

# Student Investment Fund

## Annual Report

Herbert B. Mayo Student Investment Fund consists of thirteen TCNJ Business Students that have a passion for the stock market and work as a team to manage a \$400,000 fund.



### Letter from Management Team

As members of the student investment fund, we consider ourselves to have a dual mission of both growing and maintaining the funds and ensuring that we, as members, are continuously exposed to investment experience and learning about the economic environment. This past year we have achieved both of these goals with overwhelming success.

Starting the fall with a bull market and the continuous threat of rising interest rates, the fund sought to ensure diversification and stability. This strategy continued as we moved into a spring of market corrections and a strengthening dollar. The Fund managed to track the S&P 500 almost perfectly over the past year.

One of the major themes of this year's discussions was stock valuation. With the market reaching all time highs, the fund sought to determine which stocks were undervalued relative to the market. We analyzed industries and used market multiples, such as EV/EBITDA to find companies that were undervalued relative to its peers. An example of this strategy is the fund's purchase of Textron (TXT), which had multiples significantly lower than its competitors in the defense industry. The market soon adjusted and the fund has unrealized gains of over 25% on the stock. Additionally, we focused on rebalancing the portfolio. We analyzed any security that accounted for over 5% of the portfolio and as a result subsequently reduced our position in both Disney (DIS) and Activision (ATVI).

Beginning in the Spring of 2017, the fund grew cautious as the market continued to climb and equities generally appeared overvalued by historical standards. Thus, the fund sought to reap gains by reducing positions equities which had greatly appreciated in value, such as Disney and Activision. This increased the fund's diversification and built a strong cash position which will place the fund in an advantageous position in the event of a market correction.

We heard from a variety of speakers to add to our market understanding and potentially expand our strategy. Alumni also provided us with career advice and potential connections.

All current seniors in the fund are graduating with full-time positions at a variety of prestigious firms and opportunities. We firmly believe the student investment fund has prepared us for our future careers.

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*The mission of TCNJ's Student Investment fund is to encourage investment learning through the management of real capital by students focused on a long-term strategy.*

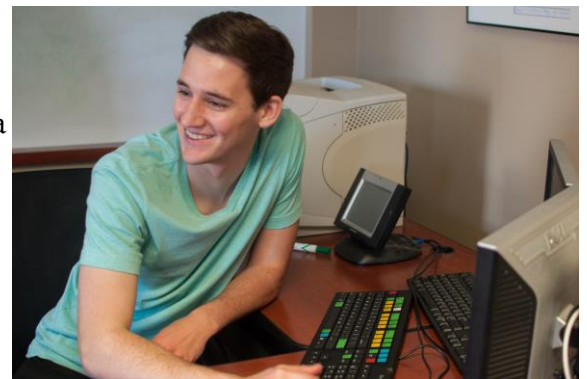
## Letter from Faculty Advisor

I started the student investment fund to provide students, primarily finance majors, with an opportunity to make investment decisions involving real money. Since its inception, over 300 students have participated in determining the portfolio's allocation and selecting individual securities to buy and sell. This process has improved the participants' analytical and presentation skills. When the fund started, the S&P 500 stood at 1480. Today, approximately 16 years later, the index stands at 2388 for an annualized return of approximately 2 percent. It has been a challenging environment in which to make investments. Through continued contributions from alumni, dividend and interest income, price appreciation in specific stocks, and the magic of compounding, the value of the fund has grown to over \$400,000.

Beginning in 2014, the fund adopted a policy of "give back" to the community. Entering freshman from Ewing Township were awarded a one-time payment that ranged from \$500 - \$1,000. While the amount of these gifts will vary each year, increased success by the student portfolio managers should lead to larger distributions to students from our community.

I invite you to contribute to the fund. To make a contribution, please use the form provided in this report.

Herbert Mayo  
Professor of Finance



## How the Fund Works

The Student Investment Fund (SIF) is a group comprised of ambitious students from The College of New Jersey's business school who are looking to gain experience in equity investing and valuation. It provides students the opportunity to research, discuss, and execute investments in a fund with a market value of \$400,000.

During the course of each semester, each member of the SIF is responsible for pitching at least one purchase or sale of a stock. The typical process for making an investment decision begins with a member of the fund researching the market/economy and selecting a company to buy or sell. Next, this company is introduced to the group and an open forum on thoughts and feedback takes place. The group then decides whether or not this company should be further pursued. If a majority of the group decides this discussion is worth continuing, the individual prepares a more detailed presentation of the potential investment. The second presentation typically consists of two parts, the conceptual story behind the buy or sell and a valuation supporting the argument. The presentation is followed by questions and a discussion and once all the members in the fund feel they have adequate information to make an investment decision, a vote takes place (a quorum of members needs to be present in order to vote.). If two-thirds of the quorum is in agreement of the investment proposed, the transaction will be executed.

## Key Transactions During 2016: Stratasys (SSYS)

In April 2016, the Student Investment Fund purchased 100 shares of Stratasys Ltd. (SSYS) at \$20.99 per share totaling \$2,099. Stratasys is a manufacturer of 3D printers as well as 3D production systems for office-based rapid prototyping and direct digital manufacturing solutions. This purchase introduces the fund into an innovative sector of the market that is predicted to maintain future growth. We believed the portfolio had many safe securities, and wanted to further diversify, Stratasys maintains exposure within industries such as aerospace and defense, architecture, automotive, commercial products, consumer products, digital dentistry, education, entertainment and medical. The company is a supplier of major firms including Textron, Apple, Ford, Boeing Nike, Xerox, and Disney; many of which are already within the portfolio. For example, Ford announced it will use 3D printed automotive parts in selected models. Textron uses many of the products sold by Stratasys in order to create prototype models used within the defense sector. These are only some examples of major companies utilizing 3D printing technology within company operations.

Stratasys owns 30.8% of the 3D printing market share and is one of two major publicly held companies within the field. As 3D printing is becoming more exposed to various industries, we expect the company to grow and believe it to be a beneficial long-term hold within the portfolio. Through the use of ratio analysis, we determined that Stratasys was the better buy over its main competitor, 3D Systems Corporation. In comparison to 3D Systems, Stratasys maintains higher current and quick ratios and a five year annual revenue growth percentage of 34% as compared to 22% of its competitor.



## Key Transactions During 2015: DISNEY (DIS)

In the Fall of 2015, the Student Investment Fund discussed reducing its position in Walt Disney Company. The fund had accumulated 311 shares of Disney directly through purchases and indirectly through the acquisition of Marvel in 2009. At the time, Disney was the largest individual holding in the fund's portfolio. After a weeklong discussion, the fund came to the decision to sell 86 shares of Disney, about one third of the fund's total position.

Disney is undoubtedly the most prominent brand in the world. Its theme parks, movies, and cartoons are an integral part of almost every childhood. The members of the fund were able to put their bias aside when analyzing Walt Disney Company.

The fund's primary concern was over cord cutting, which has pushed the TV industry to a critical inflection point. Contrasting opinions over the severity of cord cutting were proposed, however all created a negative outlook for Disney's media networks, the company's primary revenue driver.



## Give Back to Community

Being in the Student Investment Fund is like being on a board of a company. Therefore, there are more aspects of a business to understand than just making strong investments to generate higher returns. It is also important for the fund to understand the importance of social corporate responsibility, which we get to experience first hand by donating scholarships to the community through the Ewing Community Award.

Ewing Community Award recognizes the value of strengthening and deepening TCNJ's mutually beneficial relationship with the Ewing Township community. These students, who graduated from either Ewing Township High School or Notre Dame High School, often express the value of this relationship in their messages and are proud to be members of both communities.

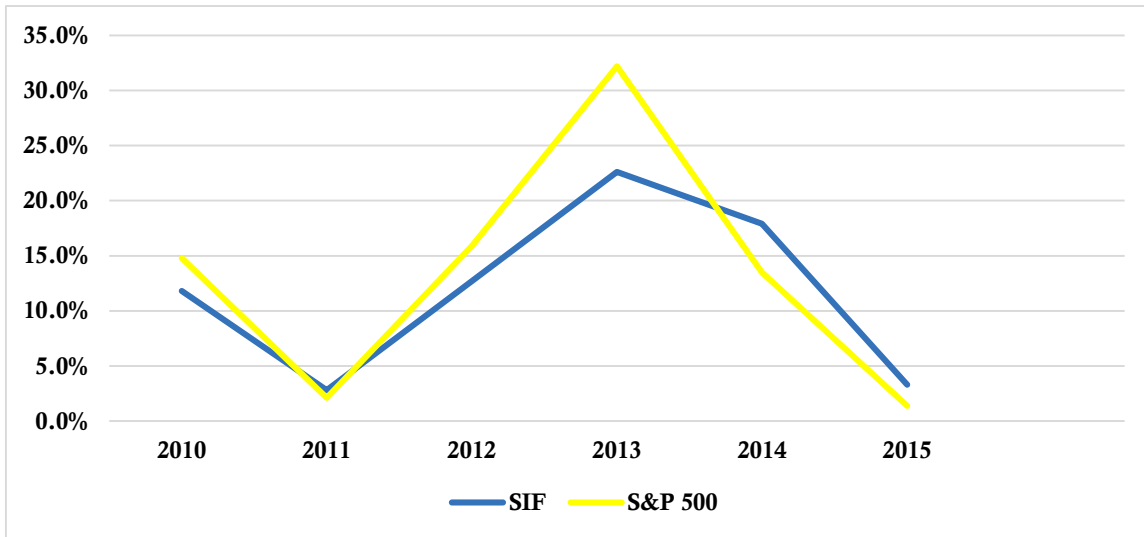
This year we were able to award thirteen \$500 scholarships to deserving, hardworking students from the Ewing Community. One of the recipients stated "Your continued donations and support really boost college students' morale and make them strive to be the best they can be, and that's especially true for me." Many others discuss the importance that TCNJ has had in their life. Another recipient noted that. "The College (TCNJ) as a whole brings its community together as one loving family, and the generous scholarships only add to it." The Ewing Community Award highlights social corporate responsibility while strengthening the relationship between the college community and the surrounding area.



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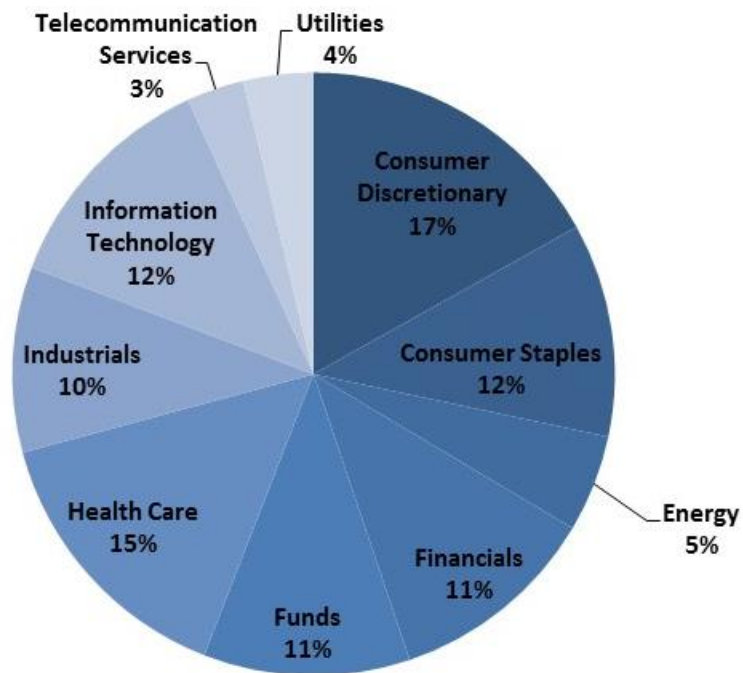
## Financial Highlights

### *Fund vs. S&P 500 - Returns*

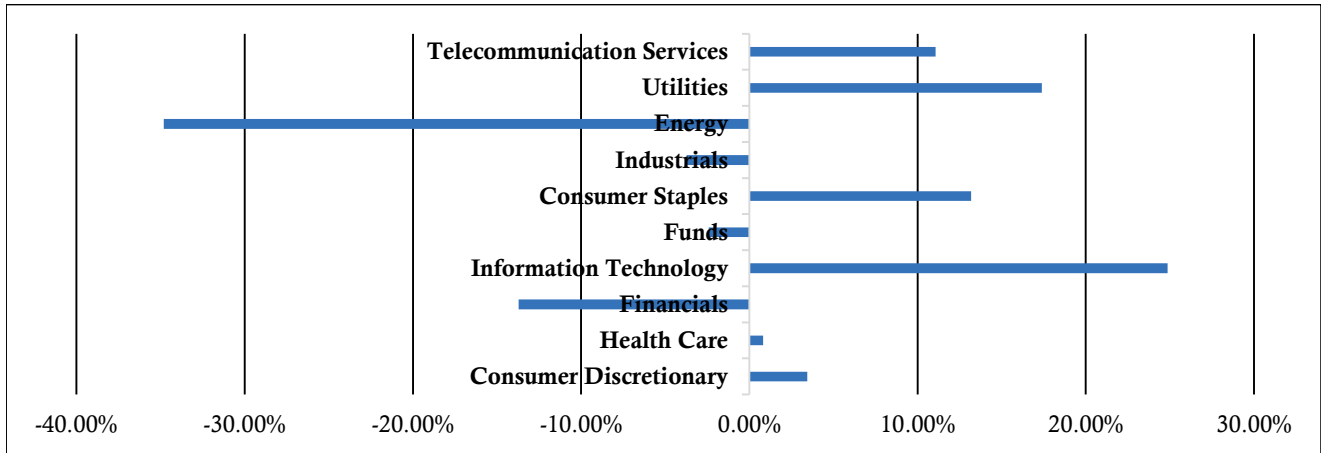


The correlation coefficient between the SIF and the S&P 500 is 0.93.

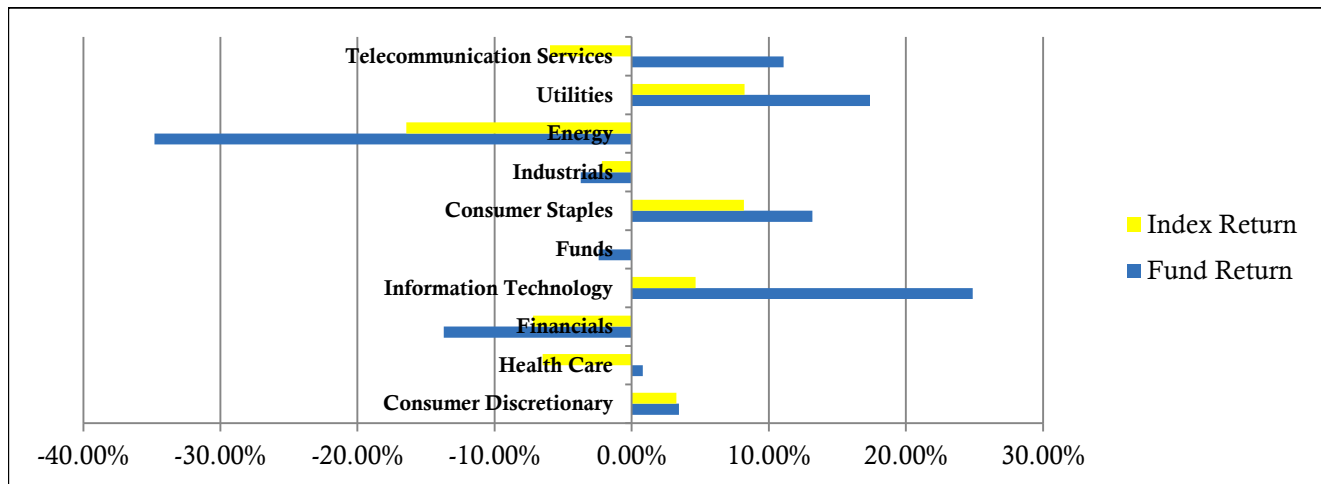
### *Portfolio Breakdown*



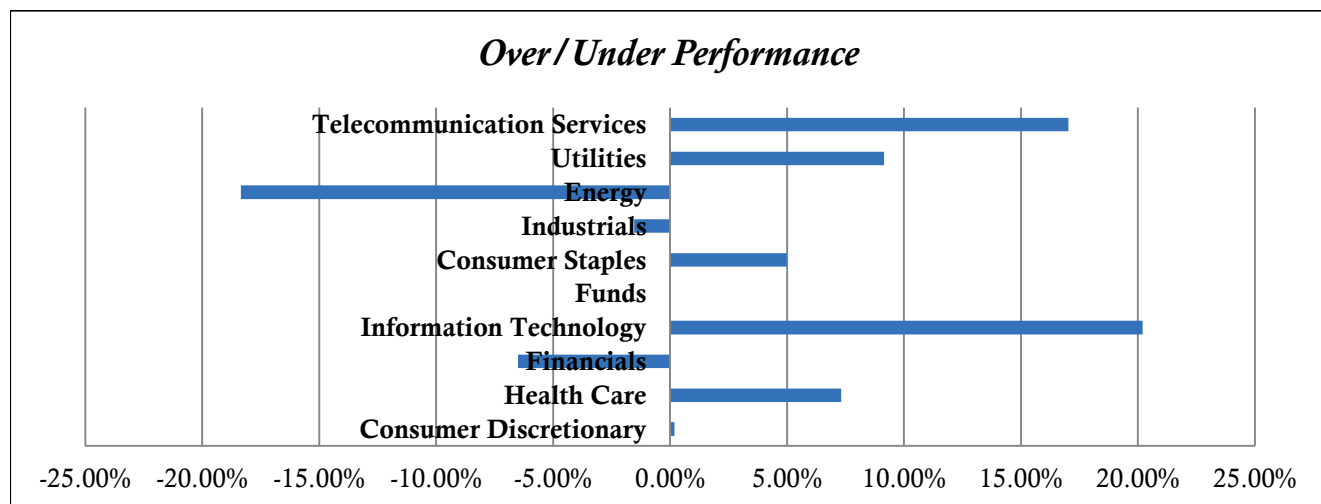
### Segmented Performance



### Benchmarked Segmented Performance



### Over/Under Performance



# Portfolio Management Team



Top Row: *(Right to Left)* – Corey Schubaik, Thomas Athan, Garen Turner, Kevin Boise, Matthew Liang, Christopher Ferrari, Jacob Camins-Esakov

Bottom Row: *(Right to Left)* – John Chiavelli, John Rizzi, Courtney Wirths, Colleen Dean, Thomas Lagerman, Mathew Palumbo

Thank you to all our donors for your generous donations throughout the years. Without your generosity, this fund would not be possible.

## HOW TO MAKE A DONATION

**NAME:** \_\_\_\_\_

**ADDRESS:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**EMAIL:** \_\_\_\_\_

**PHONE:** \_\_\_\_\_

**COMPANY:** \_\_\_\_\_

**My or my spouse's employer matches gifts.**

A completed matching gift form is enclosed.

**Gift Amount:** \$ \_\_\_\_\_

**Gift Designation:**

Student Investment Fund

My check is enclosed.

Please make payable to *TCNJ Foundation*.

**Please charge my:**

American Express  Discover  VISA  MasterCard

\_\_\_\_\_  
Credit Card Number

\_\_\_\_\_  
Expiration Date

\_\_\_\_\_  
Signature

You can also give online at [www.tcnj.edu/give](http://www.tcnj.edu/give) under the Specialized Funds section. Select Student Investment Fund as the Fund Designation in the drop-down menu. Thank you for your support!