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Jesuit Educational Principles and Student Managed Investment Funds

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Abstract

Financial education is part of Jesuit higher education. One of the important parts of the finance curriculum is the Student Managed Investment Fund (SMIF). In this study, we provide an example SMIF which is structured around Jesuit ideals. Ethics and social responsibility are at the core of the investment and payout processes. Our students consistently strive to outperform financial markets, pay scholarships from their profits, and address the needs of their community. They show solidarity with the greater student community by offering their knowledge, talents, and efforts to earn profits to help those who are in need. They also show that for successful portfolio management, ideals need not be sacrificed.

Introduction

It is reported that there are over 300 Student Managed Investment Funds (SMIFs) internationally trading real money.¹ Most of the Jesuit institutions of higher education offer some type of SMIF experience to their students (see Table 1). SMIF is an important part of the financial curriculum, providing students with experiential learning opportunities. Students apply their financial knowledge within a setting that is usually very similar to the professional portfolio management industry. They learn not only money management skills but also team building and managerial skills.² Taking responsibility for a real money portfolio is quite important for an undergraduate student. SMIF is an opportunity to build students' resumes for potential employment in a related field. Financial success is usually measured in profits and easily compared to market indexes. While students need to take risks to earn high profits, they also need to be conservative to avoid unexpected losses. SMIF management can be stressful and often requires intense efforts to study, analyze, discuss, and decide. Sophisticated and advanced financial products are utilized to increase profits, lower risk, and outperform market indexes.³ The purpose of SMIFs is to educate students through experiential learning and to grow the size of the SMIF via higher than market returns through real financial portfolio management.

SMIF is an opportunity to reflect on one's ideals, education, and gifts. It is an opportunity to make

an impact. Students have a choice. They can focus solely on profits and disregard all else or they can choose to fulfill their ideals of ethics, governance, and social responsibility while investing for profits. Faculty also have a choice, especially at Jesuit institutions. We can focus on delivering traditional stockholder wealth maximization principles or we can introduce Jesuit ideals into investment and payout processes. At any level, these ideals are not restrictive. Instead, they can be liberating, by embracing self-awareness for our students and increasing their inclusive participation. We can include rather than alienate. Having students realize they are all unique creations of God and they all have important contributions to the SMIF common goal builds self-confidence and extends willing collaboration. Awareness of community builds realization of self-worth.

We provide a case of a SMIF where Jesuit ideals are at the core of investment and payout processes. It is an inclusive learning experience that not only embraces ethics and social responsibility but also realizes continual above market returns while doing so. It is through this awareness of self and community that students persistently adopt investment and payout policies to help their community and their fellow students. We believe the SMIF at Loyola University New Orleans is an exemplary case for the Jesuit mission in financial education.

Dicle: Jesuit Education Principles

We understand that the procedures, bylaws, cultures, and agendas may be vastly different across institutions of higher education. However, there is a common denominator for all Jesuit universities. Our objective with this study is to show that Jesuit ideals can be implemented in SMIFs, which enriches the learning experience. We also hope that the SMIF at Loyola University

New Orleans will become a proof of concept, and other Jesuit universities' administrators will consider allowing SMIF investment and payout processes to follow Jesuit ideals. This may require restructuring of specific endowments for the SMIFs as well as curriculum adjustments for inclusiveness.

University	City & State	SMIF site
Boston College	Chestnut Hill, MA	https://www.bostoncollegeinvestmentclub.com
Canisius College	Buffalo, NY	https://www.canisius.edu/academics/programs/undergraduate/finance/golden-griffin-fund-ggf
College of the Holy Cross	Worcester, MA	https://hcsif.holycross.edu
Creighton University	Omaha, NE	https://www.creighton.edu/business/undergraduate/experiential-learning/portfolio-practicum
Fairfield University	Fairfield, CT	https://www.fairfield.edu/news/archive/2021/december/dolan-student-managed-investment-fund.html
Fordham University	Bronx, NY & Manhattan, NY	https://www.fordhamsmif.com
Georgetown University	Washington, D.C.	https://www.gusif.org
Gonzaga University	Spokane, WA	https://gonzaga.campuslabs.com/engage/organization/guic
John Carroll University	University Heights, OH	https://boler.jcu.edu/sites/default/files/2022-06/Updated_DORNAM%20FUND%20FINAL%20REPORT%20%281%29.pdf
Le Moyne College	Syracuse, NY	https://www.dolphingreenandgoldfund.com

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Loyola Marymount University	Los Angeles, CA	https://cba.lmu.edu/academics/undergrad/finance/academics/studentinvestmentfund/
Loyola University Chicago	Chicago, IL	https://www.ramblerfund.com
Loyola University Maryland	Baltimore, MD	https://www.loyola.edu/sellinger-business/academics/departments/finance/sellinger-applied-portfolio-fund
Loyola University New Orleans	New Orleans, LA	http://business.loyno.edu/article/loyola-cob-student-managed-investment-fund-class-allows-students-invest-real-dollars-real
Marquette University	Milwaukee, WI	https://www.marquette.edu/business/applied-investment-management
Regis University	Denver, CO	
Rockhurst University	Kansas City, MO	
Saint Joseph's University	Philadelphia, PA	https://www.sju.edu/haub-school-business/wstr/student-managed-funds
Saint Louis University	St. Louis, MO	https://www.slu.edu/business/news/2019/chaifetz-school-students-build-investment-portfolio.php
Saint Peter's University	Jersey City, NJ	https://www.saintpeters.edu/academics/undergraduate-programs/economics/smif/
Santa Clara University	Santa Clara, CA	https://www.santaclarainvestmentfund.com
Seattle University	Seattle, WA	https://www.seattleu.edu/business/centers-and-programs/redhawk-fund/

Spring Hill College	Mobile, AL	
St. John's College	Belize City, Belize	https://www.stjohns.edu/news-media/photo-galleries/student-managed-investment-fund
The University of Scranton	Scranton, PA	https://www.scranton.edu/academics/ksom/eco-fin/PRISM.shtml
University of Detroit Mercy	Detroit, MI	https://business.udmercy.edu/centers/financial-markets-lab.php
University of San Francisco	San Francisco, CA	
Xavier University	Cincinnati, OH	https://www.xavier.edu/finance-program/student-investment-funds

Table 1. Student Managed Investment Funds at Jesuit institutions of higher education. Not all funds use real money.

Case: Loyola University New Orleans

Loyola University New Orleans (Loyola) received a donation in 2011 from an alumnus, Mr. Carlos Ayala, to create the Student Managed Investment Fund at the College of Business.⁴ The course was initially restricted to senior finance majors. In 2020, the course restriction was lifted to allow any business major student to enroll in the course. The structure of the SMIF has no trading restrictions. Students are allowed to trade stocks, bonds, CDs, ETFs, mutual funds, options, futures, and even money market funds. There is no expectation or pressure to earn any profit. Grades do not depend on investment performance or investment amounts.

Our SMIF policies have two dimensions: investment and payout. We expand the traditional investment policy that focuses on risk and return by emphasizing the importance of ethics, social responsibility, and governance. We do not have specific bylaws to require such expansion of investment policy. In fact, students can choose on their own to aim for risk and return. We, as faculty, introduce the Jesuit ideals during our lectures and discussions. It is common for us to

have teams of students who truly embrace these ideals. It is also common for some students not to prioritize them. We do not impose ideals. We have a diversified student body and respectful debates about different ideals are part of the learning experience. What we emphasize is the inclusion of ethics, social responsibility, and governance in investment considerations. We also emphasize that each team member is unique and has a valuable contribution. It is not all about risk and return. It is also about supporting those who do good. Our debates usually involve various sectors but are more common about companies in social media, mass production, chemicals, health care, pharmaceuticals, the food industry, and the financial industry. Our social responsibility understanding includes environmental respect as well as respect for human rights, food insecurity, privacy concerns, and basic human decency. For the past six years, Loyola's SMIF has beaten market indexes every semester and twice by a wide margin. The return performance for 2022 was a profit of 5.17% when overall market averages were at a loss of 20% or more. We believe these results are evidence that ideals need not be sacrificed for superior investment returns.

The second dimension of our SMIF policies involves our payouts. Similar to the investment policy, we do not impose ideals. Scholarships are the expected payout from profits as per donor wishes. However, there is no expectation of profits or any steady income. Very similar to investment discussions, payout discussions are also part of the class. We have students who wish to maximize returns as well as students who wish to invest in short term U.S. Treasury Bills. While some wish to invest all of the SMIF funds in stocks, others wish to invest all in bonds. Most of the time, our diversity leads to a balanced portfolio. For the past six years, Loyola's SMIF paid scholarships in excess of \$450,000. However, above and beyond the scholarships, community awareness was evident in our lectures. Food insecurity is a major concern at university campuses around the US.⁵ COVID-19 increased the level of food insecurity even further.⁶ One of the devastating effects of COVID-19 on the New Orleans economy was on the hospitality industry.⁷ Many of the Loyola students rely on hospitality jobs, which became scarce during and after the pandemic. As part of our payout policy, SMIF students discussed their responsibility and their potential contribution. They decided to donate \$5,000 to Iggy's Cupboard,⁸ a free-food initiative on Loyola's campus. They donated another \$5,000 to the Peter Claver fund,⁹ a free-textbook initiative on campus.

Through SMIF, Jesuit ideals are discussed as part of investment and payout policies. Without imposing these ideals, we simply expanded the traditional investment decision criteria. We noticed that many of the students feel they are required to consider financial concepts alone. In fact, they are, at times, rather shy about expressing their social and ethical concerns about investing in some specific companies. Allowing Jesuit ideals to be part of the SMIF liberates the financial decision process.

Reflection is a major part of our class. The investment process does not end with actual investment. We actually follow our companies' financial performance as well as any related news. While we were invested in Boeing, we spent several lectures reflecting on the Boeing 737 Max plane accidents.¹⁰ Similarly, multiple lectures were dedicated to discussing the Johnson & Johnson

talcum powder lawsuit.¹¹ Students were concerned about ethical implications as well as financial repercussions.

Finding God in All Things

On May 7th, 2021, at the end of the spring semester, the SMIF liquidated all securities into cash. This liquidation was not voluntary; it was a result of an administrative necessity. The SMIF course was not offered for the fall 2021 semester. On January 4th, 2022, financial markets started to decline, mainly due to an expected monetary policy change by the Federal Reserve Bank of the United States.¹² This decline continued until October 13th, 2022. During this time, financial market indexes declined around 20% on average.¹³ This market drop did not spare stocks, bonds, ETFs or mutual funds. Loyola SMIF would have lost over \$250,000 if the liquidation had not happened before this decline.

On October 12th, 2022, SMIF was once again on the teaching schedule for the spring 2023 semester. The very same day, finance major students, who previously took the SMIF course, wanted to reinvest. From October 14th, 2022 until April 7th, 2023, financial market indexes increased on average over 10%.

Neither liquidation nor the reinvestment timing was voluntary. Loyola SMIF pays scholarships from profits. A loss over \$250,000 would set it back many years before it could recover losses. Instead, it has a substantial profit and is paying \$100,000 in scholarships for the 2023 spring semester. We employ an endowment-like payout policy. Most endowments have steady payout, and we try to maintain a minimum scholarship payout. However, such substantial profits allow the SMIF to pay so much more.

We had several reflection sessions with our students and it is our collective agreement that finding God in this fortunate outcome is easy. While the faculty and the students could take credit for this incredible timing, it would be taking credit for God's work. It is easy to see that Loyola SMIF had the guidance and protection of God.

Cura Personalis

Originally, SMIF was restricted to finance majors. One of our students, who was not a finance major, showed interest in the money management aspect of the course. She was concerned that her math skills may not be sufficient for the SMIF. We believe finance is a science as well as a craft. We encouraged her to take the SMIF course and arranged necessary exemptions. She had significant knowledge about beauty products. Historically, a finance major is not as diverse as many other majors around the campus. This is a general problem for the overall financial industry.¹⁴ Regrettably, stocks for beauty products were never within the purview of the SMIF. Our non-finance student educated us and we invested in her suggested company. That specific investment is one of the highest profits we have ever realized in an investment.

We believe in the uniqueness of every individual. In fact, we embrace this diversity. In 2020, the finance major restriction was lifted and the SMIF is now open to all business majors. We hope to extend this inclusion to the entire campus. However, such inclusiveness can be challenging. While our College of Business core curriculum requires financial management, macroeconomics, and microeconomics courses, the advanced level of portfolio management requires specific in-depth financial knowledge. We added three main components to the SMIF course. First, we provide online lecture videos for those students who prefer to learn on their own. Second, we offer tutorial hours which are referred to as “Trading Days.” These tutorials provide extensive discussions about various products that we consider trading, as well as valuation techniques. Finally, we conduct our lectures in a “Trading Room” where the entire class are facing each other and have access to financial technology. Our intention is to transform the traditional “classmates” into “teammates” who help each other with their shortcomings and learn in the process.

Another challenge we usually face with our inclusiveness is the sophistication of using derivative securities. We primarily write covered calls and cash covered put options. We are able to execute these transactions during the lectures and

show students the actual brokerage account trading steps. While we provide extensive training material and tutorial hours for options in general, when it comes to writing covered options, students are enthusiastic, as we get paid immediately. Such enthusiasm, in our experience, is unmatched by any other course content. With enthusiasm comes willingness to question and thus learn.

Even though the SMIF course is a popular elective class among our undergraduate students, we have never had student demand that we could not meet. Each business major’s curriculum allows for a limited number of elective courses, and a variety of electives are offered that are just as popular as the SMIF.

Discernment

Our diversity includes students from many different faiths as well as students with no faith. Reflection is a big part of the pre- and post-decision process for investments. The discussions may not be specifically about God but almost always about students’ role for the greater good. For instance, when Boeing planes crashed, there was a certain feeling of responsibility in the classroom. Evidently, many students felt culpable as investment decision makers. Very similarly, most of the students wanted to liquidate our investment during the Johnson & Johnson talcum powder lawsuit. We had several heated debates about pharmaceutical companies needing to make significant investment in research, and, in turn, may need to charge high prices. Even though students’ ethical reflections about tobacco companies usually are one sided, we actually never invested in any tobacco company, even after positive financial reviews. When it comes to the payouts, our students are usually very willing to serve their fellow students who have financial need. The sense of responsibility and the excitement of positive impact are common. The fear of failing to pay scholarships and causing losses is quite evident.

Magis

The unofficial motto of the Society of Jesus is “Ad Majorem Dei Gloriam,” which means “For the Greater Glory of God.”¹⁵ We therefore evaluate our SMIF investment and the payout

processes with respect to *magis*. Examples serve best to explain them both. In April, 2010, the BP Gulf of Mexico oil spill happened.¹⁶ It affected Louisiana deeply. The impact of this oil spill is evident in our investment discussions years after this environmental disaster. Similar to the Boeing and Johnson & Johnson cases, the BP oil spill event emphasizes the importance of investor responsibility. In the sense of social responsibility, we constantly question whether our investment has served its purpose best. Are we only after profits or do we also care about how our companies affect us and our communities?

We have had favorable financial discussions about chemical companies in general and oil companies in particular. It is interesting to note that these discussions always include specific companies' efforts in regard to the environment. These examples are opportunities to explain how social responsibility extends beyond our close communities and how *magis* is an important objective of our SMIF. We believe the true impact is achieved when our students, with their SMIF experience, are employed in the financial industry.

Reflection

Reflection is a major part of all SMIF investment discussions. Primarily, the acknowledgment is about the impact each investment decision has on the overall SMIF portfolio. However, we also discuss developments regarding the individual companies invested in and whether our perceptions would change about these companies. For instance, the Activision Blizzard sexual harassment lawsuit¹⁷ was one of our multiple lecture discussions. It was evident that students felt deeply about effective corporate governance. Through reflection, students find a venue to express their ideals and freely discuss them. The feelings of responsibility and accountability bring seriousness to all collaborative analysis. Students are well aware of the repercussions of each investment decision.

Service Rooted in Justice and Love

Students participating in community service usually have feelings of fulfillment. Delivering much needed help and witnessing gratitude from recipients and the greater community can be quite a life-changing experience. SMIF is one of the

unique service-learning opportunities for students. Through their investment decisions, they serve their communities. They also serve their fellow students who are in financial need, through their newly acquired education and skills. It is similar to accounting majors helping others with their tax returns, culinary majors helping at soup kitchens, nursing majors helping patients, etc. SMIF is the vehicle through which finance majors help their fellow students.

Solidarity and Kinship

COVID-19 brought many challenges to university campuses around the world. Financial troubles may lead to food insecurity, depression, and academic challenges. The New Orleans hospitality industry suffered. Many of the jobs our students used to depend on disappeared. Financial markets declined. Many of the scholarship opportunities either shrank or vanished. Our students know well the financial troubles they themselves and their fellow students have to endure. They realize the importance of the SMIF scholarships and rise above and beyond what is expected of them. Their seriousness and completeness in their SMIF endeavors are unmatched in any other course.

Our campus, like many other Jesuit institutions, offers help through initiatives such as Iggy's Cupboard for free food and the Peter Claver fund for free textbooks. These initiatives are often overwhelmed and COVID-19 made the situation even worse. Our students brought this need to have discussions in class about potential contributions using SMIF profits.

Concluding Remarks

It is common for universities to offer SMIFs as part of their finance curriculum. Jesuit universities are no exception. The main theme of education for these unique experiential learning opportunities is the management of a real money portfolio with a team of students. It is almost uniform that SMIFs aim to prepare students for comparable industry jobs. Traditional portfolio management focuses solely on risk and return. We expand this view and embrace Jesuit ideals for our SMIF investment and payout policies. Our aim is to discuss how Jesuit ideals can be integrated into an SMIF experience, and we offer the SMIF at Loyola University New Orleans as an example.

Our students are asked, but not required, to consider ethics, governance, and social responsibility in their investment evaluations. We also allow our students to decide their own payout policy, which turns out to be scholarships and donations to campus charitable efforts.

The finance curriculum aims to prepare students for employment at competitive financial

institutions. We integrate ethics and social responsibility into the investment process. Through SMIF payouts, finance students serve a greater, more inclusive, student body. This sense of service and social responsibility is the impact of Jesuit educational principles on the future of the financial industry. HJE

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