

THE UNIVERSITY OF TULSA  
STUDENT INVESTMENT FUND  
ANNUAL REPORT  
2016-2017



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## Letter from SEO to Shareholders

To the Visionaries,

It has been my absolute pleasure to serve as the current Executive Officer for the Spring 2017 class. The Student Investment Fund (“SIF” or “Fund”) turned in an acceptable performance this semester, including achieving the \$5 million mark. Later in the report, we present metrics and discuss transactions that led to our performance.

The SIF allows students to put theory to practical application. After many classes in finance, risk and portfolio management, this course lets us apply academic skills to practical portfolio management. This past year, we emphasized working as a team and incorporating committee research into our investment decisions. During the semester, we conducted analysis on our sectors, industries, and existing securities. Analysts work hard to develop ways to meet or exceed the S&P 500 index. We exercised measures that allowed the Fund to increase exposure in the sectors that we felt had the most favorable market conditions. We reduced the exposure for the sectors where we thought growth would be constrained. Finally, each analyst presented an in-depth analysis of a new security proposed for the Fund. Skills sharpen each week and discussions are fulfilling with each expert analyst sharing their research.

We share many lessons along the way. For example, post-election has shown great gains in certain sectors of the market and our students feel most companies are overvalued compared to their analysis. We continue to emphasize our long-term commitment to this fund and propose securities that will withstand the booms and the busts despite market reactions.

The best result of our hard work extends beyond the Fund’s performance and the grades we earned. We picked up a lifelong set of skills from which great experience can be built. Combining the generosity of Friends of Finance with our investment performance, we provided over \$700,000 in scholarships over the past 15 years. Founded in 1998 with \$300,000 and a creative vision of allowing students to manage its assets, the Fund has increased its value to over \$5,000,000 as of April 30th, 2017.

Our ability to beat the S&P index over the long term is attributed to the outstanding leadership of the board and faculty, the quality education received in the business program, the consistent analysis of our assets and paying close attention to sector allocation in relation to market conditions. We close this semester overweight in the sectors of Consumer Staples and Healthcare.

The second quarter this year, after careful deliberation, the SIF executed 8 trades. More than \$35,080.33 was from the movement of funds from S&P 500 Spider (SPY) to Corning Inc. (GLW) which reflects optimism in the Information Technology sector to increase SIF return in the long run. Our decision to exit a battered down Century Link (CTL) and Verizon (VZ) illustrated our pessimism for growth in the Telecommunications sector. We took a new approach for Energy and sold our international vertically integrated energy company Eni (E) and purchased a midstream energy transportation and distribution company Enbridge (ENB) to decrease our commodity price exposure.

Looking ahead, the Fund will be in passive management until the Fall 2017 SIF class starts. To conclude, we want to thank all of you for your encouragement and dedicated support for the Student Investment Fund. Also, special thanks to Judy Adair, Dr. Harper, the Friends of Finance officers and directors, and the many other people who help along the way. We want to thank the SIF advisory board for their guidance that consistently improves the governance of our Fund. Our SIF faculty advisor Tally Ferguson also deserves special recognition for his dedication to better Finance students at The University of Tulsa. We also want to thank Bob Branson and the Better Investing Greater Tulsa Chapter for the opportunity to attend meetings and experience insightful investment practices. Finally, we want to thank our friends at Merrill Lynch, the Brown Shannon Hird Wealth Management Group for the flawless execution of trades and developmental feedback.

We all should continue the support and donations that allow the future growth of the SIF and the distribution of scholarships. The University of Tulsa is known for preparing its graduates for the professional level of the workforce and this course is an excellent example. I encourage all of us to contribute to this vision for years to come.

Gratefully,



Haley Lucero  
Student Executive Officer  
Student Investment Fund  
Haley-Lucero@utulsa.edu

## Management Discussion of Fund Performance:

For the 12-month period ending December 31, 2016, the SIF posted a total return of 8.53%. The SIF's benchmark, the S&P 500 (INX), posted a total return of 11.96%. Due to volatile political conditions in the United States and high volatility in the oil market during 2016, the stock market was very unpredictable. This volatility can be seen by comparing the S&P 500's returns during the beginning of 2016, and comparing them to returns realized by the end of 2016. During the beginning of 2016, the stock market dropped by 8.77%, in one intra-month period. Despite this drastic initial drop, the stock market quickly pulled itself back up to the level it was at the end of 2015. The period that contributed most to the S&P 500's 2016 performance, was from beginning of November to the end of December. During this period, the stock market rose by 7.37%. This large, six week gain came after the 2016 Presidential election, when the uncertainty regarding the election receded.

The SIF underperformed the S&P 500 index, due to poor stock selection mainly in the Consumer Discretionary, Consumer Staples and Energy sectors, which returned, in relation to our overall portfolio, respectively, 1.9%, 1.4%, and 1.2% less than the S&P 500's holdings in those sectors. Even though SIF's stock selection in these sectors was poor, the three largest losers of SIF's portfolio were, Gilead Sciences Inc, Nike Inc B, Anheuser-Busch InBev SA/NV ADR, which returned, -26.90%, -17.25%, and -12.88%, respectively. Losses in these holdings were more than offset by our gains in UnitedHealth Group Inc, Union Pacific Corp, Illinois Tool Works Inc, Stryker Corp, Wastco Inc, and FedEx Corp, which returned YTD; 38.91%, 36.41%, 34.75%, 31.36%, 30.27%, and 26.45%, respectively.

SIF Analysts noted a cyclicity to some of our holdings. For example, Nike Inc B, which was one of the SIF portfolio's biggest losers in 2016, gained 31.21% during 2015. Similarly Union Pacific Corp, which was one of the SIF portfolio's biggest gainers in 2016, lost 32.51% during 2015. Recognizing this cyclicity, SIF's Portfolio Analytics and Risk committee advised next semester's committee to pay particular attention to high performing stocks which may be over-heated, and poor performing stocks which might offer buying opportunities.

	December 30, 2016		
	Returns		Return Difference
	<u>SIF</u>	<u>S&amp;P500</u>	
Since 4/13/98	5.75%	5.71%	0.05%
10 Years	7.50%	6.95%	0.55%
5 Years	14.01%	14.66%	-0.65%
3 Years	7.28%	8.87%	-1.59%
1 Year	8.53%	11.96%	-3.43%
YTD through month end	8.53%	11.96%	-3.43%

During the YTD period, December 31, 2016 through April 28, 2017, the Student Investment Fund's (SIF's) portfolio posted a total return of 7.63%. The SIF's benchmark, the S&P 500 Index (INX), posted total returns during the YTD period, December 31, 2016 through April 28, 2017, of 7.16%. The reasons for the large returns on the stock market over this period are controversial, but many agree stem from the results of the 2016 election and the growing optimism regarding deregulation and the overall economic condition of the American business environment. The stock market surge initially started within the banking stock market sector, but has quickly spread to the other sectors.

Through April 28<sup>th</sup>, 2017, the SIF's YTD performance has been helped by its investments in Apple Inc, The Priceline Group Inc, Baxter International, and International Flavors and Fragrances Inc. However, these large gains were partially offset by the SIF's investments in United Therapeutics Corp, Exxon Mobil Corp, and General Mills Inc. The two biggest contributors to SIF's great YTD performance were Apple Inc and the Priceline Group, which grew by 22.41% and 19.22%, respectively. With the two poorest performing stocks in the SIF portfolio being; United Therapeutics Corp and Exxon Mobil Corp, which dropped by 16.58% and 9.37%, respectively.

April 28, 2017			
	Returns		Return Difference
	<u>SIF</u>	<u>S&amp;P500</u>	
Since 4/13/98	6.05%	5.98%	0.07%
10 Years	7.36%	7.15%	0.20%
5 Years	12.46%	13.68%	-1.22%
3 Years	9.22%	10.48%	-1.26%
1 Year	15.79%	17.93%	-2.14%
YTD through month end	7.63%	7.16%	0.46%

## Sector Performance

Below is a chart that shows the total return for each sector. We calculated Alpha from sector by multiplying the difference in weightings of each sector by the difference of the sector return to the index return. Alpha from security selection reflects the difference between our sector return and the index return multiplied by the SIF sector weight. This separately shows us how we selected sectors and stocks.

	Period Start	12/31/2015	Period End	12/30/2016					
	SIF Sector Weight	Index Sector Weight	Benchmark Sector Return	Alpha from sector	SIF Sector Return	Benchmark Sector Return	SIF Weight	Alpha from security selection	Total
Benchmark	1	1	8.53%	-0.092%	8.53%	11.96%	1	-3.34%	-3.43%
Health Care	14.8%	14.2%	-2.7%	-0.077%	-1.9%	-2.7%	14.8%	0.1%	0.0%
Cons Disc	13.0%	12.8%	6.0%	-0.007%	-8.2%	6.0%	13.0%	-1.9%	-1.9%
Financials	13.8%	15.4%	22.8%	-0.223%	22.5%	22.8%	13.8%	0.0%	-0.3%
Cons Staples	11.9%	9.5%	5.2%	-0.081%	-6.1%	5.2%	11.9%	-1.3%	-1.4%
Energy	7.0%	7.3%	28.2%	-0.060%	11.3%	28.2%	7.0%	-1.2%	-1.2%
Telecom Svc	2.7%	2.5%	27.2%	0.046%	8.1%	27.2%	2.7%	-0.5%	-0.5%
Industrials	9.8%	10.4%	20.1%	-0.066%	23.2%	20.1%	9.8%	0.3%	0.2%
Info Tech	18.4%	20.8%	13.9%	-0.125%	12.5%	13.9%	18.4%	-0.3%	-0.4%
Materials	2.6%	2.9%	16.9%	-0.022%	-1.5%	16.9%	2.6%	-0.5%	-0.5%
Utilities	2.6%	3.0%	16.3%	-0.029%	6.8%	16.3%	2.6%	-0.2%	-0.3%
XX Cash	1.1%	0.0%	0.0%	-0.096%	0.1%	0.0%	1.1%	0.0%	-0.1%

Underperformance in the Consumer Discretionary and Consumer Staples sectors stems mainly from Nike, Anheuser Busch and Kimberly Clark. As the following table shows, these stocks all performed well in 2015.

Name	Shares Held	Ticker	Sector	\$ Market Value	% Total Return 2016	Total Return 2015
Nike Inc B	2800	NKE	Cons Disc	142,324.00	(17.25)	31.21
Anheuser-Busch InBev SA/NV ADR	315	BUD	Cons Staples	33,213.60	(12.88)	14.81
Kimberly-Clark Corp	1088	KMB	Cons Staples	124,162.56	(6.71)	13.22

The following table shows year to date returns through the Spring 2017 semester.

	Period Start	12/30/2016	Period End	4/28/2017						
	SIF Sector Weight	Index Sector Weight	Benchmark Sector Return	Alpha from sector	SIF Sector Return	Benchmark Sector Return	SIF Weight	Alpha from security selection	Total	
Benchmark	1	1	7.63%	-0.002%	7.63%	7.16%	1	0.47%	0.47%	
Health Care	14.2%	13.8%	8.5%	0.003%	7.8%	8.5%	14.2%	-0.1%	-0.1%	
Cons Disc	12.1%	12.3%	10.4%	-0.007%	14.1%	10.4%	12.1%	0.4%	0.4%	
Financials	13.8%	14.5%	0.7%	0.048%	1.6%	0.7%	13.8%	0.1%	0.2%	
Cons Staples	11.1%	9.3%	7.0%	-0.012%	9.3%	7.0%	11.1%	0.3%	0.2%	
Energy	6.3%	7.1%	-10.4%	0.129%	-7.3%	-10.4%	6.3%	0.2%	0.3%	
Telecom Svc	2.4%	2.5%	-6.4%	0.001%	-37.0%	-6.4%	2.4%	-0.7%	-0.7%	
Industrials	10.0%	10.3%	6.4%	0.003%	4.8%	6.4%	10.0%	-0.2%	-0.2%	
Info Tech	20.3%	21.5%	14.4%	-0.080%	21.5%	14.4%	20.3%	1.4%	1.4%	
Materials	2.6%	2.9%	6.6%	0.002%	17.6%	6.6%	2.6%	0.3%	0.3%	
Utilities	1.8%	3.2%	7.6%	0.001%	1.2%	7.6%	1.8%	-0.1%	-0.1%	
Real Estate	3.1%	2.9%	7.6%	0.000%	4.1%	7.6%	3.1%	-0.1%	-0.1%	
XX Cash	2.4%	0.0%	0.0%	-0.182%	0.1%	0.0%	2.4%	0.0%	-0.2%	

Overperformance in the Information Technology sector stems mainly from Apple and Cisco which also did well in 2016.

Name	Shares Held	Ticker	Sector	\$ Market Value	% Total Return YTD 4/28/17	Total Return 2015
Apple Inc	1,351	AAPL	Info Tech	34,070.00	22.41	12.15
Cisco Systems Inc	1,000	CSCO	Info Tech	194,071.15	9.93	14.93



## Financial Statements

### Statement of Assets and Liabilities

April 28, 2017

<b>Assets:</b>	
Equity Investments, at cost	\$ 1,982,409
Equity Investments, at value	3,168,355
Mutual Funds, at cost	1,469,276
Mutual Funds, at Value	1,851,184
Total Cost Basis	\$3,451,685
Total Investments	\$5,019,539
Cash	149,064
Total Assets	\$5,168,603
<b>Liabilities:</b>	
Total Liabilities	0
Net Assets	\$5,168,603

## Statement of Operations

May 1, 2016 – April 28, 2017

### Investment Income:

Interest and Dividend income	\$ 95,254
Total income	95,254

### Expenses:

commissions and Fees -- Merrill Lynch	2,249
Net expenses	2,249
Net investment income	93,005

<b>Realized/Unrealized Gains/(Losses) on Investments:</b>	93,918
Change in net assets resulting from operations	186,923

## Statement of Changes in Net Assets

May 1, 2016 – April 28, 2017

### From Investment Activities:

#### Operations:

Net investment income	\$ 93,005
Net realized gains/(losses) from investment transactions	93,918
Change in unrealized appreciation/depreciation on investments	517,925
Change in net assets resulting from operations	704,848

#### Distributions to Shareholders:

Change in net assets from capital transactions	0
Change in net assets	\$ 704,848

#### Net Assets:

Beginning of period	\$4,463,756
End of period	\$5,168,604

## Investment Holdings, Activity and Recommendations

### Transaction List - Fall 2016

Trade Date	Description	Security	Symbol	Quantity	Price	Amount
12/1/2016	Buy	Real Estate Sector	XLRE	4,000	\$ 29.83	\$119,673.20
12/1/2016	Sell	Wells Fargo & Co	WFC	-840	\$ 53.97	\$45,254.01
12/1/2016	Sell	Vanguard MSCI European	VGK	-750	\$ 45.73	\$34,231.76
12/1/2016	Sell	PNC Financial Services Group	PNC	-500	\$ 112.02	\$55,962.24
12/1/2016	Buy	McCormick	MKC	350	\$ 89.75	-\$31,445.72
12/1/2016	Sell	Gilead Sciences Inc	GILD	-900	\$ 73.69	\$66,237.00
12/1/2016	Sell	Coca-Cola European Partners	CCE	-1,250	\$ 31.84	\$39,691.46
12/1/2016	Buy	Baxter International	BAX	1,500	\$ 44.04	-\$66,189.30
10/20/2016	Buy	Cisco Systems Inc	CSCO	1,000	\$ 30.28	-\$30,370.00
10/20/2016	Buy	Technology Sector	XLK	700	\$ 47.50	-\$33,313.00
10/20/2016	Buy	TE Connectivity	TEL	550	\$ 61.90	-\$34,094.50
10/6/2016	Sale	Caterpillar Inc	CAT	-396	\$ 89.32	\$35,334.07
10/6/2016	Sale	Johnson and Johnson	JNJ	-340	\$ 118.48	\$40,250.22
10/6/2016	Buy	Southern Company	SO	800	\$ 49.43	-\$39,617.12
10/6/2016	Sale	Toll Bros Inc	TOL	-1,590	\$ 29.31	\$46,451.63
10/6/2016	Buy	Watsco Inc	WSO	400	\$ 140.57	-\$56,262.20

## Investment Strategy Changes in Fall 2016

The Investment Fund has a goal of investing long-term, based on fundamental analysis. The Fund is limited to large cap stocks, and may have no more than a 5% concentration in any company. The Fund is also currently required to keep 30% of its holdings in the SPDR S&P 500 ETF. Within the parameters set forth, the Fund seeks growth companies.

The Portfolio Accounting Risk (PAR) committee has identified the following investment strategy goals in each sector for the Fund this semester:

**Consumer Discretionary-** Market Weight

**Energy-** Market Weight

**Health Care-** Market Weight

**Information Technology-** Market weight

**Telecommunication Services-** Overweight

**Consumer Staples-** Overweight

**Financials-** Market Weight

**Industrials-** Overweight

**Materials-** Underweight

**Utilities-** Market Weight

## Stock Watch List Update from Fall 2016

Name	Ticker	Sector	Industry	Recommendation
Arthur J. Gallagher	AJG	Financials	Insurance Brokers	Watch List
Eversource Energy	ES	Utilities	Electric Utilities	Watch List
F5 Networks Inc.	FFIV	Information Technology	Communications Equipment	Watch List
Leidos Holdings Inc.	LDOS	Information Technology	Software and Services	Watch List
Walt Disney Company	DIS	Consumer Discretionary	Media	Watch List
Baxter	BAX	Health Care	Equipment and Supplies	Potential Buy
McCormick and Company	MKC	Consumer Staples	Packaged Goods	Watch List
Mednax Inc.	MD	Healthcare	Outpatient Services	Watch List
Polaris Industries Inc.	PII	Consumer Discretionary	Leisure Products	Watch List
J.M. Smucker Company	SJM	Consumer Staples	Food Products	Watch List

## Transaction List - Spring 2017

Trade Date	Description	Security	Symbol	Quantity	Price	Amount
4/20/2017	Buy	AT&T Inc.	T	1350	\$ 40.22	\$54,296.50
4/20/2017	Buy	Corning Inc.	GLW	2000	\$ 27.07	\$54,130.00
4/20/2017	Sell	Verizon Communications	VZ	-1100	\$ 47.84	\$52,622.96
4/20/2017	Buy	Enbridge Inc.	ENB	1200	\$ 41.86	\$50,228.40
4/20/2017	Sell	Eni SPA	E	-1470	\$ 31.42	\$46,183.79
4/20/2017	Sell	SPDR S&P 500	SPY	-150	\$ 233.87	\$35,080.33
4/20/2017	Sell	Real Estate Select SPDR	XLRE	-750	\$ 32.24	\$24,182.10
2/10/2017	Sell	Centurylink Inc.	CTL	-1,100	\$ 24.15	\$26,569.15

## Sector Weighting Changes in Spring 2017

**Consumer Discretionary**- Market Weight

**Energy**- Underweight

**Health Care**- Underweight

**Information Technology**- Overweight

**Telecommunication Services**- Underweight

**Consumer Staples**- Overweight

**Financials**- Overweight

**Industrials**- Underweight

**Materials**- Market Weight

**Utilities**- Market Weight

## Stock Watch List Update from Spring 2017

Name	Ticker	Sector	Industry	Recommendation
Michael Kors	KORS	Consumer Discretionary	Handbag	Watch List
Foot Locker	FL	Consumer Discretionary	Clothing	Watch List
Texas Roadhouse	TXRH	Consumer Discretionary	Customer Service	Watch List
Blackrock	BLK	Financial	Investment management	Watch List
Amgen	BAX	Health Care	Biotechnology	Watch List
Lennox	LII	Industrials	Electrical Component & Equipment	Watch List
General Dynamics	GD	Industrials	Aerospace and Defense	Watch List
Advanced Micro Devices	AMD	Information Technology	Semiconductor	Watch List
Medidata Solutions	MDSO	Health Care	Health Care Technology	Watch List

## Current Holdings, as of April 28<sup>th</sup>, 2017

<b>Symbol</b>	<b>Name</b>	<b>Quantity</b>	<b>Market value</b>
AAPL	Apple Inc	1,351.00	194,071.15
ACN	Accenture PLC A	450	54,585.00
BAX	Baxter International Inc	1,500.00	83,520.00
BUD	Anheuser-Busch InBev SA/NV ADR	315	35,670.60
CB	Chubb Ltd	849	116,525.25
CNI	Canadian National Railway Co	1,572.00	113,639.88
COST	Costco Wholesale Corp	350	62,132.00
CSCO	Cisco Systems Inc	1,000.00	34,070.00
CTL	CenturyLink Inc	0	0
CTSH	Cognizant Technology Solutions Corp A	677	40,775.71
DEO	Diageo PLC ADR	705	82,788.15
E	Eni SpA ADR	0	0
ENB	Enbridge Inc	1,200.00	49,740.00
FDX	FedEx Corp	250	47,425.00
GILD	Gilead Sciences Inc	1,061.00	72,731.55
GIS	General Mills Inc	760	43,707.60
GLW	Corning Inc	2,000.00	57,700.00
IFF	International Flavors & Fragrances Inc	564	78,164.76
INTC	Intel Corp	2,550.00	92,182.50
ITW	Illinois Tool Works Inc	311	42,945.99
JNJ	Johnson & Johnson	340	41,979.80
KMB	Kimberly-Clark Corp	1,088.00	141,168.00
MA	Mastercard Inc A	1,920.00	223,334.40
MDT	Medtronic PLC	980	81,428.20
MKC	McCormick & Co Inc Non-Voting	350	34,965.00
NKE	Nike Inc B	2,800.00	155,148.00
PCLN	The Priceline Group Inc	79	145,898.78
PNC	PNC Financial Services Group Inc	980	117,355.00
SBUX	Starbucks Corp	2,000.00	120,120.00
SO	Southern Co	1,800.00	89,640.00
SPY	SPDR® S&P 500 ETF	3,419.00	813,995.52
SYK	Stryker Corp	700	95,459.00
T	AT&T Inc	1,350.00	53,500.50
TEL	TE Connectivity Ltd	550	42,553.50
TRV	The Travelers Companies Inc	600	72,996.00
UNH	UnitedHealth Group Inc	400	69,952.00
UNP	Union Pacific Corp	650	72,774.00

Symbol	Name	Quantity	Market value
USB	US Bancorp	2,100.00	107,688.00
UTHR	United Therapeutics Corp	500	62,850.00
VOO	Vanguard S&P 500 ETF	4,100.00	896,260.00
VZ	Verizon Communications Inc	0	0
WSO	Watsco Inc	400	55,520.00
XLK	Technology Select Sector SPDR® ETF	700	38,066.00
XLRE	Real Estate Select Sector SPDR®	3,250.00	102,862.50
XOM	Exxon Mobil Corp	1,000.00	81,650.00
	Cash		149,064.00
Total:			5,168,603.34

## Best and Worst Performers – 2016 Full Year

Name	Shares Held	Ticker	Sector	\$ Market Value	% Total Return YTD
FedEx Corp	250	FDX	Industrials	46,550.00	26.45
Watsco Inc	400	WSO	Industrials	59,248.00	30.27
Stryker Corp	700	SYK	Health Care	83,867.00	31.36
Illinois Tool Works Inc	311	ITW	Industrials	38,085.06	34.75
Union Pacific Corp	650	UNP	Industrials	67,392.00	36.41
UnitedHealth Group Inc	400	UNH	Health Care	64,016.00	38.91

Name	Shares Held	Ticker	Sector	\$ Market Value	% Total Return YTD
Gilead Sciences Inc	1061	GILD	Health Care	75,978.21	(26.90)
Nike Inc B	2800	NKE	Cons Disc	142,324.00	(17.25)
Anheuser-Busch InBev SA/NV ADR	315	BUD	Cons Staples	33,213.60	(12.88)
United Therapeutics Corp	500	UTHR	Health Care	71,715.00	(8.09)
Kimberly-Clark Corp	1088	KMB	Cons Staples	124,162.56	(6.71)



## New Mission Statement

The members of The Student Investment Fund are happy to announce a new Mission Statement. It reads as follows:

“The mission of the University of Tulsa’s Student Investment Fund is to provide students with the opportunity to learn and apply investment skills in order to outperform its target benchmark and create scholarship opportunities for future students.”

## SIF History and Purpose

### *History*

The University of Tulsa Student Investment Fund (SIF) started in the Fall semester of 1997, and currently has more than \$5,000,000 in assets that students manage. This class provides exceptional opportunities to undergraduate and graduate students in their study of finance. Some of these opportunities include gaining practical experience in financial modeling, portfolio management, and fundamental analysis, making investment decisions with real consequences and understanding the effects of macroeconomic forces on industries and firms. Students apply financial theories and models in making real investment decisions and manage a real portfolio of financial assets. Thanks to the generous donations of TU friends and alums, TU students have gained valuable hands-on experience that has helped prepare them for the challenges faced in their financial careers.

The TU SIF is completely funded by donations to the Finance Excellence Fund. Since its inception in 1990, the Finance Excellence Fund has provided more than \$700,000 in scholarships to 157 outstanding students and the operating funds for the SIF. Furthermore, the Finance Excellence Fund has allowed the University of Tulsa to advance toward its goal of national academic recognition. Frank M. Engle made the first contribution to the Finance Excellence Fund in 1990. Since then more than 475 TU alumni and friends of the University have generously contributed more than \$2,300,000. Without Friends of Finance, the TU SIF would not be possible.

### *Purpose*

The purpose of the fund is to provide students with the opportunity to obtain a real-world experience in the process of managing investment portfolios through buying and selling securities and learning about asset allocations. Students can apply financial theories and models in making real investment decisions and managing a real portfolio of financial assets.

## Investment Objectives and Restrictions

Each portion of the Fund shall be under the supervision of the members and subject to the following objectives and restrictions.

- The Index Fund Portion shall consist of investments in the S&P Depository Receipts Exchange Traded Fund (“SPY”) or Vanguard’s 500 ETF (“VOO”).
- The Cash Equivalent Portion shall consist of Cash in the Operating Budget and FDIC insured bank deposits custodied at Merrill Lynch.
- Fixed Income investing is not currently permitted in the Fund.
- The Equity Portion shall consist of investments in common stocks. The Fund may invest in foreign exchange traded funds (ETFs) denominated in US dollars and traded on a US exchange.
- As a goal for return on a risk-adjusted basis, the Equity portion of the Fund should have positive alpha relative to the S&P 500 index over the long term. This will ordinarily require an equity portfolio with somewhat higher risk than the market.
- An initial investment in any one stock should not be more than 5% of the Funds principal without written approval of the Board.
- The total investment in any one stock held by the Fund should account for no more than 5% of the common stock investment portion without written approval of the Board.
- With respect to sector diversification, the Fund’s diversification shall be relative to the S&P 500. More specifically, the Fund shall have no more or less than 50% difference in the sector weightings in comparison to the S&P 500 sector weightings. For clarity, if a sector accounts for 12% of the S&P, the SIF proportion must be between 6% and 18%. Sectors with S&P 500 weightings below 5.0% of the total S&P 500 weight may be adjusted to 0-8% of the SIF portfolio. If parameters are exceeded, or not met, the portfolio committee will decide if action needs to be taken.
- All securities purchases for the portfolio must have a market capitalization of \$2 billion or greater.
- The Index Fund portion will be required to be a minimum of 30% of the overall Fund. This portion of the Fund acts as a measure of volatility control. More specifically, this will help control the risk and return of the overall Fund consistent with commercial Mutual Fund investing.
- The cash equivalent portion of the Fund for performance monitoring purposes will be compared against the returns of the 91-day Treasury bill. The cash portion will be invested in FDIC insured bank accounts custodied at Merrill Lynch. Consequently, the cash balance may not exceed \$250,000. The Fund maintains cash to allow for liquidity and flexibility with transaction timing. SIF recognizes that liquidity management is not a high priority for the Fund because redemptions are entirely within the SIF’s discretion. We recognize that cash holdings reduce return. Consequently, cash holdings more than 1% of the Fund must be invested. Since material contributions are made during the year, SIF fund managers and the Faculty Advisor have the flexibility to invest contribution over a four-month period

## Disclaimer and Risks

The Fund's past performance does not necessarily indicate how the Fund will perform in the future. The Student Investment Fund is subject to certain investment risks. The Student Investment Fund is not open to outside investors. Nevertheless, we emphasize that the Fund can lose money. The Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor, Friends of Finance, has no legal obligation to provide financial support to the Fund. In addition, the principal risks of investing in the Fund, which could adversely affect the Fund's net asset value, yield or total return are (in alphabetical order):

- **Issuer Specific** — The value of a security may decline for several reasons which directly relate to the issuer, such as management performance, earnings and sales trends, investor perceptions, financial leverage or reduced demand for the issuer's goods or services.
- **Management Risk** — There is no guarantee that the investment techniques and risk analyses used by the Fund's portfolio managers will produce the desired results.
- **Market Risk** — The market value of a security may move up and down, sometimes rapidly and unpredictably.

To the extent that the Fund makes investments with additional risks, those risks could increase volatility or reduce performance. The Fund may trade securities actively, which could increase its transaction costs (thus lowering performance).

## Faculty



***Tally Ferguson, CFA***  
***SVP Director of Risk Management at BOK Financial***  
***Adjunct Professor in Finance, University of Tulsa***

Tally Ferguson is the Faculty Advisor of the Student Investment Fund here at the University of Tulsa. He received a bachelor degree at Yale University in 1985 in the fields of Mathematics and Economics. He then earned his M.B.A degree from the Wharton School of Business at the University of Pennsylvania in 1990. Mr. Ferguson specializes in Risk management, Portfolio analysis, Economic capital, Personal finance, Modeling, Derivative strategies and bank regulation. During the years 1985-1994 he worked in New York as an examiner for the Federal Reserve Bank of New York. He had been promoted to Supervising examiner by the end of his time there. From 1994-1996 he worked with Ernst & Young as a regulatory consultant. He worked at the Bank of Oklahoma as the Senior Vice-President of Risk Management from 2002-2011. He is now the Senior Vice-President Director of Enterprise-wide Risk Management for BOK Financial. Mr. Ferguson has taught at the University of Tulsa since 2003 in areas of Finance such as the Student Investment Fund, Personal Finance, Basic Financial Principles and Financial Institution Management. He is a member of multiple committees. Since 2011, he has been a board member of the Risk Management Association and has previously served on the boards of Camp Fire Green Country Council and served on the Community Investments Program at the Tulsa Area United Way.

## Guest Speakers - Fall 2016



***Bianca Berry – Developer Officer at Northwestern Mutual***

Presented on October 7, 2016. Ms. Berry spoke on topic of finding a career with the right company.



***Gene Kim – Credit Market Specialist at Bloomberg***

Presented on November 3, 2016. This was a joint session between Mr. Kim and Mr. Morrissey, both from Bloomberg. Mr. Kim spoke about what aspects he looks for when hiring for the company.



***Michael Morrissey, CFA – Experienced MBS/ABS Professional at Bloomberg***

Presented on November 3, 2016. This was a joint session between Mr. Kim and Mr. Morrissey, both from Bloomberg. Mr. Morrissey spoke about his personal endeavors and adversities when the job market was not hiring.

## Special Speaker Session



***Tally Ferguson – SVP Director of Risk Management  
at BOK Financial***

Presented on November 11, 2016. This was a joint session between Tally Ferguson and Dr. Madhan, where the SIF class and the Investment Portfolio I class came together for a joint class.



***Anila Madhan, PhD, CPA – Assistant Professor of  
Finance at the Collins College of Business***

Presented on November 11, 2016. This was a joint session between Tally Ferguson and Dr. Madhan, where the SIF class and the Investment Portfolio I class came together for a joint class.

## Guest Speakers - Spring 2017



***Jana Shoulders - Managing Partner at Mariner  
Wealth Management***

Presented on March 1, 2017. Ms. Shoulders spoke about lessons she has learned during her career and gave advice to students as they begin their career paths.



***Steve Wyatt - Chief Investment Strategist, Private  
Wealth at BOK Financial***

Presented on March 8, 2017. Mr. Wyatt spoke about personal investing strategies for college students and things to consider when investing.



***Chas Craig - President at Meliora Capital***

Presented on April 10, 2017. Mr. Craig spoke about starting his own investment firm and the qualities of various equities they look for when investing.

## Members and Structure of the Fall Semester



**Back Row (from left to right):** Sarah Ward, Abioye Dada, Cheyenne Freelove, Francisco Yanez, Nick McVey, Barkley Wilson, Mohammad Zahid, Denton Lewis, Caitlin Sill

**Front Row:** Mariyam Khan, Jeanine de Leon-Maestas, Tally Ferguson, Rawan Al-Zarrad, Crystal Parrett, Zijun Gu

## Members and Structure of the Spring Semester



**Front row (from left to right):** Professor Tally Ferguson, Jennifer Hua, Tyler Moravec, Siming Qu, Haley Lucero, Yuan Yang, Asim Zaidi, Lan Le, Simon Bower

**Back row:** Tyler Pleus, Yiyang Cao, Jonathan Jones, Sebastian Smith, Mat Callegari, Tyler Hudson, Evan Brugger, Pradeep Pottumuthu