

Introduction

Dividend Month Premium

Momentum

Research

Implementation

Portfolio Construction

Overview

Undergraduate Student Investment Management Fund

Semi-Annual Presentation

Friday December 5th, 2014

Meet The Fund: Student Investment Management Fund



Andrew Farber



Rob McCoach



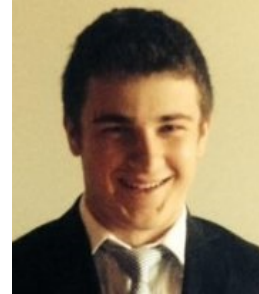
Sam Wilson



Andy Paulus



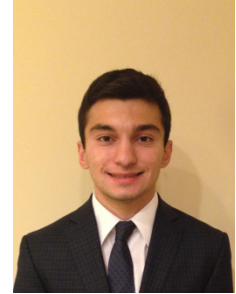
Kean Thomas



Carter Wendt



Karina Rodriguez



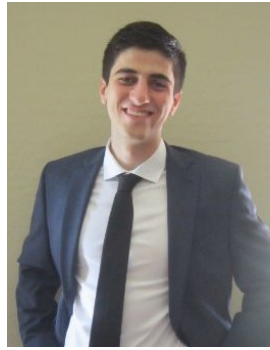
Iskandar Pashayev



Alex Green



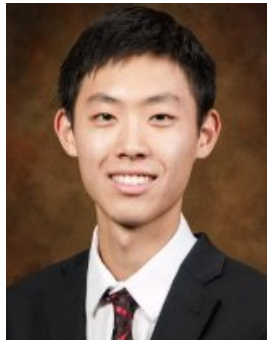
Rachel Bradley



Loris Llazani



Kyle Anderson



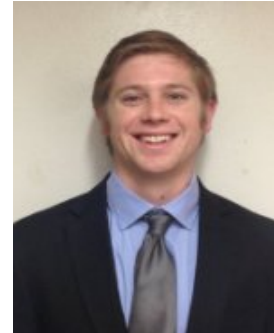
Ivan Tang



Ryan Pitt



Julian Aziz

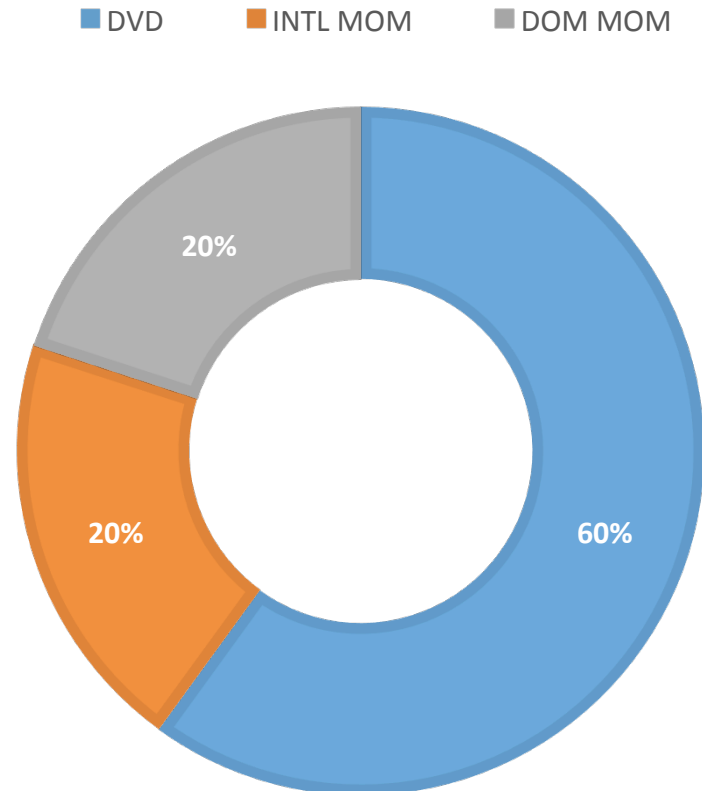


Ryan Berns



Stephen Bergauer

Allocation



Dividend Premium Strategy (60%)

Weighting Justification:

- Lower volatility compared to MOM

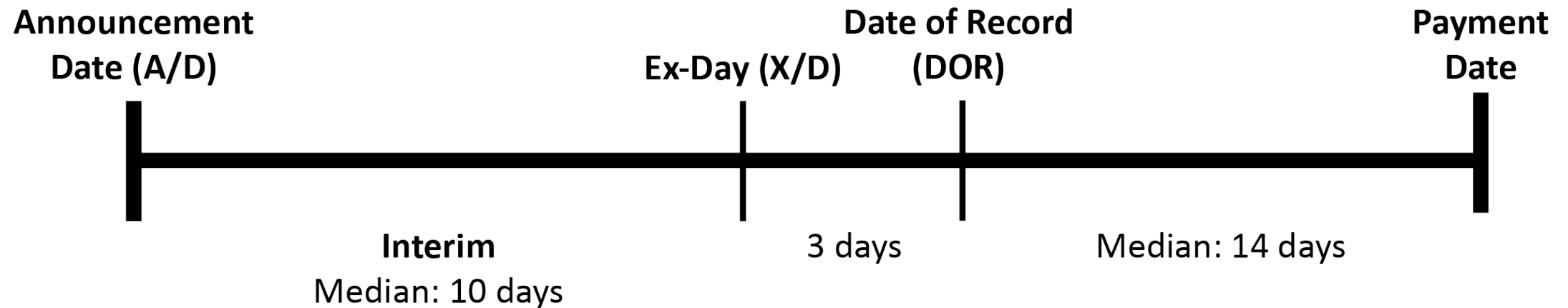
Domestic / International Momentum (40%)

Weighting Justification:

- Aggregate portfolio weight of 40% allows for a 50/50 split between INTL and DOM securities
- Charter constraint: 25% INTL exposure
- INTL exposure with ADRs
- Expected upward drift in MOM weights due to higher expected returns

Dividend Month Premium

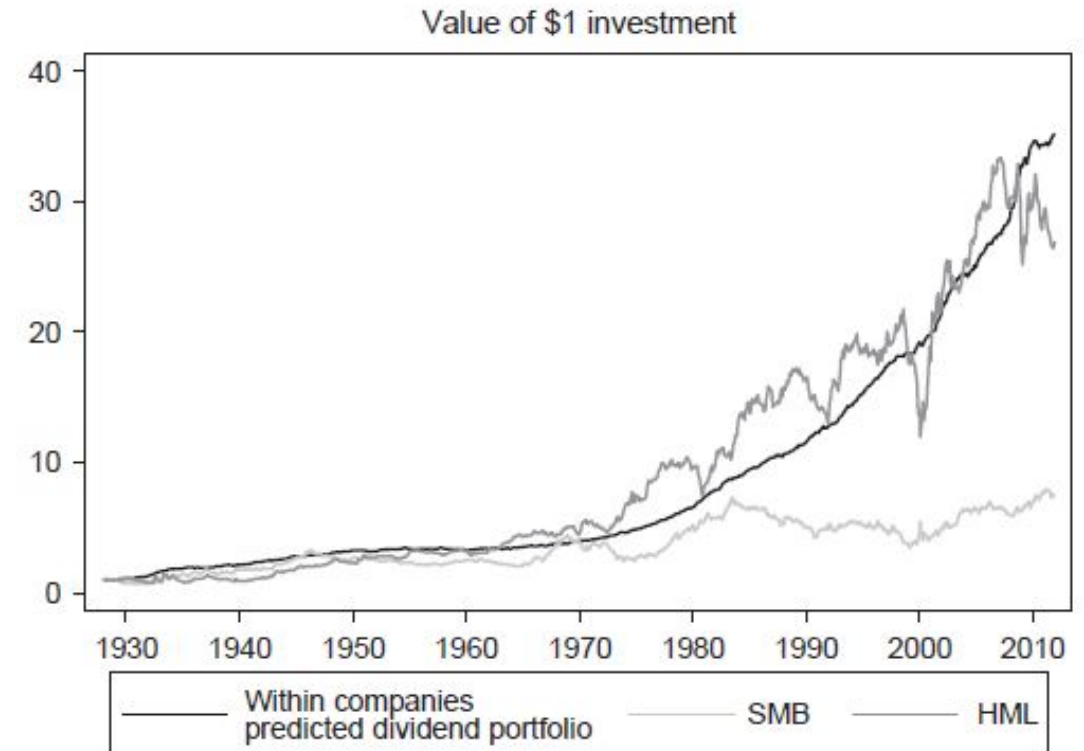
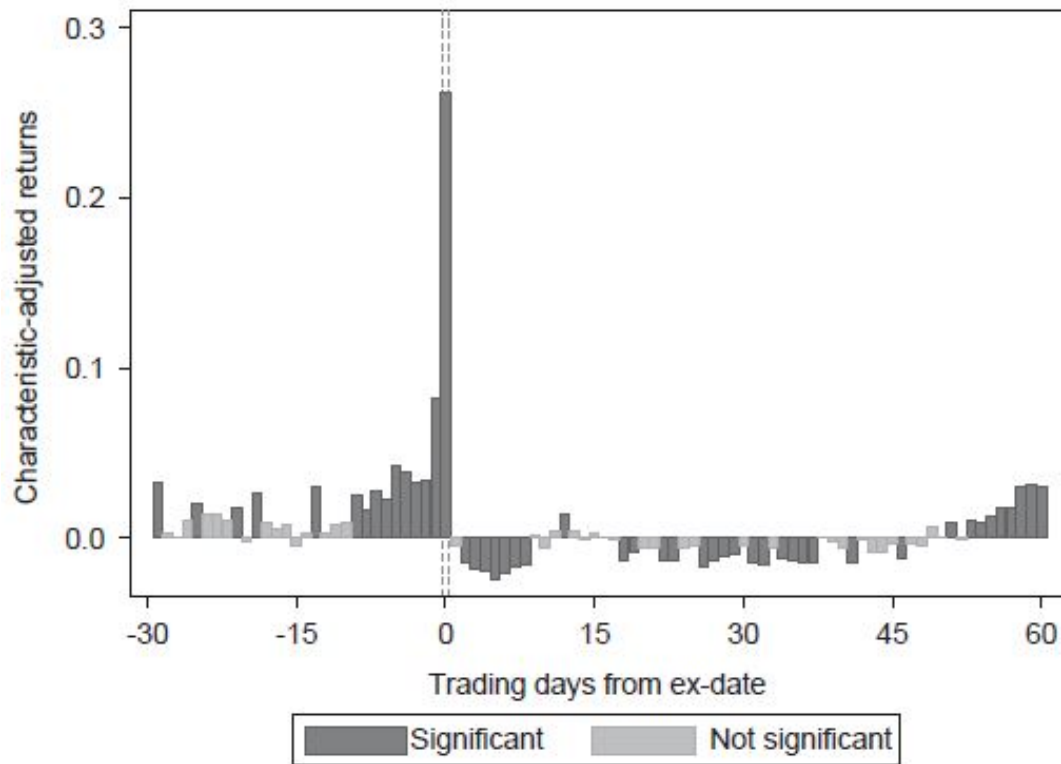
Dividend Timeline (Hartzmark & Solomon, 2012)



Dividend Month Premium – Theory/Overview

- **Key finding:** Abnormal returns exist in all three periods (A/D, interim, X/D)
- Potential theory for abnormal returns: investor desire for cash and a “safe” income stream creates upward pricing pressure
 - Support: Higher returns for less-liquid, higher-dividend yield securities; reversal after ex-day; dividends less volatile than prices
 - **88% of firms** who issued a quarterly dividend twelve months ago will issue another dividend in the next month
- Arbitrageurs are unable to offset increased demand: tax treatment, liquidity concerns, limitations on predictability/front-running

Dividend Month Premium – Returns



- 41bp/month return on equal-weight portfolio

Two Portfolios

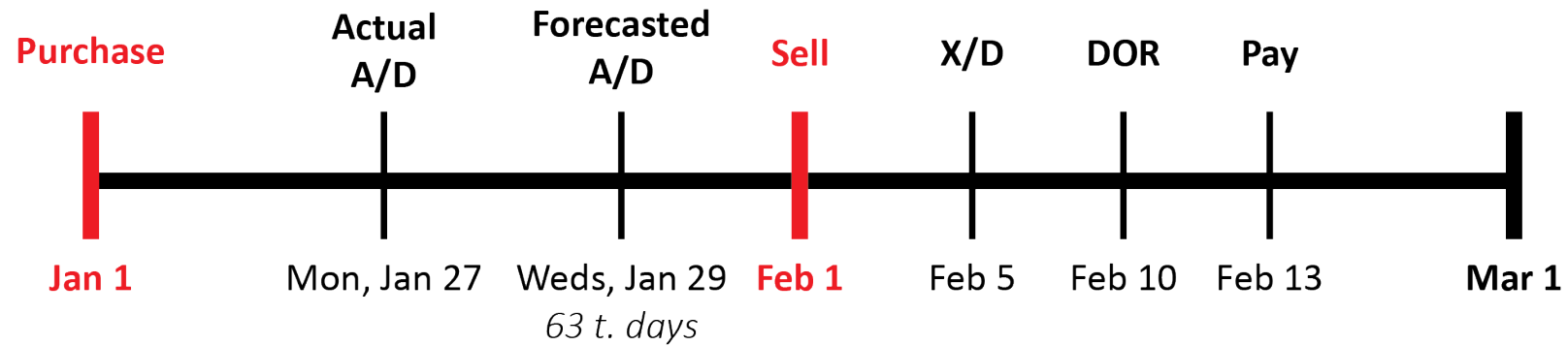
- Three-factor alpha, **between companies** portfolio (t-statistic)
 - Long: 36.1 bp/month (7.87)
 - Short: -.2 bp/month (-4.47)
 - Difference 51.9 bp/month (12.57)
- Three-factor alpha, **within companies** portfolio (t-statistic)
 - Long: 36.1 bp/month (7.87)
 - Short: .9 bp/month (0.21)
 - Difference 34.9 bp/month (15.10)

Universe

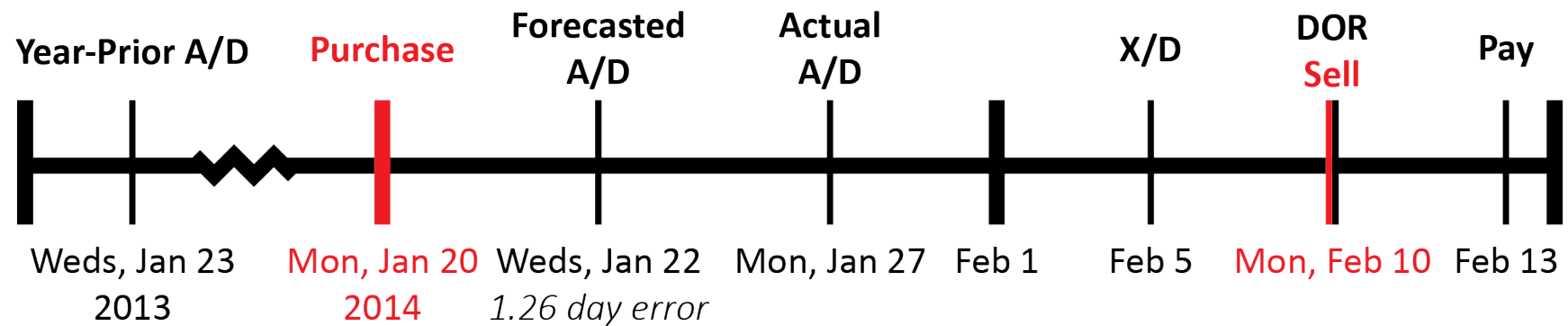
- Security Type: Common Stock
- Minimum Market Cap: > \$1.2 Billion
- 30 Day Avg. Volume: > 8,000
- Country of Incorporation: US
- Price: > \$5.00



Hartzmark & Solomon Portfolio Schedule (AAPL 2014 Q1)

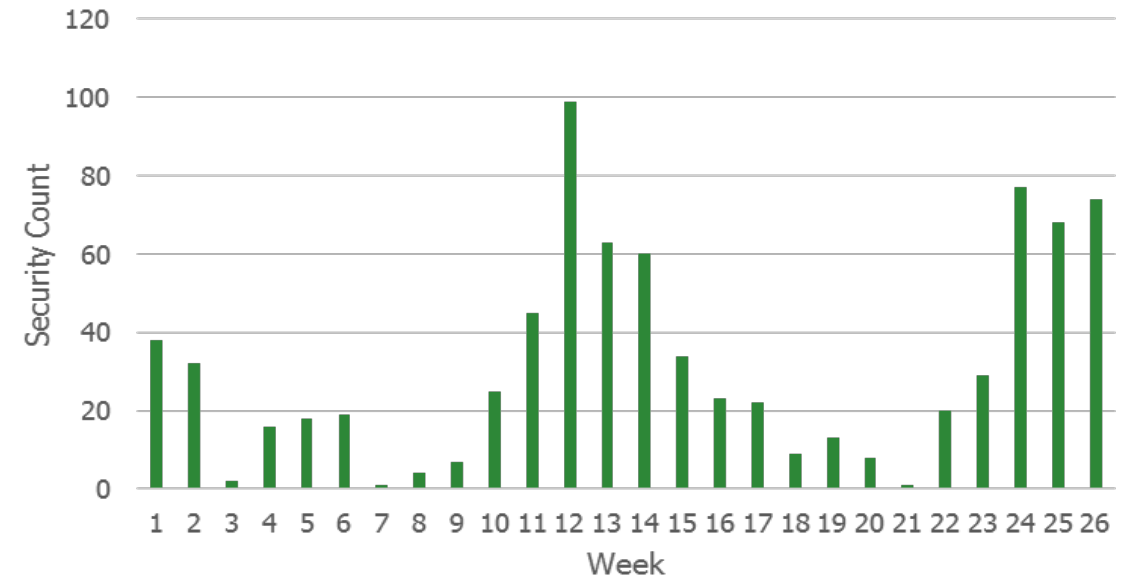


SIM Fund Portfolio Schedule (AAPL 2014 Q1)



Purchases

- Forecast A/D for next week
- Filter out:
 - Negative momentum
 - Lawsuits or major, negative corporate events
 - Dividend misses in past year
- Rank on dividend yield, purchase 15
- Hold 30 securities (2 week)
 - If below 30 securities, invest in the Russell 3000
- Sell on Monday after X/D
 - Also: 2-week A/D, 4-week X/D, 60-day Payment cutoffs



Momentum Strategy

Momentum Theory

- “Stocks that have done well in the past continue to do well in the future”
- Support for the theory has been found in both academia and in practice



Supporting Research

- “Momentum”
 - Drs. N. Jegadeesh and S. Titman
- “ADRs Under Momentum and Contrarian Strategies”
 - Drs. A.M. Pahrizgari and D. Nguyen

Portfolio Universe

U.S. Equity Universe

- Country of Domicile: U.S.
- Security Type: Common Stock
- Sector: Exclude Financials
- Mkt Cap: >\$1.2 Billion
- Price 1 Day Ago: > \$10
- 30d Avg. Volume: > 10,000
- Exclude IPOs Within 3 Years

ADR Universe

- Security Type: ADR
- Sector: Exclude Financials
- Mkt Cap: >\$1.2 Billion
- Price 1 Day Ago: > \$10
- 30d Avg. Volume: > 10,000
- Exclude IPO's Within 3 years

Security Selection

- Choose top 15 from both U.S. and ADR universes (for a total of 30 securities) based on (t-12) to (t-1) monthly returns
- Perform analysis to ensure that:
 - No selected securities have major threats to their share value
 - No more than 20% exposure to a foreign country or industry

Portfolio Timing

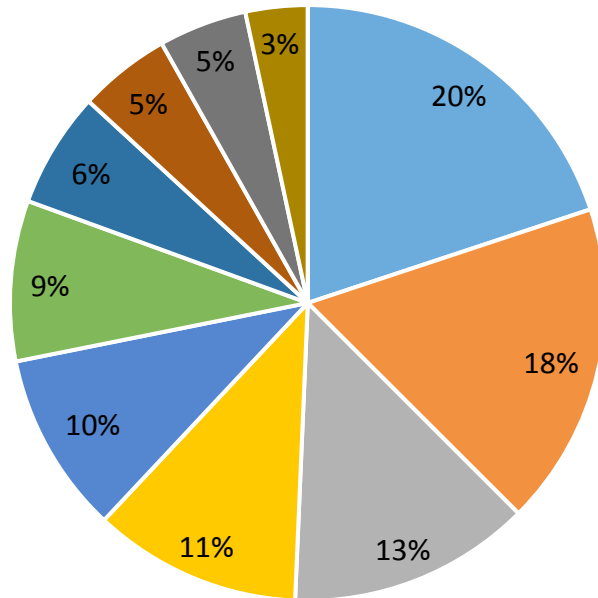
- Minimum holding period of one month
- Rebalance monthly to incorporate new data
- Upon rebalance, repeating winners are kept until the cumulative value of the particular security reaches 2.25% of the total portfolio

Portfolio Performance

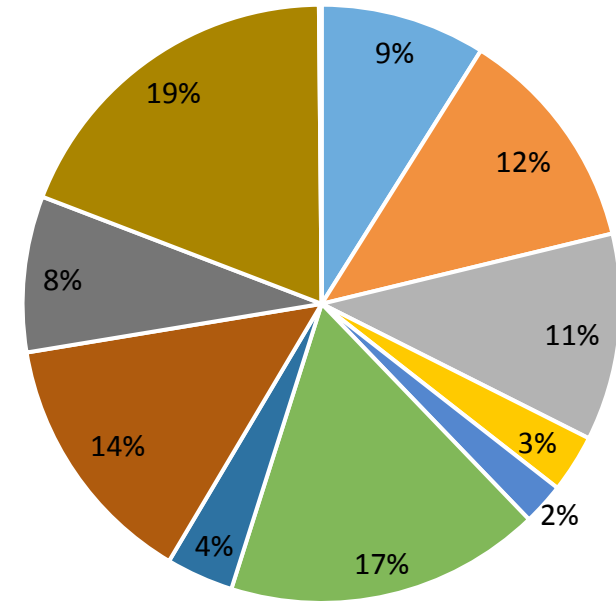
Portfolio	Returns	Benchmark
Dividend	0.97%	1.91% (Russell 1000)
ADR MOM	0.08%	2.20% (ACWI ex. US)
US MOM	1.82%	1.91% (Russell 1000)
Total Portfolio	0.96%	1.97% (Custom)

Dividend Premium Sector Holdings

Dividend Premium



Russell 1000



Consumer Staples

Consumer Discretionary

Industrials

Utilities

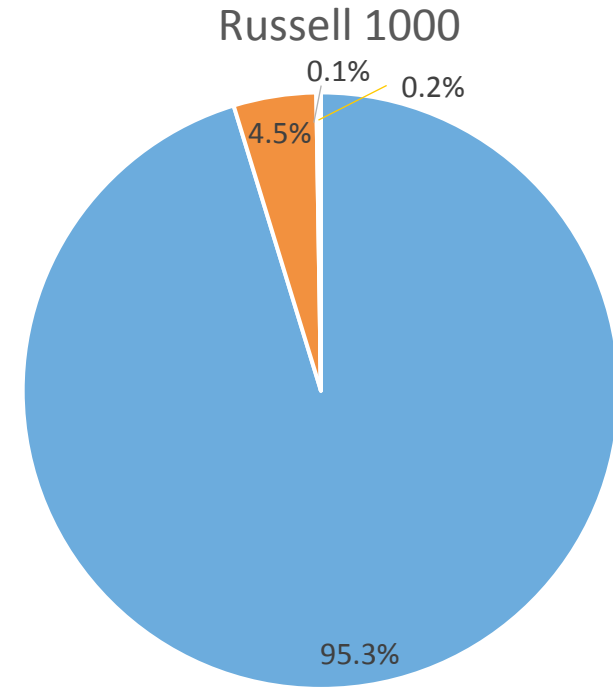
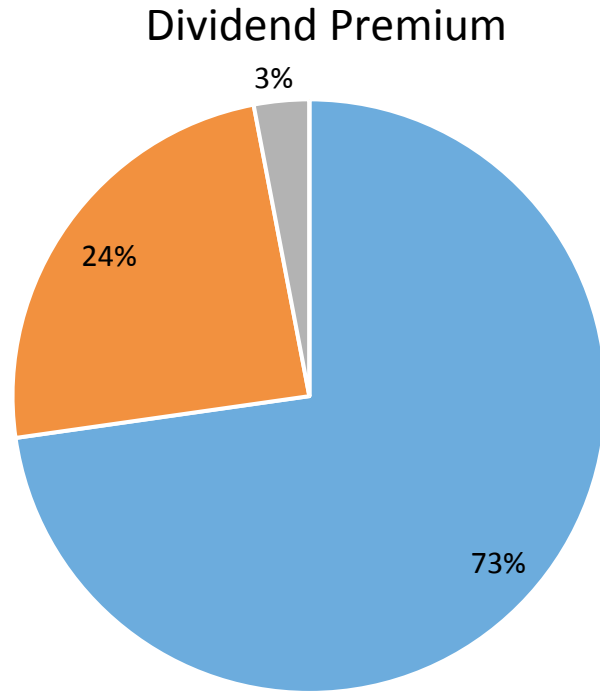
Telecommunication Services

Financials

Materials

Health Care

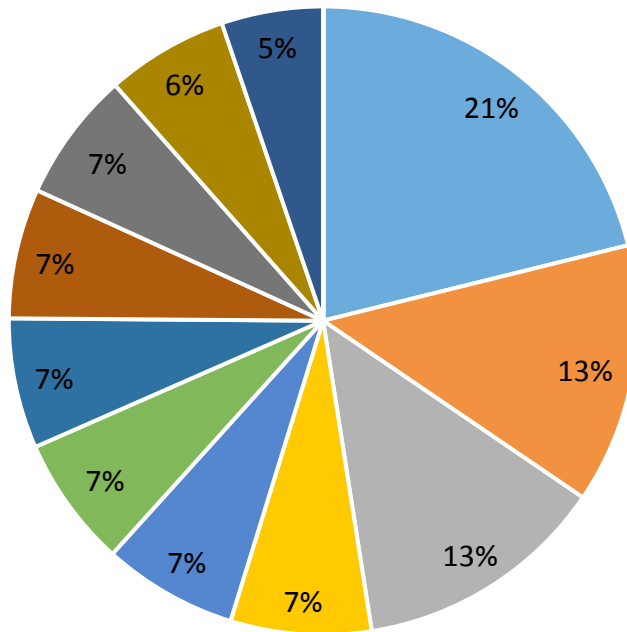
Dividend Premium Market Cap Holdings



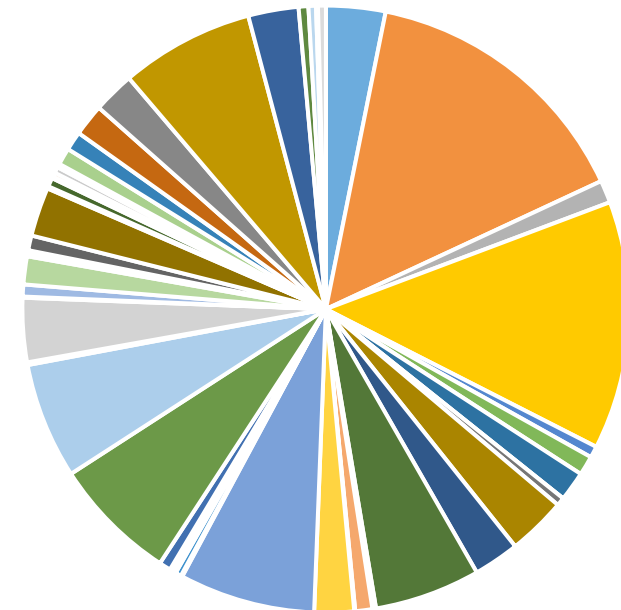
■ Large Cap ■ Mid Cap ■ Small Cap ■ Cash

ADR Momentum Country Holdings

ADR Momentum

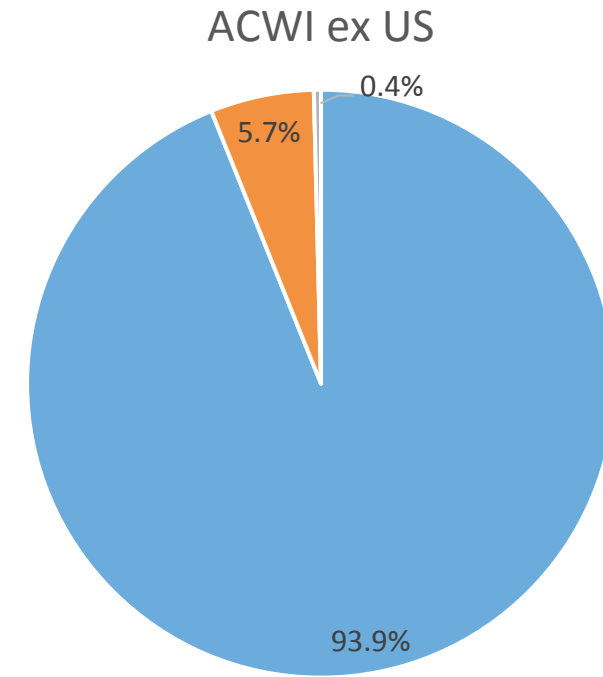
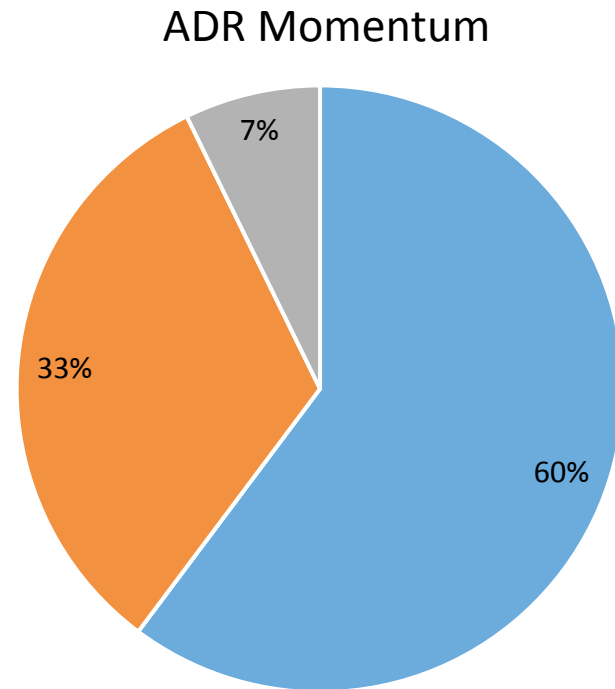


ACWI ex US



- China
- Japan
- Mexico
- United Kingdom
- Ireland
- Denmark
- India
- Argentina
- Israel
- South Korea
- Spain
- Australia
- Austria
- Bermuda
- Brazil
- Canada
- Cash
- Chile
- Belgium
- Czech Republic
- France
- Germany
- Greece
- Hong Kong
- Egypt
- Finland
- Macau
- Malaysia
- Netherlands
- New Zealand
- Italy
- Luxembourg
- Portugal
- Qatar
- Russia
- Singapore
- South Africa
- Sweden
- Switzerland
- Taiwan
- Thailand
- Turkey
- United Arab Emirates
- United States

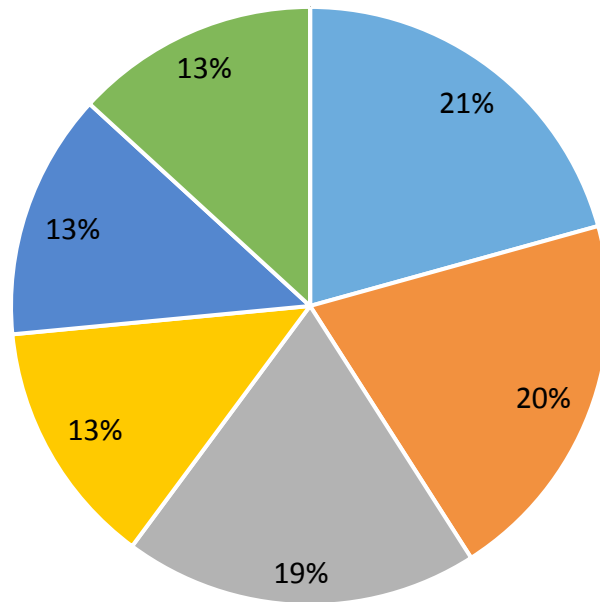
ADR Momentum Market Cap Holdings



■ Large Cap ■ Mid Cap ■ Small Cap

US Momentum Sector Holdings

US Momentum

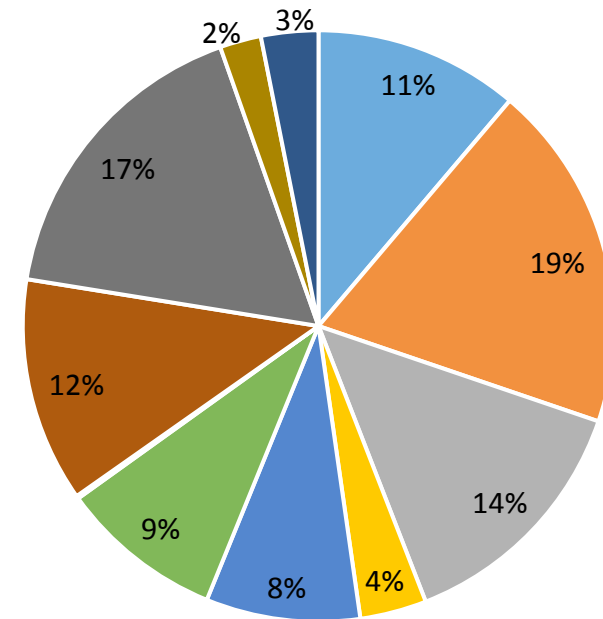


■ Industrials
■ Energy

■ Information Technology
■ Consumer Staples

■ Health Care
■ Cash

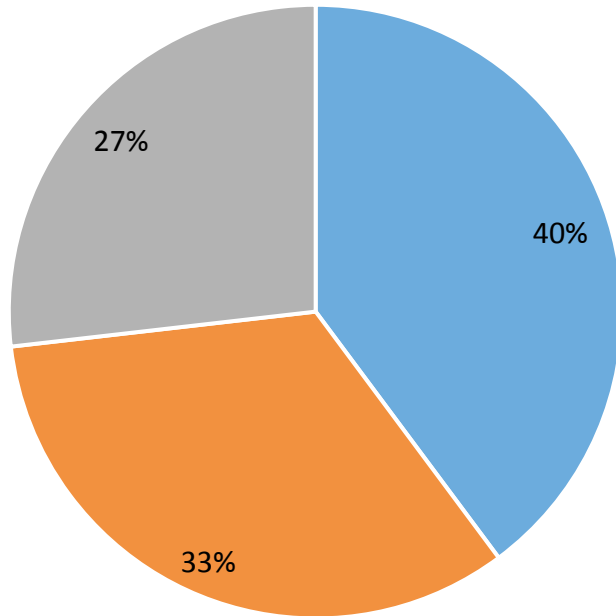
Russell 1000



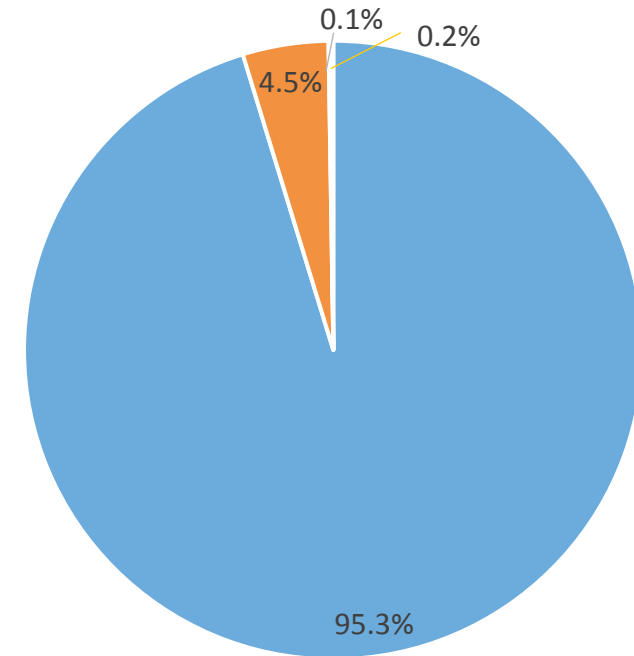
■ Materials
■ Consumer Discretionary

US Momentum Market Cap Holdings

US Momentum



Russell 1000



■ Large Cap ■ Mid Cap ■ Small Cap ■ Cash

Moving Forward

- Continue weekly tracking of performance, attribution, and holdings
- Add filters to Dividend Premium Strategy Universe to reduce overlapping with Momentum Strategy Universe
- Construct paper portfolio to evaluate performance of a short momentum portfolio

Questions?