



ANNUAL REPORT 2020-2021

Smith Investment Fund



UNIVERSITY OF MARYLAND
COLLEGE PARK

1875

This annual report is dedicated to current members,
former members, and anyone who has supported us.
We thank you for your hard work and commitment
to Smith Investment Fund.



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The image features a white, classical-style building with a prominent dome and a weather vane on top, partially obscured by trees with vibrant autumn foliage in shades of orange, red, and yellow. The text is overlaid on the left side of the image.

UNIVERSITY OF
MARYLAND'S
PREMIER
STUDENT
INVESTMENT
GROUP

Letter from the Executive Team

May 7, 2021

Dear Friends of Smith Investment Fund,

For the fiscal year 2020-2021, Smith Investment Fund (“SIF”) achieved an absolute return of 54.1%. The S&P 500, our benchmark, returned 47.7% over the fiscal year. We are thrilled with our results, but we are even more thrilled with the progress we have made in developing SIF into a sustainable investment group at University of Maryland.

General Commentary

This was an unprecedented year in SIF history. The onset of the COVID-19 pandemic disrupted seemingly every aspect of daily life and forced our organization to adapt to a virtual environment. Despite this, we had a record 120 applicants and accepted ten members for our investment team.

We have made significant progress since developing this group, but there is still a lot that needs to be done. We have a long-term vision for SIF to be a leading organization at University of Maryland, providing the best educational experience and fostering strong connections with SIF alumni.

Returns Commentary

The markets surged higher than ever before in 2021. Additional stimulus checks, mass vaccinations, and hopes for a return to a fully recovered economy provided a positive backdrop for the market to further its gains.

As the markets continued to surge, we took a close look at our current holdings and new investment opportunities. We sold our position in Zooplus and Activision realizing returns of 100.78% and 26.42% respectively. Our decision to close our position in Zooplus was primarily fueled by a lack of conviction in Zooplus’ management team to continue to drive growth for the business. Although we maintain strong conviction in Activision, we chose to close our position given more attractive investment opportunities in the current market.

While we've had significant returns and are optimistic regarding future performance, we do not expect to repeat these exact results. We aim to stay within our circle of competence and look to continuously refine and improve our portfolio with low turnover.

Letter from the Executive Team

We also initiated positions in two businesses (see new positions section): Sea Limited and Fiverr. We believe these businesses are a strong fit for our investment criteria and are well-positioned to grow over the long-term and provide strong returns.

Organizational Commentary

We have continued to improve SIF to provide a better experience for all our members. Our most noteworthy initiative regarding alumni engagement was undoubtedly the establishment of the Advisory Board. The Advisory Board will focus on providing SIF with insight on items including recruiting, internal and external events, education, investment philosophy, and risk management. We hope this initiative will assist in maintaining the longevity and reputation of Smith Investment Fund.

This year, our team took another huge step in solidifying SIF as the premier undergraduate investment fund by filing for non-profit status. Non-profit status will further formalize SIF and enable alumni/donors to support future SIF members.

As previously mentioned, the executive team recruited ten stellar students this year. Our Academy Associates have shown unwavering dedication to SIF and have been uniquely challenged unlike any other Academy class, having to complete training 100% virtually. We are grateful for their hard work and cannot wait to have them join in-person for the next academic year.

Closing

On a final note, we would like to convey our sincere gratitude to the Advisory Board and current SIF team for their absolute support and dedication this year. This year has thrown SIF many challenges; however, we are immensely proud of the position that our organization stands in today as a result of our members' hard work. As we pass the torch off to the next executive team, we are confident that SIF's future is brighter than ever before.

Sincerely,

SIF Executive Team

Letter from the Advisory Board

May 7, 2021

SIF has advanced greatly since its establishment just three years ago. This is due in no small part to the extremely dedicated group of individuals that continue to support the club. A group of involved alumni in conjunction with the current and incoming executive board have managed to institutionalize SIF in the Robert H. Smith Business School community.

Through the first two years of management, SIF has achieved exemplary performance of 113.7% through maintenance of the core principles ingrained in the club's members and investment philosophy. The decision to file for non-profit status continues upon the vision set for the club by its founding members to create a professional opportunity to learn about investing and maintain a long-term outlook on the public markets.

While the investment portfolio benefited from its growth focus and the strong rally in the technology sector over the past year, we believe that owning the best and most disruptive businesses over the long-term will contribute to outperformance on an absolute basis. Additionally, the COVID-19 pandemic has permanently shifted the landscape of adoption for the next generation of technology companies, which we believe will be a persistent tailwind to the companies we own following a return to normalcy.

The incoming executive members have outlined their goals for the upcoming year. Bringing the club members closer together following a year of remote meetings and mentorship is a top priority. Additionally, taking advantage of the growing and increasingly involved alumni base to offer better mentorship and career opportunities is a focus not just for the upcoming year, but a primary goal for the club as the alumni base expands. The incoming executive members have already had impressive success securing internships and full-time opportunities across some of the most well-regarded financial institutions.

I speak collectively for all SIF alumni when I say we are extremely impressed by the progress the club has made and the level of interest and drive we see in our members. I fully believe that the current level of progress will only be compounded on this year and in the years ahead. Through maintenance of a close-knit network of members and alumni, we will continue our path of outperformance in the markets and exemplary member achievement.

Sincerely,

Logan Riegel
Class of 2020

About Us

Overview

Smith Investment Fund is a student-managed, long-only, equity-only investment group at University of Maryland. We are dedicated to educating students about investing, the financial services industry, and portfolio management. We are the foremost group on campus that offers students the opportunity to partake in hands-on investing in a collaborative setting.

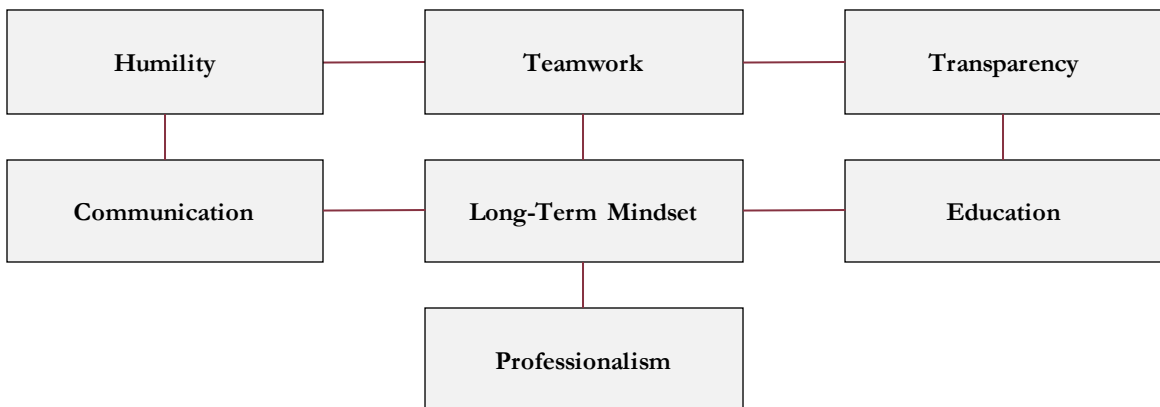
Our mission is to invest our capital at high absolute returns. We recognize that our performance will be a result of the success we have managing several internal factors, all of which are related to our culture. We hope to educate SIF members on various topics including fundamental research and decision making, aim to outperform the market on an absolute basis, and connect members with our extensive and active alumni network.

History

SIF was founded in 2018 by a group of motivated undergraduate students, Ryan Thornburg ('19), Harman Gill ('20), Logan Riegel ('20) and Sean Mathew ('21), with a deep interest in investing and continuous learning. These individuals wanted to improve how students are taught finance and security analysis at University of Maryland while bridging the financial services industry with students.

Culture and Values

At Smith Investment Fund, we strive to enforce a culture that promotes independent thinking in a team-based environment. We are focused on developing critical thinkers through collaboration and delivering performance to the fund. Our core values include:



About Us

Organizational Structure

SIF endeavors to generate high absolute returns. To achieve this goal, the investment team conducts fundamental research on businesses. SIF is a 4-year commitment and offers students the opportunity to partake in a different role each year. Academy Associates are first year undergraduate students undergoing intensive training before joining our investment team. This involves learning our strategy, accounting, valuation, and understanding financial careers. They are then invited to join as Associates to monitor our holdings, conduct research, and assist with other tasks. Associates are paired with an Analyst, who will lead the deep-dive research into new potential ideas. Portfolio Managers, final year students, will be responsible for overseeing the portfolio, operations, recruiting, and leading SIF.

Investment teams conduct in-depth research on businesses to understand the key value drivers of growth and minimize capital loss

Idea Generation and Voting

Investment ideas are generated by Portfolio Managers and are selected based on 1) criteria fit, 2) competency, 3) long-term outlook, and 4) sustainability of the business. SIF aims to hold variant perceptions on investment ideas as well as work to understand the key drivers of growth.

Associate-Analyst teams work together to conduct intensive research on a business over a semester and pitch to the Portfolio Managers. The Portfolio Managers then rank the businesses and conduct dialogue with Analysts on exiting positions and a coverage plan moving forward. Only one idea will be pitched out per semester to retain our long-term horizon.

Portfolio Structure

SIF maintains a concentrated portfolio. We believe that a concentrated portfolio allows us to maximize returns and minimize risk. We view risk from a business owner's perspective and thus, can minimize this by investing in high conviction ideas that strongly fit our investment criteria. Our goal is to avoid loss of capital while having exposure to high-quality businesses experiencing significant growth.

“Why put a dollar in your 11th pick when you could put more in pick number 1, 2, or 3?” – Ted Weschler

The portfolio is geography agnostic allowing us to find the best businesses across the globe.

About Us

Alumni Relations and Mentorship

Founded in 2018, SIF is focused on developing a strong alumni network that will play an integral role in our members education and development. As of 2021, we have placed alumni in various industries with professional experiences including asset management, investment banking, real estate, and private equity. Mentors and alumni play an active role in SIF providing career advice, interview preparation, investment advice, and connecting members with other professionals.

We believe this differentiates us from other student groups and organizations as it develops a fly-wheel effect creating active alumni and developing connections with their firms. As the network grows in reach, we are continually looking for new ways to involve our alumni network, including pitch competitions, training sessions, office visits, and structured mentorship programs.

Our Team

2020-2021 SIF Investment Team

PORTFOLIO MANAGERS

Sean Mathew
Class of 2021

Matthew McVeigh
Class of 2022

Vasmi Patel
Class of 2022

ANALYST

Charlie Talucci
Class of 2022

RESEARCH ASSOCIATES

Gemma Abbott
Class of 2023

Megan Belliveau
Class of 2023

William Chen
Class of 2023

Caroline Dull
Class of 2023

Sean Liu
Class of 2023

Emma Liu
Class of 2023

Ethan Silberberg
Class of 2023

Aislinn Verma
Class of 2023

ADVISORY BOARD

Harman Gill
Class of 2020

Logan Riegel
Class of 2020

Ryan Thornburg
Class of 2019

ACADEMY ASSOCIATES

Abby Benton
Class of 2024

Reilly Fay
Class of 2024

Eddy Guterres
Class of 2024

Connor Kotula
Class of 2024

Vivien Lau
Class of 2024

Atticus Leibman
Class of 2024

Julia Liu
Class of 2024

Chad McKee
Class of 2024

Shishir Velma
Class of 2024

Franklin Wagner
Class of 2024

Investment Strategy

Philosophy

- We view stock as ownership in a business and approach investing as acquiring the whole business while retaining management.
- We believe, over the long-term, above-average growth will be rewarded with share price appreciation.
- We do not view volatility as risk.
- We exercise patience and maintain a long-term horizon.

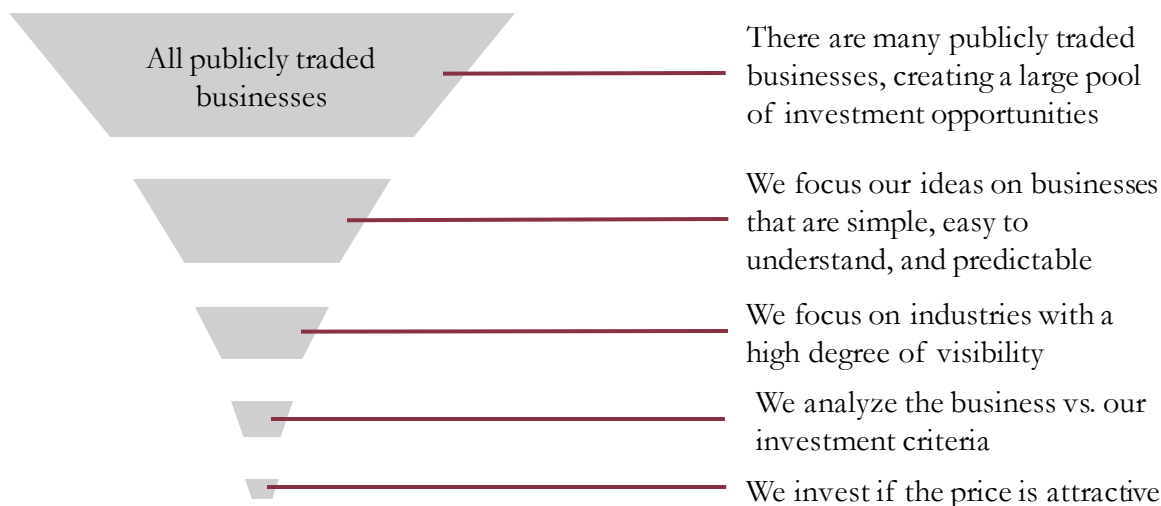
Approach

- We employ a bottom-up, research driven approach seeking dominant, durable businesses in attractive industries.
- We focus on businesses and areas that we understand and can build conviction around.
- We focus on the key variables of an investment and aim to be unbiased.

“We like a business with enduring competitive advantages that is run by able and owner-oriented people. When these attributes exist, and when we can make purchases at sensible prices, it is hard to go wrong.” – Warren Buffett

“The market has never spoken to me.” – Julian Robertson

“The first rule of compounding: Never interrupt it unnecessarily.” – Charlie Munger



Portfolio Overview

Smith Investment Fund Summary

Portfolio Summary

| | |
|--------------------|------------------|
| Equity Value | 20,980 |
| Cash Value | 391 |
| Total Value | \$ 21,370 |

| | SIF | S&P 500 | MSCI World Index |
|--|--------|---------|------------------|
| 2020 Fiscal Year Return ¹ | 54.1% | 47.7% | 46.6% |
| Cumulative Return Since Inception ² | 113.7% | 45.1% | 38.2% |
| Annualized Return Since Inception ² | 46.9% | 20.7% | 17.8% |

(1) Year ended 5/1/2021 (2) Return from inception, 5/11/2019

Commentary

During our fiscal period, we achieved outperformance of 6.4% with a return of 54.1% vs. 47.7% in the S&P 500. This was during the ongoing pandemic that provided uncertainty to investors globally. Our fund still does not know how the pandemic will play out as the world is still battling the deadly virus. We simply focus our portfolio on factors we can analyze and control – taking an owner’s mindset and looking at the long-term outlook of business fundamentals.

We initiated our portfolio with five businesses: Zooplus, Match Group, Activision, Spotify, and Visa. During the year, we exited our positions in Activision and Zooplus. We believe both Activision and Zooplus are fantastic businesses with long runways for growth, but both businesses have seen their respective share price appreciate over our holding period. We replaced these positions with Sea Limited and Fiverr during the fiscal year.

With continued constant headline news and volatility causing many people to speculate on when normality returns, we take a 10,000 foot-view to our macro-analysis and attempt to shutter out noise; continuing to concentrate our thoughts toward the long-term impact on our businesses.

We continue to monitor our positions and believe all our holdings will 1) withstand the turmoil given strong balance sheets and market positions, 2) come out stronger, and 3) continue to derive strong growth backed by compelling stories and durable moats.

Current Holdings

Visa, Inc.

Visa is a global payments network connecting merchants, consumers, governments, and financial institutions across the globe. Visa provides a toll-bridge product and mints a royalty on world spending. The business benefits from secular trends as it drives the conversion away from cash and expands into new use cases including push payments. With a deeply entrenched product, outstanding management team deploying capital to shareholders, low capital requirements, and significant staying power, Visa is a strong fit for our portfolio.



Match Group, Inc.

Match Group is a leading provider of dating products including a strong branded portfolio: Tinder, Match, PlentyOfFish, Hinge, OkCupid and more. Match is pioneering the online dating industry as it remains nascent and benefits from a widening moat with its strong brand and network effects. There are substantial levers Match can utilize, including low penetration in online dating globally, a fragmented industry with clear advantages for M&A, increased monetization through roll-out of new products, and facilitation of industry trends.



Sea Ltd.

Sea Limited is a leading Southeast Asia consumer internet company with three business segments: Garena (digital entertainment), Shopee (ecommerce), and SeaMoney (digital financial services). We believe Shopee is the Amazon of Southeast Asia and is positioned well to grow significantly these next 5+ years. It's still an early business but has the potential to become a dominant player as it expands to new geographies and invests in lucrative projects like food delivery.



Current Holdings

Spotify, Inc.

Spotify is an audio streaming company that generates revenue through its ad-supported business and premium subscriptions. It currently has 356m users (158m paid users) across 178 markets. It's #1 in its space that is worth >\$15bn with 36% market share. It is also well positioned to capture additional market share due to its strong management team and competitive advantages. We acquired shares at an attractive valuation in Spring 2020 during the pandemic.



Fiverr International Ltd.

Fiverr is a global marketplace that connects buyers and sellers of freelance businesses. It is one of the leaders in the space and is well positioned to capture the ~\$800bn/year total addressable market of the freelance industry. Some of its competitive advantages include its ease of use for customers, future additional upside levers, being able to serve the B2C use case better than competitors, and strong management team. We believe it has huge earnings potential that has yet to be accurately realized by investors.



New Positions

We added two high quality businesses to our portfolio this fiscal year: Sea Limited and Fiverr. These businesses fit our investment criteria and we believe will provide strong returns over the next 5+ years.

Sea Limited

Sea Limited is a leading Southeast Asia consumer internet company. Sea Limited has three primary business segments today with the opportunity to add on complementary business lines over the next 5+ years. The current primary business segments are Garena, Shopee, and SeaMoney. Garena provides access to popular and engaging mobile and PC online games developed, curated, and localized for each market by Sea Limited. Shopee is the leading online shopping platform in Southeast Asia. SeaMoney offers e-wallet services, payment processing, credit related digital financial offerings, and other financial products.

The combination of Garena, Shopee, and SeaMoney turns Sea Limited into a leading internet company with deep roots into some of the most attractive parts of this international market. The investment thesis on Sea Limited is simple; it is a leading Southeast Asian internet business with a proven business model in more developed countries, strong and incentivized management team, and a long runway for growth. Garena was the original business line in Sea Limited's operating history. Garena provides the cash flow to fund the investments into Shopee and Sea Money. Shopee benefits from network effects and scale advantages as the leading marketplace. Shopee is the "Amazon" of Southeast Asia. Sea Limited has used Shopee to grow SeaMoney. Shopee and SeaMoney are natural compliments to one another and further strengthen the competitive advantage of this business.

Sea Limited's management team is world-class. They have demonstrated a superb ability to execute when faced with tough competition such as Alibaba. Sea Limited is led by Forrest Li, the company's founder. Forrest has a large stake in this business, and he's spent more than a decade building Sea Limited into the business that it is today.

We believe that Sea Limited is a fantastic company and is well positioned for the next 5+ years. We believe there is also tremendous upside in our assumptions. Since initiating our investment, Sea Limited has already made plans to expand to various countries in South America and begun to build a food delivery platform in Southeast Asia. We believe Sea Limited is still in the early innings and is well on its way to becoming a global technology powerhouse just like Amazon, Alibaba, Tencent, and many others.

New Positions

Fiverr

Fiverr is a global marketplace connecting buyers and sellers of freelance services. Fiverr has a strong competitive advantage as one of the leading freelancing marketplaces, and its main differentiating factor from other freelance marketplaces is the ease of use to buy and sell a service. Buyers have the option to purchase a "productized" service. This makes the buying process easy and frictionless for buyers and sellers. Fiverr's buying process is like buying a product on Amazon, one click, little-to-no negotiating, and great prices.

Fiverr's primary competitive advantages stem from network effects and switching costs for both buyers and sellers. Fiverr benefits first and foremost from its scale as one of the leading global freelance marketplaces. Fiverr's platform connects the supply and demand between freelancers and buyers. Fiverr's platform also has high switching costs for its customer base. Customers, both buyers and sellers, need a proven track record of honest activity and a skilled portfolio of projects for previous clients. Fiverr acts as a lead generation source for its sellers. Many of these sellers are not and will not be able to find their own source of demand and this protects Fiverr's position as a middleman between buyers and sellers.

Fiverr has a long runway of growth. Fiverr estimates its current total addressable market to be more than \$115bn, and the United States freelancer market is worth more than \$800bn annually. Fiverr has had strong and consistent revenue growth and we believe that even with our conservative estimates Fiverr will provide a meaningful return moving forward.

There are also additional upside scenarios that are not captured in our base case model. We are confident in our base case assumptions, but Fiverr's management team has several levers to pull to drive higher forward returns for shareholders. For example, Fiverr is growing out its advertising business where sellers can advertise their services to potential buyers. Fiverr also continues to offer services for both buyers and sellers. Fiverr offers additional services such as online learning modules for sellers looking to broaden their skillset.

Fiverr is led by CEO and founder Micha Kaufman. Kaufman has a large ownership stake in Fiverr and is well incentivized to continue to innovate and lead this business forward. We think that the rest of the market has yet to recognize Fiverr's potential. We like the risk/reward scenario of Fiverr and believe that management is taking the right steps in creating shareholder value.

Member Testimonials

Sean Mathew – Portfolio Manager

“We founded SIF on the pillars of humility, teamwork, transparency, and professionalism. In the last three years, this group has exceeded my wildest expectations. Aside from the comprehensive technical training this dub provides, the people at SIF are what truly set this organization apart. You will not find a tighter-knit group of students who motivate each other to reach new heights. I cannot recommend this experience enough. The friends you meet at SIF will last a lifetime.”

Franklin Wagner – Academy Associate

“Joining SIF was one of the best decisions I have made in my college career. Even though the dub's work schedule can be demanding at times, the work we accomplished this semester will help tremendously in my future college and professional career. Not only is the work meaningful, but the people I've been introduced to because of SIF have significantly impacted me. The team at SIF is close-knit and fun to be around when we are not working on dub-related activities.”

Vivien Lau – Academy Associate

“Joining SIF was the best decision I've made freshman year. All the upperclassmen have been amazing mentor figures to me and cultivated a great welcoming community. We all help one another and push each other to think deeper. In this short year, I've evolved as a continuous learner, and I would not be where I am today without SIF.”

Reilly Fay – Academy Associate

“SIF has allowed me to learn an abundance of skills typically not taught to freshmen.”

Matthew McVeigh – Portfolio Manager

“SIF has been an invaluable experience for me. I have learned so much from this dub and its members. Each week I'm able to learn something new and push myself in various ways. SIF has challenged me to become a better person, leader, and mentor. I can't wait to see what this club and its members can accomplish in 10 years.”

William Chen – Research Associate

“Being in SIF is truly a continuous learning experience. Every semester is unique, always challenging members to build on the skills and knowledge they have been developing. Members are put in different roles including teammates, leaders, role models, and students, each offering a new perspective that will carry with them into the future. I'm really proud to be in this community of curious, hard-working, yet down-to-earth individuals and have benefited tremendously in terms of professional development and investing experience.”

Chad McKee – Academy Associate

“Being a part of SIF has been the primary driver of my success at UMD thus far. This group has taught me a tremendous amount about finance, led me to my first internship, and assisted in expanding my network. Outside of its academic advantages, this organization's members are highly motivated and drive me to be better in all aspects of my life; not to mention that they are all great people to be around.”

Abby Benton – Academy Associate

“Being a member of SIF has been great. I am learning so much about modeling, investing, and financial criteria. The mentors and executives are wonderful, kind, and always so helpful.”

Job Placement

SIF is proud to continuously foster professional development across multiple industries and develop an active alumni base providing unmatched mentorship and guidance for our members.

Full-Time Placements



Ryan Thornburg '19
Sands Capital
Asset Management
Arlington



Harman Gill '20
UBS
Investment Banking
New York



Logan Riegel '20
T. Rowe Price
Asset Management
Baltimore

Internship Placements



Matthew McVeigh '22
T. Rowe Price
Asset Management
Arlington



Vasmi Patel '22
Bank of America
Investment Banking
New York



Charlie Talucci '22
Baker Tilly
Consulting
Tysons Corner



Gemma Abbott '23
UBS
Investment Banking
New York



William Chen '23
Frontier
Real Estate
District of Columbia



Emma Liu '23
Piper Sandler
Investment Banking
New York



Sean Liu '23
Columbia Partners
Private Equity
Bethesda



Ethan Silberberg '23
Orion
Marketing
Omaha



Aislinn Verma '23
Deutsche Bank
Investment Banking
New York



Eddy Guterres '24
Life's Tough Podcast
Corporate Finance
Baltimore



Vivien Lau '24
Battery Ventures
Venture Capital
Boston



Atticus Leibman '24
Zero Limits Venture
M&A Advisory
Vienna

Job Placement

Internship Placements

CALVERT STREET

Julia Liu '24
Calvert Street
Private Equity
Baltimore



Chad McKee '24
Farrell Advisory
Corporate Finance
District of Columbia



Shishir Velma '24
Old Line Capital
Venture Capital
Columbia



Franklin Wagner '24
Goldseker Foundation
Asset Management
Baltimore



TESTUDO

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Disclosure

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