

UConn | **STAMFORD**

STUDENT MANAGED FUND



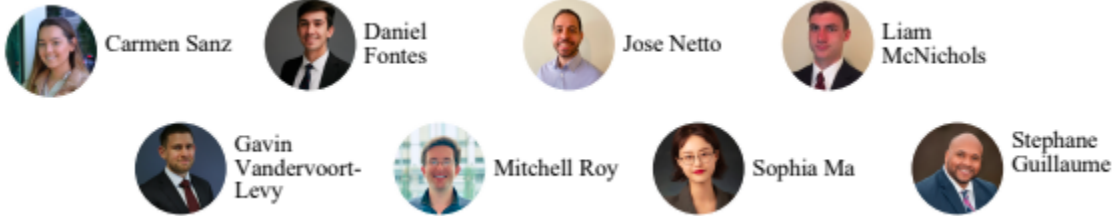
Portfolio Report Spring 2021

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Introduction

Investment Managers



Fall Officer Positions

Co-Lead Manager: Liam McNichols

Co-Lead Manager: Gavin Vandervoort-Levy

Communications Manager: Sophia Ma

Portfolio Manager: Gavin Vandervoort-Levy

PORTFOLIO OVERVIEW

Investment Philosophy

The UConn Student Managed Fund follows the investment philosophies of Benjamin Graham and Warren Buffet. While investing, the team keeps in mind the words of Warren Buffett, “It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price.” Our team evaluates investment opportunities based on both qualitative and quantitative measures. Our qualitative research focuses on understanding the business model, management quality, ESG rating, industry outlook and potential risks that could impact the business in the future. Our quantitative research aims to find the intrinsic value of a business by understanding the firm's market performance, financial condition, and performance compared to peers. We look at several different ratios for our quantitative analysis and conduct valuation including a discounted free cash flow model and multiple valuation model for each investment. In order to eliminate sector weighting risk, our portfolio mirrors the weighting of each S&P 500 sector. Our benchmark is the S&P 500 and to outperform this we identify 1- companies per sector that we believe will outperform that specific sector in the long run. So by outperforming each individual sector we will outperform the S&P 500 as a whole.

Investment Strategy

Our Investment strategy is to have analysts research their sectors and identify companies trading below their intrinsic value with key competitive advantages that will add long term value to our portfolio. We choose to invest long-term in companies with a wide economic moat, high margin of safety and strong financials. Amongst other factors, a business is deemed ideal to invest in when it has healthy financials, strong management, high potential for growth, and a competitive advantage compared to its peers.

We consider the following factors when evaluating investment opportunities:

<u>Qualitative</u>	<u>Quantitative</u>
<ul style="list-style-type: none">● Industry Outlook● SWOT Analysis● Porter's Five Forces● Management Quality● ESG● Merger and Acquisition considerations	<ul style="list-style-type: none">● Enterprise Value to EBITDA● Discounted Free Cash Flow Model● Return on Invested Capital● EPS Growth Rate● Dividend Yield● Price to Earnings Ratio

Risk Management

Research analysts are expected to have a thorough understanding of various business and financial risks associated with their investments, meaning we are responsible to conduct due diligence for each investment. For individual holdings, risk metrics such as margin of safety, beta, volatility are considered to measure the soundness of each investment, along with qualitative analysis for business risks. We also place a minimum 20% stop-loss order for each investment based upon individual past year's volatility. Once an investment is made, analysts are responsible for following up on any new information or economic developments and assessing the impact on their investments within 24 hours.

From a portfolio perspective, we diversify our portfolio by investing across all sectors and avoiding sector tilts and sector weight risk by matching sector weightings relative to the S&P 500. This has the additional benefit of being able to compare our portfolio directly to the benchmark for further analysis. For our quantitative approach, we calculate VaR and ES for the portfolio. We implement this process using a Google Sheet, which helps us automatically renew the data every day after market close and provides all portfolio analytics. By doing this, we are able to track our portfolio risk on a daily basis and monitor the risk adjusted performance.

Investment Process

Each analyst covers at least two sectors of the S&P 500. Each sector is covered by a team of analysts who conduct thorough research and use both quantitative and qualitative criteria to identify attractive value investment opportunities within their sectors.

Margin of safety in our investments is achieved when securities are purchased at prices below their intrinsic value. Since valuation is an imprecise art and the future is unpredictable, an MOS reduces our investment risk and shows how much the underlying value of the security can decrease before the investment becomes unprofitable..

After conducting a valuation analysis and estimating the intrinsic value for a company, it comes down to the price we pay. Our goal is to invest in a company that is trading below its intrinsic value by a minimum 10-15% to have a sufficiently large cushion against vulnerabilities.

Teams pitch their investment opportunities to the Student Managed Fund at weekly meetings, and are required to circulate their short report, slide deck, and any other relevant material to the SMF team 48 hours prior to presenting.

At least 6/8 team members must vote in favor of an investment in order for it to pass. Furthermore, position size is discounted by 10% for each negative vote;

- For an investment with 8/8 favorable votes, 100% of the proposed position size will be allocated
- For 7/8 favorable votes, 90% of the proposed position size will be allocated
- For 6/8 favorable votes, 80% of the proposed position size will be allocated

If an investment is not passed, the team may be allowed to pitch again at a later date or pitch a different company within the sector.

After each investment, analysts are responsible for following up on any news events or economic developments and assessing the impact on their investments. If there are changes in the valuation assumptions or if the stock reaches its intrinsic value, analysts will re-evaluate their valuation model or present a "sell pitch" and the team will discuss and vote on the proposal. The required vote for approval is 5/8 (a team majority) to exit the position.

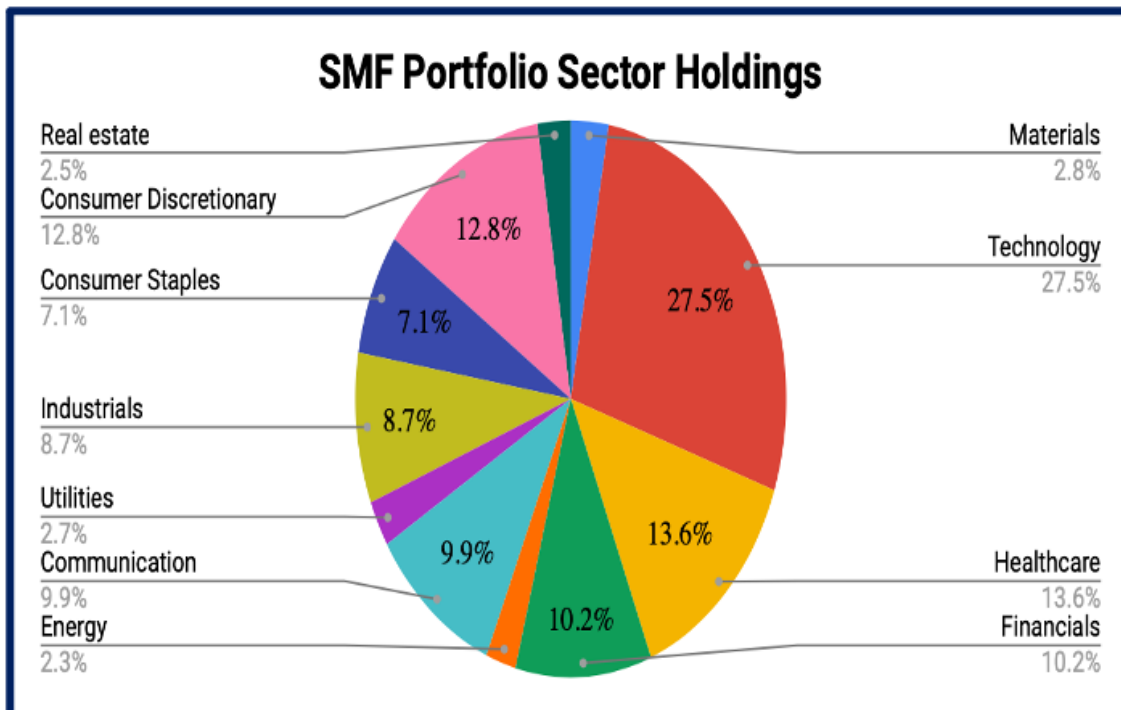
Sector Assignments

- **Energy:** Jose Netto
- **Healthcare:** Sophia Ma, Daniel Fontes
- **Financials:** Carmen Sanz, Stephane Guillaume
- **Industrials:** Jose Netto
- **Basic Materials:** Carmen Sanz, Gavin Vandervoort-Levy
- **Consumer Discretionary:** Liam McNichols, Gavin Vandervoort-Levy
- **Consumer Staples:** Sophia Ma
- **Information Technology:** Mitchell Roy, Daniel Fontes
- **Real Estate:** Liam McNichols
- **Communications:** Liam McNichols, Gavin Vandervoort-Levy
- **Utilities:** Mitchell Roy, Stephane Guillaume

Portfolio Allocation

The chart below illustrates the portfolio allocation based on the market value of the securities as of EOD April 1, 2021.

	SPY (State Street SPDR: S&P 500 ETF Trust)	Current Portfolio Weight	Over / Under Exposure to Sectors
Technology	26.41%	27.49%	1.08%
Healthcare	13.00%	13.61%	0.61%
Consumer Discretionary	12.41%	12.78%	0.37%
Financials	11.44%	10.21%	-1.23%
Communications	11.00%	9.87%	-1.13%
Industrials	8.85%	8.73%	-0.12%
Consumer Staples	6.18%	7.06%	0.88%
Energy	2.86%	2.27%	-0.59%
Materials	2.70%	2.83%	0.13%
Utilities	2.68%	2.67%	-0.01%
Real Estate	2.47%	2.48%	0.01%



Portfolio Performance

The table below depicts our portfolio performance from Sept 21, 2020 to April 1, 2021:

Total Portfolio Unrealized Gains/(Losses)

Starting Balance	Value	SMF Portfolio	SPY Benchmark	Return Against Benchmark
\$607,981.45	\$1,134,578.58	21.34%	21.21%	0.14%

Our portfolio has outperformed the S&P 500 during this period. Our focus is on analyzing and investing in companies that are selling at a discount to their intrinsic value. This “unlocking” of value is anticipated to occur over our investment horizon; 10 years.

Sector	Company	Number of Shares	Recent Price	Invested	Average Buy Price	Current Value	% Change	Total Gain/Loss	Weight
Technology	Cisco Systems Inc	2231	\$51.98	\$101,421.04	\$45.46	\$115,967.38	14.34%	\$14,546.34	10.22%
Financials	BlackRock, Inc.	151	\$766.83	\$102,214.40	\$676.92	\$115,791.33	13.28%	\$13,576.93	10.21%
Communication	T-Mobile Us Inc	877	\$127.65	\$108,509.55	\$123.73	\$111,949.05	3.17%	\$3,439.50	9.87%
Healthcare	UnitedHealth Group Inc	289	\$367.07	\$94,315.60	\$326.35	\$106,083.23	12.48%	\$11,767.63	9.35%
Technology	Microsoft Corporation	419	\$242.35	\$93,537.56	\$223.24	\$101,544.65	8.56%	\$8,007.09	8.95%
Industrials	Lockheed Martin Corporation	267	\$371.02	\$90,166.51	\$337.70	\$99,062.34	9.87%	\$8,895.83	8.73%
Technology	Cognizant Technology Solutions Corp	1197	\$78.88	\$93,685.12	\$78.27	\$94,419.36	0.78%	\$734.24	8.32%
Consumer Staples	Tyson Foods, Inc.	1070	\$74.87	\$68,684.79	\$64.19	\$80,110.90	16.64%	\$11,426.11	7.06%
Consumer Discretionary	Century Communities Inc	1197	\$63.00	\$69,042.96	\$57.68	\$75,411.00	9.22%	\$6,368.04	6.65%
Consumer Discretionary	Amazon.com, Inc.	22	\$3,161.00	\$70,891.01	\$3,222.32	\$69,542.00	-1.90%	-\$1,349.01	6.13%
Healthcare	Vertex Pharmaceuticals Incorporated	227	\$213.04	\$48,655.18	\$214.34	\$48,360.08	-0.61%	-\$295.10	4.26%
Materials	Martin Marietta Materials, Inc.	96	\$333.88	\$26,839.52	\$279.58	\$32,052.48	19.42%	\$5,212.96	2.83%
Utilities	Exelon Corporation	689	\$43.91	\$28,406.30	\$41.23	\$30,253.99	6.50%	\$1,847.69	2.67%
Real estate	Ventas, Inc.	518	\$54.40	\$24,716.53	\$47.72	\$28,179.20	14.01%	\$3,462.67	2.48%
Energy	Baker Hughes Co	1183	\$21.73	\$22,426.39	\$18.96	\$25,706.59	14.63%	\$3,280.20	2.27%

Portfolio Performance vs S&P 500

Cumulative Portfolio Performance Vs S&P 500

On December 2nd our portfolio received a \$350,000 cash infusion which brought our portfolio balance up to over \$1 million. As a result we utilized a modified return calculation (Modified Dietz) for the SPY and our portfolio to ensure the cash flows are weighted properly and assumed the funds were invested at the start of each cash flow directly into the SPY. We used this method for calculating returns as the performance from both the SPY and our portfolio differed prior to and after the incremental cash flow. As a result we wanted to accurately reflect performance based upon cash flows as if they were invested into the SPY on the same day they were received into the investment account as this would be the best view of performance.

THE MODIFIED DIETZ METHOD FOR CALCULATING INVESTMENT PERFORMANCE RETURNS

$$r_{ModDietz} = \frac{V_1 - V_0 - CF}{V_0 + \sum_{i=1}^n (CF_i * W_i)}$$

V_1 = the full fair value of the portfolio, including accrued income, at the end of the period

V_0 = the full fair value of the portfolio, including accrued income, at the beginning of the period

$\sum_{i=1}^n (CF_i * W_i)$ = the sum of each cash flow multiplied by its weight

$CF = \sum CF_i$ = the sum of each cash flow

$W_i = \frac{(CD - D_i)}{CD}$ = the proportion of the measurement period, in days, that each cash flow has been in the portfolio

CD = the total number of days in the period

D_i = the number of calendar days from the beginning of the period that cash flow CF_i occurs

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As of EOD April 1, Martin Marietta, Tyson Foods, Baker Hughes, Cisco Systems and Ventas are our top performing assets. While we do not currently hold any SPY in our portfolio and we are 100% invested in individual equities, roughly 40% of our returns were the result of our strategy of holding the SPY and selling it to fund our individual equity purchases. None of our investments directly outperformed the SPY over the entire time period, however we gained momentum from selling the SPY and then from the time of investment into a direct equity which in turn outperformed the SPY.

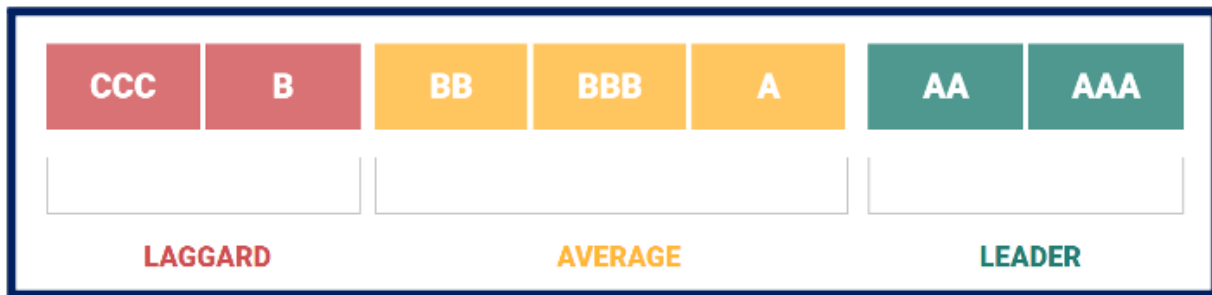
Since our initial starting date of September 21 we have grown our portfolio by 21.34%. Compared to the SPY benchmark, we are pleased to announce our return is 14 basis points higher while reaching our goal of 100% equity investment.



ESG

ESG plays an important role in our analysis. We view ESG as a great way to evaluate a difficult but important factor in our fundamental analysis - management quality. ESG considerations are very important to us individually, but from a fiduciary perspective we also view them as an important factor in our analysis.

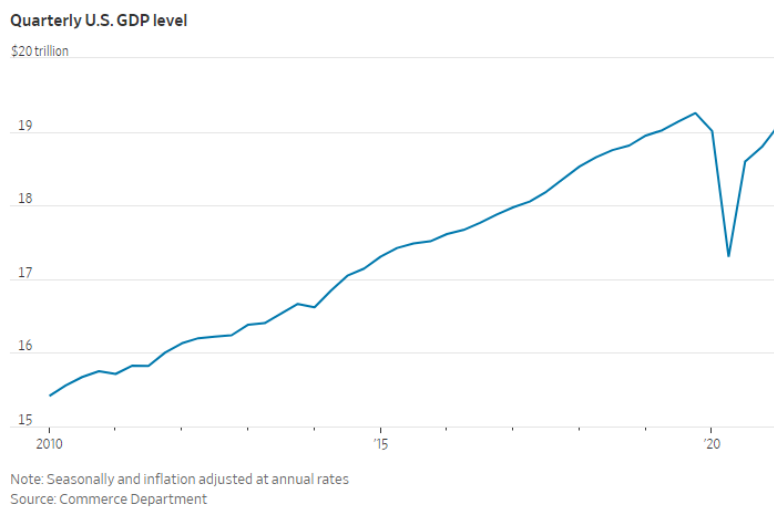
We've included ESG ratings in our analysis and it's range from AAA to CCC combined with MSCI analysis. Higher ESG ratings tell us a little about the benefits of ESG since the market acts as the intervening variable. We think higher ESG might not necessarily bring higher returns to our portfolio, similar to how an indicator of management quality does, but we do believe that a lower ESG score will create a lower return over the long-run as it does create a risk factor (reputational risk as an example). So we believe that By addressing these risk factors, we can reduce our downside risk.



Economic Outlook

U.S. GDP & Macroeconomy

Despite ongoing Covid-19 headwinds, we saw a significant recovery in first quarter real GDP, increasing at a 6.4% annual rate. This has left the U.S. economy within 1% of its 2019 peak. This is mainly due in part to pent-up consumer demand as a result of increased vaccination rates and business reopenings. The continued government stimulus efforts that have both supported and encouraged spending leading has led to higher growth as well. Since the start of the pandemic in early 2019, total government stimulus efforts have totaled nearly \$5 trillion.



The increase in real GDP in the first quarter reflected increases in personal consumption expenditures,, nonresidential fixed investment, federal government spending, residential fixed investment, and state and local government spending that were partly offset by decreases in private inventory investment and exports. Imports, which are a subtraction in the calculation of GDP, increased.

Real disposable personal income increased 61.3%, compared to a 10.1% decrease in the fourth quarter of 2020. Additionally, the personal savings rate increased to 21% from 13% in the fourth quarter of 2020.

Our Outlook

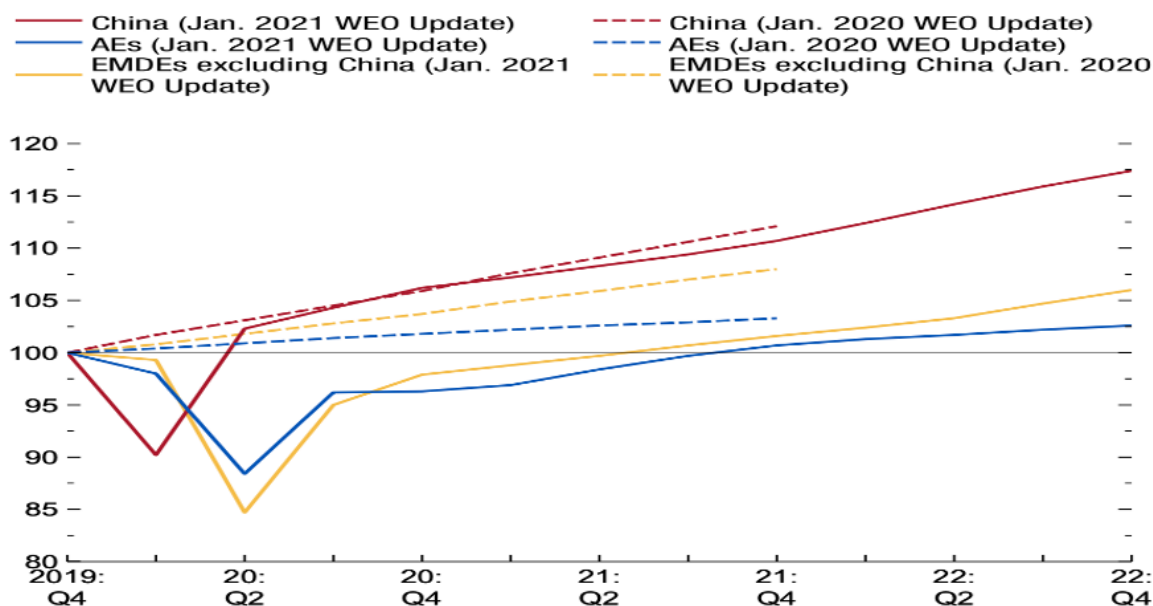
We do anticipate strong economic growth for the remainder of 2021. Our estimates expect growth to be between 6% and 7% in 2021, driven in large part by increased vaccination rates, subsequent reopenings, and strong consumer spending across the service sector.

Global Economy

Although recent vaccine approvals have raised hopes of a turnaround in the pandemic later this year, renewed waves and new variants of the virus pose concerns for the outlook. After an estimated 3.5 percent contraction in 2020, the global economy is projected to grow 5.5 percent in 2021 and 4.2 percent in 2022 according to the International Monetary Fund, which reflecting additional policy support in a few large economies and expectations of a vaccine-powered strengthening of activity later in the year, which outweigh the drag on near-term momentum due to rising infections.

The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis (Figure 1).

Figure 1. Divergent Recoveries: WEO Forecast for Advanced Economies and Emerging Market and Developing Economies
(Index, 2019:Q4 = 100)



Global Trade

Consistent with recovery in global activity, global trade volumes are forecast to grow about 8 percent in 2021, before moderating to 6 percent in 2022 according to the International Monetary Fund. Services trade is expected to recover more slowly than merchandise volumes, however, which is consistent with subdued cross-border tourism and business travel until transmission declines everywhere.

Emerging market and developing economies

They are also projected to trace diverging recovery paths. Considerable differentiation is expected between China and central bank liquidity support have facilitated a strong recovery—and other economies. Oil exporters and tourism-based economies within the group face particularly difficult prospects considering the expected slow normalization of cross-border travel and the subdued outlook for oil prices. Close to 90 million people are likely to fall below the extreme poverty threshold during 2020–21. Across regions, vulnerabilities, economic structure, and pre-crisis growth trends, together with the severity of the pandemic and the size of the policy response to combat the fallout, shape recovery profiles. Notable revisions to the forecast include the one for India (2.7 percentage points for 2021), reflecting carryover from a stronger-than-expected recovery in 2020 after lockdowns were eased.

Our Outlook

After a year of chaos, the 2021 investment outlook is refreshingly normal, the social and economic uncertainties stemming from the COVID-19 pandemic won't suddenly subside in 2021. The coronavirus pandemic still dominates the global economic outlook heading into 2021, with the second wave of the virus prompting renewed national lockdowns in Europe and tighter restrictions in the US. However, from an investment perspective, 2021 could offer a welcome change in the narrative—a return to normal, growth is expected to resume as economies reopen.

With ongoing policy support, the initial rebound should turn into a robust recovery in Europe. One notable exception is the UK, where Brexit could slow the pace of recovery. The consensus forecast 4.5%-5.5% GDP growth in 2021. Meanwhile, China, the first to impose COVID-19 closures, has quickly regained ground, as consumption roars back. The consensus project that its economy will expand 8%-9% in 2021.

US Inflation

The annual inflation rate for the United States is 2.6% for the 12 months ended March 2021, after rising 1.7% previously.

The breakeven inflation rate, the difference between the yield of a nominal bond and an inflation-linked bond (TIPS) of the same maturity, is a market-based measure of expected inflation. 10 Year TIPS/Treasury Breakeven Rate is at 2.36%, compared to 1.11% last year. This is higher than the long term average of 2.04%. The 30 Year TIPS/Treasury Breakeven Rate is 2.14% compared to 1.68% last year. Inflation averaged 1.25% in 2020. In 2021, we forecast inflation to average 2.26% in 2021..

US Unemployment

Source: Bureau of Labor Statistics

The unemployment rate edged down to 6 percent in March. The rate is down by 8.8 percentage points from its recent high in April but is 3.2 percentage points higher than its historical lows experienced prior to Covid-19. The unemployment rate in the US was strongly impacted due to Covid-19 headwinds. While many industries were severely impacted by store closures and a significant drop in demand, businesses across most sectors have taken actions to cut unnecessary costs. In addition, as the oil and gas industry provides about 5% of jobs in the US, the collapse of oil prices in mid-April significantly contributed to the unemployment increase experienced in 2020. Now, with a positive economic outlook for the remaining part of 2021 driven by the coronavirus vaccine distribution and the reopen of businesses, the team expects a further reduction in the rate moving forward. A lower unemployment rate will positively impact our portfolio.

Overall Outlook

The global pandemic took the world by storm and the global economy arguably experienced its deepest, sharpest, and fastest recession in years. The pandemic dominated markets, as well as our lives throughout the year. The federal reserve and policy makers were very aggressive in helping the financial markets and the economy. The U.S. economy looks to recover with rapid vaccine rollouts and removal of restrictions by the end of the summer. A concern remains with a slower global vaccination campaign. The longer the virus is around, the higher the possibility of new COVID-19 variants that may cause current vaccines to be less effective, further delaying the global economic recovery.

Balancing pandemic support and economic recovery is a difficult task. We could see inflation rise in the short-term as the recovery continues. Increasing debt loads, fiscal spending, and quantitative easing monetary policy could potentially feed inflation mindset as built-up demand is released into the economy. It will be important to monitor when the Fed will increase interest rates in an attempt to offset inflation, and if fiscal and monetary support will decrease the pandemic effects on permanent job losses.

Additionally, trends such as work automation and digitization of economies have increased by the impact of Covid-19. This lays out the potential future of virtual work and what the broader macroeconomic effects may ultimately lead to a new normal, post pandemic.

Sector Outlook

Communication Services

As of April 1 2021, the total market cap of the communication sector occupied 11.00% of the S&P 500 and was the fifth largest sector among the index.

According to Fidelity's classification, the communication service sector includes the following subsectors: Diversified Telecommunication Services, Entertainment, Interactive Media & Services, Media and Wireless Communication Services, where Interactive Media & Services takes up the largest proportion (>50%).

According to the data in S&P Net Advantage, the communication service sector's P/E(ltm) ratio is 37.29x, which was slightly lower than the market's while the forward P/E ratios are 23.36x and 22.81x for the sector and the market respectively.

Outlook

The communication sector is a highly competitive arena where traditional companies that specialize in distribution of communications are finding themselves playing defense against content providers and interactive services such as Facebook & Google who are looking to broaden their reach over their customer base. Over the last several years there has been significant M&A consolidation within the industry as telecommunication services, entertainment and media companies compete in an attempt to provide additional value to subscribers.

The telecommunication industry within this sector has evolved from fixed connections to wireless transmissions as the result of technological advancements and public adoption of new technologies. The wireless industry in the United States has become an extremely profitable and competitive environment for companies with the funds and infrastructure to establish themselves. Over time consumer preferences have changed from traditional voice communications to SMS text-based messages towards data transmissions on their devices with trends towards increased speeds, reliability and function. Each transformation of communication has required a technological advancement as well as large capital expenditures to provide the network functionality. It is important to note that each phase has roughly a 10-year historical lifespan and is eventually phased out as a new generation evolves.

The wireless telecommunications industry has entered into the maturity life cycle phase and is positioning to rely on 5G for future growth opportunities. 5G will enable faster upload/download speeds for wireless communication devices and in turn unlocking new business opportunities. While there has been significant hype for 5G, the investment required in network enhancements, physical infrastructure and contractual agreements needs to be carefully considered by wireless carriers to ensure maximum profit opportunities. Some of the most exciting business opportunities from 5G are broadband internet which can replace traditional home internet, increased adoption of IoT (Internet of Things) as well as advancements in manufacturing, health care, retail, transportation and education. Individual revenues from connected devices will be lower than traditional postpaid revenues yet outnumber current subscribers in the future.

Trends within the communications sector which we anticipate to have a significant hold into the future include video communications and conferences (i.e Zoom, Webex etc.), asset tracking, and conversion of data transmission towards homes from office buildings as individuals increasingly conduct work from home.

Current Holding: T-Mobile (TMUS)

Consumer Discretionary

As of April 1, 2021, the market weight of the consumer discretionary sector in S&P 500 was 12.45%, ranking as the third largest industry within the S&P 500 index. It contains four subsectors: Automobiles & Components, Consumer Durables & Apparel, Consumer Services, and Retailing. The Internet & Direct Marketing Retail is the largest subsector, accounting for 57% of the consumer discretionary industry in terms of market capitalization.

The forward Price-to-earnings ratio of consumer discretionary, based on the consensus forward 12-month operating EPS estimate, is 39.50x, which is higher than 23.36x, the forward P/E ratio of S&P 500. The dividend yield of this industry is 0.6%, lower than 1.40% of S&P 500.

Outlook

The Consumer Discretionary Sector covers the industries which are most sensitive to economic cycles as they make up for consumer discretionary spending which typically corresponds to booms and busts within the economy. Given the past year's economical ups and downs regarding Covid-19 it is important to understand how individual companies fare in both environments.

Not all industries have recovered equally from the 2020 lockdown and Consumer Discretionary was one of the hardest hit sectors. Companies exposed to brick and mortar business models were some of the hardest hit as technological adoption advanced over the several month lockdown period forcing consumers to alter purchasing behaviors. As a result, numerous bankruptcies in 2020 occurred, while other companies who were posed to gain from the transition to E-commerce thrived. According to the US Census Bureau, E-commerce represented 14% of total 2020 retail sales in the United States w/ a growth rate of 32.8% compared to 2019 while retail sales grew 3.4% over the same time period. In 2020 several years worth of anticipated technological adoption occurred in the span of several months. Online shopping platforms like Amazon and Walmart have benefited disproportionately given the current climate.

Current Holding: Amazon (AMZN), Century Communities (CCS)

Information Technology

As of April 29, 2021, Information Technology accounted for 27.5% of the S&P 500 index. The Technology sector comprises six sub-sectors: IT Services, Software, Communications Equipment, Technology Hardware, Storage and Peripherals, Electronic Equipment, Instruments and Components, and Semiconductors and Semiconductor Equipment. Among all the sub-sectors, Software is the largest sub-sector, representing approximately 51.4% of the sector's market value.

The Information Technology sector's forward PE of 27.72x is above the S&P 500's forward multiple of 23.04x. This sector has a dividend yield of 0.89%, as compared with the yield of 1.40% for the S&P 500.

Outlook

The primary drivers of the IT sector over the next decade will be a combination of cloud technologies, automation, and analytics. As a consequence of COVID-19, the acceleration towards a fully digitized economy will become more permanent leading to expansive opportunities for the IT sector going forward. As enterprises reshape how they conduct business by modernizing their IT infrastructure via widespread hybrid and public cloud adoption and "as-a-service" engagement models, they are paving a path to a more immersive environment with extensive value opportunity involved. Additionally, the concept of cognition will become more fully adopted leading the charge to the creation and implementation of new emerging technologies. All of these opportunities ahead carry strong revenue growth as well as overall margin expansion resulting in increased profitability and value generation for the IT sector going forward.

Current Holdings: Microsoft Corporation (MSFT), Cisco (CSCO), Cognizant (CTSH).

Utilities

The Utilities sector consists of companies that provide electric, gas or water. As of April 1, 2021 the market cap of the Utilities industry is \$1.2 trillion, and it accounts for 2.6% of S&P 500.

The Utilities sector contains five sub-sectors: Electric Utilities, Gas Utilities, Independent Power and Renewable Electricity Producers, Multi Utilities and Water Utilities. Within the five sub-sectors, Electric Utilities has the largest market share representing 62.82% of the Utilities Industry, and Water Utilities has the smallest market share representing 3.18% of the industry. The sector is highly regulated with little to no competition.

The forward P/E ratio for the Utilities industry is 19.03x, which is lower than the P/E ratio of 22.68x for the S&P 500. The dividend yield for the Utility industry is 2.98%, which is higher than the dividend yield of 1.40% for the S&P 500.

Outlook

The Utilities sector is expected to have moderate to flat earnings growth in 2021 due to headwinds associated with the global pandemic and lower power consumption from the commercial environment, resulting in a neutral outlook. While we expect relatively mixed earnings in 2021, driven by macroeconomic headwinds underpinning the global pandemic, we do believe utilities offer a logical defensive play. We expect near-term revenues to be impacted by lower commercial and industrial demand and less favorable weather. High and growing capital expenditure levels over the last few years have driven the rate base higher leading to growth in customer rates. We see that trend continuing as we move forward. We also expect slower dividend growth due to less near-term cash generation, which will eventually lead to a stabilization of the payout ratio over time. Additionally, changes in the climate as well as interest rate movements will have an adverse impact on the sector going forward. The growing transition to renewable energy remains a tailwind for the sector paving the way for increased subsidies, grants, and other governmental incentives, as well as lower overall CAPEX requirements given the lower power system costs associated.

Current Holding: Exelon Corp (EXC)

Energy

As of April 29, 2021, the energy sector accounted for 2.72% of the S&P 500 index with a total market cap of \$2.56 Trillion. The energy sector consists of two industries: “energy equipment and services” and “oil, gas, and consumable fuels,” weighted 7.97% and 92.03% respectively. There are various sub-industries encompassed in each industry, including: drilling, equipment service, exploration production, refining marketing, and consumable fuels. The Energy sector was highly affected by COVID-19 shutdown, but it is recovering with the easing of restrictions and return of travel demand. The overall energy sector has increased by 33.5% YTD, with Oil, Gas & Consumable fuels up 35.2% and Energy Equipment & Services up 14.79% compared to S&P 500’s gain of 12.12% YTD.

According to the data in S&P Net Advantage, the Energy sector’s P/E(ltm) ratio is 74.96x, higher than the market’s while the forward P/E ratios are 22.81x and 20.9x for the sector and the market respectively.

Outlook

Upstream sub-sector benefits from rising prices and suffers from falling prices. As the pandemic comes to an end, WTI crude prices have gone back to pre-pandemic levels at around \$60+ a barrel. This tailwind should set up for a positive year. An increase in production activity should also increase capital expenditures, which directly affects the energy equipment & service industry. Additionally, more production should increase revenues for midstream players transporting a higher volume. Although, it will take longer for downstream players to begin feeling the recovery effects as it trickles down from upstream.

Environmental activism will also be a factor in the energy sector, with a push towards renewables and zero-emission vehicles as well as roadblocks for new pipeline constructions. Additionally, President Joe Biden's energy plan includes \$2 trillion in clean energy initiatives. In his website, [joe Biden.com](https://www.joe Biden.com), he details his plan to require "aggressive methane pollution limits for new and existing oil and gas operations" and "banning new oil and gas permitting on public lands and waters." These policies could severely affect the energy sector, with an expected decrease of 2 MMb/d by 2025. Large and integrated oil companies with expiring contracts in federal land and waters have the largest exposures to these policies. He also plans to promote renewable energy by increasing compliance cost with credits, known as "Renewable Identification Numbers." (RINs) If a company does not produce a certain percentage of renewable energy, they will have to purchase an equivalent amount of credit. (RINs) Driving refiner's costs up and eroding margins.

Current Holding: Baker Hughes Company (BKR)

Financials

As of April 2021, the financial sector makes up about 10.5% of the S&P 500 index representing the third largest sector within the index. There are 7 sub-sectors which include: banks, capital markets, Insurance, diversified financial services, consumer finance, mortgage real estate trust, and thrift and mortgage finance, with banks being the largest by market capitalization. The financial sector is currently trading at 18.4x PE (1tm),). The current dividend yield of the financial sector is 1.66% which is slightly higher than the dividend yield of the SPY of 1.33%. The financial sector is highly exposed to regulatory risks and fed policy.

Outlook:

The financial services industry is emerging from a year of change and uncertainty. But that uncertainty is giving way to optimism as the distribution of the coronavirus vaccine and an improving economy bring a sense of stability. Banks, faced with unrelenting pressure on their margins, can see some relief, while the capital markets are looking to a year of reduced volatility and improving financial conditions. The private equity industry is looking to continue its robust recovery, with middle market firms poised to play an important part. Making technological investments is how savvy finance firms are staying current with ever-changing regulations. While 2020 was characterized by stimulus funding, low interest rates and credit concerns, 2021 will most likely see a recovery and a revival of the U.S. economy. Banks will be positioned to capitalize on the momentum and help drive economic growth while also seeing the benefit to their financials. Equity markets had a flood of activity as businesses used traditional and nontraditional means—such as special purpose acquisition companies (SPACs) and direct listings—to gain access to capital. SPACs, once derided, became one of the largest components of public offering activities in 2020. SPACs raised a record \$79.2 billion in 2020, which exceeded all prior years of SPAC issuance activity, according to Bloomberg.

Current Holding: BlackRock (BLK)

Materials

As of April 2021, Materials account for 2.6% of the S&P 500 index. The materials sector contains a total of 28 companies, 4 industries and 11 sub sectors. The four industries are Chemicals (16 members), Construction Materials (2 members), Containers and Packaging (7 members), and Metals and Mining (3 members). The largest industry by weight being Chemicals, accounting for approximately 71.24% of the sector and the smallest being Construction Materials, accounting for approximately 4.11%. The three largest sub-industries are Specialty Chemicals (~30.70%), Industrial Gases (~25.25%), and Paper Packaging (~9.50%); the first two belong to the Chemicals Industry. Materials sector ttm P/E is 34.88x. The Materials sector has a dividend yield of 1.84%, which is higher than the SPY dividend yield of 2.05%. In terms of revenue exposure, Materials companies typically source a relatively high proportion of their revenues from outside the U.S. As of year end 2019, the sales-weighted average U.S revenue of the Materials sector was 47%, compared to 69% in the S&P 500 index. Hence, materials companies are less insulated from regions outside the U.S and more likely to be affected by foreign policies. (S&P Dow Jones Indices). The materials sector is least correlated with Utilities, at 0.20 correlation, and most correlated with Industrials, at 0.88 correlation.

Outlook:

We have a neutral outlook for the materials sector as vaccine wide spreads and the economy recovers. While U.S. economic growth is strong, international growth is mixed. Nevertheless, there has been strong demand for industrial metals and increasing demand for chemicals (the largest industry in the sector). And any traction on the Biden administration's clean energy and infrastructure initiatives could spark a boom for industrial metals and materials. 2020 performance was consumed by the Covid-19 pandemic, which negatively impacted various end-markets within the chemical industry, including autos, construction, and industrials, resulting in significant volume pressure. Chemical companies responded by reducing capital expenditures and capacity utilization, preserving free cash flow. In 2021, we maintain a Neutral outlook on the chemical industry as demand normalizes across most end-markets amid a global economic recovery. Prices for industrial metals are particularly sensitive to manufacturing activity in China, as China accounts for roughly half of the global demand for copper, aluminum, and other materials. Before the Covid-19 pandemic and leading up to 2020, industrial metals had a weaker outlook due to trade tensions between the U.S. and China. When Covid-19 started shutting down major economies, the outlook for industrial metals worsened. However, the faster-than-expected recovery in China sparked a major reversal in prices, with Chinese industrial production returning to year-over-year growth in April.

Current Holding: Martin Marietta (MLM)

Real Estate

As of April 1, 2021, the current market capitalization for the Real Estate sector was \$890MM and accounted for 2.46% of the S&P 500 index. It contains two industries Real Estate Management & Development making up 3.16% of the sector, and Equity Real Estate Investment Trusts (REITs) with the majority holding 96.4%. The equity largest sub industry within the equity REITs is the specialized REITs making up 50.28% of the industry, with healthcare REITs making up about 8.27%.

According to the report of Standard and Poor's Net Advantage the sector is projected to record an 3.2% revenue growth in 2021 versus the S&P 500's projected rise of 6%. Moreover, the sector's price-to-earnings ratio of 55.18x for the next 12-month is well above the S&P 500's forward P/E of 23.36x. Finally, this sector pays a dividend yield of 2.59%, as compared with the yield of 1.4% for the S&P 500.

Outlook

The combination of rising interest rates and lingering effects of COVID-19 we can expect to see continued negative returns from the following REITs: hotel and lodging, office, and residential. These industries have been among the worst performing in 2020 with hotel and lodging returning as low as -30% return. We hold a favorable view of the healthcare REITs as we believe the psychological effect from this pandemic will benefit the healthcare industry as a whole. Other favorable REITs include industrial, infrastructure, and self-storage. We also expect the trend of real estate development outside of urban areas, although we noted an increase in the number of people moving back to major cities as the vaccine has become available. Overall, we believe that the healthcare REITs offer among the most stable returns over the long run for this sector.

Current Holding: Ventas (VTR)

Industrials

The Industrials sector is composed of corporations involved in the general manufacturing of capital goods, providing commercial services and supplies, or transportation services. It is a vastly diverse industry with fourteen sub-sectors. Air Freight & Logistics, Airlines, Building Products, Commercial Services & Suppliers, Construction & Engineering, Electrical Equipment, Industrial Conglomerates, Machinery, Marine, Professional Services, Road & Rail, Trading Companies & Distributors, and Transportation Infrastructure are classified as Industrials, along with the largest component of the industry, Aerospace & Defense (A&D).

As of April 29, 2021,, the market cap of the Industrials industry is \$6.03 Trillion, and it is approximately 8.7% of the S&P 500. The forward P/E ratio for the entire industry is 25.78x and the dividend yield for Industrials is 1.36%. It has a consensus long-term EPS growth estimate of 30.37%.

Outlook

The wide array of varying businesses within the Industrials sector gives us a mixed outlook, but overall, our future outlook for Industrials is fairly positive. The near future presents major problems for the global population that Industrials should benefit from. COVID-19 has only accelerated certain trends; mainly, the US is faced with a crumbling infrastructure that needs massive upgrades and consumers that are quickly transforming their habits/ routines into more isolated ones. This can be most clearly seen in comparing the Air Freight & Logistics subsector to Airlines.

While Air Freight & Logistics corporations should pick up their revenue growth in 2021 as pandemic effects begin to ease. The Airlines subsector has been one of the hardest hit subsectors in 2020. Airlines have been faced with extreme declines in passenger demand. This demand should pick up as vaccination efforts worldwide improve. However, we do not expect a rapid return to 2019 revenue levels. Another positive in airlines is demand for cargo, something the Air Freight and Logistics subsector has a major foothold on. COVID-19 restrictions have increased the overall demand for sales made digitally, seeing a rise in demand for the means of which the product reaches the consumer's doorstep. This dynamic should continue as consumers settle down to the new normal of working from home more often than pre-pandemic

Within the A&D subsector, there are many positives that point towards continued growth in the future. The US Department of Defense (DoD) is expected to continue its increase in spending. Historically, defense spending has grown through recessions and economic downturn, and has only decreased when the US retreats from military engagement, something that currently is not possible. Moreover, in the prior administration that President Biden was heavily involved in, defense companies grew earnings by 8%, while the DoD's budget was annually cut by 4%. This along with an overall focus on increasing advanced military technology yields a positive outlook.

Current Holding: Lockheed Martin Corporation

Consumer Staples

Products and services that are labeled as Consumer Staples are generally inelastic and see consumers unable or unwilling to cut out their use regardless of their financial situation. Therefore, the Consumer Staples sector is considered to be non-cyclical. This sector consists of six sub-sectors: Beverages, Food Staples Retailing, Food Products, Household Products, Personal Products, and Tobacco. Consumer Staples stocks are a good option for investors seeking steady growth, dividends and low volatility. Big names in this sector include Procter & Gamble, Kimberly-Clark and Phillip Morris.

As of April 1, 2021, the market weight of the consumer staples sector in S&P 500 was 6.5%, ranking as the seventh largest industry within the S&P 500 index. The forward Price-to-earnings ratio of consumer staple,

based on the consensus forward 12-month operating EPS estimate, is 26.6x, which is higher than 23.36x, the forward P/E ratio of S&P 500. The dividend yield of this industry is 2.6%, higher than 1.40% of S&P 500.

Outlook

We have an overall positive outlook for the Consumer Staples industry especially during the times of a global recessionary period. We believe that the elevated levels of demand in Food, Household, and Personal Products seen through 2020, driven by pandemic-induced fear, will continue to remain in the near future. In Food Products, there has been an unprecedented increase in demand amid the COVID-19 outbreak as consumers stock up on all types of products even resulting in supply issues in certain cases. Specifically regarding Beverages, we believe the increase in retail demand will offset the weaker on-premise sales seen in restaurants, theaters, and other social venues. The Tobacco industry has seen overall downward trends, but has shifted focus to the more lucrative industry of Cannabis. We project that given continued legalization efforts, global sales will significantly expand over the next decade. Federal legalization (versus state by state) will be the largest catalyst going forward in our view.

On the other hand, the COVID-19 pandemic has accelerated e-commerce adoption rates. As the virus continues to infect people and disrupt businesses around the world, the Consumer Staples sector has had to rapidly adapt to an unprecedented shift in consumer demand. Consumer shopping behavior is changing faster than ever before due to widespread health concerns, travel restrictions, and local stay-at-home orders. Therefore, many companies have already invested heavily in e-commerce and will continue to do so. We believe 2021 will see crucial changes in the industry and will outperform markets.

Current Holding: Tyson Foods, Inc

Healthcare

The healthcare sector consists of businesses that provide medical services, manufacture medical equipment or drugs, provide medical insurance, or otherwise facilitate the provision of healthcare to patients, which contains a diverse array of industries with six sub-sectors: Health Care Providers & Services, Pharmaceuticals, Health Care Equipment & Supplies, Biotechnology, Life Sciences Tools & Services and Health Care Technology.

As of April 29, 2021, the market cap of the healthcare industry is \$4.5 Trillion, and it is approximately 12.7% of the S&P 500. The forward P/E ratio for the entire industry is 17.15x and the dividend yield for the sector is 1.61%.

Outlook

Overall, the team has a neutral outlook on the healthcare sector given a mix of positive and negative trends unfolding. While our team believes the worst impacts from Covid-19 are behind us, there are still some uncertainties in the near future. For example, a slower than expected economic recovery could have a further impact in a few sub-industries, including the managed care, Life Sciences tools, and the healthcare equipment industry. Although healthcare is considered a non cyclical sector, the progression of labor conditions can dictate the evolution of employer sponsored and medical coverage going forward. In addition, a depressed economic outlook could reduce R&D spend impacting the development of the industry and causing lower capital equipment sales.

Now, the team views the development of digital medical consultations and other technological innovations as a positive trend that will drive lower costs and higher efficiency for the industry. The team also view the managed care sub-industry benefiting from a higher price transparency, a change in patient demographics, and the proliferation of off-brand drugs. Although, “Medicare for All” has gained traction, it is believed to be hard to materialize.

Current Holding: UnitedHealth Group (UNH)

Current Holdings

T-Mobile USA (NASDAQ: TMUS)

On September 25th, we purchased 295 shares of T-Mobile followed by 582 shares on January 20, 2021.

T-Mobile is the second largest wireless telecommunications provider in the United States and is solely focused on wireless communications. This concentration strategy has worked well for the company as its competition has struggled to diversify while leveraging differentiating business strategies. The company provides wireless communications services to 98.3 million postpaid, prepaid and wholesale customers, as well as a selection of wireless devices and accessories.

The telecommunication industry has evolved from fixed connections to wireless transmissions as the result of technological advancements and public adoption of new technologies. The wireless industry in the United States has become an extremely profitable and competitive environment for companies with the funds and infrastructure to establish themselves. Over time consumer preferences have changed from traditional voice communications to SMS text-based messages towards data transmissions on their devices with trends towards increased speeds, reliability and function. Each transformation of communication has required a technological advancement as well as large capital expenditures to provide the network functionality. It is important to note that each phase has roughly a 10-year historical lifespan and is eventually phased out as a new generation evolves. The wireless telecommunications industry has entered into the maturity life cycle phase and is positioning to rely on 5G for future growth opportunities. 5G will enable faster upload/download speeds for wireless communication devices and in turn unlocking new business opportunities. While there has been significant hype for 5G, the investment required in network enhancements, physical infrastructure and contractual agreements needs to be carefully considered by wireless carriers to ensure maximum profit opportunities. Some of the most exciting business opportunities from 5G are broadband internet which can replace traditional home internet, increased adoption of IoT (Internet of Things) as well as advancements in manufacturing, health care, retail, transportation and education. Individual revenues from connected devices will be lower than traditional postpaid revenues yet outnumber current subscribers in the future.

Path to 5G – T-Mobile is positioned to be a leader in 5G, with more Mid-Band Spectrum than VZW & ATT combined.

Sprint Acquisition – on April 1, 2020 T-Mobile completed its acquisition of Sprint. This brought over 54.17 million wireless subscribers and positioned T-Mobile to become the number two largest wireless provider (Postpaid & Prepaid excl. wholesale) after Verizon. With the newly formed company, T-Mobile is expected to have considerable revenue growth into the future while increasing margins due to cost efficiencies. We estimate a 45.7% increase in revenues in 2020 as a result of the combined company which was completed in April leaving 3 months of sales performance unaccounted for.

Disruptive Consumer Marketing – The Un-carrier marketing campaign launched in 2013 which drops contracts, subsidized phones, coverage fees for data and early termination fees has proved largely successful in innovating the wireless industry forcing competitors to become reactionary. Another success story for T-Mobile is their customer satisfaction index scores. They have consistently won JD Power awards for customer experience and on average have higher customer satisfaction than the competition. This is an impressive turnaround from the early 2010's in which T-Mobile lagged behind the competition quite significantly. Higher customer satisfaction equates into lower churn and longer customer relationships. This means customers are more likely to add on incremental lines or devices onto their accounts and is why Postpaid accounts are such a large focus for the company. Branded postpaid revenues amount for the bulk of revenues since they have larger ARPU and a stickier customer base.

Consistent Growth – T-Mobile is the only major wireless company to have consistent subscriber and revenue growth. T-Mobile has improved its wireless churn year after year and has lower churn rates than AT&T in 2019. T-Mobile is the most consistent carrier in terms of subscriber and revenue growth from 2012-2020. While AT&T & VZW saw considerable growth earlier on, they suffered from capacity issues as 3G and later 4G networks were unable to keep up with consumer demand as smartphone and data intensive applications caused capacity issues. Future revenue growth will come from higher data intensive plans as well as gaining market share from competition. T-Mobile is in a position to spend aggressively on their network buildout which historically capital expenditures lagged behind the competitors. Now, T-Mobile has the opportunity to reinvest a larger amount of profits back into the company as they are not faced with the challenges of maintaining dividend payments similar to AT&T & VZW. AT&T & VZW pay out greater than 50% of cash flows.

Our investment comes with the following potential risks:

- Strategic Risk- Significant capital expenditures are required to build out the 5G network and maintain the existing network. A failure to receive ROI on this investment is a reality if customers do not migrate nor see value in 5G.
- Operational Risk- Sprint has a history of failed acquisitions and merging of cultures. It is possible T-Mobile management is unable to successfully merge the two companies into a single efficient entity and unable to unlock forecasted synergies.

Unrealized gain on the investment: 3.17% (As of April 1st, 2021)

Amazon.com Inc. (NASDAQ: AMZN)

On October 27th, we purchased 12 shares of Amazon followed by 30 shares on January 29, 2021. To avoid over exposure in our investment we liquidated 20 shares of Amazon to diversify our portfolio within the Consumer

Discretionary Sector.

Amazon.com, Inc. engages in the retail sale of consumer products and subscriptions in North America and internationally. The company operates through three segments: North America, International, and Amazon Web Services (AWS). It sells merchandise and content purchased for resale from third-party sellers through physical and online stores. The company also manufactures and sells electronic devices and develops and produces media content. In addition, it offers programs that enable sellers to sell their products on its Websites and others to publish and sell content. Further, the company provides computer, storage, database, and other AWS services, as well as fulfillment, advertising, publishing, and digital content subscriptions. Additionally, it offers Amazon Prime, a membership program, which provides free shipping of various items; access to streaming of movies and TV episodes; and other services. It serves consumers, sellers, developers, enterprises, and content creators. The company also has utility-scale solar projects in China, Australia, and the United States.

The eCommerce market encompasses the sale of physical goods via a digital channel to a private end user (B2C). Incorporated in this definition are purchases via desktop computer (including notebooks and laptops) as well as purchases via mobile devices such as smartphones and tablets. The following are not included in the eCommerce market: digitally distributed services, digital media downloads or streams, digitally distributed goods in B2B markets nor digital purchase or resale of used, defective or repaired.

Amazon Prime – Members receive benefits which include FREE fast shipping for eligible purchases, streaming of movies, TV shows and music, exclusive shopping deals and selection, unlimited reading, and more. Prime creates stickier customers w/ a 95% annual renewal rate. 10% growth consistent YOY w/ Amazon Prime Day annual event.

Advertising Growth / AWS – AWS creates 12.8% of revenue however 65.4% of operating profit w/ growth of 30% annually. Advertising revenue is larger than the next 10 providers combined creating the 3rd biggest ad seller in the US (behind FB and GOOG). Direct sales provide clear ROI w/ High profit margins for advertisers.

Network Effects – Low prices, an expansive breadth of products, and user-friendly interface attract customers thus attracting merchants, including third-party sellers (which represented 53% of total units sold in 2019) as well as wholesalers/manufacturers selling directly to Amazon. Amazon has become the starting point for online purchases (equivalent of an anchor tenant in a mall). Customer reviews, product recommendations, and wish lists increase in relevance as more customers and products are added to the platform, enhancing the network effect.

Our investment comes with the following potential risks.

- Execution Risk
- Must maintain value proposition and logistics efficiency to drive site traffic
- Managing Prime churn rate, through fees fulfillment capabilities, expanded digital content offerings, and

new subscription and streaming offerings

- Expansion into peripheral business lines and physical stores (including Whole Foods), which could distract management or lead to poor capital-allocation decisions
- Regulatory Risk
- Regulatory risk, threat of increased shipping fees from the U.S. Postal Service or other regulated carriers, higher taxes, restrictions regarding simultaneously operating a first and third-party marketplace, and antitrust investigation by Justice Department
- International growth brings regulatory challenges, as foreign governing bodies are constantly amending online commerce laws often to benefit local incumbents
- Reputational Risk
- Intangible asset impairment, including data breaches, concerns over inappropriate data usage, or consumer fatigue

Unrealized gain on the investment: (-1.90)% (As of April 1st, 2021)

UnitedHealth Group (NYSE:UNH)

As of April 1st, the team owned 289 shares with an average buying price of \$326.35.

UnitedHealth Group is a leading US health insurer offering a variety of plans and services for group and individual customers nationwide. The company operates through two segments: UnitedHealthcare and Optum segment. UnitedHealthcare focuses on health maintenance organization (HMO), preferred provider organization (PPO), and point-of-service (POS) plans, as well as Medicare, Medicaid, state-funded, and supplemental vision, and dental options. UnitedHealth's Optum segment includes OptumHealth, OptumInsight and OptumRx, all of which provide wellness and care management programs, financial services, information technology solutions, and pharmacy benefit management (PBM) services to individuals and the healthcare industry.

According to 2021 Q1 financial results, UNH generated \$70.2B in revenues, an increase of 9%, compared to the company's 2020 Q1. This growth was led by a 10.8% growth in the Optum segment and a 7.9% growth in the UnitedHealthcare segment. The company's operating margin increased by 6.9% for the period due to lower medical care ratio. Net Earnings were \$5.08 Per Share and Adjusted Earnings were \$5.31 Per Share.

Our investment thesis is based on the following factors:

Wide Economic Moat: UnitedHealthcare has the largest operating margin and market share in its industry. The company has consistently improved margin and acquired market share overtime demonstrating the strong competitive advantage of the business.

Change in Demographics: UnitedHealthcare has the largest and fastest-growing share of the Medicare Advantage insurance program, which puts the company in a strong position to take advantage of the aging U.S population.

Health Care Information Technology (HCIT): Technological advancements and the digitalization of medical records will increasingly allow for more informed, faster, and safer decisions, which will all lead to lower costs. The utilization of Telehealth during Covid-19 is an example of a disruptive product that has a strong potential to drive costs down.

Mergers & Acquisitions: UnitedHealthcare has successfully integrated into the PBM segment and different medical services, allowing the company to increase its scale and have a greater influence on its customers and suppliers. We view M&A as a strong contributor to growth in the future.

Our investment comes with the following risks:

- Policy Risk: There is a significant risk of change in policies that could result in a negative impact for the business and our valuation, including an increase in corporate tax rate.
- Business Risk: Higher unemployment rate will lead to a decline of membership enrollees in the commercial and global segment.
- Model Risk: A failure to properly estimate the utilization of insurance plans could have a significant impact on profitability given the industry's shift from a fee-based to a risk-based model

Unrealized gain on the investment: 12.48% (As of April 1st, 2021)

Lockheed Martin (NYSE: LMT)

On September 25th we purchased 67 shares of LMT with an incremental 200 shares on January 29, 2021..

Lockheed Martin (LMT) is the world's largest developer and producer of defense, security, and intelligence products, primarily serving U.S. and allied militaries and other government agencies. In 2019, the company derived 71% of its revenue from the U.S. government, including 61% from the Department of Defense (DoD), an estimated 28% from foreign governments, and an estimated 1% from commercial customers. LMT conducts business through four operating segments: Aeronautics, Missiles & Fire Control, Rotary and Mission Systems, and Space.

LMT is in a unique position as the Department of Defense largest contractor. In FY'19, LMT accounted for

roughly 9% of the entire defense budget. LMT's largest revenue generator is their F-35 plane. The F-35 is the world's only 5th Generation Multirole Stealth Fighter. The U.S. Government's current inventory objective is for 2,456 F-35 aircraft, while approximately only 450 have been delivered thus far. LMT is also seeing demand for F-35 aircraft abroad, with Poland and the United Arab Emirates being the latest country to sign an agreement. The aircraft is currently still in initial production stages and is expected to be in service until 2070. Along with this, LMT is also involved in numerous projects involving helicopters, missiles, satellites, and hypersonics. LMT is the U.S leader in hypersonics, which is projected to grow to a \$5BN industry by 2025.

Our investment comes with the following potential risks.

- Business Risk – A large portion of revenue (71%) depends on the U.S. Government and more specifically it's budget. There already have been times in recent history involving a shutdown due to congressional disputes. This along with any overall budget cuts may have a negative impact on LMT's revenue. Additionally, any foreign sale requires U.S. approval due to potential national security threats.
- Operational Risk – Due to COVID-19, LMT has already faced some adversity in their manufacturing lines. Any disruption in the supply chain can further any negative impact on revenue. Along with this, LMT is involved in numerous joint venture projects. Any failure by a partner to meet its obligations also can negatively impact LMT.
- Political Risk – LMT nature of business includes having to be involved in geopolitical disputes. For example, Turkey was initially one of the partner countries within the F-35 program but was removed due to engaging in another business obligation with Russia. This removal affected a large portion of the sales and supply chain of the F-35.

Unrealized Gain on the Investment: 9.87% (As of April 1, 2021)

Baker Hughes Company (NYSE:BKR)

On November 19th we purchased 738 shares of BKR for a total of \$13,501.34.

Baker Hughes Company provides a portfolio of technologies and services worldwide. The company operates through four segments: Oilfield Services (OFS), Oilfield Equipment (OFE), Turbomachinery & Process Solutions (TPS), and Digital Solutions (DS).

Our investment thesis is based on:

A.I. Integration – Baker Hughes is well positioned to benefit from emerging demand in Artificial Intelligence

(AI) based solutions as part of customers' digital transformation initiatives.

Diversified portfolio of products and services – Baker Hughes has a global presence with a diversified portfolio. Products and services range from upstream, midstream/LNG, downstream and broader chemical and industrial segments.

Transition of energy – Ability to reduce customer's carbon footprint with a range of emissions-reducing products with more efficient power generation and compression technology. As well as a range of inspection and sensor technology that can monitor and help reduce flaring and emission.

Technology – Differentiated technology to improve efficiency and productivity gains for customers. Committed to investing in products and services to maintain leadership position across offerings. Continuing R&D resulted in 2,700 patents granted in 2019.

Our investment comes with the following potential risks.

- Oil price volatility – OPEC+ price wars can have a negative impact in oil prices and production, lowering orders and services provided by Baker Hughes. Additionally, lower energy demand from epidemic related shutdown can continue to impact oil prices.
- FX Risk – Approximately 70% of Baker Hughes revenues comes from outside of the United States. Such high exposure to international markets and related currency risk could negatively impact cash flows.
- Political Risk – Geopolitical uncertainty and civil unrest in areas that Baker Hughes operates could impact their business and investments. Changes in tax laws, tax rates and tariffs could impact operating results.

Unrealized Gain on the Investment: 14.63% (As of April 1, 2021)

BlackRock (NYSE: BLK):

On October 21st, 2020, we bought 90 shares of BlackRock priced at \$640.21.

BlackRock is the largest asset management company with \$9.01 trillion AUM. Majority of the revenue is driven from base fees, which are fees from assets under management. In Q1 2021, 82% of revenue came from Investment advisory, administration fees and securities lending. BlackRock also provides technology services including the iShares ETF, and Aladdin, its risk analytics platform. The technology services represent 7% of BlackRock overall revenue. Another major driver to the revenue is the distribution fees which represents 8% of the revenue. BlackRock offers a variety of advisory services including capital market, portfolio construction and balance sheet solutions, data analytics, enterprise risk and regulatory advisory.

BlackRock is in the Financial sectors, which has a market capitalization of 124.6B. Within the Financials Sector, BlackRock is in the Asset Management sub industry. The Financials Sector is sensitive to changes in economic condition, Fed's monetary policy and Government's regulatory policy.

BlackRock's Revenue for Q1 of 2021 was \$4.4 B (+18.54% from Q1 '20), and adjusted EPS of \$7.77, (+17.73% from Q1 '20). The increase from investment advisory, administration fees and securities lending revenue increased by organic growth and the positive impact of market beta and foreign exchange movements on average AUM. Technology revenue increased by 12% reflecting Aladdin's growth. Philanthropic investments on social impacts including promoting sustainability and economic mobility. BlackRock is a leader in ESG ratings with a MSCI AA rating among 34 companies in the asset management and custody bank industry (the average among the industry being a BBB rating). According to MSCI, BlackRock is a leader in Responsible Investment and Privacy and Data Security; average in Corporate Governance, Human Capital Development, and Carbon Emissions; and is not a laggard on any of the key issues that are evaluated in the industry. With the continued focus on ESG investing and the incorporation of ESG data in the Aladdin platform, we anticipate that BlackRock will continue to be a leader in ESG and differentiate itself from the competition. Our investment thesis is based on the following factors:

New Wholly Owned Mutual Fund in China: In August 2020, BlackRock got approval from regulators to start a wholly owned mutual fund business in China. China's asset management industry is projected to grow to \$13 Trillion by 2023, and BlackRock will capture the growth as the first foreign asset management firm to establish itself in China.

Continued Growth through Exchange Traded Funds: BlackRock's IShares have grown from \$494 Billion AUM in 2009 to \$2.2 Trillion AUM in 2019. As passive and low-fee investments continue to grow, BlackRock will capture this growth as the largest U.S ETF provider (38.3% of the total ETF market is managed by BlackRock). The bond ETF market makes up 1% and we predict that fixed income ETFs will grow due to the increased uncertainty of the markets since Covid-19. BlackRock will capture the fixed income ETF demand as well as ESG ETF demand by launching new ETF ESG funds that are suitable for investor's demands.

Continued Growth through Illiquid Alternatives: BlackRock's Illiquid Alternatives has grown at a rate of 12% year over year. Because of the current low interest rate environment, we predict that institutional investors will diversify their portfolio to generate larger returns, therefore investing in illiquid alternatives. BlackRock will benefit from the Illiquid Alternative demand because of an increase in net inflows and because the company charges a higher fee from Illiquid Alternatives investments which will be beneficial for the company's future revenue growth.

Continued Growth through Aladdin: The risk management data analytics and portfolio management platform covers all asset classes including alternatives since the EFront acquisition in 2019. Because of the extensive capabilities that Aladdin offers and the increased demand in risk and portfolio management powered through

technology, the Aladdin platform will continue to grow in the years to come and BlackRock will benefit from the continued innovation that Aladdin offers to clients.

Our investment comes with the following risks:

- Covid-19: Covid-19 has significantly harmed the global economy and may adversely affect the business, including the operation and financial conditions, and may cause assets under management, revenue and earnings to decline
- Regulatory Risk: Blackrock faces regulatory, reputational and political risks many of which are outside the US and may expose the firm to increased compliance risks, as well as higher compliance costs.
- Market Risk: BlackRock has large exposure to the financial markets and the volatility of the markets due to Covid-19 and the US election are a great risk that could affect the overall performance of BlackRock.

Unrealized Gain on the Investment: 13.28% (as of April 1, 2021)

Microsoft (NASDAQ: MSFT)

As of April 29, 2021, we owned \$419 shares of Microsoft at an average price of \$223.24 per share.

Microsoft Corporation is a technology company. The Company develops, licenses, and supports a range of software products, services and devices. The Company's segments include Productivity and Business Processes, Intelligent Cloud and More Personal Computing.

The Company's products include operating systems; cross-device productivity applications; server applications; business solution applications; desktop and server management tools; software development tools; video games, and training and certification of computer system integrators and developers. It also designs, manufactures, and sells devices, including personal computers (PCs), tablets, gaming and entertainment consoles, phones, other intelligent devices, and related accessories, that integrate with its cloud-based offerings. It offers an array of services, including cloud-based solutions that provide customers with software, services, platforms, and content, as well as solution support and consulting services.

Our investment thesis is based on the following factors:

Wide Economic Moat: Microsoft's diverse business portfolio presents a wide range of moats that we expect to directly impact the company's margins. The firm experiences both a network effect and high switching costs for its Windows OS, Windows Server, and database management systems (DBMS). The company also has a scalability advantage in the cloud service segment (Azure) serving 95% of the Fortune 500 companies. Microsoft experiences pricing power for its Office 365 offerings as it is a standardized productivity solution for most of corporate America.

Continued Growth of Cloud Services: Microsoft is well positioned to capture additional cloud market share. The IaaS segment of the cloud industry is expected to grow at a CAGR of 27% through 2022 according to a study completed by Gartner. Microsoft currently has 18% of the IaaS cloud services market share and we expect it to grow given the company's competitive advantage in both scalability and its presence in major corporations' IT infrastructure. Many of the largest companies in the world have their IT infrastructure built using Microsoft's Windows server and DBMS, which we view as an advantage for organizations to leverage during their migration to the Azure cloud.

Our investment comes with the following potential risks:

COVID-19: As a result of the coronavirus lockdowns, Microsoft experienced a sharp decline in foot traffic to their brick and mortar stores, resulting in the closure of 83 of their 87 retail locations. Additionally, with ad spending reduced, Microsoft's LinkedIn and search engines business has been adversely affected. COVID-19 remains a headwind for growth in consumer-related endeavors.

Cybersecurity: Microsoft remains a main target of cybercrime given its broad exposure and involvement to and within IT infrastructure across the world. This poses immense brand reputation as well as potential loss and harm related to technical infrastructure.

M&A Execution: With several high-profile flops such as Nokia and aQuantive, Microsoft has a reputation of embarking on unsuccessful ventures that have a direct impact on their bottom line. This requires increased scrutiny of Microsoft's judgement associated with future acquisitions.

Unrealized Gain on the Investment: 8.56% (as of April 1, 2021)

Cisco Systems (NASDAQ: CSCO)

On February 24, 2021, we purchased 2,231 shares of Cisco Systems at \$45.46 per share.

Cisco Systems, Inc. designs, manufactures, and sells Internet Protocol based networking and other products related to the communications and information technology industry worldwide. It provides infrastructure platforms, including networking technologies of switching, routing, wireless, and data center products that are designed to work together to deliver networking capabilities, and transport and/or store data. The company also offers collaboration products comprising unified communications, Cisco TelePresence, and conferencing, as well as the Internet of Things and analytics software. In addition, it provides security products, such as network security, cloud and email security, identity and access management, advanced threat protection, and unified threat management products, and cloud and system management products.

Our investment thesis is based on the following factors:

Strong Market Position: Cisco is the world's largest supplier of high-performance computer networking systems. The company operates globally with the following revenue contribution by geographic segment as of FY20: Americas (60%), Europe, the Middle East and Africa (25%), and the Asia Pacific region (15%). Cisco contributes the largest portion of revenue in its industry and has a significant higher gross margin of 65% when compared to the industry average of 56%.

Long Term IT Spending: We strongly believe that business confidence will regain strength as we move past Covid-19. The Business Confidence Index has bounced back to the 100 levels during the first two months of 2021 after a steep decline in 2020. Stronger business confidence will result in adjusted IT spending budgets from corporations. Higher global IT spending will strongly benefit Cisco as the leader in IT infrastructure platforms.

Mergers & Acquisitions (M&A): We see a strong opportunity for Cisco to continue to expand its business and drive margin expansion through merger and acquisitions synergies. The company has completed six acquisitions in 2020 and is currently working on a deal with Acacia Communications, which is expected to close in the first half of 2021. This acquisition will represent a vertical integration of the company into its supply chain and illustrates the company's opportunity to drive value through consolidation.

Our investment comes with the following risks:

COVID-19: The COVID-19 pandemic and the resulting containment measures have caused economic and financial disruptions globally, including in most of the regions in which Cisco sells its products and services and conducts its business operations.

Cybersecurity: Given the nature of Cisco's business, the company remains vulnerable to cyber-attacks, data breaches, and malware. A breach of any kind could subject Cisco to liability to their customers, suppliers, business partners and others, give rise to legal/regulatory action, and could have a material adverse effect on their business, operating results, and financial condition and may cause damage to their reputation.

Intense Competition: The markets that Cisco operates in are characterized by rapid change, converging technologies, and a migration to networking and communications solutions that offer relative advantages. Cisco has experienced price-focused competition from competitors in Asia, especially from China, and they anticipate this will continue.

Unrealized Gain on the Investment: 9.22% (as of April 1, 2021)

Cognizant Technology Solutions Corporation (NASDAQ: CTSH)

On March 31, 2021, we purchased 1,197 shares of Cognizant Technology Solutions Corporation at \$78.27 per share.

Cognizant Technology Solutions Corporation is a professional services company, providing consulting and technology, and outsourcing services in North America, Europe, and internationally. The company operates through four segments: Financial Services; Healthcare; Products and Resources; and Communications, Media and Technology. It offers customer experience enhancement, robotic process automation, analytics, and AI services in areas, such as digital lending, fraud detection, enhanced compliance, integrated health management, as well as services that drive operational improvements in areas, such as claims processing, enrollment, membership, and billing to healthcare providers and payers, and life sciences companies, including pharmaceutical, biotech, and medical device companies. The firm also provides solutions to manufacturers, retailers and travel and hospitality companies, as well as companies providing logistics, energy and utility services; and cloud, interactive, and IoT services to information, media and entertainment, and communications and technology companies.

Our investment thesis is based on the following factors:

IT Services Spending: IT services spending is expected to recover after a steep decline in 2020 due to COVID-19 impacts. According to the IDC, IT services spending is expected to grow at a 3% CAGR from 2020-24. This spending will be driven by key technologies trends, including Robotic Process Automation (RPA), Cloud, Security, Artificial Intelligence, and others. We view the company well positioned to benefit from this growth.

Mergers & Acquisitions (M&A): We see a strong opportunity for Cognizant to continue to grow its expertise, digital capabilities, and geographic footprint through acquisitions. The company has completed around \$1.6B in acquisitions since the beginning of 2020. Considering the company's financial flexibility, with over \$2.5B free cash generated in 2020 and its low debt profile of \$1.7B, we strongly believe that cognizant is well positioned to continue to deliver growth and value through acquisitions synergies.

Strong Market Position: We strongly believe that Cognizant is well positioned to succeed in the ongoing digital disruption secular trend cycle since the company has access to critical partnerships and technology. Cognizant has also demonstrated cost efficiencies through a high headcount utilization rate of 91%, which is above the industry average of 81%. Finally, Cognizant shows a strong ability to acquire and maintain talented professionals within the AI technical expertise space, with a low overall attrition rate relative to the broader industry.

Our investment comes with the following risks:

COVID-19: The COVID-19 pandemic and the resulting containment measures have caused economic and financial disruptions globally, including in most of the regions in which Cognizant sells its services and conducts its business operations. Continued viral spread and subsequent lockdowns could prolong growth suppression.

Ability to Attract, Train, and Retain Highly Skilled Human Capital: Cognizant's success is dependent, in large part, on their ability to keep their supply of skilled employees, including project managers, IT engineers and senior technical personnel, in particular those with experience in key digital areas. Competition for skilled labor is intense resulting in increased costs to hire new employees with desired skills.

Security Breaches, Cyberattacks, and Regulations: A security compromise of Cognizant's information systems, or of those of businesses with which they interact, could harm Cognizant's reputation and expose them to regulatory actions, client attrition due to reputational concerns or otherwise. Britain's exit from the EU will be a further barrier to talent acquisition resulting in hiring declines for employees from outside the country.

Unrealized Gain on the Investment: 4% (as of April 29, 2021)

Exelon Corporation (NASDAQ: EXC)

On December 10, 2020, we purchased 533 shares of Exelon Corporation at \$41.20 per share. On January 29, 2021, we purchased an additional 156 shares of Exelon Corporation at \$41.33 per share.

Exelon Corp. is a FORTUNE 100 company that works in every stage of the energy business: power generation, competitive energy sales, as well as transmission and delivery. As the nation's leading competitive energy provider, Exelon does business in 48 U.S. states, as well as in D.C. and Canada. Exelon is one of the largest competitive U.S. power generators, with more than 31,000 megawatts of nuclear, gas, wind, solar and hydroelectric generating capacity comprising one of the nation's cleanest and lowest-cost power generation fleets. Exelon is also the largest regulated electric utility in the United States by customer base with more than 10 million customers. The power generation and constellation business comprise 53 % of total revenues whereas the distribution and transmission unit comprise the remaining 47% percentage.

Our investment thesis is based on the following factors:

Transmission & Distribution Growth Engine: Exelon's growth engine is its regulated gas and electric transmission and distribution utilities. A stable and growing rate base led by continued capital investment is the key component here. Strong capital spending of approximately 7.3% over the next several years will likely continue to help utilities drive rate base growth. Exelon has done a solid job developing good regulatory relationships and we expect Exelon will be able to maintain solid returns at its regulated utilities. Exelon's

political savvy, particularly in Illinois, New York, and New Jersey, now limits the impact from volatile power markets and provides more certainty. All of these components combined give this segment more growth Certainty.

Transition to a Zero-Carbon Future: Our country's shift to a zero-carbon future will require nuclear power. Exelon zero-carbon generation assets must and will remain a part of that solution. Nuclear facilities produce over 60% of America's clean energy. And nuclear power generates baseload electricity with no output of carbon, the core element of global warming. Nuclear power plants operate at much higher capacity factors than renewable energy sources or fossil fuels. Capacity factor is a measure of what percentage of the time a power plant actually produces energy. Exelon has seen rising capacity factors over the last three years, way above the industry average, indicating the reliability of their power generation unmatched to any other carbon-free energy source currently available. Exelon continues to seek additional compensation via zero emissions tax credits as well as various government subsidies, and both state and federal governments have begun recognizing nuclear energy as a key player in mitigating climate change. Exelon's power generation business will act as a stabilizer to the firm's revenues as well as provide modest growth potential.

Our investment comes with the following risks:

COVID-19: As a result of the pandemic, and more people working from home, power consumption at the commercial and industrial level is at all time low resulting in lower revenues in the power generation and transmission and distribution business. Additionally, payment deferrals for residential customers will weigh on revenues in the near term.

Regulation: Exelon is regulated at both the federal and state level and there is always the chance for an unfavorable regulatory environment, however, Exelon's political savvy, particularly in Illinois, New York, and New Jersey, now limits the impact from volatile power markets and provides more certainty.

Weather: Distribution volumes are generally higher during the summer and winter months when temperature extremes create demand for either summer cooling or winter heating. Less favorable long-term weather patterns and the impact of climate change will increase overall costs to the company.

Unrealized Gain on the Investment: 6.5% (as of April 1, 2021)

Martin Marietta (NYSE: MLM):

On December 23rd, 2020 we purchased 58 shares of Martin Marietta with an incremental 38 shares on January 29th 2021.

Martin Marietta Materials, Inc., a natural resource-based building materials company, supplies aggregates and heavy building materials to the construction industry in the United States and internationally. It offers crushed

stone, sand, and gravel products; ready mixed concrete and asphalt; paving products and services; Portland and specialty cement used in the infrastructure projects, and nonresidential and residential construction markets, as well as in the railroad, agricultural, utility, and environmental industries. The company also manufactures and markets magnesia-based chemical products for the industrial, agricultural, and environmental applications; and dolomitic lime primarily for customers in the steel and mining industries, as well as provides road paving construction services. Its chemical products are used in flame retardants, wastewater treatment, pulp and paper production, and other environmental applications. The company was founded in 1993 and is headquartered in Raleigh, North Carolina.

Our investment thesis is based on the following factors:

Infrastructure Spending: The FAST Act (Fixing America's surface transportation) began in 2016 which was a \$305 billion, five-year bill that was funded without increasing transportation. Congress passed the continuing resolution for the FAST Act, appropriating an additional \$13.6 billion to the Highway Trust Fund. Every government reauthorization of infrastructure spending has increased over time. While the FAST act is technically expiring, we are awaiting the next act and anticipate senate & house proposals to be significantly higher given the incumbent's communicated plans for infrastructure.

Strategic Locations: MLM has strategically positioned itself to be in locations that are destined to benefit from population growth, employment growth, low unemployment, business friendly environments and states w/ strong fiscal health. This will open up lucrative federal and state infrastructure projects to fund further development.

Our investment comes with the following risks:

COVID-19: As a result of the coronavirus lockdowns, infrastructure proposals have been delayed as government resources have been transitioned and new proposals have been postponed. Lower product demand as a result of lockdowns will stunt near term growth opportunities.

Competition: The materials sector is highly competitive and MLM is one of the top two players in their geography. Vulcan operates in similar mega regions and competes heavily.

M&A: MLM is currently updating their strategic plan for the next 5 years which has historically included significant acquisitions. In this plan they will outline their strategy involving business lines based upon their economic forecasts. Risks exist in which MLM is not able to get a return on their acquisition and misses out on growth prospects.

Unrealized gain on the investment: 19.42% (As of April 1st, 2021)

Ventas Inc. (NYSE: VTR):

On January 5th, 2021 we purchased 518 shares of Ventas Inc at \$46.88 per share.

Ventas, an S&P 500 company, operates at the intersection of two powerful and dynamic industries – healthcare and real estate. As one of the world’s foremost Real Estate Investment Trusts (REIT), we use the power of capital to unlock the value of real estate, partnering with leading care providers, developers, research and medical institutions, innovators and healthcare organizations whose success is buoyed by the demographic tailwind of an aging population. For more than twenty years, Ventas has followed a successful strategy that endures: combining a high-quality diversified portfolio of properties and capital sources to manage through cycles, working with industry leading partners, and a collaborative and experienced team focused on producing consistent growing cash flows and superior returns on a strong balance sheet, ultimately rewarding Ventas shareholders. Ventas currently owns and manages over 1,200 properties.

Our investment thesis is based on the following factors:

Demographic Shifts: The number of people over 80 is growing exponentially and is expected to grow around a CAGR of 6% through 2030. Combined with estimates of doctors who are estimating today's modern medicine could add 10 years to the average life expectancy. The industry reports are expecting this to increase the 80+ population increase demand beyond current senior housing supply. This will benefit VTR as a higher demand will support higher rent each property will be able to charge. Other for 80+ is \$19,000, almost triple the next closest age group spending. And because of these factors I expect demand and therefore FFO to increase from this demographic shift.

Diversified Portfolio: Ventas is set up especially well to benefit from the incentives, such as tax relief and subsidies, set forward in the affordable care act. There are strict requirements on what medical office buildings or MOB's can benefit from the program and because of Ventas investment in high quality assets 95% of their MOB's meet the requirements. Additionally, the balancing of their portfolio showed its resilience during the pandemic with occupancy only dropping 1.3% during COVID. Lastly it is one of the few in the subsector investing in research and innovation, which is promising solid growth over the next decade.

Our investment comes with the following risks:

Portfolio Weighting: Over half of VTR’s portfolio is in senior housing and of the senior housing portfolio, a few properties house a significant number of tenants. Additionally, some properties are partially owned by competitors creating a possible conflict of interest.

Regulation: Government policy can greatly help or hurt VTR. It is currently benefiting from the affordable care act but it is impossible to say with certainty the effect of future policies.

Reputational: VTR has its name associated with over 1200 properties, bad publicity for one could reflect poorly on VTR themselves.

Unrealized gain on the investment: 14.01% (As of April 1st, 2021)

Tyson Foods, Inc (NYSE:TSN)

On January 13th, 2021 we purchased 1070 shares of Tyson Foods, Inc. at \$64.19 per share.

Tyson Foods is one of the world's largest food companies and a recognized leader in protein. It produces around 20% of beef, pork and chicken in the U.S., with leading brands including Tyson, Jimmy Dean, Hillshire Farm, Ball Park, Wright, IBP, Aidells, and State Fair. These products are marketed and sold to national and regional grocery retailers, regional grocery wholesalers, meat distributors, and industrial food processing companies. In fiscal year 2020, about a third of revenue came from beef, another third came from the sale of chicken, and the remainder came from pork, prepared foods and international sales.

According to 2021 Q1 financial results, TSN generated \$10.46B in revenues, a decrease of 3.2%, compared to the company's 2020 Q1. This results impacted by approximately \$120 million of direct incremental expenses related to COVID-19 and repaid \$750 million of \$1.5 billion outstanding term loan in February 2021. The company's operating margin decreased by 7% for the period due to Covid-19 related costs.

Our investment thesis is based on the following factors:

Strong Economic Moat – Tyson Foods is the market leader in frozen prepared chicken, breakfast sausage and hot dogs to name a few. Tyson Foods has a portfolio of over forty brands that span across the food service, industrial, and retail industry.

Global Demand for Protein – Through acquisitions, Tyson Foods has become a major international player. 90% of future growth in protein demand is expected to be outside the US. African Swine Flu has seen exports for all protein increase. Tyson's exports to China increased by 600% in Q1'20 vs. Q1'19.

Innovative Portfolio (Prepared Foods) – Tyson Foods operates in many different avenues of the food industry including: Grocery, Deli, Fast-Food, Retail, K-12, and Hospitals. Boasting an 80% household penetration rate and continuing to keep their product mix fresh, prepared foods will be a key growth area for Tyson.

Alternative Protein – The alternative protein market is valued at \$2B and has seen a consistently high YoY growth rate. Tyson Foods has recognized this and invested in ¾ of the main sources in alternative protein: plant-based, mycoprotein, and cultured meat. Raised and Rooted is also Tyson's newest product line with "burgers" and "chicken nuggets produced from pea protein.

Our investment comes with the following risks:

COVID-19 – Tyson Foods has incurred \$540M direct expenses related to COVID-19 and has been involved in lawsuits over deaths related to COVID, as well as a "betting pool" scandal that managers were involved in.

Inflation Risk – Since corn and soy is directly related to feed costs, Tyson has a higher cost of goods sold if the prices of corn and soy increase. A .10 increase in corn is about a \$25M hit on the balance sheet. Recently, prices have skyrocketed.

Disease Risk – COVID-19 has proven how dangerous an outbreak can be. Livestock disease/product

contamination will always be a concern for Tyson.

Unrealized gain on the investment: 16.64% (As of April 1st, 2021)

Vertex Pharmaceuticals Inc (NYSE:VRTX)

On Mar 12th, 2021 we purchased 227 shares of Vertex Pharmaceuticals Inc. at \$214.34 per share.

Founded in 1989, located in Boston, VRTX develops small molecule therapeutics for the treatment of a wide range of diseases, led by cystic fibrosis and anti-inflammatory conditions, and sells its products in the United States & internationally. In the fiscal year of 2020, almost 100% of VRTX's revenue came from the commercialization of Cystic Fibrosis treatments. Nearly 50% of Patients Currently Treated with Vertex Medicines as of March 2021. Those medicines include KALYDECO, ORKAMBI, SYMDEKO/SYMKEVI, TRIKAFTA/KAFTRIO. VRTX has maintained a strong financial position. It has been debt-free for the past 5 years. The 4-year CAGR revenue is 38%.

According to 2021 Q1 financial results, VRTX generated Product revenues of \$1.72 billion, a 14% increase compared to Q1 2020, primarily driven by the uptake of KAFTRIO in Europe and continued performance of TRIKAFTA in the U.S. Net product revenues in the first quarter of 2021 increased 6% to \$1.25 billion in the U.S. and increased 43% to \$470 million outside the U.S., compared to the prior year. The Company advanced clinical programs in six additional diseases beyond cystic fibrosis and Multiple Phase 2 proof-of-concept study results expected in 2021.

Our investment thesis is based on the following factors:

Strong Position in Specialty Markets – Vertex is the only player in the Cystic Fibrosis (CF) treatment medication. There are around 83,000 people with CF in the U.S, Europe, Australia and Canada of which nearly 50% of patients are treated with Vertex medicines. In addition, there are over 30,000 (40%) of patients that suffer from CT that are currently untreated. We strongly believe that Vertex is well positioned to capture this additional 40% of the market share in the near future.

Strong and Diversified Pipeline – Vertex is currently active in seven disease areas that is currently in clinical development. This includes sickle cell disease, liver and blood disorder, pain, and Kidney diseases among others. Currently, six of its 18 medications under development is at its phase two stage. This makes us believe that the company has a strong opportunity to drive top line growth and revenue diversification.

Mergers & Acquisitions (M&A) – Vertex has demonstrated successful acquisitions including the company's purchase of Samma Therapeutics and Exonics Therapeutics during its fiscal year 2019. Given the company's strong balance sheet (debt free) and its solid free cash flow generation (\$2B in FY 2020) from current market medications, we strongly believe that the company is well positioned to continue to expand its business through acquisitions.

Our investment comes with the following risks:

Introduction of Biosimilars - When the company's patents reach to expire, it will inevitably face Biosimilars. This will intensify future competition.

Product Concentration - VRTX's current reliance on only the sales of CF treatments. The business would be harmed if the revenues from CF medicines declined.

Pipeline Failure – The company is investing significant resources in the research and development of therapies for serious diseases other than CF, and if they are unable to successfully commercialize these therapies, the business could be harmed.

Unrealized gain on the investment: (-0.61)% (As of April 1st, 2021)

Century Communities (NYSE: CCS):

On February 22nd, 2021 we purchased 1197 shares of Century Communities at \$57.47 per share. Century Communities, Inc., together with its subsidiaries, engages in the design, development, construction, marketing, and sale of single-family attached and detached homes. It is also involved in the entitlement and development of the underlying land; and provision of mortgage, title, and insurance services to its home buyers. The company sells homes through its sales representatives, as well as through independent real estate brokers in 17 states in the United States. Century Communities, Inc. was founded in 2000 and is headquartered in Greenwood Village, Colorado.

The company operates in the following Brands/Affiliates

- Century Communities- Our flagship brand, offering everything from single-family floor plans to condos and townhomes. Enjoy the freedom to build and personalize your new home from the ground up or find the perfect quick move-in listing.
- Century Complete - Affordable and streamlined, Century Complete offers built-in savings through a groundbreaking online purchase process and a versatile selection of quick move-in homes. Complete quality, complete convenience
- Inspire Home Loans - Offering a wide range of financing options, Inspire Home Loans will help you secure the best mortgage for your dream home.
- Parkway Title - A full-service agency, Parkway Title delivers cost-effective and streamlined title insurance and settlement service solutions.
- IHL - Quick, precise and easy to work with, the full-service team at IHL Home Insurance will find the best coverage to protect your dream home, at the best price.

The U.S. housing market is witnessing an impressive comeback on major data points post COVID-19-led shutdowns, with home sales rising at a record pace, defying low inventory levels and broad-based economic and

public health risks. The fundamentals of this rate-sensitive market, which accounts for almost 3% of the economy, remain favorable given the Fed's dovish monetary stance and lower mortgage rates. Additionally, the need to rebuild inventories is expected to drive U.S. housing aggressively.

Apart from low borrowing costs, the changing geography of housing demand has been supporting builder confidence. Demand for new homes is improving in lower density markets, including small metro areas, rural markets and large metro exurbs, as people seek larger homes to work from home during the pandemic. Furthermore, homebuilders have also been controlling construction costs by designing homes efficiently and obtaining construction materials and labor at competitive prices. Homebuilders are following a dynamic pricing model, which enables them to set prices according to the latest market conditions.

Unrealized gain on the investment: 9.22% (As of April 1st, 2021)

LESSONS LEARNED

The year 2020 has been unique, and the same could be said for our involvement with the University of Connecticut Student Managed Fund. It is truly a privilege to represent the University and manage on behalf of the Stamford Student fund. We faced many internal challenges, in addition to the overall external challenge of COVID-19, that were perfect examples of the valuable hands-on learning experience that is the Student Managed Fund. Being confined to virtual means of communication has proven the lasting dedication and effort our team has put forward. We will forever be grateful for the many "Lessons Learned" accumulated thus far within our process.

Our team is constructed of students from diverse backgrounds, in various stages of their academic careers, and distinct financial opinions. This has only amplified our overall skill set and value that we bring to each discussion. Through our vigorous discussions about our investments, we have learned the values of teamwork and written/ verbal communication. We expect each manager to have a high performing standard and expect to hold each other accountable. We all believe that we have developed the skills to thoroughly develop and justify a thesis. Moreover, as the presentations have continued throughout the semester, our financial modeling and valuation skills have only improved. In addition to this, our advanced Bloomberg and accounting expertise has also expanded with each pitch we develop. It is because of this experience that we believe that we are all much more knowledgeable about markets and much more sophisticated investors. We have learned to accept data and our research with an open mind, in order to build our own individual, justifiable assumptions. We have built a research process that we believe puts us in the best position possible to serve the Endowment's needs.

This program has given us an experience of fiduciary management that is unlike any other student experience available. We are forever indebted to our advisor Blake Mather. Thank you for teaching us the proper frameworks to create commercial outcomes and for constantly guiding us throughout the semester. We also would like to extend a thank you to Dr. Chinmoy Ghosh, Dr. Rakatomavo, Marlys, Laurel and the entire Endowment.