

The Student Managed Investment Fund Consortium (SMIFC): History, Activities, Benefits and Challenges

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ABSTRACT

The Student Managed Investment Fund Consortium (SMIFC) was formed in July 2013 from a community of universities with a shared vision for student success and leadership in investing. This common purpose provided for a broad network of support, problem solving, and friendship among students and faculty in the member institutions. The SMIFC also establishes relationships with industry partners to assist in its primary goals of student education, research, and leadership. These industry partnerships also provide opportunities for corporate sponsorships of SMIFC functions, student scholarships, internships, and employment opportunities. As of August 2018, the SMIF Consortium had 68 member institutions and is expected to grow further in the future. This paper summarizes the history, activities, benefits and challenges of the Student Managed Investment Fund Consortium (SMIFC).

INTRODUCTION

As part of a grant, from the Lilly Endowment, the co-authors established the Student Managed Investment Fund Consortium (SMIFC) in July of 2013. The (SMIFC) was formed from a group of universities that have active student managed investment fund (SMIF) groups. The purpose of this consortium is to enhance student learning and scholarship, record best practice in investment management among SMIFC partners, provide a vehicle for student networking and exchange of ideas, and provide a permanent repository of relevant literature and recorded student experiences. The SMIF Consortium focuses on student leadership and research. Outside of student competitions, few institutions have ventured a leadership position in this area. In July of 2013, the SMIF consortium had 18 members. In August, 2018, the SMIFC members increased to 68 member institutions. (See table 1).

Over the last four decades, student-managed investment funds have grown in numbers, size and complexity. In 2015, a survey by Lawrence (2015) indicated there are 314 universities worldwide that have active investment funds. Two years later, Kubik (2017) reported 440 universities have active SMIF programs. As of October, 2018, the data collected, by the members of the Indiana State University Investment Club, graduate assistants, and Scott College of Business Dean's Office staff, indicates the number of universities that have active Student Managed Investment Funds increased to 504. (The listing of these universities is available upon request). The SMIF consortium members constitute approximately 10% of the total active Student Investment funds in the United States of America.

The purpose of this paper is to report the mission and objectives of the SMIF Consortium, summarize the activities and benefits of the Consortium, and to identify some challenges faced during the past six years. The sections that follow are organized around those broad topics.

MISSION AND OBJECTIVES OF SMIFC

The SMIF Consortium is a community of universities with a shared vision for student success and leadership in investment management. This common purpose provides for a broad network of support, problem solving, and networking among students and faculty in the member institutions. The SMIFC also establishes relationships with industry partners to assist in its primary goals of student education, research, and leadership. These industry partnerships also provide opportunities for corporate sponsorships of SMIFC functions, student scholarships, internships, and employment opportunities. The mission of the SMIF Consortium (SMIFC) is to provide a forum among member institutions to share Student Managed Investment Fund best practices in investment management and organization administration. The SMIF consortium emphasizes graduate and undergraduate student education, research, and leadership.

Membership in the SMIF Consortium is open to institutions of higher education who have active student-managed investment funds and/or who have an interest in contributing to student education, research, and leadership. Members of the SMIFC determine how it will be organized, including administrative officers, and other considerations necessary to achieve the organization's mission.

The evidence from the presentations of member institutions at the annual SMIFC conference over the past six years suggest that the distribution of the organizational structure and investment strategies, adopted by the members of the SMIF Consortium, is similar to the organizational structure and investment strategies in the general body of all Student Managed Investment Funds. Most programs are set up by receiving funds from private donors or grants from their university endowments. One of the SMIF Consortium members, University of Tennessee at Martin, is the exception in the group. They received their funds from the Tennessee Valley Authority (TVA) Board. The TVA Board allocated \$100,000 to each of the student-managed investment programs at 19 universities in the Tennessee Valley.

Krueger (2001) reported that a formal Investment Policy is essential to the smooth management of a Student Managed Investment Fund (SMIF) portfolio and that such policy is used by the majority of universities that have SMIFs. The investment strategies and trading, at most of the SMIF Consortium institutions, is controlled by the formal investment policy established by the fund. The stock selection is done according to the guidelines in the policy statement and the constitution of the fund. The investment strategy at University of Tennessee at Martin is different. They construct their portfolio by mimicking the S & P 500 market index and all their trading is accomplished through TVA's trustee bank. Most SMIFC member institutions run their SMIF through a three-hour for-credit course. A few SMIFC members invest funds as an investment club. These stand-alone clubs may accept members from all business disciplines or may open it up to any student of the college or university. Charlton and Earl (2000) reports that the size of class has an impact on the process of asset allocation and stock selection for the portfolio. Where the class is relatively small, individual students are assigned several industries. Student selection of stocks for the portfolio becomes a function of class size.

ACTIVITIES AND BENEFITS OF SMIFC

One main event of the SMIFC is to organize a conference each year to provide networking opportunities for its partner institutions. Students assist in the organization of the conference and participate by presenting their practices in investment management and/or organization administration. Student research and white papers and videos are maintained in the SMIFC resource archive. The

conference also spotlights a number of industry participants who speak on topics of interest to its members. Opportunities exist for panel discussions of students, advisors, and industry partners. SMIFC also provides partner members with access to educational resources covering best practice in investment management and organization administration. Most of these resources are contributed by consortium partners who share strategies for successful student-led investment groups. Indiana State University is hosting a SMIFC electronic archive for this purpose.

The consortium held its first annual conference in October, 2013 on the campus of Indiana State University in Terre Haute, Indiana. Over 350 individuals attended the conference. Overall, the conference program was stimulating and engaging, offering a substantial variety of topics. The conference was educational and included a rich mix of conversation on the best practices in investment management and the opportunities for professional development for students. The conference also provided students networking opportunities, engagement with professionals from a number of businesses, and visiting with member institutions to glean a broader perspective of investment practices. Conference participants remarked that the first SMIFC conference was a great success. To keep costs low to the member institutions, we held the 2014, 2015 and 2016 conferences on the Indiana State University premises. To increase exposure and attract more members to the consortium, the 2017 SMIF Consortium conference was held in Chicago and the sixth SMIF Consortium conference was also held in Chicago on October 4-5, 2018. The program for the conference usually includes two to three sessions of featured keynote speakers and thought-provoking presentations by other notable industry leaders. Workshops sessions for training students on the use of investment software such as the TD Ameritrade Thinkorswim and Bloomberg platforms are also typically offered.

Over the years, the SMIFC established partnerships with a number of firms in the financial industry and other industries. These partners support the SMIF consortium by providing speakers to the conference and/or financial support through sponsorships. The industry partners include, Ariel Investments, Bloomberg Institute, CFA Society Chicago, Chicago Board of Options, City Securities, Federal Reserve Bank of Chicago, Fifth Third Bank, First Financial Bank, Kaplan, McGraw Hill Education, State Farm, Stifel-Minas Sabau Porterfield group, TD Ameritrade, and the Technical Analysis Educational Foundation.

For a portion of each conference program, we reserve two to three sessions for the students from the partner institutions of the SMIFC. In the sessions, the students share their university SMIF organizational models, investment practices and strategies and other experiences they found significant. Interaction between the audience and the presenting SMIFC teams and among the teams themselves is common in all sessions. We also reserve a session for a business meeting for the students and faculty from the attending SMIFC institutions. In the meeting, the students and advisors share their thoughts about the conference and other activities of the SMIFC. In addition, members make recommendations for the next SMIF Consortium conference and activities. Also, we sometimes follow-up with a short survey or ask the audience to write down their observations. This information proves to be valuable for continuous improvement, and a number of changes to future conference programming came from recommendations we collected from the attending students and faculty. For example, we added a career fair to the 2014 conference as the direct result of suggestions. In addition, we shortened the sessions and reduced the total number of sessions since the 2015 conference. In the 2018 conference, we hosted a student pitch competition. For the competition, student teams provided a financial analysis of a company. To participate in the competition, student teams: a) submitted a 7-minute YouTube video describing the team's analysis and recommendations for the subject company, or b) provide analysis via a 10-

pagewritten paper. Some teams participated in both the video and written paper. Awards were given for 1st through 3rd place video pitches and also for the best three papers. The best 3 papers and videos are stored in the SMIFC electronic archive and are available to students at SMIFC institutions.

CHALLENGES OF SMIFC

The most significant challenge to the SMIFC is program costs. The SMIFC itself is challenged with how to raise the funds that will support the annual conference and other activities. Many SMIFC partners are also limited in the number of students they can bring to the conference because of college budget issues. In addition, Mallett & Lerro (2002) documented that universities incur high costs when operating a Student Managed Investment Fund. These costs include investment in construction of trading room, and the purchase of specialized software and computers. Raising funds to subsidize the cost to member institutions is essential for the future success of the consortium. We cannot charge the full actual cost per individual to member institutions and expect large attendance at the conference. Indiana State University was able, through a Lilly grant, to subsidize the cost to attending faculty and students of member institutions for the last five years. The total cost of the 2017 SMIFC conference was 1 \$100,550 We were able to reduce the cost of the 2018 Conference to around \$64,773. The cost to attending faculty and students is still high. The SMIFC continue to explore innovative ways of cutting the costs and raising more funds

Another challenge to the SMIFC is how to motivate supervisors and students to get involved and carry some of the responsibilities of the SMIFC. We are seeing progress in this area. More individuals from a number of SMIFC institutions are getting involved. The third challenge to SMIFC is increasing the membership in the Consortium. In the past, we limited our invitation to universities in the Midwest region. We are now extending invitations beyond the Midwest and we now have members from all regions in the United States of America. We saw increased interest in the SMIF Consortium after we moved the conference to Chicago. We will continue to hold the conference in Chicago or other big cities.

CONCLUSION

In this paper, we explore the history, activities, benefits and challenges of the Student Managed Investment Fund Consortium (SMIFC). The Consortium is the only body in the United States that has a community of universities with a shared vision for student success and leadership in investment management. The consortium provides for a broad network of support, problem solving, and partnerships among students and faculty in the member institutions. The SMIFC also establishes relationships with industry partners to assist in achieving its primary goals of student education, research, and leadership. The industry partnerships provide opportunities for corporate sponsorships of SMIFC functions, student scholarships, internships, and employment opportunities. The SMIFC also provides member partners with access to educational resources covering best practice in investment management and organization administration. Most of these resources are contributed by consortium partners who have shared strategies for successful student led investment groups. An annual conference is organized each year to provide networking opportunities for its members. Student research papers and videos are maintained in the SMIFC resource archive. The conference also spotlights a number of industry participants who speak on topics of interest to its members. Opportunities exist for panel discussions of students, advisors, and industry partners. The organizational structure and investment strategies, adopted by SMIFC universities,

is similar to the general body of all Student Managed Investment Funds(SMIF)organizational structure and investment strategies. The majority of SMFIC member universities programs are set up by receiving funds from private donors or grants from their university endowments.

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Table 1: List SMIF Consortium Members 2013 to Present

Alcorn State University	Henderson State University	University of Arkansas at Little Rock
Appalachian State University	High Point University	University of Central Missouri
Arkansas State University	Hofstra University	University of Detroit Mercy
Ashland University	Indiana State University	University of Indianapolis
Auburn University	Le Moyne College	University of Lynchburg
Baldwin Wallace University	Lipscomb University	University of Michigan
Ball State University	Marquette University	University of Missouri - St. Louis
Barry University	Michigan State University	University of Mount Union
Butler University	Millikin University	University of Nebraska at Kearney
Cal Poly Pomona	Mississippi University for Women	University of Nebraska-Lincoln
California State University - Fresno	Nazareth College	University of North Carolina - Greensboro
Cedarville University	Northern Illinois University	University of Northern Colorado
Christian Brothers University	Northern Michigan University	University of Tennessee
The Citadel	Oberlin College	University of Tennessee at Martin
Colby-Sawyer College	Ohio Wesleyan University	University of West Alabama
College of Wooster	Olivet Nazarene University	University of Wisconsin - Eau Claire
DePaul University	Radford University	University of Wisconsin - River Falls
Dominican University	Smith College	Walsh College
Drexel University	Southern Illinois University, Edwardsville	Western Carolina University
East Tennessee State University	Truman State University	Western Kentucky University
Eastern Illinois University	University of Alabama in Huntsville	Western Michigan University
Freed Hardeman University	University of Arkansas - Fort Smith	Xavier University
George Mason University		
Georgia Southern University		