Seidman Investment Club Portfolio Update

The inception of the Investment Club in 1976 provided a powerful tool to enhance theories learned in the classroom. Concepts of portfolio analysis, economic forecasting, and integrative stock research came alive, allowing students a hands-on opportunity to put real money to work. Over the years, students were able to grow the portfolio from an initial donated amount of $9,000 to a staggering $90,000 value by March 2000. These levels quickly dissolved, however, as the broader markets began a downward trend which has lasted to this day. The results of the downturn have been a few lessons learned and a portfolio valued below $20,000, coupled with an eagerness to tackle the future.

The technology boom that consumed investor psyche in the late '90s, and subsequently left most portfolios crippled, did not spare the Investment Club’s fortunes. The consequence was a portfolio with a 70% weighting in technology, the concurrent ownership of Enron and WorldCom (companies that were ticking time bombs), and little hope for a future without diversity. The ever-changing membership began to fully realize this in fall 2001 and quickly took corrective action. The Club sold Enron and WorldCom before any major bankruptcy developments, and drastically reduced the portion of the portfolio invested in technology. With these steps, diversification became less a textbook’s risk reducing scheme and more a reality. To say the least, great strides have been made concerning portfolio diversification. Currently 16% of the value of the portfolio is invested in technology and this value is spread over eight sectors, compared to only six in March 2000.

The latest diversification steps by the club members were implemented in early September. The Club liquidated positions in companies such as Merck, Scientific Atlanta, and Nvidia and added more prestigious growth companies Sears, Home Depot, and Pfizer. The most pleasant surprise of the semester occurred with the addition of First Horizon Pharmaceutical, a beaten down, small-cap healthcare company that yielded a 70% gain in just one week! Although such gains are typically too few and far between, club members continually search out undervalued equities. The results of Club efforts have been a return of 7.94% since the beginning of the fall semester and a resulting portfolio value of over $24,000. This return more than meets the Investment Club’s goal of outperforming the S&P500, an index that has lost 2.94% of its value in the same timeframe.

The Investment Club, which is open to all majors, recognizes that managing such a portfolio is a continuous learning process. Current members learn from the faults and triumphs of previous members and past portfolio decisions. If you would like more information, or are interested in joining, please feel free to e-mail invest@student.gvsu.edu.

The Seidman School of Business newsletter is published by the business school bi-monthly during the academic year and once each summer. It is compiled by Seidman Undergraduate Student Services, DeVos Center, 1st floor. Telephone: 616-331-7500. Fax: 616-331-7391.