

# 2022 NEWSLETTER



## SALUKI STUDENT INVESTMENT FUND

### **2022 Fund Activity**

The Saluki Student Investment Fund (SSIF) had \$3,364,576.89 under management as of December 31st, 2022. For the year, the portfolio outperformed the S&P 400 benchmark by 4.18%, and over the course of 20 years, it outperformed the S&P 400 by 1.31% annually, gross of fees. The Fund also exceeded the benchmark during the past 1-year, 3-year, 5 year, 10 year, and 15 year time frames as SSIF continued its focus on outperformance in the long run. Despite this outperformance, the fund remained 19 basis points below the benchmark since its inception 22 years ago, although this underperformance has been drawing closer to the positive each year.

In 2022, the Spring Semester Fund membership was at 50 students, and the Fall Semester membership was 46. Rehn 326 Trading Room's computers and technologies for virtual meetings have undergone significant improvements thanks to several recent donations. The SSIF continued to use fundamental analysis to pick the top 40 holdings within the S&P 400 universe and remained committed in rebalancing and optimizing portfolio holdings while guaranteeing sector neutrality and maintaining individual holding constraints. SSIF continued to concentrate on maximizing the information ratio of the portfolio in order to maximize risk-adjusted performance.

Even though company visits were restricted due to COVID protocols still in 2022, the SSIF maintained a variety of programs all year long. The Fund's members had the opportunity to network with accomplished Saluki alumni in St. Louis for a pregame event at Stifel Financial and a Cardinals game. The Fund competed in the Bloomberg Trading Challenge in 2022, placing fourth in North America and twelfth in the entire world. The Fund was once again recognized and presented to the SIU Board of Trustees in April 2022. The Fund hosted several guests who shared meaningful information and guidance from many professions both in person and virtually.

SSIF members once again represented SIUC in the CFA Society Research Challenge in St. Louis, MO. On March 6, 2023, we continued the tradition of the Bertrand COBA Challenge. On April 17, 2023, the Fund will visit NISA Investment Advisors and celebrate our 2nd Annual SSIF Day at the St. Louis Cardinals. Select students will also attend the Morningstar Investor Conference in Chicago from April 25 to 27.

## 2022 Market Recap

The year 2022 began with favorable market predictions, but soon after, fears of a recession, increasing inflation, and interest rate hikes took hold, making it an unusual year for both fixed income and equities. Investor fortunes swiftly turned around in January 2022 as the Federal Reserve indicated its determination to control inflation. As a result, the most aggressive rate-hike path in decades began, which sent equities and bonds falling throughout last year. After the Covid-era consequences, 2022 was a challenging year for the world's stock markets as they struggled with several geopolitical and economic challenges. The Russia-Ukraine war, China's zero-covid policies, supply chain disruptions, changing consumer spending from services to goods, robust employment and wage growth, and the ultra-stimulative fiscal and monetary policies all contributed to inflation measures reaching 40-year highs. Inflation was the dominant element driving the markets during 2022 in terms of market performance and investment returns. Due to the Fed's stark run of interest rate hikes in response to inflation surging to 40-year highs, the bond market collapsed, and stocks entered a bear market that lasted through the end of the year. 2022 became the S&P 500's worst year since 2008 with a loss of 18%. The Nasdaq 100 index suffered one of its worst years ever during 2022. The tech-focused index finished more than 30% lower. S&P 400 was at -13%.

As customers witnessed price drops at the gas pumps in December, the inflation rate decreased slightly, giving an encouraging indicator that price pressures may begin to decrease from their peak point in decades. According to the consumer price index, inflation ended 2022 with a 6.5% annual reading, the U.S. Bureau of Labor Statistics reported.

## 2023 Market Forecast

Before discussing the fund's forecast for 2023, as economic cycles often repeat themselves, it is interesting to first compare the 1970s and today. There are several similarities between these two, first, supply disruptions driven by the pandemic and the shock of energy prices by the war in Ukraine resemble the oil shocks in the 1970s. Next, both periods were experiencing record high inflation levels. Ultimately, Volcker Fed monetary policy was required to combat inflation pressures resulting into a significant recessionary period for the United States. While the commodity price hikes are much smaller today; at the same time, today's Federal Reserve hawkish approach to interest rates and quantitative tightening should be concerning for investors. While the SSIF cannot shield the portfolio entirely from inflation and market wide responses to interest rate hikes, risk controls ranging from sector neutrality to having a lower market beta should assist the Fund in outperforming its mid cap benchmark during down markets. In fact, historically the Fund has achieved most of its outperformance due to its ability to remain more stable than the benchmark during bear markets.

Moving to early 2023, the unemployment rate has fallen to historic lows while the inflation rate remains at a relatively high level and is nowhere close to its target 2% level. The interest rate hikes have caused yield curve inversion multiple times in 2022 and 2023 signaling possible indicators of a pending recession. The uncertainty of the US economic growth with Fed policymakers' decision on keeping the federal fund rate at its maximum level for the long term will cause both challenges and opportunities to several sectors and holdings within our portfolio.

Theoretically, holding demand constant, inflationary rises in price should lead to a rise in nominal revenues; on the other hand, it can be offset by an increase in companies' input costs and possible loss of demand for several sectors such as Consumer Discretionary. Although in general, equities have performed poorly under a high-inflation environment, there are potential areas that can perform better at the sector level. Energy is one of the sectors that may keep benefiting from the potential high-inflation and high-interest rate conditions as geopolitical and logistical tensions are impacting the energy supply and thus driving up prices while the demand has not been reduced. We also think the certain subindustries in the Real Estate sector can help offset the impacts of the inflation because they will pass the increased prices in rental contracts and property prices. Another sector that we identified that is more inflation resistant is the Consumer Staples sector. For

example, one of our holdings, Lancaster Colony Corporation (LANC) determined that it can generate steady demand while charging higher prices. Healthcare is another sector that we believe will keep outperforming during this period with the consideration that the demand for Healthcare products are inelastic and as price goes up, people will keep spending money on a certain field. For the time being, we further believe at this point, both Industrials and Materials that are in the black already can benefit from inflation in the short term as they can pass the higher prices for the products to their customers.

As for the Financials sector, while higher interest rates can generate loan growth for the banks, they may tend to encounter huge losses from their interest-bearing liabilities. The value of fixed-rate loans cannot adequately offset the required increased interest rates paid on savings accounts. Banks that write mainly variable-rate short-term loans stand to benefit the most from a rising interest rate environment. It is also important to make sure that banks maintain enough reserves and satisfy capital requirements to face the uncertainty of the whole economy. We feel that the two banks within the Fund's portfolio, East West BanCorp (EWBC) and Cathay General BanCorp (CATY), have adjusted properly for their capital and are continuing focusing on their profitability during these times. As a large portion of insurance companies' revenues come from the investment portfolio, we have witnessed that Renaissance Reinsurance (RNR) almost double its investment income benefiting from the rising interest rates and increased yields in the fixed maturity trading and short term investment portfolios; both Reinsurance Group of America and American Financial Group have made efforts to adjust the duration for their bond holdings which we also believe can help mitigate the impact of both the inflation and interest rate.

Although the Information Technology sector outperformed during the initial 2020 – 2021 COVID period, stock prices in this sector plunged the most during 2022. The high-inflationary environment has put pressures on the cash flows and technology firms are experiencing massive layoffs. Because of these concerns, we remain strategic with our holdings within this sector. For example, Lumentum Holdings Inc (LITE) is serving in the innovative and growing EV battery industry. LITE's new automotive 3D sensing technologies obtained after the acquisition of IPG Photonics also gives the firm even more opportunities to grow in the following years. As another example, the CHIPS for America funding opportunity for manufacturing incentives to restore U.S. market share in the semiconductor manufacturing can further aid one of our holding's, MKS Instruments Inc (MKSI), revenue growth.

While several holdings within our portfolio have business all over the world, it's still important to look into the global economy. A more favorable year for international investors may be on the horizon, but volatility may still be high in the first quarter of 2023 as a probable global recession persists, central banks slow their rate increases, and China's post-COVID-19 reopening raises the danger of inflation rising. Instead of making significant headway in bringing down inflation, central banks are slowing down the rate hike schedule as a reaction to weak economies. According to Charles Schwab, while several significant nations in North America, Europe, and Asia experienced stronger third-quarter economic growth than anticipated, a worldwide recession most certainly started at some point in the third quarter of 2022.



**Saluki Student Investment Fund  
Fall 2022 Membership Pictured**

**2022 Newsletters Editors**

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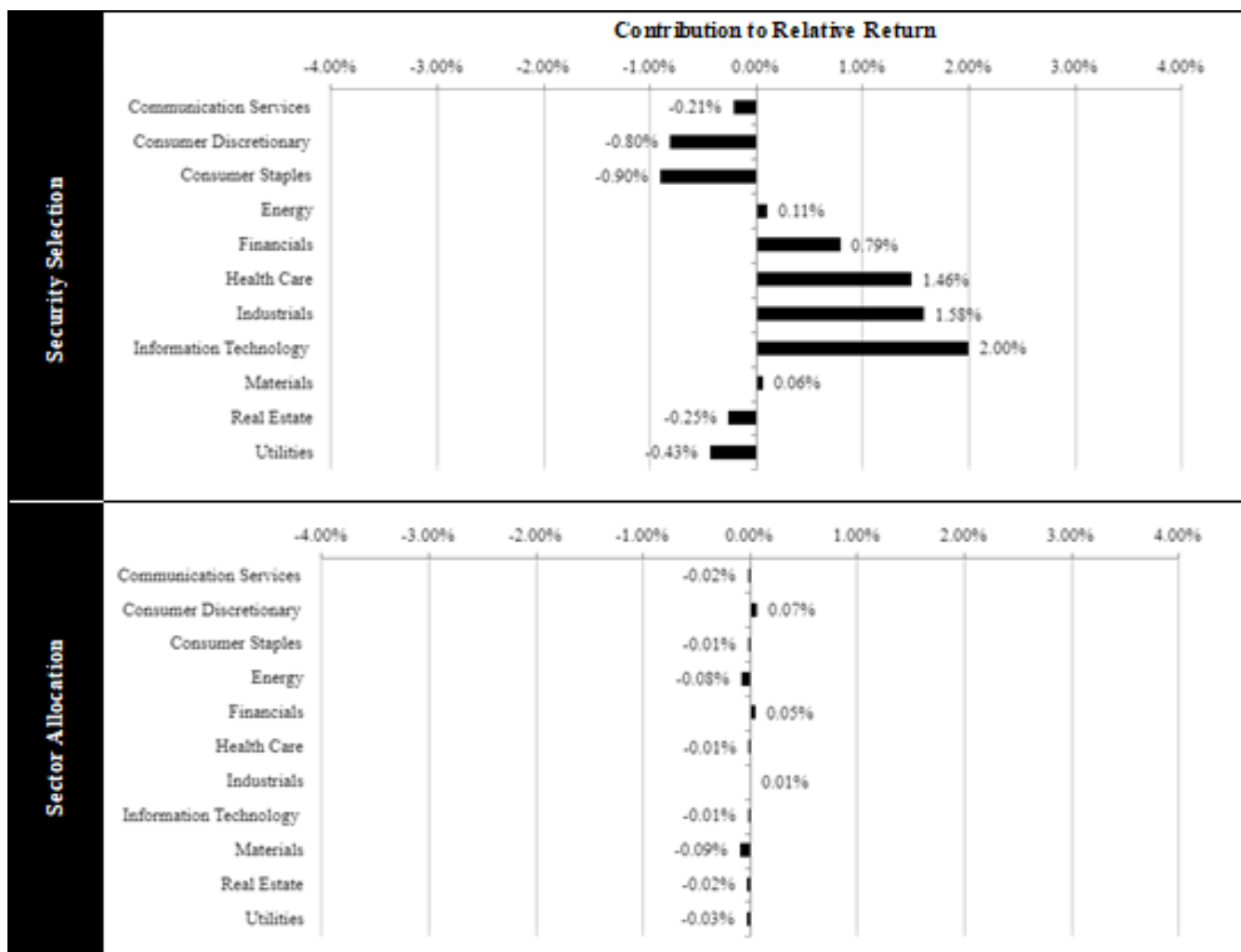
# SIU Foundation Portfolio Performance Summary

As of December 31, 2022

	Quarter	Fiscal YTD	1-Year	3-Year	5-Year	10-Year	15-Year	20-Year	Since Inception
SSIF	13.64%	12.68%	-8.88%	9.49%	9.01%	12.44%	10.41%	11.96%	8.84%
S&P 400 Benchmark*	10.78%	8.05%	-13.06%	7.23%	6.71%	10.78%	8.87%	10.66%	9.03%
<i>Difference</i>	2.86%	4.63%	4.18%	2.26%	2.31%	1.66%	1.54%	1.31%	-0.19%
Tracking Error**			5.47%	4.84%	4.87%	4.08%	4.22%	4.55%	5.15%
Information Ratio***			0.76	0.47	0.47	0.41	0.36	0.29	-0.04
Months > Benchmark			50%	50%	50%	52%	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.

## SSIF Performance Attribution for the Calendar Year Ended December 31, 2022

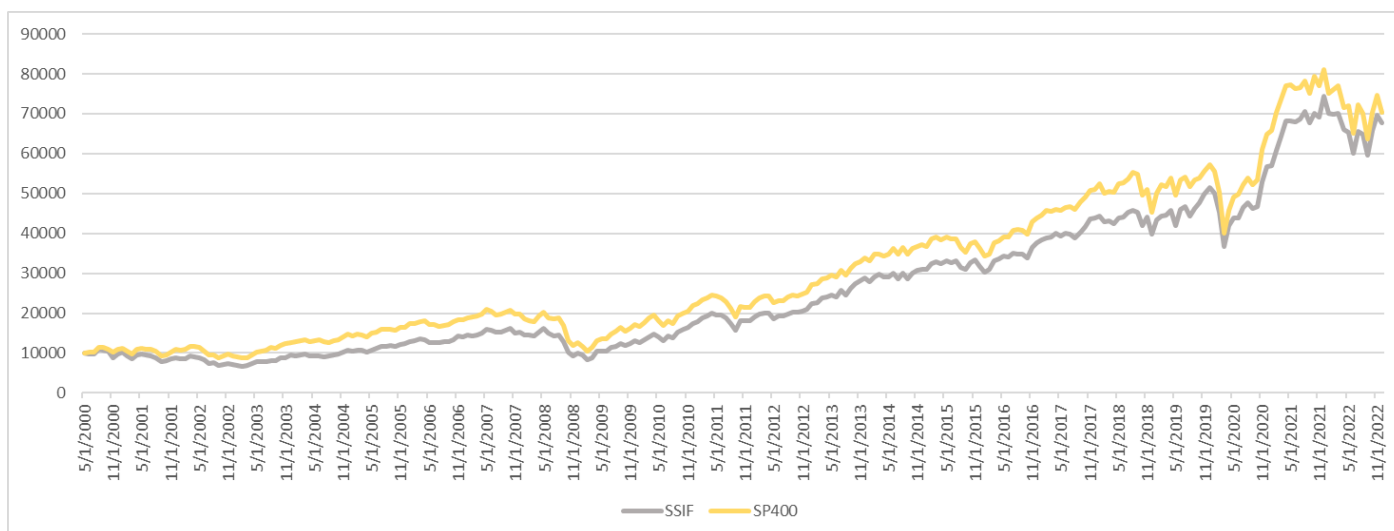


Rank	Top 5 Contributors to 2022 Return	Contribution (%)
1	COMMERCIAL METALS CO	1.02
2	UNITED THERAPEUTICS CORP	1.01
3	AGCO CORP	0.61
4	MURPHY OIL CORP	0.60
5	LANCASTER COLONY CORP	0.58

Rank	Bottom 5 Contributors to 2022 Return	Contribution (%)
1	SYNAPTICS INC	-3.33
2	FLOOR & DÉCOR HOLDINGS INC-A	-1.78
3	MKS INSTRUMENTS INC	-1.44
4	CABLE ONE INC	-1.01
5	LUMENTUM HOLDINGS INC	-0.91

The top five contributors are composed of five different sectors, including Consumer Staples, Energy, Healthcare, Materials and Industrials sectors. At the same time, three of the bottom contributors come from the Information Technology sector. Although IT stocks plummeted during 2022 due to the uncertainty of the economy and high inflationary pressures, we remain vigilant in maintaining the investment mandate of sector neutrality and feel that our holdings show great promise in their 1- to 3- year outlook.

### 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, 2022 amount for the SSIF was \$67,707.2 and the S&P Midcap Index would be \$70,431.

## SSIF Portfolio Holdings as of 12/31/2022

SECTOR	TICKER	NAME	SHARES	MARKET VALUE	% OF TNA
COMMUNICATION	CABO	CABLE ONE INC	90	\$64067.4	1.9%
CONS. DISCRETIONARY	DKS	DICKS SPORTING GOODS	1000	\$120290	3.58%
CONS. DISCRETIONARY	FIVE	FIVE BELOW	670	\$118502.9	3.52%
CONS. DISCRETIONARY	FND	FLOOR & DÉCOR	1550	\$107926.5	3.21%
CONS. DISCRETIONARY	GNTX	GENTEX CORP	3460	\$94354.2	2.8%
CONS. DISCRETIONARY	LEVI	LEVI STRAUSS & CO	2050	\$31816	0.95%
CONS. STAPLES	ENR	ENERGIZER HOLDINGS INC	980	\$32879	0.98%
CONS. STAPLES	LANC	LANCASTER COLONY CORP	510	\$100623	2.99%
ENERGY	MUR	MURPHY OIL CORP	820	\$35268.2	1.05%
ENERGY	TRGP	TARGA RESOURCES CORP	1330	\$97755	2.91%
FINANCIALS	AFG	AMERICAN FINANCIAL GROUP INC	870	\$119433.6	3.55%
FINANCIALS	CATY	CATHAY GENERAL BANCORP	2740	\$111764.6	3.32%
FINANCIALS	EWBC	EAST WEST BANCORP INC	1250	\$82375	2.45%
FINANCIALS	FHI	FEDERATED HERMES INC	930	\$33768.3	1.00%
FINANCIALS	RGA	REINSURANCE GROUP OF AMERICA	250	\$35522.5	1.06%
FINANCIALS	RNR	RENAISSANCERE HOLDINGS LTD	640	\$117907.2	3.50%
HEALTH CARE	EHC	ENCOMPASS HEALTH CORP	2100	\$125601	3.73%
HEALTH CARE	NVST	ENVISTA HOLDINGS CORP	2310	\$77777.7	2.31%
HEALTH CARE	EXEL	EXELIXIS INC	2140	\$34325.6	1.02%
HEALTH CARE	UTHR	UNITED THERAPEUTICS CORP	380	\$105674.2	3.14%
INDUSTRIALS	ACM	AECOM	1410	\$119751.3	3.56%
INDUSTRIALS	AGCO	AGCO CORP	900	\$124821	3.71%
INDUSTRIALS	CSL	CARLISLE COS INC	480	\$113112	3.36%
INDUSTRIALS	HUBB	HUBBELL INC	480	\$112646.4	3.35%
INDUSTRIALS	MSM	MSC INDUSTRIAL DIRECT CO-A	1410	\$115197	3.42%
INDUSTRIALS	OSK	OSHKOSH CORP	740	\$65260.6	1.94%
INFO. TECH.	CIEN	CIENA CORP	2320	\$118273.6	3.52%
INFO. TECH.	LITE	LUMENTUM HOLDINGS INC	1010	\$52691.7	1.57%
INFO. TECH.	MKSI	MKS INSTRUMENTS INC	410	\$34739.3	1.03%
INFO. TECH.	QLYS	QUALYS INC	1000	\$112230	3.34%
INFO. TECH.	SYNA	SYNAPTICS INC	990	\$94208.4	2.80%
MATERIALS	CMC	COMMERCIAL METALS CO	2460	\$118818	3.53%
MATERIALS	SLGN	SILGAN HOLDINGS INC	1860	\$96422.4	2.87%
MATERIALS	SON	SONOCO PRODUCTS CO	560	\$33997.6	1.01%
REAL ESTATE	FR	FIRST INDUSTRIAL REALTY TR	2410	\$116306.6	3.46%
REAL ESTATE	HIW	HIGHWOODS PROPERTIES INC	1180	\$33016.4	0.98%
REAL ESTATE	LAMR	LAMAR ADVERTISING CO-A	1130	\$106672	3.17%
UTILITIES	HE	HAWAIIAN ELECTRIC INDS	820	\$34317	1.02%
UTILITIES	NJR	NEW JERSEY RESOURCES CORP	2020	\$100232.4	2.98%
CASH	USD	US DOLLAR	14231.29	\$14231.29	0.42%

## COBA Portfolio Performance Summary

As of December 31, 2022

	Quarter	Fiscal YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
<b>COBA</b>	<b>10.42%</b>	<b>3.66%</b>	<b>-8.01%</b>	<b>9.50%</b>	<b>9.42%</b>	<b>12.42%</b>	<b>9.91%</b>
S&P 500 Index*	7.56%	2.31%	-18.11%	7.66%	9.42%	12.56%	6.52%
<i>Difference</i>	<i>2.85%</i>	<i>1.35%</i>	<i>10.10%</i>	<i>1.84%</i>	<i>0.00%</i>	<i>-0.14%</i>	<i>3.39%</i>
Tracking Error**			5.26%	4.91%	4.20%	4.59%	12.18%
Information Ratio***			1.92	0.37	0.00	-0.03	0.28
Months > Benchmark			75%	50%	47%	47%	51%

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 12/31/2022

SECTOR	TICKER	NAME	POSITION	MARKET VALUE	% OF TNA
COMMUNICATION	GOOG	ALPHABET INC-CL C	3.00	\$266.19	0.136%
COMMUNICATION	META	META PLATFORMS INC-CLASS A	45.00	\$5415.3	2.762%
CONS. DISCRETIONARY	AMZN	AMAZON.COM INC	3.00	\$252	0.129%
CONS. DISCRETIONARY	DG	DOLLAR GENERAL CORP	40.00	\$9850	5.024%
CONS. STAPLES	MNST	MONSTER BEVERAGE CORP	105.00	\$10660.65	5.437%
CONS. STAPLES	WMT	WALMART INC	60.00	\$8507.4	4.339%
ENERGY	XOM	EXXON MOBIL CORP	105.00	\$11581.5	5.907%
FINANCIALS	BRK/B	BERKSHIRE HATHAWAY INC-CL B	25.00	\$7722.5	3.939%
FINANCIALS	JPM	JPMORGAN CHASE & CO	65.00	\$8716.5	4.446%
HEALTH CARE	CVS	CVS HEALTH CORP	80.00	\$7455.2	3.802%
HEALTH CARE	LLY	ELI LILLY & CO	33.00	\$12072.72	6.157%
HEALTH CARE	JNJ	JOHNSON & JOHNSON	50.00	\$8832.5	4.505%
HEALTH CARE	TMO	THERMO FISHER SCIENTIFIC INC	15.00	\$8260.35	4.213%
INDUSTRIALS	MMM	3M CO	60.00	\$7195.2	3.670%
INDUSTRIALS	BA	BOEING CO/THE	45.00	\$8572.05	4.372%
INDUSTRIALS	DAL	DELTA AIR LINES INC	240.00	\$7886.4	4.022%
INDUSTRIALS	GD	GENERAL DYNAMICS CORP	35.00	\$8683.85	4.429%
INDUSTRIALS	LHX	L3HARRIS TECHNOLOGIES INC	32.00	\$6662.72	3.398%
INFO.TECH.	AAPL	APPLE INC	50.00	\$6496.5	3.313%
INFO.TECH.	ORCL	ORACLE CORP	110.00	\$8991.4	4.586%
INFO.TECH.	V	VISA INC-CLASS A SHARES	42.00	\$8725.92	4.450%
MATERIALS	IFF	INTL FLAVORS & FRAGRANCES	70.00	\$7338.8	3.743%
REAL ESTATE	AMT	AMERICAN TOWER CORP	35.00	\$7415.1	3.782%
UTILITIES	CMS	CMS ENERGY CORP	130.00	\$8232.9	4.199%
UTILITIES	NEE	NEXTERA ENERGY INC	110.00	\$9196	4.690%
CASH	USD	US DOLLAR	1,082.56	\$1082.56	0.552%