SMF Team Blue Fall 2021 Portfolio Report

UNIVERSITY OF CONNECTICUT SCHOOL OF BUSINESS

DATA AS OF DECEMBER 3rd, 2021

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Letter to Investment Advisory Board

Dear Investment Board Members & UConn Foundation Board Members,

First and foremost our team would like to thank you for being given the opportunity to participate in one of UConn's most historic and prestigious business programs to date. We are grateful not only for the premier education we have received from a multitude of established finance professionals, but also the opportunity to be a part of such an established history within this program. Being entrusted to manage over one million dollars is an honor in itself and we have worked diligently to maintain the level of expertise that is expected of us. From the first week this program began, our team has noticed material improvements in nearly every aspect of our financial educational development which is a direct result of being a member of such a selective program. We have been learning at a pace which we did not believe possible, this program has benefited us beyond our expectations due to the mutual effort which you have provided us.

Amongst our team of eleven students, we have learned a multitude of skills not limited to financial concepts related to fundamental analysis and valuation. We have garnered invaluable skills in teamwork, collaboration, public speaking, and leadership which will guide us throughout our careers no matter which path we decide to pursue. Combined with the skills taught in risk analysis, portfolio management, and business thought, the Student Managed Fund has provided us with a unique knowledge which is rare to find anywhere else.

We understand that being a member of this program is both an honor and a privilege. It's not always sunshine and rainbows, but our unique knowledge of the disciplined investment process we rigorously follow is what drives us to work harder every day. Our team will continue to work tirelessly to contribute to the excellence of this program and we are grateful to have such outstanding instructors. We hope you enjoy the following report and gain more insight into our investment style and approach to managing our portion of the Endowment's portfolio.

Sincerely,

Team Blue

Team Blue

Jaden May & Aidan Hamilton (Lead Managers)
Alex Fay & Rongxu (James) Yang (Portfolio Managers)
Connor Avallone & Alexis Davitashvili (Communications Managers)
Devin Stachelsky & Sanskriti Pandey (Digital Media Managers)
Katelyn Desautels
Nick Kinsella
Karolina Tarnacki

Investment Style Overview

Benchmark & Approach:

We use the S&P 500 to benchmark our relative investment performance. More specifically, we use the SPDR 500 ETF Trust (SPY) as our technical performance benchmark. Our goal is to maintain a portfolio composed mostly of mid to large cap equities with predictable operations which are trading at a discount to their intrinsic value.

Team Philosophy:

When evaluating companies to include in our portfolio we seek to identify companies which fall within four main criteria:

(1) We seek business which we can confidently understand that fall within our circle of competence.
(2) We target companies that have intrinsic characteristics which give it a durable competitive advantage over the long run.
(3) We look for companies which exhibit consistent and predictable growth in earnings, revenues and general operations.
(4) We seek businesses which are trading below their intrinsic value in order to attain a margin of safety.

We manage our portfolio with the goal and mentality of outperforming the S&P 500 over a 10 year time horizon by utilizing a bottom-up analysis of each individual security. We aim to place few bets, big bets and infrequent bets on companies which we have strong conviction on because we do not believe that widespread diversification will yield better results than focused investing strategies.

Investment Process:

Pitches:

As a team we mandated that each analyst must pitch a minimum of 2 times per semester. This allows us to utilize our limited time with Pat and Jeff efficiently and make sure we always have a pitch ready to go. Each pitch typically consists of 2-3 analysts that have done their due diligence and have a strong grasp on the business they are presenting. Although each presentation has its own creative style, there are certain characteristics that each pitch shares. First and foremost, each pitch includes an investment thesis in which the analysts present their reasoning for recommending an investment into a given equity. Next, comes a company and industry overview in which the analysts describe how the business operates and how it differentiates itself from its competitors. Subsequently, the analysts provide their valuation of the company by using both intrinsic and relative valuation models to make their case. Once the valuation is presented the analysts usually conclude with the risks associated with the investment. Once the pitch is concluded we hold a team vote. If the company is approved, we draft a one page write up on the business in preparation of the purchase.

Voting & Allocation:

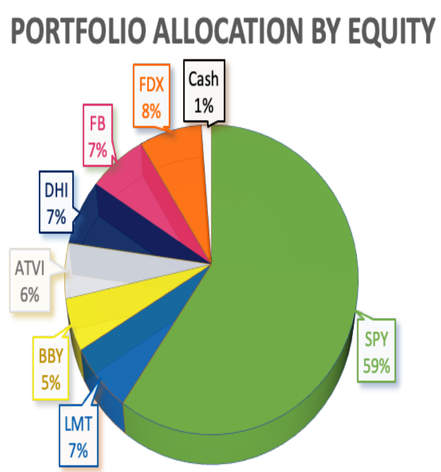
Once a stock is pitched to the group it is then time for us to make our final investment decision. For any equity to be purchased there needs to be a super majority vote of 8/11 members to approve a buy. Because our style involves a more concentrated portfolio approach with a target of 10-12 great companies we have high conviction in, we always have a minimum 5% starting allocation in which we build upon by incrematial votes. The way we derive this allocation is a simple majority of 6/11 members to increase each incremental percentage point. For example we start at 5% then if 6/11 members vote yes we move to 6% and so on until we reach a minority vote. This process involves a lot of discussion and gives analysts the chance to provide more color on their perspectives and address concerns raised by other team members.

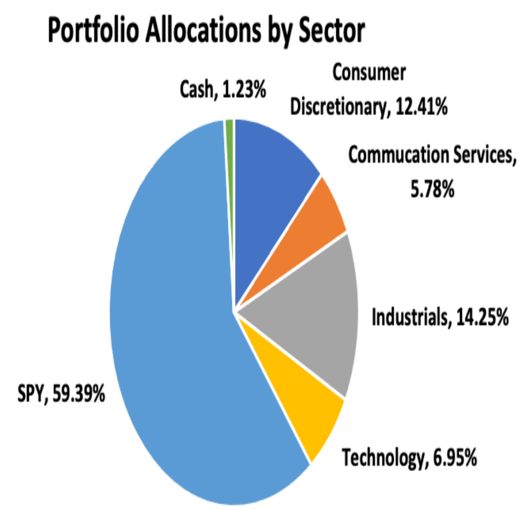
Changes:

Throughout this semester we have learned many valuable lessons and have had to adapt to various situations. As the semester progressed, we made changes to our process in order to make our team more efficient in our investment strategy. One major change we made was switching our voting from anonymous GroupMe voting to in-person voting. This allowed our team to facilitate more of a discussion in our voting process which enabled us to make more informed decisions. A second change we made was a mandate which requires a minimum of nine team members to be present for a pitch to occur. There was an instance this semester which negatively impacted our pitching/voting process which caused us to create this mandate. Our team believes that active participation amongst all (or nearly all) members is integral to our success.

Portfolio Performance:

Currently 39.38% of our portfolio is invested in 6 securities. These securities fall within the following sectors: Consumer discretionary, Communication services, Industrials, Technology. We are most heavily allocated within Industrials (14.25%) and Consumer discretionary (12.41%) sectors. Our team has not allocated capital to the following sectors: Materials, Financial services, Energy, Utilities, Healthcare, Consumer staples and Energy. We do currently have plans to increase our portfolio allocation amongst the sectors not currently included. Our overall portfolio underperformed the S&P 500 (as measured by SPY) by 277 bps. Our portfolio achieved an unrealized gain (loss) of -1.24% whereas SPY returned 1.53% over the same period.





Ticker	Company	Indsutry	Date Purchased	Shares	Purchase Price	Current Price	Cost Basis	Market Value	% of Portfolio	% of Equity	% Change
SPY	SPDR S&P 500 ETF Trust	S&P	9/13/2021	1626	$ 446.58	$ 453.42	$ 726,139.08	$ 737,260.92	60.18%	0%	1.53%
LMT	Lockheed Martin Corp.	Areospace & Defense	9/30/2021	250	$ 350.44	$ 333.81	$ 87,610.00	$ 83,452.50	6.81%	17.49%	-4.75%
BBY	Best Buy Co. Inc.	Consumer electronics retail	10/8/2021	628	$ 107.41	$ 105.87	$ 67,453.48	$ 66,486.36	5.43%	13.93%	-1.43%
ATVI	Activision Blizzard, Inc.	Computer Software	10/27/2021	1251	$ 75.79	$ 57.36	$ 94,813.29	$ 71,757.36	5.86%	15.04%	-24.32%
DHI	D.R. Horton, Inc.	Real Esate	11/12/2021	854	$ 98.19	$ 102.54	$ 83,854.26	$ 87,569.16	7.15%	18.35%	4.43%
FB	Meta Platforms, Inc.	Social Media	11/17/2021	281	$ 342.29	$ 306.84	$ 96,183.49	$ 86,222.04	7.04%	18.07%	-10.36%
FDX	FedEx Corporation	Transportation	11/29/2021	388	$ 240.00	$ 240.84	$ 93,120.00	$ 93,445.92	7.63%	19.59%	0.35%
Cash	Cash	N/A	9/13/2021	15253.91	$ 1.00	$ 1.00	$ -	$ 15,253.91	1.25%	0.00%	0.00%
						Total	$ 1,257,239.89	$ 1,241,636.00	100.00%	100.00%	-1.24%

Economic Outlook

In order to make prudent investment decisions, our team actively monitors the state of the world and U.S. economies. In essence, we diligently research, debate, and monitor current economic activity. We look towards the horizon to predict where we think the markets are heading, particularly concerning the U.S. Economy. In no way does this mean we try to time the market or speculate on what future data may become relevant, but rather take the data we have at our disposal and apply that to our investment decisions.

Before touching on the economy specifically, we think it is helpful to provide some insight on what we have witnessed in the market this semester and what concerns could be ahead. From the time we have been managing the portfolio (9/13/21 - 12/3/21) we have observed relatively flat performances in the 3 major indices as shown below:

Dow Jones Industrial Average	**(-0.39% total returns)**
S&P 500	**(1.88% total returns)**
Nasdaq Composite	**(0.02% total returns)**

While at face value these returns depict a market that has flat returns over this given period, the reality is that the structure of these indices have hidden the fact that many areas of the market have been crushed over this time period, especially the high growth names. Many stocks in the market including some that we own in our portfolio are well below their all time highs, down over 25-50% in some cases. A deeper dive into the indices might unveil where and why investors have been experiencing issues. There are many reasons for these declines, some of the seasons include renewed Covid-19 concerns sparked by the Omicron Variant and deviations in Federal Reserve thinking about when policy changes should happen to ease markets. We expect both of these issues to continue into 2022 and lead to an increased level of volatility in markets.

The Covid-19 Pandemic has had unprecedented effects on the world economy. For the sake of our portfolio, we analyzed the effect of the pandemic on the U.S. Economy. As the vaccine has been widely distributed and the world economy starts to reopen, we have seen the U.S. Economy start to rise and even surpass pre-pandemic levels in terms of the S&P 500, Nasdaq Composite, and DJIA. Our analysts witnessed supply chain bottlenecks across many industries, leading to significant pricing pressure. Coupled with government stimulus, inflation has been running rampant across the markets. In terms of U.S. Gross Domestic Product, we have almost met and surpassed pre-pandemic levels. As of Q3 2021, $23,202 Billion. We expect that 2021 GDP will exceed pre-pandemic levels. In 2022, we predict that supply chain bottlenecks will be resolved in addition to significant Real GDP growth.

Covid-19 posed a significant challenge especially when it came to monetary and fiscal policy decisions from both the Fed and Congress. When it came to the Fed's dual mandate, they were primarily focused on unemployment to try to get workers back on their feet during this pandemic. Currently, the unemployment rate is 11% higher than pre-pandemic lows, at the same time nonfarm payrolls are ~3% lower than pre-pandemic highs. Higher unemployment rates coupled with lower/flat payrolls may signal that there is a significant amount of workers who are considered "not in the labor force". To bring these workers back we may see higher inflation in wages, which may contribute to an increase in consumer prices and spending. Inflation numbers began to pick up month over month, in November 2021 we reached a 6.8% year over year CPI rise, this was the largest 12 month increase since June of 1982.

Discourse around the Fed and their policies has now shifted toward controlling inflation. In November, the FOMC voted to begin the rollback of their expansive policies that were set in place in 2020. Beginning in late November, the rate of monthly asset purchases for Treasury and agency mortgage backed securities was reduced by $10 billion and $5 billion per month, respectively. Outlooks suggest that a similar reduction in the rate of asset purchases will be warranted in the future, as the FOMC pays close attention to rising inflation levels and asset prices. Many economists predict that the FOMC will vote to raise the federal funds rate by at least 50 basis points in calendar year 2022.

Sector Analysis

Industrials:

The industrial sector includes companies whose businesses involve the manufacturing and distribution of capital goods, the provision of commercial services and supplies, and the provision of transportation. These categories include sectors such as aerospace and defense, commercial services, building products, airlines, and transportation infrastructure.

The industrial sector includes some of the largest companies in the United States and their performance has historically been tied to the overall growth of the economy. Industrials tend to perform better in times of economic growth due to sector performance largely being driven by demand for building construction and manufactured goods. Over the past year the industrials sector has underperformed the S&P 500. The comparative returns are 16.99% for industrials, compared to 22.67% for the S&P 500. This represents a difference of -5.68% against the market index. In terms of price-to-earnings ratios, industrials are overvalued with a P/E of 31.9x compared to the S&P 500 P/E multiple of 25.2x. The dividend yield of the S&P 500 is 1.31%, this is 3 bps higher than the dividend yield of the industrials sector.

Supply constraints stemming from the pandemic have weighed heavily on some of the industry's largest players, specifically in the aerospace and defense sector. Workforce shortages and supply chain instability are minimizing operational efficiencies and margins for many companies in this sector. Bottlenecks and logistic logjams are likely to remain challenges to the sector in 2022 alongside inflation risk. Additional risks include the threat of new COVID-19 variants, cyberattacks, environmental challenges, and potentially higher corporate tax rates.

The outlook for the industrial industry is positive, contingent on the progression of COVID-19. The industry is set to outperform the market in terms of growth assuming the pandemic continues to fade over the course of 2022. Projections show expected sales growth of about 6.5% for the industry over the coming year.

Current Holdings:

Lockheed Martin Corporation (NYSE: LMT)

FedEx Corporation (NYSE: FDX)

Consumer Discretionary:

The consumer discretionary sector consists of companies whose business operations are in hotels and leisure, restaurants, media services, and consumer retail. Additionally, automotive, durable goods, apparel and leisure equipment businesses fall into this sector. Consumer discretionary businesses are sensitive to economic cycles and are highly influenced by consumer confidence or sentiment.

The consumer discretionary sector had both winners and losers year-to-date in 2021 due to the ongoing effects of the Covid-19 pandemic. It's cyclicality held true, with the sector gaining 24.17% year-to-date, outperforming the S&P by about 3.4%. The sector possesses a dividend yield of .53%. While the performance of the sector is robust, on a multiple basis, the current valuations may exceed their intrinsic value as the P/E multiple is 37.99.

The outlook for the sector in 2022 largely depends on how price levels continue to fluctuate. Consumer staples companies may face hard times if input prices continue to rise. However, some of this extra cost can be passed on to consumers. Conversely, companies who have higher gross profit margins will benefit from more inflation. Wage growth and higher levels of employment, while businesses are forced to hold lower levels of inventory and sell at full price, will help luxury goods companies in the coming year. Our team believes that the consumer discretionary sector will underperform the S&P 500 in 2022.

Current Holdings:

Best Buy Company (NYSE: BBY)

D.R. Horton Inc. (NYSE: DHI)

Communication Services:

The communication services sector consists of companies that engage in a variety of telecommunication functions. This sector spans from mobile communications, social media, digital entertainment, to cable and internet service providers. The communication services sector benefits from consistent revenue growth and is not cyclical in nature. The communication sector has recovered from the Covid-19 pandemic and since surpassed pre-pandemic levels.

Year-to-date the communications services sector has underperformed the S&P 500 Index. The comparative annual returns are 17.10% and 22.33% respectively, representing a difference of -5.23% against the benchmark. The price-to-earnings ratio of the communications services sector is slightly higher than the S&P 500 at 26.6x and 25.2x, respectively. The dividend yield of the benchmark is 49 bps above that of the communications services sector. One of the largest growth drivers in this sector is the growing importance of interconnectivity and internet service providers. With the semi-permanent transition to work-from-home for many companies, this sector stands to rise in importance throughout the U.S. Economy.

The outlook for this sector is mixed at best. Multiple companies in this area are under intense scrutiny and calls for antitrust litigation. These large multimedia/internet companies have uncertainty with respect to potential government intervention and the possibility of being broken into multiple companies. Expansion in communications infrastructure through the rollout of 5G technology will boost further growth into 2022. Overall, we believe the communications services sector will continue to grow steadily and underperform the S&P 500 in the near term.

Current Holdings:

Activision Blizzard Inc. (NASDAQ: ATVI)

Technology:

The technology sector is comprised of companies which engage in the research, development and distribution of technologically based goods and services. Companies within this sector offer a wide range of products and services from individual consumers to enterprise size businesses. Consumer goods include products such as computers, mobile devices, wearable technology, home appliances and many other products relating to information technology. Many corporations rely on companies within the technology sector to help them grow or improve their business operations. The technology sector is also composed of tech run social media companies platforms such as Facebook and Twitter. This sector has been one of the most attractive growth industries within the economy.

The technology sector has contributed heavily to the overall returns of the S&P 500 index. This sector has contributed to roughly 94% of the S&P 500's YTD return and currently has a 28% weighting in the index. In 2021 the S&P 500 returned 10.32% with the technology sector returning a slightly lower 9.67%. As of writing, the technology sector has a forward P/E ratio of 33.93x. The S&P 500 has a current forward P/E ratio of 22.35x making the technology sector comparatively overvalued.

Although the technology sector has performed very well over the past decade, the outlook for 2022 is rather neutral. Although the demand within this sector is very high, growth may be limited due to supply chain constraints, shortage of semiconductors, and potential rising yields. There continues to be heavy investments in workflow modernization, artificial intelligence and 5G which should fuel growth within these categories. Products and services within cloud, software and hardware should also contribute to overall growth within the sector. The general consensus is that the technology sector is expected to have returns around the high single digits in 2022.

Current Holdings:

Meta Platforms Inc. (NASDAQ: FB)

Unallocated Sectors:

Throughout this semester we have been primarily focused on picking strong companies that we believe in and have not been primarily focused on which individual sectors those companies are a part of. This fall semester we have built a solid portfolio foundation of companies and we will now look to diversify into sectors that have not been looked at. The inelastic demand of healthcare and the positive impact of rising rates on financials provide some opportunity for allocation in the near future. We are generalists at the end of the day that want to seek great investment opportunities regardless of the sector but we will look to expand if an opportunity presents itself.

Portfolio Positions

Lockheed Martin Corporation. (NYSE: LMT)

On September 30th, 2021 we purchased 250 shares of Lockheed Martin Corporation for $350.44 per share at a total cost of $87,610.50.

Lockheed Martin is a global security company that primarily researches, designs, develops, manufactures, and integrates advanced technology products and services. Headquartered in Bethesda, MD. LMT operates around 375+ facilities on a global scale and is divided into four segments: Aeronautics – 40% of sales; Rotary and Mission Systems – 25% of sales; Missile & Fire Control – 17% of sales; and Space – 18% of sales.

Aeronautics focuses on advanced military aircraft, including combat and air mobility aircraft, unmanned air vehicles, and related technologies. In 2020, the Aeronautics segment generated sales of $26.3 billion, which represented 40% of net sales. Aeronautics' customers include the military services, principally the U.S. Air Force and U.S. Navy, and various other government agencies of the U.S. and other countries. In 2020, U.S. Government customers accounted for 69% and international customers accounted for 31% of Aeronautics' net sales. The F-35 program is LMT's largest program, generating 28% of total consolidated net sales, as well as 69% of Aeronautics' net sales in 2020. The F-35 program is also the U.S. largest weapon program. Programs in Aeronautics include: F-35 Lightning II Joint Strike Fighter; C-130 Hercules; F-16 Fighting Falcon; and F-22 Raptor.

Rotary and Missile Systems provides support for a variety of military and commercial helicopters, mission and combat systems for ships, submarines, rotary, fixed-wing aircraft, sea and land-based missile defense systems, radar systems, training services, and unmanned systems. In 2020, RMS business segment generated net sales of $16.0 billion, which represented 25% of our total consolidated net sales. RMS' customers include the military services, principally the U.S. Navy and Army, and various government agencies of the U.S. and other countries, as well as commercial and other customers. In 2020, U.S. Government customers accounted for 72%, international customers accounted for 25% and U.S. commercial and other customers accounted for 3% of RMS' net sales. Programs in RMS include: IWSS; Black Hawk and Seahawk helicopters; CH-53K King Stallion; C2BMC, etc.

Missile & Fire Control provides air and missile defense systems, logistics, fire-control systems, mission operations support, readiness, engineering support, integration services, manned and unmanned ground vehicles, and energy management solutions. In 2020, MFCs business segment generated net sales of $11.3 billion, which represented 17% of total consolidated net sales. MFC's customers include the military services, principally the U.S. Army, and various government agencies of the U.S. and other countries, as well as commercial and other customers. In 2020, U.S. Government customers accounted for 75% and international customers accounted for 25% of MFC's net sales. Programs in MFC include: PAC-3; THAAD; MLRS; JASSM; SNIPER; and IRST21.

Space is engaged in the research, design, development, engineering, and production of satellites, space transportation systems, strategic, advanced strike, and defensive missile systems. Space provides network-enabled situational awareness and integrates complex space and ground global systems. In 2020, the Space business segment generated net sales of $11.9 billion, which represented 18% of total consolidated net sales. Space's customers include the U.S. Air Force, U.S. Navy, and various government agencies of the U.S. and other countries along with commercial customers. In 2020, U.S. Government customers accounted for 87% and international customers accounted for 13% of Space's net sales. The FY20 National Defense Authorization Act approved a new, independent Space Force, which became the 8th official branch of the U.S. armed forces. In addition, the 6th Lockheed Martin-built Advanced Extremely High-Frequency satellite launched on March 26, 2020, the first national security launch for the U.S. Space force. Programs in Space include: FBM; SBIRS; Orion; GPS; Hypersonics; and AEHF.

LMT's revenue has a high correlation with the U.S. defense budget. U.S. Military spending is the second largest expense next to Social Security.The U.S. defense budget is steady in the past 10 years and has an inclining trend in recent years. In today's environment, geopolitical tensions are undoubtedly high, and any deep budget cut could lead to national security concern and threat. Thus, we believe that LMT is still in the safe zone.

We believe that LMT has a wide moat to survive in the long run. National defense is a global necessity. LMT is an oligopolist and has the largest market share in the defense industry. In the defense industry, the contract structure is special. Contracts are usually long-term contracts, and it is rare for the government to switch prime contractors. Thus, LMT can generate sustainable revenue and strong cash flow. Meanwhile, the defense industry has a very high barrier to entry because of high capital intensity. Moreover, LMT has the U.S. largest weapon program-F35, and F35 fighters are difficult to replicate. The F35 program has the longest upgrade cycles and the longest production cycles. F35 could help LMT to generate revenue for a long time.

As of December 3rd, 2021, we have a mixed unrealized loss of -4.75%

Best Buy Co. (NYSE: BBY)

On October 8th, 2021 we purchased 628 shares of Best Buy Co. for $107.41 per share at a total cost of $67,453.48.

Best Buy is an American multinational retailer that specializes in consumer electronics. They sell a variety of other products such as software, video games, cameras, and house appliances. The company's subsidiaries include Geek Squad, Magnolia Audio Video, and Pacific Sales. The company's main focus so far has been to keep their market niche, increase their e-commerce presence, and add a newly improved subscription program.

The consumer electronics industry has surged due to the recent pandemic. With the shift to working from home and online school, companies within this sector have begun to shift towards e-commerce. The industry grew almost 10% between 2020 and 2021 and is projected to grow in the years to come. Due to recent reliance on technology, many consumers will continue to shop within this sector. We believe that with technological advancements and the labor force's wish to continue working at home, consumers will continue to increase and update technology they have. With the market niche that they have provided for themselves, BBY does not truly have direct competitors. By adding a new subscription program, Best Buy TotalTech Support, and adding to their e-commerce, they are creating a larger more efficient base and continue to prosper. TotalTech and Geek Squad will serve as the main foundation of growth for the company now and in the future.

As of December 3, 2021 we have an unrealized gain in this position of -1.43%.

Activision Blizzard Inc. (NASDAQ: ATVI)

On October 27th, 2021, we purchased 888 of Activision Blizzard for $79.51 per share at a total cost of $70,604.88. Unfortunately, we hit our stop loss and had to prematurely liquidate the position. After more research and analysis, the team decided to repurchase a position on November 4th and 9th of 2021. We purchased 535 and 716 shares at a cost basis of $66.94 and $66.65 respectively. Our total holding currently is 1251 shares at a total cost of $83,534.30.

Activision Blizzard is a global developer and publisher of interactive entertainment for personal computers, video-game consoles, and mobile devices. ATVI benefits from a variety of revenue streams from its three core business segments (Activision, Blizzard, King) and produces many of the top video game franchises that consumers know and love. Activision is the business segment that is focused on producing premium content for consoles (PC and mobile devices to a lesser extent). This segment makes up 48% of total revenue and includes franchises such as Call of

Duty and Guitar Hero. Blizzard Entertainment is another segment that is tailored to the computer market. It generates revenue (24%) from game purchase, in-game purchases, and subscriptions for its popular franchise World of Warcraft. Lastly, King Entertainment is a segment that is dedicated to the mobile device market. It produces free to play content and generates revenue (28%) through in game purchases. Its most notable franchise is Candy Crush Saga.

Activision Blizzard operates in the digital interactive entertainment industry. It is estimated that there are over 2.5 billion gamers worldwide, with a vast number of these gamers using their mobile devices to play. Taking a look at the bigger picture, the global gaming market is estimated to be worth between $250-$260 billion by 2025 giving it a 9%-11% CAGR for the next 5 years. This is a growing market with lots of opportunities, but also fierce competition. Two of Activision Blizzard's closest competitors are Electronic Arts and Take-Two Software. Electronic Arts franchises include games such as Battlefield, Madden, and FIFA. Lastly, another close competitor is Take-Two Software which makes games such as Grand Theft Auto and NBA 2K.

We believe that Activision Blizzard’s top franchises and talent will continue to benefit the company and allow it to continue to take advantage of secular trends within the digital entertainment / video game industry. These strengths along with a strong financial composition ($6 billion net cash position) will position the company to continue to grow and provide value to shareholders.

As of December 3rd, 2021, we have a mixed realized / unrealized loss of -24.32% (Includes new position and realized loss of initial position).

D.R. Horton Inc. (NYSE: DHI)

Between November 12th and 16th of 2021, we purchased 854 shares of D.R. Horton at an average price of $98.19 per share at a total cost of $83,851.62.

D.R. Horton is a national homebuilder founded in 1978 and headquartered in Texas. The company segments revenue into four categories: homebuilding, Forestar Group, financial services, and DHI Communities. 97% of revenue stems from their core homebuilding segment, which consists of four brands across a range of price points to appeal to a diverse customer base. Forestar Group is the company’s second greatest source of revenue and stems from D R Horton’s acquisition of the residential lot development company. In its other two segments, DHI obtains revenue from offering its own mortgage loans and also constructing dwellings housing 200-400 units with its new branch, DHI Communities.

The homebuilding industry remains in a strong, stable position, and is anticipated to grow due to improving economic conditions and a shortage of existing homes, which was exacerbated by the pandemic. Month-over-month housing starts and permit authorizations have been growing at a steady rate since the subprime crisis, even remaining relatively resilient to the COVID-19 pandemic. Existing homes in inventory have been steadily declining for the past two decades, and only around 1M homes remain available in the country. With new household formations on the rise, it is critical for homebuilders to support supply. Since housing prices are historically high, however, build-to-rent homes are becoming increasingly attractive, which positions homebuilders that offer multi-unit construction very strongly. Last, usable land inventory is also declining, which might pose a challenge to most builders in getting deals signed.

In 2020, DHI closed over 65,000 homes and in 2021 closed a record of nearly 82,000 homes. Is present in 96 markets across 30 states. Of the top 50 markets, they operate in 44, is number 1 in 15, and is the number 1 homebuilder in 4 of the top 5. DHI builds homes for entry level or active adults, affordable or luxury housing, or even low maintenance homes for those customers who are in the later stages of their life. Their majority stake and relationship with the public land development company Forestar Group (NYSE: FOR) enhances operational efficiency and cash flow by eliminating a middle man. Land acquisition costs are lowered and a consistent pipeline of available land/lots for DHI to build off of is made available through the relationship. DHI has a debt to equity ratio of only 35% and a net debt/EBITDA of .43x. No senior notes are due in the next 12 months and possesses a 25% return on homebuilding inventory and a 31.25% ROE.

As of December 3rd, we have an unrealized gain of 4.43%.

Meta Platforms Inc. (NASDAQ: FB)

On November 17th, 2021, we purchased 281 shares of Meta Platforms Inc. for $342.29 per share at a total cost of $96,183.49.

Meta Platforms is a technology conglomerate that owns and develops some of the most popular social media platforms including Facebook, Instagram, WhatsApp, and Facebook Messenger. The company’s platforms allow users to interact with each other and build a social network online. Meta generates substantially all of their revenues from selling advertising placements to marketers.

Key players in Meta’s industry are Twitter, LinkedIn, Alphabet, Snap, and Pinterest. Their main competitors are social networking companies and other large digital advertising companies. In the social networking industry, Meta makes up about 76% of the entire industry’s revenue, with LinkedIn receiving about 7% and Twitter receiving about 4%. Industry trends show that the number of social network users worldwide is growing, as well as the amount companies are allocating to digital advertising. As the amount of people connected to the internet reaches levels of saturation, we expect the industry environment to become increasingly competitive.

Meta's moat is extremely strong and allows it to control almost all of the social media sphere. It is estimated that there are over 4.5 billion social media users worldwide and that number will continue to grow. Of that 4.5 billion Meta captures about 2.81 billion daily active users and 3.58 monthly active users. As one can conclude, Meta's grasp on the industry is robust and will continue to be a tailwind as it is in the greatest position to expand / defend its market share.

The major risks we identified with Meta are their increased investment in next generation technology and the metaverse, litigation and regulation risks, competitive innovation, and their concentrated revenue source. Meta is investing heavily into the future of technology, if consumers are slow to adopt this new tech, Meta is at risk of potentially wasting large amounts of capital on their investment. As a pioneer in their industry, Meta is constantly facing litigation and changing regulations. We believe the company will continue to face this risk, but it is unlikely that the company will be significantly hindered by this risk during our investment horizon. Meta's competition will continue to grow as companies develop new social media platforms and create new ways for users to interact. In order to mitigate this risk Meta will have to continuously innovate in order to maintain their massive market share. Lasty, Meta receives about 98% of their total revenue from their advertising business. Any factor that hinders this section of their business would have a significant negative impact on the company's profitability. We believe Meta's plans for growth will diversify their revenue sources beyond just advertising in the next 5 years.

As of December 3rd, 2021, we have an unrealized loss of -10.36%.

FedEx Corporation. (NYSE: FDX)

On November 29th, 2021, we purchased 388 shares of FedEx Corporation. for $240.00 per share at a total cost of $93,120.

FedEx Corporation is an international logistics and transportation provider for businesses, consumers, and governments alike. FedEx provides a number of services such as logistics planning, "last mile" delivery, "LTL" transit, and international express shipping. Their subsidiaries include FedEx Express, FedEx Ground, FedEx Freight, FedEx Logistics, FedEx Office, and FedEx Services. FedEx Ground, Express, and Freight accounts for 36%, 50%, and 9%, respectively. The majority of FedEx sales comes from the United States at 70% of revenues. Additionally, FedEx holds an exclusive contract with the United States Postal Service. They currently serve over 220 countries worldwide and connect 99% of world GDP annually.

The effects of the Covid-19 pandemic has put strains on many aspects of the U.S Economy. As a transportation and logistics company, FedEx is heavily influenced by the change in consumer spending, international trade, and economic growth. Despite the reduction in consumer spending, stunted economic growth and supply chain shortages, FedEx has continually outperformed growth expectations. With the increased importance of e-commerce due to the Pandemic, FedEx has captured significant market share among their U.S. Ground segment.

FedEx has shown significant progress towards expanding their profitability and footprint around the globe. In particular, FedEx Ground increased their share of total revenues from 11% to 34% in 2020 and 2021, respectively. Additionally, FedEx can see the end of the integration of TNT Express which will substantially increase their efficiency and reach across the EU and Asia markets. This integration has proven to be more difficult and costly than initially anticipated, but recent developments show the end of the transition. Investments in technology innovation, efficiency, and acquisitions position FedEx to grow sales, profits, and unlevered free cash flow for years to come. In the past year, FedEx has worked tirelessly to modernize their fleet of delivery vehicles by investing in energy efficiency, fully electric delivery trucks, and carrier efficient tools. FedEx's flexible business model and growth prospects in e-commerce, globalization, and pent up demand from Covid-19 positions this company to outperform in the near and distant future.

As of December 3rd, 2021, we have an unrealized gain of .35%.

Lessons Learned

The Student Managed Fund has lived up to its prestige and reputation it has built throughout the years. All members of Team Blue are appreciative to all faculty and staff who help give guidance, suggestions, support the program from the backend, and sit in on team blue's pitches; we understand that you are all busy and we greatly appreciate the time everyone puts aside to help our team and the program grow. Throughout the course of the summer, and fall semester Jeff Annello and Pat Terrion have instilled and facilitated massive amounts of investing knowledge ranging from technical to soft skills. This was achieved using reading material, presentations, as well as sitting down and asking questions. The Student Managed Fund has been an extremely beneficial program for one reason. It is focused on getting students out of their comfort zone to grow for this is the only way individuals can improve and be a better investor, but more importantly a better person as well.

The interviews conducted last year required each prospect to conduct in depth research on a company of choice and identify qualitative factors such as business model and descriptions, industry trends, investment thesis, competitive advantages, and risks associated with the underlying business. This exercise was pivotal in not only selecting the future team, but also learning how to look at a business from a qualitative point of view. Some investors too often put more emphasis on a company's current financial positioning. For example, Blockbuster was a strong company financially at one point, but the business was never ready for the introduction of streaming and Netflix. The projects helped prospects learn that it is equally important to understand a business qualitatively and understand a business's future positioning as well. To supplement our learning further, after selection to the Student Managed Fund each member was tasked with creating a Discounted Cash Flow Model on a company of their choice over the summer. Through this process we learned about modeling pitfalls, judgment about future forecasts and their drivers, and gauge where each member stands technically. Pat Terrion & Jeff Annello then received these models and gave each member feedback so they can improve their skills as an investor and member of the Student Managed Fund. On top of these great skills listed above we want to highlight three main lessons learned throughout the semester.

1. **Strong Financials vs Management:** This is a lesson we learned very early into the semester. Just because a company is attractive from a financial perspective doesn't mean non-financial factors can't drastically change performance at least in the short term. For the company Activision Blizzard (ATVI), one of the biggest investment risks was poor management decisions made by high ranking personnel which led to a speculated poor company culture. There had been many occasions in which upper level management failed to act on various issues and it had been reflected in the poor price performance of the company's stock. This taught us that we need to put more emphasis on the ESG component in our investment decision and that a company may be undervalued from a financial perspective, but non-financial factors play a bigger role than we initially thought possible.

2. **Patience:** When the team pitches and votes on a stock we think will do well, it's easy to be tempted to allocate the full amount of capital voted on before it goes higher. It's almost impossible to time the market and learning to be patient while having cash on hand is crucial. We learned this lesson through both Lockheed Martin Corporation (LMT) and Activision Blizzard (ATVI). We initiated full positions in both of these companies before quarterly earnings reports which opened us up to more risk. In both cases the stocks pulled back drastically after the reports were released for various reasons. If we had scaled into these positions some of these issues could have been avoided. From this point forward we will learn from this lesson and dollar cost average into more positions, especially if an earnings report is scheduled.

3. **Adaptation:** There have been many occasions throughout this semester in which our team has had to adapt to current challenges and come to solutions. One example is when we changed our team's voting rules and requirements. We are working within an ever changing market and thus as a team need to be able to adapt and change given whatever challenges we may face. We will continue to adapt as we see fit and work together to manage this portfolio to the best of our abilities.

Throughout this semester Team Blue has learned how to set our biases aside and try to evaluate companies only and not the people who pitched the company. This not only helps avoid groupthink, but also it prepares people to have constructive conversations that will happen upon moving into our respective careers. Another valuable lesson learned was that our success does not hinge on whether we beat the S&P 500 (our benchmark) in a period of about 6 months, this is because we have a 10-year investment horizon, so any short-term gains or losses are therefore meaningless. Team Blue has learned that our success does hinge on how we all grow together and individually from where we first started. This is a better measure of success because unlike an investment, personal growth does not have a time horizon. Team Blue is jubilant for the opportunities to learn and master our skills going into next semester. We will start the semester off strong and hone in more on not only finding great businesses, but finding great businesses at a great price to provide maximum value to our portfolio and performance.

Team Blue thanks you gratefully for reading this report.

Warm regards,

Team Blue (2021-2022)