



HSIF

Hylander Student Investment Fund

Second Half and Annual Report

XXXXXXXXXXXXXXXX 2019-2020 XXXXXXXXXXXXXXXXXXXX

HSIF 2H/Annual Report 2019-2020

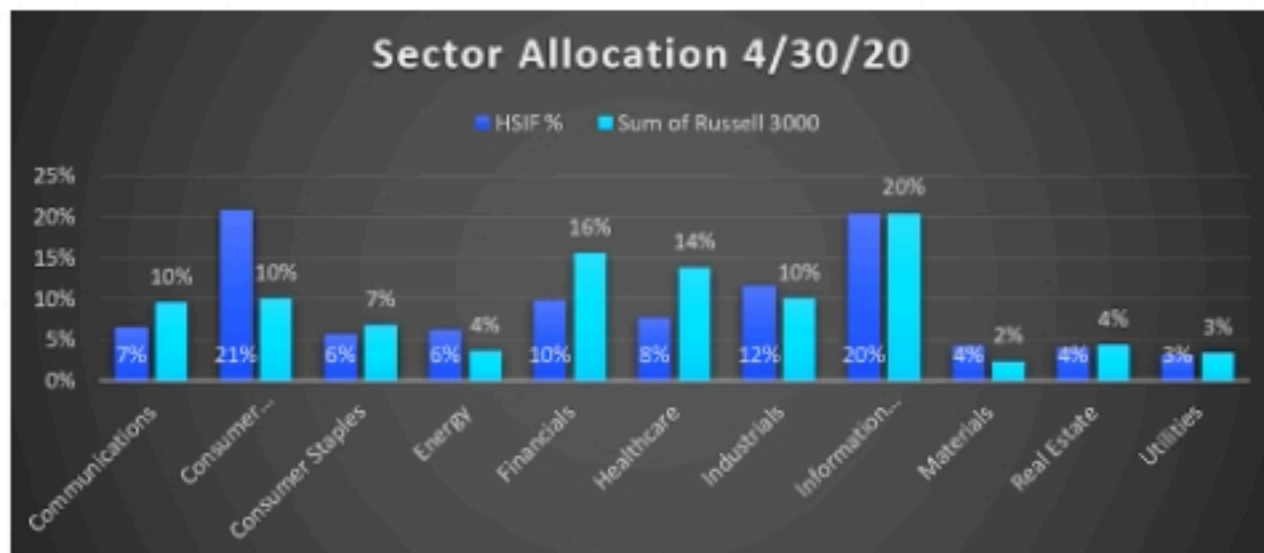
Annual Returns vs Benchmark

From October 1st, 2019 - September 30th, 2020 HSIF's portfolio has returned 14.45% versus the benchmark's 9.18%.



///////Q3- The Summer Transition///////

Changes were made to the portfolios structure between April and June. These changes were made to prepare for the 3 month summer period in which the team would be unable to vote on buying / selling decisions. Therefore, we decided to drastically adjust our holdings to a far safer risk profile for a market downturn. We achieved this primarily through liquidating many of our positions. These positions were chosen to be sold based on our assessment of their ability to succeed in the COVID-19 economic climate. The adjustments to asset allocation and sector allocation of the equity portion of the portfolio can be seen below:

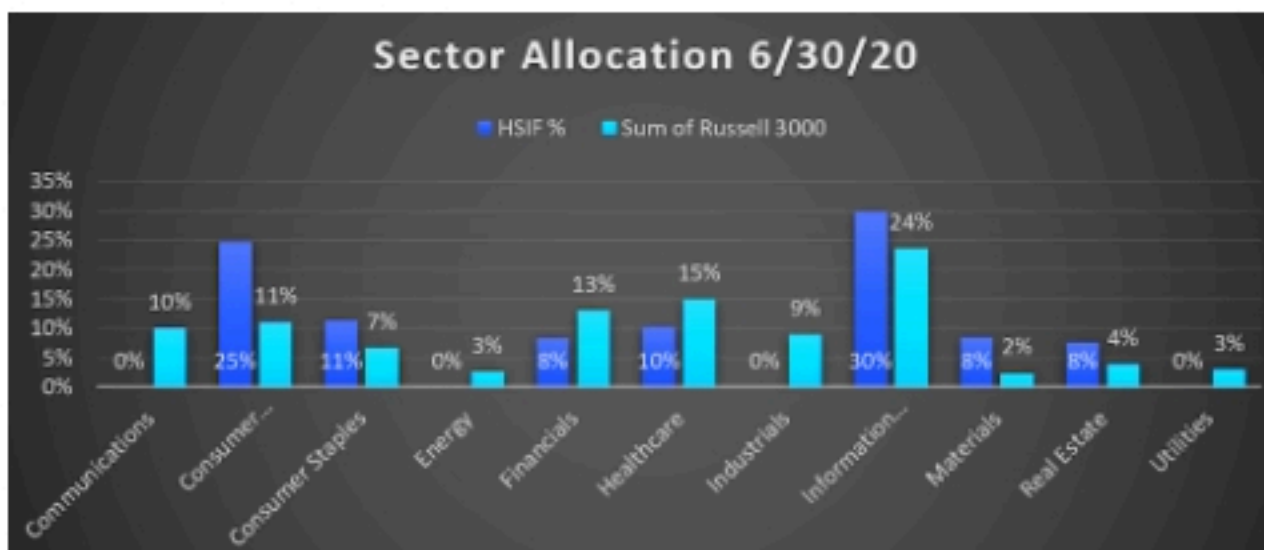


Asset Allocation 4/30/2020

Portfolio Value: \$186,860



Fixed Income	21.0%
Equity	77.0%
Cash	2.0%



Asset Allocation 6/30/2020

Portfolio Value: \$205,051



Fixed Income	20.0%
Equity	39.0%
Cash	41.0%

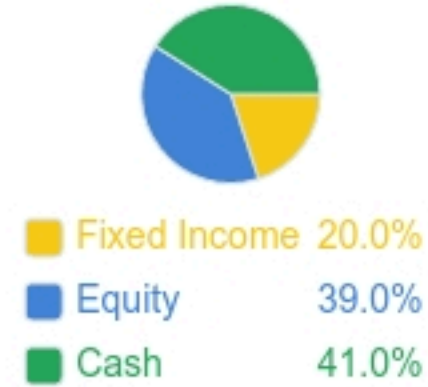
- Trim IBUY Holding by 50%
- Transfer ANGL funds to QLTA
- Sell full position in ACES
- Sell full position in DIS
- Sell full position in ARKG
- Sell full position in PYPL

Q3 Performance Review



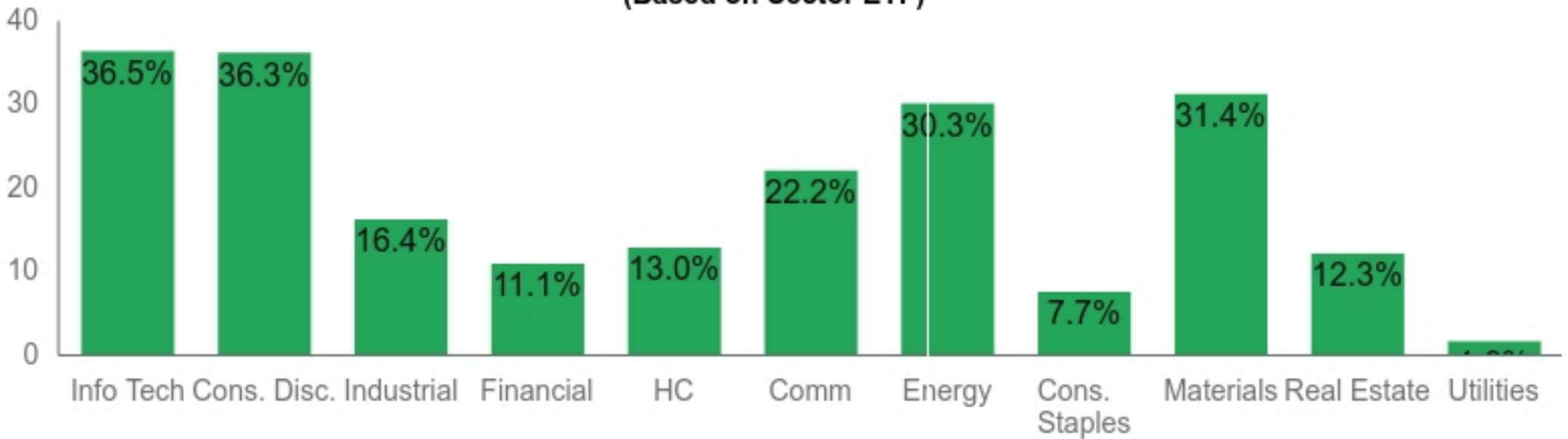
Asset Allocation 6/30/2020

Portfolio Value: \$205,051



In Q3 HSIF outperformed our benchmark returning 18.8% versus the benchmark's 16.4%.

Q3 Sector Returns: (Based on Sector ETF)



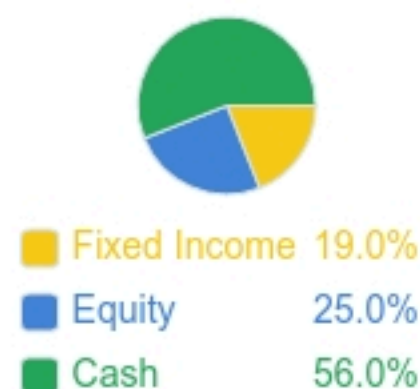
Why we outperformed in Q3:

1. The HSIF portfolio is weighted 77% in equities versus our benchmark's 70% weight. Our portfolio benefited further from the post-Covid market recovery that began after 3/27.
2. HSIF's overweight position in the consumer discretionary sector vs our equity benchmark the Russell 3000. Consumer Discretionary outperformed all sectors, other than technology, returning 36.5%. Our overweight holding in discretionary, and equal weight holding in technology contributed to us outperforming the benchmark in Q3.
3. HSIF's underweight position in the Financial and Healthcare sectors versus the Russell 3000. By allocating capital outside of these low performing sectors HSIF gained higher returns than the equity portion of our benchmark.



Asset Allocation 9/30/2020

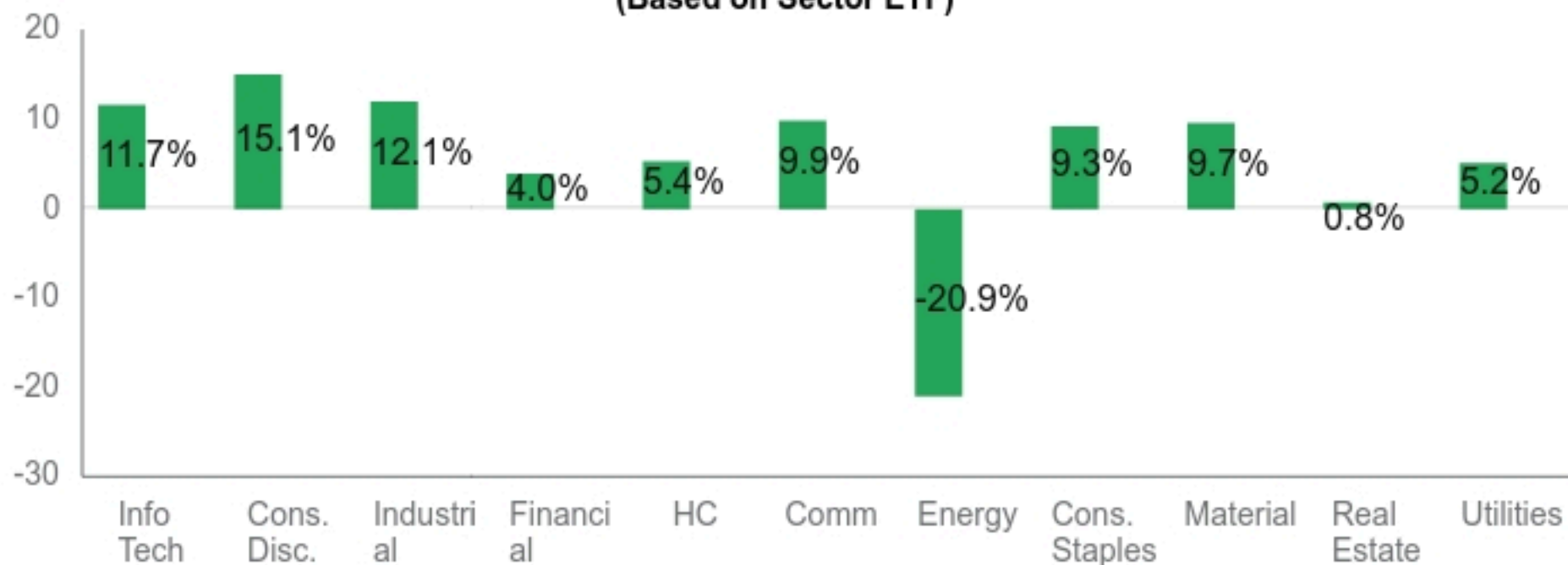
Portfolio Value: \$213,371



In Q4 HSIF underperformed our benchmark returning 3.27% versus our benchmarks return of 4.22%

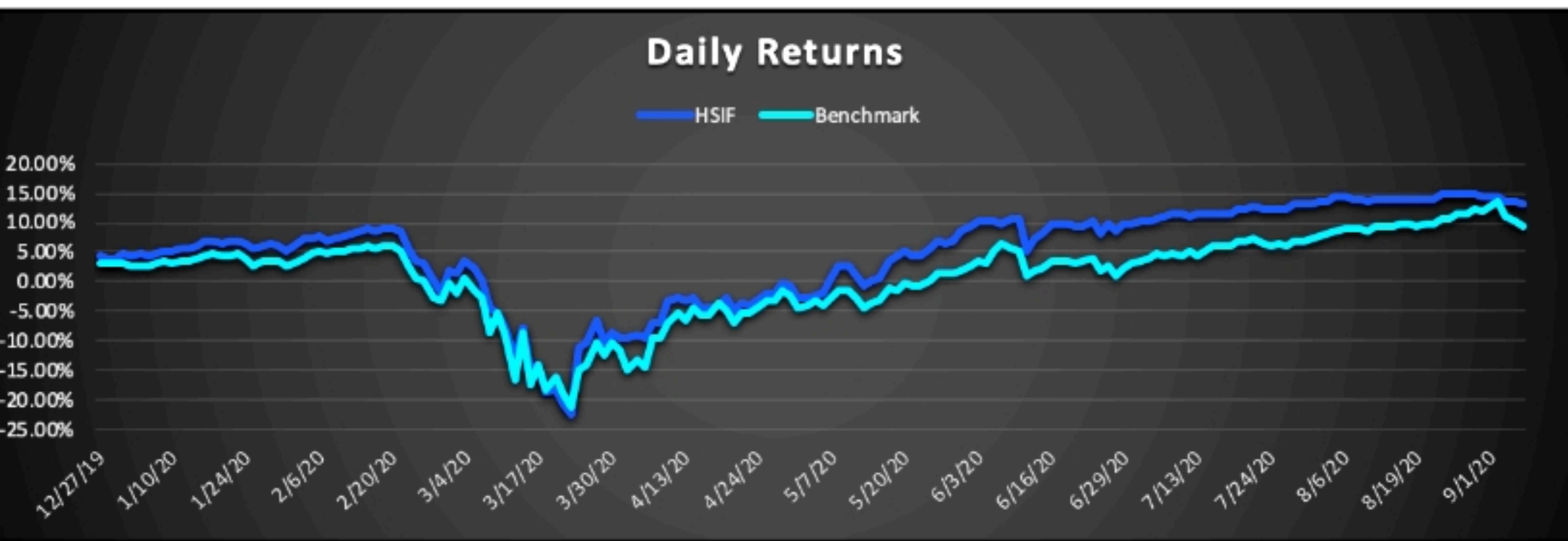
Q4 Sector Returns

(Based on Sector ETF)



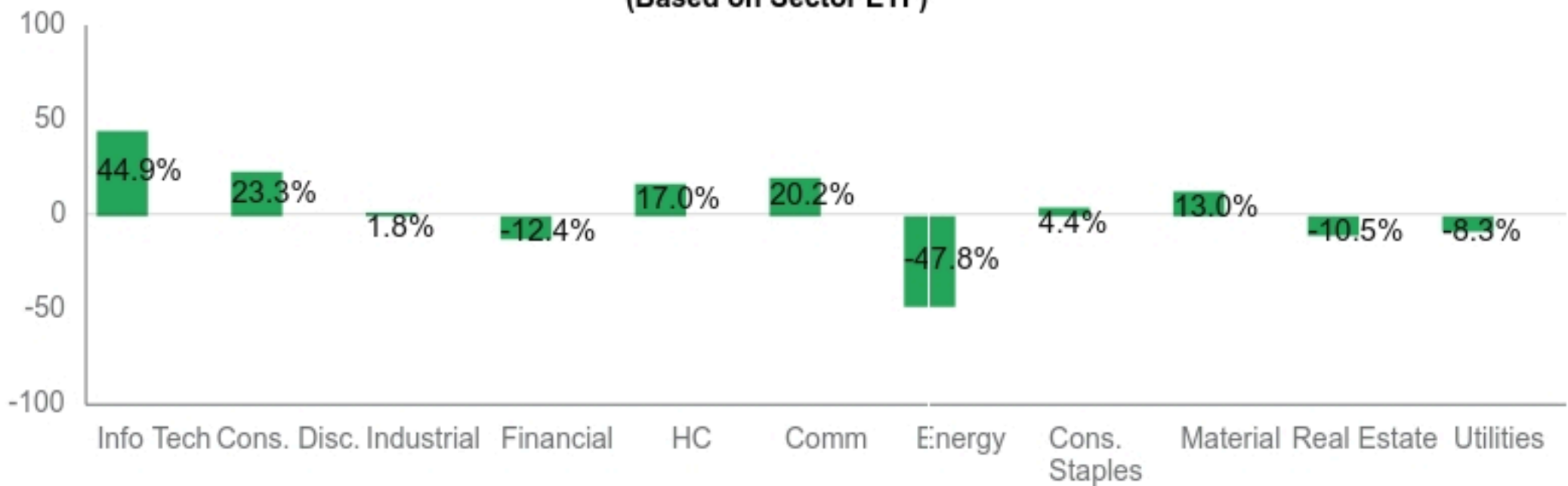
Why we underperformed in Q4:

1. The largest reason for underperformance in Q4 is due to the asset allocation of the portfolio. HSIF's portfolio was 56% in cash by the end of Q4. Our cash position was twice the size of our equities positions. Our sector allocation numbers were primarily in technology and consumer discretionary, however the size of our equity position limited gains from their performance.



From October 1st, 2019 - September 30th, 2020 HSIF's portfolio has returned 14.45% versus the benchmark's 9.18%.

October 1st, 2019 - September 30th, 2020 Sector Returns (Based on Sector ETF)



Why we outperformed on a yearly basis:

1. HSIF's outperformance against the benchmark is primarily due to our sector allocation. HSIF has been overweight Consumer Discretionary and Technology on a yearly basis. HSIF successfully allocated our capital into the two highest performing sectors since inception.
2. HSIF has been underweight Financials and Energy through a majority of the year. We have never exceeded the benchmark's allocations in these sectors. Therefore benefited from having capital allocated away from these underperforming sectors.

Portfolio Status as of 9/30/20:

β 0.93 ρ 0.86	TOTAL RETURN 14.45%	CASH 118,687	FIXED INCOME 40,319	EQUITY 54,319	PORTFOLIO \$213,326
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Entering the new year HSIF experienced an extremely high turnover rate. We have lost all previous members of the team, except for two. Unfortunately, this trend will likely continue to persist until we are able to recruit more 3rd year undergraduate members. Because of this turnover we had to recruit an entirely new team. The only sector that has the same manager as last year is Health Care. All of the new sector managers must be brought up to speed on HSIF's strategies and investment processes.

We will operate in the same manner as the previous year. Our allocation strategy will be to remain between 75%-80% in equities and 15%-20% in fixed income, while keeping virtually 0% in cash. We have decided to focus our equity allocation in three sectors: Technology, Consumer Discretionary, and Communications. We will be overweight in these three sectors in comparison to the composition of the Russell 3000. We believe that these three sectors are poised to succeed in the Covid-19 environment. In Fixed Income we will continue to focus on short term government bonds, high graded corporate bonds, and small positions in lower credit rating bonds.

In regards to the presidential election we are neutral on either result. We believe there will be a shock in markets should Joe Biden be the victor. However, we believe this shock will be followed by a hasty recovery fueled by continued support by the federal reserve. We will continue to take advantage of market conditions created by the federal reserves actions.

We look forward to continued support from our board and UCR faculty.

-HSIF Team

