

Student Investment Fund Annual Report 2019

Letter From Management Team

The Herbert B. Mayo Student Investment Fund (SIF) consists of TCNJ Business Students that have a passion for the stock market and work as a team to manage a \$500,000 fund.

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

Two major focuses for the fund this year were consolidation and concentration. With the portfolio having 50+ stocks, we wanted to eliminate insignificant positions and size up on existing ones that we determined were undervalued. This allowed us to increase exposure to certain sectors of the markets.

In achieving our goal, we increased positions in stocks such as The Blackstone Group (BX), Facebook (FB), and Cisco Systems (CSCO). In companies like Facebook and Cisco we saw solid businesses and stable growth potential. These decisions allowed us to produce positive returns; for example, Blackstone has generated a 21% return over the matter of a few weeks.

We also generated cash from selling stocks in companies that have not performed well and for which we saw limited growth potential. A few notable examples include Teva Pharmaceuticals and Stonemor Partners, and reducing our position in Johnson & Johnson.

The fall months saw the markets slide heavily, weighing down the portfolio with it. However, since the start of 2019, the markets and our portfolio have rebounded. With our investing activity, we have recouped our losses and turned a positive gain as we approach the end of the spring semester. Going forward, we want our successors to continue to grow the fund and make smart decisions to increase the value of our portfolio.

The Student Investment Fund is by far one of the most unique experiences we have while at TCNJ. While current seniors have accepted positions with well-established and reputable firms, participants were often asked about the fund and we believe that our participation helped us build a solid foundation for wherever our career path takes us.

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.



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Letter From the 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 17 years later, the index stands at almost 2700 for an annualized return of approximately 3.6 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 \$500,000.

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 the 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. If two-thirds of the group is in agreement of the investment proposed, the transaction will be executed.

Key Transactions 2018-2019

Dow Dupont (DWDP):



In April of 2019, 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 Chemical and DuPont. The company is currently involved in three main sectors: the agriculture division is named Corteva Agriscience, the materials science division is named Dow, and the specialty products division is named DuPont. DWDP intends to separate into these three independently traded companies by the end of 2Q19. This merger and subsequent de-merger 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. At the time of purchase, per share target price was \$84.15.

Pattern Energy Group (PEGI):



A key acquisition during the Spring 2019 semester for the Student Investment Fund was the purchase of Pattern Energy Group (PEGI). The fund acquired 300 shares at \$18.17, for a total of \$5,451. 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 yield co. A yield co is a dividend-growth oriented company that is created by a parent company. The yield co utilizes renewable long-term contracted operating assets to generate stable and predictable cash flows. In the case of PEGI, this comes from the contracts to sell the electricity from its wind-farm operations. The team also was attracted by the historically high dividend.

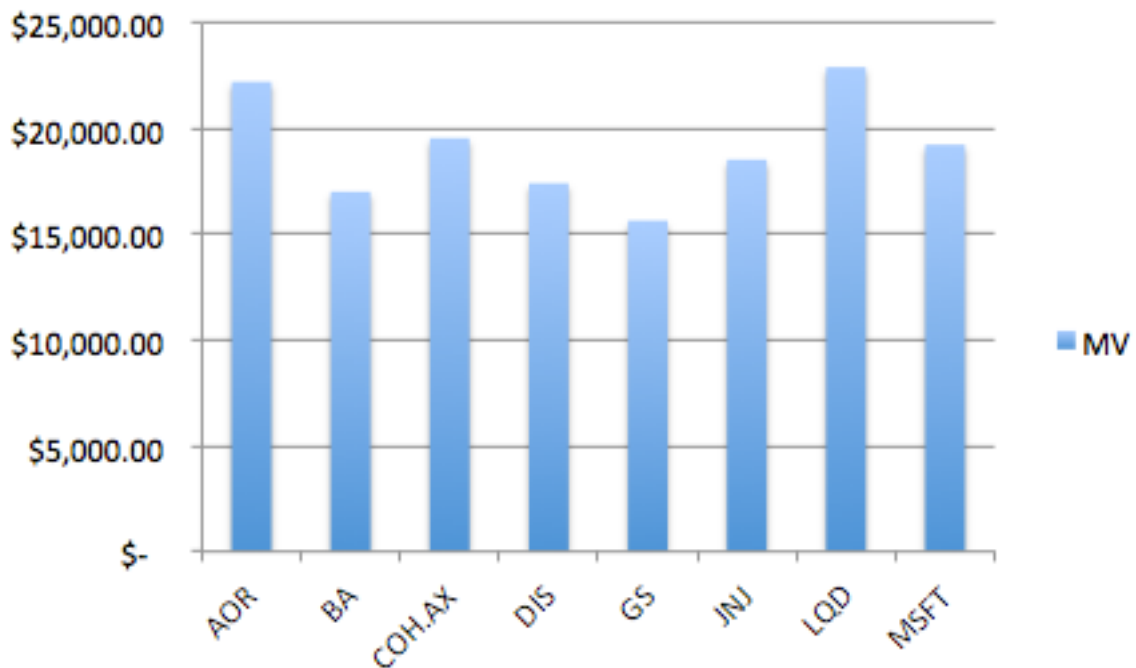
Hanesbrands (HBI) and Medtronic (MDT):

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: 225 shares valued at \$19.00 per share for a total of \$4275. The team felt that the 8% growth over four years was insufficient to justify keeping the shares.

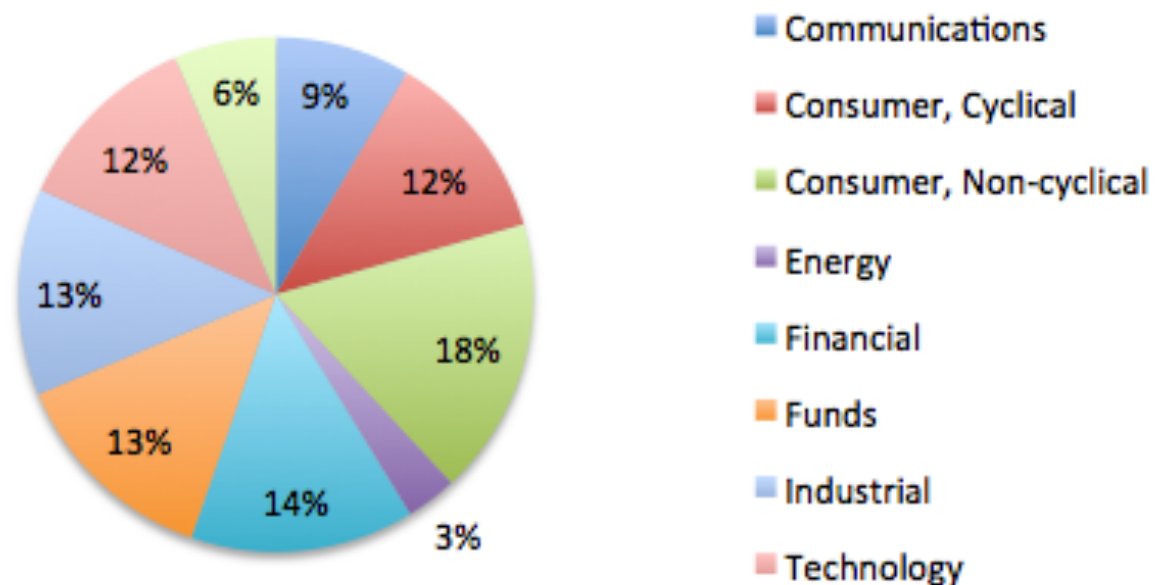
MDT manufactures and sells device-based medical therapies to hospitals, physicians, clinicians, and patients worldwide. MDT is involved in several different segments of medical devices, including Cardiac and Vascular, which include products for cardiac rhythm disorders and cardiovascular disease, as 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, trauma, implantable neurostimulation therapies and drug delivery systems; and Diabetes, which include 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 \$3683. The proceeds from the sale of HBI and MDT went towards the purchase of DWDP.



Largest Holdings (MV>\$15,000)



Portfolio Breakdown by Industry



Giving Back to the Community

Being in the Student Investment Fund is like being on the 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. 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 and are proud to be members of both 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 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." 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*): Alexander D'Ascenzo, Conor Riggs, John Hounsell, Jonathan Kane, Stephen Stockton, Austin Pelliciari, Shahrez Nadeem, Neil Desai

Bottom Row (*Left to Right*): Omar Bokhari, Anthony Prisco, Jessica Nowak, Erin Holzbour, Mackenzie Holleran, Achyuth Balijepalle

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

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Gift Designation:

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☐ AMEX ☐ Visa ☐ Discover ☐ Mastercard

Credit Card #

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You can also give online at 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!