To the Virginia Tech Foundation

SEED 2015 Semi-Annual Report

APRIL 1 – SEPTEMER 30

Student-managed Endowment for Educational Development
Co-CEO’s: Parker Gillcash & Kaley Burlingame

Full Time Job Signings through Sept 30:

Parker Gillcash

Goldman Sachs IBD

Kaley Burlingame

KPMG- Deal Advisory

Becca Slatkin

Ernst & Young

Drew Burkhard

Deloitte Consulting

Evan Towle

Boeing

Maddie Butz

KPMG- Audit

Austin Haggerty

BP Trading

Neil Hartman

PwC- Valuation

James Giltner

PwC- Valuation

Anthony Puffenbarger

Capital One

Internship offers will be included on Annual Report

To the Virginia Tech Foundation

Strategic Highlights

The period that this report highlights, April 1 through September 30, was an interesting and busy time for the organization. For the first time in the last decade, SEED was not required to sell any of its positions going into the summer. Analysts Ryan Febles and Matt Harris monitored the portfolio from May 15th-August 15th during which two positions were sold. Gilead Sciences and Eli Lily both reached their respective price targets and after consulting with the Healthcare analysts and Area Manager, both were sold. Any proceeds from summer sales are put into their respective sector ETFs until the school year begins. Then normal SEED buy pitches are presented to the group and voted on by the Co-CEO's and Area Managers to reallocate the capital.

September began with Area Managers and their analysts forming their outlook and strategy for the sector moving forward. This year, SEED has focused on investing more capital in specific industries or subsectors that we have more conviction in, while staying within the benchmark allocation. August and September were particularly challenging given the volatile macro-economic environment. SEED worked to position itself in the best way possible to weather a rate hike from the fed and to avoid the Chinese market as a whole.

This semi-annual report consists mostly of sector specific performance and outlook for an in-depth analysis of how SEED has performed, the drivers behind that performance, and how each Area Manager plans to position their sector moving forward.

Financial Highlights

The cumulative portfolio return from 4/1-2015- 9/30/2015 was -6.71%. The S&P performance for the same time period was -7.19%. With the exception of Consumers, all of SEED's sectors outperformed their respective S&P sector benchmark ETFs.

Consumer Sector

Area Manager: Austin Hagerty

Holdings:

Name	Return
American Airlines	-21.05%
Ford	-15.35%
Hershey	-8.80%
The Gap	-32.97%
Tyson Foods	11.57%

Statistical Highlights

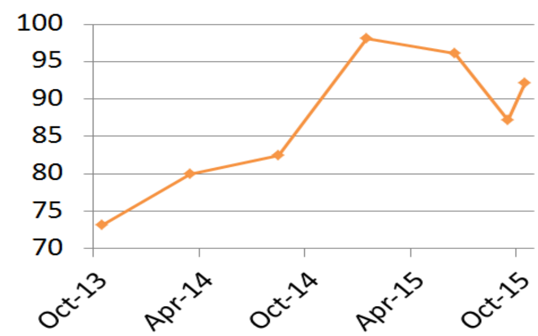
YTD Performance 1/1/15 – 9/30/15

Sector Value: $728,203.89
% of Portfolio Allocated: 15.32%
Return for Period: -10.69%
XLP Return for Period: -3.91%
XLY Return for Period: -1.92%

Sector Summary

The period between the second and third quarter contained a large amount of macro events and news that caused the overall market to underperform. Many consumer companies were hit when China's stock market (Shanghai Index-A shares) entered bear market territory. Nobody saw this coming as China's market knew no other direction but up. After their market tanked, Consumer Sector companies in the US who were heavily investing in China for growth started to underperform. One of our holdings, Hershey Foods, was in this group. On top of this, foreign exchange continues to be a headwind for companies who are exposed to both Europe and China. After China devalued their currency, and Europe continued their QE program, the dollar remained strong. As seen in the top right corner, consumer confidence also took a dip through the summer before just recently posting a 5% increase in the month of October. The final icing on the cake was when August brought the market a drop in the DOW of over 1000 points. This also has kept investors cautious as they decide whether to get back into the market.

Consumer Confidence



Sector Performance

The second and third quarter of 2015 was poor for the Consumer Sector. This was driven by stock selections that suffered large firm-specific events that caused prices to fall (i.e. GPS, HSY, AAL). This coupled with the turmoil in Europe with Greece, rising rate uncertainty, and large macro-economic risk in China, caused our sector to underperform dramatically. We sold off our position in Hershey after coming to the consensus that they were too reliant on China for growth. The airline industry took a plunge after a major airline CEO announced the potential for seat capacity growth. The GAP performed the worst out of all of our holdings after consecutive downgrades along with an earnings miss. More recently, the president of Old Navy, one of the Gap's strongest brands, left for Ralph Lauren which further hurt the stock.

Expectations

It is my opinion that going forward, we will continue to see some volatility in the markets surrounding rate hikes. A rate hike is necessary for consumers to invest and gain confidence in our economy again. With that said, I believe that the continued low oil price environment will provide consumers with excess cash, which will ultimately feed into increased sales for consumer companies. We are looking to stay away from any China-exposed companies and remain domestic. We believe the dollar will remain strong which is why domestic companies offer an advantage. Our goal moving forward is to look for smaller (Under 10b mkt cap), less known companies with a solid track record of success.

Energy Sector

Area Manager: Kyung Lee

Holdings:

Name	Return (4/01 – 9/30)
APA	-35.86%
CVX	-22.03%
MPC	-3.38%
NOV	-24.39
VLO	1.84 %

Statistical Highlights

Period Performance 4/1/15 – 9/30/15

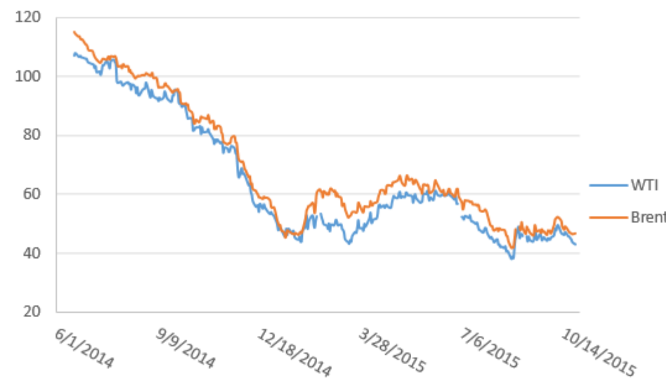
Sector Value: $450,722.79
% of Portfolio Allocated: 9.48%
Total Return for Period: -16.63%
XLE Return for Period: -21.24%

Sector Summary

In late August, WTI dipped below $40 per barrel, and has since recovered marginally. US oil rig counts have fallen over 60% since its peak in Q4 of 2014, dropping by over 1,000 rigs. Many domestic producers are reducing their rig count and are attempting to maintain high production in their operational rigs. Investor sentiment regarding the petroleum industry has been negative with large amounts of capital exiting these markets.

In response to this, the energy sector remains hedged with holdings in both upstream and downstream segments of the industry. During Q2 and Q3, we held overweight positions in the downstream refining segment, which composed over 50% of our sector portfolio weighting. Upstream accounted for approximately 25%, with the remaining 25% composed by our super-major, CVX. These relative weightings allowed us to insulate ourselves from large declines in upstream, while reaping the benefits of refiners' ability to purchase crude at low prices.

Spot Brent and WTI Crude Oil (USD)



Sector Performance

We have seen positive returns from our downstream refiners MPC and VLO, as both companies' operations benefit from low crude oil prices. We hope to realize positive returns by selling these holdings in the future as they achieve their target prices. Our upstream holdings APA and NOV continued to see large declines. This is primarily due to overwhelming negative market sentiment regarding the upstream segment in which revenues, margins, and operating capacity are directly correlated to oil prices. The erosion of investor confidence in upstream players has dragged down the overall sector performance, despite positive returns in our downstream holdings. Our super-major, CVX, also has a large upstream exposure and has faced similar headwinds.

Expectations

Our hedged portfolio is designed to be effective despite uncertainty in oil prices. If prices rise, our upstream positions (APA & NOV) are set to recover their losses. Meanwhile, refiners can still operate lucratively despite higher oil prices. If oil were to remain at its current level or fall further, refiners' margins stand to benefit from the low crude prices. Many outstanding issues will have large consequences on the price of oil, such as the Iran Nuclear Deal and changing supply/demand dynamics in markets – particularly China's consumption and US production. Regardless of the movement of oil, we believe we are well positioned to ride out the downturn and take advantage should a rebound occur.

Financial Sector

Area Manager: Madeline Butz

Holdings:

Name	Return
PNC	-3.57%
C	-3.89%
AIG	3.67%
DFS	-9.79%
COF	-9.20%

Statistical Highlights

Period Performance 4/1/15 – 9/30/15

Current Sector Value: $805,132.75
% of Portfolio allocated: 16.84%
Total Return for Period: -4.53%
XLF Return for Period: -6.44%
Year to Date Return: -7.34%

Sector Summary

We remain bullish on the banking subsector as valuations are historically attractive. As the above graph shows, the loan-to-deposit ratio for all US banks is improving as it has seen a slight upward trend in 2015. The improvement is mainly due to the decline in deposit growth combined with decent loan growth. Overall, the financial sector is not so patiently waiting for the interest rate hike that was anticipated but not delivered in September. Banks are struggling to squeeze additional profits from their cost cutting measures and will really benefit from the increase in net interest margin the rate hike would provide. In July, the Fed released technical changes to its capital adequacy stress test for US banks. In the modified stress test, banks would be given another year to meet the new leverage ratio requirement. The U.S. banking sector has been hard pressed to incorporate new regulations that tighten standards for lending and capital adequacy. The additional time to complete the new leverage ratio threshold could help reduce expenses required in instituting plans for new regulatory requirements.

Weekly Loan-to-Deposit Ratio %

Sector Performance

This quarter captured the overall market downturn due to the global sell off in late August/early September. Many of our holdings have since recovered however Q2 captured most of this sell off. PNC and C climbed closer to their 52 week highs in mid August after Q2 positive earnings announcements. PNC remains a favorite for us as its P/B combined with ROE stands out among its peers. We are overweight banks, as we anticipated an interest rate hike in 2015 and we will remain overweight. COF serves a dual purpose holding in banking and credit cards. We think COF has been beaten down unnecessarily in the market despite their revenue growth, dividend increase and share buyback program. We hope to see a correction in the coming months.

Expectations

We don't expect rates to rise until mid 2016 given the recent global market volatility and fear that surrounds the Federal Reserve making a mistake. Until then, banks will continue to see compressed net interest margin and limited profitability. Margin compression is also forcing the hand of insurance companies to focus on cost cutting and technological innovation to take advantage of "big data" and the "Internet of Things" to reach consumers more profitably. We expect this to continue in 2016 for all areas of the industry. The property and casualty subsector appears to be headed towards a strong performance in Q4 as ROEs and combined ratios are reaching values seen before the financial crisis. Right now, domestic card loans have the highest potential for growth in the industry.

Healthcare Sector

Area Manager: Arman Izadpanah

Holdings:

Name	Return
Express Scripts	-3.88%
Sanofi	-1.76%
Gilead Sciences	8.10% (sold on 6/22/15)
Eli Lilly	2.73% (sold on 6/03/15)

Statistical Highlights

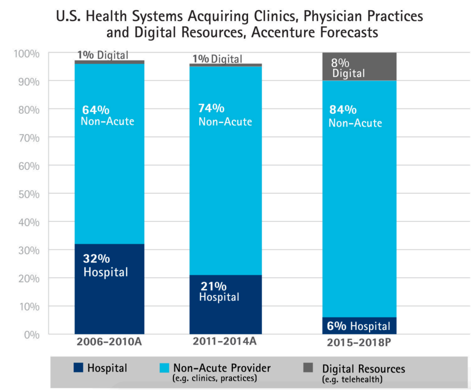
Semi-Annual Performance 4/1/15 – 9/30/15

Sector Value: $734,369.92
% of Portfolio Allocated: 15.45%
Total Period Return: 1.35%
XLV Period Return: -8.00%
Year to Date Return: 4.21%

Sector Summary

For the period of April 1-September 30, the healthcare sector was very volatile. The XLV, our benchmark, dropped 8% in this period. We sold two of our holdings over the summer, Eli Lilly and Gilead Sciences. After slowly selling off portions of Eli Lilly throughout our investment period, we decided to fully sell-off as it hit our final updated target price. Gilead Sciences surged quickly over the summer, making our total holding period for GILD roughly five months. After beating on earnings again, GILD quickly reached our target price before dropping back down to around the price we bought it at after selling off. Gilead consistently delivers conservative guidance and consistently beats on earnings, which is why the stock jumped after the beat and a raise in guidance.

Rise of E-Health



Sector Performance

While the healthcare sector lagged in this period, our overall holding period return since purchase has performed well. The performance is led by Express Scripts, which has returned over 30% since purchase. As previously mentioned, Gilead Sciences rallied instantly after beating earnings yet again and reached our target price over the summer. We did not expect it to reach our target price as quickly as it did. Upon updating the model, we decided it was appropriate to take the return we had made and decided to sell off. Eli Lilly, a position we have held for several years reached our target price after receiving higher price targets and upgrades from several firms. Sanofi, along with many "Big Pharma" companies struggled this period amid controversial pricing pressures, but we remain optimistic about Sanofi's future.

Expectations

Our expectations going forward are to complete our diversification with a medical device company and a U.S. based pharmaceutical company. Our plan was to have a medical device pitch, but due to some concerns in the industry, we decided to hold off and to pursue the health insurance industry. With the addition of two new analysts and a returning analyst from a co-op we will have more resources and time to research medical device and "medtech" companies, specifically Medtronic. Going forward, we plan to remain fully balanced and diversified within the healthcare sector to minimize risk.

Industrials Sector

Area Manager: Drew Burkhard

Holdings:

Name	Return
PCAR	-14.37%
FLR	-24.03%
UNP	-15.60%
PWR	-14.75%
VMI (Sold 4/30)	-2.20%
EADSY (Sold 9/3)	+6.22%

Statistical Highlights

Period Performance 4/1/15 – 9/30/15

Sector Value: $565,086.44
% of Portfolio allocated: 11.89%
Holding Period Return: -9.77%
XLI Period Return: -9.99%
YTD Return: -9.51%

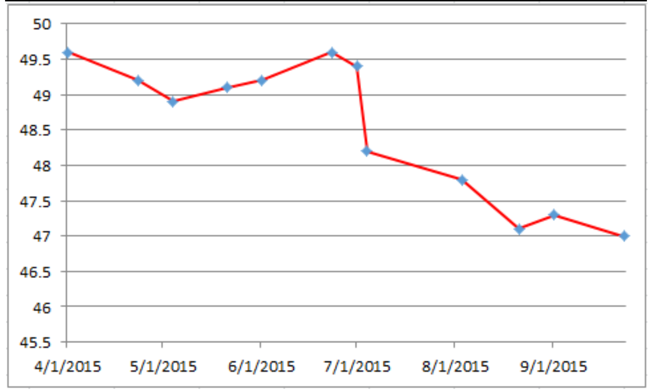
Sector Summary

The industrials sector went through moderate repositioning during the period April 1st through September 30th. VMI was sold in late April and was replaced by UNP which was pitched by analyst Ryan Febles. EADSY was sold in the beginning of September and we are looking to replace it with another position shortly.

Our team currently consists of 3 analysts and 1 analyst in training. The analysts are Brandon Chandler, Ryan Febles, and Carter Niehoff. Analyst in training Dan Vanacore will join the team as a full time analyst upon completion of training.

The sector strategy through this period was to find value in industries with potential growth opportunities. We plan to continue this strategy through the latter half of 2015 and into 2016 as we look to find undervalued companies in an uncertain macroeconomic environment.

Chinese Manufacturing PMI



Sector Performance

EADSY got beaten down in the latter half of 2014, but recovered nicely in 2015. We realized a 6.22% return when we sold them in early September. All of our holdings experienced negative returns during this period due to a couple factors. The situation in Greece and the default that occurred over the summer beat down the market as a whole. Additionally, the dismal Chinese economy affected industrials negatively, especially those firms with heavy exposure to China. FLR and PWR continue to struggle because of their exposure to oil and gas. UNP struggled in Q2 along with the entire rail industry driven by weak coal shipments.

For the period from April 1st to September 30th, we over-performed the XLI by 22 basis points.

Expectations

For the rest of 2015 and into 2016, we expect industrials to continue to face headwinds due to oil and gas uncertainty as well as an uncertain macroeconomic environment. However, non-residential construction is supposed to experience growth through the rest of 2015 and into 2016, and this trend will aid FLR and PWR. Additionally, heavy truck demand is still expected to be strong in 2016, which will benefit PCAR. We plan to hold our positions in PCAR, FLR, UNP and PWR for the foreseeable future. As stated in the sector summary, we need to add a new position to replace the cash position that was created by selling off EADSY in September. We are currently looking into MAS, HON, and DHI.

Technology Sector

Area Manager: Mike Greenwood

Holdings:

Name	HPR
AAPL (bought 9/17/15)	-4.14%
EMC	-5.37%
GOOGL (sold 8/27/15)	23.40%
QCOM	-20.93%
SNCR	-30.73%
UBNT (sold 9/3/15)	12.83%

Statistical Highlights

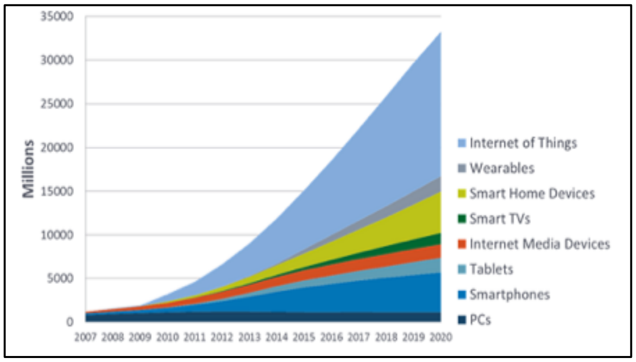
6MO Performance 4/1/15 – 9/30/15

Sector Value: $1,081,839
% of Portfolio: 22.76%
6-Month Return: .01%
XLK 6-Month Return: -4.50%
YTD Return: -3.40%

Sector Summary

Our sector remains bearish on firms in the hardware industry due to the continuing transition to cloud based storage and database solutions. Because of this, we opted for a large-cap value play within hardware (AAPL) to minimize our exposure to the negative pricing pressure caused by declining demand. We also remain bearish on telecommunications firms due to the declining number of 'bundle TV' package subscribers, as consumers are trending towards cheaper streaming services. We remain overweight on the software industry as a whole, with a particular focus on cyber security software. The number of connected devices continues to grow, and this bodes well for both software and semiconductor firms. Specifically within the semiconductor industry, there has been a very high level of M&A activity as firms look to expand their portfolio of chip capabilities. Mobile advertisements and 'cost-per-click' revenue have been driving service companies, and we expect firms to continue to focus on cloud based and mobile revenue streams.

Global Number of Connected Devices Forecast



Sector Performance

Our performance through Q2 and Q3 was uneven but we were able to beat the market during that period. GOOGL led our portfolio after they beat earnings due to mobile advertisement growth and announced a company restructuring under the newly formed holding company Alphabet. QCOM continued to suffer, as the biggest phone makers continued to trend towards in-house chip production. They have rebounded nicely through October as rumors of a renewed contract with Samsung surfaced. Synchronoss was our laggard, but only comprised 9% of our sector's allocation. They spiked in July on rumors of a private equity acquisition, but then continued to slide on a lowered outlook for customers' using their phone carriers' in-house cloud solutions, and instead opting for third parties like Dropbox.

Expectations

We expect AAPL will continue to dominate the smartphone market, and that their new iPhone leasing program will drive margins to all time highs. This is a defensive play within hardware and keeps us away from the data storage industry. We are excited about our newest holding CYBR, a small-cap cyber security software firm specializing in privileged account management. Looking forward, we will look to completely exit our position in EMC, but timing will be key here with the news of Dell acquiring them for an estimated 28% premium. To counter the continuing shift of hardware companies producing chips in house, we will look towards semiconductor firms that either supply the etching equipment that produce chips, or firms that have long term contracts with their customers already in place. We will also look to re-enter the services industry despite relatively expensive valuations, as streaming and IT services will remain in high demand.