# SMF FALL 2019 PORTFOLIO REPORT

**DECEMBER 5TH, 2019**
**UNIVERSITY OF CONNECTICUT SCHOOL OF BUSINESS**
**UNDERGRADUATE STUDENT MANAGED FUND**
**TEAM BLUE**

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## Letter to IAB

Dear Investment Board Members and UConn Foundation Board Members,

We would like to start off by thanking you for the life changing education we have received over the past three months. For almost 20 years the Student Managed Fund has been defined through exceptional instructors, students, and supporters. All of whom go above and beyond to contribute to the continued excellence of the program and the greater UConn community. We recognize that participating in this program is both an honor and a privilege.

Altogether, our team of eleven consist of student presidents, officers, athletes, and workers Our academic pursuits and interest span across finance, accounting, history, philosophy, political science, real estate, management, analytics, economics, and engineering. Over our time at school we have participated in 23 unique internship experiences. Altogether, our team of eleven agrees that this has been one of the most impactful experiences in our UConn career.

At the university, there are few opportunities to merge in-class instruction with real world experiences and consequences. We have learned tremendously from the program, our professors, and each other over the course of this semester. Moving forward we seek to ask even more from ourselves, each other in pursuit of what can be accomplished this next semester.

The SMF has given us the opportunity to learn about risk mitigation, portfolio management, and value investing. We continuously strive to integrate lessons learned from the program into our investing approach and in our everyday thinking. This philosophy has enabled us to overcome emotions, bias, and other mental impediments when investing in the most competitive market in the world.

We hope you enjoy our report and gain a better insight to our approach and process for managing our section of the Foundation's portfolio.

Sincerely,

Team Blue

# Executive Summary

**Benchmark and Style:**

- ❏ The S&P 500, specifically the SPDR S&P 500 ETF Trust (SPY) is used as the funds benchmark. Accordingly, we invest in mid to large cap equities that we believe are priced at a discount to true value.
- ❏ Our mandate allows us to invest in any U.S. based security, this includes fixed income assets. However, the fund has elected not to actively pursue fixed income investments given low yields in the current environment. The fund also holds a mandate to invest in companies that demonstrate a commitment to ESG initiatives.

**Philosophy and Strategy:**

- ❏ Our team follows a value investing mindset and deploys capital into companies with stable, easily understood business models, strong balance sheets and future cash flows; all at a discount to the "true" value of the security.
- ❏ To achieve this, we take a bottom-up approach, identifying specific companies and conducting fundamental analysis while weighing factors such as market competition and other barriers to the firms continued success.

**Process:**

- ❏ Each week the team screens 1-2 investment pitches presented by members. These pitches include a full valuation model, market analysis, and specific catalysts which will be used to calculate the fair value share price.
- ❏ A robust discussion follows each pitch and members decide whether to allocate capital via a simple majority vote. If a stock is selected, we determine the position size through a second online vote based on our degree of confidence in the selection.

**Investments and Performance:**

- ❏ 56.1% of the portfolio ($711,278) is currently invested in 9 securities. These securities fall into the following sectors: Consumer Discretionary, Financials, Healthcare, Industrials, and Information Technology.
- ❏ The team has not allocated capital towards the following sectors: utilities, real estate, basic materials, communication services, consumer staples.
- ❏ The current fund is outperforming the market with a total return of 8.57% compared to the benchmark of 6.67%.

## Portfolio Overview

**Investment Managers:**

| | | |
|---|---|---|
| John Brindisi | Sean Brown | Evan Cybart |
| Alexander Greenberg | William Mudlaff | Santiago Perasano |
| Francis Stino | Andrew Willard | Justin Wagner |
| Julia Wilson | Morgan Van Liew | |

**Fall Officer Positions**

Sean Brown - Co-lead Manager
Francis Stino - Co-lead Manager
Alexander Greenberg - Portfolio Manager
Santiago Persano - Portfolio Manager
Andrew Willard - Digital Media Manager
Morgan Van Liew - Communications Manager

**Investment Philosophy**

Team Blue approaches investing with a value mindset. We apply the fundamental teachings of investing greats such as Benjamin Graham and Warren Buffett in the pursuit of finding undervalued domestic securities. We define undervaluation as a business with a lower market price than its intrinsic value, or in other terms, is trading at a discount. We try to understand a business through qualitative and quantitative lenses. In practice, we read the annual reports and proxy statements to understand how the business operates by asking the question like: Who are its suppliers? Who are its distributors? How does it make money? Further, qualitative research brings us to evaluate the effectiveness of the management team, competitive rivalry, business & corporate models, and positioning. Importantly, we do not invest in businesses in which we do not understand. Quantitatively, we initially screen all investments on the basis of FCF, ROIC, ROE, ROA, P/E, and P/B, and often, Market Capitalization. We do this to weed out businesses which could possible destroy value, do not sufficiently return value to shareholders, are too risky, or are simply overpriced. Our quantitative ratios and screening act to help us understand the fruitfulness of a business's operations in order to select the best stocks for our portfolio. Although some of the screening tactics recommended by Benjamin Graham can be lost in translation from his investing climate to ours, we do subscribe to the investing mindset of the great value investor.

## Style

Since it is our mission to invest with a value mindset, understanding our style first requires an understanding of our end goals. One of the most important aspects of value investing is to invest within one's means by avoiding risk, even if that means sacrificing yield. With the added aspect of the needs of our client, the UConn Foundation, this mindset helps us maximize return while minimizing risk. We invest mainly in U.S. Large Cap value stocks with a time horizon of 10 years.

In today's investing climate it has become increasingly more difficult to find value, mainly due to the vast amount of cheap debt that is fattening company balance sheets along with investors moving to equities to chase higher yields. The consequence of this investment trends are high P/E ratios and prices across the market. With all-time stock market highs, increasing concern over trade wars, wavering macroeconomic data, and much noise over technical and economic indicators, we as a team focus on finding value in the domestic stock market while cutting out the noise of the bears and bulls. We do this by investing in stocks which are temporarily unpopular due to market overreactions or have been misvalued by the larger market.

## Investment Strategy

Our strategy begins and ends with a prudent, risk-averse mindset. We are more sensitive to preserving capital at a reduced return than generating high returns with great risk. With every investment, we are reminded of our core philosophy and are protected from making speculative gambles on short term indicators or feelings. Like the SMF teams before us, we believe in nurturing a marketplace of ideas, consistently challenging and exchanging investment ideas, values, and actions. In practice, we are radically truthful during our Q&A discussions post-pitch and hold democratic elections to ensure only the best stocks are selected.

## Risk Management

As capital allocators for the UConn Foundation, risk management is essential to help facilitate the needs of our client and our portfolio. As a fiduciary of the UConn endowment we place a strong emphasis in managing and minimizing the following risks:

**Aggregation Risk:** A portfolio with holding that share many of the same risks
**Balance Sheet Risk:** A company that has leverage well above the industry average or its means
**Management Risk:** A company that has unreliable management
**Business Model Risk:** A company that is unsustainable or easily duplicated
**Obsolescence Risk:** Companies with products or services that risk being non-existent

At the moment, our portfolio is weighted heavily towards large cap US equities. This comes as a result of our stringent selection process and bias towards capital preservation over increasing yield. At the same time, we are aware of the diversification risk this holds in our portfolio especially as we hold a large amount of SPY (S&P Index Fund). Our team is taking steps to buy into mid and small cap stocks as the year progresses. At the same time, we won't compromise our selection process in the pursuit of diversification based on market cap.

Risk management to this point has only shown up within the context of screening new securities entering the fund. There is a potential to put a larger emphasis on risk management in our role as portfolio allocators. In the next half of the semester we plan to focus more on active portfolio management as the fund becomes more invested. This will give us the chance to closely evaluate all our positions and make risk management-based decision on selling, rebuying, and reallocation of funds.

## **Procedure**

There are three important steps to Team Blue's procedure: Sector Breakdown, Voting, and Allocation Strategy.

We divide our team to cover the eleven sectors we have selected as possible investment categories. As a disclaimer, we have omitted the Basic Materials sector from our watch list as this sector is commonly commoditized and has little upside comparative to the risk associated with it. From our research, we have noticed businesses in this category sell their products at marginal cost and therefore we will omit them from our general searches for the foreseeable future. The remaining sectors are distributed on analyst preference and are weighted in terms of perceived importance, popularity, and overall attractiveness. We determine these difficult-to-measure attributes by keeping up with industry news, reading sector-relevant financial statements, and acknowledging personal biases. Analysts have the choice to cover as few as two and as many as four sectors, although the expectation set by the team is three. The sector breakdown is as follows:

| Industry | Analyst | Analyst | Analyst | Analyst |
|---|---|---|---|---|
| **Consumer Discretionary** | Julia Wilson | Sean Brown | Alex Greenberg | Santiago Persano |
| **Consumer Staples** | Julia Wilson | Andrew Willard | John Brindisi | |
| **Energy** | Fred Stino | Justin Wagner | | |
| **Financials** | Julia Wilson | William Mudlaff | | |
| **Health Care** | Sean Brown | Evan Cybart | Morgan VanLiew | |
| **Industrials** | John Brindisi | Justin Wagner | William Mudlaff | |
| **IT** | Andrew Willard | Evan Cybart | Fred Stino | Santiago Persano |
| **Materials** | Justin Wagner | William Mudlaff | | |
| **Real Estate** | Evan Cybart | Morgan Van Liew | | |
| **Telecom** | Sean Brown | Alex Greenberg | Andrew Willard | |
| **Utilities** | Alex Greenberg | John Brindisi | | |

Our voting for the first semester immediately followed the Q&A portion of each pitch. Voting was an anonymous (head's down) procedure proctored by one of the portfolio managers or co-lead managers. This was designed to protect the emotions of any managers and prevent groupthink. A stock would be selected if an absolute majority (6 of 11 votes for a majority) was reached. As a team we are critically evaluating the effectiveness of our voting procedure and are discussing measures to change our process to make it more difficult for a stock to be selected. Some possible voting methods we have discussed are doing a majority 8 of 11 votes to reach a selection or remove the people who have pitched from the vote and keep an absolute majority.

Our allocation of capital follows our voting process. The range of how much of our portfolio to allocate to our selected stock is from 5% to 10%. This is conducted over an electronic voting process monitored by one of the portfolio managers. Moreover, our portfolio managers are responsible for proctoring a stop-loss vote in which we decide what the maximum amount of loss should be applied to each stock before we exit the investment. After the vote for stock selection and allocation is completed, the stock presenters will complete a one-page report and summary of the stock with financial information such as beta, market capitalization, and P/E ratio as well as the investment thesis. This report along with a buy order from the portfolio managers are sent to Professor Gilson in which he sells the S&P 500 portion of the portfolio and reallocates with the chosen stock.

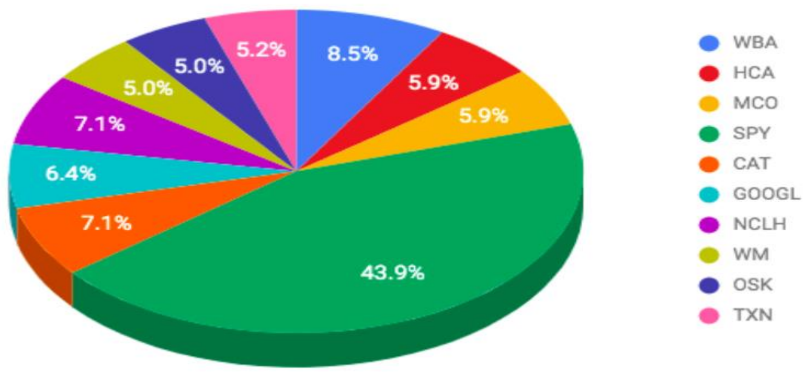
**Performance:**

Performance of the portfolio from September 1, 2019 to November 30, 2019:

| Portfolio Performance | |
|---|---|
| **S&P 500 Return (SPY)** | 6.67% |
| **Total Portfolio Return** | 8.57% |

| Portfolio | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Ticker | Name | Sector | Dividend Yield | Shares | Average Cost | Current Price | Market Value | % of Portfolio | $ Change | % Change |
| WBA | Walgreens Boots Alliance | Healthcare | 2.94% | 1,731 | $54.17 | $59.60 | $103,168 | 8.14% | $9,399 | 10.02% |
| MCO | Moody's Corporation | Financials | 0.91% | 337 | $202.85 | $226.67 | $76,388 | 6.02% | $8,027 | 11.74% |
| HCA | HCA Healthcare | Healthcare | 1.16% | 544 | $121.51 | $138.66 | $75,431 | 5.95% | $9,330 | 14.11% |
| GOOGL | Alphabet Inc. | Technology | 0.00% | 61 | $1,284.51 | $1,304.09 | $79,549 | 6.27% | $1,194 | 1.52% |
| NCLH | Norwegian Cruise Line Holdings | Consumer Discretionary | 0.00% | 1,704 | $51.71 | $53.64 | $91,403 | 7.21% | $3,285 | 3.73% |
| CAT | Caterpillar Inc. | Industrials | 2.84% | 619 | $137.34 | $144.73 | $89,588 | 7.07% | $4,573 | 5.38% |
| TXN | Texas Instruments | Technology | 3.05% | 556 | $120.06 | $120.21 | $66,837 | 5.27% | $82 | 0.12% |
| WM | Waste Management Inc. | Industrials | 1.83% | 562 | $111.94 | $112.91 | $63,455 | 5.00% | $545 | 0.87% |
| OSK | Oshkosh Corporation | Industrials | 1.32% | 692 | $91.33 | $90.46 | $62,598 | 4.94% | -$602 | -0.95% |
| HLI | Houlihan Lokey Inc. | Financials | 2.63% | 1,325 | $47.62 | $47.67 | $63,163 | 4.98% | $72 | 0.11% |
| SPY | S&P SPDR ETF | Index Fund | 1.79% | 1,579 | $292.45 | $314.31 | $496,233 | 39.14% | $34,513 | 7.47% |
| CASH | | | | 64 | | $1.00 | $64 | 0.005% | | |

| Starting Value | Market Value | % of Portfolio | $ Change | % Change |
|---|---|---|---|---|
| $1,166,199 | $1,267,876 | 100.00% | $101,678 | 8.72% |




**Economic Outlook**

Our team's natural affinity for learning, research, and competitive performance leads us to prudently research, read, and draw opinions on the current state of the global economy, where it is today, and where it will be in a ten-year period. It is important to be conscious of geopolitics because risk derives from sudden shifts in sentiments over governments and markets.

**The US Economy**

Since our investments are predominantly listed on the NYSE or NASDAQ, our portfolio is most sensitive to changes within the domestic US market. Currently, the US stock market is experiencing one of the strongest bull runs of all time, an 11-year period from the end of 2008 to late 2019. This market is highlighted by all-time stock market highs, an average P/E ratio in the S&P 500 of 22, and an excess of cheap debt on company balance sheets. Despite indicators that lead many to believe the market is overvalued, Team Blue strives to understand the why's and how's of market reactions.

The US economy has been performed strong but has recently been growing at a decelerating rate. The past two quarters of real GDP growth has decreased from 3.1% in Q1 to 2% in Q2. The September BLS jobs report furthered investor uncertainty by missing the 145,000 estimate by a factor of 9,000 jobs. Moreover, 22,000 of those jobs were government positions, of which an indeterminable amount are temporary hires ahead of the 2020 census. The influx of government jobs added is superficially inflating an already low amount of jobs. Additionally, United States tariffs on Argentinian and Brazilian steel, and Chinese and European industrials has led to much geopolitical uncertainty and downward pressure on the broader market and our portfolio.

In summary, Team Blue believes the US market is performing well, but has shown strong indication of decelerated growth, or even slowdown in the coming future. Despite possible unfavorable conditions, we believe investments made in the domestic market are the strongest and safest for our capital allocation strategy. As we research other global economies for higher yield, none can give us the same amount of security or comfort as the US economy can. For the foreseeable future, Team Blue will continue to allocate capital in the domestic market but will be aware of opportunities abroad and continue to be up to date on developments and trends.

**Sector Analysis:**

| Sector | Target | % of Total Portfolio | % of Invested Portfolio | S&P 500 Sector Weight |
|---|---|---|---|---|
| Basic Materials | 5.00% | 0.00% | 0.00% | 2.31% |
| Communication Services | 5.00% | 0.00% | 0.00% | 10.42% |
| Consumer Discretionary | 12.00% | 7.14% | 12.47% | 9.85% |
| Consumer Staples | 10.00% | 0.00% | 0.00% | 7.78% |
| Energy | 5.00% | 0.00% | 0.00% | 4.33% |
| Financials | 15.00% | 5.86% | 10.48% | 15.73% |
| Healthcare | 10.00% | 14.30% | 25.79% | 14.21% |
| Industrials | 10.00% | 17.06% | 30.50% | 9.98% |
| Real Estate | 5.00% | 0.00% | 0.00% | 3.07% |
| Technology | 15.00% | 11.61% | 20.75% | 18.84% |
| Utilities | 8.00% | 0.00% | 0.00% | 3.48% |
| Total | 100.00% | 55.97% | 100.00% | 100.00% |

**Consumer Discretionary**

The Consumer Discretionary Sector is positively correlated with economic cycles, performing well in economic expansionary conditions, and falling in recessions. The strength of the US economy is highly reliant on consumer spending as it contributes to over 60% of GDP. This sector is performing well, only slightly underperforming the market and is utilizing tailwinds from the recent decreases in the federal funds rate. Downward pressure on the segment comes from a slight slowdown in consumer spending. The manufacturing segment includes automotive, textiles and apparel, household durable goods, and leisure equipment. The services segment includes hotels, restaurants, consumer retail/services, and media production/services.

Year to date the Consumer Discretionary Index has a return of 21.89%, underperforming the S&P 500 Index which has a return of 25%. The sector has a large average P/E ratio of 26.03 and an average dividend yield of 2.32%. The market cap is significantly large of about $5.51 trillion. According to Fidelity, the US economy is in mid to late cycle, meaning there will be continued strain on this sector in the coming years as the market reaches an inflection point.

One factor to keep an eye on regarding this sector is the continued use, and expansion, of omni-channel strategies. This is leading to increased competition, and more price-sensitive consumers, as more time is spent searching for the “best deal” online. Consumers no longer have to be in store, with limited brands available, to shop. Consumer Discretionary companies, in turn, could see their profit-margins diminish as they will be forced to compete based on price.

Current Holdings:
Norwegian Cruise Line Holdings (NYSE: NCLH)

## Financials

Year to date, the financial services sector has grown at a relatively stable rate. After an extended period of expansionary monetary policy, the U.S. Federal Reserve has shifted towards a contractionary policy. The Fed dropped rates by 25 bps on August 1st, September 19th, and October 31st, and has left the possibility of a future cut open. Despite these challenges, the share prices of the 6 leading financial services firms grew by about 7%.  In addition, the inversion of the Yield Curve has recently been reversed, potentially signaling a positive change in investor sentiment.

Current Holdings:
Moody’s Corporation (NYSE: MCO)
Houlihan Lokey (NYSE: HLI)

## Healthcare

In 2018, declining levels of unemployment and generous employer benefits boosted revenues across the healthcare industry. However, investor sentiment towards the broader economy appears to have weakened in 2019, driven by increasing signs of global macroeconomic weakness, the decline in the U.S. unemployment rate to a 49- year low in May 2019, and mounting trade tensions. Healthcare has also been a key topic of focus for American voters and legislators. Health care policy could significantly impact stock valuations, especially as we head into the 2020 U.S. elections. Furthermore, pricing pressure is a concern for the industry as third-party payers seek to reduce healthcare costs, lowering reimbursement rates. Private insurers tend to have higher reimbursement rates than Medicare and Medicaid. To combat reimbursement rate headwinds, health care facilities companies have focused on boosting operating efficiency and increasing scale to drive down costs. Consolidation in the private sector has also been a key source of pricing pressure. The largest consolidation in recent history, for example, was the 2018 merger of CVS & Aetna.

In the long run, CFRA Research writes most companies in the health care services sub-industry, including rehabilitation, clinical laboratories and dialysis centers, will benefit from aging demographics.

Current Holdings:
Walgreens Boots Alliance (NASDAQ: WBA)
HCA Healthcare (NYSE: HCA)

## **Industrials**

The Industrials sector is composed of a wide selection of sub-industries that produce goods or provide services for industrial use. Subsectors in the industrials industry include industrial conglomerates like United Technologies Corporation, aerospace companies such as Boeing, heavy machinery companies like Caterpillar, airliners like American Airlines Group, shipping companies, for example FedEx or United Parcel Service, tool manufacturers such as Stanley Black & Decker, and many more. The industrial sector currently holds a weight of 9.98%.

Industrials are primarily driven by demand for manufactured goods as well as supply and demand for commercial, industrial, and residential construction. Industrials tend to fare well when the purchasing managers' index (PMI) is above 50. PMI readings in the US came in at 48.3 in October suggesting industrials are facing a contractionary market. While this is an improvement over September's 47.8 reading, it is representative of the late stage in the US business cycle as well as headwinds associated with the US, China Trade War.

Despite this adversity, Aerospace and Defense companies have continued to exhibit strong performance in 2019. Boeing continues to struggle with the 737 MAX; however, that plane is expected to take to the skies again in early 2020. Airline produces are facing a record order backlog and have been working to ramp up production to meet this demand. Defense spending is projected to continue to grow in the coming years and while the growth of construction in the US has decelerated, it remains a positive point for industrials. Year to date Industrials have grown 27.03% compared to the S&P 500 Index's 25.30% growth.

Current Holdings:
Caterpillar Inc. (NYSE: CAT)
Oshkosh Corporation (NYSE: OSK)
Waste Management, Inc. (NYSE: WM)

## **Information Technology**

Information Technology includes Technology Software & Services, Technology Hardware and Equipment, and Semiconductors & Semiconductor Equipment Manufacturers. The sector contains companies such as Apple, Google, Amazon, Facebook, IBM, and Microsoft. Consumer confidence has remained strong in the Information Technology Sector despite trade concerns. Many of the Information Technology companies tend to have low debt and large cash balances, allowing them to pursue mergers and acquisitions when appropriate. As of midyear 2019 the S&P 500 had its largest weighting in the technology sector at just over 21%.

The US currently leads the global landscape in technology innovation. Computer hardware, software, and internet and broadband infrastructure are crucial determinants for growth in the Information Technology sector. Additionally, the adoption of subscription-based software, use of artificial intelligence, cloud computing, and other technological advances will allow this sector to continue its strong growth.

Important factors to pay attention to in this industry involve the ongoing economic slowdown in sizeable global economies like China. This risk is especially relevant in the semiconductor industry should consumer technology purchases slow. With regards to China, another present risk is the trade war presenting higher costs of inputs for firms not strictly operating within the software sector. Another key risk is government scrutiny and regulations into these companies ruling them as monopolies as well as exploiting the privacy of consumers.

Current Holdings:
Alphabet (NASDAQ: GOOGL)
Texas Instruments (NASDAQ: TXN)

**Unallocated Sectors**

Utilities, Real Estate, Basic Materials, Communication Services, Consumer Staples all remain unallocated to inside our portfolio. We believe that many of these sectors can provide attractive investment opportunities and provide a way to diversify our current set of holdings. Attempts have been made to pitch firms within these sectors but have stumbled on a few common grounds. Factors such as over-valuation, high debt burden, lack of a defensible moat, and exposure to economic cycles have left us unwilling to pull the trigger. At the end of the day we still subscribe to a value investing philosophy and do not compromise on core principles. We plan to spend the remainder of the semester and winter break identifying attractive companies within these sectors.

## Portfolio Positions:

### Walgreens Boot Alliance (NASDAQ: WBA)

On September 26, 2019 we purchased 1,731 shares of Walgreens Boots Alliance for $54.17 per share at a total cost of $93,780.

Walgreens Boots Alliance is a pharmacy-led health and wellbeing company. They operate in three segments: Retail Pharmacy USA, Retail Pharmacy International and Pharmaceutical Wholesale. The Retail Pharmacy USA segment consists of the Walgreen Co. business, which includes the operation of retail drugstores, care clinics and specialty pharmacy services. The Retail Pharmacy International segment consists mainly of the Alliance Boots pharmacy-led health and beauty stores, optical practices and related contract manufacturing operations. The Pharmaceutical Wholesale segment consists of the Alliance Boots pharmaceutical wholesaling and distribution businesses. The Company's owns a portfolio of retail and business brands including Walgreens, Duane Reade, Boots and Alliance Healthcare, as well as global health and beauty product brands, including Botanics, Liz Earle, No7 and Soap & Glory.

The pharmaceutical industry has recently been subject to strong consolidation pressures as companies seek to combine supply chains in hopes of driving down costs and improving patient outcomes.

In the U.S. and Europe, Walgreens Boots Alliance holds a significant share of both the pharmaceutical retail and pharmaceutical wholesale industries, as well as many key partnerships across the pharmaceutical supply chain. We expect the demographic trends, such as people living longer and senior citizens becoming a greater proportion of the general population, to drive continued growth in demand for pharmaceutical products.

The greatest risk factors which may negatively impact the share price of WBA include increased reimbursement pressure from PBMs squeezing margins, weakening front-of-store sales, lawsuits related to opioid crisis, medicinal marijuana and e-commerce.

As of November 30, 2019, we have an unrealized gain of 10.02% on WBA.

**Moody’s Corporation (NYSE: MCO)**

On October 1, 2019 we purchased 337 shares of Moody’s for $202.84 per share at a total cost of $68,361.

Moody’s Corporation is an independent provider of credit ratings, economic opinions, and related financial information. The Company has two main operating segments: Moody’s Investor Services (MIS) and Moody’s Analytics (MA). MIS provides traditional credit ratings and market reporting while MA provides tailored client solutions driven by financial data analysis. MIS rates $74+ trillion of global debts. This portfolio includes non-financial corporates, financial institutions, public finance, infrastructure and project issuers, structured finance deals, and sovereigns (countries).

The credit rating industry is an oligopoly. Collectively, S&P Global, Moody’s, and Fitch account for 94% of all rating’s revenue: Moody’s dominates the corporate finance, financial institutions, and sovereign ratings. Entrance of new market participants does not pose a threat to Moody’s position as these players are specialized in certain subsectors. Specific to Moody’s credit portfolio, negative outlooks have trumped positive outlooks this year. This can be attributed to the global exposure of issuers affected by market volatility and geopolitical uncertainties.
We believe that MCO is a strong investment due to its position as a pivotal backbone to the world’s debt markets. Since 2008, MIS has expanded its domestic and international presence and MA has gained market share in the data analytics industry. We are confident that the high barriers to entry in the credit rating industry will continue in the future. In addition, we believe that Moody’s Analytics will diversify Moody’s Corporation by providing a hedge against volatility in the credit rating issuance. Additionally, the health of the U.S economy and low global interest rate environment further bolster optimism for Moody’s continued growth in the near term.

In our valuation, we assumed a weighted average cost of capital of 9%. We believe that a terminal growth rate of 3% is justified by MIS’ proven track record of strong revenues and MA’s growth prospects. Our target price is $221.21 with a margin of safety of 12.39%.

One of Moody’s main competitive advantages is its reputation in the market. The market views Moody’s ratings as a stamp of approval signifying a non-biased opinion and comprehensive due diligence. If a creditor fails to earn a Moody’s rating, the issuer can expect significantly higher borrowing costs. This, coupled with the legal requirements on some issuers to include a Moody’s rating on their financial reports, gives the firm competitive leverage. As previously mentioned, Moody’s Analytics also provides diversified services to the company’s offering portfolio. This will offset potentially negative performance in the ratings industry and thus ensure overall company growth.

The most relevant risks and considerations for Moody's include, but are not limited to further cuts to global growth expectations driven by falling benchmark interest rates, geopolitical uncertainty weighing on investor confidence and business activity, lower volume of M&A and CAPEX spending despite increasing deal sizes, and although highly unlikely, potential antitrust and stricter regulation of industry oligopoly

Moody's Corporate Social Responsibility Highlights include the recent introduction of an Environmental, Social, and Governance (ESG) team. In addition, Moody's has developed a division focused on sustainable investing practices and green bond issuances. In addition, Moody's has committed $6.8 million in total social investment, including $4.2 million in foundation grants and $1.1 million in charitable donations.

As of November 30, 2019, we have an unrealized gain of 11.74% on MCO.

**HCA Healthcare (NYSE: HCA)**

On October 15, 2019 we purchased 544 shares of HCA Healthcare for $121.51 per share at a total cost of $66,101.

Since 1968, HCA Healthcare has remained focused on providing a comprehensive array of healthcare services in the most cost-effective manner possible. HCA is a leading healthcare provider in the United States with 184 general, acute care hospitals, 125 ambulatory service centers (ASCs), 137 urgent care centers, 3 psychiatric hospitals, and 1 rehabilitation hospital. The hospitals typically provide a full range of patient care to accommodate medical specialties such as internal medicine, general surgery, cardiology, oncology, neurosurgery, orthopedics, obstetrics, diagnostic, and emergency services. The outpatient and healthcare services are provided by general, acute care hospitals, freestanding surgery centers, freestanding emergency care facilities, walk-in clinics, diagnostic centers, and rehabilitation facilities. The psychiatric hospitals provide a full range of mental healthcare services. HCA is committed to growing their business and creating long-term value for stockholders

From an industry perspective, with US unemployment levels at record lows, this means reduced insurance usage through Medicaid, which lowers HCA's margins. Additionally, the proportion of the US population aged 65+ is growing. As the population ages, the demand for healthcare will continue to increase. Insurers and patients are increasingly using low-cost urgent care centers and free-standing emergency care facilities. This shift towards low-cost healthcare alternatives in recent years contributes to HCA's rising demand.

We believe HCA represents a strong investment due to its strong positions in growing markets, robust presence across the continuum of care, and plans for measured growth in new and existing markets. In Texas and Florida, two of the fastest growing retiree markets, HCA has market share of 31.8% and 43.7%, respectively. HCA's position across the continuum of care allows them to get patients into their ecosystem through low-cost outpatient services and then refer them to their own hospitals. Recent acquisitions in North Carolina and Georgia position HCA well in the rapidly developing urban south.

In our valuation, we assumed a weighted average cost of capital of 9%. We assumed a 4% terminal growth rate when considering the aging US population and HCA's position in growing markets. We calculated a target price of $130.88, representing an 8.7% margin of safety at the time of our pitch.

HCA's positioning in top retiree markets, breadth of services, measured growth, and quality of care will allow the company to remain competitive over the long-term. HCA Healthcare market share ranks first or second in 28 of the 37 markets studied. In addition, the company's enterprise market share is 25.1%. In addition, HCA's position at the top of the US hospital market allows them to continue to recruit the best doctors and nurses available, which allows them to provide top of the line care.

The greatest risks facing HCA which may negatively impact its share price include but are not limited to the possibility of US healthcare reform. 40.9% of HCA's revenue is derived from Medicare and Medicaid programs. In addition, while an aging population is, in general, a tailwind for the industry, they also pressure margins. Medicare and Medicaid pay $.87-$.88 cents per dollar vs. $1.30-$1.40 from commercial plans, according to the American Hospital Association.

HCA's Corporate Social Responsibility Highlights include the HCA Foundation. The HCA Foundation and HCA Healthcare corporate sponsorships help sustain childhood and youth development programs, scholarships, community-based health clinics, and the operating budgets of countless not-for-profit organizations across the country. In 2016, HCA Healthcare made $23.2 million in cash donations to charitable organizations. HCA Healthcare also seeks to protect and preserve the environment through a broad range of practices memorialized in their Sustainability Plan. Finally, HCA has adopted several initiatives to combat the opioid crisis including drug disposal days at their facilities.

As of November 30, 2019, we have an unrealized gain of 14.11% on HCA.

**Alphabet - Class A (NASDAQ: GOOGL)**

On October 28, 2019 we purchased 61 shares of GOOGL stock for $1,285 per share at a total cost of $78,355.

Alphabet is a holding company known most for its primary business, Google. Alphabet was formed in 2015 in order to separate out the performance of Google (making up 99% of revenue) from the exploratory “Other Bets” the company pursues. Google is one of the largest and fastest growing players in the advertising and search engine space. Google earns most of its revenue through advertising and its search functions. Other Bets is made up of experimental companies including self-driving cars.

We believe that Google’s ability to establish itself as a leader in innovation as well as the technology industry will allow it to remain at the forefront of the tech industry for years to come. The integration of Google platforms into everyday life as well as their pursuance of rising fields such as cloud storage and computing, artificial intelligence, and quantum computing will allow Alphabet to maintain its advantage and continue to earn above average returns in the future.

Google virtually has a monopoly in the online advertising market. Its platforms have become integrated into the lives of its users to the point where searching the internet is coined with the term “Google it”. This mark of dominance will allow Alphabet to maintain their dominance in the advertising sphere.  Additionally, it continues to find new alternative investment opportunities that can further its success as a market leader and innovator. We also believe that Google is positioned well against its competitors as there is no one competitor that operates in all the same industries that Google does. Competitors across industries do include Microsoft, Amazon, Alibaba, Baidu, Apple and Facebook. These companies compete across Google’s main business segments.

As of November 30, 2019, we have an unrealized gain of 1.52% on GOOGL.

**Texas Instruments (NASDAQ: TXN)**

On October 28, 2019 we purchased 556 shares of TXN stock at a price of $120.06 for a total of $66,754.

Texas Instruments (TXN) is a semiconductor manufacturer that specializes in the design, engineering, and innovation of specialty analog and embedded processors for everyday circuitry use. In their main segments TXN has dominate 18% market share and its business is diversified over 100,000 customers.

We believe TXN is a strong investment for three reasons. First is the superior returns on capital compared to competitors and other stocks in the S&P 500 index. TXN is in the 97th percentile for ROIC, and management focuses on returning value to shareholders in the form of free cash flow, dividend yield, and high margins. The business operations of TXN are lean, efficient, and value-add, and all investments are carefully selected on the basis of return on capital. The second is their R&D structure. As a semiconductor manufacturer with a large customer base with varying needs, R&D expenditures would normally be a large portion of revenue. However, with open sourced code for its products, customers can manipulate code and invest their own R&D to have TXN's products fit their needs. Lastly, the potential for growth catalysts with emerging technologies which will lower the cost of sales or increase demand for TXN's processors made TXN an attractive investment. Some of these technologies are the adoption of 300mm and 400mm silicon wafers, wide bandgap semiconductors, autonomous vehicles, and 5g.

There are substantial risks involved with our investment in TXN. Most importantly is the "Semiconductor Cycle" which refers to the highly cyclical nature of the industry due to significant downturns in sales during recessions as well as high chance for obsolescence. Normally, this results in high inventory costs and write-downs which adversely hurt companies which compete in this industry. TXN has a natural hedge against the cycle because its products have longer useful lives and rely on software updates more than hardware updates. Geopolitical uncertainty, especially from the trade war with China hurts TXN's bottom line. In addition to the many inputs that are sourced cheaply from Eastern Asia, a significant portion of end customers come from China. Additionally, with the Moore's law curve beginning to flatten as transistors capacity on integrated circuits decelerates, there is concern the market demand for semiconductors will decrease.

Texas Instruments' many environmental, social, and governance initiatives are highlighted by its goliath philanthropy compared to the industry and larger market. TXN has given a total of $33.4 million and 173, 439 employee volunteer hours. Their giving initiatives focus on education and grants in the STEM field and reducing their environmental footprint.

As of November 30, 2019, we have an unrealized gain of 0.12% on TXN.

**Caterpillar (NYSE: CAT)**

On October 31, 2019 we purchased 619 shares of Caterpillar for $137.34 per share at a total cost of $85,015.

The world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial turbines and diesel-electric locomotives. Customers use CAT's products, services and solutions to build the basic infrastructure that enables higher standards of living so that people have *access* to a better quality of life. The business segments include: Construction & Industries, Energy & Transportation, Resource Industries, and Financial Products, with Construction Industries and Energy & Transportation accounting for 76% of sales.

The construction industry is highly cyclical and follows the trend of the broader macroeconomy. This has seen increased order volume and backlog which has upward pressure on CAT's value. The resource industry has seen commodity prices rebounding towards historic highs, and strong mining production leading to increased capital expenditures and more equipment reinvestment. The energy & transportation industry has seen significant opportunities for M&A, and high growth in rail traffic has led to greater transportation sales. In addition, positive outlooks for global renewable energy markets and strong demand for oil and gas has stimulated sales.

We believe that CAT is a strong investment due to its product quality, superior customer service, and extensive dealer network. We are confident that during a recession, CAT will be able to generate significant sales from government-led infrastructure improvement programs. In addition, CAT's innovative technology and advanced data analytics tools will help grow sales both domestically and internationally.

In our valuation, we assumed a weighted average cost of capital of 9%. We believe that a terminal growth rate of 3% is justified by CAT's strong international growth prospects and its proven track record of building and maintaining customer relationships. Our target price is $148.48 with a margin of safety of 6.01%.

CAT's competitive advantages include the following five categories: Extensive dealer and distribution network that enables a vertically integrated operation strategy. Established partnerships with customers at every level of the "value chain." Strong brand reputation and recognition. Focus on research and development of technology and innovation in heavy machinery. Strong track record of debt repayment.

The most relevant risks and considerations for CAT include, but are not limited to its exposure to macroeconomic volatility due to the cyclical nature of the business correlated with government and business investment in infrastructure, potential disruptions in the supply chain including inventory management, labor challenges, union disputes, the current recession in manufacturing, and legal and regulatory issues concerning environmental protection laws and compliance costs.

CAT's Social Responsibility Highlights include continued investment in the safety features of its machines. CAT strives to promote safety awareness in the industrial sector and has reduced its company-wide workplace injuries by 91% since 2003. In addition, CAT was named one of America's Best Employers for Diversity in 2008 by Forbes.

As of November 30, 2019, we have an unrealized gain of 5.38% on CAT.

**Norwegian Cruise Line Holdings (NYSE: NCLH)**

On November 7, 2019 we purchased 1,704 shares of Norwegian Holdings for $51.71 per share at a total cost of $88,117.

Since 1966, Norwegian Cruise Line Holdings has focused on providing a diverse offering of cruise vacations. NCLH is the smallest of the three leading international cruise lines with 26 ships, 54,400 berths, and 450+ destinations. They have an additional 11 ships on order through 2027. NCLH is composed of three separate brands, Norwegian, Oceania, and Regent Seven Seas, each of which serves a different demographic of the cruise market. Norwegian is focused on served low- and middle-class travels, but has premium offerings as well, giving it the largest breadth of offerings of any of the three lines. Oceania is a premium cruise line uniquely positioned to both "pull-down" luxury cruisers looking for a more affordable option and "pull-up" casual cruises looking for a more premium experience. Finally, Regent Seven Seas is an ultra-luxury brand that leads the industry. Regent has an established base of repeat customers and best-in-industry premium offerings.

From an industry perspective, total passengers carried has been growing steadily over the past twenty years and still has significant room to grow. Since 1990, the market has been growing at a 7% CAGR. Despite this growth, cruising remains only 8% of total global leisure travel spend. The market is heavily concentrated in North America but has seen growth in Europe and Asia as well. Asia in particular is poised for rapid growth as the pre-packaged vacation model of cruising catches on. Currently less than 2% of total trips abroad in China are cruises, compared to north of 15% in the US.

We believe NCLH offers an excellent investment opportunity due to its diversified product offerings which drives best in class yield. In addition, the underpenetrated international cruise market provides excellent growth opportunities for the brand. NCLH's premium offerings through their Regent and Oceania lines as well as the Haven on Norwegian will represent opportunities for top line growth as millennials' net worth grows and baby boomers continue to retire in droves. The Chinese and Asian-Pacific market is rapidly growing and Norwegian is positioned well to benefit from this growth due

In our valuation, we assumed a weighted average cost of capital of 9.5%. We assumed a 3% terminal growth rate which we consider quite conservative when considering how rapidly Norwegian has grown over the last 20 years. We calculated a target price of $71.54, representing a 39.76% margin of safety at the time of our pitch.

Norwegian has several advantages in the cruise industry. NCLH's enhanced product offerings continue to drive best in class on-board and ticket yield. Their freestyle cruising gives vacationers more flexibility than passengers on Royal Caribbean and Carnival cruises. In addition, the three brands cover the gamut of the cruise line market from basic to ultra-luxury, providing a Norwegian cruise for every price point. Finally, NCLH makes excellent use of the moveable nature of their assets and consistently deploys ships efficiently. We believe that their relatively small size in comparison to the other two major cruise lines facilitates this greater efficiency.

The greatest risks facing NCLH which may negatively impact its share price include but are not limited to recent International Maritime Organization Fuel Regulations. Beginning in January 2020, a new global limit on sulfur content of fuel of 0.5% is being put in place by the IMO. This is a significant decrease from the previous 3.5% limit. In addition, the rise of nationalism and protectionism may negatively impact international travel volumes.

Norwegian's corporate social responsibility highlights include being the only major cruise line that is a member of the Trash Free Seas Alliance. The Alliance seeks to reduce plastic waste reaching the oceans by 50% by 2025. NCLH is also partnered with several charitable organizations including the Ocean Conservancy and the Alaska Raptor Center. Norwegian is also consistently involved in disaster relief services in the Caribbean and other areas. Finally, they are continually working towards improving fuel efficiency and reducing emissions. Since 2016, NCLH ships have reduced fuel consumption by 11.3%

As of November 30, 2019, we have an unrealized gain of 3.73% on NCLH.

**Waste Management (NYSE: WM)**

On November 14, 2019 we purchased 562 shares of Waste Management stock for $111.94 per share at a total cost of $62,910.

Waste Management, Inc. (WM) provides waste management services including collection, transfer, recycling, resource recovery, and disposal services, and operates waste-to-energy facilities. The company services municipal, commercial, industrial, and residential customers throughout North America. Its sites include more than 250 owned or operated landfills (the industry's largest network), more than 300 transfer stations, and around 100 material recovery facilities. Collection services account for more than 50% of sales.

The environmental and facilities services sub-industry is defensive in comparison to the greater market. This is a positive when considering the recent volatility in global and domestic markets. Commodity prices will continue to be a headwind throughout the rest of 2019, as the industry must adapt to China's import ban. According to S&P, commodity prices are likely to stabilize significantly in 2020. The largest North American haulers will continue to divest underperforming assets and make selective acquisitions as smaller haulers face operating difficulties. YTD, through September 20, 2019, the Environmental and Facilities Services Index has increased 26.6% versus a 19.0% increase for the S&P Composite 1500 Index.

We believe WM is a strong buy due to its defensiveness through business cycles, strong financials, and leadership within the industry. With a diverse revenue mix with sources such as residential, public sector, manufacturing, offices, venues, and more, WM has a largely uncorrelated revenue stream. Additionally, as a non-discretionary expenditure, the business provides an investment portfolio with defense against economic downturns. Furthermore, WM has shown consistent, strong financials in recent years. Net income increased 25.25% in 2018. Additionally, through strong cash management, WM leadership has been able to make strategic decisions and generate an ROIC of 14.6% in 2018. Finally, as North America's leader in waste disposal, the company serves 21 million customers through 314 transfer stations and 252 owned or operated landfills, 90 recycling plants, and 130 beneficial-use landfill gas projects. These customers serve as consistent sources of revenue streams.

In our valuation, we assumed a weighted average cost of capital of 9%. We believe that a terminal growth rate of 3% is justified by WM's economic moats and dominant position in a stable and growing industry. Our target price is $122.44 with a margin of safety of 11.31%.

WM plans to remain an industry leader through its hard-to-replicate infrastructure, development, expansion, sustainability efforts, deep domain expertise, and community partnerships. WM has an industry-leading post-collection, landfill, and recycling network. With a vast network, WM can cut costs through transportation options and a diverse geographical portfolio. Furthermore, managing over 10.8 million tons of recycling per year, WM is focused on its unique recycling capabilities through its strong relationships and international presence. With a strong focus on technology, WM plans to transform its post-collection network through converting waste into energy, buildings, etc.

One significant headwind facing WM is the restriction of exported goods to China. China has imposed new tariffs on the import of recyclable commodities, including wastepaper, plastics and metals. If the Chinese government's regulations, tariffs, initiatives, or other similar regulations result in further reduced demand or increased operating costs, the profitability of our recycling operations may decline. Many other markets, both domestic and foreign, have tightened their quality expectations as well. Other risks include a rise in fuel prices and weaker economic growth.

WM continues to show devotion to CSR efforts by converting over 60% of their collection trucks to natural gas-powered vehicles. WM also saves over 117 million trees each year through their recycling practice. Additionally, WM recycled over 15.3 million tons in 2017.

As of November 30, 2019, we have an unrealized gain of 0.87% on WM.

**Oshkosh (NYSE: OSK)**

On November 14th, 2019 we purchased 692 shares of OSK stock at a price of $91.33 for a total of $63,195.

Oshkosh Corporation is the global leader in designing, manufacturing and distributing high quality capital equipment with product lines ranging from lifts to tactical vehicles. They have four main segments for reporting revenue: Access Equipment, Defense, Fire & Emergency, and Commercial. The faster growing segments are Defense and F & E. The defense segment is highly contingent on US government contracts that are highly unpredictable, and often materialize in bulk. This makes revenues and capital expenditure highly fluctuant, especially in times of high military spending. Oshkosh sole sources its inputs from large American suppliers such as Cummins, Allison, and Dana in the surrounding area, but is increasingly sourcing its components globally. In every segment they are in Oshkosh is the number one, or in some cases sole, manufacturer in the segment.

With many brands under one roof, Oshkosh is exposed to trends in many industries. With increasing defense spending as well as growing, albeit decelerating construction spending, Oshkosh will continue to grow its operating income over a ten-year period. Additionally, global demand for specialized military trucks has grown dramatically with conflicts in the Middle East, and inventory build-up in Eastern Europe.

OSK is currently mispriced by the market due to their complex revenue recognition, especially with defense contracts. With growing global demand for powerful and lightweight military transportation, Oshkosh is a business with a lot of growth potential not priced in. Proprietary technology and synergistic capital expenditures have benefit to customers who demand more effective and specialized vehicles.

Oshkosh offers best in class products across four operating segments. Its highly specialized products have been recognized globally and remain in high demand. Additionally, the firm has strong intangible assets in the form of its patented drive stabilization system. Finally, Oshkosh manages its inventory well through third parties and can easily increase and scale back demand.

We have identified the following risks which may pose a significant risk to the future success of Oshkosh. One of the main ones being dependence on outside suppliers. At the moment Oshkosh sources a large portion of materials from third party suppliers. Additionally, Oshkosh has a high degree of revenue concentration. The firm derives a significant amount of revenue (25%) from government contracts exposing it to political risk.

Oshkosh has shown a commitment to CSR efforts for years on end. The firm has consistently ranked as Barrons #1 most sustainable industrials company. As a result of its efforts, Oshkosh was added to the Just Capital ETF, a global ESG index in early 2019. Additionally, Oshkosh is one of the few industrial firms to retain a global VP of Environmental Affairs. Finally, Oshkosh to date has donated $1.9M and 12,140 hours to local community organizations.

As of November 30, 2019, we have an unrealized loss of 0.95% on OSK.

## Houlihan Lokey (NYSE: HLI)

On November 21, 2019 we purchased 1,325 shares of Houlihan Lokey, Inc. at $47.62 per share at a total cost of $63,091.

Houlihan Lokey, Inc. (HLI) is an American investment bank which provides M&A Advisory, Restructuring Advisory and Financial Advisory services to mid-to-large cap companies across the world. The company is headquartered in Los Angeles, CA and has offices in 22 locations across the globe including Australia, Dubai, Germany, Hong Kong, Japan, Singapore, Spain and the United Kingdom.

Restructuring activity has been relatively stable in recent quarters, with Chapter 11 filings rising 19% in 1H19 versus 1H18. Further, a comparison of Corporate Credit Rating Distributions from 2007 versus 2019 shows a significant shift in U.S. corporates towards riskier credit profiles. For M&A, U.S. deals in the $1-5B range has risen for three consecutive quarters, while long-term trends in M&A activity indicate stable growth moving forward. From a geographic perspective, American investment banks have outperformed European investment banks over the past five years. With American banks increasing headcount abroad while European banks are downsizing, this trend is likely to continue.

Houlihan Lokey is a strong investment due to the firm’s growth prospects, distinguished track record and its ability to add significant diversification to our portfolio. HLI has acquired nine firms over the past ten years, developed 3 strategic partnerships and has increased total headcount by 24% over the last three years. This expansion increases their footprint in European markets and allows them to handle a greater volume of transactions. Weak economic growth throughout Western Europe has presented a hurdle to European investment bank growth at home and abroad. HLI, among other U.S. based investment banks, have been able to capitalize on this trend, increasing their market share by revenue from 46% to 52% between 2007 and 2018, compared to a decline from 39% to 26% for their European competitors. Between 2015 and 2018, HLI was recognized by Thomas Reuters as the No. 1 M&A advisor for all U.S. Transactions, and they have ranked as the No. 1 Global Restructuring Advisor for five of the past ten years. HLI diversifies our portfolio by increasing our financial sector allocation, which to date represents only 5.88% of our portfolio, the lowest among all sectors in which we are actively invested.

Houlihan Lokey's key competitive advantage is its reputation as a premier investment bank for restructuring transactions, having advised on more deals than any other investment bank in 2018, in addition to having advised on 12 of the 15 largest U.S. corporate bankruptcies in the last 20 years. Despite their notoriety for restructuring, HLI derives more than half its revenue from non-restructuring related services. They also support a diverse client base, with no industry accounting for more than 23% of fees and no single transaction accounting for more than 3% of fees. This diverse mix of revenue streams provides HLI with significant growth opportunity moving forward, having the capability to capitalize in periods of both growth and recession. Houlihan Lokey has recently been expanding its global reach with 9 acquisitions over the past decade, mainly into European markets, which are expected to provide additional opportunities for growth.

An economic downturn would likely hurt demand for investment banking services; however, HLI's presence in the restructuring space would hedge some of this risk due to the counter-cyclical nature of restructuring activity. Houlihan Lokey is susceptible to its talent being poached by other investment banks, which could harm their reputation and limit their transaction volume moving forward. Investment banks operate in a highly regulated industry, which may limit their ability to grow.

Houlihan Lokey, Inc has taken steps to strengthen corporate social responsibility through employee "Give a Day to Charity" program and through corporate donations to several organizations. To date, the firm has made contributions to 11 reputable organizations including Make-A-Wish Foundation, The National Center for Children and Families, and The Leukemia & Lymphoma Society.

As of November 30, 2019, we have an unrealized gain of 0.11% on HLI.

**Lessons Learned:**

It is worth saying again. Each member of our team recognizes that participating in the Student Managed Fund is both an honor and a privilege. Every member of the team began the semester with the intent to take full advantage of everything the program had to offer. That spirit and intensity has only increased as the semester has progressed. One of the reasons why the Student Managed Fund is so highly respected is because it offers students a different type of learning. The Harvard case method taught by Patrick Terrion, Jeff Annello, and Chris Wilkos guides students to critical lessons about business and life.

Perhaps one of the most versatile and applicable skills students develop in the SMF is the art of thinking. The art of security analysis has grown more complex as availability to information has increased exponentially. The problem is two-fold. With so much information it is easy to mistake much of it for genuine knowledge. Second, with so much information it is difficult to know what to pay attention to. So how can we get to the right valuation? Through instructor guidance we participate in second and third level thinking which helps to disseminate everything that out there. From this vantage point we can craft a defensible and persuasive presentation. We have accepted that there are never any right answers, just alternatives, each alternative can be right in different circumstances. Our target price analysis is coupled with a margin of safety and a sensitivity analysis. By identifying alternative valuations under different assumptions, we can be more comfortable with our decision making.

We have also developed technical skills through guided instruction of Patrick Terrion and Jeff Annello. Over the course of the summer, each of us created several iterations of an individual valuation project. This process prepared us to begin the semester with basic knowledge of valuation and the equity selection process. Through the semester we have further developed financial modeling and valuation skills in the form of discounted cash flows, dividend discount models, and comparable company analysis. Knowing both how to apply these methods and the ability to recognize when they will not help are core skills that we will employ both in out remaining time in the program and in our professional careers. Additionally, we are developing the skill of identifying a firm's business model and the key levers that impact it and its valuation. These levers come in the form of leverage, growth potential, economic moats, and other key characteristics. To aid in this process, we utilize resources such as Bloomberg, Thomson One, Value Line, and other financial databases. We are far from industry experts, but we leave this program confident in our ability to differentiate between interesting companies and attractive investments.