



Annual Report

2022/23

BE THE DIFFERENCE

Contents

About the Student Managed Investment Fund

Individual Stock Performance Breakdown

SMIF Events

SMIF Guest Speakers

SMIF website and social media

SMIF Objectives and Statement of Investment Principles

Investment Process

Investment Risks

Markets Review

Stock Pitch Presentations

Portfolio Composition and Performance

Overall Performance

Portfolio Risks

Advisory Stock Pitch Panellists

SMIF Student Committee Members



SMIF highlights

1st largest group at the SMIFUK23 conference (biggest SMIF conference in the UK)

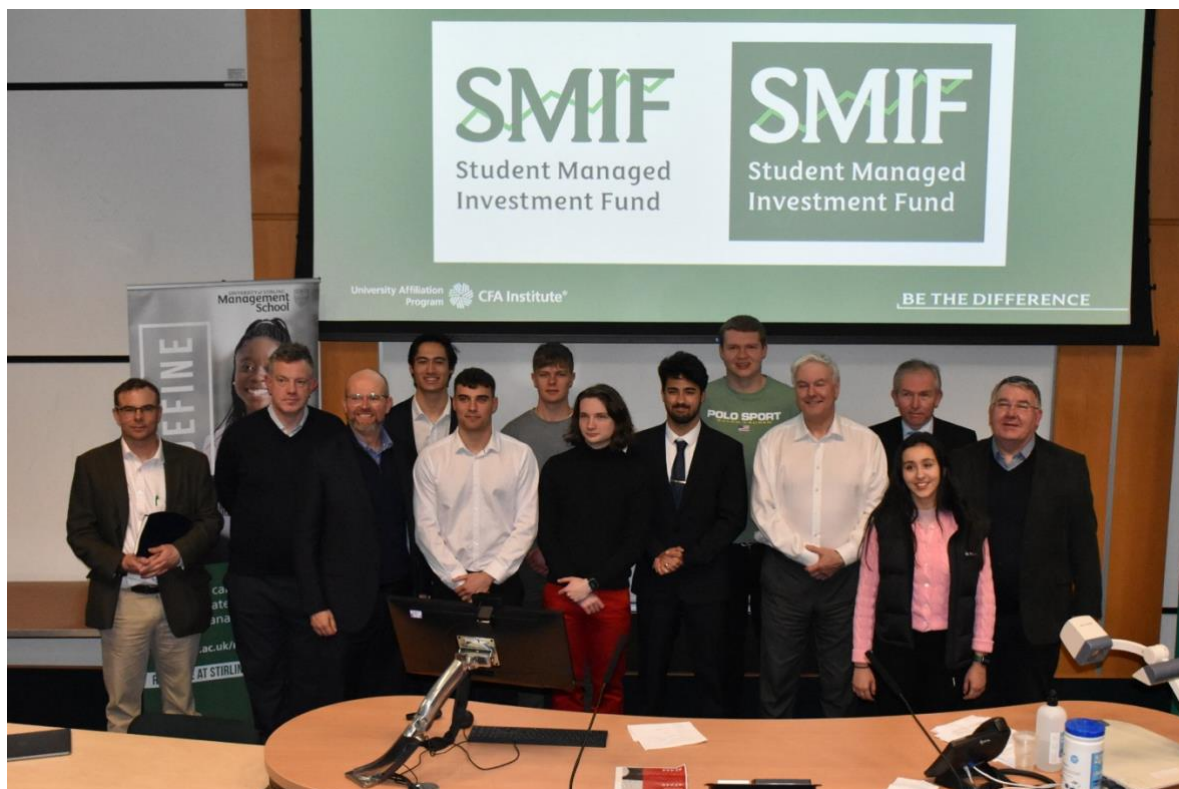
2nd largest voting base in Student Union elections, new record

92 members, new record

70+ member single event attendance, new record

20+ member attendance at social event, new record

7 (more unconfirmed) analysts received internship/graduate offers in Morgan Stanley, BlackRock, Barclays etc. Unconfirmed new record.



Marketing & growth of online presence

Over the 2022/23 academic year, the Student Managed Investment Fund successfully increased its online presence and social media following. The Chief Marketing Officer, Elliott Lebel, through consistent weekly posts reaching four posts a week per platform, also boosted our attendance and membership by marketing our events and activities throughout the University of Stirling's and the Student Union's social media ecosystems. This also aided in growing our presence amongst other university societies, facilitating the organisation of potential future collaborations.

Instagram

From September 2022, our Instagram follower count grew from 270 to 390, an increase of 44.4%. The most active social media platform was Instagram, with our posts proving incredibly effective at reaching new accounts. However, stories proved to be a far more effective way of reaching our current audience. Out of 130 accounts reached via stories, only 2 were accounts that were not already following the SMIF account. Our audience analytics reflect that our following primarily resides around Stirling. As expected, our second and third highest sectors are Glasgow and Edinburgh, respectively. The primary age

demographic of our following is between 18–24 years old, constituting 56.6% of our following.

LinkedIn

The Society's profile currently has 420 followers, increasing from 350 followers in the previous year. The Network app has allowed us to primarily engage and open dialogues with professionals in the field. This allows us to support our society with better industry knowledge and techniques, while also raising the esteem associated with the society. Overall, LinkedIn provided a good resource for contacting professionals on behalf of the society, and in many cases helped secure guest speakers for events hosted by the society.

Website

The website has proven to be an effective informational platform for prospective members and employers keen on understanding the society. It elucidates the society's objectives, goals, forthcoming initiatives, and its overarching mission. Furthermore, the website offers comprehensive profiles of the current board members, facilitating direct communication for interested parties at their discretion.



About the Student Managed Investment Fund

The Student Managed Investment Fund (SMIF) at the University of Stirling was created in September 2017 to provide students with the opportunity to enhance their knowledge of investments and portfolio management. Membership of the SMIF is open to any student, undergraduate or postgraduate, in any field of study.

The SMIF exposes students to a professional investment environment. In addition to gaining technical knowledge about the valuation of stocks, members also have the opportunity to develop important soft skills in areas such as creativity, teamwork, and communication. In its very short existence, the SMIF has helped its members to develop the skillset required for a career in the financial sector and that is why we encourage other students to join.

The SMIF is organised as a Students' Union society, with advice and support provided by academic staff from the Accounting and Finance Division of Stirling Management School. The SMIF is governed by a Constitution which identifies the following aims:

1. To use skills developed through involvement in the society in order to pitch investment ideas and create a portfolio in line with the fund's investment policy.
2. To provide insight into the roles of equity analysts and fund managers and provide experience of using professional financial databases for equity research.
3. To improve the employability of members by providing experience of investment research.

Over sixty students join the SMIF yearly. Members are organised into Sector Teams to research the investment potential of the stocks of publicly listed companies in particular industry sectors. The aim is to identify stocks with long-term growth opportunities while taking Environmental, Social and Governance (ESG) criteria into consideration, and to construct a diversified portfolio. In its start-up phase the SMIF has operated as a virtual fund.

There are regular weekly meetings of the SMIF, enabling members to interact with their student peers. Members also receive support in the form of workshops provided by academic staff and guest lectures from external speakers. In addition, the University of Stirling has invested in a permanent resource room for the SMIF, which is located in room 3A57 of the Cottrell Building. This room provides access to a Bloomberg Terminal, Refinitiv DataStream and S&P Capital IQ databases. It also functions as a boardroom and has facilities for making presentations.

This report summarises the activities of the SMIF in its sixth year, focusing on the two Stock Pitch events that took place, the composition of the SMIF portfolio and its performance.

The total SMIF portfolio return, and the individual contribution of each stock is shown on the facing page.

In the coming year, the SMIF will enter a new phase when it will start to manage real money. We intend to increase the number of club activities and engage with even more students, regardless of their academic background. We look forward to enhancing further the transformational experience that the SMIF provides for Stirling students, and we look forward to receiving your support in this endeavour.



Sandro Notari

President and Chief Executive Officer, 2022/23



SMIF
Student Managed
Investment Fund

Individual Stock Performance Breakdown from 1 June 2022 to 31 May 2023

Company	Quantity (Shares)	Last Price (Bid)	Cost (£)	Market Value (£)	Total Return (£, incl. divs)	Return (%)
	1556	0.442	£1,049.73	694.63	(33.83)	(1.02)
	1	657.55	1041.83	759.34	(7.25)	1.26
	17	40.72	802.51	165.81	(37.30)	(44.64)
	9	29.30	259.74	165.25	(19.04)	5.83
	11	223.38	949.67	700.76	87.46	20.29
	7	87.96	706.76	370.80	(33.24)	(-18.87)
ESTÉE LAUDER	3	184.03	466.96	345.96	(5.72)	(26.97)
	75	4.71	1226.24	359.07	(70.72)	(6.92)
	6	94.60	604.80	567.60	(6.15)	30.24
	12	53.63	638.62	499.25	8.39	(20.92)

	54	34.73	1131.14	836.36	50.12	30.74
 mercado libre	1	1239.00	1364.36	702.75	(34.45)	65.04
 NEXTERA ENERGY	20	73.46	697.79	904.67	64.99	(4.21)
	22	38.02	732.40	544.85	(5.33)	(27.4)
	11	53.08	475.02	455.34	12.09	(2.9)
 BLOCK	2	60.39	356.08	69.61	(75.12)	(24.92)
	Total Portfolio Return (YoY)					(21.05)



SMIF events 2022/2023

Events in Chronological Order

2022

Autumn semester Fresher's Fayre: recruitment of new SMIF members.

Autumn semester Give-It-A-Go event: follow-up event to explain the benefits of SMIF membership.

Corporate Accountability: Guest speaker Johnathan Wootliff, ESG consultant and specialist with extensive experience, gave a virtual lecture on Corporate Accountability, ESG and Green Capitalism.

From SMIF to Investment Consulting: Former SMIF member Anastasios Lingis gave an online presentation on his journey from the SMIF to becoming an Associate in AON.

From SMIF to Barclays: In preparation for the internship application season, Stefanos Valoumas, former SMIF president (Spring 2022), gave a presentation on his internship experience and what he did to get there.

Careers & Internships, The Financial Services Application Process: Presentation on Finance internships, how to apply and prepare to succeed.

Entrepreneurship: 2 steps forward 1 step back: Guest speaker, local Entrepreneur, and successful businessman Wayne Gardner Young (WGY group) gave a presentation on his story and what it takes to be an entrepreneur.

The World of Great Investors: The committee presented three well renowned investors (Michael Burry, Bill Ackman, and Warren Buffet) explained their

investment philosophies, approaches, and methodologies as well as what we can take from each.

Demystifying the IB internship at Barclays: Guest speaker Vasiliki Karagiani who was an intern with Stefanos Valoumas in Barclays, revealed the ins and outs of Investment Banking internships.

Bring insight to light: Journey into the world of Consulting: Sam Benkleman, senior associate at BCG told his story, explained how to get into the consulting industry, and described the processes and approaches used in consulting to familiarise SMIF members with the industry.

The ethics of finance: Recurring guest speaker Richard Dunbar gave a lecture on the ethics of finance as a part of the Accounting and Finance guest lecture series.

Corporate Bond market: their evolution and my experiences: Guest speaker Torcail Stewart gave a presentation on Corporate Bonds and his experience as an Investment Manager in Baillie Gifford.

How to pitch a stock: In preparation for the annual stock Pitch, the committee gave a presentation on stock screening and pitching as well as the SMIF portfolio and where it is under/overexposed.

Investment Risk by Larry Sacks: Guest speaker, senior risk professional and director at the Scottish National Investment Bank, Larry Sacks, gave a presentation on the Bank's projects and

how Investment Risk is managed by the organisation.

AmplifyMe Financial Accelerator: The SMIF partnered with AmplifyMe to provide SMIF members with the ability to participate in a trading and ESG simulation which could lead on to being fast tracked in the internship application process of Morgan Stanley, if highly ranked.

My investment career by Jimmy Smith: Guest speaker Jimmy Smith, successful businessman and director at Walter Scott & Partners, gave a presentation on his professional journey and participated in a Q&A.

2023

Freshers Fayre & Networking event: After recruiting new SMIF members, we organised a networking session between the SMIF and the LEEP society.

Workshop on Developing business ideas: The SMIF was invited to a workshop organised by the LEEP.

GIAG: We invited previous SMIF presidents (Natasha Gracey, David Frost and Mark Sharpe) to talk about their experience and how the SMIF impacted their careers.

Trivia Night: Finance trivia event.

Careers Event: The committee gave a presentation on different career paths and internship opportunities, focusing on programmes that could still be applied for (internship weeks and graduate schemes).

21 lessons for Investors from Financial History for the way we live now: Guest Lecturer Russell Napier gave a presentation on what can be learned from the past in finance. This was the most

COO elections and Stock pitch test run:

A new COO, Maciej Miazek, was elected to replace the previous COO Tim Keunecke, who left for a semester abroad. Additionally, stock pitchers Maciej Miazek and Ainee Amaani Ahabwe practised in front of the committee before the Stock Pitch event.

STOCK PITCH: The Committee presented, to the advisory guest panel and all attendees, the Portfolio update for the semester, which included a report on the investment performance, risk performance and ESG performance, as well as a research update on significant events related to the portfolio. Both pitchers pitched their stocks, both of which were voted as investable by the SMIF.

attended event with 70+ attendees in person and online.

Crypto & ESG debate: We organised a debate night with two different questions, 1) Do Crypto currencies have intrinsic value? 2) Is ESG effective or is it Greenwashing?

INTO the SMIF: We organised a second GIAG targeted at INTO students as we believe they tend to be less engaged in societies. Later, Sandro (President) and Nick (CRCO) raised this issue in an annual Students' Union meeting.

How to Pitch a Stock: Former president and successful stock pitcher Callum Graham gave a presentation on stock pitching and presentation skills.

SMIF portfolio update: The committee gave a portfolio update to showcase what the SMIF needs from its stock pitchers.

Do beliefs and biases drive stock markets? Guest lecturer Colin McLean gave a presentation on the psychology of stock markets.

Committee Drop-in session: The committee opened the SMIF office to all members who needed assistance with Stock Pitch preparations and career and SMIF related projects.

Stock Picking and pitching workshop: Dr Isaac Tabner (member of the SMIF oversight committee) gave an online lecture on stock valuation, picking and pitching.

Effective approaches to tackling global sustainability issues via geo-social and economic centric approaches: Guest lecturer Simba Mamboininga, gave a presentation on ESG and ways to approach global sustainability in economics and finance.

First round of stock pitch: Due to the high level of engagement this semester, we had too many pitchers wanting to enter the stock pitch event, so we created a first

eliminary round where CAE Inc, MCD, Merk ETR: MRK, and NVDA were pitched. MRK and NVDA were voted through the finals.

Stock Pitch: The Committee presented, to the advisory guest panel and all attendees, the Portfolio update for the semester which included a report on the investment performance, risk performance and ESG performance as well as a research update on significant events related to the portfolio. Both stocks were pitched, and only Merk was voted as investable.

Committee Elections: Elections of new committee.

CFA level 1: All you need to know and how to pass it: As a farewell to the SMIF, former president Stefanos Valoumas gave a presentation on how he succeeded in passing the first level certification of the CFA.



SMIF Guest Speakers

The Accounting & Finance Division Visiting Speaker Series this year again brought in amazing professionals to give talks on highly relevant and interesting topics!

SMIF members were able to learn a lot about careers in Finance from Anastasios Lingis, and internships from Vasiliki Karagianni. They were also able to delve into the world of ESG and ethical finance thanks to Johnathan Wootliff (ESG consultant), Richard Dunbar (former Head of Multi-Asset Management at Abrdn), and Simba Mamboininga (Managing Partner at Delvin Mambo LLP).

SMIF Analysts and other members of the University of Stirling community were also inspired by more technical presentations on 'Investment Risk' by Larry Sacks (Director of Investment Risk at the Scottish National Investment Bank), 'beliefs and biases of stocks' by Colin McLean (SVM Asset Management),

'financial history' by Russell Napier (Co-Founder of the Electronic Research Interchange) and 'Corporate Bond Markets' by Torcail Stewart (Investment Manager at Baillie Gifford).

SMIF members were also introduced to new topics and industries such as 'Consulting' through Sam Benkleman (Senior Associate at BCG) and Entrepreneurship through Wayne Gardner Young (Chair of WGY Group).

The entire SMIF community would like to thank the Accounting and Finance Division for bringing in such experts to talk to us!

Guest Speakers

Johnathan Wootliff: a former director of Greenpeace International, is an esteemed expert in climate change legislation, discussed his experience forging

productive relationships between non-governmental organisations and some of the largest worldwide corporations, as well as resolving conflicts.

Anastasios Lingis: Former SMIF member, Anastasios now works as an Associate Investment Consultant at AON.

Wayne Gardner Young: At the age of 16, Wayne decided to start his first business, a chicken farm. Today, he is one of the most successful businessmen in Scotland and the chairman of the WGY Group.

Vasiliki Karagianni: Incoming Investment Banking Analyst at Barclays Investment Bank.

Sam Benkleman: Senior Associate at Boston Consulting Group (BCG).

Richard Dunbar: Richard Dunbar is former Head of Multi-Asset Research at Abrdn. Prior to this, Richard was Head of Economic and Thematic Research at the company, which he joined in 2014 as part of the acquisition of SWIP. He also worked for seven years with Blairlogie Capital Management as a portfolio manager and started his career as a UK portfolio manager with Murray Johnstone.

Torcail Stewart: Torcail is an Investment Manager at Baillie Gifford. He is co-manager of their strategic bond funds and leads their crossover portfolio group. Before joining Baillie Gifford in 2008, he worked as an investment analyst for Alliance Trust's UK large cap equity fund.

Larry Sacks: With over 20 years of risk management experience, Larry now oversees the risk of the Scottish National Investment Bank's investments, as their Investment Risk Director.

Jimmy Smith: Jimmy has worked at Walter Scott for almost 40 years, but that's not all as he is also a very successful businessman and owns one of the largest Christmas tree businesses in the UK, Kilted Christmas Tree.

Natasha Gracey: Former president of the SMIF, Natasha now works in real estate private equity as a Global Portfolio Manager at CBRE Investment Management.

David Frost: Former president of the SMIF, David now works as a Lifestyle Financial Planner for SRB Wealth Management Ltd.

Mark Sharpe: Former president of the SMIF, Mark is now a full-time strategy analyst for Aviva.

Russell Napier: Co-Founder and Chairman of Electronic Research Interchange and author of 'The Anatomy of the Bear'. Patron of the Karen Napier Scholarships for the Stirling University MSc Investment Analysis course.

Callum Graham: Former president of the SMIF, Callum now works as a Business Analyst at Phoenix Group.

Collin McLean: CEO at SVM Asset Management and former member of the Board of Governors of CFA UK.

Dr Isaac Tabner: SMIF Advisory Board Member Isaac attained a BSc in Marine Biology from the University of St Andrews before switching to the world of Finance through the MSc Investment Analysis and a PhD in Finance. Isaac is also a CFA charter holder.

Simba Mamboininga: Simba is a Stirling alumnus who is now a Managing Partner at Delvin Mambo LLP.

SMIF collaborations

AmplifyME	AmplifyME is a leading global provider of finance simulations in markets, banking, and technology.
LEEP society	The Leadership, Entrepreneurship, Employability and Personal Finance (LEEP) society is the Business & Entrepreneurship Society at the University of Stirling.
International Society	The International Society is the place where International and British students of Stirling University meet.
INTO University of Stirling	INTO helps students from around the world achieve their dream of studying overseas at a UK university.

SMIFUK23

The UK's second conference of Student Managed Investment Funds

Organised by the GRIFF Investment Fund, of the University of York.

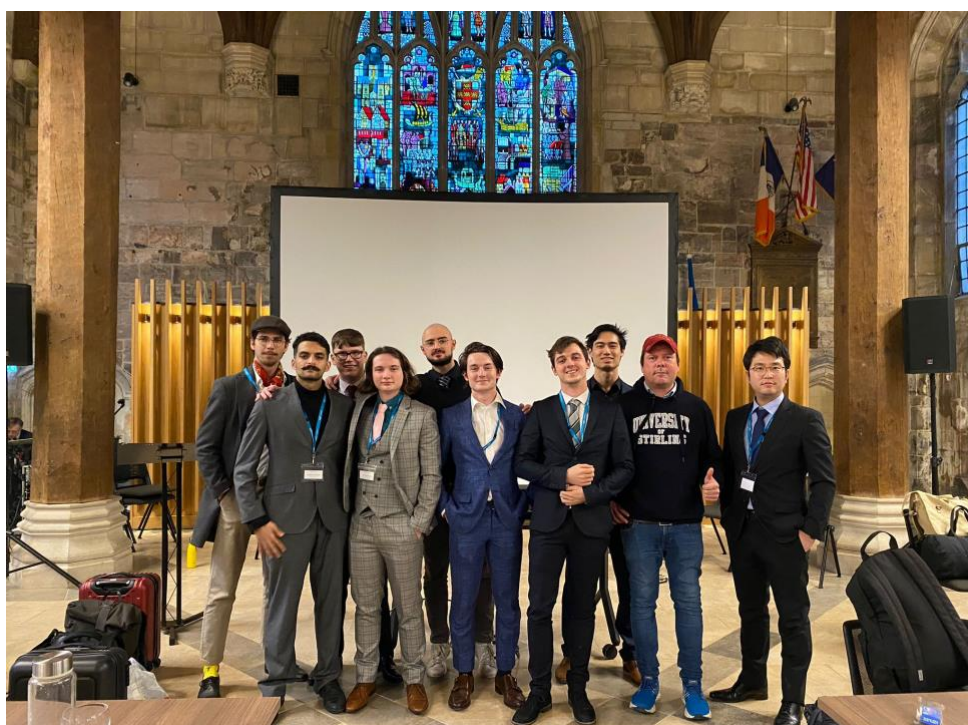
The conference took place over two days, from Wednesday 8th to Thursday 9th March 2023, and comprised lectures, seminars, competitions, workshops, networking, and social events.

The conference examined a wide range of topics relevant to SMIFs, ranging from how to select new student analysts, strategies to enhance diversity and inclusion in the analyst body, financial decision making and biases, asset pricing and market sentiment. Topics presented by SMIF committee members, staff supervising them, investment academics, industry professionals (especially SMIF alumni) and investment authors and journalists were discussed.

The University of Stirling SMIF

10 SMIF members attended the conference which not only made us the biggest group at the conference, but also enabled us to achieve the following:

- We promoted and got Stirling known.
- We expanded & strengthened our networks with professionals.
- We expanded & strengthened our networks with other SMIFs.
- We learned valuable knowledge and skills which we intend to implement in the operations of the society and the management of the SMIF portfolio.
- We learned valuable information about the competitions and prizes taking place at the conference, allowing us to participate and potentially win at the next conference.



SMIF Objectives

The SMIF has an overriding educational objective, which is to enable University of Stirling students gain a better understanding of stock valuation and portfolio management, and thus enhance employability. More specifically, the SMIF aims to:

Statement of Investment Principles

Investment Philosophy

- The overall investment philosophy is long-term “buy and hold”.
- Environmental, Social and Governance (ESG) criteria will be incorporated into stock selection decisions in accordance with the first of the United Nations-supported Principles for Responsible Investment (PRI). See www.unpri.org.

The focus on ESG aligns with the UN Principles for Responsible Management Education (PRME) to which the University of Stirling is a signatory. See www.unprme.org.

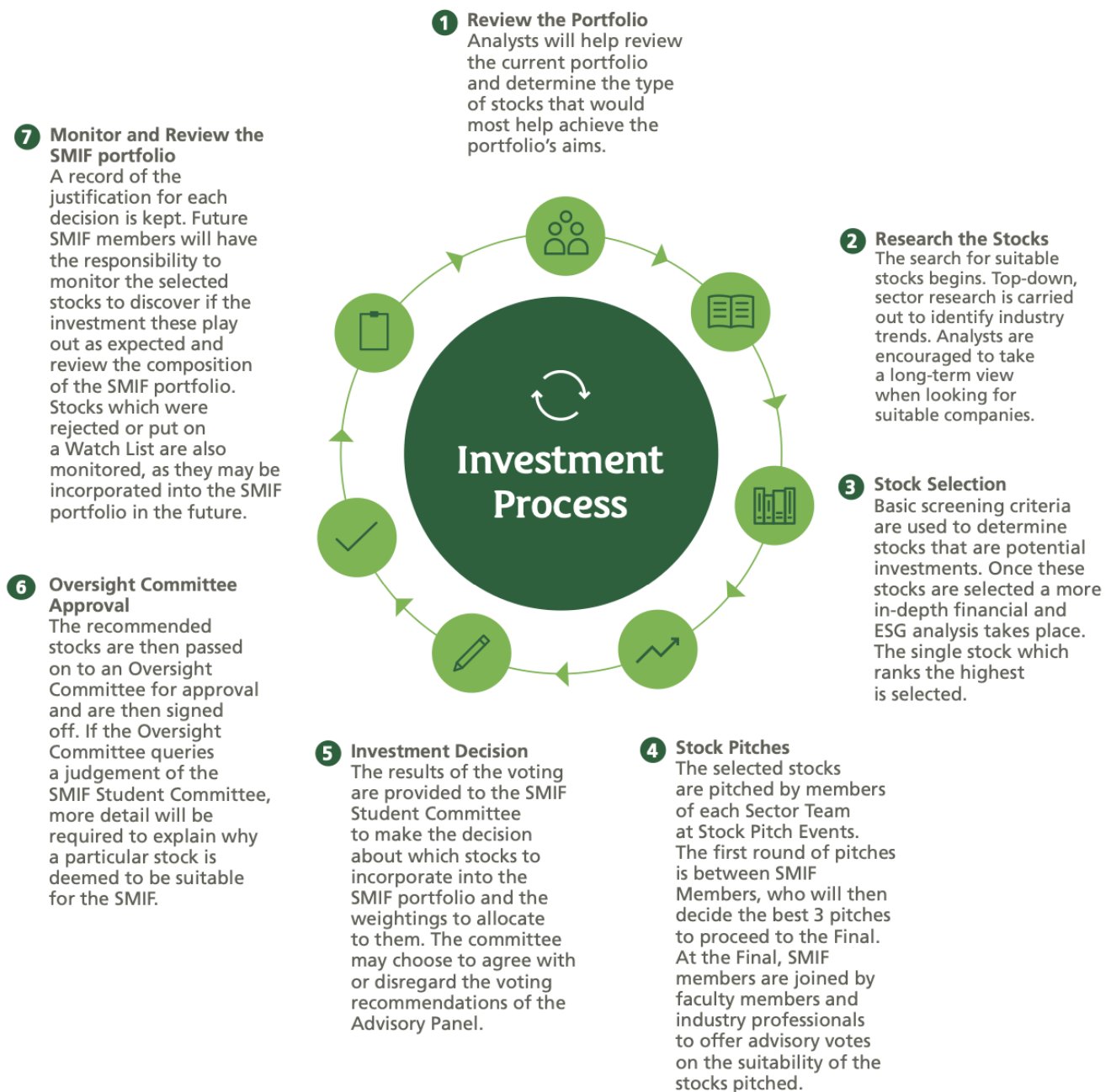
- Fundamental analysis and awareness of macroeconomic factors will be used to determine whether a given stock is included in the SMIF portfolio.
- The SMIF seeks to generate a positive return above the rate of inflation from its investments, where return is equal to capital gains plus dividends.
- The principles of modern portfolio theory will be used to achieve an efficiently diversified portfolio.
- A proportion of any surplus funds will be reinvested in the fund or used to support charitable causes, as decided by the SMIF Student Committee.

Investment Strategy

- The SMIF invests only in the stocks of listed equities or Exchange Traded Funds (ETFs).
- Stocks/ETFs may be sourced from any of the major stock exchanges worldwide.
- Transactions involving short positions or products traded on derivatives exchanges are prohibited, as are ETFs that use products traded on derivatives exchanges.
- The SMIF aims to maximise total returns from a diversified portfolio of up to 30 equity securities or ETFs.
- The distribution of sector weights in the portfolio will take into account correlations between sectors and the principles of portfolio diversification.
- ETF Investments will be reduced as the number of stocks in the portfolio increases.
- Securities will normally be traded twice a year, following the Stock Pitch events.
- Although the SMIF does not place stop-losses, securities may be sold if there are extenuating circumstances, for example when the risk/return profile of a particular company changes dramatically.
- The performance of the fund will be benchmarked against the FTSE Developed Index

Investment Process

Students who join the SMIF will become Analysts and engage in the following activities, with the aim of providing them with an authentic Equity Analyst experience.



Investment risks

Stock market investments have a high level of uncertainty and complexity, making it important to consider the following main risks:

Market risk (systematic risk) is the potential for the entire financial market to decline given factors that are unrelated to the industry one may be invested in. This risk influences the whole stock market and therefore is difficult to mitigate, although not impossible, it is therefore an important risk to bear in mind. The value-at-risk method that is used to measure the market risk at any given moment in time.

Specific risk (unsystematic risk) is the risk that a specific company or industry has which the rest of the market does not experience. Given that this risk is unique to a specific stock or industry it can be diversified away in a portfolio by investing in different companies, industries or geographical locations which ensures no decline in any specific stock will severely impact a portfolio.

Foreign exchange risk is the possibility of changes in the currency exchange rate relative to the Pound Sterling, the currency in which the SMIF portfolio is denominated, to negatively impact the valuation of our international holdings.

Commodity risk is the potential for financial loss resulting from changes in the price of

commodities (oil, gold, agricultural products, etc). These fluctuations can impact companies that rely on these commodities as part of their business operations which in turn influences their profitability and stock price.

Market capitalisation risk is the risk that arises from investing in companies of a particular market capitalization (total value of a company's outstanding shares of stock). Companies are typically categorized into small-cap, mid-cap, and large-cap, each having their own risk and return characteristics. For example, small cap may have higher risk due to their potential volatility but may also offer higher growth potential.

Liquidity risk refers to the possibility that an investor may not be able to buy or sell an investment quickly enough to prevent or minimize a loss, this may be caused by a lack of market participations or because of a disruption in the financial markets.

ESG risks is the potential for financial impacts caused by environmental, social or governance factors of a company or investment. Poor ESG practices can lead to reputational damage, legal penalties, and operational inefficiencies, all of which can negatively impact investment returns.



Markets review

The key factors that affected the markets to which the analysed stocks are exposed, in the period over which investment decisions were contemplated and made, are described below.

Foreword & General Overview

The global economic stage in 2022 and 2023 has been nothing short of remarkable. A labyrinth of unprecedented scenarios - heightened inflation rates, labour shortages, recessions threats, and the ongoing Russia-Ukraine war - have reverberated across markets, painting an intricate global economic landscape.

In the US, despite the threat of a looming recession, economic activity persevered, albeit decelerating under the weight of the Federal Reserve's interest rate hikes. Across the Pacific, Japan found moderate economic buoyancy through increased consumer spending and the post COVID-19 border reopening, although inflationary pressures loom. South Korea, on the other hand, grappled with slowed growth, weakened exports, and the consequences of its central bank's monetary tightening, a predicament somewhat calmed by China's easing of COVID-19 restrictions.

The Eurozone was resilient in the face of supply shocks and the Russia-Ukraine war's impact on energy prices. A decrease in wholesale gas and electricity prices made a notable impression on the region's economy, influencing economic forecasts and sectoral performance. Despite the tightening monetary policy and fiscal support withdrawal, expectations remain optimistic for an economic resurgence underpinned by a sturdy labour market.

The Russia-Ukraine war has also reshaped the economic terrain in Latin America, as the region grapples with the global economic slowdown while seeking potential opportunities from the

reconfiguration of global dynamics. Policymakers are striving to restrain inflation and maintain fiscal discipline, balancing the challenge of economic growth with potential prospects in manufacturing exports, digital nomadism, and the global lithium market.

Q3 2022

In Q3 of 2022, the global economy experienced a slight contraction, with a negative impact seen in China, Russia, and the US due to factors such as the war in Ukraine, international sanctions, and monetary adjustments. In the US, high inflation levels and interest rate hikes by the Federal Reserve led to significant shifts in the housing market and a contraction in corporate earnings. These shifts culminated in a bear market and fears of a recession.

In contrast, the Eurozone showed resilience with 0.2% growth, primarily due to domestic demand from tourism in Italy, France, and Spain. Energy demand was reduced, and unemployment decreased slightly.

In Asia, South Korea's economy grew at a slower pace, while Japan's economy contracted less than expected, with its GDP showing a 0.8% annualized quarterly contraction. The contraction was partly due to global recession risks and a weak yen, despite private consumption and capital expenditure contributing to growth.

Q4 2022

In Q4 2022, global stock markets saw robust gains. Asian equities performed notably well, with considerable growth stimulated by China's relaxation of its zero-Covid policy. US equities made significant progress due to investors balancing the possibility of Federal Reserve policy tightening and signs that inflation was on the retreat. The annualized Q3 GDP for the US stood strong, at 3.2%, compared to the earlier 2.9% estimate, while unemployment remained low, at 3.7%.

The Eurozone equities also advanced significantly, outpacing other regions. This strong performance was supported by a decline in annual inflation to 10.1% in November from 10.6% in October. The UK saw its equities rise as markets began to stabilize following a political crisis in September, with the new fiscal policies playing a vital role in this recovery. Despite a downward shift in December, Japan's stock market ended Q4 on a positive note with a 3.3% return in yen terms. Meanwhile, the Asian markets, excluding Japan, closed Q4 on a high note, thanks to strong performances from China, Hong Kong, and Taiwan.

Q1 2023

In Q1 2023, global equities saw considerable growth due to subsiding recession worries. Notably, US stocks saw significant increases, despite the Silicon Valley Bank (SVB) collapse that initially led to market volatility. The Federal Reserve raised rates by 25 basis points twice, raising borrowing costs to their highest since 2007. US inflation was muted, rising less than expected.

Eurozone shares also posted robust gains in Q1. The European Central Bank raised interest rates twice by 50 basis points each. Eurozone inflation saw a downward trend,

declining to a one-year low in March with consumer prices rising by 6.9%, down from 8.5% in February. The Markit flash purchasing managers' index (PMI) peaked at a 10-month high of 54.1 in March.

UK equities rose over the quarter with updated GDP data revealing that the UK economy had not contracted in Q4 2022, contrary to predictions, allowing the UK to avoid a technical recession. Despite predictions of a recession in 2023, the Bank of England (BoE) suggests it will be milder than previously estimated.

Japanese stocks also saw impressive growth, with the Topix index up 7.2% in yen terms in Q1. However, following SVB's collapse and the bailout of Credit Suisse by UBS, the market experienced turbulence before rebounding towards the end of March.

Q2 2023

In Q2 2023, the global economy witnessed a slowdown, with GDP growth projected at 2.4% for the year, and expected to decelerate to 1.9% in 2024. The impact of higher interest rates was particularly felt in Europe and Asia, leading to a downturn in manufacturing activity.

In the US, a mild recession is anticipated for Q4 2023, with zero growth in 2024. The Federal Reserve was projected to initiate rate cuts in Q4, continuing into the next year, with the Fed funds rate forecasted to be 3.5% by the end of 2024. The Eurozone outperformed expectations but faced higher inflation. The European Central Bank was predicted to hike rates to 4.25% but reduce them to 2.5% by the end of 2024.

The UK was expected to stagnate for most of 2023 amidst high inflation. The Bank rate was projected to reach 5% but be cut to 3.25% by the end of 2024.

China started the year positively, but other emerging markets, including those in Latin America, weakened due to higher rates. However, Latin American central banks were likely to pivot to rate cuts later in the

year, potentially improving the outlook for 2024.



Despite falling food and oil prices leading to a decrease in headline inflation, core inflation remained high and was expected to persist until labour markets significantly loosened.

Stock Pitch Presentations

Six different pitches took place this year. The pitches were delivered to a general audience of students and other members of the SMIF, as well as to the members of an advisory panel, who collectively voted on whether to invest, as shown below. After the Stock Pitch Events took place the Student Committee met to act. None of the stocks have yet been invested in because the committee is working on a portfolio revaluation and multiple divestment pitches and the SMIF does not yet have enough cash to invest.

In the spring semester, due to a satisfyingly high attendance and engagement from the members, many members wished to participate in the stock pitch event. As result, we organised a pre-selection stock pitch event prior to the actual stock pitch event. Out of the four stocks pitched, Merck.KGaA, and Nvidia were voted through, while McDonald's and CAE Inc were discarded.

Recommendations – Autumn 2022

Company	Industry	Market Cap ¹	Vote (Audience)	Vote (Panel)	Outcome
	Tech	£1.27tn	Yes	Tied	Yes
	Utility	£148.27bn	Yes	Yes	Yes



Company Descriptions and Investment Theses

Alphabet - Invested

Alphabet Inc. is a multinational conglomerate, established in 2015 as part of a corporate restructuring of Google. It serves as the parent company to Google and several former Google subsidiaries, including Waymo, Verily, and Calico. The corporation's portfolio covers a wide range of industries such as technology, life sciences, investment capital, and more, each aiming to tackle large-scale challenges by leveraging technology.

Reasons for being pitched

Alphabet Inc. was chosen due to its unique and diverse business portfolio. As a tech company, the level of diversification it offers is rarely observed. Additionally, Alphabet's investment strategies, which favour innovative and bold ideas through Venture Capital investments, hold significant potential for future returns. The decision was also based on Google's commanding presence in the search engine market, holding an 83.84% market share at the time of pitching, significantly outpacing its competitors. Moreover, Alphabet's comparatively low P/E ratio was viewed as

an indication that the stock could be undervalued.

Another factor that influenced the decision was Alphabet's impressive Debt/Equity ratio. In late 2022, it was anticipated that interest rates would continue to rise, making debt increasingly costly to maintain. Therefore, Alphabet's low D/E ratio of 0.06, compared to Microsoft's 0.26 for example, was seen as a significant advantage.

At the time, the portfolio was underexposed in the tech sector compared to the benchmark. Hence, an investment in Alphabet helped rebalance the exposure.

Lastly, Alphabet's position in the Internet Services industry, projected to experience substantial growth rates, further bolstered the case for investing in this stock. Thus, Alphabet was viewed as a solid investment opportunity with a potential for robust returns in the future.

Comcast - Invested

Comcast Corporation is a global media and technology company, known primarily for its cable television and broadband services. Founded in 1963 and headquartered in Philadelphia, Pennsylvania, Comcast operates through

various segments, including Cable Communications, Cable Networks, Broadcast Television, Filmed Entertainment, and Theme Parks. Its well-known brands include NBCUniversal, Sky, and Xfinity.

Reasons for being pitched

Comcast operates in a sector that was underrepresented in the fund compared to the benchmark, thereby providing an opportunity for portfolio diversification. The internal diversification of Comcast's services, encompassing a broad spectrum of media and technology offerings, suggested that it would likely weather

economic downturns more effectively than others.

The company's consistent dividend payments, with a history of growth year-on-year, added to its appeal as a reliable income-producing asset. A robust financial track record, with only one year of losses over the past two decades, further underscored its stability and resilience.

The long tenure of the CEO, having served for 31 years at the time of pitching, suggested consistent leadership and strategic vision. Lastly, Comcast's high-profit margins, typically around 67-68%, pointed towards strong operational efficiency and profitability. Consequently, Comcast was seen as a stable, income-generating, and potentially recession-resistant investment opportunity.

Recommendations – Spring 2023

Company	Industry	Market Cap ¹	Pre-selection	Vote (Audience)	Vote (Panel)	Outcome
	Healthcare	£2.71bn	Through	Yes	Yes	Yes
	Tech	£75.31bn	Through	Tied	No	No
	Defence	£279.68bn	Discarded	n/a	n/a	n/a
	Food Beverages & Tobacco	£0.942bn	Discarded	n/a	n/a	n/a



Company Descriptions and Investment Theses

CAE

CAE is a high-tech company which digitalizes the physical world, deploying simulation training to train pilots, airlines, defence and security forces and healthcare practitioners to perform at their best every day and when the stakes are the highest. CAE is a leading provider in simulation training for civil aviation and is currently expanding into the defence and healthcare markets, it has over 75 years of industry experience, with more than 13,000 employees, in over 160 sites around the world.

Reasons for being pitched

CAE, as the largest industry provider, dominates the North American civil aviation simulation training environment, with an expected 264,000 new pilots trained by 2029 as well as federally mandated simulation training requirements for new and existing pilots. After its acquisition of L3 Harris simulation training in Q4 2021 it is now positioned to be the main provider of simulation training for defence forces in the United States as L3 Harris simulation training was already the largest provider before the acquisition.

With the invasion of Ukraine by Russia and with the subsequent reinvigorated budget increases throughout NATO, CAE is in an advantageous position to capitalize on its existing experience and transferable technology within the civil aviation industry to pivot towards capitalizing on the imminent demands on defence capabilities throughout the Western Hemisphere. With stable training requirements in the civil aviation industry as well as increased demand in the defence sector, CAE very well positioned to benefit from these market developments.

McDonald's

McDonald's is a global fast-food restaurant chain that was founded in 1955 and is renowned for its diverse menu, efficient service, and widespread presence in over 100 countries. With its iconic golden arches logo, the company serves millions of customers worldwide, offering quick and convenient meals that cater to a wide range of tastes and preferences.

Reasons for being pitched

McDonald's was chosen due to its stabilizing influence on the SMIF portfolio. The portfolio was a bit up and down at the time of the stock pitch and McDonald's would have provided stability due to already being a major player in their industry. McDonald's would also have diversified the portfolio as it lacked a hospitality element.

Another reason McDonald's was pitched was due to how much it dominates the market but, and also prospects for further growth in the coming years. Compared to their competitors, McDonald's has a much larger market cap, revenue, and net profit margin. However, despite already dominating the market, they planned to open 1,900 stores in 2023 which shows their desire to grow the company further despite their dominance.

Another factor behind the pitching of McDonald's is the fact that it is a real estate company as much as it is a fast-food company. The company has locations in prime real estate locations all around the world, such as Times Square in New York City. Also, McDonald's owns 70% of the buildings at their 40,000 locations worldwide and 45% of the land at their 40,000 locations worldwide.

Nvidia – Not approved

NVIDIA was founded in 1993 by Jensen Huang and is currently headquartered in California. It designs and manufactures graphics processing units (GPUs) for gaming and professional markets, and also system on a chip units (SoCs) for the mobile computing and automotive market. Its technological advancement has pushed NVIDIA to the top of artificial intelligence (AI) and gaming. It has also allowed other companies to use its technology to create cloud computing and autonomous driving.

Reasons for being pitched

If you compare tech companies to car manufacturers, NVIDIA would be the engine manufacturer as it is the soul of many other tech companies. NVIDIA's processors, and chips power the AI and gaming industry, enabling operations from language models to digital art creation. Because Nvidia is the most advanced company in this field, other companies take advantage and rely heavily upon NVIDIA's technology. Companies such as Google, Microsoft, and NASA all rely on NVIDIA's products.

NVIDIA was pitched due to its potential to disrupt various industries such as transport, healthcare, and creative industries. It will have a key influence on the future of AI and will allow jobs to be done cheaper, which will increase demand for businesses that use AI. We firmly believed in the company's growth trajectory due to its innovative spirit and pioneering position in the AI processor market; these factors are pivotal in evaluating its potential as an investment. When ChatGPT came out and took the world by storm, we looked at how they trained these models and what they ran on; it turned out to be GPUs, specifically Nvidia GPUs. We spotted this mega-trend and saw how much NVIDIA would benefit from the AI revolution and began our research from there.

Although their stock pitch was not successful, the pitchers learned a substantial amount from the experience, and their belief in the company has not waned. Their pitch faltered, they believe, not due to a lack of potential on the company's part but due to their lack of experience selling a stock 'on stage' - a gap they hope to overcome in their next SMIF stock pitch. After the pitch, NVIDIA stock continued to climb and, in the pitchers' eyes, remains a great, and ethical, investment.

The pitchers benefitted from the experience by learning more about the

technical aspects of a stock pitch and about ESG ratings, as well as presenting and selling ideas effectively.

Merck KGaA - Invested

Merck KGaA is a leading global science and technology company with a diverse range of specializations across healthcare, life science, and performance materials. Founded in 1668 and headquartered in Darmstadt, Germany, the company is engaged in the discovery, development, manufacturing, and marketing of pharmaceutical and medical products. Its portfolio includes biopharmaceutical therapies, laboratory research tools and solutions, as well as specialty chemicals for high-tech applications.

Reasons for being pitched

Merck KGaA stood out as a solid company as it is at the forefront of emerging trends in its operating sectors. It owns numerous global patents based upon the gene editing technique known as clustered regularly interspaced short palindromic repeats (CRISPR) which is recognised to be the most precise and efficient method of gene editing. The acquisition of Sigma-Aldrich







in 2015 significantly improved its e-commerce structure, marking it out as a good fit for our portfolio. This e-commerce approach not only mitigated the impact of COVID-related downturns but also allowed a strong inventory turnover of 2.0, demonstrating efficient operations. The company's shift towards a more customer-centric approach, a trend increasingly observed in the pharmaceuticals and life sciences industries, put Merck in a favourable position. Its defensive characteristics were also appealing, with a modest beta value of 0.64 and a robust Altman Z-Score of 3.46, suggesting financial stability.

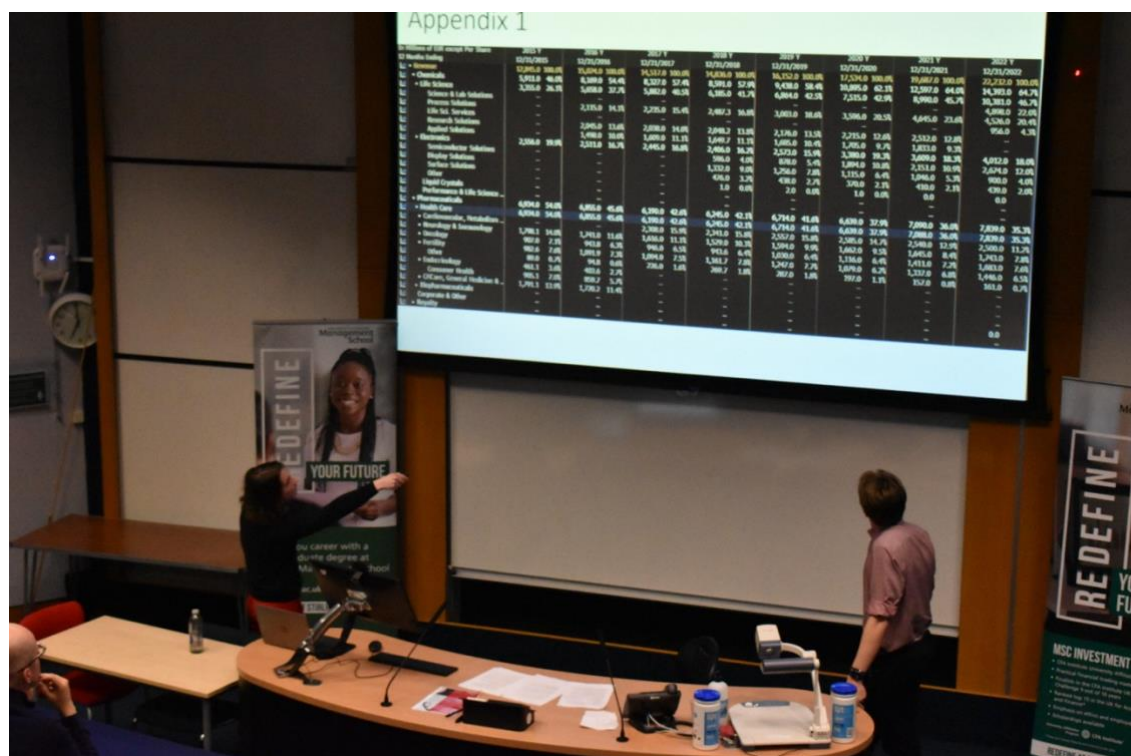
ESG considerations further enhanced Merck's appeal, with a low-risk rating of 19.6 according to Sustainalytics, and strong management rating. Its increasing revenue share from semiconductor solutions indicated a conscious effort towards diversification, further adding to its appeal.

Investing in Merck also addressed underexposure in chemicals and healthcare within the fund. It provided geographical diversification and reduced vulnerability to typical pharmaceutical sector volatility, thanks to its modest beta. Therefore, Merck was considered a solid defensive investment with promising prospects.



Student Presenters

Company	Student Presenters
	Maciej Miazek
	Aine Amaani Ahabwe
	Nicholas LaRue Homoud Mahadin
	David Campbell
	Joshua Connor Euan Honeyman
	Maciej Miazek Ben Armitage



Portfolio Composition and Performance

for the period from 1 June 2022 to 31 May 2023

The portfolio under consideration paints a vivid image of diversified investments spread across several companies, sectors, and geographies, amassing to an approximate value of £8,446.34. Through an analysis of the detailed holdings, we can deduce the core concentrations, the spread of risk, and areas where representation is lacking.

Geographical Concentration:

A pronounced concentration can be seen in companies based in the United States and Europe. Entities such as BlackRock Inc., Salesforce, Disney, and Block Inc. are anchored in the US. In contrast, firms like Lloyds Banking Group, Easy Jet, and Games Workshop underscore the European focus of the investments. Mercado Libre, rooted in Latin America, adds a smidgeon of diversification. Still, it's noticeable that the portfolio does not yet venture into high-growth areas like Asia, notably the economic giants of China and India.

Sectoral Analysis:

- **Finance and Banking:** Holdings in Lloyds Banking Group and BlackRock Inc. shed light on the significant commitment to the finance sector, summing up to approximately £1,452.03.
- **Technology:** Salesforce, Infineon Technologies, and the modestly valued Block Inc. give the tech sector an accumulated investment nearing £1,603.56.
- **Consumer Goods and Services:** Estée Lauder, Disney, and Games Workshop solidify the consumer sector's presence, accounting for roughly £1,282.52.
- **Energy:** Through investments in Next Era Energy and Total S.A.,

the portfolio houses a stake in the energy domain, aggregating around £1,356.74.

- **Healthcare:** Pfizer represents the portfolio's foray into healthcare, holding a value of £543.45.
- **Transportation:** With firms like Easy Jet and the real estate-centric Granite Reit, which together amount to £677.55, there's palpable exposure to these sectors.
- **Others:** Diversifying further, Baxter, Americold, and Mercado Libre contribute to the health tech, cold storage, and e-commerce sectors, respectively.
- Notably missing from the investment portfolio are sectors like automotive, telecommunications, and agriculture. These non-represented sectors might offer diversification opportunities down the line.

The Role of Cash:

With a cash cushion of £499.04, the portfolio is prepared for market movements, be it capitalizing on new investment opportunities or recalibrating in unpredictable market scenarios.

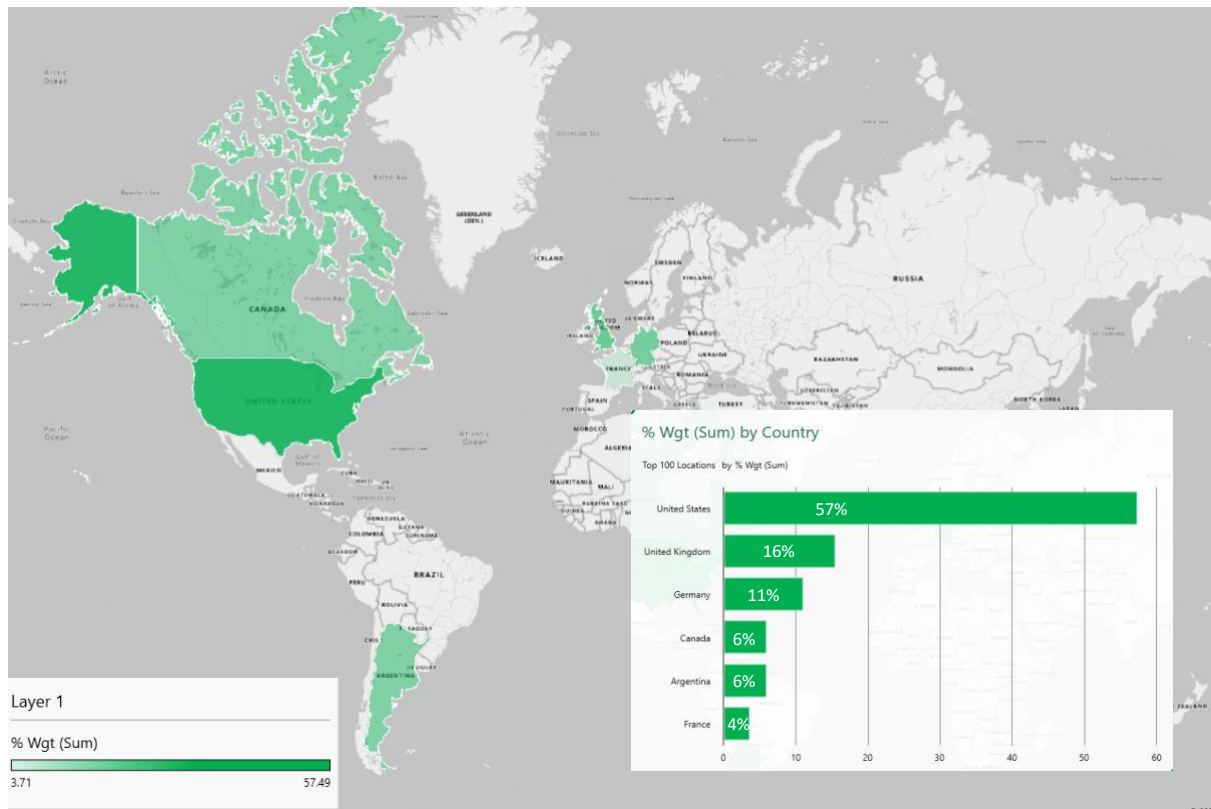
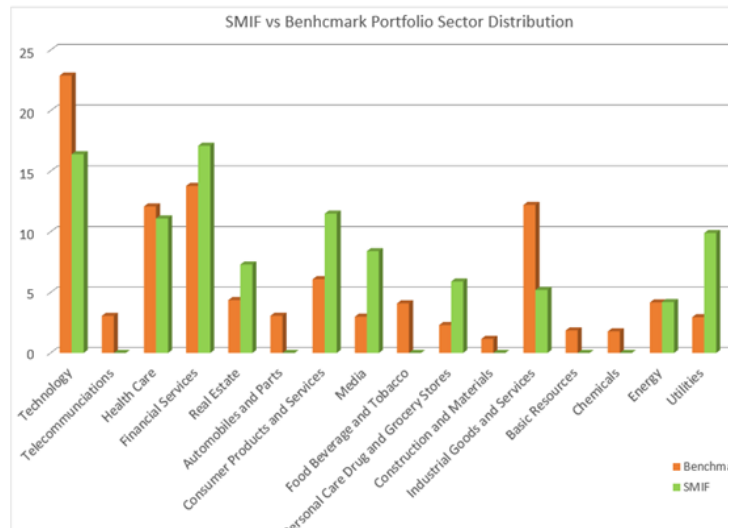
Observations:

The technological and financial sectors emerge as the portfolio's heavyweights. However, a concentration of this sort brings forth risks. Disruptions in these sectors could lead to palpable tremors in the portfolio's overall standing.

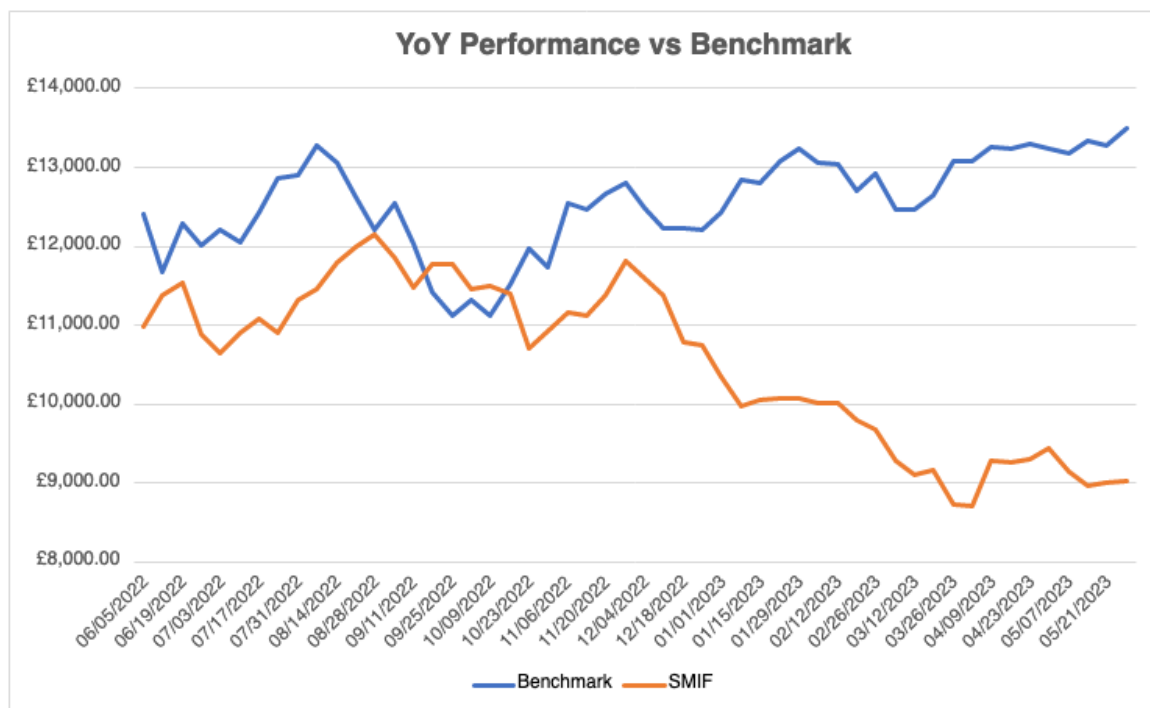
Conclusion:

The portfolio exhibits a multifaceted investment spread, especially towards technology and finance. Its geographical gaze is primarily westward, with dominant stakes in US and

European entities. To ensure the portfolio remains resilient and continues its growth trajectory in myriad market conditions, diversifying into emerging markets and sectors is a strategy worth pondering.



Portfolio Performance - June 2022/May 2023



The performance of our investment fund from June 2022 to June 2023 has shown a noticeable deviation from the benchmark. While the benchmark started at £12,411.60 and ended at £13,485.65, showing an increase of approximately 8.6%, our portfolio started at £10,986.60 and ended at £9,031.89, marking a decline of about 17.8%. This underperformance can be attributed to a couple of key factors.

Firstly, our portfolio is heavily weighted towards U.S. stocks, which have been underperforming during this period. The U.S. market has faced several headwinds, including inflationary pressures and geopolitical tensions, which have led to broad-based downturns affecting multiple sectors. Unlike the benchmark, which benefited from the resilience and growth of large-cap tech giants, our U.S. exposure is not concentrated in any specific industry like technology. This made our portfolio more susceptible to market-wide downturns in the U.S.

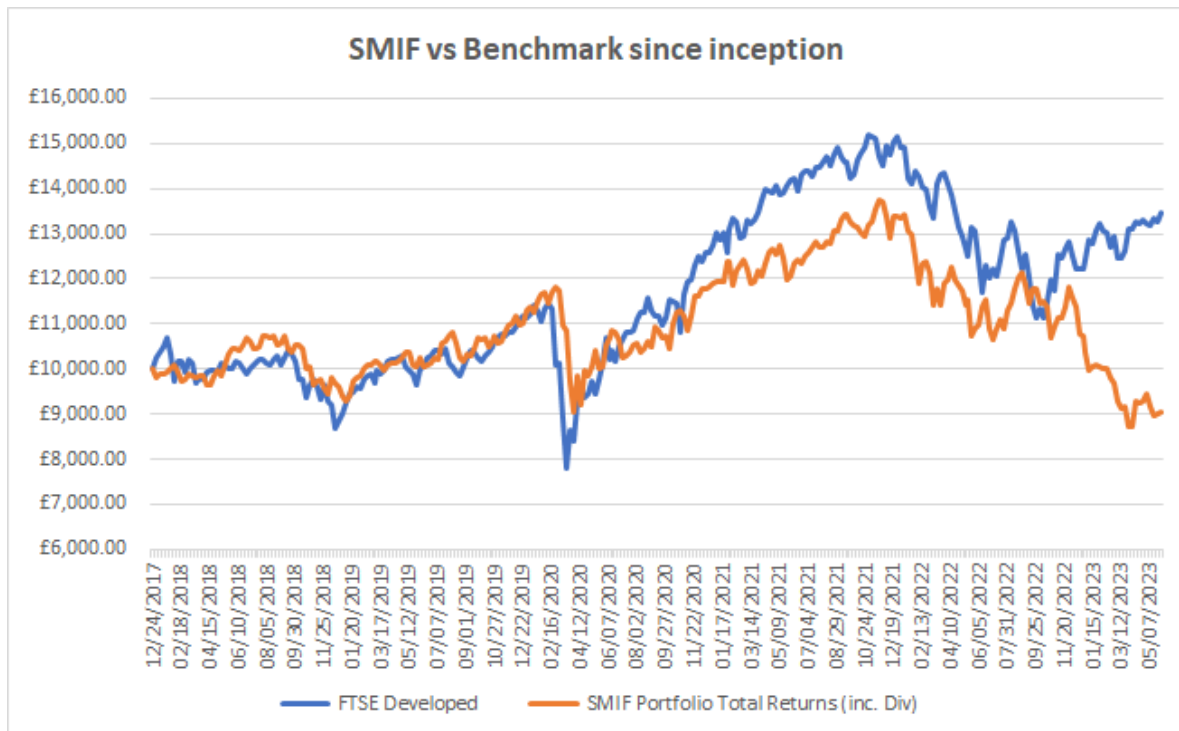
Secondly, the benchmark had the advantage of diversification, both geographically and by

sector. It was buoyed by the performance of large-cap tech stocks, which have shown resilience and even growth during this period. Our portfolio, lacking this specific focus, was more exposed to the volatility and downturns in the U.S. market.

It's worth noting that there were periods when our portfolio showed signs of recovery, such as the week ending on August 28, 2022, where it reached £12,151.25 compared to the benchmark's £12,201.87. However, these gains were not sustained, and the portfolio's value declined significantly in the subsequent months, especially from January 2023 onwards.

In summary, the underperformance of our portfolio against the benchmark is largely due to our heavy exposure to the underperforming U.S. market and the lack of focus on specific high-performing sectors like technology. We're hoping that as the portfolio grows and our diversification increases, risks like this one will be significantly mitigated looking ahead.

Annual SMIF portfolio performance versus FTSE Developed Index



From December 2017 to May 2023, both the FTSE Developed index and the SMIF Portfolio exhibited distinct performance trends. Starting at an identical baseline of £10,000, the FTSE Developed index increased to £13,485.65, marking a 34.86% growth. In contrast, the SMIF Portfolio declined to £9,031.89, a decrease of approximately 9.68%. The FTSE Developed index experienced periods of volatility, with a significant dip around March 2020, likely influenced by external factors such as the COVID-19 pandemic. The SMIF Portfolio also showed volatility but displayed a more pronounced

downward trend, especially after 2021. As of 2023, the FTSE Developed index has stabilized around the £13,000 range, while the SMIF Portfolio has continued its downward trajectory, reaching £9,031.89 by May 2023. Overall, we have been punished by the timing of our purchases, buying expensive companies at expensive prices. Looking ahead, some revisions to our portfolio and purchasing of additional stocks that are queued up to be added could be beneficial as the current market downturn could provide us with significant discounts; priming us for a big leap forward.

Portfolio ESG analysis for the period from 1 June 2022 to 31 May 2023

The SMIF portfolio principles are firmly rooted in the integration of Environmental, Social, and Governance (ESG) factors, driving financial impact through our Socially Responsible Investing (RSI) approach.

ESG Implementation Process:

Our ESG implementation process entails evaluating proposed stocks in accordance with the SMIF's Responsible Investment Policy (RIP) and ESG Criteria, for which we maintain a vigilant stance through continuous monitoring of our existing holdings. This is through the lens of ESG information, ratings, and news updates. Should breaches occur, a predefined divestment process is activated.

ESG considerations:

SMIF ESG considerations encompass a broad range of factors that align with our dedication to promoting sustainability and creating long-term value. These considerations include, but are not limited to, the following:

Environmental: In relation to environmental considerations, we expect companies to take active steps to mitigate environmental harm, prevent irreversible damage, and uphold ethical treatment of animals.

Social: Our consideration for social capital prioritizes the focus on avoiding weapons sales and preventing consumer addiction-based profit models. Ensuring fair treatment of workers, providing safe

working conditions, and treating customers fairly are integral to our social criteria.

Governance: Governance is a pillar of paramount importance in our ESG considerations. We hold companies to high standards of compliance with all applicable laws. Additionally, we require withdrawal from operations that conflict with the values of the SMIF. Our governance criteria also involve safeguarding voting rights, maintaining a presence of independent non-executive directors on boards, and advocating for diverse and inclusive boards.

Bloomberg ESG Data for SMIF ESG Analyses:

The ESG elements viewed within the SMIF as most material to include within our framework were accessed from the Bloomberg Terminal's data sources, which covers specific metrics and indicators associated with each ESG category. ESG pillar scores range from 0 to 10, measuring from worst to best on industry specific issues and alignment with country specific policies and practices.

The Bloomberg ESG data is collected from various sources, including public disclosures, regulatory filings, proprietary research, and company voluntary reporting. However, not every company voluntarily provides their ESG data, and so we acknowledge that the low participation rates may result in missing data to assess ESG performance for some portfolio holdings. Disclosure ratings range from 1 to 100 being the best, measuring each company's quantitative disclosure required under the Bloomberg materiality framework - all of which are discussed as

percentile scores. Lastly, an assessment of company ESG metrics relative to industry peer performance is included under the column Vs Peers within our final ESG analysis table, referring to the disclosure rating thresholds below:

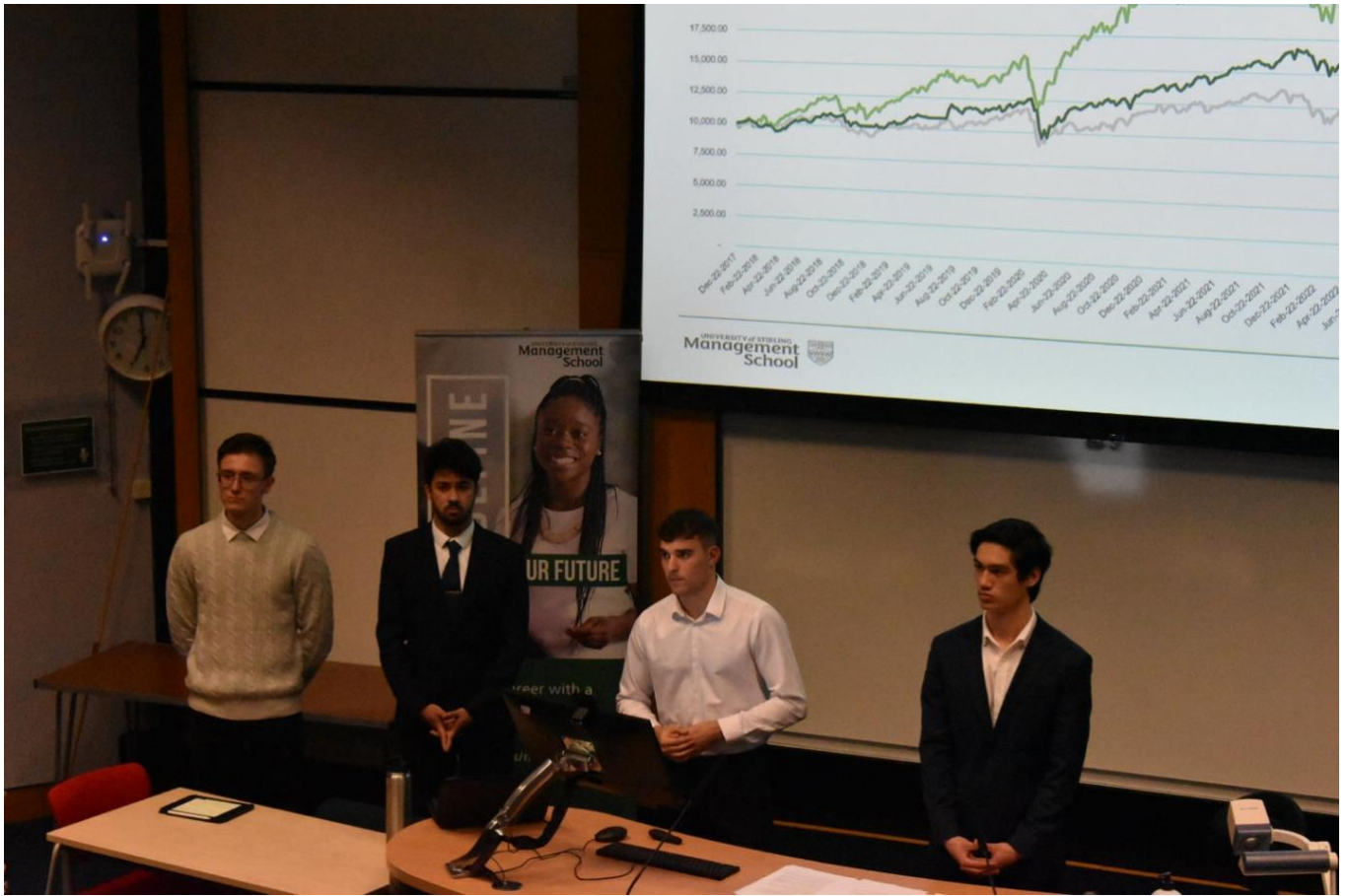
- Leading would constitute of score percentiles greater than or equal to 75.00.
- Above Median percentile scores range between 50.00 and less than 75.00.

- Median peer ranking percentile scores equal to 50.00.
- Below Median Percentile scores present below 50.00 and greater than or equal to 25.00.
- Lagging stocks within the portfolio would present a percentile score of less than 25.00.

Final Bloomberg ESG Analysis for the Academic year in March 2023:

Company	Environmental	Social	Governance	ESG Disclosure	Vs Peers
Blackrock	4.5	5.78	7.58	50.12	Leading
Disney	3.79	2.55	7.81	52.38	Leading
Total Energies	6.63	5.73	6.86	70.53	Leading
CRM	6.52	0.82	6.82	49.46	Leading
Pfizer	4.97	5.54	8.1	66.02	Above Median
Next Era	6.86	5.73	6.02	65.08	Leading
Mercado Libre	3.96	4.49	4.87	29.27	Leading
Lloyds	4.41	2.43	7.98	No Data	Leading
Infineon	No Data	No Data	No Data	45.2	No Data
Granite	No Data	No Data	No Data	45.2	No Data
Games Workshop	No Data	No Data	No Data	45.2	No Data
Estee Lauder	7.23	1.91	5.53	70.78	Leading
EZJ	6.08	4.53	7.33	51.19	Leading
Block	2.67	0.9	5.73	45.41	Above Median
Baxter	3	3.98	7.74	69.19	Leading
Americold	2.34	1.5	6.98	46.29	Above Median

(Note: "No Data" indicates missing information from the Bloomberg Terminal from March 2023)



Key Takeaways and Next Steps:

Next steps for the SMIF ESG performance analysis process could provide a more comprehensive framework by assessing our portfolio companies' different forms of capital for quantitative and qualitative issue level criteria.

To enhance investment processes, companies within the SMIF portfolio can include a materiality assessment using

Bloomberg data of their natural capital, social and relationship capital and human capital. An example of a materiality assessment to be considered for future SMIF ESG analyses can refer to the Sustainability Accounting Standards Board (SASB) framework. The elements of which delve into the Environmental, Social, and Governance (ESG) risk exposure of the companies, an example of how to do so is presented below:

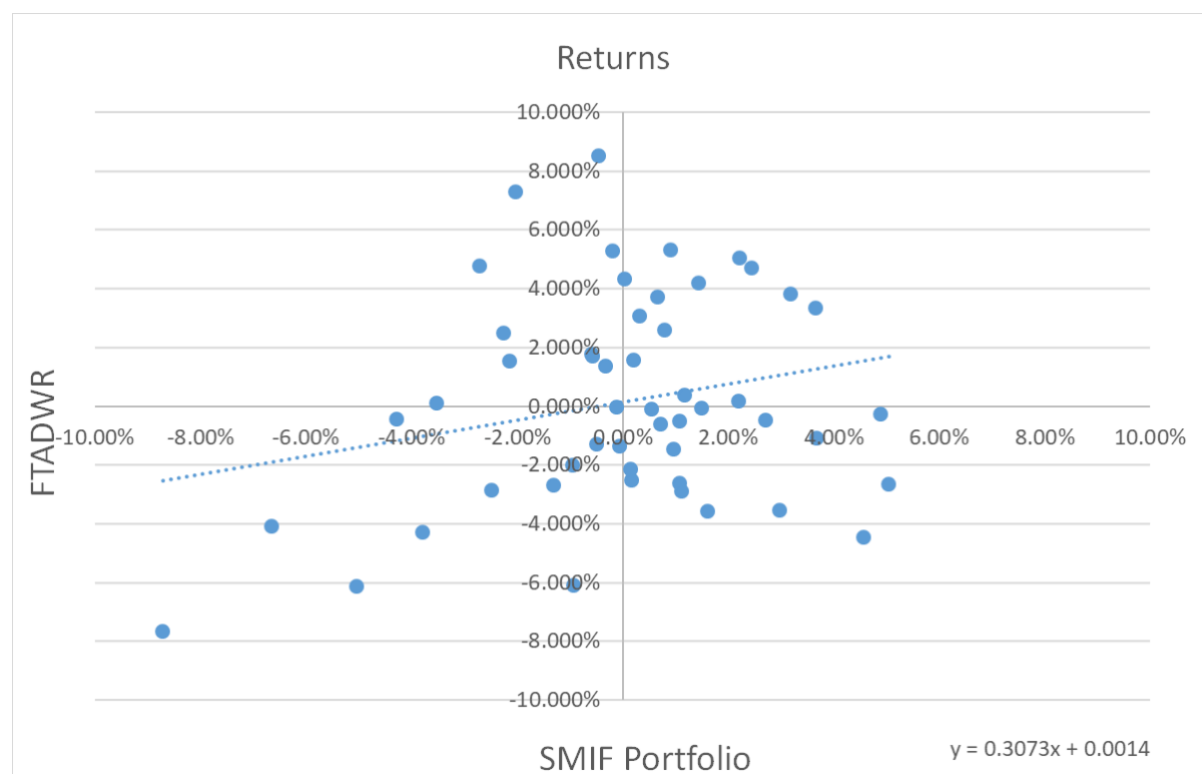
Issues	SMIF Company A	SMIF Company B...
GHG emissions		
Air Quality		
Energy management		
Fuel Management		
Water and wastewater management		
Waste and hazardous materials		
Biodiversity impacts		
Social Capital		
Human rights and community relations		
Access and affordability		
Human Capital		
Labour relations		
Fair labour practices		
Employee health, safety, and wellbeing		
Diversity and inclusion		
Compensation and benefits		
Recruitment, development, and retention		
Business Model and Innovation		
Product quality and safety		
Leadership and governance		

Portfolio Risks for the period from 1 June 2022 to 31 May 2023

The statistics below were calculated from the weekly returns of the stocks in the SMIF portfolio and the benchmark (FTSE Developed World, FTADWR) for the period of 1st of June 2022 to the 31st of May 2023.

Risk Statistics	SMIF Portfolio	FTADWR
Beta	0.307	1.00
Average Return	0.161%	0.058%
Standard Deviation	3.53%	2.72%
Sharpe Ratio	0.02	-0.01

The average weekly returns of the SMIF portfolio is almost double than that of the benchmark as we had several stocks with very good performances year on year, such as Salesforce (up 21%), Games Workshop (up 30%), Infineon Technologies (up 31%) and most notably Mercado Libre (up 65%). Furthermore, the SMIF portfolios worst performing holdings were on the lower side of the weighting spectrum, and therefore did not drag down the portfolio average by as much, for example Baxter (down 45%) with only a 2.04% weighting or Square (down 25%) with only a 0.76% weighting.



Our systematic risk is low, represented by our Beta of 0.307. However, our portfolio had a higher total higher risk than the benchmark as illustrated by a standard deviation of 3.53% versus 2.72%. This is primarily due to the low diversification of our portfolio relative to the benchmark, meaning that we experience higher unsystematic, diversifiable risk, and an underexposure to various sectors.

Risk Statistics	SMIF Portfolio	FTADWR
VaR (95) %	-1.74%	-1.25%
VaR (95) Abs	-£ 142	-£ 102
VaR (99) %	-2.40%	-1.81%
VaR (99) Abs	-£ 195	-£ 147
Modified Sharpe Ratio	0.05	0.02

The SMIF portfolios' valuation as of the 31st of May 2023 was £8,134.00. When computing the Value at Risk (VaR) measurements, the SMIF portfolio, unsurprisingly because of the higher standard deviation, had a higher VaR than compared to the benchmark. The SMIF portfolios' VaR indicate that at a 95% confidence level it can be reasonably expected that it would not lose more than 1.74% of its value in a month and at a 99% confidence level that it would not lose more than 2.40%.

When comparing the average returns of the SMIF portfolio generated as a function of its standard deviation it can be observed that the SMIF portfolio outperformed the benchmark as the former had a Sharpe Ratio (= Average Return – Risk Free Rate / Standard Deviation) of 0.02 versus the latter at -0.01. This means that even though the SMIF portfolio had a higher level of risk than the benchmark it was better at converting each unit of risk into higher units of return.

Efficient Frontier

The efficient frontier is a financial tool which enables a portfolio manager to identify the optimal combination of stocks that could potentially offer the highest expected portfolio return for any given amount of risk. In the academic year 2022 – 2023 the SMIF portfolio incorporated the use of efficient frontiers to ensure a better understanding of the risk and potential opportunities the portfolio is exposed to.

The efficient frontier is a financial tool which enables a portfolio manager to identify the different combination of optimal portfolios that could potentially offer the highest expected return for any given amount of risk. In the academic year 2022 – 2023 the SMIF portfolio incorporated the use of efficient frontiers to ensure a better understanding of the risk and potential opportunities the portfolio is exposed to. The efficient frontier has been calculated using the monthly returns of each of the stock performances over the past five years in contrast to the previous section where the calculations were computed with weekly returns for the past year.

In Figure 1 the efficient frontier was computed using the current invested holdings of the SMIF portfolio, what the graph illustrates is that the SMIFs' current portfolio lies under the efficient frontier, which are the sets of points that connect all of the portfolio combinations that maximize the return for every level of risk. What this means is that the current SMIF portfolio is quite average in terms of its potential performance given the level of risk it assumes. The SMIF portfolio has an average monthly return of 0.78% and has a standard deviation of 5.85%, however, the optimal portfolio on this efficient frontier is given by the green point which would generate a return a monthly average return of 1.15% with a lower standard deviation at 5.54%. When comparing the Sharpe ratios the SMIF portfolio has a modified Sharpe ratio of 0.07 versus the optimal portfolio which sits at 0.14.

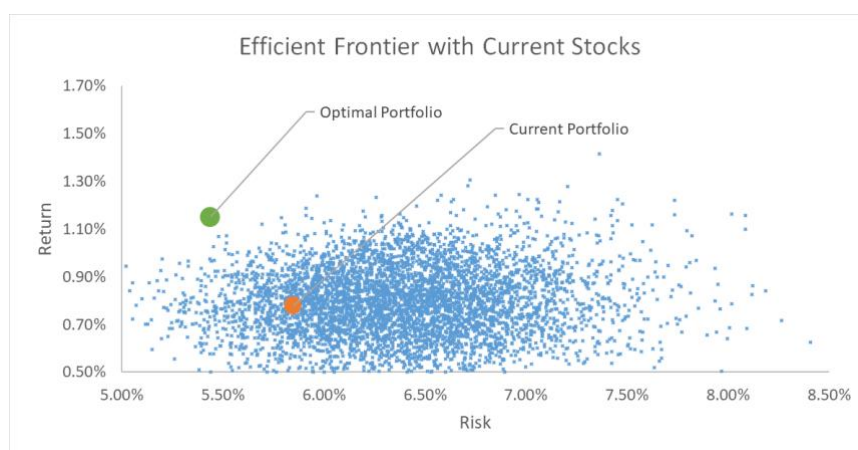


Figure 1. Current Stocks

In Figure 2 the efficient frontier was computed using the new stocks which have been chosen to become part of the SMIF portfolio including Amazon, Comcast, Google, Louis Vuitton and Sony (except Merck which was pitched in Spring 2023) but have not yet been invested in. The main observation that can be made is that the efficient frontier using the new stocks has a higher efficient frontier than compared to Figure 1. This is in part due to the fact that some of the stocks such as Amazon, Google and Louis Vuitton have produced phenomenal returns for the past five years and therefore shifted up the average potential returns of the portfolio.

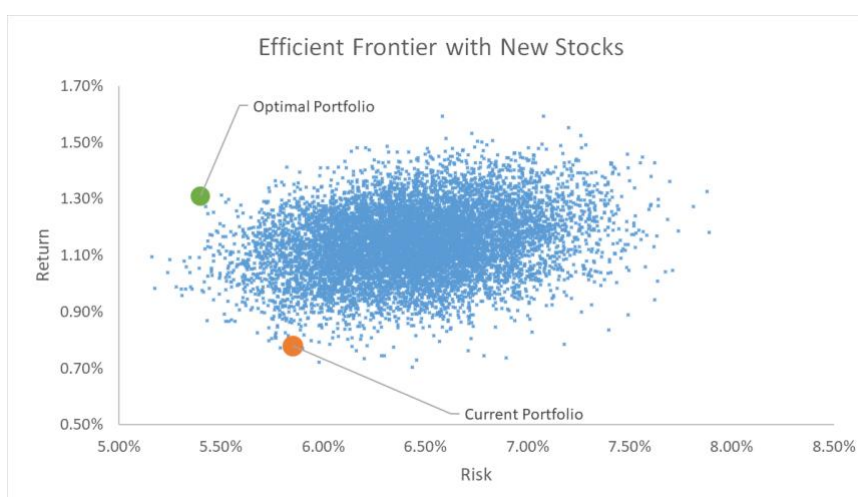


Figure 2. New Stocks

Our current portfolio no longer lies in the middle of the pack and is currently located at the bottom of all the possible combinations. When calculating the new optimal portfolio with the additional stocks, the expected monthly return was 1.31% and the standard deviation was 5.4%, generating a modified Sharpe ratio of 0.24, which is superior to both the previous optimal portfolio with the old stocks (0.21) and the current SMIF portfolio (0.13). In Figure 3 the SMIF portfolio is compared against the old versus new optimal portfolios with the calculated weightings for each equity position.

Stocks	Current Portfolio	Optimal Portfolio (current)	Optimal Portfolio (new)
AMZ	0%	NA	3.7%
BAX	4%	4%	1.7%
BLK	11%	1%	1.6%
CMCSA	0%	NA	1.6%
COLD	1%	10%	9.7%
CRM	8%	10%	1.5%
DIS	5%	1%	1.6%
EL	5%	10%	1.4%
EZJ	4%	1%	2.2%
GAW	4%	10%	1.0%
GOOG	0%	NA	9.8%
4I7.F	6%	10%	9.9%
IFX	7%	1%	1.5%
LLOY	7%	1%	1.6%
LVMH	0%	NA	9.4%
MELI	8%	10%	9.7%
NEE	11%	10%	9.6%
PFE	9%	10%	9.8%
SONY	0%	NA	1.4%
SQ	2%	1%	1.6%
TTE	3%	10%	9.9%
Average Return	0.78%	1.15%	1.31%
Risk	5.85%	5.44%	5.4%
Mod Sharpe Ratio	0.13	0.21	0.24

Figure 3. Portfolio Combinations

The efficient frontier is a mathematical tool that only considers past historical price data to calculate what the optimal portfolio would have been for those past five years. This tool is only backwards looking and is not meant to predict the future behaviour of the portfolio, and so must be utilized in combination with careful financial evaluation of the SMIF's portfolio holdings to determine what the portfolio should look like going forward.

Commentary on Individual Stock Performance from June 2022 to May 2023

Americold

Description

Based in Atlanta, Americold (NYSE: COLD) operates 242 temperature-controlled warehouses world-wide, as well as providing consolidation and multi-vendor consolidation transportation programs – their warehouse, third-party managed and transportation segments. These warehouses serve as an intermediary, connecting production and processing to distribution and consumption for food and pharmaceutical industry clientele. Being the largest temperature-controlled warehouse provider in the world, operating 1.3 billion cubic feet of storage over 10 countries, places Americold in a leading position in its industry, with a 21.4% market share.

Events

COLD suffered a reduction in volume from its third party-managed operations as it exited from/scaled down some of its business, seeing drastic impacts for Q2 with a historic loss of \$105 million. In general, the company has been suffering from margin pressures because of labour cost inflation and occupancy deadlines, already closing one of their facilities earlier this year. However, the biggest shock so far has been the waves of cyberattacks on the firm occurring since the end of 2022, which completely halted operations in the warehouses impacted. In April, losses from cyber incidents were totalled at \$28 million, a x5 increase YoY. Management has used between \$100 - \$200 million this year on organically opening new locations, with expansion also taking place via strategic investment in RSA Cold Chain in Dubai, and the doubling of facilities in Spain.

Risks

The rapid acquisition of new facilities has created large operating system threats. As of 2023, each facility has its own OS, making basic activities such as billing, HR management, and maintenance extremely complicated. Earlier in 2023, 30% alone of the company's facilities were impacted by a cyberattack, halting throughput in those locations. Although the launch of a new cloud-based enterprise resource planning (ERP) system, Project Orion, is being launched to integrate and streamline operations, this is estimated to cost \$100 million and take 3 years to complete. The SMIF's Portfolio Revaluation (March 2023) proposed an increase of exposure to COLD. The firm's share price has risen by 5.83% over the year. While not exactly a 'bargain', the rationale behind the earlier stance of buy remains. Moreover, The interest rate hikes provide an opportunity to invest if the stock price is lowered. The company seems poised for growth. Demand in the industry has remained strong and margin pressures are easing at a considerable rate.

Baxter Healthcare

Description

Baxter International Inc. (NYSE: BAX) functions across two primary segments: Hospital Products and Renal. Within its Hospital Products division, the company specializes in the production of sterile intravenous (IV) solutions and administration sets. The Renal segment focuses on delivering a comprehensive range of solutions tailored to the requirements of individuals with end-stage renal disease, irreversible kidney conditions, and acute kidney injuries. This encompasses a spectrum of technologies

and therapies catering to peritoneal dialysis (PD), hemodialysis (HD), continuous renal replacement therapy (CRRT), and supplementary dialysis services. The company's offerings find application in diverse settings, including hospitals, kidney dialysis centres, nursing homes, rehabilitation facilities, medical clinics, as well as for patients undergoing treatment at home under the supervision of medical professionals.

Events

August saw a suboptimal ROCE for BAX, considering the share price rose a mere 5% over the past five years. Come September, the company announced the FDA's 510(k) clearance for its Novum IQ syringe infusion pump, capitalizing on the global infusion pumps market's growth trajectory. However, in October's Q3 2022 earnings release BAX posted \$0.82 per share, a dip from \$1.02 per share the prior year. Despite announcing a dividend in November and revealing a strategic 'roadmap' in January aimed at simplifying its operating model, the company's stock felt the weight of investor scepticism, declining 7.7% shortly after the January announcement. February's Q4 earnings missed expectations, with a reported EPS of 88 cents against the estimated 94 cents, which further resulted in a 12% stock drop within two days.

Nevertheless, April saw the company launch its ZOSYN Injection, targeting multiple bacterial infections, displaying their continuous efforts in healthcare innovation.

Risks

Baxter International has recently highlighted a series of concerning indicators in its financial performance. Over the past year, the company faced challenges such as missing quarterly earnings expectations, experiencing a substantial stock price decline, and receiving attention from analysts for suboptimal ROCE metrics. Such volatility

and underperformance place current and potential investors in a position of heightened risk, as the company's ability to reverse these trends remains uncertain. Coupled with external pressures, such as inflationary factors and unfavourable foreign exchange impacts, Baxter's outlook warrants careful consideration. Over recent years, Baxter has experienced a tepid growth rate, signalling potential challenges on the horizon. In alignment with this subdued momentum, the stock declined 44.6% year-over-year from June 2022 to June 2023, making Baxter the largest losing position in our portfolio.

Blackrock

Description

BlackRock, Inc. (NYSE: BLK) is a leading publicly traded investment management firm, considered to be one of the 'Big 3' global providers of index funds. Although based in New York City, the firm operates offices in over 30 countries. The corporation serves as a fiduciary specialising in equity and fixed-income products, as well as multi-class and alternative instrument investments, providing investment management and technology services to institutional and retail clients. Products are provided directly and through intermediaries, such as open-end and closed-end funds, iShares exchange-traded funds, separate accounts, collective investment funds and other pooled investment vehicles. Technology financial services include their Aladdin platform. Since 1988, when BLK was founded, the firm has focused on a long term strategy of developing from an asset manager to an investment manager.

Events

The company recorded \$8.59 trillion in AUM by the end of Q4 of FY22, a significant loss from its \$10.01 trillion high the year before, despite claiming \$300 billion in inflows. This can be

explained by the bear market and decreased performance fees. However, BlackRock Solutions' Aladdin had successful 2022, generating record revenue of over \$1 billion.

In 2023 BLK appears to have changed its strategy, with an aggressive emphasis on tech to meet the promise of annual 5% revenue growth. The June 2023 deal with LTX (a subsidiary of fintech giant Broadbridge), and the April 2023 deal with Avaloq (a Swiss provider of banking software owned by Japan's NEC Corporation) are examples of this approach. Moreover, BLK has announced plans to increase activity in its fixed income space, already valued at \$2.5 trillion.

In June, the firm filed for approval for the first bitcoin-based ETF via their iShares Bitcoin Trust, a pioneering move into the cryptocurrency industry.

Risks

The intense and rapid growth of technology usage worldwide, across all demographics, has accelerated the rise of fintech companies. This has resulted in a massive entrance of competitors to the industry, posing a challenge for BlackRock, already recovering in a post-pandemic market, to simultaneously invest and innovate their tech offerings to remain a strong investment management leader. Additionally, a rise in demand for more serious ESG requirements by shareholders and politicians has arguably not been met at a 'leader of industry' standard by Blackrock. So far, MSCI provides BlackRock with an 'A' rating, which is 'average.' If the industry standard is to increase as regulations tighten, then BlackRock may potentially see a loss of clients to more proactive competitors. CEO Larry Fink estimated that in January BlackRock had lost around \$4 billion in managed assets due to ESG backlashes, and whilst this value is miniscule in comparison to their \$9 trillion in AUM, the SMIF should consider whether

apparent reluctance to enhance ESG standards conflicts with our ESG ethos. Nevertheless, BlackRock shows operational potential, its share price having increase by 1.26% since June 2022, meaning that the SMIF is not particularly worried about performance.

Disney

Description

The Walt Disney Company (NYSE: DIS), together with its subsidiaries, is a diversified worldwide entertainment company with operations in two segments: Disney Media and Entertainment Distribution (DMED) and Disney Parks, Experiences and Products (DPEP). Despite the significant challenges posed by the COVID-19 pandemic in 2022, the company managed to resume operations at various points. Its 2022 strategy prioritized its Direct-to-Consumer (DTC) services, leading to growth in subscription revenue. Additionally, the company made significant strides towards environmental sustainability, setting ambitious goals for emissions reduction and waste management.

Events

Disney's share price fell 18.87% in the past 12 months. This is not only due to market trends which impacting media stocks, but also due to political controversies in Florida surrounding the 'Don't Say Gay' Bill. Disney's silence was badly received as it is considered a political heavyweight.

The stock had been climbing from mid-July onwards, due to overall equity market positive returns and Fed announcements which boosted investor confidence. However, their significant EPS estimate miss, announced when the Q3 earnings report came out mid-august, caused the share price to plummet. The return of Bob Iger as CEO in late November was met

with mixed emotions, notably leaving investors feeling cautious.

In January 2023, the share price soared by 25% due to the success of the film 'Avatar 2' in the previous month. However, this audience demand was not maintained, and Disney's cost-cutting measures (a hiring freeze and layoffs) were badly received. As a result, a considerable drop in share price was witnessed, with an even bigger decline (the largest fall in half a year) in the following months after their reported subscriber numbers missed estimates.

Risks

The lagged effect of the pandemic could disrupt the financial and operational results of the company's DPEP segment. A decline in global economic conditions can adversely affect demand and/or expenses for any of their businesses. Additionally, the seasonality of certain of their businesses and the timing of certain of their product offerings, as well as unpredictable factors like severe weather, catastrophes, global political or military shifts, and terrorism can greatly impact the travel and tourism sector.

The company faces risks from potential cybersecurity breaches, which could impair business operations, diminish profitable opportunities, and lead to revenue loss due to unlicensed use of their intellectual property. Labour disagreements with employees (because of cost-cutting measures) or those of their licensees, retailers, or content providers, could disrupt operations and decrease revenues. Resolving these disputes or negotiating wage increases could elevate costs.

Additionally, Disney's PR has faced difficulty in recent years as multiple allegations have been raised about their track record of supporting racial/gender stereotypes in their older productions.

EasyJet

Description

EasyJet plc (LSE: EZJ) is a UK-based, low-cost European short haul airline. The company serves 19 domestic destinations and 137 international destinations in 37 countries. EZJ uses a strategy that prioritises affordability and convenience, utilising a point-to-point network, investing in fuel-efficient aircraft and basing most of their travel management on online booking platforms and applications. Income is sourced from passenger revenue and ancillary revenue.

Events

By the end of 2022, a net loss (recorded for the third year running) was at £169 million. Although this was 80% lower than the previous year, it was less than pre-pandemic levels despite a 296% YOY increase in annual revenues to £5.77 billion. EasyJet has still been unable to return to profitability, recording an operating loss of £27 million at the end of Q1, although this is much better than the previous 2 years' performance. EBITDA similarly saw a sharp recovery to £539 million but remained at almost half the level in 2019.

Q3 FY23 saw sustained growth in revenue, with a £317 million improvement vs Q3'22 –due to the return of demand in the travel industry, with flight demand greater than pre-pandemic levels. Passenger growth by the end of Q3 was +7% YoY.

Risks

EZJ suffered from the drastic slump in the aviation industry due to the pandemic. But even post-COVID-19, rising fuel costs, airport charges and salaries mean that low-cost carriers are seeing much higher operation costs.

Furthermore, unpredictable events continue to take a toll on the industry, such as staff shortages from strikes and a reduction of airspace and efficiency in

travel times due to the Russia-Ukraine War.

However, regardless of the general drawbacks that all airlines are facing, it must be noted that EZJ had been underperforming prior to 2020, and that this trend continues. Their strategy and reputation are weaker than those of their two fellow UK competitors: British Airways and Ryanair. British Airways have benefited from higher demand from the long-haul market to the US, whilst Ryanair has historically maintained its position as the most popular budget airline with a market cap almost thrice that of EasyJet. Even competitors such as Wizz Air have been able to see a return to profitability. This is reflected in EasyJet's share price fall of 6.92% since last June.

Estée Lauder

Company Description:

Estée Lauder Inc. (NYSE: EL) is a globally leading manufacturer and marketer in the cosmetics industry. The company offers a wide range of skincare, makeup, fragrance, and hair care products. Well-known brands include Estée Lauder, Clinique, MAC Cosmetics, Bobbi Brown, La Mer, and more than a dozen others. In fiscal 2022, Estée Lauder implemented pivotal strategic initiatives, including the launch of innovative, environmentally friendly products, an expansion into emerging markets, and a strengthening of its digital presence. These endeavours aimed to enhance customer engagement while propelling overall growth.

Events:

With a recession on the horizon and the consumer market taking much longer than expected to bounce back from the COVID-19 pandemic, companies like Estée Lauder are experiencing a steady downward trend in their stock price. Following from this, pre-pandemic Estée Lauder's presence in China had been a great revenue driver for the company. However, post-COVID,

China's initial zero-tolerance COVID policies continued to completely shut down the retail market. This, paired with China no longer offering any kind of financial ballast to its citizens due to an economic downturn, resulted in buyers emerging from repeated lockdowns with less money to spend on luxury goods. Estée Lauder's fortune turned with the completed acquisition of Tom Ford in April 2023, another luxury makeup and fashion designer with once close ties to Gucci. It brought in a new demographic of people while also boasting great success within the Asian markets. This resulted in an upward shift in the stock price, which peaked on the 1st of February 2023 at \$281. On the 3rd of May 2023, Estée Lauder was forced to slash its Q3 sales projection within the Chinese market due to a slower-than-expected recovery from COVID. This loss was only worsened by the acquisition of Tom Ford, with its reliance upon the Asian markets for a large portion of its sales. Upon the publication of the reality of the Chinese market, the stock price tumbled by a fifth on the 28th of April 2023 from \$245 to \$202. This turned shareholder confidence downwards, forcing the company to revise its predicted revenue in Western markets from \$558 million to \$126 million.

Risks:

Estée Lauder finds itself in an uncertain time, and this is reflected in the current stock price, which has been volatile of late. The company cannot fully recover its losses until the Chinese economy does the same. With lockdowns lasting longer than in many other places in the world, Chinese consumers were struggling, leaving no money to buy luxury goods. Furthermore, growing tension between the East and West could potentially cause a threat to companies attempting to straddle the two largest economies in the world, forcing them to pick one or the other. Within Western markets, Estée Lauder is facing

risk in the form of record inflation and supply chain disruptions

Games Workshop

Description

Games Workshop Group PLC, (LSE: GAW) is a UK entertainment company specialising in designing, manufacturing, and retailing tabletop miniature wargames and associated products. Their most iconic brands include *Warhammer 40,000*, *Warhammer Age of Sigmar*, and *The Middle-Earth Strategy Battle Game*. Players can collect, paint, and assemble intricately detailed miniatures, representing various fantasy and science-fiction factions, and ‘battle’ them in strategic games on tabletop landscapes. Other products include the upcoming Warhammer TV series (a recent collaboration with Amazon novels), video games, and other merchandise through its Black Library imprint and licensing agreements.

Events

In October 2022, the company's CEO, Kevin Rountree, purchased additional shares above the trading price. This move came shortly after GAW's remarkable 55% Return on Equity (ROE). As the year ended in December, the company announced a ground-breaking partnership with Amazon to produce films and TV adaptations based on their iconic Warhammer universe. This collaboration, coupled with a steady growth in licensing income – soaring from £2 million in 2015 to an impressive £17 million in 2023 – resulted in a significant uptick in the share price. By January 2023, reflecting their robust financial health, Games Workshop revealed an increase in its dividend, set to be £1.20 by May. Year-on-Year, from June 2022 to June 2023, Games Workshop stood out in our portfolio, registering a nearly 30% surge, making it our third-largest winner.

Risks

Games Workshop, while boasting robust growth, isn't immune to the inherent risks of its industry. The tabletop gaming sector's cyclical nature means that in economic downturns, discretionary spending might decline, impacting luxury items like hobby games. Games Workshop's pronounced reliance on its Warhammer franchise can be a vulnerability; any dip in its popularity might affect revenues significantly. Their partnership with Amazon, though promising, carries risks: disputes or poorly received productions could tarnish the company's reputation. Operational challenges, like supply chain disruptions or production inefficiencies, can hinder their delivery capabilities. Furthermore, the increasingly competitive tabletop gaming landscape demands constant innovation from Games Workshop to retain market leadership. Regulatory hurdles in different jurisdictions, owing to their global operations, can pose challenges. And as the global entertainment industry tilts more towards digital, Games Workshop's challenge lies in seamlessly integrating the traditional with the digital, ensuring sustained interest in their offerings.

Granite REIT

Description

Granite REIT (TSX: GRT-UN.TO) is a global real estate investment trust that primarily invests in, manages, and develops industrial real estate properties in North America, Europe, and Asia. Specifically, Granite specialises in industrial, warehouse, and logistics properties. These properties are typically used for distribution, storage, manufacturing, and other industrial purposes.

Events

Granite REIT's share price fell about 20.92 % from the first of June 2022 to the 21st of June 2023. Since Central Banks

around the world started tightening monetary policy, the REIT industry has started to fall, around twice as much as the overall market, making it one of the worst performing industries lately. This is no different from the situation in Canada, as from June 2022 to May 2023 the Bank of Canada increased its policy rate from 1.5% to 5%. The problem is that higher rates increase funding costs, cut into earnings and temper expectations of shareholder returns. Furthermore, the recent bank crisis in the US have raised tenant risk and financial risk; and although Canada's banking system is believed to be more secure than its American and European counterparts, concerns amongst investors have a contagious impact. In addition, Granite operates internationally, suggesting that it is susceptible to foreign market trends and exchange rate risks.

In mid-September, the share price fell significantly after the Q3 results came out, suggesting that the performance was negatively perceived by investors as despite impressive growth in YOY funds from operations (FFO), adjusted funds from operations (AFFO) and net operating income (NIO), Granite reported a net fair value loss of \$229.2 million on its investment properties, a net loss of \$93.3 million, and unrealised foreign exchange gains of \$318 million. Following a positive distribution (the REIT equivalent of a dividend) declaration by the company in mid-October 2022, the share price rose significantly before dropping again. Granite's share price soared from late December 2022 until February 2023; we speculate that this may be due to the higher distribution (dividend) which commenced in December. Additionally, the continued and latest negative fluctuations in Granite's share price could be explained by their Q4 2022 earnings report published in March 2023, which reported a net loss of \$126.3 million, largely due to fair value losses on investment properties. Overall, despite a few instances of upward

momentum following distribution increases and declarations, the share price generally followed the path of other REITs and the real estate industry.

Risks

Granite REIT faces various risks including credit risk, with its largest tenant Magna Inc. accounting for 25% of rental revenue in 2022; interest rate risk, managed through a mix of fixed and floating rate debt; foreign exchange risk, mitigated by purchasing foreign exchange collars; liquidity risk, managed by maintaining reserves and matching maturity profiles of assets and liabilities; operational risks due to the worsening of economic conditions; and market risks, as seen in the Q4 2022 net loss of \$126.3 million due to fair value adjustments.

Granite demonstrated strong performance in 2022, with growth in rental rates and a 99.6% occupancy rate. Despite financial market volatility and tax uncertainties, the company effectively managed its risks. Leveraging opportunities in e-commerce and distribution, Granite REIT invested in key markets, balancing growth, sustainability, and risk management, while also advancing its ESG programme.

Infineon Technologies

Description

Infineon Technologies AG (XTRA: IFX) is a leading global semiconductor company headquartered in Neubiberg, Germany. Founded in 1999, the company specializes in a range of semiconductor solutions for automotive, industrial, and digital security applications. One of Infineon's significant areas of expertise is in the development of Silicon Carbide (SiC) semiconductors, which are integral for high-power and high-temperature applications, such as power supplies and electric vehicle inverters. SiC semiconductors offer advantages like higher efficiency, greater reliability, and better thermal conductivity compared to

traditional silicon chips. While the broader semiconductor industry often emphasizes silicon-based technologies, Infineon's strategic focus on SiC underscores their commitment to pioneering innovations in power electronics and addressing the unique challenges posed by next-generation electronic devices.

Events

From its July 2022 lows to June 2023, Infineon Technologies witnessed an upswing in its stock price, climbing by almost 31%. A significant driver behind this growth was the company's robust financial performance, consistently beating earnings expectations for three consecutive quarters: Q4 2022, Q1 2023, and Q2 2023, underscoring a trend of financial resilience and operational excellence. In December 2022, Infineon's commitment to sustainable practices earned them a spot on both the *Dow Jones Sustainability World* and *Europe* indices for the 13th year in a row. Their emphasis on innovative practices was further highlighted by their achievement in securing the maximum possible points in the *Innovation Management* category that year. On the business development front, January 2023 marked a pivotal transition as Microcross Components inked a definitive agreement to acquire Infineon's HiRel DC-DC converter business. This segment, known for its top-tier, high-reliability power conversion solutions, especially for rigorous environments like outer space, will now operate under the Microcross Hi-Rel Products umbrella. By May 2023, the financial community took note of Infineon's momentum, with *Simply Wall Street* spotlighting the company's impressive achievement: IFX shareholders had reaped a remarkable 24% Compound Annual Growth Rate (CAGR) over the last three years, painting a picture of a company on a solid growth trajectory.

Risks

Infineon announced ambitious plans to launch the world's largest 200mm SiC

wafer factory in Malaysia, targeting production commencement by 2027.

While the considerable investment in this project reflects strong investor confidence, it's not without its challenges and there are still many things that could go wrong. The semiconductor industry is inherently cyclical; fluctuations in demand can result in overcapacity or shortages, both of which can significantly influence prices and profitability. Despite Infineon's current standing as the world's top SiC wafer manufacturer, the growth of the SiC market could sprout some new contenders. Furthermore, geopolitical factors pose additional risks. Trade disputes, particularly between the U.S. and China, have the potential to impose tariffs or restrictions, directly impacting Infineon, especially given their ownership of a factory in Wuxi, China.

Lloyds Banking Group

Description

Lloyds Banking Group plc (LSE: LLOY) is a financial services company based in the United Kingdom. It is the largest Retail Bank in the U.K., providing financial services to 30 million customers through a network of 1,300 branches in England and Wales, and also operates in Commercial Banking and Insurance and Wealth. The Commercial Banking segment provides lending services, transactional banking, working capital management and debt capital market services to SMEs, corporates, and financial institutions, whilst the Retail segment provides current accounts, savings, mortgages, motor finance and unsecured consumer lending to personal and small business customers.

Events

Although by the end of 2022 revenue and EPS surpassed general expectations (by 2.2% and 6.1% on average respectively), reclaiming pre-pandemic levels, Lloyds' financial results exhibited a lower growth rate than that of the U.K. banking industry.

Profit growth was flat for 2022, with pre-tax profit unchanged from FY21 at £6.9 billion.

In February 2023 Lloyds acquired Tusker, an electric vehicle leasing company for £300 million to support the Group's ambition to achieve its net-zero targets. Lloyds set out a 3-to-5-year strategy to navigate economic uncertainty to come: inflation and recession risks, setting aside £1.5 billion to handle possible loan defaults, £0.9 billion for operating strategy etc. Furthermore, Lloyds hopes to increase its focus on return on tangible equity more than 15% by 2026, a 3% increase from its previous target. The company achieved a 79% increase in its return on interest expenses, marking the second-highest level observed in the past ten years.

Risks

Banking is a cyclical industry. As 2023 continues to provide a weak economic outlook, with a recessionary environment, high inflation, and increases in unemployment, it is expected that net interest income growth and loan growth will slow for all U.K. banks, Lloyds being no exception. Interest rates are expected to fall until 2024.

As the largest mortgage lender in the U.K., it further comes as a concern that Lloyds has reported a significant decrease in home loan activity within the industry, with daily volumes ranging from £1.1 to £1.2 billion, as opposed to the usual £1.5 billion. The bank has also forecast a potential 7% decline in house prices for the current year, providing even more risk for their mortgage portfolio.

Lloyds biggest exposure is in the retail market, so deterioration of this segment due to the cost-of-living crisis is a key concern.

MercadoLibre Inc

Description

MercadoLibre, Inc. (NASDAQ: MELI) is the largest e-commerce ecosystem in Latin

America. The company's services include the operation of online commerce and payments platforms, as well as online advertising activities. MELI offers an ecosystem of six integrated e-commerce and digital financial services (including online classifieds for motor vehicles, vessels, aircraft, services, and real estate), which allows users to buy and sell in most of Latin America.

Events

MELI's share price rose by 65.04% from the first of June 2022 to the 31st of May 2023. MELI's share price experienced downward pressure in the first half of 2022 (with an exceptionally negative April) due to market trends. MELI's share price reached its lowest point since 2020 in early June 2022 when the investment bank Citigroup cut its target price on the shares by 23%. MELI's plans to keep growing its proprietary credit cards business was provided as justification. YOY growth was above 40% throughout the whole of 2022 thanks to the significant user growth of its fintech solution Mercado Pago.

In the first half of 2023 the company's share price surged by 40%, beating the Nasdaq's growth of 32%, demonstrating continuous business growth even while other tech companies experienced a decline in demand. In Q1 2023 the company saw impressive growth, with unique active users increasing by 25%, gross merchandise value growing 23.1%, and payment volume on Mercado Pago rising 46.1%. Unlike many tech and e-commerce firms that laid off employees, MELI plans to hire 13,000 workers in 2023, focusing on logistics in Brazil and Mexico and bolstering its technology and product teams.

Risks

MercadoLibre relies on third-party platforms like Google Play and Apple; disruptions can hinder their reach and accessibility. Logistics challenges, user

fraud, and subsidiary Mercado Credito's credit risks pose operational and financial threats. They navigate volatile Latin American markets, face potential corruption and U.S. foreign corrupt practices act (FCPA) violation risks, and are impacted by tax changes and post COVID-19 uncertainties. Additionally, rapid market changes challenge their standing.

To address its risks, MercadoLibre have adjusted to macroeconomic trends, especially in its credits business. They actively adjust their strategies based on evolving consumer behaviour. Additionally, the company is adapting to rapid technological changes and has strengthened its ESG practices.

Next Era Energy

Description

NextEra Energy, Inc. (NYSE: NEE) is one of the largest electric power companies in North America and a generator of renewable energy, primarily from wind and solar. NextEra Energy operates two main businesses, Florida Power & Light Company ("FPL") and NextEra Resources ("NEER"). FPL is the largest utility in the state of Florida, which as of December 31st, 2022, served more than 12 million people with approximately 32,100 MW of net generating capacity. Its other business, NEER, is a diversified clean energy company which owns, develops, constructs, manages and operates electric generation facilities in energy markets in the U.S. and Canada and includes other activities with a clean energy focus, such as battery storage and renewable fuels.

Events

From June 2022 to May 31st 2023 the stock price largely followed the U.S. utility industry momentum with the stock being down a modest 4.21%. Over the past year one of the more notable events affecting NextEra Energy was the passing of the U.S. Inflation Reduction Act

("IRA") signed on August 16th, 2022, which is most relevant to our investment as it extended the duration for wind and solar tax credits as well as broadening the range of support for renewable energy technologies.

In November 2022 NextEra announced an \$805 million acquisition of solar and wind assets by taking a 49% controlling stake in portfolio holding company Emerald Breeze, as well as acquiring 100% of the indirect membership interests in a 345-megawatt portfolio of operating wind assets throughout the U.S. NEE entered into a convertible equity portfolio financing deal with the *Ontario Teachers' Pension Plan* Board to fund the deal.

Risks

NextEra Energy has assumed a large amount of debt: \$72.173 billion (May 2023) in comparison to its \$54.376 billion in equity. This puts its D/E Ratio at 132.7%. NextEra Energy also faces risks from the nature of its business - being a heavily regulated entity means they are subject to complex and comprehensive U.S. Federal and state regulations. As an electric utility in the State of Florida, subsidiary Florida Power & Light Company (FPL) is also subject to the jurisdiction of the Florida Public Service Commission (FPSC) over a wide range of activities which includes, significantly, the rates and cost recovery clauses for its business. Moreover, NEE is heavily affected by national and state policy developments with changes from the U.S. Congress and President being significant points of concern.

Pfizer

Description

Pfizer Inc. (NYSE: PFE) is a global biopharmaceutical company specializing in researching, developing, and manufacturing healthcare products. Its portfolio spans medicines, vaccines, and consumer healthcare items. The company

operates through two main segments: Pfizer Innovative Health (IH) for medicines, vaccines, and consumer products, and Pfizer Essential Health (EH) for legacy brands, generics, biosimilars, and R&D, including contract manufacturing. IH targets internal medicine, vaccines, oncology, inflammation, rare diseases, and consumer healthcare, while EH handles generics, sterile injectables, and infusion systems.

Events

In January 2023 China called for more of Pfizer's Covid drug, Paxlovid, due to a spike in infection rates. As Pfizer's stock price continued to plummet from a high of \$50.92 to a low of \$39.39, due to falling Covid sales, it became increasingly clear that the company needed to move away from a focus on Covid. Pfizer agreed to drop the price of the drug for the Chinese market.

Another significant event for Pfizer was its acquisition of Seagen, an oncology-focused biotech company, for \$43 billion. This was announced on March 13 2023, causing the stock price to fall by 2.9%. However, Pfizer believes that by 2030, Seagen will contribute \$10 billion in risk-adjusted revenue to the company's portfolio. This acquisition also prevented the company from being acquired by Merck KGaA, an already prominent oncology giant, as had been planned in the summer of 2022. Following this news, to reduce debt arising from this acquisition, Pfizer chose to reduce its stake in Haleon by 32% immediately, with further reductions on the horizon. The company has managed to stem the bleeding of cash flow; however, it remains in a highly volatile position with large variances in the stock price. Another important event was a deal struck with the EU in May 2023 for the supply of the BioNTech-Pfizer COVID-19 vaccine to match evolving needs. However, some have objected to this deal on moral grounds based on the terms of the deal,

such as consumers having to pay for missed Covid injections.

Risk

Pfizer's operational risks include increased bargaining power from big players like China and the EU wanting more favourable terms due to either the volume of product they are choosing to buy, or other vendors being able to offer a similar product at a more competitive price. Other risks include the company having to move away from its COVID central profit drivers after a disappointing Q2, following a revenue drop of 30% to \$12.9 billion, alongside a 50% reduction in the sales of COVID treatments Paxlovid and Comirnaty (Paxlovid is an antiviral medication that combats COVID-19 by inhibiting the activity of the SARS-CoV-2 virus, while Comirnaty is an mRNA-based COVID-19 vaccine that stimulates the immune system to protect against the virus.) . This has spurred the company's focus on the Oncology field with its acquisition of Seagen and an increase in some of its more promising Obesity care drugs. Pfizer faces regulatory risks from U.S. healthcare reforms and global tax changes affecting pricing and access. R&D uncertainties might hinder regulatory approvals. Furthermore, product safety concerns can impact market approval.

Salesforce

Description

Salesforce, Inc. (NASDAQ: CRM) is a cloud-based software company, headquartered in California. Its main service is that of customer relationship management (CRM) providing software and applications for sales, customer service, marketing automation, e-commerce, analytics, and application development. These are otherwise known as Sales Cloud, Service cloud, Marketing Cloud, Commerce Cloud, Platform and Slack. Otherwise, Salesforce provides services for app creation, data integration

and visualisation training. Their aim and ethos are to 'help businesses succeed' by connecting them with their customers.

Events

There has been serious focus on growth in the Europe and Asia Pacific regions.

Although these areas faced challenging market trends in 2023, they have grown 13% and 18% YoY respectively.

The approach of rapid expansion and substantial acquisitions that were actively pursued by Marc Benioff, the CEO of Salesforce, arguably came unstuck in the past year. The company's stock price experienced a significant decline of about 50%, outpacing the drop observed in the Nasdaq-100 Technology Sector Index (.NDXT). Benioff responded by reducing the workforce by 10%, dissolving the deals committee, and introducing a \$20 billion stock repurchase initiative. As a result, operating margins demonstrated improvement in the quarter concluding on April 30th 2023.

The company also increased its share buy-back value from \$20 billion in comparison to \$10 billion the year prior.

A new suite of artificial intelligence products, known as AI Cloud, are to be released. These will provide AI tools, specifically text-generating models, to a range of partners, including Amazon Web Services, Anthropic, Cohere and OpenAI on Salesforce's cloud infrastructure.

Risks

Salesforce controversially refused to release targets and goals for its CRM for FY24. This is especially worrying for investors considering the volatile changes within executive positions as of late, such as the unexpected departure of co-CEO Bret Taylor. Furthermore, the strategy has been adjusted to no longer give priority to mergers and acquisitions, an unexpected move since previously M&A enabled Salesforce to consistently stay ahead of technological and software innovation, and was arguably the very ethos of their

approach. That said, there has been sales growth, and aggressive approaches to improve the cost structure, e.g. by reducing head count by 10%. In general, Salesforce can be considered a steady performer, ranking as our fourth best with a 20.29% increase year over year.

Total S.A.

Description

TotalEnergies SE (Paris: TTE) is a global energy company that operates throughout the entire energy value chain in oil, natural gas, electricity, renewables, and low carbon energies such as biofuels.

TotalEnergies is one of the major seven oil and gas production companies, with over 100,000 employees operating in close to 130 countries. This worldwide footprint gives TotalEnergies a massively diversified portfolio and economies of scale to withstand any market upheaval. The company operates in the upstream segment with activities in the exploration and production of hydrocarbons; a processing segment consisting of the refining of petrochemicals, as well as operating a vast network of shipping and transportation of oil and gas to final destinations for consumption. The firm's strategic vision is guided by their Net Zero 2050 objectives consisting of rapidly transforming TTE into a renewable energy company to meet the demands of the clean energy requirements of the future.

Events

From June 2022 to May 31st 2023 the price action momentum of TotalEnergies largely followed the worldwide oil and gas industry with the stock remaining flat at -2.9%. TotalEnergies made many acquisitions and investments in the past year. In the upstream sector, TotalEnergies acquired CEPSA's upstream assets in the UAE, launched the Lapa South-West project in Brazil, started the production of Absheron gas in Azerbaijan, as well as discovered new oil and gas reserves in

Nigeria. In the downstream sector, TotalEnergies was awarded an \$11 billion USD EPC contract for the Amiral project in Saudi Arabia. In light of the firm's 2050 strategy, it has made significant moves in the renewable sector having acquired an interest in the development of more than 12 gigawatts of onshore solar and wind projects in Brazil, and developing its majority stake in the startup Seagreen, Scotland's largest offshore wind farm, and its acquisition of Al Kharsaah, a solar power plant in Qatar. TotalEnergies also acquired 100% of TotalEren, a leading renewable electricity producer. TotalEnergies is closely following their strategy of maintaining a steady supply of hydrocarbons to meet the needs of the market while at the same time using their profits to make an aggressive push into the renewable energy sector.

Risk

TotalEnergies, being an oil and gas producer, faces many of the risks and uncertainties that permeate the industry. One of the main risks the firm faces is the future long-term demand for fossil fuels, which is projected to decline in the coming decades. Although TotalEnergies has a strategy to address this risk, the firm has come under heavy criticism for continuing to invest in the hydrocarbon industry and not putting sufficient priority into its decarbonization commitments. Furthermore, the downward trend of fossil fuel consumption will be heavily reinforced by climate change and ESG consideration policies by the governments of the countries in which TotalEnergies operates. The firm also faces geopolitical uncertainty with many of its oil and gas fields being in countries with questionable political stability as well as prevalence of bribery and corruption as a way of conducting business in some countries. Since its revenues and profits predominately originate from the production and marketing of fossil fuels, TotalEnergies is very vulnerable to

changes in oil and gas prices. Finally, TotalEnergies came under heavy criticism in 2023 for continuing to purchase Liquefied Natural Gas from Russia even though it was not a sanctioned commodity.

Block Inc

Description

Square Inc, (NYSE: SQ) now formally known as Block since December 2021, provides an integrated ecosystem of commerce solutions, business software, and banking services for sellers. Block helps power businesses by diversifying their revenue streams, allowing them to manage their operations more efficiently, all while providing the ability and technologies to sell their products anywhere.

Events

On July 18, 2022, half a trillion U.S. dollars was reported to have been wiped from the fintech market. Many are choosing to handle their money through more traditional options, given unproven business models and an impending recession. Consumers appear to be unwilling to test the economic viability of these new fintech companies with their own hard-earned cash. The sector experienced an average drop of about 50% in stock prices, in comparison to the 29% percent drop in the NASDAQ, showcasing the dire straits in which all fintech companies found themselves.

On March 2, 2023, Block announced its intention to "aid the general public" with an investment going into U.S. Community Development Financial Institutions (CDFIs). These companies help small businesses secure loans when prospective owners get rejected by banks. This is part of a \$100 million social impact investment fund, with \$10 million available for spending outside the U.S. The CDFIs have welcomed Block's investment into the U.K., as it's the first of its kind from a

large U.S. corporation. Hopes are high that it will set a new norm, aiming to keep people away from loan sharks during challenging times by offering them a safer and more regulated route.

On March 23, 2023, Hindenburg Research, a U.S. investment research firm with a focus on activist short-selling, called into question the legitimacy of Block's revenues from its CashApp. It accused Block of artificially inflating user numbers and facilitating fraudulent transactions. The accusations were based on accounts from employees, partners, and industry experts. Given their insight into the company's workings, these claims are hard to ignore. The report (available at <https://hindenburgresearch.com/block/>) also claimed that CashApp's recorded user data included multiple duplicate and bot accounts. It was also claimed that the company had understated the cost it took

to attract new users to its apps. The resulting fallout was a 14% drop in Block's share price. Block threatened legal action against the report, which they called purposefully deceiving and designed to confuse investors.

Risk










The entire fintech industry is struggling in the post-COVID environment, forcing fintech companies to find new ways in which their services can be useful in a changing world. Paired with worries about the authenticity of the company's figures, investor confidence will be low unless the company can provide conclusive evidence of its innocence. However, this could pull the company into a lengthy legal battle, costing both it both money and potentially its reputation. This could prove disastrous for the company's long-term future.

Advisory Panel



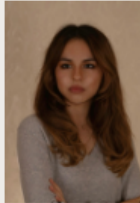


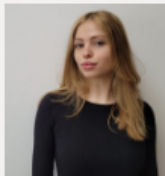


We would like to pass on our thanks and appreciation to our SMIF Advisory Panel who took the time out of their busy schedules during the past academic year to question our stock pitchers and offer their insights and guidance.



2022/23 SMIF Committee

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Incoming 2023/24 SMIF Student Committee Members. Further members of the SMIF Student Committee will be elected by club members at the start of the 2023/24 academic year.

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