

Virginia Tech SEED

Monthly Newsletter
February 2023



Intro and Information

Table of Contents

2. Key Takeaways
3. Alumni Spotlights
4. SEED Outside the Office
5. University of Georgia 2023
Stock Pitch Competition
6. CIO Market Update
7. Sector Updates

Key Takeaways

- Newsletter to be released on the second Friday of every month.
- SEED sends four-person team to UGA stock competition for second year in a row.
- Justin Smith wins the Pamplin Outstanding Senior Award.
- How does the SVP collapse affect the SEED portfolio?

Alumni Spotlight – Recent Graduates – where are they now?



Demitri Gamble

Demitri graduated from Virginia Tech in May of 2022. He joined SEED as an AIT in the spring of 2020 and served as an analyst and then subsequently the Lead Analyst for the Consumers sector. Following graduation, Demitri accepted a full time offer within the markets division at Citigroup, which is a two-year rotational analyst program.

Currently, Demitri sits on a cross-asset credit sales desk within Global Spread Products (GSP) where he assists in the facilitation of client investment needs across a variety of debt instruments. The goal of the analyst program at Citi is to give first and second-year analysts the opportunity to explore different roles in sales, trading, research, or origination/relationship management. In his current role, Demitri's responsibilities include interacting with credit traders and institutional clients to find investment solutions that best suit the needs of both parties. For his next rotation, Demitri is hoping to pursue an opportunity in flow credit trading.

Recent Graduates – Where are they now?



Mason Moriarty

Mason graduated summa cum laude from Virginia Tech in May of 2022 with a bachelor's degree in finance. He joined the SEED organization as an AIT in the Fall of 2020 and went on to serve as an analyst in the Financials sector before becoming Lead Analyst in the Fall of 2021. He concurrently served as the Co-Head of Recruitment for two semesters before taking on the role as SEED's CIO in his last semester at Virginia Tech.

Following graduation, Mason accepted a full time offer with Bank of America as an Equity Capital Markets Analyst after interning at the firm in the previous Summer. Currently he sits on the Technology Media and Telecom (TMT) Desk where he covers all aspects of the capital raising process through equity products like IPOs, Follow-Ons, and Block Offerings. When asked how SEED prepared him for entering the workforce Mason answered that "SEED gave me experience leading a team under high pressure scenarios and performing at a high level to achieve a common goal".

SEED – Outside the Office



Justin Smith

2023 Pamplin Outstanding Senior Award

Justin is a senior majoring in Business Information and Technology, from Fairfax Virginia. Justin completed his training in May 2021 and then served as an analyst in the Financials Sector until January 2022 before taking a positing as Co-LA in August 2022. Now, he serves as Co-CIO on the executive team. This summer, Justin will be accepting a full-time offer with McKinsey & Co as a Business Analyst in Washington DC. This year Justin received the 2023 Pamplin Outstanding Senior Award, and we took a closer look to highlight what an important member of SEED is doing outside the office.

The Pamplin Outstanding Senior Award is “given to a student who has excelled in many dimensions,” and requires the student to not only be selected for the award but also a departmental senior award beforehand. Justin was selected for and received the Management Department Outstanding Senior Award, which then promoted him to be able to receive the Pamplin wide award. “Each year, Pamplin’s Undergraduate Awards Committee reviews nominees for three college-wide awards”.

When asked what this award means to him and how working hard and doing well in school has affected his life Justin answered, “My academic history reflects who I’ve become and grown into intrinsically. I’ll walk away with what concepts, values, and personality I’ve intangibly been able to sharpen along the way much more than what the award or transcript will be able to narrowly show. I view those things as outcomes that just point towards the growth and strength of my worldview, values, and perspective.” While Justin has done extremely well in school, he made sure to emphasize how the accolades that he has achieved are not what he was chasing while at Virginia Tech, but merely a side effect of his “work ethic and ability to make sacrifices that prioritize doing well”.

“I never aimed for this award or for any sort of recognition like this, but I think it comes back to determination and discipline where I wanted to take advantage of my time at Virginia Tech” – Justin Smith when asked what motivated him to work so hard in classes.

2023 University of Georgia Stock Pitch Competition



This month SEED had the honor of sending a team to the University of Georgia to compete in the Terry College of Business Stock Pitch Competition. The competition invites teams from all over the country come out to compete. The competition has been growing every year and had to expand their pool of accepted teams due to the high level of applicants. In total there were 15 teams competing, with teams split up into three rooms with the best pitch from each room advancing to the final round. Unfortunately, the team that SEED sent did not make it out of their room, but the team had the opportunity to come back with great feedback and ideas to better the organization.

The Georgia team was led by Co-CEO Piyush Pokala and consisted of Kobey Simon, Max Skirkanich and Pat Caiafa. Piyush was the only member of the team to have gone to the competition before, so he led the efforts this year. While the team did not make it to the final round, they were exposed to a process and environment that let them analyze how the organization as whole operates. When asked what the main take-aways from the trip were, Piyush responded, "there were a lot of different things that we team took away from the competition that really opened our eyes. From the meticulous preparation that each team put into their pitches, to the questions the judges asked, it really showed how pitches should be done and allowed us to provide valuable feedback to all of SEED. It was a great experience, and it meant a lot to the team to get the chance to put the knowledge that SEED has given us to work in a practical situation".

"The biggest thing that I took away from the trip is how much work goes into researching and making a truly sound and completed stock pitch," said Max Skirkanich, a first-year analyst in the Industrials sector. "We were definitely exposed to how thorough professionals are when thinking about a potential purchase".

The group wanted to send out a special thank you to the Chairman of our Board of Advisors, Trey Snow, for taking the time out of his busy schedule to help the team prepare and offer advice.

The Team



Piyush Pokala
Co-CEO



Kobey Simon
Financials



Max Skirkanich
Industrials



Patrick Caiafa
Technology

CIO Market Outlook

For the month of February 2023, the Student-Managed Endowment for Education Development (SEED) has delivered a return of -5.62%. When compared to our benchmark, the S&P 500, which returned -2.61% for the same period, we are sitting at an active return of -3.01%. Therefore, SEED is currently underperforming the benchmark.

To comment on current events affecting the market, we are obligated to touch on the collapse of SVB. While SEED does not have direct exposure to the bank, our financial sector holdings have all seen ripple effects around the industry. We are aware this does provide an interesting opportunity to consider investing into new bank holdings as the market fear potentially overcorrects in a mass sell-off. The bank failures also may serve to provide the Fed with some hesitation as they continue to increase rates and combat inflation. On Top of the market potential that arises from the SVB collapse, we also understand that this is a great learning opportunity for the organization. In the coming weeks, we will hold various market discussions regarding the event, with a hope to better the groups understanding of how and why this happened.

As stated in the January monthly newsletter, SEED recognizes the current market's volatility and uncertainty, especially with the recent events regarding Silicon Valley Bank. Since the most recent newsletter's release, we have emphasized a goal of diversification in the sector's holdings. In the recent weeks, SEED analysts and analysts-in-training have taken the initiative to research into sub sectors we do not currently allocate capital towards. The organization has had multiple buy and sell pitches, all holding an underlying goal of diversification that will hopefully lead to future success. Looking into the future, we hope to continue to encourage research that enables the group to penetrate a broader market while also emphasizing a sell initiative. We recognize that the current sell strategy is an area that is more limited when it comes to performance and opportunity and hope to improve on this. Our Co-CIO's, Justin Smith and Riley King, continue to be excited for the future and hope the new efforts will help the group efficiently capitalize on potential upside.

Sector Updates

Consumers

This past month, the Consumers sector has underperformed by 1.58% when compared to the sector's benchmarks (XLY/XLP Blend). With a hotter than expected CPI report for January, consumers continue to feel pressure from sticky inflation, especially in relation to food prices. A portion of the disparity from our benchmark can be attributed to Dollar General (DG), which cut its earnings estimate as it battles higher costs and inventory damage. Along with this, Alibaba (BABA) and Vacasa (VCSA) underperformed following a rapid recovery and strong outperformance to begin the year. Holdings that bucked the trend included AutoZone (AZO) and Deckers Outdoor (DECK) which continue to show resistance within a weakening economy. Going forward, our sector sees opportunities to expand into industries that we do not currently hold, such as lodging and home improvement retail. We continue to stay up to date on current market trends and look forward to finishing the rest of the academic year on a strong note for our graduating seniors, as well as diversifying our portfolio into core companies with strong fundamentals.



Justin Harrison
Lead Analyst

Energy



Jackson Oleyar
Co-Lead Analyst



Kevin Wang
Co-Lead Analyst

Throughout February, the energy sector has mirrored the broader markets, resulting in our holdings experiencing losses. Notably, KMI's CEO Steven Kean has recently resigned, with Kimberly Dang taking his place, potentially having implications for the company's operations and strategy in the future. Additionally, Chevron (CVX), Shell (SHEL), and Petrobras are currently vying for oil exploration rights in Guyana, which could lead to a significant increase in Latin America's oil production, but the winner of the auction is yet to be determined. CEG's share price took a hit following their Q4 earnings report, despite beating revenue expectations by 90.92%, missing earnings expectations by 36.33%. Currently, companies such as Duke Energy (D), Dominion Energy (D), and ExxonMobil (XOM) have not been affected by any significant news, but investors in the energy sector should remain vigilant in monitoring industry developments and company performance to make informed investment decisions. Although oil prices have fallen recently due to inflation concerns, there is increased demand for LNG due to the ongoing conflict between Russia and Ukraine. Furthermore, countries like China and India are investing more in renewable energy, indicating a growing interest in sustainable energy solutions.

Financials



Kobey Simon
Lead Analyst

In February, the financials sector continued to monitor the portfolio and rework models on current holdings. Lead Analyst, Kobey Simon, began developing new versions of models for companies in the portfolio that hadn't been visited in some time. The financial model used for REIT valuation underwent a complete rework, and the final product will be done by the beginning of March. In terms of pitches, the sector wasn't quite as active as it has been, but there was still one pitch completed. First-semester analyst, Kennedy Kabance, pitched American Tower (AMT), a REIT in the 5G infrastructure space. The company will likely replace a current REIT holding in the portfolio once its model has been updated. The company was approved by the other Lead Analysts and will hopefully be added to the portfolio in the coming weeks. We have plans in March to reevaluate our regional bank holdings amid the current high interest rate environment. Performance-wise, the sector underperformed by around 140 bps relative to our XLF / XLRE blended benchmark.

Healthcare



Maddi Koch
Lead Analyst

While continuing to outperform the XLV in addition to the S&P 500, we strive to continue this trend through steady, thoughtful research. With this research, we have found a Life Science Tools & Services company that would make a great addition to the portfolio. Looking forward, Agilent Technologies (NYSE: A) will be pitched and voted on by the rest of the lead analysts for the month of March. The sector is being sculpted into a more diverse portfolio; we are reshaping our holdings so that we invest in each sub-industry along with not having too many holdings in on, hence Agilent Technologies and possible sells of Merck and Labcorp. For this past month, we have had two full analyst in training rotations, which all four AITs have provided very insightful and helpful research to the sector. With the group pitches quickly approaching, at the end of February, they broke out into their groups. Two AITs have decided to pitch a Life Science Tools & Services company as well: Thermo Fisher (NYSE: TMO). It has been a great experience for them and the sector as we have all been working together to get them ready for their pitch in March.

Industrials

Roper Technologies has been successful in their divestiture strategy, which has focused on reducing cyclicity and asset intensity, while investing in software businesses that offer high-recurring revenue streams. As a result, the company has outperformed the XLI benchmark by 150 bps. Zim Integrated Shipping had a great performance in February, mainly driven by their fourth quarter reports. Their revenue was \$2.19 billion, exceeding the estimated \$2.07 billion, and their EPS was \$2.44, surpassing the estimated \$2.84. On the other hand, Ameresco has had a challenging start to the year, down 18.05% ytd. This is due to lowered guidance, as the company has struggled to capture as many large contracts as they have in the past. Our new holding, John Bean Technologies has outperformed the XLI benchmark significantly year to date, up 13.73%. Revenue and EPS increased by 16% and 10% respectively, and management announced two successful acquisitions in 2022 that will position the company for continued success in the reopening economy. Lastly, CRH has performed well since the start of the year with a 15.06% increase year to date. The company's focus on integrated solution strategies and \$3.3b invested into solutions focused acquisitions has resulted in growth in sales, EBITDA, margins, and EPS.



Joaquin Baquerizo
Lead Analyst

Technology

This month, the Technology sector did not experience many changes. We continued to monitor out holding and realice movements in the market. In the month of February, the technology secotr had modest losses of ~3%, which slihly unerperformed the bench march. We began looking into new opanies to replace holdings that did not perform well since initial purchase. A first semester analyst, Sebastian Franks, pitched a sell on out Square (SQ) holding as we look to cut losers and consolodate some of these losses into better positioned companues in the market. In the next month, we plan to finally sell Square, Tiawan Semiconductor Compnay, and SS&C Technologies to increase our exposure in Google and also look to pitch a buy for AMD.



Patrick Caiafa
Lead Analyst

Value – Momentum

The month of Febuary the quantitative value momentum strategy outperformed it's benchmark, the S&P 500. The S&P 500 fell -3.62% this past month, while our strategy only fell -0.84%, beating the benchmark by 278 basis points. Mosaic Co. (MOS) and AbbVie (ABBV) were amongst the strongest holdings within the strategy, returning 6.68% and 5.00% respectively. The positions that saw the most significant losses were all energy companies such as Devon Energy Corporation (DVN) and ConocoPhillips (COP) returning -12.88% and -12.19% respectively. Acknowledging the fact that we have numerous holdings in a current volatile energy sector, has shifted our attention to fine-tuning our ranking system for the quantitative value side of the strategy to potentially mitigate over allocation in riskier sectors of the economy. To improve our ranking system, we are currently testing numerous different ways of analyzing each individual sector based on sector-specific fundamnetals that would be indiciative of a company trading below its intrinsic value. Aside from that, we continue to take steps forward in creating our own interactive interface in Python.



Jake Vodovoz
CQO