



SALUKI STUDENT  
INVESTMENT FUND

**Real Money.  
Real Experience.**

## **Annual Report**

**June 30, 2017**  
**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, 2017, the SSIF manages a total of \$1,865,557.

# 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. 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. Therefore, Clinical Assistant Professor, Dr. Timothy Marlo, took the reins as faculty advisor of the SSIF at the beginning of the Fall 2016 semester.

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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 fiscal year (FY) ending June 30, 2017. 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 FY2017 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 FY2018 outlook of the Saluki Student Investment Fund followed by a list of resolutions, and a complete member roster for the SSIF during the FY2017.

Over the past fiscal year, the SSIF started the year by underperforming the benchmark, but then beat it over the next three quarters. Regardless, the SSIF ended the year 1.16% below the benchmark. This performance can be evaluated in detail on the Monthly returns chart. The SSIF continues to focus on outperforming the benchmark over the long term by operating under an active, fundamental, and 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 FY2017.

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 and continuing to improve the performance of the fund, as well as the learning experience of the members in FY2018.

Thank you for your continued support,

Saluki Student Investment Fund

# Overview

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## Annual Review

Over the course of FY2017, the SSIF saw lots of opportunity for its members to develop, learn, and grow as investors. With momentous events throughout the year such as the Federal Reserve raising interest rates, a political shift from President Obama to President Trump, the dawn of a new cryptocurrency market and Brexit discussions and negotiations, there were plenty of historical events that played a hand in the markets. Amidst the constantly changing and evolving market environment, we were adamant in bringing value to our client, the SIU Foundation. 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, a feat that around 96% of funds cannot match.<sup>1</sup> In addition, we had lessons from industry professionals, professors, and experienced Fund members to better educate our members about our investment process. Moving towards fiscal year 2018, we are confident in our abilities and are excited to take on this new year.

## 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 11, including historical performance since the inception of the Fund. This past fiscal year, the SSIF underperformed the S&P 400 by 1.16%. However, the Fund has outperformed the benchmark over the 3-Year, 5-Year, 7-Year, and 10-Year periods. As mentioned before, beating the benchmark is not easy and often rare, but by remaining vigilant to its investment philosophy, the SSIF looks to continue to outperform the benchmark over the long-term.

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<sup>1</sup> <https://us.spindices.com/documents/spiva/spiva-us-year-end-2016.pdf>

## Portfolio Rebalancing

Table 1 shows the SSIF portfolio sector weights over the fiscal 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. In addition, as of June 30, 2017, 46 out of the 48 stocks held in the SSIF portfolio were constituents of the S&P 400.

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

As of 6/30/2017				As of 6/30/2016			
Sector	SSIF	Benchmark	Difference	Sector	SSIF	Benchmark	Difference
Consumer Discretionary	10.70%	11.71%	-1.01%	Consumer Discretionary	13.35%	11.75%	1.60%
Consumer Staples	4.10%	3.72%	0.38%	Consumer Staples	4.22%	4.62%	-0.40%
Energy	3.56%	2.97%	0.59%	Energy	2.28%	3.66%	-1.38%
Financials	17.33%	16.41%	0.92%	Financials	15.30%	14.78%	0.52%
Health Care	7.59%	9.14%	-1.55%	Health Care	10.01%	9.00%	1.01%
Industrials	14.16%	15.09%	-0.93%	Industrials	14.31%	13.15%	1.16%
Information Technology	18.34%	17.78%	0.56%	Information Technology	15.72%	16.70%	-0.98%
Materials	7.49%	7.60%	-0.11%	Materials	6.81%	7.69%	-0.88%
Real Estate	10.65%	9.85%	0.80%	Real Estate	10.78%	12.09%	-1.31%
Telecom	15.00%	24.00%	-9.00%	Telecom	0.18%	0.19%	-0.01%
Utilities	5.07%	5.50%	-0.43%	Utilities	6.24%	6.36%	-0.12%

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

	As of 6/30/2017	As of 6/30/2016
Stocks in the SSIF	48	51
Holdings in the S&P 400	46	50

# Investment Philosophy and Process

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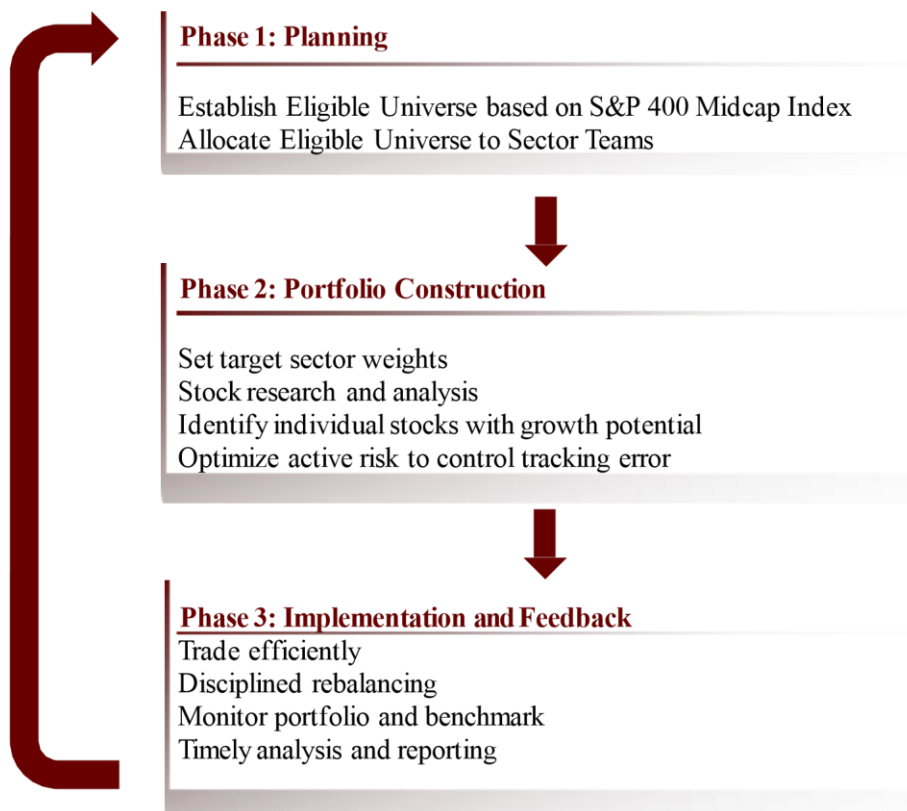
## Investment Philosophy

- *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 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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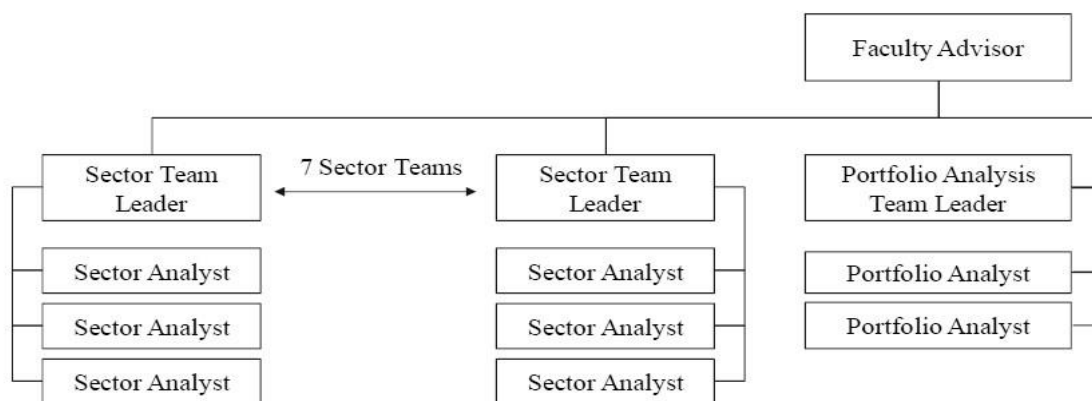
The Saluki Student Investment Fund is an investment group in which students can apply classroom lessons as professionals within an organization that operates as a real investment management firm. Students have full responsibility for researching companies and making buy/sell decisions. The responsibilities 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.



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

Consumer Discretionary & Staples

Financials

Industrials

Materials

Energy & Utilities

Health Care

Information Technology &  
Telecommunication Services

Real Estate

# Performance Analysis

Table 3 below shows the SSIF performance vs. the S&P 400 benchmark for various holding periods. The SSIF posted gains over the past fiscal year of 17.40% and the S&P400 posted a gain of 18.57%, resulting in a SSIF underperformance of -1.16% for FY 2017. 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 3, 5, 7, and 10-year periods while controlling risk relative to the benchmark measured by tracking error. 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**

	3-Month	Calendar YTD	1-Year	3-Year	5-Year	7-Year	10-Year	Since Inception
SSIF	2.08%	6.17%	17.40%	10.10%	15.73%	17.18%	9.72%	8.45%
S&P 400 Benchmark*	1.97%	5.99%	18.57%	8.53%	14.92%	15.42%	8.56%	9.40%
<i>Difference</i>	<i>0.11%</i>	<i>0.19%</i>	<i>-1.16%</i>	<i>1.57%</i>	<i>0.81%</i>	<i>1.76%</i>	<i>1.16%</i>	<i>-0.95%</i>
Tracking Error**			3.26%	2.86%	3.00%	2.92%	3.90%	5.27%
Information Ratio***			-0.36	0.55	0.27	0.60	0.30	-0.18
Months > Benchmark			58%	58%	52%	55%	54%	50%

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<sup>th</sup>, 2017: \$1,865,556.98

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 1, 3, 5, and 10-year periods.

**Figure 1: Annualized Average Return**

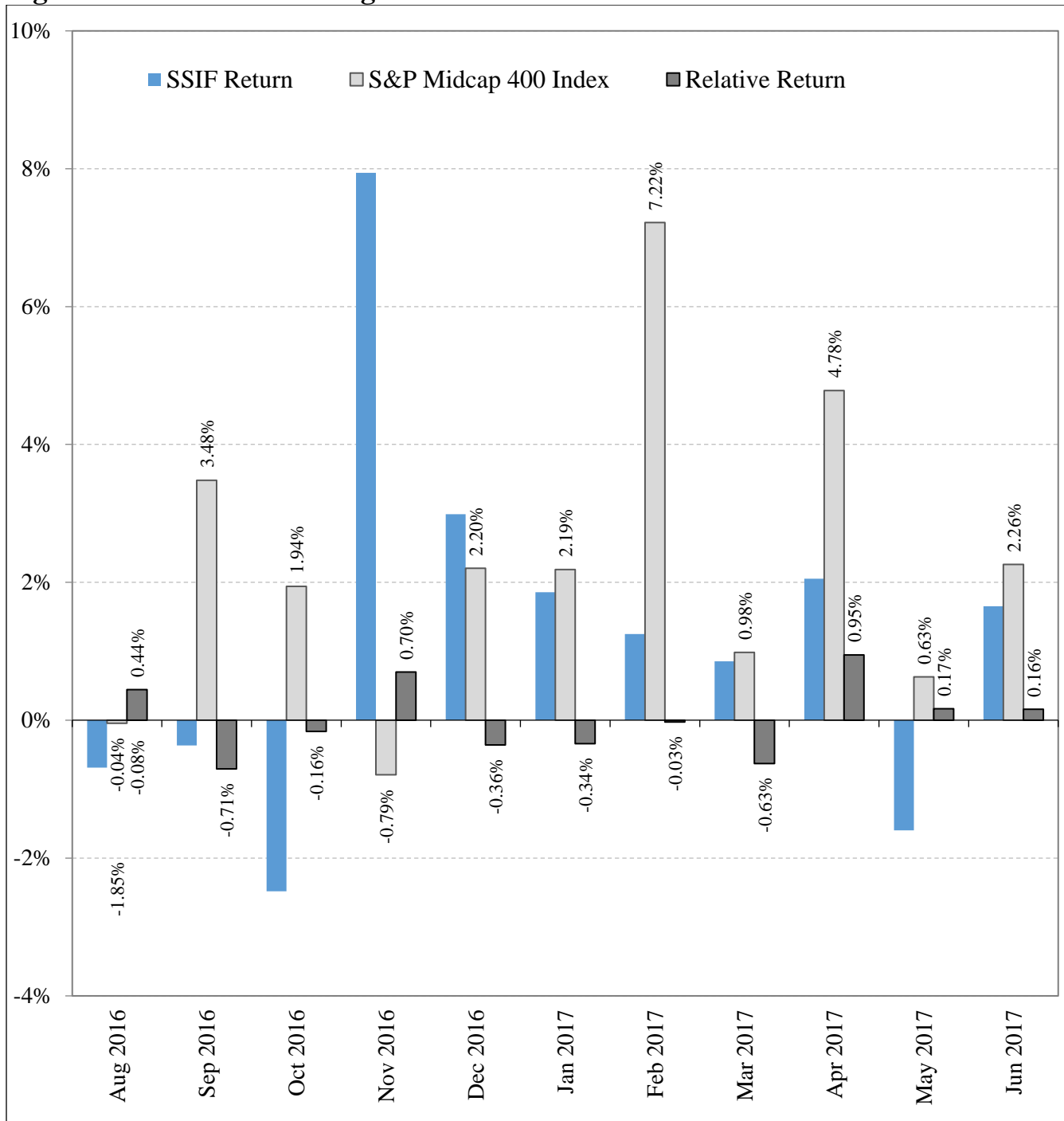


Figure 2 shows the hypothetical growth of \$10,000 since the Fund's inception date of May 2000. The ending June 30, 2017 amount for the SSIF would be \$39,981.30 and the S&P Midcap Index would be \$46,424.37.

**Figure 2: Hypothetical Growth of \$10,000**

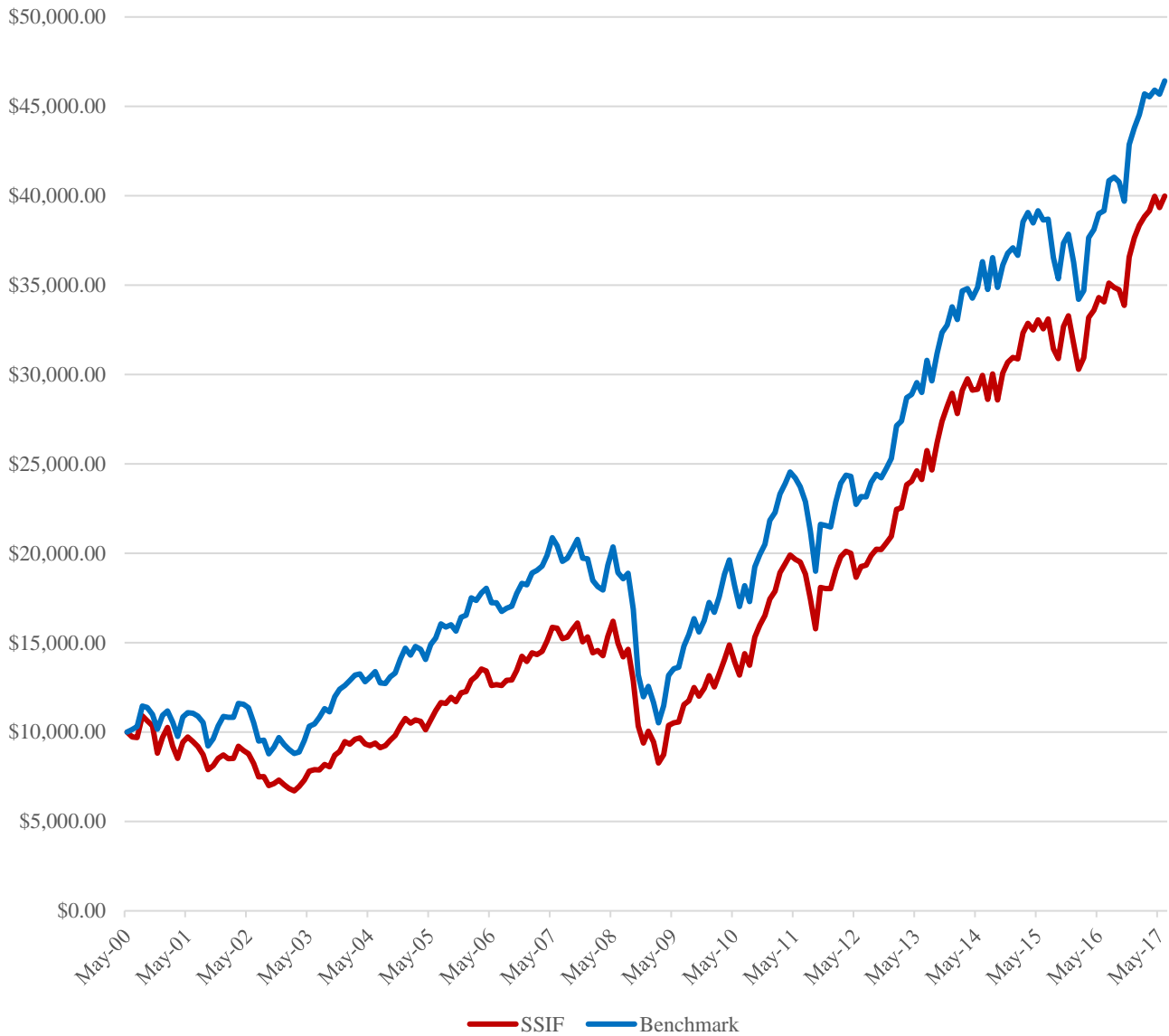
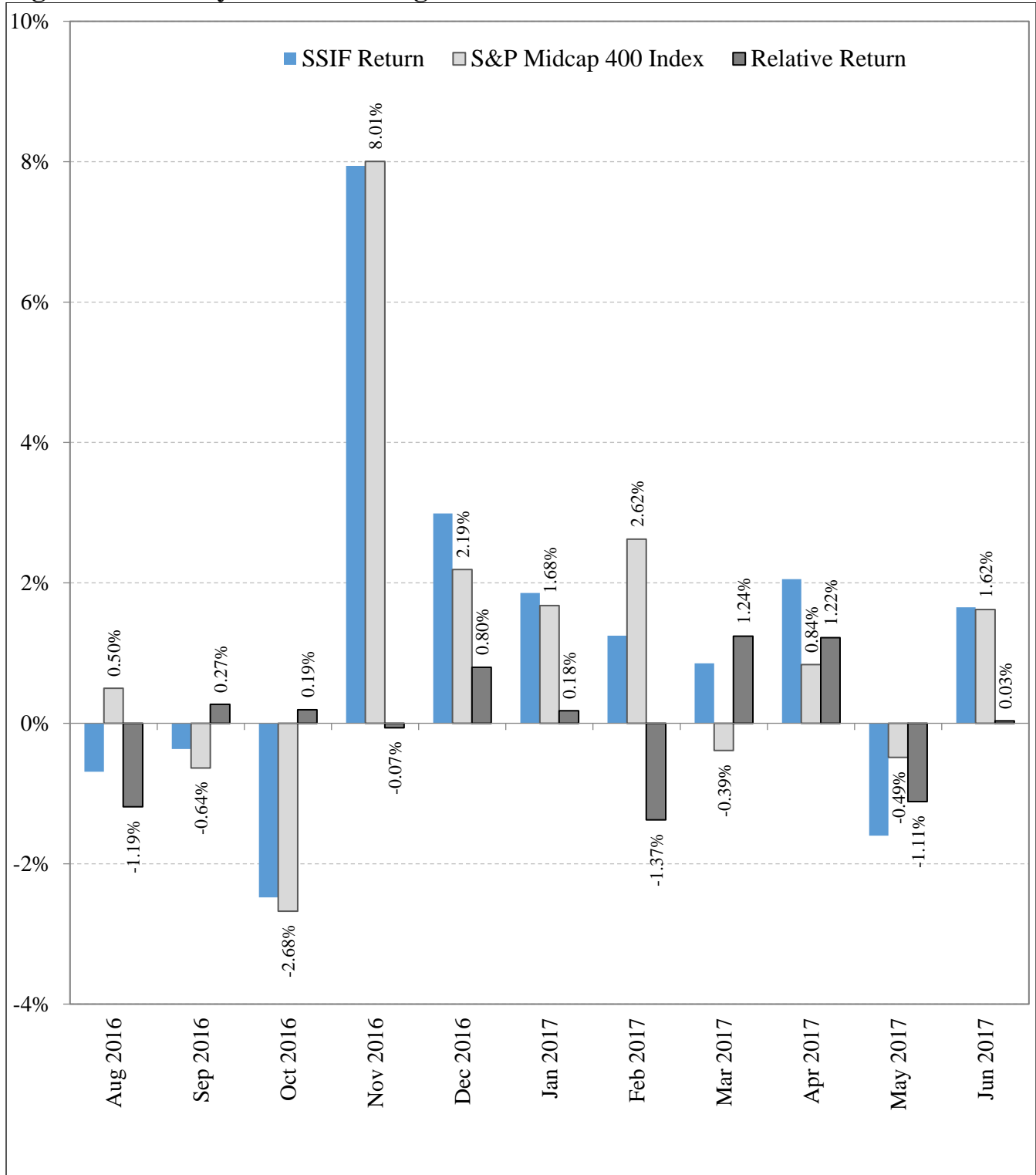
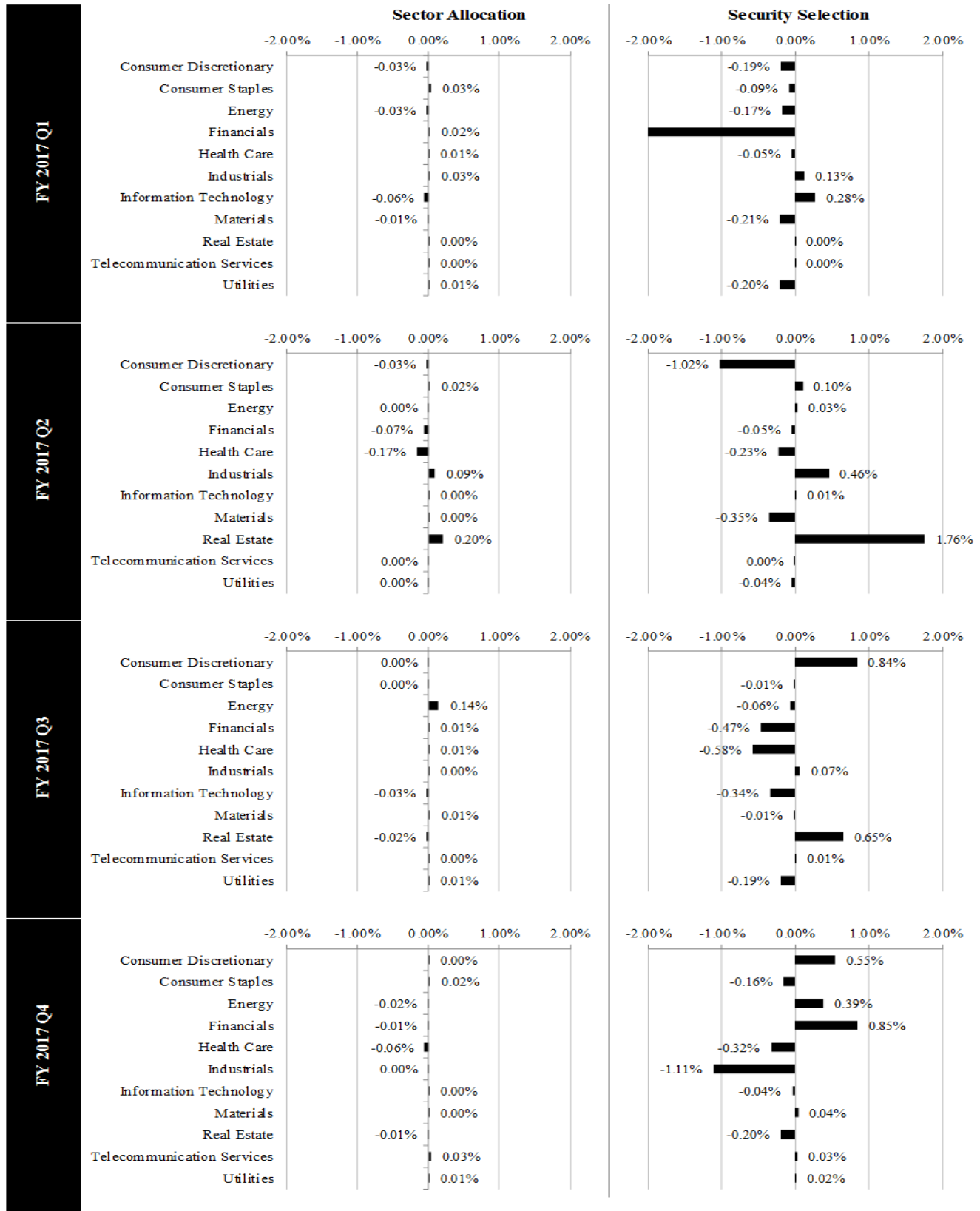


Figure 3 shows the returns for the SSIF relative to the benchmark over each month during FY 2017. The SSIF outperformed the benchmark for FY2017 for 7 out of 12 months.

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



**Figure 4: Fiscal Year 2017 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 2017**

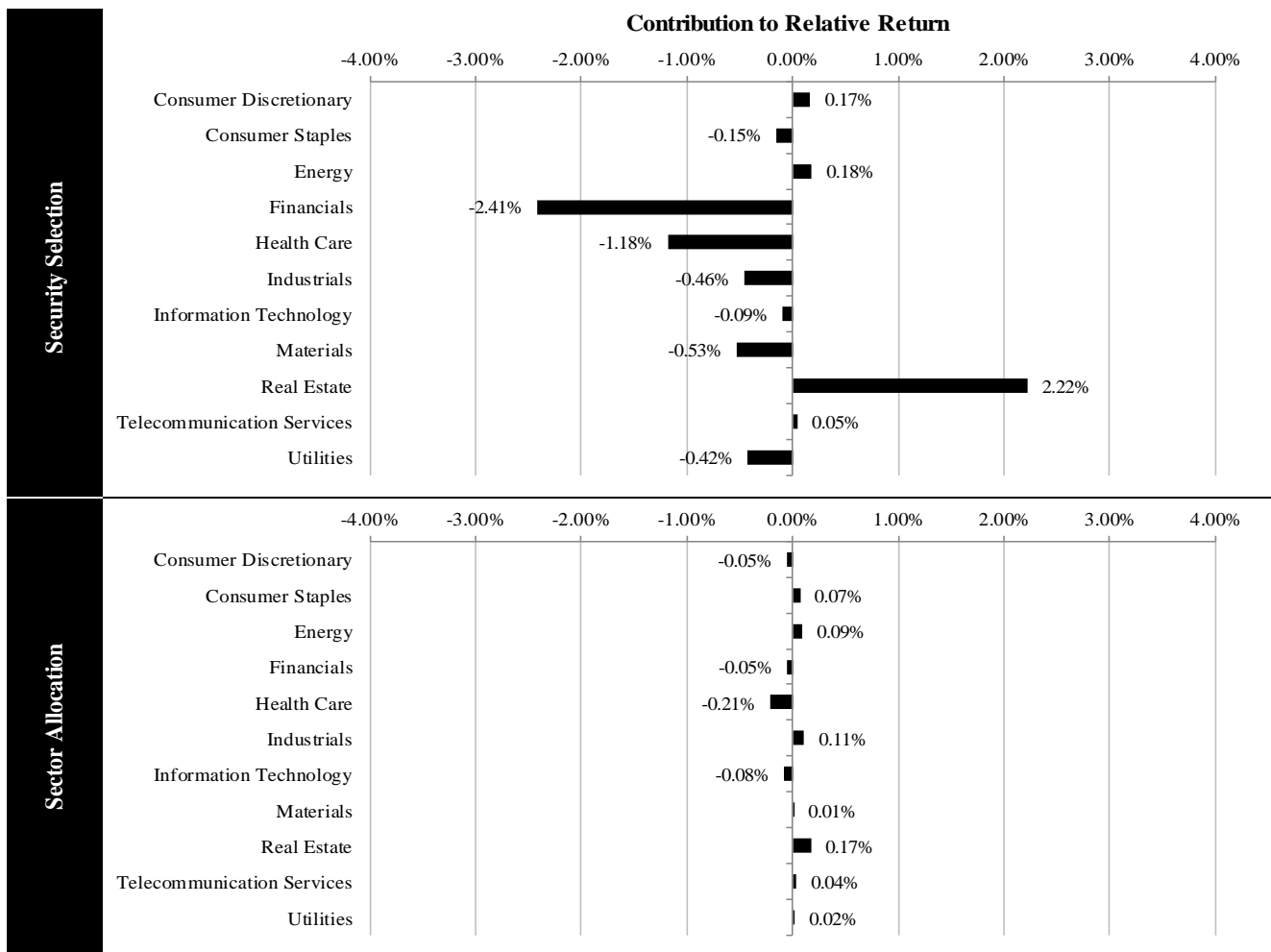




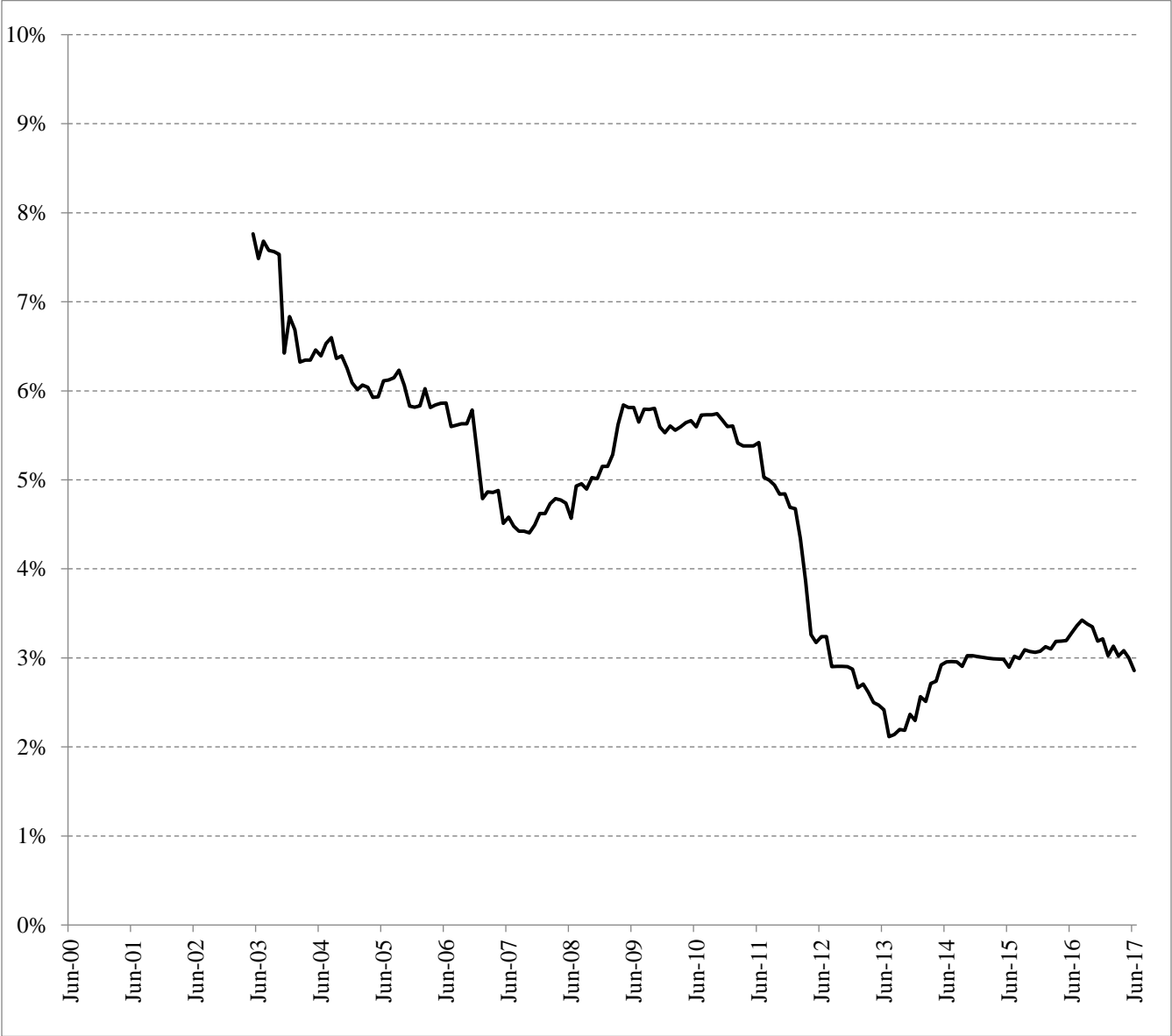
Figure 5 and Table 4 show the relative return attribution into sector allocation and stock selection for the Fiscal Year, 2017. As demonstrated by Figure 4, because the SSIF maintains a sector neutral policy, the very low contribution from sector allocation is to be expected. The small returns from sector 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 Real Estate and Industrial sectors were the top contributing sectors in contrast to Information Technology and Health Care. Also shown in Table 4 is a negative contribution of 11 basis points from cash.

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

Sector	Sector Allocation	Security Selection	Total
Cash	-0.11%	0.00%	-0.11%
Consumer Discretionary	-0.05%	0.17%	0.12%
Consumer Staples	0.07%	-0.15%	-0.08%
Energy	0.09%	0.18%	0.28%
Financials	-0.05%	-2.41%	-2.46%
Health Care	-0.21%	-1.18%	-1.39%
Industrials	0.11%	-0.46%	-0.35%
Information Technology	-0.08%	-0.09%	-0.17%
Materials	0.01%	-0.53%	-0.52%
Real Estate	0.17%	2.22%	2.39%
Telecommunication Services	0.04%	0.05%	0.08%
Utilities	0.02%	-0.42%	-0.40%
Total	0.02%	-2.63%	-2.61%
Actual Relative Return			-1.16%
Unexplained by Attribution Model			1.44%

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.

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



# Individual Stock Contributions

**Table 5: Individual Stock Contributions**

Rank	Top 10 Contributors	Contribution (%)
1	OSHKOSH CORP	0.911388
2	EVEREST RE GROUP LTD	0.7476
3	ZEBRA TECHNOLOGIES CORP-CL A	0.734162
4	PANERA BREAD COMPANY-CLASS A	0.66661
5	REINSURANCE GROUP OF AMERICA	0.530742
6	ANSYS INC	0.471614
7	AMERICAN FINANCIAL GROUP INC	0.427896
8	TRUSTMARK CORP	0.377165
9	TUPPERWARE BRANDS CORP	0.311769
10	INTEGRATED DEVICE TECH INC	0.301158

Rank	Bottom 10 Contributors	Contribution (%)
1	GULFPORT ENERGY CORP	-0.84492
2	CORECIVIC INC	-0.61983
3	CARLISLE COS INC	-0.545136
4	BRINKER INTERNATIONAL INC	-0.468307
5	INGREDION INC	-0.419475
6	AQUA AMERICA INC	-0.412776
7	WILEY (JOHN) & SONS-CLASS A	-0.392268
8	INTERDIGITAL INC	-0.341352
9	MEDNAX INC	-0.332128
10	MID-AMERICA APARTMENT COMM	-0.330493

\*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 Sector and Information Technology Sector held seven of the top ten holdings. Meanwhile, the Real Estate and Consumer Discretionary Sectors held the majority of the bottom performing holdings with each having two on the list. 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, 2017. 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. is a restaurant operator who owns, operates or franchises establishments in the United States and internationally. Some of the more well-known restaurants in Brinker International, Inc. include Chili's Grill & Bar, Applebee's, and Ruby Tuesdays. Although some restaurants are trading down, Brinker is moving toward a more technology based system that will speed up service for customers. The SSIF will continue to hold this company and monitor any major news that may affect the price of the stock.

### **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 life style use and high-performance activities. The Company's portfolio of brands includes UGG, Teva, Sanuk, Ahnu, and HOKA ONE. The SSIF has found Deckers Outdoor Corporation to be undervalued relative to the market. It is a recognizable company that sells its products in over fifty countries. Decker has been shown to have sound management practices and corporate philosophies, as well as strong financial ratios.

### **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. They have a strong partnership with Walmart and place multiple locations near Walmart Supercenters, so they can capitalize on the traffic that the other company and any others around it will draw in. In 2016, Murphy USA announced they will begin to expand their business in new locations in areas other than Walmart Supercenters. Due to this shift away from Walmart, the Consumers sector will be keeping a close eye on how this change will affect the profitability of Murphy USA.

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

Tupperware Brands Corporation is a portfolio of global direct selling companies which sell products across multiple brands and categories through an independent sales force. It

primarily manufactures and sells preparation, storage, and serving solutions for the kitchen and home. Tupperware has consistently increased sales growth over the past three years, and is always looking for ways to improve their product. For these reasons, the SSIF believes that Tupperware is a good company to hold at the time.

### **John Wiley & Sons Inc. (J/WA)**

John Wiley & Sons, Inc. is a respected academic publishing company. JWA was founded in 1807, and is headquartered in Hoboken, NJ. John Wiley & Sons, Inc. has proven to be a great company to invest in because of its consistent long-term performance and competitive way of doing business. John Wiley & Sons, Inc.'s mission is to provide the world with knowledge and keep scholars, educators, scientists, etc. updated with the most recent breakthroughs in science and technology.

### **Consumer Staples**

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

Energizer Holdings, Inc. manufactures and markets batteries and lighting products. The company's products include household batteries, specialty batteries and portable lighting. The company is headquartered in St. Louis, MO. With impressive ratios including a high return on assets over the past five years, the SSIF believes that Energizer is a good company to hold at the time.

#### **Flower Foods, Inc. (FLO)**

Flower Foods, Inc. produces and markets packaged bakery foods for retail and foodservice customers. The company offers fresh packaged and frozen bakery products, as well as pastries, doughnuts, and bakery snack products. The Company's portfolio of brands includes: Nature's Own, Wonder Bread, Bunny Bread, and more strong brands. As one of the largest wholesale bakeries in the US, a proven track record, and broad distribution, the SSIF strongly believes Flower Foods, Inc. stock price will continue to grow in the future.

#### **Ingredion Incorporated (INGR)**

Ingredion is a global ingredient solutions provider. Ingredion was founded in 1906, and is headquartered in Westchester, IL. Ingredion works to make foods healthier, food production more efficient, and materials like plastics better for the environment. Ingredion has proven to be a durable company and has evolved into one of the best ingredient solution providers over the past century. Ingredion is projected to keep growing substantially, for there are still many breakthroughs needed in food, health, and environmental care.

## **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. GPOR also has properties in Colorado, Canada, and has taken up interests to operate in Southeast Asia. Over the years, GPOR has become one of the leading producers in the Utica Shale. Part of the company's business strategy is to sell some of their assets to pay down debt while building up more lucrative Utica shale assets. As of today, the SSIF continues to hold the stock because we believe that the company still has value and will perform well in the upcoming years.

### **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. Recently, the company has announced that it will purchase Suncor Energy's Petro-Canada Lubricants business. With this new purchase, HFC will still provide value to the SSIF portfolio in upcoming quarters.

## **Financial Services**

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

American Financial Group is one of the nation's leading insurance companies. AFG mainly deals in property and casualty insurance. Because of the regional diversity and distribution of AFG's customer base, we believe that they are less susceptible to risk than other insurers. Their management team has also done a great job in mitigating the company's exposure to rising interest rates through immediate-term fixed securities and derivatives. AFG is a great addition to the SSIF portfolio because of its overall safety and consistent growth.

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

Bank of Hawaii is a regional bank that solely operates in the state of Hawaii. We believe that BOH is a solid regional bank because of the continued growth of the Hawaiian economy. Hawaii currently has the eighth lowest unemployment rate in the United States

and its real estate and tourism industries are very strong. Because of these drivers, we believe that more people will take out home or construction loans and be able to pay them off. We believe that because of these factors BOH is a solid investment for the SSIF.

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

Everest Reinsurance is a leading property and casualty reinsurance company. They are currently held in the SSIF portfolio due to their strong cash flows and their attractive profitability and valuation metrics. As of June 2017, Everest Re has moved to the S&P 500. We plan to sell our shares and replace them during the following fall semester.

### **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. We believe that FII has value because of short-term interest rates are rising which increases the yields on Money Market Funds. Management has been very effective at working around new regulations for Money Market Funds. Also, we believe they will grow because their management has been expanding their Fixed Income and Equity funds and Separately Managed Accounts since they can be charged higher fees. Due to the growth of these segments, we believe that FII is a great addition to the SSIF portfolio.

### **Janus Henderson Group (JHG)**

Janus Henderson Group is a holding company which provides asset management services. They are a new company as the result of a merger between Janus Capital Group and Henderson Group plc. JHG has a very diverse portfolio of assets under management discipline and regional-wise. Even though JHG is a relatively new company, we believe that they will see future growth thanks to their actively managed equity funds and great fixed income team.

### **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 insurers 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.

### **Trustmark Corp. (TRMK)**

Trustmark Corp. is the holding company for Trustmark National Bank. It is a regional bank that operates in the southern United States. They also have a health and life insurance and retirement division on the side. With the trends of the aging 'Baby Boomer' population, we believe that Trustmark will see growth in their insurance and asset management divisions. We currently hold TRMK because of their solid bank portion and the industry's current demographic trends.

## **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 believe their strategy to diversify by providing hundreds of products across a wide healthcare spectrum will bode well for the company during times of volatility while also improving their business and profitability.

### **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 numerous anesthetic practices which will bring their total network of providers to over 1,000 and position them as one of the largest providers of anesthetic services.

### **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. Although the company is currently active largely in the pulmonary arterial hypertension market, they have been focusing much effort into research and development into new therapies that may be a breakthrough in their field. In the past they have researched pharmaceuticals in the areas of cancer, and are making significant progress in organ transplant technology. As such, the company not only has a successful line of current therapies but a promising future in other indications and disease treatments.

## **Industrials**

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

Carlisle Companies Inc. is a manufacturing and distribution company for products for 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 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. HUBB 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.

### **Huntington Ingalls (HII)**

Huntington Ingalls focuses on designing, building, and servicing U.S. naval vessels. This company has a dominate position in the area of naval warship manufacture, design, and servicing. In particular, they are the only company able to build and service nuclear aircraft carriers. They have a large order backlog with strong profit and operating margins along with strong cash flows to support their continued stock buyback and dividend payments.

### **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. This is shown in the valuation model which has the company undervalued.

### **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.

### **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 manufactures. 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 provider of technology-based service solutions that help clients grow their business and enhance customer experiences. They operate with clients to help secure, process and communicate the information their customers need to manage their business. This company functions 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 information technology industry. DST Systems, Inc. has strong potential to maintain growth during the upcoming years. With the advent of cloud based computing, and an increased demand for documents to be processed and archived, we believe DST provides products that will be at the forefront of the next wave of digital 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.

### **Integrated Device Technology Inc. (IDTI)**

Integrated Device Technology is a semiconductor company who designs, manufactures and markets its own product and modules. IDTI offers many commuting solutions for a

broad range of applications, and are a leader in product innovation. They offer products for advanced communications, computing, consumer, automotive, and industrial end-markets. They are favorably positioned against their peers to see continued growth.

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

Vishay Intertechnology is a manufacturer of discrete semiconductors and passive components products. They pride themselves on a huge 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.

## **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. 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.

### **Sonoco Products Co. (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 recently expanded its protective packaging business via acquisition and serves the consumer electronics, medical, and retail industries. The company aims to increase revenue via new product innovations, acquisitions, and geographic expansion. The global economy is currently in a recession; therefore, it is the perfect time to purchase material investments.

### **Real Estate**

#### **CoreCivic Inc. (CXW)**

CoreCivic Inc. is a real estate investment trust that provides real estate solutions to the federal and state governments through three arms, CoreCivic Safety, CoreCivic Properties, and CoreCivic Communities. CXW is held in the portfolio due to its steady, consistent cash flows that we believe to be undervalued in the current marketplace due to political uncertainty.

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

Hospitality Properties Trust is a Real Estate Investment Trust that invests primarily in hotels and travel centers. With the strengthening economy, we believe that an increase in travel will increase the operating results for HPT's tenants which in turn, will strengthen margins for HPT.

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

Lamar Advertising Company is an outdoor advertising company who uses billboards. We are confident in the continued 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, which is where we see a potential for future growth, in addition to an increasingly attractive balance sheet. Requirements for continued investment include Lamar continuing to maintain its status as an REIT.

#### **Liberty Properties Trust**

Liberty Properties Trust is a real estate investment trust that invests in office and industrial buildings. They have just finished a transition that involved significant asset turnover, but we believe that they have positioned themselves for success in the future marketplace..

### **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. After the recent merger with Post Properties, Mid-America Apartment Communities is the nation's largest apartment real estate investment trust. MAA has produced strong margins in the past and we believe that they will continue on this path with the synergies that the merger will provide.

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

Sabra Health Care REIT, Inc. Operates as a self-administered, self-managed real estate investment trust. The merger with Care Capital has now been completed and while is no longer an immediate buy, we like this company enough to continue holding our position. The combined company has gained much needed size from the merger, a competitive advantage in a difficult sector. Diversification from the merger also ensures lower exposure to individual industry volatility. We maintain that this stock is a solid hold.

## **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. During 2016, the company completed nearly 20 acquisitions and have plans to keep growing their customer base with this strategy in 2017.

### **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. 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.

### **UGI Corp (UGI)**

UGI Corp is a holding company that distributes, stores, transports and markets energy products and related services. This company completed an international acquisition. UGI Corp also has diversification within the company, therefore reducing the risk of the company.

# Portfolio Holdings

Symbol/Sector	As of 12/31/16		As of 06/30/17		S&P 400 Constituent
	Shares	Market Value	Shares	Market Value	
<b>Consumer Discretionary</b>					
DECK	400	\$ 22,156.00	300	\$ 20,478.00	Yes
EAT	400	\$ 19,812.00	1,300	\$ 49,530.00	Yes
J/WA	900	\$ 49,050.00	1,100	\$ 58,025.00	Yes
MUSA	300	\$ 18,441.00	300	\$ 22,233.00	Yes
PNRA	180	\$ 36,916.20			
TUP	1,000	\$ 52,620.00	700	\$ 49,161.00	Yes
<b>Total</b>		<b>\$ 198,995.20</b>		<b>\$ 199,427.00</b>	
<b>Consumer Staples</b>					
ENR	300	\$ 13,383.00	700	\$ 33,614.00	Yes
FLO	1,100	\$ 21,967.00	1,100	\$ 19,041.00	Yes
INGR	350	\$ 43,736.00	200	\$ 23,842.00	Yes
<b>Total</b>		<b>\$ 79,086.00</b>		<b>\$ 76,497.00</b>	
<b>Energy</b>					
GPOR	1,100	\$ 23,804.00	1,700	\$ 25,075.00	Yes
HE			500	\$ 16,190.00	Yes
HFC	1,000	\$ 32,760.00	1,500	\$ 41,205.00	Yes
UGI			500	\$ 24,205.00	
<b>Total</b>		<b>\$ 56,564.00</b>		<b>\$ 106,675.00</b>	
<b>Financials</b>					
AFG	200	\$ 17,624.00	600	\$ 59,622.00	Yes
BOH	600	\$ 53,214.00	600	\$ 41,485.00	Yes
CBOE	200	\$ 14,778.00			
CCP	700	\$ 17,500.00	1,600	\$ 42,720.00	Yes
CXW	1,300	\$ 31,798.00	1,300	\$ 35,854.00	Yes
FII			2,000	\$ 56,500.00	Yes
JHG			543	\$ 17,978.73	Yes
HPT	1,800	\$ 57,132.00	1,400	\$ 40,810.00	Yes
LAMR			300	\$ 22,071.00	Yes
LPT	1,400	\$ 55,300.00	1,400	\$ 56,994.00	Yes
MAA	400	\$ 39,168.00			
RE	250	\$ 54,100.00	250	\$ 38,188.50	Yes
RGA	450	\$ 56,623.50	450	\$ 57,775.50	Yes
TRMK	1,600	\$ 57,040.00	1,600	\$ 51,456.00	Yes



WDR	2,200	\$	42,922.00			
<b>Total</b>		<b>\$</b>	<b>497,199.50</b>		<b>\$</b>	<b>521,454.73</b>
<b>Health Care</b>						
LIVN	300	\$	13,491.00	300	\$	18,363.00 Yes
LPNT	300	\$	17,040.00	400	\$	26,860.00 Yes
MD	300	\$	19,998.00	300	\$	18,111.00 Yes
TECH	500	\$	51,415.00	500	\$	58,750.00 Yes
UTHR	250	\$	35,857.50	150	\$	19,459.50 Yes
<b>Total</b>		<b>\$</b>	<b>137,801.50</b>		<b>\$</b>	<b>141,543.50</b>
<b>Industrials</b>						
CSL	500	\$	55,145.00	600	\$	57,240.00 Yes
HII	200	\$	36,838.00	100	\$	18,616.00 Yes
HUBB	450	\$	52,515.00	450	\$	50,926.50 Yes
JBLU	800	\$	17,936.00	1400	\$	31,962.00 Yes
KEX	750	\$	49,875.00	750	\$	50,137.50 Yes
OSK	800	\$	51,688.00	800	\$	55,104.00 Yes
<b>Total</b>		<b>\$</b>	<b>263,997.00</b>		<b>\$</b>	<b>263,986.00</b>
<b>Information Technology</b>						
ANSS	600	\$	55,494.00	450	\$	54,756.00 Yes
ARW	700	\$	49,910.00	700	\$	54,894.00 Yes
DST	400	\$	42,860.00	900	\$	55,530.00 Yes
IDCC	500	\$	45,675.00	500	\$	38,650.00 Yes
IDTI	2,100	\$	49,476.00	2,300	\$	59,317.00 Yes
SYNA				400	\$	20,684.00 Yes
VSH	3,500	\$	56,700.00	3,500	\$	58,100.00 Yes
<b>Total</b>		<b>\$</b>	<b>300,115.00</b>		<b>\$</b>	<b>341,931.00</b>
<b>Materials</b>						
ATR	350	\$	25,707.50			
SLGN	1,100	\$	56,298.00	1,000	\$	31,780.00 Yes
SON				1,000	\$	51,420.00 Yes
SXT	700	\$	55,006.00	700	\$	56,371.00 Yes
<b>Total</b>		<b>\$</b>	<b>137,011.50</b>		<b>\$</b>	<b>139,571.00</b>
<b>Telecommunication Services</b>						
TDS	100	\$	2,887.00	100	\$	2,775.00 Yes
<b>Total</b>		<b>\$</b>	<b>2,887.00</b>		<b>\$</b>	<b>2,775.00</b>

<b>Utilities</b>						
HE	700	\$	23,149.00			
WTR	723	\$	21,717.44	1,623	\$	54,044.25
WR	1,000	\$	56,350.00			
<b>Total</b>		<b>\$</b>	<b>101,216.44</b>		<b>\$</b>	<b>54,044.25</b>
CASH		\$	9,204.75		\$	17,662.50
<b>SSIF Total</b>		<b>\$</b>	<b>1,784,077.89</b>		<b>\$</b>	<b>1,865,566.98</b>

Yes

# 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, 2017, the COBA portfolio holds 15 stocks with a total market value of \$125,517. Performance by calendar and fiscal year are reported in Table 6.

**Table 6: Performance of the COBA Portfolio as of June 30, 2017**

	Quarter	Calendar YTD	1-Year	3-Year	5-Year	7-Year	10-Year	Since Inception
<b>COBA</b>	<b>6.48%</b>	<b>14.18%</b>	<b>19.58%</b>	<b>11.16%</b>	<b>16.47%</b>	<b>13.57%</b>	<b>10.14%</b>	<b>10.03%</b>
S&P 500 Index*	3.09%	9.34%	17.90%	9.61%	14.63%	15.41%	7.18%	5.21%
<i>Difference</i>	3.39%	4.84%	1.68%	1.55%	1.84%	-1.84%	2.96%	4.82%
Tracking Error**			4.50%	5.29%	4.80%	7.84%	9.00%	13.77%
Information Ratio***			0.37	0.29	0.38	-0.24	0.33	0.35
Months > Benchmark			58%	50%	50%	49%	52%	53%

COBA portfolio value as of June 30, 2017: \$125,517.

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, 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 seven COBA Challenges, with winning teams' names and their stock picks instated on the east wall of the trading room. 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 2016 and Spring 2017, five SSIF members competed in the CFA Research Challenge, St. Louis chapter. The five members included Aaron Goeckner, Sam Drever, Courtney Lucas, Jace Munselle, and Anthony Reed. The challenge consisted of an in-depth analysis of a publicly traded company from the region (Spire Inc. was chosen by the CFA Society), 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 Spire Inc. was supported by an extensive equity analysis report compiled by the team members, which was then presented to a panel of expert 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 six teams from six universities entered the 2016-2017 local competition in St. Louis. The local competition took place on February 17, 2017, and SIU came in second 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 2018

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The SSIF reviews the past fiscal year (FY 2017) as a period to reflect from so that we may advance our strategies for upcoming years while adhering to the investment philosophy, process and mandate. Our mission is to continue to develop a hands-on investment organization that best represents SIU and its stakeholders.

In the past fiscal year, we have had success in attracting many new members and developing a more professional and efficient way in holding meetings and improving individual skills. 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.

The SSIF will still be active in recruitment throughout the year, in order to maintain a strong organization and continuity in management in the future. The group will work to ensure all members understand and implement the investment philosophy, process and mandate as communicated to the SIU Foundation. The SSIF believes that its organizational structure, along with its commitment to the investment philosophy, process and mandate, will continue to deliver positive results to the SIU Foundation and the overall university community.

# 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: 2016-2017 SSIF Members

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Kyle Adams  
Anthony Barbato  
Sam Berger  
Orryn Boles  
Andre Brillhante  
Joshua Carpenter  
Bennett Cohen  
Kendall Cole  
Alex Crawford  
Griffin Day  
Sam Drever  
Elijah Evans  
Katherine Gallick  
Jessica Giacobbi  
Aaron Goeckner  
Josh Goodman  
Rachel Hauer  
Neil Henry  
Marisela Herrera  
Zenon Hill  
Xue Jin  
Jason Kaney

Chen Li  
Haoran Liu  
Karina Lopez  
Courtney Lucas  
Elijah Mihalik  
Austin Miller  
Parker Moses  
Jace Munselle  
Asia Pearson  
David Pickett  
Anthony Reed  
Rachael Reid  
Mitchell Rhymes  
Karla Rosado  
Travis Rotheiser  
Carl Schmidt  
Louis Siracusano  
Roderick Throgmorton  
Spencer Tribout  
Tyler Tuchscherer  
Lu Yan  
Jeremy Zeoli