The small-cap Cayuga Fund returned 10.8% for the year 2017, while the fund’s benchmark, the Russell 2000 Index, was up 14.6%, and the S&P 500 delivered a total return of 21.8% in the same period. Fund performance, by sector, is reviewed later in this report.

2017: 20th Year of Fund Management

The Cayuga Fund began operations in 1998, seeded with a gift from the graduating class of 1998 and additional alumni donors who were excited to support Johnson’s new asset management program at the Parker Center for Investment Research at Sage Hall. The fund currently manages money solely for the Cornell University endowment, which holds the donor gifts, and follows a long-bias small cap equity strategy. Throughout its history, the fund has adapted to various market conditions and investor sentiment and delivered impressive overall performance, all while remaining true to its founding mission to educate future generations of leaders in the asset management industry. To date, the program has graduated more than 450 Johnson students in its 20-year history. As we reflect on the past 20 years, we are proud of our graduates and the success they have gone on to achieve. They are a testament to the asset management program that we have built at Johnson and an integral part of the Johnson narrative on the power of experiential learning. In 2018, we look forward to celebrating the Parker Center’s 20-year anniversary in New York City and seeing many of the program’s alumni there.

Classroom Activity

The year 2017 saw 22 MBA student portfolio managers join the fund, along with 6 talented Cornell undergraduate associates. The fund follows a dual process for security selection, which includes both quantitative and fundamental analysis. A sophisticated quantitative model is used to identify attractively valued small-cap stocks for students to conduct further due diligence. Students work in sector teams to determine appropriate ranking criteria and fundamental trends before recommending final names for the portfolio. In the middle of the fall semester, students complete pure fundamental research on industries and recommend additional names for the Fund. The two processes are diversifying, but also complementary as students apply what they learn from coursework and experience. As in years past, in 2017, we continued to welcome alumni and other experienced investors to present their investment philosophies to students. The Parker Center was visited by ten guest speakers and faculty from strong relationships with more than 25 top-tier investment management and financial services firms who are an integral part of their success.

We are also continuing to build faculty relationships across the three units of the SC Johnson College and exploring ways to lead and collaborate on investing initiatives on campus. Do stay tuned for more developments in this area.

We are grateful to many parties for their support of the Parker Center and Cayuga Fund, including the SC Johnson College and Johnson School administration, the alumni mentors of the Cayuga Fund, alumni donors, and, of course, the Cornell University endowment. We truly appreciate your support and partnership.

Sincerely,

Scott Stewart
MBA ’83, Ph.D. ’85
Designated Manager

Christopher Meredith
MBA ’05
Designated Manager

FROM THE DESIGNATED MANAGERS

Spotlight on Parker Center Events

While the Cayuga Fund is a centerpiece of the asset management curriculum at Johnson, the Parker Center has, over time, built an impressive portfolio of events and activities, designed to enhance the networking and recruiting opportunities for its students and build industry connections for the school. These events include the MBA and Undergraduate Stock Pitch Challenges, both competitive events, and the pioneering MBA and Undergraduate Women in Investing conferences, designed to educate and encourage women to pursue careers in asset management, in a space in which they are vastly underrepresented. In 2017, we also started an investment portfolio case competition, held on the Cornell Roosevelt Island campus. All these events have not only created opportunities for students but enabled the Center to build strong relationships with more than 25 top-tier investment management and financial services firms who are an integral part of their success.

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For M&A, the year began poorly with the cancellation of the Anthem/Cigna and Astra-Humana mergers in February, but the market moved past these setbacks to produce an outstanding year for deals. Bookended by Johnson & Johnson’s (JNJ) $50 billion acquisition of Actelion in January and CVS’s $69 billion offer for Astra in December, the sector saw heavy activity in 2017 with $315.1 billion of deals, a 23% increase from industry-wide. Moreover, in the healthcare services segment, as pharma/biotech M&A slowed due to uncertainty over tax reform and repatriation of the industry’s $150 billion overseas cash holdings.

The fund entered 2018 overweight Healthcare, as we expect the sector to continue its transition towards outcome-based care, which promises to improve efficiency. Increasing consumer involvement in the healthcare decision-making process, in combination with technological advancements, will feed the growth in outpatient services. Meanwhile, the threat of generics, declining R&D productivity, and the possible repatriation of overseas cash should contribute to brisk M&A activity in the pharma/biotech space. The sector is projected to see high single-digit growth in operating earnings in the coming year, and ended 2017 at a forward P/E multiple that is within a range last seen in 2008. With the economy also entering the late-cycle phase of the current business cycle, we expect the Healthcare sector to provide steady performance in 2018.

ENERGY & MATERIALS SECTOR

Peter Deng
In 2017, the Cayuga Fund was net long on and overweight Energy and Materials, which contributed 33 basis points to its total return. The best performing position was Alcoa (AA), which posted a total return of 26.4% and contributed 94 basis points. The worst performing position was CNO Midstream Partners (CNXM), which had a total return of -26.3% and detracted 47 basis points from the fund.

The sector experienced a high amount of volatility over the course of 2017 due to fluctuating commodity prices. By the end of the year, energy markets recovered as the dollar fell and worldwide demand was driven up by developing nations.

In addition to challenges against drug pricing policies, pharmaceutical and biotechnology companies faced threats of patent challenges from generic competitors. Controversy arose in September when Allergan (AGN) moved to protect its blockbuster eye drug Restasis by transferring the drug’s patent to the Mohawk Indian Tribe—a step that was rendered moot when a court invalidated the patent.

Fortunately, pharma/biotech firms benefitted from a more favorable FDA in 2017, with U.S. drug approvals hitting a 21-year high. The most talked-about FDA approvals in 2017 included the chimeric antigen receptor T-cell (“CaR-t”) therapy, with approval granted by Novartis’ (NVS) Kymriah in August and Gilead’s (GILD) Yescarta in October. A less-publicized, but still significant, approval also came in October when Spark Therapeutics’ (ONCE) Luxturna gene-replacement therapy was approved for use in patients with genetically-induced blindness.

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Our underperformance is attributable to some of our worst performing sub-industries: electric and gas utilities, as well as consolidated, wireless, and specialty communications. As of year-end 2017, our three largest sub-sectors within the sector, returning 12.5% and 18.4% respectively.

In 2017, the Financials team had a total return of 10.6%, contributing 283 basis points to the Cayuga Fund. The investment management sub-sector was the strongest performer, contributing 102 basis points to the portfolio. This return was largely driven by the acquisition of Fortress Investment Group (FIG) by the Japanese internet and telecommunication giant, Softbank Group. In addition to this acquisition, the largest home construction company in the United States, D. R. Horton, acquired 75% of Forestar Group (FOR) and added 10 basis points to the portfolio.

A string of economic data showing stronger growth in the United States led to the Federal Reserve’s continuation of planned interest rate hikes. As economic growth picked up in early June, Financials stocks started to gain momentum. The rate hikes benefited the Financial sector, which includes banks and other lending institutions, as they tend to profit more when interest rates are higher. The stock prices for many Financial sector companies reflected these anticipated interest rate hikes. The Federal Reserve raised interest rates three times in 2017 and have signaled three more increases in 2018 and two in 2019.

Similar to how the year started, the Financial sector ended 2017 on a high note. On December 22, the President passed a new tax bill that cut the corporate tax rate from 35% to 21%. According to a Wells Fargo analysis of historical tax rates, of the major S&P sectors, the Financial sector firms pay the highest effective tax rate at 27.5%. Because of this, they are expected to be one of the largest beneficiaries of the tax reform. Due to the tax cuts and steadily increasing interest rates, the sector continues to be buoyant on Financial sector stocks with an emphasis on the regional bank sub-sector. Regional lenders have little business abroad and have a lot to gain from the US tax cuts. Additionally, the interest rate environment was favorable for regional lenders to earn a higher net-interest margin.

In terms of stock selection, the three worst performers were the Airlines sub-industry’s Hawaiian Holdings (HA) and Spirit Airlines (SAVE) and the Engineering & Construction subindustry’s Arrow Inc. (AGN) had a -30.1% return, contributing -74 basis points to the overall fund; SAVE had a -39.2% return, contributing -102 basis points to the fund; and AGN had a -32.1% return, contributing -49 basis points to the fund. On the opposite end of the overall fund, the performers were Spirit AeroSystems Holdings, Inc. (SPR) in the Aerospace & Defense subindustry, Mercuri International Inc. (MERC) in the pulp and paper subindustry, and Douglas Dynamics, Inc. (DDS) in the Trucks/Construction/Farm Machinery subindustry. SPR had a 45.4% return, contributing 24 basis points to the fund; MERC had a 28.3% return, contributing 7 basis points to the fund; and DDS had a 33.4% return, contributing 13 basis points to the fund.

In terms of allocation, the Industrial Sector was 16.2% of the overall fund, which is slightly below the benchmark’s 22.3%. Within the Industrial Sector, we had most allocations in the Airlines (1.8%), Specialty Chemicals (11.2%), Marine Shipping (10.5%), Miscellaneous Commercial Services (9.1%), Environmental Services (5.8%), and Trucks/Construction/Farm Machinery (5.0%). The Airlines subindustry had the worst performance within the sector, returning -54.8% and contributing -176 basis points to the fund. The Specialty Chemicals, Environmental Services, and Trucks/Construction/Farm Machinery subindustries, on the other hand, had the best performance, returning 18.4%, 24.8%, and 56.7% respectively, and contributing 42 basis points, 47 basis points, and 37 basis points to the fund respectively.

Due to the wide range of end markets served by the Industrial Sector, the primary indicators we tracked include: the overall GDP growth, the PMI (Purchasing Managers’ Index) reported by ISM (the Institute of Supply Management), and oil prices. We also pay close attention to how well Caterpillar (CAT) is doing as its diversified business in energy & transportation, oil and gas, transportation, industrial, and the new generation provides us with a gauge on how well these markets are doing and whether the outlook is optimistic in most Industrial Sector subindustries.

In 2017, the overall economy was doing well: the real GDP growth was 2.7%, up from 1.5% in 2016; the Fed raised its benchmark rate to 1.5%; although oil price tumbled to the low $40’s in mid-2017, it stabilized to be above $60 by the end of year; and new legislation on tax cuts were approved. Moreover, CAT had a 72.5% return, with revenue growth of 18% and margin expansion of 190 basis points. As a result, the Russell 2000 Industrial Index outperformed the Russell 2000 index by 200 basis points, 16.7% vs. 14.7%.

The fund entered 2018 underweight the industrial sector. We believe the sector has a bright outlook driven by continued GDP growth, stable oil prices, increased infrastructure spending, and deeper tax cuts. We continue to long transportation and trucking, environmental services, chemicals, constructions, aerospace & defense and marine shipping with most of our allocations in these subindustries going into 2018. Regarding airlines, the industry did not perform well in 2017 due to headwinds from hurricanes, pricing wars, and higher fuel costs. In 2018, some of the headwinds remain, but the market sentiment is coming back due to better-than-expected unit revenues, the new fuel law, and attractive EV/EBITDA multiples relative to the market.
FUNDAMENTAL

TEAM

REPORTS
TRADE

Brandon Elliott

The Trading team executes all trading orders; monitors the current cash positions; and quantifies the transaction, opportunity, and borrowing costs for the fund. The team’s goal is to provide the fund with the best execution strategy available to efficiently reduce costs and mitigate the impact of trading on the performance of the fund. The team is currently in the process of automating the clearing processes as the trading transactions through the back office becomes much more efficient. This will reduce human error caused by certain manual processes and eliminate the delays in transaction settlement. The plan is to have this project completed by the end of the second quarter of 2018.

The team executed two portfolio rebalances during the second half of 2017. The first rebalance, in October, was based on the quants screening process. The second rebalance, in November, was based on the fundamental picks by the portfolio managers. The team also executes specific orders as required by portfolio managers on an ad-hoc basis.

QUANTITATIVE

Greg Allis

The Cayuga Fund quantitative model uses a combination of fundamental and technical signals to rank stocks based on expected future performance. Sector teams then use the quant ranking and a combination of their own quantitative and qualitative fundamental research to select stocks to recommend for the fund’s portfolio. Key resources used to perform the quantitative and qualitative framework include FactSet, Capital IQ, Bloomberg, Thomson One and Barclay’s Capital Live. This year, the quant team’s primary focus was to re-evaluate the weight of each factor in the model. Using predictive analysis and back-testing, the team proposed adjusted sector weights that optimized the quant rankings in terms of performance against the benchmark. Secondarily, the quant team hopes to identify new sector-specific signals to account for variations in business models and cycles across sectors.

PORTFOLIO CONSTRUCTION, RISK MANAGEMENT & PERFORMANCE ANALYSIS TEAM

Emily Liao

The Portfolio Construction, Risk Management, and Performance Analysis team is tasked with two main goals. The goal for the Portfolio construction team is to understand the risk assessment component of the portfolio construction process by using quantitative optimization tools and the fundamental algorithm. For the portfolio attribution aspect, the goal is to analyze total and active portfolio risk as well as to examine historical returns and analyze past risk levels. This process involves monitoring the portfolio, stock, sector, style, and beta bets, while reviewing for consistency and compliance with fund objectives and constraints. Using the theory that a portfolio should be evaluated as a collection of assets, our goal is to maximize risk-weighted alpha, construct a diversified portfolio that approaches the efficient frontier, and minimize tracking error.

The Cayuga Fund model seeks to optimize exposure to factors including individual positions, sector, industry, and market cap, country, currency, risk factor, liquidity, and cash balance. By using tools such as Factset, which can provide decision analysis tools such as impact of size and timing, as well as Barra, which sub-divides risk into Common Factor Risks and Specific Risks, the team is able to measure and optimize the portfolio based on the quantitative and fundamental views of the sector teams.

Barra Reports are a particularly helpful tool for analyzing and adjusting process holdings and eliminate the delays in transaction settlement. The plan is to have this project completed by the end of the second quarter of 2018.

Moving forward, the team recommends that the portfolio team utilize the Bloomberg <PORT> function as an additional tool to monitor the portfolio and analyze risk. This function, which utilizes live data, could help future sector teams create a more automated process for retrieving fund performance data.

INVESTOR RELATIONS TEAM

Michael Maguire

The Investor Relations (IR) team serves as the internal point of contact and resource for the fund’s investors. The IR team is responsible for relationship management with the endowment and continuously provides quarterly reports to communi- cate news and events to institutional investors. The IR team monitors the fund’s performance and market overview, which includes a global macro update and a sector analysis.

The IR team’s main initiative is to strengthen the relationship with the endowment by publishing high-quality and timely quarterly fund performance reviews and market commentaries, ad-hoc comments on specific events, and coordinate meetings and responsibilities of fund managers on the Cayuga Fund’s website. In addition, the IR team is working with the Portfolio Analysis and Quantitative Teams to build an effective system to analyze and update all portfolio members on the strengths and weaknesses of the fund. From a fundamental perspective, the team is building out a more robust attribution analysis, identifying allocation improvements that can be made within the fund. From a quantitative perspective, the team is working to build a model identifying key exposures the fund may have to growth, value or other factors.

On top of this project, the IR team has identified other opportunities for communication to current students and Cayuga Fund alumni. The team will be hosting an information session in the spring for students interested in becoming portfolio managers, and plans are in place to reestablish a LinkedIn page.

The hope is that this page will be another avenue for alumni to receive updates on the happenings of the fund and offer current portfolio managers a place to connect with students. This will also happen with the team’s alumni newsletter.

The team will also be involved at Destination Johnson, an admitted students’ weekend Johnson hosts every spring.

FUNDAMENTAL STOCK ANALYSIS HIGHLIGHTS

PENN NATIONAL GAMING (PENN)

Chris Hunt

Penn National Gaming (PENN) is a regional operator and owner of casinos and slot machine gaming terminals. Penn contributed 155 basis points to the fund’s return in 2017 as the stock returned 74.4% when it was part of the fund. This stock was bought because the team believed that the market underestimated the company’s growth potential in the Midwest, management’s ability to drive cash savings in its roll-up strategy, Penn’s ability to move toward an ownership model (instead of leases or operator), and the upside to the Penn’s leverage profile.

The first surge in Penn’s stock price in 2017 was out of manage- ment’s control, as it came when the company was included in the S&P 600 index in February. The next price increase resulted from institutional buying and a strong quarter that management’s upward revisions to guidance and strong performance through the year. The first of such rallies in late March, when the Company adjusted its quarterly EBITDA guidance upward by over 6% — due primarily to lower-than-expected master lease payments. Penn ultimately fell just short of EBITDA expectations while beating on the top line in Q1.

Penn also impressed investors in Q2 2017 when it announced that its share of EBITDA from owned properties was the largest it had ever been in history. Visitation and spending numbers were also positive for the quarter. Specula- tion that Penn would buy Pinnacle Entertainment also fueled the company’s stock price appreciation into the fall, as investor sentiment toward Penn’s roll-up prowess, and its ability to survive in a consolidating industry improved. The team ultimately sold out of Penn in the fall as new bull cases became more difficult to rationalize throughout the year.

SPLiR AIRLiNES, InC. (SAlE)

Claire Wang

Founded in 1994 and headquartered in Miramar, Florida, Spirit Airlines, Inc. (SAlE) provides low-fare airline services. The company operates approximately 450 daily flights to destinations in the United States, the Caribbean, and Latin America. It offers flights through its call centers and airport ticket counters, as well as online through spirit.com; and through the company’s own app and online travel agents, and electronic global distribution systems. SAlE contributed -102 bps to the fund’s return and the stock’s return was -74.4% when it was part of the fund. This stock was bought because the team believed that the company’s stock price appreciation into the fall, as investor sentiment toward Penn’s roll-up prowess, and its ability to survive in a consolidating industry improved. The team ultimately sold out of Penn in the fall as new bull cases became more difficult to rationalize throughout the year.

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FORTRESS INVESTMENT GROUP (FIG)

Hillary Powers

The company was a portfolio within the financial services sector for 2017 and was Fortune’s (FIG). On December 30, 2016, Fortune’s share price was $4.64. On February 14, 2017, Softbank announced that it would acquire the company. On February 17, 2017, we sold our position on Fortune for $7.81 per share, yielding a 60.7% return and adding 90 basis points to the fund’s return.

Prior to the start of the calendar year, the quantitative model was leveraged to identify Fortune as a strong pick for the Financials sector. Subsequently, a long position was initiated for 1.35 basis points of portfolio exposure.

On July 27th, the stock was down 15.5% after its Q2 2017 revenue miss by $0.61 million despite the EPS beats by $0.04/ share. The stock’s price dropped further due to impact from Hurricane Irma as Spirit is one of the highest exposure to the Florida/Caribbean region. On September 5th, the company lowered its Q3 2017 US revenue guidance. Momentum was similar for the airline stocks with the exception of Spirit Airlines because it sees revenue risk with Spirit due to heightened competition in some of the carrier’s key markets.

We sold out of our position entirely at $35.8 per share in October.

ALON uSA PARTnERS Lp (ALDW)

Michael Maguire

The ALON US Holdings LP refines and markets petroleum products out of Texas, where it owns and operates a crude oil refinery in Big Spring, TX with a capacity of 73,000 barrels per day. The fund entered into a 21 basis point position in Alon USA during a rebalance on May 31st and held this position until the end of the year with an average weight of 60 basis points. During the last seven months of the year, Alon USA yielded almost a 9% return, resulting in a 94 basis point contribution to the overall fund’s performance.

The majority of the stock gain was seen in Q4 and can be attributed to both macro and company specific factors. On the macro level, a 20% increase in oil prices throughout the quarter helped Alon USA in a similar manner to most of the Oil Refining & Marketing sector. However, the majority of the increase is attributed to a deal announced with Delek US Holdings (DK) on November 8th. Delek agreed to buy the remaining portion of Alon USA Partners at a 5% premium to the trading price. This absorption was on top of Delek already owning 82% of Alon USA. With this ownership structure, Alon USA is highly correlated with Delek’s stock price, which was up 24% in Q4. This was in part due to the positive reception of the Alon USA acquisition as well as a strong Q3 earnings beat of $0.19 with a YoY revenue increase of 116%.
Fortress is a highly diversified investment management firm based in New York City, which was founded as a Private Equity firm in 1998. They currently have $35.1 billion assets under management and manage assets on behalf of 1,750 institutions across credit, real estate, private equity and permanent capital investment strategies. Before being taken private, Fortress leveraged their relatively large client base to gain scale, resulting in an operating margin of 21.14%, higher than the industry average of 20.10%.

After the merger announcement on February 14, shares of Fortress soared to a new high of $88.83 on February 15, which SoftBank ultimately paid a 38.8% premium to FIg’s closing price the day before the deal announcement. The merger closed on December 27, 2017.

HAWAIIAN HOLDINGS, INC. (HA)

Brad Elliott
Hawaiian Holdings, Inc. (HA) offers daily air transportation services on routes between Hawaii and major west coast airports and some international locations, including Japan and Australia. Hawaiian Holdings contributed -74 basis points to the fund’s return and the stock’s total return was -50%. We recommended a BUY in this stock because of Hawaiian’s unique market, attractive valuation compared to the industry and improving macro trends in tourism and air travel specifically. In addition, there have been increases in travel from APAC in which tourists have been coming into Hawaii for leisure and these tourists have been increasingly using Hawaii as a stopping point coming into the continental United States.

The stock was down significantly after both Southwest and United announced entering the Hawaiian market. United has already launched and has plans to increase the number of flights from major markets, while Southwest will most likely have its first flight to Hawaii sometime in 2018. Increased competition from larger airlines has pressured the stock as the future of price competition and promotional offerings from United and Southwest could weigh on revenue and margins. Since this news, multiple sell-side analysts have shaved price targets.

We sold out of our position entirely at $50 per share in October and since then the stock has drifted downward. Margins have already contracted from 18% to 14% and we see this trend continuing for the near future. In addition to the competitive landscape changing, CEO Mark Dunkerley announced his retirement soon after we liquidated our position.

KEMET CORPORATION (KEM)

Razeen Kabir
The Cayuga Fund owned Kemet Corporation until March 15th, during which it was one of the top performers in the technol-
ogy sector. During that first quarter Kemet acquired NEC TOKIN, a Japanese industrial electronics and automotive parts manufacturer, in a move that was widely viewed as accretive and improved its balance sheet, as well as its revenue and margins.

Founded in 1919, Kemet is a leading global supplier of passive electronic components for original equipment manufacturers (OEMs), electronic manufacturing service (EMS) providers, and electronic distributors. The company, together with its subsidiary mini-aluminum electrolytic capacitors to the automotive, computing, telecom, aerospace, medical, and alternative energy markets. Its sales are also geographically diversified between APAC (40%), EMEA (31%), and the Americas (29%).

The company’s positive performance reflects improvements in earnings caused by lower accretive and top-line growth. Year-over-year, sales revenue and EBITDA margins rose 3.1% and 12.1% respectively. Moreover, the company significantly lowered its annual interest expenses by refinancing with a new Term Loan Credit Facility, boosting its cash reserves and allowing for more flexibility to focus on long-term growth.

In 2017, Kemet’s revenue increased 3.1% and 12.1% respectively. Moreover, the company significantly lowered its annual interest expenses by refinancing with a new Term Loan Credit Facility, boosting its cash reserves and allowing for more flexibility to focus on long-term growth.

OPIANT PHARMACEUTICALS INC. (OPNT)

Moe Roedel
Opiant Pharmaceuticals Inc. (OPNT) is a biotechnology company focusing on treatments for substance abuse. Opiant’s primary product is Narcan, the first and only FDA-approved opioid antagonist nasal spray that counteracts the effects of a heroin overdose, allowing victims time to receive full medical treatment. Opiant is also developing a vaccine that has the potential to bind with heroin compounds in the bloodstream to block them from reaching the brain, counteracting the drug’s addictive effects.

A position in Opiant was initiated at the start of Q4 2017. The share price dropped 56.81% over the remainder of the year and detracted 49 bps from the fund’s 2017 performance. Shortly after the position was added to the Fund, President Trump proclaimed the opioid epidemic a national health emergency, causing OPNT to rise 35%. However, in mid-December, the company experienced an idiiosyncratic event that led to a major decline in the stock price, as Geoffrey Wolf, an independent director and member of the board of directors’ audit committee, abruptly resigned from the firm. As a result, Opiant was no longer in compliance with the Nasdaq listing rule that requires three independent board members on the audit committee. Mr. Wolf also sold his considerable ownership in the company (~10%), leading to a further decline in the stock price.

Despite the event’s significant effect on Opiant’s share price, we do not believe this has long term implications for the company’s value. Mr. Wolf was apparently unhappy with his compensation arrangement, leading to a disagreement with company management; we do not believe that the resignation was a result of any company wrongdoing and the sell-off was an overreaction that was exacerbated by the company’s small market cap. As we look forward to 2019, we believe owning a position in Opiant still has merit. President Trump reaffirmed his view on the opioid epidemic during his State of the Union Address, and Opiant is well suited to see strong revenue growth from further adoption of the life-saving Narcan product and the prospects for FDA approval of its opioid vaccine.

CNX MIDSTREAM PARTNERS (CNXM)

Ryan T. Ma
Formerly known as COINE Midstream Partners LP prior to the name change to CNX Midstream Partners LP in late 2017, this natural gas company was founded in 2014 and is based out of Canonsburg, Pennsylvania. CNX Midstream’s business model revolves around owning, operating, developing, as well as acquiring natural gas and other midstream energy assets in the West Virginia and Pennsylvania region. The company operates 18 compression and dehydration facilities as well as condensate handling facilities. In this, CNX Midstream’s main revenue sources come from gathering, collection, separation and stabilization services. Our long position in CNXM depre-
ciated by a little over 26% during the time it was held in 2017 and contributed to a 47 basis point loss to the Cayuga Fund’s returns.

The stock had done incredibly well in 2016 with 153% in returns and the company had strong projections as well as guidance going into 2017. CNX Midstream had seemed like a good name because the Marcellus shale formation, where the company operates most of its business, had the lowest drilling and operating expenses in the nation at the time. Also, the natural gas in-
dustry was seen to be slowly rising to be the primary power source in the nation, as natural gas is becoming abundant and afford-
dable compared to coal, which is already being pressured with carbon emission reduction plans.

CNX Midstream has also seen consistent, strong financial performance over the past four years — total revenue, profit margins, and net income have all consistently grown over quarter over quarter into 2017. The company also had a very appealing debt/EBITDA figure, as CNX Midstream had -1.09x compared to the industry’s median -4.48x. However, as natural gas struggled all throughout 2017 (dropped 33% over 2017) due to a negative trend in demand/consumption and supplies in supply, CNX Midstream, consequently, the low natural gas prices, performed poorly as a midstream company. The U.S. Energy Information Administration reported that in August 2017, consumption of natural gas was at a -15% annual growth rate while exports of both pipeline and liquefied natural gas cargoes had increased compared to the beginning of 2017.

CNX Midstream met all earnings forecasts with no negative surprises during any of the company’s earnings reports. There-
more, most of CNX Midstream’s pitfalls and poor performance can be attributed to the relatively low prices as well as the increasing supply of natural gas in the United States. The fund had a position in CNXM to start 2017 with a 1.5% weight and exited the position on October 4th during a portfolio rebalance.
MBA Portfolio Managers

Andrey Abramov
BS, Management Administration
University of Southern California

Andrey is a second-year MBA candidate in the full-time program at Johnson. He currently serves as a Portfolio Manager for the Financial sector of the Cayuga Fund. Andrey also invests in the consumer discretionary sector for the BR Venture Fund and votes on the board of a portfolio company. Prior to joining Johnson, Andrey spent 10 years in trade support on the sell side, working with a variety of commodity, equity, fixed income, foreign exchange, and derivative products. Andrey is a licensed investment professional, who holds a Series 3 and Series 7 license from FINRA. He completed his summer internship on the FSG team of Houlihan Lokey.

Gregory Allis
BS, Civil Engineering
Lafayette College

Gregory is a second-year MBA candidate at Johnson and serves as Portfolio Manager for the Industrial sector team and as the leader of the Quantitative analysis team. Prior to business school, Gregory worked as a technology consultant for Accenture Federal Services in Virginia. He spent the summer of 2017 as an intern at Simms & Company, an energy-focused investment bank in Houston, where he will return upon graduation.

Alex Conning
BA, Government
St. Lawrence University

Alex is a second-year MBA candidate in the full-time program at Johnson. He currently serves as a Portfolio Manager on the Technology sector team for the Cayuga Fund. Prior to Johnson, Alex spent four years focusing on client management and operations at Nirvana Financial Solutions, a start-up financial technology company based in New York and Gurgaon, India. Alex’s summer internship in 2017 was as a Summer Associate at Berkey, Noyes, & Co., where he worked on the credit sector team for a California-based hedge fund. Following graduation, Alex plans to continue his career as an investment banking associate upon completing his MBA.

Matthew Cohen
BS, Finance
Rutgers Business School
at New Jersey

Matthew is a second-year MBA candidate in the full-time program. He currently serves as a Portfolio Manager on the Industrial sector team and as a member of the Portfolio Risk and Construction team. Prior to attending Johnson, Matthew worked as a financial analyst covering global energy at the independent research firm Rystad Energy. Following graduation, Matthew plans to pursue a career in investment research and management upon graduation.

Ming Chou
BS, Biological Sciences
University of California at Irvine

Ming is a second-year MBA candidate in Johnson’s full-time MBA program. He currently serves as a Portfolio Manager on the Technology sector team. Prior to business school, Ming interned at Novartis Pharmaceuticals in Shanghai, where he worked as a Finance Analyst in the treasury team. Prior to attending Johnson, Alec earned his Ph.D. from Weill Cornell Medicine in New York City, where he focused on the identification of new molecular drug targets for neurodegenerative diseases as a strategy and business development associate with Emerson Electric.

Hausu Horai
BA, Business & Commerce
Keio University

Hausu is a second-year MBA candidate in the full-time program at Johnson. He currently serves as a Portfolio Manager for the European sector. Prior to coming to the US, Hausu spent one year in management consulting in Tel Aviv, Israel. In his time at Johnson, Hausu has taken on various leadership roles and has received the Global MBA Award. Following graduation, Hausu plans to pursue a career in investment research and management upon graduation.

Gongyu (Michael) Huang
CFA
BA, Finance
MA, Financial Economics
Ohio University

Michael is a full-time candidate in the Accelerated MBA program at Johnson. He currently serves as a Portfolio Manager for the Technology sector team and as a member of the Trading team. Prior to business school, Michael worked as a stock trader at SMBC Nikko Securities in Japan, mainly trading US mega-cap stocks. He will return to SMBC Nikko upon graduation.

Andrew Johnson
BS, Information Science
Penn State University

Andrew is a second-year MBA candidate at Johnson, who is an alumnus of the Accelerated MBA program. He currently serves as a Portfolio Manager for the Healthcare sector team and as the leader of the Quantitative analysis team. Prior to joining Johnson, Alexander served as an investment analyst in the technology sector for the Cayuga Fund on the Consumer sector team. Following graduation, Andrew plans to pursue a career in investment banking and observance in healthcare startups, as well as being an early-stage nutrientaceutical company (Medicinal Vine), founding and leading the company’s business development and clinical research teams. After graduation, Andrew intends to pursue a career in biotech equity research.
CLAIRE WANG, CPA
MS, Professional Accounting
The University of Texas at Austin
Claire Wang is currently a second-year MBA candidate in the full-time program at Johnson. During her undergraduate studies at the University of Connecticut, Claire majored in business administration and is expected to graduate in December 2019. She has worked in financial services for seven years, starting with an investment banking internship in the summer of 2018. Claire spent the past summer in the investment banking department at Guggenheimer & Partners. Claire loves adventure, outdoor activities, and eating local cuisine and can be found researching restaurant menus in her spare time.

Nicole Wu
BA, Linguistics
East China Normal University
Claire Wang is a second-year MBA candidate in the full-time program at Johnson. She currently serves as a Portfolio Manager for the Financial sector team of the Cayuga Fund. Nicole has a Bachelor of Arts degree in linguistics from East China Normal University. She spent seven years working in the audit function of a Fortune 500 company before joining the Cayuga Fund. Nicole loves adventure, outdoor activities, and eating local cuisine and can be found researching restaurant menus in her spare time.

Eric Bailey
BS, Industrial & Labor Relations (Expected)
Eric is a junior in the School of Industrial and Labor Relations minorin Business. He is currently serving as a Research Associate covering Industrial and Energy & Materials for the Cayuga Fund. On campus, he is the secretary of Phi Chi Theta business fraternity and a member of the Cornell International Affairs Society. He also conducts research in the ILR School on the subject of conflict management research in labor relations. In summer 2018, Eric will work as a junior analyst in an event-driven special situations credit fund at BlackRock’s alternative investments division in New York.

Peter Deng
BS, Hotel Administration (Expected)
Peter is a junior in the SC Johnson College of Business majoring in Hotel Administration, pursuing minors in Real Estate and Operations Research. He serves as a Research Associate and the sector head of the Energy & Materials sector team in the Cayuga Fund. Peter has previously interned in investment banking and at a hedge fund, and this summer he will be working as a Bauswein Research Summer Analyst at Susquehanna International Group. On campus, Peter serves as the President of the Cornell Undergraduates Asia Business Society, the Executive Vice President of Cornell Consulting, and is an active member of the Sport Tea Kwon Do club.

Ryan T. Ha
BS, Hotel Administration (Expected)
Ryan is a junior in the School of Hotel Administration, pursuing minors in Biomaterials and Statistics. He currently serves as a Research Associate for the Consumer and Energy & Materials sector teams in the Cayuga Fund. Last summer, Ryan worked at J.P. Morgan as a summer analyst in Investment Banking Credit. This coming summer, he will return to J.P. Morgan as a summer analyst. On campus, Ryan is an Executive Board member and the Head Trader for the Cornell Hedge Fund. Cornell’s largest undergraduate investment organization. He is also a research assistant in quantitative finance as well as a teaching assistant for a quantitative analysis course.

Andrew Kim
BA, Government (Expected)
Andrew is currently a senior majoring in Government in the College of Arts and Sciences. He is currently serving as a Research Associate for the Utilities & Telecom and Industrial sector teams for the Cayuga Fund. His background is in political science, where he conducted public policy research for his city council internship. This past summer, he worked at Gartner, a leading technology consulting firm in Washington D.C., as a research analyst in their Corporate Leadership Council division. On campus, Andrew is an active member of the Cornell Speech and Debate Society and Student Assembly. Upon graduation, he will be returning to his job as a research analyst at Gartner.

Andrew Korkmaz
BS, Industrial & Labor Relations (Expected)
Andrew is a senior in the School of Industrial and Labor Relations minorin Business and Viticulture & Enology. He serves as a Research Associate for the Utilities & Telecom sector team in the Cayuga Fund. Previously, he led the Utilities & Telecom sector team for the Cayuga Fund. Andrew is currently a research assistant at the Cornell Speech and Debate Society and Student Assembly. Upon graduation, he will be working at J.P. Morgan as a Fixed Income Sales analyst.

Griffin Tutun
BA, History (Expected)
Griffin is a History major in the School of Arts and Sciences. He serves as a Research Associate for the Energy & Materials and Consumer sector teams in the Cayuga Fund. This summer, Griffin worked at Cowen & Co. as an Equities Sales Summer Analyst. This upcoming summer, Griffin will work in investment banking in the Financial Sponsors Group at SunTrust Robinson Humphrey.
**Cayuga Fund**

Launched by the Class of 1998

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**Cayuga Fund Undergraduate Research Associates**

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