UNIVERSITY OF CONNECTICUT STUDENT MANAGED FUND

Spring 2024 IAB Portfolio Report

APRIL 30, 2024

UNIVERSITY OF CONNECTICUT SCHOOL OF BUSINESS

UNDERGRADUATE STUDENT MANAGED FUND—TEAM BLUE

Data as of April 15, 2024

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LETTER TO THE IAB

Dear Investment Board Members and University of Connecticut Foundation Members,

It is an honor to be involved in one of the most prestigious programs the University of Connecticut School of Business offers to undergraduate students. We cannot thank you all enough for your continued support, advice, and everything you do to make this opportunity possible for us. Your dedication to our teams through the SMF speaker series, individually during networking calls, and challenging us in our end-of-semester presentation has significantly contributed to our growth this semester. Your industry expertise, diverse career backgrounds, and desire to help our team have developed us academically and professionally in ways that would not have been possible without the Student Managed Fund.

At UConn, only a few experiences allow students to apply classroom skills to real-world scenarios. The Student Managed Fund gives us the opportunity to challenge ourselves outside the classroom in a year-long experience driven by our team of nine unique students. Throughout the semester, we expanded our knowledge of financial analysis, formed risk management skills, learned about portfolio management, experienced working on a team, and improved our critical thinking. We are grateful to develop these skills, which will fuel our young professional careers.

It is clear to all of us the Student Managed Fund is the most impactful program during our time at UConn. Over the past two semesters, our team has developed a new critical-thinking mindset and is excited to continue our development and utilize what we have learned during our time with the

Student Managed Fund in our future careers. Team Blue is determined to carry on our hard work and use this once-in-a-lifetime opportunity to the fullest.

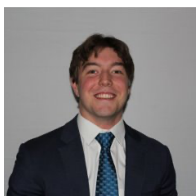
The following report details our investment approach, process, portfolio overview, and, most importantly, lessons learned. We hope you all enjoy and gain a better understanding of Undergraduate Team Blue's experience this semester.

Sincerely,

Undergraduate Team Blue 2023-2024

PORTFOLIO OVERVIEW

INVESTMENT MANAGERS:



Zackary Goodgame

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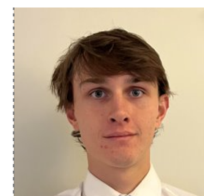

Josh Lussi

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Communication Manager

Shawn Asiamah

Communication Manager

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Digital Media Communications

Nikolay Sahakyan

Trader: Michel Rakotomavo

SMF Director: Chinmoy Ghosh

BENCHMARK & STYLE:

Our portfolio performance benchmark is the broad S&P 500 index. Our investment style focuses on a 10–15-year investment horizon viewing short-term performance with an open mind. We primarily target large-cap equities with proven business models, competitive advantages, strong historical performance, and growth potential. We acknowledge companies are rewarded for their commitment to environmental, social, and governance initiatives and maintain that any allocation demonstrates impressive ESG performance. Since our focus is on equities, we have not invested in fixed income instruments this school year.

PHILOSOPHY & STRATEGY:

Our investment philosophy is built on three pillars:

(1) **Focus on a long-term horizon**
   a. 10–15-year investment horizon
(2) **Proven business models**
   a. Focus on companies with strong economic moats
   b. We look for a company's historical ability to beat out different business cycles
   c. Target equities with recurring revenue streams
   d. Emphasize companies that return some value to shareholders
(3) **Some type of catalyst**
   a. Search for companies that Wall Street misprices for a short-term reason which does not change a long-term business model
   b. Identify companies with future growth prospects or beneficial business reorganizations

We manage our portfolio on the conviction of beating out the S&P 500 index over a 10-15year period. Our team maintains a strong fiduciary responsibility and mandates our portfolio philosophy is followed without exception for all allocations. Investment decisions must follow strict due diligence and include quantitative and qualitative analysis.

PROCESS:

Team Blue's investment process begins with ongoing research. Managers are assigned sectors to stay up to date on but act as generalists. We see value in the experience gained from pitching equities from different sectors. Companies are identified with a blended bottom-up and top-down approach. We look for companies in both our everyday environments and in the industries that we believe have the greatest potential. In addition, we also use tools such as Blomberg and S&P

Capital IQ to screen for companies with different criteria. A general screen enables us to pinpoint companies with solid quantitative performance. Once a manager pinpoints an equity of interest, in-depth equity research follows. The most common resources are a company's 10-k, investor relations materials, earnings calls, sell-side reports, and additional information from S&P Capital IQ and Bloomberg.

Once a manager is confident in their investment idea, a formal pitch to our team follows. Our managers are required to pitch at least once a semester. Pitches are done in person on Tuesdays and are 40-60 minutes, followed by a question-and-answer section. Our team maintains an open mind throughout this process and welcomes constructive criticism. In addition, our fund supervisor, Jeff Annello, is always present to give his input and advice for future pitches. The voting process is in-person after a pitch and requires a supermajority (7/9) vote to determine whether we purchase or not. Once a stock is deemed worthy to buy, we then hold a vote for allocation. We believe that in person voting is essential and are all comfortable sharing our opinion, whether in agreement or dissent. Percentage allocation is proposed in the pitch by the managers presenting. Managers typically suggest a 5-10% allocation depending on their confidence in the company and the sector's attractiveness. A simple majority vote can increase or decrease percentage allocation. Finally, our portfolio manager submits the trade with a 25% stop loss provision.

The work continues after an investment is made. Managers are expected to keep up to date on earnings calls and any relevant company updates and notify our team. Equity performance is monitored in excel with all relevant financial metrics.

INVESTMENTS & PERFORMANCE:

Our portfolio consists of eleven strong equities: Generac Holdings, Target Corp, American Express Inc, Nike Inc, ExxonMobil Corp, State Street Corp, Floor & Decor Holdings Inc, Pfizer Inc, CarMax Inc, Pernod Ricard, and Chevron Corp. Overall, we are 68.81% allocated to equities, have 0% in the S&P 500 ETF, and 31.19% allocated to cash. We had goals of reaching 100% allocation to individual equities but ultimately ran into timing constraints and ended with 68% allocated to 10 equity positions and 32% allocated to cash. We had approved a 7% allocation to Chevron but it there was not enough time for the trade to go through. Had it went through, we would have probably allocated to remaining 25% of the cash equally across the original 10 positions, or allocated to make the weights as equal as possible. We maintained a strong pipeline of investment ideas and presentations this semester but unfortunately ran into some roadblocks. Out of the nine pitches so far this semester, Raytheon did not make it into the portfolio as we felt the margin of safety wasn’t attractive and we didn’t like where it was trading.

Furthermore, our Apple pitch faced multiple obstacles. For starters, we had trouble valuing the company, and although we wanted to diversify our portfolio, we could not come up with an attractive implied share price. Secondly, the DOJ filed suit against Apple for monopolizing the cellphone market just two days after our pitch, which affected our overall valuation of the company.

Unlike the first semester, we were able to start this second semester strong, pitching Floor & Decor, Raytheon, State Street, and Pfizer in consecutive weeks. This helped improve our capital deployment and limit exposure to various sectors. While we were able to find a new Co-Lead Manager, we had to overcome losing two members of our team, forcing further responsibility onto each team member. Our goal this past semester was to maintain our fiduciary responsibility and hold true to our investment philosophy. Our commitment to finding value stocks and investing responsibly has shown to be an effective strategy.

Our securities fall into various sectors, including the Industrials, Consumer Retail, Financial Institutions, Energy, and Healthcare sectors. We do not have plans to mirror percentage allocation in different sectors to the S&P 500 but use comparisons for benchmarking purposes. While our plan is to diversify, our utmost priority was to find companies that were undervalued.

On April 15, 2024, the S&P 500 broad index closed at $5063.34 We used April 15th as the final trading day for the semester and year. During this time, the S&P 500 saw an unrealized gain of 17.52% During this time, our portfolio gained 18.90%, 138 bps greater than the broad S&P 500 index. We are proud of our performance in the short term horizon and believe our investments will continue to perform exceptionally in the long-term.

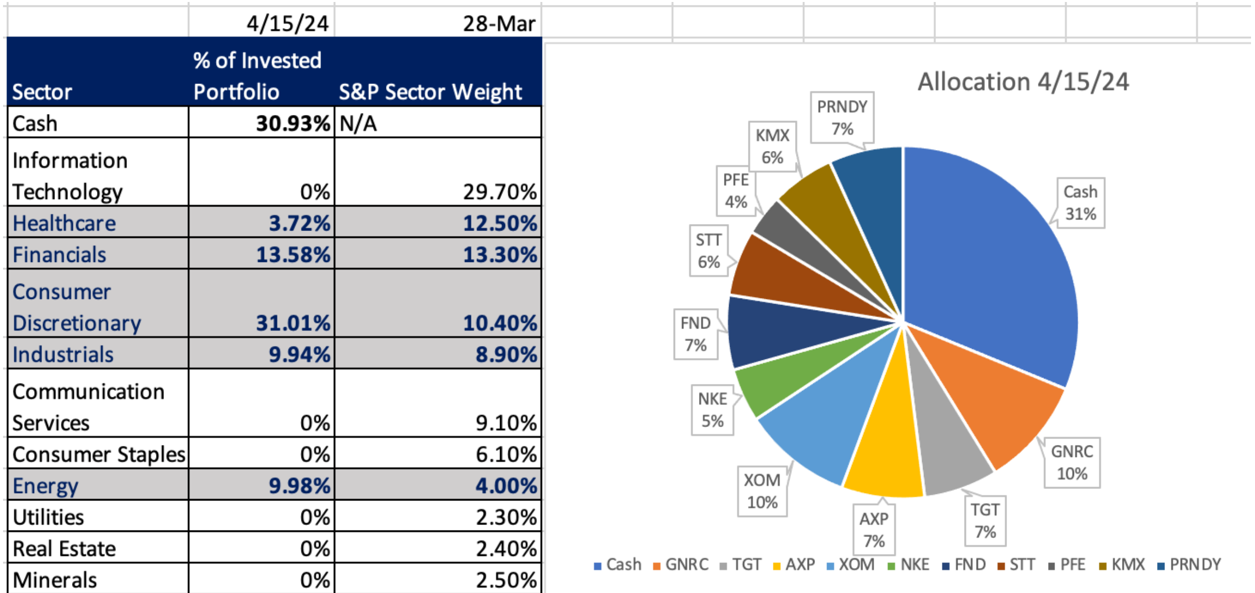
SPY Value in portfolio is a cost basis, not used for benchmarking purposes
Benchmark market close 10/10/23 and 3/29/24

Market Close 4/15/24

Company	Ticker	Industry	Date Purchased	Shares	Purchase Price	Current Price	Cost Basis	Market Value	Beta	% of Portfolio	% Change
SPDR S&P 500 ETF	SPY	S&P	10/10/23	0	$430.85	$504.45	$0.00	$0.00	-	0.00%	#DIV/0!
Generac	**GNRC**	Industrials	11/7/23	1020	$103.40	$128.51	$105,468.00	$131,080.20	1.31	9.94%	24.28%
Target	**TGT**	Consumer Retail	11/17/23	540	$130.36	$165.01	$70,394.40	$89,105.40	1.04	6.76%	26.58%
American Express	**AXP**	Financial Institutions	11/27/23	457	$163.93	$218.40	$74,916.01	$99,808.80	1.21	7.57%	33.23%
Exxon	**XOM**	Oil and Gas	12/8/23	1100	$99.10	$119.68	$109,010.00	$131,648.00	1.00	9.98%	20.77%
Floor and Décor	**FND**	Consumer Retail	1/23/24	812	$104.72	$110.31	$85,029.39	$89,571.72	1.90	6.79%	5.34%
State Street	**STT**	Financial Institutions	2/12/24	1058	$72.73	$74.93	$76,948.34	$79,275.94	1.90	6.01%	3.02%
Pfizer	**PFE**	Healthcare/Pharma	2/26/24	1896	$27.22	$25.91	$51,609.12	$49,125.36	0.57	3.72%	-4.81%
Carmax	**KMX**	Consumer Discretiona	3/4/24	1105	$80.13	$69.46	$88,541.99	$76,753.30	1.61	5.82%	-13.31%
Nike	**NKE**	Consumer Discretiona	3/4/24	692	$99.81	$93.10	$69,065.06	$64,425.20	1.10	4.88%	-6.72%
Pernod Ricard	**PRNDY**	Consumer Retail	4/4/24	3005	$31.25	$29.70	$95,497.00	$89,248.50	0.45	6.77%	-6.54%
Cash	Cash	N/A		N/A	$1.00	$1.00	N/A	$408,044.62	-	30.93%	N/A

SMF Portfolio vs Benchmark S&P 500	
Total Portfolio Performance	18.90%
S&P 500 Index Benchmark Performance	17.52%
Difference in Performance	1.38%

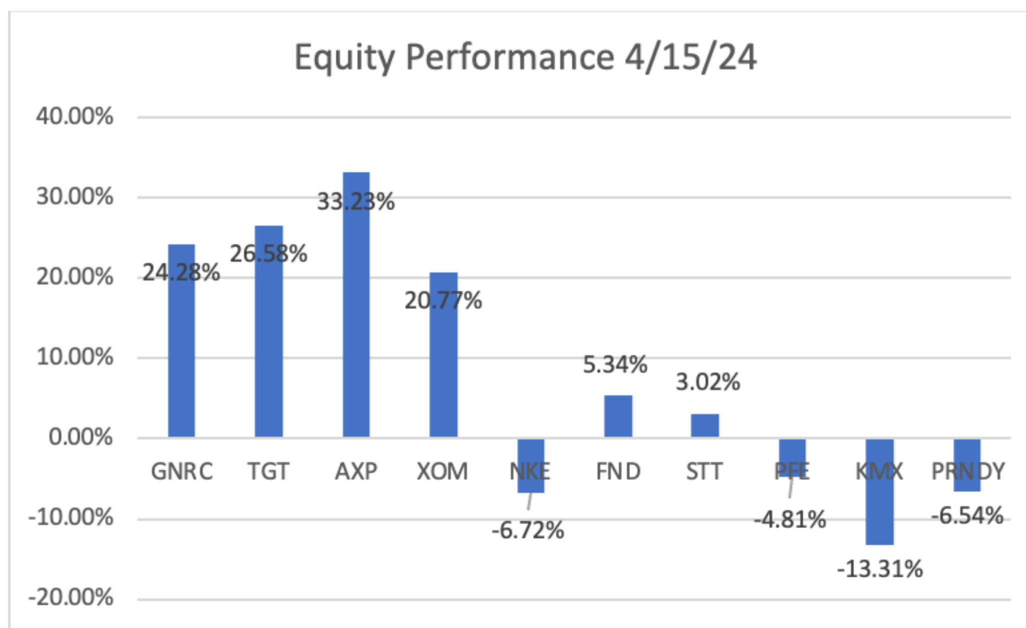
	Cost Basis	Market Value	% of Portfolio	% Change
Total w/ S&P (Cost Basis)	$1,000,093.72	$1,319,054.35	100%	#DIV/0!
Starting Value	$1,109,348.60	$1,319,054.35	100%	18.90%



Sector	% of Invested Portfolio (4/15/24)	S&P Sector Weight (28-Mar)
Cash	**30.93%**	N/A
Information Technology	0%	29.70%
Healthcare	**3.72%**	**12.50%**
Financials	**13.58%**	**13.30%**
Consumer Discretionary	**31.01%**	**10.40%**
Industrials	**9.94%**	**8.90%**
Communication Services	0%	9.10%
Consumer Staples	0%	6.10%
Energy	**9.98%**	**4.00%**
Utilities	0%	2.30%
Real Estate	0%	2.40%
Minerals	0%	2.50%

Invested Amount	$911,009.73
SPY	$0.00
Cash	$408,044.62
% Allocated to equities	69.07%

GENERAC TARGET AMERICAN EXPRESS STATE STREET ExxonMobil FLOOR & DECOR TILE • WOOD • STONE Pfizer CARMAX



ECONOMIC OUTLOOK

For our team to successfully invest and make prudent decisions, it is imperative that we understand the economic markets impacting our investments. To ensure this, we consistently research, discuss, and debate the current state of the economy, and where we believe it is headed in the future (more specifically the next 10 years).

THE US & GLOBAL ECONOMIES:

The economic outlook for the United States in 2024 reflects a path of strong recovery, noted by a strong GDP resurgence that puts the country on a trajectory mirroring pre-pandemic forecasts. This recovery has directly influenced the investment landscape, impacting securities traded on the NYSE and NASDAQ. However, while our portfolio is tied to the domestic market, understanding the global economic landscape remains imperative due to its influence on our investments.

During this recovery, global markets have displayed resilience and reinforced their strength, serving as a bolstering force for our investments. Nonetheless, the journey has not been without its challenges. The markets encountered volatility during the first half of 2023, chiefly attributed to the banking and debt ceiling events. These events underscored the interconnectedness of the global financial system and its sway over our investment portfolio.

A notable aspect contributing to the US's economic recovery has been its robust GDP rebound, consistently steering towards the predicted levels anticipated before the pandemic struck. This

resurgence stands as a testament to the resilience of the American economy and its capacity to navigate through adversity.

Furthermore, the labor market's resurgence on a global scale, particularly in the US, has played a pivotal role in fortifying the economic recovery. Strengthening labor markets often indicates a healthier economic landscape, reflecting positively on investments tied to these sectors.

An intriguing trend worth noting is the relatively swift cooling of inflation in the US compared to other advanced economies. This divergence in inflationary patterns not only shapes domestic policies but also has implications for investment strategies, offering opportunities for more nuanced and diversified portfolios. The Federal Reserve expects this cooling pattern to continue into the future, with a potential rate cut in the month of June. Towards the end of 2024, we could see more market volatility depending on the result of the Presidential Election.

SECTOR ANALYSIS

Industrials:

The Industrials sector includes companies involved in the manufacturing of goods, infrastructure development, machinery, aerospace, defense, transportation, and engineering services. Companies in the sector include, but are not limited to Boeing, Caterpillar, United Parcel Services, and General Electric. Generally speaking, the sector was hurt by Covid trends, such as the shift to remote work, the lack of new homes being built, and the lack of travel domestically and worldwide. The sector has recovered due to the following trends: economic reopening, supply chain adaptations, government stimulus, and technological innovations. As the Fed starts to cut interest rates in the future, sentiment is that home building (and mortgages) will become less expensive, and we will see the new home supply start to rise to meet the current demand. The housing market has ties to this sector as certain manufactured goods overlap into the homebuilding market, such as generators, appliances, and other home solutions.

Sector performance has been +10.30% YTD, lagging that of the broader S&P 500’s +19.66% return YTD (12/1/23). The sector may continue to be impacted by the same near-term worries affecting other sectors, most pressing being fears of a US or global recession. In the long term, 3 trends are driving a positive outlook on the sector: an improvement of digital technologies and processes, sustainability, and the revival of domestic production opposed to using the global supply chain.

The improvement of digital technologies is being driven by manufacturers investments in technologies they believe will enhance their ability to compete in this space. One trend is the investment in advanced robotics and AI, which should help automate operations. This is crucial as some of these operations include reducing greenhouse gas emissions, factory output, delivery times, and customization.

Sustainability will continue to play a large impact on the sector going forward as manufacturing has relied on fossil fuel energy since manufacturing came to be. Corporations are being forced to listen to investors and governments and make the switch to cleaner alternatives while being cost competitive. As mentioned above, investment in technologies to reduce greenhouse gas emissions has been trending upward, typically in some sort of carbon capture device which would give companies more flexibility with carbon credits.

In regard to the revival of domestic production, the pandemic disrupted the just in time delivery system of components coming from China and other countries. One industry within the industrials sector, automobiles, was forced to curb production due to a lack of essential parts. Because of this, companies are making plans to diversify and reinforce supply bases, in addition to localizing supply chains.

With all this in mind, our team believes it is an opportune time to invest in companies throughout the Industrials sector. While a US or global recession could still very well occur in the short-term future, it would be unlikely to derail these new trends in the sector.

Many companies have been resilient over the past year, with others trading low and providing us with a large margin of safety when performing quantitative analysis. Qualitatively, many of these companies have resilient business models, even amidst unfavorable macroeconomic conditions. Long term, the need for industrials and the integral role it plays throughout other sectors of the broader economy will continue to grow. The current trends in this space will only bolster this.

Consumer Retail/Discretionary:

In 2023, the consumer retail/discretionary sector in the US thrived on the surprising resilience of consumers amidst economic challenges. The sector, covering nonessential goods and services, saw a robust performance driven by strong consumer health despite inflation, rising interest rates, and recession concerns. This resilience drove stocks up and contributed to the sector's 33.86% gain, compared to the S&P's 500 19.92% gain by December 2023.

The key drivers for the sector's success included a strong labor market, real wage growth, and relief as the Fed's rate-hiking cycle neared its end. Mega-cap tech-related stocks like Amazon and Tesla, focusing on artificial intelligence, significantly influenced the sector's performance.

Looking forward, the sector's performance in 2024 appears to be dependent on macroeconomic factors. Lower inflation and a pause in the Fed's rate hikes might favor consumer spending on big items such as automobiles and homes, strengthening the sector. On the other hand, a recession or consumer spending pullback could put considerable pressure on discretionary stocks, especially with the resumption of student loan payments in 2023.

Despite the sector's strong performance in 2023, valuations are not as cheap as before. However, pockets of opportunities exist in select retailers with defensive business models. Examples include DICK's Sporting Good with their focus on in-store experiences, and TJX Companies' low-cost model. These attributes and more are ones that the team managers will look for when looking at stocks in this sector, as they can help insulate companies in an economic downturn.

Financial Institutions:

The financial institutions sector encompasses entities offering services to both commercial and retail clients, comprising banks, investment firms, insurance companies and real estate entities. The financial sector fared relatively better in FY 22 than the broad market returning –10.23% in comparison to the market performance of –16.17%. due to rising interest rates, increasing net spread among institutions, and resilient consumer spending throughout the year with real estate being a drag on overall performance. These trends were largely reversed in FY23 with a minimal impact on sector performance due to the banking system "shock" in March on a U.S. and global scale with the collapse of SVB and Credit Suisse respectively. As a result, the sector once again lagged broad market performance with returns of 5.1% and 19.9% respectively. Outlook for 2024 remains mixed, with the prospect of rate changes or "holds" serving mixed opportunities for different clientele. Rate cuts serve to benefit deal activity as well as debt and equity issuances leading to increased fee generation for investment banks and consequently ratings agencies and more generally credit cards due to increased consumer disposable income and willingness to spend as well as the performance of commercial real estate companies who can refinance debt, access liquidity and grow.

On the other hand, rate "holds" or even hikes can benefit life insurance providers who can offer products with more attractive rates. A key differentiator between security performance for different institutions is the quality of the deposit base, preferably with "stickier" depositors who are less likely to withdraw and more likely to continue banking with the institution. This has a twofold effect, allowing banks to generate on lending and investment activities, and preventing a "run". These benefits and "protections" are magnified in importance in a more-uncertain macro environment. Another key differentiator is the underlying strength of revenues, especially with the Fed signaling two rate cuts in the back half of FY24, giving more precedence to the underlying fundamentals of each business in stock selection versus a "rising tide lifts all boats" approach.

Furthermore, financial institutions are anticipating increased regulatory attention and scrutiny in 2024. Due to the additional pressure to the sector to increase deposit rates among slugging loan growth, margins remain razor thin. In July 2023, 2023, federal financial regulators issued an addendum to the "Interagency Policy Statement on Funding and Liquidity Risk Management", emphasizing contingency funding plans. This has enhanced the importance of reporting and monitoring liquidity risk management strategies. In addition, regulators are focusing on third-party management, particularly in fintech partnerships and banking as a service relationships.

Moreso, there has been additional scrutiny over cybersecurity, operational resilience, and AI in the accelerated rise of technology. However, as there are clear guidelines on each topic, boards of directors of financial institutions should be able to adhere to all the regulations successfully. Research and confidence in the leadership team is crucial to investing in financial institutions in 2024.

Energy

The energy sector is an extremely unpredictable and tight market. The energy sector consists of oil and natural gas providers, whether it be upstream, midstream, or downstream. Furthermore, it also consists of alternative fuels, such as wind, solar, hydro, nuclear, and carbon capture. The oil and natural gas companies benefited massively from the shale revolution and the beginning of hydraulic fracking in the 2010s, but since then investors are worried about the future of oil. It is important to predict the future price of oil when investing in oil and natural gas companies, because the value of an oil company's stock is typically strongly tied to the price of oil. With uncertainty in the middle east, as well as the continued war in Ukraine, the price of oil has increased, which has improved the profitability of major oil and natural gas companies. It will be interesting to see how geopolitical conflicts affect the price of oil and natural gas in the foreseeable future.

UNALLOCATED SECTORS:

With a potential recession on the horizon, our team found it most suitable to strip our investment philosophy down to the basics and focus on finding strong, undervalued companies with an ability to generate reliable cashflows. Our pitches this semester focused around building a strong foundation for our portfolio that we could build off in the spring semester. We remain confident in our investments but recognize a lack of diversification in different sectors, having only allocated to Industrials, consumer discretionary, and Financial Institutions thus far. To abate the risks of a heavily concentrated portfolio, our team will look to invest in different sectors this upcoming spring: Information Technology, Healthcare, and Communications to name a few. We will aim to do this without sacrificing our core investment philosophies which we have held true to thus far. We will keep our economic outlook in mind as we comb through investment ideas in new and possibly riskier sectors.

PORTFOLIO POSITIONS

Generac (NYSE: GNRC)

On November 3rd, we purchased 1020 shares of Generac at $103.40 per share at a total cost of $105,468.

Generac is a leading energy technology solutions provider in the United States and rest of the world. The company is working to become the "Home Energy Solution" of the future by providing an integrated platform of products. They have made a number of acquisitions in the past few years (Neurio, Pika Energy) to support this goal.

Our first allocation for our portfolio was GNRC which provided a solid foundation to grow the portfolio. Upon the date of valuation, it was trading at $82.22 while we had a valuation of $129.35. We pitched this stock on the day of its earnings call, when the stock shot up to $96.13 per share. We see value in the company as it is undervalued relative to its competitors and we bought it at almost its 1 year low, and have seen tremendous unrealized gains thus far, with room to grow (all time high close to $500 per share in 2021). GNRC has made crucial R&D investments and acquisitions, in addition to expanding its product offering to support its effort in becoming the Home Energy Solution of the future. GNRC has adapted to put themselves in a favorable position relative to the current and future state of the economy. With the rate of home building decreasing and interest rates being so high, it's only a matter of time until this turns around and GNRC sees an increase in sales by selling generators to these new homes that will be built once rates fall. Additionally, the increase in unfortunate weather patterns and climate change has increased the necessity of having a home generator. GNRC is exposed to several risks that are standard for the industry. Even though they're exposed to the state of the housing market, GNRC has a solid chunk of sales outside the residential sector, 47%of its revenue attributable to commercial, industrial, and other customers. GNRC uses several commodities in the manufacturing/use of its products: aluminum, copper, oil, natural gas, oil and electricity. To mitigate any volatility in these markets, GNRC utilizes hedges. In regards to ESG, GNRC has committed to shifting to cleaner alternatives and their newer product lines support this effort.

Being active in over 150 countries and having leading brand equity in the generator space, GNRC is a well-known company praised for the quality of their products. Their ability to shift their focus to match demand trends while upholding their amazing quality puts them in a favorable position going forward.

GNRC is backed with improving financials and a BB credit rating. In their most recent earnings call, they beat EPS and Revenue estimates by 8.37% and 2.5% respectively. The company does not pay dividends but this allows them to make key acquisitions and investments in R&D. Ultimately, GNRC is poised for a huge year ahead and it fits into what our investment philosophy is all about.

As of April 15th, 2024, we had an unrealized gain of 24.28% on GNRC.

Target Corporation (NYSE: TGT):

On November 17th, 2023, we purchased 540 shares of TGT at $130.36 per share at a total cost of $70,394.40

Target Corporation is the 6th largest US retailer as of 2023, with $109b in revenue and almost 2,000 stores nationwide. The company offers a wide range of products, such as clothing, accessories, electronics and toys, both from outside brands and their exclusive private label brands. We valued Target at $141.70.

Target is an attractive investment for many reasons. First, it has strong brand equity which reflects high quality products and customer loyalty. In addition, the company focuses on e-commerce adaptation to compete online with stores such as Amazon, utilizing private brands to increase differentiation from competitors. Lastly, they have a proven track record of returning earnings to shareholders at an increasing rate. Target has paid quarterly dividends since 1967, which have been increasing every year since 2000. The current annual dividend yield is 4.1%, with an annualized 3-year dividend growth of 15.06%.

Furthermore, Target continues to invest in its future and growth through capital expenditures. They increased their capex amount by 57% YOY in 2022 and plan to follow a similar pattern in 2023. Full-store remodels, the addition of Ulta beauty shops and Apple shops in-store and the opening of new stores are the reason for the change. In addition, Target is building new distribution and sortation centers to compete with the increase in online retailers. This goes to show that despite economic pressures, consumer spending remains strong, allowing for Target to make the best of the opportunity.

Overall, we decided to purchase TGT given the solid business model, the steps to further growth and improvement, and commitment to return increasing earnings to shareholders. So far, TGT has proven to be a huge benefit to our portfolio as it continues to grow and maintains a positive outlook.

As of April 15th, 2024 we had an unrealized gain of 26.58% on TGT.

American Express. (NYSE: AXP):

On November 27th, 2023, we purchased 457 shares of AXP at $163.93 per share at a total cost of $74,916.01.

American Express is a multinational integrated payments company that is a global leader in providing credit and debit card services. Their client range from the average consumer to large corporations. The business is split into the three main sectors: the Card Issuing Businesses bills $1.3tr globally; the Merchant Acquiring businesses, a sales program that connects AmEx to a global network of merchants, bulls $214.5b; and the Corporate & Other sector focuses on corporations and various other businesses.

The company focuses on a "Spend-Centric" business model, which focuses on generating revenue through driving spending on cards. Among their competitors, the company retains the highest card spending by offering incredible incentives for their clients through reinvestment fees.

AmEx faces competition mostly from credit card processing companies, financial institutions, and "instant payment" apps such as Venmo and CashApp. Their two main competitors are Visa and Mastercard. In the US, AmEx can easily compete with the two as the card is widely accepted, though globally, it is less widely accepted. In the US, the company makes up 10.5% of the network processing volume, and 4% globally. In addition, in 2021, AmEx had the second largest outstanding loan balances by issuers in the US.

As an investment, AmEx's relatively small market share compared to Visa and MasterCard offers a unique opportunity to buy into future growth. Millennials and Gen-Z costumers are the fastest growing segment of AmEx, representing 60% of new consumer accounts, and are the central driver of forecasted growth. Taking this into account, along with AmEx's unique "spend centric" business model, and the stricter criteria set for new clients, the company can be expected to grow tremendously in the coming years.

As of April 15th, 2024, we had an unrealized gain of 33.23% on AXP

Nike, Inc.. (NYSE: NKE):

On November 29th, 2023, we purchased 455 shares of NKE at $109.51 per share at a total cost of $49,827.05

NKE is the world's largest supplier of Athletic shoes and apparel in addition to being a leader in manufacturing sports equipment. They were founded in Eugene, OR and now operate in 170 countries. Nike also owns the Jordan brand and has wholly owned a variety of subsidiaries over the years, such as Converse (Current), Hurley (sold in 2019), and Cole Haan (sold in 2012). Additionally, Nike is licensed to make merchandise with the logos of many sports teams, whether those be collegiate and professional. Lastly, Nike sponsors many of the top athletes in the world, across a number of sports, furthering the brands reputation as being the top quality.

Nike is the leading footwear retailer, having a market share of 30%. NKE owns roughly 1,030 retail stores worldwide and 8 distribution centers, 5 of which are in the US. Additionally, NKE is

supplied by 122 footwear factories located across 12 countries and contracts with 329 apparel manufacturers. This diversification in manufacturing is helpful as if plants in one country have issues, it is still operating across other plants. The brand diversifies itself from competitors as it has the strongest brand equity, and endorses the best leagues and athletes, highlighting the quality of its goods. Additionally, NKE continues to invest in R&D to keep innovating, making it hard for its competitors to keep up and attract market share from a variety of demographics.

Nike is sensitive to the environment of the consumer, as they fall into the consumer discretionary space. The economy has recently seen rising inflation and rising interest rates to lower inflation. Both situations call for decreased disposable income for consumers, who begin to seek ways in which they can save money. We feel this will have a negative impact on NKE's earnings in the short term, but long term the economy will recover as there are already talks of rates starting to be cut in early 2024. Historically, Nike has outperformed the S&P but over the past year or so they have not. Based off this, our valuation, and comparable company analysis, we believe Nike may be undervalued. With the Olympics being next year, and the increase in NIL deals across the collegiate sports space, there are plenty of opportunities for Nike to gain more brand recognition and reach more demographics across the customer space.

Nike is exposed to a number of risks that are typical for companies in the consumer retail space. Supply chain disruptions, currency fluctuations, and E-commerce disruption are some key risks that Nike has mitigated over the years. Nike has mitigated against supply chain disruptions by having operations across the globe. If one plant in one country is having issues, the other plants should be independent of the issue and continue to run effectively. Nike is moving towards a distributorship model in South America, which should reduce SG&A costs and minimize foreign currency exposure. Nike also utilizes hedges to mitigate foreign currency exposure. In regards to E-commerce, Nike has made investments to improve its digital experience for customers and also supplies products with much higher quality than typical E-commerce brands (Alibaba, DHGate, etc.). Despite facing these risks and the potential of a recession in the short-term horizon, Nike has a solid gameplan for the long term future and will overcome any short term issues that may arise. With the economy looking uncertain going into the new year season, NKE is well positioned to continue mitigating their risks. Once the inflation cools and rates fall, we expect consumers will continue their loyalty to Nike and purchase their products, resulting in increased earnings.

As of April 15th, 2024, we had an unrealized loss of 6.72% on NKE.

Exxon Mobil, Corp., (NYSE: XOM):

On December 7th, 2023, we purchased 1100 shares of XOM at $99.10 per share at a total cost of $110,539.

XOM operates as an integrated oil company (IOC) and has recently expanded its core business to offer Low Carbon Solutions as well.

ExxonMobil (XOM) is a world-leading integrated oil company that operates in more than 60 countries with 21,000+ retail locations. XOM is known for its expertise, manpower, and its long history of developing technology to address energy demand.

According to the EIA, IEA, and OPEC, there will be an increase in the consumption of oil and natural gas until 2040. We expect that the commercial production of gasoline will drive ExxonMobil’s revenue for the foreseeable future. Oil displacement as a result of electric vehicles has only displaced ~700,000 barrels of oil per day as compared to the 122.15 million barrels of oil consumed on a day-to-day basis in 2022. Thus, we feel as though commercial dependence on oil and natural gas will continue to help oil and natural gas progress into the future. While we recognize the government and political goals on environmental action, these goals are long-term, which makes it harder to evaluate. However, we believe renewables will be an increasingly more important source of energy in the future. This will most likely impact Upstream-dependent businesses such as Halliburton, as compared to an integrated company like Exxon.

Exxon Mobil is a strong investment choice due to its smart capital deployment and responsible spending. With a 36% payout ratio, the company ensures financial stability while strategically growing its business. With a bearish outlook on the energy sector, Exxon stands out by transforming into an "Energy Solutions" business, reducing risks and staying adaptable. The company's focus on technology and operational excellence, along with its successful efforts to cut emissions by over 10% since 2016, makes it a leader in the evolving energy landscape. In essence, Exxon Mobil is a smart investment with a solid financial foundation, strategic vision, and a commitment to environmental responsibility.

As of April 15th, 2024, we had an unrealized gain of 20.77% on XOM.

Floor and Decor Holdings, Inc.,(NYSE: FND):

Floor and Decor presents a compelling investment thesis, underscored by its rapid growth over the past decade, boasting a 28.7% revenue compound annual growth rate (CAGR). The company's robust business model, unique and not entirely replicated by competitors, has enabled a strong track record of increasing revenue and earnings per share. Despite holding only about 10% of the hard-flooring total addressable market, Floor and Decor has demonstrated significant potential for further market capture. Its strategy of sourcing from over 240 suppliers in 24 countries cuts out middlemen, enhancing cost-efficiency and product diversity. A key factor in its growth has been its ability to siphon market share from large, established competitors like

Home Depot and Lowe’s, who offer a broader range of products but less focus on hard flooring. Floor and Decor targeted approach allows it to capture market share from these larger companies, viewing the hard-flooring segment as a secondary part of their business. The company strategy for new store openings is meticulously planned to maximize potential revenue, positioning its stores as efficient one-stop shops for flooring. They offer a wide selection of high-quality products at various price points and maintain deep inventory levels. This strategic approach, combined with the potential for market expansion and efficient operations, makes Floor and Decor an attractive investment proposition.

State Street Corp.,(NYSE: STT):

State Street Corporation, established in 1792, is a leading global provider of financial services to institutional investors. It specializes in investment servicing, investment management, and investment research and trading. With its headquarters in Boston, Massachusetts, State Street operates worldwide, serving clients including mutual funds, pension funds, and corporations. The company's core services include custody, fund accounting, administration, and shareholder services for mutual funds and other collective investment funds. State Street also offers a range of investment management solutions through its subsidiary, State Street Global Advisors (SSGA), which is known for its pioneering role in creating and managing exchange-traded funds (ETFs). State Street's commitment to innovation is evident in its investments in technology and data analytics, aiming to enhance operational efficiencies and client outcomes. The company's strategic focus on leveraging its global reach and expertise to deliver comprehensive financial solutions underscore its position as a trusted partner in the financial industry. Most recently, State Street has expanded its recordkeeping services to Alpha, an AI solution platform that serves front-to-back office for clients.

Our investment thesis for State Street centers on the distinct competitive advantage and financial performance potential derived from its custody business, valuation, and net interest income prospects. The custody business not only facilitates opportunities for State Street Global Advisors (SSGA) but also inherently possesses high switching barriers, leading to significant product stickiness and client retention. This aspect of State Street's operation underscores a stable and potentially growing revenue base. Additionally, State Street's current valuation, particularly its low price-to-book (P/B) ratio compared to competitors, suggests that the stock is undervalued, offering an attractive entry point for investors seeking value in the financial sector. The strategy of leveraging Alpha, State Street's front-to-back platform, alongside its high client retention rate, it is anticipated to significantly propel net interest income, further strengthening the company's financial position and profitability. Collectively, these factors make State Street a compelling investment proposition, blending robust operational foundations with significant financial upside potential.

Pfizer Inc., (NYSE: PFE):

On February 26th, 2024, we purchased 1860 shares of PFE at $27.22 per share at a total cost of $110,539.

Pfizer Inc. is a research based, biopharmaceutical company with competitive operations in the global market. Their multinational operations enable them to benefit from economic upswings in various regional markets, despite crises in others. They employee about 83,000 employees and sell their products in more than 185 countries. In 2023, Pfizer generated $58.5B in revenue with 9 products generating over $1B each. Pfizer operates in six focus areas (Rare Disease, Internal Medicine, Inflammation & immunology, Vaccines, Oncology, and Anti Infectives).

The global pharmaceutical market was estimated to be $1.5 trillion in 2022 and is projected to grow at a compound annual growth rate (CAGR) of 6.12% from 2023 to 2030. Currently Pfizer and Johnson & Johnson ($JNJ) are the two leaders in market share in the United States and globally. No company holds more than 10% of the market share in the U.S or globally. Covid window and decreasing revenue from it has created necessity to generate new drug revenue. This involves large amounts of Research and Development from pharmaceutical companies to create new streams of revenue.

Pfizer Inc is a strong investment because it's leader in innovation with a strong portfolio of drugs, aggressive Research & development and an impressive pipeline. Investing in Pfizer would further diversify our portfolio as we are underweight in the healthcare sector relative to the S&P 500. Pfizer has a history of paying out great dividends relative to competitors in the sector and is bolstered by an A2 credit rating. Additionally, we are buying Pfizer at a significant discount relative to where they usually trade. Our conservative valuation gives them about 4.5% upside but historically they have traded much higher during times such as the pandemic. Pfizer remains on the forefront of innovation and has recently made a pivot towards oncology, supported by their recent acquisition of Seagen, which has doubled the size of their oncology pipeline.

As of April 15th, 2024, we had an unrealized loss of -4.81 % on PFE.

Carmax Inc., (NYSE: KMX):

CarMax is a great investment because of two reasons. The first is that they have a strong brand equity. They are the market leader in the 3 parts of their business, used cars, wholesale cars, and financing. CarMax's stores also cover approximately 85% of the US population making it accessible for customers to engage with CarMax's services. They are also the biggest player in this market giving them a competitive advantage. The second reason is that CarMax has an adaptable strategy. They have an omnichannel system that allows customers to access CarMax's inventory freely. They invest in technology that allows them to meet shift market demands and accessing a $1 trillion market.

Pernod Ricard (PRNDY)
The market dynamics within the alcoholic beverages industry are witnessing a significant shift, with consumer preferences moving away from beer and towards wine and spirits. This trend underscores their volving tastes and preferences of consumers, prompting companies like Pernod Ricard to adapt their strategies accordingly. Pernod Ricard has demonstrated a keen focus on targeting diverse markets, with note to those with growth potential. The company maintains a commitment to capital expenditure aimed at expanding its brands and extending their reach into new territories and demographics. Furthermore, Pernod Ricard has established a solid track record of returning growing earnings to shareholders, demonstrating its ability to generate value and maintain shareholder confidence. This commitment to growth and shareholder returns positions Pernod Ricard as a formidable player in the ever-changing landscape of the alcoholic beverages market.

Conclusion

LESSONS LEARNED:

The responsibility of managing a million-dollar portfolio is something most students will never get the opportunity to do. We are honored and grateful for the chance to hold this responsibility and gain valuable lessons from the program. One of the central goals of the Student Managed Fund is to give students a diverse learning experience, and this is something we realized early on.

The learning journey began last semester during the interview phase of the program. To apply for the Student Managed Fund, students had to submit a write-up with a stock pick, which guided the interview with our undergraduate supervisor Jeff Annello. We all remember sitting there in our interview while Jeff asked questions about our companies that we had never even considered. This fundamental thought process of understanding a company and what makes a good company versus a great company is something we all have developed this semester. Jeff's lectures at the beginning of the semester and continued advice after our pitches engrained critical thinking skills in our minds, guiding us to make responsible investment decisions. The SMF Speaker series (Sean Elliot, Pat Terrion, Tom Marshella) and sit ins offered by Steve Wilson were also insightful in keeping us up to date on current events and helping us understand different investing styles. Being able to and hear from C-Suite members of different corporations was also valuable as it gave many of us our first experience interacting with C-Suite employees of a company. In addition to the critical thinking skills required to manage a portfolio, our team had the opportunity to expand our technical skills across the research and diligence process.

As generalists, most of our team worked on multiple pitches and had the experience of learning about companies in different industries. We have all worked through different valuation models and understand the best ways to make projections. In addition, our quantitative analysis of different companies introduced us to critical financial metrics and the proper way to understand a

company financially. Attention to detail is a principle our team focused on greatly. When making an investment decision, we understand it is essential to report accurate due diligence to our team.

On a company level, we learned the importance of risk management and timing. We found that prices can shift dramatically due to different events in a volatile market. In the case of Generac, their earnings reports gave investors great expectations, which shot the stock price up to levels we were able allocate towards and take advantage of, given our commitment to maintaining our fiduciary responsibility and investment philosophy.

Most importantly, we learned to work together as a team. We realized early on with Kellanova that it is critical to have a consensus on what we all think of a company before an investment pitch, as it will save valuable time and effort. Throughout the semester, we all were open to advice from one another and recognized that the most growth comes from hearing each other's perspectives and ideas.

THE FUTURE:

Team Blue is ready to use our knowledge gained from this past school year to excel in the real world. We're excited to become alumni of such a prestigious program and look forward to the opportunity to give back and be resources to the next SMF classes over the years. We're looking forward to applying the principles of investing and portfolio management we've learned at UConn to our personal portfolios and potentially those of clients and institutions. Lastly, we're looking forward to continuing to monitor the companies we've invested in over the next decade or so and see how our performance aligns with our expectations.