The student money managers at Ohio State University had an up-and-down year investing part of the school's endowment.

Participants in OSU's Student Investment Management Program, a credit class, closed out the year ended June 30 with a 5.23 percent annual return, lagging the benchmark Standard & Poor's 500 Index by a few percentage points.

But the program's director, OSU Finance Professor G. Andrew Karolyi, said they've been beating the index since then with some good bets on international stocks. Even so, beating the market isn't what's expected of the students, he said, considering the constraints of the classroom and the care OSU takes with its money.

"We are an active fund," he said. "Our students are looking to exploit opportunities in their stock picking, such that we should beat the benchmark. However, in a responsible and careful way."

The program started in 1990 and has grown its initial $7 million in contributions from OSU's $2 billion endowment into $23.34 million. The students beat the S&P 500 for the first few years but have slipped more recently. Karolyi said they've missed a couple big trends in the market.

"We came late to the tech party. I think that set us behind in the late '90s," he said. "And what's happened in the past year is we missed energy."

The students face oversight from a variety of OSU officials, who Karolyi said would begin to wonder about "wild and wacky" risks they were taking should their performance suddenly start outperforming the market by a large degree. The school can veto any stocks the students want to invest in, something that has happened just three times, Karolyi said. Two of those were in the early years of the program, when students wanted to put money in stocks that ran up against the school's ban on investing in companies that did business in apartheid-era South Africa.

"Whenever we have the students stand up in front of (school officials) and make their presentations, they are often just beaming ear to ear and really pleased with the product the students are delivering," Karolyi said. "And so they don't take the money away."

The program's core mission is to educate and help students and, in that regard, Karolyi said it also has been a success. He said students in the class get exposure to brokers and others who help out and give presentations, and they get access to internships and job prospects.

Other schools have since started student investing programs, Karolyi said, but Ohio State still has one of the largest in the nation in the amount of money under their management. It's also one of the few that doesn't screen the students, accepting undergrads and graduate students in and out of the business school.

"We didn't want this to be an elite program," he said. "We wanted to maximally expose
this wonderful, practical teaching opportunity to as many students as possible."

More information on the program is available at cob.ohio-state.edu/fin/courses/sim.