

# Student Investment Fund Annual Report 2018

## Letter from Management Team

Herbert S. 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.

As members of the Student Investment Fund, we consider ourselves to have 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.

One of the major themes this year was stock valuation. With the market reaching all time highs, we had to determine which stocks were undervalued relative to the market. The team heard several pitches involving stocks with high P/E ratios. One of these was LendingTree, which had a P/E over 20 at the time of the pitch. The team decided that this was overvalued and passed on the opportunity; LendingTree lost 40% of its market value over the month following the pitch.

Another major theme of this year was finding new and unique ways to maximize returns. One way the fund achieved this goal this semester was utilizing the cash balance better than in prior years. In most years, the fund would hold a large amount of cash in order to acquire new stocks. This year, the team decided to park this cash balance in the Shares Core Growth Allocation (TFACOR). MOR Holdings consists of 7% equities and 13% bonds. The team felt that this made it a safe way to hold any excess cash the fund had.

The SIF portfolio has now grown to 55 securities, 13 of which are in the Dow 30. The team's goal is to end the year forward as to consolidate the total holdings and focus diversification efforts.

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.

2018 SIF Management Team

This report was written by Christopher Mott '18.

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.



**TCNJ**

Student Investment Fund

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## Letter From the Faculty Advisor

A Started A student A investment A and A provide A students, A mainly A nance A majors, A th A opportunity A o make A nvestment A decisions A volving A real A money. Since its A nception, over 300 A students A have A participated A determining A e A portfolio's A location A d A electing A individual A curities A A ny A d A ll. A is A process A s A improved A participants' A nalytical A nd A presentation A ll. When A he A und A started, A he A & P A 500 A tood A t A 480. Today, A pproximately A 7 years A later, A he A lex A nds A A most A 00 A or A n annualized A return A f A pproximately A .6 percent. A has A een A challenging A environment A which A o A make A nvestments. A Through A continued A contrubutions A rom A lumni, A dividend A nd A terest A come, A rice A ppreciation A n A specific A stocks, A nd A he A magic A f A compounding, A he A value A f A he A und A has A grown A o A ver A \$400,000. A

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Beginning A 2014, A he A und A adopted A policy A f A give A back" A o A he A community. A entering A reshman A rom A Ewing A township A were A awarded A one A time A payment A hat A ranged A rom A \$500 A \$1,000. A While A he A mount A f A these A gifts A will A vary A each A year, A increased A success A by A he A student A portfolio A managers A should A lead A o A larger A distributions A o A students A rom A ur A community. A

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Herbert A Mayo A

Professor A f A inance A

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## How the Fund Works

A The A student A nvestment A und A SIF) A s A group A comprised A f A mbitious A tudents A rom A the A College A f A New A ersey's A business A school A who A re A looking A o A gain A xperience A A equity A A esting A d A luation. A A A provides A tudents A he A opportunity A o A research, A discuss, A nd A execute A nvestments A A A und A with A market A value A f A \$400,000. A

A During A he A course A f A he A semester, A each A member A f A he A SIF A s A responsible A or A pitching A t A least A ne A purchase A r A sale A f A stock. A he A typical A process A or A making A n A nvestment A decision A begins A with A A member A f A the A und A researching A he A market/economy A nd A selecting A company A o A buy A r A sell. A Next, A his A company A s A introduced A A A oup A d A n A open A forum A n A houghts A nd A feedback A takes A place. A he A group A hen A decides A whether A r A not A his A company A should A e A further A pursued. A f A A majority A f A he A group A decides A his A discussion A s A worth A continuing, A he A individual A prepares A more A detailed A presentation A f A he A potential A nvestment. A he A second A presentation A typically A consists A f A wo A parts, A he A conceptual A story A behind A he A buy A r A sell A nd A valuation A supporting A he A argument. A he A presentation A s A followed A y A questions A nd A discussion A nd A once A ll A the A members A n A he A und A eel A hey A have A dequate A nformation A o A make A n A nvestment A decision, A A vote A takes A place. A f A wo A thirds A f A he A group A s A n A greement A f A he A nvestment A proposed, A he A transaction A will A be A executed. A

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## Key Transactions 2017-2018

Dow-Dupont (DWDP):



In April of 2018, the Student Investment Fund purchased 125 shares of DowDuPont (DWDP) at \$64.28 per share, totaling \$8,160. DWDP was founded in 2017 after a merger between chemical giants Dow and DuPont. The company is currently involved in three main sectors: the Agriculture Division, named Corteva Agriscience, the Materials Science Division, named Dow, and the specialty products division, named DuPont. DWDP intends to separate into these three independently traded companies by Q4 2019. This merger and a subsequent one will allow the firm to combine market segments between Dow and DuPont in order to increase market penetration while also utilizing greater economies of scale in production and research and development to drive profits. The purchase, at a price of \$4.15, is the same as the price of the stock at the time of purchase.

Pattern Energy Group (PEGI):



A key acquisition during the Spring 2018 semester for the Student Investment Fund was the purchase of Pattern Energy Group (PEGI). The fund acquired 300 shares at \$8.17, or approximately \$2,451. Pattern Energy Group invests in operational and pre-operational wind farm companies globally. These projects supply clean energy to the United States, South America, and Japan. In aggregate, the firm produces about 2,400 megawatts of clean electricity. The strategy behind the purchase of Pattern Energy Group was the decline in aspects of fossil fuels. Consumer sentiment surrounding coal has diminished steadily due to environmental concerns. By purchasing PEGI, the Student Investment Fund is taking an active part in the green revolution and ethical investing.

PEGI was an attractive opportunity because of its interesting structure as a yieldco. A yieldco is a dividend growth-oriented company that is created by a parent company. The yieldco utilizes a renewable long-term contracted operating assets to generate a stable and predictable cash flow. An example of a yieldco is PEGI, which is a series of contracts to sell the electricity from its wind farm operations. The team was attracted by the historically high dividend.

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## Hanesbrands (HBI) and Medtronic (MDT): M

A Two key divestitures that the team made this semester were selling Hanesbrands (HBI) and Medtronic (MDT). HBI is a consumer goods company that designs, manufactures, sources, and sells a range of basic apparel for men, women, and children in the United States. The company operates through three segments: Innerwear, Activewear, and International. The team decided to sell all of HBI: 25 shares valued at \$19.00 per share for a total of \$475. The team felt that the growth over four years was not sufficient to justify keeping the shares. M

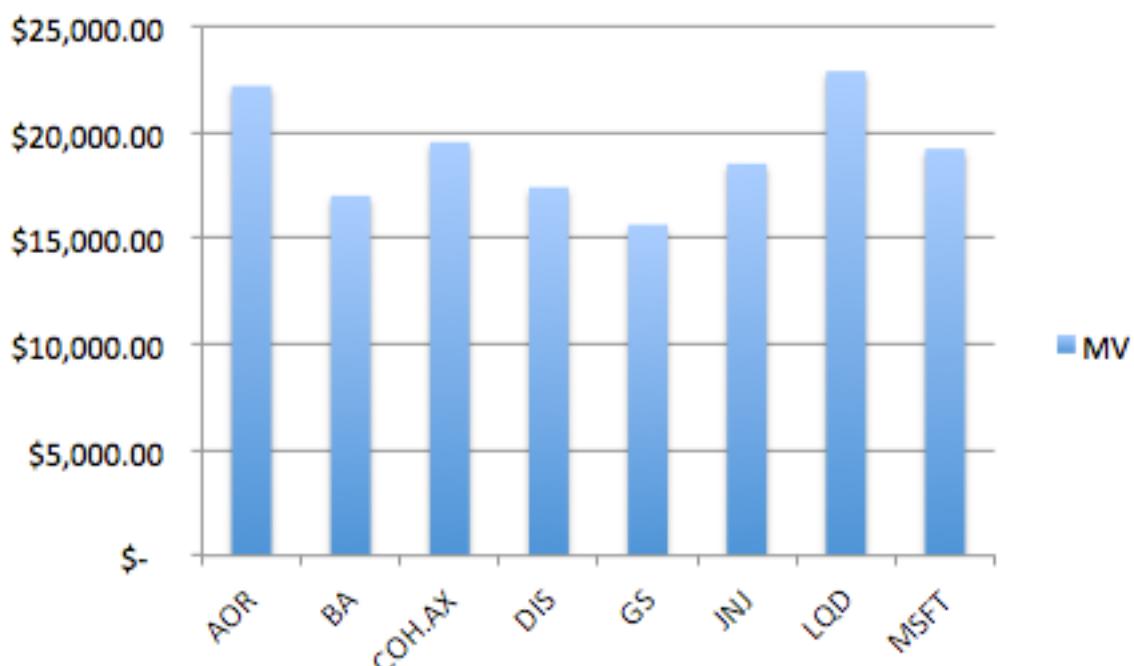
A MDT manufactures and sells device based medical therapies to hospitals, physicians, clinicians, and patients worldwide. MDT is involved in several different segments of medical devices, including Cardiac and Vascular, which include products for cardiac rhythm disorders and cardiovascular disease, as well as services to diagnose, treat, and manage heart and vascular related disorders and diseases; Minimally Invasive Therapies, which provides products for surgical care and patient monitoring, patient care, renal care, and airway and ventilation; Restorative Therapies, which provides products focusing on the spine, bone graft substitutes, biologic products, and plantable neurostimulation therapies and Augmentation systems; and Diabetes, which includes products for diabetes management. Like HBI, MDT experienced poor returns relative to the time it was held. The team had little attachment to the stock because it was acquired through an acquisition several years before, and thus decided to sell the entire holding of MDT: 47 shares at \$78.36 for a total of \$683. It exceeds from all the BI and ADT went towards purchase of DWD. M



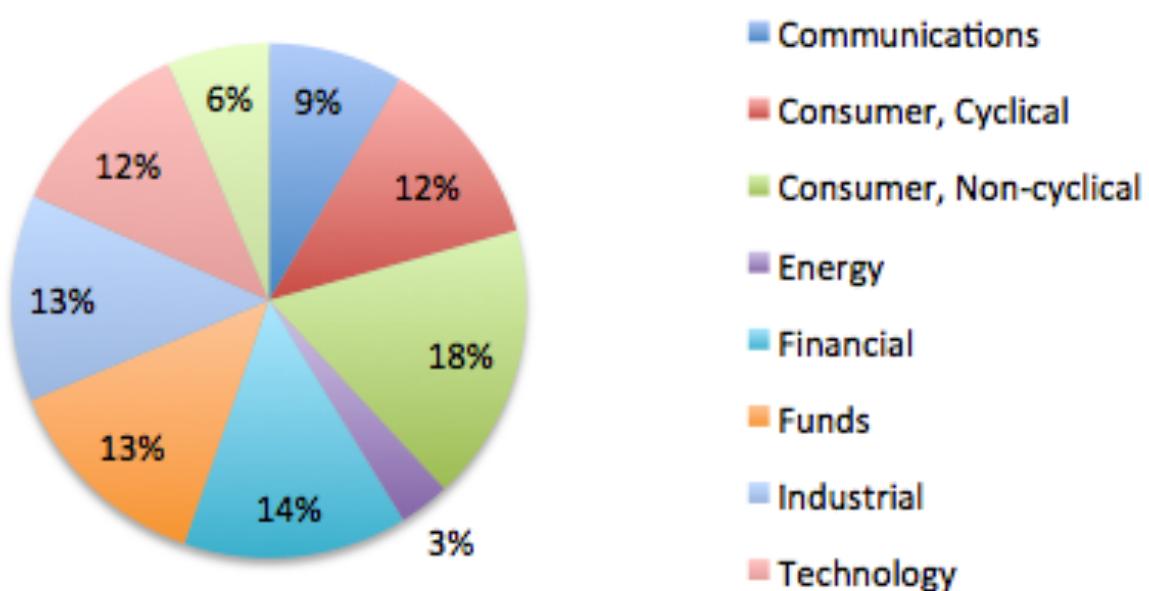
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## Largest Holdings (MV>\$15,000)



## Portfolio Breakdown by Industry



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## Giving Back to the Community

Being the Student Investment Fund is like being on the board of a company. Therefore there are more aspects of business to understand than just making strong investments. It is also important for all students 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. The 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 to the Board of Directors and members of the communities.

This year we were able to award thirteen \$600 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 thrive." Another recipient noted that "the college (TCNJ) has had an impact on my life, and it's especially true for me." Many others discuss the importance that TCNJ has had on their life. Another recipient noted that "the college (TCNJ) has had an impact on my life, and it's especially true for me." The Ewing Community Award highlights Social Corporate Responsibility while strengthening the relationship between the college community and the surrounding area.



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## Portfolio Management Team



Top Row (Left to Right): Ahmad Aah, Brianneasko, Benjamin Millington, Ziyi Wang, William King, Tamereliav, Todd Kutcher

Bottom Row (Left to Right): Christian Adrikson, Christopher Mott, Matthew Siebers, Emma Van Der Heide, Shant Bekarian, Anthony Pirolo

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

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## How to Make a Donation

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Name: Ā Ā Ā Ā Ā Ā Ā

Gift Amount: \$ Ā Ā Ā Ā

Address: Ā Ā Ā Ā Ā Ā Ā

Gift Designation:

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Student Investment Fund

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My check is enclosed

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Please make checks payable to TCNJ Foundation

Email: Ā Ā Ā Ā Ā Ā Ā

Please Charge My:

Phone: Ā Ā Ā Ā Ā Ā Ā

AMEX  Visa  Discover  Mastercard

Company: Ā Ā Ā Ā Ā Ā

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Signature

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You can also give online at [www.tcnj.edu/give](http://www.tcnj.edu/give) under the Specialized Funds section. Select Student Investment and All Other Designation from the dropdown menu. Thank you for your support!

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