2024

University of Connecticut Student Managed Fund Team White – Fall 2024 Long Report

OFFICIAL LONG REPORT

DECEMBER 20TH, 2024

UNIVERSITY OF CONNECTICUT STUDENT MANAGED FUND | STORRS, CT

Table of Contents

Introduction

Letter to the IAB:

Dear Members of the Investment Advisory Board & The University of Connecticut Foundation,

As Team White reflects on this fall semester, we would like to extend our deepest appreciation for your support and guidance within the Student Managed Fund Program. Your continued advisement, industry expertise, and assistance is the foundation to our learning, and we believe it is of paramount importance that this commitment does not go unnoticed. From the SMF speaker series to the individual networking sessions, or even attending our end of semester presentations, we immensely value your desire to give back to this program and we hold the highest degree of gratitude for each and every one of you. We would also love to highlight both Rosa Chen and Pei-Ju Lee for serving as our advisors and valuable mentors throughout this semester. Both Rosa and Pei-Ju were the foundation of our learning, and we greatly appreciate the sacrifices they made to enhance our experience.

This semester presented us with an unusually challenging landscape to navigate when making investing decisions as we faced a plethora of geopolitical, macroeconomic, and political risks. We as a team recognize that it is a privilege to manage a portfolio of this magnitude and strived to balance these risks within our construction throughout the semester. The Student Managed Fund provides us the unique opportunity to both learn effective portfolio management in the classroom and leverage these newfound concepts in practice to generate returns. Throughout the semester we expanded our knowledge on fundamental investment concepts including company valuation, identifying competitive advantages, instituting proper risk management, evaluating industry dynamics, and balancing differing perspectives in a collaborative setting. We truly believe our growth over the past few months is directly attributable to the nature of this program and its emphasis on allowing aspiring financial professionals to learn through practical experience.

We would finally like to express our gratitude to both Laurel Grisamer and Liping Qui who helped coordinate the program, execute trades, and act as the backbone for the fund throughout the semester. Without the generous support of both these individuals this experience would truly not be possible. It is hard to fathom the amount that we as individuals and as a team have grown in just three months and are incredibly excited to continue this momentum come the spring semester. Team White remains committed to providing value back to the IAB and demonstrate additional strides of growth at the conclusion of the investing period.

Thank you all and we look forward to convening again in the spring.

Best,

Student Managed Fund Team White

Team White Managers:

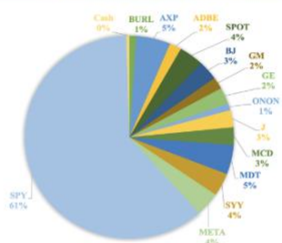
Portfolio Snapshot:

Portfolio Performance Snapshot

SMF SPY ETF Benchmark	
Beginning Value	$5,625.81
Current Value	$5,968.73
Absolute Change	$342.92
% Change	6.09%

SMF Portfolio	
Portfolio Starting Balance	$550,839.61
Portfolio Ending Balance	$585,992.42
Total Portfolio Performance	6.38%
SPY ETF SMF Benchmark Performance	6.09%
Difference in Performance	+ 0.29%

Portfolio Allocation



Portfolio Allocation

Sector	S&P Sector Weight	% Invested Portfolio
Technology	33.01%	1.82%
Financial Services	12.90%	5.27%
Consumer Defensive	5.76%	6.82%
Consumer Cyclical	10.21%	6.84%
Industrials	7.55%	5.34%
Healthcare	11.17%	4.64%
Communication Services	9.11%	7.64%

Company	Purchase Date	Shares	Buy Price	Current Price	Invested	Current Value	Weight	Total Gain/Loss	% Change
ADBE	10/3/24	21	$504.43	$ 511.92	$10,593.03	$10,750.32	1.82%	$157.29	1.48%
AXP	9/25/24	103.25	$266.56	$ 301.56	$27,522.43	$31,136.19	5.28%	$3,613.76	13.13%
BJ	11/14/24	189	$87.41	$ 99.00	$16,520.49	$18,711.00	3.18%	$2,190.51	13.26%
BURL	10/15/24	22	$255.25	$ 286.17	$5,615.50	$6,295.74	1.07%	$680.24	12.11%
GE	10/14/24	85	$191.64	$ 181.38	$16,289.40	$15,417.30	2.62%	($872.10)	-5.35%
GM	11/11/24	190	$57.47	$ 58.64	$10,919.30	$11,141.60	1.89%	$222.30	2.04%
J	10/25/24	117	$140.30	$ 137.39	$16,415.10	$16,074.63	2.73%	($340.47)	-2.07%
MCD	11/21/24	57	$287.88	$ 290.10	$16,409.16	$16,535.70	2.81%	$126.54	0.77%
MDT	11/14/24	319	$86.54	$ 86.21	$27,606.26	$27,500.99	4.67%	($105.27)	-0.38%
META	11/21/24	40	$560.28	$ 559.30	$22,411.20	$22,372.00	3.80%	($39.20)	-0.17%
ONON	10/25/24	109	$50.54	$ 58.31	$5,508.86	$6,355.79	1.08%	$846.93	15.37%
SPOT	11/21/24	47	$472.33	$ 475.13	$22,199.51	$22,331.11	3.79%	$131.60	0.59%
SYY	11/14/24	292	$75.53	$ 75.79	$22,054.76	$22,130.68	3.76%	$75.92	0.34%
SPY		604.108	$562.01	$ 595.78	$339,514.85	$359,912.56	61.07%	$20,397.71	6.01%
Cash					$2,637.84	$2,637.84	0.45%	-	-
				Total	$562,217.69	$589,303.45	100.00%	$27,085.77	

**Data as of 11/22/2024*

Investment Philosophy & Approach

Philosophy & Investment Style:

Utilizing a long-term (5-10 year) investment horizon, Team White is particularly guided toward both value stocks and/or those that constitute GARP (growth at a reasonable price). More specifically, when identifying potential investment ideas for the portfolio, we focus on companies with well-defined competitive advantages occupying attractive industries. Our leading intuition is that companies with difficult-to-replicate competitive advantages (i.e.. scale, proprietary technologies, intellectual property, etc.) develop unique moats within industries that provide unrivaled resiliency in the long run. Additionally, being well versed in the underlying drivers of a specific industry is critical to correctly identify winning business models that can protect their long-term profits and overall market share. These underlying philosophies serve as the foundation for our fundamental analysis and provide us with guidance to identify resilient business models.

To not limit individual learning opportunities, all Team White managers operate as generalists and primarily utilize a bottoms-up approach for idea generation. Although we recognize the importance of industry analysis and this plays a critical role in the ultimate investment decision, this bottoms-up strategy has allowed us to explore more creative opportunities. A longer-term investment horizon puts greater emphasis on the quality of earnings rather than short-term market movements that oftentimes can become detached from business fundamentals. Performing comparable analyses, discounted cash flow models, and sensitivity tables allow us to evaluate the fair value of a business on a both a relative and intrinsic level. This ensures our entry point to positions are appropriate relative to the current trading levels of the specific entity. We spend a large portion of our investment research refining these models, and this aspect becomes especially important when assessing companies that fit within our GARP criteria. Proper consideration of future expectations provides additional clarity on what has already been accounted for in the price today while giving us an idea on the feasibility for additional upside. Financial valuation, fundamental research, and industry breakdowns all play equally important roles in our analysis of individual businesses and serve unique purposes that allows Team White to develop a final investment decision.

Our belief is that having both a GARP and value approach in idea generation has allowed us to broaden our investment scope and add significant depth to our overall portfolio. Being able to hold stocks with attractive long-term growth prospects like Adobe and On Holdings has unlocked potential for excess alpha generation, while more conservative value names like Sysco and McDonalds serve a hedge to more general market risks. Team White recognizes the importance of an established investment philosophy to serve as the guiding principle in investment decisions and continues to explore ways to refine our approach over time.

Investment Process

Team White shared the belief that having a structured process in investment decision making was equally as important as the analysis itself. We developed a streamlined path toward portfolio construction that ensured all perspectives were appropriately accounted for, investments were instituted in a timely manner, and all holdings aligned with our underlying philosophy outlined above. This process was decided upon long before our initial trading period opened in September and established a standard toward responsible decision making in an efficient manner.

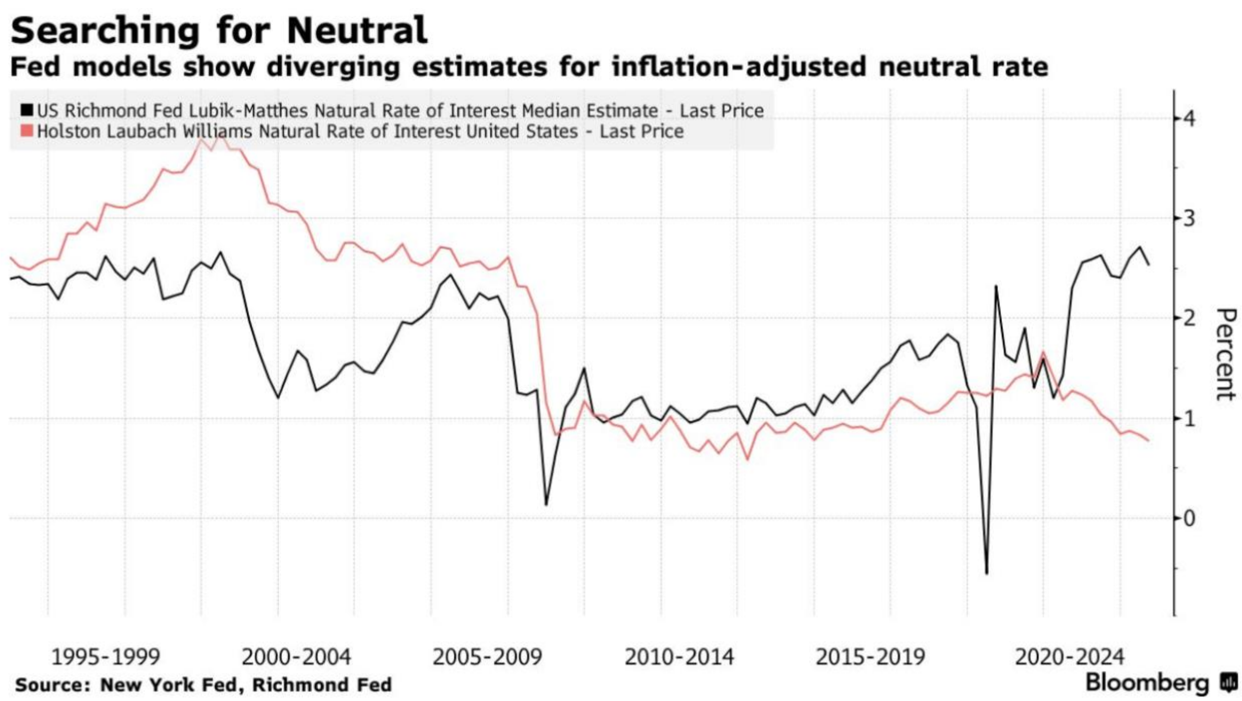
The priority of any investment idea was proper research and due diligence. This included reading through company filings (10Ks, investor day presentations, etc.), analyst reports from accredited financial firms, and leveraging student access to the Bloomberg Terminals. With the adequate amount of time allocated for research, Team White was able to extrapolate key growth drivers, industry dynamics, and create a tailored valuation based of our expectations for future performance. If the investment thesis fit our criteria within our outlined strategy, this information was synthesized and pitched by our managers to the team.

When potential portfolio positions were pitched to the team, it was our job to remain critical and ask questions regarding both the bull and bear propositions surrounding the company. This gave the managers to further refine their investment thesis and give the rest of the team a better grasp on the nature of the business and how it would fit within our current portfolio. Using an open forum discussion allowed us to properly gauge different perspectives and opinions often leading to a higher-level conclusion then what was initially presented. If a certain investment proposal got 7 out of 10 votes toward yes, this was considered an approved decision, and we would consider percent allocation shortly thereafter.

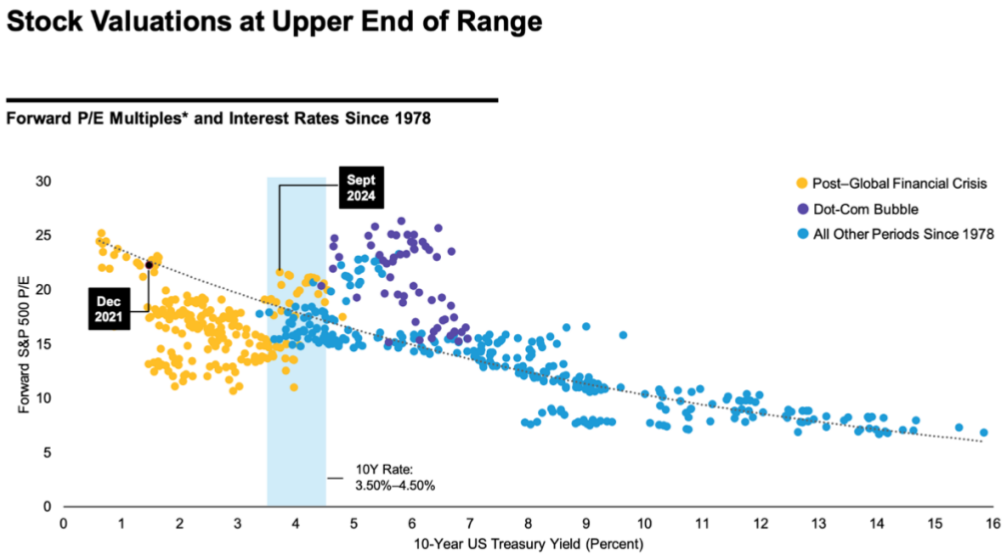
Once an investment position is opened within the portfolio, the stock is than closely monitored to ensure the state of the business does not get misaligned with the initial investment thesis. If the stock's price level trended toward our pre-determined stop loss (traditionally 10-20% of buying price) or if the price level neared our identified price target, managers were directed to update previous models and determine if our allocation needs to be adjusted. Each meeting, managers were also responsible for providing weekly updates on stocks in which they presented while alerting fellow team members if any specific news either enhanced or posed a threat to our current stake. This push toward increased monitoring responsibility proved to be a major success and gave each manager a better grasp of how our holdings interacted with each other over the course of the past three months.

Economic Outlook & Macro Landscape

In the midst of unprecedented economic uncertainty these past three months, the prevailing notion and economic data points toward a resilient US economy. The narrative between investors and economists at the beginning of this semester was dominated by recessionary fears stemming from the Fed's higher-for-longer interest rate policy in early 2024. However, now with the Fed delivering 100bps of rate cuts and overly hawkish guidance toward continued cuts in 2025, this economy appears to be incredibly strong, reaffirmed by several key economic indicators. Q3 revised GDP growth at 2.8%, inflation inching closer toward its 2% target, and the job market not showing any glaring signs of weakness, many investors view the FED's rate cut path to be more prolonged than initially anticipated. Team White agrees with this notion as the current economic backdrop doesn't provide a ton of justification for sustaining this rate cutting pace. We believe this is illustrated within the recent volatility of treasury yields as investors seem largely divided on exactly what the neutral rate for the Fed is. The Bloomberg graph below further emphasizes that the path of rates in 2025 remains uncertain even internally as the markets question the sustainability of the United States economic growth trajectory.



For the first time this century, the S&P 500 is on pace for its second year in a row of 20+% gains. This immense amount of growth creates some unique challenges to a roaring US equities market that continues to exceed expectations. Valuations are historically lofty (see graph provided by Bernstein below) and the S&P remains highly concentrated by the Magnificent 7 who have delivered the bulk of the gains this year. Even with exceptionally high hurdle rates, an overwhelming 78% of S&P500 companies beat earnings in Q3 2024. AI expectations continue to be a major catalyst within the markets even though monetization and use-cases for this newfound technology remain largely unclear. With companies like Google and Microsoft aggressively increasing capital expenditures in this space, investors are left with questions regarding the magnitude of ROI from these investments and the timeline on when these will truly come to fruition. Even with historically strong performances and incredibly tight valuations, the general sentiment in the market remains highly optimistic for 2025. Perhaps the most prevalent catalyst cited is the incoming administrations deregulated stance on the markets and a potential continuation of a low corporate tax rate. Banks like JP Morgan and Goldman Sachs have already reported a pickup in its investment banking segments and have reiterated this same degree of optimism going into next year. With a new pro-business FTC chair and a lower interest rate environment, many companies previously sidelined are growing increasingly interested in the M&A market. This leads Team White to believe market consolidation in specific industries is inevitable in the coming years and specific deals that were initially blocked might test the waters again in the near future (i.e.. Mastercard).



However, in a market full of bullish sentiment, it is important to recognize inherent risks that could inhibit optimistic expectations from becoming reality in 2025. Inflation remains sticky as CPI rose to 2.7% in November driven by stubborn shelter prices (+0.3%) that account for 40% of the figure itself. Additionally, many regulators/investors have expressed concerns toward other portions of the incoming administration's policies and its effects on the path of inflation. Specifically, the proposed tariffs and immigration policy could prove to be a major slowdown to the United States impressive GDP numbers while also reigniting the inflation battle that the FED was previously faced with. Team White also has long-terms concerns with the US growing debt pile with now roughly 15% of all government spending going solely to interest. If the US government continues at this current pace, they run the risk of a deteriorating financial profile which could have a ripple effect throughout the economy. There is also an appalling divergence between the growth in the US economy versus the rest of the world. The United States accounts for roughly 24% of the world GDP but its stocks represent nearly 70% of the entire world index using a market capitalization weighting. In a world with immense international economic challenges including China and across emerging markets, the US economy remains historically strong and continues to win over the majority of the world's capital. Economists have differing stances on which economic policies by the incoming administration will be enacted and at what degree, but market reaction since election day has been overwhelmingly positive. We believe it is of paramount importance to monitor these risks and catalysts continuously come the spring, and we will continue our approach of building a durable portfolio regardless of market performance in 2025.

Portfolio

Performance

Portfolio Performance Snapshot

SMF SPY ETF Benchmark	
Beginning Value	$5,625.81
Current Value	$5,968.73
Absolute Change	$342.92
% Change	6.09%

SMF Portfolio	
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SPY ETF SMF Benchmark Performance	6.09%
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Individual Holdings

BJ's Wholesale Club Holdings, Inc.

Investment Information	
Purchase Price	87.41
Current Price	$99.00
Performance	+13.26%
52 Week High	$99.91
52 Week Low	$63.73
Market Capitalization	12.71B
% of Portfolio	3.18%
Beta	0.24

BJ's Wholesale Club is in the consumer defense sector categorized as a consumer staple provider in merchandise retail. They focus on accessibility and loyalty through their membership platform, offering a wide variety of grocery and general merchandise products across the eastern part of the United States. Their highest priority capital allocation initiative is geographic growth through new warehouse club locations and gas stations, expanding west and increasing store density within existing markets. This plan is founded with a goal to open ten new warehouse store locations each year for the foreseeable future. BJ's leads the industry in their convenient online experience by leveraging their unique opportunity to collect first-party data through the membership model and create targeted advertising for each customer. This is done in partnership with Microsoft PromoteIQ, leading to increased brand loyalty since digital members spend approximately 90% more than non-digital members and greater forward integration. Lastly, their backward integration is characterized by their 25.5% private-label band penetration that has shown consistent growth and has a goal of reaching 30% penetration in the coming years, rivaling top competitors.

Investing in BJ's Wholesale is a compelling opportunity, but also has some associated risks. Inflationary pressures have grown in recent years and the ability to pass-through costs will impact margins. In the most recent inflation spike starting in 2021, BJ's experienced a small pull back in gross margins, falling below 18% to 17.8% in 2022 for the first time since 2018. However, this was only a decrease of about 40bps from their gross margin average and margins have made a recovery back to the mean. This is partially attributable to grocery prices being 25% more expensive than pre-pandemic levels indicating an industry-wide success on passing prices along to the consumer in this economically resilient business. BJ's competes in a highly competitive warehouse club industry, but they focus on delivering value to the consumer and positioning geographically to be the most convenient to consumers which has driven their success. Also, BJ's has experienced high-debt levels in the past and currently has a weaker ability to meet their short-term obligations. However, BJ's has proven their ability to pay off debts as they have successfully de-levered their balance sheet by reducing debt by $2B+ since their IPO in 2018 moving their net debt/adjusted EBITDA ratio from 5.1x to 0.5x.

Therefore, BJ's Wholesale Club remains an attractive investment for Team White's SMF portfolio through consistent, long-term growth in an economically resilient industry.

Jacobs Solutions

On October 25, 2024 we bought 117 shares of Jacobs Solutions at $140.30. They represent a little less than 3% of our portfolio as of December.

Jacobs Solutions an international company that focus on consulting, planning, architecture, design, engineering, infrastructure delivery services including project, program and construction management and long-term operation of facilities. Their business segments recently underwent a restructuring where their critical missions solutions, which focused on the providing assistance in the security and denfense industry, just spun-off. Jacobs is now shifting to focus on higher margin lines of busienss such as their PA consulting branch and their people and places solutions segment. Through this time of change they have spent $130MM trying to make their business run with the most efficiency to support their long-term growth plans.

This industry relies heavily on a strong backlog to propel them to success. Jacobs has currently $31Bn in this backlog and this number continues to grow. The borrowing environment has some effect on this industry since when the cost of debt is high people are less likely to fund new projects, however with their diverse portfolio of companies they serve and varying costs of projects they do will help offset this risk.

Jacobs Solution is one of the leaders in the engineering consulting industry and as they continue to innovate and adapt, they will maintain their market leadership. Additionally, as companies are shifting to be more environmentally conscious through legislation, Jacobs will be a primary partner to help these companies adapt. By 2025 they plan on increasing their EBITDA margin by 3% to 13.8% from 10.8% in 2023, supporting their margin expansion goals to make their business more profitable.

Spotify

On November 21, 2024 we bought 47 shares of Spotify at $472.33, consisting of about 4% of our porfolio as of December.

Spotify is the leading music streaming service company, dominating the industry with almost 30% of the industry's subscribers using Spotify. They have been able to gain this positioning through their leading AI and technology use on the platform for hyperpersonalization, connection with friends through features, and exlusive podcasts and soundtracks drawing in subscribers. Additionally, Spotify has a strong network effect with musicians and content creators wanting to be on the platform to expand their listener base and advertisors being on the platform to have their ads have a wide reach. Spotify also has shifting from soley having music on the platform to now being the primary place for people to listen most types of audio-based entertainment.

Spotify has been able to continue to increase their premium subscriber base, which makes up 87% of their revenue but only 38% of subscribers. They have done this with providing advanced offering for premium subscribers and using a freemium model to draw customers in, many of which start through the ad-supported segment. There continues to be a stronger margin expansion for all users increasing the overall profit margin to be 29.2%. With their recent shift to finally being a profitable business, Spotify has used the past decade to increase efficiency and strengthen their profit to allow themselves to have a strong position going forward and will continue to adapt to be the market leader.

Adobe Inc.

On October 3rd, 2024, we bought 21 shares of Adobe at $504.43, consisting of about 1.8% of our portfolio as of December.

Adobe is a longstanding industry leader in the creative software space with an attractive pricing model driven by SaaS. The creative cloud ecosystem is meticulously designed to be highly integrative across platforms while strategically priced leveraging real-time user insights to maximize profits across the value chain. These operational efficiencies are showcased through Adobe's unrivaled margins compared to its competitors, enabling it to retain a high portion of this well constructed revenue funnel. Along with the Creative Cloud suite, Adobe also features extremely lucrative Document Cloud and Experience Cloud segments. Adobe Acrobat has far surpassed analyst expectations as recent AI integration has enhanced the PDF viewers toolkit and ability to interact with files. Productivity is inherently valuable, and consumers have proven their willingness to pay premiums for products that promise significant improvement. In the case of Adobe Acrobat, monthly active users of the platform have grown 35% YoY and Adobe has reported significant market share gain in the e-signature industry. The Experience Cloud is tailored specifically toward enterprise solutions driving data analytics, customer journeys, and overall workflow. This revitalized segment has scored Adobe massive long-term contracts with Fortune 500 enterprises and enhanced its ability to cross sell various other business segments and drive its pre-existing customer base to a higher price point.

SMF Team White identified AI monetization as a crucial growth catalyst for Adobe in the long-term. Early-stage developments of its Firefly photo and video generative AI models infused in Creative Cloud applications show promising results including a +70% QoQ jump in AI interactions in Q3. We recognize that due to these products largely in the beginning of its product life cycles, we are faced with a lack of clarity surrounding initial success. However, Adobe's scale and data-driven product implementation strategy gives the company a unique advantage when it comes to refining and selling these tools to the end consumer. Adobes recent release of Adobe Express, a web-based software which mimics certain features of its core Creative Cloud, is a huge success that the market is grossly underappreciating. Adobe is rapidly expanding its revenue funnel with a *freemium* strategy and are successfully reaching consumers on a lower end of the creative spectrum. Express alone reported +70% YoY growth in MAU's and has onboarded 1,500 business and over 1M schools. Adobe is leveraging AI and pre-existing tools to attract a previously neglected market while making content creation incredibly more accessible.

Although the timeline in which AI software benefits will be reflected in the company financials remains largely uncertain, Adobe's competitive advantages position it well to capture these industry drivers in the long-term. Individual quarters may remain choppy in the short-term, but the undeniable benefits AI provides the creative industry will eventually prove itself evident. Adobe's proven network effects, sticky ecosystem, economies of scale stemming from a SaaS business model, and immense pricing power provide it sufficient capital to continue to enhance these new technologies. Artificial intelligence is inherently capital intensive, but Adobe's durable business model creates a significant advantage to maintain its success in a fundamentally changing industry.

Medtronic plc.

On November 14th, 2024, we bought 319 shares of Medtronic at $86.54, consisting of about 4.7% of our portfolio as of December.

Medtronic is a medical device company focused on delivering lifesaving solutions and reinventing the health industry. Its portfolio is vast and features a host of products focused on cardiovascular health, neuroscience, diabetes, and refining surgical practices. Cardiovascular constitutes the largest segment of Medtronic's business and includes critical devices like ICD's, pacemakers, and endovascular stent graphs. Most products allow patients to bypass often risky and costly open-heart surgeries while providing constant heartbeat monitoring and sufficient regulation in the event of failure. Its neuroscience segment serves similar patient needs through spinal alignment, which houses the central nervous system, and brain modulation that could reduce the effects of Parkinson's disease. These are incredibly advanced technologies that are largely proprietary and protected by patients. The diabetes segment focuses on fully autonomous insulin pumps and glucose monitoring that eliminates some of the manual burden that weighs on diabetics. Lastly, the medical surgeries division features tools that assist in minimally invasive procedures that improve accuracies and avoid medical malpractice. Although this product portfolio is extremely complex, it is also incredibly diverse creating an attractive moat for Medtronic. Many competitors like Abbot Technologies and Boston Scientific are specialized to one segment which exposes them to the volatility of individual industries. Medtronic can hedge individual segment risks through diversification and maintain a promising product pipeline in the event of regulatory headwinds.

Although a highly fragmented industry, we identified feasible growth opportunities for Medtronic which ultimately led us to our investment decision. The diabetes segment remains relatively robust growing DD% for Medtronic just this past quarter. Its initial launch of Simplera Sync is currently growing at 30% in the US without reaching international markets (expected 2026). Additionally recent partnership with Abbot Technologies gives Medtronic unparalleled access to the largest diabetes patient base in the industry. Infusing this pre-existing base into its proprietary technologies will prove to be a lucrative opportunity for Medtronic to continue its momentum in this segment and surpass relatively modest analyst expectations. Additionally, pulse field ablation and renal denervation are longer-term levers that provide additional upside not correctly priced in the stock today. Medtronic's all-in-one Affera system has seen DD% in PFA and its rollout in the US is expected in late 2025 pending FDA approval. There are currently no other devices on the market with this value proposition and Medtronic's early jump on a rapidly growing industry will prove to be extremely accretive in the long term. Medtronic is also working toward securing National Coverage Determination with the Center of Medicaid and Medicare services. Management has expressed that this approval could lead to, "the most significant product in company history".

Burlington Stores Inc.

On October 15, 2024, we bought 22 shares of Burlington at $255.25. This position represents a little over 1% of our portfolio as of December.

Burlington is one of the three main players in the off-price retail industry along with The TJX Companies and Ross Stores. These retailers opportunistically purchase inventory from suppliers and other retailers, passing savings on to customers. The frequently shifting mix of inventory available in stores creates a "Treasure Hunt" experience for shoppers that has helped maintain off-price popularity even as e-commerce continues to grow. Off-price retailers also tend to perform more consistently through economic cycles than standard department stores. In times of strong consumer sentiment, lower-income customer segments (Burlingotn's core customer segments) spend more on discretionary items, however, when consumer spending is depressed, Burlington benefits from higher-income customers who “trade down” in their shopping habits and focus on less expensive goods. This creates a certain level of resiliency.

Relative to TJX and Ross, Burlington prioritizes in-season liquidity to ensure they can react to consumer preferences quickly. Additionally, Burlington has the strongest growth potential in the industry. Currently, Burlginton operates just over 1000 and is focused on increasing its store count and transforming store layouts to boost productivity. This initiative has been successful as they have decreased their average store square footage from 51,000 in 2016 to 27,000 in 2023. In the third quarter of 2024, Burlington reported an 11% increase in total sales primarily driven by new store openings. Though their comparable store sales growth was lower this quarter due to unseasonably warm weather that hurt their outerwear segment, they quickly reacted to this trend and adjusted their inventory as necessary to still generate 1% of year-over-year growth.

With a very uncertain geopolitical climate, Burlingotn may be affected by potential changes in tariffs and tax codes. We are paying close attention to developments regarding these policies and how they may negatively impact the company’s performance however we also understand that economic uncertainty tends to benefit discount retailers.

Sysco Corporation

On November 14, 2024, we bought 292 shares of Sysco at $75.79. This position represents almost 4% of our portfolio as of December.

Sysco is the largest global food distributor, serving over 730,000 customer locations, including restaurants, healthcare facilities, and educational institutions. They hold a 17% share of the fragmented U.S. food distribution market. Sysco leverages its scale to achieve cost efficiencies and superior distribution capabilities. Unlike its competitors, Sysco has a strong international presence as well, leading in markets like Canada, Great Britain, and Ireland, which diversifies its customer base and positions the company for continued growth.

Sysco’s growth strategy focuses on expanding its specialty product offerings through acquisitions of specialty food distributors, which cater to niche markets and higher-margin products such as organic and dietary-specific items. The company has successfully integrated acquisitions to enhance its portfolio and distribution network while maintaining strong operating margins. Additionally, Sysco is improving local customer penetration and improving cross-selling capabilities while continuing to leverage technology to provide value-added services like e-commerce, menu planning insights, and inventory control, enhancing customer retention and satisfaction.

Despite risks like fluctuating food prices and economic downturns affecting the restaurant industry, Sysco’s scale, pricing power, and technological capabilities have allowed it to navigate inflation and maintain stable gross margins.

Meta Platforms Inc.

On November 21, 2024, we bought 40 shares of Meta at $560.28, comprising about 3.8% of our portfolio as of December.

Meta is a tech conglomerate, operating some of the largest and extremely popular social media platforms consisting of Instagram, Facebook, WhatsApp, etc. Each of these platforms allows its users to communicate with others, creating a social network platform with a host of features to interact with each other. With this large popularity in their apps, numerous advertisers utilize their platforms to broadcast their products and services, establishing Meta as one of the large players in the digital advertising space. Meta has seen great growth in its revenue consistently over the past few years, with a steadily increasing user base along with it. Meta continues to maintain this strong presence with their apps coming in second highest to Youtube of time spent per day by users at about 7.4%.

Meta's current growth strategies employ the implementation of artificial intelligence to refine the user experience and enhance its overall capabilities through new prospects such as their LLM. User growth has slowed down slightly and concerns about their Reality Lab's segment continue to remain, sentiments that we will continue to monitor and track throughout their quarterly progress. Despite this, the company has been able to establish itself as a key player in the social network industry, with a history of strong acquisitions and ability to improve the offerings within their platforms.

General Electric Co

On October 14, 2024, we bought 85 shares of GE Aerospace at $191.64, comprising about 2.6% of our portfolio as of December.

General Electric Aerospace operates as a leading provider of jet and turboprop engines, as well as integrated systems for commercial, military, and general aviation aircraft. After GE's three-way split in April 2024, GE Aerospace became more focused on the industrials sector and benefitted from a strong market position and attractive growth opportunities. The company is advancing technological capabilities and revenue base through contracts for widebody engines, including deals with British Airways and Japan Airlines. GE Aerospace also shows a commitment to supporting its global service network with a $1 billion investment over the next five years to expand maintenance, repair, and overhaul facilities, to help tackle increasing demand from the recovering travel market. Supply chain improvements are also a priority for GE, with a target to streamline operations by focusing on its top 15 suppliers, which has already enhanced operational efficiency.

Investing in GE Aerospace was a compelling opportunity, but came with associated risks. The company faced challenges from macroeconomic volatility, including potential recessions and supply chain constraints. Historically, GE's margins have shown volatility, with EBITDA margins recovering to 9.7% in 2023 after significant declines in previous years. The FCF margin has rebounded significantly since 2016 as it is at 5.3%, which shows improved cash generation. Additionally, the recent split could result in reduced economies of scale, but it allows GE Aerospace to focus primarily on growth in its core aviation business. However, its leadership in SAF-compatible engines, partnerships like CFM International, and innovations such as the XA100 military engine provide it with a sustainable competitive advantage.

Overall, GE Aerospace was attractive due to significant growth over the previous year and promising opportunities in additional growth. The company is well-positioned for long-term value creation despite any operational risks.

McDonald's Corporation

On November 21, 2024, we bought 57 shares of McDonald's at $287.88, comprising about 2.8% of our portfolio as of December.

McDonald's is a global. Fast-food leader, operating over 40,000 locations across more than 100 countries. The company offers a standardized menu that consists of many iconic items that keep customers engaged with consistent quality and experience on a global scale. McDonald's uses a highly franchised business model where revenues are earned through franchise fees, royalties, and rental income. Select restaurants are directly operated by the company as another source of revenue. With an extremely large scale and efficient operations, McDonald's has had continued steady revenue growth, supported by the focus on digital innovations, menu changes, and global expansion. The company continues to dominate the quick-service restaurant industry by leveraging its strong brand recognition and strategic initiatives to adapt to changing consumer preferences.

McDonald's is following its foundation of growth by enhancing digital investments in mobile ordering, loyalty programs, and AI-driven personalization. Their goal is to have 250 million active mobile app users by 2027. Menu innovation is another driver, with the expansion of plant-based offerings and other popular items on a global scale, to help meet the needs of consumers. Additionally, McDonald's plans to expand its accessibility with a target of 50,000 locations by 2027 and increasing delivery partnerships. These initiatives strengthen the ability to change with industry trends and keep the dominant spot in the quick-service restaurant industry.

On Holding AG

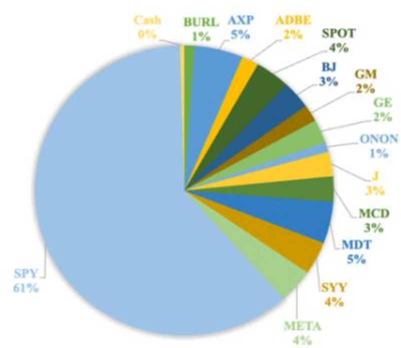
On October 25, 2024, we bought 109 shares of On Holding at $50.54, comprising about 1.08% of our portfolio as of December.

On is a premium athletic global footwear brand that focuses on performance and sustainability. The company was founded in the Swiss Alps in 2010 and went public in September 2021. On's patented technology in its running shoes and apparel, partnerships with athletes and celebrities such as Zendaya, prime retail locations in the main shopping districts of highly-populated cities, and perceived exclusivity give the company a competitive edge. Through its competitive advantages, On is able to take market share and compete with larger players such as Nike and similar brands like Hoka.

On has a strong growth outlook with plans to expand its retail presence and product lines. Beginning in 2025, On plans to add 20 to 25 owned retail stores per year. In addition to its signature flagship stores in major cities, On has an initiative of opening "neighborhood" stores to reach additional communities and increase its customer base. Currently around 95% of On's revenue comes from footwear sales, so the company has plenty of growth potential in expanding its apparel segment. Focusing on the industry as a whole, trends of increasing fitness awareness and athleisure fashion have contributed to On's ongoing success. On will continue establishing itself as a leader in quality athletic products in the coming years.

Sector Breakdown & Risk Management

Portfolio Allocation



Portfolio Allocation

Sector	S&P Sector Weight	% Invested Portfolio
Technology	33.01%	1.82%
Financial Services	12.90%	5.27%
Consumer Defensive	5.76%	6.82%
Consumer Cyclical	10.21%	6.84%
Industrials	7.55%	5.34%
Healthcare	11.17%	4.64%
Communication Services	9.11%	7.64%

Risk management becomes imperative especially when operating a portfolio facing immense uncertainty through various factors (geopolitical, monetary, fiscal, etc.). Due to Team White only having about 2.5 months of actual investment time, we are still largely invested in the index. This exposes us significantly to both the systematic and unsystematic risks of the general market. As we will discuss further below, our intention is to continue to rotate out of the index itself and invest more capital into individual names. However, the names which our portfolio currently consists of feature high-quality competitive moats that could serve as a potential hedge to the inherent risks of the index itself.

The majority of our allocation sizes fell between the range of 2-5% and were decided on in a discussion like forum with different perspectives taken into account. More crowded and growth sectors like technology featured smaller individual allocation amounts in anticipation that there would be a lot of opportunity in this space, and we did not want to limit or capital deployment in the future. However, more established sectors like healthcare with long term players took higher allocation percentages (ex. $MDT). We anticipate that most of our holdings will stay below 8-10% of our portfolio on the high end to limit overconcentration to one name. Constant monitoring of our existing holdings ensure allocation percentages correspond appropriately to the current valuation being priced in by the market. This aligns with the trade sizing and portfolio monitoring responsibility that we go into further detail within the latter half of this report. We believe these smaller allocation percentages don't overexpose our performance to one name and ensures our success isn't reliant on one or two binary events. Our current diversification includes both stocks with significant upside potential ($ONON, $META) and also more established names that provide a hedge to general market risks ($MCD, $GE). Although overdiversification could potentially limit our alpha generation, we believe a certain degree of diversification is essential in building a durable and healthy portfolio.

Conclusion

Lessons Learned

The Student Managed Fund has provided Team White with an incredibly unique experience in even just the first three months of the program. The focus towards hands-on learning demands a higher degree of collaboration that proved to be essential toward our overall success. As we reflect on our growth since September, we have noticed numerous individual and interpersonal skills develop dramatically. Although wins are the primary focus of Team White, we found that we learned far more from our losses. Oftentimes our biggest blunders led to our greatest discoveries and most successful refinements. While we recognize there is still an immense amount to learn in the investment industry, we are amazed at how far this team has come in such a condensed time span.

The collaborative demands of managing a portfolio as team helped many of us learn the power of gaining different perspectives. Investors inherently have biases toward industries and certain names. It is incredibly important to recognize and detach yourself from these biases to make efficient investment decisions. There were several instances where Team White blurred the line between a high-quality investment decision and an emotional attachment to a name with no fundamental justification to buy. It was only after our team discussions that facilitated open dialogue revealing these inherent biases as newfound perspectives on both sides of the aisle assisted in identifying key flaws in investment ideas. Sometimes it is difficult to hear an individual challenge your preconceived notion, but it is critical for us to foster these healthy discussed to eliminate emotional attachment to individual investment ideas. As the semester progressed, we began to challenge each other more and take a more bearish approach to ensure our investment decisions were sound. We no longer shy away from differing opinions, and we believe this correlates to a better decision-making process.

Lastly, we refined critical analytical skills specifically toward equity valuation. Especially with the lofty valuations outlined above, it was imperative that we properly identified a fair market price for the equities we wished to add into our portfolio. This required valuations both intrinsically and relatively to ensure that we did not overpay for an idea we found attractive. Intrinsically the DCF proved to be the most useful tool to converge toward a price we found fair for our future growth expectations in each entity. Being able to utilize this tool properly not only helped further our confidence in a particular investment idea, but it also allowed us to eliminate potential expensive stocks. A high quality DCF give Team White guidance of both a proper entry and exit point for any given investment decision. These same truths remained relevant in our relative valuations though comparable analysis. Identifying important multiples and being able to extrapolate the bigger picture of how these interacted with each other provided us with yet another perspective to evaluate the trading level of a specific stock. Both of these methods helped us navigate a historically expensive market and maintain a high level of investment discipline.

Refinements for Spring Investment Period & Overall Spring Goals

In an attempt to generation additional alpha come Spring 2025, we have identified 3 core pillars that are essential to refine our previous strategy. Our primary goal is to decrease our allocation in the SPY index and reallocate that capital into individual entities. Divesting from the index allows SMF Team White to customize our own unique risk and return profile while demonstrating further confidence in our established investment thesis. As identified above, there are a handful of companies that reside with the index that we believe have a significant disconnect between current valuation and their material fundamentals. Additionally, a majority of these stocks that constitute this index are included solely based off market capitalization and may not necessarily align with our value or GARP objective. Individual selection allows us to remove these problematic names from our portfolio that could potentially weigh on overall gains especially when the economic backdrop grows increasingly uncertain. However, we recognize in order to achieve this in the allotted time horizon, it requires Team White to accelerate investment idea generation and present ideas in a timely fashion. Members will need to continue to remain proactive in the markets and identify potential opportunities to recommend to the team while considering increasing or trimming current positions. We remain optimistic that the spring semester will provide enhanced clarity on the market as a whole and provides a more favorable outlook in generate new portfolio additions. Reflecting on this previous semester, certain investments necessitated longer discussions due to missed areas of due diligence and sacrificing more attractive buying opportunities. As the semester progressed, the quality of pitches significantly increased allowing us to streamline decisions and come to more conclusive allocation percentages. We retain a high degree of optimism that our portfolio additions will generate excess alpha when the investment period concludes.

Our final priority for the upcoming semester is to monitor our existing holdings and adjust when deemed necessary. This is becoming increasingly important as the VIX, and market uncertainty continues to pull our positions in different directions. Overtime, businesses can fundamentally change, and new information becomes public that may not have been available at the time in which we made the investment. This requires constant monitoring of preexisting holdings in both bullish and bearish scenarios. Several of our existing names have inherent idiosyncratic risks and therefore demand sufficient monitoring to protect the overall health of the portfolio. If fundamentals misalign with the current valuation with the market, our team will discuss whether the existing position should be trimmed or if this provides an attractive opportunity to increase our allocation. Additionally, as we add new names to our portfolio in the Spring, proper trade sizing and monitoring of our general sector breakdown ensures we are instituting proper risk management and building a durable portfolio. Identifying high quality names is important, but Team White recognizes that proper sizing and entry/exits points hold an equally crucial portion toward our overall success. Reflecting on previous mistakes and successes are essential in developing a sustainable portfolio, and Team White is confident that these outlined adjustments could enhance our performance long after our Student Managed Fund experience concludes.