

Student Managed Fund 2016 - 2017

Graduate Fund Management Team
March 9 2017

WELCOME TO THE UCONN SCHOOL OF BUSINESS

NEW

BS in
Business Administration
at Hartford, Waterbury & Stamford
bsba.business.uconn.edu



UConn School of Business

COMPOSITE 2579.31 ▼ 8.68

ALCOA INC 9.7

THE GRADUATE FUND MANAGEMENT TEAM



Wei Wang



Priyanka Raja



Azmath Rahiman



Vikram Kaimal



Jeremy Hite



Yuqi Han



Tao Feng



Vishal Page



Pei-ju Lee

AGENDA

1. Investment Philosophy & Strategy

2. Economic Outlook

3. Sector Allocation & Individual Stocks

4. Portfolio Performance & Risks

5. Case Studies

6. Summary and Future Plan

Investment Philosophy & Strategy

Value Over Growth

- ⑩ Strong fundamentals
- ⑩ Sound long-term prospects

Bottom-up

- ⑩ Selling at a discount
- ⑩ Support with qualitative information and quantitative analysis

Sector Allocation

- ⑩ Value political & economic outlook

CSR is Essential

- ⑩ Above industry average ESG scores

Decision Making Process

Buy Decision

- ⑩ Expected long term free cash flow yield / Safety Margin
- ⑩ Sound business model and management team
- ⑩ Industry dynamics & Competitor dynamics

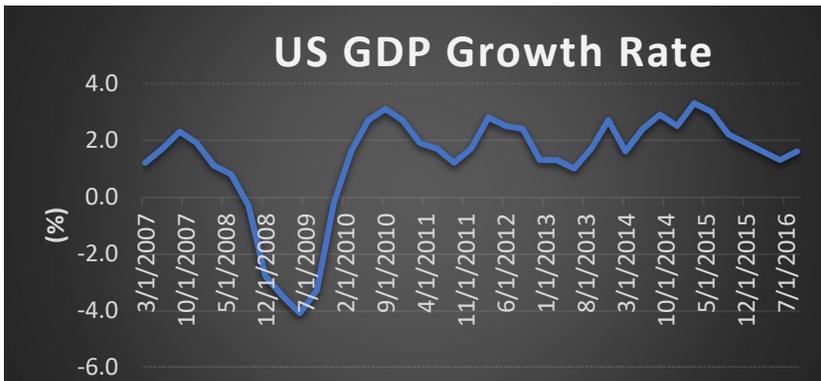
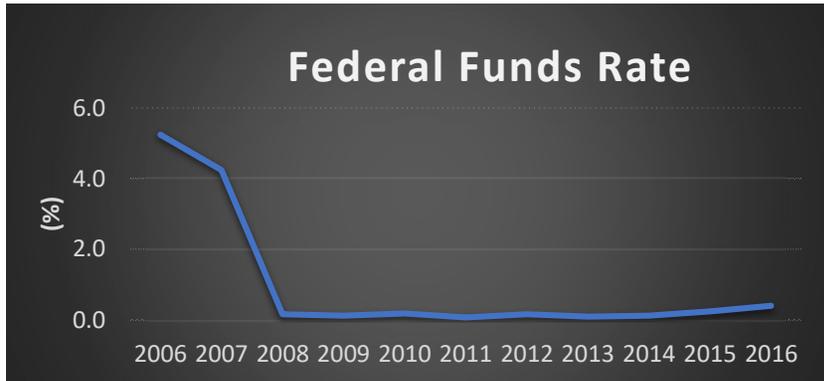
Sell Decision

- ⑩ Changes in underlying business/industry
- ⑩ Changes in the market

Tools Utilized

- ⑩ Bloomberg, Morningstar, Value Line, S&P NetAdvantage

US Economy in Recovery



- Unemployment rate falls (4.6%)
- Interest rate expected to increase in March
- GDP is growing



Trend in the Main Sectors



Technology

- Short term growth (cloud & big data)
- Long term potential (IOT)



Financial Services

- Deregulation (Dodd-Frank)
- Expanding technology drives profit



Industrials

- 10% increase in defense spending
- Expected increase in infrastructure spending



Energy

- Crude oil price is expected to increase
- Uncertainty in alternative energy sector



Healthcare

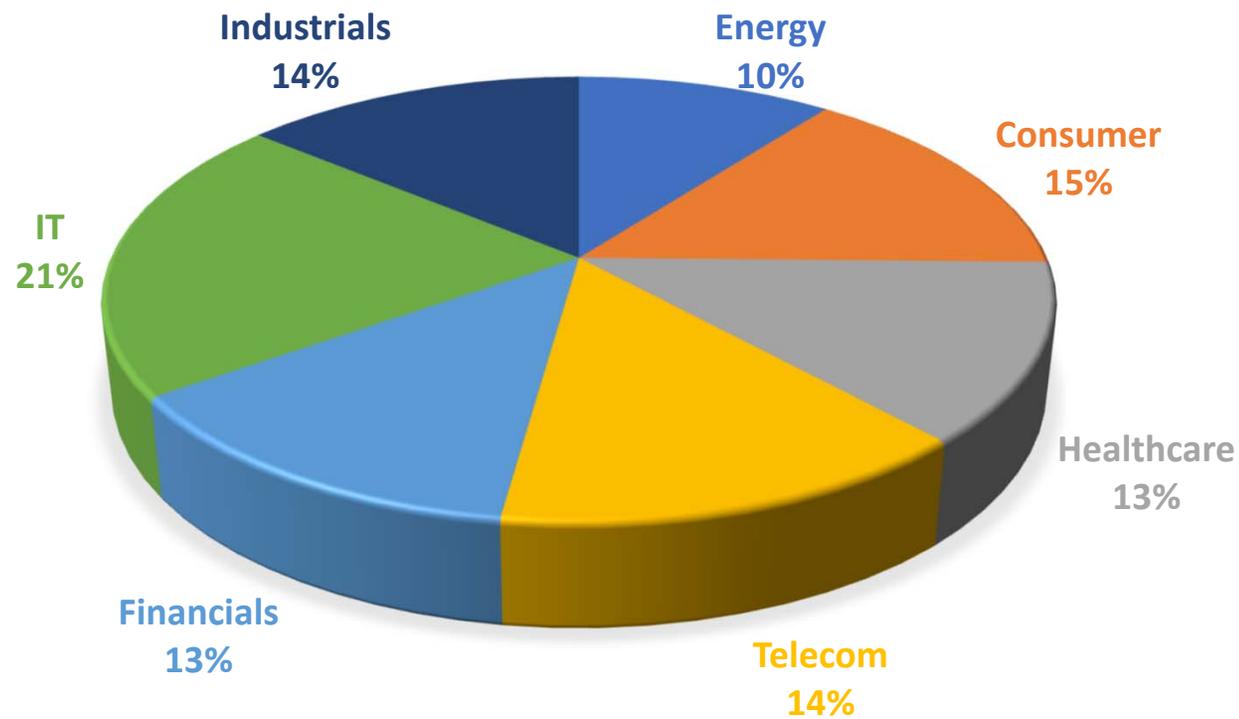
- Aging demographics fuel spending escalating
- Uncertainties with new healthcare policies



Consumer

- Peaked US consumer confidence
- Projected wage growth
- Upcoming rate-tightening cycle

Sector Allocation



Individual Stocks

Spring

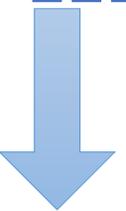


BOFI
FEDERAL BANK



REGENERON
science to medicine

Schlumberger



Fall

GENTEX
CORPORATION



Entergy



GILEAD

Google

citi



at&t

abbvie

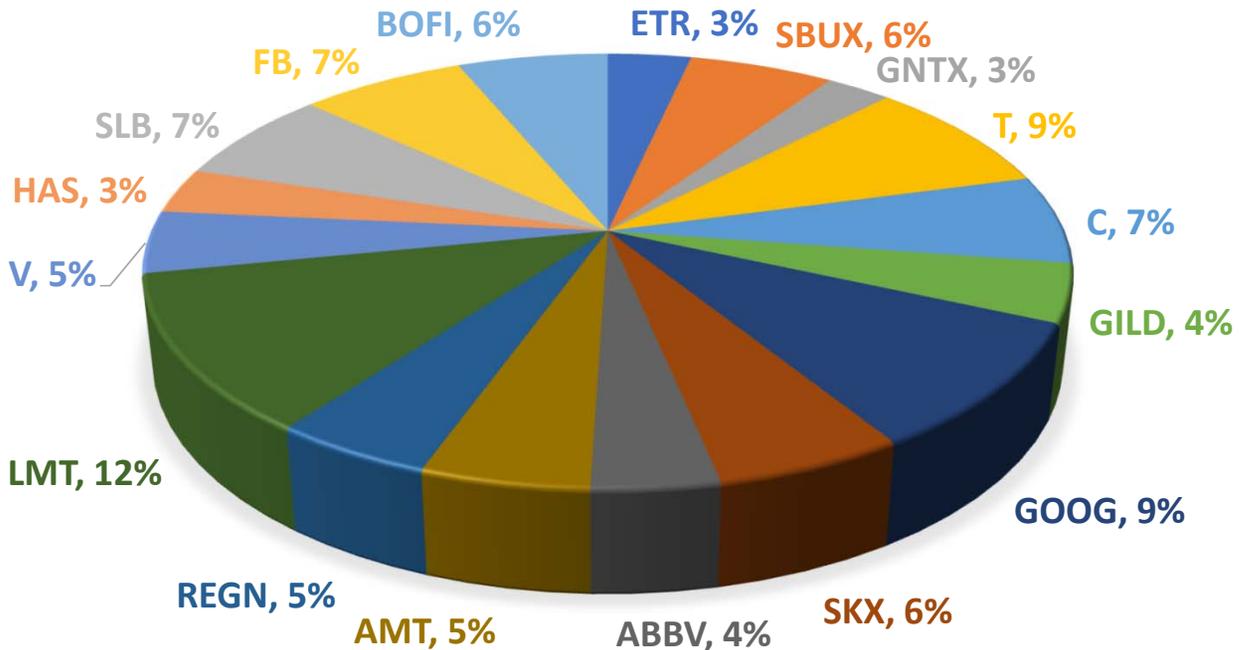
SKECHERS



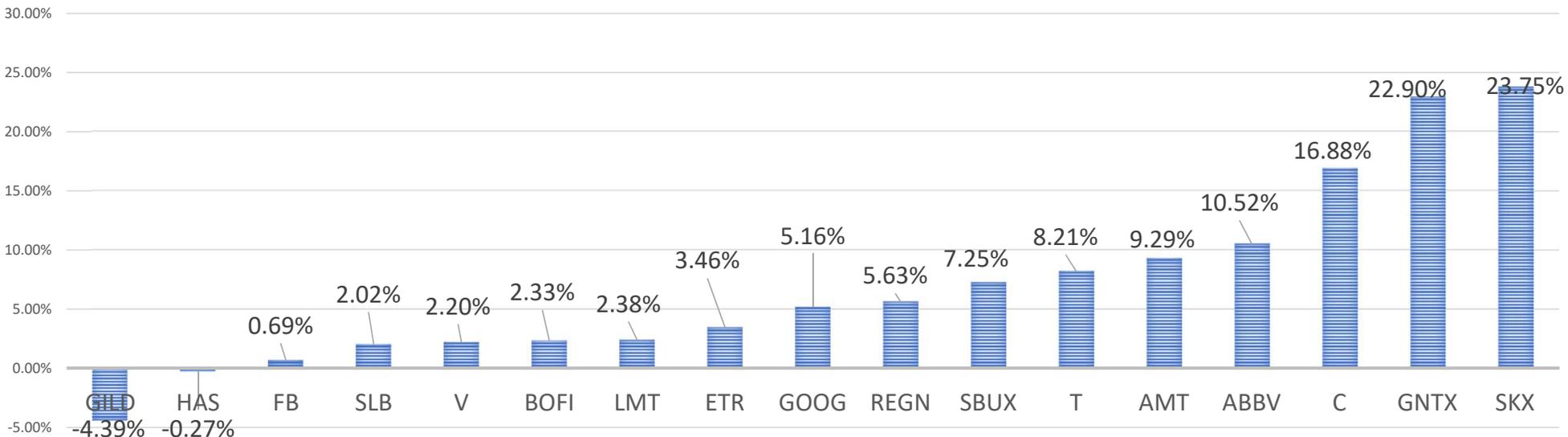
UCONN | SCHOOL OF BUSINESS

Allocation

Individual Stock Weight



Individual Stock Performance



	GILD	HAS	FB	SLB	V	BOFI	LMT	ETR	GOOG	REGN	SBUX	T	AMT	ABBV	C	GNTX	SKX
Days Invested	133	12	1	1	12	1	12	140	125	26	140	126	105	119	87	139	120

Portfolio Performance

Top 10 Allocation	Weight	Gain
Lokheed Martin	12.43%	3.01%
Alphabet	10.08%	5%
AT&T	9.15%	6.75%
Schlumberger	7.43%	2.38%
Facebook	7.35%	1.39%
Citigroup	7.05%	24%
Starbucks	6.42%	7.50%
Sketchers	5.97%	24%
American Tower	5.31%	8%
Regeneron	5.07%	5.80%
Total (Avg)	76.26%	8.78%

Top 5 Performers	Weight	Gain
Sketchers	5.97%	23.75%
Gentex	2.90%	22.93%
Citigroup	7.05%	16.88%
AbbVie	4.01%	10.52%
American Tower	5.31%	9.29%
Total (Avg)	25.24%	15.87%



Monthly Return History	Oct	Nov	Dec	Jan	Feb
<input checked="" type="checkbox"/> Total Return	-2.01	3.53	3.62	-0.05	2.81

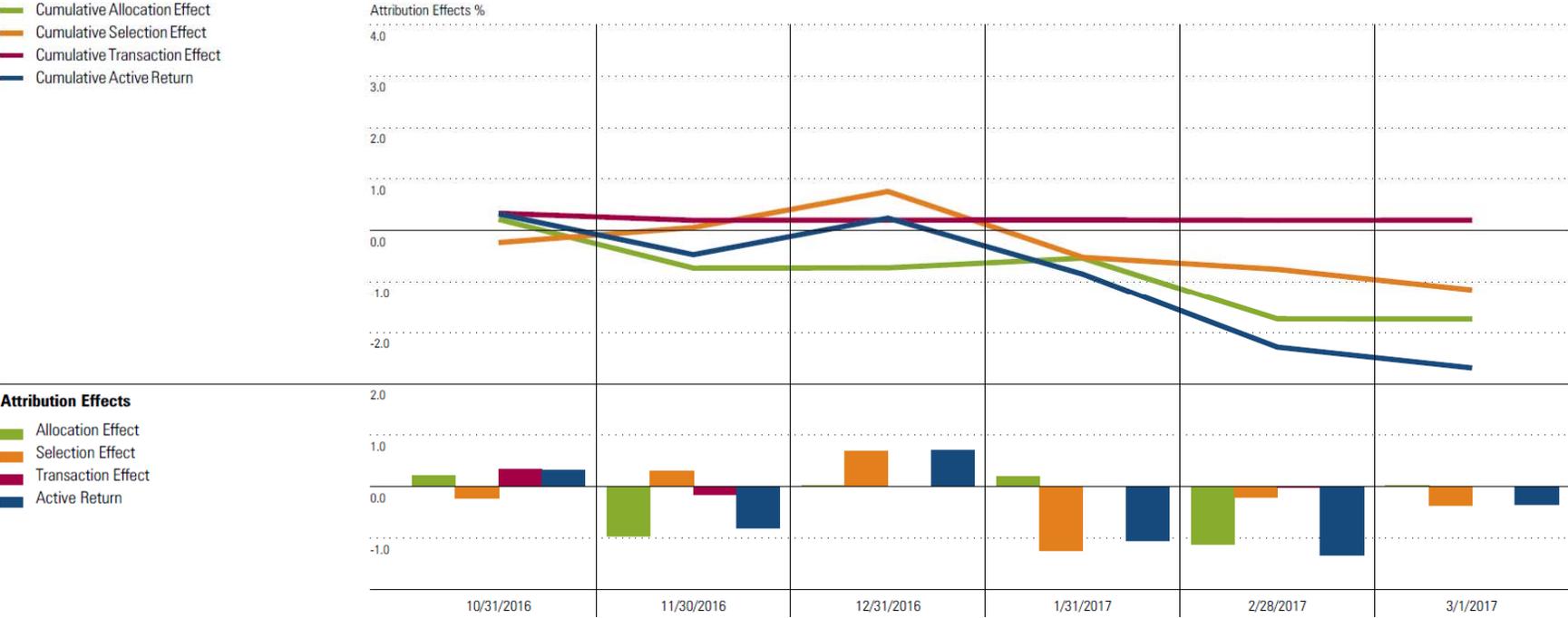


Monthly Return History	Oct	Nov	Dec	Jan	Feb
<input checked="" type="checkbox"/> Total Return	-0.54	3.68	1.43	1.79	3.93

MBA SMF Return	S&P 500 Return
9.97%	11.33%

Attribution Analysis: Benchmark S&P 500

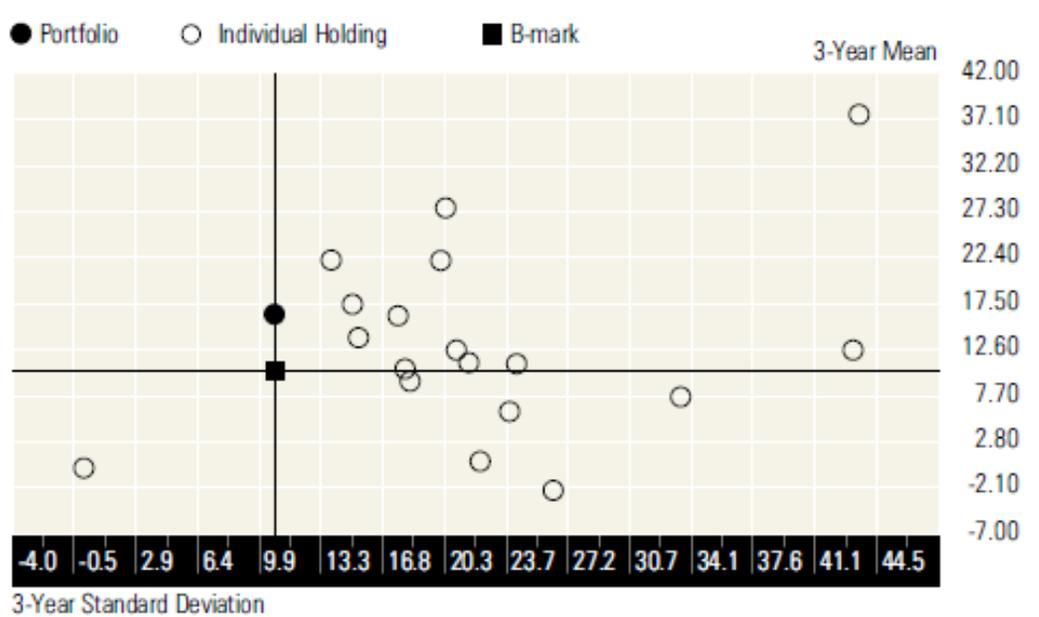
Morningstar Sector - Cumulative Attribution Effects



Our Portfolio Performs Better in Terms of Risk and Long Term Potential

	Fall	Spring	S&P
No of Stocks	10	17	500
Sharpe	1.16	1.46	0.87
Profit Margin	14.68%	18.17%	12%
ROA	4.12%	9.64%	6%
PE	14.7	19.33	20.99

Risk/Reward Scatterplot



Defense: Lockheed Martin 4% ↑



Purchase: \$258.37 & \$268.34
Purchase Dates: 2nd Feb & 28th Feb
Shares Held: 960
Position: \$253k (12%)
Forward P/E: 18.94
Dividend Yield: 2.7%
Fair value: \$ 324

Investment Thesis:

- **Largest aerospace and defense company with well diversified product portfolio : From missiles to fifth generation fighter aircraft (F-35).**
- **Strong order backlog of \$100 billion including fresh orders worth \$50 billion.**
- **Political climate: Increased defense spending.**

Strong performance:

- **Trump administration's intent to increase defense spending by \$54billion**
- **Overall geopolitical environment: Increased defense spending by US and Allies.**



Financials: Citi Group Inc. (C:\$59.06) 24%↑

Purchase: \$49.53 & \$59.62

Purchase Dates: 19th Oct & 28th Feb

Shares Held: 2373

Position: \$ (6%)

Forward P/E: 11.57

Dividend Yield: 2.7%

Fair value: \$ 68

Investment Thesis:

- **Attractive valuation with Citi being 20% undervalued**
- **Unique global network with strong capital and liquidity to support clients**

Reasons for strong performance:

- **Deregulation in Banking and Financial services (Expectation)**
- **Possible interest rate hike**

Risk factors:

- **Credit Quality may not be best in industry**



Vetoed: AIG

Price pitched: \$62.25
Pitch Date: 16-Feb
Forward P/E: 11.93
Dividend Yield: 2.08%
Fair value: \$75

Investment Thesis:

- American International Group has entered a reinsurance pact with National Indemnity Co.
- AIG's latest restructuring efforts
- Attractive valuation

Risk We Considered:

- The possibility that AIG have to incur additional asset write-downs or reserve boosts.
- Revenue in 2016 continue to remain under pressure

Reason for veto:

- American International Group Inc. posted a \$5.6 billion pretax charge to boost its claims reserves, larger than expected and leading to one the company's worst quarterly results since the financial crisis.

Summary and Future Plan

Fully
Invested

17 Positions

Balanced
Sector
Allocation

Absolute
Return:
9.97%

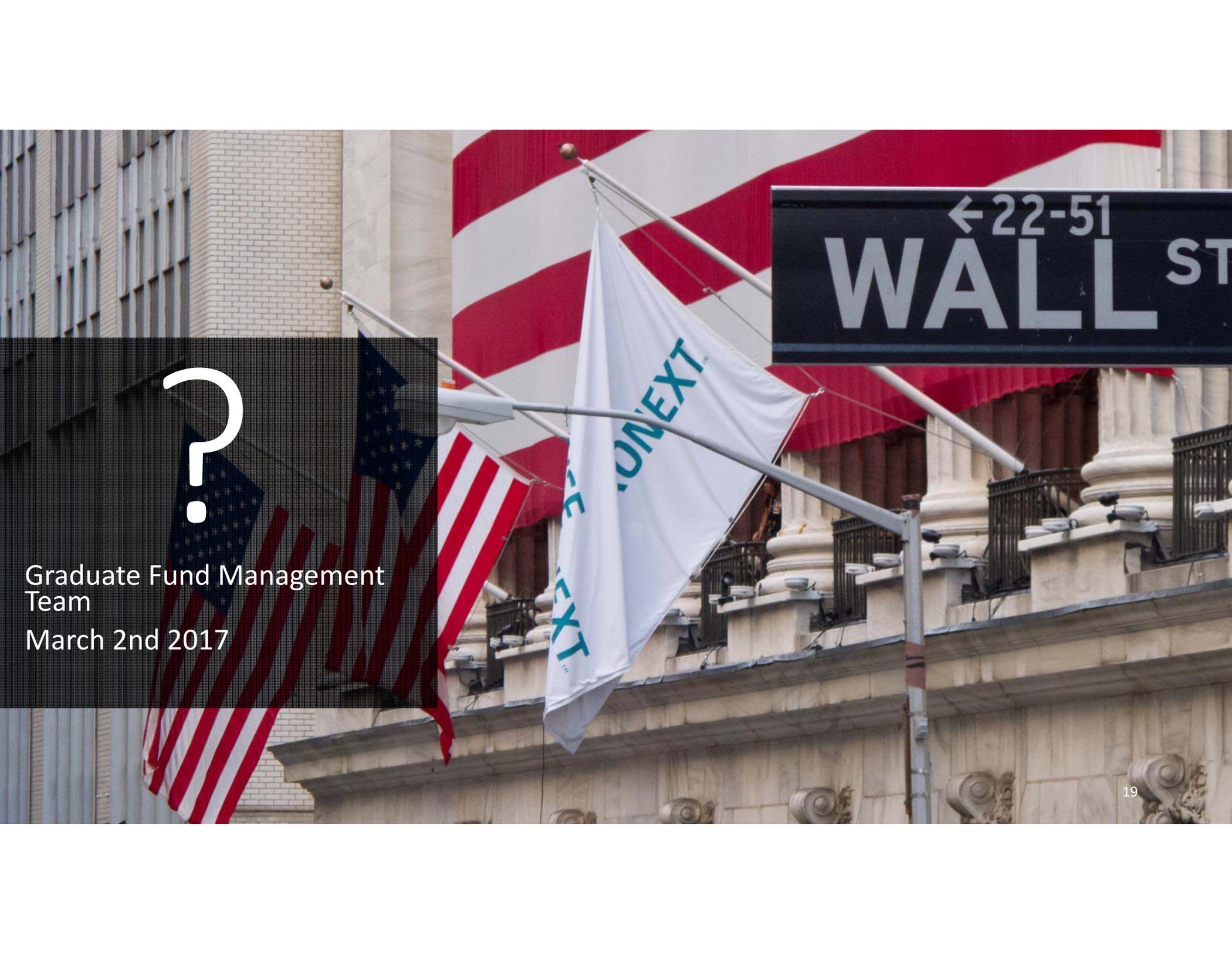
- **Optimize allocation**
- **Evaluate current investments to Buy, Hold or Sell**

Acknowledgement

- Investment Board, Dr. Ghosh, Dr. Rakotomavo & Laurel Grisamer

UConn | SCHOOL OF BUSINESS

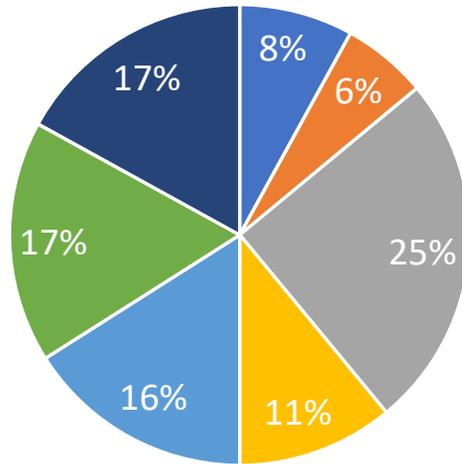
Summary



Graduate Fund Management
Team
March 2nd 2017

Fall Summary: Invested in 7 out of 10 industry sectors

Overweight on Telecom



- Financials
- Telecom
- Healthcare
- Consumer Discretionary
- Utilities
- Consumer Staples
- Information Technology



Procedure

- Each manager was assigned one sector; selected one stock from sector assigned;
- Stock Selection

- Sector allocation and stock selection
- Bottom up approach—identify undervalued stocks;
 - Reviewed sector and industry report— company environment;
 - Performance indicators
 - eg: US restaurants: comparable store sales; Airlines: revenue passenger miles etc
 - Screened 2-3 stocks;
 - Qualitative: business models; strategies; competitive advantage; investment opportunities.
 - Quantitative: DCF; price multiples; price transactions in the market.
 - Made stock pitch decision.

Equity evaluation and selection process

7 / 10 vote in 15% stop loss

Inform team of the stock pitch



Recommend the stock at meeting



Vote on the stock



Vote on the positions and 15% stop loss



Review stocks and update information

Investment Style

1. Investing based on value and political & economic outlook
2. During such uncertainty, invest in reliable and fundamentally strong companies
3. Not investing in a sector just for the sake of diversification
4. Focus is on individual stocks
5. Individual managers responsible for a sector

Shows that our allocation and selection were better in the Fall. We can explain this – election & shorter time after we selected stocks in the spring term

SMF 2017 MBA final S&P 500 TR USD

Portfolio
SMF 2017 MBA final

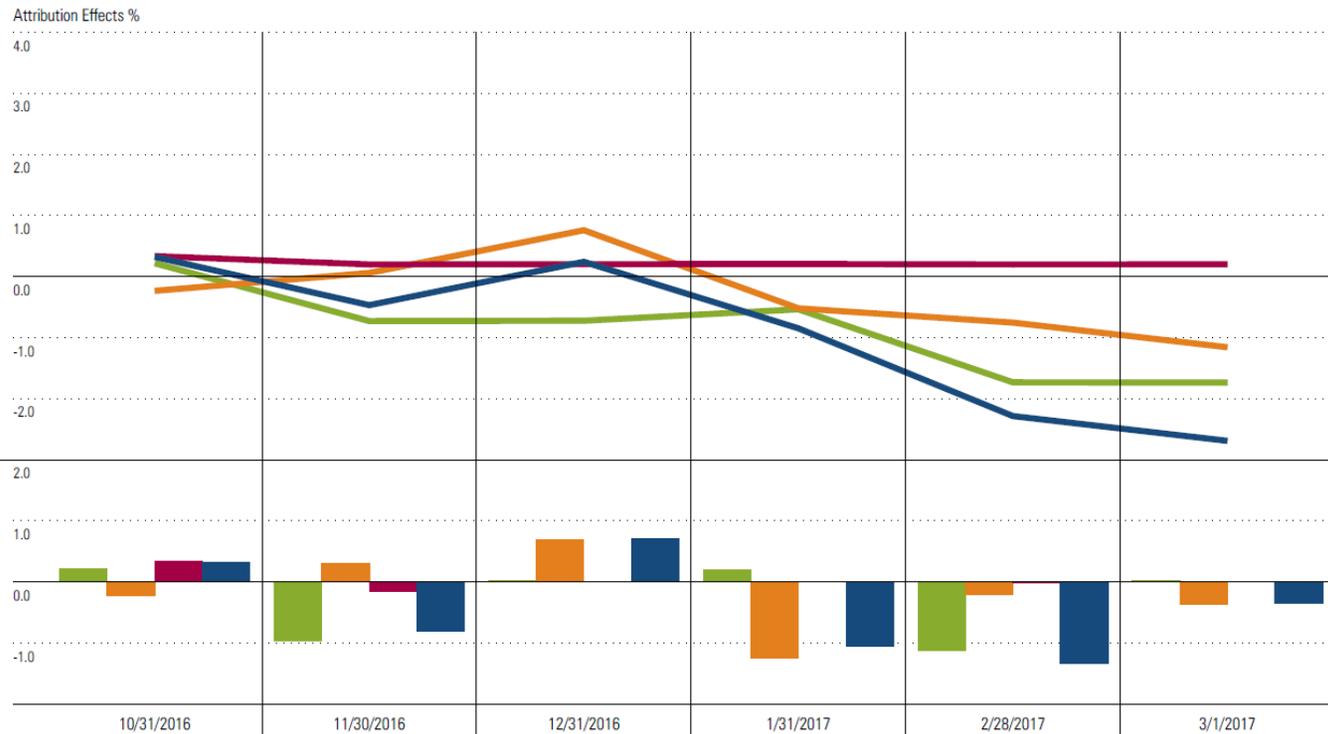
Benchmark
S&P 500 TR USD

Currency
US Dollar

Cumulative Attribution Effects 10/2/2016 to 3/1/2017

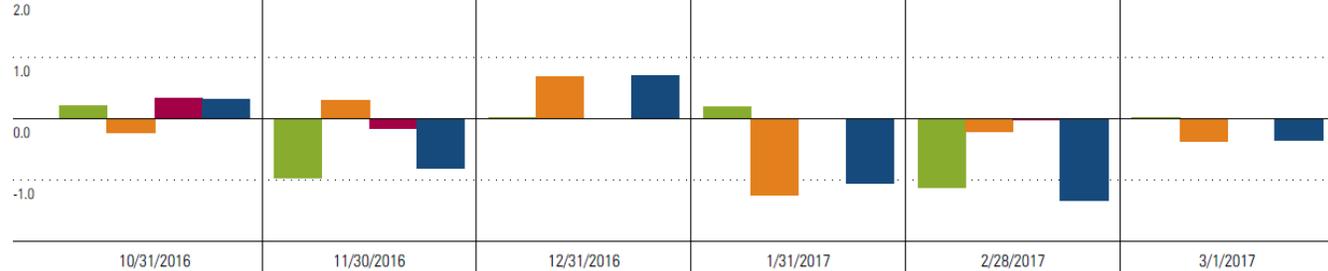
Morningstar Sector - Cumulative Attribution Effects

- Cumulative Allocation Effect
- Cumulative Selection Effect
- Cumulative Transaction Effect
- Cumulative Active Return



Attribution Effects

- Allocation Effect
- Selection Effect
- Transaction Effect
- Active Return



SMF 2017 MBA final S&P 500 TR USD

Portfolio
SMF 2017 MBA final

Benchmark
S&P 500 TR USD

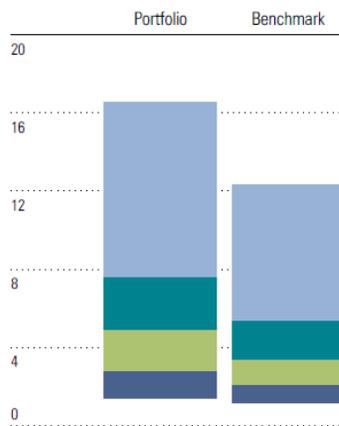
Currency
US Dollar

Portfolio Statistics as of 3/1/2017

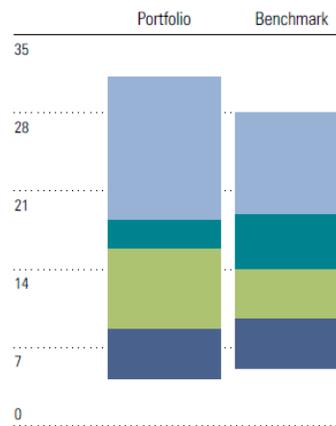
Percentiles

- 5th - 25th
- 25th - 50th
- 50th - 75th
- 75th - 95th

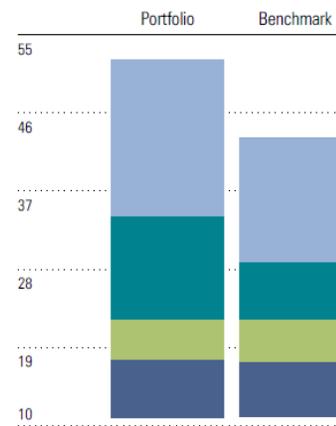
P/B - Daily 3/1/2017



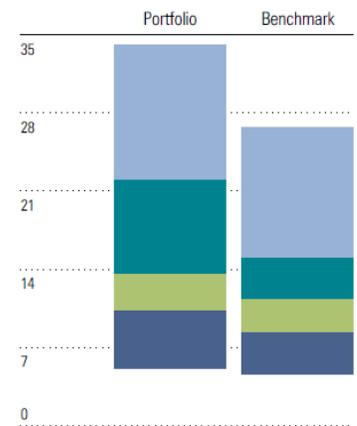
P/C - Daily 3/1/2017



P/E - Daily 3/1/2017



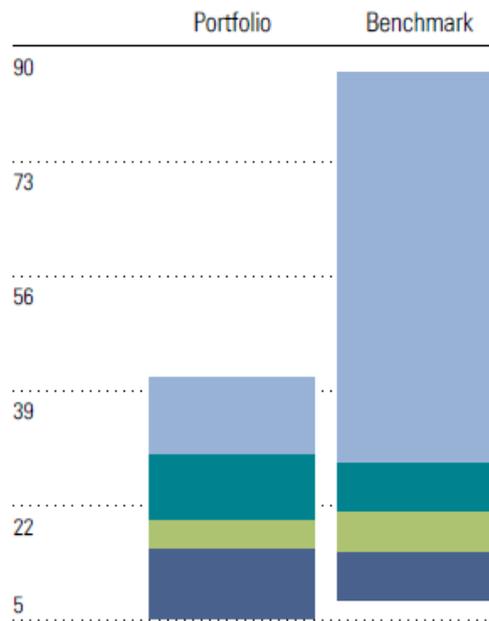
P/EBITDA - Daily 3/1/2017



Percentiles

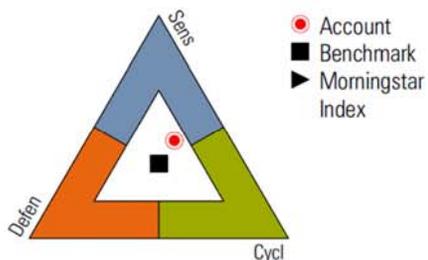
- 5th - 25th
- 25th - 50th
- 50th - 75th
- 75th - 95th

P/FCF - Daily 3/1/2017



Name	Ticker	Portfolio Weighting %	Shares	Position Market Value	Market Cap (mil) (Daily)	P/E Ratio Current	P/E Ratio Forward	P/B Ratio Current	Price 52 Wk High	Price 52 Wk Low	Total Ret YTD	Beta 3 Yr (Mo-End) (Daily)
Communication Services		13.65	5,476	299,360	180,567.75	33.90	24.16	3.98	71.44	56.68	2.86	0.65
AT&T Inc	T	8.59	4,510	188,473	258,191.61	20.02	14.27	2.10	43.89	36.10	0.00	0.43
American Tower Corp	AMT	5.06	966	110,887	48,631.88	57.49	40.98	7.19	118.26	91.65	7.72	1.03
Consumer Cyclical		17.72	10,695	388,740	32,929.35	21.77	20.07	7.44	54.13	39.91	9.16	0.52
Starbucks Corp	SBUX	6.04	2,330	132,507	83,275.84	29.30	26.81	14.37	61.64	50.84	3.37	0.66
Skechers USA Inc	SKX	5.62	4,806	123,370	4,063.73	14.97	14.43	2.55	34.27	18.81	4.72	-0.16
Hasbro Inc	HAS	3.38	765	74,106	12,172.48	22.56	20.49	6.53	99.33	75.51	26.55	0.71
Gentex Corp	GNTX	2.68	2,794	58,758	6,176.90	18.07	16.16	3.23	21.89	14.64	9.65	1.39
Energy		6.85	1,871	150,354	114,694.27	—	43.86	2.79	87.84	71.34	-1.41	0.88
Schlumberger Ltd	SLB	6.85	1,871	150,354	114,694.27	—	43.86	2.79	87.84	71.34	-1.41	0.88
Financial Services		17.27	7,835	378,891	119,581.31	20.11	16.31	3.40	58.63	38.37	9.71	0.87
Citigroup Inc	C	6.47	2,373	141,929	170,509.45	12.98	11.88	0.83	61.94	38.31	3.82	1.55
Boji Holding Inc	BOHI	6.20	4,315	136,095	2,034.56	16.47	13.05	2.72	32.57	15.29	12.47	0.00
Visa Inc Class A	V	4.60	1,147	100,867	206,520.88	35.04	26.95	7.94	89.14	69.58	14.27	1.07
Healthcare		12.82	2,961	281,188	75,228.88	25.56	16.07	11.27	221.64	157.79	0.92	1.34
Regeneron Pharmaceuticals Inc	REGN	4.72	277	103,460	40,209.91	49.23	27.78	9.04	452.96	325.35	3.26	1.58
Gilead Sciences Inc	GILD	4.37	1,360	95,853	91,743.03	7.06	7.41	4.86	103.10	65.38	-1.98	0.98
AbbVie Inc	ABBV	3.73	1,324	81,876	100,146.01	17.31	11.42	21.60	68.12	54.24	1.36	1.46
Industrials		11.67	960	255,917	77,914.92	21.68	21.23	—	270.00	210.90	8.11	0.56
Lockheed Martin Corp	LMT	11.67	960	255,917	77,914.92	21.68	21.23	51.57	270.00	210.90	8.11	0.56
Technology		16.48	1,358	361,411	511,248.45	34.34	22.87	5.28	563.86	436.53	12.82	0.73
Alphabet Inc A	GOOGL	9.63	250	211,233	592,374.37	30.76	20.70	4.26	867.00	672.66	8.11	0.92
Facebook Inc A	FB	6.85	1,108	150,178	397,141.23	39.38	25.91	6.71	137.48	104.40	19.44	0.48
Utilities		3.54	1,013	77,657	13,558.65	—	15.43	1.68	82.09	66.71	4.06	0.67
Entergy Corp	ETR	3.54	1,013	77,657	13,558.65	—	15.43	1.68	82.09	66.71	4.06	0.67

Risk-free Proxy for Beta: USTREAS T-Bill Auction Ave 3 Mon



● Account
 ■ Benchmark
 ▲ Morningstar Index

	Account %	Bmark %	Rel Bmark
→ Defensive	16.25	24.68	0.66
🏠 Cons Defensive	0.00	8.57	0.00
🏥 Healthcare	12.80	12.96	0.99
💡 Utilities	3.45	3.15	1.10

	Account %	Bmark %	Rel Bmark
🌊 Sensitive	48.63	40.49	1.20
📠 Comm Svcs	13.52	3.85	3.51
🔥 Energy	6.95	6.78	1.03
⚙️ Industrials	11.63	11.29	1.03
💻 Technology	16.53	18.57	0.89

	Account %	Bmark %	Rel Bmark
🐍 Cyclical	35.13	34.83	1.01
🏭 Basic Matls	0.00	3.23	0.00
🚗 Cons Cyclical	17.68	11.76	1.50
🏦 Financial Svcs	17.45	16.10	1.08
🏠 Real Estate	0.00	3.74	0.00

	Value	Blend	Growth
Large	22	20	37
Mid	3	6	0
Small	0	12	0

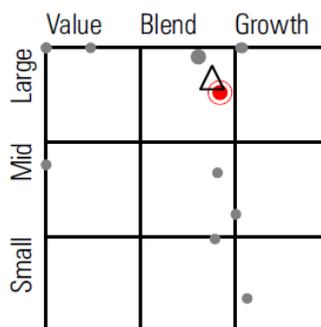
Not Classified 0%

Equity Style

Market Cap Mil
 Account 70,819.72
 Benchmark 52,392.83

Weight %

● >50 ● 25-50 ● 10-25 ○ 0-10



Equity Ownership Zone

● Account
 ● Managed Products
 ● Stocks
 △ Benchmark

Weight %

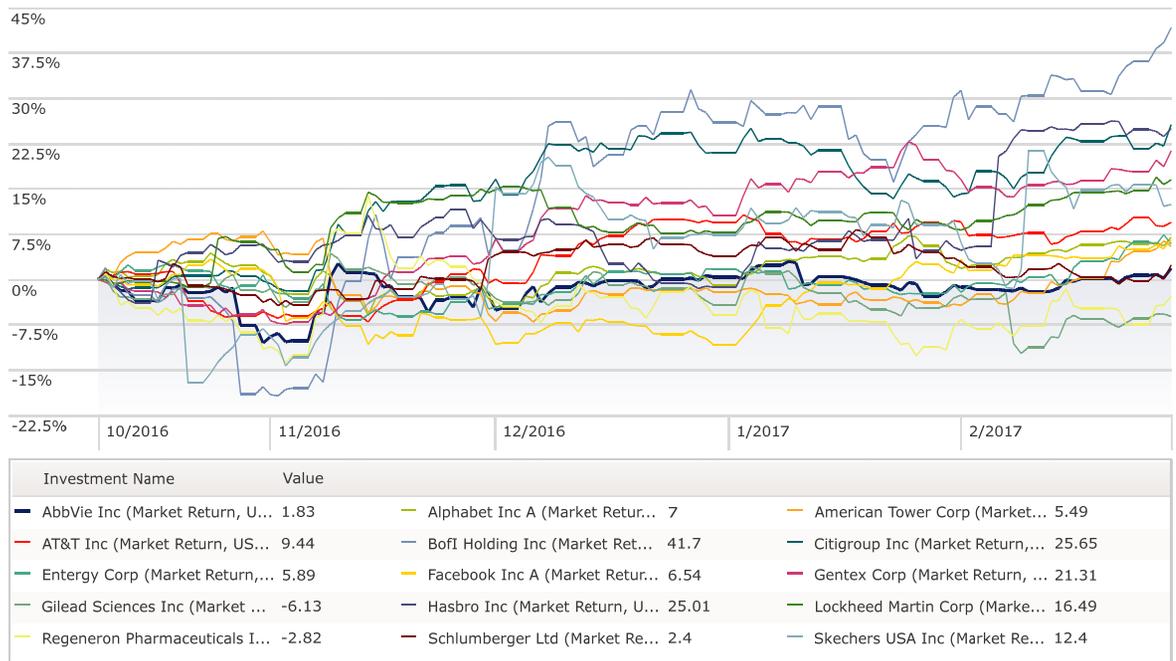
○ >30 ○ 20-30 ○ 10-20 ○ 0-10

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1 AbbVie Inc															
2 Alphabet Inc A	0.09														
3 American Tower Corp	-0.20	0.21													
4 AT&T Inc	0.52	-0.12	0.15												
5 BofI Holding Inc	0.30	-0.10	-0.35	0.27											
6 Citigroup Inc	0.45	-0.12	-0.28	-0.18	0.50										
7 Entergy Corp	0.06	0.29	0.78	0.57	0.08	-0.25									
8 Facebook Inc A	-0.13	0.59	0.34	-0.36	-0.32	-0.31	0.04								
9 Gentex Corp	0.71	0.57	-0.31	0.19	0.31	0.39	-0.07	0.26							
10 Gilead Sciences Inc	0.25	0.18	-0.04	0.30	0.53	0.03	0.26	0.16	0.26						
11 Hasbro Inc	-0.07	0.00	0.23	-0.46	-0.15	0.25	0.01	0.36	-0.09	0.04					
12 Lockheed Martin Corp	0.29	-0.30	-0.02	0.03	-0.25	0.21	-0.06	-0.20	-0.04	-0.11	0.59				
13 Regeneron Pharmaceuticals Inc	0.76	0.42	-0.33	0.06	0.03	0.31	-0.20	0.10	0.73	-0.02	0.01	0.22			
14 Schlumberger Ltd	0.53	-0.55	-0.26	0.38	0.11	0.34	-0.31	-0.32	0.20	0.02	-0.17	0.40	0.16		
15 Skechers USA Inc	0.18	-0.68	-0.30	0.19	0.52	0.38	-0.16	-0.40	-0.11	0.10	0.14	0.04	-0.16	0.31	

Time Period: 3/1/2016 to 2/28/2017

■ 1.00 to 0.60
 ■ 0.60 to 0.20
 ■ 0.20 to -0.20
 ■ -0.20 to -0.60
 ■ -0.60 to -1.00

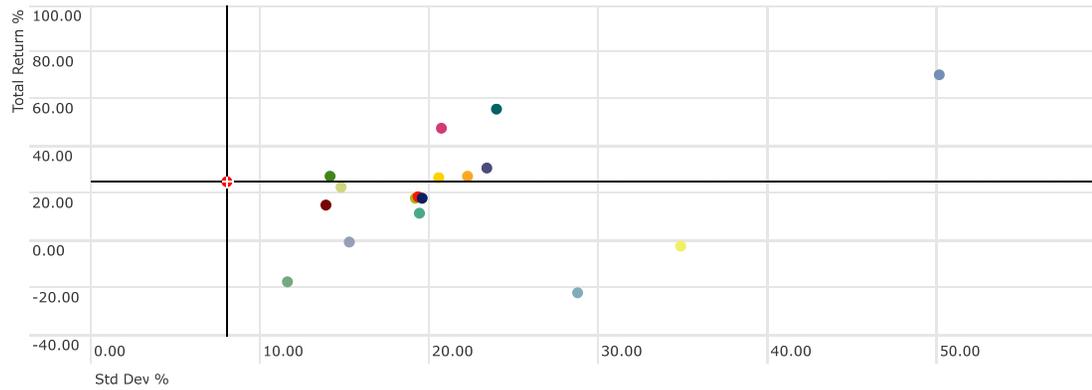
Source: Morningstar Direct



Source: Morningstar Direct

Crosshairs: S&P 500 TR USD

Time Period: 3/1/2016 - 2/28/2017



Investment Name			
● AbbVie Inc	● Alphabet Inc A	● American Tower Corp	● AT&T Inc
● BofI Holding Inc	● Citigroup Inc	● Entergy Corp	● Facebook Inc A
● Gentex Corp	● Gilead Sciences Inc	● Hasbro Inc	● Lockheed Martin Corp
● Regeneron Pharmaceuticals ...	● Schlumberger Ltd	● Skechers USA Inc	● Starbucks Corp
● Visa Inc Class A			

Portfolio performance

Top 10 Allocation	Weight	Gain
Lokheed Martin	12.43%	3.01%
Alphabet	10.08%	5%
AT&T	9.15%	6.75%
Schlumberger	7.43%	2.38%
Facebook	7.35%	1.39%
Citigroup	7.05%	24%
Starbucks	6.42%	7.50%
Sketchers	5.97%	24%
American Tower	5.31%	8%
Regeneron	5.07%	5.80%
Total (Avg)	76.26%	8.78%

Top 5 Performers	Weight	Gain
Gentex	2.90%	22.93%
Sketchers	5.97%	20.68%
Citigroup	7.05%	15.96%
AbbVie	4.01%	10.51%
American Tower	5.31%	9.29%
Total (Avg)	25.24%	15.87%



Monthly Return History	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
<input checked="" type="checkbox"/> Total Return	—	—	—	—	—	—	-2.01	3.53	3.62	-0.05	2.81



Monthly Return History	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
<input checked="" type="checkbox"/> Total Return	—	—	—	—	—	—	-0.54	3.68	1.43	1.79	3.93

MBA SMF Return (Ann)

9.1%

S&P 500 Return (% Ann)

12.95%

Portfolio

Market Position

High Equity Valuation

- Median company in S&P 500 reached 98th percentile of historic valuation – Goldman Sachs
- Boom of ETF (10 year CAGR 20%)

Cheap Debt

- August 2016 - \$13.5 T worldwide debt in negative interest
- June 2016 – 10 Year Treasury Yield all time low

Shiller PE Ratio

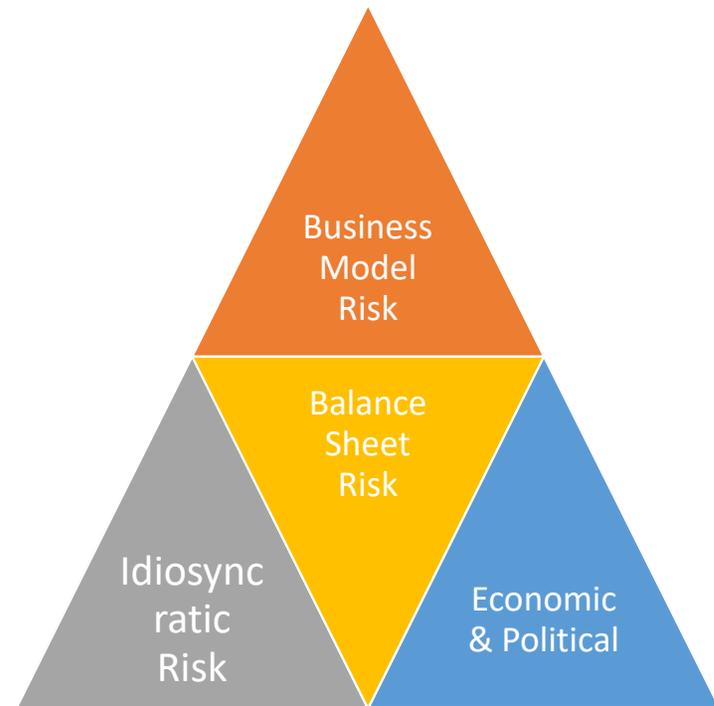


Risk Management

15% stop loss

Diversification Benefit

Dividend Yield??



Learning from the SMF Program

