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University of Dayton

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NEWS RELEASE

COLLEGE FINANCE STUDENTS MANAGING \$1 MILLION PORTFOLIO BEAT BENCHMARK BY 8 PERCENT, "PHENOMENAL" PERFORMANCE

DAYTON, Ohio — It's a nervous time for investors. The economy is mired in a recession. Consumer confidence is low. Unemployment is rising. The Sept. 11 terrorist attacks have caused political uncertainty.

Perhaps money managers should take some stock tips from University of Dayton students during such turbulent times. Student investors managing a \$1 million portfolio weathered the year "phenomenally well," according to David Sauer, associate professor of finance and founding director of the University of Dayton's Center for Portfolio Management and Security Analysis.

"They beat the index by a solid 8 percent for the year," Sauer said. "For the past three months, they beat the index by .76 percent. That's excellent."

The three best performers? Best Buy (up 177 percent). Bank of America (up 58 percent). Dell (up 45 percent). The three worst? El Paso Corp. (down 25 percent). General Electric (down 21 percent). Pharmacia (down 15 percent).

The students' smaller \$83,000 growth fund didn't fare as well, though it outperformed the Russell Growth Index by 2 percent over the past year. Still, the value of the fund dropped nearly 21 percent. In the past three months, it's rebounded by slightly more than 3 percent.

Did the Sept. 11 terrorist attacks shape the students' decision making? "They had just completed their economic outlook and set their sector weightings prior to Sept. 11. At that point, they re-evaluated. We had serious debate. This was uncharted ground," Sauer noted. "To their credit, they didn't make any radical changes in their portfolio. They took the long-term perspective, and fortunately, the market has shown signs of recovery since then."

Diversification remains the secret to a well-managed portfolio. "They were able to identify strong firms in their industries that were reasonably priced and, therefore, performed well," Sauer said. "Investors who were less diversified and more concentrated in such areas as technology really experienced adverse performance over the past year."

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Instead of sitting down to take a final exam, the 15 students in Sauer's Seminar in Investments course who manage the two funds had a tougher assignment: They reported on their performance to an advisory committee of investment professionals.

The students predict continued growth in the funds, particularly in the second quarter. "We have positioned ourselves to take advantage of an economic turnaround during the spring of 2002. We will continue to diversify internationally," said David Pack, a senior accounting and finance major from Darien, Ill., who's already lined up a job next fall with Andersen in Chicago.

In the University of Dayton's Center for Portfolio Management and Security Analysis, the students manage the funds in an environment that simulates Wall Street. Students use the same software and subscription services used by major financial institutions globally. Two Bloomberg terminals provide news and security information, while four televisions allow students to monitor CNBC, CNNfn, Bloomberg TV and other networks. A ticker board displays real-time information on stock trades, and a bank of clocks reflects the time in each of the major trading markets. Reporting to the University of Dayton's board of trustees' investment committee and operating under the same guidelines as other University endowment managers, the students manage the portfolio while taking a series of highly integrated finance and investment courses.

In February, the students will match their security investment and portfolio management skills against other student money managers when the University of Dayton sponsors the second annual national student investment strategy symposium and portfolio competition. In all, students from 43 universities from 27 states and Canada attended the symposium last year, with 20 placing their portfolios on the line after one of the worst years in Wall Street history. A panel of portfolio managers from investment management firms around the country named Rice University, Stetson University and the University of Dayton national champions in value, blend and growth styles of portfolio management, respectively. Last spring the national champion teams opened up the Nasdaq MarketSite in Times Square. The winners will have that same opportunity again this time.

For more information about the Feb. 21-22 RISE (Redefining Investment Strategy Education) symposium and competition, call (937) 229-3384, e-mail UDRISE@udayton.edu or visit www.sba.udayton.edu/cfpm.

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