UNIVERSITY OF CONNECTICUT STUDENT MANAGED FUND

Fall 2024 Investment Advisory Board Portfolio Update

DECEMBER 20th, 2024

UNIVERSITY OF CONNECTICUT SCHOOL OF BUSINESS

UNDERGRADUATE STUDENT MANAGED FUND

TEAM BLUE

DATA AS OF NOVEMBER 22nd, 2024

TABLE OF CONTENTS

Letter to the IAB

Dear Investment Advisory Board Members,

We would like to express our sincere appreciation for the unique opportunity to take part in the Student Managed Fund (SMF) program. This exceptional experience has offered us a platform to expand our academic financial acumen while developing practical skills critical for success in the investing world. Your continued support and guidance have been invaluable, and we are deeply grateful to Dean Elliott, Chinmoy Ghosh, Rosa Chen, Pei-Ju Lee, Laurel Grisamer, and everyone else whose contributions make this program so impactful.

This semester has been a fantastic adventure for all 11 members of Team Blue. While the steep learning curve of managing real funds challenged us from day one, it also motivated us to deepen our understanding of investment principles and develop a disciplined approach to equity research. Our investment philosophy centers on a value-based approach with a long-term horizon that focuses on large-cap equities for stability, proven track records and flexibility through liquidity. Balancing this strategic framework with rigorous financial analysis has taught us that investing is as much an art as it is a science, welcoming uncertainty and the influence of investor sentiment around the globe.

As a team, we've embraced our collective responsibility to manage the funds provided with diligence. We have engaged in weekly meetings and feedback sessions to refine our strategies, evaluate risks critically, and remain adaptable in an ever-changing market environment. This experience has not only improved our technical skills but also helped us cultivate essential soft skills such as communication, teamwork, and leadership. These lessons extend far beyond the SMF and will undoubtedly guide us in our professional journeys.

Team Blue has fostered strong personal and professional bonds, which we see as a testament to the collaborative spirit of the SMF. Together, we've grown from students into confident analysts prepared to tackle challenges with curiosity and discipline. As we move forward into the spring semester, we are excited to leverage the knowledge and experience gained this fall to deliver meaningful results and showcase our growth and improvements.

Thank you for your dedication to the Student Managed Fund program and for entrusting us with this remarkable opportunity. We are eager to continue this journey in the coming semester.

Sincerely,
Student Managed Fund Team Blue

Investment Managers


Kristina DeMichiel
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Justin Roche
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Travis Roux
Analyst


Maxwell Skidmore
Analyst


Andrew Tompkins
Analyst

Portfolio Snapshot

Total Performance vs. SPY

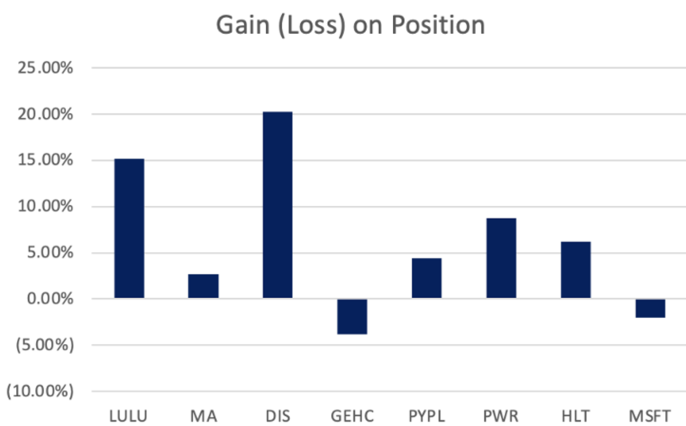
Benchmark Performance	
Current Price	$5,969.34
S&P Close (Sep. 16th)	$5,633.09
Performance	**5.97%**

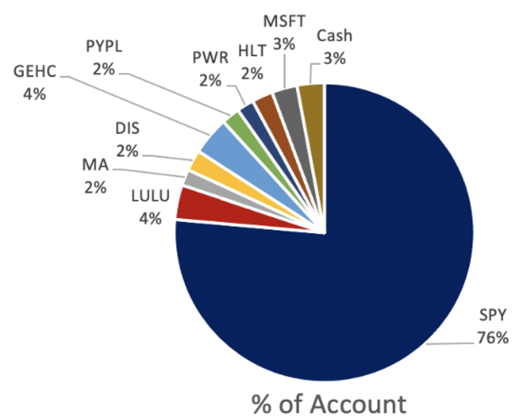
Portfolio Performance	
Team Blue Portfolio Return	9.04%
S&P 500 Return Since Trade Period Open	5.97%
% Allocated	20.66%
Outperformance (Underperformance)	**3.07%**

Equity Performance

Company	Ticker	Buy Price	Current Price	Gain (Loss)
Lululemon	LULU	$275.33	$317.11	15.17%
Mastercard	MA	507.37	520.76	2.64%
Disney	DIS	96.16	115.65	20.27%
GE HealthCare	GEHC	85.71	82.44	(3.82%)
Paypal	PYPL	83.15	86.77	4.35%
Quanta Services	PWR	314.44	341.92	8.74%
Hilton	HLT	238.12	252.93	6.22%
Microsoft	MSFT	425.45	417.00	(1.99%)

Portfolio Allocation





Philosophy & Strategy

For our philosophy and strategy, we prioritize a long-term perspective, focusing on fundamental analysis and capturing the complete business cycle to account for growth, innovation and downturns.

We concentrate on large-cap equities from the S&P 500 or Russell 1000, choosing high-quality, well-established companies for their stability, lower risk, sector diversification, and liquidity

We also focus on primarily value-based investing. Our strategy is rooted in value-based investing, leveraging tools like the Discounted Cash Flow model and peer-based valuation to identify opportunities where market prices are below intrinsic value, ensuring long-term sustainable returns

Overall, our investment strategy revolves around three key principles:

1. A long-term horizon that captures complete business cycles and relies on fundamental analysis
2. A focus on large-cap equities for stability, proven track records, and flexibility through liquidity
3. A value-based approach, using tools like DCF and peer comparisons to uncover undervalued stocks and align with sustainable, long-term returns

Procedure

Our investment process begins with comprehensive due diligence and research, where we analyze market trends, news headlines, and public financial reports. A significant support in this initial phase is our weekly macroeconomic discussions in the Finance 4301 class, taught by Professor Rosa. These sessions ensure that each student stays informed about current market developments at the start of each week.

Once we identify potential investment ideas to present to the fund managers, we conduct a deeper analysis. This involves detailed financial assessments and reviews of the identified securities, evaluating how they perform within the competitive market landscape. The critical question we address at this stage is whether the investment aligns with our fund's overall strategy. If it does, we proceed to the next step.

With a solid understanding in place, we move into thesis development. Here, we utilize our research findings to formulate a clear investment strategy, emphasizing long-term growth and identifying undervalued opportunities with significant potential for strong returns.

After developing the thesis, we present it to the fund analysts during the pitch phase of our Monday meetings. During these presentations, we share our due diligence findings, explain our rationale, and address any questions from Pei-Ju and the team analysts. Following the presentation, our team collectively decides whether to approve the investment or request additional information before moving forward. We ensure that voting occurs immediately after class with at least two-thirds of the team present, facilitating open and honest discussions regarding the pitches.

Finally, our responsibilities extend beyond making an investment; we actively monitor the stock's performance and implement stop-loss measures in the event that the stock's value declines more than anticipated. Fund managers track performance daily and compare it against benchmarks such as the S&P 500. If adjustments are necessary, our team schedules a meeting to collaboratively decide on the appropriate course of action.

This structured approach enables us to make data-driven decisions that align with the fund’s objectives while effectively managing risk. Angelica, our risk manager, consistently evaluates the risks associated with our portfolio to ensure robust risk management.

Economic Outlook

In the start of 2024, investors predicted the fair value S&P 500 range would be 4,850-4,950. Given a year's worth of Fed, inflation, and unemployment movement, the future on the index is pricing the S&P 500 around $6,000 (+26.75% YTD) by the end of 2024 in hopes to be headed to a "soft landing.” While looking at 2024 and using this as a metric for evaluating 2025's outlook as a soft landing, it doesn't necessarily mean the ideal scenario of inflation at 2%, GDP coming in at 2-3%, unemployment at 3.5-4.5%, and interest rates at 2-4% will be achieved. Currently, Fed funds futures traders are predominantly forecasting one to four quarter-point cuts by December 2025.

However, Goldman Sachs is expecting the Federal Reserve to implement rate cuts in its next two meetings, followed by a prolonged pause. As the market expects 2025 to have many rate cuts, this could be tested by policy changes, given that Donald Trump is elected the 47th president and has full control of the House of Representatives and the Senate. Taking a deeper dive into Trump's potential policy implementation, we've seen the markets react positively. After being announced presidency, the equity market had its largest rally of the year in one week, S&P 500 (+2.5%), Dow Jones (+3.6%), and Russell 2000 (+6%). These gains were largely attributed to investor optimism about Trump's pro-business policies, including expectations of lower corporate tax rates, deregulation and policies favoring domestic growth, dubbed the "Trump Trade". More specifically, on trade Trump has pointed to aggressive tariffs against Mexico and Canada with 25% levies on imports to combat issues with immigration while warning China with an additional 10% tariff in hopes to onshore more US business and improve the unemployment in the country. Adding, he hopes to extend individual tax cuts and even the elimination of income tax on tips, overtime and government pensions to put more money in citizens' pockets to help bolster spending while keeping inflation tame in the country.

Furthermore, Trump has been busy announcing seats in his cabinet over the past few weeks, including Elon Musk and Vivek Ramaswamy for Department of Government Efficiency (DOGE) and Chris Wright for Secretary of Energy. Keeping this in mind, Trump has conveyed his pessimism on Biden's CHIPS and Science Act in belief that his tariff-based strategy will compel companies to manufacture domestically without requiring federal funding. Instead, he looks to use this fiscal spending elsewhere in fracking and exploration and appraisal to find oil reserves. Given 2023 and 2024's hard resilient economic run driven by AI, Trump believes that renewables won't be able to supply enough energy to the AI market like data centers, meaning fossil fuels will stay in high demand heading into 2025.

Moreover, the global economy has experienced the most geopolitical turmoil in the past 80 years which has caused a bumpy, unpredictable future. With supply chains being disrupted and ally intervention coming off of the Covid-19 stimulus packages, the US fiscal deficit has doubled in 8 years, currently around 36 trillion. This means that the US is spending more on the interest rates from our outstanding debt than the entirety of our defense budget, raising many questions. However, the current and future markets seem to be pricing this as a bull market run. As investors keep a long-term approach to the market given AI's early innings, there is much opportunity ahead. Similarly to the dot-com bubble, investors want to enter the fray, but the difficult part is finding attractive valuations. As many AI sector stocks are overvalued, the decision to buy or sell can be misleading. For Team Blue, we remain optimistic with our long-term bottom-up fundamental analysis when adding or subtracting to our portfolio. Keeping in mind that interest rates and inflation could remain higher for longer, it begs the question of companies' competitive advantages and defensible business models. As we look to be invested 80% by February, the team is exploring companies that manufacture in the US or have low elasticity to price changes for the good or service.

Portfolio

Performance

Team Blue’s overall portfolio during the period ended November 22nd, 2024, yielded a 9.04% return compared to the benchmark’s performance of 5.97%. The portfolio significantly outperformed SPY by 3.07%, including our holding of SPY. The portfolio’s gains (excluding SPY) have largely been driven by strong performances from Lululemon (LULU) and the Walt Disney Company (DIS), returning 15.17% and 20.27%, respectively. Lululemon accounts for ~4% of the overall portfolio, while Disney represents ~2% of our total holdings. Our worst performer of the semester has primarily been GE HealthCare, suffering alongside the rest of the healthcare sector from Trump’s election and the anticipated impact of the incoming administration. The portfolio has a beta of 1.13 and a weighted average price-to-earnings ratio of 35.37x.

Sector Analysis

Team Blue’s portfolio is held in majority towards SPY. While this conservative strategy was selected due to uncertainty regarding specific sectors’ reactions to the election as well as policy decisions being made by the Fed, we have strived to diversify our individual holdings across a specific range of sectors that we believe are poised for strong performance in the coming years. These sectors include technology, financial services, healthcare, consumer discretionary, and energy.

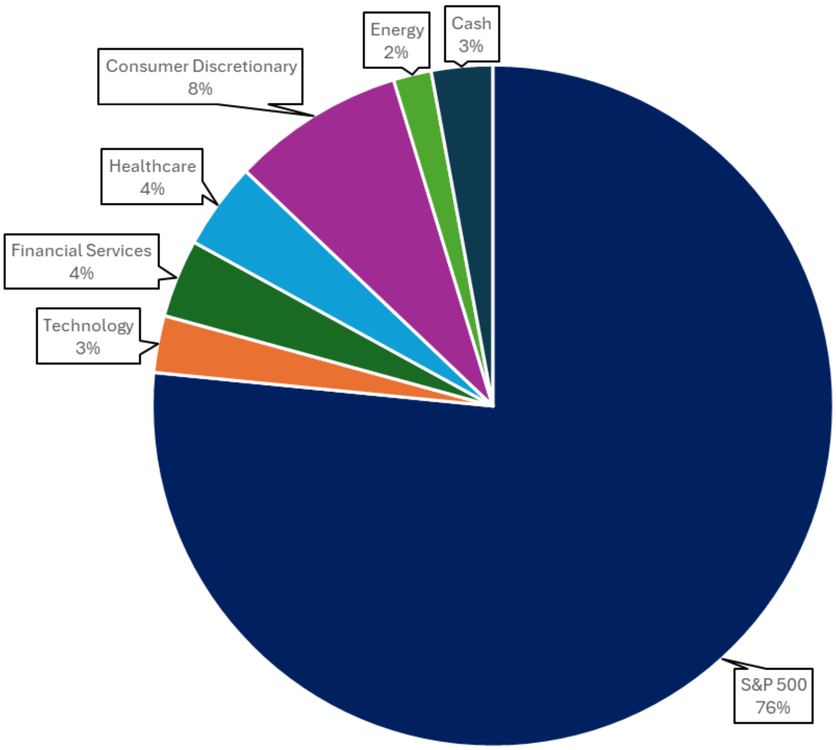
Our outlook for the technology sector is positive with the continued development of artificial intelligence and cloud services technologies. Artificial intelligence continues to develop at a rapid rate, helping to revolutionize other markets such as the healthcare, financial services, and industrials sectors as well. Beyond this, quantum computing is poised to be a high area of growth as well the importance of accessing high levels of processing power to help solve complex problems for business increases in value. The Internet of Things (IOT) also continues to show growth as the opportunity for billions of devices to be interconnected will help improve the efficiency of businesses and streamline operations across industries. Cybersecurity remains a critical area of focus as the sophistication of malware and the robustness of innovation within the technology sector intensifies the need for digital countermeasures for corporations.

Taking a look at the financial services sector, we feel this market remains attractive with growth being driven in majority to the digitalization of the industry. The introduction of advanced technologies such as artificial intelligence and blockchain has helped revolutionize this area of the market. Blockchain has led to a wave of importance being placed on transparency within the sector and will continue to play a role as the digitalization of currencies continues to expand. Artificial intelligence has led to the automation of processes for corporations and businesses leading to enhanced operational efficiency. Increased crossover with the technology sector has led to a rise in the fintech space, fostering rapid advancements in the payments, lending, and wealth management spaces. Similarly to the technology sector, increased importance has been placed on cyber security within this sector as fraud prevention and corporate defensibility continue to grow in necessity.

For the healthcare sector, our long-term outlook remains positive but cautionary in the short-medium term. We believe this space is poised for significant advancements in the next decade, but may face headwinds under the incoming administration. Precision medicine will continue to see widespread adoption as the ability to leverage genomics, artificial intelligence, and big data provide the ability to create tailored solutions for individual patients. Telemedicine and the digitalization of the healthcare industry continues to be dominant market theme as companies expand online, enabling remote consultations, monitoring, and personalized care. Continued advancements within artificial intelligence and machine learning will enhance diagnostic capabilities and help optimize patient treatment plans. Privacy concerns and compliance with HIPAA regulations continue to be a key area of concern in data security within this space. However, the healthcare market is expected to undergo a large transformation with changing policies under the new administration. The overall sector has been underperforming since Trump's election in November, but with depressed valuations, this may be an attractive entry point for growthier stocks with long-term holding potential.

Our outlook for the consumer discretionary sector is positive in the coming years. We continue to see steady growth within the ecommerce and digital platforms space, with more consumers continuing to opt for online shopping of in-person. Virtual and augmented reality also provide a new frontier or providing digital, immersive shopping experiences. Sustainability and eco-conscious consumerism also will drive brands to focus on ethical sourcing, recyclable packaging, and carbon-neutral distribution options.

Lastly, we expect the energy sector to outperform in the coming years. In the near term, a republican administration will prove the be advantageous for traditional methods of exploring and production as federal land leases for new drill sites should increase. Moreover, the continued development of LNG exportation facilities on the Louisiana coastline provides opportunities for gas exportation to Europe upon completion, which will provide a new stream of revenue from an energy exportation standpoint for this market. Continued development within the renewable energy space remains a present market theme, with more companies placing an emphasis on having a long-term vision for the energy transition. Datacenter development provides an opportunity for renewable energy usage as well as more companies continue to scale their artificial intelligence capabilities.



Risk Management

Effectively managing risk is a crucial aspect of portfolio management. As a team, we strive to protect our portfolio while at the same time pursuing opportunities for growth. An essential component of our risk management strategy is engaging in open discussions throughout the stock pitching process, prior to purchase. During these conversations, the team analyzes the risks each equity poses to the portfolio, considering factors like company-specific vulnerabilities, market volatility, and sector exposure. The goal of these discussions is to determine whether the potential gains of the equity outweigh any risks associated with holding it in our portfolio.

Once a stock is added to our portfolio, the team actively monitors its performance, keeping track of earnings updates, industry trends, and any current events that could impact the stock’s outlook. These post purchase discussions allow us to ensure any new or rising risks are identified to the team and addressed. Another important aspect of our risk management strategy is having stop/loss policies in place, which set thresholds to sell stocks if they fall below a certain value. During the spring, we are focusing our efforts on increasing our allocation while ensuring our portfolio remains diversified to effectively manage risk. Lastly, we also make sure to remain aware of market trends and macroeconomic events taking place that could impact our portfolio's performance. Throughout the fall semester, we've learned the importance of having a risk management strategy in place to ensure that our portfolio remains resilient and aligned with our investment objectives.

Positions

Lululemon

Investment Date: **10/9/2024**	Purchase Price: **$275.33**	Allocation: **4.38%**
Performance: **15.17%**	Current Price: **$317.11**	Target Price: **$330.39**

Lululemon Athletica is well-positioned for growth due to its strong focus on innovation, premium product offerings, and effective direct-to-consumer (DTC) business model. The company has been expanding into international markets, particularly China, and broadening its appeal to men's and other segments, which represents a significant growth opportunity. Its strategic initiatives in e-commerce and global expansion are expected to drive profitability and brand equity. Despite a recent decline in stock price, Lululemon's robust financial health, with a high gross margin of 58.31% and a forward P/E ratio significantly below its historical average, suggests an attractive valuation for long-term investors.

Lululemon faces notable risks, including intense competition in the athleisure and premium apparel markets, which could impact its market share. Supply chain disruptions remain a critical challenge, especially in an environment of global uncertainty. Additionally, the company's growth strategies, such as its international expansion and product diversification, could fail to meet expectations if not effectively executed. Economic sensitivity is another factor, as consumer spending on premium goods may decline during downturns. Mitigation efforts include diversifying the supply chain, focusing on high-margin e-commerce, and expanding its product lines to reduce dependence on core segments.

Key factors supporting Lululemon's success include its proprietary fabrics, continuous product innovation, and a strong lifestyle-oriented community focus. These elements enhance brand loyalty and allow for premium pricing, contributing to its sustained competitive advantage. The athleisure market's growth trends further bolster Lululemon's prospects, with the premium segment forecasted to grow at a 10.3% CAGR through 2030. The company also benefits from favorable macroeconomic conditions, such as declining raw material prices and improving consumer sentiment driven by lower inflation and supportive financial policies.

Mastercard

Investment Date: **10/15/2024**	Purchase Price: **$507.37**	Allocation: **1.78%**
Performance: **2.64%**	Current Price: **$520.67**	Target Price: **$573.31**

Mastercard Inc. is a leading company in the payment processing industry, facilitating transactions between consumers and merchants through a sophisticated four-party payment structure. The company's revenue model is primarily fee-based, derived from a diverse range of payment solutions including credit, debit, and prepaid cards, as well as cutting-edge digital payment technologies and services.

In recent years, Mastercard has strategically diversified its revenue portfolio, expanding beyond traditional transactional services into various financial offerings, which has opened up new avenues for growth. One of Mastercard's most promising growth areas is its rapid expansion in Africa. The company has formed the MADE Alliance in partnership with the African Development Bank Group, aiming to provide digital access to 100 million clients across the continent over the next decade. This initiative is particularly significant given that approximately 90% of transactions in Africa are still conducted in cash, presenting a substantial opportunity for Mastercard to capture market share through strategic mergers and acquisitions.

In addition to geographical expansion, Mastercard has made significant strides in enhancing its cybersecurity and fraud prevention capabilities. The company has introduced Know Your Customer (KYC) programs, which have been well-received by the market. These initiatives not only strengthen Mastercard's core offerings but also position the company as a leader in secure payment solutions, further diversifying its revenue streams and bolstering its competitive advantage in the rapidly evolving digital payment landscape.

The Walt Disney Company

Investment Date: **10/15/2024**	Purchase Price: **$94.22**	Allocation: **2.19%**
Performance: **20.27%**	Current Price: **$115.65**	Target Price: **$123.50**

The Walt Disney Company is a leading global media conglomerate that produces and distributes original content through their fully diversified portfolio of characters and franchises. Operating across five core business segments—media networks, parks and resorts, studio entertainment, consumer products, and interactive media—Disney has consistently demonstrated a superior competitive advantage in the Media and Entertainment industry. This strength is driven by its strong intellectual property and exceptional brand reputation. The company is investing $60 billion over the next decade to expand its theme parks and cruise line operations, further solidifying its leadership in the Experiences sector. Additionally, Disney+ has achieved a 3% increase in subscriber growth, showcasing the continued success of its streaming platform. As Disney continues to expand its streaming services, it is well-positioned to mitigate the decline in linear networks and drive future growth.

Disney emerged as an appealing undervalued addition to the portfolio, trading significantly below its price target. The company has demonstrated resilience, achieving consistent growth following its decline during the COVID-19 pandemic. Coupled with a promising growth outlook, Disney presents itself as a compelling long-term investment opportunity.

GE HealthCare

Investment Date: **10/28/2024**	Purchase Price: **$85.71**	Allocation: **3.88%**
Performance: **(3.82%)**	Current Price: **$82.44**	Target Price: **$109.85**

GE HealthCare is an attractive, defensible stock that appears to be undervalued relative to where the company had been trading at ~$85. As the global leader by market share in the Imaging and Ultrasound subsegments of the Medical Technology sector, the company has reinforced its strong moat that it continues to bolster with continuous operational improvements, strategic partnerships (notably with Nvidia to optimize image processing), and acquisitions. GE HealthCare recently spun off from General Electric in a restructuring completed in early 2023, allowing management to focus on accretive capital allocation and expand its comprehensive product portfolio.

The company serves customers in over 160 countries and operates across four segments: Imaging Systems and Services (45.8% of Q3 2024 revenue), Advanced Visualization Solutions (25.0%), Patient Care Solutions "PCS" (16.0%), and Pharmaceutical Diagnostics "PDx" (12.8%). Each provides products and related services to healthcare providers along the care continuum, driving repeat business and maximizing wallet spend per customer. Revenues are largely diversified by geographic segment across the United States & Canada (46.1%), Europe, the Middle East, & Africa (25.4%), China (11.6%), and the Rest of the World (16.7%). The company does not publicly disclose its product/service mix. However, management cites the importance of post-installment multi-year servicing contracts that provide recurring revenue streams for GE HealthCare, further diversifying its revenue generation.

The company's competitive advantages within the MedTech sector position it well to capitalize on favorable market trends and optimize its operations as a stand-alone entity, providing strong growth opportunities for the business.

Paypal

Investment Date: **10/28/2024**	Purchase Price: **$83.15**	Allocation: **2.01%**
Performance: **4.35%**	Current Price: **$86.77**	Target Price: **$110.42**

PayPal is a leading technology platform and a market leader that facilitates digital payments and commerce experiences for merchants and consumers globally. They have a two-sided payments platform and are able to provide valuable insights and data. PayPal is able to leverage their resources as a market leader and adapt and compete against their peers. Additionally, with a strong subsidiary portfolio consisting of Venmo, Braintree and Honey allow PayPal to demonstrate new capabilities and provide other value-add services to consumers and merchants. These services are always innovating and expanding with Venmo for example transitioning to a merchant-focused product. The company has also outperformed the NASDAQ in 2Q for the first time in 8 quarters and has launched "PayPal Everywhere," a new initiative spearheaded by the new CEO.

Quanta Services

Investment Date: **10/30/2024**	Purchase Price: **$314.44**	Allocation: **1.83%**
Performance: **8.74%**	Current Price: **$341.92**	Target Price: **$347.96**

Quanta Services, Inc. is a leading infrastructure solutions provider. They design, install, repair, and maintain critical energy and communications infrastructure. The company operates primarily in the electric power, underground utility, renewable energy and telecommunications industries.

Quanta has a well-established positioning for contracting services in the North Americas and looks to capitalize on data center and power grid demands in the future. The company involves itself with long-term contracts with their clients, enabling the company to have strong recurring revenue and offers long-term visibility into revenue and cash flows. Quanta Services is able to adjust to evolving trends and the company is resilient to market fluctuations due to their expertise in the previously mentioned industries.

Hilton Worldwide Holdings Inc.

Investment Date: **10/30/2024**	Purchase Price: **$238.12**	Allocation: **2.22%**
Performance: **6.22%**	Current Price: **$252.93**	Target Price: **$291.92**

Hilton stands as an industry-leading hotel brand, boasting a global presence through its streamlined, fee-based model. The company caters to middle and upper-class travelers, offering a diverse array of tailored stay experiences across its portfolio. With 90% of its revenue derived from franchising and management fees, Hilton's growth strategy heavily relies on mergers and acquisitions to expand its market reach and competitive edge. In recent years, Hilton has strategically expanded its portfolio, venturing into emerging cities and economies of scale.

Notable acquisitions include Graduate Hotels for $210 million and Bluegreen Vacations for $1.5 billion, further solidifying its market position. The company has also made significant strides in the digital realm, with its loyalty program experiencing remarkable growth from 36 million members in 2012 to an impressive 200 million in 2024. Hilton's resilience during economic downturns has been particularly noteworthy. Rather than retreating, the company has seized opportunities to reinvest and expand. With over 500,000 rooms currently under construction, financed 90% through dry deals, Hilton is poised to capture additional market share from competitors. The company's Net Unit Growth (NUG) stands at an impressive 4.5%, outpacing Marriott's 3.2% in recent quarterly earnings. Domestically, Hilton is focusing on high-growth cities such as Nashville, Atlanta, and Austin. The company's debt structure is strategically managed, with 85% fixed, 69% unsecured, and 36% freely payable, maintaining a net leverage of 2.9x and a 4.9x Weighted Average Cost of Debt (WACD). Looking ahead, Hilton aims to expand its "Hilton for Business" program, incentivizing small businesses to utilize its spaces. This initiative, coupled with its robust growth strategy and digital innovations, positions Hilton for continued success in the competitive hospitality industry.

Microsoft

Investment Date: **10/30/2024**	Purchase Price: **$425.43**	Allocation: **3.00%**
Performance: **(1.99%)**	Current Price: **$417.00**	Target Price: **$451.72**

Microsoft is one of the world's leading technology companies. They are known for their wide range of software, hardware, and services. The company operates through three primary business segments: Intelligent Cloud, Productivity and Business Processes, and More Personal Computing. In 2023, Intelligent Cloud made up 41.5% of revenue, followed by Productivity and Services at 32.7%, and lastly More Personal Computing at 25.8%. Microsoft's competitive advantages in growing markets like cloud computing and AI are driving revenue growth. While those segments are rapidly expanding, Microsoft's diversification in products and services, such as Microsoft 365, LinkedIn, gaming through Xbox, and Windows, ensures stable, recurring revenues. Microsoft's balanced portfolio combined with their geographic diversification reduces an overreliance on any single business segment and allows them to be resilient against market volatility.

Over the years, Microsoft has established long-term relationships with enterprises and governments by integrating its products and services into their operations. This approach has fostered brand loyalty and trust, positioning Microsoft as the preferred provider of critical services. In addition, Microsoft's integrated ecosystem sets it apart from competitors. By operating across cloud computing, productivity tools, operating systems, AI, gaming, and devices, Microsoft creates extensive cross-selling opportunities that strengthen its market presence and revenue streams.

Cloud computing is one of the fastest growing industries around the world. As such, Microsoft continues to focus heavily on expanding its Azure cloud platform. Significant investments are being made in AI capabilities within Azure to enhance cloud performance and efficiency. In fiscal year 2024, Microsoft's intelligent cloud segment revenue increased 19%, which was driven largely by Azure and other cloud services having a revenue growth of 29%. To support the growing demand for cloud computing and AI services, Microsoft is also heavily investing in global data centers.

Conclusions

Lessons Learned

As we reflect on our experiences this semester, we wanted to share some key lessons learned that have been instrumental in shaping our approach and outcomes. These insights pertain to both the development of soft skills and our investment strategy, and they offer a foundation for continued improvement and growth within our team.

Working independently on pitches has proven highly beneficial for fostering creativity, focus, and confidence. It allows individuals to take full ownership of their work, enhancing critical thinking and presentation abilities. Conversely, collaborating on pitches brings diverse perspectives, strengthens the quality of the output, and provides a valuable feedback loop. Sharing the workload also makes the process more efficient and less overwhelming. Moreover, teamwork fosters relationship-building, enabling members to connect and learn from one another. Effective presentations require emotional intelligence to convey complex concepts clearly and engage the audience. Developing this skill has been critical in ensuring that our pitches resonate with viewers and leave a lasting impression. Balancing research, presentations, and other commitments has underscored the importance of time management. Meeting deadlines, prioritizing tasks, and maintaining focus under pressure have strengthened our professional and collaborative capabilities. With an increased volume of pitches this semester, we carefully considered allocation percentages for each investment. As noted earlier, we adopted a conservative approach to allocations. Moving forward, we plan to reevaluate our strategy, doubling down on stocks that remain to be attractively priced and exploring new opportunities.

We have learned the importance of prioritizing valuation analysis before delving into other aspects of a presentation. Identifying overvaluation early on helps save time and allows us to focus on viable opportunities. Practice remains fundamental to mastering financial modeling. Incorporating new modeling techniques and consistent practice have significantly improved our efficiency and proficiency with Excel. Timing is critical when pitching a stock. By considering macroeconomic factors and their implications, we can make more informed decisions about whether to recommend buying or holding a position. Artificial Intelligence has been supportive in providing concise company backgrounds and enhancing the depth of our research. Furthermore, gaining proficiency in AI tools now positions us to capitalize on their growing capabilities as they evolve and play an increasingly prominent role in the industry.

Looking Ahead

Based on the past semester's performance and setting our sights on the future, we have identified several key initiatives to strengthen our investment strategy. We plan to increase allocation sizes and deploy additional capital into equities, capitalizing on high-conviction opportunities. Our strategy will include identifying and analyzing potential double-down opportunities with companies we have strong confidence in. Close monitoring of stocks on hold and identifying attractive entry points will be critical to achieving another strong semester. Additionally, we will focus on tracking existing portfolio positions to identify optimal selling opportunities. To manage risk and improve returns, we aim to rebalance the portfolio by reducing overall P/E and beta metrics. For the Spring semester, we will target three to four pitches per team member, with at least one being an individual stock pitch. This will foster deeper individual analysis and accountability. These steps are designed to build on our successes and address areas of improvement, ensuring continued growth and robust performance in the coming semester.