UCONN | STAMFORD

STUDENT MANAGED FUND

Portfolio Report Fall 2021

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INTRODUCTION

Investment Managers


Claudel Larose


Agasti Mhatre


Dan Lasota


Jeffrey Owiredu-Yeboah


Kai Hilton


Michael Conklin


Reno Brown


Shi Hong


Tom Picard


Tommer Ben Joseph

Fall Officer Positions

Co-Lead Manager: Michael Conklin Jr.

Co-Lead Manager: Claudel Larose

Portfolio Trader: Reno Brown II

Communications Manager: Shi Hong

Digital Media Manager: Daniel Lasota

PORTFOLIO OVERVIEW

Investment Philosophy

The University of Connecticut Stamford's Student Managed Fund follows an investment philosophy using a bottom up strategy where we buy great companies, at fair prices, with a margin of safety (MOS) greater than 15%. There are a number of factors to be considered when making any investment however, we consider both quantitative and qualitative analysis into our decision making process. The qualitative factors include understanding the business model, management's background and history, ESG ratings, industry outlook in order to identify a total addressable market, upside potential, and potential risks that could impact the business in the future. The quantitative factors we use are modeling a discounted free cash flow of an equity in order to identify its intrinsic value and possible upside potential. Additionally, we use multiple and ratio based analysis relative to industry averages and its peers to understand financial condition and performance in comparison to companies with similar size and businesses (comp. analysis).

Investment Strategy

Our investment strategy is to have analysts research their sectors and identify companies with intrinsic value trading below fair market value and offer 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, high growth potential and strong financials in comparison to the industry and its peers.

We consider the following factors when evaluating investment opportunities:

Qualitative	Quantitative
● Industry Outlook	● Enterprise Value to EBITDA
● SWOT Analysis	● Discounted Free Cash Flow Model
● Porter's Five Forces	● Return on Invested Capital
● Management Quality	● CAGR
● ESG	● Dividend Yield
● Merger and Acquisition activity	● Price to Earnings Ratio

Risk Management

Our team's analysts conduct industry research as well as read a security's 10-K in order to gain a more thorough understanding of the business and to better evaluate potential investment risks. Our analysts are responsible for conducting due diligence on each investment we choose to initiate coverage and take a position on. We utilize risk metrics such as margin of safety, beta, and volatility to measure and mitigate risk of each investment, along with qualitative analysis for business risks. Thus far, we recommend placing a stop-loss order for each investment at 20% on each security in order to minimize significant potential loss. If and when a security reaches its price target and or zero percent MOS, we look to identify demand zones to move the stop loss accordingly. 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 in order to mitigate systemic risks.

Investment Process

Our investment process could be broken down into three phases. First, we have at least two analysts assigned to each sector to research the sector and use tools such as Bloomberg, S&P NetAdvantage, and ValueLine to build a comp sheet to conduct ratio analysis and identify securities that would be most suitable for our portfolio. The metrics we utilize include, but are not limited to, ROIC, 5-year CAGR, and EV/EBITDA. Our team also creates a pitch schedule before each semester, in order to flow through pitches efficiently.

Second, based on the targets identified, the analysts model discounted free cash flows in order to identify the securities whose intrinsic value is below fair value and a margin of safety of 15% or more. After a security is identified, our analysts pitch securities weekly to the team with their proposed allocation and a vote is taken. Their reports are circulated two days prior to the pitch for team review and questions to be answered. After the pitch, a position is initiated only after at least 70% of the team is in favor.

- For an investment with 10/10 favorable votes, 100% of the proposed position size will be allocated
- For 9/10 favorable votes, 90% of the proposed position size will be allocated
- For 8/10 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.

Third, after the target price is hit, the security reaches a margin of safety equal to zero, and the analysts are unable to identify material information that would warrant updating their DCF model to provide a positive margin of safety, we use technical analysis to identify a demand zone based on historical price action of candle sticks. We move our new stop loss to just beneath the demand zone in order to allow the security to capture as much upside potential as possible while simultaneously securing unrealized gains from our original trade should price action fall back below the demand zone.

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 target price, analysts re-evaluate their DCF model or present a "sell pitch" and the team will discuss and vote on the proposal. The required vote for approval to exit a position is 6/10. Analysts from any sector can propose to sell a position.

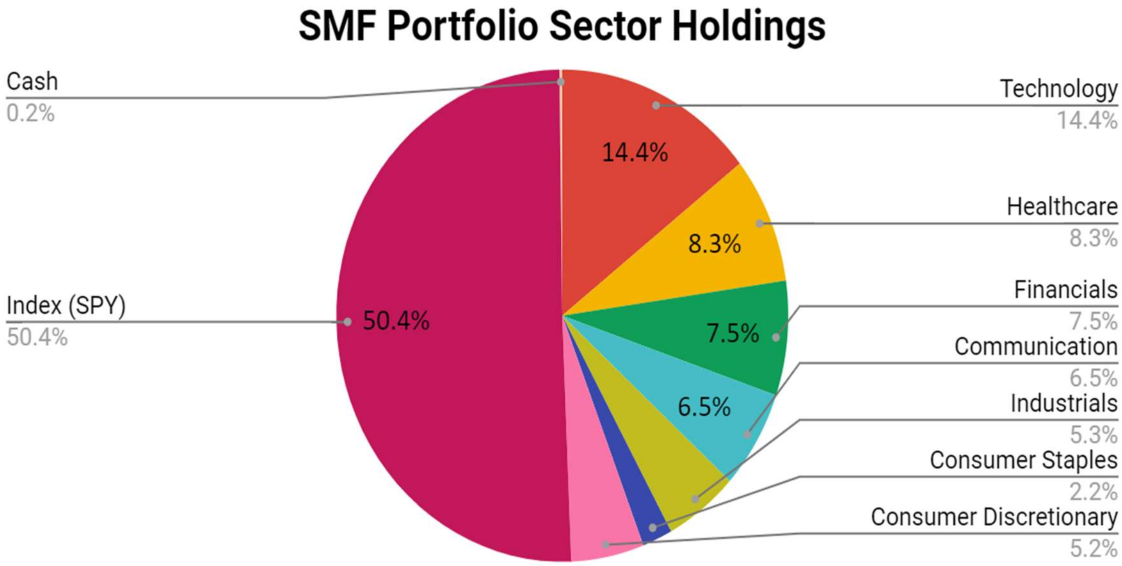
Sector Assignments

- **Communications:** Michael Conklin, Kai Hilton
- **Information Technology:** Claudel Larose, Reno Brown, Agasti Mhatre, Jeffrey Owiredu-Yeboah
- **Healthcare:** Michael Conklin, Daniel Lasota
- **Consumer Discretionary:** Tom Picard, Shi Hong
- **Utilities:** Agasti Matre, Tommer-Ben Joseph
- **Energy:** Claudel Larose
- **Financials:** Shi Hong, Jeffrey Owiredu-Yeboah, Tommer Ben-Joseph
- **Materials:** Tommer-Ben Joseph
- **Real Estate:** Jeffrey Owiredu-Yeboah
- **Industrials:** Tom Picard, Daniel Lasota
- **Consumer Staples:** Kai Hilton, Tommer Ben-Joseph

Portfolio Allocation

The chart below illustrates the portfolio allocation based on the market value of the securities as of December 13, 2021.

Sector Allocation				
Sector	% of Total Portfolio	S&P 500 Sector Weight	% of Invested Portfolio	Investment Amount
Consumer Staples	2.16%	5.62%	4.37%	$ 28,398.76
Information Technology	14.40%	28.79%	29.16%	$189,606.04
Financials	7.50%	11.12%	15.26%	$ 99,263.09
Healthcare	8.30%	12.61%	16.84%	$109,537.59
Comunication	6.50%	10.45%	13.11%	$ 85,278.72
Industrials	5.30%	7.97%	10.69%	$ 69,539.80
Energy	0.00%	2.80%	0.00%	$ -
Consumer Discretionary	5.20%	13.11%	10.56%	$ 68,704.00
Utilities	0.00%	2.38%	0.00%	$ -
Real Estate	0.00%	2.63%	0.00%	$ -
Materials	0.00%	2.52%	0.00%	$ -
Total	49.36%	100.00%	100.00%	$650,328.00



Portfolio Performance

The table below depicts our portfolio performance from September 13, 2021 to December 3rd, 2021:

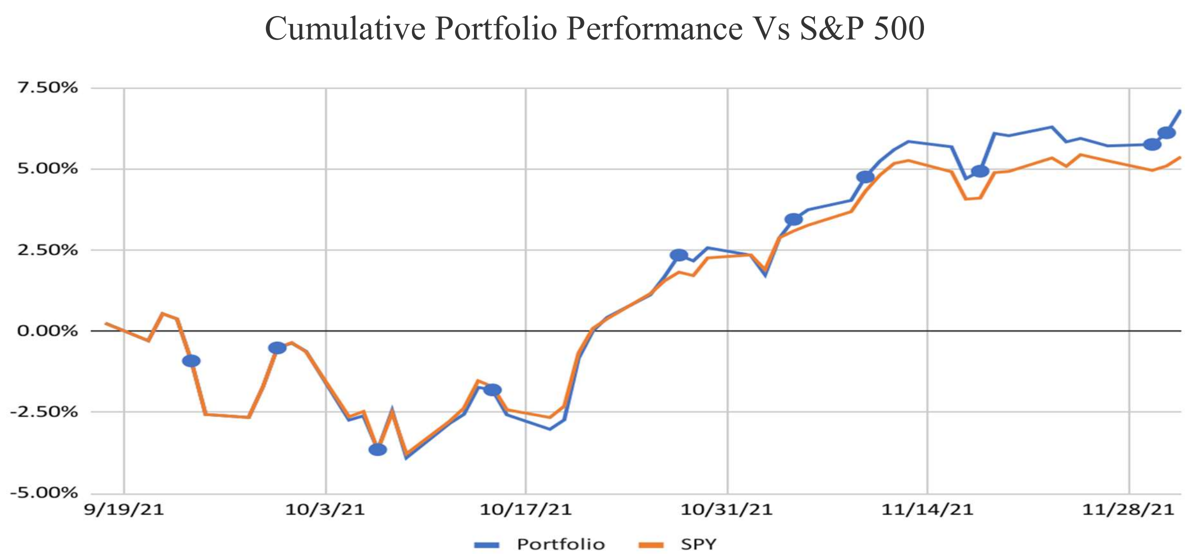
Total Portfolio Unrealized Gains/ (Losses)

	S&P 500 ETF (SPY)	SMF Portfolio
Beginning Value	$ 1,265,635.01	$ 1,265,635.01
Current Value	$ 1,278,968.68	$ 1,307,310.19
Absolute Change	$ 13,333.67	$ 41,675.18
% Change	1.05%	3.29%

Our portfolio has outperformed the S&P 500 during this period. We focus on analyzing and investing in companies that are selling at a discount to fair market value.

Company	Ticker Name	Buy Price	Recent Price	% Change
SPDR S&P 500 ETF Trust	SPY	$447.73	$453.24	1.23%
Meta Platforms Inc.	FB	$349.17	$306.84	-12.12%
HP Incorporation	HPQ	$ 27.69	$37.55	35.61%
UnitedHealth Group Inc.	UNH	$398.21	$449.14	12.79%
Whirlpool Corporation	WHR	$207.25	$223.04	7.62%
Microsoft Corporation	MSFT	$323.62	$323.01	-0.19%
FedEx Corporation	FDX	$246.56	$240.97	-2.27%
Costco Wholesale Corporation	COST	$508.88	$528.93	3.94%
JPMorgan Chase & Co.	JPM	$164.34	$158.21	-3.73%
Cisco Systems Inc.	CSCO	$ 55.35	$56.23	1.59%
AbbVie Inc.	ABBV	$115.61	$118.88	2.83%

Portfolio Performance vs S&P 500



Our account was funded on September 13, 2021 and we bought our first investments in Facebook on September 24th, 2021. Our initial position was $1,265,635.01 in SPY.

Trade History

Trade Date	Ticker	Shares	Price	Amount	Trade Type
9/13/2021	SPY	2826.8	$ 447.73	$1,265,635.01	Buy
9/24/2021	FB	256	$ 349.17	$89,387.52	Buy
9/24/2021	SPY	204	$ 443.43	($90,459.72)	Sell
9/30/2021	HPQ	2070	$ 27.69	$57,320.37	Buy
9/30/2021	SPY	130	$ 436.52	($56,747.60)	Sell
10/7/2021	UNH	249	$ 398.21	$99,154.29	Buy
10/7/2021	SPY	226	$ 438.42	($99,083.08)	Sell
10/15/2021	WHR	304	$ 207.25	$63,002.48	Buy
10/15/2021	SPY	140	$ 444.61	($62,245.40)	Sell
10/28/2021	MSFT	358	$ 323.62	$115,854.35	Buy
10/28/2021	SPY	255	$ 456.04	($116,290.68)	Sell
11/5/2021	FDX	292	$ 246.56	$71,995.34	Buy
11/5/2021	SPY	153	$ 469.35	($71,810.55)	Sell
11/10/2021	COST	52	$ 508.88	$26,461.75	Buy
11/10/2021	SPY	57	$ 465.61	($26,539.77)	Sell
11/18/2021	JPM	613	$ 164.34	$100,740.42	Buy
11/18/2021	SPY	215	$ 469.23	($100,885.31)	Sell
11/30/2021	CSCO	1532	$ 55.35	$84,796.20	Buy
11/30/2021	SPY	184	$ 462.00	($85,008.00)	Sell
12/1/2021	ABBV	510	$ 115.61	$58,961.10	Buy
12/1/2021	SPY	129	$ 461.33	($59,511.57)	Sell

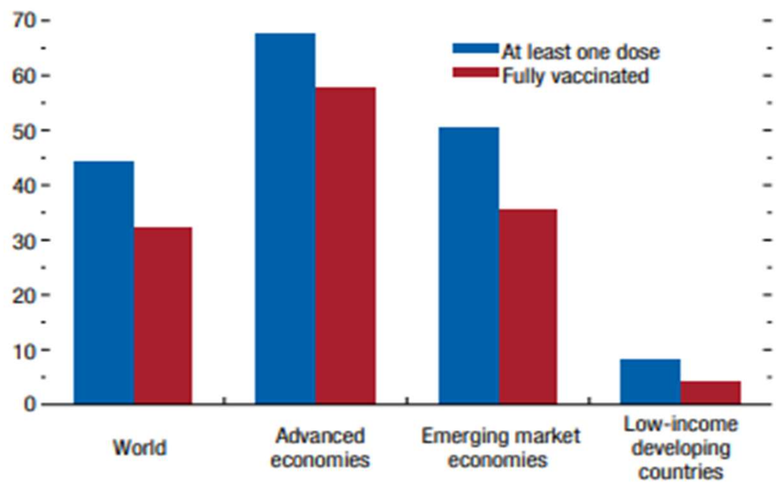
Correlation Matrix	SPY	FB	HPQ	UNH	WHR	MSFT	FDX	COST	JPM	CSCO	ABBV
SPY	1.000	0.560	0.422	0.594	0.495	0.697	0.401	0.565	0.598	0.471	0.382
FB	0.560	1.000	0.216	0.139	0.178	0.449	0.429	0.569	0.110	0.192	0.141
HPQ	0.422	0.216	1.000	0.312	0.257	0.186	0.102	0.185	0.324	0.214	0.148
UNH	0.594	0.139	0.312	1.000	0.362	0.428	0.460	0.297	0.448	0.373	0.509
WHR	0.495	0.178	0.257	0.362	1.000	0.107	0.252	0.193	0.514	0.343	0.326
MSFT	0.697	0.449	0.186	0.428	0.107	1.000	0.198	0.501	0.145	0.287	0.214
FDX	0.401	0.429	0.102	0.460	0.252	0.198	1.000	0.295	0.210	0.284	0.288
COST	0.565	0.569	0.185	0.297	0.193	0.501	0.295	1.000	0.151	0.221	0.133
JPM	0.598	0.110	0.324	0.448	0.514	0.145	0.210	0.151	1.000	0.445	0.416
CSCO	0.471	0.192	0.214	0.373	0.343	0.287	0.284	0.221	0.445	1.000	0.340
ABBV	0.382	0.141	0.148	0.509	0.326	0.214	0.288	0.133	0.416	0.340	1.000

ECONOMIC OUTLOOK

Global Economy

The COVID pandemic during 2021 has created difficult policy challenges for governments and has somewhat stunted the recovery of the global economy. Despite the latter, there is a general bullishness around economic growth, particularly in advanced economies like the U.S and Western Europe, which are expected to benefit from additional financial support and improved health metrics. The biggest drivers of recovery are expected to be vaccine access and policy support, drivers that will benefit developed economies more than the rest. The IMF expects a 5.9% GDP growth for 2021, and 4.9% in 2022. Beyond 2022 growth is projected to hang around 3.0% annually over a medium-term period. There is significant concern over long term projections however, more aggressive COVID variants could emerge before widespread vaccinations, which could significantly impact recovery. We have seen the potential of this with the well-known Delta and Omicron variants.

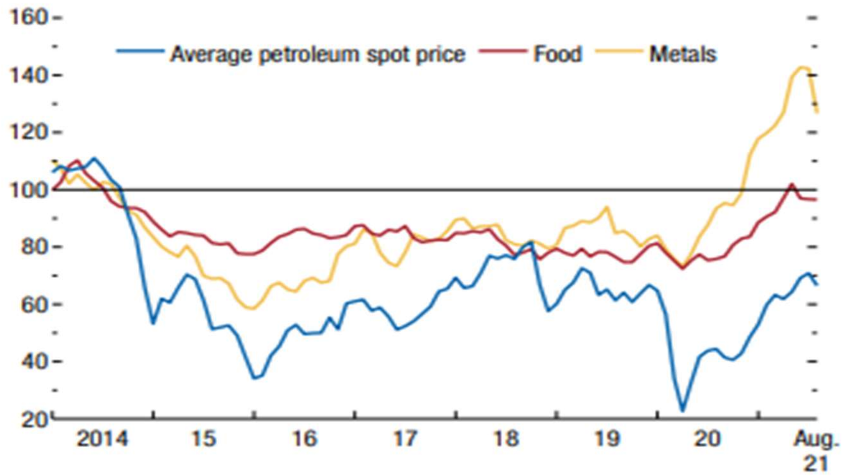
Progress in vaccinations against COVID-19 remains highly unequal across the world.



Sources: Our World in Data; and IMF staff calculations.

Inflation rates are a point of concern in the U.S and emerging markets. This increase in inflation can be related to the current supply chain issues, which has seen more demand than expected from consumers, driving prices up. Commodity prices have also continued to rise due to economic recovery, oil prices have risen precipitously since their 2020 low, and non-oil commodities such as metals and food are also expected to rise.

Commodity prices have risen markedly from their pandemic recession troughs.



Sources: IMF, Primary Commodity Price System; and IMF staff calculations.

The containment of the virus is critical to the health of the economy heading into the future, which can only be done via mass vaccination. Emerging markets are currently being held back by inadequate supply, whereas developed economies are more limited by vaccine hesitancy. Regardless, the IMF expects widespread majority vaccination rates to increase by 2022-2023, which will significantly blunt any future outbreaks. New waves of the pandemic are therefore expected to be smaller in 2022, than the ones seen in 2021. Financial markets have been relatively volatile in recent months, driven by inflation concerns, yet equity markets remain healthy and credit spreads tight. Economic outlook looks strong into 2022 and beyond.

(Percent change, unless noted otherwise)

		Projections		Difference from July 2021 WEO *Update*[1]		Difference from April 2021 WEO[1]	
	2020	2021	2022	2021	2022	2021	2022
World Output	**–3.1**	**5.9**	**4.9**	**–0.1**	**0.0**	**–0.1**	**0.5**
Advanced Economies	**–4.5**	**5.2**	**4.5**	**–0.4**	**0.1**	**0.1**	**0.9**
United States	–3.4	6.0	5.2	–1.0	0.3	–0.4	1.7
Euro Area	–6.3	5.0	4.3	0.4	0.0	0.6	0.5
Germany	–4.6	3.1	4.6	–0.5	0.5	–0.5	1.2
France	–8.0	6.3	3.9	0.5	–0.3	0.5	–0.3
Italy	–8.9	5.8	4.2	0.9	0.0	1.6	0.6
Spain	–10.8	5.7	6.4	–0.5	0.6	–0.7	1.7
Japan	–4.6	2.4	3.2	–0.4	0.2	–0.9	0.7
United Kingdom	–9.8	6.8	5.0	–0.2	0.2	1.5	–0.1
Canada	–5.3	5.7	4.9	–0.6	0.4	0.7	0.2
Other Advanced Economies[2]	–1.9	4.6	3.7	–0.3	0.1	0.2	0.3
Emerging Market and Developing Economies	**–2.1**	**6.4**	**5.1**	**0.1**	**–0.1**	**–0.3**	**0.1**
Emerging and Developing Asia	–0.8	7.2	6.3	–0.3	–0.1	–1.4	0.3
China	2.3	8.0	5.6	–0.1	–0.1	–0.4	0.0
India[3]	–7.3	9.5	8.5	0.0	0.0	–3.0	1.6
ASEAN-5[4]	–3.4	2.9	5.8	–1.4	–0.5	–2.0	–0.3
Emerging and Developing Europe	–2.0	6.0	3.6	1.1	0.0	1.6	–0.3
Russia	–3.0	4.7	2.9	0.3	–0.2	0.9	–0.9
Latin America and the Caribbean	–7.0	6.3	3.0	0.5	–0.2	1.7	–0.1
Brazil	–4.1	5.2	1.5	–0.1	–0.4	1.5	–1.1
Mexico	–8.3	6.2	4.0	–0.1	–0.2	1.2	1.0
Middle East and Central Asia	–2.8	4.1	4.1	0.1	0.4	0.4	0.3
Saudi Arabia	–4.1	2.8	4.8	0.4	0.0	–0.1	0.8
Sub-Saharan Africa	–1.7	3.7	3.8	0.3	–0.3	0.3	–0.2
Nigeria	–1.8	2.6	2.7	0.1	0.1	0.1	0.4
South Africa	–6.4	5.0	2.2	1.0	0.0	1.9	0.2
Memorandum							
World Growth Based on Market Exchange Rates	–3.5	5.7	4.7	–0.3	0.1	–0.1	0.6
European Union	–5.9	5.1	4.4	0.4	0.0	0.7	0.5
Middle East and North Africa	–3.2	4.1	4.1	0.0	0.4	0.1	0.4
Emerging Market and Middle-Income Economies	–2.3	6.7	5.1	0.2	–0.1	–0.2	0.1
Low-Income Developing Countries	0.1	3.0	5.3	–0.9	–0.2	–1.3	0.1
World Trade Volume (goods and services)	**–8.2**	**9.7**	**6.7**	**0.0**	**–0.3**	**1.3**	**0.2**
Imports							
Advanced Economies	–9.0	9.0	7.3	–0.7	–0.3	–0.1	0.9
Emerging Market and Developing Economies	–8.0	12.1	7.1	0.7	0.0	3.1	–0.3
Exports							
Advanced Economies	–9.4	8.0	6.6	0.0	0.0	0.1	0.2
Emerging Market and Developing Economies	–5.2	11.6	5.8	0.8	–0.9	4.0	–0.2
Commodity Prices (US dollars)							
Oil[5]	–32.7	59.1	–1.8	2.5	0.8	17.4	4.5
Nonfuel (average based on world commodity import weights)	6.7	26.7	–0.9	0.2	–0.1	10.6	1.0
Consumer Prices							
Advanced Economies[6]	0.7	2.8	2.3	0.4	0.2	1.2	0.6
Emerging Market and Developing Economies[7]	5.1	5.5	4.9	0.1	0.2	0.6	0.5
London Interbank Offered Rate (percent)							
On US Dollar Deposits (six month)	0.7	0.2	0.4	–0.1	0.0	–0.1	0.0
On Euro Deposits (three month)	–0.4	–0.5	–0.5	0.0	0.0	0.0	0.0
On Japanese Yen Deposits (six month)	0.0	–0.1	0.0	–0.1	0.0	0.0	0.0

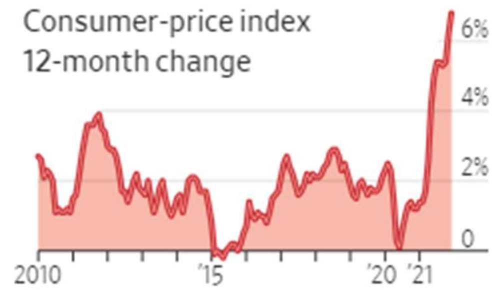
Source: IMF staff estimates.

U.S Outlook

After a year of economic recovery hampered by COVID resurgences, 2022 promises to build upon 2021. Robust but slowing growth is expected in developed economies, with expanded vaccination rates and strengthening policy protections expected to stabilize the pandemic. Emerging markets are set to benefit in 2022 as well, pending a strong rollout of vaccinations, or else these countries might be hampered by further variants & resurgences. Major concerns going forward are the emergence of more aggressive and transmissible COVID variants that may spread before widespread vaccinations take place. Pandemic related supply shortages and inflation are font and center, which should correct itself with policy support and loosening of pandemic restrictions. Consensus estimates put economic growth at 4.9% in 2022.

U.S Inflation

Supply and demand imbalances related to the pandemic and the reopening of the economy have continued to contribute to elevated levels of inflation. Over the last twelve months, the Consumer Price Index has increased by 6.8% per the U.S. Bureau of Labor. Looking forward, as of December 21st 2021, the breakeven rate is 2.69% for 5Y TIPS bonds and is 2.44% for 10Y TIPS bonds. In light of inflation developments and the further improvement in the labor market. The Federal Reserve announced it would reduce the monthly pace of its net asset purchases by $20 billion for Treasury securities and $10 billion for agency mortgage-backed securities.

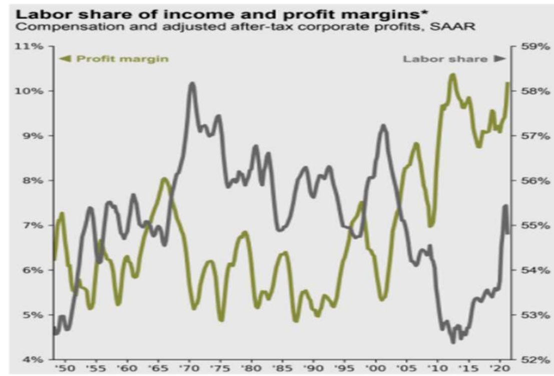


There are several contributing factors to the recent increase in inflation which are, but not limited to, COVID-19 government stimulus programs, a shortage of semiconductors driving up the price of automobiles, and an increasing cost of shelter from rising housing prices. All of which may be contributed to the 'Fed put', with fairly ease of fiscal and monetary support.

Regarding the COVID-19 stimulus programs, these are unlikely to have a long-term impact on inflation. Goldman Sachs estimates President's Biden's $1.9 trillion stimulus in March 2021 contributed only 0.1 - 0.2% towards inflation. The semiconductor shortage is also seen as a short-term event as rising output will meet demand. Finally, the change in shelter prices is primarily due to high demand being funneled into just a few segments of the housing market. The COVID-19 pandemic fueled demand for entry-level existing homes in smaller interior markets with limited inventory. The sudden change in consumer preferences resulted in pricing dynamics that were "explosive" according to Sam Khater, Freddie Mac's chief economist.
To summarize, we view the recent inflation trends to be primarily short-term and anticipate the average inflation rate over the next 10 years to be 2.44% - as currently forecasted by the market.

U.S Labor Market

As of November 2021, the U.S. unemployment rate is 4.2% - which is 1.5% lower than it was at this point last year. Domestic unemployment levels are quickly approaching pre-pandemic levels of <4%. Labor force participation rate is at 61.8% - slightly higher than the 61.5% reported in November 2020.



The tight labor market has made it difficult for U.S. firms to hire workers, something that is desperately needed to meet rising consumer demands. In October 2021, there were about 3.6 million more job openings than unemployed workers. Companies have responded by rising wages with private sector wages up 4.8% last month from the previous year.

We anticipate that the tight labor market will put pressure on margins of U.S. firms. Before the pandemic, labor's share of income was at a 70-year low. As U.S. firms navigate a historically tight labor-market, they will be forced to give up some of their profit margins back to their workforce.

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. As the economy looks to recover as we enter into a new year, the outlook for the global economy relies on health outcomes. The path to recovery should vary across different sectors and industries with a new vaccine rollout.

As we look beyond the pandemic, an effective vaccine rollout and other Covid-19 treatments should allow for a gradual easing of government restrictions on social activities and an increase in consumer spending. We believe it could take some time before the economy bounces back to pre-covid levels of employment and GDP. Both monetary and fiscal policy should continue to provide support for the economy in 2021 and we believe the biggest risk factor is the pandemic's impact.

As we look forward, the long shadow of the pandemic should have some impacts on the economy, markets, and policy. Social activities and traveling will increase as consumer fears of contracting the virus will diminish due to vaccinations. We are monitoring fiscal and monetary support to 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. The pandemic crisis has also shifted the expectations of The Federal Reserve to further drive inflation by spending aggressively in the middle of economic headwinds. We could see inflation rise as the recovery continues. Increasing debt loads and fiscal spending, and quantitative easing monetary policy could potentially feed inflation mindset and psychology, but this would have to more than counteract the high levels of unemployment and deflationary impact that we saw-pre pandemic.

SECTOR DESCRIPTIONS & OUTLOOK

Communication Services

Current Holding: Meta Platforms (FB)

As of December 22nd 2021 the communications sector constitutes 10.60% of the SPY. This makes the sector the fourth largest in the SPY. The sector has five sub-sectors within it that cover the areas of: Diversified Telecommunication Services, Entertainment, Media, Wireless Telecommunication Services, and Interactive Media and Services. There are distinguishing features of these sub-sectors, however for ease of understanding most of these are grouped under two umbrella categories, Media, and Telecommunications. Media constitutes the majority of the sector, at around 88%.

Our Outlook

The communication sector has seen an overhaul during the last year. Pandemic stay-at-home orders have boosted the success of new media, social media companies and streaming entertainment have seen particular success at the expense of traditional entertainment options. Traditional broadcasters and cable TV advertisers have begun pivoting towards online mediums to re-energize their businesses, whilst wireless service revenues and equipment sales have been supported by 5G rollout. Online advertising companies face headwinds going forward, with renewed regulatory scrutiny, and consumer privacy concerns damaging the ability for companies to deliver targeted ads. The telecommunications industry is expected to benefit from continuing 5G expansion, which is expected to increase demand and revenues. Whilst this is expected to require significant investment, government subsidies and infrastructure investment should ease the CapEx burden on these companies.

Sector Positives:

- 5G rollout may benefit telecom operators
- Government infrastructure investment reduces burden on corporations
- Strong demand for social media and entertainment due to lingering pandemic
- Strengthening economy may boost advertising demand

Sector Negatives:

- Regulatory risk for advertising companies
- Apple IOS update and other privacy concerns reduce revenue potential
- Sector is heavily concentrated in Google and FB, and over exposed to advertising risk
- Transition to online streaming for traditional media is creating an oversaturation of the market
- Uncertainty over government infrastructure aid

Information Technology

Current Holdings: Microsoft Corp. (MSFT), Hewlett Packard (HPQ), Cisco Systems Inc. (CSCO)

As of November 21, 2021, Information Technology accounted for 27.3% 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 27.21x is above the S&P 500's forward multiple of 22.68x. This sector has a dividend yield of 1.03%, as compared with the yield of 1.51% for the S&P 500.

Our Outlook

The primary drivers of the IT sector over the next decade will be a combination of cloud technologies, automation, and data 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.

Healthcare

Current Holdings: UnitedHealth Group (UNH) & AbbVie (ABBV)

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 November 20, 2021, the market capitalization of the healthcare sector is $5.50 trillion, and it makes up approximately 12.6% of the S&P 500, and 9.7% of U.S GDP in 2020. The forward P/E ratio for the entire sector is 17.65x and the dividend yield for the sector is 1.61%.

The sector has returned 26.13% this calendar year, underperforming the S&P 500 by 2.28%.

Our Outlook

The primary drivers unfolding in the Healthcare sector are integrating data and technology in order to lower the cost of care. This is especially visible since the COVID-19 pandemic, with a greater emphasis on healthcare spending by governments worldwide. People are now more inclined to see their doctor, whether that's in person or virtually. The integration of data and technology within healthcare will reduce costs, increase efficiency, while passing down those cost savings to consumers. 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 sector. The team also views 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, since President Biden was elected, it is believed to be hard to materialize.

A global pandemic has had exponential advances in medical science, digital transformation in data and analytics, in providing more informed and empowered consumers around the world. Mental health is a topic that wasn't widely discussed, but is now front and center in healthcare services.

Consumer Discretionary

Current Holding: Whirlpool Corporation (WHR)

As of November, 30, 2021 the Consumer Discretionary sector makes up 13.2% of the S&P 500, making it the second sector within the S&P 500 behind technology.

Sector Key Financial Metrics

	Price/ Earnings	EV / EBITDA	Dividend Yield	Profit Margin
Consumer Discretionary	40.70	20.35	0.54%	7.48%
S&P 500	25.81	16.53	1.29%	11.99%

The sector has returned 28.58% this calendar year, outperforming the S&P 500 by 4.73%.

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.

The sector benefited in the second half of 2021 as there was an increase in return-to-work, and a removal of lockdown restrictions related to COVID-19. However, with COVID-19 cases rising rapidly this past month the sector faces familiar headwinds.

The pandemic accelerated an existing sector trend of more consumers shopping online instead of in brick and mortar stores. Firms well positioned for this shift in consumer behavior benefited greatly - EBay ("EBAY") outperformed the sector by 6%. Meanwhile, brick and mortar focused Dollar General ("DG") underperformed the sector by more than 17%. Looking forward, we expect this trend to continue as firms were forced to develop e-commerce sales channels during the pandemic and consumers became more comfortable with the process.

Our Outlook

Price/ Earnings Historical

	2019	2020	Today
Consumer Discretionary	25.19	57.22	41.29
S&P 500	*21.22*	*30.73*	*26.01*
Difference	***1.19x***	***1.86x***	***1.59x***

Our first concern is with valuations. As shown in the table to the right, valuations for this sector are stretched. At the end of 2019 (pre-pandemic), the sector P/E multiple was roughly in-line with the S&P 500. During the pandemic, the market gave the firms in the sector the benefit of the doubt that earnings would return to normal levels quickly once lockdowns end. As the world adjusts to a new normal, we anticipate the valuations of the firms in the sector to regress back closer to pre-pandemic levels.

Our second concern is that the Consumer Discretionary sector is likely to be the most impacted by the current supply chain constraints. Firms within the sector have been outspoken that they foresee these supply chain constraints to continue. Under Armor stated in a November earnings call that they had narrowed their spring and summer 2022 order book due to supply chain concerns.

While these headwinds will weigh on Consumer Discretionary, we do believe these challenges will create opportunities for firms to take advantage of.

Utilities

Current Holding: N/A

The Utilities sector consists of companies that provide electric, gas or water. As of January 7th, 2022, the market capitalization of the Utilities sector is $994.43 billion, and it accounts for 2.45% of S&P 500.

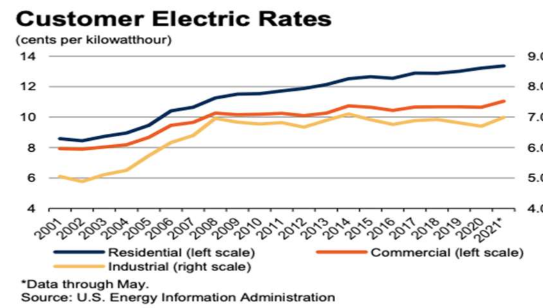
The Utilities sector contains four sub-sectors: Electric Utilities, Independent Power and Renewable Electricity Producers, Multi Utilities and Water Utilities. Within the four sub-sectors, Electric Utilities has the largest market share representing 64.26% of the Utilities Industry, and Independent Power and Renewable Electricity Producers has the smallest market share representing 1.64% of the industry. The sector is highly regulated with little to no competition.

The Forward P/E ratio for the Utilities industry is 21.06x, which is slightly lower than the P/E ratio of 21.91x for the S&P 500. The dividend yield for the Utility industry is 2.98%, which is higher than the dividend yield of 1.29% for the S&P 500.

Our Outlook

Electricity usage in the residential sector appears more steady after spiking during 2020. Looking ahead, we foresee higher residential electric demand as working from home becomes more common. Demand for electricity in the commercial and industrial (C&I) sectors has increased with stronger economic activity in 2021 after a notable slump in 2020. We expect to see a gradual increase in C&I sales as the economy continues to reopen. Of course, the specter of the Covid-19 Omicron variant looms large, posing a risk to the economic recovery and potentially altering electricity usage across all sectors. Inflation is significant to this sector as well, as aggregate consumer electric rates are a key industry driver.

We continue to see a transition toward clean energy, boosting the need for capital investment, as a partial consequence of government efforts toward the goal of reducing carbon emissions. In 2020, more than half of renewable power generation capacity installed globally was cheaper than the cost of power from new coal plants, bolstering the economic case for transitioning to cleaner energy resources. Several utilities already set goals to generate carbon-free electricity to adapt to an uncertain regulatory future. Given reduced demand from major international consumers, coal exports decreased by 26% in 2020 to 69 million tons, marking the second-lowest annual amount exported over the prior 10 years. We expect these trends to continue as foreign nations look to reduce their own carbon emissions amid the clean-energy transition.



According to the International Renewable Energy Agency (IRENA), out of the total renewable power generation capacity installed globally in 2020, 162 GW (or 62%) of the renewable power generation capacity added had electricity costs lower than the cheapest source of new fossil fuel-fired capacity, bolstering the economic case for transitioning to cleaner energy resources. Cost declines for wind and solar projects helped to make renewables the dominant source of new power generation in 2019, accounting for 72% of all new capacity installed globally, according to IRENA. With further cost reductions projected in coming years, wind and solar farms will increasingly threaten existing coal-fired plants, creating opportunities to lower power system costs and reduce carbon emissions by retiring uneconomic fossil fuel assets, in our view. Providing additional momentum for renewable energy, major utilities in the country have already pledged to slash their emissions by midcentury.

Energy

Current Holding: N/A

As of December 31st, 2021, the energy sector has 21 constituents and accounts for 2.8% of the S&P 500 index with a total market cap of $2.81 trillion. The energy sector consists of two industries: “energy equipment and services” and “oil, gas, and consumable fuels.” 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. The overall energy sector has increased by 46.54% YTD, with Oil, Gas & Consumable fuels up 48.8% and Energy Equipment & Services up 24.37% compared to S&P 500’s gain of 27.7%. According to the data in S&P Net Advantage, the Energy sector’s latest P/E ratio is 13.7x, much lower than the S&P 500’s 26.4x.

Our Outlook

Typically, oil demand increases by 1 to 1.5 MMb/d (Million barrels per day) each year. With COVID-19 pandemic shutdown and restrictions, oil demand led to a decline globally by 8.7 MMb/d in 2020. The International Energy Agency predicts that global oil demand will increase by 3.3 MMb/d which would match the demand record previously held in 2019, prior to the pandemic. Refinery utilization recovered to about 90% by early 2021. With lower demand driven by people working remotely, companies are less likely to expand capacity simultaneously lowering growth potential. Industry research reports indicate oil demand will recover about 5-5.5 mmb/d in 2021 however, sustained forward momentum is questionable for 2022 due to Delta, Mu, and Omicron variants that continue to plague the recovery.

New risks are arising for the oil and gas industry from investors (endowments in particular) wanting to divest from fossil fuel exposure. It is estimated by GoFossilFree.org that about $14T from varying institutions are expected to divest. In addition, the Biden administration has aggressive plans to curb U.S domestic fossil fuel production. Part of his plan includes a promise to ban new oil and gas permits on Federal lands and waters. This would mean, the government would no longer issue approvals for drilling through the duration of a lease.

CFRA research indicates the expectation for revenues in the drilling sub-industry to rebound 20% in 2022 and there is less near term urgency for production growth due to a higher priced environment which encourages the drilling of new wells. For the equipment and services sub-industry, CFRA research is projecting 13% revenue growth in 2022. It expects margins for drillers and service firms to expand slowly as oil demand recovers in 2022 but overall the expectation of any meaningful improvements is based on producer expectations and spending plans.

Financials

Current Holding: JP Morgan (JPM)

The Financial sector provides financial services to commercial and retail customers. This sector is made up of many different industries ranging from traditional banks, investment banks, insurance companies, real estate brokers, consumer finance companies, and mortgage lenders. The Financial sector is one of the largest portions of the SPY. For a new company to enter the financial sector it requires high capital and significant regulatory barriers. New entrants that directly compete with JPM on the same level or other-centered banks of the U.S will face extreme difficulties in engaging consumers with a new brand.

As of December 24, 2021, financial sector market capitalization is $8.83T, and is approximately 10.72% of the SPY. This year P/E ratio 11.16x. And the dividend yield for the financial sector is 2.67%.

Our Outlook

Overall the team has a positive outlook on the financial sector. While our team believes that the impact from Omicron is almost not as devastating as the Delta variant, we believe the economy is still recovering. We are anticipating the interest rates increasing and the inflation rate decreasing come next year. Even so, our team still believes that the Financial Sector has a positive outlook. The adoption of Fintech is going to drive growth in the financial sector and will increase productivity.

There are two major risks facing the financial sector. New policies, laws, and strict regulations. The health of the economy depends, in large part, on the strength of the Financials sector. When COVID-19 started in the

U.S, the Fed Fund Rate was dropped from 2.40 to 0.08 and people were borrowing more money from the bank, and paying back at lower interest rates.

The other risk facing the financial sector is Fintech. Many are starting to utilize Apple pay, Google pay, etc. Instead of using a credit/debit card and entering your pin number, one can even pay by using facial recognition. The most disruptive object is payments for traditional banks. We continue to adopt more Fintech in the financial sector and in order to remain competitive in this industry, many companies are investing money in Fintech and upgrading its apps, while adding new services for its customers for free.

Materials

Current Holding: N/A

As of December 31st, 2021, Materials accounted for 2.53% of the S&P 500 index with a market capitalization of $1,057,158.85 million. The materials sector contains a total of 27 companies, 4 industries and 11 sub industries. The four industries are Chemicals (16 members), Construction Materials (2 members), Containers and Packaging (6 members), and Metals and Mining (3 members). The largest industry by weight being chemicals, accounting for approximately 69.30% of the sector and the smallest being construction materials, accounting for approximately 5.39%. The Materials performance reflected an annualized return of 12.81% which is lower than SPY total return of 16.55% over a 10 year period. Fundamentally, the materials sector has a trailing P/E ratio of 24.09, and a P/B ratio of 3.19 lower than the SPY benchmark P/E of 27.07 and P/B ratios of 4.48. The materials indicated dividend yield of 1.74% was higher than the SPY of 1.35%.

Our Outlook

We have a neutral outlook for the materials sector reflecting a shift in the business models globally to reflect the new trend of stay-at-home work, and recovery of companies from economic shutdowns. Chemical companies' have large exposure in the automotive & building and construction industry. The increasing number of new housing developments due to below-average mortgage rates and supply and demand imbalances show a spur in housing development. Companies producing key chemical housing materials such as insulation and building materials will benefit from increasing new housing construction. In the automotive industry, rising concerns about inflation and global semiconductor shortages reflect a fall in automotive production and sales. This in conjunction with shifting consumer preference and lower interest rates show promise for companies producing chemicals utilized in vehicle production. However, with shifting changes in financial liquidity, the automotive industry may see a decline in sales resulting in lower profitability for chemical companies. Consumer packaging low exposure to COVID pandemic allowed companies to grow due to the shift in stay-at-home trends and the new business model of a work-from-home hybrid model. In the paper and packaging industry, e-commerce retail sales growth grew faster than total retail sales from the aggressive shift in consumer shopping patterns due to lockdowns pushing consumers to purchase online. In the metals and mining industry, there has been rising demand for raw materials such as copper, gold, aluminum, zinc and steel, for gold the shift results in escalating trade tensions and hedges for high inflation, whereas with aluminum, zinc and steel the resulting increasing demand and limited supply are increasing prices for these materials.

Real Estate

Current Holding: N/A

As of December 28, 2021, the current market capitalization for the Real Estate sector was $1.89T and accounted for 2.72% of the S&P 500 index. It contains two industries Real Estate Management & Development making up 2.8% of the sector, and Equity Real Estate Investment Trusts (REITs) with the majority holding 97.2%. The equity largest sub industry within the equity REITs is the specialized REITs making up 51.85% of the industry, followed by industrial and residential REITs both with about 11%.

We see major risks with a liberated workforce that seeks to work remotely full time or in a hybrid model that requires one to be in the office one to three days a week. In 2022-2023, we view these work scenarios as negative for office real estate cash flows and office market values. Large urban markets that depend on public trains, subways, and buses may lag the rest of the country where you can drive to the office.

Our Outlook

Currently, there are free rent concessions of up to nine months for seven-year to nine-year leases. Both small and large tenants have the pricing power to also negotiate lower rental rates, to take less office space, and to receive other incentives. Longer term, tenants are thinking about how much office space is required; we see concentration risk in high office towers and new remote policies that thin the office workforce.

We expect outcomes across retail REITs to vary significantly by property type in 2022. Consumer spending growth will remain strong into 2022, and continued vaccine rollouts will limit the risk of further shutdowns, benefiting retail REITs as sales rise, foot traffic increases, and occupancy levels grow.

Industrials

Current Holding: FedEx Corporation

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).

Sector Key Financial Metrics

	Price/ Earnings	EV/ EBITDA	Dividend Yield	Profit Margin
Industrials	32.28	16.63	1.38%	7.67%
S&P 500	*25.81*	*16.53*	*1.29%*	*11.99%*

Currently, Industrial firms' market capitalization make up 7.8% of the S&P 500 total capitalization. The sector returned 17.31% this calendar year, underperforming the S&P 500 by 8.62%.

Our Outlook

Industrials has a mixed forward outlook due to the variety of sub sectors that exist within it. HVAC and construction are poised to benefit from pent up demand while aerospace and energy are likely to still need time to return to their pre-pandemic level of demand.

Material and labor shortages led to a backlog of orders for construction companies in 2021. Honeywell, Emerson and Trane identified several hundreds of millions of lost 3Q sales. Emerson's backlog is up 22% vs. a 3% average in 2018-20. Parker-Hannifin, with significant short-cycle industrial sales, saw backlog surge 27% vs. 2% in fiscal 2019. Both normally convert 85-90% of backlog into sales within a year. As supply chain constraints ease, construction companies should (i) see a boost in earned revenue and (ii) operate more efficiently and increase margins leading into 2022.

In aerospace, while airlines saw a strong return of domestic travelers in the second half of 2021, international travel continues to be well off pre-pandemic levels and there are few indicators it will fully rebound in 2022. There is also a surplus of retired planes, adding a higher than average amount of spare parts to the market which, in turn, hurts aftermarket revenue of airplane suppliers.

Consumer Staples

Current Holding: Costco Wholesale Corporation (COST)

As of December 22nd 2021 the consumer staples sector constitutes 6.35% of the SPY. This makes the sector the seventh largest in the SPY, only larger than real estate, energy, materials, and utilities. The sector consists primarily of retailers and producers, with beverage companies, food products, household products, personal products, tobacco, and food & staples retailers. Retailers make up 21% of the sector, the rest being split between producers. The consumer staples sector is trading at a price-to-earnings ratio of 25.56 vs. the SPY 26.45.

Our Outlook

The consumer staples sector, as expected of a typically defensive sector, has underperformed the economy somewhat, as their customers are generally less affected by business cycles. This does not mean that the sector has done badly, quite the contrary in fact, with the sector reaching record highs this year. The sector is valued higher than historically, similar to most sectors. Pandemic related costs in production and transportation have weighed on earnings, however most of these costs have been passed on to consumers in the form of higher prices. Wholesalers look set to benefit from the reopening of the economy, as restaurants begin to see a return to normal. The major concerns for the future in this sector are higher input prices that may not be able to be passed on to consumers, coupled with stiff pricing competition that may limit profits.

Sector Positives:

- Stable earnings
- Companies remain attractive to consumers due to aggressive pricing

- Restaurant openings boosting wholesale demand
- Inflationary pressures may enable more pricing power
- Economic risks may support defensive sectors more than currently expected

Sector Negatives:

- Sector tends to underperform during periods of high growth
- Higher costs for producers and transportation, may not be transferable
- Stronger than expected economic growth may lead to underperformance
- Supply shortages may affect the ability of retailers to generate revenue

Current Holdings

Meta Platforms (NASDAQ: FB)

On September 24th, we purchased 256 shares of FB.

Industry Outlook

The social media market consists of sales by entities (organizations, sole traders or partnerships) that enable customers to interact, create and share content and information. Social media enables users to share pictures, video and audio files. This market includes revenues from sales from advertisement and other services offered on social media platforms. The social media market is segmented into social media advertising and social media subscriptions.

The global social media market is expected to grow from $94.83 billion in 2020 to $102.62 billion in 2021 at a compound annual growth rate (CAGR) of 8.2%. The growth is mainly due to the companies rearranging their operations and recovering from the COVID-19 impact, which had earlier led to restrictive containment measures involving social distancing, remote working, and the closure of commercial activities that resulted in operational challenges. The market is expected to reach $309 billion in 2025 at a CAGR of 32%.

Company Overview

Facebook, Inc. operates a social networking website. The Company website & app allows people to communicate with their family, friends, and coworkers. Facebook develops technologies that facilitate the sharing of information, photographs, website links, and videos. Facebook users have the ability to share and restrict information based on their own specific criteria.

Facebook is the face of social media, for good and bad. The social networking juggernaut, which continues to grow even as it struggles with public relations issues related to privacy, security, and fake news, lets users share information, post photos and videos, play games, and otherwise connect with one another online. The site, which allows outside developers to build apps that integrate with Facebook, boasts 2.8 billion monthly active users. In addition to its namesake platform, Facebook owns photo and video sharing site Instagram, messaging applications Messenger, and WhatsApp, and virtual reality platform Facebook Reality Labs. The company generates approximately 55% of total sales accounts outside the US.

Investment Thesis

Meta Platforms (FB) is probably no stranger to many of us. Its mission is to connect the world and build community. They operate with 5 main business units.

Facebook: People can connect, communicate, share and discover with each other via their mobile and desktop applications. Products include Facebook News Feed, Stories, Groups, Shops, Marketplace, News, and Watch.

Instagram. Instagram is a place where people can express themselves through photos, videos, and private messaging, and connect with and shop from their favorite businesses and creators. They can do this through Instagram Feed, Stories, Reels, IGTV, Live, Shops, and messaging.

Messenger. Messenger is a messaging application for people to connect with friends, family, groups, and businesses across platforms and devices through chat, video, and rooms.

WhatsApp. WhatsApp is a secure messaging application that is used by people and businesses around the world to communicate and transact in a private way.

Facebook Reality Labs. Facebook Reality Labs' augmented and virtual reality products help people feel connected, anytime, anywhere. Oculus Quest provides cutting-edge virtual reality (VR) hardware, software, and content, while Portal helps friends and families stay connected and share the moments that matter in meaningful ways.

Facebook's revenue is generated mainly from the advertising revenue of marketers. Marketers purchase ads that can appear in multiple places including on Facebook, Instagram, Messenger, and third-party applications and websites. The company generates substantially all its revenue from selling advertising placements to marketers. Its ads enable marketers to reach people based on a variety of factors including age, gender, location, interests, and behaviors. Facebook's business model is extremely scalable. It's also crucial to see how they're trying to diversify outside of advertising revenue as they build for the next wave of innovation like VR/AR. For Q4' 2020, Facebook saw a year over year increase in revenue of 31% for 3 months ended in Dec 2020. They've ended the 2020 year strong with a 21.6% YoY increase. This is a massive success for such a huge company.

Investment Risks

Our ability to add and retain users and maintain levels of user engagement with our products.

The COVID-19 pandemic, including its impact on our advertising business. Volatile or slower user and revenue growth rates in the future.

Government restrictions on access to Facebook or our other products, or other actions that impair our ability to sell advertising, in their countries.

Financial Performance

Breakdown	TTM	12/31/2020	12/31/2019	12/31/2018	12/31/2017
> Total Revenue	104,790,000	85,965,000	70,697,000	55,838,000	40,653,000
Cost of Revenue	19,934,000	16,692,000	12,770,000	9,355,000	5,454,000
Gross Profit	84,856,000	69,273,000	57,927,000	46,483,000	35,199,000
> Operating Expense	40,296,000	36,602,000	33,941,000	21,570,000	14,996,000
Operating Income	44,560,000	32,671,000	23,986,000	24,913,000	20,203,000
> Net Non Operating Interest Inc...	521,000	672,000	904,000	652,000	392,000
> Other Income Expense	123,000	-163,000	-78,000	-204,000	-1,000
Pretax Income	45,204,000	33,180,000	24,812,000	25,361,000	20,594,000
Tax Provision	6,247,000	4,034,000	6,327,000	3,249,000	4,660,000
> Net Income Common Stockhold...	38,957,000	29,146,000	18,485,000	22,111,000	15,920,000

ESG Considerations

In the case of Facebook, its overall S&P DJI ESG Score was 21, out of a range of 0 to 100, with 100 being best. This low score resulted in Facebook not being selected as part of the approximately 75% of the Media & Entertainment industry group's market capitalization included in the S&P 500 ESG Index

(Unrealized loss on the investment: -12.12% (As of December 3rd, 2021)

Hewlett Packard Inc. (NYSE: HPQ)

On September 30th, we purchased 2070 shares of HPQ at a price of $27.69

Industry Outlook

The Computer and Peripherals Industry may face shifting market conditions in the years ahead. As offices and schools reopen, personal computer sales might slow, but demand for enterprise computer equipment should strengthen. Computer makers probably will face shortages of computer chips and other components for some time to come and that might limit sales growth and squeeze margins. Even so, most have taken measures to rein in expense growth. The industry contains several selections with good 3- to 5-year capital gains potential. Although the omicron variant course is uncertain, we look for demand for enterprise computing equipment to strengthen in the next couple of years. Component shortages remain a problem. The mostly favorable demand trends notwithstanding, the availability of semiconductors and other components may determine whether computer hardware sales rise or fall in the years ahead. Computer chips go into a wide variety of products, like automobiles and household appliances, in addition to computer equipment. A lot of semiconductor production is based in Southeast Asia, where the pandemic has worsened.

Company Overview

HP Inc. is a leading provider of computers, printers, and printer supplies. The company’s three operating business segments are its personal systems, containing notebooks, desktops, and workstations; and its printing segment which contains supplies, consumer hardware, and commercial hardware; and corporate investments. In 2015, Hewlett-Packard was separated into HP Inc. and Hewlett Packard Enterprise and the Palo Alto, California-based company sells on a global scale.

HP Inc. provides printers, printing supplies, personal computers, workstations, mobile devices, and related products, services, and software to consumers and businesses. Printing accounted for 32% of revenues in 2020, 57% of operating profits; Personal systems, 68% of revenue, 43% of operating profits.

Revenue by geography: the Americas region, 43% of total (the United States, 36%; Canada L.A., 7%); Europe, Middle East, Africa, 35%; Asia Pacific, Japan, 22%.
About 53,000 employees. Officers & directors own less than 1% of stock; Dodge & Cox, 12.0; Vanguard Group, 9.5%; BlackRock, 9.1% (2/21 proxy).
Chairman: Charles Bergh. CEO: Enrique Lores

Investment Thesis

✓ Introduction of Integrated Security Offerings (Wolf Securities)

✓ Acquisition of Teradici Corporation

✓ Smart Printing Systems (Expansion of HP+ into other countries)

✓ Acquisition of HyperX

✓ Consistent Production Innovation

Investment Risks

• Combining company cultures and unlocking synergies
• Semiconductor chips shortage around the globe slowing down production
• Delta variant has lowered traffic into retail stores
• Innovation cost could be passed down to customers
• Share buybacks to increase share price
• Consumer perception

Financial Performance

Breakdown	TTM	12/31/2020	12/31/2019	12/31/2018	12/31/2017
> Total Revenue	270,295,000	255,639,000	240,269,000	224,871,000	200,136,000
Cost of Revenue	205,957,000	190,141,000	184,557,000	172,401,000	154,148,000
Gross Profit	64,338,000	65,498,000	55,712,000	52,470,000	45,988,000
> Operating Expense	45,257,000	44,595,000	37,913,000	36,502,000	31,802,000
Operating Income	19,081,000	20,903,000	17,799,000	15,968,000	14,186,000
> Net Non Operating Interest Inc...	-1,603,000	-1,663,000	-1,704,000	-1,400,000	-1,186,000
> Other Income Expense	1,804,000	1,502,000	1,886,000	1,376,000	1,023,000
Pretax Income	19,282,000	20,742,000	17,981,000	15,944,000	14,023,000
Tax Provision	4,324,000	4,973,000	3,742,000	3,562,000	3,200,000
> Net Income Common Stockhold...	14,512,000	15,403,000	13,839,000	11,986,000	10,558,000

ESG Considerations

HPQ has a low overall ESG rating and from reviewing the ESG report, HP's committed to creating positive, lasting change for the planet and growing through an inclusive culture and offering solutions to some of the greatest challenges that face business and society.

(Unrealized gain on the investment: 35.6% as of December 3rd, 2021)

UnitedHealth Group (NYSE:UNH)

As of October 7th, we purchased 249 shares at a price of $398.21

Industry Outlook

For millions of health care consumers in the United States, the cost to deliver their care is significant and on the rise. The proof is in the data. In 2019, the national health care expenditures (NHE) grew 4.6% to $3.9 trillion, representing 17.7% of gross domestic product. Spending per person was $11,582 and according to the Centers for Medicare and Medicaid Services (CMS), the NHE is projected to grow to 19.7% by 2028. Further, according to NCR Health, three out of four consumers feel their health care decisions are the most important—and expensive—decisions they'll ever make, yet four out of five admit to finding it difficult to compare cost and quality during the decision-making process. This is in stark contrast to other industries where a consumer can access cost, benefits and features to guide their purchasing decisions. From evolving consumerism needs to a robust deal environment, key areas are heating up for health care organizations.

Company Overview

UnitedHealth Group is the leading U.S 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.

Investment Thesis

UnitedHealth Group is focused on improving outcomes for patients, lowering healthcare costs, and offering a better healthcare experience for patients and care providers. To this end, the company is increasingly incorporating data analytics and other technologies in the delivery of health care. The company has partnered with government agencies to identify ways to control increasing costs of prescription drugs. The company has continued to enhance its offerings, focusing on more digital and physical care resources in the home, expanding its concierge navigation services and enabling the home as a safe and effective setting of care. UnitedHealth Group can deliver consistent value for: their dominant market share, lower costs, and strategic merger and acquisition growth. UNH has the most dominant franchise in the industry and continues to gain share in Medicare Advantage which is currently the most valuable growth market in managed care. In addition, UnitedHealth Group is typically a medical cost ratio leader in the managed care industry, and we believe this is partially due to its close relationship with Optum to help keep medical and operating costs low. Lastly, UnitedHealth Group has made strategic investments such as DMG and Catamaran which has increased their medical resources and network access. These mergers and acquisitions expanded UNH’s physician and Rx strategy which is used to control costs.

Investment Risks

Public health crises, large-scale medical emergencies and pandemics, such as the COVID-19 pandemic, effect on our business, results of operations, financial condition and financial performance. Competition; fundamentally compete on quality and value given to customers. If we sustain cyber-attacks or other privacy or data security incidents resulting in security breaches disrupting our operations or resulting in the unintended dissemination of protected personal information or proprietary or confidential information, we could suffer a loss of revenue and increased costs, exposure to significant liability, reputational harm and other serious negative consequences.

Financial Performance

Breakdown	TTM	12/31/2020	12/31/2019	12/31/2018	12/31/2017
> Total Revenue	270,295,000	255,639,000	240,269,000	224,871,000	200,136,000
Cost of Revenue	205,957,000	190,141,000	184,557,000	172,401,000	154,148,000
Gross Profit	64,338,000	65,498,000	55,712,000	52,470,000	45,988,000
> Operating Expense	45,257,000	44,595,000	37,913,000	36,502,000	31,802,000
Operating Income	19,081,000	20,903,000	17,799,000	15,968,000	14,186,000
> Net Non Operating Interest Inc...	-1,603,000	-1,663,000	-1,704,000	-1,400,000	-1,186,000
> Other Income Expense	1,804,000	1,502,000	1,886,000	1,376,000	1,023,000
Pretax Income	19,282,000	20,742,000	17,981,000	15,944,000	14,023,000
Tax Provision	4,324,000	4,973,000	3,742,000	3,562,000	3,200,000
> Net Income Common Stockhold...	14,512,000	15,403,000	13,839,000	11,986,000	10,558,000

ESG Considerations

In the case of UnitedHealth Group, Member of Dow Jones Sustainability Index since 1999 Fortune's World's Most admired companies: #1 rank in the insurance and managed care sector

(Unrealized gain on the Investment: 12.83% as of December 3rd, 2021)

Whirlpool Corporation (NYSE:WHR)

On October 15th we purchased 304 shares of WHR at a price of $223.04.

Industry Outlook

As of 2021, the United States household appliance industry revenue is projected to reach $19,416 million. The projected annual CAGR through 2025 of 6.2% implies revenues will be $26,190 million in 2025. The home appliance industry is correlated with homebuilding. From 2010 through 2020 new home construction fell 6.8 million units short of what was needed to meet household formation growth in the United States. Freddie Mac estimates that the national deficit of single-family homes stands at 3.8mm. Long-term historical average is 1.5 million units a year. At 2.1mm units a year, it would take a decade to close the gap. People are also using their home appliances more due to recent changes in consumer behavior driven by the COVID-19 pandemic. 57% of US consumers surveyed are spending on average an extra 7.5 hours at home each day. 54% of consumers report they are cooking more and of those 54%, 71% state they plan to continue cooking more. Two out of five consumers report they are doing laundry more since the COVID-19 pandemic started. There is a new emphasis in laundry on sanitization. "This whole buzzword of sanitization is something that has become such a big state in the mind of the consumers. It is here to stay. What we saw SARS did for Southeast Asia in terms of completely changing basic human behavior...we will potentially see the equivalent of this (COVID-19) impact for us" - Kumar Guarav VP of Marketing for Whirlpool.

Company Overview

Whirlpool is the world's largest manufacturer of home appliances. Whirlpool sells appliances that focus on laundry, refrigeration, cooking appliances and dishwashing. Whirlpool serves customers in North America, LatAm, EMEA and Asia. The Fortune 500 Company has annual revenue of approximately $21 billion, 92,000 employees, and more than 70 manufacturing and technology research centers around the world.

Investment Thesis

In 2017, Whirlpool's high quality management team initiated a successful campaign to reduce fixed costs and develop a cost-based pricing model. Whirlpool achieved this by making several divestitures over the next three years that re-focused the business on sales to consumers rather than businesses. Between 2017 and 2020, Whirlpool incurred $1 billion in restructuring costs however margins have steadily improved since this time. Whirlpool is now able to fully realize the benefits from this campaign. Furthermore, Whirlpool, as a leader in its industry, is poised to benefit from several positive trends in its industry outlook. 45-50% of Whirlpool's sales are for appliances destined for new homes. We forecast homebuilding to be significantly above average over the next 2-3 years due to a deficit in the current market. Consumer preferences also changed recently due to the COVID-19 pandemic with consumers spending more time doing household chores resulting in them using their appliances more. We expect these changes in consumer behavior to be long-lasting even as lockdown restrictions end. Finally, Whirlpool has a strong presence in smart appliances - an industry that is forecasted to have a ~19% CAGR over the next five years.

Investment Risks

A primary area of risk for Whirlpool is the rising costs of its raw material, however Whirlpool has shown success in passing these costs off to the consumer using its cost-based pricing program. Another risk is meeting consumer demand due to supply constraints; however, Whirlpool's geographical footprint of manufacturing sites helps mitigate this risk.

Financial Performance

Breakdown	TTM	12/31/2020	12/31/2019	12/31/2018	12/31/2017
> Total Revenue	21,771,000	19,456,000	20,419,000	21,037,000	21,253,000
Cost of Revenue	17,011,000	15,606,000	16,886,000	17,500,000	17,651,000
Gross Profit	4,760,000	3,850,000	3,533,000	3,537,000	3,602,000
> Operating Expense	2,097,000	1,939,000	2,211,000	2,264,000	2,191,000
Operating Income	2,663,000	1,911,000	1,322,000	1,273,000	1,411,000
> Net Non Operating Interest Inc...	-120,000	-168,000	-19,000	-300,000	-249,000
> Other Income Expense	-73,000	-288,000	249,000	-994,000	-275,000
Pretax Income	2,470,000	1,455,000	1,552,000	-21,000	887,000
Tax Provision	548,000	384,000	354,000	138,000	550,000
> Net Income Common Stockhold...	1,911,000	1,081,000	1,184,000	-183,000	350,000

ESG Considerations

Whirlpool focuses its ESG efforts on creating efficient appliances that reduce energy consumption. In April 2021 the company issued its first Sustainable Bond for $300mm that is tied to ESG metrics.

(Unrealized gain on the Investment: 7.62% as of December 3rd, 2021)

Microsoft Corporation (NYSE: MSFT)

On October 28th, we purchased 358 shares of MSFT at $323.01.

Industry Outlook

The Covid-19 pandemic has accelerated growth in mainly two areas: cloud migration & digital transformation. There is a tremendous need to achieve the following objectives; lower IT infrastructure costs & enable easy access to applications from a large number of remote users which drives migration to the cloud through 3 levels of computing.

Company Overview

MSFT is an American multinational technology corporation which produces computer software, OS, server/client applications, consumer electronics, personal computers, internet/intranet software, gaming systems & other devices. It's an extremely stable, blue chip, conglomerate with an aggressive goal of "empowering every person and organization on the planet to achieve more." MSFT has a number of income streams generating revenues from different segments & is well positioned to help us reach our portfolio goal for generating alpha against the SPY. The three main segments driving this growth are More Personal Computing consists of consumer and enterprise products. Products include; Windows including Windows OEM; Devices including, Surface and PC accessories, gaming including Xbox hardware and Xbox content and services, Search advertising, Intelligent Cloud consists of public private and hybrid server products, and cloud services. Products include, Server products and cloud services including Azure, SQL Server, Windows Server and GitHub, Enterprise Services including Premier Support Services and Microsoft Consulting. Productivity and Business Processes consists of products and services representing productivity, communication and information services.

Office Products (Commercial and Consumer) include, Office, Exchange, SharePoint, Microsoft Teams, Office 365, Security and Compliance and Skype, LinkedIn including Talent Solutions, Marketing Solutions, Premium Subscriptions, Sales Solutions, and Learning, Solutions, Dynamics include Dynamics 365.

Investment Thesis

Microsoft has a wide economic moat provided its diverse business portfolio. Organic and inorganic growth across the board is expected for Microsoft's products as well as very strong growth in the intelligent cloud segment of the Software space to $800 billion over the course of the next two years. Microsoft has been able to capitalize on that while also increasing operating efficiency and offering limited downside risk. Considering the wide number of Windows devices being utilized globally, Microsoft remains a leader in the Software Infrastructure industry with 70% of the market share. This offers Microsoft the ability to scale in the use and service offerings of its cloud services business (Azure) easier than its competitors. With increased subscribership to its Office 365 subscriptions, Microsoft will continue to increase profitability.

Investment Risks

• Intense competition
• Cybersecurity
• Lack of innovation
• Capital expenditure into cloud-based growth
• M&A Execution

Financial Performance

Breakdown	TTM	6/30/2021	6/30/2020	6/30/2019	6/30/2018
> Total Revenue	168,088,000	168,088,000	143,015,000	125,843,000	110,360,000
Cost of Revenue	52,232,000	52,232,000	46,078,000	42,910,000	38,353,000
Gross Profit	115,856,000	115,856,000	96,937,000	82,933,000	72,007,000
> Operating Expense	45,940,000	45,940,000	43,978,000	39,974,000	36,949,000
Operating Income	69,916,000	69,916,000	52,959,000	42,959,000	35,058,000
> Net Non Operating Interest Inc...	-215,000	-215,000	89,000	76,000	-2,733,000
> Other Income Expense	1,401,000	1,401,000	-12,000	653,000	4,149,000
Pretax Income	71,102,000	71,102,000	53,036,000	43,688,000	36,474,000
Tax Provision	9,831,000	9,831,000	8,755,000	4,448,000	19,903,000
> Net Income Common Stockhold...	61,271,000	61,271,000	44,281,000	39,240,000	16,571,000

ESG Considerations

MSFT has a low risk rating because it has the highest rankings in energy management, systemic risk management, employee engagement in diversity and inclusion.
MSFT is constantly looking to reduce its carbon footprint & donated $1.9B to 243k nonprofits globally. The MSFT Airband Initiative provides broadband access to
2.1million people (15.1m outside US) & has a Global Skills Initiative goal of 25 million learners by 2021.

(Unrealized gain on the Investment: 3.93% as of December 31st, 2021)

FedEx Corporation (NYSE: FDX)

On November 5th, we purchased 292 shares of FDX at $240.84.

Industry Outlook

The parcel industry is highly competitive. There are four major players in the United States that currently have 99% of the market share: FedEx, UPS, Amazon and USPS. The parcel industry has high barriers to entry as a considerable amount of infrastructure and human capital are required to operate an efficient delivery network. In 2020, there was a 27% increase in parcels shipped year-over-year. 18% growth is forecasted for 2021 and an

11% CAGR is forecasted through 2026. E-commerce is a key drive of the industry's growth. E-commerce accounted for 18% of total global retail sales in 2020, up from 7.4% in 2016. Even as COVID-19 lockdown restrictions ease, e-commerce's share of total sales is expected to increase to 21.8% by 2024. Consumers in the industry are placing a higher priority on speed. 25% of consumers surveyed would pay a "high premium" for faster delivery service and this share is expected to grow as it is mostly young consumers.

Company Overview

FedEx Corp. provides a portfolio of transportation, e- commerce and business services through companies competing collectively, operating independently, and managed collaboratively, under the FedEx brand. The Company's segments include FedEx Express, FedEx Ground, FedEx Freight and FedEx Services. The FedEx Express segment offers a range of the United States domestic and international shipping services for delivery of packages and freight; covering every U.S street address, and more than 220 countries and territories. The FedEx Ground segment provides business and residential money-back guaranteed ground package delivery services, 7 days a week The FedEx Freight segment offers less-than-truckload (LTL) freight services. The FedEx Services segment provides its other companies with sales, marketing, information technology, communications, customer service and other back-office support. In addition, integrated the technology and services customers need including solutions for data management, sales, marketing, & E-commerce.

Investment Thesis

FedEx Corporation's focus on strategic acquisitions and partnerships in technology, software, and robotics will increase profitability and margins over time. In 2016 FedEx acquired TNT Express for $4.8B. This acquisition will expand FedEx visibility in the European market while expanding the existing FedEx portfolio and reshape the global transportation and logistics industry. FedEx also acquired ShopRunner in 2020, furthermore driving expansion into the e-commerce market, with a multi-year collaboration with Microsoft, Adobe, and Salesforce. FedEx has a favorable market position to benefit from the rapidly growing e-commerce industry. FedEx has the greatest number of planes and vehicles when compared to competitors UPS and Amazon. FedEx successfully accommodated the record 39% surge in e-commerce sales from the start of the COVID-19 pandemic. Lastly, FedEx is focused on capital investments that will improve cost margins long-term. 16 automated facilities to be built before the end of the year to accommodate peak season, and commitments to purchase 35 and 33 aircrafts in 2022 & 2023 respectively.

Investment Risks

An immediate risk for FedEx is a tight labor market. FedEx is urgently trying to hire enough staff to get through the holiday peak shipping season. A long-term risk for FedEx is Amazon Logistics. Amazon has invested $60bn per year to develop a delivery service that can compete against FedEx and UPS.

Financial Performance

Breakdown	TTM	5/31/2021	5/31/2020	5/31/2019	5/31/2018
> Total Revenue	86,641,000	83,959,000	69,217,000	69,693,000	65,450,000
> Cost of Revenue	68,360,000	66,005,000	55,873,000	54,866,000	50,750,000
Gross Profit	18,281,000	17,954,000	13,344,000	14,827,000	14,700,000
> Operating Expense	12,433,000	11,981,000	10,492,000	10,041,000	9,450,000
Operating Income	5,848,000	5,973,000	2,852,000	4,786,000	5,250,000
> Net Non Operating Interest Inc...	-717,000	-741,000	-617,000	-529,000	-510,000
> Other Income Expense	1,394,000	1,442,000	-566,000	-3,602,000	-387,000
Pretax Income	6,525,000	6,674,000	1,669,000	655,000	4,353,000
Tax Provision	1,427,000	1,443,000	383,000	115,000	-219,000
> Net Income Common Stockhold...	5,087,000	5,220,000	1,284,000	539,000	4,566,000

ESG Considerations

FedEx is investing in pragmatic solutions through a $100 million donation to help establish The Yale Center for Natural Carbon Capture, tasked with using technology to take carbon out of the atmosphere. In addition, FedEx is committed with a goal to achieve carbon-neutral operations by 2040, and investing in partnerships like Nuro, in creating a fully autonomous electric delivery vehicle.

(Unrealized loss on the Investment: -2.32% as of December 3rd, 2021)

Costco Wholesale Corporation (NASDAQ: COST)

On November 10th, we purchased 52 shares of COST at $528.93.

Industry Outlook

The wholesale retailing industry is highly competitive but is also an industry that tends to do well regardless of macroeconomic conditions. This is because the wholesale retailing business model offers consumers high value products at low costs. Retailing has seen massive disruptions due to the COVID-19 pandemic, this includes, but is not limited to supply chain issues, the e-commerce boom, explosive sales growth, and record high valuations. The outlook however remains decent for the future, supply chain issues are being mitigated by retailers like COVID. Retailers have embraced e-commerce and have adapted well to new consumer buying habits. The huge boom in sales during 2021 and 2020 look set to be built upon in the future as the world exits the pandemic, despite it being generally considered a defensive industry. Wholesalers will also see demand increases from small and medium sized businesses as restaurants begin fully opening.

Company Overview

Costco Wholesale Corporation operates an international chain of membership warehouses that carry quality, brand-name merchandise at substantially lower prices than are typically found at conventional wholesale or retail sources. The warehouses are designed to help small- to medium-sized businesses reduce costs in purchasing for resale and for everyday business use. Individuals also may purchase for their personal needs. The company operates 818 locations around the world with over 111 million members, and its business model has fostered extremely strong customer loyalty. Costco is now the third largest retailer in the world and has been expanding its presence around the world, particularly in Europe and Asia. Costco has also made great strides in expanding its product line.

Some important things to note:

● Low Reliance on Membership Fees – Contrary to what many believe Costco's membership fees make up a very minor percentage of revenues, this statistic has been declining since 2017.

● Warehouse Expansion – Costco plans to open twenty-five locations in FY2022, compared to twenty in FY2021. Sales growth is driven primarily by new sales created by new locations, and comparable sales growth in stores in their first three years of opening.

● Membership Fee Hike – Despite a low reliance on membership fees as a revenue driver there is still a lot of discussion internally, and from other analysts about the potential of a fee hike in the coming years. This may impact renewal rates and membership growth.

● E-Commerce Segment – Costco has invested heavily in its online retailing segment in the last two years and has seen massive growth in this section of the business.

● Strong Performance in Foreign Markets - Warehouses in China have outperformed the US average in sales and memberships. Strong growth can be expected as more locations open.

Investment Thesis

✓ Strong Customer Loyalty

✓ Successful Operations Outside of the US

✓ Expanding E-Commerce Business

✓ Consistent Track Record of Profitable Growth

✓ Well Positioned to Mitigate Supply Chain Issues

✓ Expanding Membership Pool

✓ Company on Track to Open New Warehouses

Investment Risks

• Trading relatively close to fair value

• E-Commerce Segment could be outcompeted by other retailers

• Price competition from growing wholesale competitors
• Producer inflation may not be transferable to consumers
• Lower margins from online retailing may dent profitability

Financial Performance

Breakdown	TTM	8/31/2021	8/31/2020	8/31/2019	8/31/2018
> Total Revenue	195,929,000	195,929,000	166,761,000	152,703,000	141,576,000
Cost of Revenue	170,684,000	170,684,000	144,939,000	132,886,000	123,152,000
Gross Profit	25,245,000	25,245,000	21,822,000	19,817,000	18,424,000
> Operating Expense	18,537,000	18,537,000	16,387,000	15,080,000	13,944,000
Operating Income	6,708,000	6,708,000	5,435,000	4,737,000	4,480,000
> Net Non Operating Interest Inc...	-130,000	-130,000	-71,000	-24,000	-84,000
> Other Income Expense	102,000	102,000	3,000	52,000	46,000
Pretax Income	6,680,000	6,680,000	5,367,000	4,765,000	4,442,000
Tax Provision	1,601,000	1,601,000	1,308,000	1,061,000	1,263,000
> Net Income Common Stockhold...	5,007,000	5,007,000	4,002,000	3,659,000	3,134,000

ESG Considerations

Costco is ranked in the middle of other food retailers on an ESG basis. It has improved its environmental, and governance scores recently and compares well against its peers in those metrics. It has no worrying statistics from an ESG perspective and has an MSCI rating of BBB.

(Unrealized gain on the Investment: 3.94% as of December 3rd, 2021)

JP Morgan (NYSE: JPM)

On November 18th, we purchased 613 shares of JPM at $159.29.

Industry Outlook

Covid-19 pandemic has shown that the actions taken by the banks since the global financial crisis, including bolstering their capital, provisioning, funding, and liquidity buffers, have strengthened their resilience. We are having a positive view on Multinational Banks, prefer U.S and Asian banks to their European counterparts due to the former's superior profitability and more positive outlook. Expecting regulators in the U.S and Asia will be quicker to raise their key interest rates, given their economies are expected to rebound stronger. We believe The European Central Bank (ECB) will continue to keep its key interest rate low for longer, further widening the profitability gap between European banks and those in the U.S and Asia.

Key areas to Focus

• Rebound in loan demand as global economic recovery gains traction
• Net interest margin will remain under pressure
• Normalizing loan loss provisions will be the key driver in banks improved profitability
• Dividend and share buyback to make a comeback

Company Overview

JPMorgan Chase & Co. (JPM) is a leading global financial services firm with assets of $2.6 trillion and operations worldwide. Our rich history spans over 200 years. JPM are a leader in investment banking, financial services for consumers and small businesses, commercial banking financial transactions processing and asset management.

Four segments for JPMorgan Chase

● Consumer & Community Banking (CCB) Offer Deposit, Home/Auto Loan, Credit Card.
● Corporate & Investment Banking (CIB) Offer Bank and Markets & Investors Services. IPO, SPAC, Stock and Bond issuance, Secondary markets trading.
● Asset & Wealth Management (AWM) Provide investment management to retail and institutional investor, financial intermediaries, and High-net-worth families and individuals goals.
● Commercial Banking (CB) Providing lending, treasury service, Investment Banking and Investment management, services to corporations, municipalities, financial institutions, and nonprofit entities.

Investment Thesis

✓ Universal Bank

✓ Strong Position in Consumer & Commercial Banking

✓ Strong Key Performance indicator

✓ Strong Credit Quality

✓ Risk Management

Investment Risks

• Policies, Law and Regulation
• Cyber Attack
• Market/Credit Risk
• Fintech Company

Financial Performance

Breakdown	TTM	12/31/2020	12/31/2019	12/31/2018	12/31/2017
> Total Revenue	121,366,000	119,543,000	115,627,000	109,029,000	98,979,000
Credit Losses Provision	9,810,000	-17,480,000	-5,585,000	-4,871,000	-5,290,000
> Non Interest Expense	70,053,000	66,656,000	65,497,000	63,394,000	58,434,000
> Special Income Charges	-	-	-	-	645,000
Pretax Income	61,673,000	35,407,000	44,545,000	40,764,000	35,900,000
Tax Provision	11,602,000	6,276,000	8,114,000	8,290,000	11,459,000
> Net Income Common Stockhold...	48,274,000	27,410,000	34,642,000	30,709,000	22,567,000

ESG Considerations

The reason why we care about the ESG score is that ESG can be a risk factor for us to consider when we are investing. JPM has a 29.3 ESG score which is Medium Risk.

(Unrealized loss on the Investment: -3.68% as of December 3rd, 2021)

Cisco Systems Inc. (NYSE: CSCO)

On November 18th, we purchased 1532 shares of CSCO at $56.23.

Industry Outlook

There are expected to be 5.3 billion total Internet users by 2023 and the communications hardware industry is expected to be valued at ~$600 as of 2019. While demand on the hardware front is expected to decline in the short term, industry research is expecting there to be an increase in demand toward cloud computing, wireless usage, data center transformation to meet the hybrid cloud computing & client needs, as well as network security. The industry overall is expected to grow in revenue by 9% due to investments in network infrastructure by service providers & enterprises that are attempting to meet a growing demand for data consumption & next generation business applications. Research also expects industry gross margins to improve to 47.5% in 2021 & 50.1% in 2022 with the major driving forces being the rapid adoption of social media content, internet video, and widespread migration toward a more virtualized network environment for many enterprises.

Company Overview

Founded in December of 1984 & headquartered in San Jose, California, Cisco is a U.S. multinational technology corporation which manufactures & sells high-tech products & services, telecommunications equipment, networking software, & hardware. Cisco's goal is to integrate platforms across networks & the cloud in order to provide a highly secure, intelligent platform for its customers. Cisco's mission is to "...shape

the future of the Internet by inspiring new possibilities & helping transform its clients' infrastructure, expand applications, analytics, address their security needs, & empower their teams."
Cisco is estimated to have a market cap of almost 70% of the communications equipment index. It has a number of income streams generating revenues from different segments & is well positioned to help us achieve our portfolio goal for generating alpha against the SPY. Its main segments driving growth are Infrastructure Platforms, Applications, Security & other products, & lastly Services as one can see in the graphic depicted below.

Investment Thesis

✓ Increasing market share in the software and subscription space

✓ Growth in value of the software industry

✓ Strong balance sheet to facilitate organic and inorganic growth

✓ Development of communication equipment including Wi-Fi 6 and 5G core products

Investment Risks

- Intense competition
- Cyber attacks
- Restructuring

Financial Performance

Breakdown	TTM	7/31/2021	7/31/2020	7/31/2019	7/31/2018
> Total Revenue	50,789,000	49,818,000	49,301,000	51,904,000	49,330,000
Cost of Revenue	18,423,000	17,924,000	17,618,000	19,238,000	18,724,000
Gross Profit	32,366,000	31,894,000	31,683,000	32,666,000	30,606,000
> Operating Expense	18,376,000	18,175,000	17,582,000	18,125,000	17,939,000
Operating Income	13,990,000	13,719,000	14,101,000	14,541,000	12,667,000
> Net Non Operating Interest Inc...	154,000	184,000	335,000	449,000	565,000
> Other Income Expense	94,000	-641,000	-466,000	-419,000	-193,000
Pretax Income	14,238,000	13,262,000	13,970,000	14,571,000	13,039,000
Tax Provision	2,841,000	2,671,000	2,756,000	2,950,000	12,929,000
> Net Income Common Stockhold...	11,397,000	10,591,000	11,214,000	11,621,000	110,000

ESG Considerations

From reviewing the ESG report, Cisco has a relatively low ESG score due to the fact that there are limited material issues that would warrant a higher score.

(Unrealized gain on the Investment: 14.19% as of December 31st, 2021)

AbbVie Inc. (NYSE: ABBV)

On December 1st, we purchased 510 shares of ABBV at $118.85.

Industry Outlook

The pharmaceutical industry is expected to increase to $1.5 trillion by 2023. Approximately 38% of industry experts expect big data to have the greatest impact in the pharmaceutical industry. More than 450 medications were withdrawn over the past 25 years as a result of adverse reactions. This is one of the reasons why precision medicine is expected to be such an integral part of the change in the industry. There are 66 biologic patents in the United States that will expire from 2022 to 2025. As a result, the FDA anticipates an increasing number of biosimilar products. Pharmaceutical companies can spend up to $100 million per year on recalls that are linked to labeling mistakes.

Company Overview

Today, AbbVie's 48,000 employees around the world focus on discovering and delivering transformational medicines and products in several key therapeutic areas: immunology, oncology, neuroscience, eye care, virology, and women's health, as well as through our Allergan Aesthetics portfolio. We care deeply for patients and customers, their families, our employees, and our communities. We strive to always do the right thing, pursuing the highest standards in quality, compliance, safety, and performance. We embrace diverse backgrounds and perspectives and treat everyone equally, with dignity and respect, allowing us all to achieve our best. Our commitment to health doesn't stop with our medicines. Each day, we work to deliver sustainable solutions that improve the health of our business and the health of humankind.

Investment Thesis

AbbVie's injectable biologic Humira brought in nearly $20 billion in sales in 2020, with $16 billion in the U.S. alone. A year earlier, sales of the drug were $19.17 billion. While AbbVie intends to keep Humira biosimilars at bay in the U.S. until 2023, a number of competitors have filed IP lawsuits against the firm. In 2020, the United States District Court for the Northern District of Illinois dismissed 12 consolidated cases with prejudice, but the plaintiffs appealed the dismissal. More recently, Alvotech has filed a lawsuit accusing AbbVie of attempting to protect Humira with "an outrageous number of patents of dubious validity," according to a court filing. Announced 8.5% dividend increase starting in February 2022. Their dividend has grown over 250% since inception (2013) AbbVie purchasing Allergan in 2020 was a way for the company to not rely so much on its top selling drug Humira, and as a way to diversify its portfolio.

Investment Risks

Public health outbreaks, epidemics or pandemics, such as the coronavirus (COVID-19), have had, and could in the future have, an adverse impact on AbbVie's operations and financial condition. The expiration or loss of patent protection and licenses may adversely affect AbbVie's future revenues and operating earnings. AbbVie's major products could lose patent protection earlier than expected, which could adversely affect AbbVie's future revenues and operating earnings. A third party's intellectual property may prevent AbbVie from selling its products or have a material adverse effect on AbbVie's future profitability and financial condition.

Financial Performance

Breakdown	TTM	12/31/2020	12/31/2019	12/31/2018	12/31/2017
> Total Revenue	55,169,000	45,804,000	33,266,000	32,753,000	28,216,000
Cost of Revenue	17,810,000	15,387,000	7,439,000	7,718,000	7,040,000
Gross Profit	37,359,000	30,417,000	25,827,000	25,035,000	21,176,000
> Operating Expense	19,899,000	17,856,000	12,459,000	18,228,000	11,257,000
Operating Income	17,460,000	12,561,000	13,368,000	6,807,000	9,919,000
> Net Non Operating Interest Inc...	-2,431,000	-2,280,000	-1,509,000	-1,144,000	-1,004,000
> Other Income Expense	-7,818,000	-6,883,000	-3,433,000	-466,000	-1,188,000
Pretax Income	7,211,000	3,398,000	8,426,000	5,197,000	7,727,000
Tax Provision	-331,000	-1,224,000	544,000	-490,000	2,418,000
> Net Income Common Stockhold...	7,465,000	4,556,000	7,842,000	5,657,000	5,283,000

ESG Considerations

Since our inception in 2013, AbbVie and the AbbVie Foundation have invested more than $120 million in philanthropic programs that purposefully support diverse communities.

(Unrealized gain on the Investment: 2.80% as of December 3rd, 2021)

LESSONS LEARNED

2021 has been an exciting year to be part of such an amazing organization, the University of Connecticut Student Managed Fund has been a life changing experience for all involved. The team came together spring 2021, not knowing each other, or what to expect, other than our Advisor telling us all, “This is the best experience UConn has to offer.” On that note, we buckled up, hit the books, and were ready to take on anything that was thrown at us. The lessons that we are going to take away from our SMF experience, are going to last us a lifetime, and we will each be able to bring them to our lives and jobs well after our experience comes to an end.

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, Laurel Grisamer, Liping Qiuand the entire Endowment.