

University of Connecticut MBA SMF Presentation

December 4th 2014

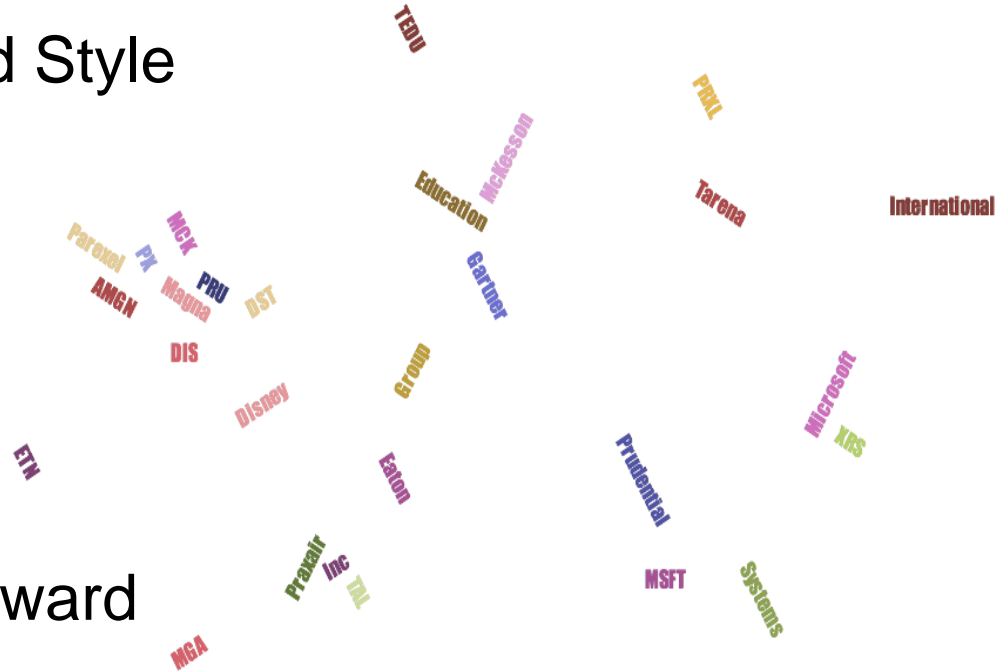
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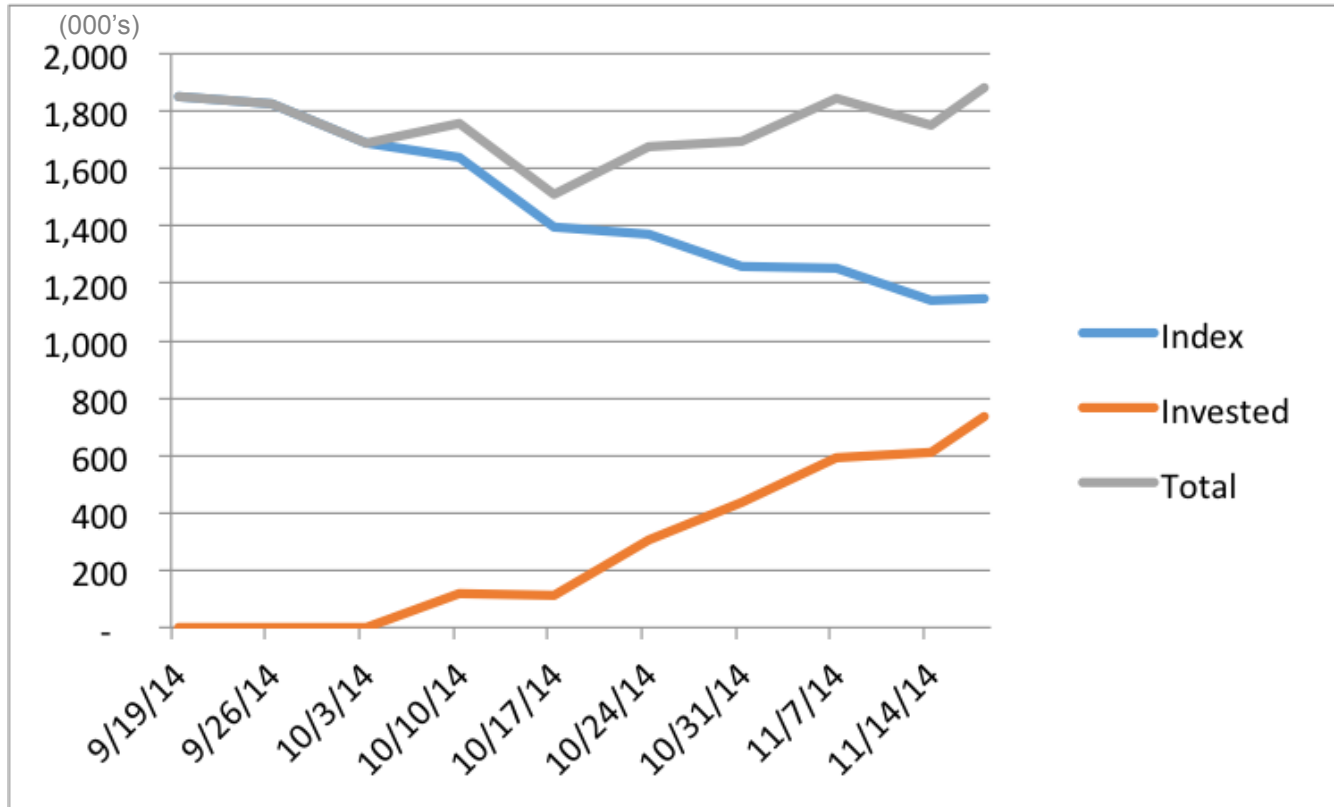


Agenda

- Portfolio Status
- Investment Philosophy and Style
- Strategy
- Investment Process
- Process & Procedures
- Portfolio Analysis
- Risk Management
- Selected holdings
- Looking back & looking forward



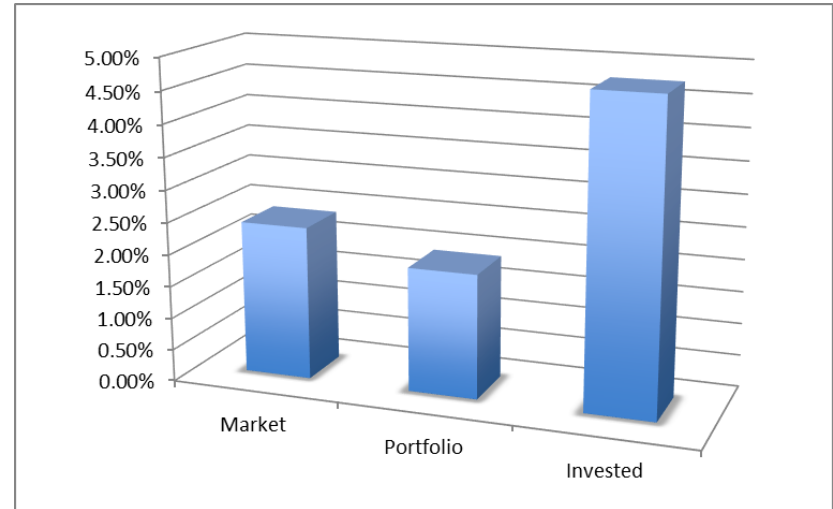
Portfolio Status I: 13 Stocks



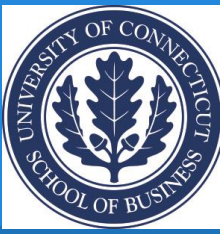


Portfolio Status II: Returns

- Market Return: **2.39%**
- Entire portfolio (w/ funds + cash): **1.93%**
- Invested portfolio (w/o funds or cash): **4.76%**



Investment Philosophy & Style



- Value investing
- Fundamental analysis
- 3-5 year time horizon
- Corporate Social Responsibility

Strategy



- Top-down
- 25-30 stocks when fully invested
- At least 4 stock pitches per manager
- 8-10 sectors
- Time weighting

100%
Invested

Investment Process I: Macro

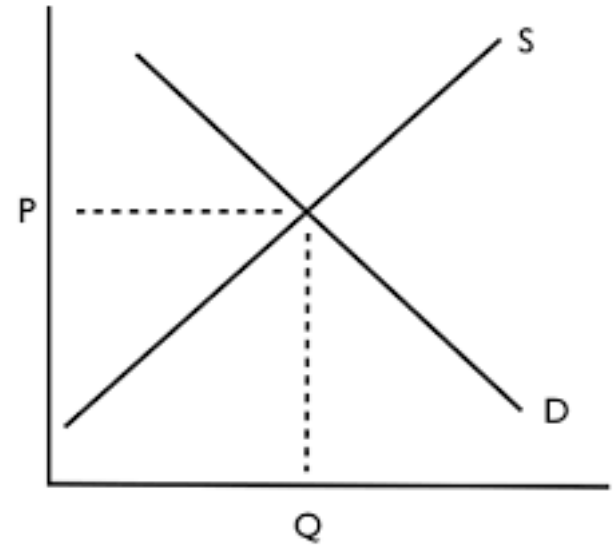


- Expanding US economy
- Trends/Events
 - Weak foreign markets/strengthening US dollar, End of QE, dropping oil
- State of the consumer
 - Consumer confidence, employment rate, disposable income
- Low interest rates

Investment Process II: Sector & Industry



- Performance vs. S&P 500
- Commodity prices
- Consumer taste
- Technology changes



Investment Process III: Stock Analysis



- Growing, profitable, sustainable
- Competitive advantage
- Undervalued
- Corporate Social Responsibility

Process & Procedures



- Training & Development
- Group communication
- Stock pitches



Portfolio Analysis: Positions



Company	Sector	Industry	Market Cap (billion)
Amgen	Health Care	Biotechnology	125.8
Disney	Consumer Disc.	Movies and Entertainment	156.9
DST Systems	Information Technology	Data Processing & Outsourced Services	3.8
Eaton	Industrials	Electrical Components & Equipment	32.2
Gartner	Information Technology	IT Consulting & Other Services	7.5
Magna	Consumer Disc.	Auto Parts & Equipment	22.4
McKesson	Health Care	Health Care Distributors	48.9
Microsoft	Information Technology	Systems Software	394.1
Parexel	Health Care	Life Sciences Tools & Services	3.2
Praxair	Materials	Industrial Gases	37.4
Prudential	Financials	Life & Health Insurance	38.9
Tal Education	Consumer Disc.	Education Services	2.4
Tarena	Consumer Disc.	Education Services	0.6



Portfolio Analysis: Allocation

Sector	Current Portfolio Weighting	Target Portfolio Weighting	S&P 500 Weighting
Health Care	26.3%	Over	13.2%
Information Technology	24.8%	Over	19.2%
Consumer Disc.	24.2%	Over	11.9%
Industrials	8.5%	Over	10.5%
Financials	8.2%	Under	16.1%
Materials	7.99%	Market	3.5%
Energy	0.00%	Under	10.5%
Consumer Staples	0.00%	Market	9.5%
Utilities	0.00%	Under	3.0%
Telecom	0.00%	Under	2.5%



Portfolio Analysis: Individual Returns

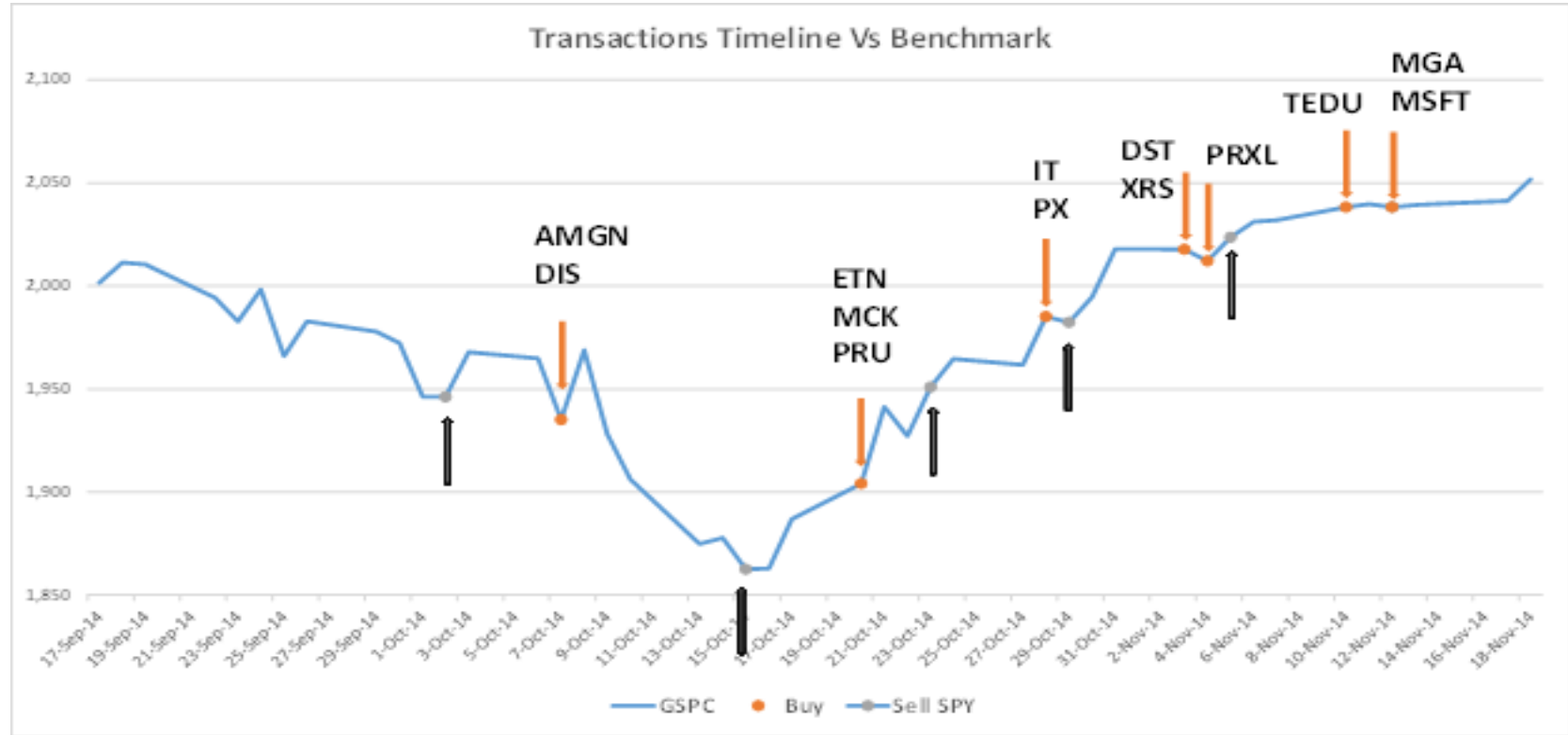
Purchase Date	Equity	Gain/Loss	SPY Gain/Loss	+/- Compared to Benchmark
10/7/2014	AMGN	18.2%	6.4%	11.8%
	DIS	2.7%		-3.7%
10/20/2014	ETN	10.9%	8.0%	2.9%
	MCK	7.8%		-0.2%
	PRU	3.9%		-4.1%
10/28/2014	IT	10.2%	3.6%	6.6%
	PX	1.3%		-2.3%
11/3/2014	DST	2.0%	1.9%	0.1%
	XRS	2.6%		0.8%
11/4/2014	PRXL	1.4%	2.2%	-0.8%
11/10/2014	TEDU	-5.6%	0.8%	-6.4%
11/17/2014	MGA	0.7%	0.6%	0.1%
	MSFT	-1.4%		-2.0%

Portfolio Analysis: Attribution



	Total Attribution	Allocation Effect	Selection Effect
Consumer Discretionary	-0.35	0.08	-0.43
Consumer Staples	-0.05	-0.05	0.00
Energy	0.73	0.73	0.00
Financials	-0.07	0.08	-0.15
Health Care	3.08	0.45	2.63
Industrials	0.25	-0.13	0.38
Information Technology	0.32	0.01	0.30
Materials	-0.25	0.07	-0.32
Telecom	0.07	0.07	0.00
Utilities	-0.04	-0.04	0.00

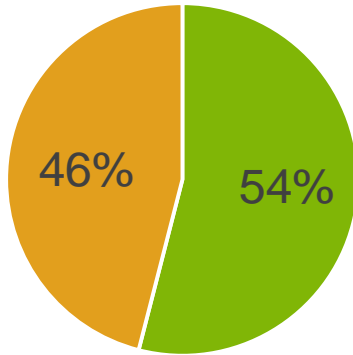
Portfolio Analysis: Timeline



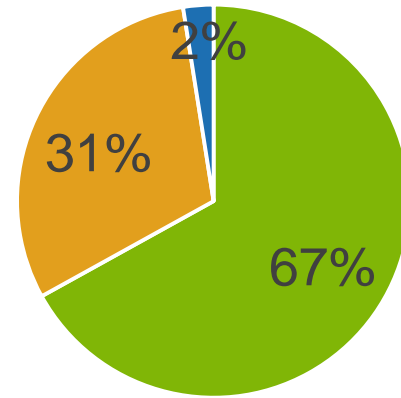
Portfolio Analysis: Breakdown



Revenue By Geography



Market Capitalization



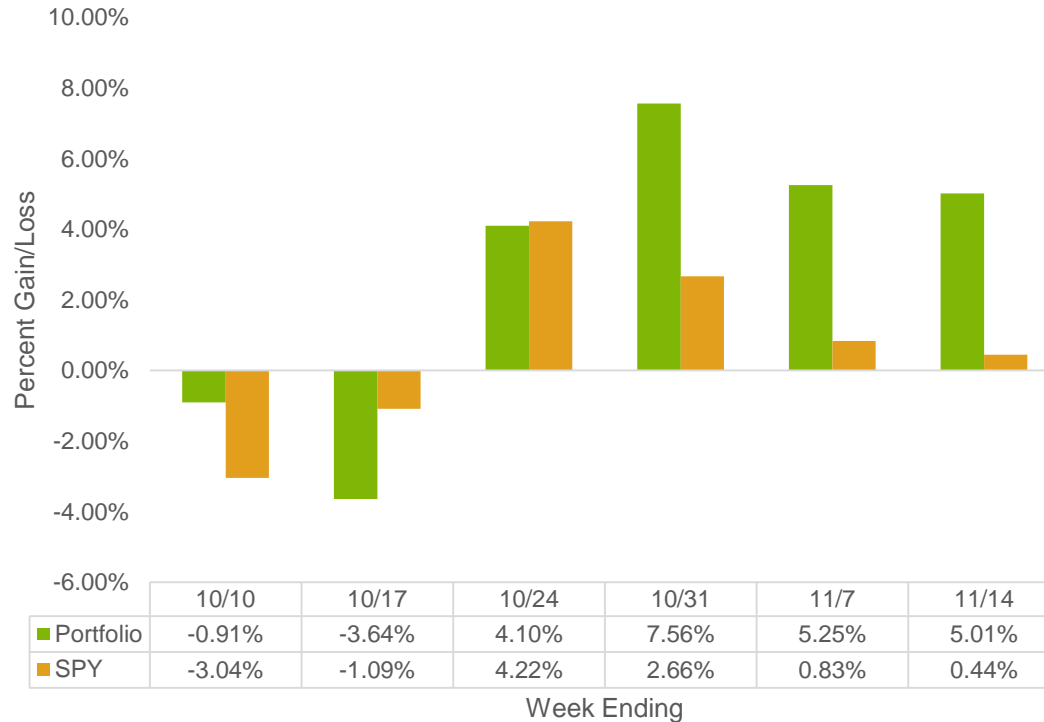
■ US ■ International

■ Large ■ Mid ■ Small

Portfolio Analysis: Holding Period



Weekly Returns



Portfolio Analysis: Statistics



	MBA SMF Portfolio	S&P 500
Mean Weekly Return	2.90%	0.67%
Geometric Weekly Return	2.82%	0.64%
Standard Deviation	14.51	12.39
Beta	1.014	1.00
Sharpe Ratio	1.16	0.98
Treynor Ratio	0.16	-----
Jensons Alpha	2.42%	-----

Risk Management

- Large & Mid Cap
- Diversify sector and industry
- Strong Balance Sheets
- Stop Loss 15%-25%

Selected Holding I



Amgen (AMGN)

- Investment Thesis
 - Robust drug pipeline
 - Leader in the biosimilar market
 - Increased efficiencies following acquisition of Onyx Pharmaceuticals
- Factors Affecting Price
 - Activist investor Daniel Loeb suggested that the company split, resulting in a jump in price
 - Strong earnings and growth in third quarter results
 - Revenues, EPS, margins, and sales of drugs acquired through purchase of Onyx all beat projections

Sector: Health Care	Price (11/18/2104): \$162.24	Intrinsic Value: \$185.10
Industry: Biotechnology	Purchase Price: \$137.30	Market Cap at Intrinsic Value: \$140.76B
Market Cap: \$125.75B	52 Week Range: \$108.20 – \$162.24	Unrealized Gain: 18.17%

Selected Holding II



Tarena International (TEDU)

- Investment Thesis
 - A leading provider of IT professional education services in China
 - A strong demand for high quality training service
 - Advanced O2O teaching system to expand business quickly
 - Expanding course offering to non-IT courses
- Factors affecting price
 - Aggressive expansion may squeeze gross margins

Sector: Consumer Deesc	Price (11/18/2104): \$13.13	Intrinsic Value: \$77.30
Industry: Education	Purchase Price: \$13.88	Market Cap at Intrinsic Value: \$3.92B
Market Cap: \$638.8M	52 Week Range: \$6.54 - \$15.85	Unrealized Gain: -5.4%



Looking back on Fall

- Top down → Pitches → Portfolio Analysis
- Macroeconomy
- Volatility in market
- Major events



Looking forward to Spring

- Monitor positions
- Fully invest
- Hit allocation targets
- Emphasize domestic revenues
- Incorporate class lessons
- Add managers?

Acknowledgements



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Q&A



Thank you

Portfolio Analysis: Stock/S&P 500 Comparison



AMGN



DIS



DST



ETN



Portfolio Analysis: Stock/S&P 500 Comparison



IT



MCK



MGA



MSFT



Portfolio Analysis: Stock/S&P 500 Comparison



PRU



PRXL



PX



TEDU



Portfolio Analysis: Stock/S&P 500 Comparison

