SMF Fall 2022 Portfolio Report

University of Connecticut

SCHOOL OF BUSINESS

DECEMBER 31ST, 2022
UNIVERSITY OF CONNECTICUT SCHOOL OF BUSINESS UNDERGRADUATE STUDENT MANAGED FUND TEAM WHITE

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Letter to IAB

Dear Investment Advisory Board Members,

Team White has enjoyed a terrific experience this fall participating in the Student Managed Fund. We would like to thank everyone involved in this program for their contributions to the organization, causing the SMF to be a great learning experience for us all. Throughout the fall semester, each member of our team has learned a tremendous amount about value investing, security analysis, risk management and portfolio monitoring. The learning experience we have been able to partake in as being part of SMF has taught us many valuable lessons and we all are honored to be a part of such a prestigious program.

The first important lesson that has stuck with our team is performing deep fundamental analysis of each security prior to allocating any of our portfolio to it. We look for great companies which we believe will continue to be great relative to its industry and peers. On top of this, we aim to find equities which we can understand; including how they make money, how they operate, and what risks are inherent to it. Performing extensive due diligence prior to security selection has been a priority of team white throughout the fall semester and we look to continue deploying strong analysis during the rest of the year.

Further, there is nothing like real world experience and advice. As SMF managers we have the pleasure to be learning great investing techniques from some of the brightest minds in the industry. Most of the team has little to no experience in deploying capital and making investment decisions, making the wisdom shared with us an indispensable aspect of the program. Through our management of a large sum of real-money, each of us gets the chance to use the teachings bestowed on us to formulate our own investment ideals, perform sound analysis, and ultimately decide where a sum of money ends up being invested. The consequences and rewards which can be seen through portfolio performance push us as we gain real-life experience.

As a team, we all love getting together on Friday mornings for our weekly pitches and participating in conversation to address any outstanding questions about the pitched equity. We cherish the critiques given to us by both Jeff and Anna, whose industry expertise helps us think through aspects of the company which may not have been addressed otherwise. The virtual SMF speaker events also serve as great supplemental content, providing us additional knowledge on topics such as the overall economy, ESG, among others which further enriches our experience. We love hearing IAB members speak and are very fortunate to have their advice and insights shared with us. As a team, we have grown tremendously from the start of the semester and all team members remain eager to learn more throughout the rest of the year. Team white's debates and comments have become more advanced as the year has progressed and we are excited to continue in the right direction when we return for the spring semester.

Thank you again for your involvement in the SMF and we hope you enjoy this fall report!

Sincerely,
Team White

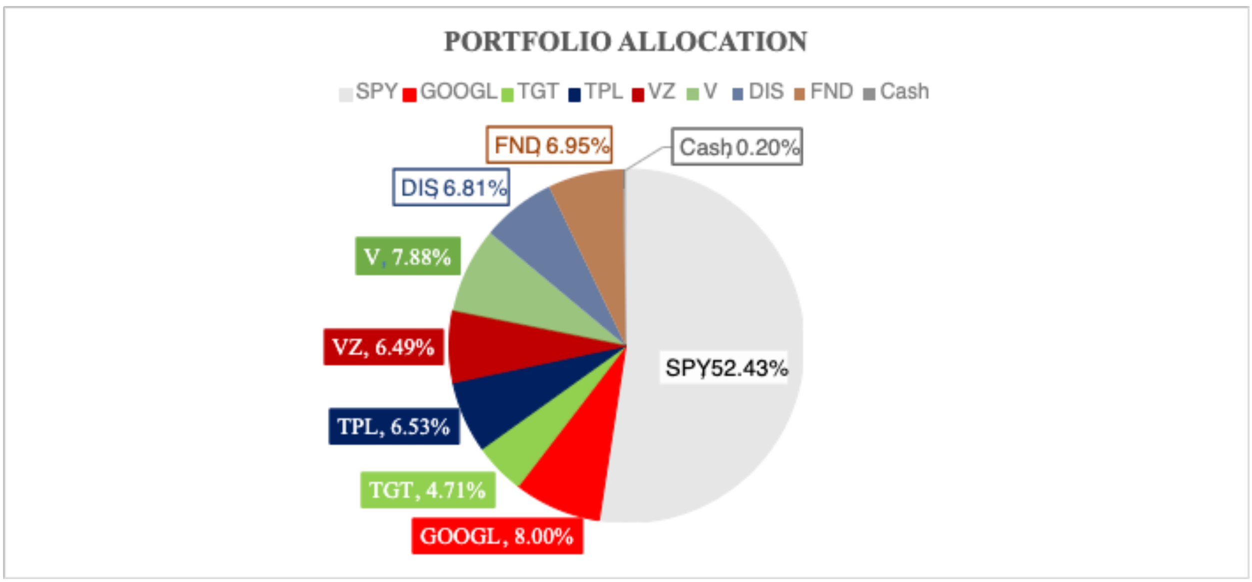
Portfolio Performance

S&P 500 Index Benchmark		
Beginning Value	$	3,859.11
Current Value	$	4,071.70
Absolute Change	$	212.59
Percent Change		5.51%

SMF Portfolio Performance		
Starting Balance	$	1,091,347.72
Ending Balance	$	1,154,156.61
Total Portfolio Performance		5.76%
Difference in Total Performance		0.25%

Ticker	Company	Purchase Price	Current Price	% Change
GOOGL	ALPHABET INC.	$ 94.52	$ 100.44	6.26%
TGT	TARGET CORPORATION	$ 164.55	$ 164.11	-0.27%
TPL	TEXAS PACIFIC LAND CORP	$ 2,571.65	$ 2,600.61	1.13%
VZ	VERIZON COMMUNICATIONS INC.	$ 39.21	$ 38.18	-2.63%
V	VISA INC.	$ 212.75	$ 217.66	2.31%
DIS	WALT DISNEY CO	$ 95.90	$ 99.43	3.68%
FND	FLOOR & DECOR HOLDINGS INC .	$ 76.80	$ 77.12	0.42%

Portfolio Allocation



% Equity	47.37%
% Cash	0.20%
% SPY	52.43%
Average Equity Position	6.77%
Portfolio vs. Market Spread	0.25%

Investment Philosophy and Style:

Our philosophy for SMF Team White is to find great businesses to invest in over the course of a 10-year investment horizon that are currently trading at a discount to their intrinsic value. Over the course of our investment horizon, the goal is to outperform the S&P 500 Index, consisting of the 500 largest publicly traded in the US. Arguably the most important component of our philosophy is risk mitigation in our process to try and outperform the index. In short, while we understand that strong growth is critical to beating the benchmark, we believe that we must exercise strong risk management techniques in order to preserve the downside of our positions so we do not see large negative returns.

Investment Approach:

Team White follows a blended top-down/bottom-up as well as a value-centric approach. Our managers are free to search for companies in any industry they would like, as we do not have specific managers assigned to a given sector. When in need of new ideas, we plan a supplemental team meeting in order to brainstorm ideas of securities to perform additional due diligence on. Securities are found through databases provided to us such as Bloomberg and CapIq, while managers also keep an eye on current macroeconomic and individual company news using a watch list to stay current on market information. In the spring, we aim to implement more of a top-down strategy where we will analyze current macroeconomic conditions to find lucrative industries which seem poised to generate an outsized return over the investment horizon. We will screen industries which we deem to have strong tailwinds to find the best companies for our portfolio.

Further, at the core of our approach is searching for companies which are undervalued. We can find the best company in a particular industry, but if it is overvalued in the market, we leave ourselves with little room for error and a potential market correction. As we screen for investment opportunities, we always perform some sort of financial model on the company (typically a DCF) to determine whether the equity is trading at a discount to its implied intrinsic value. Through the use of our various approaches we are able to screen out companies which do not meet the criteria we are looking for, leaving us with securities we deem will outperform the market over a long-term horizon.

Performance:

Our fund's performance over the holding period is 5.76% versus SPY's 5.51% return over the same period. Our top performers included GOOGL, DIS, and V, while our top laggard was VZ. Although it is very early in our investment horizon, we believe it is important to keep an eye on our performance against our benchmark. We will continue to monitor our performance throughout the duration of the year and reanalyze individual positions as needed.

Investment Managers

Joe Gjinaj
Jake Klin
Orgest Nazarko
Nick Otis
Garrett Prushinski
Matt Raab
Ian Rice
Elizabeth Rudinskaya
Rory Smith
Jack Tubridy
Thomas Waurishuk

Fall Officer Positions

Nick Otis - Co-Lead Manager
Matt Raab - Co-Lead Manager
Joe Gjinaj - Portfolio Manager
Jack Tubridy - Co-Communications Manager
Rory Smith - Co-Communications Manager
Elizabeth Rudinskaya - Digital Media Manager
Jake Klin - Co-Risk Manager
Garrett Prushinski - Co-Risk Manager

Investment Philosophy

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As a team, we think about a lot of different things when building and monitoring our portfolio. We tend to follow three key ideas when searching for equities to invest in. First, we want to find great companies that we think will continue to be great over the long term. During the due diligence process, the managers working on a specific company will look to find ways in which it will continue to be great, typically through looking at things including business models, management teams, competitive advantage and risks. Second, we aim to fully understand how companies make money and how they will continue to do this. Managers analyze revenue breakdowns, product offerings, and financial statements in order to do so. Third, as mentioned earlier, we invest in securities which are trading at a discount relative to their intrinsic valuation. We use DCF models, multiple analysis, as well as comparable analysis to determine a company's implied share value. While each company will have unique components and additional aspects we need to research, Team White keeps these three guiding principles in mind when performing their research.

Other key components of our philosophy are diversification and risk management. When building our portfolio we keep track of the various sectors which we are invested in. We do our best to diversify among industry and position sizes in order to prevent any over-allocation. We also take our risk management very seriously. Our risk managers monitor the performance and any current news of our holdings to ensure that we have the same faith in our investments at any given time as we did when we decided to buy them. If there are any fundamental changes in the businesses we have invested in, we have the ability to reanalyze our positions to limit the amount of risk we are exposed to. On top of this, we set a stop-loss for each of our equities which limits the potential downside. All of our stocks are also bought with a built-in implied margin of safety and the managers listen in on the earnings calls/press briefings of our portfolio companies to stay up to date with our holdings.

Style

Our investment style is predicated upon looking for the strongest performing companies in lucrative industries. We focus on established firms who are leaders in their respective industries. Other key aspects of companies that we look for include those with strong competitive advantages, emphasis on value creation, and those that have strong management teams. Furthermore, fund allocation in the equities we select is only executed once we have demonstrated it is undervalued in the current market. We assess our performance against the Standard & Poor 500 Index. Our portfolio is predominantly composed of large-capitalization equities, but we actively search for investments across all capitalization ranges. The fund mandate necessitates an additional element of security analysis through an Environmental Social Governance principles approach. Equities are scrutinized against ESG principles to assure a comprehensive approach to seeking added value in both the financial and macroenvironment.

Risk Management

Risk management is one of the fundamental aspects of our investment philosophy. As we attempt to outperform the S&P 500 Index, equities which were purchased for the portfolio underwent a rigorous selection process and were ultimately deemed able to mitigate potential risks they faced. Our fiduciary responsibility to the University of Connecticut Foundation, caused our investment philosophy to be structured around capital preservation. In doing this we have an in-depth understanding of the risk profile that we have constructed with our investments during the Fall of 2022 and have left space to continue diversifying the portfolio in the Spring of 2023. Before making a financial decision regarding our investments, there is extensive discussion, questions, and answers and debate regarding the potential for macroeconomic, industry, and firm specific risks effect on the equity. The following are types of risk that we discuss:

Market Risk: decline in value due to economic developments or other events that effect the markets

Capital Structure Risk: A decision by the company to use either debt or equity to finance their asset, potentially resulting in leverage substantially higher or lower than the industry average

Business Model Risk: A company that's product or service can be easily replicated or is unsustainable

Management Risk: a company that financial, ethical, or otherwise associated issue due to underperforming management

Inflation Risk: loss in purchasing power due to the value of investments not keeping up with inflation

At the end of Fall 2022, our portfolio consists of exclusively domestic large-cap US equities, as well as the SPDR S&P 500 ETF. Although this was done unintentionally, we attribute this to a result of our core investment philosophy of capital preservation, which created a rigorous selection process in our investment decision-making. We currently have eight different positions with the largest being the SPDR S&P 500 ETF at 47.37% allocation and domestic equities with current allocations ranging from 4.17% to 8%. We are aware of the diversification risk that is created by our portfolio composition due to our large holding in SPDR S&P 500 ETF, however our team is currently in the process of researching diversified equities in order to further invest our portfolio in the Spring of 2023. These positions will have to meet the same criteria of each of our current holdings.

Risk management has been an important theme throughout the year when screening new equities to enter the fund and determining if positions should be held. As we continue our roles as portfolio managers, we will continue to place a significant emphasis on risk management.

Procedure

The typical procedure of selecting individual companies to add to our portfolio could take weeks or even months. The process begins with brainstorming potential companies, which managers will further research through our due diligence process. Once managers have found a company which they believe would be a good fit for our portfolio, they will compile a pitch to present their ideas to the rest of the team. Following a pitch, voting is conducted where a stock will either be voted into the portfolio, managers may be asked to find more information and re-pitch, or may be denied altogether. Order forms are completed for stocks voted "yes" on, and the final step in our process becomes portfolio monitoring/risk management.

Our voting procedure occurs following the in-person pitches on Friday. We come together as a team to discuss the pitches from that day and then vote. Voting is conducted through a virtual poll, with eight of eleven yes votes needed to pass a company into the portfolio. The manager(s) who worked on the pitch will recommend an allocation percentage during their presentation, which is between 5-10%. After a company has been voted into the portfolio, the team has a discussion to determine an appropriate allocation for the equity. Necessary trade forms and analyst reports are prepared by the end of the day Sunday and are sent in to our trader to process the order Monday morning.

Performance

Our fund's performance over the holding period is 5.76% versus SPY's 5.51% return over the same period. Our top performers included GOOGL, DIS, and V, while our top laggard was VZ. Although it is very early in our investment horizon, we believe it is important to keep an eye on our performance against our benchmark. We will continue to monitor our performance throughout the duration of the year and reanalyze individual positions as needed.

The performance of our portfolio thus far has been seen through uniquely difficult market conditions. There have been many macroeconomic events that have unfolded in recent times which have resulted in the worst calendar year for US equities in over a decade. Coming out of the Covid-19 pandemic inflation reached its highest levels in over four decades, with the Fed coming in and raising interest rates at a historically fast rate in order to try and ease inflation. This period of monetary tightening has resulted in overtly negative effects on many public equities especially in industries such as technology and real estate. On top of this, supply chain issues have been widespread, caused by geopolitical tensions, namely the Russia-Ukraine War. These supply chain issues have had adverse effects on a number of public equities.

As a result of these events and the current economic state, it is clear that our portfolio is definitely performing in a unique market. This is something that Team White will continue to monitor as we aim to choose stocks which will outperform the broader market. However, we will not lose sight of our long-term investment horizon and try to stay away from letting short term performance cause any irrational trades on our behalf.

US Economy Outlook

To say the U.S. economy was and still is in a vulnerable state would be an understatement. Over the course of the past 12 months, the United States economy has been given a tough tape as inflation coming in at 40-year highs along with geopolitical tension, on the back end of excessive amounts of monetary and fiscal stimulus has reminded consumers and institutions that the era of “free money” is likely in the rearview. In fact, a lot of “old economy” logic has guided us through this period in structuring portfolios around economic downfalls that haven’t been of concern for quite some time.

On the Inflation front, the most recent CPI print has shown signs of inflation rolling over, at least modestly. Excluding Food & Energy, the CPI rose by .2% and 6% year over year, while the overall CPI increased .1% month over month, and 7.1% year over year. This has been mostly attributed to cooling energy prices, and its overall impact on food prices. This hasn't come organically however. Over the course of the past 12 months, the Federal Reserve has shown hawkish behavior, thoroughly reaffirming their dedication in doing whatever it takes to bring inflation back down to their 2% target. In doing so, the FED has delivered seven rate hikes since March, starting with a 25bp hike, followed by 50 bp, four 75bp, and most recently, a 50 bp hike getting us to the 4.25%-4.5% terminal rate range. Forecasts for the fed funds rate are expected to be incrementally smaller in 2023, and are expected to fall in the years ahead as inflation continues to weaken, however, the market hasn't seen the trajectory nor velocity of this sort of rate hike cycle in quite some time now, as interest rates have remained low since the comings of the "Great Financial Crisis", and have been relatively low for the past few decades. In addition, the Fed has pledged to reduce the size of its balance sheet which touched nearly $9T last April. Furthermore, the Fed's initial plan in its balance sheet reduction was to roll off roughly $45B of mortgage-backed securities and treasuries in the months of June, July, and August, and has upped its forecast by announcing that the number will increase to roughly $95B per month in their September meeting. At this point the Fed's balance sheet has shrunk $401B, undershooting their initial target of $560B, which is important to take note of when addressing the pace and aggression of their fight against inflation.

Aside from the abundance of fiscal and monetary stimulus that has suddenly turned scarce as of recent, the same thing can be seen among the global supply chain, as decades of abundance in the supply chain has suddenly become tight thanks to bottlenecks as a result of COVID-19 lockdowns, and geopolitical tensions. Over the course of 2022, the U.S. and global economy has been subject to sanctions imposed by Russia over Oil and Gas imports, resulting in a global supply shock that has left the world with abnormal volatility and upward price pressure in the commodity. As a result, we have seen higher prices at the pump and has been a major indicator of inflation and its impact on U.S. households. As oil and natural gas are critical components of the input costs in the production of commodities both soft and hard - we have also seen a run up in the overall price of fertilizer and food. Geopolitical turmoil amongst the war in Russia-Ukraine has put further pressure on global trade in critical soft commodities like corn, wheat, soy, etc. out of Ukraine, which has also contributed to inflationary pressures. Further macroeconomic headwinds that have contributed to the U.S. economy have been subject to China's zero Covid lockdowns, however as of recent, easement of policy and the reopening of the Chinese economy, should boast well for supply chains. That being said, near term labor shortages, and tighter supply chains in China could be a potential headwind for the global economy in early 2023 as a result of surging Covid infections upon the reopening in China.

On behalf of the U.S. consumer, 2022 was filled with mixed emotions as the end of the free money era, and inflationary impacts, have resulted in a reshaping of the American consumer. Over the course of the past few years, U.S. consumers have been beneficiaries of tremendous amounts of fiscal stimulus and deflation which prompted vast amounts of discretionary spending in 2021, and helped support all areas of the market. Aside from stimulus checks, other sources of relief like federal and state unemployment benefits and unemployment extension payments, have all contributed to the way consumers think, and the abrupt end to these programs has affected the way the consumer thinks and behaves. As of recently, consumer savings seems to have dried up, as consumer spending has amounted to more than $1T since the start of the pandemic. The consumer savings rate follows along this trail as the most recent print came in at 2.4%, down from record highs in 2020 which clocked in at 33.6%.

Given the tight labor market, participants have been beneficiaries of wage spirals, as unemployment has shown pockets of strength at 3.7%. It's important to note however, if the fed remains committed to bringing down inflation to its 2% target, areas of the labor market may eventually crack. In order to drive down services inflation, wage inflation will have to come down which could result in a softer labor market through lower payroll gains and a higher unemployment rate. As of right now institutions have begun layoffs to cut costs, showing early signs of a softening labor market. As of now, early-stage start-ups, venture capital, and big tech companies have cut their labor force by nearly 10%. Financial institutions are not far off as key players like Goldman Sachs, Morgan Stanley, and JP Morgan are in the process of freeing up space among their businesses.

Sector Analysis

Information Technology

In our view, Information Technology remains attractive as it is imperilled to the digital transformation that we have seen since the beginning of the COVID-19 pandemic. Artificial intelligence and Machine Learning, have proven to be key innovations to all areas of business and lifestyle, through efficiency and consistency. We believe that this rotation is here to stay and the information technology sector will benefit from these generational pivots. Within this sector we look for companies with consistent cash flows, strong management teams, and strong margins with a clear map to the future. Given a rising interest rate environment, and its possible negative impacts on the sector as a whole, we do understand the risks associated with the space, and continue to seek out companies with strong cash balances, and low amounts of debt relative to industry averages.

Communication Services

In our view, we believe that after a brutal 2022, Communication Services and the long-term industry fundamentals, offer a tremendous opportunity when evaluating their prospects. The Communication Services sector as a whole drew down roughly 40% in FY 2022, and was given a much-needed valuation reset as its industry P/E came down from levels last seen during the dotcom bubble. Communication Services as a sector currently trades at roughly 14x earnings, coming off of roughly 25x from market peak. At this point given the S&P's current forward multiple of 17.1x, Communication Services offers us a pocket of the market with consistent growth prospects and a relatively fair valuation comparatively.

Consumer Discretionary

In our view we believe the strength of the American consumer will serve as a catalyst to a consumer discretionary sector that is expected to be one of the larger contributors to earnings growth in the S&P for FY 23. Waning demand as a result of continued upward price pressures could negatively affect the sector in the coming year, however strong fundamentals, strong earnings growth, and more attractive valuation as a result of a weak year in FY 22 lead us to believe that the sector is well suited to withstand the macroeconomic environment, and solid entry points relative to our investment horizon.

Energy

We believe that the energy sector will remain attractive after a year of extreme outperformance coming off of a decade long bearish cycle. In 2022 the energy sector as a whole returned 60%, outpacing the S&P which returned (-19.4%). Strong industry fundamentals given tight supply, as a result of record low capital expenditures, overall investment, and the U.S. tapping into Strategic Petroleum Reserves, all serve as indications regarding a longer-term supply shock. Geopolitical tensions and a deglobalizing supply chain have added to an already tight supply chain, given sanctions imposed by Russia, and OPEC+ committing to lower output. The balance sheets of E&P's, remain as strong as ever, as producers have followed a general consensus of cutting production given lack of investment in the space, paying down debt, and raising dividends to enhance shareholder returns. Given the exploration and production process of the drilling for oil, in order for more supply to come to the market, years of investment are generally required as this process cannot be done overnight. That being said, regardless of short-term volatility in demand amid tighter monetary policy globally, we believe that demand destruction could negatively impact the spot price in nat gas/oil, however the long-term supply chain issue will support higher prices, and a strong need for investment in the space. That being said, we continue to look for more opportunities in the sector. In an industry that is usually very capital intensive, in order to mitigate risk against rising prices, and debt becoming more expensive, we do favor company's that're capital/asset light, low debt levels, and companies that operate in accordance with domestic production in the United States.

Positions

Alphabet, Inc.

On October 27th, 2022 we purchased 919 shares of Alphabet Inc. at a price of $94.52 per share. Alphabet Inc is our largest holding and makes up 8% of our overall portfolio.

Alphabet Inc. is the holding company of Google. Google is a technology company that focuses on search engine technology, online advertising, cloud computing, computer software, quantum computing, e-commerce, artificial intelligence, and consumer electronics. Google's main business segments are Google Services; which is composed mainly of Google Advertising, Google Cloud, and Google other; which comprises Google Play, YouTube subscriptions, and device sales. Google had revenues of ~258B in 2021, with >80% of their revenues coming from digital advertising, where they lead the industry. Google's Cloud and Other segments have been growing at a faster rate over the past few years when compared to its advertising business, showing the diversification of its revenue streams.

Alphabet Inc. is a leader in the digital advertising industry, who is working diligently to expand their business in other segments. Our investment thesis for Google is centered around three key points which we expect to continue to drive future value for the company.

Our first key point is their massive position in one of the most lucrative businesses. Google currently holds a 92% market share of all global search engine usage which has helped them amass a 28.6% market share of global digital advertising revenue. They've accumulated such a large market share for a few reasons. One reason is that the search engine technology that they created is simply superior to other search engines. The other reason is they have a deal worth an estimated $12 Billion with Apple to keep Google as the default search engine.

Our second key point is that other segments of their business have a promising outlook. Two other business segments that Google has been focusing on growing are their Google Cloud Services and their Subscription services (mainly YouTube). The Cloud and Subscription services industries both have promising outlooks in the long run and if Google can continue their progress in these segments of their business, we expect to see promising returns.

Our third key point is that Google has an excellent management team with a history of success. Something we like specifically is what the management team's plans are for capital allocation. Google's management has highlighted their plan to strategically deploy capital and cut costs to preserve the bottom line during these times of economic turmoil.

Target

Target Corporation operates a chain of 1,900 general merchandise discount stores throughout all 50 states. The company focuses on merchandising operations which includes general merchandise (non-discretionary items) and food items (discretionary items) and a fully integrated online business. Target also offers credit to qualified applicants through its branded proprietary line of credit cards. The company is growing its top line by expanding the number of stores in the retail chain and expanding its e-commerce capacity. The company is focused on expanding its margins through a portfolio of over 45 private label brands that cover all types of merchandise from meat products to clothing.

Target has established itself as a strong position for our portfolio when considering its extensively successful history along with its strong potential to generate cash for shareholders through substantial dividends and share buybacks. It has shown slight volatility in its most recent earnings call due to inflation and inventory shrinkage, however neither of which is expected to drastically damage their growing business operations in any way.

We are fully aware of the various investment risks associated with Target's stock. It has very strong competitors, relies heavily on its reputation, and could very well release lackluster accounting reports due to a poor economy. Team White is careful in considering these risks on a daily basis and will be quick to reevaluate our position if the need arises. Despite this, we believe

Target still has the green light for our portfolio. It is a growing company with a simple business model and it generates a lot of cash for us shareholders.

Walt Disney Co.

On November 14th, 2022 we purchased 790 shares of Disney. at a price of $96.08 per share with an overall cost of $75,903. Disney makes up 6.81% of our overall portfolio.

Disney is a diversified mass media and entertainment company that operates internationally offering services in parks and resorts, studio entertainment, consumer products, and interactive media. The company's services are divided into two segments: the Disney Media and Entertainment industry and the Disney Parks, Experiences and Products. Additionally, they have generated revenue via their linear networks business through their global cable networks.

Disney is focused on expanding both the Parks and Experiences as well as the Media and Entertainment segments of its business with future streaming video on demand and theme park expansions. Disney is a leader in the media & entertainment industry as well as the amusement park industry. Disney Parks currently makes up over 50% of the amusement park market share. The company has plans to expand its business in the U.S and internationally, specifically through new additions to its parks and expansions of its existing streaming services (Disney Plus). Disney parks are consistently adding new attractions to create unique and valuable experiences for customers that integrate their brand image to build loyalty. Disney+ is adding additional membership tiers in 2023 and will be introducing advertisements to the service to increase revenue per customer. Additionally, they have a vast library of both old and new content. The company has demonstrated its ability to recover from the COVID-19 pandemic. Its parks are experiencing pre-pandemic visitor levels and are expected to see continued growth. Through their new high-tech reservation system, they are able to better manage daily ticket pricing and reservation levels. Additionally, through the introduction of Genie+ in the parks they are increasing per capita spend in their parks by over 30%. The company has competitive advantage in the streaming industry through its content library and strategic acquisitions and has an iconic brand with unmatched content production and recognition.

Verizon

On Friday, November 25th, Team White purchased 1,963 shares of Verizon (NYSE: VZ) at a price of $39.21 per share for a total purchase price of $88,929.50. Verizon is an American telecommunication company that offers wireless and wireline services. Currently, Verizon is the largest provider of wireless phone service in the United States with over 114M connections. Verizon's market leadership has enabled the company to control 30% of the telecommunications industry. In addition, the industry's significant entry barriers make it difficult for new entrants to oppose incumbents, such as Verizon. Furthermore, Verizon's actions to improve its network through opportunistic acquisitions of spectrum licenses and strategic partnerships have strengthened the company's competitive advantage and market leadership position. The strategies deployed are conducive to the company's commitment to generating shareholder value through its stable and growing dividend.

Over our 10-year investment time horizon, Team White expects Verizon to perform in excess of the S&P 500. With the previously mentioned strengths, Verizon should benefit from its focus on fixed wireless access (FWA), fiber optics, and the increasing need for connectivity. FWA is one of the immediate opportunities for revenue growth as the nature of the product and service enables telecommunication companies to provide connection to rural and hard to reach areas in a cost-effective manner. Then, fiber optics are becoming increasingly more demanded as consumers and businesses want the fastest speeds to download and upload data. Furthermore, fiber optic is more durable and requires less maintenance, which will provide better service at a lower cost. Lastly, telecommunications are becoming a need instead of a want as fast connectivity is a requirement in a digital and data-centric world.

The main risks associated with the team's investment in Verizon are centered on the intense competition with incumbents, the regulatory environment for the telecommunication industry, and increasing interest rates. First, T-Mobile, a telecommunications incumbent, has been able to grow its wireless connections customer base through low prices and promotions to target many different consumer segments. These actions have put pressure on Verizon's wireless connection growth and market share. However, Verizon's significant expenditures to improve its network have enabled the company to differentiate itself as a premium wireless provider, which has led to the company's revenue per account growth and current users opening more lines. Furthermore, Verizon has responded to T-Mobile's competitive tactics by offering similar promotions to provide different value propositions to various consumer segments. Second, the telecommunications industry has strategic stakes for the national security of the United States, which causes a regulatory presence around the safety and security of the networks. Fortunately, Verizon's cybersecurity defense means that it has never been subjected to a material cyber-attack. Lastly, the rising interest rates equate to rising expenses for a highly leveraged industry with costly infrastructure. While Verizon is experiencing increasing interest expenses, the company was able to complete most of its license acquisitions during the historically low-interest rates and has used hedging strategies to minimize interest rate risk.

Texas Pacific Land Corp.

On November 25, 2022, Team White purchased 29 shares of Texas Pacific Land Corp. (NYSE: TPL) at a share price of $2,571/share amounting to $74,560. TPL is one of the largest landowners in the State of Texas with approximately 880,000 surface acres of land in West Texas, with the majority of ownership concentrated in the Permian Basin. TPL's business model can be divided into two segments; Land and Resource Management segment and Water Services and Operations. The majority of TPL's revenue is generated from nonparticipating perpetual oil and gas royalty interest. They also generate revenue produced water royalties, sales of water and land, easements and commercial leases. On January 11, 2021 TPL restructured from a trust into a corporation.

We believe that based off of the long-term supply and demand imbalances in critical energy market, geopolitical headwinds, and inflationary pressures, Texas Pacific Land Corporation continues to stand out as a potential beneficiary through their capital light, asset light business model, high cash balance with zero debt, and its adaptability given its location in the Permian Basin. Furthermore management has reiterated their optimism and responsibility in returning capital to shareholders as they're looking to expand their water services and operations segment which they have steadily rolled out over the past few years, continue to make developments and partnerships with renewable companies; this includes a recent partnership venture to set up solar panels on their land as well as cryptocurrency mining, all while raising guidance on the repurchase of stock as well as consistent dividend streams and special dividends gifts.

The nature of TPL's business model allows shareholders to enjoy strong returns on invested capital through extremely favorable margins, given low operating expenses, and virtually zero debt and capital expenditures. The company's operating base consists of roughly 90% of all blue-chip E&P companies as production in the Permian remains attractive through high concentration and lower break-even prices.

Visa

On November 25, 2022, Team White purchased 418 shares of Visa Inc. (NYSE: V) for $212.75/share amounting to a total of $88,929.50. Visa is a global payments technology company that provides digital payments across more than 200 countries and territories. The Company connects consumers, merchants, financial institutions, businesses, strategic partners and government entities to electronic payments. The Company operates in the payment services segment. The Company's transaction processing network, VisaNet, facilitates authorization, clearing and settlement of payment transactions and enables its financial institution and merchant clients a range of products, platforms and value-added services. Its products/services include transaction processing services and Visa-branded payment products. The Company also offers Tink, an open banking platform that enables financial institutions, fintech and merchants to build financial products and services and move money. Tink enables its customers to move money, access aggregated financial data, and use smart financial services such as risk insights, and others.

Visa presented a valuable investment opportunity at the time of our pitch, and the reasons that supported our decision are still applicable now. Visa is a clear market leader in the digital payments industry, and the company has continued to work diligently to expand their operations. Visa is larger than peers such as MasterCard and American Express, controlling close to 50% of the global credit card market. The company has a strong emphasis on their growth to retain current market share and maintain strategic partnerships through innovative means including their $2.15B acquisition of Tink to increase its open banking platform and $925mm acquisition of CurrencyCloud which will serve to optimize Visa's cross border payments. We also recognized Visa's strong track record of share buybacks and dividend payments which serves to provide additional shareholder value.

We also came across many macroeconomic and industry-wide trends which we believe will provide positive tailwinds to Visa over the investment period. There has been a huge shift away from traditional payments such as cash and check, with more and more people utilizing digital payments in their everyday lives. Due to the breadth of Visa, they are in a prime position to capitalize on the worldwide shift to digital payments through an increase in transactions processed, which leads to more revenue for the company. On top of this, Visa has existing technologies such as Visa Direct and Visa Business Solutions which will help the company capture new sources of revenue through new flows including person-to-person, business-to-business, among others.

We also found Visa to have an implied margin of safety of around 12% when we pitched the company. This shows that we believe the company to be undervalued relative to its market price when pitched, giving us downside protection. For all these reasons, we unanimously voted yes to adding Visa to our portfolio with an allocation of 8% and we will continue to monitor its performance over our holding period.

Floor & Decor

On December 2nd, we purchased 1,040 shares of Floor and Decor at a price of $76.79. Floor and Decor makes up 6.95% of our total portfolio.

When scalable physical retail concepts work well; the returns can be remarkable given the high ROIC per store, the ability to use vendor payables to finance working capital, and the inherent leverage that occurs when you spread supply chain and SG&A costs over a larger store base. In the past five years, however, Amazon and e-commerce have disrupted the physical retailing business and driven countless brick-and-mortar retailers out of business. Nevertheless, there is a small subset of physical retailers with structural characteristics that allow them to thrive in an era otherwise dominated by e-commerce.

One physical retail sector that has been especially resilient to the threat of e-commerce has been the home improvement industry, as projects tend to require technical knowledge, materials are bulky and difficult to ship, and customers prefer to see and touch the products in real life before making a purchase decision. Additionally, the installed base of homes is always growing – or at the very least, not shrinking – which provides a favorable backdrop for companies specializing in home improvement niches.

Floor and Decor is a niche retailer of hard-surface flooring and related accessories. The company is a category-killer with a differentiated business model, talented management team, and long reinvestment runway.

Founded in 2000, FND occupies a single digit percentage (8%) of the highly fragmented and growing $24B hardwood flooring industry. Their unique supply chain, impressive scale, and relentless customer focus allow them to be the hardwood flooring industry's low-price leader, inventory leader, and sourcing leader.

Operating on the Everyday Low Price (EDLP) model, FND is razor-focused on providing a superior customer experience via better selection, lower prices, larger in-stock inventory, and better service than its competitors. These structural characteristics will allow FND to continue to take market share from both big box home improvement retailers (Home Depot, Lowe's) and small independent flooring companies for years to come.

Lessons Learned

Overall, this process as well as the SMF program has allowed us to grow a ton throughout this semester alone. Managing a portfolio of over $1mm as college students is a truly unique experience and no easy task. This semester has taught Team White multiple lessons; both on a technical level and on a soft-skills level. As a team we have been able to hone our analytical skills through our due diligence of companies, running quantitative models to determine fair value, and have grown exponentially in information examination. On another hand, we have learned much about the importance of collaboration and organization when it comes to staying on top of our duties. Making sure team members communicate effectively goes a long way in keeping information in line, while helping us be most successful in maintaining a strong pipeline of ideas/pitches. On top of this, we have realized the importance of being organized, especially in terms of monitoring our portfolio to ensure new information is digested in the correct manner, while positions are reevaluated as appropriate. As we get ready to begin the spring semester, we will continue to try and diversify our portfolio and aim to develop a schedule to keep deal flow running smoothly through the rest of the year. Further, we will continue to use the resources available to us for any additional advice we may need or to navigate any new situations that may come our way. In all, Team White is excited to continue our work in the spring and will continue to expand our knowledge throughout the duration of our SMF experience.