Educated Investing

Happy 10-Year Anniversary to Stern’s Michael Price Student Investment Fund (MPSIF)

By Jessica Gerberi

Issue date: 8/25/09

On behalf of Stern’s very own student-run investment fund - the Michael Price Student Investment Fund - I would like to extend a warm welcome to the incoming Stern MBA class of 2011. This semester marks a milestone for the fund, as it was ten years ago that MPSIF was established through a generous gift from Michael Price, managing partner, MFP Investors, LLC and former chairman of Franklin Mutual Series funds. As the MPSIF President for the fall semester, on behalf of MPSIF students past, present and future, I would like to express our sincere gratitude to Mr. Price for providing us with such an enriching and engaging learning opportunity.

I would also like to thank our recent MPSIF graduates and returning analysts for the hard work, diligence, and dedication exhibited last spring. Under the leadership of spring semester President Helvecio Borges Guimaraes, Professor Richard Levich and our management advisory council, all of our equity funds outperformed their benchmarks in the 11-month period ending July 31, 2009. Additionally, during the spring semester we were fortunate to have several industry leaders visit us in the classroom to share their extensive knowledge and experiences in the money management profession.

Although the US economy appears to be heading towards solid footing, this is undoubtedly a very uncertain (and exciting) time for investors as the economic recovery is still in tenuous territory. Over the summer we saw US stocks rally as there seemed to be no shortage of positive economic data, ostensibly signaling an end to the recession. Growth is expected to resume in the third quarter and we’ve seen the credit environment become increasingly friendly towards businesses. Signs of an inventory re-stocking cycle have emerged. The “cash for clunkers” program may provide a much-needed boost to the struggling auto industry.

However, big question marks remain around the consumer – recent retail sales numbers and jobless claims have disappointed – and whether or not fears about inflation will prove to be warranted. Thankfully the housing market is no longer in free fall, but with nearly 1 million mortgage loans in default, mounting foreclosures could seriously hinder economic recovery. And finally, should the economy fail to show
meaningful signs of recovery by 2010, we might find ourselves facing another downturn which would likely necessitate a further round of government intervention.

Economic indicators and the overall state of the US and global economy are just some of the factors MPSIF analysts will consider as they make buy/sell recommendations on existing portfolio holdings and pitch new investment ideas to their fellow students. There are 45 students in the MPSIF course – formally “Managing Investment Funds” (B55.3320) – divided amongst three equity sub-funds: Growth, Value and Small Cap, and one fixed income fund. While each sub-fund has its own performance benchmark (Russell 1000 Growth Index, Russell 1000 Value Index, Russell 2000 Small Cap Index and the Vanguard Total Bond Index, respectively), MPSIF’s primary goal is to deliver positive real returns that exceed appropriate benchmarks over a 3-5 year period. Each sub-fund has its own portfolio manager(s) and trader.

In addition to drawing upon knowledge gained through job experience and course work in finance, accounting, economics, marketing and communications to research and manage the investments in the $1.5 million portfolio, students must also perform other fiduciary functions required of a university endowment fund. These include creating the annual report, running portfolio analytics, writing research reports on investment recommendations and presenting to the management advisory council. Students can elect to join the economic or sector strategy teams, which present their analysis to the entire class during the course of the semester. There are also other specialized roles within MPSIF such as the VPs of Alumni Relations and External Affairs. The individuals holding these positions help to keep the lines of communication open with various outside parties and the media to raise awareness of and promote the MPSIF program.

Aspiring MPSIF analysts must apply for a spot in the class and, to ensure institutional memory and continuity and consistency of process, must be willing to make a 2-semester commitment. An information session will be held during the fall semester for those interested in applying. Further information is also available at the Fund’s web site www.stern.nyu.edu/~mpsif. I wish both incoming and continuing MBA students an enjoyable and enlightening fall semester at NYU Stern.