



LEMMA SENBET FUND
ROBERT H. SMITH SCHOOL OF BUSINESS

RECRUITING PRESENTATION

November, 29th 2017



UNIVERSITY OF
MARYLAND

ROBERT H. SMITH
SCHOOL OF BUSINESS

AGENDA

- General Information
- Members & Responsibilities
- Application Process
- Q & A



LEMMA SENBET FUND
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GENERAL INFORMATION

BACKGROUND

- Created as part of the Smith Fellows program targeting high-achieving undergraduate finance majors
- Opportunity to research **real** companies and manage a portfolio of **real** money
- Modeled after MBA Mayer Fund

FUND OVERVIEW

- Year-long, advanced finance course available to senior finance majors
- Twelve students will be selected to participate on the fund
 - ▣ 2 Portfolio Managers
 - ▣ 10 Analysts
- \$1 Million+ real University money

LEARNING EXPERIENCE

- Topics to be discussed include:
 - ▣ Portfolio Management Theory and Practice
 - ▣ Security Screening and Selection
 - ▣ Economic and Industry Analysis
 - ▣ Corporate Qualitative and Financial Analysis
 - ▣ Valuation Analysis
 - ▣ Trading Strategies
- At the end of the year-long commitment, Fund members will present their performance to Fund donors and the Dean

INVESTMENT STRATEGY

- “Top down” approach
- GARP (Growth At a Reasonable Price)
- Target allocations across ten sectors
- Fund Goals:
 - Capital appreciation and preservation
 - Education
 - Enhance school’s reputation

ORGANIZATION & CULTURE

- Run by a selected group of 12 seniors with various finance career goals
- Students will be selected by the current Senbet Fund members based on several criteria including:
 - ▣ Analytical abilities
 - ▣ Communication skills
 - ▣ Commitment

BENEFITS FOR STUDENTS

- Exposure to a real-life asset management environment
- Financial modeling skills
- Fulfillment of senior-level finance elective (BMGT449F) – 6 credits in total
- Attractive experience to employers
- Opportunities to network with previous fund members
- Annual New York trip



SENBET OFFER HISTORY





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MEMBERS & RESPONSIBILITIES

FUND ORGANIZATION

- Portfolio Managers (2):
 - ▣ Marketing and External Relations
 - ▣ Performance
- Equity Analysts (10):
 - ▣ Basic Materials
 - ▣ Industrials
 - ▣ Consumer Discretionary
 - ▣ Consumer Staples
 - ▣ Energy and Utilities
 - ▣ Financials
 - ▣ Health Care
 - ▣ Technology
 - ▣ Telecommunications

PORTFOLIO MANAGER RESPONSIBILITIES

- Run meetings
- Facilitate buy / sell / hold decisions
- Track the economy
- Track performance
- Manage external relations
- Oversee brokerage accounts
- Budgeting responsibilities
- Administrative items



Market and Economic Update

	Value on 10/28/2009	Value on 11/4/2009	Chg	%
I. Markets				
Dow Jones Industrial Avg.	9,782.49	9,802.14	39.45	0.40%
NASDAQ Comp.	2,059.41	2,055.52	(4.09)	-0.20%
S&P 500	1,042.43	1,046.50	3.87	0.37%

	Yield for 10/28/2009	Yield for 11/4/2009	Change bps
II. Interest Rates			
3-Month T-Bill	0.061	0.046	(1.500)
10-Year Note	3.413	3.523	11.000
10-Year Bond	4.257	4.399	14.200

Overall Market Commentary:

The equity indices traded relatively flat this week. The Dow gained 31.43 points at 0.40%, the NASDAQ shed 4.09 points at -0.20%, and the S&P 500 added 3.87 points at 0.37%. The yield on the benchmark T-Bill declined by 1.5 basis points, while the yield on the 10-Year Note and 30-Year Bond increased by 11.00 basis points and 14.20 basis points, respectively. The VIX closed at 27.16 last Thursday and closed at 27.71 on Wednesday. Volatility has been picking up in the past couple of weeks, as the VIX closed at 20.96 on October 20 and 30.09 on October 30 (just 10 days later).

On Thursday, the US and China agreed that would not impose any new trade protection measures against one another, a step towards removing the trade imbalance between the two countries. China has also lifted its ban on US pork imports, but in place since the recent flu outbreak. Last month, China had imposed a 10 percent duty on items imported from China, who in turn threatened US imports of poultry and soybeans. The International Monetary Fund (IMF) raised its outlook for Asian economic growth to 3.9% for the year and 3.9% for 2010.

On Friday, the CRB VIX increased 0.4% as investors reacted favorably to economic reports. Stocks fell, and the S&P 500 saw its first monthly loss since February. Financial institutions are increasing their use of highly liquid equity derivatives. However, declines in asset values and delisting of hedge funds have driven down notional amounts of these trades as well as commissions for derivatives traders. Earlier in the week, the World Economic Forum released the Global Gender Gap Index for 2009. Leading the index in Ireland, followed by several Scandinavian countries. The United States fell three places to 31.

Monday, shares of Ford increased 8.3% as the company saw its first quarterly profit in over a year. CTT stock fell 60% after it filed for bankruptcy. Its common stock is currently suspended from the NYSE. Banks are trying to strengthen their balance sheets by increasing liquidity. Citigroup now has nearly doubled its cash since the bankruptcy of Lehman, and J.P. Morgan has increased its

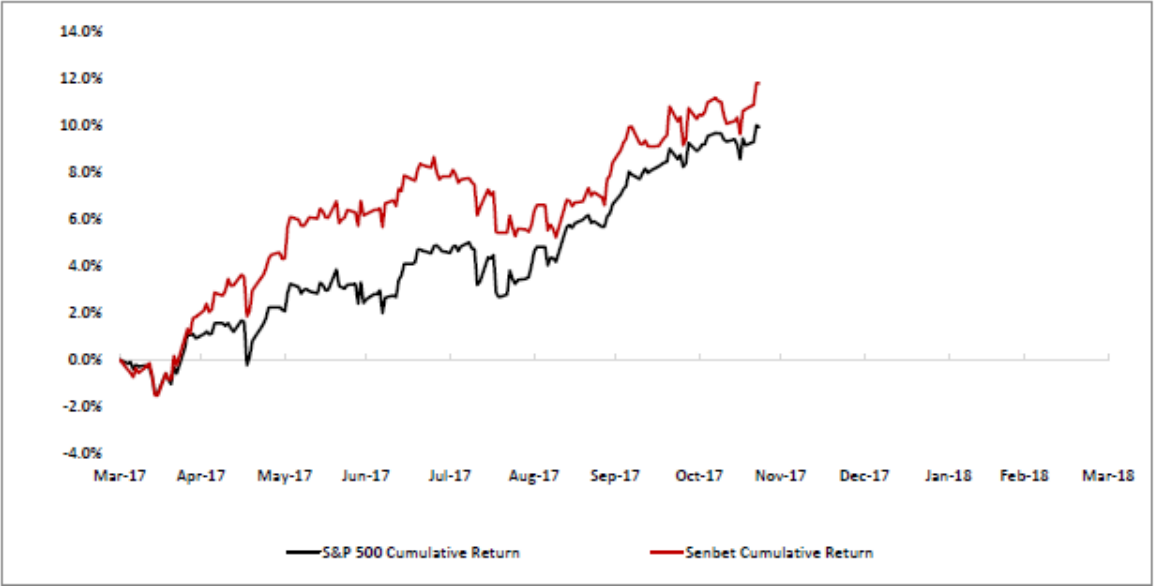
liquidity from 9.9% to 22%. The four largest banks by assets (Bank of America, JP Morgan, Citigroup, and Wells Fargo) have increased their combined liquidity by 47% since June 2008. While this is healthy in the long run by increasing confidence in the financial system, banks' profits will be lower due to lower-yielding returns on liquid investments.

Tuesday, the spread between 10-year Treasury notes and Treasury Inflation Protected Securities (TIPS) widened to 2.06 points (from 1.80 points on Sept. 23). This signals that long-term inflation expectations are rising. However, the Federal Reserve is still expected to keep interest rates low in the short run. Warm Buffet agreed to buy railroad company Burlington Northern Santa Fe Corp. Berkshire's largest acquisition to date at \$26 billion.

On Wednesday, the healthcare sector rallied, led by Amgen (+6.7%) and Cigna (+6%) on news that Congress may not pass healthcare legislation by 2010. The rally is also supported by Tuesday's election of Republican governors for Virginia and New Jersey, which may help opposition to the healthcare legislation. Private equity is seeing decreases in rates of increased buyout firms, as investors are wary of companies with too much debt and financial balance sheets. As expected, the Fed announced it would keep interest rates between zero and 0.25%. Gold rose to a record \$1,096.20, driven by India's central bank's purchase of 200 tons of gold from the IMF.

III. Week's Review: 10/29/2009 - 11/4/2009

Date	Statistic	Actual	Consensus	Prior	Notes	Figure
Thurs 10/29	10/24/2009 Jobless Claims	530,000	525,000	531,000	Initial claims for unemployment insurance benefits fell to 250,000 from 311,000 for the week ending October 24. The four-week moving average is now at 326,200 compared to 332,200 previously. Continuing claims fell to 5,797 million from a revised 5,641 million for the week ending October 17. The four-week moving average is now at 5,941 million. The insured unemployment fell to 4.4% from 4.9% for the week ending October 17.	
Thurs 10/29	2009Q3 GDP	1.33%	1.20%	-0.74%	Real GDP rose 3.3% in Q3 at an annualized rate. This beat the consensus forecast for a 2.7% increase and is a large jump from the 0.7% decline in Q2. Real final sales of domestic product (real GDP) rose 3.4% in investment - increase of demand for U.S. goods and services grew 2.7% in the third quarter compared to a 0.7% increase in the second quarter. Compared to Q2, the expansion was fueled by a jump in consumer spending (largely in auto sales), a smaller rate of decline in government, storage expenses, storage housing investment, and a smaller drop in business investment.	



ANALYST RESPONSIBILITIES

- Evaluate and monitor sector
- Track industry trends and current events
- Screen industry for potential buying opportunities
- Develop DCF and relative value models to value companies
- Make buy / hold / sell recommendations
 - Detailed equity research reports
 - Presented to other members of the Fund at meetings



October 19, 2017
Joe Cardarelli
Energy & Utilities

Rating	BUY
Price (Date)	\$118.07
Target Price (base)	\$138.72
Price Appreciation	17.5%

Chevron Corp. (CVX)

Sources: Bloomberg, Company filings, Equity research, Management presentations

52 week range	\$99.87 - \$120.89
Market Cap	\$225.8B

Statistics	
Historical Beta	0.81
Forward Beta	1.74
Shares Outstanding:	1,895M

Coverage	
Number of Analysts	27
Institutional Holding	75%
Buys	66%
Hold	31%
12 Month Mean PT	\$122.63

Ratios	
P/E Ratio (TTM)	38.29x
P/E Ratio (Forward)	29.57x
PEG Ratio	0.68x
ROE (TTM)	3.88%

CVX Marks the Spot

- Initiating coverage with a buy and a \$138.72 price target (base case).
- Industry leading LOE costs with continued reduction target — CVX looks to maintain industry-leading lease operating expenses currently at \$6/BOE
- Fast follower approach to the Permian Basin — Consistent strategy of willingness to be a fast follower in shale has allowed CVX to avoid some setbacks that others have faced in the Permian, resulting in production exceeding expectations
- Ramp up of production from JV LNG Projects — Gorgon (47% ownership) has 14 wells producing ~430 MBOED with all LNG trains achieving or exceeding capacity and Wheatstone (64% ownership) is expected to ship first cargo before the end of the year
- Improvement in dividend coverage in 2017 — CVX has the best rate among peers for dividend for 2017 at [%] over the first half of the year
- Realizing value through asset sales — Closed 7 deals in 2017YTD with an identified 150-200 thousand acres to transact in 2017 and 2018
- Downstream efficiency and investment — CVX has consistently been best ranked highly in earnings per barrel of oil by through having a high utilization rate at refineries and maintaining a high level of energy efficiency



Source: Yahoo Finance

Highlights

	2015	2016	2017E	2018E
Revenues	\$138,477	\$114,472	\$137,468	\$169,722
NI	4,587	(497)	3,376	8,213
Dividend Payout	1.7	N/A	2.39	0.98

Senbet Fund
www.rsmith.umd.edu/senbetfund

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Disclaimer: This report is solely for the use of the Senbet Fund and is not to be construed as investment advice or to be used in any other manner by anyone other than the Mayer Fund.

1



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APPLICATION PROCESS

COURSE REQUIREMENTS

- Applicants will be required to complete the following courses before fall semester of their senior year:
 - BMGT 340 – Business Finance (Core)
 - BMGT 343 – Investments
- Applicants will be required to complete BMGT 443 – Applied Equity Analysis and Portfolio Management either before or during the fall semester
- In general, course requirements for graduation remain unchanged

GENERAL INFORMATION

- Apply for a general position on the Fund
 - You do not need to specify a particular position
- Time availability
 - Must schedule classes around Senbet Fund meetings
 - (10:00am – 11:50am Tues/Thurs)
 - Must be a rising senior (or junior with enough credits) and have declared Finance as your major
- Requires a two semester commitment
 - Being abroad this coming spring will not disqualify applicants
(Several current fund members interviewed while abroad)
- Counts as two senior level electives (3 credits per semester)

WHY AN APPLICATION?

- Opportunity for us to determine who is serious about being a member of the Senbet Fund
- Allows us to determine who has the skills and drive to make a significant contribution
- Very competitive; need to select the right skill mix
- Analytical, communication & leadership qualities
- Allows us to see your thought process when approaching a potential investment

APPLICATION REQUIREMENTS

- Cover Letter
 - ▣ Brief background/experience
 - ▣ Reasons why you want to be in the Senbet Fund
- Analyst Report (no more than 3 pages typed, not including exhibits, double-spaced, 12 pt, Times New Roman font)
 - ▣ Economic Overview
 - ▣ Industry Overview
 - ▣ Company Selection & Overview
 - ▣ Model is OPTIONAL, you are not expected to have proficient modeling skills coming into the fund
- Resume
 - ▣ Minimum GPA of 3.0
- Honor Code

APPLICATION SCHEDULE

- Application available ~ December 2017 – February 12th
 - Online and you will receive email confirming receipt of application
- First Round Picks & Interview Signup
 - Once selected to interview, signups are on a first come, first serve basis
 - Signup Google Sheet will be emailed to candidates
- Interviews Held ~ Friday, February 16th
 - 2 hours, various time slots throughout the day (fit/market/technical)
 - There is ample advance notice. Please plan accordingly
- Final Selections ~ End of February, 2018
 - Decisions will be emailed

Any changes will be announced via email

MORE INFORMATION

- Visit the Senbet Fund web site
(www.rhsmith.umd.edu/senbetfund)
- Contents of the web site include:
 - ▣ Holdings and sector weightings
 - ▣ History
 - ▣ Member profiles
 - ▣ Performance
 - ▣ Investment approach and guidelines
 - ▣ This presentation

QUESTIONS?

