

Caltech Student Investment Fund (SIF)
Annual Report for Academic Year 2024-2025, Released 13 October 2025

Year Overview

The Caltech Student Investment Fund (SIF) continued to foster a strong community of students interested in finance, investing, and markets throughout the 2024 - 2025 academic year. Weekly meetings were held on Thursdays from 9:00 - 10:00 pm in the Hameetman Conference Room, with an average attendance of 15 - 20 members throughout the three terms. Meetings featured lively discussions of portfolio updates, market trends, and investment pitches, with attendees receiving complimentary boba to keep the atmosphere fun and engaging.

To become a voting member, students were expected to give at least one successful investment pitch along with demonstrating consistent attendance (at least 6 meetings). This ensured that all voting decisions reflect the informed perspectives of members actively engaged in SIF activities. Beyond the weekly meetings, SIF hosted several other activities including the annual send-off dinner for seniors as well as Club Executive Committee (ExComm) gatherings every term to plan and reflect on club initiatives.

Looking ahead to the 2025 - 2026 academic year, SIF plans to increase engagement within the attendees by including various other activities in addition to the weekly meetings. These include inviting alumni and industry professionals to share their experiences through guest talks and networking events, to help members gain deeper insight into careers in finance and investment management. Additionally, SIF is exploring the launch of market trend competitions, featuring meaningful prizes to encourage participation, collaboration, and analytical excellence. We hope these events will help strengthen the sense of camaraderie among members and reinforce the Fund's commitment to both learning and leadership development.

Performance

The portfolio's performance YTD has shown consistent returns at 18.99% outperforming the S&P returns of 14.77% YTD. The portfolio has a Sharpe ratio ~ 1 signifying returns per unit risk comparable to what pods at large MM HFs strive for. Although our current risk levels are slightly inflated due to lower bond exposure, we have significantly diversified the portfolio over the last 2 years through investment in Korea, India, among others. The performance spread between our portfolio and Schwab's moderate benchmark is almost 5% showing our high-conviction stock picking generated real alpha!

Recently, the fund has been riding a relatively large tech beta capturing large tech and AI developments from Nvidia, Google, Apple among others. Apart from this, we have seen some very nice moves from stock pitches over the last year. Some notable names include: LMND (Lemonade), GENI (Genius sports), MODG (Topgolf Callaway).

- LMND provides insurance products to renters and homeowners. The main thesis was that they allow insurance to younger individuals and the price uptick can be attributed to investor confidence in scaling and improving unit economics.
- GENI was a trade to enter the sports and data analytics industry which we hadn't been exposed to before. The company offers real-time data and integrity technology which we can see in offside detection systems in the Premier League, as well as in game tracking and data streams from the NFL, NCAA, etc. Genius is growing into the go-to modern sports technology for most leagues and betting platforms depending on accurate, proprietary data.
- MODG is spinning off into its individual business, separating the Topgolf entertainment part from Callaway golf equipment. Investors are viewing it as a "multiples play" similar to General Electric or ConocoPhillips.

SIF has done a spectacular job in holistically analyzing the markets during our weekly sessions. We were able to protect downside risk by selling our overexposed positions weeks before corrections. We positioned ourselves favorably during tariff announcements in April of this year by investments in defensive stocks such as CVS, COST, CAT, among others. Given this, we still hold a positive outlook in the markets going forward. We are

hoping to continue capitalizing on the semis and AI hype along with rate cuts towards the end of the year. At the same time, we are wary of the inflation risks and unemployment data coming out. We are already discussing how to best position ourselves and potential trades amid these tail risks.

Macro Sector Overview

SIF has maintained a portfolio that is predominantly equities-heavy, which has left us vulnerable to macro headwinds such as rate hikes, dollar depreciation, and volatility in the bond market. To address this, we have started to expand our focus toward macro strategy analysis, with two main goals:

1. **Assess** the impact of macro conditions on our existing portfolio and identify potential hedges to mitigate underlying risk.
2. **Explore** opportunities to generate alpha within the macro space itself.

The current global macro backdrop is characterized by elevated uncertainty. Increasingly, *smart money* has begun piling into the “debasement trade” which is selling the U.S. dollar and buying proxies for safe-haven assets such as gold and Bitcoin. While SIF views this as a concerning trend, we expect it to persist given that the U.S. has entered a rate-cutting cycle and other major economies are nearing similar policy shifts.

Even as inflationary pressures remain, weakness in labor markets will likely force the Fed to ease further. We expect a dynamic similar to 2021–2022, where inflation may gradually move higher under accommodative monetary policy. Given this backdrop, even if the dollar experiences short-term rebounds, our medium-term outlook remains **bearish on the USD**. Furthermore, ongoing AI-related spending and investment are expected to buoy equities in the near term but could eventually face execution risk, posing potential downside for U.S. markets.

As a result, the most effective way for SIF to hedge against dollar weakness and broader macro headwinds within existing constraints is to **increase foreign exposure** through equity ETFs (EWX series) that track non-U.S. markets. This approach allows us to express a view on dollar depreciation and diversify away from U.S.-centric risk.

Under other circumstances, if SIF’s investment policy allowed for direct currency exposure, we would likely implement long positions in Asian developed-market currencies (JPY, SGD, KRW) against short positions in the U.S. dollar to capitalize on this environment. However, given our current structure, we will instead pursue a longer-term allocation toward ETFs offering exposure to European, Japanese, and emerging market equities (via ADRs and ETFs alike), which indirectly benefit from dollar weakness and commodity strength. Moreover, we will closely monitor how the rates evolve over the next few months and adjust equity exposure accordingly.

Tech Sector Overview

The past year for technology, semiconductors, and IT has been exceptional, with the S&P 500 Information Technology Index up 37%, outperforming the broader market by a wide margin. This rally has been driven by enthusiasm surrounding AI, cloud computing, and semiconductors. SIF has taken advantage of this rally through large exposures in NVDA, AMD, AMAT, SNOW etc. Markets have increasingly rewarded direct AI monetization rather than narrative exposure, exemplified by the gains of NVIDIA, Palantir, and Snowflake. Despite questions around near-term profitability, AI infrastructure spending remains the single largest driver of capital allocation globally, with hyperscaler CapEx projected to exceed \$315B by 2025.

The current backdrop in technology is defined by the AI infrastructure supercycle, which now extends beyond the tech sector into **energy, utilities, and materials**. Power scarcity and data center bottlenecks have emerged as new constraints to growth, with firms securing energy and grid access holding structural advantages. This expansion marks a transition phase where **compute and power availability** are becoming the defining resources of the decade. In this context, SIF does see value in nuclear energy but is holding off due to sky high stock prices in recent times.

At the same time, the market's focus has shifted toward **proof of earnings** from AI rather than speculative association. While near-term sentiment remains optimistic, the sector faces mounting **valuation and execution risk**, particularly as companies race to justify record CapEx levels and as **custom ASICs** begin to challenge GPU dominance. We have repeatedly seen minor sell offs after big-tech earnings in recent quarters due to higher-than-expected AI spending. Furthermore, in a move to challenge U.S. AI dominance, **China's accelerated innovation cycle** adds further complexity. Export restrictions have forced domestic labs in China to reach near-frontier efficiency at a fraction of Western cost, as seen with **DeepSeek**. Meanwhile, partnerships between major AI players such as **OpenAI, NVIDIA, AMD, Oracle, and others**, continue to inflate valuations through **circular investment loops**, contributing to signs of speculative excess.

In the near term, we expect **continued bullishness** as markets digest both the magnitude of AI investment and the uncertain timing of returns. However, we remain **skeptical** about how quickly the bottom lines of these companies and the tangible value of AI will materialize in the next few quarters. It is undisputed at SIF that **AI will be a defining source of long-term value**, but it is equally uncontested that this value will take time to realize, much like the delayed value creation seen after the internet boom. We believe that, at some point, markets will begin reassessing these timelines, potentially leading to a **meaningful correction**.

For SIF, the most prudent stance is **measured optimism, maintaining** exposure while avoiding overconcentration in high-multiple names. However, should we see markets become excessively exuberant or the AI wave begin to correct, we will **swiftly rebalance our exposures** accordingly. Emphasis will remain on **semiconductors, cloud infrastructure, and enablers of the energy transition**, as these form the foundation of the ongoing AI buildout cycle.

Consumer Sector Overview

The consumer sector continues to evolve around health, digital engagement, and experience-driven spending, with 2026 expected to bring selective growth amid persistent inflation and rate uncertainty. While staples offer defensiveness, discretionary spending remains closely tied to wage stability and consumer confidence. For SIF, this sector plays a vital role in balancing macro risk and maintaining portfolio resilience.

The backdrop for consumer markets is defined by a shift toward **wellness, authenticity, and experiential value**. Wealthy consumers are trading up for **health-focused, sustainable, and transparent products**. Legacy companies such as **J.M. Smucker** is modernizing through offerings like Protein Uncrustables, aligning with this health-first momentum. Digital ecosystems are becoming central to loyalty and retention. **Loyalty apps, AI-enabled checkouts, and emerging digital purchasing platforms** are reshaping how consumers interact with brands. Companies like **JD.com** exemplify this trend, using automation and AI to drive cost efficiency and fulfillment speed. At the same time, spending patterns are increasingly driven by **experiential consumption**. **Topgolf Callaway Brands (MODG)** captures this theme, blending entertainment with lifestyle engagement. Topgolf's rapid expansion and Callaway's established brand strength position them well as leisure replaces traditional retail in consumer mindshare. Sustainability continues to influence purchasing behavior. **Nike, Lululemon, and PepsiCo** are investing in sustainable materials, ethical sourcing, and carbon reduction. Authentic ESG commitments are now a key determinant of **brand loyalty and pricing power**, particularly among younger consumers.

In the near term, **consumer staples** should continue to provide stability, while **discretionary segments** face mixed growth prospects depending on income trends and rate cuts. SIF remains constructive on **health and lifestyle brands**, where premium positioning and efficiency can drive margin expansion. We are also monitoring **beauty and cosmetics**, where companies like **e.l.f. Beauty, L'Oréal, and Maybelline** represent attractive long-term opportunities. For SIF, the approach remains **measured and selective** where we want to maintain exposure across defensive and growth names while favoring companies with strong brands, authentic sustainability efforts, and digital engagement strategies. The sector remains an important **hedge to other risky and growth themes within the portfolio**, offering stability through staples and upside through innovation-driven discretionary exposure.

Healthcare Sector Overview

The past year for healthcare has been **volatile but incrementally positive**, particularly across **biotech and pharma**. The **XBI is up 16% YTD**, while the **S&P 500 Health Care Index** has gained only **5%**, lagging the broader market. Large-cap pharma continues to trade defensively as investors digest uncertainties surrounding **IRA implementation** and **tariff risks**, though most companies have now secured **domestic manufacturing exemptions**. The policy backdrop remains fluid, with **drug pricing pilots**, **MFN models**, and **vaccine-related rhetoric** adding noise but little fundamental disruption. The standout has been **clinical-stage and SMID-cap biotech**, where the **BBC Index** has surged **22% YTD** and nearly **93% since “liberation day,”** reflecting renewed optimism for innovation and M&A potential.

The current environment is defined by a **policy overhang** balanced by **emerging innovation**. Pharma has largely neutralized tariff risk through early **U.S. manufacturing investments**, while the next phase of the **Inflation Reduction Act** will determine pricing clarity heading into 2026. Although IRA-driven headwinds remain, large-cap firms have diversified into **oncology, obesity, and rare diseases**, positioning for steady earnings growth. Despite improving sentiment, **valuation dispersion in biotech remains extreme** — only about **80 of 600+ listed companies trade above cash**, with many still carrying negative enterprise values. This underscores a selective opportunity for **de-risked late-stage programs** as capital markets reopen and larger firms seek pipeline replenishment.

In the near term, **election-related headlines and macro policy shifts** will keep volatility elevated. Large-cap pharma should remain a **defensive anchor**, while biotech stays **event-driven and catalyst-sensitive**. Over the medium term, **capital access and M&A momentum** are expected to support a gradual recovery in quality biotech names. In the long run, as policy uncertainty fades, **fundamental innovation and scientific differentiation** will reassert themselves as the sector’s core drivers. For SIF, the approach remains **selective and balanced** — maintaining exposure to defensive **large-cap pharma** for stability while exploring **high-conviction biotech** opportunities that align with improving capital flows and innovation cycles.

Key Performance Priorities for the Upcoming Year

Maintain Benchmark Outperformance:

We aim to achieve a **10–12% annualized return post-disbursement consumption**, maintaining consistent outperformance relative to benchmark indices.

Sustain Disciplined Rebalancing:

Beginning this year, the Fund will conduct **quarterly allocation reviews** to ensure alignment with our investment thesis and current market outlook. These reviews will include activities such as **diversifying into international equities**, **de-risking concentrated positions**, and **implementing hedging strategies** to manage sectoral overweights within the existing portfolio.

Macro Integration:

While the majority of assets have historically been allocated to U.S. equities, we plan to **broaden exposure across asset classes** to capitalize on opportunities arising from **global market movements and cross-asset rallies (Rates, FX etc.)**.

Initiatives Beyond Regular Meetings

This year, SIF undertook several new initiatives to deepen engagement, expand learning opportunities, and strengthen community participation. These programs reflect our mission to make finance accessible, practical, and collaborative for all Caltech students.

Member Engagement

A key challenge at Caltech is cultivating genuine interest in finance among students from technical

backgrounds. SIF's approach has been to make investing *fun, social, and intellectually stimulating*. This year, we reorganized the Fund into a **multi-manager structure**, with sector heads covering Technology, Healthcare, Industrials, and Consumer markets. This structure has diversified meeting discussions and encouraged members to develop deeper expertise in their areas of interest.

To further strengthen engagement, several new initiatives were launched:

- **Frosh Pick 'Em** – New members are allocated **\$500** of Fund capital to invest in early 2026. They present their pitches for discussion but do not require a vote for approval. This gives newcomers a sense of ownership and encourages research-driven participation.
- **SIF Trading Competition** – Relaunching next quarter, this competition will take place on a **custom internal exchange**, where members trade event-based contracts (e.g., Fed decisions, VIX levels, commodity moves). The format encourages strategic thinking and provides exposure to real-world market dynamics.
- **PM Notes** – Each sector PM publishes a **weekly market note**, summarizing performance, key events, and outlook. This helps members stay informed while fostering continuous portfolio review and accountability.
- **Outings and Events** – Building community remains central to SIF's mission. Last year's highlights included the **Scripps and Caltech SIF Joint Dinner**, **Senior Send-Off Dinner** and a **golf outing at Scholl Canyon**.
- **Merchandise** - We plan to introduce **SIF-branded merchandise** to strengthen visibility on campus and foster a sense of belonging among members. **All clubs receiving disbursements from the Fund will be encouraged to acknowledge SIF's support** through their own merchandise and communications, ensuring the Fund's contributions are visible to the broader Caltech community.

Industry Relations

SIF continues to expand its connections across the finance industry. This year, we formalized a **recruiting partnership with Point72** for their Equities Analyst Program. We also launched a **speaker series** featuring alumni, student directors, and finance faculty sharing insights from their professional and research experiences. In addition, SIF has introduced a **job board** on the club website to share exclusive opportunities from partner firms and alumni.

Conclusion and Final Outlook

As the Student Investment Fund continues to evolve, our focus is shifting from expansion in size to deepening the quality and rigor of participation. Furthermore, with regards to the fund performance, our goal is not only to sustain this growth amid changing market conditions, but also to ensure that the Fund remains robust, adaptive, and strategically positioned across different economic environments.

Beyond performance, the current Excomm is committed to strengthening the **Fund's reputation and institutional presence** within the Caltech community and beyond. Our vision is for Caltech SIF to become a **recognized club amongst other investment clubs in the country**, one where membership reflects both merit, and where participation serves as a gateway to professional opportunities in finance, investment management, and entrepreneurship.

Ultimately, our goal is to make the Fund a place where every Caltech student's experience is **personally meaningful and professionally valuable** whether it inspires confidence in their **own investing and financial decisions**, or serves as a **foundation for careers in trading, quantitative research, and portfolio management**.