



# **Fiscal Year 2022 Annual Report**

**June 30, 2022**  
**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. The goal is to look for the best companies trading at discounts to fair value to outperform the mid-cap equity benchmark (S&P400 Total Return Index SPTRMDCP). This allows students to put their classroom 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 with fundamental research.

The SSIF is open to all 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 has accepted students majoring in Finance, Business Economics, Accounting, Marketing, Management, Mathematics, Physics, Engineering, Health Care Management, and Political Science.

As of June 30, 2022, the SSIF manages a total of \$3,010,370.58

# 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, the 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 proposed 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.

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. This took place after Dr. Greene stepped up to become the Interim Dean of the College of Business at SIU Carbondale.

Dr. Timothy Marlo, Clinical Associate Professor, took the reins as faculty advisor of the SSIF at the beginning of the Fall 2016 semester. On August 30, 2018, the SIU Foundation approved the merge of the Graduate Student Investment Fund with the SSIF, transferring \$870,214 to the Fund. In 2021, the Fund hit a historic high as it surged over \$3,000,000 in AUM with the participation of more than 350 undergraduate and graduate students since its inception.

Since 2000, the Foundation has graciously contributed \$1,706,653 in principal to the Fund, and the Fund has returned \$878,513 back to the Foundation. Thus, the net amount contributed by the Foundation to the Fund is \$828,140. This amount is currently worth \$3,010,371.

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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, 2022. 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 2022, the SSIF remained focused on 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 2023 outlook of the Saluki Student Investment Fund followed by a list of resolutions, and a complete member roster for the SSIF during FY 2022.

Over the past fiscal year, the 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 by tracking the benchmark sector weightings 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 2022.

Looking forward, the SSIF will continue to work diligently to adhere to the SSIF investment philosophy 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 2023.

Thank you for your continued support,

The Saluki Student Investment Fund

# Overview

## Annual Review

The U.S. economy entered 2021 in overdrive, but the expansion combined with difficulties in the global supply chain has caused inflation to rise more than anticipated. The economy is expected to slow down as a result of interest rate hikes announced in March 2022, but inflation has not slowed after two further increases. With GDP growing 4.3% in the final three months of 2021, the economy finished the year strong. Growth was accompanied by a sharp increase in inflation, which reached 7% year over year, much beyond the Federal Reserve's objective of 2%. By the end of 2021, the unemployment rate had decreased to just 3.9% from 6.4% at the beginning of the year. At the time the economy collapsed in April 2020, the unemployment rate reached a pandemic high of 14.7%.

During 2021, the Federal Reserve kept the fed funds rate at or close to zero, which supported economic development. In addition, the Federal Reserve made historic purchases of mortgage and Treasury securities during this time. However, the Board indicated at its meeting in December 2021 that it would hasten the tapering of its purchases of Treasury bonds and mortgage-backed securities. This move was a sign that higher interest rates were approaching.

The Federal Open Market Committee (FOMC) meeting on December 15 revealed its December 2021 estimate, which predicted that the U.S. GDP will rise by 4% in 2022. It was predicted that after that, the growth rate would decline to 2.2% in 2023 and then further fall to 2% in 2024. The Federal Reserve revised its previous forecasts during its meeting on March 16, 2022, calling for a lower 2.8% growth in GDP in 2022, followed by 2.2% growth in 2023 and 2% growth in 2024.

According to forecasts, the core inflation rate will be 4.1% in 2022, 2.6% in 2023, and 2.3% in 2024. The Federal Reserve has a 2% inflation objective and prefers to base monetary policy on the core inflation rate, which excludes volatile food and gas costs.

The Federal Reserve predicted a 3.5% unemployment rate for 2022 based on the same study from March 2022. It was predicted that the rate will stay there in 2023 and increase to 3.6% in 2024. Every year, the Bureau of Labor Statistics (BLS) releases an occupational outlook that includes extensive information about each sector and profession. The BLS anticipates an 11.9 million job growth in total employment between 2020 and 2030.

Over the next ten years, 3.3 million jobs in the healthcare and social support sectors are expected to be added, bringing the total to 23.1 million by 2030. The leisure and hospitality sectors are expected to increase rapidly as firms make up ground lost due to the pandemic, according to the BLS. This would suggest a positive outlook pertaining to our healthcare sector holdings.

While e-commerce is still expanding, the majority of the industrial and retail sectors will continue to see employment losses. There will also be decreases in the consumer rental and wired communications sectors. This emphasis on renewable energy impacted the energy sector as well. Shareholders in the S&P 400 are divesting from traditional energy companies in favor of renewable energy companies. The Energy sector was also impacted by lifted travel bans. The demand for gasoline has increased, as decreased quantity of fuel was produced during COVID now production is struggling to catch back up to Pre-Covid demand. This is causing overly high prices. However, a variant of COVID-19 and the new Monkey Pox virus have caused a new panic causing more people to quarantine and be hospitalized. All of these external factors pertaining to our holdings are being closely monitored, as they have potential to impact our holdings.

All sectors have gradually been influenced by the rise in climate change. The most immediate effects are being seen in real estate. Infrastructure in the Western United States has been severely harmed by wildfires. The effects of the wildfires may be observed throughout the American continent. As far east as the eastern shore, the air quality has gotten worse. Infrastructure is also under jeopardy due to storms' enhanced strength. Homes, businesses, retail stores, and conventional energy sources like gas and oil are all being destroyed by floods. As more people become aware of the implications of the changing environment, ESG norms are becoming increasingly common. Additionally, Generation Z's voices are starting to be heard. New investors are more likely to put their money into businesses that are profitable, help the environment, and benefit communities. This further credits the fund's practice of taking ESG metrics into account when deciding whether or not to pursue companies. Additionally, having a portfolio consisting of ESG friendly holdings ensures that the fund has strategically set itself ahead of the curve.

We still hold to our belief that there is attainable value in mid-cap stocks, particularly in the S&P 400 Index. We believe we are well-equipped to find this value. Over the course of the year, we continued developing a well-documented, repeatable process for future members to continue outperforming the benchmark over the long-term.

## 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.

As shown in Table 1, the Industrials and Financials sectors are the two largest sectors and Communication Services and Utilities are the two smallest sectors. The Table compares each sector to the S&P Midcap 400, our benchmark, and displays the difference between the fund's weightings and that of the benchmark. For reference, the sector weights as of the past fiscal year ending June 30, 2021 have been included.

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

As of 6/30/2022				As of 06/30/2021			
Sector	SSIF	Benchmark	Diff.	Sector	SSIF	Benchmark	Diff.
Consumer Discretionary	13.36%	13.97%	-0.61%	Consumer Discretionary	15.08%	14.78%	0.30%
Consumer Staples	3.42%	3.61%	-0.19%	Consumer Staples	3.41%	3.43%	-0.02%
Energy	3.46%	3.58%	-0.12%	Energy	1.92%	2.06%	-0.14%
Financials	14.38%	14.21%	0.17%	Financials	15.20%	15.12%	0.08%
Health Care	9.10%	9.16%	-0.06%	Health Care	10.64%	11.07%	-0.43%
Industrials	18.61%	18.73%	-0.12%	Industrials	18.32%	18.02%	0.30%
Information Technology	14.36%	14.12%	0.24%	Information Technology	14.36%	14.43%	-0.07%
Materials	7.52%	7.44%	0.08%	Materials	6.20%	6.32%	-0.12%
Real Estate	10.67%	10.09%	0.58%	Real Estate	9.56%	9.66%	-0.10%
Communication Services	1.66%	1.72%	-0.06%	Communication Services	1.74%	1.80%	-0.06%
Utilities	3.25%	3.36%	-0.11%	Utilities	3.31%	3.31%	0.00%

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

	As of 6/30/2022	As of 6/30/2021
Stocks in the SSIF	37	37
Holdings in the S&P 400	35	35



# Investment Philosophy and Process

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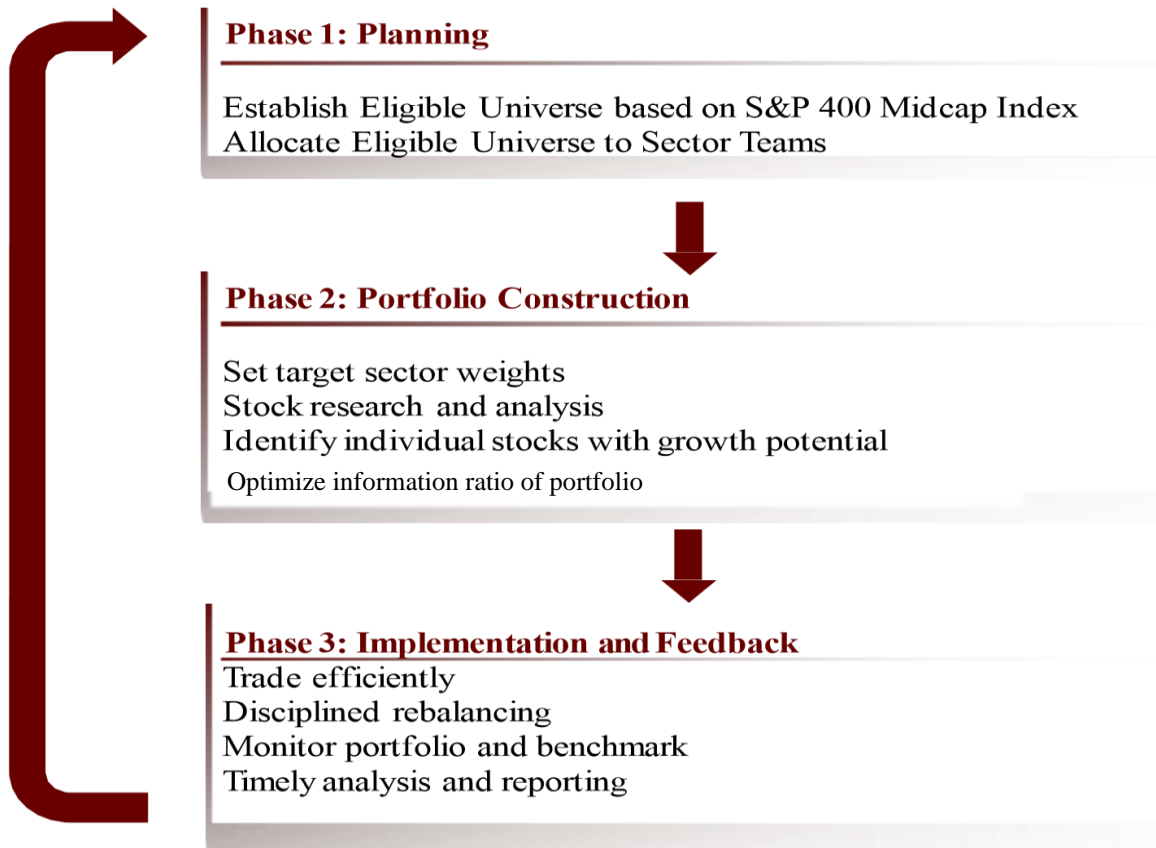
## Investment Philosophy

- 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 Index. 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 to rebalance individual equity weights and sector weights according to their targets. The Fund has determined that all equities should have a minimum exposure of 1% of the Fund's total portfolio.

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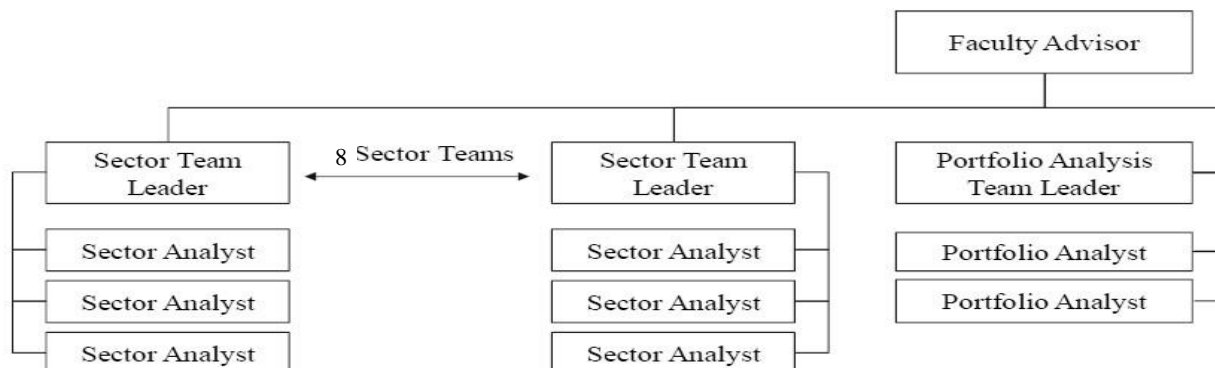
The Saluki Student Investment Fund is an investment group in which students can apply classroom lessons as professionals within an organization that operates as a real investment management firm. Students have full responsibility for researching companies and making buy/sell decisions. The responsibilities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

Consumers & Communication  
 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 a loss of 11.58% over the past fiscal year, which was largely driven by the historical high inflation and the Federal Reserve’s rate hikes to fight against it. However, the S&P 400 benchmark posted a loss of 14.64% resulting in SSIF’s relative outperformance of 3.06% for FY 2022. In order to attempt to outperform the benchmark over the long-term, the SSIF remains committed to fundamental research, analysis, and valuations to select stocks with the 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-, 15-, and 20- 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, 2022

	Quarter	Calendar YTD	1-Year	3-Year	5-Year	10-Year	15-Year	20-Year	Since Inception
SSIF	-14.43%	-19.14%	-11.58%	9.34%	8.48%	12.04%	9.30%	10.45%	8.46%
S&P 400 Benchmark*	-15.42%	-19.54%	-14.64%	6.87%	7.02%	10.90%	8.05%	9.55%	8.86%
<i>Difference</i>	<i>0.99%</i>	<i>0.41%</i>	<i>3.06%</i>	<i>2.47%</i>	<i>1.45%</i>	<i>1.14%</i>	<i>1.26%</i>	<i>0.90%</i>	<i>-0.40%</i>
Tracking Error**			5.57%	4.57%	4.66%	3.90%	4.15%	4.56%	5.13%
Information Ratio***			0.55	0.54	0.31	0.29	0.30	0.20	-0.08
Months > Benchmark			67%	56%	50%	51%	53%	51%	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.

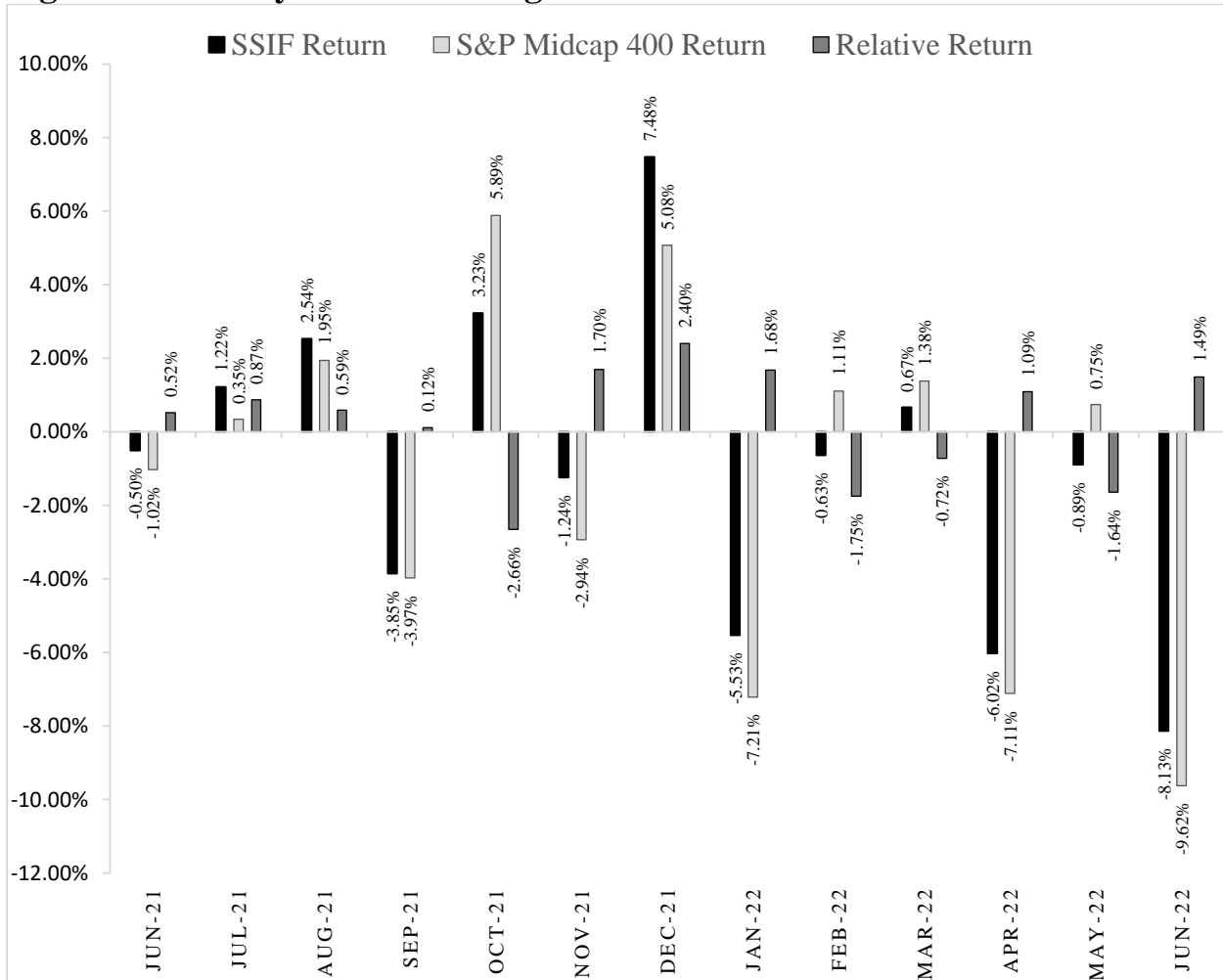
\*\*\* Information ratio is the ratio of the annualized relative return divided by the tracking error

SIU Foundation Portfolio value as of June 30, 2022: \$3,010,370.58

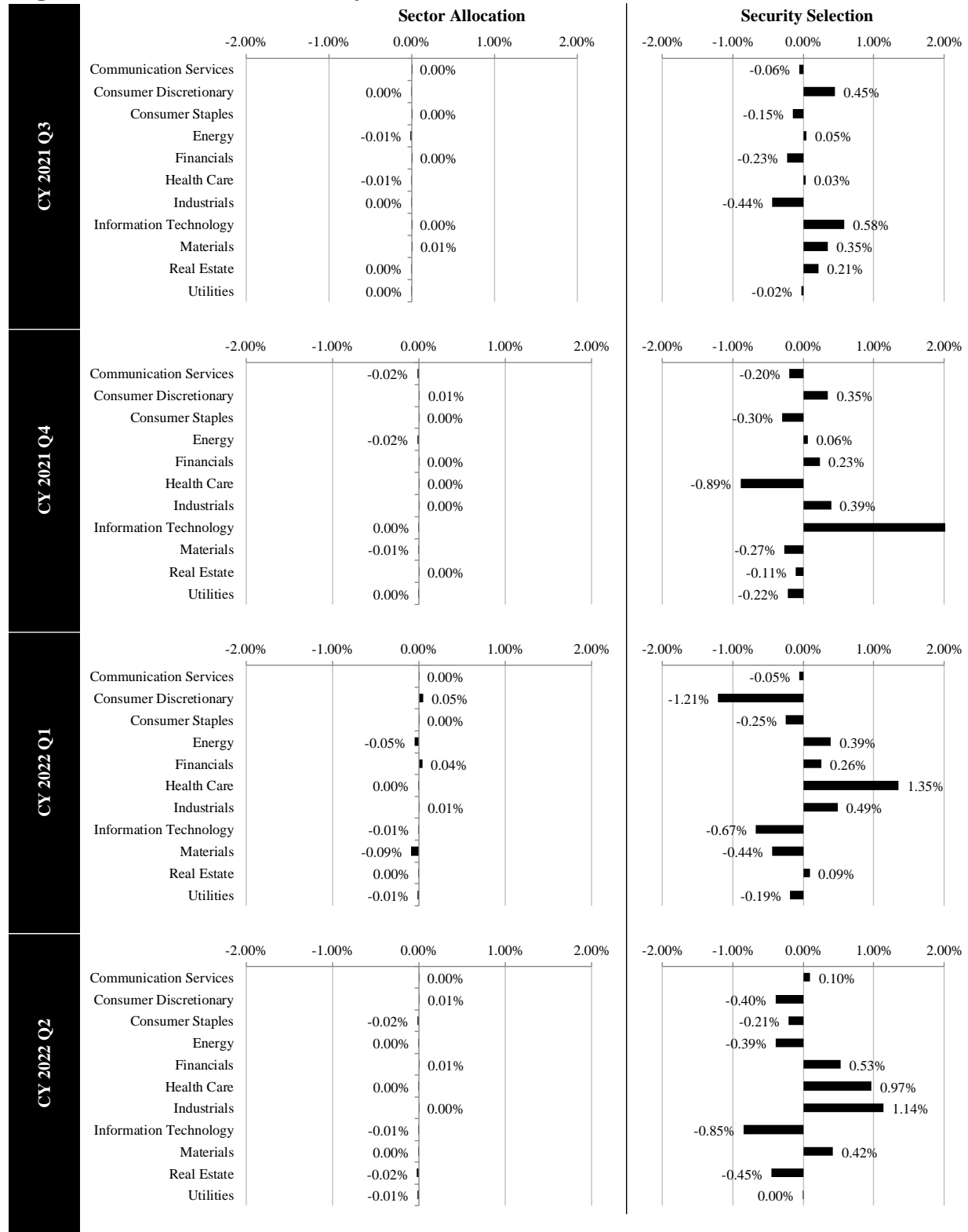
**Figure 1: Annualized Average Return**

Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
SSIF	-2.62%	-13.03%	-4.01%	18.75%	19.31%	12.95%	24.99%	-5.28%	-29.40%	24.67%	48.10%
S&P 400 Benchmark*	8.87%	-4.72%	-0.71%	27.99%	14.03%	12.98%	18.51%	-7.34%	-28.02%	24.93%	39.38%
Difference	-11.50%	-8.31%	-3.29%	-9.23%	5.29%	-0.03%	6.49%	2.05%	-1.38%	-0.26%	8.72%
Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
SSIF	-1.34%	25.31%	24.12%	8.69%	4.59%	17.40%	10.10%	4.38%	-4.75%	55.20%	-11.58%
S&P 400 Benchmark*	-2.33%	25.18%	25.24%	6.40%	1.33%	18.57%	13.50%	1.36%	-6.70%	53.24%	-14.64%
Difference	0.99%	0.12%	-1.11%	2.29%	3.26%	-1.16%	-3.40%	3.01%	1.95%	1.96%	3.06%
Calendar Year	2000**	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
SSIF	-2.88%	-10.12%	-19.13%	34.14%	13.69%	13.97%	13.64%	9.93%	-34.43%	30.84%	32.59%
S&P 400 Benchmark*	9.41%	-0.60%	-14.51%	35.62%	16.48%	12.56%	10.32%	7.98%	-36.23%	37.38%	26.64%
Difference	-12.30%	-9.52%	-4.62%	-1.48%	-2.79%	1.42%	3.32%	1.95%	1.80%	-6.54%	5.94%
Calendar Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
SSIF	3.40%	16.25%	15.15%	6.90%	2.50%	18.68%	16.72%	-9.50%	29.62%	10.15%	30.77%
S&P 400 Benchmark*	-1.73%	17.88%	14.59%	9.77%	-2.18%	20.74%	16.24%	-11.08%	26.20%	13.66%	24.76%
Difference	5.13%	-1.63%	0.56%	-2.87%	4.67%	-2.05%	0.47%	1.59%	3.42%	-3.51%	6.01%

**Figure 3: Monthly Returns during Fiscal Year 2022**



**Figure 4: FY 2022 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, a 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 2022**

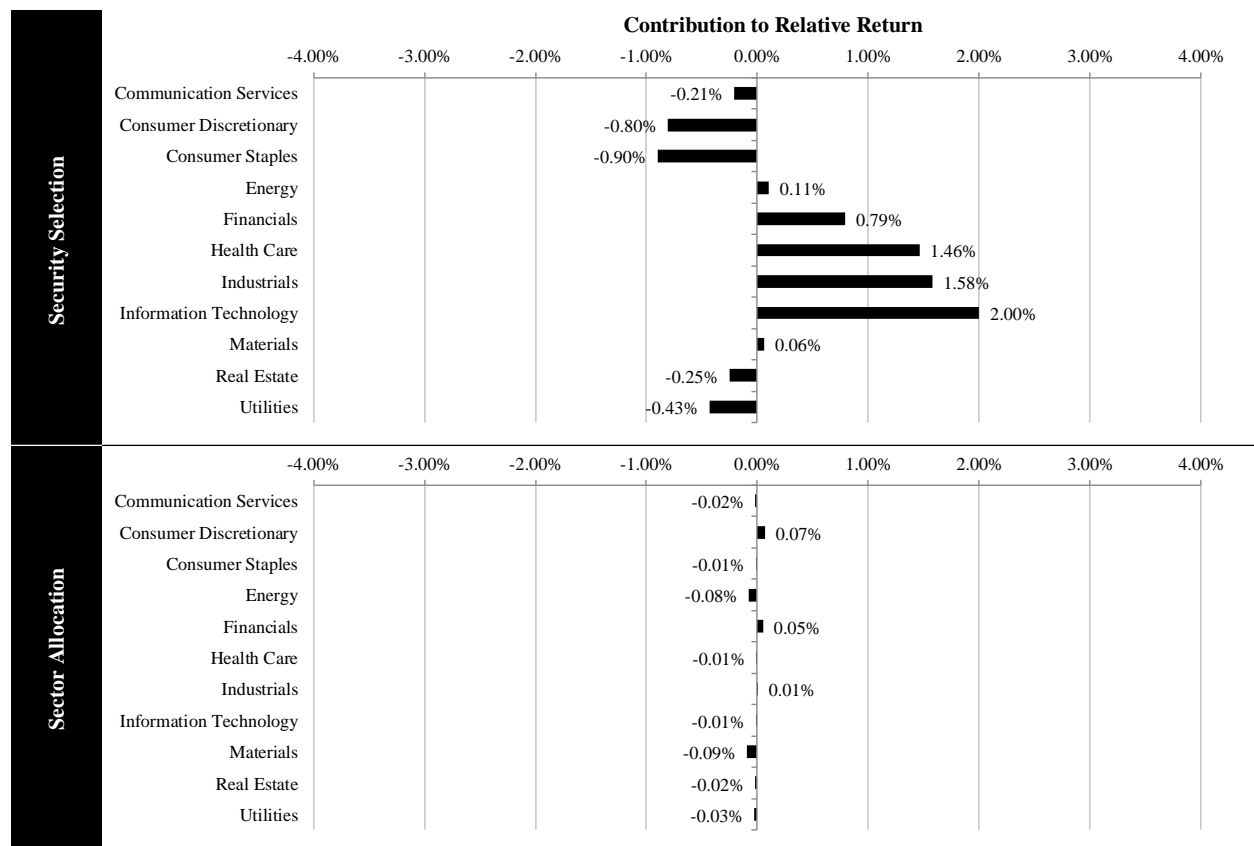


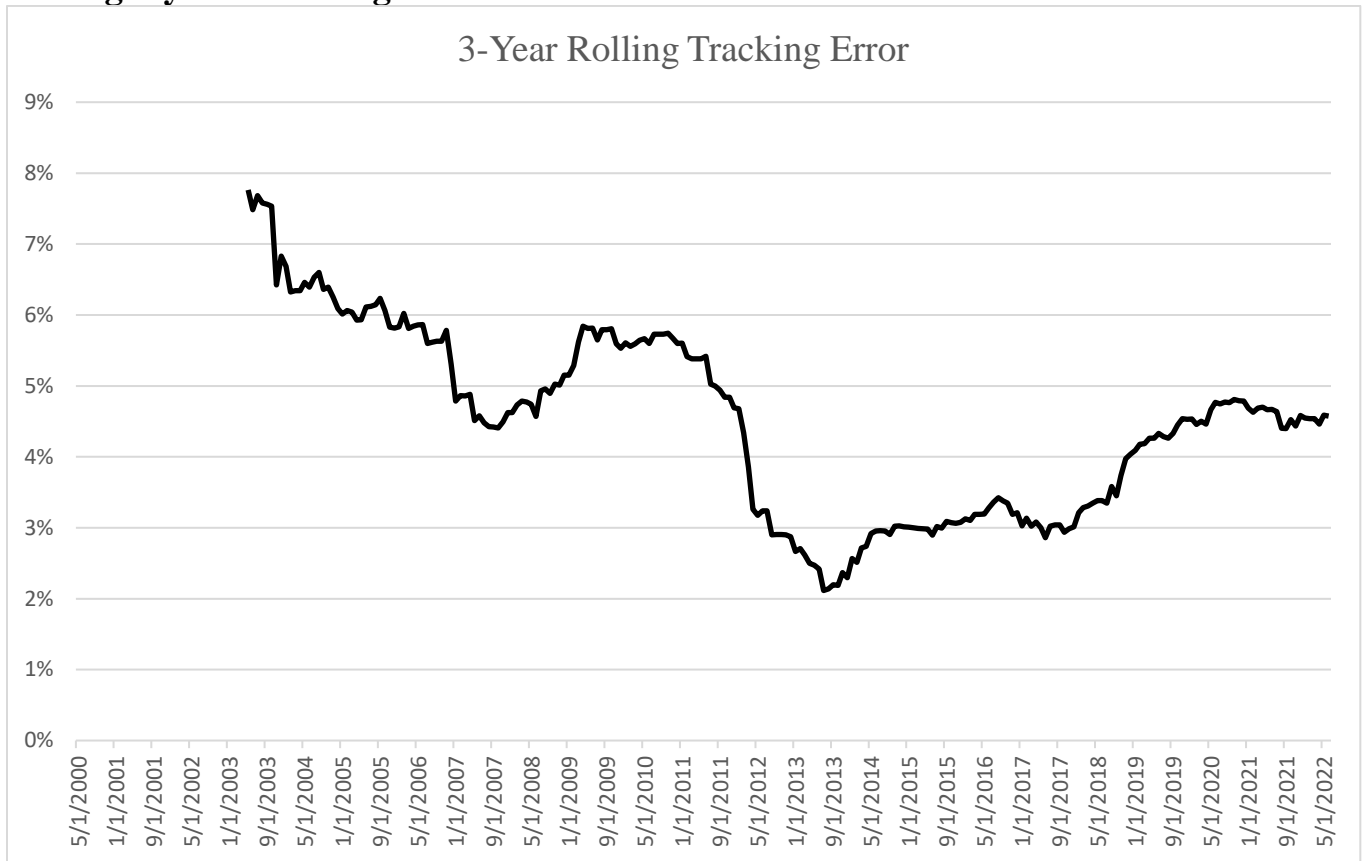
Figure 5 and Table 4 show the relative return attribution into sector allocation and stock selection for the Fiscal Year 2021. As demonstrated by Figure 4, the SSIF maintains a sector neutral policy so the very low contribution from sector allocation is to be expected. The small returns from sector allocation 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 Information Technology sector was the top contributing sector in contrast to Consumer Staples.

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

	Full Year		Total
	Sector Allocation	Security Selection	
Cash	0.03%	0.00%	0.03%
Communication Services	-0.02%	-0.21%	-0.23%
Consumer Discretionary	0.07%	-0.80%	-0.74%
Consumer Staples	-0.01%	-0.90%	-0.91%
Energy	-0.08%	0.11%	0.03%
Financials	0.05%	0.79%	0.84%
Health Care	-0.01%	1.46%	1.45%
Industrials	0.01%	1.58%	1.59%
Information Technology	-0.01%	2.00%	1.99%
Materials	-0.09%	0.06%	-0.03%
Real Estate	-0.02%	-0.25%	-0.27%
Utilities	-0.03%	-0.43%	-0.46%
Total	-0.11%	3.41%	3.29%
Actual Relative Return			3.06%
Unexplained by Attribution Model			-0.23%



## Rolling 3-year Tracking Error



Since 2012, the SSIF has significantly decreased tracking error relative to the benchmark to around the 3% to 4% 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 but focuses on maximizing the Information Ratio (Appraisal Ratio). This ratio measures outperformance while penalizing risk and is calculated by determining the CAPM alpha and dividing it by the standard error of the model.

# Individual Stock Contributions

**Table 5: Individual Stock Contributions During Fiscal Year 2022**

Rank	Top Ten Contributors	Contribution (%)
1	QUALYS INC	0.93
2	CARLISLE COS INC	0.76
3	UNITED THERAPEUTICS CORP	0.59
4	MURPHY OIL CORP	0.43
5	MEDPACE HOLDINGS INC	0.34
6	HANOVER INSURANCE GROUP INC/	0.29
7	AECOM	0.17
8	ENVISTA HOLDINGS CORP	0.16
9	REINSURANCE GROUP OF AMERICA	0.14
10	EXELIXIS INC	0.14
Rank	Bottom Ten Contributors	Contribution (%)
1	FIVE BELOW	-1.43
2	FLOOR & DECOR HOLDINGS INC-A	-1.40
3	DICK'S SPORTING GOODS INC	-1.33
4	LANCASTER COLONY CORP	-1.21
5	OSHKOSH CORP	-1.20
6	MKS INSTRUMENTS INC	-1.19
7	ENCOMPASS HEALTH CORP	-1.07
8	GLOBUS MEDICAL INC - A	-0.71
9	MANPOWERGROUP INC	-0.63
10	GENTEX CORP	-0.60

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

The Healthcare sector contributed four of the top ten holdings, and the sector is continuing to revalue our top performing companies, and still expects future value from our holdings due to the aging population, industry growth, and high demand for pharmaceuticals. Meanwhile, the Consumer Discretionary & Staples made up five of the bottom ten contributors. Please note that regardless of past one-year performance, the Fund remains sector neutral and 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, 2022. 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

### **Cable One, Inc. (CABO)**

Cable One spun off from Graham Holdings Company in 2015 and went public on the NYSE under CABO. Targeting rural, low-competitive areas, Cable One provides internet, video, and phone services operating in a \$691 billion cable and satellite industry. In 2019, Cable One introduced Sparklight—their customer-facing brand. Sparklight, Fidelity Communications, Clearwave, Hargray, and NewWave makeup Cable One's primary brands. Purchased in March 2022, the fund believes Cable One is an attractive, undervalued company for a few reasons—they are transitioning to more profitable services like data and business services, the industry has extremely high barriers to entry and low competitive threats, and Cable One has multiple factors of growth like increased M&A and higher penetration rates.

## Consumer Discretionary

### **Dick's Sporting Goods (DKS)**

Dick's Sporting Goods is the largest sporting retailer in the U.S. with over 850 locations nationwide. They specialize in sports and workout equipment, athletic apparel, footwear, and accessories. We are confident that their market share will continue to increase as much of their competition has dwindled citing Dick's as the main cause. Their omnichannel approach has led to a streamlining of revenue through e-commerce during the pandemic season and will be essential for increased e-commerce in the future. Dick's partnerships with top-line brands in niche categories provide stability across their diverse product line. They have effectively acquired small and large sporting retailers including the purchase of many local competitors. For these reasons, we believe Dick's Sporting Goods is a strong security in the often-volatile Consumer Discretionary sector and has a clear business philosophy with distinct strategies for their future.

### **Five Below (FIVE)**

Five Below is the operator of discount retail stores throughout the United States. They primarily focus on toys and knick-knack type products for children and middle-aged parents. We believe that we are currently in a situation where many consumer discretionary companies are of low quality. Five Below shows the highest standards of quality compared to many mid-cap stocks because the unit economics of the business are fantastic. Also, management continues to find new ways to improve the supply chain over time and focuses on delivering quality products as opposed to focusing on higher margins. Lastly, Five Below has recession-resistant qualities. Because of these reasons, we believe we will see strong growth in the future.

### **Floor and Decor (FND)**

Floor and Décor is a low-cost provider of hard-surface flooring in multiple categories like hardwood, vinyl, and tile. They provide their services to DIY and Professional Housing customers. Floor and Décor stands out in this sector due to their undervalued unit economics giving them impressive ROIs. Also, hard surface floor tailwinds make their growth opportunities very attractive. Lastly, they are the lowest cost provider in their industry making them the go-to flooring outlet.

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

Gentex Corporation is the largest manufacturer of auto-dimming rearview mirrors. With their 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 are incredibly important. They run a very conservative balance sheet and R&D policy that may 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 have 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.

### **Levi Strauss & Co. (LEVI)**

Levi Strauss & Co. is a clothing company known worldwide for its Levi's brand of denim jeans. The company has been around since 1853, and still manages many relevant brands under Levi's name and Dockers' products. They primarily focus on maintaining the reputation of their brand, direct-to-consumer strategies, and casualization trends. One focus has been trying to reach beyond its traditional male customer by appealing more to women. In addition to this, they are also trying to increase their ESG factors by being more involved in social awareness issues and using web presence in order to

speak up. Due to those factors plus having competent management and well-regarded, iconic products that seem to never go out of style, LEVI seems to be a strong hold in the Consumer Discretionary's sector.

## **Consumer Staples**

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

Lancaster Colony is a specialty consumer packaged goods company that specializes in salad dressings, sauces, dips, frozen, and organic bread. We believe that this company is the only quality investment in the Consumer 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 sector's 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.

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

Energizer Holdings, Inc. is an American battery manufacturer, providing primary batteries, battery-related goods, lighting items, and automotive products to consumers worldwide. Their specialization in batteries has resulted in the company receiving a generous amount of market share. Additionally, their strategy of acquiring notable brands in the battery and car product industries has allowed the company to see significant revenue growth since forming in 2015. During this tenure, ENR has seen increased growth in their reported dividends every year, while not witnessing any dividend report drop by more than 10%. Furthermore, Energizer Holdings, Inc.'s existing market share, in collaboration with the fact that they are currently undervalued, proves that the company is a reliable security to manage because of its expected growth through a difficult period for the Consumer Discretionary sector.

## **Energy**

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

Murphy Oil Corporation is an independent energy company that engages in the exploration, development, production, and acquisition of oil, natural gas, and natural gas liquid resources in the United States and globally. They possess a diverse portfolio of onshore & offshore assets within the Eagle Ford region, the Gulf of Mexico, and

Canada. Their offshore presence in the Gulf of Mexico is unique among S&P 400 E&P companies. This along with their high margin plays and efficiency make them an attractive stock to hold in periods when commodity prices are especially tumultuous. Their continued focus on improving balance sheet health within favorable commodity price environments also makes them a valuable hold in volatile periods.

## **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 working to become more customer-focused to capitalize on their niche group. The Chinese American population has been one of the fastest growing groups in the United States, which may result in a larger future client base for Cathay. This coupled with the bank's high collection rate on loans and strong leadership are reasons we believe Cathay is a great name for us to hold. In terms of ongoing tension between the US and China, the bank's loan portfolio is not significantly at-risk, with under 3% of their total loans considered susceptible. 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 the current conflict as 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. In the past couple of years, US relations with China have been deteriorating, but only a small portion of EWBC's loan portfolio is directly affected by trade. We believe that there is great value in EWBC that is going unrecognized, partially because of their relationship with China. The strong capital and balance sheet position makes EWBC have the ability to withstand any unexpected situation. In the long-term, it is a great holding for the Fund's portfolio.

### **Federated Hermes, Inc. (FHI)**

Federated Hermes is one of the largest asset managers in the United States. Most of their assets under management are in money market funds. During times of uncertainty in the market, these money market funds are typically great performers as people shift to risk-off investing. We believe FHI will grow because its 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 FHI 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. 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. To date, they have committed much of this money to return capital to shareholders and investing in their domestic business. We believe THG is a good holding for the fund.

### **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 works to 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 demand for primary insurance writers to mitigate some risk through the use of reinsurance. We believe that RGA is well positioned to take advantage of opportunities in the life and health reinsurance segment. RGA is now on its way to go back to the pre-COVID level as people are more comfortable with the virus and COVID is no longer a mortality threat.

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

Renaissance Reinsurance is a company that specializes in property and casualty reinsurance. They are industry leaders in underwriting profitability, which helps them obtain more funding for investment activities. The company's well-capitalized balance sheet also sets RNR up to have a very sustainable business, even during high catastrophe years. Management continues to shift capital toward Casualty & Specialty underwriting, and we expect the business to become more profitable with scale. During and after high catastrophe years, larger reinsurers like RNR will be able to take advantage of price hardening in ways that smaller companies with fewer resources cannot.

## **Healthcare**

### **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.

### **Envista Holdings Corporation (NVST)**

Envista Holdings Corporation (NVST) is a dental holding company comprised of over 30 brands in 140 countries. NVST has an abundance of revenue segments broken down into two parts: equipment and consumables, and specialty products and technology. We believe that Envista Holdings is an undervalued company that can be capitalized on due to its high industry growth potential, healthy financials, and emerging market presence. For instance, cosmetic dentistry alone has increased in popularity in the twenty first century due to technological innovation and the growing middle-class market. Additionally, the increase in the global population poses a risk for dental needs and innovative solutions. For these reasons, we believe that NVST has the ability to produce a positive return for the Healthcare Sector.

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

United Therapeutics Corporation, known by the ticker UTHR was founded in 1996 by CEO and founder Martine Rothblatt in Maryland. With a market cap of nearly \$8 billion, this company is found within the biotech industry. United Therapeutics primarily deals with the treatment of pulmonary arterial hypertension for lung diseases by finding different technologies and medicines to help its patients. Located primarily in the United States and parts of Europe, United Therapeutics has an established market. UTHR is currently undervalued due to revenue expectations of Tyvaso, one of the company's top treatments, which so far has already increased 31% (Y/Y). Additionally, United Therapeutics is a top competitor specializing in the treatment of Pulmonary Arterial Hypertension which we believe gives UTHR an advantage. We believe these reasons coupled with the aging population leads to a high potential return for United Therapeutics.



### **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 produces 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 the potential to expand in the field, and are harnessing oncology rise. 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. Recent workings with the FDA have increased Cabozantinib-based drugs reach into younger audiences (Ages 12+ accepted). 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 the disadvantages of the company's relatively small size. These partnerships should help Exelixis fortify its global presence and expand pipeline opportunities.

### **Industrials**

#### **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 U.S. 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 domestically and abroad will result in promising growth for the company.

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

Carlisle Companies Inc. is a manufacturing and distribution company of products for roofing, construction, aircraft production, and others. This company is positioned strongly in several growing industries, such as commercial construction, and interconnect technologies. CSL provides a strong quarterly dividend and has performed well in dealing with COVID issues. Because they are still consistently increasing their dividends, the company's outperformance over other industrial stocks gives us confidence that our belief in their management team is well placed.

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

Hubbell Incorporated designs, manufactures, and sells electrical and electronic products in the United States and internationally. It operates in 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. Based on our valuations, analysis, and research, we found Hubbell, Inc. to be undervalued by the market. We believe this company has a strong capital structure and a promising future due to a growing industry. Due to the economic effects of the outbreak of COVID-19, the company suffered an impact in the first two quarters of the year 2020 which has caused uncertainty for the future. However, the company continues beating its earnings quarter after quarter making Hubbell a high-quality company to hold.

### **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 the first choice for people who are looking for employment. We believe MAN will be able to capitalize on changing economies as some corporations decline, and MAN will be able to transition the workforce to the new emerging markets.

### **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. This is helping the company create a very reliable reputation and continually add new clients. We believe as manufacturing continues to expand, MSM will be able to meet the demand and add more shareholder value. Because of the COVID-19 outbreak, the company lost revenues due to limitations on the ability to manufacture products and limitations on the suppliers' ability to obtain the products. However, we believe that because of the emphasis this company puts on customer satisfaction, its ability to grow its catalog, and

the acquisition strategy to grow the company's value, MSC Industrial Direct continues to be a solid HOLD.

### **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. Having manufacturing operations in eight U.S. states and seven foreign countries, OSK currently sells and services products in more than 150 countries. Oshkosh proved itself as a stable stock throughout the pandemic, as the defense sector managed to see a 7% increase in net sales during Q3 Fiscal 2020, alongside that Fire and Emergency segment stayed a consistent player, only down about 7% Q3. Commercial and Access equipment took larger hits to net sales individually, but the stock stayed relatively stable due to the consistent nature of their defense segment. With the uncertainty in the markets today, we think Oshkosh is a good company to hold.

### **Information Technology**

#### **Ciena Corp (CIEN)**

Ciena is a leader in internal network management and services. They build networks for companies and manage them as well so that their customers do not have to focus on it. They are looking to expand on their most recent acquisition of Blue Planet, which uses AI to better a network for each companies' needs. Ciena has a strong competitive position in the industry with over 2,000 patents. Plus, they have established strong relationships with powerful players in the industry, most notably AT&T, where they have formed a strategic business partnership. Ciena also has healthy financials that allow them to keep a strong position compared to their peers. Overall, we believe that Ciena is a hold due to their position in the industry and their ability to grow on it.

#### **Lumentum Holdings Inc. (LITE)**

Lumentum Holdings Inc. was founded in 2015 in San Jose California after JDS Uniphase Corporation split into Viavi Solutions and Lumentum holdings. Since its inception, Lumentum has been an industry-leading provider of optical and photonic products. Its vast array of products can be broken down into optical communication products, commercial laser products and diode laser products. Lumentum believes the global markets that it operates in have a fundamentally robust, long-term trend that increases the need for its photonics products and technologies. Lumentum's revenue has grown from \$1 billion in fiscal year 2017 to \$1.7 billion in fiscal year 2020 and is expected to grow in a similar trend in the upcoming years. We believe that Lumentum's

fundamentals and its highly competent internal operations put Lumentum in great shape to grow.

### **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 1980s to present day. 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 technology such as touch ID, face ID, and more in semiconductor product solutions. Synaptics prides itself on generating substantial revenues from multiple markets in the U.S. as well as internationally through its global business model. Recently within the last two years, Synaptics has announced they are switching its product lineup to focus on higher-end technology with the goal is create industry-leading profit margins. They have sold off unprofitable business segments and acquired some new ones in line with this new strategy and we believe this new strategy for the company puts them in excellent shape fundamentally now and in the future.

### **Qualys Inc. (QLYS)**

Founded in 1999 in Foster City, CA this cloud-based cybersecurity firm specializes in offering online protection to 15,700 customers worldwide. They are pioneers in quickly expanding industry and we believe they are in a perfect position to take full advantage of this. Their business model consists of offering a key set of applications to customers through subscription models, meaning that almost 100% of their revenue is reoccurring. Qualys grows has several methods of both organic and inorganic growth but remains focused on profitability and has a strong commitment to no debt. Qualys plans to be a long-term hold and we are excited to see where their consistent and experienced management team takes them.

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

Vishay Intertechnology is a manufacturer of discrete semiconductors and passive components products founded in 1962. 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. The recent trade wars between the United States and China have had largely negative impacts on its ability to expand and even maintain revenue streams. This has been heightened since a significant portion of revenue comes from automotive and industrial customers, areas with less than exciting outlooks. While we like the company and its management team, we are currently seeking a replacement for this company.

## **Materials**

### **Commercial Metals (CMC)**

Commercial Metals manufactures, recycles, and fabricates steel and metal products, related materials, and services through a network of facilities that include seven electric arc furnace (EAF) mini mills, two EAF micro mills, two rerolling mill, steel fabrication and processing plants, construction-related product warehouses, and metal recycling facilities in the US and Poland. CMC operates through two reportable segments: North America and Europe. The US accounts for nearly 80% of revenue. The firm has rapidly increased revenues in recent years, something most materials stocks are unable to do. While increasing profitability heavily, management has also placed a focus on reducing both debt and the company's operating cycle. CMC is an industry leader for sustainability in an industry/society that places more and more emphasis on ESG, providing the company with a major competitive advantage. With Biden's infrastructure bill, we project strong short-term demand. In addition, much of Commercial Metal's business is focused in the "sun belt" of the United States, the area with above-average population growth and expansion of infrastructure.

### **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 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 container 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 the remaining interest in the Conitex-Sonoco operation. Sonoco continues to be on the lookout for acquisitions, hinting that a flexible or plastics acquisition may be in the future. We believe that Sonoco's large size, market positioning, and progression towards sustainability make it a stable and strong hold moving forward. The firm offers a plethora of recycled-packaging products.

## **Real Estate**

### **First Industrial Realty Trust Inc. (FR)**

First Industrial Realty Trust Inc. is a real estate investment trust that specializes in industrial real estate. FR is attractive to us because of the space they occupy in very premium industrial geographic regions. We are confident in FR as they report higher operating and profit margins, higher annual rent yields, and higher asset cap rates than other real estate sub-sectors. With interest rates lowering, we see FR being able to take advantage of their low leverage ratios to increase their asset portfolio at a low cost. We value FR as a hold.

### **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.

### **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.

## **Utilities**

### **New Jersey Resources (NJR)**

New Jersey Resources Corporation is a Fortune 1000 energy services holding company that provides regulated gas distribution, retail, and wholesale energy services. Their services include transportation, distribution, asset management, and home services. The company is divided into five segments: New Jersey Natural Gas, NJR Energy Services, NJR Clean Energy Ventures, Storage & Transportation, and NJR Home Services. Of their five segments, New Jersey Natural Gas represents 62% of NJR's revenue by participating in off-system sales and capacity release markets and providing capacity and storage management. Their Clean Energy Ventures segment (15% of revenue) invests in, owns, and operates solar projects providing their customers with low-carbon solutions. Industry leaders in sustainability, NJR is committed to conservation efforts through the SAVEGREEN Project and the Sunlight Advantage Program. Their continued focus on green energy and reinvestment in their infrastructure makes them a favorable company in a transitioning industry.

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

Hawaiian Electric Industries is a holding company that provides services in the electric utility and banking businesses. Their electric company, Hawaiian Electric, provides electricity to 95% of the state of Hawaii and operates 3 utilities on five separate grids. They are rapidly progressing towards their goal of being 100% renewable primarily through consumer rooftop solar projects. These distributed energy resource projects have averaged growth of 24% annually since 2012. American Savings Bank, their banking business, is currently the third largest bank in Hawaii with over \$8 billion in assets and 49 branches across the state. The combination of the utility and banking businesses provides Hawaiian Electric with a sustainable capital structure and the resources necessary to invest in strategic growth.

# Portfolio Holdings

Symbol/Sector	As of 6/30/2021		As of 6/30/2022		S&P Constituent
	Shares	Market Value	Shares	Market Value	
<b>Consumer Discretionary</b>					
FIVE	640	\$ 123,692.80	870	\$ 98,684.10	Yes
FND	1,220	\$ 128,954.00	1,420	\$ 89,403.20	No
GNTX	3,680	\$ 121,771.20	2,990	\$ 83,630.30	Yes
LEVI	2,420	\$ 67,082.40	1,770	\$ 28,886.40	No
DKS	800	\$ 80,152.00	1,440	\$ 108,532.80	Yes
<i>Total</i>		\$ 521,652.40		\$ 409,136.80	
<b>Consumer Staples</b>					
LANC	610	\$ 118,041.10	970	\$ 124,916.60	Yes
<i>Total</i>		\$ 118,041.10		\$ 124,916.60	
<b>Energy</b>					
MUR	2,860	\$ 66,580.80	3,450	\$ 104,155.50	Yes
<i>Total</i>		\$ 66,580.80		\$ 104,155.50	
<b>Financials</b>					
CATY	2,280	\$ 89,740.80	1,500	\$ 58,725.00	Yes
EWBC	1,720	\$ 123,306.80	1,640	\$ 106,272.00	Yes
FHI	1,010	\$ 34,249.10	980	\$ 31,154.20	Yes
RGA	300	\$ 34,200.00	310	\$ 36,359.90	Yes
RNR	830	\$ 123,520.60	720	\$ 112,586.40	Yes
THG	890	\$ 120,719.60	760	\$ 111,150.00	Yes
<i>Total</i>		\$ 525,736.90		\$ 456,247.50	
<b>Real Estate</b>					
FR	2,230	\$ 116,472.90	2,240	\$ 106,355.20	Yes
HIW	2,130	\$ 96,212.10	1,750	\$ 59,832.50	Yes
LAMR	1,130	\$ 117,994.60	1,230	\$ 108,203.10	Yes
<i>Total</i>		\$ 330,679.60		\$ 274,390.80	



<b>Healthcare</b>					
EHC	1,460	\$ 113,923.80	700	\$ 39,235.00	Yes
EXEL	3,600	\$ 65,592.00	1,710	\$ 35,602.20	Yes
GMED	1,620	\$ 125,598.60	-	-	Yes
NVST	-	-	2,750	\$ 105,985.00	
UTHR	350	\$ 62,793.50	500	\$ 117,820.00	Yes
<i>Total</i>		\$ 367,907.90		\$ 298,642.20	
<b>Industrials</b>					
ACM	1,950	\$ 123,474.00	1,630	\$ 106,308.60	Yes
CSL	660	\$ 126,310.80	660	\$ 104,988.40	Yes
HUBB	670	\$ 125,182.80	570	\$ 101,790.60	Yes
MAN	290	\$ 34,483.90	860	\$ 65,712.60	Yes
MSM	1,110	\$ 99,600.30	1,330	\$ 99,896.30	Yes
OSK	1,000	\$ 124,640.00	870	\$ 71,461.80	Yes
<i>Total</i>		\$ 633,691.80		\$ 550,158.30	
<b>Information Technology</b>					
CIEN	-	-	2,430	\$ 111,051.00	
LITE	1,470	\$ 120,584.10	750	\$ 59,565.00	Yes
MKSI	710	\$ 126,344.50	520	\$ 53,367.60	Yes
QLYS	1,150	\$ 115,793.50	870	\$ 109,741.80	Yes
SYNA	630	\$ 98,015.40	540	\$ 63,747.00	Yes
VSH	1,590	\$ 35,854.50	-	-	Yes
<i>Total</i>		\$ 496,592.00		\$ 397,472.40	
<b>Materials</b>					
CMC	-	-	2,820	\$ 93,342.00	
SLGN	1,530	\$ 63,495.00	2,110	\$ 87,248.50	Yes
SON	510	\$ 34,119.00	540	\$ 30,801.60	Yes
SXT	1,350	\$ 116,856.00	-	-	Yes
<i>Total</i>		\$ 214,470.00		\$ 211,392.10	
<b>Communications</b>					
CABO	-	\$ -	40	\$ 51,572.80	Yes
LILAK	4,280	\$ 60,348.00	-	-	No
<i>Total</i>		\$ 60,348.00		\$ 51,572.80	

<b>Utilities</b>					
HE	1,560	\$ 65,956.80	1,990	\$ 81,391.00	Yes
NJR	-	-	790	\$ 35,178.70	Yes
UGI	1,050	\$ 48,625.50	-	-	Yes
<i>Total</i>		\$ 65,956.80		\$ 116,569.70	
Cash		\$ 11,970.06		\$ 15,715.88	
<b>SSIF PORT TOTAL</b>		<b>\$ 3,462,252.86</b>		<b>\$ 3,010,370.58</b>	

# 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, 2022, the COBA equally weighted portfolio holds 39 stocks with a total market value of \$201,331.95. Performance by calendar year is reported in Table 6.

**Table 6: Performance of the COBA Portfolio as of June 30, 2022**

As of June 30, 2022

	Quarter	Calendar YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
<b>COBA</b>	<b>-10.31%</b>	<b>-11.26%</b>	<b>-3.86%</b>	<b>10.76%</b>	<b>9.74%</b>	<b>13.05%</b>	<b>9.97%</b>
S&P 500 Index*	-16.10%	-19.96%	-10.62%	10.60%	11.31%	12.96%	6.56%
<i>Difference</i>	5.79%	8.70%	6.75%	0.16%	-1.57%	0.10%	3.41%
Tracking Error**			6.18%	4.64%	4.24%	4.54%	12.29%
Information Ratio***			1.09	0.03	-0.37	0.02	0.28
Months > Benchmark			67%	44%	45%	48%	51%

COBA portfolio value as of June 30, 2022: 201,331.95.

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 was 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 from. 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 displays winning teams' names and stock picks instated on the wall of the Burnell D. Kraft Trading Floor.

We held the 14th CoBA Challenge on February 28, 2022. The winning team presented a BUY for CMS Energy (CMS) with their steady dividend growth, transparency of both ESG and management policies and a SELL for Apple Hospitality REIT (APLE) due to looming industry concerns, debt/dividend struggles, and lack of potential for capital gain. The winning team comprised Luke

Dierkes, Patrick Dirks, Sarah Farris, and Jadrian Wright. Finance External Advisory Board (EAB) members, Matt Wadiak and Troy Ward, were the guest judges. Xiaoxin Beardsley, Ty Perry, and Tyson Van Alfen were the faculty judges. Finally, EAB member, Mark Ford, also provided commentary at the event.

## **Outlook for FY 2023**

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Following an unpredictable end of 2020 and less (but still very) volatile start of 2021, FY 2021-2022 saw a decrease in GDP growth and the S&P 400. Though the nation's unemployment rate fell to 3.6% in June 2022 (which is close to pre-pandemic levels) and 2.7 million jobs have been gained since the start of 2022, the unemployment claim has risen to 5.9 million people. Because of the falling numbers in the S&P 400 over the last 6 months, many equities across various sectors saw poorer performances this year compared to last year. Throughout the years, we have been dedicated to finding undervalued securities through fundamental valuation with medium to long holding terms. We will continue to follow a similar strategy going forward. Additionally, we continue to remain diligent in monitoring market developments to provide an active strategy against unfavorable trends while also mitigating risk. The following is a brief overview of our outlook for the remainder of 2022 and beyond.

The COVID-19 global pandemic's effects on the economy have largely stalled since the beginning of 2021, but Russia's recent invasion of Ukraine has presented more recent problems. Q3 of 2021 saw a 2.3% growth in GDP, and Q4 of 2021 witnessed growth three times larger than the quarter before. For the first quarter of 2022, the GDP witnessed a loss of 1.6% (which resulted in the worst quarterly result since Q2 2020). As previously mentioned, the unemployment rate has decreased over the past year. As of July 2022, the unemployment rate stands below 3.6% nationally, which is significantly lower than 5.9% in July 2021. With continuous federal rate hikes and the stalling of the growing economy experienced last year, we can expect the unemployment rate to slightly rise in 2023.

Several commodities saw an increase in price after Russia invaded Ukraine on February 24 and many nations (including the United States) started dealing less with Russia. Crude oil prices in particular saw a huge increase in price at the beginning of March 2022, increasing to nearly an all-time high at \$123.70/barrel. Crude oil

currently stands at \$94/barrel and is expected to stabilize at around \$95/barrel by 2023. Other commodity prices affecting drillers, miners, and farmers (among many others) have grown to their highest prices over nearly the last decade, but conditions for future downturns already appear to be prevalent. One of the causes of these rises in prices, the global manufacturing cycle, should see an end-of-cycle recession by, at the latest, the middle of 2023.

The material that made the biggest headline in 2021 and continues to make headlines today is semi-conductors. Though shortages are still prevalent in many industries, the nationwide shortage has begun to decrease, as sales have risen by approximately 10-20% for multiple months year-over-year. Semi-conductor shortage hit the auto industry disproportionately, with several auto manufacturing plants forced to shut down. Though analysts believed the shortage could abate from the auto industry and hit the smart phone companies the most last year, the auto industry still seems to be the most affected industry. Other production lines (creating computers and home appliances, among other products) have also been affected by the shortage. SSIF holds several information technologies companies that either manufactures semi-conductors or uses the chip in their products. The large demand and limited supply of semi-conductors has positively affected the equities of the semi-conductor manufacturers and negatively affected the companies that use them as raw materials in their production. The US Government has attempted to try to solve the semi-conductor supply chain issue, but it remains to be seen how impactful recently introduced bills will be in terms of overcoming the significant shortage.

Inflation has been a major talking point for much of 2022, with several analysts believing the Consumer Price Index (CPI) has finally stabilized and could begin dropping soon. The CPI has increased 8.5% year to year as of July 2022. One of the major effects of inflation has been seen in gasoline, but a recent decrease in the gasoline index has been an optimistic point that has prevailed.

There are several factors attributing to the rise in inflation. One primary driver is the increase in the money supply since Q2 2020 because of the stimulus relief. An additional factor attributing to the rising CPI stems from the costly Russia-Ukraine war. Broken and delayed supply chains are also responsible. For example, the used car price rose by 11% as of July 2022 compared to the same time last year due to the increasing demand from consumers and limited supplies from used car companies after selling vehicles in 2020. This, combined with the semi-conductor shortage

(which has halted the production of new cars), has affected the used car industry severely. There are other similar patterns across various industries. Ultimately, there is more to inflation than meets the eye. We expect inflation to decrease at the end of 2022 and the beginning of 2023, as productions return closer to their normal volume and overall market prices adjust to global conflicts.

From a macroeconomic perspective, 2023 looks like a year where several industries stabilize after experiencing what could be an unpredictable end to 2022 based on global happenings. We will continue to monitor our holdings across various sectors as well as the change in economic and financial trends to make future decisions. This is also a great learning opportunity for most of us here at SSIF because the market trends still are not completely conventional. The next few months and the policies in place will have a significant influence on how the narrative around the equity market as well as the global economy changes. As always, we remain confident that through our strategy and our diligence we will be able to face all the challenges that might come our way.

# 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: 2021-2022 SSIF Members

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Nicholaus Aguilar	Ethan Koller
Chase Beatty	Steven Kosco
Gabriel Bonansinga	Samuel Largent
Dawson Boys	Eric Latham
Morgan Braden	Debbie Lewis
Moira Brock	Hunter Lynch
Dawson Brown	Aaron Madura
Conner Bruckner	Kaitlyn May
Matthew Carrazco	Rafael Morales
Santo Chiarelli	Joshua Payne
Nick Dean	Rachel Powless
Kate DeGrazia	Ryan Pugh
Luke Dierkes	Ryan Rajak
Patrick Dirks	Nicole Raventos
Holden Dodson	Dylan Sessengood
Sarah Farris	Bitit Shakyra
McKenna Fox	Jackie Tremmel
Ayush Giri	Nick Triplett
Tobias Hagen	Ivan Vargas
Austin Hamrick	Adrian Veseli
Shane Harazim	Caleb Windt
Braden Hasty	Nicholas Winkler
Kate Held	Jadrian Wright
Prayush Khadka	Yunjia Zhu
Nicholas King	