Virginia Tech SEED

Monthly Newsletter
August 2023

Intro and Information

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Key Takeaways

- Join us in congratulating and welcoming our new Lead Analysts and Analysts

- Catch up with SEED alumnus Michael Mullen and read what advice he would give to current students

- Get a glimpse into the new SEED office and some of our members summer internships

- See how SEED performed over the summer with an update from the CIO

Welcome New Lead Analysts

Max Skirkanich

Industrials Lead Analyst

Max is a rising Senior at Virginia Tech studying finance with a concentration in the CFA route. Max has been a member of Virginia Tech SEED since Fall 2022 and was an Industrials sector analyst last semester. Over the summer, Max was an Equity Research and Asset Management intern at Davenport and Company in Richmond, Virginia and will be returning to Davenport full-time next summer as a Research Analyst

When he is not in school, Max resides in Harrisonburg Virginia with his Mother (Sue) and spends most of his time outdoors fishing and Golfing.

Sebastian Franks

Technology Lead Analyst

Sebastian is a rising Junior at Virginia Tech studying finance with a concentration in the CFA route, in addition to a minor in International Business. Sebastian joined SEED in the Fall of 2022 and previously served as a Technology sector analyst. Last summer, Sebastian was a Junior Analyst with Dauntless Management, an emerging markets public equity firm in Stamford, Connecticut. This summer, Sebastian was working with Fairfield Integrated Systems as a Junior Technician in the smart home automation space. Sebastian also worked with our summer team, managing the portfolio over the summer.

Outside of school and work, Sebastian serves as Treasurer for the Alpine Ski Team at Virginia Tech, and as a volunteer firefighter in both Blacksburg, VA and Greenwich, CT.

Viktor Fedotov

Energy Lead Analyst

Viktor is a rising Junior at Virginia Tech studying FinTech and Big Data Analytics. He's been a member of Virginia Tech SEED since the Fall of 2022 and was placed in the Value Momentum sector as a Quantitative Analyst following his training process. This upcoming semester, he will be serving as the lead analyst of the Energy sector as well as the business manager for the Collegiate Times.

In his time outside of school and SEED, he loves fishing on the Chesapeake Bay, hiking with his friends, and going to the gym.

PAMPLIN COLLEGE OF BUSINESS VIRGINIA TECH.

Welcome New Analysts

Adam Wieczorek
Financials

Andrew Hockersmith
Energy

Dom Bivins
Consumers

Elan Parandeh
Healthcare

Gabby Latino
Industrials

John Bruns
Energy

Grant Goodall
Technology

Luke Schermerhorn
Value Momentum

Lucas LeClair
Industrials

Louis Tucker
Value Momentum

Luke Jackman
Technology

Maya Snyder
Healthcare

Lily Shiveley
Financials

Salma Khorramshahgol
Consumers

Alumni Spotlight – Michael Mullen

Michael Mullen

Associate at Morgan Stanley

Michael graduated from Virginia Tech's Pamplin College of Business in May of 2018 with a major in Finance. He joined SEED in the Fall of 2015 as an Analyst in the Technology sector before later serving as the group's Co-CEO during his junior year. Upon graduation, Michael accepted a role at Morgan Stanley in Institutional Equity Sales and Trading in New York City, where he worked in a few different roles across Derivative Sales-Trading (Thematic & Investment Strategies) and US Financials and Real Estate Specialty Sales. After 4 years in Institutional Equity Sales & Trading and a 1-year assignment in Commercial Real Estate Investment Banking, Michael is now continuing his career at Morgan Stanley in Securitized Products, specifically within Consumer & Esoteric Secured Lending.

To Current Students: "I really couldn't be more appreciative of the SEED organization, the life-long friends and connections I've made through it, and the springboard that it provided me. And not to mention, I'm thankful to have been a part of the organization at a time when cheap cost of capital made just about every use of funds a good decision for management teams and our ownership of their shares alike! So, while the apparent ease or difficulty associated with "picking winning stocks" may change through time, what I believe will never change is the enormous opportunity you now have to use your involvement in SEED to begin developing an appreciation for identifying, sizing, and monitoring risk, and to gain a much better sense for your own interests and abilities as they relate to corporate finance. You have a dedicated faculty, a supportive Advisory Board, and three decades of SEED alumni who all want to help you succeed. It's yours for the taking!" – Michael

Outside of Morgan Stanley, Michael and his wife Michelle (VT '17), enjoy distance runs through Central Park and cheering on the New York Rangers – and are very much looking forward to wearing maroon and orange on September 16th at Rutgers!
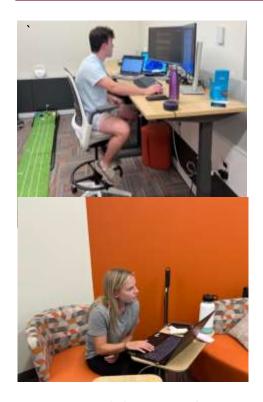
New SEED Office

This fall marks the opening of the brand-new VT SEED office within the new Data and Decision Sciences building at Virginia Tech. The new office features two Bloomberg terminals and plenty of room to work and meet with groups. Pictured to the left are two Analysts in Training (AIT's), Walker Hayes and Maddy McNiff, working on their respective SEED assignments for the week.

Along with being a major workplace for the organization, the office has turned into a hub of collaboration and enjoyment, with many members spending their downtime in-between classes in the office. Healthcare Lead Analyst, Maddy Koch, brought a putting green for the members to use to relax after hard exams or large pitches to the group.

The new office is significantly bigger, and more open than the previous office in Pamplin. The office is a perfect space for members to collaborate on pitches, classwork, or simply converse in the multiple seating areas. The team is beyond grateful for Pamplin providing us this space to further enhance the organization.

Internship Review

Riley King – Citi, Sales and Trading
New York
"The internship was a rotational program, and I was fortunate enough to sit with three desks that all ranged in terms of product and clientele. The program taught me about leadership, networking, and how to best position myself to succeed in the workforce. I am excited to apply my newfound knowledge to my position in SEED, in the same way I applied all I've learned in SEED to my job at Citi."

Jake Vodovoz – Midcap Financial, Private Credit
D.C.
Over the summer, I had the opportunity to intern at Midcap Financial, a private credit fund partnered with Apollo Global Management, with $48+ billion in AUM. There, I worked within the financial sponsors and leveraged finance group, supporting the portfolio management team. I look forward to applying these skills within SEED this upcoming semester.

Max Skirkanich – Davenport and Company, Equity Research and Asset Management
Richmond
"During my time at Davenport I spent five weeks with their equity research team and five weeks with their asset management team. It was awesome to see how true professionals go about researching and valuing stocks. Their thorough due diligence and thought process behind each decision is something I am looking forward to implementing within SEED this year." – Max Skirkanich

CIO Market Outlook

For the month of August 2023, the Student-managed Endowment for Education Development (SEED) has delivered a return of 0.26%. When compared to our benchmark, the S&P 500, which returned 0.10% for the same period, we are sitting at an active return of +0.16%. For a broader view of our performance, SEED's Year to Date return currently sits at 16.34%. Our benchmark has delivered a return of 17.64% YTD, therefore leaving us at an active return of -1.30%. Therefore, SEED is currently outperforming relative to our benchmark on the month but underperforming on the year.

Our portfolio is a long only equity fund condensed into seven sectors: Consumers, Energy, Financials, Healthcare, Industrials, Technology, and our quantitative strategy, Value Momentum. Due to a new semester beginning, we have geared our weekly meetings towards the discussion and assessment of the portfolios summer performance. Our lead analysts were able to update the group on individual sector performance during their various sector updates.

Riley King
Chief Investment Officer

Looking into the future, we are continuing to act upon our goal of diversification and relocation of capital. As a student managed group, we believe it is important to establish an environment that promotes mindful thinking and differing opinions. We are encouraging all members, and members in training, to explore areas we don't currently allocate capital towards, in hopes to find uncapitalized upon potential return.

As an organization, we also have a new project revolving around the idea of creating sell discipline. As many asset managers do, we realize that there have been moments of loss that we could have avoided if there was a greater president of consistent reevaluation. Therefore, we have established that this semester will have a focus towards developing a structured sell discipline initiative, that can be rooted throughout our current holdings.

Sector Updates

Consumers

Over the summer months of 2023, the consumers sector has lagged behind our blended benchmark of the XLY and XLP. Since we were able to capture lots of success throughout 2022 and early 2023 by straying away from our benchmark, we were unable to capitalize on the massive rally in the market that has taken place over the past few months. However, our most recent addition to the portoflio, Marriott International, has risen over 20% since its puchase due to strong travel demand and market presence. Looking forward, we would like to complete a buy pitch in the near future and add a large, quality name with a strong competitive moat that can help us realign closer to our benchmarks moving forward. Along with this, we continue to monitor our holdings frequently while updating our models following large company events. We have also had our newest analysts, Dom Bivins and Salma Khorramshahgol, join us and both have made an immediate impact on the team. We look forward to a great and successful semester!

Justin Harrison
Lead Analyst

Energy

Viktor Fedotov
Lead Analyst

Over the past three months, the energy sector has outperformed the XLE/XLU blend by 127 basis points. Crude oil prices are up over 19%, mainly attributable to rising geopolitical tensions in Russia and the Middle East. Moving forward, we see a substantial amount of attention and investment in the renewable energy segment, mainly in the wind and solar sectors. This semester, we are planning on liquidating our holding in Dominion Energy and exposing ourselves to other opportunities within renewable energy. Lastly, one of our analysts, John Bruns will be pitching Diamondback Energy (NASDAQ: FANG) in the coming weeks.
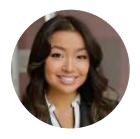
Financials

Kobey Simon
Lead Analyst

The financials sector performed well in the summer months, beating the XLF / XLRE blended benchmark. Coming off of the regional banking crisis, the sector was closely monitoring our bank holdings, particularly Fifth Third (FITB), as it is most exposed to risks surrounding the banking crisis. Now that fears around the regional banks have mostly subsided, the sector is looking to reposition the portfolio. We hope to move away from regional banks entirely, looking into larger, multinational banks that have seen positive performance since the collapse of SVB. Over the summer, we sold out of our small position in Coinbase (COIN), primarily due to the speculative nature of the cryptocurrency markets. Our insurance and asset management holdings continue to perform well, and we have no plans of altering those positions. Adam Wieczorek, a new financials analyst, will be pitching Realty Income (O) in the coming weeks. We hope this REIT addition will replace Welltower (WELL), a healthcare REIT that the sector sold in the spring. Our outlook on the semester remains positive, as we continue to closely monitor macroeconomic events and the actions of the Federal Reserve.

Healthcare

Maddi Koch
Lead Analyst

The healthcare sector is currently outperforming the XLV by approximately 10% YTD, our highest performing holding is Veeva Systems Inc. (NYSE: VEEV) up 35.68% YTD. Veeva recently had earnings on August 31st, with a 10% YoY increase in their second quarter revenues as well as their subscription services revenue. Our worst perfomer YTD is Agilent Technologies (NSYE: A) which is down 18.75% YTD. This is due to a reaching outlook on earnings this year as they missed their earnings and attributed it to an "increasingly challanging market environment". On notable news, we have an extra holding, Fortrea (NYSE: FRTE), since it had spun off of Lab Corp. in early July. Fortrea is a global contract research organization that provides comprehensive Phase I htough IV clinical trial management. As the semester begins, we are happy to welcome the newest analysts to the healthcare sector, Elan Parandeh and Maya Snyder. We look forward to the semester ahead as Maya plans on pitching Vertex Pharmaceuticals, and a possible Eli Lilly pitch from Elan.

Industrials

Over the summer, the Industrials Sector saw mixed performance, with CRH and JBT leading the way on a strong house building market and a completed sale of JBT's Aero Tech business. On the other hand, shipping company ZIM and green power company AMRC saw declining stock prices after disappointing 2Q earnings calls. Overall, the Industrials sector is up roughly 5% since May 1st, slightly underperforming the XLI but outperforming the XLB. Looking ahead, we plan on selling ZIM in two weeks to reposition to a better distribution company, and are looking further into SSNC, which we acquired through a change in GICS classification from the Technology sector, and previously mentioned AMRC which has been range bound for the past few quarters. Additionally, we would like to welcome Gabby Latino and Lucas LeClair into the sector as our new analysts, and we are excited for the coming year!

Max Skirkanich
Lead Analyst

Technology

Over the summer, the Technology Sector saw a strong performance, mostly attributed to the "AI Rally." This rally led to boosted valuations across the sector, but mainly affected those reaping the benefits of AI, like GOOG, MSFT, META, and AMD. With META up 130% YTD, the sector will closely monitor the companies that have performed well YTD. Since May 1st, the sector is up 16%, against the XLK/XLC benchmark at 11.43%. This semester, the sector is looking at expanding into new and innovative sectors, including AI, data analytics and storage, and solar/energy. The Team plans to pull capital from our heavier weighted positions that have performed well over the rally to reallocate into our smaller, and new holdings. The sector is looking into selling NOW, and ADBE, to bring in new companies as mentioned above. Due to GICS reclassifications, the sector has also received Roper Technologies (ROP) from Industrials, while sending SSNC. Lastly, the sector will be spending time updating all models, to determine if the rally was simply a correction from beaten down 2021 valuations or led to an overvaluation following hype around AI.

Sebastian Franks
Lead Analyst

Value – Momentum

On account of the concern of not being able to quickly react to stop loss triggers and legal trading constraints due to summer internships amongst numerous students, the the value momentum sector decided to sell off all holdings for the month of August. Although a hard decison, ultimately it was the right choice for two main reasons. Firstly, over the course of August, the strategy would have not only trailed the S&P 500 by 1.21%, but we had the opportunity to use the period as a reflection point for the overall quantitative sector and ask ourselves where we would like to take it in the upcoming semester. As we enter into September, and the start of Q4, we will soon buy into new postions once again for our quarterly rebalance. In addtion, we have also started numerous new projects. For one, we are currently designing an interactive dashboard through Power – BI, a data analysis software, which we envision can be the tool that introduces data visualization into SEED as a whole, enabling more precise decision making. On top of this we are also rolling out to all of SEED supplmentary screening, where we can apply what we have learned from factor based investing, to help the other sectors in the selection process.

Jake Vodovoz
CQO