

# Value, History, Activities, and Challenges of Student Managed Investment Fund Consortium (SMIFC)

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**Abstract:** In this paper, we document the history, activities, values, and challenges of the ISU Student Managed Investment Fund Consortium (SMIFC). With more Universities looking to incorporate their student managed investment fund (SMIF) to provide an experiential learning opportunity to their students, this paper details what the ISU SMIFC has done and learned from the experience. The ISU 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 provides students and faculty in the member institutions with a broad network of support, problem-solving, and friendship. The SMIFC also establishes relationships with industry partners to assist in its primary goals of student education, research, leadership, and networking. These industry partnerships also provide opportunities for corporate sponsorships of SMIFC functions, student scholarships, internships, and employment opportunities. As of August 2022, the SMIFC had 134 member institutions and is expected to grow further in the future.

**Key words:** student managed investment fund (SMIF), Student Managed Investment Fund Consortium (SMIFC), experiential learning

**JEL codes:** A2, I23

## 1. Introduction

Since the creation of the first student-managed investment fund (SMIF) in 1950, the U.S. SMIFs have grown in numbers, size, and complexity. According to Lawrence (2008), there were only 12 SMIFs in 1969, and he reported that there are 314 SMIFs worldwide ranging in size from \$2,000 to \$62 million. Using a website search, other prior SMIF research, the University Finance Labs, and contacts from professional associations, Kubik (2018) identified 483 schools having SMIF programs in the U.S. Following Kubik, this paper identifies 604 schools in December 2022.

The distribution of the organizational structure and investment strategies adopted by the members of the Student Managed Investment Fund Consortium (SMIFC) founded by Indiana State University in July 2013 is like the organizational structure and investment strategies in the general body of all students managed investment funds. Most programs are set up by receiving funds from various sources, including but not limited to, gifts or grants from private donors, corporations, foundations, and university endowments. One distinctive organizational structure of a

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fund providing investment experience for students is the investment challenge program created by the Tennessee Valley Authority (TVA), a federally owned electric utility corporation. The TVA Board allocated \$100,000 each to participating 19 universities in the Tennessee Valley to manage in actual investment portfolios in 1998, and the total portfolio increased to \$11 million in 2023 as per TVA's website.

Krueger (2001) reported that a formal investment policy is essential to the smooth management of the SMIF portfolio and that such policies are used by most universities that have SMIFs. The investment strategies and trading at most of the SMIF institutions are controlled by the investment policy statement that is 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 for TVA's investment challenge program by the participating institutions 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-credit hour finance course. A few SMIFC members manage their funds via a student investment club. These stand-alone clubs may accept members from all business disciplines or may open it up to any students who are interested in a career in investment or finance. Charlton and Earl (2000) reports that the size of the class has an impact on the process of asset allocation and stock selection for the portfolio. Students are assigned more industries to screen when the class is small. Students' selection of stocks for the portfolio becomes a function of class size. When a class is small, each registered student is assigned more stocks or sectors to study and make necessary buy and sell decisions.

A few studies (Houde, 2007; Kolb, 2005; Kayes and Kayes, 2003; Gagnon and Witt-Smith, 2001; La Busing, 1998) documented that there is a great benefit to having a SMIF as a part of college experiential education programs in addition to the traditional classroom education. Experiential learning through SMIF activities allows students to have a higher level of student involvement, development of lifelong skills, and a deeper educational experience. Burkhalter and Schaer (1985) provide evidence that experiential programs help students better prepare for professional careers and develop communication, make better career decisions, and improve job-market prospects. No one would disagree that a SMIF provides an impactful learning experience for participating students, and that experiential learning enhances educational learning outcomes and career competencies. Knewtson, Johnson, and Tuoriniemi (2020) note that allowing students more, if not complete, control of the SMIF provides a true asset management experience and maximizes the students learning experience.

The purpose of this paper is to document the objectives, history, activities, and challenges faced by SMIFC since its inauguration in 2013. The sections that follow are organized around those broad topics.

## **2. Student Managed Investment Fund Consortia**

There were some attempts by a few universities that are hosting SMIF to hold a conference to address professional development in the financial industry. Some of the high-profile conferences were initiated by Redefining Investment Strategy Education (R.I.S.E.), ENGAGE, and Global Asset Management Education (G.A.M.E). R.I.S.E. is sponsored by the University of Dayton in Ohio and was founded in 2000 and ended in 2014. Although R.I.S.E. started as undergraduate student investment conferences, commonly held in fall. R.I.S.E. programs offered the university's undergraduate students the opportunities to interact with and learn from industry professionals and to exercise industry best practices in real-world situations and simulations. R.I.S.E. also provided undergraduate students with the opportunities to teach the local high school students about investment principles and the stock market. The Spring 2012 conference of G.A.M.E was hosted by Quinnipiac University and held in

New York City. For many years it has been the largest SMIF gathering conference. G.A.M.E. forum is held annually each spring and is open to both undergraduate and graduate students from around the globe. ENGAGE International Investment Education Symposium emerged in 2015 as the premier fall conference hosted by Wayne State University and Mainstay Capital Management, in association with the United Nations Global Compact. ENGAGE Undergraduate Investment Conference (UIC) was hosted by Michigan Interactive Investments of the University of Michigan's Ross School of Business, and students participated on a competitive pitch competition where they presented their best ideas to industry judges. There was one more attempt to establish a SMIF consortium by The Association of Student-Managed Investment Funds (ASMIF) at Stetson University founded in 2006 and due to the lack of a leading university and the fragmentation of funds it ended in 2007.

In July 2013, the first author co-founded the Student Managed Investment Fund Consortium (SMIFC). The Consortium consists of a group of universities and colleges that have at least one active student-managed investment fund. As stated in its constitution, the purpose of this consortium is to enhance student practical learning and scholarship, record best practices 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 SMIFC focuses on student leadership and research. As shown in Figure 1, the SMIFC started with 18 member institutions in 2013, and the membership increases to 134 institutions in 2022. The annual average growth rate in the number of member institutions ranges from 94% in the early SMIFC year to zero in 2000, when the World Health Organization officially declared the COVID-19 outbreak a pandemic. In 2021, the growth rate was second highest at 46%. In the early years after inauguration, most members were from the Midwest region, but the SMIFC membership spread all over the USA in 2022. The SMIFC members are 134, which is about 22.2% of the 604 active student managed investment funds in the U.S.

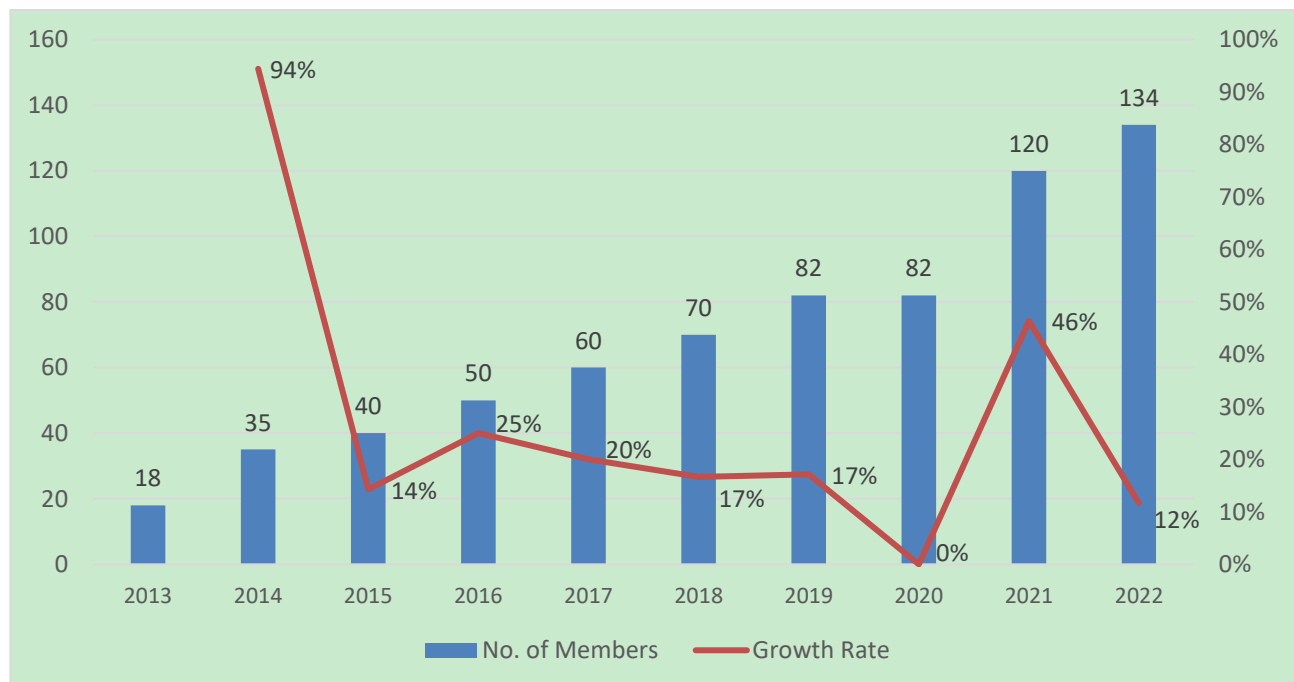


Figure 1 Number of SMIFC Members and Growth Rate

### 3. Structure, Goals, and Mission of SMIFC

The SMIFC 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 friendship among students and faculty for corporate sponsorships of SMIFC functions, student scholarships, internships, and employment opportunities. The mission of the SMIFC is to provide a forum among member institutions to share the SMIF best practices in investment management and organization administration. The SMIFC emphasizes graduate and undergraduate student education, research, and leadership.

Membership in the SMIFC is open to institutions of higher education that 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. All members are partners in the SMIF Consortium.

#### **4. Objectives, Activities, and Value of SMIFC**

One of the main activities of the SMIFC is to organize a conference each year to provide networking opportunities for its members. Students assist in the organization and management of the conference and participate in the SMIFC program 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 several industry participants who speak on topics of interest to its members. Opportunities exist for panel discussions of students, advisors, and industry partners. The conference is hosted by willing member institutions on a rotating basis.

The SMIFC also provides member partners with access to educational resources covering best practices in investment management and organization administration. Most of these resources are contributed by consortium partners who share strategies for successful student-led investment groups. Due to the high growth in the consortium membership and increase in the number of attendees at the annual SMIFC conference, the authors of the SMIFC administered a concise survey seeking the opinions of members on three issues: (1) starting a new SMIFC journal; (2) building a database for members; and (3) holding new annual regional meetings. Most of the participating members (over 70%) supported all three initiatives. Although, starting a new academic SMIF journal, so called, The Journal of SMIF Consortium, is highly favored as it can host not only student research, but works by SMIF academic advisors and other researchers. Due to the high growth in the membership of the SMIFC and the geographical dispersion of member schools, a second regional conference in the west or south region of U.S. is very plausible.

The annual conferences provide opportunities for professional development for students and are mostly educational. The conferences are filled with a rich mix of presentations and conversations on the best practices in investment management and on the impact of recent economic changes on the investment environment. The meetings also provided students with networking opportunities, engagement with professionals from several investment firms, and visiting member institutions opportunity to observe and glean investment practices by other member schools. To increase the SMIFC exposure and attract more members to the consortium, the 2017 through 2023, annual SMIFC conference was held in Chicago. The program for the conferences usually includes two to three sessions with featured keynote speakers on current economic conditions, presentations on the management of the SMIF, and Q&A session on related topics with notable industry executives and leaders. Workshops sessions for training students on the use of investment software such as the TD Ameritrade Thinkorswim trading platform and Bloomberg platforms are also typically offered.

Every year, students also participated in two project competitions, including a poster session competition, financial analysis/portfolio management competition. The poster competition provides the SMIFC teams a way to display and present information and performance of their SMIF. As an incentive to participate in the poster session competition, awards are presented to teams that demonstrate Posters of Excellence for outstanding performance and outstanding visual presentation. The financial analysis project is a financial analysis exercise of the subject company. Financial ratios, valuation models, and other statistics and variables can be used in this analysis. Macroeconomics, industry, and company-specific data are used to compete in this project. A portfolio building project is an exercise of creating a long-term investment strategy and building an investment portfolio using fundamental analysis and technical analysis. The project consists of two parts. In the first part, teams of 1 to 3 students create a paper trading portfolio with \$100,000 that can be invested in stocks. Each team will create a portfolio of up to 10 stocks and write a 5-8-page (including exhibits) paper describing their investment plan strategy and demonstrating their knowledge of analysis of economic, industrial, political, global, financial, and other relevant conditions, and their understanding and application of both fundamental analysis and technical analysis concepts and criteria they used for selection, allocation, position sizing, and risk management of their portfolio. Students also participated in the real trading competition.

Over the years, we have established partnerships with a few firms in the financial industry and other industries. These partners support SMIFC by providing speakers at the conference and/or financial support through sponsorships. The industry partners include, BlackRock, First Trust, Ariel Investments, LGIM America, Charles Schwab, Edward Jones, Bloomberg Institute, Bank One, CFA Society Chicago, Kingsview Partners, Chicago Board of Options, City securities, Federal Bank of Chicago, Jones Lang Lasalle, Fifth Third Bank, first financial bank, Kaplan, Mc Graw Hill Education, State Farm, Stifle 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 different SMIFC member schools. In the sessions, the students share their SMIF organizational models, investment practices and strategies, and other experiences they found significant. The interactions between the audience and the presenting SMIFC teams and among the teams themselves are common in all sessions. We also reserve a session for a business meeting for the students and faculty from the attending SMIFC member schools. In the meeting, the students and advisors share their thoughts about the conference and other activities of SMIFC. In addition, members make recommendations for the next SMIFC conference and activities. Also, we sometimes follow up with a concise survey or ask the audience to write down their observations and suggestions for a better conference experience. This information proves to be valuable for continuous improvement, and a few changes to future conference programming came from recommendations we collected from the attending students and faculty. For example, we added a small 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, participating student teams provided a financial analysis of a company in one of the following two ways: 1) submit a 7-minute YouTube video describing the team's analysis and recommendation for the subject company or 2) present the team's analysis and recommendation via a 10-page written report. Teams can participate in both the video and written paper. Awards were given for first through third place winners on the video pitch and on the written report.

## **5. Challenges of SMIFC**

The most significant challenge to SMIFC is program costs. SMIFC itself is challenged with how to raise the funds that will support the annual conference and other activities. Many SMIFC member schools are also limited in the number of students they can bring to the conference due to their budgetary and other funding issues. Mallett & Lerro (2002) documented that universities incur an excessive cost when operating a SMIF. These costs include investment in the construction of the 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 a large attendance at the conference. Indiana State University was able, through a Lilly grant, to subsidize the cost of attending faculty and students of member institutions for the last five years. The total cost of the 2017 SMIFC conference was a little over \$100,000. We were able to reduce the cost of the 2018 SMIFC conference to around \$58,000. The cost of attending faculty and students is still high. We need to continue to explore innovative ways of cutting costs or raising funds.

Another challenge is how to motivate academic advisors and students to get involved and carry out some of the responsibilities of the SMIFC. Although a progress is made in this area and more individuals from a few SMIFC institutions are getting involved, we need to capitalize on this and encourage more individuals from other SMIFC universities to join the active committees. The third challenge is increasing the membership in the SMIFC. 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 over the U.S. We saw increased interest in the SMIFC after the annual conference was moved to Chicago. We will continue to hold the conference in Chicago or other big cities.

## 6. Conclusion

In this paper, we explore the history, activities, values, and challenges of the ISU Student Managed Investment Fund Consortium (SMIFC). The ISU SMIFC is the only body in the United States that is student oriented and has a community of universities with a shared vision for student success and leadership in investing management. The consortium provided 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 achieving its primary goals of student education, research, and leadership. The industry partnerships also 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 will be contributed by consortium partners who have shared strategies for successful student-led investment groups. SMIFC is hosting an electronic archive for this purpose and will be available to students at member institutions. An annual conference is organized each year to provide networking opportunities for its members. Student research and white papers and videos are maintained in the SMIFC resource archive.

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### Appendix I List of SMIFC Members (October 2022)

| Universities                 |                               |
|------------------------------|-------------------------------|
| Abilene Christian University | Florida Gulf Coast University |
| Adelphi University           | Freed Hardeman University     |
| Alcorn State University      | George Mason University       |

**Value, History, Activities, and Challenges of Student Managed Investment Fund Consortium (SMIFC)**

|   |  |
|---|--|
| American University of Beirut           | George Washington University               |
| Appalachian State University            | Georgia Southern University                |
| Arkansas State University               | Grand Valley State University              |
| Ashland University                      | Henderson State University                 |
| Auburn University                       | High Point University                      |
| Austin Peay State University            | Hofstra University                         |
| Baldwin Wallace University              | Illinois Wesleyan University               |
| Ball State University                   | Indiana State University                   |
| Barry University                        | Indiana University Northwest               |
| Bloomsburg University                   | Kennesaw State University                  |
| Butler University                       | Le Moyne College                           |
| Cal Poly Pomona                         | Limestone University                       |
| California State University, East Bay   | Lipscomb University                        |
| California State University, Fresno     | Loras College                              |
| California State University, Fullerton  | Marquette University                       |
| California State University, San Marcos | Michigan State University                  |
| Cedarville University                   | Millikin University                        |
| Centenary College of Louisiana          | Millsaps College                           |
| Christian Brothers University           | Mississippi University for Women           |
| Christopher Newport University          | Montclair State University                 |
| The Citadel                             | Morgan State University                    |
| Colby-Sawyer College                    | Nazareth College                           |
| College of Wooster                      | Nebraska Wesleyan University               |
| Cuyahoga Community College              | North Central College                      |
| DePaul University                       | Northern Illinois University               |
| Dominican University                    | Northern Michigan University               |
| Dordt University                        | Northwest Nazarene University              |
| Drexel University                       | Northwestern State University of Louisiana |
| East Tennessee State University         | Oakland University                         |
| Eastern Illinois University             | Oberlin College                            |
| Fairfield University                    | Ohio Wesleyan University                   |
| Olivet Nazarene University              | University of Lincoln (UK)                 |
| Pacific Lutheran University             | University of Lynchburg                    |
| Pacific University, Oregon              | University of Massachusetts Lowell         |
| Penn State Behrend                      | University of Michigan                     |
| Plymouth State University               | University of Michigan - Dearborn          |
| Princeton University                    | University of Michigan - Flint             |

**(To be continued)**

**(Appendix I continued)**

|                          |                                    |
|--------------------------|------------------------------------|
| Radford University       | University of Missouri - St. Louis |
| Saint Peter's University | University of Mount Union          |
| Salve Regina University  | University of Nebraska at Kearney  |
| Smith College            | University of Nebraska - Lincoln   |



**Value, History, Activities, and Challenges of Student Managed Investment Fund Consortium (SMIFC)**

|  |   |
|--|---|
| Southern Illinois University, Edwardsville | University of North Carolina - Greensboro |
| Southern Utah University                   | University of Northern Colorado           |
| Southwestern University                    | University of St. Thomas, Minnesota       |
| State University of New York, Geneseo      | University of Tennessee                   |
| Stonehill College                          | University of Tennessee at Chattanooga    |
| Taylor University                          | University of Tennessee at Martin         |
| University of Texas at Dallas              | University of Texas at Arlington          |
| Truman State University                    | University of West Alabama                |
| Union University                           | University of Wisconsin - Eau Claire      |
| University of Alabama in Huntsville        | University of Wisconsin-La Crosse         |
| University of Alaska Fairbanks             | University of Wisconsin - River Falls     |
| University of Arkansas - Fort Smith        | Ursinus College                           |
| University of Arkansas at Little Rock      | Walsh College                             |
| University of Baltimore                    | Western Carolina University               |
| University of California, Merced           | Western Kentucky University               |
| University of Central Missouri             | Western Michigan University               |
| University of Connecticut                  | Whitworth University                      |
| University of Dayton                       | Widener University                        |
| University of Delaware                     | Winona State University                   |
| University of Detroit Mercy                | Wittenberg University                     |
| University of Florida                      | Wofford College                           |
| University of Georgia                      | Wright State University                   |
| University of Indianapolis                 | Xavier University                         |