

2021 NEWSLETTER



SALUKI STUDENT INVESTMENT FUND

2021 Fund Activity

As of December 31st, 2021, the Saluki Student Investment Fund (SSIF) was managing \$3,753,237.53. The portfolio was up 6.01% relative to the S&P 400 benchmark for the year. The Fund has outperformed the 1-year, 3-year, 5-year, 10-year, and 15-year compared with the benchmark, and will keep striving to outperform going forward over the long-term. Since inception, the Fund remains 44 basis points below the benchmark.

In 2021, the Fund had 52 members. General meetings were fully transitioned back to the Kraft Trading Room in Rehn Hall. Throughout this past year, the SSIF continued to rebalance the portfolio to optimize our holdings and ensure sector neutrality while staying within individual holding constraints. To optimize our positions, we continue to focus on maximizing the portfolio's information ratio.

Though company visits were not feasible in 2021, the SSIF continued to maintain various activities throughout the year. Since the beginning of last year, all meetings have gradually changed to a combination of online and offline, while maintaining the social distance policy, and have gone fully offline since August. In Spring 2021, the SSIF held the COBA Challenge and also competed in the CFA Institute Research Challenge. There are two teams that competed for the COBA Challenge, and the team with Dawson Brown, Jonah Fender, Rachel Powless, and Yunjia Zhu won the Challenge with their buy recommendation of L3Harris Technologies and sell of DuPont de Nemours, Inc. For the first time in SIU's history, SSIF members Lucas Boles, Matthew Cagle, Elijah Henson and Steven Merdian won the St. Louis Subregional CFA Institute Research Challenge with their analysis of Olin Corporation (OLN).

The Fund kicked off Fall 2021 by holding a team building exercise at Touch of Nature to build member's relationships and leadership skills. The Fund was also kindly invited as guests to the SIU Foundation Homecoming Luncheon in October, where members were able to network with successful Saluki alumni. All sectors in the fund took part in a competitive Excel and Bloomberg challenge titled the SSIF Challenge. In this Challenge, students from each sector created their own models for company valuations and financial analyses and enhanced their finance knowledge and Excel and Bloomberg skills. The Fund invited two guests, Dr. Perry and Professor Guitao Wen, from the College of Business and Analytics to judge the presentation based on the completeness and the performance of the presentation, and Industrials sector won the challenge.

2021 Newsletter Editors:

Matthew Carrazco (Financials Analyst), Ethan Koller (Materials Sector Leader), Debbie Lewis (Financials Analyst), Jadrian Wright (Healthcare Analyst), and Yunjia Zhu (Financials Sector Leader)

2021 Fund Activity (continued)

Finally, throughout the Fall semester, the Fund had a wonderful group of industry experts speak on a variety of topics ranging from analyzing ESG to preparing forecasted statements. Such guests included Matt Arnold from Edward Jones, Troy Ward from Ares Management, Rodney Talbot from Raymond James Financial Services, Parker Moses from Argent Capital Management, and Randy Lane from NISA Investment Advisors.

The Bertrand COBA Challenge

After an extremely generous donation to the SSIF of \$100,000 by Marsha and Gary Bertrand, the COBA Challenge has been renamed to the Bertrand COBA Challenge. The Bertrands were made aware of the SSIF after hearing about the very generous donation toward the SSIF by Mark Ford of \$40,000 earlier in the year. Among many items that the Bertrand Gift will be assisting, the Trading Room will be receiving a much-appreciated technological upgrade to assist in both in-person and remote learning. The 2022 Bertrand COBA Challenge occurred February 28, 2022. Luke Dierkes, Patrick Dirks, Sarah Farris, and Jadrian Wright won the Challenge with their sell recommendation on Apple Hospitality REIT and the buy recommendation on CMS Energy. The current balance of the COBA account is \$226,888 as of December 31st, 2021. More details regarding the COBA Challenge can be found at the end of this newsletter.

2021 Market Recap

U.S. equities remained solid amid the debt ceiling deadline, new variants of COVID-19, historically high inflation levels, and supply chain disruptions. The S&P 500 index, Dow Jones Industrial Average, Nasdaq, and S&P 400 had a return of 26.9%, 18.6%, 21.4%, and 24.76%, respectively. Throughout the past year, the Federal Reserve continued holding the Federal Funds rate at a near-zero level and pumped billions of dollars into the market by buying Treasury securities every month.

Inflation was the big story of 2021. Based on the Consumer Price Index report published by the US Department of Labor, inflation has reached 7 percent in December, becoming the third continuous month that has higher-than 6% inflation and the biggest 12-month change for the past 40 years. Even so, the cause of this inflation is complicated. The main two reasons are monetary stimulus and supply shock. It is crucial to find out where the inflation came from. If the inflation is mainly caused by monetary stimulus, then raising the interest rate would lower the inflation; on the contrary, if it was mainly caused by the supply chain disruption and supply and demand imbalances, it cannot be easily fixed by simply increasing the interest rate. Higher demands for online, lower supply due to fewer workers, and shortage of computer chips caused the lower production of automobiles make it harder and more expensive to solve the problem.

The recovery of the labor market has been notable. According to the "Employment Situation" released by the end of December 2021, the unemployment rate is 3.9%, which has been controlled to maintain at the same level of unemployment rate pre-COVID. However, specific industries such as restaurants, manufacturing, and IT have found it hard to find employees. At the start of the pandemic, some professionals could perform their job remotely, while certain industries, such as retail, hospitality, and foodservice, could not. The trend toward working remotely and the inequality influences will result in shifting attitudes toward industries. The recovery

2021 Market Recap (continued)

of the labor market will cause companies to provide higher wages to the employees based on employees' bargaining power and the unemployment rate. Workers at medium or above medium wage level may have less bargaining power because they will find it easier to change their jobs, while people below the medium wage will have fewer alternatives, and thus will be more influenced by the improvement of the labor market. Starting from January 2022, some states will enact pay bumps ranging from cents to dollars per hour. Changing attitudes towards different occupations and supporting an increase in the minimum wage could lead to higher wages than in the past.

The 10-year treasury peaked in March at 1.78% and ended the year above 1.5%. Since yield in bond markets moves inversely with the price, one of the reasons that caused the big change last year is the higher expectation for the inflation level. This makes bonds less attractive, thus decreasing the demand and pushing down the price while having the yield raised. The expected higher inflation will not have an influence on the fixed income nominal return, since it does not consider the inflation factor; however, rising prices generally tend to have a negative impact on bonds as it hurts the real return achieved on the investment. So in a rising inflation environment, fixed-income investments tend to lose the most. At the same time, a higher inflation will cause a fall in bond prices, and bond yields will increase, resulting in the bonds being traded close to the par value. Another reason is that when investors have healthy expectations for the economy during the economic recovery period, people tend to allocate more money into longer-duration assets instead of short-duration, risk-free assets.

2022 Market Forecast

Moving forward to 2022, economic growth may be slower than this past year due to the plan for ending the asset purchase, the assumption to have several interest rates hikes, which the market was pricing in more interest rate hikes than the Fed indicated, higher inflation, and the risk of additional COVID-19. The change of monetary policy can impact both the bonds and stock markets. People may find it more expensive to borrow money. Companies have also encountered the same situation; thus, a rise in interest rate can cause increased costs for companies to expand their business, resulting in the stock price to drop. If the interest rate rise, profits will lower due to more expensive debt. When the Fed increases the Fed Fund rate, the risk-free rate will increase, the discount rate will increase correspondingly, thus lowering the valuation of equities.

For the bond market, rates have an inverse relationship with the bond price, increasing interest rates will result in decreasing bond prices, and thus a higher yield is the result. It's evident that several industries can have a positive outlook. The banking industry will have a higher net interest margin because they tend to borrow money using a lower short-term interest rate and lend it using a higher long-term interest rate. Since part of the insurance companies' revenues comes from the net investment income, higher interest rates and bond yield will help generate more income on their investments. Improvements in employment and housing conditions can have a positive impact on the consumer sector.

SIU Foundation Portfolio Performance Summary

As of December 31, 2021

	Quarter	Fiscal YTD	1-Year	3-Year	5-Year	10-Year	15-Year	Since Inception
SSIF	9.58%	9.34%	30.77%	23.13%	14.55%	15.21%	11.80%	9.73%
S&P 400 Benchmark*	8.00%	6.09%	24.76%	21.41%	13.09%	14.20%	10.45%	10.18%
<i>Difference</i>	<i>1.58%</i>	<i>3.25%</i>	<i>6.01%</i>	<i>1.73%</i>	<i>1.46%</i>	<i>1.00%</i>	<i>1.34%</i>	<i>-0.44%</i>

Tracking Error** 4.71% 4.58% 4.52% 3.78% 4.10% 5.14%

Information Ratio*** 1.28 0.38 0.32 0.27 0.33 -0.09

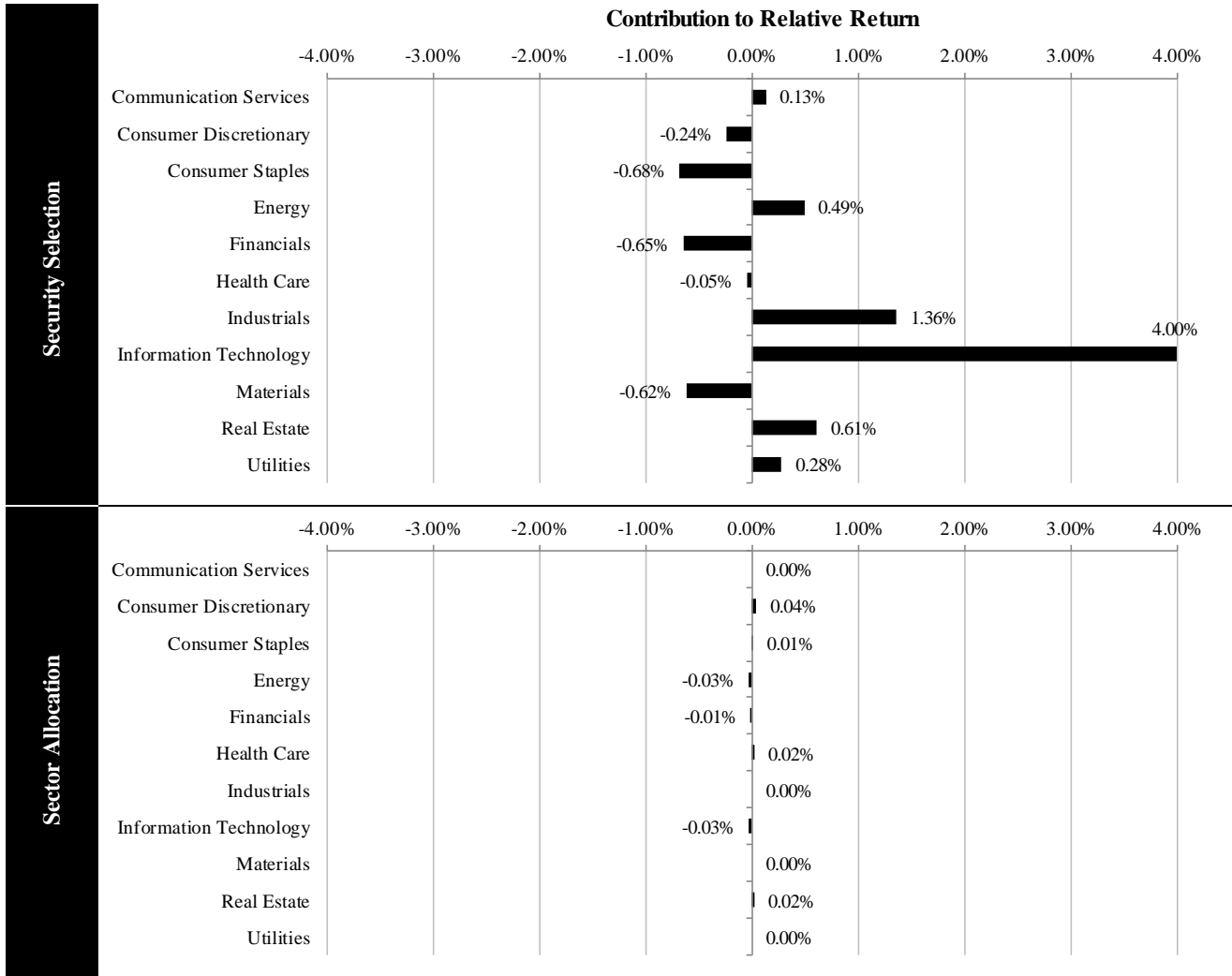
Months > Benchmark 67% 53% 52% 49% 52% 50%

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.

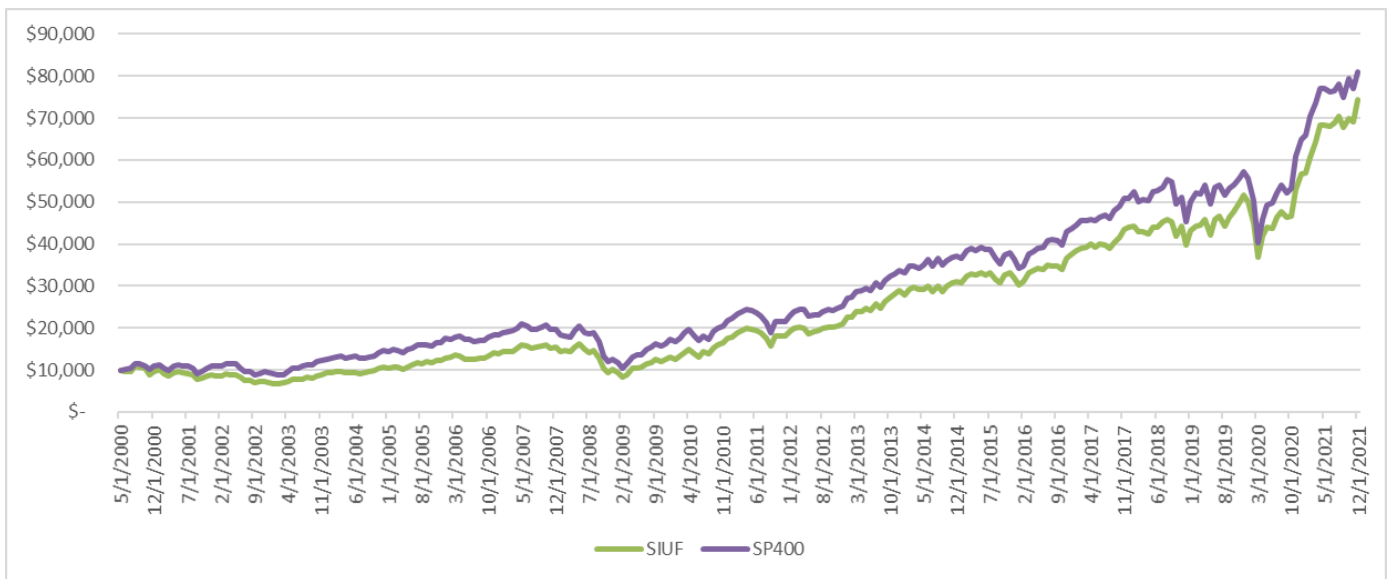
Rank	Top Five Contributors to 2021 Return	Contribution (%)
1	SYNAPTICS INC	3.96
2	EAST WEST BANCORP INC	2.01
3	CARLISLE COS INC	1.97
4	FIRST INDUSTRIAL REALTY TR	1.91
5	AECOM	1.81

Rank	Bottom Five Contributors to 2021 Return	Contribution (%)
1	ENCOMPASS HEALTH CORP	-0.79
2	LANCASTER COLONY CORP	-0.28
3	MSC INDUSTRIAL DIRECT CO-A	-0.07
4	REINSURANCE GROUP OF AMERICA	0.00
5	UNITED THERAPEUTICS	0.02

SSIF Performance Attribution for the Calendar Year Ended December 31, 2021



Growth of \$10,000 Since Inception



The figure above shows the hypothetical growth of \$10,000 since the Fund's inception date of May 2000. The ending December 31st, 2021 amount for the SSIF was \$74,264 and the S&P Midcap Index would be \$81,018.

SSIF Portfolio Holdings as of 12/31/2021

SECTOR	TICKER	NAME	SHARES	MARKET VALUE	% OF TNA
COMMUNICATION	LILAK	LIBERTY LATIN AMERICA	5,640	\$64,296	1.72%
CONS. DISCRETIONARY	DKS	DICKS SPORTING GOODS	1,080	\$124,189	3.31%
CONS. DISCRETIONARY	FIVE	FIVE BELOW	660	\$136,547	3.64%
CONS. DISCRETIONARY	FND	FLOOR & DÉCOR	1,030	\$133,910	3.57%
CONS. DISCRETIONARY	GNTX	GENTEX CORP	3,710	\$129,294	3.45%
CONS. DISCRETIONARY	LEVI	LEVI STRAUSS & CO	1,450	\$36,294	0.97%
CONS. STAPLES	LANC	LANCASTER COLONY	790	\$130,824	3.49%
ENERGY	MUR	MURPHY OIL	2,820	\$73,630	1.97%
FINANCIALS	CATY	CATHAY GENERAL BANCORP	1,350	\$58,037	1.55%
FINANCIALS	EWBC	EAST WEST BANCORP	1,630	\$128,248	3.42%
FINANCIALS	FHI	FEDERATED HERMES	1,940	\$72,905	1.95%
FINANCIALS	THG	HANOVER INSURANCE GROUP	960	\$125,818	3.36%
FINANCIALS	RGA	REINSURANCE GROUP OF AMERICA	350	\$38,322	1.02%
FINANCIALS	RNR	RENAISSANCE HOLDINGS	760	\$128,691	3.43%
HEALTH CARE	UTHR	UNITED THERAPEUTICS	190	\$41,055	1.10%
HEALTH CARE	EHC	ENCOMPASS HEALTH	1,930	\$125,952	3.36%
HEALTH CARE	EXEL	EXELIXIS	4,280	\$78,238	2.09%
HEALTH CARE	GMED	GLOBUS MEDICAL	1,830	\$132,126	3.53%
INDUSTRIALS	ACM	AECOM	1,710	\$132,269	3.53%
INDUSTRIALS	CSL	CARLISLE COS	540	\$133,985	3.58%
INDUSTRIALS	HUBB	HUBBELL	610	\$127,045	3.39%
INDUSTRIALS	MAN	MANPOWERGROUP	1,270	\$123,609	3.30%
INDUSTRIALS	MSM	MSC INDUSTRIAL DIRECT	710	\$59,683	1.59%
INDUSTRIALS	OSK	OSHKOSH	1,130	\$127,362	3.40%
INFO. TECH.	LITE	LUMENTUM HOLDINGS	1,260	\$133,270	3.56%
INFO. TECH.	MKSI	MKS INSTRUMENTS	600	\$104,502	2.79%
INFO. TECH.	QLYS	QUALYS	980	\$134,476	3.59%
INFO. TECH.	SYNA	SYNAPTICS	470	\$136,070	3.63%
INFO. TECH.	VSH	VISHAY INTERTECHNOLOGY	1,750	\$38,273	1.02%
MATERIALS	SXT	SENSIENT TECHNOLOGIES	870	\$87,052	2.32%
MATERIALS	SLGN	SILGAN HOLDINGS	2,350	\$100,674	2.69%
MATERIALS	SON	SONOCO PRODUCTS	600	\$34,734	0.93%
REAL ESTATE	FR	FIRST INDUSTRIALS REALTY	1,990	\$131,738	3.52%
REAL ESTATE	HIW	HIGHWOODS PROPERTIES	2,720	\$121,285	3.24%
REAL ESTATE	LAMR	LAMAR ADVERTISING	1,110	\$134,643	3.59%
UTILITIES	HE	HAWAIIAN ELECTRIC INDS	1,970	\$81,755	2.33%
UTILITIES	UGI	UGI CORP	790	\$36,269	0.96%
CASH	USD	US DOLLAR	-	\$9,693	0.26%

COBA Portfolio Performance Summary

As of December 31, 2021

	Quarter	Fiscal YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
COBA	7.83%	8.34%	25.27%	20.81%	15.42%	15.54%	10.82%
S&P 500 Index*	11.03%	11.67%	28.71%	26.07%	18.47%	16.55%	7.82%
<i>Difference</i>	<i>-3.20%</i>	<i>-3.33%</i>	<i>-3.44%</i>	<i>-5.26%</i>	<i>-3.06%</i>	<i>-1.01%</i>	<i>3.00%</i>
Tracking Error**			4.92%	3.63%	3.84%	4.61%	12.40%
Information Ratio***			-0.70	-1.45	-0.80	-0.22	0.24
Months > Benchmark			42%	31%	43%	46%	50%

Periods greater than one year are annualized. Inception: June 30, 2000 * Performance of the S&P 500 Total Return Index (Source: Bloomberg SPTR Index) is used for comparison purposes only. The COBA Portfolio does not have a formal mandated benchmark against which it is managed. ** Tracking error is annualized and based on monthly return differences relative to the S&P 500 Index. Due to incomplete monthly data for the portfolio during the period December 2001 through April 2004, S&P 500 Index returns were used in twelve separate months for the purposes of calculating tracking error. Therefore, tracking error is likely underestimated for periods that include the December 2001 through April 2004 period.*** Information ratio is the ratio of the annualized relative return divided by the tracking error. See note regarding tracking error.

COBA Portfolio Holdings as of 12/31/2021

SECTOR	TICKER	NAME	POSITION	MARKET VALUE	% OF TNA
COMMUNICATION	GOOG	ALPHABET INC-CL C	3.00	\$8,681	3.826%
COMMUNICATION	FB	META PLATFORMS INC-CLASS A	28.00	\$9,418	4.151%
CONS. DISCRETIONARY	AMZN	AMAZON.COM INC	2.00	\$6,669	2.939%
CONS. DISCRETIONARY	DG	DOLLAR GENERAL CORP	40.00	\$9,433	4.158%
CONS. STAPLES	MNST	MONSTER BEVERAGE CORP	103.00	\$9,892	4.360%
CONS. STAPLES	WMT	WALMART INC	63.00	\$9,115	4.017%
ENERGY	XOM	EXXON MOBIL CORP	138.00	\$8,444	3.722%
FINANCIALS	BRK/B	BERKSHIRE HATHAWAY INC-CL B	31.00	\$9,269	4.085%
FINANCIALS	JPM	JPMORGAN CHASE & CO	53.00	\$8,393	3.699%
HEALTH CARE	CVS	CVS HEALTH CORP	94.00	\$9,697	4.274%
HEALTH CARE	LLY	ELI LILLY & CO	34.00	\$9,391	4.139%
HEALTH CARE	JNJ	JOHNSON & JOHNSON	54.00	\$9,238	4.072%
HEALTH CARE	TMO	THERMO FISHER SCIENTIFIC INC	14.00	\$9,341	4.117%
INDUSTRIALS	MMM	3M CO	50.00	\$8,882	3.915%
INDUSTRIALS	BA	BOEING CO/THE	43.00	\$8,657	3.816%
INDUSTRIALS	DAL	DELTA AIR LINES INC	241.00	\$9,418	4.151%
INDUSTRIALS	GD	GENERAL DYNAMICS CORP	44.00	\$9,173	4.043%
INDUSTRIALS	LHX	L3HARRIS TECHNOLOGIES INC	40.00	\$8,530	3.760%
INFO.TECH.	AAPL	APPLE INC	52.00	\$9,234	4.070%
INFO.TECH.	ORCL	ORACLE CORP	95.00	\$8,285	3.652%
INFO.TECH.	V	VISA INC-CLASS A SHARES	44.00	\$9,535	4.203%
Materials	IFF	INTL FLAVORS & FRAGRANCES	60.00	\$9,039	3.984%
Real Estate	AMT	AMERICAN TOWER CORP	32.00	\$9,360	4.125%
Real Estate	APLE	APPLE HOSPITALITY REIT INC	571.00	\$9,222	4.065%
UTILITIES	NEE	NEXTERA ENERGY INC	98.00	\$9,149	4.032%
CASH	USD	US DOLLAR	1,423.35	\$1,423	0.627%
TOTAL				\$226,888	