



ANNUAL REPORT 2022-2023

Smith Investment Fund



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

August 28, 2023

Dear Friends of Smith Investment Fund,

Since our last report, the SIF portfolio performed extremely well, with current fiscal year returns totalling over 50%, outperforming our S&P 500 benchmark by an astounding 35%. While financial conditions remain precarious, we look to both our past returns and investment philosophy to carry us through any hard times ahead and to deliver satisfactory performance in any market conditions.

General Commentary

In the fall of 2022, we welcomed 10 new members to our fundamental team after a rigorous selection process. SIF has maintained its educational focus, and we are proud of the achievements our new members have made as part of the organization, as well as within the broader Smith community. Across the rest of the team, our members have engaged in diligent research, mentorship, and investment presentations to support the organization's success. Our long-term vision of being a premier organization at the University of Maryland, providing an excellent educational experience, and fostering strong connections within the community remains at the forefront of our decisions.

Returns Commentary

2022-2023 have been largely tumultuous years in the US stock market, with major indexes testing both local lows and highs and daily and monthly volatility reaching unprecedented levels amidst a backdrop of raging inflation, sporadic financial governance and policy, and rampant fear and greed amongst market participants.

In the face of these challenging conditions, we hold true to our long term investment philosophy of ignoring short term returns and volatility in favor of long term fundamentally based investment theses. We believe that, in the years to come, we remain well positioned to tackle any challenge set forth by the markets of the world to deliver above average returns.

Letter from the Executive Team

We also initiated positions in two new businesses (see new positions section): Vertex Pharmaceuticals and Salesforce, while closing our positions in Match Group and Sea Limited. We believe that these new investment choices are strong fits for our investment criteria and is well-positioned to grow over the long-term and provide strong returns.

Organizational Commentary

SIF is an ever evolving organization, and we continue to improve upon our weaknesses. This year, the decision was made to expand our training of Academy Associates to include a more detailed and continuous qualitative analysis of our current portfolio holdings, as well as more thorough financial modeling training. These changes have already impacted their readiness to join our investment team in the fall semester, and we are excited to continue seeing them grow.

For the rest of the team, we have remodeled our portfolio meetings. Sector teams conduct relevant research throughout the semester that directly influences their recommendations. As the semester progresses, the focus narrows upon one company within each team's sector to pitch to the rest of the team. Compared to years past, we have chosen to place more emphasis on the presentation creation throughout the semester to create a more fluid dialogue. We greatly appreciate the hard work of all our fundamental team members, and we look forward to seeing their continued success in 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.

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.

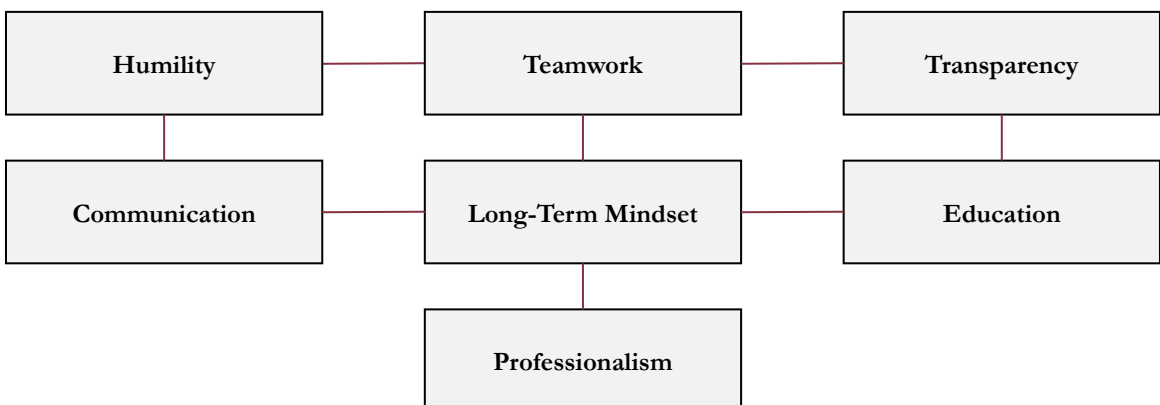
Our mission is to invest our capital at high absolute returns. We recognize that our performance will be a result of the success we have managing several internal factors, all of which are related to our culture. We hope to educate SIF members on various topics including fundamental research and decision 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 2023, 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

2022-2023 SIF Investment Team

EXECUTIVE TEAM

Caroline Dull
Class of 2023

Atticus Leibman
Class of 2023

Vivien Lau
Class of 2024

Portfolio Managers

William Chen
Class of 2023

Megan Belliveau
Class of 2023

Sean Liu
Class of 2023

Emma Liu
Class of 2023

RESEARCH ANALYSTS/ASSOCIATES

Connor Kotula
Class of 2024

Shishir Velma
Class of 2024

Jake Blum
Class of 2024

Grayson Vintz
Class of 2025

Corey Chung
Class of 2025

Rahul Gandhi
Class of 2025

Imaad Nasir
Class of 2025

Megan Schwartz
Class of 2025

Graham Vaeth
Class of 2025

Ellen Zhang
Class of 2025

ACADEMY ASSOCIATES

Ansh Sawhney
Class of 2026

Daisy Koffler
Class of 2026

Debarshi Roy
Class of 2026

Dylan Edwards
Class of 2026

James McFadden
Class of 2025

Nathan Wieder
Class of 2026

Nisha Athrey
Class of 2026

**Srivishnu
Somavarapu**
Class of 2026

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.

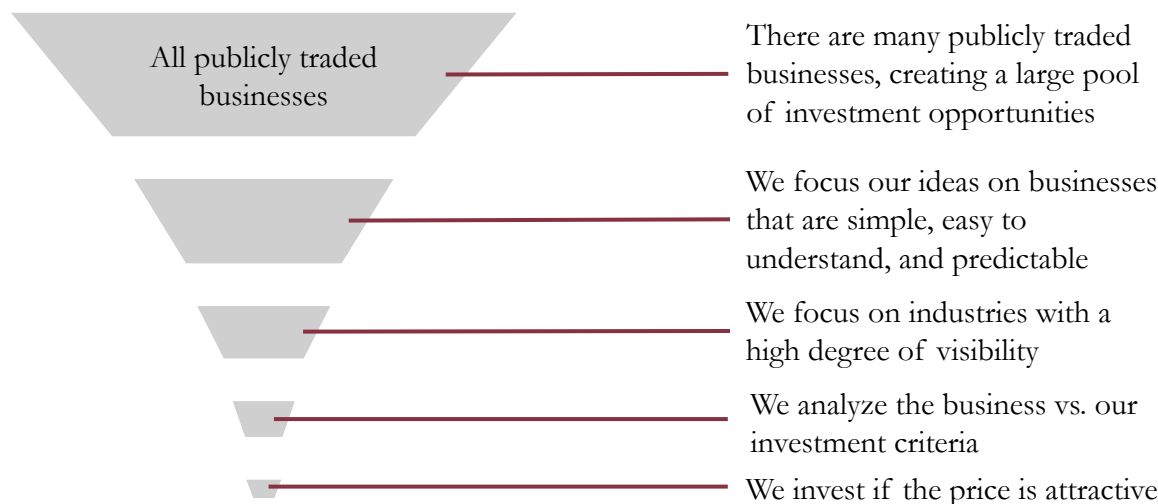
“We like a business with enduring competitive advantages that is run by able and owner-oriented people. When these attributes exist, and when we can make purchases at sensible prices, it is hard to go wrong.” – Warren Buffett

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.

“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	13,808
Cash Value	338
Total Value	\$ 14,146.19

	SIF	S&P 500
2023 YTD Return	44.8%	18.48%
Cumulative Return Since Inception	41.5%	49.30%
Annualized Return Since Inception	9.7%	11.5%

Commentary

This year has been an amazing return to form for the fund. After a few tumultuous years following the COVID-19 crisis and its resultant supply shocks, our portfolio and its new holdings came back with a vengeance. Sitting at a total net YTD return of 44.79%, thus far this year we have outperformed our benchmark by an astounding 36.49%, with especially strong yearly performances by new holdings Amazon, Salesforce, and Vertex Pharmaceuticals.

These results are especially remarkable considering the current economic climate and uncertainty. With recession fears and poor economic indications rocking the market earlier in the year, while many others fled the market, we stayed strong to our founding thesis of long-term fundamentally driven investing, weathering the storm of short-term volatility to arrive at a more than acceptable return on risk for the year, outperforming both our benchmark and our in-house expected yearly return of 15% by wide margins.

Our portfolio has no doubt weathered a tremendously difficult year in the markets, at least initially, as our strategy lends itself to overperformance in the face of market-wide fear, uncertainty and doubt. 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.



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 ecommerce 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.



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.



New Current Holdings



Over the past year, we as a fund decided to divest from our older holding of Sea Limited and MatchGroup in favor of the above listed stocks, Vertex Pharmaceuticals and Salesforce.

While we discuss in depth the main ideas of our buy theses for our new choices below, we wanted to offer some brief commentary regarding the specific reasons of our divestiture of our other longstanding investments.

As discussed in detail, the Smith Investment Fund is by no means a day-trading or even swing-trading fund, opting instead for a longer-term outlook in both value and growth investing. This strategy often lends itself to a high variability of returns, as without a shorter-term loss prevention or profit maximization mindset, the volatility of the overall stock market takes a greater overall toll on our returns.

This is not to say, however, that we are continually steadfast and hard nosed in our analysis of our core holdings. Each semester, our team takes great pride and care in the re-evaluation of our existing holdings under the scope and lens provided by the initial research analyst reporting on the stock in question. While the end decision on purchasing or selling a holding is often a fund-wide task, the initial research and therefore most narrow-scoped evaluation of our investments occurs at the smaller-group and even individual level.

Thus, by re-evaluating our investments under the light first brought to them by our initial internal reporting and research, and then juxtaposing said re-evaluation against newly pitched ideas, we believe we give each “old” and potential new holding a fair shot and thorough review before it is selected for purchase or sale.

In the specific cases of MatchGroup and Sea Limited, after careful consideration and review, we deemed other investment opportunities to be **more** attractive at the time of review, thus warranting divestment and reinvestment of funds in each specific scenario.

New Positions

We added Vertex Pharmaceuticals and Salesforce to our portfolio this fiscal year. Both companies align well with SIF's investment philosophy, and they are expected to generate strong returns over the next 5+ years.

Vertex Pharmaceuticals

Founded in 1989, Vertex Pharmaceuticals is a Boston-based drug research and production company. Through today, it's only active market is the sale of treatments for cystic fibrosis. However, the company is committed to addressing other rare diseases or medical conditions in which few or no treatment options exist.

Vertex has garnered the trust of more than 20,000 Trikafta patients across the world. Because Trikafta has been recognized by consumers as the most effective and convenient treatment for CF, customer loyalty remains high. Trust plays a big role in consumer choices within the pharma industry, and it would take years of post-commercialization third-party research and patient feedback for an emerging company to build the same level of trust Vertex has earned.

The patent on Trikafta expires in 2037, which gives enough time for Vertex to expand globally and invest its profits into R&D for new products. As the first company to create a triple combination CFTR modulator therapy, Vertex has a monopolistic hold on the CF modulator therapy market. The core of its competitive advantage isn't its success in the CF market, but rather using cash flow from CF products to build out a product pipeline with superior R&D.

Given Vertex's success with CF using genetic therapies and gene-editing approaches, it is branching out to other types of diseases. For example, they are using a similar approach for Sickle Cell Disease and Beta Thalassemia treatment, which has been filed for regulatory approval. The ability to enter adjacent markets is greater due to accumulated knowledge of genetic therapies derived from previous CF R&D. In addition, given that Vertex already has an expansive network of third-party payors, the process of building product awareness and usage will be accelerated.

Before joining Vertex, CEO Reshma Kewalramani dedicated more than 15 years of her career toward rare disease research. Almost all members of the leadership team have held technical roles across pharma, biotech, and healthcare. The management team's technical expertise has played an integral role in the success of Vertex's R&D pipeline, and we look forward to the continued innovation Vertex has yet to achieve.

Salesforce

Salesforce is a cloud-based software-as-a-service (SaaS) provider of many software services, such as customer relationship management (CRM), marketing, and analytics. Salesforce breaks down its revenue into five main segments of sales, service, platform & other, marketing & commerce, and data, which include popular products such as Salesforce Cloud stack of products, Tableau, Slack, and Mulesoft. Salesforce, at its core, helps companies understand their customers, track customer analytics, and forecast sales, all with 24/7 access to people over the cloud.

What makes Salesforce different from old CRM software is that Salesforce is the first SaaS company as well as the first cloud solution for CRM. In the 1990s, the CRM industry was first an on-premise solution dominated by Oracle and SAP. In 1999, when Salesforce was founded, it began offering a CRM solution as a subscription, which completely revolutionized the CRM industry and the technology sector as a whole. With Salesforce's first-mover advantage and massive size, it is the clear market leader in CRM software and has a strong brand reputation.

Due to the revenue visibility and minimal capital expenditures of its business model, Salesforce is able to easily drive top-line growth and strong gross and unlevered free cash flow margins. The investment thesis is for Salesforce to pay premiums for acquired companies and integrate the acquired companies' products into the core parts of its business. With Salesforce's low churn rate and increased adoption by pre-existing customers, Salesforce is able to push its newly acquired products onto its customers and drive revenue growth and uFCF margin, which then leads to its ability to acquire companies to build into its current product offerings. With the cash it generates from its current product offerings, there is a significant upside expansion of newly acquired products and even future successful acquisitions.

The founder and chairman, Marc Benioff, has led the company to continuously evolve from a traditional SaaS CRM business to a company that offers a litany of SaaS products outside of its core business. The management team's strength is truly demonstrated in its impressive ability to make strategic acquisitions, which allows the company to outpace the rapidly growing and changing industry. We have faith in the existing management team, which is experienced in creating new solutions for customers while delivering value back to shareholders.

We believe that Salesforce presented a great value proposition in terms of future cash flow and value for the market price at the time of purchase, with expected fair values well in excess of current market capitalization. Thus, we deem an investment and continued holding of CRM to be beneficial to the fund in the long run. We look forward to Salesforce's innovation and growth in the coming years.

Member Testimonials

Vivien Lau – Executive Team

“SIF was an integral part of my college experience. I am surrounded by some of the most amazing people who are driven, intelligent, and hardworking. They all push my thinking and motivate me to work harder.”

Connor Kotula – Research Analyst

“As a rising junior and 3rd-year member of SIF, I can honestly say this club changed my life. Coming into UMD, I was a data analytics major with a small interest in investing and the world of finance. 3 years later, thanks to SIF, and its outstanding members and alumni, I am a well on my way to a successful career in finance. As both an educational and social club in the business school, SIF is the place to be for any with an interest in the inner workings of the world of finance.”

Ellen Zhang – Research Associate

“Being a part of the SIF community drives my personal and professional development. From learning about finance concepts for the first time to participating in group pitches, SIF pushes me to constantly be intellectually curious and a forward thinker. Joining SIF has been extremely rewarding, and I look forward to what our community can further accomplish in the future.”

Dylan Edwards – Academy Associate

“Joining SIF has been one of the highlights of my freshman year. I can not be more appreciative for the opportunity to be a part of this remarkable community from the beginning of my academic journey. The upperclassmen have been instrumental in shaping my understanding of finance and providing invaluable career advice. Their guidance has given me the opportunity to explore my passion for the subject. Looking ahead, I am excited to see what the future holds for each member of the SIF community.”

Atticus Leibman – Executive Team

“The Smith Investment Fund is a uniquely transformative opportunity. SIF is one of the only clubs at UMD that offers financial education through experiential learning, coupled with invaluable professional development and a close, tight-knit community of passionate, dedicated, and ambitious individuals. SIF has fundamentally changed the trajectory of my education, career, and life at UMD.”

Emma Liu – Portfolio Manager

“SIF has been one of the highlights of my college experience. Having a group of people who are all eager to learn and improve themselves together has been incredibly invaluable, and I will forever be grateful for the friends I have made through this organization. The mentorship and the community are unbeatable and I look forward to seeing what our members accomplish in the future.”

Rahul Gandhi – Research Associate

“Since joining SIF in my freshman year, I have had a great experience with only positive things to say. The other members and upperclassmen are always there to help you grow. Not to mention, the material you learn throughout is invaluable in preparing for a career in finance. Though it requires time management, the commitment is definitely worth it, and it is an enjoyable experience.”

Nisha Athrey – Academy Associate

“SIF is by far the best club I’ve joined in college. The work we do is so interesting and so much more in-depth and relevant for a career in finance than any class I’ve taken thus far. On top of that, the community of people are all so driven, supportive and fun to be around in general. SIF has taught me so much and helped me fully realize my capabilities in a transformative way and I can’t wait to continue learning more!”

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

Morgan Stanley

Gemma Abbott '22
Morgan Stanley
Asset Management
New York



Sean Liu '23
Bank of America
Investment Banking
New York

GUGGENHEIM

Aislinn Verma '22
Guggenheim Securities
Investment Banking
New York



William Chen '23
Manning & Napier
Equity Research
Rochester

T.RowePrice

Caroline Dull '23
T. Rowe Price
Equity Research
Baltimore

CREDIT SUISSE

Emma Liu '23
Credit Suisse
Investment Banking
New York

Internship Placements



TD Securities

Atticus Leibman '23
TD Securities
Investment Banking
New York

GUGGENHEIM

Vivien Lau '24
Guggenheim Securities
Investment Banking
New York



Connor Kotula '24
Oceaneering International
Corporate Finance
Hanover



Jake Blum '24
StepStone Group
Venture Capital
Baltimore

Morgan Stanley

Megan Schwartz '25
Morgan Stanley
Investment Banking
New York



Corey Chung '25
PGIM
Private Equity
Dallas & Chicago



Ellen Zhang '25
Bank of America
Corporate Banking
New York



Imaad Nasir '25
Capital One
Corporate Finance
McLean

Job Placement

Internship Placements



Grayson Vintz '25
Real Time Medical Systems
Financial Planning & Analysis
Linthicum



Rahul Gandhi '25
Exelon
Real Estate
Baltimore



James McFadden '25
Atlantic Union Bank
Asset Management
Richmond



Dylan Edwards '26
Excalibur
Investment Banking
Washington, DC



Srivishnu Somavarapu '26
South Lorraine Research
Investment Management
Tysons



Ansh Sawhney '26
Lynx Investment Advisory
Investment Management
Washington, DC



Debarshi Roy '26
Beekman Advisors
Investment Banking
Tysons



Nathan Wieder '26
Nili Capital
Private Equity
Israel



Nisha Athrey '26
Washington Gas
Financial Planning & Analysis
Springfield



TESTUDO

Smith Investment Fund

smithinvestmentfund.com

contact@smithinvestmentfund.com

Disclosure

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