

# Structure & Processes

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SBM Fund

Magdeburg | October 13, 2024



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# 1

## Term Agenda

Presentations by Committee & Analyst Tasks

# Road Towards Knowledge-Based Investing

Meeting	Presentation by Committee	Analyst Tasks
1	SBMF structure & strategy, trading platform	industry picked & sector teams assembled
2	key steps of investment pitches	preferred 5 stocks picked & presented
3	choice of valuation model	growth drivers & associated risks, qualitative thesis formulated
4	financial analysis & modeling	company financials analyzed
5	earnings manipulation & detection	fin. ratios computed based on historicals & forward estimates
6	enhancement of firm's market value	valuation & quantitative thesis completed
7	macroeconomic factors influencing stock market returns	1-page investment memo drafted
8		stock pitched to investment committee

# 2

## Membership

Benefits, Eligibility, Members' Duties, Joining Sector Teams

# What we and you provide to make it a win-win

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## Benefits

- » **Own virtual fund** to track your performance while receiving our guidance
- » Intercollegiate **stock pitch competition** as preparation for optional global contests
- » **Student names listed** in stock pitches, sector reports, and other publications are recognized by guest speakers & companies
- » **Become a committee member** and learn to apply portf. management techniques (risk control, rebalancing, & more)

## Who is eligible?

- » Students from:
  - » In- & outside OvGU
  - » Any study program or academic level (Bachelor, Master, MBA)

# What we and you provide to make it a win-win

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## Fund Members' Duties

- » Each analyst selects and presents **1 stock pitch per semester**
- » Attend **2 analyst meetings** during summer term (3 meetings during winter term)
- » Contribute to sector team's annual report on key industry trends

# Joining Sector Analyst Teams

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- » Before applying for 1-2 sector teams, you may want to take a brief look at the current trends in each industry in the appendix. The head of the fund will assign each new member to the analyst team of their choice upon availability. **Each industry** is covered by **max. 3 analysts**
- » Please use this link for registration: [Link](#)
- » At the end of each year, each team compiles an **industry report** of 1-2 pages, summarizing key trends and proposed investments or divestments as well as the reasoning behind their pitches.



# 3

## Investment Process

Stock Screening, Fundamental Due Diligence, Stock Pitch & Voting

# From Idea Generation to Execution

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# Stock Screening

Stock Screener	Exchange	Analyst Recom	Analyst Price Target	EPS Estimate	EPS Surprise	Valuation	Sector Perf
Finviz	U.S.	✓	✓	✓	✓	✓	✓
TradingView	global	✓		✓	✓	✓	✓
Zacks Research	U.S.			✓	✓	✓	✓
Seeking Alpha	U.S.			✓	✓	✓	

## » Bottom-up approach

» We utilize a fundamental-driven, bottom-up research approach based on company's financials and valuation to narrow our stock search

## » Top-down approach

» We incorporate additional top-down, in-depth analysis of particular sectors by examining latest trends and economic forecasts to find potential target investments

# Stock Screening

Ticker	EV/EBITDA	P/E	ROE	EBITDA Margin	Rev Growth	Score	Rank
<b>Weighting</b>	<b>25%</b>	<b>15%</b>	<b>30%</b>	<b>20%</b>	<b>10%</b>	<b>-</b>	<b>-</b>
Stock 1	8.6x	20.4x	35%	25.1%	8.3%	9.2	2
Stock 2	15.2x	30.3x	30%	35.5%	15.6%	12.3	1
Stock 3	6.7x	12.5x	10%	13.3%	3.2%	8.5	3

» Compare stocks' relative scores based on a **weighted average** of discretionary financial screening criteria. First, each value in the columns is divided by the maximum value in its respective column. This puts all values on a scale of 0 to 1.

» Ex.: Stock #1 Score

$$(8.6 / 15.2) * 25\% + (20.4 / 30.3) * 15\% + (35\% / 35\%) * 30\% + (25.1\% / 35.5\%) * 20\% + (8.3\% / 15.6\%) * 10\% = 9.2$$

# Fundamental Due Diligence

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## Goals

- » Seek value for the SBMF by using sound **fundamental analysis** techniques to identify companies that offer high growth potential at a reasonable market price
- » Significant **potential upside** along with adequate **downside protection** for high risk-adjusted returns
- » Avoid investing in **overvalued, hyper-growth names** that may be trading at an unsustainable multiple

# Fundamental Due Diligence

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## Key Questions for Investing

1. Why is this company going to perform better than its peers?
2. If this company is undervalued, why have professional money managers not realized it?
3. Are there any industry-specific or internal risks that could threaten this company?
4. Even if the company is trading at a discount, is the discount long-term and justified?
5. Are we comfortable holding this company for the foreseeable future?

# Fundamental Due Diligence

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## Qualitative Analysis

- » Recent news coverage on a certain company or its market:
  - » Changes in mgmt. or competitors
  - » M&A activity
  - » Legal proceedings
  - » Politics (regulation, election results)
  - » Economy (commodity prices, unemployment)
  - » Monetary/fiscal policy (interest rates)

# Fundamental Due Diligence

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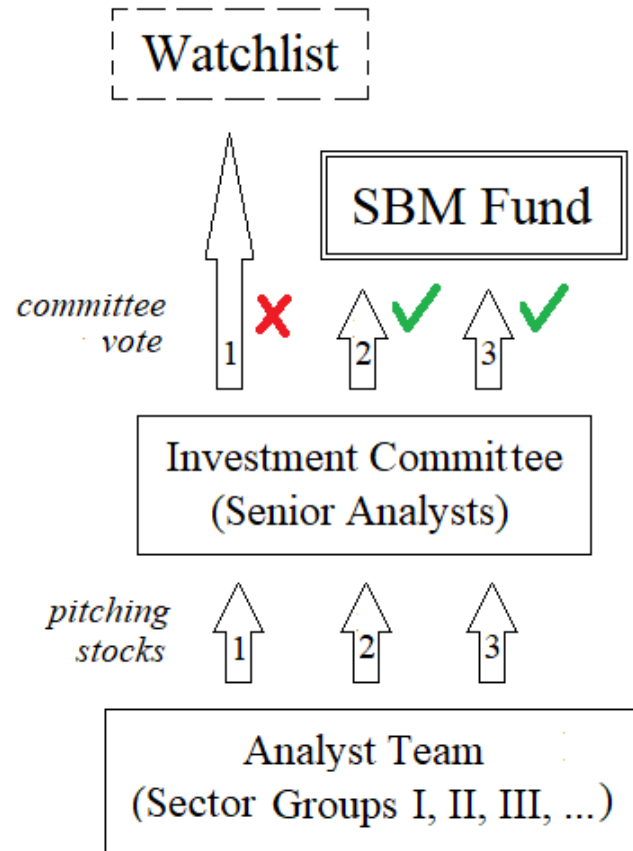
## Quantitative Analysis

### » Recent news on company's:

- » Earnings results
- » Capital raising & restructuring (share issuance/buybacks, change in indebtedness)
- » Dividends



# Stock Pitch & Voting



# 4

## Fund Committee

Fund Managers & Advisors

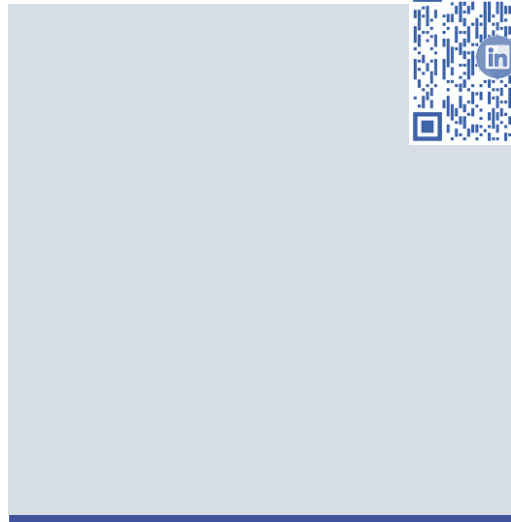
# Senior Members As Decision Makers



**Alexander Neumann**

**Co-Fund Manager**

Alex plays an active role in teaching and implementing financial theory. At present, he completes his Master's thesis on stock valuation models and has passed the CFA level 2 exam recently.



**Filip Kermetchiev**

**Co-Fund Manager**

Filip developed his passion for investing by collaborating with the club's partners from the finance industry. His intellectual contributions help improving the investment guidelines for managing the SBM fund.



**Vincent Vollmer**

**Fund Advisor**

As a fund advisor and active retail trader, Vincent is instrumental in our investment and divestment decisions, leveraging years of experience in the stock market.

# 5

## Virtual Trading Simulator

Wikifolio's Online Paper Trading Simulator

# Practice Trading Without Risking a Dime

Quote ▼ purchase ▼

Piece 1

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**APPLE INC.**  
US0378331005 (L&S courses)

**200,750 EUR** Selling price (Bid)      **201,550 EUR** Buying price (Ask)

Pieces	34 pcs.	>	<b>35 pcs.</b>
Cash	42,755.600	>	<b>42,554.050 *</b>
Order value			<b>201,550</b>

All prices in EUR \* depending on execution price

**GET THE PRIZE**

**SBM** Last login : March 24, 2024 share wikifolio

overview Feed Trade idea Portfolio Key figures Trades

1T 7T 1M 6M 1J 3J 5J **Max** Analyse

**EUR 173.62**  
Wednesday, April 3, 2024 - 11:00 a.m.

<b>+73,5 %</b> since April 24, 2019	<b>+11,8 %</b> Ø-Perf. per year	<b>+39,4 %</b> Performance (1 J)	<b>14,4 %</b> Volatility (1 yr) <span>i</span>	<b>0,7</b> Return/Risk <span>i</span>
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**wikifolio certificate**

**173,46**  
Middle course  
per 03.04.2024 a 22:18 · in EUR

Certificate fee pa i **0,95 %**  
Performance Fee i **5 %**

For the "Investable" status, the wikifolio must meet the following criteria:

- 1.806 / 21 Days of the test phase
- 5 / 10 Reservations
- EUR 6.700 / 2.500 previously capital

**Save wikifolio** i

I would invest the following amount:

**EUR 100**

**Save & on watchlist**

# Thank you for your interest.

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Contact Me:

[alexander.neumann@ovgu.de](mailto:alexander.neumann@ovgu.de)

# Appendix

Key Industry Trends, About the Author

# Key Industry Trends

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## Technology, Media, Telecommunications

- » generative AI stands to disrupt a wide variety of industries by enhancing products & services or creating entirely new business models
- » a new era in digital media consumption lies ahead, where AI-driven personalized information on demand across multiple integrated platforms & devices and an interactive experience with content in an augmented/virtual reality are on the rise

## Healthcare (biotech, pharmaceuticals)

- » AI-powered drug discovery and identification of new drug target patients
- » shift from fee-for-service to value-based payment based on patient outcomes
- » clinical integration for personalized treatment plans and to prevent duplication of services



# Key Industry Trends

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## Industrials (manufacturing, chemicals, aerospace & defense)

- » manufacturers face a changing technological landscape and shift to automatization
- » geopolitical conflicts lead to growing defense spending
- » political regulation is expediting the shift from combustion engine automobiles to electric vehicles (EV)

## Consumer Retail (food & beverages, apparel, electronics)

- » growing popularity of "social commerce", driven by impulse shopping on social media platforms
- » ethical consumerism among customers will favor retailers with strong commitment to sustainability and ethical business practices in their operations and supply chains

# Key Industry Trends

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## Financials (banks, insurances, asset mgmt., fintech)

- » fintech integration (e.g. blockchain, AI chatbots) in traditional financial systems
- » machine learning models anticipating market trends and optimizing investment strategies
- » surge in ESG investing, driven by regulatory mandates and investors demanding greater transparency and accountability from companies

## Real Assets (real estate, commodities & renewables)

- » the dependency on few major energy supplying countries has exposed the need for renewable and more efficient energy alternatives, albeit natural gas & oil are expected to remain critical sources of energy throughout the 20s
- » higher mortgage interest rates have made home ownership more expensive which had a trickle-down effect in rental markets

# About the Author

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**Alexander Neumann** plays an active role in managing the SBM fund. At present, he completes his master's degree in finance and enjoys meeting like-minded people who share his passion for investing.

For his master's thesis, he is conducting an empirical comparison of the mathematical and statistical accuracy of dividend, cash flow, and earnings based valuation models for German mid-to-large cap public stocks.

He has also passed the CFA level 2 exam.