SMF FERM Hartford White Team
Final Spring Report 2024

Letter to the Investment Advisory Board Members:

Dear Investment Advisory Board and UConn Foundation Members,

The SMF FERM Hartford White Team would like to thank you once again for giving all of us this incredible opportunity, and are thankful to have participated in such a valuable and enriching program. We are happy to have made the fund money, but we would not have been able to if it weren't for the trust and guidance given to us by you and our faculty advisor, Professor Jaideep Shenoy.

We have all learned so much, not only in terms of investment research and stock picking, but also how to better work in a team, communicate effectively, and have gained valuable public speaking skills. These are skills that we will be able to take to every job we have in the future, and something we can always look back on and remember as a time of great learning and teamwork.

Thank you once again for allowing all of us this wonderful opportunity, and we hope you enjoy reading the below report about how we managed to do as a team. We look forward to continuing to develop our connections with you all as well as with this program.

Sincerely,

SMF FERM Hartford White Team

Team Roster:

Co-Lead Managers: Andris Reba & Andrew Nanai

Co-Portfolio Managers: Zachary Ellish & Yijie Tang

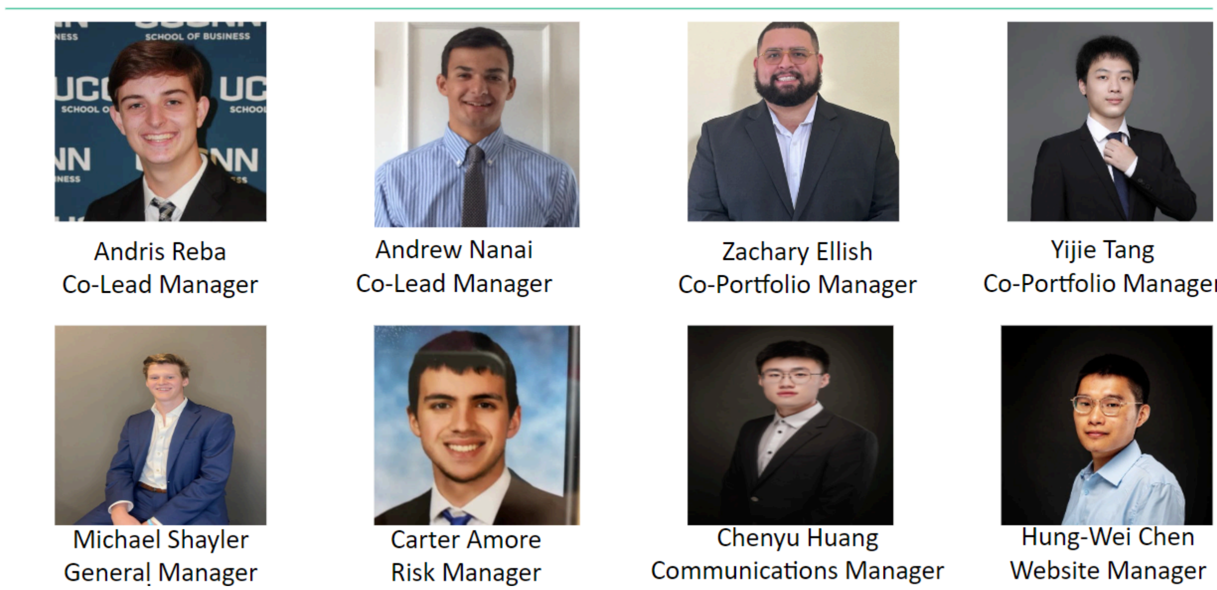
Risk Manager: Carter Amore

Communications Manager: Chenyu Huang

Website Manager: Hung-Wei Chen

General Manager: Michael Shayler

Faculty Advisor: Professor Jaideep Shenoy



Investment Philosophy:

Our investment philosophy revolved around three main characteristics, looking at a long term horizon, investing in stocks that were expected to have a catalyst for growth, and stocks with a proven business model. We believe it was these three key factors that allowed us to perform as well as we did. Our first key characteristic we looked for was a long term investment horizon, as we wanted to invest in companies that we believe would be strong for a long time, and would continue to grow, not companies we didn’t have a strong opinion of that we would sell in only a few months. Our second characteristic was looking at a growth catalyst, being things such as a new product or service they were coming out with, a change in the structure of the organization, or other future growth perspectives. Finally, we looked for companies with a proven business model. These are companies that have strong sustained competitive advantages over their competitors, have a recurring revenue stream that isn’t too risky, and strong brand recognition. These factors are evident with many of our strong stock performers, such as Microsoft, GE, and Disney.

Additionally, we started out using a top-down approach to our stock selection, by deciding early on what we wanted our final portfolio to look like, and assigning sector weights to each of the different sectors, such as us wanting to have an overweighting in the technology sector comparatively to the S&P 500. However, from the start of the second semester, once we had filled out at least a stock or two in most of the sectors, we transitioned to more of a bottom-up approach. This meant that we were looking more so at individual securities we believed would be beneficial to our portfolio, rather than simply looking at the sector first and choosing from there. This led us to investing less in technology than we had originally hoped, as we found by the second semester many of the technology stocks had ballooned in value and were now very overpriced for the most part.

Investment Process:

Our investment process was broken down into three main steps. The first was the research phase, where every manager in the team was required to keep up to date on a specific sector, and would report anything notable they found so we could look into investing more or less into that sector, depending on the outcome of the research. Once a potential stock was selected, a team of two analysts would research more in-depth on that stock using resources such as Capital IQ or Morningstar, and would determine if this was a company they wanted to pitch. The second phase of the investment process was the pitch, where the two analysts would decide if this company was one they wanted to invest in, and would design a 15-minute presentation that they would present to the rest of the team. This presentation would include a DCF analysis of the pitch to determine if the intrinsic value was higher than the current price, a comparative analysis to competitors, detailed description of the company, as well as sources of competitive advantage. After the pitch, a 6/8 supermajority vote was required to pass in order for the stock to be bought by the team. If it passed, a separate vote regarding allocation and stop loss percentages would take place. The third step of our process was after the investment in the stock. The analysts who presented the stock were required to keep up-to-date with current information regarding the stock, such as upcoming earnings calls or changes in management, among other things, in order to determine if we should invest more or less in a given stock at any given time. This process worked well for us, and was something we kept the same throughout the entire time in the program.

Portfolio Allocation and Performance:

Figure 1.1: Overall Portfolio Allocation as of 4/15/24:

Portfolio Value:	$ 653,694.75
SPY:	$ 208,660.14
Cash:	$ 1,676.91
% Invested(Non-Cash):	99.74%
% Invested Without SPY:	67.82%
% Invested in Derivatives:	0.42%

Figure 2.1 and 2.2: Sector Allocation Weights as of 4/15/24:

Sector	Weight	Weights without SPY
Communication Services	5.19%	7.63%
Consumer Discretionary	8.98%	13.18%
Consumer staples	6.81%	10.01%
Energy	5.38%	7.90%
Financial Service	7.13%	10.47%
HealthCare	4.97%	7.30%
Industrials	8.20%	12.05%
Information technology	12.90%	18.94%
Real Estate	3.76%	5.52%
Fixed Income	4.09%	6.01%
SPY	31.92%	0.00%
Derivatives	0.42%	0.62%
Cash	0.26%	0.38%
	100.00%	100.00%

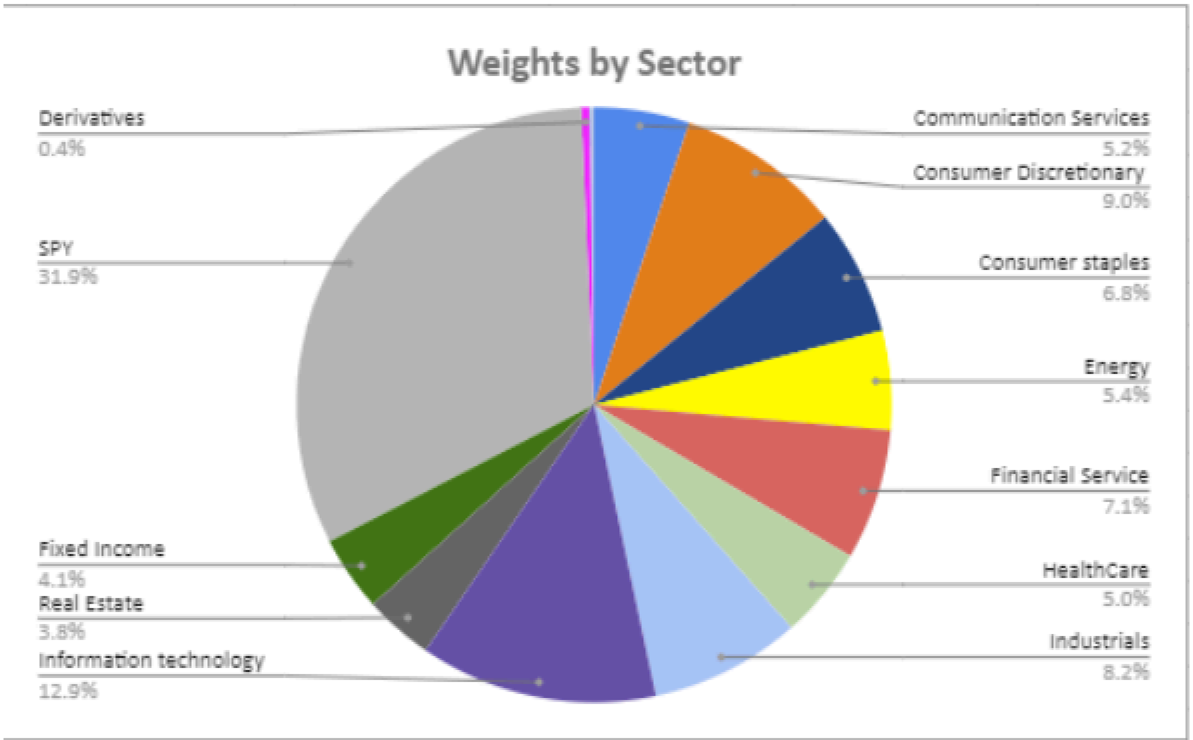


Figure 3.1: Total Portfolio Performance Compared to Benchmark as of 4/15/24:

	S&P500	Portfolio
Beginning Value	$ 4,308.50	$ 532,945.32
Current Value	$ 5,063.34	$ 653,694.75
Absolute Change	$ 754.84	$ 120,749.43
% Change	17.52%	22.66%

Figure 4.1: Performance by Asset as of 4/15/24:

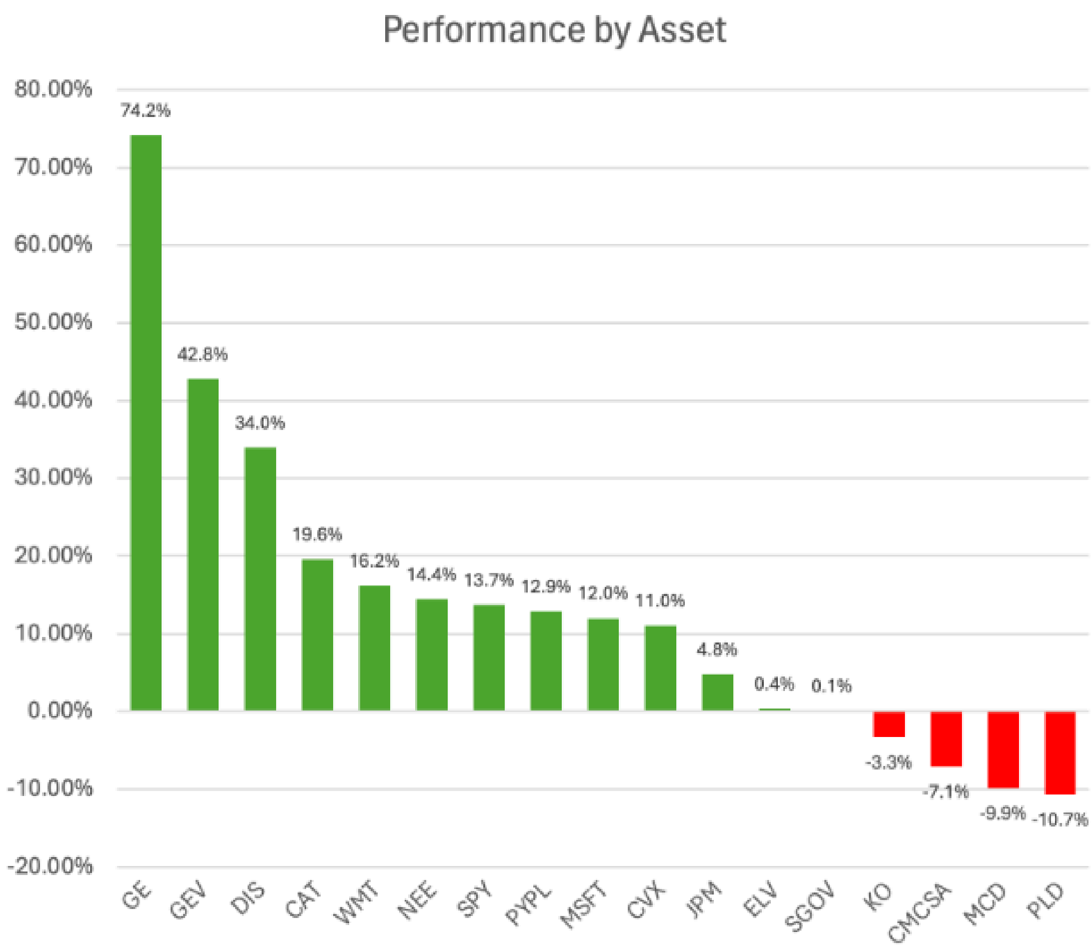


Figure 5.1: Portfolio Beta, Sharpe Ratio, and Alpha as of 4/15/24:

	Return	Sharpe
Team	22.66%	3.77
SP500	17.52%	1.1
Difference	**5.14%**	**2.67**
Alpha	**5.98%**	

	Beta(5Y)	Max DD(5Y)
CAT	1.16	43.4%
CMCSA	0.98	52.1%
CVX	1.12	55.8%
DIS	1.42	60.7%
ELV	0.78	44.1%
GE	1.31	81.0%
GEV	(Split from GE)	
JPM	1.15	43.6%
KO	0.59	37.0%
MCD	0.71	36.9%
MSFT	0.89	37.1%
NEE	0.51	45.0%
PLD	1.00	42.1%
PYPL	1.45	83.7%
SGOV	--	--
SPY	1.00	33.7%
WMT	0.49	25.7%
Average	**0.971**	**48.1%**
Weighted	**0.931**	**41.19%**

Most Notable Stock Winners:

General Electric(GE):

General Electric is best known for its work in the Power, Renewable Energy, and Aerospace industries. The company offers a wide range of products and services from aircraft engines and systems, power generation, and oil and gas production equipment. The company serves water, oil and gas, power, energy management, aviation, digital, transportation, appliances, and lighting industries, among others. GE has a local presence, a strong brand, and deep customer relationships in more than 170 countries, and have invested in emerging markets for many years.

According to the U.S. Sector and S&P Select Industry Dashboards in the third quarter of 2023, the industrial sector has the fourth-highest return of 24.58% among all 11 sectors in the past year, and the overall performance is not bad.In 2022, the industrial sector was affected by concerns about high inflation and its impact on interest rate policy. While similar concerns remain in 2023, the focus remains on the long-term potential opportunities arising from significant changes within the industry.For long-term investors, three major trends offer opportunities for U.S. industrial companies: digital technologies and processes, a growing focus on sustainability, and a renaissance in domestic production.

As can be seen from figure 4.1, GE had a 74.2% gain, being by far the best security in our portfolio, and definitely helped drive our returns as far above the benchmark as it was. We are very happy that we invested in GE when we did, and hope they continue to have growing success in the future.

It is also important to mention GE Versona(GEV), as they were split off from GE on April 2nd. GEV is the energy spinoff from General Electric, and also had very high returns of 42.8% over the period. This is not one that we invested in specifically, but ended up having a decent investment in as a result of our previous investment in GE.

Disney(DIS):

Disney is an American multinational mass media and entertainment conglomerate headquartered at the Walt Disney Studios complex in Burbank, California. The Walt Disney Company, together with its subsidiaries, operates as an entertainment company worldwide. It operates through two segments, Disney Media and Entertainment Distribution; and Disney Parks, Experiences and Products. The company engages in the film and episodic television content production and distribution activities, as well as operates television networks under the ABC, Disney, ESPN, Freeform, FX, Fox, National Geographic, and Star brands; and studios that produces films under the Walt Disney Pictures, Twentieth Century Studios, Marvel, Lucasfilm, Pixar, and Searchlight Pictures banners. It also offers direct-to-consumer streaming services through Disney+, Disney+ Hotstar, ESPN+, Hulu, and Star+; sale/licensing of film and television content to third-party television and subscription video-on-demand services.

The US remains the focal market of the global streaming wars with revenue of US$49.4bn in 2022. By the end of the forecast period in 2027 the US will reach US$75.5bn. The entertainment and media industry has always been, at root, a creative endeavor. In the coming years, armed with powerful technology, leaders will have to be more creative about how they create, distribute and monetise products and services.

As can be seen in figure 4.1, Disney performed very well at a return of 34%, and is the second highest returning stock that we invested in, if we don’t include GEV since it was a spinoff of GE that we did not individually invest in.

Most Notable Stock Laggards:

McDonald’s(MCD):

McDonald's is one of the world's largest and most recognizable fast-food restaurant chains, with a global presence spanning over 100 countries. Founded in 1940 by Richard and Maurice McDonald, the company has grown from a single drive-in barbecue restaurant in San Bernardino, California, to a global powerhouse serving millions of customers daily.

McDonald’s has had a strong historical performance and recognizable brand name, and is an industry leader in the consumer discretionary sector. Global comparable sales have increased 9%, reflecting strong sales across all segments, including an increase of 8.7% in the US, 9.2% in international operated market segments, and 9.4% in the international developmental licensed market segment.

Unfortunately, MCD had a return of -9.9% over the period, and was our second biggest laggard dragging our portfolio down. This loss was not as substantial as it may seem, as we also had a protective put on MCD which increased in value by 271% over the same period, which ended up saving a lot of our losses on the stock. Overall, we are not disappointed with our investment in MCD, as it fits all of our main characteristics from our investment philosophy, it just may have been the wrong time for the investment.

Prologis(PLD):

Prologis is a global leader in logistics real estate, specializing in owning, managing, and developing industrial properties. With a vast portfolio spanning across key logistics hubs worldwide, Prologis provides modern distribution facilities that cater to the needs of e-commerce, retail, manufacturing, transportation, and logistics companies. Their properties are strategically located to facilitate efficient supply chains, enabling businesses to streamline their operations and meet the demands of today's rapidly evolving market landscape. Prologis is known for its commitment to sustainability, often incorporating eco-friendly practices and technologies into their developments to minimize environmental impact. As a trusted partner for businesses seeking state-of-the-art logistics facilities, Prologis plays a crucial role in shaping the infrastructure of global commerce.

Our investment philosophy for Prologis was that it is the largest portfolio of well-located industrial properties, and benefits from large economies of scale. They also are a consistent cash flow generator, as well as giving us diversification into the real estate sector through a market leader.

Over the investment horizon, Prologis netted us a return of -10.7%. Similar to McDonald's, we are not too unhappy with our decision to invest in Prologis, as it fit all of the criteria for our investment philosophy. It seems that industrial real estate has been slowing recently, so the timing of the investment may not have been ideal. We were not extremely bullish on the real estate market, so we ended up only investing 4% of our total portfolio into the stock, so the loss was not too great on our entire portfolio, despite being our worst returner.

Lessons Learned:

The biggest take away from our time in the Student Managed Fund is how much we ended up learning. Everyone in the team learned both technical hard skills and knowledge, as well as various soft skills that are also just as important.

The first hard skills we learned were about stock picking and investment research. We learned how to better utilize our resources such as Finviz, MorningStar, Capital IQ, Yahoo Finance, Bloomberg, and more to find stocks that looked like good investments. We learned about proxies for value such as P/E ratios, revenue growth, EPS growth, and ROIC. We also learned a lot about how to do a technical analysis of a stock after one has been chosen, and all of us got a lot more competent with creating and understanding DCF models, something that we will absolutely have to do in many of our jobs in the future if we are involved in trading. Finally, we also learned skills about portfolio management and evaluating portfolio performance. We got better acquainted with what a diversified portfolio looks like, why it's important for risk mitigation, and how to assess a portfolio using professional tools like Bloomberg terminals and Morningstar. We also had the unique opportunity to be able to utilize derivative investments in our portfolio, and got used to using protective puts in order to protect our gains as well as protect against losses.

As for soft skills, we also learned just as much. We got better at teamwork, as we were working in a team with all people we didn't know prior to joining the program, and had to tackle a year long project with over $500,000 in real world money, something that was the most important project many of us have ever been a part of. We got better at communicating, both outside of our meetings and inside them, and developing our public speaking skills from the weekly pitches we did as well as those who had the opportunity to present to the IAB.

If we had to do it over again, there would certainly be a few things we would have changed knowing what we know now. For example, our stop losses were too low for many of our securities, and we got stopped out on various different securities such as XOM and UNH. Both of these stop losses were set originally at 8%, but we learned that these should have been way higher, closer to around 20%. Also, we should have utilized the ability to use derivatives more and earlier. We had a hard time getting a grasp on them, and only ended up using protective puts. Even though we were only limited to using risk mitigation derivatives, if we had started using them earlier we could have done some covered calls, as well as seen a bigger return on some of our protective put positions. Overall, we were very happy with how we did, especially with beating the benchmark by 514 basis points, and there wouldn't be too many other things we would really change.