

# **The Michael Price Student Investment Fund at Stern**

## *Bringing the Real World to the Ivory Tower*

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For many students about to embark on the business school experience, academic programs are merely the beginning of a journey that will culminate in a new career, or in different challenges at an old one. Discovering just what new challenge or career to pursue is an important issue that the top business programs should strive to address. Certainly, a real world emphasis in the classroom, summer internship experiences, and interactions between town and gown can all help students find answers to such questions.

Students interested in fields such as Sales and Trading, Asset Management and Financial Analysis, often face a particularly great divide between academics and practice. Making investment decisions supported by your own analysis can be a far cry from hypothetical portfolio trading and classroom projects. Stern students however, are fortunate to have the opportunity to make *real money* decisions thanks to a unique course offering known as the Michael Price Student Investment Fund.

In 1999, Michael Price of value investing and mutual fund fame made a donation to Stern in the amount of \$2 million. There was a dual purpose to this gift. First, he wished to afford a group of students the valuable experience of managing this money entirely. Second, because he believes that all students of business should come to New York at some point, he stipulated that 5% of the value of the fund would be distributed annually to the business school at Oklahoma University, which Price has heavily endowed. This money would support a number of exchange students from Oklahoma to visit Stern each year.

The first class, comprised of 30 students, met in the Fall Semester of 1999. The \$2 million gift came with no stipulations or advice other than that student were to manage the funds and that a portion would support the exchange program with Oklahoma. The students and faculty advisor, Professor Michael Keenan, immediately set about the tasks of organizing a management approach. In order to give as many students as possible the opportunity to make investment decisions while at the same time maintaining a significant dollar amount of investment, the group decided to form three individually managed funds with the money. The three funds are a Value Fund, a Growth and Income Fund and a Small Cap Fund.

The students soon discovered that investing their portion of the gift involved a great deal more than equity analysis. A sound organizational structure was a first order of business, followed by writing a prospectus and establishing procedural rules to cover voting on actual investments. Each of the separate funds elected portfolio managers and appointed Directors of Research, Market Strategy and Fund Services. In addition to these functional designations, each participant was made responsible for a particular sector. This responsibility entails keeping track of news, trends and analysis of a given industry and the companies that comprise that group. Because students are investing substantial sums of money this work must be of a high quality.

In addition to contributions to the various service roles and responsibility for a sector, each participant contributes some original research or analysis. These “stock pitches” form the backbone for the investments that the group makes. “If the group likes my pitch and actually chooses to invest, I feel like my work is just starting. I try to keep up with any news on the company or its competitors and keep the group posted. This is real money and I feel responsible for it,” said Blank Blank a member of the Value Fund.

Professor Keenan notes, “MPSIF is a great way for students with similar interests to work together toward the same goal in a professional setting.” Indeed, the group maintains a high level of professionalism. Detailed records are kept to help later classes understand the choices of holdings as well as to be ready for a potential audit. The students use the tools that they are cultivating in their other Stern classes to augment the research that they do and in addition call on past expertise when they can.

Still not quite a year into actual investing, all three funds have maintained positive returns despite a difficult market and compared to the community of sell-side analysts recent performance, the funds seem to be holding their own. A highlight has been the Value Fund. The fund approved a total of 15 holdings including both equities and fixed income, since inception. At the time this newsletter was published the Fund’s total return was x%. Josh Steinberger, the group’s Director of Research commented, “Considering that we are not yet fully invested, this is a relatively strong performance for a value based fund. Annualized returns like 279% on Phoenix Investments, 133% on Duke Energy, 96% on Tidewater and 87% on Waste Management are fantastic by any comparison.

Ultimately, the three funds will all be compared to the benchmarks that they have targeted in their respective prospectuses. In addition however, the group will also be compared on the whole to how the NYU endowment professionals perform as well as the performance of other University endowments. After all in a real world class experience the relevant benchmark isn’t grades it’s the market.

*You can out more about MPSIF at our web site: <http://www.stern.nyu.edu/~mpsif>.*