# INVESTMENT PHILOSOPHY

Our Mission

The University of St Andres Investment Society is a student-run investment club. Collectively, we manage a $21,000 long-only equity fund (the 'Fund') with an annual philanthropic donation mandate.

Our mission is to execute our constitutional aims of education, accessibility and inclusion. We provide all students, regardless of academic discipline, access to practical financial skills through various internal educational opportunities and external events with industry professionals.

The fund's objective is to provide members with a hands-on learning experience in investing and managing a real-money portfolio. We aim to adhere to our constitutional aims by providing members with the necessary resources, skills and experiences to contribute to our bi-annual stock pitches.

Structure

Our Fund Management Team oversees our six Sector Teams covering Consumer Goods & Services, Technology, Media & Telecommunications, Financial & Professional Resources, Industrials & Natural Resources, Healthcare & Pharmaceuticals and Emerging Markets. Each sector comprises Sector Heads, Assistant Sector Heads and Analysts responsible for producing two stock pitches over the year.

Our Fund Management Team provides all the requisite resources, educational material and experiences for the Sector Teams to successfully employ the fundamental analysis techniques widely used in the financial services industry. Educational talks and networking events supplement the weekly Sector Team meetings. Stock pitches and research reports are presented at the end of each semester.

Investment Philosophy

As a top-down, fundamental investor, The University of St Andrews Investment Society views thoughtful research and rigorous analysis as the core tenants of our investment approach.

We aim to identify prominent companies trading at attractive valuations, holding a diverse portfolio of companies buoyed by positive global headwinds and leaders in their respective industries. Our broad sector coverage and long-term investment horizon allow us to benefit from emerging global trends and take advantage of market dislocations where share prices deviate from intrinsic value.

Our portfolio consists of public securities with a focus on mid and large-cap equities.

INVESTMENT PROCESS

*1: GLOBAL OUTLOOK*

Our security selection process begins with thorough consideration of the global factors affecting all businesses. We have categorized the four critical components of this analysis as follows:

* Macroeconomic Outlook: Our two to five-year investment horizon allows us to lean into emerging macroeconomic trends and forecasts comfortably.
* Geopolitical Conditions: In an increasingly globalized world, politics and geopolitical tensions will continue to dominate investment narratives.
* ESG Considerations: Defined as *Environmental, Social, and Governance,* ESG analysis will increasingly influence institutional and corporate investment decisions.
* Investor Sentiment: We believe in rigorous fundamental analysis and distil behavioural considerations into all of our investment decisions.

*2: SECTOR FOCUS*

Our broad sector coverage across allows us to analyze individual sectors in the context of prevailing global investment conditions. Within each industry, we believe common analytical focal points exist to identify attractive investment opportunities:

* Industry Trends: Sectors encompass several industries, all of which present differing investment characteristics. We aim to identify the industries that are growing and supported by positive economic headwinds.
* Technology: Technological advancement is rapidly changing our lives and how businesses operate. As investors, we always want to stay ahead of these changes and identify leading technological adoption industries.
* Political: Understanding the impact of specific policies and regulations within a sector or industry is critical.
* Social: Trends in demographics, consumer behaviour, and broader societal movements all influence an industry's growth.
* Environmental: Industries positioned to adapt to increasing environmental scrutiny represent attractive investment opportunities.

*3: SECURITY SELECTION*

Once our Sector Coverage Teams identify an attractive industry, the Sector Teams then screen for and perform in-depth fundamental analysis on companies. We believe a standard set of qualitative and quantitative criteria exist to identify superior companies:

* Business Model: Companies that exhibit unique business models or economic moats tend to outperform competitors. This is realized via product niches, brand loyalty, monopolies, network effects, cost advantages, intellectual property, switching costs, or economies of scale.
* Management: A strong management track record and alignment of incentives builds credibility and tends to improve share price performance.
* Corporate Strategy: Clear, compelling, and actionable corporate strategy strengthens investor appetite.
* Size Metrics: Market Capitalization, Revenue, and Enterprise Value (EV) are all signals of a company's size.
* Operational Metrics: Return on Invested Capital, Revenue Growth, EBITDA Margin, Earnings-per-Share, and Free-Cash-Flow Conversion signal the operational efficiency of a business.
* Valuation Metrics: Price-to-Earnings Multiple, EV / EBITDA, and Price-to-Book Value are standard valuation metrics used to compare the relative expensiveness of company share prices.
* ESG Metrics: ESG Ratings are used to compare the ESG performance of different companies.

*4: PREPARING THE STOCK PITCH*

Once the Sector Coverage Teams identify the company most likely to outperform given the global outlook and sector focus considerations, further due diligence on the company and industry is performed to prepare the semesterly stock pitch. We believe in meritocratic decision-making whereby Sector Coverage teams pitch to the Society's entirety and defend their equity research before a receptive audience. We advocate for compelling narratives that follow a logical progression. As such, we adhere to a standardized investment pitch process that guides all of our fundamental analysis

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| STOCK PITCH OUTLINE | |
| **Company Overview** | * How do they generate revenue? * Where do they operate? Who manages the company? * Recent performance. * Key customers and suppliers. * Key financials. |
| **Industry Overview** | * What is the industry? * Who are the competitors? * Is the industry fragmented or consolidating? * Macro-drivers of the industry. * What is the recent performance & current growth expectations? * Why is the company a leader? * What are the broad industry trends? |
| **Investment Thesis** | * Why will this company generate good returns? * Why will they outperform peers? * What hasn't the market realized yet? * Considerations: economic moats, solid growth opportunities driving more significant risk/reward payoff, certain events driving irrational investor sentiment. |
| **Valuation** | * Comparables, Precedents, Discounted Cash Flow, and or Sum-of-the-Parts Analysis. |
| **Catalysts** | * The investment thesis is a driving reason to invest, whereas a catalyst is an event that will unlock value or confirms the thesis. * Potential examples include acquisitions, earnings release, new products, divestitures, change in regulation, share buybacks, or dividend increases. |
| **Risks** | * External risks: geopolitical, regulatory, and macroeconomic * Internal risks: product-specific risks (e.g. manufacturing complications), supply chain, increasing cost base, or ability to innovate. |
| **Recommendation** | * Concisely summarize pitch, recap key thesis, and significant points. * Summary target price based on valuation analysis. |