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University of Dayton, Ohio (url: http://www.udayton.edu/index.php)

Rewarding Success

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Call it a $4 million vote of confidence.

That's what the University of Dayton's trustees are giving finance students who manage a multimillion-dollar investment fund for the University's endowment.

After reviewing the performance of the Flyer Investments VIIP fund, the trustees' investment committee recently approved adding $1 million per semester over the next two years, bringing the fund total to nearly $11 million and making it one of the largest student-managed funds in the country.

"The University has a number of professional investment firms managing our money; the student-run portfolio has given spectacular, consistent returns, and its results are at the top of all of our outside managers," said Davis, a retired investment professional.

"This is a strong sign of the board's support for and recognition of the success of the student program," said Richard Davis, a University of Dayton trustee who chairs the board's investment committee.

Davis said the fund's one-year performance at the end of September bettered the S&P 500 by 3.32 percent. The Flyer fund was up 19.8 percent, while the S&P 500 was up 16.48 percent. Since the fund was initiated in December 1998, the fund is up 5.79 percent, beating the benchmark by 1.64 percent per year. The fund also outperformed its benchmarks at the three- and five-year marks, Davis said.

David Sauer, associate professor of finance and founding director of UD's Davis Center for Portfolio Management, attributed the students' success to both the thoroughness of the process and the state-of-the-art financial tools they use.

"We spend a great deal of time doing a thorough analysis of all the companies we invest in," Sauer said. "We look for strong sectors, strong industries and strong companies."

Students manage the portfolio in the Davis Center for Portfolio Management, which simulates Wall Street with the same analytical software and database subscription services used by financial institutions globally. Davis and his wife, Susan, gave the University $1 million to endow the center so that students could gain real-world experience.

"This experience helps to nurture teamwork and the collaborative nature of this kind of work," Davis said. "Our students have the equivalent of two to three years of experience. Employers have told us that because of the collaboration and team orientation, our graduates are wise beyond their years."

Thomas Giltner, one of the 15 seniors in the finance class that managed the fund last semester, agreed that the class honed his collaborative abilities.

"Every day instructors were talking about the economy, and we had a round table discussion with 15 different perspectives. You really get a knack for being able to look at it from everybody's perspective," Giltner said. "You can really find flaws or you can see an indication the company will turn around. That means that throughout our careers, we'll be able to look at the economy and companies from all different perspectives."

But Giltner won't know whether the decisions his class made will be good ones, although he appreciates the good decisions made by previous classes that contributed to the consistent showing of the fund.

"Teams in the past have really nailed some of the companies. One company they bought had a 43 percent return, and then they sold it. Since then that company is down about 85 percent from where it was," Giltner said.

As part of the students' final semester presentation in December, they offered investors their outlook on the market and the economy in 2008:

* The economy is at a slowing point with the potential for recession.

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* The collapse of the subprime mortgage market not only will cause devaluation of home values, but has negatively affected consumer spending.

* The team expects the Federal Reserve Board to cut interest rates several times to combat the mortgage issues. The rate cuts could affect inflation and cause the U.S. dollar, already at historic lows, to go lower.

* Energy prices will continue to be extremely volatile. A growing trend toward energy efficiency has not helped to lower energy prices as yet.

* A lively presidential election year with diverse and polarizing candidates may create political instability and hinder business and consumer spending.

David Sauer at 937-229-2757 or David.Sauer@notes.udayton.edu