While most college students are just starting to get back into the rigorous swing of school, not all undergrads took a mental vacation. Members of SEED (Student-managed Endowment for Educational Development) at Virginia Tech have been keeping a watchful eye on the markets. After all, they're responsible for managing $5.2 million of the school's endowment.

Here's how Virginia Tech's student stock fund managers have tapped emerging markets such as Brazil to beat the S&P 500.

SEED Quick Facts

- Established: 1991
- Current Membership: 25
- Basic Membership Process: Very selective, rigorous application process
- Money Under Management: $5.2 Million (1% of Virginia Tech's Endowment)
- Portfolio/Fund Set-Up: One portfolio split into sector groups
- Benchmark: S&P 500 Index
- Time-Horizon/Style: Long-term, growth

Since its inception in 1991, SEED has taken a two-tiered approach to educating the cream of Virginia Tech's business crop. The group emphasizes beating the S&P, as well as acting as a conduit to get top-notch jobs for its members.

That might sound like other college-based investment groups, but senior Tim Ahearn, one of SEED's co-CEOs, explains what makes this one different: "A lot of other [student-run] funds have to bring their investment decisions to the endowment where they have advisors who keep a pretty tight watch on them. One way where we stand apart is that we pretty much run this fund [on our own]."

Unlike at many schools, SEED members don't receive any college credits for participating in the fund. In fact, Ahearn suggests that they are one of the largest funds out there where students don't receive compensation in the form of college credit. Instead, students are drawn to SEED for real money management experience and the promise of networking opportunities with the group's alumni.

Senior Seth Berman, the group's other co-CEO, explains, "We have a really strong alumni network that helps kids get placed in entry level [investment industry] jobs that a lot of kids don't know about at Virginia Tech. We're not heavily recruited by a lot of investment banks down here, so SEED is unique because it offers students exposure to these opportunities."

Beating the S&P

Students manage SEED's portfolio from April to April with a particular goal in mind: Beat the S&P 500 by 100 basis points (1%). To this point, they've done that and more: SEED's portfolio is up about 4.5% since April 2007, while the S&P is down more than 5% over that same period.

Throughout the 12-month period, the group votes on student analyst presentations to decide which stocks to add to
(or remove from) the portfolio. So then, what have they been adding to lock in such nice gains over the S&P?

**SEED’s Top Five**

While the stock market may be giving us a rough ride domestically, growth is still a reality in emerging markets like the BRIC countries (see "BRIC’ ETF Investing: An Introduction").

Many of SEED’s top performers are foreign companies listed in the U.S. as ADRs (SEED is only allowed to invest in domestically-traded securities).

In fact, of the group’s top five performing holdings, three (Petroleo Brasileiro (PBR), Vale (RIO) and Companhia de Saneamento Basico (SBS) ) are headquartered in Brazil (the "B" in BRIC):

1. Navteq (NVT)
2. Petroleo Brasileiro S.A.
3. Vale
4. Nokia (NOK)
5. Companhia de Saneamento Basico

What other emerging market stocks does SEED like? The group also has positions in India’s Tata Motors Limited (TTM), China’s Yanzhou Coal Mining Co. (YZC) and Mexico’s Cemex (CX).

As market uncertainty continues to linger over American markets, SEED has shown that the emerging markets are a good place for investors to place a bet. But before you go "all in" overseas, the risk of international investing should also be considered (see “A Guide to International Investing”).

While most of the group’s current top performers are based abroad, their biggest positions remain here at home with companies like Aetna (AET), Cisco (CSCO), Intel (INTC), ConocoPhillips (COP) and SEED’s current top-performer, Navteq.

**The Road Ahead**

At present, SEED can’t short stocks, nor can it invest in derivatives. Because of this, the group has been looking into making a presentation to the Virginia Tech endowment that would give it the ability to invest in derivatives as a hedging strategy.

On the whole, Ahearn and Berman say that they’re bearish on the current market, but nevertheless, both seem confident that the lessons learned at SEED will prepare them to make money in the future (both Ahearn and Berman have secured jobs in capital markets and investment banking after they graduate).

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