Virginia Tech SEED

Monthly Newsletter
September 2023

PAMPLIN COLLEGE OF
BUSINESS
VIRGINIA TECH.

Intro and Information

Table of Contents

Key Takeaways

- Catch up with SEED alumnus Stephen LeRow and see what he has been doing since he graduated from Virginia Tech
- Get an Update on the recruitment team as we bring our Fall recruitment to a close
- See which SEED members ran the Hokie Half this year in the newest edition of SEED Outside the office

Training Update

What's New?

As the semester is reaching its halfway point and the current Analysts in Training (AITs) begin working on their "mid-term" group pitches, the SEED Executive team wanted put out an update on how the training program has progressed thus far.

The biggest change from last semester has been the inclusion of other members of SEED in the training process. Through the creation of the "Assessment Team," current members assist our CEOs with grading, questions, and hosting office hours. This not only helps the CEOs but allows for the AITs to get to work with different members of the group in a proactive learning environment.

SEED is always aiming to improve the quality of training for the AIT's, dedicating a built-out team to focus on assignment feedback and providing a resource for questions, and personalized support is simply another step we are taking to improve our training process for future classes.

The Assessment Team

Maya Snyder
Healthcare

Salma Khorramshahgol
Consumers

Grant Goodall
Technology

Kennedy Kabance
Financials

"Having completed my analyst training process last semester, I find great joy in now working on the other side, with the training class. With that, I'm now helping grade AIT assignments and working closely with the AITs to enhance their modeling skills and material preparation, ultimately refining their work. As they head into group pitches and continue their hard work, being a part of their growth is incredibly rewarding and we look to continue to offer ourselves as a resource." – Salma Khorramshahgol

Fall 2023 Recruitment Update

The Team

Kobey Simon
Director of Recruitment, Lead Analyst of Financial Sector

Kobey is a senior studying Finance and is the Lead Analyst for the financial sector of SEED. This is his second time being the Director of Recruitment. This past summer, Kobey interned at Bank of America in New York City in their Equity Capital Markets division and will be returning full-time after graduation. Overall, Kobey sees this position as a way to get more involved in the organization while having a long-lasting effect on the group. More and more, he has realized the impact that recruiting can have and is happy to be a part of the organization.

Dom Bivins
Consumers

Kennedy Kabance
Financials

Salma Khorramshahgol
Consumers

Lucas LeClair
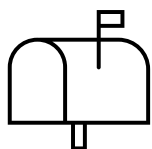Industrials

Elan Parandeh
Healthcare

Max Skirkanich
Industrials
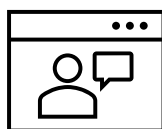
Maya Snyder
Healthcare

The Process

Round 1:
Resume Drop

Simple resume drop with optional statement of interest and basic information.

Round 2:
Video Interview

3 question video interview learning more about candidates' backgrounds and interests in SEED.

Round 3:
Superday

3, 20-minute interviews: 2 behavioral, partnered with one assigned stock pitch.

SEED Outside the Office: The Hokie Half

In mid-September, Virginia Tech hosted the 11th annual Hokie Half marathon and 5k. The trail mostly consists of running on the huckleberry trail throughout Blacksburg.

This year, we had four SEED members run in the half marathon: Gabby Latino, Maddy McNiff, Maya Snyder, and Salma Khorramshahgol. Below, Salma and Maddy speak more on their experience and their passion for running.
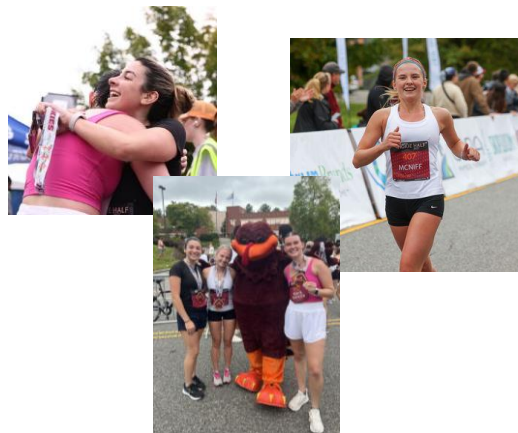
Runners

Salma Khorramshahgol
Analyst, Consumers

Salma Khorramshahgol is a junior at Virginia Tech studying finance from Centreville, VA. She is an analyst in the consumer sector and a member of the Fall 2023 recruitment team.

"While running a half marathon has always been on my bucket list, it seemed like an item I wouldn't cross off until after college. It wasn't until Maya convinced me to give it a try after training over the summer. Throughout our 13 miles, we shared laughter, pain, and turned moments of doubt into determination on every hill. Crossing that finish line with Maya was an unforgettable experience and a sense of accomplishment. I'm already looking forward to my next half marathon in March, eager to chase new goals and memories."

Maddy McNiff
Analyst-in-Training

Maddy McNiff is a sophomore at Virginia Tech studying finance from Cherry Hill, NJ. She is currently an Analyst-in-Training.

"Although this is my second year running the Hokie Half Marathon, my training looked a lot different than it did last year. Last year, I was coming off of high school training, running very loosely with no set training plan. This year, I am running the New York City Marathon on November 5th for a charity called Camp Comfort Zone – a camp geared towards helping children who lost a parent. I am very passionate about this organization, as well as running, so I thought it was the perfect opportunity. While I was not specifically training for the Hokie Half Marathon, my training plan called for a time trial half marathon, and the timing was perfect. Overall, the race felt challenging, but rewarding at the end. I finished in a time of 1:34, placing second in my age group. The Hokie Half Marathon is one of my favorite runs, and I am so happy to be a part of it!"

Alumni Spotlight

Stephen LaRow

Associate at H/2 Capital Partners

Stephen graduated from Virginia Tech in May of 2019 with a degree in Finance, and currently works as an Investment Associate at a special situations hedge fund, H/2 Capital. Stephen joined SEED in 2016 as an Analyst in the Energy sector, and later served as Lead Analyst and ultimately Co-CEO. After graduation, Stephen spent 2 years at Goldman Sachs as an analyst in the Opportunistic and Structured Credit Financing Group in IBD. During his time at Goldman, Stephen worked on a wide range of bespoke financings for troubled companies that could not access traditional capital markets, including the first- of-its-kind $6.8bn debt financing of United Airlines' loyalty program, which was awarded Goldman's IBD Deal of the Year award in 2020.

As an Investment Associate at H/2, Stephen operates in a generalist role and works across various industries, covering both public and private companies. H/2 Capital invests where they see the most relative value across the capital structure and will look at opportunities in both debt and equity instruments.

Stephen currently lives in New York City with his long-term girlfriend (also 2019 Virginia Tech graduate), who recently talked him into getting two kittens after a targeted multi-year campaign. Outside of work, Stephen enjoys traveling, tennis, and exploring New York's vast food scene.

CIO Market Outlook

For the month of September 2023, the Student-managed Endowment for Educational Development (SEED) has delivered a monthly return of -3.68%. When compared to our benchmark, the S&P 500, which returned -4.50% for the same period, we are sitting at an active return of +0.82%. For a broader view of our performance, SEED's Year to Date return currently sits at 13.25%. Our benchmark has delivered a return of 13.30% YTD, therefore leaving us at an active return of -0.05%. 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.

Riley King
Chief Investment Officer

During a month of low performance from our benchmark, we recognize the need to move away from our larger ETF positions. As it is one of SEED's primary goals to continue the development of our human capital, we intend to actively seek undervalued areas of the market while consequently reducing the amount of our portfolio holds in ETFs. We are constantly evolving our investment strategy to adhere to ever changing market conditions, while staying inline with our fundamental value-based approach. Throughout this month we have been able to see that initiative through the three pitches presented to the group. There were also presentations highlighting key market valuation Bloomberg skills, as well as a presentation on our evolving sell discipline. We are excited to head into the month of October with new skills that will help us continue to efficiently capitalize on potential upside.

Sector Updates

Consumers

Through the month of September, the Consumers sector slightly lagged compared to our XLY/XLP blended benchmark. This underperformance was led by the consumer staples holdings within the portfolio. Although the XLP was down overall in September, Conagra Brands and Dollar General continued to move lower following poor earnings and lowered guidance for the upcoming year. Looking forward, we will be conducting a sell pitch for Conagra Brands and likely Dollar General in the weeks to follow. This is to revamp our consumer staples positioning as we seek out quality companies who maintain a strong moat within their respective industries who also have the ability to be more dynamic compared to our current staples holdings. As we progress throughout the semester, we are also very excited to get the new AITs familiar with our sector and provide them the opportunity to help the sector reach our main goals.

Justin Harrison
Lead Analyst

Virginia Tech SEED

Energy

Viktor Fedotov
Lead Analyst

In September, the energy sector outperformed the XLE/XLU blend by 272 basis points. Changing dynamics and an evolving energy landscape in regard to OPEC's production cuts led to a significant increase in the price of oil, with crude reaching a peak of $94/barrel. Following this development, our supermajors experienced a price surge, spearheading our sector's outperformance for the month. To capitalize on future supply cuts and volatility, one of our analysts, John Bruns pitched Diamondback Energy, a company primarily involved in hydrocarbon exploration in the Permian Basin. For the remainder of the semester, we are looking to increase our exposure to renewables, taking advantage of the energy transition and the latest legislation in regard to the consumption of oil in the world economy.

Financials

Kobey Simon
Lead Analyst

The financials sector showed a strong performance during the summer months, outpacing the XLF / XLRE blended benchmark. In light of the regional banking crisis and current headwinds, we have been vigilant with our bank holdings, notably Fifth Third Bancorp (FITB), due to its heightened vulnerability to the associated risks. Although concerns related to regional banks have mostly abated, our sector is strategizing a repositioning of the portfolio. Our intention is to divest entirely from Fith Third Bancorp and shift our focus towards more resilient multinational banks, which have shown encouraging results post the SVB downfall. This past summer, we liquidated our minor stake in Coinbase (COIN) owing to the volatile nature of cryptocurrency markets. Our insurance and asset management holdings remain on a solid footing, and we envision no imminent changes in those positions. Adam Wieczorek successfully pitched Realty Income (O) and we have executed a buy to replace our previous position in Welltower (WELL). We are optimistic about Realty Income due to its consistent dividend payouts and longstanding track record of stability in the REIT sector. Our confidence for the semester stands high as we persistently keep an eye on global economic shifts and the decisions of the Federal Reserve.

Healthcare

Maddi Koch
Lead Analyst

Through the month of September, the Healthcare sector's performance teetered between outperforming and underperforming due to market changes and trading patterns. At the beginning of the month, we were outperforming the benchmark by 0.22%, and at the end we were underperforming by three basis points. This is mainly attributed to InMode Ltd. (INMD) that was down -12.6% at the end of the month. Our strongest performer for September was Fortrea Holdings Inc. (FTRE) up 5.46% at the end of the month. Fortrea is a recent spin-off of LabCorp which was added to our portfolio in July; each of Labcorp's stockholders received one share of Fortrea common stock for every share of Labcorp common stock they held as of the record date. As we look into the month of October, Maya Snyder will be pitching Vertex Pharmaceuticals with a possible sell of ABBV due to an approaching patent cliff for their top-selling drug, Humira.

Industrials

In September, the industrials sector outperformed the XLI by 50 basis points but underperformed the XLB by 31 basis points with a total return of negative 6.36% for the month of September. This performance was driven by major decreases in both Nucor (NYSE: NUE) and Ameresco (NYSE: AMRC), which are down 7.59% and 22.69% respectively. Nucor has been hurt by falling steel prices and the UAW strikes have only added more pressure as the major automobile makers have significantly decreased their purchases. AMRC announced poor 2Q earnings of negative 69%, citing weaker margins which offset the company's revenue growth. We are currently reevaluating our position in AMRC as we believe there may be better opportunities to capture the potential growth in the worlds shift to being environmentally conscious. Additionally, two weeks ago we completed our sale of Zim Integrated Shipping (NYSE: ZIM) which was purchased in February of 2022 and had been declining in value since.

Max Skirkanich
Lead Analyst

Technology

In the month of September, the Technology sector returned -4.68%, while our XLC/XLK blend returned -5.64%. This leaves us with an outperformance of around 95 basis points. Despite a negative return on the month, we remain up around 40% YTD, while still outperforming the benchmark. This month, the sector focused on updating old DCF models, and screening for new companies to replace our upcoming sells. Our analysts focused on covering earnings calls, and monitoring performance as we enter a volatile turning point coming off the strong summer rally. Next month, we will be pitching a buy, and a sell, while continuing to monitor the portfolio, and updating valuations following earnings. We are also turning attention to DIS, following a poor performance so far YTD, unlike the rest of the sector. We find this to be an interesting opportunity to gain exposure to the communications sector outside of our current overweight META and GOOG positions.

Sebastian Franks
Lead Analyst

Value – Momentum

Given all the headwinds that ensued across financial markets over the month of September, the value momentum strategy realized exceptionally strong returns relative to the S&P 500. From when our sector rebalanced the strategy on September 5th to the end of September, the strategy outperformed the index by 3.56%. This performance was attributed by value surpassing the S&P 500 by 416 basis points, and momentum outperforming by 299 basis points. Most of our strongest preforming positions consisted of energy companies, such as Valero Energy Corp. (VLO), Exxon Mobil (XOM), and Chevron (CVX), as these firms witnessed an influx of trading volume with oil prices surging up. Looking ahead, we plan to stay closely monitoring positions, gathering and cleaning data for our portfolio tracker project in Power BI, and plan to continue conducting research on ways we can expand the scope of the strategy to include some midcap and small cap stocks.

Jake Vodovoz
CQO