

STEVENS

STUDENT MANAGED INVESTMENT
FUND

Stevens Student Managed Investment Fund (SSMIF) Primer

May 2nd, 2017



Founded in the Spring of 2015, the SSMIF is a selective, hands on course in portfolio management.

2 Semester Course, 4 Credits per semester

Faculty Advisory:

Dr. Jonathan Kaufman, Dr. George Calhoun

Class Instructor:

Dr. Jonathan Kaufman

Hedge Fund Manager since 2004

Fund Specs

- Roughly \$400,000 in assets under management
- Long only U.S. Equity
- 3 to 5 year investment horizon
- About \$200,000 invested thus far



Fund Roles:

Macro Strategy Group

- Collect and present on macroeconomic trends
- Set fund strategy based on macroeconomic outlook

Risk and Asset Allocation Group

- Monitor portfolio risk based on various metrics
- Analyze the risk of potential investments
- Determine optimal sector weights using quantitative and qualitative methods
- Determine individual position weights in portfolio

Sector Analysts

- Conduct in-depth research on sector wide trends and specific companies
- Value companies using techniques like DCF and comparative analysis
- Create and present pitch decks on investment ideas

Portfolio Managers

- Oversee administrative and operative duties of the fund
- Vote on potential investment ideas
- Liaise with faculty advisor and advisory board



Application Process

1. Interested parties apply by sending a resume and cover letter to SSMIF, indicating whether they are applying to be a risk analyst or sector analyst.



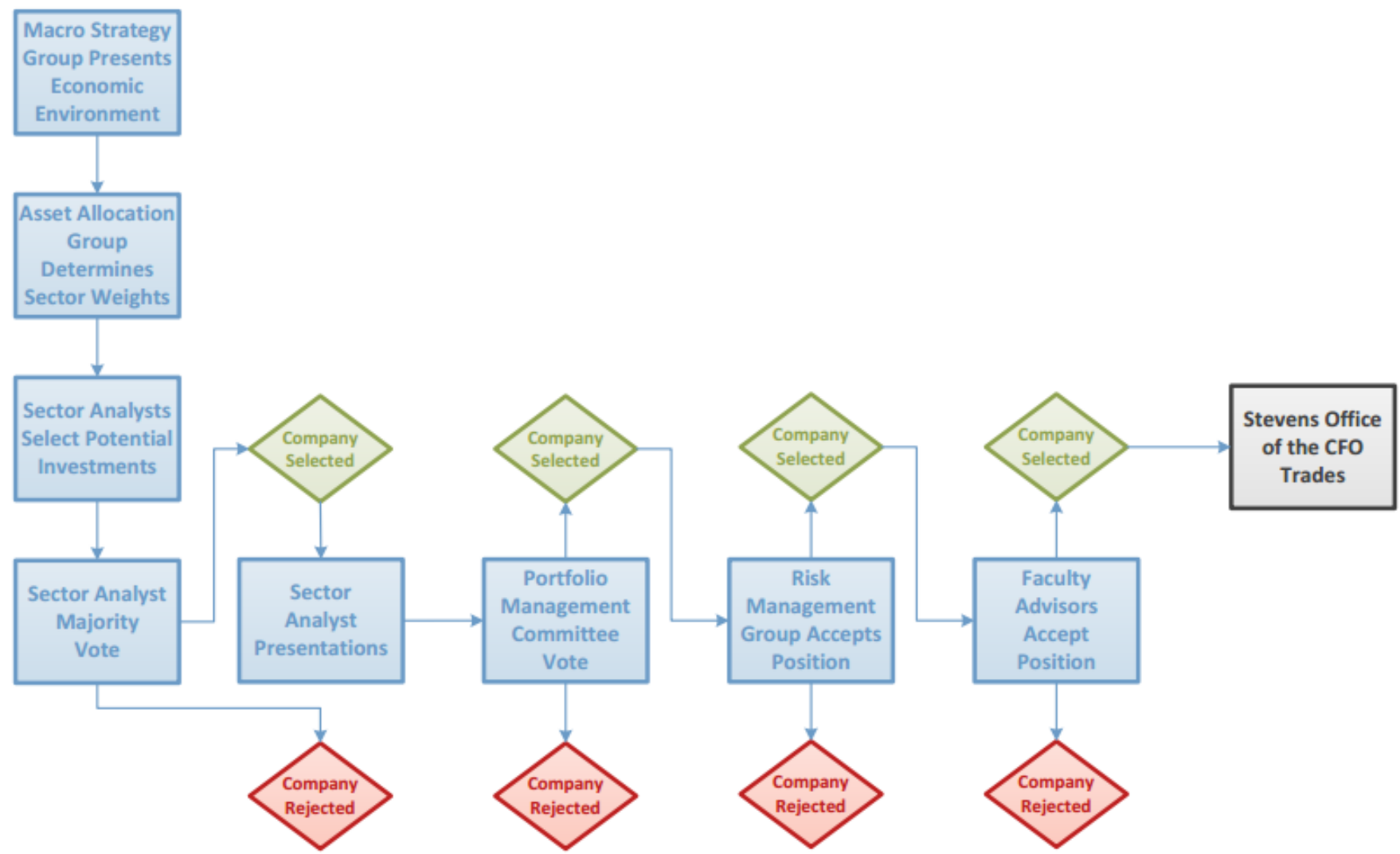
2. All applications are screened by fund management. Best candidates are called in for interviews.



3. After a scored technical and behavioral interview, fund management sends invitations to selected candidates to join the SSMIF for the next semester.

- SSMIF had a record number of applications this semester and substantial increase in interest from previous semesters





The Trump Administration has brought about pro-growth fiscal policy and several sector specific catalysts:

- Corporate tax cuts and the potential for a repatriation holiday will help boost aggregate business spending, corporate earnings and drive economic growth,
- Marginal tax cuts are also expected to drive individual consumption and corporate earnings in an already healthy consumer market.
- Regulatory reform expectations on Dodd-Frank and the ACA have boosted Financials and created buying opportunity in Healthcare.
- Infrastructure spending will have long term growth effects on the economy.

We expect to see growth in the market over the coming year on the back of these initiatives. However, not at the same delta as the past years, considering the market is already pricey.



Fund Macro Strategy (as of 1-24-17)

Underweight

- **Telecomm:** Heavy competition is squeezing margins. Highly levered.
- **Utilities:** Tightening monetary policy and pro-growth economic outlook make the sector less attractive.
- **Consumer Staples**

Neutral

- **Consumer Discretionary**
- **Energy & Materials**
- **Industrials**

Overweight

- **Financials:**
 - Tightening monetary policy
 - Increased consumer health
 - Potential for deregulation of Dodd- Frank
- **Healthcare:**
 - Underperformed in a market that is being considered expensive, creating buying opportunity
 - Will grow along with the economy: 16% GDP, 23% PCE, 14% U.S. jobs
 - Potential for repatriation
- **Technology:**
 - Potential for repatriation
 - Tech companies will continue to dominate this century



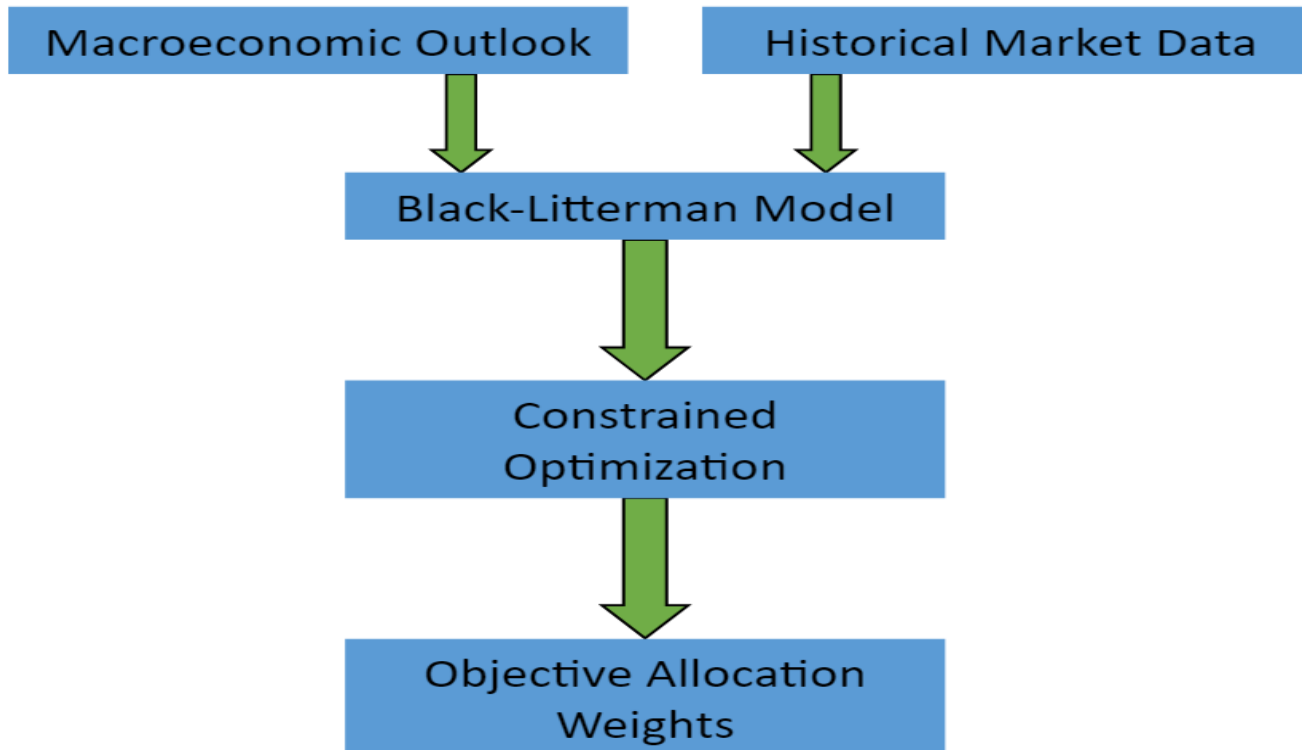
Asset Allocation Strategy

Black-Litterman Model

- Used to optimize our portfolio given a set of macroeconomic views and benchmark constraints

How it Works:

- Calculates historical sector returns from market data
- Adjusts sector equilibrium returns and variance according to fund views
- Solves an objective-based, constrained optimization problem to retrieve sector weights

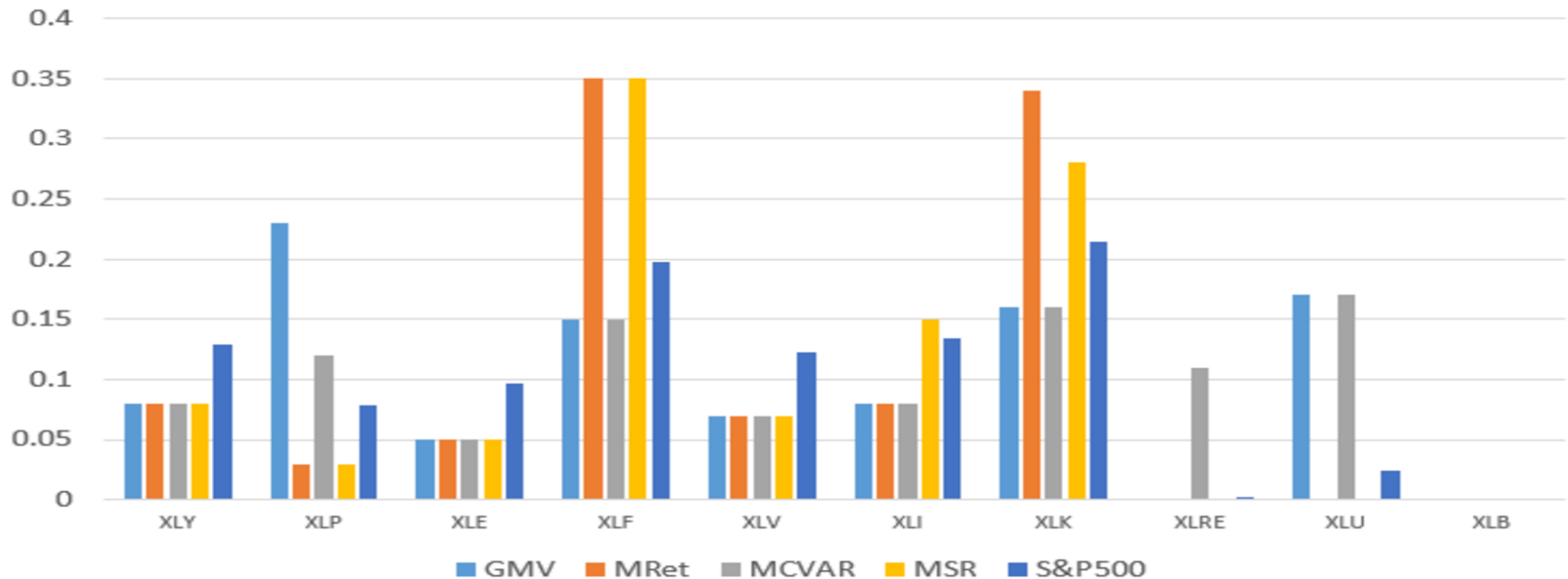


Asset Allocation Strategy

Black-Litterman Model

Type	XLY	XLP	XLE	XLF	XLV	XLI	XLK	XLRE	XLU	XLB
GMV	0.08	0.23	0.05	0.15	0.07	0.08	0.16	0	0.17	0
MRet	0.08	0.03	0.05	0.35	0.07	0.08	0.34	0	0	0
MCVAR	0.08	0.12	0.05	0.15	0.07	0.08	0.16	0.11	0.17	0
MSR	0.08	0.03	0.05	0.35	0.07	0.15	0.28	0	0	0
S&P500	0.1285	0.079	0.0968	0.198	0.1222	0.1346	0.2142	0.0021	0.0247	0

Target Sector Allocations by Optimization Type



Stop Losses – VALOS Strategy

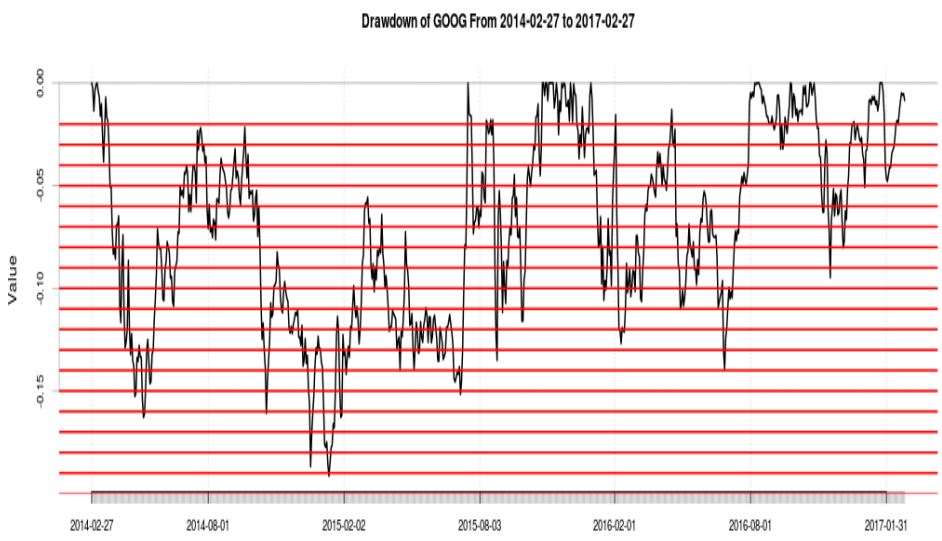
- Volatility Adjusted Leg Out System
- Determine three stops per investment, dependent on the volatility of the individual stock

Risk Screen

- Web-based pre screening tool for analysts
- Determines if a stock is compliant with VALOS strategy
- Uses a weighted probability measure using various risk metrics(i.e. drawdown) to assess probability of downside movements

Risk Screen for Alphabet:

	Threshold	DrawProb	DownDev	DownPoten	OneDay	HoldingPeriod	DownAvg	RollingStop	Average	WeightedAverage
Stop 1	-0.02	0.93	0.93	0.93	0.08	0.96	0.93	0.28	0.72	0.44
Stop 2	-0.03	0.92	0.92	0.92	0.02	0.23	0.92	0.23	0.46	0.37
Stop 3	-0.04	0.86	0.86	0.86	0.00	0.04	0.86	0.19	0.36	0.31
Stop 4	-0.05	0.83	0.83	0.83	0.00	0.00	0.83	0.15	0.33	0.28
Stop 5	-0.06	0.83	0.83	0.83	0.00	0.00	0.83	0.12	0.32	0.25
Stop 6	-0.07	0.83	0.83	0.83	0.00	0.00	0.83	0.09	0.30	0.23
Stop 7	-0.08	0.83	0.83	0.83	0.00	0.00	0.83	0.06	0.30	0.21
Stop 8	-0.09	0.83	0.83	0.83	0.00	0.00	0.83	0.04	0.29	0.20
Stop 9	-0.10	0.75	0.75	0.75	0.00	0.00	0.75	0.03	0.26	0.17
Stop 10	-0.11	0.75	0.75	0.75	0.00	0.00	0.75	0.02	0.26	0.17



Moving Forward

- SSMIF aims to increase the quality of investment pitches
- SSMIF aims to further improve its quantitative infrastructure, further differentiating ourselves from other existing student investment funds
- SSMIF will continue to promote itself within Stevens to recruit the top talent the university has to offer, within and beyond the business school

