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Student Managed Investment Funds: Experiences of a Fund at a UK University

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Abstract. First founded in 1950, Student Managed Investment Funds (SMIFs) have spread widely across the US and Canada with over 400 now documented. SMIFs have taken longer to develop elsewhere. In Europe SMIFs are most popular in the UK with about 30 funds known to the authors. This paper adds to the available literature by documenting the operation of UK SMIFs and details the differences between these funds and typical North American SMIFs. In addition we describe and evaluate the foundation and operations of the Griff Fund, run by students at a university in the North of England, and one of the oldest funds in the UK. Our description of the Fund provides resources and guidance for others who might seek to establish such a fund. Our evaluation considers the strengths and benefits of student partnership and co-creation but also examines the challenges faced through the lens of student equity and inclusion.

Keywords: investments, student-managed investment fund, students as partners, inclusion, equity.

1. Introduction

Since the first Student Managed Investment Fund (SMIF) was founded in 1950 the industry has gathered momentum slowly but surely, from seven SMIFs in operation in the United States (US) by 1970 and 22 in 1988 (Lawrence 1990), to 441 in 2018 (Kubik 2018). Despite the huge pedagogical and career benefits of being a SMIF analyst (see for example Arena and Krause 2020) on the benefits of experiential learning and Bolster and Platt (2018) on the benefits in students' job searches), the growth of SMIFs outside the US has been much slower and much less is known about them. Lawrence (2008) reported 25 non-US SMIFs, 16 of which were in Canada. He reported just two SMIFs in the UK, which has now grown to 29, plus two we are aware of in the Republic of Ireland and one in Maastricht (see Appendix 1 which provides details of these SMIFs). Joseph *et al.* (2023) report 16 SMIFs in India.

This paper builds on the work of Phillips *et al.*, Volker and Cockrell (2020) who outline a successful pedagogical approach to the organisation of a credit-bearing US SMIF. It adds to the literature in three ways. Firstly the paper expands the literature by looking beyond a US context, this is "*critical for understanding regional and institutional determinants of SMIF structure and success*" (Abukari *et al.* 2021, pp. 1627). The literature on SMIFs is overwhelmingly US-based (Abukari *et al.* 2021). This is the first paper to describe the UK SMIF scene and list all known UK SMIFs. The paper reports in detail the foundation and operation of a UK non-credit-bearing SMIF (hereafter referred to as 'the Fund'), and examines how UK funds typically differ from their US counterparts in particular the absence in the UK of course-based funds done for credit. The Fund, which is run by students at a university in the North of England is structured as a student club, where students invest university endowment funds overseen by university staff. All UK and Irish SMIFs to our knowledge work in a similar way. Secondly, the paper provides a detailed framework for the establishment of a non-credit-bearing SMIF, including the establishment of an annual SMIF conference, the first SMIF conference to be run outside of the US. The majority of US SMIFs are embedded within a programme of study therefore there is a dearth of literature with respect to this type of fund although we do know other SMIFs are structured in this way (Joseph *et al.* 2023). Finally the paper moves beyond outlining the structural challenges of setting up and managing a SMIF and reporting on SMIF performance which are covered plentifully in literature albeit in a US context (Abukari *et al.* 2021), and examines the learning environment through the lens of inclusive education.

The paper proceeds as follows. In Section two we provide a survey of the important literature on SMIFs. (For a dedicated recent survey of the literature we refer the reader to Abukari *et al.* (2021)). In Section three we detail the methods used in this case study. Details of returns calculations are also given and how the search for other UK SMIFs was undertaken. Section four sets out the history and operations of the Fund, from inception in 2013 to the present, at a level of detail to support colleagues who may wish to set up or develop similar provision at their own institution. Section five evaluates the Fund across the following key areas: organisation of the Fund, learning environment and the investment strategy and returns. Finally section six concludes on the findings and makes suggestions for future SMIF research, in particular how a unified database of all SMIF votes would both improve investment returns and the visibility of the SMIF literature in academic finance and how SMIFs offer opportunities for collaborative research projects with students and the opportunities that these bring.

2. Literature Review

The first SMIF was founded in 1950 at Lafayette College in Easton, Pennsylvania, however the literature has taken longer to develop, with the first paper in 1975 and only a handful of papers up to the year 2000. The special issue of Journal of Trading in 2018 and the two special issues in Managerial Finance in

2020 greatly increased the available literature. The literature on SMIFs can be logically divided into three groups: firstly, papers that describe the foundation and operations of the authors' "home" SMIF (the majority), secondly, surveys which largely seek to establish the prevalence and characteristics of SMIFs, and finally, descriptions of portfolio performance or the unique ways that SMIFs can benefit student learning and careers. What emerges from the literature is that while there is a plethora of US literature on the subject of "How we formed and run our SMIF", successive surveys have not systematically documented the characteristics, operation and investment performance of SMIFs and there are very few studies outside the US (Abukari 2021). Furthermore, whilst existing literature examines the ways in which SMIFs have benefited student learning and careers, there is no literature which critically evaluates these strengths and considers the challenges for operationalising SMIFs particularly in the area of inclusive practice.

The first academic paper on SMIFs was Belt (1975) who wrote about the SMIF at Texas Christian University (TCU) that he had founded in 1973. Other papers before the year 2000 are Hirt (1977), (also TCU) and Bear (1984), (Stetson University). Later papers include Markese (1984) (SMIF operations at De Paul University), Tatar (1987) (Virginia Military Institute), Block and French (1991) (TCU a third time), Cox and Gough (1996) (the investment *club* at Appalachian State University) and Kahl (1997) (University of Akron). A majority of papers in the two special issues of Managerial Finance in 2020 dedicated to SMIFs, were concerned with the operation of the authors' own SMIF and almost all considered US-based credit-bearing SMIFs. One exception to this was a paper by Oldford (2020) at Memorial University of Newfoundland who contributed the first paper on SMIFs written by a non-US author, although this is also embedded within a credit-bearing module.

Most SMIFs are set up thanks to a single donor and invest in common stocks. A minority are set up with funds from the university endowment fund, for example, at Loyola University Maryland (D'Souza and Johnson 2019) and George Mason University (Horstmeyer 2020). More unusual methods of funding include Cameron University which took out a $0.5 million bank loan to form a fixed income portfolio (Bhattacharya and McClung 1994), and the 25 SMIFs funded by the Tennessee Valley Authority Investment Challenge Program (Haddad *et al.* 2020). While most SMIFs invest only in common stocks, a handful of US SMIFs invest in fixed income (Howe *et al.* 2020). Dewally and Drause (2009) and Dolan *et al.* (2018) describe SMIFs that invest in a portfolio of exchange-traded funds, which is particularly useful to reinforce the teaching on economics and econometrics courses. Among unique ways to use SMIFs, Howe *et al.* (2020) compare the operations of an equity-orientated and a fixed-income fund of funds, both at Illinois State University. They note that there is lots of employer interest in the graduates of the fixed income fund as such skills are so rare. Huerta and Pyles (2020) describe their program at the College of Charleston in which students manage both Private Equity investments and a public asset fund. Hughen and Lung (2020) explain how their students at the University of Denver use options strategies, in particular buying collars around the time of earnings announcements.

There have been several surveys of SMIFs, but they overwhelmingly confine themselves to the US. Lawrence (1990) reported that there were seven US SMIFs in existence by 1970 and 22 US SMIFs in 1988. Lawrence (1994) reported 37 funds at 34 US universities as of June 1993. Neely and Cooley (2004) list 128 funds, again all in the US. They found most SMIFs operated within courses that ran across single semesters or one academic year, ran only one fund and had obtained funds either from individuals or families or university endowments. Lawrence's (2008) survey is the first that makes any mention of non-US SMIFs. Lawrence lists 25 SMIFs in the following countries: 16 in Canada, two each in India and the UK, and one each in Australia, Guam, Israel, the Netherlands and New Zealand. In the UK, Lawrence (2008) reports SMIFs at London Business School and the University of Edinburgh, both of which still exist. Even outside the US, SMIFs' "market penetration" is US-centric and Anglophone-centric. Peng et al. (2009) attempted to survey all 205 SMIFS in the Association of Student Managed Investment Programs but only got 35 usable responses. For those that did reply they reported fund 'biographical' details such as launch date, fund size, information sources used and asset allocation. Chincarini and Le (2018) report 36 SMIFs outside the US, adding to Lawrence's (2008) list to report 18 in Canada, five in Australia, three each in India and the UK (including York), two in the Netherlands and one each in Guam, Ireland, Israel, New Zealand and Singapore. Crabb *et al.* (2018) looked at a sample of 60 SMIFs split into those at large and small institutions. Restrictions at universities with more than 10,000 students were more severe than those at smaller colleges, with 2/3rds running as taught classes rather than clubs, thus likely restricting the students able to join the class to business disciplines. Also 43% of SMIFs at large institutions were restricted to US investment only, probably due to the limited amount of time for oversight by staff. For small colleges (fewer than 5,000 students), restrictions to taught classes and US-only investments were respectively 23% and 10% of colleges, thus giving interested students more chances to learn about investment and a wider choice of investments. Kubik (2018) surveyed 441 specifically US-only SMIFs and got 104 responses. Kubik gives some more details than Peng *et al.* (2009) such as statistics about the institution, SMIF enrollment demographics, dividend policy and returns. As Boughton and Jackson (2020) observe, "*The identification of international SMIFs is virtually non-existent in the literature*" (p. 486). Adding to the survey literature, Boughton and Jackson (2020) surveyed SMIFs but only received 26 responses to their emails and thus found it very difficult to get statistically significant results. Joseph *et al.* (2023) list only 16 SMIFs in India although India has 3,000 business schools.