

Virginia Tech SEED

Monthly Newsletter
March 2023



Intro and Information

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Key Takeaways

- Newsletter to be released on the second Friday of every month
- Join us in thanking our faculty advisor Professor Billingsley, who is celebrating a major anniversary with VT SEED
- Catch up with a SEED alumnus and learn more about how Paul Hurst got to where he is now
- Kennedy Kabance has had the opportunity to expand her college experience by studying abroad, learn more here
- The Current CEOs have implemented a new training process that focuses more on the fundamentals
- See how SEED performed in the month of march and get organization update from the Co CIOs

Randall Billingsley – A Special Thank You



As a student group, members flow in and out of the organization which leads to a lack of continuity. However, for over 20 years, there has been one constant at the core of Virginia Tech SEED: Randall Billingsley. Starting in 2002, Professor Billingsley began his journey with the organization as a co-advisor with Art Keown. Throughout those years, Professor Billingsley got to know many students who then went on to do great things, and he continues to hold those relationships. Years after, John Pinkerton left the group in 2016 and Professor Billingsley became the sole advisor for the group with a continuation of his inconceivable efforts.

There is an incredible amount of work done behind the scenes, which without, the group would not be successful. From chaperoning trips to New York City and Richmond to completing trades on vacation, and meeting with the executive team, Professor Billingsley has dedicated an immeasurable amount of time and effort to SEED. Without him, the group would not be the same. On behalf of all students, past, present, and future, thank you to Professor Randall Billingsley for his continued efforts, and we look forward to what we have in store this coming year.

Randall Billingsley
2002 - Present

Alumni Spotlight – Paul Hurst



Paul Hurst

Associate Partner at McKinsey & Company

Paul graduated from Virginia Tech in May of 2015 with a major in Industrial and Systems Engineering and minors in Business and Green Engineering. He started in SEED as an analyst in the Industrials sector, later serving as Co-CEO. Upon graduation, Paul took a role as a Business Analyst at McKinsey in their DC Office. From there Paul spent two years serving clients on a variety of topics prior to transferring to their Sydney Office. He spent 2 years in the Sydney office focusing on transformation and restructuring programs across banking, agriculture, and retail throughout Australia, New Zealand and Singapore. In 2019, he returned to the US to attend Harvard Business School for his MBA. After graduation, Paul returned to McKinsey joining their Charlotte office where he now

focuses primarily on Service Operations in Financial services. His current role as an Associate Partner involves him overseeing multiple teams delivering programs across a variety of financial service clients.

“I would advise current students in SEED to make the most of the time/relationships in the group, I am still quite close with many of my peers that I joined with 10 years ago. There are 5-10 of them that I catch up with at least 2-3 times a year on personal and/or professional topics. In terms of recruiting, I would generally advise to try to start your outreach as early as possible. SEED alumni will want to see you succeed (even if it is not at their company) so the earlier we know what you are aspiring to, the better we can help shape it with you and put you in contact with the right people. “– Paul

Outside of work, Paul and his wife Olivia (who also graduated from Virginia Tech 2015) enjoy traveling, spending time with their two dogs and visiting Blacksburg for Basketball and Football games. Paul enjoys golfing with friends and will headed to Wisconsin with several other Hokie alumni for a Ryder Cup golf trip in the coming weeks.

SEED – Outside the Office



Kennedy Kabance

Analyst, Financials Sector

Kennedy is a sophomore double majoring in Finance and Management with a minor in International Business, from Oakton, Virginia. Kennedy completed her training in Fall 2022 and is now serving as an analyst in the Financials sector. Additionally, Kennedy served as a recruitment team member this past semester. This summer, Kennedy will be at ArrowMark Partners as an Investment Analyst intern in Denver, Colorado. Next summer, Kennedy is hoping to intern in a Capital Markets role. This semester, Kennedy is studying abroad, and we took a closer look to highlight what an important member of SEED is doing outside

This semester, Kennedy is studying abroad in Prague, Czech Republic with one of the Pamplin study abroad programs. While abroad, she is taking 21 credits with a management and finance concentration. Her daily school schedule lasts from 9:00am-3:30pm, resembling the schedule of primary school rather than university classes, and “has definitely been an adjustment coming from Virginia Tech”. She stated that traveling abroad has always been a dream of hers and that, so far, the experience has been fantastic. She also added that with how the program is set up, she has a lot of time allocated to traveling and learning about new cultures.

When asked what she has learned and experienced since Moving to Prague, Kennedy answered, “I have begun to learn the ins and outs of Czech culture, as well as the main differences between the U.S. and European countries. The biggest surprise to me was the amount of trust in people while using public transportation. In Prague, you do not have to scan a metro card or a bus pass when getting on. They sometimes have workers dedicated to randomly checking trams and metros to ensure people have tickets, but rarely do you see this happen. Although I am only halfway through my program, I have been to 7 different countries, with some of the highlights being spending St. Patrick’s Day in Dublin, learning how to correctly drink tea with one of our SEED alumni, Vanessa Bradford, and watching the sunset in Santorini, Greece. In all, I have learned that you can read about culture from afar, but experiencing it first-hand brings it to a new level of understanding. While I do miss our weekly SEED meetings and lunches in the office greatly, I am very thankful to have had this opportunity to come abroad”.

“I thought getting the experience living abroad would allow me to thoroughly learn about one foreign culture and visit a lot of other places while in Europe,”

Training Update

What's New?

As the semester is coming to a close and the current Analysts in Training (AITs) begin working on their final capstone presentation, the SEED Executive team wanted put out an update on how the newly implemented training program has gone.

As newly appointed Co-CEOs, Carson Kabance and Piyush Pokala placed a higher emphasis on public speaking, high quality research, and financial modeling. These new priorities have changed the training process and added new elements that are helping the trainees become more prepared than ever to enter the work force. Here is a brief list and description of the changes:

- **Bootcamps:** Each of the major aspects of SEED was given a bootcamp; research, financial modeling, and PowerPoint. The goal of these bootcamps was to teach the trainees a more in-depth approach to these topics. This allowed them to produce more detailed work to be used throughout the remainder of their sector rotations.
- **Canvas Course:** Up until now, there has never been a Canvas site for the AITs. Canvas, a site that students monitor their class grades, was recently implemented into the training program. Through Canvas, Analysts in Training are given increased transparency regarding their standing in the group.
- **Weekly Market Update:** The AITs have been tasked with presenting a weekly market update at the beginning of each weekly SEED meeting. The students present in pairs of two and rotate each week. By doing this, the AITs to practice speaking in front of a large group and thinking of their feet. In addition, the group continues to remain update on the market's current events.

Co-CEO Reflection:

“The process of AIT recruitment continues to evolve year after year. As students gain invaluable experience throughout their summer internships, new elements of the training program continue to improve. While we are proud of the progress we have made thus far, we are excited to make additional innovations after this upcoming summer. As training has improved, we have seen incredibly strong placements into Investment Banking, Capital Markets, and Sales and Trading. We look forward to the future of the training program.”

– Carson Kabance
Co-CEO

CIO Market Outlook

For the month of March 2023, (SEED) has delivered a return of 4.98%. When compared to our benchmark, the S&P 500, which returned 3.58% for the same period, we are sitting at a monthly active return of +1.40%. Therefore, SEED is currently outperforming the benchmark in the month of March. We rounded out the first quarter with a return of 6.71% compared to the S&P 500's return of 6.58% sneaking out a +0.13% outperformance.

Throughout the month of March, SEED has continued to act on our goal of diversifying away from the benchmark. In recent weeks, we have produced buy and sell pitches that have aligned with this overall goal. We have seen our work towards diversification shown in our performance this past month, and we hope to continue down this path in the future. During the month of March, we also rebalanced the Value Momentum strategy, as the final day of quarter one was March 31st. The algorithm outputted 10 value companies and 4 momentum companies, and it is important to note that 4 of the value companies (Exxon Mobil, ConocoPhillips, HF Sinclair, & CF Industries Holdings) stopped out during this holding period but are being outputted again. On another note, this past month we have decided to implement a new way of notifying the group about trades in hopes to be more transparent within the organization. We will now be issuing a "Trade Summary" whenever a recent pitch, that was accepted, has been placed. In the document, we will give a short summary about the trades, followed by the company, ticker and how many shares were bought or sold. It is also important to note the GICS sector and S&P 500 rebalance that happened in March. We have a few holdings that have changed classifications, we are aware of this and will rebalance our sectors accordingly to align with the S&P 500 rebalance. As Co-CIO's, we continue to be excited about the group's success and are confident in our ability to potentially capitalize on unrealized market potential.

Sector Updates

Consumers

Throughout March, the Consumers sector has underperformed by 1.32% in relation to the sector's benchmarks (XLY/XLP Blend). We hope to improve this performance moving forward through continued detailed research and staying ahead of industry trends. As a result of the GICS classification changes that took place in March, Dollar General shifted from consumer discretionary to consumer staples. Although the weight of the holding was unchanged, it marked a significant shift in our portfolio, largely increasing our exposure to staples. Along with this, Alibaba released major news that they will be splitting the company into six separate business groups, signifying the most impactful reorganization in the company's history. Markets responded well to this news, with shares jumping 14% after the release, and we are excited about what the future holds for the company. Lastly, we are looking to add a name in the hospitality/lodging space in April.



Justin Harrison
Lead Analyst

Energy



Jackson Oleyar
Co-Lead Analyst



Kevin Wang
Co-Lead Analyst

In March 2023, the SEED energy sector underperformed the broader market, with bearish sentiments and stagnant crude oil prices contributing to narrow declines in many of the Energy portfolio's stocks (excluding Duke Energy). As a result, updated Discounted Cash Flow Models are being developed to reflect macro events such as oil price fluctuations and global news. The portfolio is now searching for opportunities, and Biden's approval of the Willow project in Alaska has renewed interest in companies within the upstream industry for inclusion in the portfolio. Although oil prices remained stagnant during Q1 2023, a potential rebound is expected as OPEC discusses supply limitations. In response to this, the energy sector is now exploring investments in companies that could benefit from the rise in commodity prices, such as those within the Uranium industry. However, further research is necessary to identify suitable candidates for investment.

Financials



Kobey Simon
Lead Analyst

In March, the Financials sector was extremely volatile. The SVB collapse sent ripples throughout our portfolio's holdings as well as the entire financial sector. The sector underperformed our XLF / XLRE blended benchmark in March by nearly 1000 bps, primarily attributable to our stake in First Republic (FRC). Before the banking crisis, FRC was second largest holding behind Blackstone (BX). Following its negative price action, it became our smallest holding representing a mere 2% of the sector's portfolio. The drop in FRC reflected concerns regarding liquidity and large outflows in deposits among regional banks. Our other bank stocks also performed negatively, but we are still confident in their ability to bounce back once concerns in the banking sector subside. In the month of March, we sold our stake in Welltower (WELL), a healthcare REIT. We plan to replace WELL with a different REIT by the end of the semester. The sector will continue to monitor the current banking crisis and reassess positions in holdings overexposed to systematic risk surrounding current events and high rates.

Healthcare

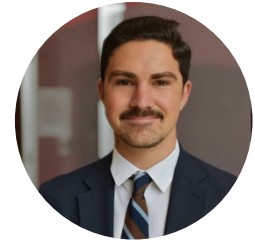


Maddi Koch
Lead Analyst

In the beginning of March, lead analyst, Maddi Koch, pitched Agilent Technologies (NYSE: A) to the group. On the 27th of month, it was bought alongside a few other trades and is the first life science tools and services company to be added to portfolio. This was in parallel with a 10% sell on Lab Corp. (NYSE: LH) – an initial 21% down to 11% – running with a current total of eight holdings. As diversification to our holdings continue, we plan to further dive into industries less held to maintain our outperforming status. These industries include but are not limited to pharmaceuticals, healthcare technology, and healthcare equipment and supplies. All of the possible additions will be based on thoughtful, macroeconomic-based research and will be returned to based on decreasing challenges in the healthcare market. As we enter into April, we will complete three more analyst in training rotations. The AITs have been extremely valuable to the sector's research as we look into possible sells, pitches, and industry information. As rotations end, we will add two new analysts to the sector; meanwhile, we will be saying goodbye to four great analysts.

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% year to date. This is due to poor annual reports and lowered guidance, as the company has struggled to capture as many large contracts as they have in the past. However, the market's reaction to the disappointing earnings report may have been an overreaction. Our new holding, John Bean Technologies has outperformed the XLI benchmark significantly year to date, up 13.73%, driven by a great earnings release for the full 2022 fiscal year. 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



Joaquin Baquerizo
Lead Analyst

Technology

This month, the technology sector made a few changes to the portfolio. We continued to monitor our holdings and movements in the market. In the month of March, the technology sector had strong gains of 12.67% which outperformed the blended benchmark of the XLC/XLK by 234 basis points. A first semester analyst, Sebastian Franks, pitched a sell on our Square (SQ) holding in February, and the trade was finally placed this month as we looked to cut losers and consolidate some of these losses into better positioned companies in the market. The AITs pitched AMD for us in their midterm group pitches which passed for a buy. We used the funds from the SQ sell to buy AMD. We also plan to pitch a sell on our TSM holding and move those funds into AMD to increase our exposure. Finally, we will also be moving our remaining funds invested in the XLC into Google to reach our sector's target portfolio amount of the holding. In the coming weeks, we also plan to restructure our portfolio weightings after the S&P 500 rebalance.



Patrick Caiafa
Lead Analyst

Value – Momentum

On account of major economic headwinds intertwining with numerous bank collapses in the month of March, the value momentum strategy saw 6 of the 20 positions reach the stop out limit and ultimately sell out. 4 of those companies sold off on the same day with the news of Silicone Valley Bank causing immense market turmoil. On a positive note, the stop losses helped us mitigate the potential downside, as the majority of the companies that were sold continued to fall throughout the course of the month. On top of that, this has led our sector to do more research into developing a sector specific value screener, so we can include financial service companies into the algorithm, as we believe there must be numerous companies mispriced in the financials sector currently, given all the volatility there. Alongside this, we are currently in the process of getting ready to rebalance in early April, which marks the beginning of the 2nd quarter. Within this process we are going to update the algorithm in hopes to identify to new companies for both value and momentum.



Jake Vodovoz
CQO