Fall 2025 Investment Report

Team Green
University of Connecticut
Student Managed Fund

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Letter to the IAB

Dear UConn Investment Advisory Board,

Team Green would like to express our sincere gratitude for the opportunity to participate in the Student Managed Fund within the University of Connecticut School of Business. This experience has been both rigorous and deeply meaningful, playing a pivotal role in accelerating our learning and preparing us to take informed and responsible steps toward future careers in the finance industry.

Throughout the year, we were entrusted with the management of a portfolio exceeding $600,000, carrying a fiduciary responsibility to invest prudently while seeking to outperform the S&P 500. We approached this responsibility with the highest level of professionalism, integrity, and discipline. Each investment decision was made deliberately, grounded in thorough analysis, and guided by our obligation to act in the best interest of our mandate. The program underscored the complexity and unpredictability of real-world markets and revealed the challenges inherent in translating academic theory into practical application. Through the guidance and mentorship of our advisor, Professor Blake Mather, we learned to identify and close these gaps, allowing us to refine our decision-making process and align our strategy with real-world market dynamics.

We would like to once again extend our sincere appreciation to the Investment Advisory Board and the University of Connecticut Foundation for their continued support. This program exemplifies the School of Business's commitment to experiential learning and student development. Thank you for your dedication to the Student Managed Fund and for supporting its continued success in cultivating the next generation of investment professionals.

Sincerely,
Team Green ’25–’26

Team Green Information

SMF Undergraduate Team Green 2025 – 2026

Sector Analysts

Technology: Angelina, Neil, Alejandro & Dylan

Healthcare: Richard & Noah

Consumer Discretionary: Phillip & Richard

Industrials: Rushit & Bohdan

Consumer Staples: Richard & Noah

Financials: Dylan & Hunter

Communications: Hunter & Phillip

Energy: Rushit & Bohdan

Materials: N/A

Real Estate: N/A

Investment Approach

Mission Statement: Identify and invest in high-quality businesses with durable competitive advantages and expanding returns on invested capital, acquired at discounted valuations that allow for long-term compounding of total shareholder value; Supported by a variant-perception framework that identifies fundamentals the market has mispriced or not yet recognized.

Portfolio Strategy: Outperform S&P 500 by employing a bottom-up investment approach centered on owning quality businesses with durable fundamentals over a 5–10-year horizon.

Execution: The Student Managed Fund employs a disciplined bottom-up investment process designed to identify high-quality companies trading at valuations that do not fully reflect their underlying fundamentals. The process begins with the use of financial and valuation screeners to narrow the investment universe and highlight potential opportunities that align with the Fund's strategy and mandate.

From this refined group, analysts select top prospects using a combination of quantitative metrics and qualitative assessment. This includes evaluating financial performance, free cash flow generation, and valuation, alongside business quality, competitive advantages, and industry positioning. Each opportunity is reviewed to ensure consistency with the Fund's long-term objectives.

Analysts then conduct in-depth company and industry analysis, supported by historical financial review and forward-looking financial modeling. Forecasts of future free cash flows are used to estimate intrinsic value and identify situations where market pricing diverges from fundamentals, forming the basis of the investment thesis.

Each thesis is formally presented to the team, followed by a structured Q&A and a team vote. Upon approval, the Portfolio Manager submits the necessary trading documentation for execution. This structured process ensures disciplined decision-making, accountability, and alignment with the Fund's fiduciary responsibility.

Buy & Sell Discipline: The Student Managed Fund follows a disciplined buy and sell framework to guide portfolio entry and exit decisions. Buy approvals require a minimum of 67% of team votes, with anonymous voting to promote objectivity. When approval is less than unanimous, position sizes are scaled proportionally to reflect conviction. Analysts are given flexibility over entry timing, including partial or delayed entries, to account for market conditions.

Sell decisions follow a structured review process when downside risk increases. This includes reassessing company fundamentals, industry conditions, and market sentiment before holding a sell vote. Stop-loss levels are generally set at 20% below the purchase price, with flexibility to adjust positions when supported by updated analysis. This framework ensures disciplined, risk-aware portfolio management aligned with the Fund's fiduciary mandate.

Risk Management: The Student Managed Fund employs a structured approach to portfolio risk management focused on transparency, accountability, and disciplined oversight. Risk evaluation begins prior to any live pitch, with analysts required to submit pitch materials and full DCF models in advance to allow for review, questioning, and clarification. Each pitch includes a live Q&A session to ensure all risks and assumptions are fully addressed before capital is allocated.

Once positions are initiated, analysts actively monitor holdings and provide updates on material developments, including earnings releases, mergers and acquisitions, analyst re-ratings, and significant industry or peer-related news. To manage downside risk, predefined stop-loss procedures are implemented, with warning thresholds communicated to leadership. Any member may call for a sell vote, at which point the analyst presents the rationale, and the team determines whether to trim or exit the position.

Portfolio Results

Portfolio Construction: Through a disciplined bottom-up fundamental investment process, Team Green identified a concentrated set of high-quality businesses aligned with our long-term investment framework. As of the Fall 2025 IAB meeting, the portfolio consists of ten active equity positions alongside a core allocation to the S&P 500 ETF (SPY). Approximately half of the portfolio remains allocated to SPY, reflecting a deliberate approach to managing risk and maintaining flexibility while continuing to build a robust pipeline of high-conviction ideas. This structure allows us to remain benchmark-aware while selectively increasing active exposure, where we identify compelling risk-adjusted return opportunities.

Our active holdings span a diverse range of sectors, including Technology, Industrials, Energy, Consumer Defensive, Financials, and Healthcare. Current positions include MSCI, Copart, Omnicom, Philip Morris International, Merck, Salesforce, SLB, Northrop Grumman, and Microsoft. Each investment was selected based on durable competitive advantages, strong returns on invested capital relative to cost of capital, and valuation support that provides downside protection under conservative assumptions. Position sizing reflects both conviction and portfolio-level risk considerations, with individual weights generally ranging from approximately 4.5% to 8.5%.

While our objective is to continue reducing the SPY allocation over time, elevated market valuations, narrow market breadth, and concentrated index leadership informed our decision to maintain a higher passive allocation during the fall semester. This cautious approach ensured that incremental capital deployment was supported by rigorous fundamental analysis and clear variant perception. Moving forward, we aim to further scale active positions by expanding our research pipeline, increasing pitch consistency, and selectively reallocating capital from SPY into opportunities that meet our quality, valuation, and risk management criteria.

Team Green Portfolio Overview

Company	Sector	# of Shares	Avg. Fill Price	Current Price	Purchase Cost	Current Value	Weight	Total P/L	HPY%
🏛 MSCI INC. (XNYS:MSCI)	Financial Services	94	$569.13	$579.39	$53,499	$54,463	8.81%	$964.24	1.80%
🏛 DECKERS OUTDOOR CORPORATION (XNYS:DECK)	Consumer Cyclical	366	$102.65	$102.07	$37,570		0%	($7,320.00)	-
🏛 COPART, INC. (XNAS:CPRT)	Industrials	817	$44.65	$39.34	$36,479	$32,137	5.20%	-$4,342.36	-11.90%
🏛 OMNICOM GROUP INC. (XNYS:OMC)	Communications	468	$76.00	$80.57	$35,568	$37,707	6.10%	$2,138.76	6.01%
🏛 Philip Morris International Inc. (XNYS:PM)	Consumer Defensive	306	$146.61	$160.12	$44,863	$48,998	7.93%	$4,135.19	9.22%
🏛 MERCK & CO., INC. (XNYS:MRK)	Healthcare	388	$85.74	$103.96	$33,267	$40,336	6.53%	$7,069.36	21.25%
🏛 SALESFORCE, INC. (XNYS:CRM)	Technology	122	$251.36	$263.67	$30,666	$32,167	5.20%	$1,501.21	4.90%
🏛 SLB N.V. (XNYS:SLB)	Energy	742	$36.26	$38.20	$26,905	$28,341	4.58%	$1,435.77	5.34%
🏛 NORTHROP GRUMMAN CORPORATION (XNYS:NOC)	Industrials	67	$574.48	$581.86	$38,490	$38,985	6.31%	$494.46	1.28%
🏛 MICROSOFT CORPORATION (XNAS:MSFT)	Technology	67	$488.85	$485.92	$32,753	$32,557	5.27%	-$196.31	-0.60%
🏛 SPDR S&P 500 (ARCX:SPY)		398	$664.00	$684.70	$264,095	$272,328	44.06%	$8,233.07	3.12%
CASH (USD)				$130.83	$131	$131	0.02%		
				Beg. Balance	$ 604,702.93	$ 618,148.17	100.00%	$14,113.40	2.22%

Portfolio Snapshot as of 12/22/2025

State of the Markets

Fall 2025: The current market environment is characterized by elevated valuations, narrow market leadership, and a macroeconomic backdrop that remains resilient but increasingly complex. Equity performance in 2025 has been driven by a small subset of mega-cap technology companies, while broader participation across the S&P 500 remains historically weak. Only 30–37% of index constituents are outperforming the benchmark year-to-date, and more than half of the index trails by 10% or more, representing one of the widest dispersions observed in recent decades. This divergence underscores the importance of disciplined security selection and reinforces our belief that active management remains essential in the current environment.

Market Concentration and Valuations: Market leadership has become increasingly concentrated, with the top ten companies now representing approximately 39% of the S&P 500, materially higher than historical norms. This concentration has coincided with elevated valuation multiples, as the S&P 500 forward P/E trades around 22–23x, well above its long-term average of 17x. While strong earnings growth from select leaders has supported these valuations, the risk of multiple compression remains elevated should growth expectations normalize. In response, our portfolio emphasizes high-quality businesses with durable competitive advantages, strong cash flow generation, and valuations that can withstand a less accommodative market environment.

Interest Rates and Discount Rates: Treasury yields have stabilized following significant volatility, with the 10-year yield ranging roughly between 4.0% and 4.3%. Although inflation remains modestly above the Federal Reserve's long-term target, breakeven inflation expectations and long-term yields have declined from post-COVID highs. Recent Federal Reserve rate cuts signal a cautious, data-dependent pivot toward easing; however, discount rates remain meaningfully higher than the prior decade. As a result, companies with returns on invested capital well above their cost of capital are better positioned to compound value in the current environment.

AI-Driven Market Dynamics: Artificial intelligence continues to be a dominant driver of equity returns, with industry-wide AI infrastructure investment projected to exceed $375 billion in 2025. While this has supported earnings growth and valuation premiums for select technology leaders, it has also increased sensitivity to growth assumptions and execution risk. Team Green recognizes both the long-term structural opportunity presented by AI and the near-term risks associated with elevated expectations, emphasizing businesses where AI enhances durable fundamentals rather than serves as the sole driver of valuation.

Global Policy and Portfolio Implications: Ongoing global policy uncertainty, trade friction, and supply-chain reconfiguration continue to shape sector-level outcomes. Against this backdrop, Team Green operates under the guiding principle that "the map is not the territory," maintaining a bottom-up, fundamentals-driven investment approach. By focusing on quality, valuation discipline, and risk management, the portfolio is positioned to remain resilient across a range of macroeconomic outcomes while pursuing long-term outperformance relative to its benchmark.

Performance & Analysis by Sector

Sector:	Portfolio Exposure:	Sector Analysts:
Technology	MSFT & CRM	Philip, Dylan, Neil, Alejandro, & Angelina

The Technology sector remains a central driver of equity market performance, though returns have become increasingly concentrated among a narrow set of large-cap leaders. Elevated valuations, rising capital intensity, and uneven participation across the broader sector have increased dispersion, reinforcing the importance of selectivity within the sector. In our current environment, we see value creation being driven by companies with recurring revenue models, deep customer integration, and sustained returns on invested capital that exceed an elevated cost of capital.

Microsoft, a high-quality compounder with diversified earnings streams across enterprise software, cloud infrastructure, and productivity applications. This helps anchor us across the tech sector without a more risk tolerant profile. Microsoft benefits from strong switching costs and embedded customer relationships, which support stable recurring revenue and pricing power. Microsoft's artificial intelligence strategy is integrated within existing platforms such as Azure and Office as well as Copilot, showing a broader integration rather than reliant on standalone monetization. This approach allows incremental AI investment to enhance revenue and productivity while preserving their elite financial structure, margins, and mitigating risks associated with rising capital expenditures, which we have seen across the sector.

Salesforce provides complementary exposure to enterprise software with an increasing emphasis on profitability and capital discipline. After several years of growth-oriented investment, the company has shifted focus toward margin expansion, free cash flow generation, and shareholder returns. Salesforce's CRM platform remains deeply embedded in customer workflows, supporting high retention and predictable subscription revenue. Near-term growth has been seen in AI Agentforce adoption and automation; this leads to improving operating leverage, and a disciplined capital allocation strategy that enhances the durability of its long-term earnings power.

Across the Technology sector, valuations remain elevated as market expectations embed continued strong growth and execution. As a result, portfolio exposure is concentrated in companies with proven business models, recurring revenue visibility, and the ability to internally fund innovation without eroding returns on capital. This positioning allows participation in long-term secular trends such as AI and cloud adoption while limiting exposure to speculative or capital-intensive business models.

Looking ahead, Technology stock selection is expected to be increasingly influenced by demand tied to ongoing compute build-outs and capacity constraints across critical infrastructure. Growth is likely to accrue to areas where rising demand outpaces near-term supply, enabling pricing power and attractive incremental returns on capital. Emphasis will remain on businesses positioned to benefit from structurally higher utilization, disciplined capacity expansion, and durable customer demand, while avoiding segments where rapid supply responses risk compressing margins and return

Sector: Healthcare	Portfolio Exposure: MRK	Sector Analysts: Richard & Noah

The Healthcare sector encompasses a structurally diverse mix of biopharmaceuticals, vaccines, specialty care, and biologics manufacturing—each governed by scientific innovation cycles, regulatory approval pathways, and long-duration intellectual property protection rather than traditional macroeconomic cyclicality. Unlike more price-sensitive or reimbursement-exposed healthcare subsectors, large-cap biopharma benefits from multi-decade investment horizons, high barriers to entry in manufacturing, and patent-anchored revenue visibility. Over the past five years, the sector has been shaped by (i) a global acceleration in biologics adoption, (ii) modernization and expansion of supply chains to meet post-COVID capacity demands, (iii) persistent pricing and policy pressures that forced portfolio reshaping across the industry, and (iv) sustained R&D investment in oncology, immunology, and vaccines as priority growth vectors. As a result, dispersion across the sector is wide: companies with durable biologics franchises and deep late-stage pipelines are structurally advantaged, while firms reliant on aging small-molecule portfolios face steeper patent cliffs and greater sensitivity to policy changes.

Merck is the portfolio's anchor Healthcare allocation, offering durable biologics franchises, global vaccine leadership, resilient cash-flow visibility, and a strategically diversified late-stage pipeline. While best known for Keytruda, Merck has intentionally broadened its growth base through manufacturing expansion, disciplined capital deployment, and targeted acquisitions, creating a structurally advantaged large-cap biopharma platform with a credible path to sustained growth beyond its flagship asset.

Keytruda remains the core of Merck's durability. It spans dozens of tumor types, early- and late-stage settings, and combination regimens, creating an ecosystem effect that reinforces Merck's oncology leadership. Although U.S. LOE begins in 2028, ongoing label expansion and the subcutaneous formulation (MK-3475A) extend runway and preserve share. The market often overweighs LOE risk while undervaluing Merck's rare combination of a dominant anchor asset and a robust succession plan supported by multiple high-probability late-stage programs.

Merck has also built a multi-pillar growth engine beyond oncology. Winrevair (sotatercept) provides a high-margin cardiovascular platform with strong early uptake and expanding global indications. Capvaxive adds a differentiated adult pneumococcal vaccine to a portfolio already led by Gardasil 9, reinforcing Merck's recurring vaccine revenue base. Strategic acquisitions—including Verona Pharma's Ohtuvayre for COPD and the WuXi Vaccines facility—expand Merck's respiratory, vaccine, and biologics footprint while strengthening operational scale.

Manufacturing and supply-chain modernization represent a core competitive moat. Merck has invested heavily in global biologics and vaccine capacity, raising barriers to entry and supporting long-term reliability of supply. This infrastructure not only enables demand growth across oncology, vaccines, and next-gen modalities, but also reinforces Merck's advantage in categories where manufacturing capability is as important as scientific innovation.

Merck's pipeline provides meaningful optionality beyond its current commercial assets. The company is advancing more than 80 clinical programs across oncology, immunology, infectious disease, vaccines, and cardiometabolic disorders. Key platforms include next-generation antibody-drug conjugates with Daiichi Sankyo, T-cell engagers through Harpoon Therapeutics, a precision-medicine immunology portfolio via Prometheus, and emerging respiratory and ophthalmology assets. Merck's external innovation strategy—focused, disciplined, and clinically aligned—extends the company's long-term earnings power without outsized balance-sheet risk.

Financially, Merck pairs high-quality earnings with strong balance-sheet flexibility. Robust operating cash flow supports heavy R&D investment, manufacturing upgrades, strategic M&A, and shareholder returns. The company's cash-generation profile is not dependent on single-cycle catalysts, but anchored by long-run demand for biologics, vaccines, and specialty medicines.

Looking ahead, Merck is positioned to compound intrinsic value through (i) sustained oncology leadership, (ii) biologics and vaccine mix shift, (iii) meaningful contribution from Winrevair, Capvaxive, and future ADC launches, (iv) durable manufacturing and supply-chain advantages, and (v) disciplined capital allocation. Our view is that the market underestimates Merck's long-term durability—particularly the resilience created by its biologics infrastructure, diversified growth pillars, and visible multi-year revenue streams. This mispricing makes Merck a compelling anchor within Healthcare and a high-quality, long-duration compounder for the portfolio.

Sector:	**Portfolio Exposure:**	**Sector Analysts:**
Consumer Discretionary	DECK (Stopped Out)	Philip & Richard

The Consumer Discretionary sector is inherently cyclical. Over the semester we witnessed shifts in consumer confidence, discretionary income, and broader macroeconomic conditions. However, performance dispersion within the sector is driven less by top-line cyclicality and more by brand strength, pricing power, and operational discipline. Companies with authentic consumer demand and high returns on invested capital are better positioned to defend margins and sustain cash generation during periods of economic uncertainty, while weaker brands tend to experience sharper earnings volatility.

Deckers Outdoor Corporation was the portfolio's primary Consumer Discretionary holding during the semester. The investment thesis was grounded in the company's differentiated brand portfolio, anchored by UGG as a cash-generative lifestyle franchise and HOKA as a rapidly growing performance footwear brand. This dual-engine structure provides both stability and growth, supported by pricing power, international expansion, disciplined inventory management, and a debt-free balance sheet.

During the holding period, Deckers continued to execute operationally, particularly within HOKA, which sustained double-digit growth driven by international expansion and broader category adoption beyond core running. However, the operating environment became less supportive as management highlighted softening U.S. consumer demand, reduced near-term visibility, and uncertainty in further tariff impacts. In parallel, emerging tariff impacts introduced incremental margin pressure, with management guiding to lower year-over-year gross margins for fiscal 2026.

Q2 FY2026 earnings results combined with increased macro sensitivity, and weak consumer sentiment, we saw a major sell-off of 1500 bps which pushed us through our stop loss. The position was exited following a structured review, consistent with the Fund's disciplined risk management process with an emphasis on preserving capital in times of stress.

Overall, Consumer Discretionary exposure requires a selective, top-down approach. Being able to understand the macro environment and combining that with a more precise evaluation of a company's pricing power, and balance-sheet strength. This framework remains central to evaluating future opportunities within the sector.

Looking ahead, macroeconomic conditions are expected to play a more prominent role in Consumer Discretionary stock selection. Current job market constraints, decreasing interest rates and persistent cost-of-living pressures continue to squeeze discretionary spending, increasing performance dispersion across the sector. As a result, emphasis will be placed on companies with clear demand visibility, pricing power, and flexible cost structures, particularly in categories aligned with observable shifts in consumer behavior, while avoiding reliance on broad-based consumer recovery assumptions.

Sector:	**Portfolio Exposure:**	**Sector Analysts:**
Industrials	NOC & CPRT	Rushit & Bohdan

The Industrials sector represents a structurally diverse allocation within Team Green's portfolio, spanning defense, aerospace, logistics, and asset-based service models. Unlike more cyclical industrial segments tied closely to global manufacturing or commodity demand, select subsectors benefit from long-duration contracts, regulated end markets, and mission-critical demand drivers. As a result, portfolio exposure within Industrials is constructed bottom-up, with individual positions reflecting differentiated business models, visibility into cash flows, and long-term demand durability rather than uniform sector-wide themes.

Within Industrials, Team Green maintained exposure to both aerospace and defense and asset-based services, reflecting complementary sources of return. Northrop Grumman Corp. (NOC) anchors the sector through its role in next-generation defense systems and strategic deterrence, while Copart, Inc. (CPRT) provides exposure to a structurally advantaged salvage and vehicle auction platform. Together, these holdings balance long-cycle government-funded demand with scalable, data-enabled commercial operations.

Northrop Grumman represents a high-conviction Industrials allocation grounded in long-term, structural demand for advanced defense and aerospace systems. The company operates a uniquely diversified portfolio spanning missiles, space systems, aircraft, and mission-critical command-and-control technologies, positioning it at the center of U.S. and allied defense modernization efforts. Importantly, Northrop's product mix is tilted toward next-generation platforms with limited or no direct substitutes, supporting durable demand visibility across geopolitical cycles. Heightened defense priorities domestically and abroad, including increased NATO spending and Indo-Pacific deterrence initiatives, reinforce the multi-decade relevance of Northrop's core programs.

A central pillar of the investment thesis is Northrop's leadership in two of the most strategically significant defense programs currently in development: the B-21 Raider stealth bomber and the LGM-35A Sentinel intercontinental ballistic missile program. The B-21 is designed as the backbone of U.S. long-range strike capabilities for decades, with multiple aircraft already in production and ongoing discussions with the U.S. Air Force regarding accelerated production rates. Similarly, the Sentinel program represents the largest missile recapitalization effort globally, encompassing hundreds of silo-launched guided missiles. Both programs are progressing through low-rate initial production, a critical phase that establishes the foundation for future margin expansion as systems transition from development to sustained manufacturing. As these platforms advance through testing milestones and production ramps, Northrop stands to benefit from increasing operating leverage, backlog conversion, and long-term free cash flow generation.

Copart, Inc. (CPRT) is the global market leader in online vehicle auctions, specializing in the remarketing of salvage and used vehicles on behalf of insurance carriers, fleet operators, and other sellers. At its core, Copart runs a highly efficient, tech-enabled marketplace that monetizes damaged and end-of-life vehicles by matching consistent seller supply with a deep, international buyer base. That scale advantage matters: higher buyer participation drives better pricing and faster liquidation for sellers, reinforcing Copart's role as a preferred disposition channel across multiple geographies.

Copart's moat is fundamentally a scale-and-network advantage that is difficult to replicate. Insurer relationships are sticky because Copart is integrated into claims workflows, and switching risks lower recovery rates, weaker liquidity, and operational disruption creating real switching costs. Its physical footprint (yards, logistics, and capacity to store/process vehicles) adds a second layer of defensibility, because the infrastructure and land requirements represent a long-duration barrier to entry. Financially, the model is structurally attractive: a fee-driven, largely consignment-based business with strong cash generation, limited balance-sheet risk, and disciplined reinvestment that sustains high returns on capital.

Looking ahead, Copart is positioned to compound through durable tailwinds rather than fragile, one-time catalysts. Rising repair complexity and costs increase total-loss frequency, sustaining auction volume over time; simultaneously, an aging fleet supports persistent demand for used vehicles and parts, while international expansion broadens the buyer pool and strengthens platform liquidity. Taken together, Copart fits cleanly within our portfolio's mission: a high-quality business with a defensible competitive advantage while expanding returns on invested capital. We believe the market can underweight the durability of Copart's network effects and embedded insurer relationships. Our view is that the scale, capital-light fee model, and reinvestment capacity allow intrinsic value to grow steadily—precisely the type of mispriced durability we aim to capture when acquiring long-duration compounders at a discount.

Sector:	**Portfolio Exposure:** PM	**Sector Analysts:**

Consumer Staples		Richard & Noah

The global nicotine category is in secular transition: combustible cigarette volumes continue to decline structurally (especially in developed markets), while regulation, excise-tax dynamics, and illicit trade shape market structure and pricing. At the same time, consumer behavior is shifting toward “smoke-free” alternatives—heated tobacco, nicotine pouches, and e-vapor—where the industry is competing on innovation cycles, device ecosystems, distribution reach, and regulatory access. The category remains defined by strong pricing power and cash generation, but dispersion in outcomes has widened: leaders with credible smoke-free portfolios and scalable manufacturing footprints are structurally advantaged, while firms more reliant on combustibles face steeper volume headwinds and greater policy risk.

Philip Morris International is the portfolio’s anchor within Tobacco because it combines (i) durable cash flows from its combustible base with (ii) a proven, multi-platform smoke-free transition strategy. PMI’s smoke-free portfolio—anchored by IQOS heated tobacco and ZYN nicotine pouches—has become a central driver of growth and profitability, and management has continued to emphasize the durability of smoke-free momentum as scale expands across geographies and channels.

The core of our thesis is that PMI’s smoke-free mix shift drives structural margin uplift. Smoke-free is not just a volume-growth story; it is a profitability story. As smoke-free becomes a larger share of net revenues and gross profit, consolidated margins can expand through (i) favorable product economics at scale, (ii) operating leverage as fixed costs are absorbed over a larger smoke-free base, and (iii) a higher-quality recurring revenue mix driven by consumables and repeat purchasing behavior. Over time, this mix shift can help PMI offset combustible volume declines while sustaining strong cash generation.

IQOS remains the cornerstone of PMI’s global smoke-free ecosystem, benefiting from device switching dynamics, recurring consumables economics, and continued innovation across platforms and price tiers. The IQOS model reinforces customer stickiness through an “ecosystem” dynamic: once users switch, repeat purchases and ongoing usage support durable revenue streams, and category expansion is driven by both new user conversion and deeper penetration in existing markets. PMI’s longer-term opportunity set also includes meaningful U.S. optionality as distribution expands and next-generation product pathways progress. ZYN is PMI’s second major smoke-free growth pillar and a key contributor to the margin and cash-flow durability of the transition. Demand has been strong enough to require a deliberate capacity buildout cycle, and PMI’s investments to expand pouch production are critical because supply availability is a gating factor to sustained share gains. As capacity ramps and shortages normalize, PMI can capture incremental volume while improving unit economics through scale benefits, better fixed-cost absorption, and broader distribution execution.

Operationally, PMI’s manufacturing and supply-chain investments represent a core competitive moat in smoke-free—because capacity, quality, and consistency matter as much as innovation when products scale. PMI’s ability to expand production, manage inputs, and execute across global distribution channels reduces the risk that growth is constrained by supply and positions the company to compound profitability as the smoke-free portfolio becomes increasingly mature. Financially, PMI pairs high-quality earnings with strong cash generation and shareholder returns, supported by disciplined capital allocation. Even as combustible volumes decline, PMI’s smoke-free growth engine can sustain earnings power and support margin expansion, with smoke-free increasingly contributing to both growth and resilience rather than acting as a “hedge” to combustion.

Looking ahead, PMI is positioned to compound intrinsic value through (i) continued smoke-free penetration globally, (ii) consolidated margin expansion driven by a higher mix of smoke-free gross profit, (iii) ZYN scale benefits as capacity ramps and distribution deepens, (iv) meaningful U.S. IQOS optionality as the platform expands, and (v) disciplined capital allocation supported by durable cash flows. Our view is that the market often frames PMI primarily as a “cigarette volume decline” story, while underweighting the structural margin uplift and long-duration earnings power created by a scaled smoke-free portfolio—making PMI a compelling, high-quality compounder within Consumer Staples.

Sector:	**Portfolio Exposure:**	**Sector Analysts:**
Financial Services	MSCI	Dylan & Hunter

The Financial Services allocation emphasizes financial infrastructure for businesses with recurring revenues and embedded client relationships rather than balance-sheet-driven institutions. Within the sector, data, index, and analytics providers benefit from durable demand tied to long-term capital market activity. MSCI fits this profile, operating as a core provider of benchmarks, analytics, and data that are integrated into investment workflows across asset managers, asset owners, and financial institutions.

Team Green’s exposure to Financial Services is anchored by MSCI Inc. The company generates approximately 98% of revenue from recurring subscriptions and asset-based fees, providing strong revenue visibility. Client retention remains high, with overall retention in the 94–95% range and asset manager retention near 96%, reflecting high switching costs once MSCI’s products are embedded in portfolio construction, risk management, and reporting processes.

MSCI’s Index segment is the primary earnings driver. Assets linked to MSCI indices exceed $6.4 trillion, supported by continued growth in ETFs and increased use of rules-based benchmarks. Asset-based fees tied to this AUM scale efficiently as markets grow and as ETF adoption expands globally. Incremental revenue requires limited additional investment, supporting strong operating leverage and free cash flow conversion. Recent quarters have shown MSCI capturing a meaningful share of indexed equity ETF inflows, reinforcing the durability of this revenue stream.

Outside of indexing, MSCI continues to broaden its revenue base through analytics, ESG and climate solutions, and private assets. Analytics supports risk management, performance attribution, and regulatory use cases across a growing client base that includes wealth managers, hedge funds, banks, and insurance firms. Growth in these non-active client segments has remained stronger than in traditional active asset management, contributing to steady subscription run-rate growth.

ESG and climate products remain a structural component of MSCI’s offering. While demand has softened in certain regions in the near term, global regulatory requirements and investor disclosure standards continue to support long-term usage of ESG ratings and climate risk tools. These products are increasingly treated as required inputs rather than discretionary services, reinforcing their recurring revenue profile.

MSCI is also expanding into private markets through data and analytics for private equity, private credit, and real assets. Following the integration of Burgiss, private asset revenues have grown rapidly from a smaller base. Adoption by limited partners using MSCI benchmarks for private capital supports the view that MSCI can extend its public-market model into private markets over time. While still a modest portion of revenue, private assets represent a long-term growth opportunity rather than a near-term earnings driver.

Financially, MSCI operates with high profitability and low capital intensity. Margins remain industry leading throughout each quarter, and free cash flow remains strong despite continued investment in technology and data platforms. Capital allocation prioritizes share repurchases, dividends, and selective acquisitions. Although the stock trades at a premium to traditional financial services peers, the valuation reflects MSCI's recurring revenue base, margin profile, and long-term earnings visibility.

Overall, MSCI represents a high-quality Financial Services holding with stable cash flows and exposure to secular growth in indexing, data, and global capital markets. The position reflects confidence in MSCI's business durability and its ability to compound earnings over time rather than reliance on cyclical financial activity.

Sector:	**Portfolio Exposure:**	**Sector Analysts:**
Communication Services	OMC	Hunter & Phillip

The Communication Services sector encompasses a diverse set of business models spanning media platforms, telecommunications, entertainment, and marketing services. Unlike more homogeneous sectors, Communication Services exhibits wide dispersion in revenue durability, capital intensity, and sensitivity to economic cycles. While certain subsectors (such as digital advertising platforms) are closely tied to advertising demand and macro conditions, others benefit from recurring enterprise contracts, long-term client relationships, and asset-light cost structures. As a result, sector exposure requires a selective, bottom-up approach rather than broad generalization.

Team Green's exposure to Communication Services during the current semester was expressed through a single position in Omnicom Group Inc. (OMC), representing 6.18% of the portfolio. Omnicom generated a positive total return of approximately 5.9% over the period, contributing positively to portfolio performance while also providing diversification benefits through its lower volatility profile relative to platform-centric peers. The position reflects conviction in Omnicom's underlying business quality and strategic positioning rather than a thematic view on the sector as a whole.

Omnicom operates one of the world's largest and most diversified marketing communications platforms, delivering services across creative advertising, media planning and buying, data analytics, precision marketing, and healthcare communications. Its scale, global footprint, and integrated operating model support durable client relationships and strong free cash flow generation. Importantly, Omnicom's asset-light structure enables high returns on invested capital and consistent capital return to shareholders, characteristics that differentiate it from more capital-intensive or cyclically exposed Communication Services peers.

A core component of the investment thesis was the anticipated consolidation with Interpublic Group (IPG), which was announced on December 8, 2024, pitched internally prior to completion, and successfully closed on November 26, 2025, following regulatory approval. The merger meaningfully expands Omnicom's scale and breadth of capabilities, creating the world's largest advertising holding company. The combined platform enhances Omnicom's ability to deliver fully integrated solutions to clients, consolidating creative, media, data, and identity-based marketing tools within a single operating framework.

Strategically, the integration of Omnicom's Omni AI platform with IPG's data, identity, and precision-marketing assets strengthens the firm's long-term competitive positioning. Omni enables outcome-based, data-driven marketing by unifying audience insights, media activation, and performance measurement across agencies, while IPG's data-marketing products deepen capabilities in identity resolution, CRM, and analytics. Together, these platforms expand Omnicom's addressable opportunity set and reinforce its relevance as clients increasingly demand measurable returns on marketing spend. Early integration actions, such as agency consolidation and cost rationalization support management's stated objective of improving efficiency while maintaining service quality and client retention.

While the business remains exposed to advertising demand cycles, Omnicom's diversified client base, recurring enterprise relationships, and expanding data-driven offerings mitigate downside risk relative to more narrowly focused peers. Given validated thesis execution, improving strategic scale, and sustained free cash flow generation, Omnicom remains a core long position heading into next semester, reflecting confidence in its ability to compound value through disciplined execution and industry consolidation.

Sector:	**Portfolio Exposure:**	**Sector Analysts:**
Energy	SLB	Rushit & Bohdan

The Energy sector is a capital-cycle industry where long-run returns are set by the interaction of commodity prices, cost curves, and reinvestment discipline. Since 2020, the sector has been shaped by (i) a demand shock and recovery, (ii) OPEC+ supply management driving policy-led volatility, (iii) a structural pivot toward disciplined CAPEX and shareholder returns, and (iv) ESG/regulatory pressures that raised the cost of capital and contributed to underinvestment in new supply. As a result, performance dispersion across the sector is wide: upstream is most exposed to spot prices and depletion, services are levered to operator spending, and "quality" is determined by contract structure, pricing power, cost pass-through, and capital allocation—not broad sector beta.

Team Green's exposure to the Energy sector was dictated through our investment in SLB, representing a 4.5% allocation to the portfolio. We selected SLB as a higher-quality way to participate in the cycle, and the addition of the equity further enhanced diversification within the overall portfolio. As SLB continues to expand into less-cyclical, technology-led ventures, its earnings profile becomes more durable, supporting a lower-volatility expression of Energy exposure relative to more commodity-sensitive operators.

Strategically, SLB's role is essential to the broader industry: Supporting ongoing innovation, strengthens long-term growth potential through extraction and production of hydrocarbons more efficiently and effectively. It positions SLB to benefit from sustained upstream activity without relying solely on short-term oil price momentum. As a result, SLB was a seamless fit into our portfolio providing a structurally advantaged position within Energy

SLB (formerly Schlumberger) is the world's leading oilfield services and energy-technology company, delivering integrated solutions across the upstream lifecycle—from subsurface evaluation and drilling to production systems and asset optimization—at truly global scale. Importantly, SLB has been structurally re-rating its business mix: it has shifted from a predominantly cyclical field contractor into a higher-quality energy technology platform, anchored by its Digital & Integration division (management cites ~30% margins) and the ChampionX acquisition, which adds more recurring, consumables-like revenue streams (chemicals), plus AI-enabled production optimization. That mix shift is designed to reduce cyclicality while broadening the total addressable market and deepening customer embedment.

SLB's moat is built on scale, technical differentiation, and operational integration with customers particularly Natural Oil Companies and offshore operators, supported by a footprint in 120+ countries and deep relationships across long-cycle mega-projects. The value-creation profile is improving in the metrics that matter: SLB currently generates roughly ~11% ROIC, and it has been delivering superior profitability versus peers (slide cites ~12% net margin vs ~3.7% industry). Financially, SLB pairs this with balance-sheet flexibility, approximately $3.6B cash and $5B undrawn credit, and backlog visibility that supports forward cash generation (about $5.6B backlog, with roughly 60% expected to convert within 12 months). In other words, SLB is not only earning attractive returns; it has the liquidity, visibility, and operating discipline to reinvest and return capital through the cycle.

Looking forward, SLB is levered to durable tailwinds that are less "single-commodity bet" and more structural: rising international/offshore CAPEX, increasing demand for efficiency-led digital and AI solutions, and continued margin expansion as the portfolio shifts toward higher-return businesses. The slide-level trajectory reflects this: NOPAT margins have compounded ~10.6% and EBITDA margins ~10.85% annually since 2020, highlighting consistent profitability gains as the model transforms. Our variant perception is that the market still tends to value SLB through a legacy "oilfield services cyclicality" lens, underappreciating the durability created by its technology-led mix shift, backlog-driven visibility, and capital discipline—creating an opportunity to acquire a structurally improving business at a discount.