

STELLAR STUDENT INVESTORS

The Eberhardt School of Business Student Investment Fund:
Where Pacific Avenue Meets—and Beats—Wall Street

By Katie E. Ismael





\$ince its inception, University of the Pacific's student-run investment fund has consistently outperformed market indices and generated industry-trumping returns while showcasing the kind of personalized, experiential learning found at Pacific.

Pacific's student investors have parlayed their financial know-how into a nationally recognized \$2.5 million investment fund that has paid dividends to the University while becoming one of the largest ventures among Western business schools.

In fact, the Eberhardt School of Business Student Investment Fund (SIF) has performed so well, an alumnus who is a portfolio manager at Morgan Stanley has developed a similar fund open to public investing—creating what is believed to be the first commercialized student investment fund in the nation. Now, alumni and others are able to tap into the investment savvy of Pacific students.

Eberhardt SIF Stats:

- ▲ **TOTAL RETURN FROM 2012 TO Q1 2013: 16.1%**
SINCE INCEPTION IN 2007: 63%
- ▲ **PORTFOLIO VALUE: \$2.5 MILLION**
- ▲ **\$91K+ IN RETURNS GIVEN BACK TO THE UNIVERSITY (FY 2012)**
TOTAL SIF CONTRIBUTIONS: \$319,115
- ▲ **3RD LARGEST STUDENT-RUN FUND IN WEST** (behind only behemoths USC and UCLA)
- ▲ **12 BLOOMBERG TERMINALS IN REAL-LIFE TRADING ROOM**
- ▲ **QUINNIPIAC G.A.M.E. FORUM 3RD PLACE** (APRIL 2012)
- ▲ **1ST COMMERCIALIZED STUDENT FUND IN USA** (UOP/SIF MODEL, MORGAN STANLEY)

Student Talent TRUMPS S&P 500

WELCOME TO BUSI 122/222, A COURSE THAT TEACHES STUDENTS ABOUT INVESTING. THAT'S NOT UNUSUAL AT A UNIVERSITY BUSINESS SCHOOL, BUT AT PACIFIC, IT MEANS ACTUAL INVESTING — WITH REAL MONEY AND REAL RESULTS.

By managing a fund that has generated returns of 63 percent from its inception in 2007 to the first quarter of 2013 (compared to a 9 percent growth in the S&P 500 and returns of 30 percent in the Russell Midcap Index during the same period), a select group of students has gained real-world experience that has positioned them well for future success.

“SIF was undoubtedly the most relevant class for my career goals. The fact that SIF uses real money to invest in stocks, bonds and options, and mutual funds made the experience that much more intense,” said Rohan Dixit '12, who nabbed a job with Bloomberg after graduation and currently works at Armanino, California's largest privately owned accounting firm.

“SIF is also student-run, allowing students to call the shots, rather than taking orders from a professor. All these aspects make SIF one of the most hands-on courses at Pacific,” he said.

Out of 12,700 business schools worldwide, just 200 operate a student-managed investment fund, according to Pacific's Eberhardt School of Business. Through the fund, students learn how to carefully analyze potential investments using the same financial techniques as professional investors. Students also learn the finer points of portfolio management by taking responsibility for individual S&P 500 sectors, such as health care, energy and commodities, and analyzing their fit within the greater portfolio.

Student investors are accountable to the fund's Advisory Board, which consists of the dean of the Eberhardt School, the University's Vice President for Business and Finance and four investment professionals. Students write an annual report of their investment activities and their work, and transactions and reports are audited by an independent accounting firm—just like a real investment fund.

To add to their real-life responsibilities, a portion of the University's vitally important endowment fund is managed by the students.

Perhaps that is why the \$2.5 million Eberhardt SIF has become the third largest in the West, outpacing all other student investment funds but Los Angeles giants USC and UCLA. And it has outperformed the pros.

“I have given presentations about fund performance to the school's financial committee, the board of the School of Business, Doug Eberhardt (the Pacific Regent who established the SIF), Dean Lewis Gale, the President, the Provost, the Board of Regents, among others,” said Patrick Daley '13, who served as the chief investment officer of SIF.

“The best part is when the financial committee tells us that the portion of the University's endowment fund we managed outperformed the portion managed by professional management companies,” he said.



“SIF really shaped and solidified what I wanted to do as a career. I was always interested in the stock market as a hobby, but I never knew what I actually wanted to do for a living, or where I would fit into the financial industry. It is an uphill, almost impossible battle to get a job on Wall Street coming out of any school other than an Ivy League institution. Thanks to SIF, I have something that gives me a leg up on others to break into the industry.”

— Patrick Daley '13, who plans to take the rigorous CFA exam to become a chartered financial analyst



“SIF was instrumental to me in securing a position as a summer finance intern at Cisco last June (they asked about SIF in all three interviews). I was offered the opportunity to work remotely from Stockton for the rest of the year

and have subsequently accepted a full-time position with the company. SIF helped me to confirm my interests and where I see myself in a future career.”

— Andrew Mendoza '13, business intelligence analyst in the Global Business Services organization at Cisco



After graduation, I worked as a financial analyst at Bloomberg LP in San Francisco, and currently work as a financial consultant for Armanino (a CPA Tax/Audit/Consulting firm). I absolutely have to credit my ability to get hired to

the skills gained in SIF. I can say with 100 percent certainty that the skills will also help me in any future project or career I may pursue.”

— Rohan Dixit '12, business administration major

Tools of the TRADE

With a dedicated trading room and the benefit of accessing up to 12 Bloomberg trading terminals that allow for a vast array of professional-grade data and research, the Pacific students are well equipped for their current work and will boast a competitive advantage in their future careers, perhaps on Wall Street.

At a cost of \$25,000 per year for each terminal, “very few schools have this research tool,” said the program’s former advisor and Eberhardt School Finance Professor Phil Zhu.

In addition to top-flight equipment, Eberhardt SIF students have direct exposure to the business world through training seminars held in the Bloomberg office in San Francisco and field trips to the country’s leading financial institutions, such as the Pacific Exchange and the Federal Reserve Bank, also in San Francisco.

One such opportunity has taken an Eberhardt team to New York to compete in the Quinnipiac Global Asset Management Education (G.A.M.E.) Forum, one of the largest student-managed investment fund conferences in the world.

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— Rohan Dixit '12

At the 2012 conference, the Pacific team placed third—out of 1,000 participants from 118 colleges and universities representing 43 countries, 42 states and Washington, D.C. During the forum, students have the rare opportunity to hear from and interact with industry leaders in business and finance and to get a firsthand look at an intense Wall Street trading floor.

“My most memorable experience at Pacific was definitely going to New York City,” said Rohan Dixit '12. “Digesting the information and opinions from these prominent professionals provided insight far beyond the words of a textbook.”

Returns that Are Well Returned

The investment fund began in 2007, thanks to a \$1 million donation from the Bank of Stockton and its President, CEO, and Pacific Regent Douglass M. Eberhardt '59. Since then, the Board of Regents has added to the fund by authorizing \$1 million of the University’s endowment to be managed by the students. The regents also approved funding to pay for one Bloomberg terminal for the trading room. In 2012, the Bank of Stockton and Eberhardt donated money to boost the number of Bloomberg terminals the students use to 12.

In keeping with the spirit of giving back that founded the investment fund, students are required to donate some of their investment returns at the end of each fiscal year to



Pacific, where it is used to fund several programs and initiatives important to the Eberhardt Family: the Eberhardt School of Business, the Speech-Language Pathology program and the men’s water polo team. The University endowment also receives an annual distribution from its \$1 million investment to the fund.

So far, giving money back to the University annually has not been a problem, as the students have managed to outpace the S&P 500 and the Russell Midcap Index benchmark and have yet to post a loss, even during the worst years of the recession. This year, the fund was able to make the highest contribution in its history to the University: nearly \$91,000. To date, the fund has given back more than \$319,000.

The student investors’ performance, said Eberhardt School of Business Dean Lewis Gale, has benefited the school tremendously by expanding opportunities for both students and faculty—and it has provided one of the most realistic experiences for students in the class.

A Sound Investment

Larry Watts '79, an Eberhardt School of Business alumnus and a vice president and senior portfolio manager for Morgan Stanley, is also helping to expand opportunities for his alma mater and the student investors.

Watts said he has been involved with the Eberhardt SIF since its beginning. “I have always been impressed with the class structure and individual student character,” he said. “It’s a great experience to interact with the students.”

Last fall, Watts was at a lunchtime presentation with investment fund students and members of a school advisory board. He liked what he heard and started thinking that the Morgan Stanley platform would be able to support the fund’s investment model fairly easily.

Throughout the presentations, an idea percolated until he turned to Gale and asked: What about creating an investment fund for his customers modeled after the Pacific students’ choices?

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The UOP/SIF model offered through Morgan Stanley came to life this spring. Clients of Watts now have the option to invest in a fund that is structured like the SIF portfolio, tapping into the same fruitful investments the students have made.

“The ability to offer a portfolio to alumni and friends of Pacific that shadows the Student Investment Fund is an exciting way to add more credibility to the SIF and the Eberhardt School of Business,” Watts said.

“As far as I know, this is the first commercialized student fund in the country,” said Zhu, their former advisor.

In another example of the kind of philanthropy that is at the heart of SIF, Watts will reduce his usual fee for managing the UOP/SIF fund if the client will contribute the difference back to Pacific.

Student investors also receive something from Watts’ fund: a real-world learning opportunity. Two students are selected to advise and work with Watts on the fund.



Larry Watts '79

“We would match client portfolios to SIF’s so they have the same correlations and returns,” said Patrick Daley ’13. “This is a challenge when we are taking a \$2.5 million portfolio and recreating that for someone with a \$25,000 portfolio.”

“This new partnership engages any investor who would like their portfolio to mirror the investment decisions of the students. Given that the students have outperformed broad market indices since inception, this would be an investment well worth considering.”

— Eberhardt School of Business Dean
Lewis Gale

To learn more about the UOP/SIF Fund, contact Larry Watts at larry.watts@morganstanley.com or call 209.476.2857

A Man with a LIFE PLAN

It’s a gift that came from deep roots, that carries hope for a lifetime of success for the students in the Eberhardt Student Investment fund (SIF).

When the Bank of Stockton and its president and CEO Douglass M. Eberhardt donated the funds to establish the SIF, it continued a long relationship between the University, the Eberhardt family and the Bank of Stockton—one that even predates the University’s move to Stockton in 1924. At least seven members of the Eberhardt family are Pacific graduates, and three have served on the University Board of Regents. In 1995, Pacific’s School of Business was renamed the Eberhardt School of Business in recognition of the family’s generous support of the school and the University.

Eberhardt said the idea for SIF was born from the success he had achieved managing the investment portfolio for the Bank of Stockton. He saw the tremendous learning potential managing such a fund could provide the students.

“I believed that student involvement in the Student Investment Fund would increase their knowledge of how to invest in the equity and fixed income markets,” said Eberhardt. “These fundamental skills they develop through this program will serve them the rest of their lives, both personally and professionally.”

Eberhardt, however, wanted the students to learn more than just investing skills. The fund is set up in such a way that a percentage of the annual earnings are donated back to the school to three areas dear to the Eberhardt family: Pacific Water Polo (as a former player, it’s a personal love of his), the Speech-Language Pathology program (from which his late sister, daughter and niece are all graduates) and the Eberhardt School of Business (he and his brother both earned business degrees and his son, daughter and great-nephew are all graduates of the Eberhardt school).

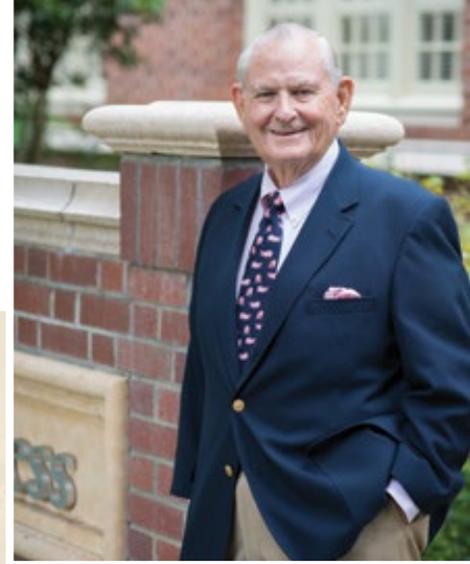
That is a very important element of the program for Eberhardt and one in which students are full participants. “The students are required to present a check to each of these parties on a yearly basis and in doing so, they learn about philanthropy,” said Eberhardt. “My hope is that in their later years in life, they will be inclined to make donations as a result of the philanthropic component learned through the SIF.”

Eberhardt is overjoyed at the success of the SIF, which has achieved high returns even during years of economic downturn.

“It’s fabulous,” he said. “The fund’s growth speaks extremely well for the quality of the education that they are receiving. Its success is a true testament to the quality of the instructors.”

And the proof is in the outcome. Not only has the fund outperformed the market, students have developed confidence along with skill, discovered their career paths and gone on to great internships or jobs, or prestigious graduate programs.

“It’s my belief that the students graduating from this course take away skills that will last them a lifetime,” Eberhardt added.



Douglass M. Eberhardt '59