

Southern Capital Services, Inc.

Interview with University of South Alabama Professor Dr. Kyre Lahtinen

by Eric Nager, CRPS®

Monthly Connection:

- Awesome Investment Class at USA
- Economic Outlook by Dr. Lahtinen
- Shredding Event—May 21

Dr. Kyre Lahtinen Biography

Dr. Lahtinen received his B.S., M.S., and Ph.D. in finance from Florida State University.

He served as the first President of the Master of Science in Finance Student Association at Florida State University. During his time as a master's student, he participated in the management of FSU's student investment fund. He also has four years of retail banking and trust experience.

Dr. Lahtinen has research interests in dividend payout policy, asymmetric information, and behavioral finance. Dr. Lahtinen currently teaches courses in investments and financial management. He is the faculty advisor to the Jaguar Investment Fund, the student managed investment fund at the University of South Alabama.

In June of 2013 he was awarded the FSU College of Business Outstanding Doctoral Student Teaching Award.

How would you like to be a student in an investments class that invested actual money in the markets based on decisions the class agreed upon? That is what is happening at the University of South Alabama under the tutelage of Dr. Kyre Lahtinen. The Jaguar Investment Fund was established in October of 2015 with \$250,000 as part of an endowment earmarked for this purpose from the Frenkel and Mitchell families.



According to Dr. Lahtinen, this practice of investing with "live ammunition," so to speak, is becoming more common in the top business schools around the country. Of the top 300 schools, about half now have student investment funds, although the parameters can vary widely. For example, some require that all positions be sold at the end of a semester. Others have limited scope in the sense of only investing in local companies. The University of Texas has theirs in the form of a hedge fund, while Florida State University limits the program only to graduate students.

At South Alabama the focus is on value stocks to hold over the long term. Positions carry over from one semester to the next, so now at the end of the school year the class is busy setting parameters for what would trigger sells over the summer when class is not in session. Dr. Lahtinen sees it as a tremendous opportunity for students to learn tolerance for market volatility without "freaking out."

The class meets once per week for two-and-a-half hours and it is one hundred

percent project and presentation based. When a group of students wants to buy or sell a stock, they make a ninety minute presentation to the rest of the class as to why they feel the position is under or over-valued. A 70% majority of the class vote is necessary to carry out the recommendation, with Dr. Lahtinen retaining ultimate veto authority. So far, the class has purchased 14 different positions, representing about 40% of the fund's holdings, with the rest in a Vanguard ETF on the S&P 500. They have voted down six proposals.

Students have access to Bloomberg terminals to perform their research. As of the end of March, the student fund was slightly ahead of the market, and in the fall the class will present how they are doing to the university trustees along with the advisors who manage the school's endowment. Dr. Lahtinen's goal is for the students to outperform the professionals!

The class, which covers two semesters, is capped at 12 students and it is not just open to business majors. For example, Dr. Lahtinen is hoping that some students studying pharmacy will apply in order to help evaluate health care stocks. A prerequisite is an investments course in which the students must earn at least a B. Then access to the class is granted by competitive application. There



Kyre Lahtinen, PhD.

should be many opportunities for this next generation of potential investment advisors, and it appears that South Alabama is giving them some excellent hands on experience.

Economic Outlook

Our conversation then turned to his outlook on the economy. Our readers get our perspective on a regular basis, and we occasionally like to provide other views. Dr. Lahtinen has a hard time believing that we will get away from increased volatility in the markets until some uncertainty is cleared up. He cited several examples of key economic indicators being in conflict, and until these are resolved, he sees the economy continuing at its current tepid pace.

One economic indicator is a measure of worker productivity. It is not increasing in the U.S. economy, and normally this is not a good sign. However, there is a school of thought that this is only a temporary phenomenon as the Baby Boomer generation retires. They are being replaced by younger workers who

will get more productive as they grow into their new jobs.

Another indicator is price to earnings ratios (P/E) of U.S. companies: how much their stocks are worth relative to their corporate earnings. Kyre feels that domestic companies have been reporting softer earnings lately, and wonders if this is also only a temporary situation. If it is not, then the overall ratios may be a little high which is a negative indicator for the market.

International situations have also created uncertainty. These include a slowdown in China that has affected investments there by large companies such as Apple and Ford. There has been concern about the effect of Great Britain possibly leaving the European Union, which their citizens will vote on next month.

And, there has been the release of the Panama Papers, which have exposed corruption mostly in the developing world, but was also tied to a relative of the British Prime Minister. All of these factors have made it difficult for our central bank to decide what to do about interest rates.

Finally, I asked Dr. Lahtinen about what positive signs he saw in the economy. He replied that the U.S. employment numbers are still good and that inflation has remained near its target level, despite the creation of much money by our central bank over recent years. We have not tipped over into a deflationary cycle and that means there has been no need for additional money creation.

It was a fascinating conversation and we hope to talk to Professor Lahtinen again soon.

SHREDDING EVENT - May 21st !!

Our next Event happens this month! Southern Capital Services, Inc. is teaming up this time with FOX10 News. We are very committed to helping you protect your identity*. That's why we are sponsoring this free document shredding event Saturday morning, May 21st from 8:00am until noon.



The location will be in Spanish Fort across from JCPenneys in the Bass Pro Shop shopping center. Four trucks from Gilmore Services will be there to take your personal papers (no company loads accepted). Gilmore is certified through the National Association for Information Destruction (NAID).

Although this is a drive-thru event, SCS will be there with refreshments. We have engaged Dunkin' Donuts to serve at our tent. Please stop by and enjoy a "good morning" snack.



We look forward to seeing you there! DON'T MISS IT!

**According to the Alabama Department of Revenue in 2013, 1.6 million Americans were victims of identity theft and tax refund crimes. Alabama ranks 14th in the nation for identity theft complaints.*

Here are some tips from the Department of Revenue to help prevent you from being a victim:

- Don't give out personal information by phone or email.
- Don't submit info through unsecured websites.
- Don't give anyone claiming to be with the Department of Revenue or the IRS any personal information through email.
- Change your passwords frequently.
- Protect all personal paper documents.