SMF Team Blue Spring 2022 Portfolio Report

UNIVERSITY OF CONNECTICUT SCHOOL OF BUSINESS

DATA FROM 09/13/21- 04/14/22

Table of Contents

Letter to Investment Advisory Board

Dear Investment Board Members & UConn Foundation Board Members,

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

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

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

Sincerely,

Team Blue

Team Blue

Connor Avallone & Nick Kinsella (Co-Lead Managers)
Alex Fay (Portfolio Manager)
Alexis Davitashvili & Katelyn Desautels (Co-Communications Managers)
Devin Stachelsky (Digital Media Managers)
Nick Good
Aidan Hamilton
Jaden May
Jeremy Szawerda
Karolina Tarnacki

Investment Style Overview

Benchmark & Approach:

We use the S&P 500 to benchmark our relative investment performance. Our goal is to maintain a portfolio composed mostly of mid to large cap equities with predictable operations which are trading at a discount to their intrinsic value.

Team Philosophy:

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

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

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

Investment Process:

<u>Pitches:</u>

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

<u>Voting & Allocation:</u>

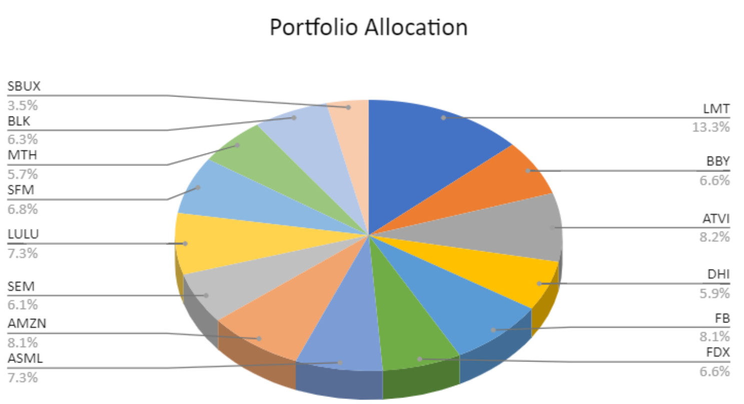
Once a stock is pitched to the group it is then time for us to make our final investment decision. For any equity to be purchased there needs to be a super majority vote of 8/11 members to approve a buy. Because our style involves a more concentrated portfolio approach with a target of 10-12 great companies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

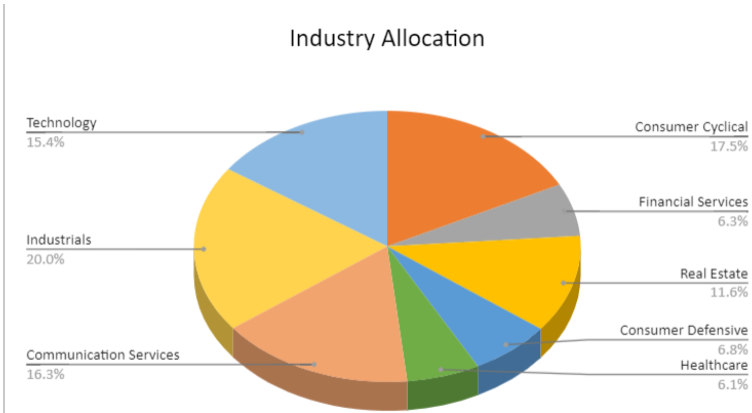
<u>Changes:</u>

Throughout the year we have learned many valuable lessons and have had to adapt to various situations. As the year progressed, we made changes to our process in order to make our team more efficient in our investment strategy. One major change we made was switching our voting from anonymous GroupMe voting to in-person voting. This allowed our team to facilitate more of a discussion in our voting process which enabled us to make more informed decisions. A second change we made was a mandate which requires a minimum of 9 team members to be present for a pitch to occur. There was an instance in the fall semester which negatively impacted our pitching/voting process which caused us to create this mandate. Our team believed that active participation amongst all (or nearly all) members was integral to our success.

Portfolio Performance:

Our portfolio is allocated to 14 securities. These securities fall within the following 8 different sectors: Consumer Cyclical, Communication Services, Industrials, Technology, Consumer Defensive, Real Estate, Financial Services, and Healthcare. We are most heavily allocated within Industrials (20.0%) and Consumer Cyclical (17.5%) sectors. Our team has not allocated capital to the following sectors: Materials, Energy, Utilities, and Consumer Staples. Our overall portfolio underperformed the S&P 500 by 252 bps. Our portfolio achieved an unrealized/realized return of -4.22% whereas S&P 500 returned -1.70% over the same period.





Ticker	Company	Industry	Date Purchased	Shares	Average Cost	Current Price	Cost Basis	Market Value	% of Portfolio	% of Equity	% Change
SPY	SPDR S&P 500 ETF Trust	S&P	9/13/2021	442	$ 446.58	437.79	$ -	$ -	0.00%	0.00%	-1.97%
LMT	Lockheed Martin Corp.	Aerospace & Defense	9/30/2021	343	$ 360.46	$ 467.66	$ 123,637.78	$ 160,407.38	13.32%	13.32%	29.74%
BBY	Best Buy Co. Inc.	Consumer Electronics	10/8/2021	850	$ 104.64	$ 93.84	$ 88,944.00	$ 79,764.00	6.62%	6.62%	-10.32%
ATVI	Activision Blizzard, Inc.	Computer Software	10/27/2021	1251	$ 66.77	$ 78.93	$ 83,529.27	$ 98,741.43	8.20%	8.20%	18.21%
DHI	D.R. Horton, Inc.	Real Estate	11/12/2021	986	$ 96.79	$ 72.51	$ 95,434.94	$ 71,494.86	5.94%	5.94%	-25.09%
FB	Meta Platforms, Inc.	Social Media	11/17/2021	466	$ 203.88	$ 210.18	$ 95,008.08	$ 97,943.88	8.13%	8.13%	3.09%
FDX	FedEx Corporation	Transportation	11/29/2021	388	$ 240.00	$ 205.74	$ 93,120.00	$ 79,827.12	6.63%	6.63%	-14.28%
ASML	ASML International	Technology	12/6/2021	147	$ 722.15	$ 597.87	$ 106,156.05	$ 87,886.89	7.30%	7.30%	-17.21%
AMZN	Amazon.com Inc	Consumer Discretionary	1/31/2022	32	$ 3,079.83	$ 3,034.13	$ 98,554.56	$ 97,092.16	8.06%	8.06%	-1.48%
SEM	Select Medical	Healthcare	2/8/2022	2981	$ 23.72	$ 24.65	$ 70,709.32	$ 73,481.65	6.10%	6.10%	3.92%
LULU	Lululemon Athletica	Athletic Retail	2/18/2022	226	$ 314.05	$ 390.78	$ 70,975.30	$ 88,316.28	7.33%	7.34%	24.43%
SFM	Sprouts Farmers Market Inc.	Consumer Staples	2/22/2022	2564	$ 30.49	$ 32.10	$ 78,176.36	$ 82,304.40	6.84%	6.84%	5.28%
MTH	Meritage Homes Corp.	Real Estate	3/24/2022	845	$ 85.14	$ 81.36	$ 71,943.30	$ 68,749.20	5.71%	5.71%	-4.44%
BLK	BlackRock, Inc.	Financial Services	3/30/2022	110	$ 775.90	$ 688.17	$ 85,349.00	$ 75,698.70	6.29%	6.29%	-11.31%
SBUX	Starbucks Corp.	Consumer Discretionary	4/11/2021	532	$ 80.85	$ 79.50	$ 43,012.20	$ 42,294.00	3.51%	3.51%	-1.67%
Cash	Cash	N/A		N/A	$ 1.00	$ 1.00	$ -	$ 127.89	0.01%	0.01%	-
						Total	$ 1,257,239.88	$ 1,204,129.84	100.00%	100.00%	-4.22%

Economic Outlook

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

Before touching on the economy specifically, we think it is helpful to provide some insight on what we have witnessed in the market this year. From the time we have been managing the portfolio (9/13/21 - 04/14/21) we have observed the following performances of the 3 major indices as shown below:

Dow Jones Industrial Average	(**-1.20%** total returns)
S&P 500	(**-1.70%** total returns)
Nasdaq Composite	(**-11.61%** total returns)

While at face value these returns depict a market that has had limited losses over this given period, the reality is that the structure of these indices have hidden the fact that many areas of the market have been crushed, especially the high growth names. Many stocks in the market including some that we own in our portfolio are well below their all time highs, down over 25-70% in some cases. A deeper dive into the indices might unveil where and why investors have been experiencing issues. Some of the reasons may include high inflation data coupled with Federal Reserve policy changes. We expect both of these issues to continue and lead to an increased level of volatility in markets.

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

Covid-19 posed a significant challenge especially when it came to monetary and fiscal policy decisions from both the Fed and Congress. When it came to the Fed's dual mandate, they were primarily focused on unemployment to try to get workers back on their feet during this pandemic. Currently, the unemployment rate is 3.6% but at the same time the labor force participation rate is 1.2 percentage points lower than pre-pandemic. To bring workers back to the labor force we may see higher inflation in wages, which may contribute to an increase in consumer prices and spending. Inflation numbers began to pick up month over month starting in the latter half of 2021, and in March of this year, the Consumer Price Index saw gains of 8.6% year of year.

Discourse around the Fed and their policies has now shifted toward controlling inflation. In November, the FOMC voted to begin the rollback of their expansive policies that were set in place in 2020. Beginning in late November, the rate of monthly asset purchases for Treasury and agency mortgage backed securities was reduced by $10 billion and $5 billion per month, respectively. All monthly asset purchases ceased in March of 2022. Focus then turned to adjusting the Fed's benchmark interest rate, the Federal Funds rate. One 25 basis point rate hike was completed at the March meeting, followed by an aggressive 50 basis point rate hike earlier this month. According to Chair Powell, two more half-point rate hikes are "on the table" to be conducted in the remainder of 2022.

Sector Analysis

Industrials:

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

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

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

Consumer Discretionary:

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

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

Communication Services:

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

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

Technology:

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

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

Financial Services:

The Financial Sector contains companies involved in activities such as banking, mortgage finance, consumer finance, specialized finance, investment banking and brokerage, asset management and custody, corporate lending, insurance, financial investment, real estate investment trusts (REITs), as well as companies engaged in real estate management & development. Once concerns surrounding the COVID-19 (coronavirus) pandemic dissipate, economic activity is expected to once again begin to improve. Improved economic conditions will enable disposable income levels to rise during the outlook period. This should help provide consumers and businesses with increased certainty in their long-term financial stability. This stability will likely lead to increased demand for industry operators' services. Additionally, improved economic conditions should lead the Federal Reserve to increase the Federal Funds Rate (FFR) from the near zero-bound levels it dropped to amid the coronavirus pandemic in the prior period. Industry operators will significantly benefit from this, as it will lead the interest rates on the products they provide to increase as well. Overall, these trends are expected to lead industry revenue to increase an annualized 4.9% to $315.1 billion over the five years to 2026.

Unallocated Sectors:

Throughout this year we have been primarily focused on picking strong companies that we believe in and have not been primarily focused on which individual sectors those companies are a part of. This year we believe we built a solid portfolio of companies. We are generalists at the end of the day that want to seek great investment opportunities regardless of the sector. Our unallocated sectors include materials, utilities, consumer staples, and energy.

Portfolio Positions

Lockheed Martin Corporation. (NYSE: LMT)

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

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

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

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

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

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

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

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

As of April 14th, 2022, we have had a final mixed unrealized gain of 29.74%.

Best Buy Co. (NYSE: BBY)

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

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

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

As of April 14th, 2022, we have had a final mixed unrealized loss of -10.32%.

Activision Blizzard Inc. (NASDAQ: ATVI)

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

Activision Blizzard is a global developer and publisher of interactive entertainment for personal computers, video-game consoles, and mobile devices. ATVI benefits from a variety of revenue streams from its three core business segments (Activision, Blizzard, King) and produces many of the top video game franchises that consumers know and love. Activision is the business segment that is focused on producing premium content for consoles (PC and mobile devices to a lesser extent). This segment makes up 48% of total revenue and includes franchises such as Call of Duty and Guitar Hero. Blizzard Entertainment is another segment that is tailored to the computer market. It generates revenue (24%) from game purchase, in-game purchases, and subscriptions for its popular franchise World of Warcraft. Lastly, King Entertainment is a segment that is dedicated to the mobile device market. It produces free to play content and generates revenue (28%) through in game purchases. Its most notable franchise is Candy Crush Saga.

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

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

As of April 14th, 2022, we have had a final mixed unrealized gain of 18.21%.

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

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

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

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

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

As of April 14th, 2022, we have had a final mixed unrealized loss of -25.09%.

Meta Platforms Inc. (NASDAQ: FB)

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

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

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

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

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

As of April 14th, 2022, we have had a final mixed unrealized gain of 3.09%.

FedEx Corporation. (NYSE: FDX)

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

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

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

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

As of April 14th, 2022, we have had a final unrealized loss of -14.28%.

ASML International (NASDAQ: ASML)

On December 6th, 2021 & January 25th, 2022, we purchased 112 shares and 35 shares respectively of ASML. We bought in at $744.83 & $649.59 per share at a total cost of $83,420.96 and $22,735.65.

ASML Holdings is a global innovation leader in the chip industry. ASML provides today's chipmakers with the hardware, software, and service they need to mass produce patterns and transistors on silicon through a process called lithography. The company sells three different types of systems that are used for different purposes. ASML sells Extreme Ultraviolet Lithography Systems (EUV), which is a lithography system that allows chipmakers to make the smallest, fastest, and most advanced chips on the market. This machine is crucial to society's transition to a smart world which demands more and high-quality semiconductors. The second type of machine ASML sells is Deep Ultraviolet Lithography Systems (DUV). This machine is crucial to creating the first few layers of patterning. This machine is not as powerful as the EUV system, but chipmakers still require the DUV systems for their manufacturing needs. The final product ASML sells is a metrology system, which acts as a “spell checker” to find and correct any mistakes created from the DUV or EUV lithography process.

This year there has been high demand for many technological products without adequate supply to meet it. The demand for semiconductors will not go away regardless of if there are persistent supply chain inefficiencies or not. Many electronic makers cite low semiconductor supply as a reason for rising cost, lower revenues, and reduced output. ASML is well positioned to capitalize on this high demand since their machinery is crucial to semiconductor manufacturers' challenge to meet growing demand. The semiconductor industry is the aggregate of companies engaged in the design and fabrication of semiconductors and semiconductor devices. The industry is R&D intensive, the top 3 industries in R&D expenditures as a percent of sales in the US are pharmaceuticals and biotechnology, semiconductors, and software. Commonly, corporations and consumers globally use semiconductors in millions of devices. Most are commonly seen in our everyday lives such as computers, smartphones, medical equipment, and more. Due to the high cost of capital, only three firms are able to manufacture the most advanced semiconductors. Taiwan Semiconductor Manufacturing Company, Samsung, and Intel provide the largest percentage of the ASML's revenue. Without ASML there would be no advanced semiconductors or advanced technology today.

Extreme Ultraviolet lithography equipment sales for ASML was 46% of 2021 revenues, the EUV technology has seen massive growth, registering a 3-year CAGR of 31%. ASML expects its EUV systems to represent 2/3 of their revenues by 2025, as they expand into High-NA EUV tech, which will allow ASML to produce faster, efficient, and smaller semiconductors. ASML's Deep Ultraviolet Lithography System (DUV) is crucial to creating the first few layers of patterning. Into the future chipmakers will still require ASML's DUV systems to make the "foundation" of their advanced chips. This segment represented 48% of 2021 revenue, registering a 3-year CAGR of 5%. The final product ASML sells is metrology systems, this is the only type of machinery that ASML faces increased competition when compared to their lithography system portfolio. The metrology segment is an additional revenue stream ASML recognizes by upselling their customers. Some customers have chosen to use competitor's metrology systems on ASML's EUV & DUV output, while others prefer to stick with the trusted ASML brand for metrology since they created the best lithography systems we have today. Metrology sales represented 4% of 2021 revenues, registering a 3-year CAGR of 23% depicting higher rates of upselling and customer adoption. ASML is focused on maintaining their market share and quality of product, to ensure this they are investing in a new type of technology called High-NA EUV which will allow ASML to create even better machines for today's chipmakers, the technology is slated to hit the market in 2023 or later.

As of April 14th, 2022, we have had a final unrealized loss of -17.21%.

Amazon.com Inc (NASDAQ: AMZN)

Between January 31, 2022, and February 8, 2022, we purchased 32 shares of Amazon.com. We have a cost basis of 3,079.83 and a total allocation of $98,554,56.

Amazon.com, Inc. (AMZN) is an American technology company focused on e-commerce, cloud computing, digital streaming, and artificial intelligence. AMZN distinguishes itself into three different business segments: North America, International, and Amazon Web Services (AWS). With $280B of revenue in 2021, North America has historically been AMZN's largest and fastest growing segment. Its International segment has historically performed at a loss, but experienced positive margins in 2020. With recent investment into international regions, AMZN will likely experience further margin expansion and revenue growth. Both revenue from North America and the International segments consist of sales (including third-party items) on Amazon.com, revenue from physical stores (Amazon Go and Whole Foods), and subscription services (Amazon Prime). AWS is the last segment that makes up around 13% of AMZN's total revenue but produces more than half of its operating income. This is a very high margin business within an industry that is rapidly growing. AWS provides services such as cloud computing, data storage, machine learning, and database analytics. AMZN currently owns 32% market share in the cloud provider industry and is in a great position to defend this market share from its competition.

AMZN engages in many business operations, so it is best distinguished as a participant in the e-commerce, cloud services, and online streaming industries. In the U.S. e-commerce industry, AMZN holds the greatest market share of 41% against companies such as Walmart, eBay, and Apple. Internationally, countries such as Turkey, India, and Japan are anticipated to experience the greatest growth in e-commerce sales, and AMZN is well-positioned to capture a growing market share given that those are regions it has recently expanded to. Within the cloud services industry, AWS competes against vendors such as Microsoft, Google, Alibaba, and IBM. Over the next five years, this industry is expected to grow at a CAGR of 16.3%, and AMZN is well-positioned to defend its market share given its long-standing contracts with government organizations and major businesses, such as Netflix. AMZN also competes in the online streaming industry, which is anticipated to grow at a CAGR of 18.74% over the next three years, mostly due to increasing internet access. AMZN distinguishes itself from competitors such as Netflix, Hulu, and Disney by including exclusive shopping and discounts, alongside streaming services, in a Prime subscription. In the U.S. AMZN is already the second most used streaming service, and its upcoming acquisition of MGM studios will further expand and improve its market share and content offerings.

As of April 14th, 2022, we have had a final unrealized loss of -1.48%.

Select Medical (NYSE: SEM)

On February 9th, 2022, we purchased 2,981 shares of Select Medical. We purchased our allocation at $23.72 per share for a total value of $70,709.32.

Select Medical is Leading provider of post-acute services with operations in 47 states and D.C. They have 4 major Business Segments: Critical Illness Recovery, Rehabilitation, Outpatient Rehabilitation and Concentra. Their core business strategies focus on joint ventures with large healthcare systems, expanding rehab programs and services, and increasing focus on occupational health.

Their industry has many drivers and shows a vast amount of growth potential. Firstly, this is a more labor intensive field. Additionally, this is a field that relies on those with health insurance and anyone over the age of 65. Currently, the aging population is the largest population, which can only allow for growth in this sector. Growth wise, this is a $280.5 billion industry valuation in 2020, and is expected to have a CAGR of 13.5% over the next 5 years.

SEM is and will remain to be one of the leaders in their industry. The company is currently undervalued and at a buy due to their vast amount of value drivers. The company has a diverse facility & treatment portfolio, they are leveraging mergers and acquisitions into economies of scale, innovating their rehabilitation techniques and are specialized in the industry with growth potential. All of these advancements towards technology and M&A will create large growth for the future of the company.

As of April 14th, 2022, we have a final unrealized gain of 3.92%.

Lululemon Athletica (NASDAQ: LULU)

On February 18th, 2022, we purchased 226 shares of Lululemon Athletica. We purchased our allocation at $314.05 per share for a total value of $70,975.30.

Lululemon is a yoga and exercise apparel company whose business strategy reflects a lifestyle rather than a product. The company derives revenue from its eclectic product line of men's and women's apparel and accessories as well as from its recent acquisition of Mirror, an at home fitness platform. The company owns and operates over 550 brick and mortar locations with a goal of expanding into European markets.

The athletic apparel industry has been driven by consumer preferences favoring "athleisure" and "workleisure" attire as a result of the Covid-19 pandemic and subsequent lockdowns. Industry experts suggest that drivers for 2022 include wardrobe reboot to meet changing preferences, talent crunch, and logistics gridlock to combat supply chain disruptions. In addition, order volumes for men's athleisure clothing sales were up 20% higher than in 2019. CNBC reported that dress wear's share of the U.S. apparel market was down 6.7% in July 2021 furthering the importance of dominating the space to gain a competitive advantage in the saturated market.

Lululemon is an industry leader in the exercise apparel market. We firmly believe the company is currently undervalued by the market and is a strong investment opportunity due to the following five reasons. The company's efforts in its expansion into new markets, the increased attention to the men's athleisure line, expanding the current product mix into footwear and self care products, continued shift to e-commerce to grow in line and even exceed industry trends, and the brand's marketing efforts highlighting Lululemon brand ambassadors and educators through influencer marketing strategies. The above reasons will drive our valuation of the company.

As of April 14th, 2022, we have a final unrealized gain of 24.43%.

<u>Sprouts Farmers Market (NASDAQ: SFM)</u>

On February 22nd, 2022, we purchased 2,564 shares of Sprouts Farmers Market. We purchased our allocation at $30.49 per share for a total value of $78,716.36.

Sprouts Farmers Market is a unique and differentiated healthy grocer which is structured to resemble the atmosphere of a farmer's market. SFM offers fresh, natural and organic food products in the U.S. including produce, meat, seafood, deli, bakery, dairy, vitamins/supplements, frozen foods, beer/wine and body care products. SFM is headquartered in Phoenix, AZ and was founded in 2002. They operate 370+ stores in 23 states and employ 31,000 team members predominantly within the South/Midwest regions.

The food and grocery retail market is expected to grow at a compound annual growth rate of ~5% until 2027 with many consumers shifting towards healthier/attribute driven food products. The key players within this industry have been facing increased pressure on labor, product and transportation costs due to the lingering effects of COVID-19. Top line within this segment is expected to benefit with inflation and analysts predict that ecommerce will be a priority going forward as more grocers offer an omnichannel shopping experience. With giant companies like Walmart and Amazon entering into the space many smaller companies will have to seek ways to differentiate themselves within the industry.

Sprouts Farmers Market is a unique grocery store operating in a very niche industry. Consumer trends are strongly in favor of SFM due to many individuals swaying towards a healthier lifestyle/diet. Leadership has established a new strategy which they will be employing moving forward in order to increase their profitability/efficiency. Their CEO Jack Sinclair plans to reduce store square footage, implement a new growth strategy to increase unit growth by 10% annually, and channel their marketing strategy more efficiently in order to target the right consumers. This new strategy should greatly benefit the company as a whole as well as drastically improve bottom line growth.

As of April 14th, 2022, we have a final unrealized gain of 5.28%.

Meritage Homes (NYSE: MTH)

On March 23rd, 2022, we purchased 845 shares of Meritage Homes Corporation. We purchased our allocation at $85.14 per share for a total value of $71,943.30.

Meritage Homes Corporation is an American homebuilder which primarily focuses on building energy efficient homes in the southern part of the United States. Their business is divided into two distinct segments, financial services and homebuilding. Over 99% of revenues come from their homebuilding segment at $5.1 billion in 2021. MTH's target market consists of environmentally conscious, first time and move-up home buyers. Their financial services segment provides much needed in-house services such as title insurance, mortgage brokering, and escrow. All of these functions work to make the homebuying experience exceptional and efficient for their customers. Currently, they operate in 9 states primarily in the Southeastern and Southwestern part of the United States with future plans to expand into neighboring areas. Through this expansion. We believe that MTH will experience healthy revenue growth in both their financial services and homebuilding segments.

In general, the United States has seen a housing shortage since the Great Financial Crisis of 2008. From 2022-2026, the U.S. Homebuilding industry is expected to grow at a CAGR of 5%, supporting strong demand and faster growth than the overall U.S. economy. Meritage Homes Corporation will be in a unique position to capture this market momentum through their massive supply of buildable lots in desirable areas and their positioning to attract first-time home buyers with a spin on energy-efficient designs. Beyond 2026, we firmly believe that energy efficiency will play a larger role in homebuyer purchasing decisions, in which Meritage Homes Corporation will have an innate advantage when compared to its competitors.

As of April 14th, 2022, we have a final unrealized loss of -4.44%.

BlackRock (NYSE: BLK)

On March 3rd & April 1st, 2022, we purchased 63 and 47 shares respectively of BlackRock, Inc. We purchased shares at $780.61 and $769.58 per share for a total cost of $49,178.43 and $36,170.26.

BlackRock, Inc. (BLK), is one of the world’s largest publicly traded investment management firms. BlackRock manages assets on behalf of institutions and individuals worldwide through a variety of equity and balanced, fixed income, cash management, alternative investment, and advisory products. BlackRock also offers investment system, risk management, and financial advisory services. In 2021, BlackRock reported $19.37 billion in revenue with about $10.01 trillion in assets under management (AUM) globally.

BlackRock operates the largest ETF business in the world through their iShares ETF products. Through these products, BlackRock offers investors access to equities, fixed income, multi-asset, alternative, and cash management funds. Investors can also access global markets through BlackRock's ETF offerings. In addition to their ETF business, BlackRock offers technology services to institutional clients, asset servicers, and wealth managers. Their Aladdin platform is a holistic risk management program that presents an enterprise view of the risk profile of an organization. This technology is used to track risk across a broad range of asset classes and consolidate the information into a single system. Currently, BlackRock provides technology services to a range of high profile clients including Credit Suisse Asset Management, MetLife, Fannie Mae, Macquarie, Guggenheim Partners, and many more.

We believed that BlackRock was undervalued when we originally entered the position and we still believe the company is trading at a discount at $688.17 as of April 14th, 2022. BlackRock is continuously investing heavily in their ETF and technology businesses. The ETF investing space has seen rapid growth in recent years and we expect the ETF market to continue to grow in size at about 10-14% CAGR over the next 5 years. BlackRock's technology business is also growing rapidly. This segment of their operations is characterized by extremely high switching costs for their clients. This provides BlackRock with a significant moat in a core aspect of their business model. BlackRock also plans to expand their operations into the lucrative Chinese capital markets with the goal of becoming the region's leading asset manager.

As of April 14th, 2022, we have a final unrealized loss of -11.31%

Starbucks (NASDAQ: SBUX)

On April 11th, 2022, we purchased 352 shares of Starbucks Corporation. We purchased our allocation at $80.85 per share for a total value of $43,012.20.

Starbucks is a multinational coffeehouse chain and roastery, it is the world's largest coffeehouse chain founded in 1971. The chain has more than 30,000 retail stores in 83 different markets. Products that you can find in these locations include Handcrafted Beverages, Coffee, Fresh food, and consumer products such as ready to drink beverages.

The U.S. Coffee Market is forecasted to grow at a CAGR of 8.1% (2019-2024). In terms of industry outlook, the global consumer tea and coffee market is being stimulated by five industry trends. The first being improving overall customer experience. With the Covid-19 pandemic beginning to tailor off and individuals return back to some sense of normalcy, companies like

Starbucks have seen an increase in wait time. Successful companies will effectively and efficiently create a system, such as mobile ordering, to satisfy customer needs in a timely manner. Additionally, millennials are concerned with the quality of the beverage over the price. Premium brands like Starbucks will continue to succeed if the quality of the product is high and can be showcased on social media or to colleagues. In addition to mobile ordering, on the go product offerings are becoming increasingly popular. Consumer preference also is being stimulated by new and unique product offerings. Finally, consumers are concerned with where the beverage is coming from. Ethical suppliers is another area of concern that will drive consumer preference.

We believe that SBUX is undervalued by the market and is a strong long-term position for our portfolio. The company has many avenues of growth, where we analyzed three specifically. Store and Channel Expansion, Growth at Scale, and the Premium Brand Image. Starbucks is looking to add ~2,000 gross new stores each year, expand their licensee business, and expand in China. Additionally, Starbucks is known for their elevated customer experience, beverage and coffee innovation and digital customer experience.

As of April 14th, 2022, we have a final unrealized loss of -1.67%.

Lessons Learned

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

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

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

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

3. **Adaptation:** There have been many occasions throughout this year in which our team has had to adapt to current challenges and come to solutions. One example is when we changed our team's voting rules and requirements. We are working within an ever changing market and thus as a team need to be able to adapt and change given whatever challenges we may face.

Throughout this year Team Blue has learned how to set our biases aside and try to evaluate companies only and not the people who pitched the company. This not only helps avoid groupthink, but also it prepares people to have constructive conversations that will happen upon moving into our respective careers. Another valuable lesson learned was that our success does not hinge on whether we beat the S&P 500 (our benchmark) in a period of about 8 months, this is because we have a 10-year investment horizon, so any short-term gains or losses are therefore meaningless. Team Blue has learned that our success does hinge on how we all grow together and individually from where we first started. This is a better measure of success because unlike an investment, personal growth does not have a time horizon. Team Blue is grateful for the opportunity to learn valuable skills throughout this year. We will utilize these skills throughout our lives and forever be appreciative of being a part of this prestigious organization.

Team Blue thanks you gratefully for reading this report.

Warm regards,

Team Blue (2021-2022)