Virginia Tech SEED

Monthly Newsletter
October 2023

PAMPLIN COLLEGE OF
BUSINESS
VIRGINIA TECH.

Intro and Information

Table of Contents

Key Takeaways

- Meet the new Analyst-in-Training class of Spring 2023

- Catch up on the recent SEED trip to New York City

- Hear from Jake Cullen, a recent graduate, about his life now with Morgan Stanley

- Learn about one of our members commitment to the Blacksburg community in the Outside of the Office section.

- Read about our CIO's view on the portfolio, and some recent changes we have made to our trading platform.

Spring 2023 Analysts-in-Training

Adam Bridges
Sophomore | Finance

Alex Pierce
Sophomore | Finance

Aiden Grine
Sophomore | Finance

Charles Liu
Sophomore | Finance

Deeba Hussini
Sophomore | Finance

Drew Nayak
Sophomore | Finance

Eric Albi
Sophomore | Finance

Greg Patterson
Sophomore | Finance

Hallie Rhodes
Sophomore | Finance

Jack Croke
Sophomore | Finance

Jason Witt
Sophomore | Finance

Lorenzo Silva
Sophomore | Industrial &
Systems Engineering

Marcio Parente
Sophomore | Computer
Science

Nandini Bhola
Sophomore | Computer
Engineering

Tanner Lovern
Sophomore | Finance

Will Grossarth
Sophomore | Finance

Fall 2023 New York Trip

This past month, 20 SEED members embarked on our annual networking trip to New York, providing a unique opportunity for members to connect with a multitude of alumni and immerse themselves in the financial services industry. During visits to Atlas S.P., Bank of America, Citigroup, Goldman Sachs, Morgan Stanley, RBC, and Wolfe Research, the group not only learned best practices in recruiting but also gained invaluable advice on breaking into the industry.

For our younger members, the New York Trip proved to be an indispensable experience, offering an extensive understanding of the industry and the various career paths. Our commitment to building human capital and preparing members for real-world success is exemplified in this out-of-the-classroom experience. Engaging with alumni and professionals from banks provides a perspective that is hard to replicate elsewhere, making the trip a key opportunity for SEED and its members.

The group extends its sincere appreciation to the exceptional alumni who generously shared their insights and welcomed us into their firms. The success and memorability of the New York Trip wouldn't have been possible without the support of these individuals. SEED expresses gratitude to everyone who played a role in hosting and enriching their visit to New York.

Firms Visited

Alumni Spotlight

Jake Cullen

Wealth Management Analyst at Morgan Stanley

Jake graduated from Virginia Tech in December of 2021 with a major in Finance. He joined SEED in 2019 and was an analyst in the Industrials sector. Jake started at Morgan Stanley as an intern in the Wealth Management Home Office as an Equity Trading Analyst after his undergraduate studies. He then went on to accept a full-time offer as a Rotational Analyst where he'll spend three, eight-month rotations all around Morgan Stanley's Home Office, the support system for over 16,000 Morgan Stanley Advisors around the United States. Jake's first rotation was on a Research and Development Team for a one of the firm's fastest growing Advisor targeted platforms. Currently, he works on the Executive Financial Services team, a group dedicated to Ultra-High-Net-Worth clients, specifically, corporate executives and affiliates from other companies as a specialist in Stock Plan management. He helps these corporate affiliates from initial set up to trading and the liquidation of their Stock Plans. Jake will do one more eight-month rotation in the Home Office starting in January.

He dedicates much of his early success to the mentorship he received from SEED. "Having the opportunity to assist in managing over $5,000,000 as a 19/20-year-old is invaluable. I use many of the skills I developed throughout my time in SEED daily and highly encourage every student to leverage the alumni network".

Jake currently resides in New York City in Tribeca and works in the Financial District. Outside of work, he enjoys traveling, running, pickle ball, trying new restaurants, and exploring the vast social scene of New York City.

SEED Outside the Office: Blacksburg Fire Department

Sebastian Franks, Lead Analyst of the Technology Sector, serves as a volunteer Firefighter for the Blacksburg Fire Department. Last semester, Sebastian was enrolled in a 120-hour course, Firefighter 1 and Hazardous Materials, to learn the fundamentals of firefighting and gain certification as an interior firefighter. Sebastian is on call from 5pm-7am every third week, in addition to always being ready to respond to 'all-calls,' any call for service requiring multiple engines, or additional manpower.

Sebastian joined his department at home in Connecticut the week he turned 18, and was thrilled to continue serving for the fire service here in Blacksburg.

When asked about this experience, Sebastian said "This role not only surrounds me with a diverse group of people, but gives me experience working in a high pressure, critical decision-making environment, with an emphasis on task execution, and communication. I have always been committed to volunteering within my communities, but I feel this specific volunteer position allows me to be continuously dedicated to a cause for my community, while doing something I love. The fire service is an environment of continuous learning, and I always leave my call week with new knowledge and experiences."

Virginia Tech SEED

CIO Update

For the month of October 2023, the Student-Managed Endowment for Educational Development (SEED) has delivered a monthly return of +0.87%. When compared to our benchmark, the S&P 500, which returned -2.20% for the same period, we are sitting at an active return of +3.07%. For a broader view of our performance, SEED's Year to Date return currently sits at +11.75%. Our benchmark has delivered a return of +9.23% YTD, therefore leaving us at an active return of +2.52%. Thus, SEED is currently outperforming our benchmark by 307 bps on the month and 252 bps on the year. Our portfolio is a long only equity fund that has condensed the eleven S&P 500 sectors into six primary sectors: Consumers, Energy, Financials, Healthcare, Industrials and Technology with an additional quantitative strategy, Value Momentum.

Riley King
Chief Investment Officer

In the aim of transparency, during the month of October we made the transition to solely using BNY Mellon for all trading and custodial purposes. Previously, we had used E*Trade for trading purposes and BNY Mellon for our custodial account, we have now transitioned our trading account to BNY as well. We were able to execute four trades on our new platform during the last week of October, consisting of 3 sells and 2 buys. These trades have left us at a holding amount of 48 securities within our portfolio, with and additional 20 in our VM strategy, 4 of which are parallel in the broader portfolio. We are consistently evolving our investment strategy to adhere to ever changing market conditions, while staying inline with our fundamental value-based approach. We are excited to head into the month of November outperforming the benchmark and hope to continue this success through the active fourth quarter.

Sector Updates

Consumers

Throughout the month of November, the Consumers sector outperformed our blended benchmark by ~550 basis points. Our top performers included Decker's Outdoor (DECK) who beat on the top and bottom line while including an improved outlook for the rest of the year. Dollar General (DG) also performed well this month after they announced the return of their former CEO after what has been a turbulent 2023. The sector was able to successfully pitch a full sell for our position in Conagra Brands (CAG) after they have underperformed for much of the year. Looking ahead, we plan on completing a buy pitch for a new name to add to the staples side of the portfolio by the end of the year while continuing our due diligence into potential adds to the discretionary portion of the portfolio.

Justin Harrison
Lead Analyst

Energy

Viktor Fedotov
Lead Analyst

In the month of October, the energy sector outperformed the XLE/XLU blend by 248 basis points. Constellation Energy and Exxon Mobil have contributed greatly to our outperformance, up 9.80% and 4.00%, respectively. This semester, we also added Diamondback Energy (FANG), which increased 2.32% during the period. Our utilities holdings have been laggards, with Duke and Dominion falling 2.39% and 2.39%, respectively. For the remainder of the year, we are keeping a close eye on demand across China and the Eurozone, along with macroeconomic and geopolitical developments in Israel and the ongoing conflict in Ukraine.

Financials

Kobey Simon
Lead Analyst

This past month, the financials sector underperformed by roughly 200 basis points. Despite the overall outperformance on a year-to-date basis, the month of October proved to be a challenging month for some of our holdings. In the month, Fifth Third (FITB) was sold out of the portfolio. With the sector still feeling the ripple effects of the SVB collapse, the sector aimed to eliminate exposure to regional banks for the time being. In the middle of the month, analyst Adam Wieczorek pitched a buy for Realty Income (O). The pitch was well-received by the group and the company was officially added to the portfolio towards the end of the month. With the addition of O, the sector continues to operate with roughly 1/3 of AUM in real estate, and the remaining 2/3 in financials. Looking into Q4, the sector plans to reevaluate our position size in Markel (MKL) and add a new holding before the end of the year.

Healthcare

Maddi Koch
Lead Analyst

The healthcare sector is currently underperforming the benchmark by 0.32%, as it has continued to tetter between underperforming and over performing. This past month, UNH had their 3Q23 earnings release on October 13th. They have now beat earnings for the past four quarters and reported revenues of $92.4 B, a 14% YoY change. With lot of their growth attributed to Optum and UnitedHealthcare. UNH has improved its net earnings forecast for the full year of 2023, now expecting $23.60 to $23.75 per share and an adjusted net earnings of $24.85 to $25.00 per share. With the current climate in Israel, we plan to keep and eye on Inmode Ltd. (NASDAQ: INMD) due to its headquarters being in Israel. The stock is down 46.03% YTD. In the beginning of November, we look forward to seeing a buy pitch of Vertex Pharmaceuticals (NYSE: VRTX) by analyst Maya Snyder, and a sell pitch of Abbvie (ABBV) and Fortrea (FTRE) from Elan Parandeh.

Industrials

In the month of October, the Industrials sector slightly underperformed the XLI/XLB blend. This was due primarily to the massive degradation in Ameresco's (NYSE: AMRC) stock due to lack of revenue growth from supply chain headwinds and labor market challenges. AMRC ended the month of October down 37% while the rest of the sector was relatively flat besides CRH (NYSE: CRH) was up 9%. Moving forward, the sector is looking to sell AMRC sooner rather than later after hearing managements poor outlook and is looking forward to receiving a new Analyst at the end of December as the class of Analysts In Training (AITs) complete their semester long training.

Max Skirkanich
Lead Analyst

Technology

In the month of October, the Technology sector remained relatively flat, returning under 1 basis points, while we continued to outperform our benchmark by 132 basis points. This month, Grant Goodall pitched Enphase Energy, a solar company focused on the production of microinverters, and whole home energy solutions. The pitch did not pass through our investment committee given the recent performance of the solar industry as a whole, as the industry is extremely sensitive to a high-rate environment. However, we are remaining vigilant as we see huge value in this industry on a long-term investment horizon. October was also a busy month for the sector in regard to covering earnings calls. Overall, we saw strong results across the sector. This earnings season showed us which companies are beginning to differentiate themselves in the AI battle, and we plan to continue evaluating our holdings based on future potential relating to AI.

Sebastian Franks
Lead Analyst

Value – Momentum

Over the course of October, despite turmoil in markets, the value momentum strategy outperformed the S&P 500 by a hair, at 4 basis points. The majority of this strong relative performance can mainly be attributed to the momentum side of the algorithm. Within this facet, consumer companies such as Walmart (WMT) and Loews Corp (L) both performed strong over the month, returning 2.07% and 2.74% respectively. The single strongest performing stock however was Arthur J. Gallagher (AJG), returning 4.70%, and for reference beat the S&P 500 by nearly 700 basis points. Looking forward we continue to make strives to find new ways to make the algorithm even more precise through testing new theories from conducted research, specifically for a sector-specific screener.

Jake Vodovoz
CQO