

Student Managed Investment Fund

2020 Annual Report

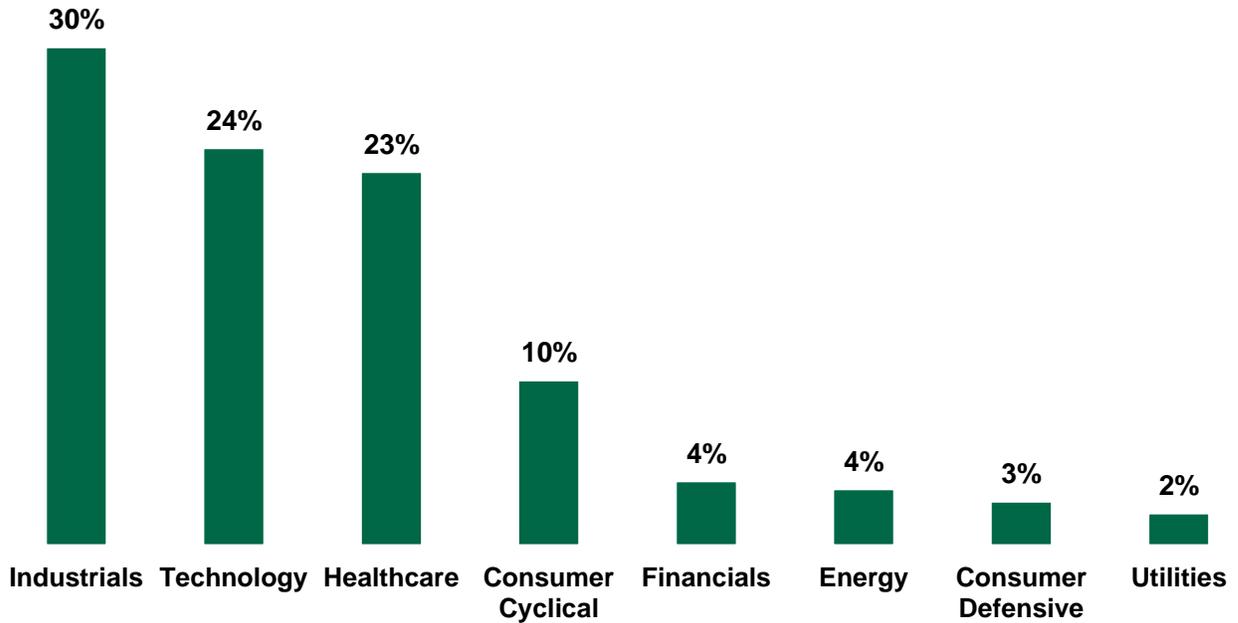


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Fund Overview

Sector Weighting Breakdown



Main Holdings



Fund Overview

Portfolio Summary USD

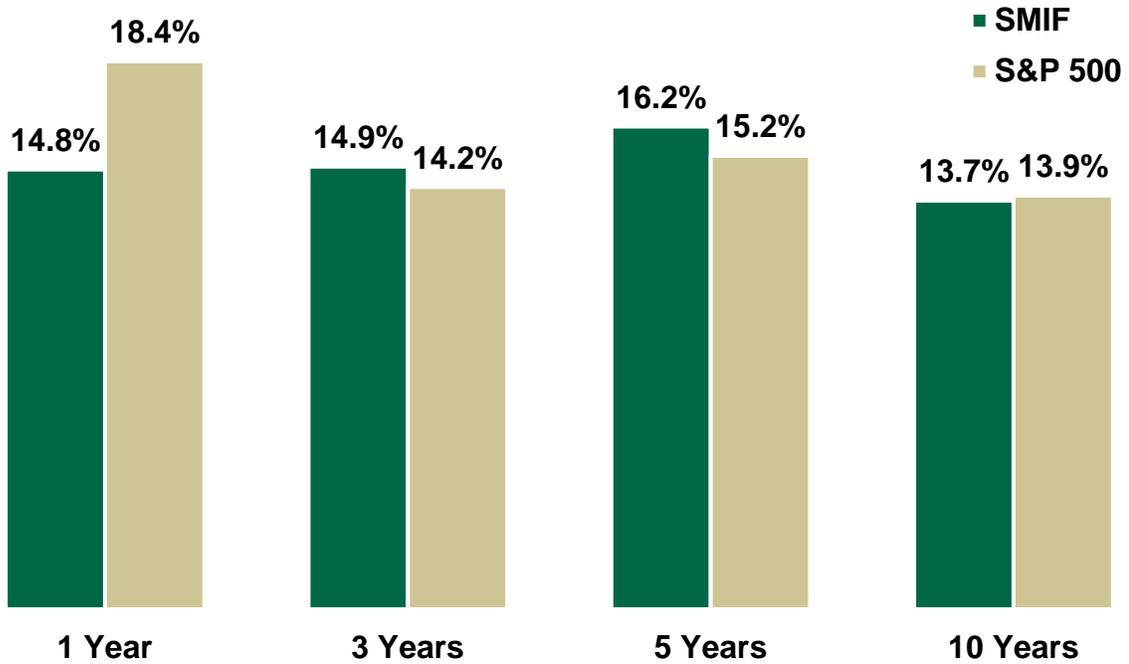
Company	Value	Weight	G/L	% G/L
<i>Cash & Cash Equivalents</i>	\$ 98,897	11.1%	-	-
Target Corp.	\$ 63,195	7.1%	\$ 43,299	217.6%
Intuitive Surgical Inc.	\$ 60,586	6.8%	\$ 43,358	251.7%
Quanta Services Inc.	\$ 49,837	5.6%	\$ 27,958	127.8%
Tetra Tech Inc.	\$ 45,553	5.1%	\$ 28,254	163.3%
Palo Alto Networks Inc.	\$ 41,488	4.7%	\$ 26,133	170.2%
Facebook Inc.	\$ 37,870	4.3%	\$ 17,736	88.1%
L3Harris Technologies Inc.	\$ 35,325	4.0%	\$ 1,295	3.8%
KKR & Co. Inc.	\$ 33,747	3.8%	\$ 13,448	66.2%
PGT Innovations Inc.	\$ 32,200	3.6%	\$ 17,010	112.0%
Jacobs Engineering Group Inc.	\$ 31,023	3.5%	\$ 10,939	54.5%
Alibaba Group Holding LTD	\$ 30,803	3.5%	\$ 10,499	51.7%
Littelfuse Inc.	\$ 30,218	3.4%	\$ 10,001	49.5%
Syneos Health Inc.	\$ 29,881	3.4%	\$ 9,521	46.8%
Quest Diagnostics Inc.	\$ 29,615	3.3%	\$ 9,387	46.4%
Enterprise Products Partners	\$ 28,327	3.2%	\$ (939)	(3.2%)
Jazz Pharmaceuticals PLC	\$ 26,803	3.0%	\$ 6,522	32.2%
FLIR Systems Inc.	\$ 25,157	2.8%	\$ 10,290	69.2%
Alphabet Inc.	\$ 25,140	2.8%	\$ 9,957	65.6%
Lockheed Martin Corp.	\$ 23,641	2.7%	\$ 3,430	17.0%
SkyWest Inc.	\$ 21,782	2.4%	\$ 1,339	6.5%
Tyson Foods Inc.	\$ 20,979	2.4%	\$ 1,129	5.7%
Vertex Pharmaceuticals Inc.	\$ 19,258	2.2%	\$ (1,508)	(7.3%)
Merck & Co. Inc.	\$ 17,625	2.0%	\$ (2,490)	(12.4%)
Vistra Corp.	\$ 15,998	1.8%	\$ (3,922)	(19.7%)
Starbucks Corp.	\$ 15,795	1.8%	\$ 4,297	37.4%
Total	\$ 890,743	100.0%	\$ 296,946	60.0%

Notes

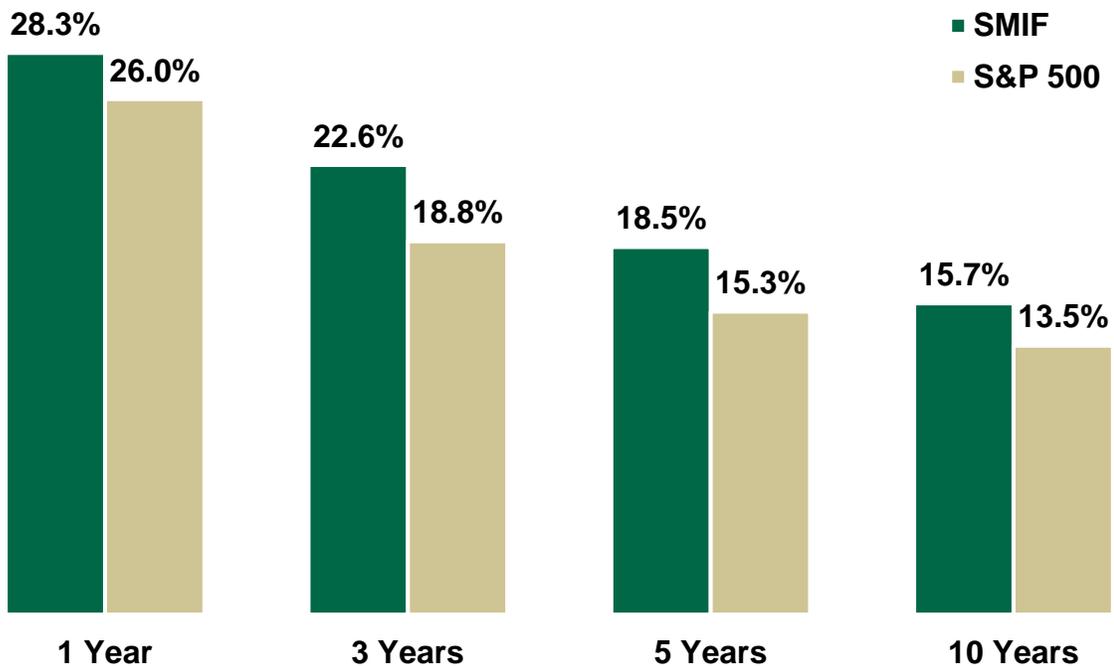
(1) As of market close 2/12/2021

Fund Overview

Annualized Returns vs. S&P 500



Standard Deviation vs. S&P 500



Top and Bottom Performers

Quanta Services (NYSE: PWR)

PWR beat consensus EPS in 2Q and 3Q boosted by stronger than expected demand from several end markets. The Company is poised to benefit from the installation of 5G infrastructure and adoption of EVs.

Palo Alto Networks (NYSE: PANW)

2020 treated PANW quite well as shares were bid up after the adoption of virtual work environments increased the demand for cybersecurity services.

Target Corporation (NYSE: TGT)

TGT was among a handful of companies that saw sales increase YoY each quarter during the pandemic as homebound consumers increased spending on household products. 2Q and 3Q EPS of \$3.38 and \$2.79 flew past consensus of \$1.63 and \$1.60, respectively.

FLIR Systems (NASDAQ: FLIR)

Selloffs stemmed from fears that increased government borrowing during the year and a democratic government would impact defense spending. However, low interest rates and no historical correlation between parties and defense spending offset these supposed risks.

Enterprise Products Partners (NYSE: EPD)

The Partnership's earnings displayed resiliency throughout the year, however, the broader energy space failed to get the support that other sectors received in 2H20.

Regardless, distribution coverage remains intact and we like the potential of a clash between a weak E&P market and a reopening economy that could yield higher commodity prices in 2H21.

Tyson Foods (NYSE: TSN)

The pandemic forced a steep decline in demand for packaged foods as lawmakers imposed restrictions which had a material impact on the industry. Direct incremental costs related to COVID-19 totaled around \$540 million. However, as vaccines continue to rollout, the worst looks to be behind TSN.



New Positions

Kohlberg Kravis Roberts (NYSE: KKR)

An ultra-low interest rate environment offered support to fundraising efforts and M&A activity that would boost transaction fees from its capital markets arm. Long-term, we like KKR's expansion into other asset classes.



Starbucks (NYSE: SBUX)

SBUX is positioned for long-term growth through its rapid geographical expansion and market dominance. The purchase came close to the stock's low for the year after the pandemic-induced selloff.



L3Harris Technologies (NYSE: LHX)

A Florida-based aerospace and defense contractor, we liked the potential for organic growth and synergies fueled by the recently completed merger of L3 Technologies and Harris Corporation.



Merck (NYSE: MRK)

Purchased in February, MRK stands as the seventh largest pharmaceutical company in the world. Skyrocketing sales of Keytruda and Gardasil, opportunities for overseas expansion and an attractive pipeline combined for a lucrative growth story.



Alphabet (NASDAQ: GOOG)

The parent Company of Google was added at the end of the spring semester after shares were trading at a discount following COVID-19 fears. The position has returned nearly 40% as the technology sector benefited from a homebound population throughout most of the year.



SkyWest (NASDAQ: SKYW)

SKYW is primed to further solidify its dominance of the regional airline industry, improve margins and grow revenue through a fleet transition program that focuses on more desirable and efficient regional jets. The contract-based business model and credit profile are well suited for the low-demand environment.



Exited Positions

Malibu Boats (NASDAQ: MBUU)

Bought in late 2019 and sold in March 2020 on fears of the impact of the coronavirus, shares more than tripled off their lows to close 2020 above \$60. Increased discretionary spending from homebound consumers provided tailwinds to earnings throughout the remainder of the year.



Gilead Sciences (NASDAQ: GILD)

Sold in late September 2020, GILD was a regular on the SMIF annual report's laggard list since 2017. There was much hype around the Company's Remdesivir drug as a use to treat COVID-19. However, with the rise of a vaccine and therefore drop in demand for Remdesivir, the drug-maker was left without a catalyst to propel it forward.



Constellation Brands (NYSE: STZ)

Purchased in 2018 near its all-time high, the original investment thesis hinged on an M&A campaign that would grow market share considerably. Results failed to materialize and shares lagged throughout the holding period. We exited the position in early 2020 at a roughly 15% loss.



Comerica (NYSE: CMA)

We exited our holding of CMA, up nearly 40%, just prior to the March 2020 selloff. Originally purchased in 2014, the stock had reached its price target and was past our targeted holding period. Fundamentally, several projected rate cuts (which materialized) provided the backing for the transaction.



Marathon Petroleum (NYSE: MPC)

2020 was a tough for year for the entire energy market. We exited our position after the pricing war and pandemic decimated oil prices and clouded the short- and medium- term outlook for the Company.



Investment Philosophy

The foundation of the Student Managed Investment Fund's philosophy is based on creating a portfolio through fundamental strengths and enriching students with experiences that will allow them to be better prepared financial professionals. The two key principles that accumulate into our philosophy are:

I. Fundamental Strength

II. Student Driven Results

The USF Student Managed Investment Fund is unique in the fact that these principles do not stand mutually exclusive from one another. These values are deliberately acknowledged and evaluated to maintain consistent performance of the fund while also enhancing the analytical skills of its students. This groundwork allows for any number of additional considerations to be applied to the investment philosophy of this portfolio. In doing so, objective synergy is achieved and maintained under numerous circumstances.

Fundamental Strength

The core nature of this fund is to promote the essence of long-term equity investing while also striving to achieve superior investment performance to the market. Naturally, the guiding principle of the valuation metrics within the USF Student Managed Investment Fund are based on the fundamental strength of the securities themselves. This brings the academic nature of the coursework together with the pragmatic objectives of the fund itself. By performing thorough fundamental analysis on each of the prospective positions, the portfolio analysts are best positioned to identify opportunities of both value and growth.

Per the USF Student Managed Investment Fund's policies and procedures guideline, the portfolio will invest exclusively in US Equities, ADRs, and near cash assets such as money market funds or securities. This particular selection of security types best allows for the style of fundamental analysis performed by the student managers and the interpretation of intrinsic value. As the analysts are groomed to be long-term investors, the investment horizon of the USF Student Managed Investment Fund reflects that principle.

The expected holding period of any purchased security is stated to be at least two years, with preferred holding being made for periods between three and five years. Even if the target price of a security is reached, the position is not automatically sold—in fact it is reevaluated by the student analysts and their recommendations are made to the advisory board when necessary.

Under these principles, this fund only maintains long positions, as short-selling is strictly prohibited. Returns within the portfolio are to be earned off of the strength of the individual holdings within it. Leverage will not be used to magnify returns. Derivatives will also not be utilized in any manner. By maintaining this policy, the fundamental capabilities of the fund and its analysts are better displayed.

Securities must trade above \$5 per share and positions are automatically halved if they account for more than 10% of the portfolio. The Fund does not have a market capitalization restriction.

Investment Philosophy

Student Driven Results

Arguably the most distinctive, crucial, and inherently valuable aspect of the USF Student Managed Investment Fund is the student analysts themselves. This fund melds the worlds of academia and professional finance in a manner unlike almost any other opportunity.

The student analysts embody a blank canvas of ambition and innovation that perpetuates a palpable sense of passion about investment management. Because of the absence of biases developed over long, esteemed careers students provide unique ideas and insights that may not be visible to others.

The entire fund's performance is driven by the individual analyses of the student analysts and their respective valuation models. The target prices are set by the analysts and each report is then pitched to the members of the Student Managed Investment Fund advisory board, external advisors, and selected faculty members.

Once the presentations are complete, an extensive question and answer session is undertaken. These sessions are typically very rigorous—filtering securities to the best possible position based on the performance of the analysts. In between stock pitches, the analysts consistently manage the fund to ensure that the portfolio is in proper condition at all times.

Using reports from the selected positions, target prices are monitored and evaluated with adjustments being made if necessary. These experiences are grooming the student analysts to become better equipped financial professionals of tomorrow.

Investment Process

The SMIF Applied Security Analysis program employs collaborative team approach to both portfolio management and security selection. Given the current class size three teams of three to four analysts are formed and assigned a portion of the current portfolio to monitor.

Each analyst creates a weekly monitoring journal which includes; summary of economic news, summaries of four news articles the analyst deems important, sector specific research and commentary, summary of two outside research opinions and two news articles specific to the analysts assigned portfolio holdings, and two stock ideas produced by individual screening with basic investment thesis and rationale.

Presentation teams are also comprised of three or four analysts. In preparation for investment presentations each team initially determines a screening criterion based on the overall goals of the fund and in light of current macroeconomic and resultant market conditions. Based on the results of screening a short list of at least three ideas is generated and presented to the class. The result is a primary and secondary selection which are then analyzed in greater detail as follows:

1. Analysis of historical financial statements including profitability, liquidity and solvency ratios.
2. Projection of future performance based on revenue modeling and ratio assumptions
3. Analysis of beta, cost of debt, and cost of equity capital to derive WACC/discount rate
4. Primary value assessment is conducted using discounted cash flow analysis to produce a two-year price target
5. Secondary valuation analysis is conducted using relative valuation techniques to support the values produced by the DCF
6. Sensitivity and/or scenario analysis is conducted to determine the fragility of the value assumption produced by the DCF under various situations
7. Using the aforementioned techniques, a bull, bear, and base case analysis is produced to provide a corridor of potential outcomes.

The final work product is compiled in a written report containing information and research supportive of the team's value assessment. The research report is provided to the investment committee for review in advance of the presentation.

Student Analysts

Anton Ashrafyan - aashrafyan@usf.edu **RAYMOND JAMES®**

Ashrafyan was born and raised in Moscow. He won a green card through a Diversity Visa Lottery and came to the United States alone at the age of 13. He recently interned as an institutional analyst at Raymond James and is currently pursuing a bachelor's degree in finance with a concentration in investment valuation. Ashrafyan is passionate about understanding financial market movements and learning various investment strategies. He is a member of the investment club and a first-generation college student within USF's Corporate Mentorships Program.



Robert Camejo - rmcamejo@usf.edu



Camejo is a first generation American, born and raised in Tampa, and is set to graduate in May 2022. He is a junior pursuing a dual-degree in finance, with a concentration in asset management and quantitative economics and econometrics, accompanied by a minor in entrepreneurship. Through his business classes, he has maintained a 3.95 GPA. In his first year at USF, he joined the professional business fraternity, Delta Sigma Pi, which has allowed him to improve his professional and interpersonal skills. Through his networking within the fraternity, he was able to secure a wealth management internship at Merrill Lynch in St. Petersburg for the 2019-20 school year.



Skylar Cantone - grace22@usf.edu

Cantone is a first-generation college student pursuing a degree in personal finance. Last summer, she operated a branch office with Vector Marketing. Outside of the Student Managed Investment Fund, Cantone is a member of the USF Professional Sales Club as an account manager, the Corporate Mentor Program, the Financial Planning Association and Delta Gamma.



Timothy Henning - thenning@usf.edu



Henning is a junior pursuing a degree in finance with an accompanying minor in economics. He grew up outside of New York City and played two years of amateur hockey before enrolling at USF. This past summer, Henning interned with AIG's asset management division on the corporate private placements team. Prior to AIG, during his sophomore year, Henning interned at Crosstree, a local boutique investment bank in addition to serving as the president of the school's Student Investment Club. Henning is currently interning at Ballast Point Ventures and will join Wells Fargo's Asset Backed Finance team in Charlotte, North Carolina, next summer.



Student Analysts

Rafael Nobre - rafaelnobre@usf.edu 

Nobre is a senior currently pursuing a double major in finance and business analytics and information systems. He was born in Brazil and moved to the United States after having developed a passion for investments, inspired by his father, who is a real estate investor and an entrepreneur. Nobre previously served as a calculus, financial accounting and business analytics tutor, which allowed him to help other students to succeed. This past summer, he interned in Citi in its Equity Research department, a career he would like to pursue after graduation.



Tyler Schulman - tschulman1@usf.edu  

Schulman was born and raised in New Jersey before moving to Tampa to attend USF. He is a member of the Honors College, Business Honors Program, and is pursuing a double major in personal financial planning and finance with a concentration in asset management. Schulman spent this past summer as a wealth-management summer analyst with the J.P. Morgan Private Bank. He has also held internships at Raymond James and Morgan Stanley. Schulman is the founding chapter president of his business fraternity, Phi Chi Theta, and has helped the chapter grow to over 60 members.



Aravind Thota – athota1@usf.edu  

Thota is a Tampa native pursuing a bachelor's degree in finance accompanied by a minor in economics. He is a brother of the professional business fraternity, Delta Sigma Pi, Theta Phi Chapter, which has provided him with a platform to seek valuable experiences in various business fields, specifically in finance. Thota is currently an investment banking Intern at LCG Advisors in Tampa. He previously held positions as a market research analyst intern at Crosstree Capital Partners and a financial and data analyst intern at Tampa Electric Company. His exposure to different positions in the business sectors has allowed him to discover his true passion for investment management and banking.



Mark Zevallos - mzevallos@usf.edu

Zevallos is a first-generation American pursuing a degree in finance with a concentration in investment management, though he came into USF as a pre-med major. He volunteered at the Yuengling Center during Hurricane Irma, ventured on a medical service trip to the Dominican Republic, and shadowed physicians in the Florence region of Italy. He hopes to take the knowledge from Applied Securities Analysis to be a better investor.

