

**Herbert B. Mayo Student Investment Fund**  
**The College of New Jersey School of Business**

Annual Report  
Spring 2022





## LETTER FROM 2022 SIF MANAGEMENT TEAM

The Herbert B. Mayo Student Investment Fund (hereinafter the SIF or the Fund) is a group that consists of driven TCNJ Business Students who are in their junior or senior year of college and have a passion for the stock market. This group of young men and women work together as fund managers to operate a fund worth \$700,000. Managers of the Fund have the mission of expanding and growing the portfolio while continuously expanding their knowledge of the market, investing, and the economic atmosphere.

Starting with a new management team in Fall 2021, the Fund's focus was on stable growth. The economy was expected to grow in Q3 and Q4 despite news of new COVID-19 variants such as the Omicron variant and cases still on the rise. With this in mind and with an ample cash position from the semester before, the management team aimed to buy stable, long-term positions. The Fund bought steady, well-known stocks of companies such as Waste Management Inc. (WM), Caterpillar Inc. (CAT), and Invesco Water Resources ETF (PHO) over the Fall 2021 semester. The team also liquidated its positions in Alliance Resource Partners LP. (ARLP) and JBG Smith Properties (JBGS), while selling 32 shares of Microsoft Inc. (MSFT) to maintain a cash position for future buys. The Fund saw these companies as either overpriced or lacking growth potential. Details of 2 selected transactions from Fall 2021 can be found in the "Highlights of Transactions 2021-2022" section of this report.

As management changed in Spring 2022, the Fund's mindset shifted as well. The Fund focused on cleaning up the portfolio by seeking sell opportunities within our holdings. Macroeconomic factors such as rising interest rates, higher inflation, and world events like the Russia-Ukraine war caused management to believe the market would decline in the future. As a result, once many positions were sold, the excess cash was used to purchase stocks that are more resistant to recessions.

Management accomplished these two goals by selling 7 positions and buying 3 stocks. The Fund sold AT&T (T), Twilio (TWLO), iShares iBoxx \$ Inv Grade Corporate Bond ETF (LQD), General Electric (GE), PJT Partners Inc. (PJT), Kyndryl Holdings Inc. (KD), and Organon & Co. (OGN). While

there were various reasons as to why these positions were sold, some common themes were: overpriced equities, underperforming business segments, spin-off companies, or dividend cuts. Throughout this semester, management believed defensive stocks would earn a better return which caused the Fund to purchase Newmont Corporation (NEM), Brookfield Infrastructure Partners (BIP), and Alexandria Realty Equities (ARE). Details for each transaction can be found in the “Highlights of Transactions 2021-2022” section of this report.

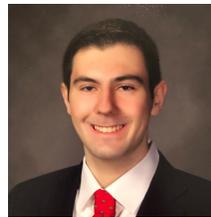
The actions made by management from February to the present helped to maintain the value of the Fund and put it in an advantageous position if the market continues to decline in the future. Looking ahead, we want the next managers to make smart decisions to protect and increase the value of the portfolio.

The SIF is one of the best experiences TCNJ’s School of Business offers to its students. Thank you to Professor Choi, Professor Mayo, and Professor Peterson for sitting in on each presentation this past year and enhancing the learning experience. We are confident the SIF has provided us with a unique skill set that will assist us in the rest of our professional careers.

*Drafted by Akshay Badade and Trevor Bell on behalf of 2022 SIF Management Team*



[Akshay Badade | LinkedIn](#)



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## Letter from the Faculty Advisor

The Herbert B. Mayo Student Investment Fund provides undergraduate students an opportunity to develop and increase their knowledge of investments through the hands-on experience of selecting and managing the Fund's assets. The Fund was initially created by a gift from a faculty member, Dr. Herbert B. Mayo, and contributions from alumni. Since its inception in 2000, well over three hundred undergraduate students have participated in determining the portfolio's allocation and selecting individual securities to buy and/or sell. This process has improved the participants analytical and presentation skills in portfolio decision-making.

The primary goal of the Fund is the growth in the value of the assets, however, the SIF distributes 3 to 4 percent of the value of the Fund as a one-time scholarship/gift to incoming students from Ewing as a giveback to the community. The Fund values the significance of its social impact initiatives.

If you want to invest in a finance major's future, I invite you to contribute to the SIF. To make a contribution, please visit [give.tcnj.edu](https://give.tcnj.edu) and indicate that your contribution is to be directed to the School of Business Student Investment Fund.

## Macro View by the Faculty Advisor: A Tale of Two Halves

As we stand today in May 2022, the second half of 2021 seems a long time ago. During the second half of 2021, the economy was expected to grow robustly and the primary concern was driven by concerns over new variants of the coronavirus. During 4Q 2021 the spread of the Omicron variant spreading just as the Delta variant was easing created a bit of a shadow over robust economic growth. The economy expanded by 1.7% in the final three months of 2021 capping off a year with robust GDP growth. There was some concern with rising inflation but federal reserve expectations as noted in the FOMC statement on Nov 03, 2021, was "Inflation is elevated, largely reflecting factors that are expected to be transitory."

By the start of 2022, the markets realized that inflation was not transitory, and started expecting an increasingly hawkish FED to start raising rates aggressively. The question became not whether rates would rise but how fast they would rise. While the broader global economic environment was starting to get better the start of the war in Ukraine sent commodity prices spiraling. Given that the war in Ukraine continues at great human cost and commodity prices continue to be at very elevated levels, companies pass higher costs to final consumers. Higher inflation, higher costs of borrowing, and higher energy costs will slowly be reflected in consumer demand for products and services. Broad markets have continued to head lower as corporate earnings lay out challenges reflected in the current economic environment. The question remains as to whether the Federal Reserve can achieve a soft-landing for the economy.



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## Highlights of Transactions 2021-2022

[Fall 2021]

*Buy: Caterpillar (NYSE: CAT)*

In November of 2021, the Student Investment Fund purchased 35 shares of Caterpillar Inc. at \$204.48. Caterpillar Inc. is an American corporation that develops and manufactures machinery, engines, financial products and insurance. It is the world's largest construction-equipment manufacturer and the purchase of its stock added to the industrial sector of the Fund's portfolio.

Caterpillar Inc. was an attractive investment because of its status as a dividend aristocrat, its undervalued price, market catalysts, and its management. The company has seen 28 years of consecutive dividend growth and will provide additional dividend income for the Fund. In the valuation of the company, a discounted cash flow model was used which implied an upside of approximately 30%. The infrastructure bill passed by the Biden administration in November of 2021 comprised \$550 billion in funds for transportation and utilities and \$110 billion in funds for roads and bridges. Since Caterpillar is a big player in the construction-equipment manufacturing market, it is expected to see revenue growth from the influx of investment from the government, with results kicking in late 2022. Additionally, with the growing uncertainty in the market due to the COVID-19 pandemic, we chose a company such as Caterpillar Inc. to invest in due to its relatively stable nature in times of market distress. One of the highlights of Caterpillar Inc. as a company is its management and how well the market perceives management's decision making. Recent management decisions such as acquisitions and changes in board members have had positive impacts on the price of the stock.

*Sell: Microsoft (NASDAQ: MSFT)*

In December of 2021, the Fund sold 32 shares of Microsoft Corporation at \$340.25. Microsoft is an American technology company that produces computer software, consumer electronics, personal computers, and cloud services.

The argument to sell Microsoft was fundamentally based on a question of conviction and of the idea of diversification. At the time of the presentation, Microsoft was trending toward an all-time high and was the Fund's second biggest holding. The members found the position oversized which led them to diversify away from the holding. As for the question of conviction, Microsoft has a few key issues that were believed to have led Microsoft not to do so well in the future. Some of the issues that were thought to hurt Microsoft in the future are the difficulty to break into the Chinese market, the known weaknesses in the Windows software, and the oversaturated gaming system market. As a result, the Fund believed that cash on hand could be better used elsewhere with higher confidence. In addition, the Fund still has a sizable position in Microsoft, which will allow the Fund to capture any value it creates for the foreseeable future if the prognostic was wrong.

[Spring 2022]

*Sell: AT&T (NYSE: T)*

Pitched by Akshay Badade and Trevor Bell in February 2022, the Student Investment Fund sold 300 shares of AT&T Corporation's stock at \$24.39 per share for a total of \$7,312.61. AT&T is an American multinational telecommunications company with three segments: Communications, WarnerMedia, and Latin America.

Despite being a giant in the telecommunications industry, the company struggled with earnings and management over the past few years. This poor performance paired with the company cutting its dividend made the stock less attractive. Recently, the telecommunications sector has gained more interest from investors because of the race to 5G. However, the largest beneficiaries of 5G will not be the telecommunications companies; instead, it will be the technology firms that are able to leverage the faster speeds. A ratio analysis that compared AT&T to its competitors, proved AT&T was lackluster in terms of profitability, solvency, and its credit ratings. A DCF valuation resulted in a valuation of approximately \$25 per share, which was about the same as the market price at the time of the proposal. Although the valuation price was at par with the price at the time of selling, the growth prospects of the company were poor due to segment revenues for AT&T's main business (Communications) falling year-over-year. All of these reasons led the Fund to decide its capital was better suited in different investments.

*Sell: Twilio (NYSE: TWLO)*

In February of 2022, the Student Investment Fund divested 75 shares of Twilio, Inc. at a price of \$161.59 per share for total proceeds of \$12,119.48. Twilio is an American customer engagement platform that operates on a software as a service model.

Twilio was sold based upon several factors. Despite increasing revenues from large market share, Twilio was unable to turn a profit. Additionally, Twilio was cash flow negative. This lack of profitability had been a trend through recent years and caused worry about the company's future. Moreover, the market downturn from the COVID-19 pandemic caused investors to speculate heavily on software as a service companies, driving their prices up. However, the speculators had begun pulling out, leading to a falling stock price for Twilio and other companies. Combined with worries regarding Twilio's profitability, the outlook for future stock price was not optimistic.

*Sell: iShares iBoxx \$ Inv Grade Corporate Bond ETF (NYSEARCA: LQD)*

In February of 2022, the Student Investment Fund sold 200 shares of iShares iBoxx \$ Inv Grade Corporate Bond ETF at \$123.73 per share for total proceeds of \$24,746.8. LQD is a broad representation of the U.S. dollar-denominated liquid investment-grade corporate bond market.

LQD was sold upon factors that were macro-focused or specific for this ETF. The dividend yield had decreased by more than 50% since the stock was purchased in late 2009, with that trend expected to continue. LQD had only appreciated 16% in the 12 years the position was held in the portfolio. The

holding was exposed to significant interest rate risk and market risk, which decreased the feasibility of holding the stock as a low volatility hedge. LQD also had a significantly higher expense ratio compared to other ETF comparables. The sale resulted in a 3.63% increase in the portfolio's cash position and allowed the Fund to explore more lucrative investment opportunities.

*Buy: Newmont Corporation (NYSE: NEM)*

In March of 2022, the Student Investment Fund bought 200 shares of Newmont Corporation at a price of \$75.86 per share. Newmont Corporation is based out of the United States and is the world's largest gold mining company. The company owns and operates mines on five continents, mainly mining gold but also mining other precious metals such as copper and silver.

NEM was first thought to be an attractive investment due to the group's negative economic outlook and looking to protect against a recession. The presenters first thought was to look into long term bonds, but due to the restrictions of the portfolio that was not possible. We then looked into mining stocks, and in that industry NEM had the most attractive dividend structure. This dividend structure is interesting because it is paid out based on the price of gold and changes per quarter, which helps with the overall goal of long term growth in the industry.

*Sell: General Electric (NYSE: GE)*

In March of 2022, the SIF sold 25 shares of General Electric Company at \$94.17, which was the entire position that amounted to \$2,349.20. GE is an international industrial conglomerate that operates through its four segments: Aviation, Healthcare, Renewable Energy, and Power. The position made up less than one percent of the portfolio and the lack of future growth in the company is one of the main reasons for selling the stock.

There were several other reasons for selling GE. Primarily, the management's lack of confidence in a promising future for the company was prominent. Management after Jack Welch had a difficult time dealing with the countless acquisitions that made GE a conglomerate. In addition, when the market moved away from favoring companies that used top-tier management to run hundreds of subsidiaries, GE did not adapt to the market. Instead, the company waited two decades to split its businesses into four focused businesses. Furthermore, the company had been unstable with its dividends over the past few years and, in fact, decreasing its dividends in times of recent economic bull markets. Lastly, with GE trying to split into four different companies, the Fund believes that this decision is in the right direction, but the firm is a long way away before the stock realizes the benefit of this split. The Fund believes a more strategic approach would be to revisit the more profitable businesses such as Aviation and Healthcare after the segments report at least one year in profits to see how the companies are competing in their respective industries.

*Sell: PJT Partners, Kyndryl Holdings, & Organon & Co. (NYSE: PJT, KD, OGN)*

At the beginning of April 2022, the Student Investment Fund sold 8 shares of Kyndryl Holdings Inc. for \$103.29, 7 shares of PJT Partners Inc. for \$445.91, and 8 shares of Organon & Co. for \$208.41. The purpose of this sale was to create a more focused and concise portfolio by removing spin-off positions that add no value. All three of the stocks sold represented less than 0.1% of the total portfolio. All three of the stocks also did not have value compared to their parent companies which were already in the portfolio.

KD was created as a spin-off of IBM's infrastructure services. Kyndryl has had increasingly negative earnings and declining revenues year after year. They were also a spin-off of IBM's low margin assets. PJT was a spin-off from Blackstone. PJT was the financial advisory branch of Blackstone which made up a very small portion of their total revenue. PJT showed underperformance after the pandemic because of its decision to stay afloat during it. They moved heavily into mergers and acquisitions and it did not benefit them after the pandemic. Organon was the most difficult of the three to sell. The company has been performing well so far, but after taking a deeper look, the firm seems to have an inevitable decline in its future. OGN was a spin-off from Merck and took Merck's women's health, biosimilars, and established brands. The women's health and biosimilars are growing, but not at a rate fast enough to counteract what OGN is losing from established brands.

*Buy: Brookfield Infrastructure Partners (NYSE: BIP)*

In April of 2022, the Student Investment Fund purchased 175 shares of Brookfield Investment Partners L.P. at \$66.41 per share for a total position of \$11,627.09. BIP is a Canadian company, traded on the US stock market, which owns and operates companies across the globe in four segments: Utilities, Transportation, Midstream, and Data.

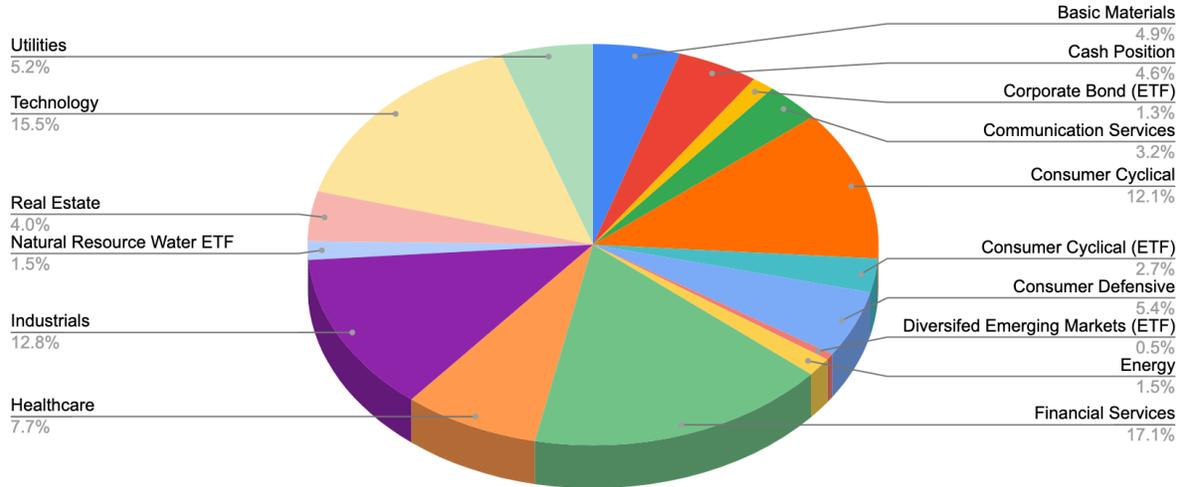
BIP proved to be an attractive investment through its diversification across segments which operate with consistent and reliable revenue and through its diversification across global markets. Considering the negative economic outlook of the Fund for the near future, BIP was a strong option for investment in order to protect against recession and to generate future cash flows through its consistent dividends. Moreover, BIP's strategy for acquiring and running companies provides it with revenue growth capabilities despite the general revenue stagnation that occurs in the utilities and transportation industries.

*Buy: Alexandria Realty Equities (NYSE: ARE)*

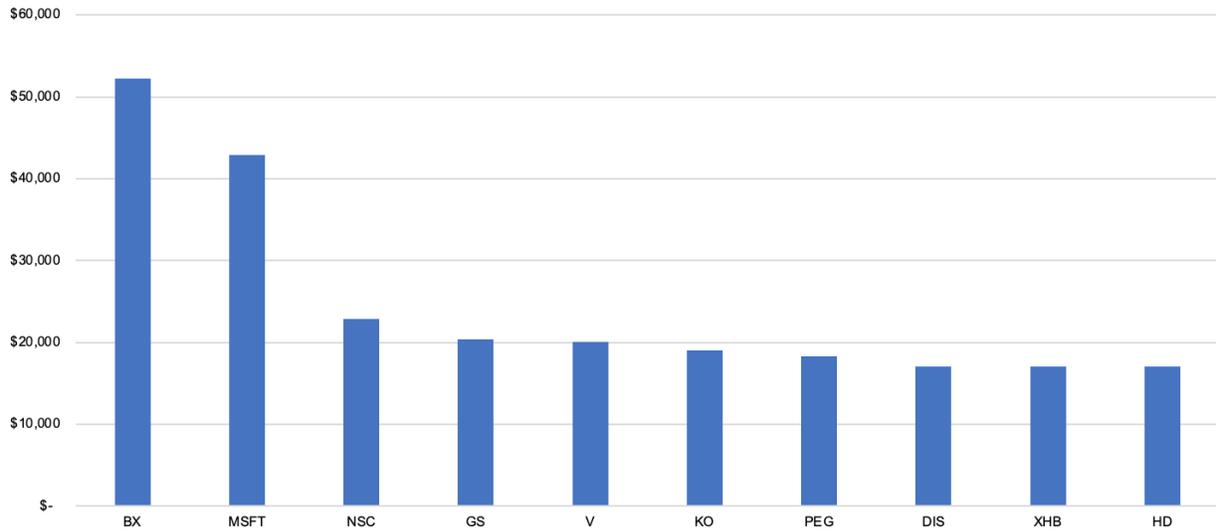
In April of 2022, the SIF purchased 50 shares of Alexandria Real Estate Equities, Inc. at \$185.85 per share for a total position of \$9,292.50. ARE is a U.S. based REIT that is traded on the U.S. Stock Exchange, operating in the Office REIT category, specializing in the sub sector of life science.

ARE proved to be an attractive investment through research and analysis due to the attractiveness of the life science sector, its major tenants, and its consistently growing dividend. Looking at the portfolio as a whole, real estate is a sector the Fund was underexposed to in relation to the S&P 500, with 6% of assets being Real Estate related there to our portfolio with 2.4%. With a major emphasis on the negative economic outlook in the coming years, utilities and real estate are industries that investors flock to, causing us to look at this industry in the first place.

### SIF Asset Allocation as of May 24, 2022



### Top 10 Holdings by Market Cap as of May 24, 2022



## **HOW THE FUND WORKS**

The Student Investment Fund is a group 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 \$700,000. 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.

## **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 twenty-one \$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." The Ewing Community Award highlights social corporate responsibility while strengthening the relationship between the college community and the surrounding area.

## **HOW TO MAKE A DONATION**

Thank you to all our donors for your generous donations throughout the years. Without your generosity, this fund would not be possible. Please visit [give.tcnj.edu](http://give.tcnj.edu) to support the Student Investment Fund.



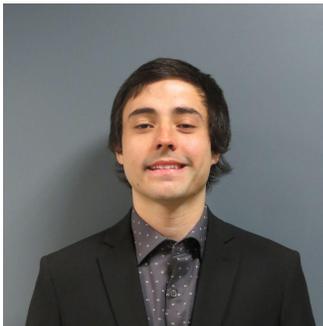
**Akshay Badade** is a Senior Finance major at TCNJ. In the past, he interned at Johnson & Johnson and Management Planning Inc. After graduation, he will be joining BDO as a Business Valuation Analyst.

[Akshay Badade | LinkedIn](#)



**Trevor Bell** is a Senior Finance major at TCNJ. After graduation, he will be joining Johnson & Johnson's Finance Leadership Development Program (FLDP).

[Trevor Bell | LinkedIn](#)



**Joseph Berg** is a Senior Finance major at TCNJ. He is a transfer student from Mercer County Community College. He is still looking for opportunities post graduation.

[Joseph Berg | LinkedIn](#)



**Regan Goldberg** is a Senior Finance major at TCNJ. He held an internship at SitusAMC in the Equity Valuations Management (EVM) group and will be joining Revantage as a Valuations Analyst after graduation.

[Regan Goldberg | LinkedIn](#)



**Jerry Lin** is a Junior Finance major at TCNJ. He held an internship at Management Planning Inc. and will be joining U.S. Bank as an Alternative Investment Operations Intern this summer.

[Jerry Lin | LinkedIn](#)



**Will McCullough** is a Senior Finance major at TCNJ. He held a finance internship at MDEHL. He is still exploring opportunities post graduation.

[Will McCullough | LinkedIn](#)



**Krzysztof Piskorski** is a Senior Finance major at TCNJ. He's an international student from Poland who interned at Citi in the past. He's still looking for an opportunity after graduation.

[Krzysztof Piskorski | LinkedIn](#)



**Tyler Suydam** is a Junior Finance major at TCNJ. This summer he will be interning at JPMorgan Chase & Co. within the Global Finance & Business Management Analyst Program (GFBM).

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**Patrick Tillinghast** is a Senior Finance major at TCNJ. He held internship positions at UBS in Wealth Management and Johnson & Johnson in Global Finance. He will be joining JPMorgan Chase & Co. within the Global Finance & Business Management Analyst Program (GFBM) post graduation.

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**Gavin Weimer** is a Senior Finance major at TCNJ. He has held an internship position at Management Planning Inc. since March of 2021 and will be joining Valuation Research Corp as an analyst after graduation.

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### **Fall 2021 SIF Members**

Akshay Badade  
Lucas P Cervelli  
Cole A Combates  
Michael A Dudak  
John K Dudek  
Jonathan Flaim  
Matthew B Godelman  
Daniel Mendelsohn  
Obinna Obuteh  
Krzysztof Piskorski  
Vaishnavi Pitta  
Jennifer Suevas  
Michael Wertz  
Navya Yemula