

UConn

SCHOOL OF BUSINESS

Undergraduate Student Managed Fund 2014 Fall Presentation

December 4, 2014



Agenda

- Portfolio Overview
- Investment Process
- Economic / Market Environment
- Portfolio Allocation & Performance
- Interesting Holdings
- Lessons Learned
- Looking Forward



Portfolio Managers

- **Lead Manager:** Alexander Thalassinos
Portfolio Manager: Kelly McCourt
Treasurer/Secretary: Mitesh Mistry
Bloomberg Specialist: Stephen Vento
Web Manager: Akanksha Singh

Cinzia Alfano

Louis Beck

Nicholas Chapman

Ryan Conforti

Michelle Filippi

Samuel Gudeon

Kelly McCourt

Mitesh Mistry

Andrew Novitski

Akanksha Singh

Alexander Thalassinos

Stephen Vento

- **Undergraduate Supervisor:** Patrick Terrion
Fund Director: Chinmoy Ghosh



Portfolio Overview

Objective

- Outperform the S&P 500
- Learn to analyze as value investors

Philosophy

- Search for undervalued securities based on estimation of intrinsic value compared to current market price

Style

- Focus on the business – Bottom Up Approach



Portfolio Overview

Risk Management

- Business Model Risk –sustainable or not easily duplicated business model
- Balance Sheet Risk –companies with strong balance sheet
- Management Risk –companies with great leadership and direction
- Aggregation Risk –diversified portfolio and unique companies

Stop Loss Orders – 20% on each investment

Focus on long-term growth

Corporate Social Responsibility



Investment Process Highlights

Strong Business Model



Shareholder Return Policy



at&t

Competitive Position



EXPRESS SCRIPTS®



GILEAD

Sustainable Growth



United Technologies



Return on Invested Capital



Sustainable Barriers to Competition



Investment Process



Investment Tools



Bloomberg

Google
Finance

MORNINGSTAR

charles **SCHWAB**



Economic Outlook

- End of Quantitative Easing
- U.S. Economy
- Falling Oil Prices



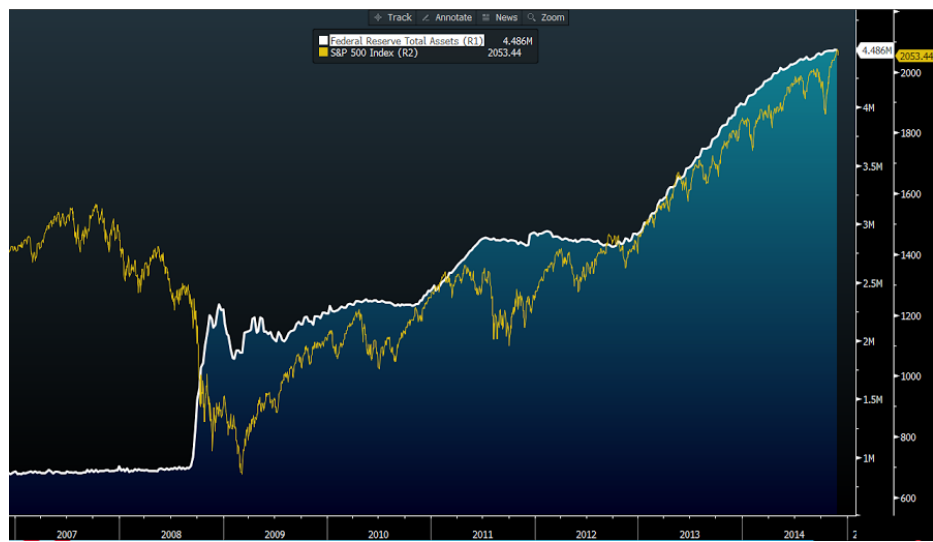
Results of QE

- Record Highs, Record Lows
- ~\$4.5B Fed Balance Sheet
- Stabilizing Economy
- Inorganic vs. Organic Growth
- Interest Rates Rising
- Finding Undervalued Stocks

Falling Unemployment Rate



Strengthening Equity Markets



Oil at 5-Year Low

- Supply > Demand
- Producers
- Consumers
- Opportunity



Equity and Sector Allocation

Basic Materials: Nicolas Chapman, Louis Beck

Consumer Services: Cinzia Alfano, Akanksha Singh, Andrew Novitski

Consumer Goods: Michelle Filippi, Ryan Conforti, Andrew Novitski

Energy: Kelly McCourt, Nicolas Chapman, Ryan Conforti

Financials: Alexander Thalassinos, Stephen Vento, Louis Beck

Healthcare: Michelle Filippi, Cinzia Alfano, Kelly McCourt

Industrials: Akanksha Singh, Mitesh Mistry

Real Estate: Alexander Thalassinos, Samuel Gudeon

Technology: Stephen Vento, Samuel Gudeon, Mitesh Mistry



Sector Allocation

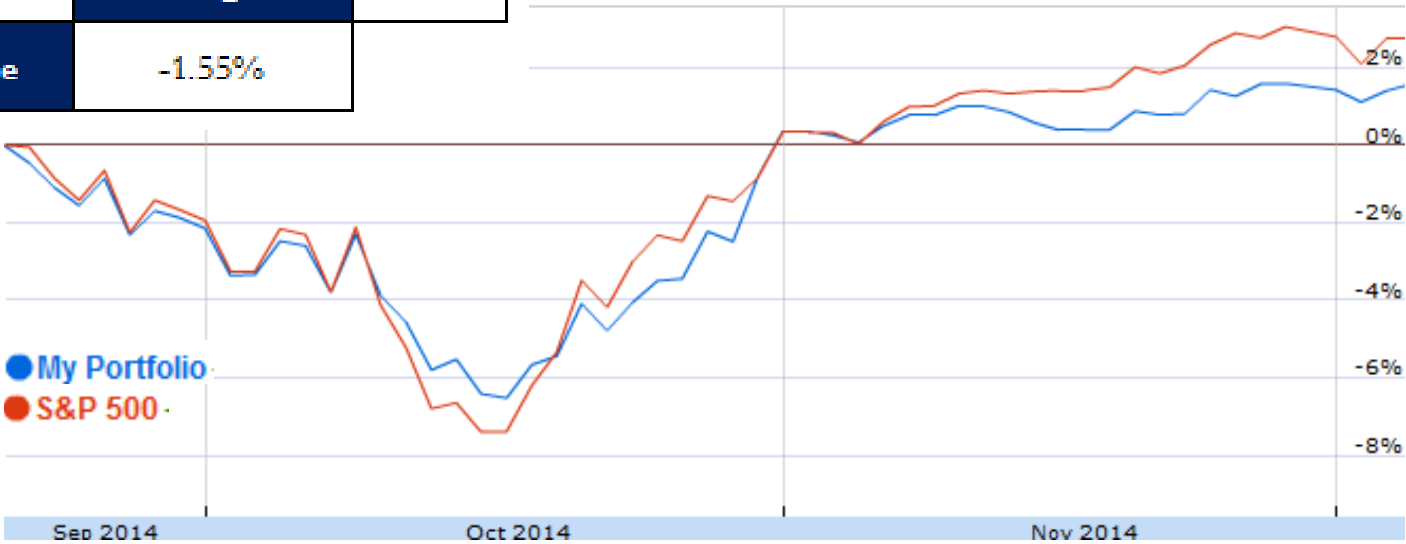
Sector	% of Total Portfolio	% of Invested Portfolio	S&P Sector Weightings	% Return
Consumer Goods	11%	14%	10%	8%
Consumer Services	0%	0%	12%	0%
Energy	10%	12%	14%	-3%
Financials	23%	27%	16%	16%
Basic Materials	0%	0%	4%	-9%
Healthcare	15%	17%	13%	3%
Industrials	13%	15%	11%	8%
Technology	13%	15%	21%	-6%
Total	85%	100%	100%	



Portfolio Performance Overview

Undergraduate Portfolio Benchmark Comparison			
Undergraduate Portfolio		S&P 500 ETF (SPY)	
Beg. Value	\$1,850,498.34	Beg. Value	\$201.36
Current Value	\$1,880,064.79	Current Value	\$207.71
Dollar Change	\$29,566.79	Dollar Change	\$6.35
% Change	1.6%	% Change	3.15%
Difference		-1.55%	

- Total Portfolio Performance: 1.6%
- Equity Performance: 4.7%
- S&P 500 Performance: 3.15%



Total Portfolio Performance



Name	Symbol	Purchase Date	Last Price (\$)	Shares	Cost Basis (\$)	Market Value (\$)	Gain (\$)	Gain %
Express Scripts Holding Company	ESRX	9/23/2014	84.45	1,716	123,721.88	144,916.20	21,194.32	17.13
International Business Machines Corp.	IBM	9/24/2014	162.70	522	100,311.70	84,929.40	-15,382.30	-15.33
Procter & Gamble Co	PG	10/2/2014	89.83	1,200	99,720.00	107,796.00	8,076.00	8.10
Markel Corporation	MKL	10/8/2014	684.34	271	174,386.60	185,456.14	11,069.54	6.35
United Technologies Corporation	UTX	10/13/2014	111.18	1,245	125,306.76	138,419.10	13,112.34	10.46
SPDR S&P500 ETF Trust	SPY	Received 9/17/14	207.71	1,082	217,211.50	224,742.22	7,530.72	3.47
AT&T Inc.	T	10/27/2014	34.11	4,440	152,425.20	151,448.40	-976.80	-0.64
Mastercard Inc	MA	10/20/2014	89.05	2,778	199,716.94	247,380.90	47,663.96	23.87
Diageo plc (ADR)	DEO	10/20/2014	121.92	885	100,082.66	107,899.20	7,816.53	7.81
Gilead Sciences, Inc.	GILD	10/30/14 & 11/19/14	100.18	1,334	147,585.63	133,640.12	-13,945.51	-9.45
Chevron Corporation	CVX	11/13/2014	113.23	850	99,666.65	96,245.50	-3,421.15	-3.43
Precision Castparts Corp.	PCP	11/13/2015	238.76	442	100,393.67	105,531.92	5,138.25	5.12
National-Oilwell Varco, Inc.	NOV	11/12/2016	66.89	1,360	100,008.88	90,970.40	-9,038.48	-9.04
Cash	Cash		60,689.29			60689.29		
Portfolio Value					1,850,498.34	1,880,064.79	29,566.45	1.6%



Equity Portfolio Performance



Name	Symbol	Purchase Date	Last Price (\$)	Shares	Cost Basis (\$)	Market Value (\$)	Gain (\$)	Gain (%)
Express Scripts Holding Company	ESRX	9/23/2014	84.45	1,716	123,721.88	144,916.20	21,194.32	17.13
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National-Oilwell Varco, Inc.	NOV	11/12/2016	66.89	1,360	100,008.88	90,970.40	-9,038.48	-9.04
Portfolio Value					1,523,326.57	1,594,633.28	71,306.71	4.7%



Portfolio Allocation

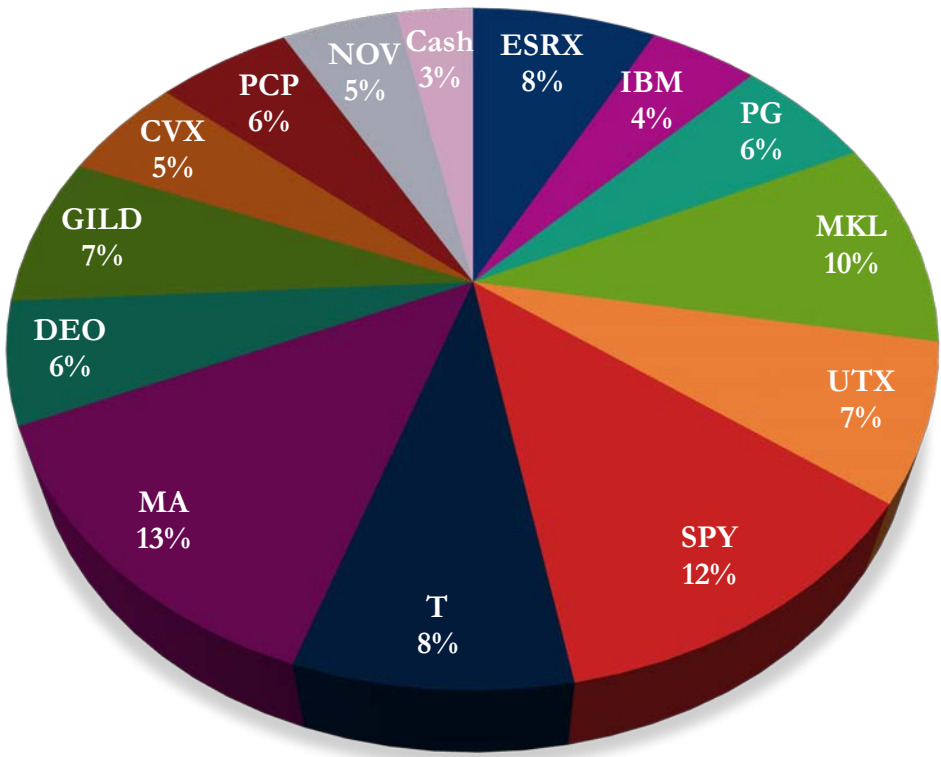
General Allocation

- 85% - Equities
- 12% - SPDR
- 3% - Cash

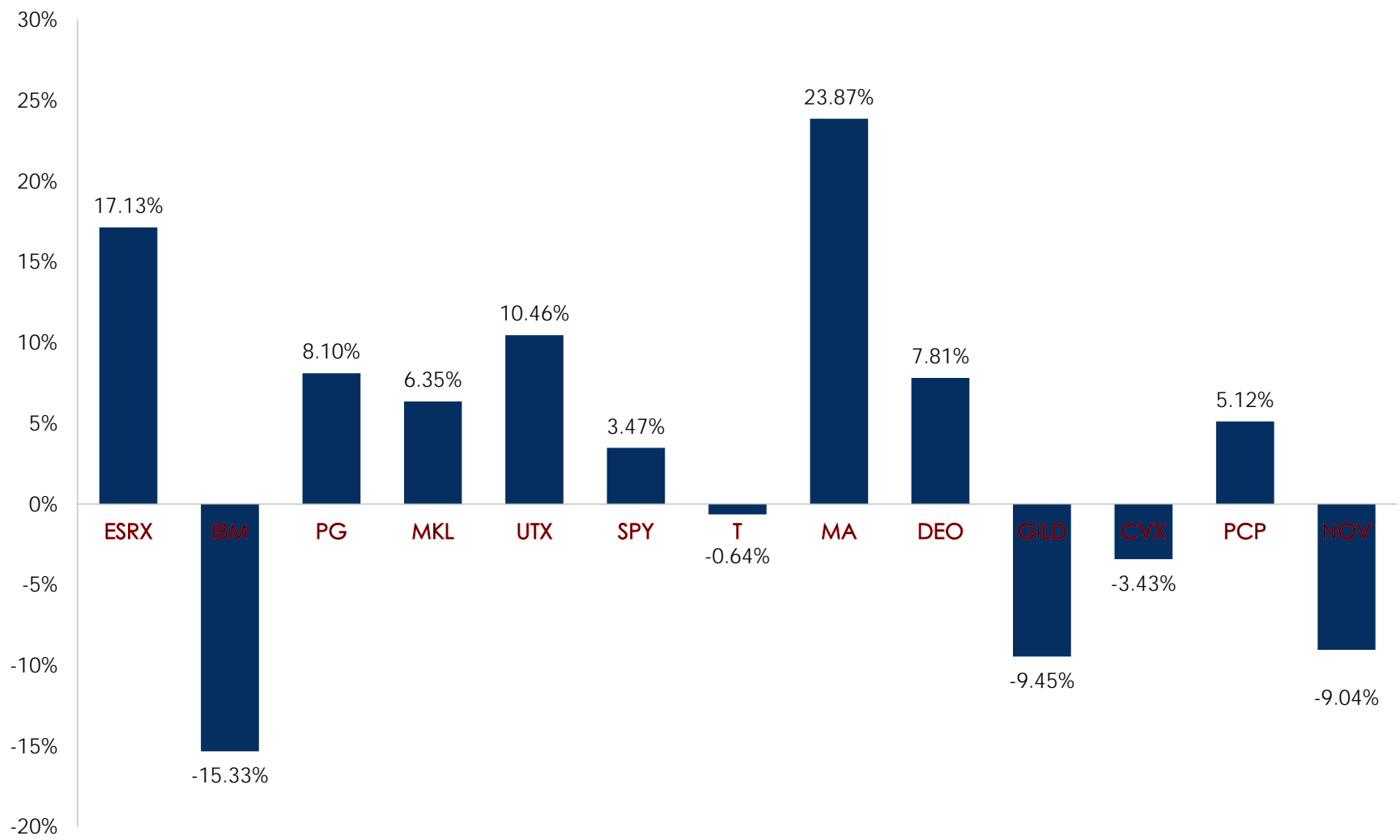
Average Position Size
8.3%

**Position Size Determined
By Certainty**

Portfolio Allocation (Current Market Value)



Portfolio vs. S&P 500



Worst Performing Stocks:

- Technology Sector
- Unrealized loss of 15.33%
- Disappointed on Q3 earnings
 - Stagnant/Decreasing revenues
- Issues implementing the new cloud system

Future Outlook

- Established relationships with large corporations
 - Companies are already integrated with IBM, high switching costs
- Ability to manage incredible amounts of data has IBM set up for future opportunities



Worst Performing Stocks: GILEAD

- Healthcare Sector
- Unrealized loss of 9.45%
- Disappointed on Q3 earnings:
 - \$337 mm branded prescription drug fee imposed by the Affordable Care Act
 - Solvaldi sales decreased by approximately 20% because of anticipation of Harvoni

Future Outlook

- Implementation of Harvoni will increase revenues and continue rapid growth
- Pricing pressure from AbbVie treatment release in 2015



Best Performing Stocks:

- Financial Sector
- Unrealized gain of 23.87%
- Strong Q3 earnings, revised growth rate upwards
- New opportunities in China to couple increased global presence



Best Performing Stocks:



EXPRESS SCRIPTS®

- Healthcare Sector
- Unrealized gain of 17.13%
- Strong Q3 earnings, EPS \$1.29 represents 24% growth in EPS YoY
- Affordable Care Act increases the overall market for prescriptions



Looking Forward

- 2015 Spring Semester
- Rest of Capital Allocation
- Active Portfolio Management
- Continuous Learning and Improvement



Lessons Learned

- Investment Philosophy
- Certainty of Investment
- Thinking Process
- Teamwork and Diversity of Ideas

