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           Michelle Filippi           Andrew Novitski
Louis Beck              Samuel Gudeon            Akanksha Singh
Nicholas Chapman        Kelly McCourt            Alexander Thalassinos
Ryan Conforti           Mitesh Mistry            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
  - P&G
  - DIAGEO

- Shareholder Return Policy
  - IBM
  - at&t

- Competitive Position
  - EXPRESS SCRIPTS®
  - GILEAD

- Sustainable Growth
  - United Technologies
  - Chevron

- Return on Invested Capital
  - MasterCard
  - MARKEL

- Sustainable Barriers to Competition
  - NOV
  - PCC
Investment Process

- **Step 1**: Manager Researches Chosen Company
- **Step 2**: Presents Research to Other Managers
- **Step 3**: Thorough Discussion on Company Research
- **Step 4**: Majority of Managers Vote for Approval
  - If Yes → Vote on Allocation of Capital
  - If No → Conduct Further Research
Investment Tools

- Value Line
- EDGAR Online
- 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

<table>
<thead>
<tr>
<th>Sector</th>
<th>% of Total Portfolio</th>
<th>% of Invested Portfolio</th>
<th>S&amp;P Sector Weightings</th>
<th>% Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Goods</td>
<td>11%</td>
<td>14%</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Consumer Services</td>
<td>0%</td>
<td>0%</td>
<td>12%</td>
<td>0%</td>
</tr>
<tr>
<td>Energy</td>
<td>10%</td>
<td>12%</td>
<td>14%</td>
<td>-3%</td>
</tr>
<tr>
<td>Financials</td>
<td>23%</td>
<td>27%</td>
<td>16%</td>
<td>16%</td>
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<tr>
<td>Basic Materials</td>
<td>0%</td>
<td>0%</td>
<td>4%</td>
<td>-9%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>15%</td>
<td>17%</td>
<td>13%</td>
<td>3%</td>
</tr>
<tr>
<td>Industrials</td>
<td>13%</td>
<td>15%</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>Technology</td>
<td>13%</td>
<td>15%</td>
<td>21%</td>
<td>-6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>85%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td></td>
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</table>
Portfolio Performance Overview

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

### Undergraduate Portfolio Benchmark Comparison

<table>
<thead>
<tr>
<th>Undergraduate Portfolio</th>
<th>S&amp;P 500 ETF (SPY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beg. Value</td>
<td>Beg. Value</td>
</tr>
<tr>
<td>$1,850,498.34</td>
<td>$201.36</td>
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<tr>
<td>Current Value</td>
<td>Current Value</td>
</tr>
<tr>
<td>$1,880,064.79</td>
<td>$207.71</td>
</tr>
<tr>
<td>Dollar Change</td>
<td>Dollar Change</td>
</tr>
<tr>
<td>$29,566.79</td>
<td>$6.35</td>
</tr>
<tr>
<td>% Change</td>
<td>% Change</td>
</tr>
<tr>
<td>1.6%</td>
<td>3.15%</td>
</tr>
<tr>
<td>Difference</td>
<td></td>
</tr>
<tr>
<td>-1.55%</td>
<td></td>
</tr>
</tbody>
</table>
## Total Portfolio Performance

<table>
<thead>
<tr>
<th>Name</th>
<th>Symbol</th>
<th>Purchase Date</th>
<th>Last Price (S)</th>
<th>Shares</th>
<th>Cost Basis (S)</th>
<th>Market Value (S)</th>
<th>Gain (S)</th>
<th>Gain %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Express Scripts Holding Company</td>
<td>ESRX</td>
<td>9/23/2014</td>
<td>84.45</td>
<td>1,716</td>
<td>123,721.88</td>
<td>144,916.20</td>
<td>21,194.32</td>
<td>17.13</td>
</tr>
<tr>
<td>International Business Machines Corp.</td>
<td>IBM</td>
<td>9/24/2014</td>
<td>162.70</td>
<td>522</td>
<td>100,311.70</td>
<td>84,929.40</td>
<td>-15,382.30</td>
<td>-15.33</td>
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<tr>
<td>Procter &amp; Gamble Co</td>
<td>PG</td>
<td>10/2/2014</td>
<td>89.83</td>
<td>1,200</td>
<td>99,720.00</td>
<td>107,796.00</td>
<td>8,076.00</td>
<td>8.10</td>
</tr>
<tr>
<td>Markel Corporation</td>
<td>MKL</td>
<td>10/8/2014</td>
<td>684.34</td>
<td>271</td>
<td>174,386.60</td>
<td>185,456.14</td>
<td>11,069.54</td>
<td>6.35</td>
</tr>
<tr>
<td>United Technologies Corporation</td>
<td>UTX</td>
<td>10/13/2014</td>
<td>111.18</td>
<td>1,245</td>
<td>125,306.76</td>
<td>138,419.10</td>
<td>13,112.34</td>
<td>10.46</td>
</tr>
<tr>
<td>SPDR S&amp;P500 ETF Trust</td>
<td>SPY</td>
<td>Received 9/17/14</td>
<td>207.71</td>
<td>1,082</td>
<td>217,211.50</td>
<td>224,742.22</td>
<td>7,530.72</td>
<td>3.47</td>
</tr>
<tr>
<td>AT&amp;T Inc.</td>
<td>T</td>
<td>10/27/2014</td>
<td>34.11</td>
<td>4,440</td>
<td>152,425.20</td>
<td>151,448.40</td>
<td>-976.80</td>
<td>-0.64</td>
</tr>
<tr>
<td>Mastercard Inc</td>
<td>MA</td>
<td>10/20/2014</td>
<td>89.05</td>
<td>2,778</td>
<td>199,716.94</td>
<td>247,380.90</td>
<td>47,663.96</td>
<td>23.87</td>
</tr>
<tr>
<td>Diageo plc (ADR)</td>
<td>DEO</td>
<td>10/20/2014</td>
<td>121.92</td>
<td>885</td>
<td>100,082.66</td>
<td>107,899.20</td>
<td>7,816.53</td>
<td>7.81</td>
</tr>
<tr>
<td>Gilead Sciences, Inc.</td>
<td>GILD</td>
<td>10/30/14 &amp; 11/19/14</td>
<td>100.18</td>
<td>1,334</td>
<td>147,585.63</td>
<td>133,640.12</td>
<td>-13,945.51</td>
<td>-9.45</td>
</tr>
<tr>
<td>Chevron Corporation</td>
<td>CVX</td>
<td>11/13/2014</td>
<td>113.23</td>
<td>850</td>
<td>99,666.65</td>
<td>96,245.50</td>
<td>-3,421.15</td>
<td>-3.43</td>
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<td>Precision Castparts Corp.</td>
<td>PCP</td>
<td>11/13/2015</td>
<td>238.76</td>
<td>442</td>
<td>100,393.67</td>
<td>105,531.92</td>
<td>5,138.25</td>
<td>5.12</td>
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<tr>
<td>National-Oilwell Varco, Inc.</td>
<td>NOV</td>
<td>11/12/2016</td>
<td>66.89</td>
<td>1,360</td>
<td>100,008.88</td>
<td>90,970.40</td>
<td>-9,038.48</td>
<td>-9.04</td>
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<tr>
<td>Cash</td>
<td>Cash</td>
<td></td>
<td>60,689.29</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>-9.04</td>
</tr>
<tr>
<td><strong>Portfolio Value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,523,326.57</td>
<td>1,594,633.28</td>
<td>71,306.71</td>
<td>4.7%</td>
</tr>
</tbody>
</table>
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)
Worst Performing Stocks: IBM

- 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:  

- 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: MasterCard

- 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