>	<b>16.25%</b>	<b>15.15%</b>	<b>6.90%</b>	<b>2.50%</b>	<b>18.68%</b>	<b>16.72%</b>	<b>-9.50%</b>	<b>-9.50%</b>
<b>S&amp;P 400 Benchmark*</b>	<b>26.64%</b>	<b>-1.73%</b>	<b>17.88%</b>	<b>14.59%</b>	<b>9.77%</b>	<b>-2.18%</b>	<b>20.74%</b>	<b>16.24%</b>	<b>-11.08%</b>	<b>-11.08%</b>
<i>Difference</i>	<i>5.94%</i>	<i>5.13%</i>	<i>-1.63%</i>	<i>0.56%</i>	<i>-2.87%</i>	<i>4.67%</i>	<i>-2.05%</i>	<i>0.47%</i>	<i>1.59%</i>	<i>1.59%</i>

**Figure 2: Cumulative Chart**

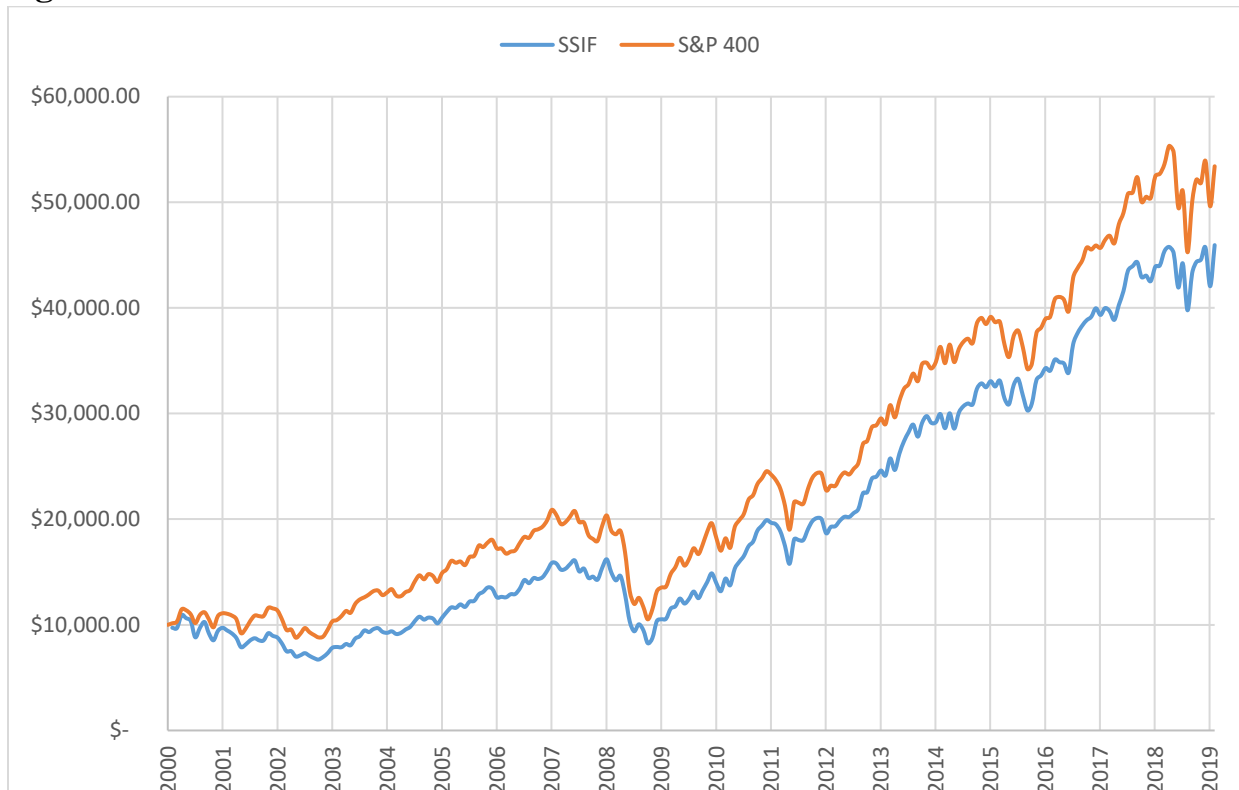
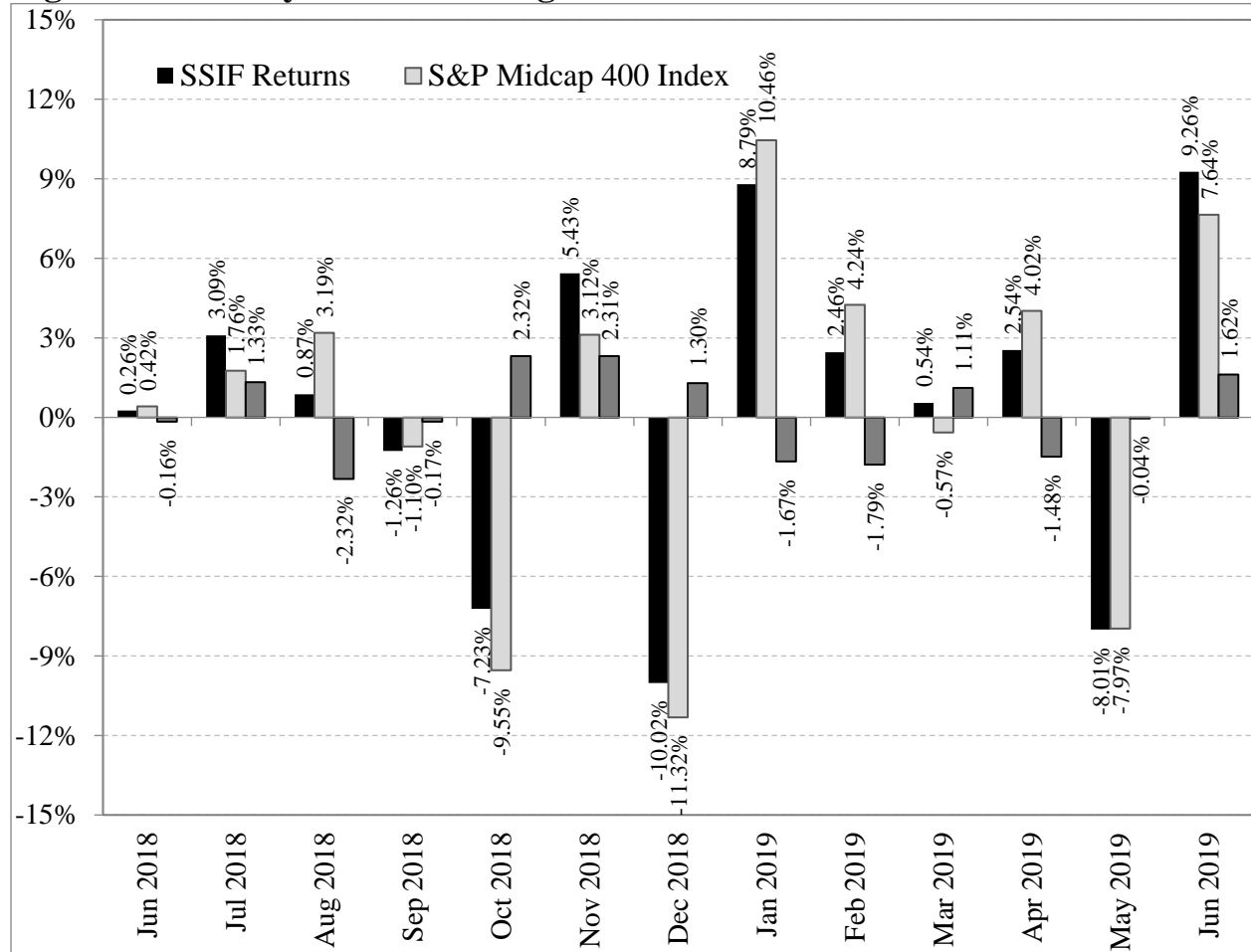


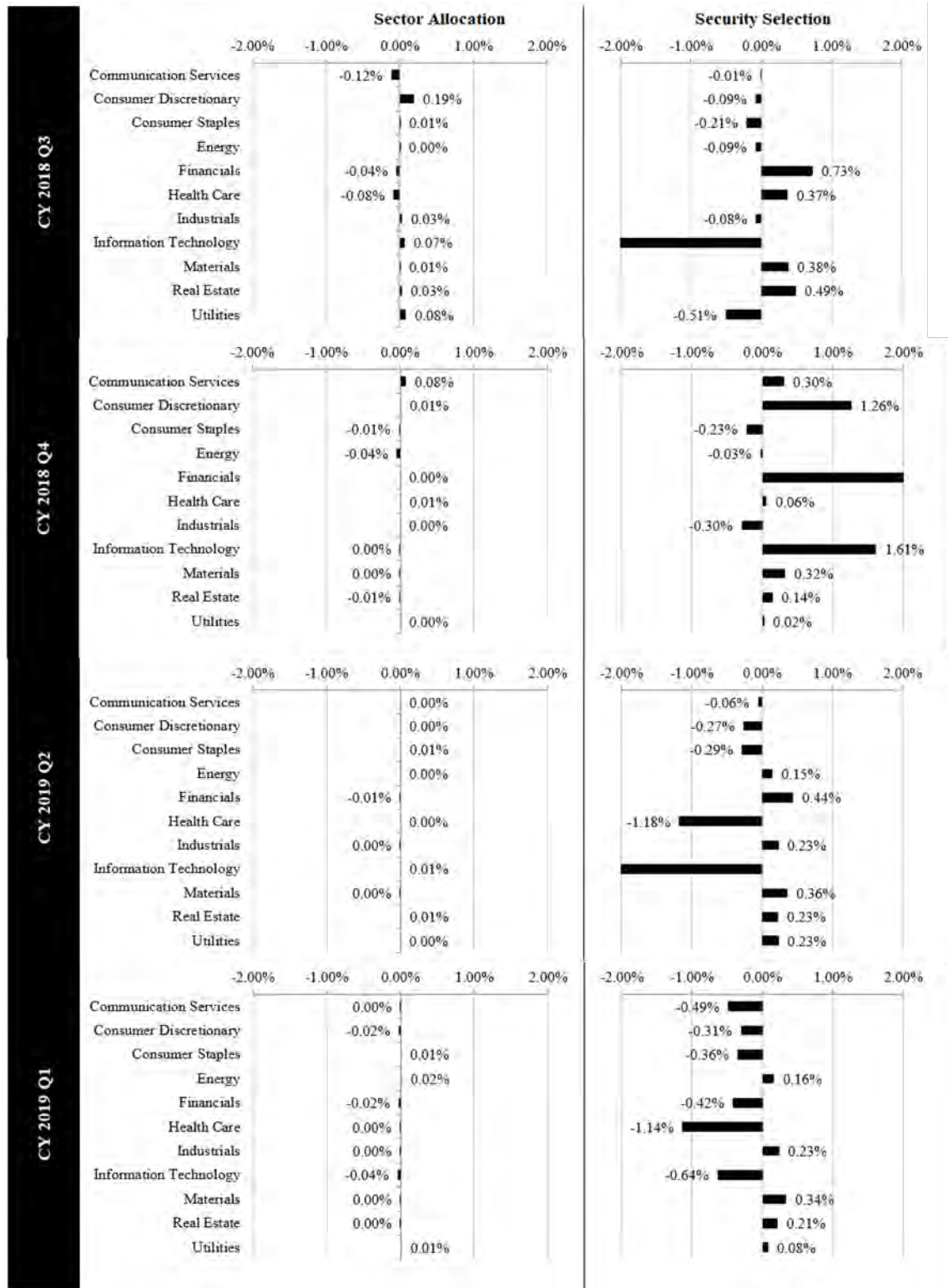
Figure 2 shows the hypothetical growth of \$10,000 since the Fund's inception date of May 2000. The ending June 30<sup>th</sup>, 2019 amount for the SSIF would be \$45,946 and the S&P Midcap Index would be \$53,411.

Figure 3 shows the returns for the SSIF relative to the benchmark over each month during FY 2019. The SSIF outperformed the benchmark for FY 2019 for 6 out of 12 months.

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



**Figure 4: FY Year 2019 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. This indicates a thorough execution of the sector neutral policy.

**Figure 5: Relative Return Contributions and Performance Attribution for Fiscal Year 2019**

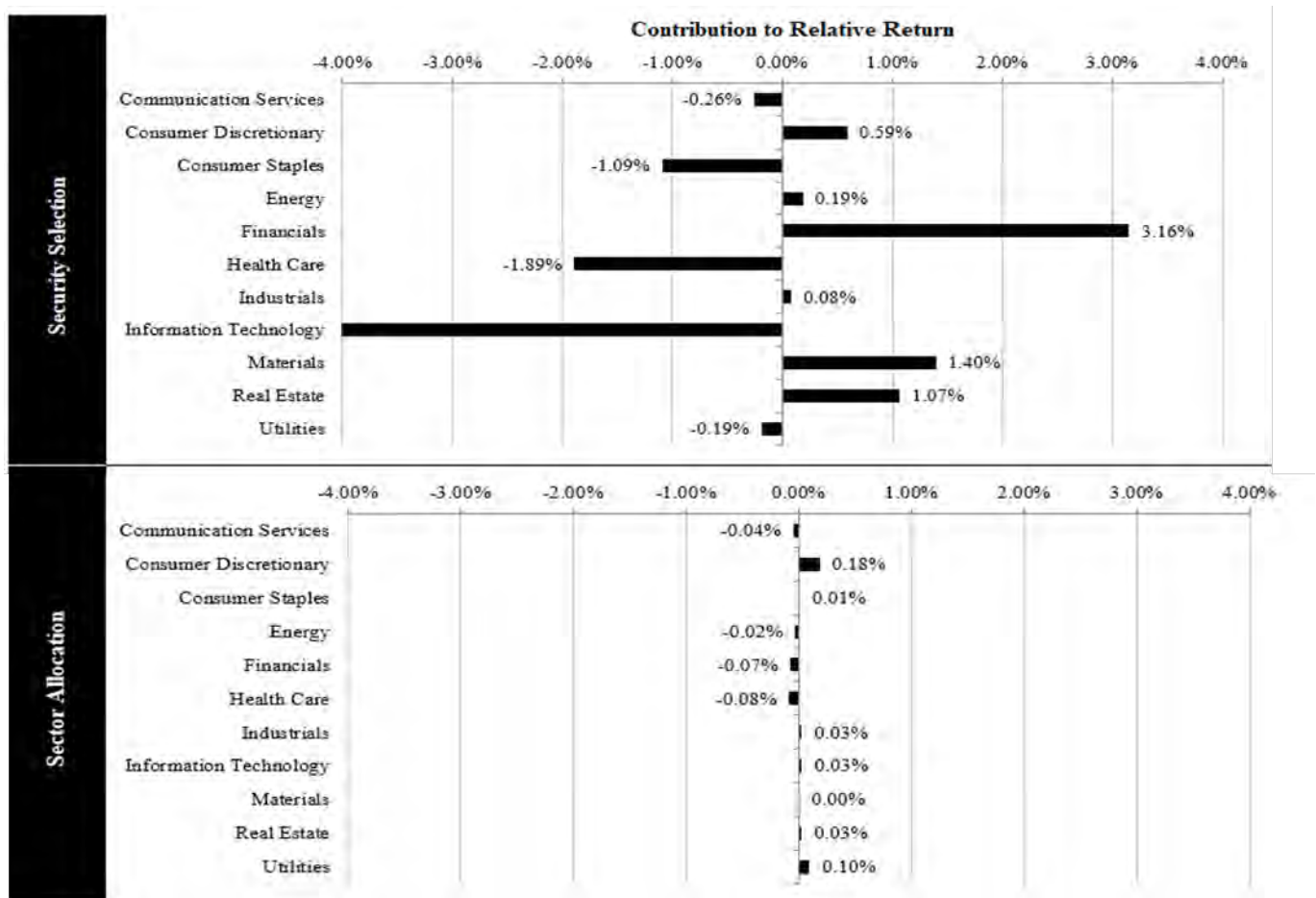




Figure 5 and Table 4 show the relative return attribution into sector allocation and stock selection for the Fiscal Year 2019. As demonstrated by Figure 4, the SSIF maintains a sector neutral policy so the very low contribution from sector allocation is to be expected. The small returns from sector allocation are due to minor differences between the SSIF portfolio and S&P 400 midcap benchmark due to 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 Financial, Materials, and Real Estate sectors were the top contributing sectors in contrast to Healthcare and Information Technology.

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

Sector	Full Year		Total
	Sector Allocation	Security Selection	
Cash	0.03%	0.00%	0.03%
Communication Services	-0.04%	-0.26%	-0.30%
Consumer Discretionary	0.18%	0.59%	0.78%
Consumer Staples	0.01%	-1.09%	-1.08%
Energy	-0.02%	0.19%	0.16%
Financials	-0.07%	3.16%	3.09%
Health Care	-0.08%	-1.89%	-1.97%
Industrials	0.03%	0.08%	0.11%
Information Technology	0.03%	-4.24%	-4.21%
Materials	0.00%	1.40%	1.40%
Real Estate	0.03%	1.07%	1.09%
Utilities	0.10%	-0.19%	-0.09%
Total	0.20%	-1.18%	-0.99%
Actual Relative Return			3.01%
Unexplained by Attribution Model			4.00%

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

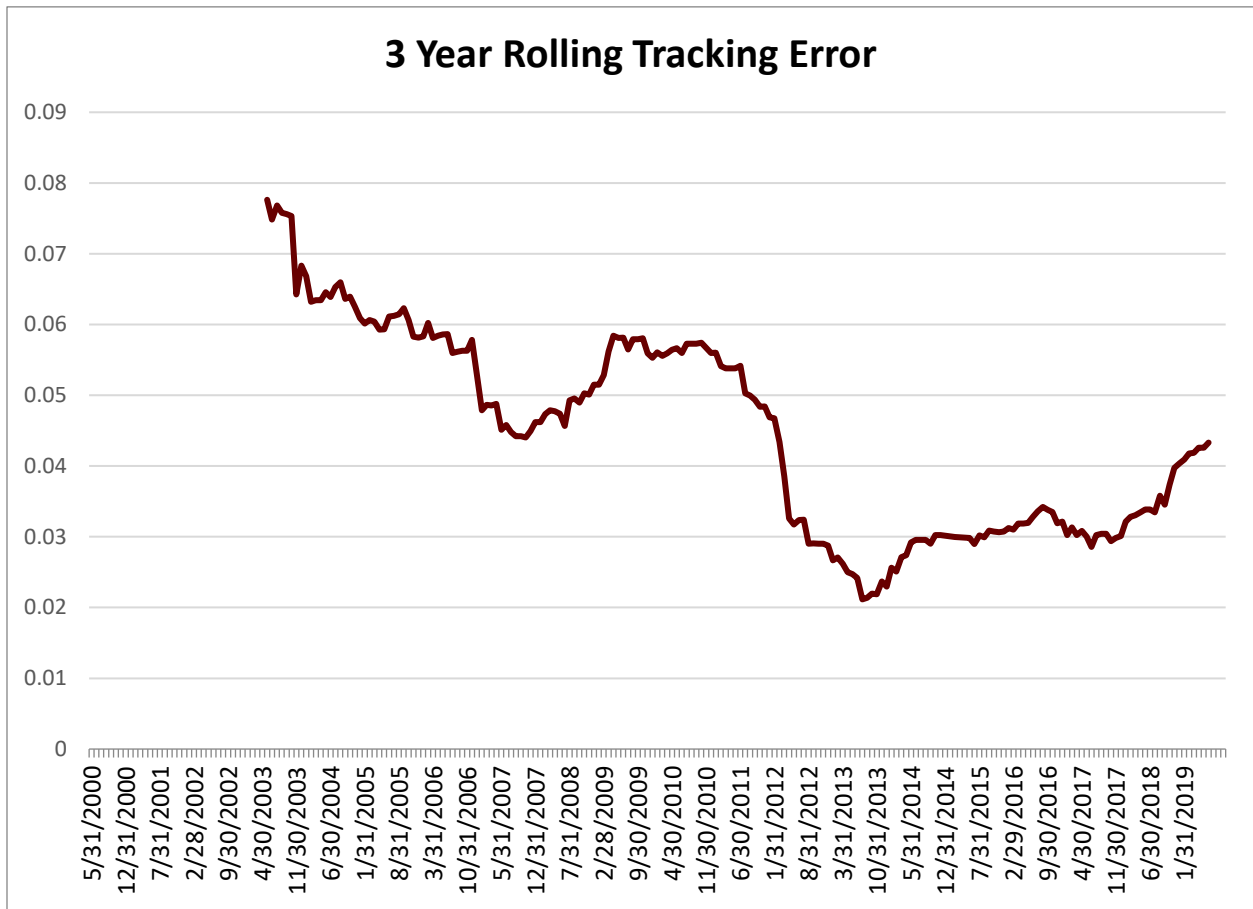


Figure 6 shows the 3-year tracking error of the SSIF. Since 2012, the SSIF has significantly decreased tracking error relative to the benchmark to around the 3% level in accordance with its implemented sector neutral policy and enhanced tracking error controls through a portfolio optimizing procedure. After September 26, 2018, the SSIF modified the optimizing procedure to a different method that no longer optimizes based on minimizing tracking error.

# Individual Stock Contributions

**Table 5: Individual Stock Contributions During Fiscal Year 2019**

Rank	Top Ten Contributors	Contribution (%)
1	Sotheby's	2.02
2	RenaissanceRe Holdings LTD	1.46
3	Tech Data Corp.	1.13
4	Carlisle Cos Inc.	0.97
5	Sonoco Products Co.	0.90
6	Oshkosh Corp.	0.78
7	Federated Investors Inc-CI B	0.68
8	Hawaiian Electric Industries	0.60
9	Reinsurance Group of America	0.60
10	MarketAxess Holdings Inc.	0.59
Rank	Bottom Ten Contributors	Contribution (%)
1	Livanova Plc.	-1.13
2	Synaptics Inc.	-0.98
3	Vishay Intertechnology Inc.	-0.90
4	Prestige Consumer Healthcare	-0.81
5	Interdigital Inc.	-0.74
6	American Eagle Outfitters	-0.70
7	Gulfport Energy Corp.	-0.69
8	Energizer Holdings Inc.	-0.55
9	Sprouts Farmers Market Inc.	-0.44
10	MKS Instruments Inc.	-0.40

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

The Financials and Consumer Discretionary sectors each contributed two of the top ten holdings. Information and Technologies, Financials, Utilities, Industrials, and Materials also contributed to the rest of the top ten holdings. Meanwhile, the Information and Technology sector made up four of the bottom ten contributors. Please note that regardless of past one-year performance, the Fund remains focused on its investment philosophy of long-term performance and believes the intrinsic values of these holdings are still greater than their market price.

# 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, 2019. 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.

## **Communications**

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

Telephone & Data Systems, Inc. is the parent company of U.S. Cellular and a provider of cell phone, cable, and land-line phone services. At the moment, the company is seemingly the most stable company of the sector. However, concerns of long-term cable cutting from households, lack of scale, and being a cost of capital business may lead us to look for better potential long-term opportunities.

## **Consumer Discretionary**

### **American Eagle Outfitters, Inc. (AEO)**

American Eagle Outfitters operates apparel businesses under the American Eagle and Aerie names. We believe through a combination of branding power, management experience, and omni-channel development that American Eagle is a powerhouse in the retail apparel business. With plans to expand the increasingly successful Aerie brand and capitalize on increased demand for denim products, American Eagle shows growth potential with good fundamentals when compared to most of the sector. While the name is heavy in the trade war, we believe that this company will continue to be a stand-out in the apparel industry.

### **Dunkin' Brands Group (DNKN)**

Dunkin' Brands is the parent company of Dunkin' (formerly Dunkin' Donuts) and Baskin Robin. We believe that Dunkin' has a great combination of innovation to the brand and secular trends. Dunkin' will always have a place in the market for "get-in, get-out" coffee which the management team is improving upon by revamping the beverage side of the business through NextGen stores and new equipment. We have seen the business achieve close to 20% cash on cash returns on individual stores which is very good compared to other retail/restaurant concepts. We believe that Dunkin' can continue to stay relevant within consumers' eyes and have plenty of growth opportunities ahead.

### **Gentex Corporation (GNTX)**

Gentex Corporation is the largest manufacturer of auto-dimming rearview mirrors. With its large profit margins, they have generated some of the highest returns to total capital in the entire discretionary sector. The management team has been with the company for more than 17 years and knows that innovation and staying relevant with the times is incredibly important. They run a very conservative balance sheet and R&D policy that will lead to huge advances in the field such as auto-dimming glass and camera-based systems. Despite declines in overall auto production, Gentex's new nameplate gains and undershooting of inventory has allowed them to grow their top line and maintain the bottom line compared to other auto names. For these reasons, we believe that Gentex has many opportunities for growth in the future.

### **Sotheby's (BID)**

Sotheby's is one of the largest auction houses in the world. We believed that the global art auction industry is in a nearly perfect duopoly with two houses: Christie's and Sotheby's, which had attractive implications. However as of last summer, the company is in the process of being acquired by billionaire, art-enthusiast Patrick Drahi. The take-out premium represented a 61% upside from the date of acquisition. As of our investment date, we have made around 35% on our investment. Sotheby's will be replaced as soon as possible following this news in order to prevent violation of our cash percentage policy.

### **Consumer Staples**

#### **Lancaster Colony Group (LANC)**

Lancaster Colony is a specialty consumer packaged goods company that specializes in salad dressings, sauces, dips, frozen breads, and organic breads. We believe that this company is the only quality investment in the Staples sector. The sector is filled with many undesirable investments where valuations are high and corporate strategies are high risk. Lancaster has unique takes on many of the sectors trends. They have a focus on organic growth through new product development of licensed restaurant products and innovations on existing products. They are also conservative on M&A by being selective on targets that are founder owned and giving the owners the resources to grow the businesses how they see fit. They are also getting better control of their supply chain through M&A of packers and lean six sigma training. Overall, we believe that Lancaster is positioned well in the industry to be one of the next big food companies.

## **Materials**

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

SXT is a prominent global corporation and retailer of colors, flavors, and fragrances. They manufacture 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.

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

Silgan operates in the market segments of metal containers, composite containers, and plastic closures. Silgan's core business is in metal containers, followed by closures and plastic containers. With recent acquisitions and some organic growth, this company has recently increased sales in its more profitable closures segment and composite containers segment. While they are slowly moving away from the metal containers, they still retain this segment due to the loyal customers they have acquired over the years and the steady revenue this segment provides. In the long-term, the Materials sector believes that Silgan's plan for increased productivity and cost reduction will increase organic growth. Silgan is viewed positively by the Materials sector for strong potential for future growth, especially in the closures and plastic containers segments.

### **Sonoco Products Company (SON)**

Sonoco Products Company has a portfolio of industrial and consumer packaging product offerings, such as flexible and rigid plastics, reels and spools, pallets, and composite cans. Sonoco continues to expand through acquisitions, completing the acquisition of Highland Packaging and agreeing to buy remaining interest in Conitex-Sonoco operation. Sonoco continues to be on the lookout for acquisitions, hinting that a flexible or plastics acquisition may be in the future. Sonoco's values and core beliefs continue to drive the company forward in the 120th year of business through "Better Packaging, Better Life."

## **Energy**

### **Matador Resources Company (MTDR)**

Matador's acreage position in the Permian is incredibly valuable, as it is the largest oil-shale producing region in the country. San Mateo, their midstream joint venture, continues to increase in value and promises to supply valuable midstream services and an alternative source of revenue for the future. Their production growth is incredibly competitive with their peers, and their higher weighting in oil production to natural gas makes them less susceptible to the current negative trends in natural gas production/pricing.

### **Murphy Oil Corporation (MUR)**

The sale of their Malaysian assets and their shift in focus to the Eagle Ford region and the Gulf of Mexico will lead to stronger performance long-term. Their offshore presence in the Gulf of Mexico is unique among S&P 400 E&P companies, and their high margin plays and efficiency make them an attractive stock to hold in periods when commodity prices are especially tumultuous (as they are currently). Their increasing weighting in oil is also attractive, as natural gas price sentiment is becoming increasingly bearish.

## **Financial Services**

### **Cathay General Bancorp (CATY)**

Cathay General Bancorp is a bank holding company with more than fifty years of experience. They are focused on serving Chinese-American individuals and businesses. They are currently in the process of becoming more customer focused in order to capitalize on their niche group. Chinese-American populations have been one of the fastest growing groups in the United States which will result in a larger future client base for Cathay. Those demographics are coupled with Cathay's high collection rates on loans and wide diversity of customers in their loan portfolio. Because of these reasons, we believe that Cathay will be a great bank focused on organic-growth for our holdings. Speaking on trade wars, the bank's loan portfolio is not significantly susceptible to risk from trade relations between US and China. Therefore, we believe that CATY is a great value holding for the Fund; and though we are attentive to news regarding China, we do not see trade wars as being a significant risk to the long-term performance of CATY.

### **East West Bancorp (EWBC)**

East West Bancorp is a bank holding company located in Pasadena, California. It operates in the United States and greater China area, focusing on serving the needs of both businesses and individuals. Many of their clients have an overlapping relationship with China and the United States, making EWBC a national provider for the financial service needs of the demographic. Over the course of 2018 and 2019, US relations with China have been deteriorating, but only a small portion of EWBC's loan portfolio is directly affected by trade. Therefore, we believe that there is great value in EWBC that is going unrecognized partially because of their relationship with China. For the long-term, it is a great holding for the Fund's portfolio.

### **Federated Investors, Inc. (FII)**

Federated Investors is one of the largest asset managers in the United States. More than half of their assets under management are in Money Market Funds. Money Market Funds were great performers in the latter half of 2018, as many people were looking for guaranteed rates on safe investments amid the tough economic climate. We believe FII will grow because their management has been expanding their Fixed Income, Equity funds, and Separately Managed Accounts which garner higher fees. Due to the growth of these segments, we believe that FII is a great name for the SSIF portfolio.

### **The Hanover Group (THG)**

The Hanover Group dates back to 1852, when it was the Hanover fire insurance company, but the company of today was formed into a Delaware corporation in 1995. The company operates through three business segments: Commercial, Personal and Other Lines. Their products are sold by independent agents and brokers. THG formerly had an international segment prior to our buy. The sale of their Lloyd's business, Chaucer, has primed THG for domestic growth in their more profitable segments with an extra \$950 million in cash. We believe that this growth opportunity in an established business, especially at the buying price of THG's stock, is a great holding for the SSIF portfolio.



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

Reinsurance Group of America is one of the largest life and health reinsurance companies in the world. RGA's management team can capitalize on current industry trends and mitigate the company's risk. The demand for life insurance and retirement products has increased due to the aging population. This then drives a need to mitigate life insurer's risks. RGA works on meeting increasing demand by growing their mortality and annuity reinsurance programs. We believe that through the growth of these segments, RGA is a great investment for the SSIF.

### **Renaissance Reinsurance (RNR)**

Renaissance Reinsurance is a company that specializes in property and casualty reinsurance. They are industry leaders in underwriting profitability that will lead to more funding for investment activities. Its well-capitalized balance sheet also sets RNR up to have a very sustainable business even during very high catastrophe years. Due to high losses from the difficult year in 2017, we believe that RNR was underpriced by the market and provided a good opportunity to add it to the portfolio.

### **Healthcare**

#### **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 industry leading products and equipment in the neuromodulation, cardiac surgery, and cardiac rhythm management markets. Since the merger the company has invested significantly into expanding into new indications with its products, such as treating drug resistant depression with its neuromodulation products. With the company making significant regulatory and product development milestones in 2018, we believe the company is undervalued when considering our expectations for growth into these new markets.

#### **Prestige Consumer Holdings (PBH)**

PBH is a pharmaceutical company with a portfolio of various over the counter (OTC) medications for various ailments. We like the company's structure that combines the profitability of a pharmaceutical firm's manufacturing-through-contracting with the stability of a consumer staples model. PBH also derives most of its revenues from segment leading name brands such as BC Goody's, Dramamine,

Luden's Cough Drops, and others which are well known, and family trusted. Thus, we believe the company is significantly undervalued considering its specialty business models, stable cash flows, and the value of its household brands.

### **Globus Medical (GMED)**

Globus Medical Inc. is a medical equipment company with a focus on orthopedic and neurosurgical devices for musculoskeletal disorders. The company's primary focus is implants, but they are moving into robotic surgical systems that were introduced in 2017. They have an international presence in 54 countries but are concentrated in North America. Globus Medical is currently undervalued considering the favorable growth trends in spinal surgery, robotics in healthcare, and implantable devices. This is evidenced by their two competitive segments that are complementary and well positioned to secure market share from competitors, strong financial ratios and healthy cash flows that set the framework for further acquisitions, and guidance by the innovative founder of Globus Medical, David C. Paul.

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

Charles River Labs is a Contract Research Organization (CRO) founded in 1947 and headquartered in Wilmington, Massachusetts. The company lies within the S&P 400 Life Sciences and Tools industry and offers research support services to the pharmaceutical, biotech, government, and chemical manufacturers. We bought CRL based on the combination of the company's competitive advantage in the early stage research market, its growth opportunities both organically and through M&A, and the value we find in the company's stock compared to similar CROs.

### **Encompass Health Corporation (EHC)**

Encompass Health provides inpatient rehabilitation services to patients with a wide variety of injuries, wounds, birth defects, and diseases. EHC does this through a wide network of hospitals, outpatient offices, satellite facilities, home health agencies, and partnerships with other providers. Encompass Health Corporation is currently undervalued amid favorable trends in outpatient centered care and growing rehabilitation demand driven by an aging population. We think these trends will support EHC as they expand operations into new states and invest in current and future facilities.

### **Exelixis (EXEL)**

Exelixis is an oncology-focused biotech company involved in researching, developing, and marketing its current portfolio of cancer therapies as well as new therapies. The company currently develops three drugs for various oncology indications and is focused on bringing its current portfolio into new oncology areas. We believe EXEL is a good company based on the following factors. They are established in Oncology, have potential to expand in the field, and are harnessing Oncology expertise. Exelixis' current market share in RCC and HCC has grown significantly in only two years and Cabozantinib-based drugs have the potential to continue growing the company for years to come in these indications. We also see strength and opportunity in Exelixis' pipeline because of the more than 20 trials that exhibit a wide range of phases, partnerships, and target indications. Lastly, Exelixis' strategic partnerships with Ipsen, Takeda, Roche, and others are beneficial for the company in overcoming disadvantages of the company's relatively small size. These partnerships should help Exelixis fortify its global presence and expand pipeline opportunities.

### **Industrials**

#### **Carlisle Companies Inc. (CSL)**

Carlisle Companies Inc. is a manufacturing and distribution company for products in roofing, construction, aircraft production and others. This company is positioned strongly in several growing industries, commercial construction and interconnect technologies. The valuations for the company come out as undervalued due in large part to these growing industries.

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

Hubbell Incorporated designs, manufactures, and sells electrical and electronic products in the United States and internationally. It operates through two segments, Electrical and Power. The Electrical segment offers standard and special application wiring device products, rough-in electrical products, connector and grounding products, lighting fixtures and controls. The Power segment designs, manufactures, and sells distribution, transmission, substation, and telecommunications products. This segment sells its products to distributors, as well as directly to users, such as utilities, telecommunication companies, pipeline and mining operations, industrial firms, construction and engineering firms, and civil construction and transportation industries.

### **Aecom (ACM)**

Aecom is an engineering and design group for civil and infrastructure construction, which offers a variety of services for multiple end markets in 150 countries. They are one of the primary contractors used by the US government to carry out infrastructure contracts. A large portion of Aecom's revenue comes from the U.S. government, specifically the Department of Defense. We believe that increased infrastructure spending, increased backlog, M&A activity and the need for cyber security both domestically and abroad will result in promising growth for the company.

### **JetBlue Airlines (JBLU)**

JetBlue Airlines is an airline that operates domestic and international flights to and from the United States. This company is the fifth largest airline in the United States with large potential for growth and impressive performance. Through their structural remodeling aimed at increasing capacity and projected increase in airline traffic, we believe the fundamentals of the company are very strong. JetBlue Airlines has been expanding as they are offering new services to other countries and continents. This is shown in the valuation model which has the company undervalued.

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

Kirby Corporation 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.

### **ManPower Group (MAN)**

ManPower Group provides employment and training services to companies all around the globe. They handle contracts from companies who are looking for temporary workers as well as well-trained permanent workers. MAN is the largest employment agency in the world giving them an advantage of preferential contracts from employers and being a first choice for people who are looking for employment. We believe MAN will be able to capitalize on changing economies. As some corporations' decline, MAN will be able to transition the work

force to the new emerging markets. Lastly, ManPower is not as volatile with macroeconomic events due to the services offered by the company.

### **MSC Industrial Direct (MSM)**

MSC Industrial Direct is one of the largest direct suppliers of industrial products with categories such as fasteners, cutting tools, plumbing supplies, metal working, and maintenance and repair equipment. They have the largest supplier catalog with nearly 2 million different products from 3,000 different suppliers. MSM puts an emphasis on customer satisfaction with next day delivery on almost every product creating a very reliable reputation which continually helps to add new clients. We believe as manufacturing continues to expand, MSM will be able to meet the demand and add more shareholder value.

### **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 states, as well as Australia, Belgium, Canada, China, France, Romania and through investments in joint ventures in Mexico and Brazil. This company, which we still valued as undervalued, works very closely with the United States Government in their Defense Segment. Due to this government contracts and other reasons, this company has a very strong competitive advantage over their competitors.

### **Information Technology**

#### **InterDigital Inc. (IDCC)**

Interdigital, Inc. was founded in 1972, and develops and designs technologies that enable and enhance wireless communications and capabilities. Focusing on advanced research and development, IDCC engineers have established a wide range of innovations that are used in digital cellular and wireless products and networks. They are also the leading contributor of intellectual property to the wireless communications industry. With future products coming out including 5G cellular networks, increased wireless capabilities, and IoT technology, they are well positioned for future growth.

#### **MKS Instruments Inc. (MKSI)**

MKS Instruments, Inc. was founded in 1961 as a Massachusetts corporation. It is a global provider of instruments, subsystems and process control solutions that

measure, monitor, deliver, analyze, power and control critical parameters of advanced manufacturing processes to improve process performance and productivity. With the vast majority of MKS Instrument's customers being in the ever-expanding semiconductor market, we expect MKSI to grow and believe in the fundamentals of this company because of their strong financial health and the wide depth of their product portfolio allowing for future growth.

### **Synaptics (SYNA)**

Synaptics has a long-standing history of innovation from the late 1980's to present day. Through Synaptics history of innovation they have gained a very good reputation with many of the worlds' largest technology OEMs (Original Equipment Manufacturer) including Samsung, Sanshin, Fuhrmeister, Dell, Huawei, Lenovo, LG and about ninety others. Synaptics track record of technological leadership, design innovation, product performance, cost effectiveness, and on-time deliveries have resulted in their leadership position in providing human interface semiconductor product solutions. Synaptics prides itself on generating substantial revenues from multiple markets in the US as well as internationally through its global business model. Moving forward Synaptics plans to stay heavily involved in its currently established markets as well as relentlessly pursue opportunity in emerging markets particularly in Automotive, Mobile and PC. Synaptic continues to lead innovation with around 1,900 patents issued or pending (816 active patents and 1,030 active patents pending worldwide.)

### **Tech Data Corporation (TECD)**

Tech Data is a wholesale technology distributor that sells products to over 105,000 customers in over 100 countries. They operate in the Americas, Europe, the Middle East and Africa. They have a vast product portfolio including broadline, data center, software, mobility, and consumer electronics products. We believe there is value in Tech Data Corporation based off a favorable acquisition that will widen their margins, an increasing global footprint, adequate inventory control combined with a competent management, and a favorable valuation outcome.

### **Vishay Intertechnology Inc. (VSH)**

Vishay Intertechnology is a manufacturer of discrete semiconductors and passive components products. They pride themselves on a large variety of products, as well as being industry leaders in key market areas. Vishay looks to grow by expansion in Asia, stock buy-back programs, and continued growth on their first dividend.

With their current market position and solid, organic, and acquisitive growth plan, we expect to see consistent growth.

## **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 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. Additionally, Aqua America is actively working to increase rate bases which will increase the profitability of the company.

### **Hawaiian Electric 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. The company develops through an organic growth nature and believes that they will improve the state of Hawaii substantially. Recently, HE has stated that they will push to make the state 100% renewable by 2040. 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.

## **Real Estate**

### **Highwoods Properties Inc (HIW)**

Highwoods Properties is a Real Estate Investment Trust that invests in office and industrial properties. This company, which we bought in October of 2018, is attractive to us because of their presence in rapidly growing business markets, such as Nashville, Raleigh, and Pittsburgh. Their strategy of disposing non-core assets in non-core markets to reinvest in developments and acquisitions shows promising returns for the future. We thus value this company as a hold.

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

Hospitality Properties Trust is a Real Estate Investment Trust that invests primarily in hotels and travel centers. The consistent supply of travelers in recent years demands places to stay, which is why HPT remains relevant. HPT's strategic disposition of old assets, which are not producing solid returns, and reinvestment in profitable developments and acquisitions is a key factor in why we value them as a hold.

### **Lamar Advertising Co. (LAMR)**

Lamar Advertising Company is an outdoor advertising company who leases billboards. We are confident in the effectiveness of billboards as a mode of advertising, despite advances in other areas of the market. In addition to Lamar's large market share (>80% in markets in which they compete) and foray into digitalizing its advertising units, we see a potential for future growth through profitable acquisitions and developments. We consider LAMR a hold.

### **Liberty Properties Trust (LPT)**

LPT is a real estate investment trust that invests in office and industrial properties. This company is attractive to us because of their impressive FFO and high occupancy rates. We predict their strategy of shifting from suburban office properties into industrial properties will provide better returns. This is because the fast growth of E-Commerce and increases in domestic manufacturing will raise demand for industrial space. We thus value this company as a hold.

### **Sabra Health Care REIT, Inc (SBRA)**

Sabra Health Care REIT, Inc. Operates as a self-administered, self-managed real estate investment trust that focuses mainly on purchasing and financing skilled nursing facilities and senior housing, in addition to a minority investment in hospital-related assets. A merger with Care Capital has diversified Sabra and ensures lower exposure to individual industry volatility. The combined company has gained much needed size from the merger, a competitive advantage in a difficult sector. We maintain that this stock is a hold.



# Portfolio Holdings

Symbol/Sector	As of 6/30/2018		As of 6/30/2019		S&P Constituent
	Shares	Market Value	Shares	Market Value	
<b>Consumer Discretionary</b>					
DECK	200	\$ 22,578.00	-	\$ -	Yes
AEO	-	\$ -	2,760	\$ 46,644.00	Yes
BID	-	\$ -	1,470	\$ 85,451.10	Yes
EAT	800	\$ 44,811.00	-	\$ -	Yes
GNTX	-	\$ -	3,540	\$ 87,119.40	Yes
DNKN	-	\$ -	1,030	\$ 82,049.80	Yes
MUSA	300	\$ 22,287.00	-	\$ -	Yes
SFM	-	\$ -	3,180	\$ 60,070.20	Yes
TUP	1,100	\$ 45,364.00	-	\$ -	Yes
<b>Consumer Staples</b>					
ENR	300	\$ 18,888.00	-	\$ -	Yes
FLO	700	\$ 14,581.00	-	\$ -	Yes
INGR	150	\$ 16,605.00	-	\$ -	Yes
SFM	-	\$ -	3180	\$ 60,070.20	Yes
Total		\$ 50,074.00		\$ 60,070.20	
<b>Energy</b>					
MTDR	-	\$ -	2,670	\$ 53,079.60	Yes
MUR	-	\$ -	1,010	\$ 24,896.50	Yes
GPOR	1,800	\$ 22,626.00	-	\$ -	No
HFC	600	\$ 41,058.00	-	\$ -	Yes
Total		\$ 63,684.00		\$ 77,976.10	
<b>Financials</b>					
AFG	450	\$ 48,298.50	-	\$ -	Yes
FII	1,700	\$ 39,644.00	2,640	\$ 85,800.00	Yes
JHG	500	\$ 15,365.00	-	\$ -	Yes
CATY	1,100	\$ 44,539.00	680	\$ 24,418.80	Yes
THG	-	\$ -	650	\$ 83,395.00	Yes
EWBC	-	\$ -	990	\$ 46,302.30	Yes
RGA	300	\$ 40,044.00	540	\$ 84,256.20	Yes
RNR	350	\$ 42,112.00	460	\$ 81,884.60	Yes
WAFD	1,100	\$ 35,970.00	-	\$ -	Yes
Total		\$ 265,972.50		\$ 406,056.90	
<b>Real Estate</b>					
CXW	1,800	\$ 43,002.00	-	\$ -	Yes
HIW	-	\$ -	520	\$ 21,476.00	Yes
LAMR	400	\$ 27,324.00	1020	\$ 82,325.20	Yes

LPT	300	\$	13,299.00	1640	\$	82,065.60	Yes
SBRA	700	\$	15,211.00	-	\$	-	Yes
SVC	1300	\$	37,193.00	1550	\$	38,750.00	Yes
Total		\$	136,029.00		\$	224,616.80	
<b>Healthcare</b>							
LIVN	450	\$	44,919.00	310	\$	22,307.60	Yes
EHC	-	\$	-	390	\$	24,710.40	Yes
EXEL	-	\$	-	4,040	\$	86,334.80	Yes
GMED	-	\$	-	1,210	\$	51,183.00	Yes
MD	800	\$	34,624.00	-	\$	-	Yes
PBH	-	\$	-	760	\$	24,070.80	Yes
UTHR	250	\$	28,287.50	-	\$	-	Yes
CRL	-	\$	-	170	\$	24,123.00	Yes
WCG	50	\$	12,312.00	-	\$	-	No
Total		\$	120,142.50		\$	232,729.60	
<b>Industrials</b>							
ACM	1,300	\$	42,939.00	670	\$	25,359.50	Yes
CSL	400	\$	43,324.00	610	\$	85,650.10	Yes
MSM	-	\$	-	320	\$	23,763.20	Yes
HUBB	450	\$	47,583.00	200	\$	26,080.00	Yes
MAN	-	\$	-	250	\$	24,150.00	Yes
JBLU	800	\$	15,184.00	4,250	\$	78,582.50	Yes
KEX	600	\$	50,160.00	300	\$	23,700.00	Yes
OSK	600	\$	42,192.00	1,050	\$	87,664.50	Yes
Total		\$	241,382.00		\$	374,949.80	
<b>Information Technology</b>							
ARRS	1,800	\$	44,001.00	-	\$	-	Yes
MKSI	500	\$	47,850.00	1,150	\$	89,573.50	Yes
IDCC	600	\$	48,540.00	1,310	\$	84,364.00	Yes
SYNA	900	\$	45,333.00	1,250	\$	36,425.00	Yes
TECD	500	\$	41,060.00	850	\$	88,910.00	Yes
VSH	1,900	\$	44,080.00	5,400	\$	89,208.00	Yes
Total		\$	270,864.00		\$	388,480.50	
<b>Materials</b>							
SLGN	900	\$	24,147.00	1,450	\$	44,370.00	Yes
SON	700	\$	36,750.00	1,270	\$	82,981.80	Yes
SXT	600	\$	42,930.00	320	\$	23,513.60	Yes
Total		\$	103,827.00		\$	150,865.40	
<b>Communications</b>							
JWA	700	\$	43,680.00				Yes

TDS	100	\$ 2,742.00	2,080	\$ 63,232.00	Yes
Total		\$ 46,422.00		\$ 63,232.00	
<b>Utilities</b>					
ATO	500	\$ 45,070.00	-	\$ -	Yes
HE	500	\$ 17,150.00	1,910	\$ 83,180.50	Yes
WTR	700	\$ 24,626.00	740	\$ 30,613.80	Yes
Total		\$ 86,846.00		\$ 113,794.30	
Cash		\$ 15,104.12		\$ 10,584.40	
SSIF PORT TOTAL		\$ 1,535,387.12		\$ 2,429,040.90	

## 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, 2019, the COBA equally weighted portfolio holds 15 stocks with a total market value of \$148,161. Performance by calendar year are reported in Table 6.

**Table 6: Performance of the COBA Portfolio as of June 30, 2019**

	Quarter	Calendar YTD	1-Year	3-Year	5-Year	7-Year	10-Year	Since Inception
<b>COBA</b>	<b>2.79%</b>	<b>15.14%</b>	<b>5.65%</b>	<b>11.89%</b>	<b>9.98%</b>	<b>14.05%</b>	<b>12.80%</b>	<b>9.84%</b>
S&P 500 Index*	4.30%	18.54%	10.42%	14.19%	10.71%	13.98%	14.70%	5.94%
<i>Difference</i>	<i>-1.51%</i>	<i>-3.40%</i>	<i>-4.76%</i>	<i>-2.30%</i>	<i>-0.73%</i>	<i>0.07%</i>	<i>-1.90%</i>	<i>3.90%</i>
Tracking Error**			2.55%	3.92%	4.71%	4.53%	6.99%	13.09%
Information Ratio***			-1.87	-0.59	-0.16	0.02	-0.27	0.30

Months > Benchmark			33%	50%	48%	49%	49%	52%
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COBA portfolio value as of June 30, 2019: \$148,161.

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

## The 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. It takes place over the course of one week and consists of two teams of four members who must conduct all related research associated with proposing a buy and a sell recommendation. 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. The competition begins on a Monday evening following a general meeting of the SSIF.

At the beginning of the challenge, teams will be notified of the sectors they may select a buy recommendation form. Teams have until 5:00 PM on the following Sunday to submit presentation slides to the SSIF Faculty Advisor. The teams will then present their buy and sell recommendations in front of SSIF members, College of Business faculty, and guests, followed by a questions and answers session. The teams are then judged by a combination of two faculty judges, a guest judge, and their SSIF peers. 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 is meant to push the boundaries of its participants and show all of what they have learned while encouraging a healthy competition that creates a better portfolio overall. While the COBA Challenge benefits members of the SSIF, it also highlights the talent in 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 ten COBA Challenges, with winning teams' names and stock picks instated on the east wall of the Burnell D. Kraft Trading Floor. 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 2018 and Spring 2019, five SSIF members competed in the CFA Research Challenge, St. Louis chapter. The five members included Orryn Boles, Kelsey Byars, Bennett Cohen, Holden Johnson, and Parker Moses. The challenge consisted of an in-depth analysis of a publicly traded company from the region, in which the team applied knowledge of equity valuation derived from coursework and the SSIF, to write an investment thesis for the company selected. The final BUY recommendation for Post Holdings was supported by an extensive equity analysis report compiled by the team members, which was then presented to a panel of expert CFA judges so that the team could defend their research. Research teams competed against several other universities in the region in an effort to advance to the regional and eventually global level of the competition. A total of five teams from five universities entered the 2018-2019 local competition in St. Louis. The local competition took place on February 15, 2019, and SIU did not place.

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 Dr. Timothy Marlo of SIUC served as the faculty advisor. The CFA Research Challenge is an excellent learning opportunity that provides SSIF members with insight into the intricacies and challenges of equity analysis.

The SSIF intends to continue to participate in the CFA Challenge for years to come in an effort to enhance learning opportunities for the SSIF and to represent the SIUC College of Business.

# Outlook for 2020

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The future year will provide various economic and market challenges that we will have to overcome. We will continue to add new experiences and knowledge to our fund in order to provide an active strategy against unfavorable trends while continuing to do our best in mitigating risk.

Overall, macroeconomic performance has been considered disappointing or weak at best. Industrial and economic activity had seen a slowdown coming into the latter half of the year. In May, JP Morgan forecasters called for a 70-basis point (.70%) decline in the Purchasing Managers Index. Coupled with 2.5% global growth with China's economic expansion. This is considered a stationary speed for the economy as a whole. Of this, the most directly impacted is manufacturing which stands at around 52.1 basis points. Anything below 50 is seen as a contraction with a more deviant number meaning a greater contraction. Future forecasts consider a downward or stationary direction for the near future. The Federal Reserve has been consistently pressured to lower the federal funds rate, and Chairman Jerome Powell has responded by lowering interest rates.

In Europe, economic activity continues to be near stationary as Brexit causes massive ramifications for the entire continent. This was further intensified by the former prime minister of the UK, Theresa May, which led to growing concern that Britain will exit the European Union in a no-deal situation. This creates several economic and political concerns, namely due to Britain's high financialization of their economy. This, coupled with recent weak German economic performance in manufacturing, leads to declines in the productivity of the European Union.

In the Far East, Japan has entered a worsening economic state due to population levels falling. This has negated all attempts to jumpstart the economy including two decades of deficit spending and negative interest rates. The current strategy is closing the fiscal deficit, but many are fearing that it will lead to recession in the country. China, however, has felt the effect of the tariffs on its economy. Current economic trends in China point to a slowdown in growth. Short-circuited trade talks have also escalated volatility and risk in business investments.

It is expected that economic normality will return when a new wave of productive investment factors such as 5G evolution, automation, or new energy sources become more mainstream.

We are facing these macroeconomic threats by focusing on niche, well specialized, companies that can individually counteract the macroeconomic trend. By overhauling the onboarding process for new members, we will be able to bring them up to speed faster than before. With the current economic environment, many members have experienced an uncertain market in their lifetime. We are planning to also overhaul the ways and means to keep organization experience by having more tenured members leave a permanent presence in the sector they manage. Recruitment remains strong as many prospects have been added to the funds ranks. We wish to improve on the success in finding additional talent to assist with the transition of more senior members. We also plan to engage with our company holdings more actively by planning company visits and presentations.

With these new strategies, we are confident that we will continue our mission to deliver positive results to the client we serve.



# 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 of 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: 2019 SSIF Members

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Austin Albrecht	Micah Kimble
Kaitlyn Bevis	Hannah Kingery
Lucas Boles	Zhiyuan Li
Orryn Boles	Steven Merdian
Kelsey Byars	Parker Moses
Matthew Cagle	Sydney Moss
Gilbert Chua Sheng Yu	Rafael Munoz Morales
Bennett Cohen	Alejandro Narvaez-Colon
Kendall Cole	Eric Obenauf
Roman Cole	Dustin Pawelek
Griffin Day	Chris Phillips
Elijah Evans	Mitchell Rhymes
Mitchell Fairfield	Ari Schencker
Jessica Giacobbi	Austin Starkey
Daniel Gillian	Luis Teran
Rachel Hauer	Jeana Vardalos
Elijah Henson	Adrian Veseli
Joshua Hill	Dannaka White
Richy John	Jingwen Yao
Holden Johnson	Jeremy Zeoli
Yohannes Kifle	Zhongwen Zheng