

UConn

Grad SMF 2014-2015

March 12, 2015

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Agenda



- Executive Summary
- Investment Process
- Portfolio Performance
- Highlighted Holdings
- Conclusion
- Looking ahead



Executive Summary



- Portfolio timeframe: Sept. 17, 2014 –Feb. 20, 2015
- SMF vs S&P 500: 5.81% vs. 6.37%
- 23 stocks in 6 sectors*
- 76% invested*
- Market Themes
 - 5 years consecutive earning growth & stock appreciation
 - Healthier consumer
 - Stagnation in foreign markets
 - Dropping energy prices

*Includes 3 stocks traded post 2/20

Investment Process



- Long equity only
- Value investing
- Fundamental analysis
- 3-5 year time horizon
- Selection approach
 - Fall: Top-Down
 - Spring: Bottom-Up

“It’s far better to buy a wonderful company at a fair price than a fair company at a wonderful price.”
– Warren Buffet

Investment Criteria

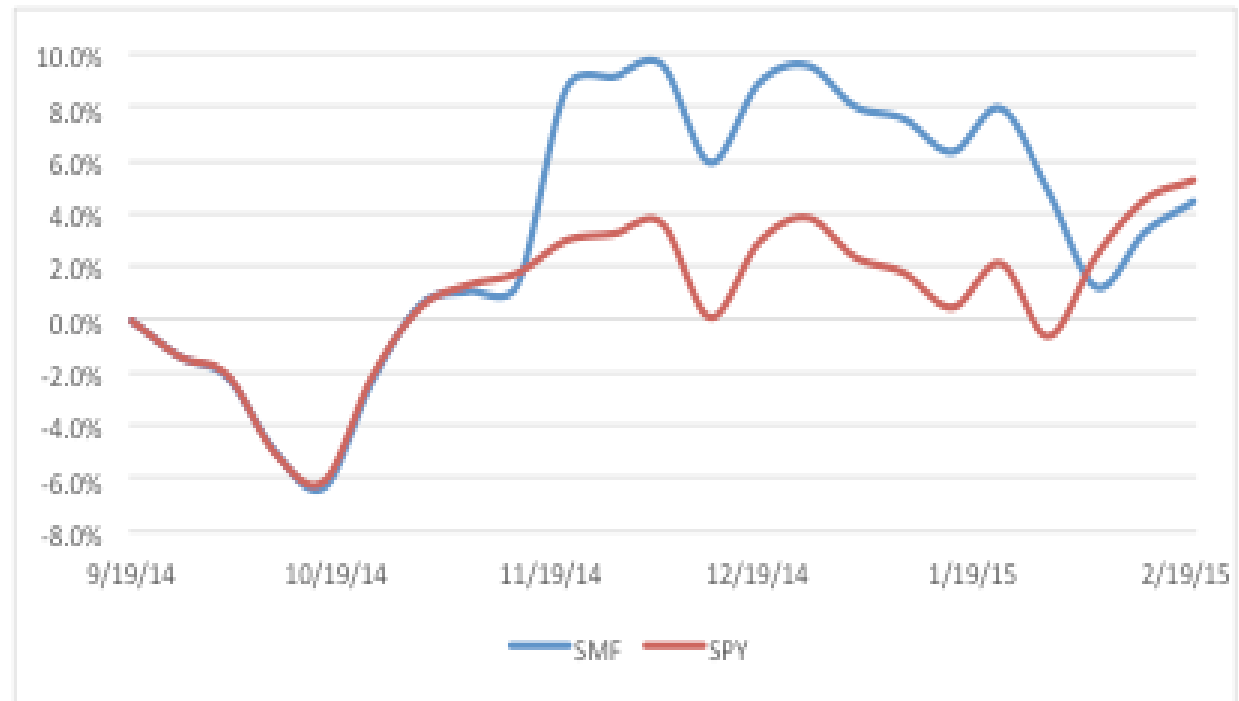
- Intrinsic value > Market value
- Sustainable and predictable
- Outstanding amongst peers
- Corporate Social Responsibility



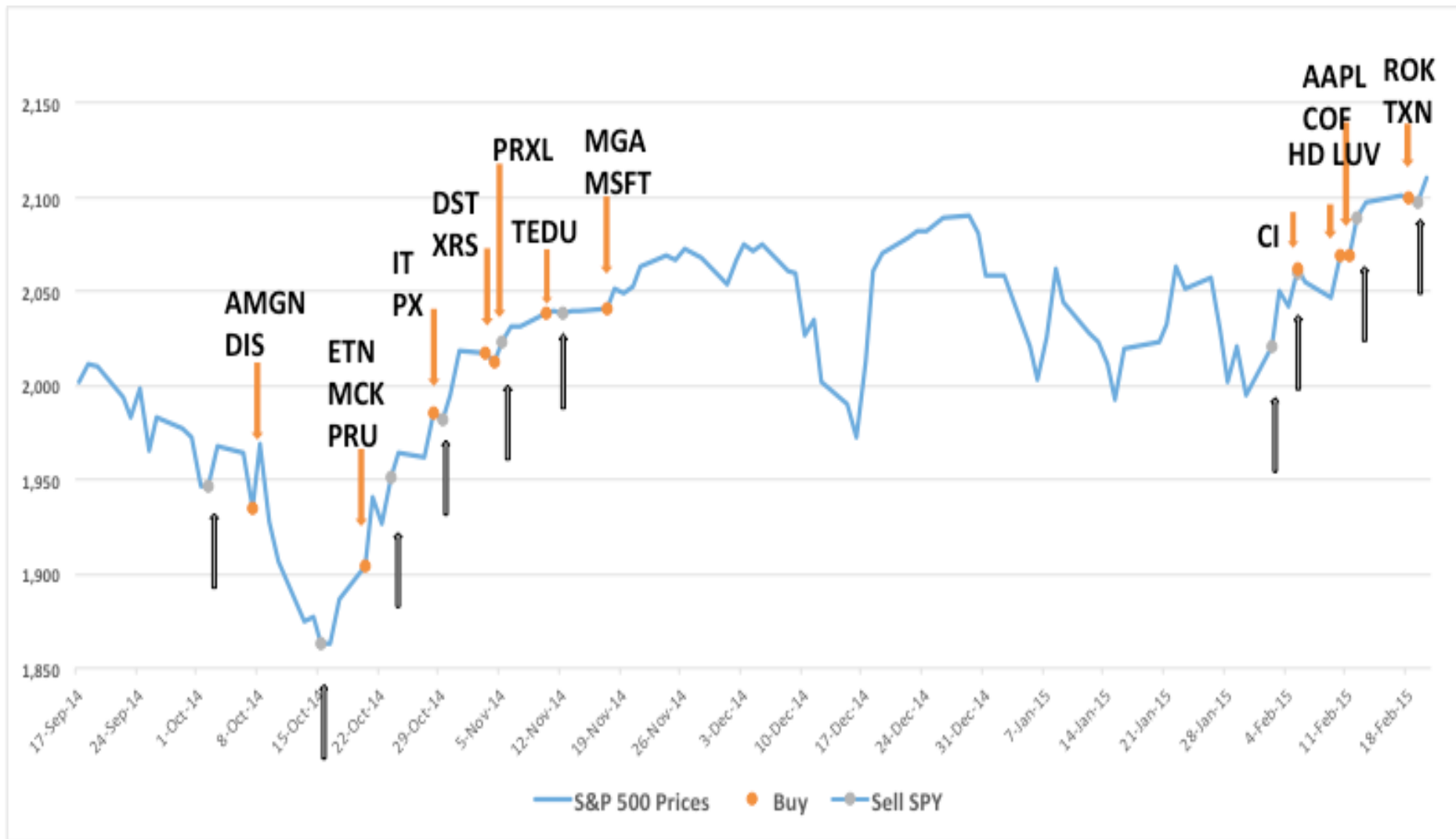
Portfolio Performance



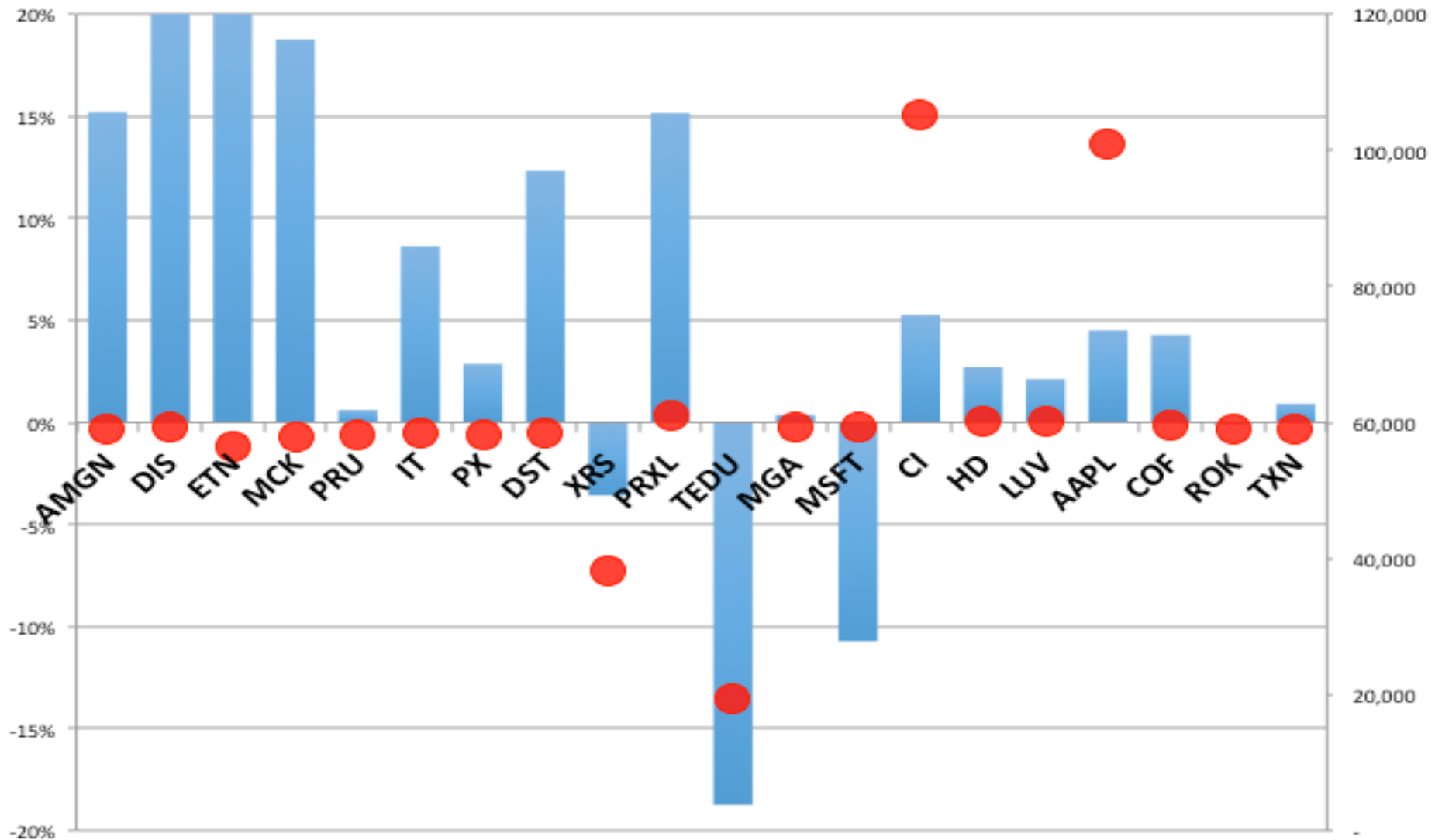
- \$104,846 gain
- 5.81% return
- -56 bps alpha



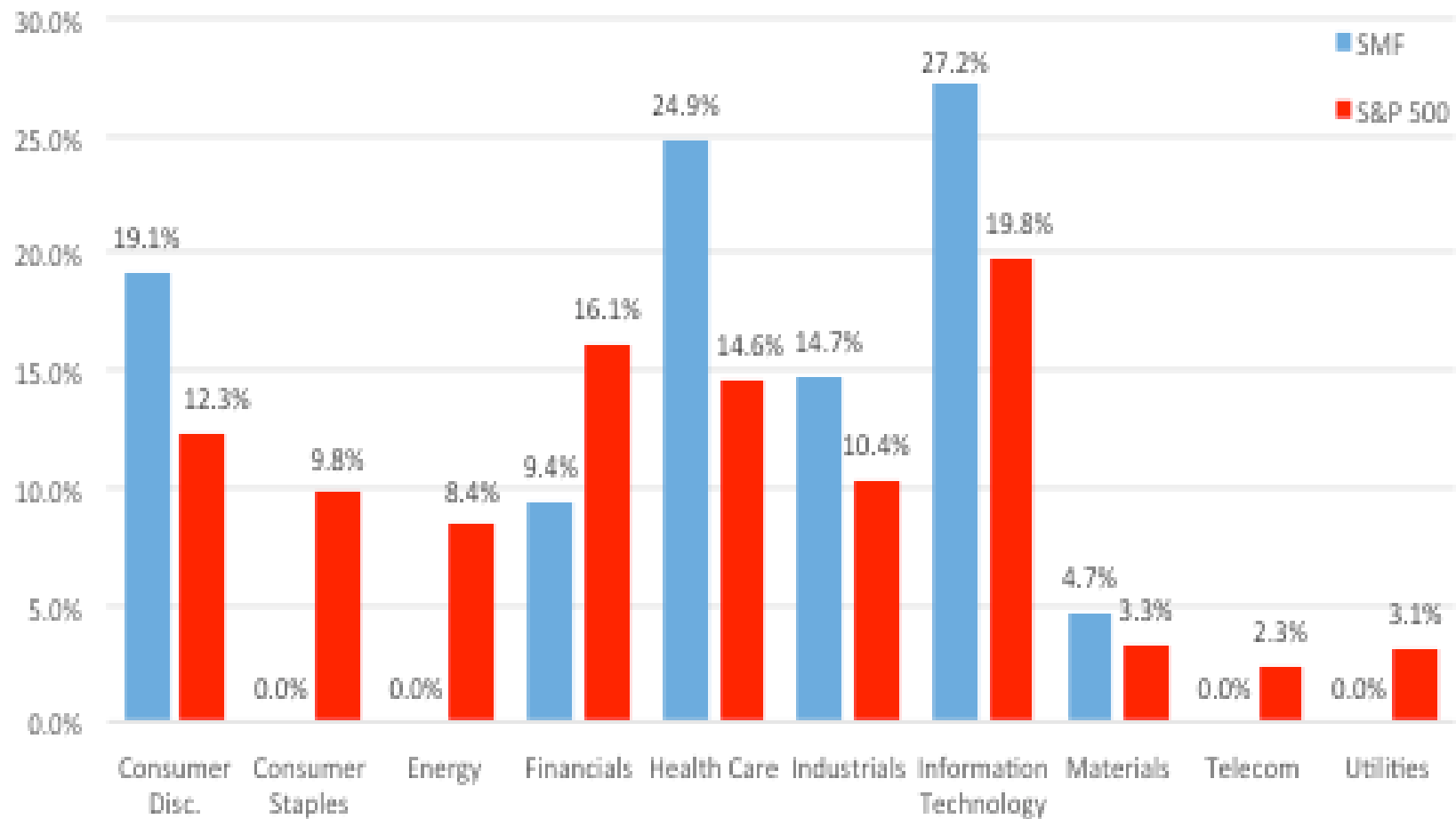
Timeline & Cash Drag



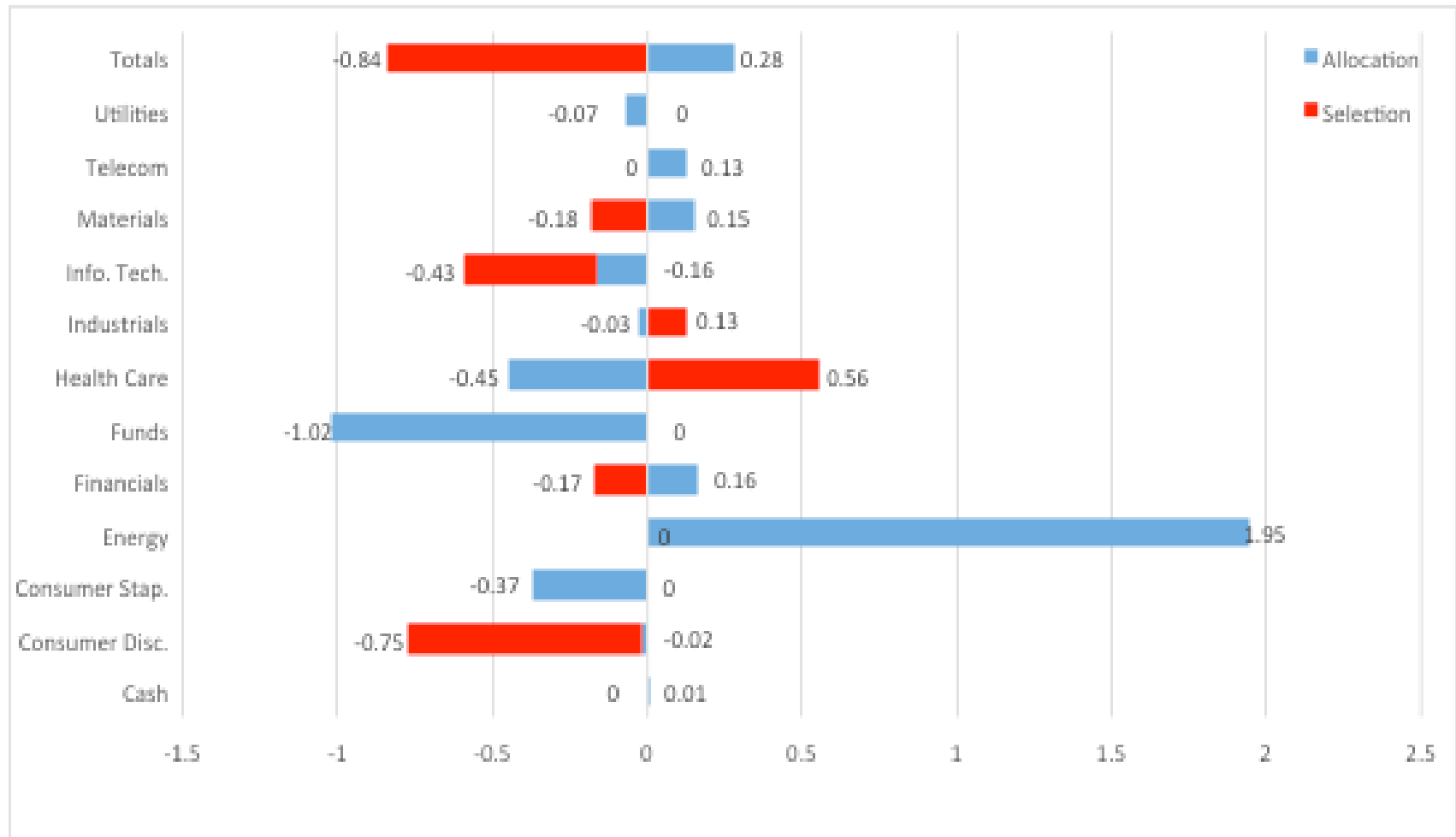
Stock Returns & Investment Size



Allocation



Attribution



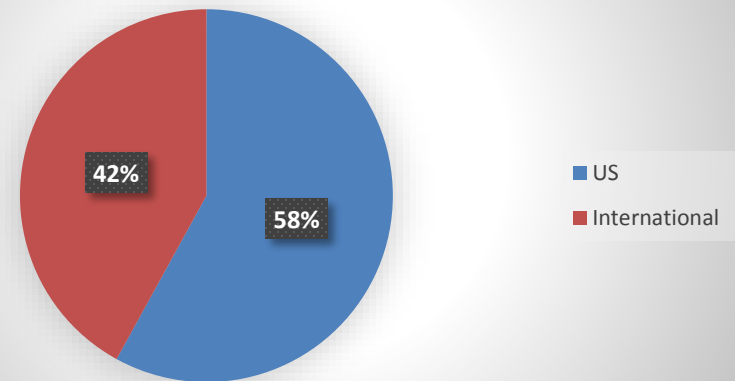


Portfolio: Breakdown

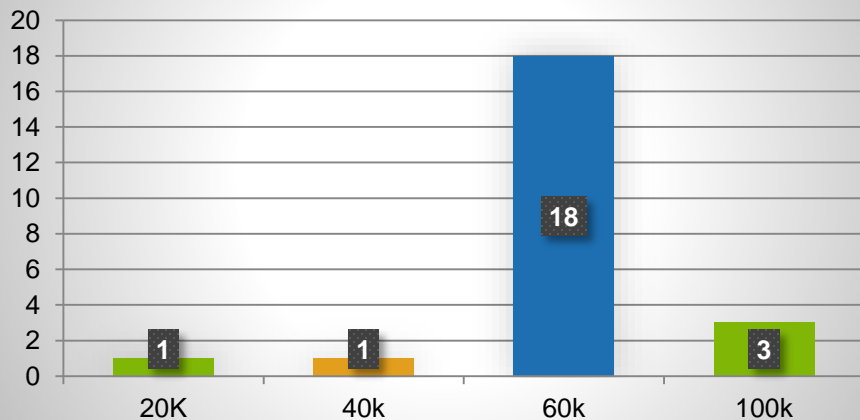
Breakdown by Market Cap



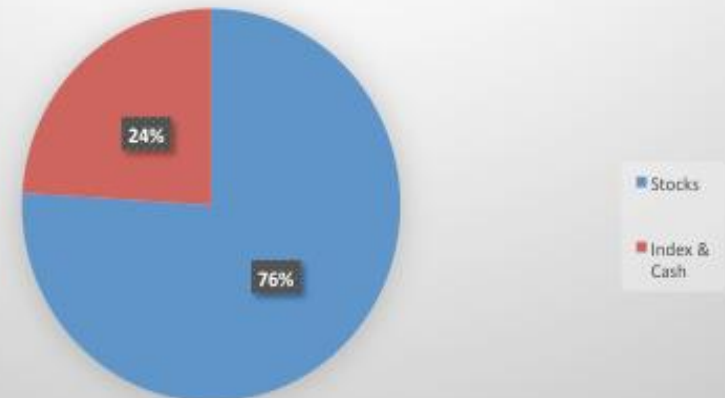
Revenue



Investment Size



Invested



Characteristics



	Portfolio	SPY
Std. Deviation	0.0207	0.0204
Beta	1.03	1.00
Sharpe Ratio	2.01	1.73
Treynor Ratio	0.31	-----
Jensen's Alpha	7.72	-----

- Did not take on excess risk

	Portfolio	SPY	+/-
Dividend Yield	1.46	1.95	-0.48
Price to Earnings	17.93	18.51	-0.59
Price to Cash Flow	11.64	11.69	-0.05
Price to Book	3.38	2.87	0.51
Total Debt to Common Eq.	69.46	113.44	-43.97
Current Ratio	0.91	1.42	0.51

- Low debt to equity



Risk Management

For Stocks

- Large & Mid Cap
- Strong Balance Sheets
- Stop Loss 15%-25%

For Portfolio

- Diversify sector and industry
- Scenario Analysis

The Walt Disney Co. (DIS)



➤ Investment Thesis

- ✓ Macro play; rising consumer confidence, disposable income, spending
- ✓ Unique complementary blend of business

➤ Factors Effecting Price

- ✓ Record park & resort attendance
- ✓ Blockbuster new franchise; Frozen
- ✓ Dividend increased 34%



Sector: Consumer Disc
Industry: Media & Ent.

Price @2/20/2015: \$104.57
Purchase Price: \$87.92
52 Week Range: \$73.61 -
\$106.64

Market Cap: \$176B
Intrinsic Value: \$119
Total Return: 20.25%

Eaton Corp plc (ETN)



➤ Investment Thesis

- ✓ Leading manufacturer of highly engineered products
- ✓ Auto parts seeing strong industry growth
- ✓ Business is balanced to sustain through the economic cycle
- ✓ Strong cash flow and balance sheet, and a long track record of increasing dividends

Factors Effecting Price

- ✓ Earning in 4th quarter beat analysts' estimate
- ✓ Lower selling and administrative expense



Sector: Industrial Industry: Electrical Components & Equipment	Price @2/20/2015: \$72.49 Purchase Price: \$60.08 52 Week Range: \$57.11 – \$79.98	Market Cap: \$33.71B Intrinsic Value: \$87.20 Total Return: 20.0%
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McKesson Corporation (MCK)



➤ Investment Thesis

- ✓ Health insurance coverage expanding and with it demand for prescription drugs
- ✓ Shift in healthcare towards generic drugs, which have larger margins for distributors

➤ Factors Effecting Price

- ✓ Strong quarters from high drug price inflation
- ✓ Allows distributors to sell inventory at higher prices
- ✓ Realization of buying power increase following '14 acquisition of Celesio



Sector: Healthcare
Industry: Healthcare
Distributors

Price @2/20/2015: \$229.16
Purchase Price: \$191.91
52 Week Range: \$162.90 – 231.55

Market Cap: \$347.51B
Intrinsic Value: \$251.90
Total Return: 18.8%

Microsoft Corporation (MSFT)



➤ Investment Thesis

- ✓ Riding major tech trend of going to cloud with strong products and sales growth
- ✓ Positioned to capitalize on future growth in smartphone users in emerging market

➤ Factors Effecting Price

- ✓ 10% EPS decrease in Q4
- ✓ 13% revenue decline for Windows OEM Pro and non-Pro



Sector: Technology
Industry: Business Software
& Services

Price @2/20/2015: \$43.86
Purchase Price: \$49.50
52 Week Range: \$35.51 – \$50.5

Market Cap: \$347.51B
Intrinsic Value: \$79.6
Total Return: -11.4%

Prudential Financial, Inc. (PRU)



➤ Investment Thesis

- ✓ Aging population
- ✓ Strong B/S and Robust C/F
- ✓ A lower-than-average P/E

➤ Factors Effecting Price

- ✓ Interest rate
- ✓ Strong dollar
- ✓ Higher expenses



Sector: Financials
Industry: Insurance

Price @2/20/2015: \$80.81
Purchase Price: \$80.84
52 Week Range: \$74.51 - \$94.30

Market Cap: \$37.5B
Intrinsic Value: \$105
Total Return: 0.6%

What We Learned



- Valuation techniques
- Training Tools
- Staying rational



Looking Ahead



- Continued monitoring
- Advocate to First-Year MBA Candidates
- Graduation & beyond



Acknowledgements



- Dr. Chinmoy Ghosh
- Patrick Terrion
- Peter Larson
- Laurel Grisamer
- Tom Marshella
- Investment Advisory Board
- Dr. Michel Rakotomavo
- Cengiz Searfoss
- Keith LaRose
- Mark Coville
- Kevin Edwards
- UConn Foundation

Q&A



Thank you



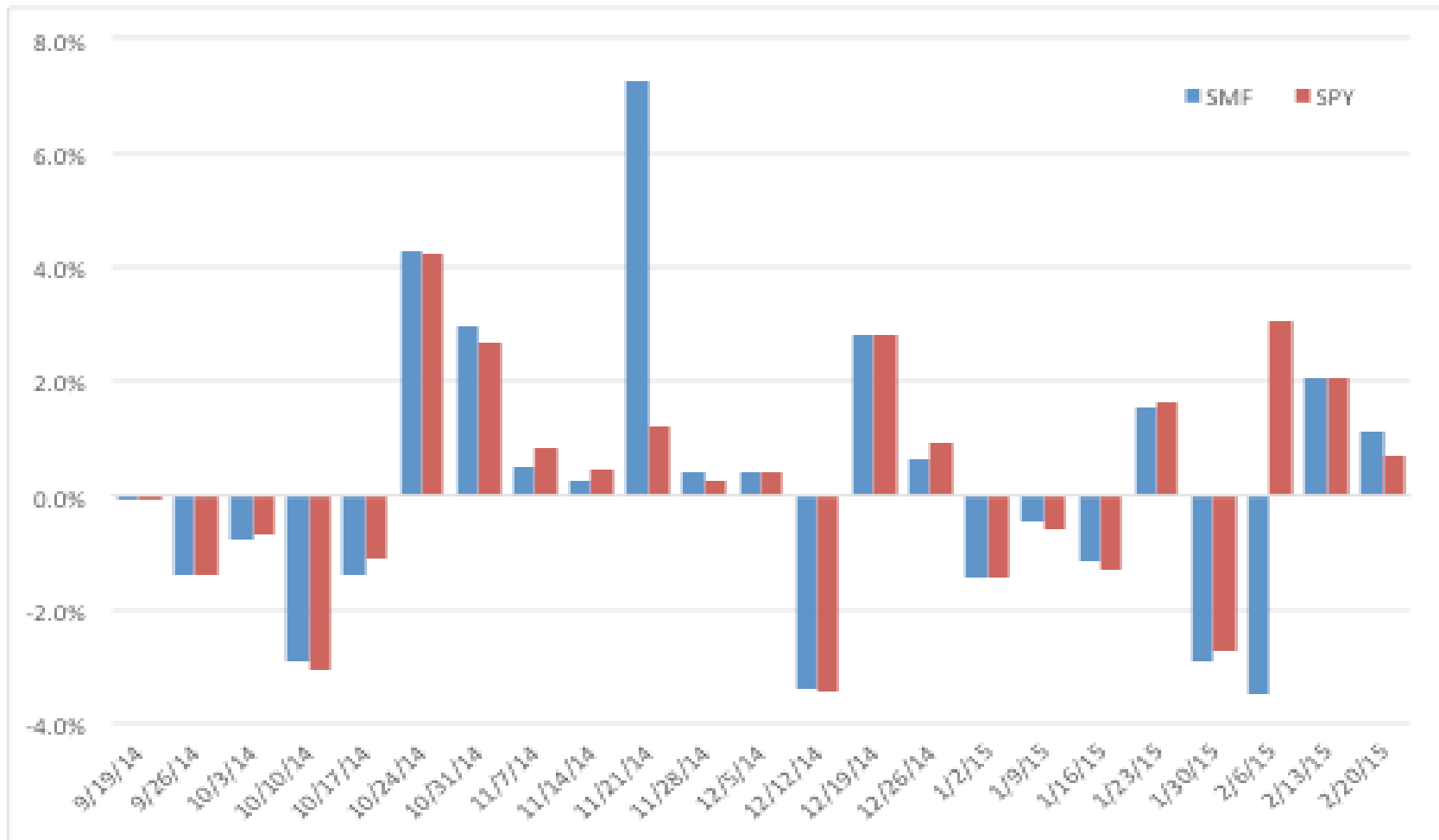
APPENDIX

Appendix: Stock Returns



Purchase Date	Equity	Gain/Loss	SPY Gain/Loss	+/- Compared to Benchmark	Initial Investment	Current Value
10/7/14	AMGN	14.75%	7.93%	6.82%	58,901	67,588
	DIS	18.94%		11.01%	59,343	70,585
10/20/14	ETN	19.23%	10.92%	8.31%	56,543	67,416
	MCK	18.63%		7.72%	57,874	68,658
	PRU	-0.11%		-11.03%	58,203	58,136
10/28/14	IT	8.62%	6.46%	2.15%	58,410	63,443
	PX	2.35%		-4.11%	58,054	59,418
11/3/14	DST	12.01%	4.34%	7.67%	58,512	65,538
	XRS	-3.59%		-7.93%	38,193	36,824
11/4/14	PRXL	15.14%	4.78%	10.36%	60,881	70,101
11/10/14	TEDU	-18.73%	3.53%	-22.26%	19,432	15,792
11/17/14	MGA	0.00%	3.26%	-3.25%	59,335	59,337
	MSFT	-11.35%		-14.61%	59,339	52,602
2/5/15	CI	5.26%	2.39%	2.86%	105,285	110,822
2/10/15	HD	2.71%	1.99%	0.72%	60,066	61,695
	LUV	2.12%		0.13%	60,189	61,462
2/11/15	AAPL	4.50%	1.83%	2.67%	100,910	105,449
	COF	4.28%		2.45%	59,702	62,256
2/18/15	ROK	-0.04%	0.49%	-0.53%	59,130	59,105
	TXN	0.92%		0.43%	59,057	59,599

Appendix: Weekly Returns



Appendix: Vote Breakdown



Turndowns

Facebook

DuPont

Cyberark

Costco

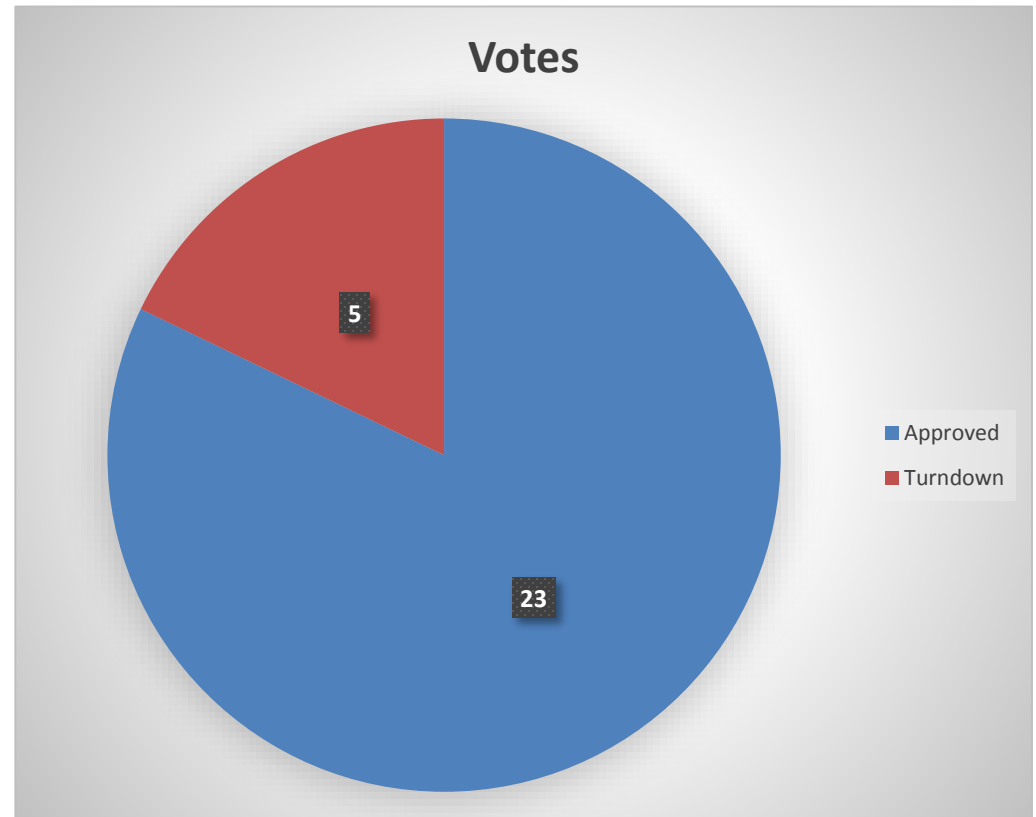
Boeing

Purchased Post 2/20/15

Eastman Chemical

WPP

FedEx



Appendix: Attribution Table



	Total Attribution	Allocation Effect	Selection Effect
Cash	0.01	0.01	0
Consumer Discretionary	-0.77	-0.02	-0.75
Consumer Staples	-0.37	-0.37	0
Energy	1.95	1.95	0
Financials	-0.02	0.16	-0.17
Funds	-1.02	-1.02	0
Health Care	0.11	-0.45	0.56
Industrials	0.1	-0.03	0.13
Information Technology	-0.58	-0.16	-0.43
Materials	-0.03	0.15	-0.18
Telecom	0.13	0.13	0
Utilities	-0.07	-0.07	0
Totals	-0.56	0.28	-0.84



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