



ANNUAL REPORT 2021-2022

Smith Investment Fund



UNIVERSITY OF MARYLAND

COLLEGE PARK

1856

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 30, 2022

Dear Friends of Smith Investment Fund,

For the fiscal year 2021-2022, Smith Investment Fund (“SIF”) achieved an absolute return of -40%. The S&P 500, our benchmark, returned -1.2% over the fiscal year. The 2021-2022 fiscal year has been a difficult time in the markets, and SIF has done its best to weather the uncertainty. Despite short-term losses, we believe in the long-term success of our holdings, just as we believe in the long-term success of our members.

General Commentary

Fall of 2021 marked our long-awaited return to campus, though the pandemic continued to loom in the form of increased classroom safety restrictions. Despite these limitations, SIF was able to return to primarily in-person meetings for the entirety of the 2021-2022 school year. We have continued to see strong interest within the Smith community, with almost 70 applicants for the fundamental team. We were excited to welcome 11 new members to our investment team.

This group has made significant progress since joining SIF in the fall, completing training in fundamental research and company valuation, but there remains work to be done. We continue to strive for our long-term vision of SIF, as a premier organization at the University of Maryland, providing an excellent educational experience and fostering strong connections within the SIF community.

Returns Commentary

2021 has been yet another unprecedented year; while 2020 was dominated by the onset of the COVID-19 pandemic, 2021 was dominated by its start-stop recovery, accompanied by runaway inflation. Supply chain constraints triggered by the pandemic have translated into indisputable increases in inflation that have long passed the point of transitory. New COVID-19 variants continued to dominate public concern. In combination with the pullback in stimulus spending, the 2021-2022 fiscal year has been tumultuous.

Letter from the Executive Team

We also initiated positions in one new business (see new positions section): Amazon while closing our position on Fiverr. We believe that Amazon is a strong fit for our investment criteria and is well-positioned to grow over the long-term and provide strong returns.

Organizational Commentary

We have continued to work to improve SIF for all of our members, striving to build upon our strengths and to address our weaknesses. This year we made the decision to expand our acceptance to include sophomores as well as freshmen. We continue to maintain a strong relationship with our alumni, and this year's most noteworthy initiative was the launch of our Alumni Talks. This spring, we were delighted to welcome back several SIF alumni to host talks on various topics, ranging from valuation to investment strategy to life philosophy. We were delighted by the level of alumni engagement and hope to promote such engagement going forward..

As mentioned previously, our team welcomed eleven excellent new members this year. Our Academy Associates have shown admirable work ethic and intellectual curiosity, which has been especially impressive after almost two years online. We are immensely appreciative of their hard work and look forward to the years to come.

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

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.

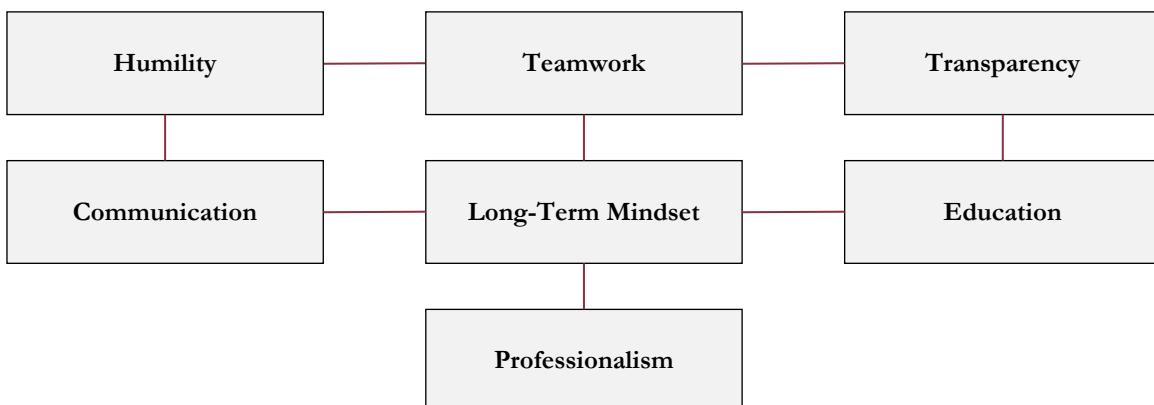
Our mission is to invest our capital at high absolute returns. We recognize that our performance will be a result of the success we have managing several internal factors, all of which are related to our culture. We hope to educate SIF members on various topics including fundamental research and decision 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.

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.

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

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

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

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 2022, 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

2021-2022 SIF Investment Team

EXECUTIVE TEAM

Gemma Abbott
Class of 2022

William Chen
Class of 2023

Emma Liu
Class of 2023

Aislinn Verma
Class of 2022

RESEARCH ASSOCIATES/ANALYSTS

Megan Belliveau
Class of 2023

Caroline Dull
Class of 2023

Connor Kotula
Class of 2024

Vivien Lau
Class of 2024

Atticus Leibman
Class of 2024

Sean Liu
Class of 2023

Chad McKee
Class of 2024

Shishir Velma
Class of 2024

Franklin Wagner
Class of 2024

PMs

Charlie Talucci
Class of 2022

Vasmi Patel
Class of 2022

ACADEMY ASSOCIATES

Jake Blum
Class of 2024

Jessica Cerkovnik
Class of 2025

Corey Chung
Class of 2025

Colby Corson
Class of 2024

Rahul Gandhi
Class of 2025

Panav Gududuri
Class of 2025

Imaad Nasir
Class of 2025

Megan Schwartz
Class of 2025

Graham Vaeth
Class of 2025

Grayson Vintz
Class of 2025

Ellen Zhang
Class of 2025

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.

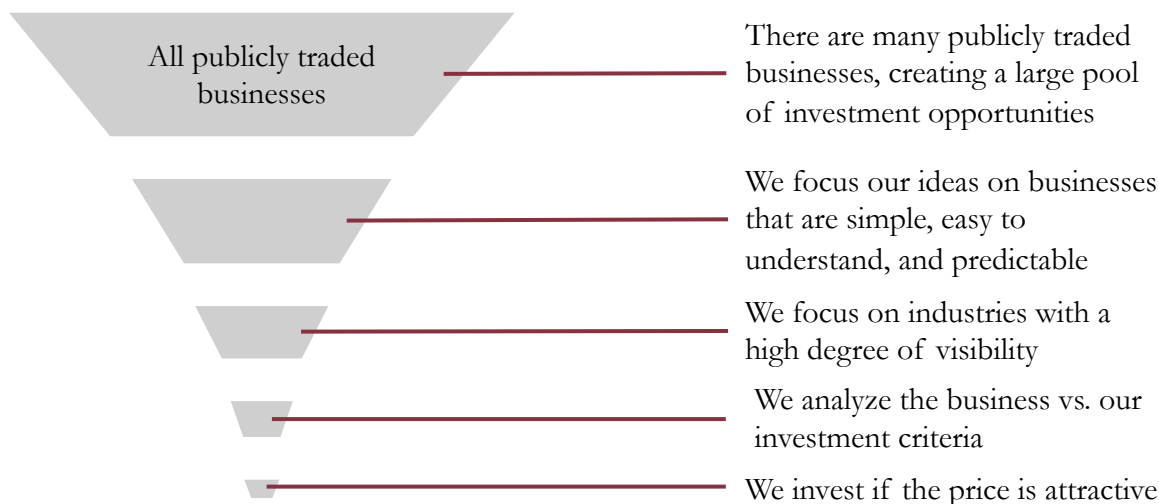
Approach

- 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	12,785
Cash Value	39
Total Value	\$ 12,824

	SIF	S&P 500	MSCI World
2021 Fiscal Year Return ¹	(40.0%)	(1.2%)	(4.9%)
Cumulative Return Since Inception ²	28.2%	43.4%	31.5%
Annualized Return Since Inception ²	8.7%	12.9%	9.6%

(1) Year ended 5/1/2022 (2) Return from inception, 5/11/2019

Commentary

During our fiscal period, we underperformed our benchmark. Despite strong holdings, this year was incredibly tumultuous. The market is in the wake of recovery from the Coronavirus pandemic and filled with uncertainty. Our portfolio has been forced through unrelenting pressure by new Coronavirus variants, global supply chain disruption, geopolitical turmoil, rampant inflation, and a severe market correction in the industry we are allocated heaviest. However, despite these factors, SIF maintains long-run conviction in our holdings supported by in-depth fundamental analysis.

We began the fiscal year with five businesses: Sea Limited, Match Group, Spotify, Visa, and Fiverr. During the year, we exited our position in Fiverr, which has depreciated more than 65% since our exit. We replaced this holding with Amazon, a company built around long-term growth. Despite a short-term correction eroding previous gains, SIF maintains a minimum five-year investment horizon, and the utmost confidence in the long-run viability of our holdings.

Our portfolio has no doubt weathered a tremendously difficult year, and we believe there will be more hardship to endure. At SIF, we do not relent to market noise and focus solely on what we can analyze with conviction. Our holdings are financially healthy with long runways for growth and are industry leaders protected by wide moats. Over time, through continued performance and execution, our holdings will weather temporary turmoil and continue down their extensive runways for growth.

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.



Amazon.com, Inc.

Amazon is a large international internet-based enterprise with three main business segments: e-commerce, web services, and advertising. Amazon has become the undisputed leader in e-commerce with 40% market share, grown to be one of the top cloud service providers globally, and began competing with Google and Facebook in the advertising space. Through scale and leveraging its established customer base from retail, Amazon has been able to penetrate other secular markets with high barriers to entry.



New Positions

We added Amazon to our portfolio this fiscal year. Amazon's business strategy and market positioning fits our investment criteria which we believe will provide strong returns over the next 5+ years.

Amazon

Amazon is a large international internet-based enterprise with three main business segments of e-commerce, cloud service provider (AWS), and advertising. The well-known online retail segment offers a personalized shopping experience and leading fulfillment capabilities that ship directly to a customer's doorstep. AWS offers over 200 features from data centers to drive business efficiency. Advertising consists of third-party companies advertising within the Amazon e-commerce platform.

Amazon is a bundle of different core businesses that when put together, drive scale, operating margin, and synergies. The investment thesis is for Amazon to take lower margins in e-commerce by underpricing their competitors and dramatically investing in warehouse and fulfillment center capabilities. In doing so, Amazon has become the poster child for customer service and built-up significant barriers to scale. With established scale and loyal customer base, Amazon penetrates markets such as advertising and physical spaces which have much higher margins. The advertising and cloud providing spaces drive FCF which is then fed back into e-commerce as a virtuous cycle. With current investments into capex, there is significant upside improving operating margins across AWS and e-commerce.

The founder and chairman Jeff Bezos has led the company to continuously out-innovate its competitors and demonstrate world-class customer service. We have faith in the existing management team which is experienced in creating new solutions for customer problems while quickly cutting off losses.

Amazon is extremely well-positioned in secular growth industries that are growing at double-digit CAGRs for the next 5+ years. Even at a market cap of \$1.2T, Amazon continues to innovate and expand, investing in streaming services through MGM and at-home devices such as Alexa which can be paired with another Amazon service: Prime Music. Amazon has developed an incredible ecosystem and branding that when leveraged, creates a suite of products and services with significant network effects and interoperability. We look forward to Amazon's innovation and growth in the incoming years.

Member Testimonials

Aislinn Velma – Executive Team

“SIF has been one of the most transformative experiences of my entire college career. I am incredibly grateful to have been able to join as a freshman, learn from an amazing set of mentors, and provide some mentorship back as a senior. I have deep admiration and respect for every member in SIF and look forward to being an active alum.”

Caroline Dull – Research Analyst

“Looking forward to all the great things we have left to do at SIF.”

Franklin Wagner – Research Associate

“Joining SIF was one of the best decisions I have made in my college career. Even though the club'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 club-related activities.”

Vivien Lau – Research Associate

“Joining SIF was the best decision I made my freshman year. All the upperclassmen have been amazing mentor figures to me, and I would not be where I am today without SIF. I am surrounded by some of the most hardworking and intelligent individuals that push me to think deeper. I'm excited to see what everyone accomplishes in the next few years.”

William Chen – Executive Team

“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 – Research 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.”

Jake Blum – Academy Associate

“Whether I am looking for academic advice, career preparation, or just a group to spend time with on the weekend, I can always turn to my SIF community. SIF's network of members and alumni have helped me better understand my own aspirations and motivated me to actively pursue them. This is a group that continuously supports one another, and I even found my current internship through a connection in SIF. Joining SIF has been an extremely rewarding experience that has prepared me for a future career in finance.”

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



Vasmi Patel '22
Bank of America
Investment Banking
New York

Deloitte.

Charlie Talucci '22
Deloitte
Consulting
McLean

Internship Placements

Morgan Stanley

Gemma Abbott '22
Morgan Stanley
Asset Management
New York

GUGGENHEIM

Aislinn Verma '22
Guggenheim Securities
Investment Banking
New York

yipitDATA

Megan Belliveau '23
YipitData
Equity Research
New York

MANNING & NAPIER.

William Chen '23
Manning & Napier
Equity Research
Rochester

Jefferies

Caroline Dull '23
Jefferies
Equity Research
New York

CREDIT SUISSE

Emma Liu '23
Credit Suisse
Investment Banking
New York



Sean Liu '23
Bank of America
Investment Banking
New York

CHAPIN DAVIS INVESTMENTS

Jake Blum '24
Chapin Davis
Asset Management
Baltimore

424 CAPITAL

Colby Corson '24
424 Capital
Private Equity
Boston

edgeworth|economics

Connor Kotula '24
Edgeworth Economics
Consulting
District of Columbia

ANCHORAGE CAPITAL GROUP

Vivien Lau '24
Anchorage Capital
Group
Hedge Fund
New York

Greenberg Advisors

Atticus Leibman '24
Greenberg Advisors
Investment Banking
Rockville

Job Placement

Internship Placements



Chad Mckee '24
Draft Kings
Software Engineering
Boston



Franklin Wagner '24
Marks Wealth Management
Asset Management
Annapolis



Jessica Cerkovnik '25
Do Good Institute
Business Management
College Park



Corey Chung '25
Ally Financial
Asset Management
Bethesda



Megan Schwartz '25
PerkinElmer
Corporate Finance
Boston



Ellen Zhang '25
Delwik Group
Private Equity
Switzerland



Graham Vaeth '25
SavATree
Corporate Development
New York



Grayson Vintz '25
Tenable, Inc.
Financial Planning & Analysis
Columbia



TESTUDO

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Disclosure

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