

UConn

SCHOOL OF BUSINESS

Student Managed Fund UConn Foundation Presentation

Undergraduate SMF Team White

Thursday March 5, 2020

Agenda





Team White Strategy



Team White Managers



From Left to Right: Nick Beckwith, Andrew Blackmore, Michael Burnett, Julia DeMarkey, Alex Flug, Austin Goll, Alex Greco, Matt Grohocki, Sean Monaghan, Kyle Tesei, Dhvani Visaria

Leadership Positions

Co-Lead Managers:

- Michael Burnett
- Matthew Grohocki

Digital Media Manager:

- Julia DeMarkey

Portfolio Managers:

- Andrew Blackmore
- Alex Greco

Communications Manager:

- Sean Monaghan

Sector Research Allocation

GICS Sectors	Analyst 1	Analyst 2
Healthcare	Alex Flug	Julia DeMarkey
Energy	Alex Greco	Sean Monaghan
Consumer Staples	Matthew Grohocki	Alex Flug
Industrials	Andrew Blackmore	Nick Beckwith
Consumer Discretionary	Kyle Tesei	Matthew Grohocki
Materials	Nick Beckwith	Alex Greco
Real Estate	Julia DeMarkey	Austin Goll
Technology	Sean Monaghan	Kyle Tesei
Telecommunications Services	Dhvani Visaria	Michael Burnett
Financial Services	Austin Goll	Dhvani Visaria
Utilities	Michael Burnett	Andrew Blackmore



Investment Process

Investment Philosophy

- Team White seeks businesses that are **well managed, competitively positioned, and easy to understand**
- We seek exceptional businesses **trading well below intrinsic value**
- **We continue to invest utilizing a bottom-up approach**

Decision Making Process

- All investment decisions (buy, sell, and re-balance) are determined by a vote requiring an **8/11 super majority**
- New allocations require an in depth stock pitch along with a comprehensive DCF valuation
- Investments range from **5-10%** at initial allocation





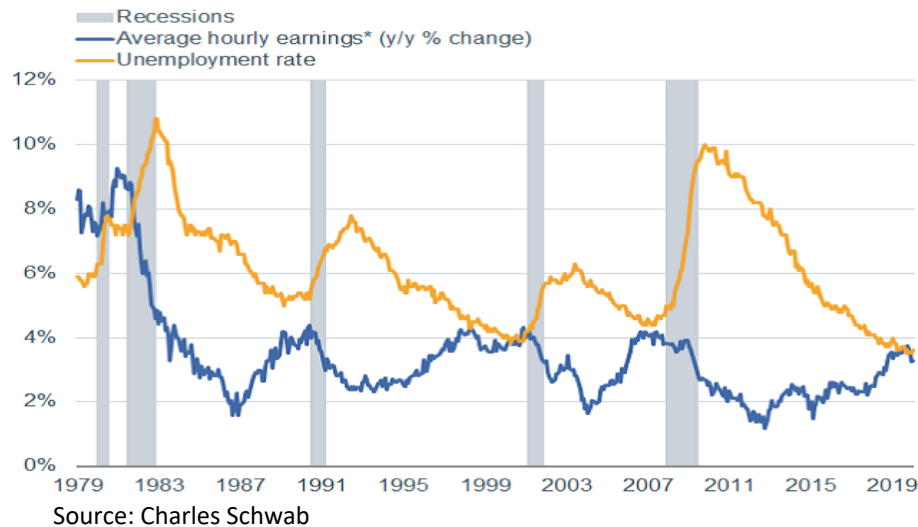
Macroeconomic Outlook



Market Environment

Favorable Economic Policy

- Corporate tax cuts, quantitative easing, and favorable central bank policy create a positive backdrop for equity markets
- Leading us into the longest bull market in history dating back 11 years and returning 330%



Stocks Overvalued by Historical Standards

- With record low risk free rates there is no investment alternative to stocks
- Leading up to the Coronavirus correction the market was trading at **199% of GDP & 2.5x EV/Sales** both of which register in the **99th percentile historically**



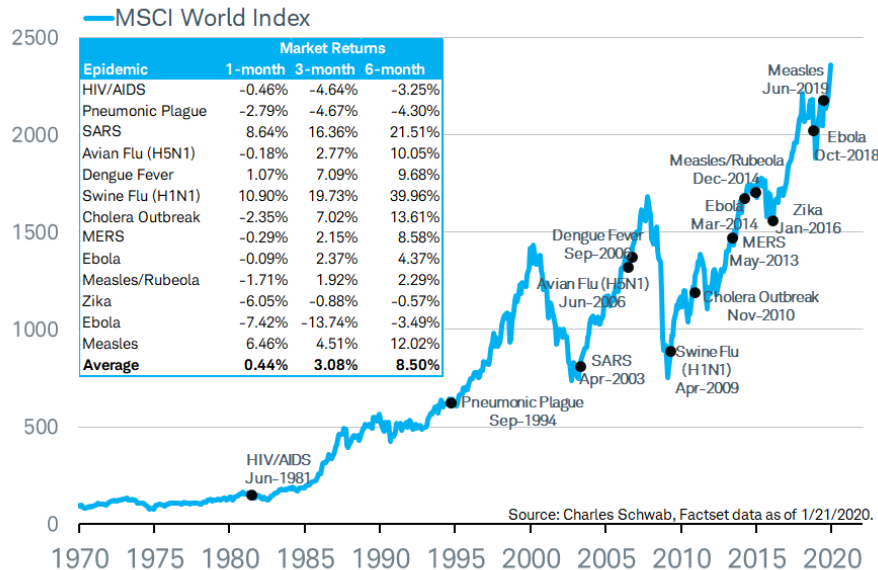
COVID-19 Market Impact

Geographic Spread

Coronavirus sparks fear of potential global recession

- Impact on global supply chains expected to peak in mid march (Harvard Business Review)
- Goldman revises Q1 GDP estimate down .2%
- Federal reserve initiates surprise 50 bps rate cut, pushing the 10 year treasury yield below 1%

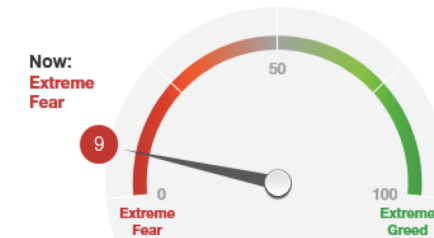
Immune: world epidemics and global stock market performance



Market Reaction

Fear & Greed Index

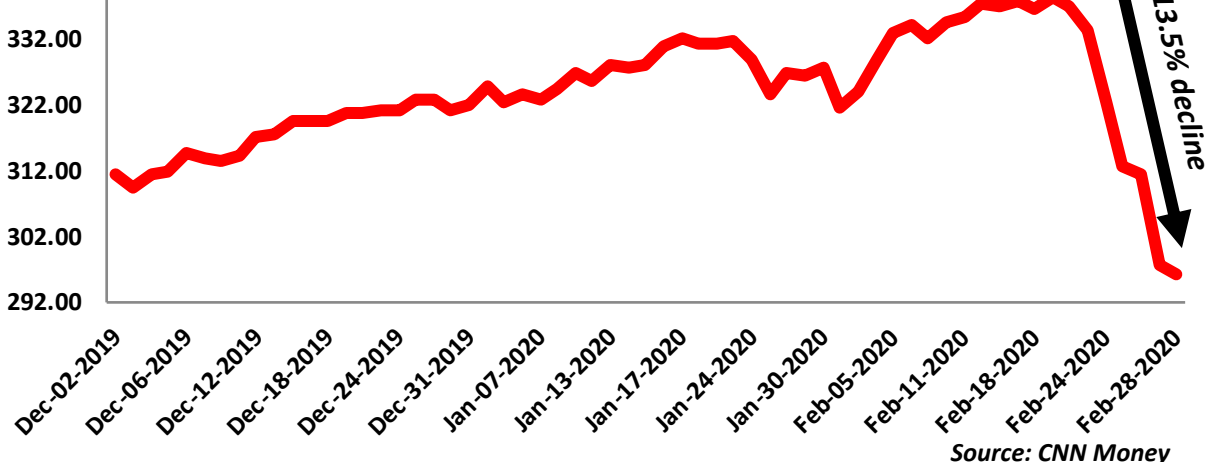
What emotion is driving the market now?



Fear & Greed Over Time



S&P 500



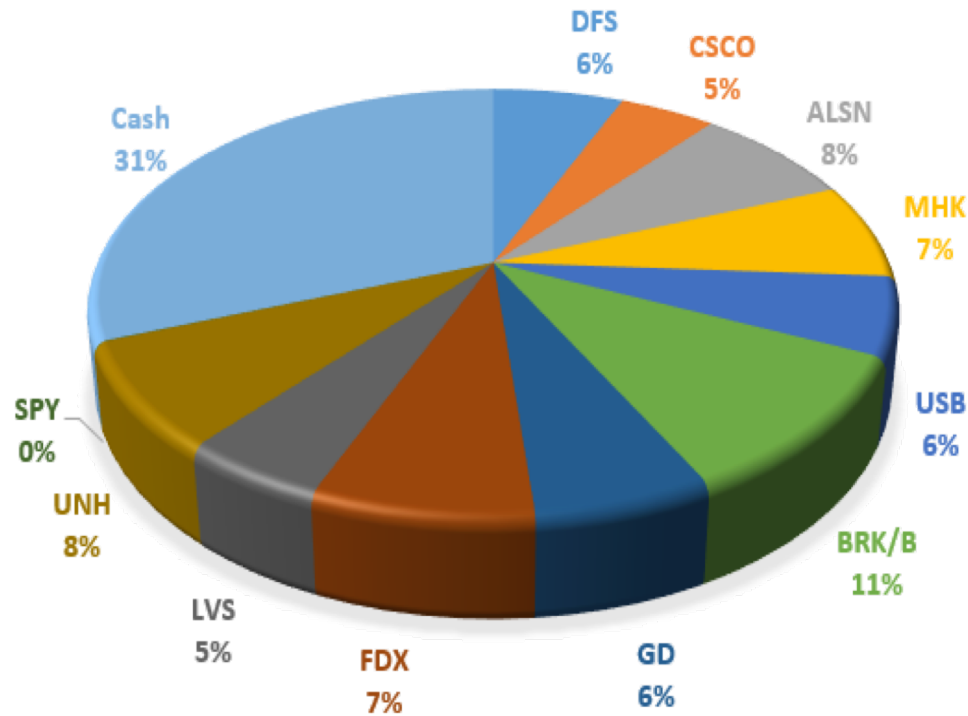


Portfolio Performance



Performance Overview (2/28/2020)

Allocation Breakdown



Relative Performance

Portfolio Return		S&P 500 Return (SPY)	
Beginning Value	\$1,513,849.75	Beginning Value	292.45
Current Value	\$1,464,275.39	Current Value	296.26
% Change	-3.27%	% Change	1.30%

Sector	Current Allocation	Average Equity Performance	Index Performance (August 31, 2019-February 27, 2020)	Index Performance Since Entry	Relative Performance Since Entry
Communication (XLC)	4.52%	-19.59%	2.48%	-10.7%	-8.9%
Discretionary (XLY)	5.05%	-16.11%	-3.14%	-4.0%	-12.1%
Staples (XLP)	0.00%	0.00%	-4.50%	N/A	N/A
Energy (XLE)	0.00%	0.00%	-21.24%	N/A	N/A
Financials (XLF)	22.25%	-13.75%	-1.23%	-7.6%	-6.1%
Health Care (XLV)	7.94%	19.33%	2.22%	2.8%	16.6%
Industrials (XLI)	28.46%	-11.69%	-3.54%	-1.7%	-10.0%
Materials (XLB)	0.00%	0.00%	-7.00%	N/A	N/A
Real Estate (XLRE)	0.00%	0.00%	-6.17%	N/A	N/A
Technology (XLK)	0.00%	15.20%	11.12%	9.7%	5.5%
Utilities (XLU)	0.00%	0.00%	-0.64%	N/A	N/A
Cash	31.78%	0%	0%	N/A	N/A



Virus Exposure

Travel and Global Supply Chain Exposure

Month of February

Travel & Transportation Reliant Allocations


NORWEGIAN
CRUISE LINE

- 31.2%


LAS VEGAS SANDS CORP.

- 12.4%



- 1.9%


SPIRIT
AEROSYSTEMS

- 17.3%

Global Supply Chains


PVH

- 14.2%


CISCO

- 18.1%

Since purchase

S&P 500

SPY

- 8.6%



Analysis & Plan Moving Forward



Attribution Breakdown

Industrials

Currently **28.5%** of Portfolio

 **STOPPED**

Average stock performance:
-11.7%

Index performance as of
August 31st (XLI): **-3.5%**

Financials

Currently **22.3%** of Portfolio







Average stock performance:
-13.8%

Index performance as of
August 31st (XLF): **-1.2%**

Discretionary

Currently **5.1%** of Portfolio



 **STOPPED**
PHILLIPS-VAN HEUSEN
CORPORATION

 **STOPPED**
NORWEGIAN
CRUISE LINE

Average stock performance:
-16.1%

Index performance as of
August 31st (XLY): **-3.14%**



Latest Portfolio Adjustments (3/3/2020)

Portfolio Rebalance



Increase from **6.15 – 8.15%**



Increase from **7.18 – 8.18%**



Increase from **4.52 – 6.52%**



Increase from **5.83 – 6.83%**



Increase from **7.83 – 8.83%**



Increase from **7.62 – 8.62%**

New Allocations

AMERCO

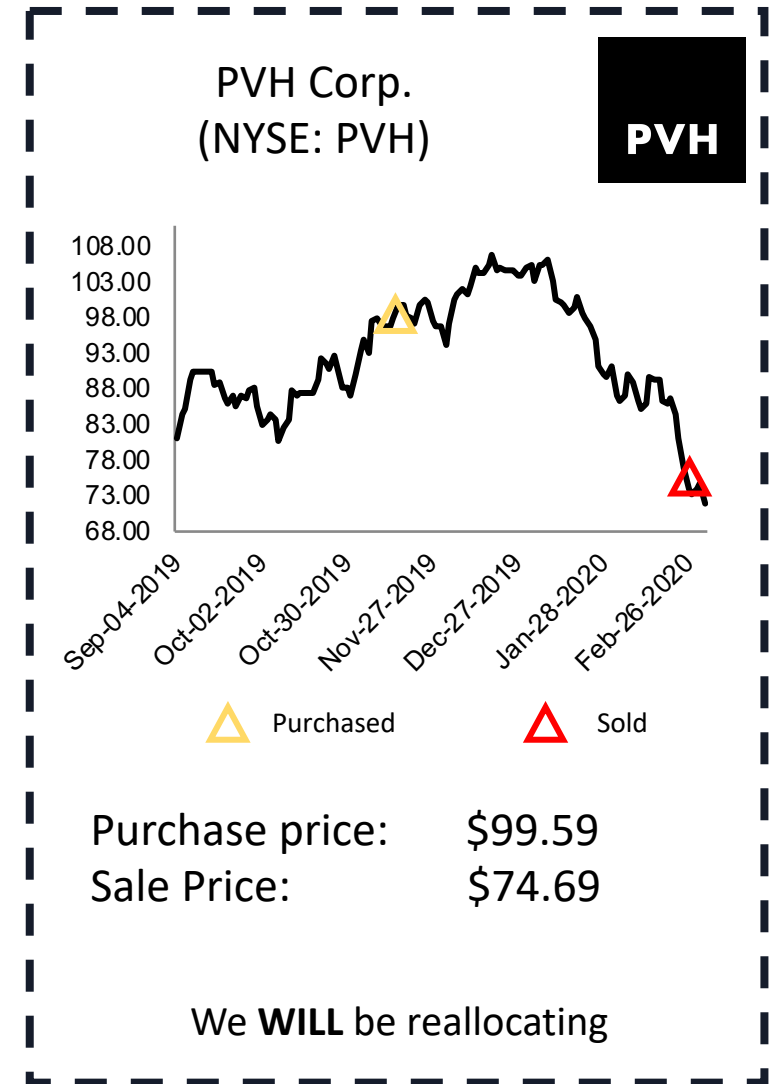
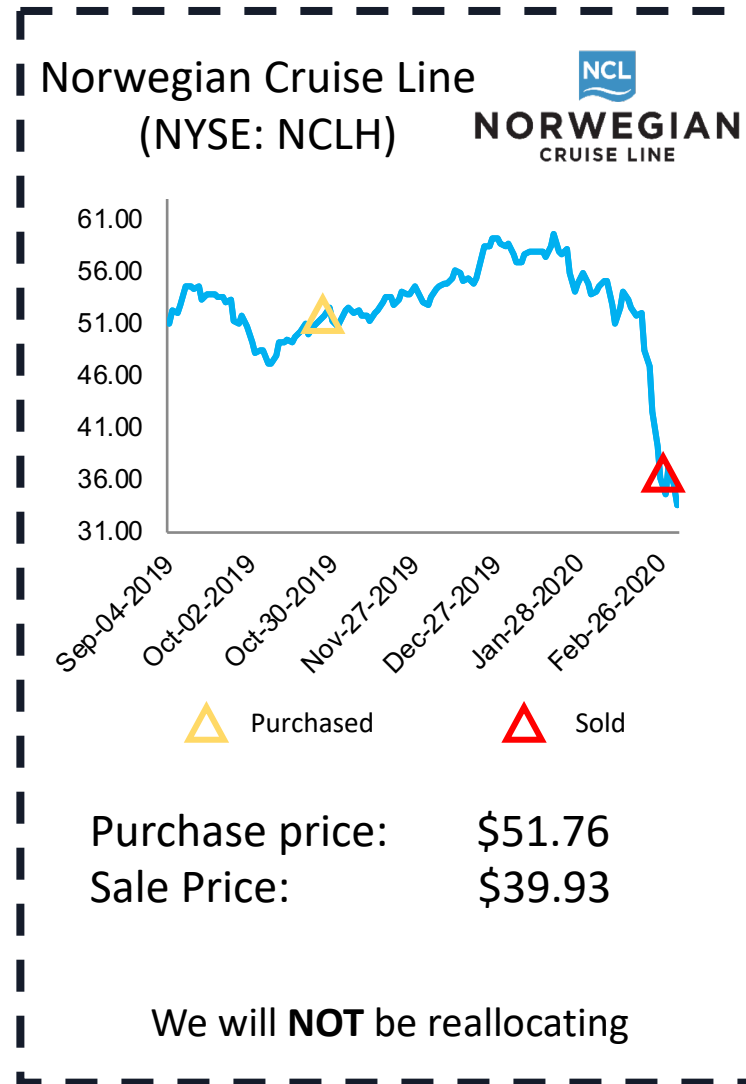
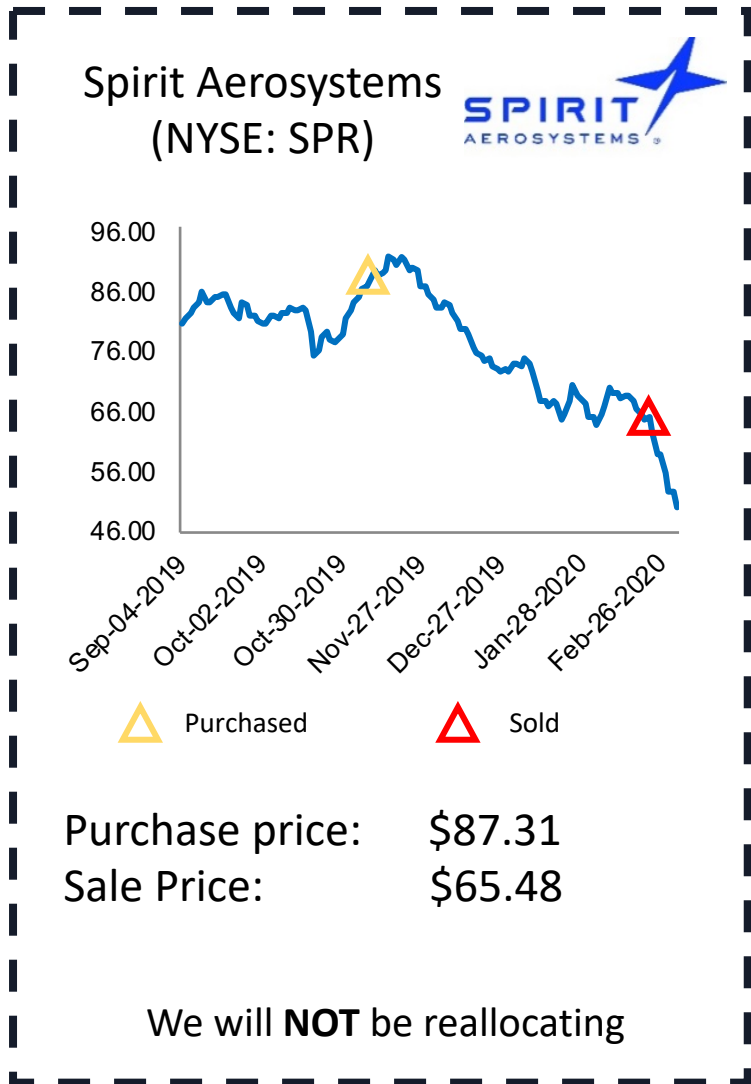
- Largest “do it yourself” moving company in NA

BOOKING
HOLDINGS

- Worlds leader in online travel and related services

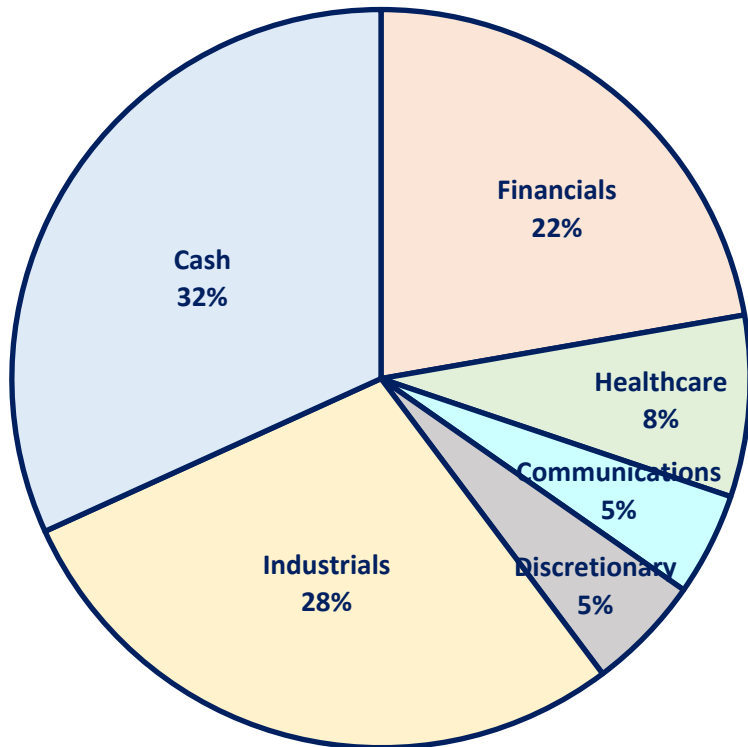


Revisiting Stop Losses

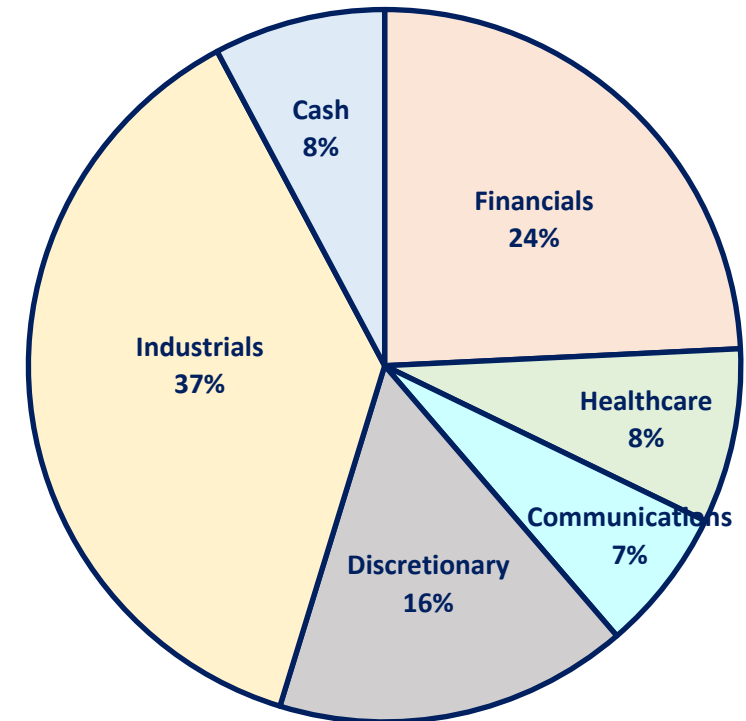


Sector Attribution Moving Forward

Attribution February 28, 2019



Attribution Moving Forward



92% Invested





Appendix & Questions



UnitedHealth Group (NYSE:UNH)

Business Description

Two Primary Business Segments:

1. Health Benefits (UnitedHealth Group)
 - a. Individual & Employer (30%)
 - b. Medicare & Retirement (41%)
 - c. Community & State (24%)
 - d. Global (5%)
 2. Health Services (Optum)
 - a. Optum Health (24%)
 - b. Optum Insight (9%)
 - c. Optum Rx (67%)
- UNH is primarily a healthcare benefits provider and issuer of health insurance
 - Generates 79% of revenue from premiums
 - Remainder comes from sales of healthcare products, services, and investment

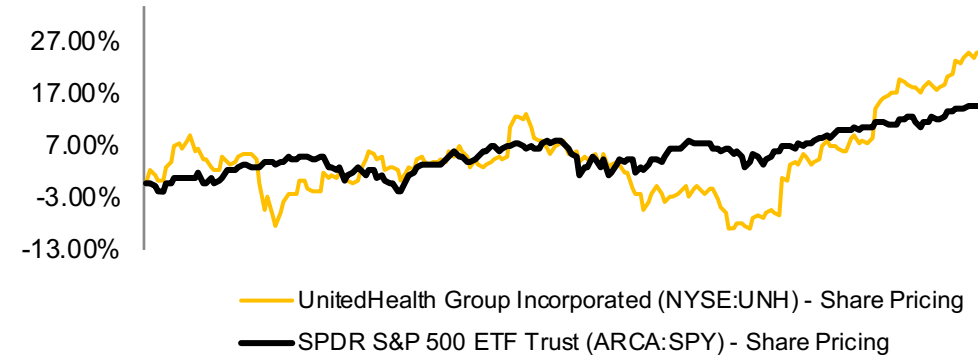
Recent M&A:

- Patients Like Me, Med Express, XL Health, Catamaran, & Davita Medical Group
- Acquisitions add synergies to UNH and allow UNH to cross-sell their business segments to new customers.
- Cross-selling, UNH will sell UnitedHealth Care to Optum users and sell Optum to UnitedHealth Care users.

Risks:

- Federal regulation and healthcare policy
- Slim margin of error in cost calculations
- Information Breaches

TTM Stock Performance (vs. SPY)



Investment Thesis

Cost Advantage

- Size and scope allows for cross-selling
- Optum provides unique positioning

Growth Potential

- Growth in enrollment and lower rates
- Strategic acquisitions

Market Control

- State control and integration





Intel Corp. (NYSE:INTC)

Business Description

- Intel is one of the worlds largest semiconductor manufacturers. They design and manufacture microprocessors for the global PC and data center markets.
- Future growth opportunities include, Internet of Things, AI, memory, and self driving cars.

Four Primary Business Segments:

1. Client Computing Group (52%)
 - Semiconductors
 - Microprocessors
2. Data Center Group (32%)
3. Memory and Programmable Solutions (6%)
4. Internet of Things Group (5%)
 - AI technology

Primary Customers:

- HP, Lenovo, and Dell (76% of PCs)

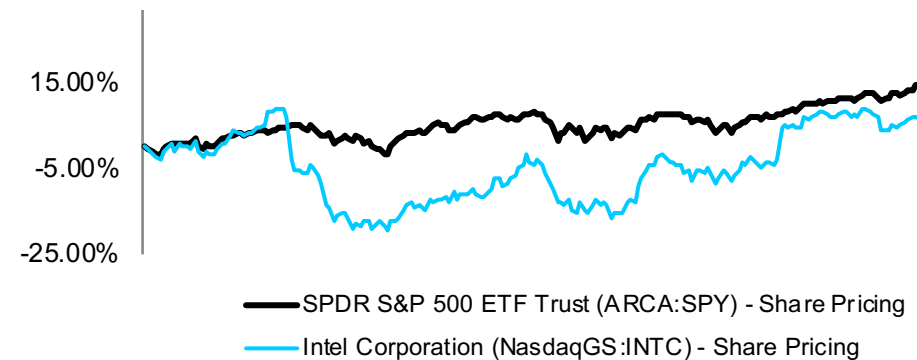
Recent M&A

- Mobile Eye, Omnitek, Barefoot Networks, Softmachines

Risks

- Rapidly changing technology environment
- Global trade conflicts
- Cyber security and privacy

TTM Stock Performance (vs. SPY)



Investment Thesis

Dominant Market Positioning

- Significant customer base
- PC-centric

Superior Products

- Data Center business provides sticky relationships

Vision for the Future

- Strategic acquisitions and AI



FedEx Corp. (NYSE:FDX)



Business Description

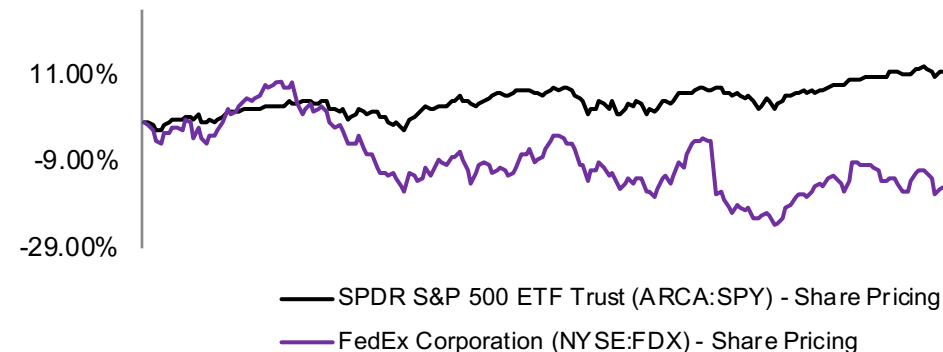
Four Primary Business Segments:

1. FedEx Express (53.56% of revenue)
 - a. Urgent courier services available 365 days a year
 - b. 90% of Americans live within 5 miles of a drop-off location
2. FedEx Ground (29.45% of revenue)
 - a. Increasing services to 7 days a week
 - b. Transitioning to an independent service provider model (ISP)
3. FedEx Freight (10.88% of revenue)
 - a. Specializes in Less-than-Truckload shipping at flat rates
 - b. Recent advances in shipping and operations technology
4. FedEx Services (6.11% of revenue)
 - a. Provides sales, marketing, IT, and customer service for our customers and other lines of business.

Recent M&A:

- TNT Express (Europe)
- Flying Cargo Group (Israel)
- Cargex (Latin America)

TTM Stock Performance (vs. SPY)



Investment Thesis

Market Overreaction

- Down ~46% at entry
- Significant value still present in FDX

Growth Potential

- Ecommerce expansion
- Global expansion

Growing Infrastructure

- Investment and specialization



Spirit AeroSystems Holdings, Inc. (NYSE:SPR)

Business Description

Overview:

Spirit AeroSystems is one of the world's largest non-OEM designers and manufacturers of aero structures for commercial and defense aircrafts. Spirit applies research and emerging technologies in designing, fabricating, assembling and integrating components and structures for premier commercial and defense aerospace programs like Boeing and Airbus.

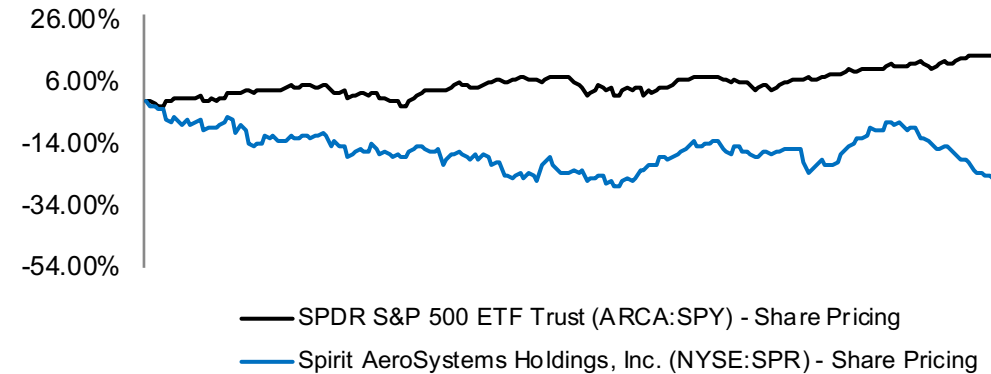
Main Business Segments:

- Fuselage Systems: 55.4%
- Propulsion Systems: 23.6%
- Wing Systems: 20.9%

Recent M&A:

- **Asco Industries:**
 - Purchased for \$650 in cash in 2018, recently reduced to \$420 Million.
 - Increased Airbus Wing System business
- **Bombardier Facilities:**
 - Increased factory square footage by 20%
 - Paid with cash on hand
 - Additional revenue diversification

TTM Stock Performance (vs. SPY)



Investment Thesis

- Stock oversold in the last 8 months
- Revenue diversification & benefits of acquisitions
- Deep relationships with key customers and suppliers
- Ability to produce in high quantity to keep up with OEM demand.



Phillips-Van Heusen Corp. (NYSE:PVH)

Business Description

➤ Business Overview:

- Designs and markets branded apparel in more than 40 countries.
- Key fashion categories include men's dress shirts, ties, sportswear, underwear, and jeans.
- Leading designer brands: Calvin Klein and Tommy Hilfiger, which generate more than 80% of PVH's revenue.
- PVH also owns several smaller brands, including IZOD, Van Heusen, and ARROW, and licenses brands from third parties.
- PVH distributes its clothing wholesale to retailers and through company-owned stores

Organic & Inorganic Growth Potential

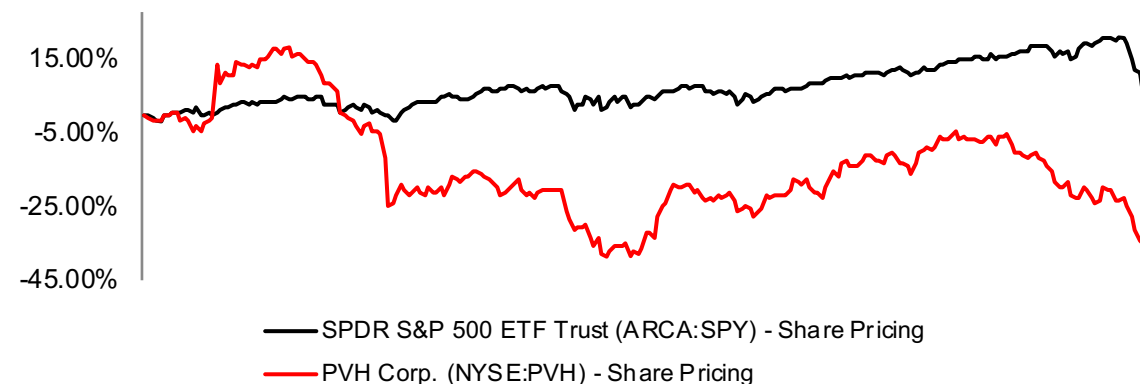
➤ Organic Growth:

- E-Commerce, International Expansion, Entering Women's Clothing Market

➤ Inorganic Growth:

- Joint Ventures, Acquisitions, Mergers

TTM Stock Performance (vs. SPY)



Investment Thesis

➤ International Expansion

- PVH's iconic brands have strength globally. As growth in China and Latin America expands, this improves top line growth potential.

➤ Digitalization of Business

- PVH is reducing their exposure to classic retail stores by developing their E-Commerce sales.

➤ Servicing Debt & FCF Growth

- Paid down \$2 billion in senior secured loans since 2013, and as international sales drive FCF growth, PVH will continue to service their debt.



Allison Transmission (NYSE:ALSN)

Business Description

Overview:

Allison Transmission is a manufacturer of automatic transmissions and a leader in electric hybrid propulsion systems. Allison sells their transmissions to OEMs, who in turn sell them to the customer in their vehicle.

Business Segments:

1. North America On-Highway (51%)
2. North America Off-Highway (2%)
3. Outside North America On-Highway (14%)
4. Outside North America Off-Highway (6%)
5. Defense (5%)
6. Services (22%)

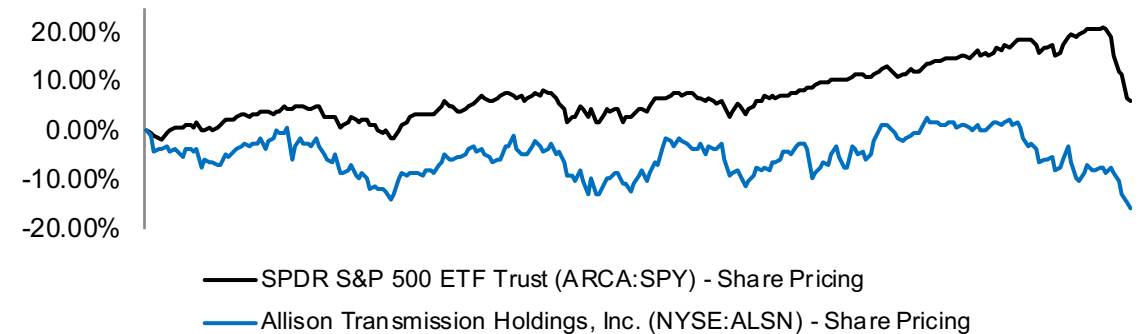
Recent M&A:

- AxleTech & Vantage Power

Risks:

1. End users in highly cyclical industries
2. International operations subject to various risks
3. Unionized Work Force

TTM Stock Performance (vs. SPY)



Investment Thesis

Market Control	International Growth	Capital Allocation
#1 Supplier worldwide	5% penetration overseas	10 Year FCF CAGR of 14.3%
OEM/Customer relationships	Favorable macro trends in China	Share Buyback Policy
Superior products and brand recognition	Nearly 250,000 Commercial opportunity	Strategic acquisitions



Discover Financial Services (NYSE:DFS)

Business Description

Overview:

Discover Financial Services, operates as a direct banking and payment services company. Discover's goal is to provide banking and credit products that help consumers achieve their financial. Discover is best known for their Discover-brand credit cards, which are used by more than 25 million members.

1. Direct Banking (82% of revenue)
 - Credit cards, loans, and, deposits
2. Payment Services (18% of revenue)
 - PULSE, Diners Club, and Network Partners Business

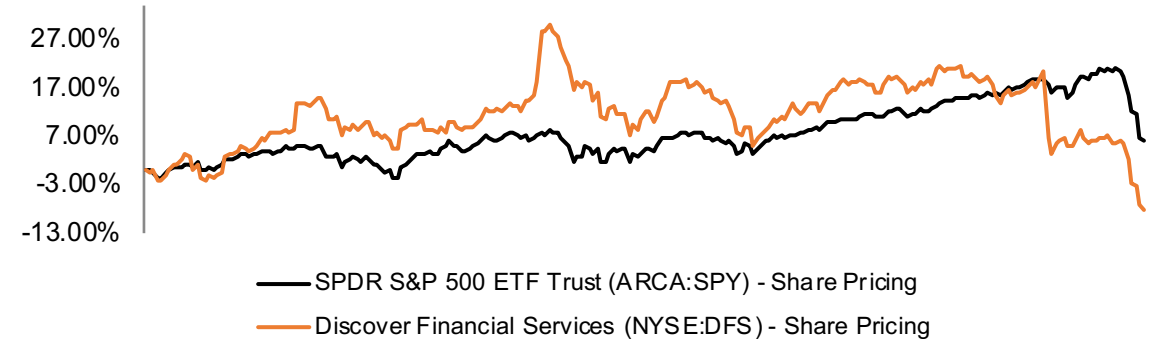
Recent M&A:

- Dinners Club
- PULSE
- Discover Student Loans
- Discover Home Loans
- First National Bank Alaska
- Tree.com

Potential Risks:

- DFS faces credit risk that current their borrowers will fail to fulfill their financial obligation.
- DFS is exposed to market risks that can arise from adverse movements in market rates.
- DFS is subject to operational risk from the potential loss of failed internal processes, systems or from external events.

TTM Stock Performance (vs. SPY)



Investment Thesis

1. **Closed Loop Model**
 - Control both payment processing and financing which allows for a more efficient and secure process
2. **Interest Rate Spreads**
 - Control Discover charges customers a large amount in interest with a small interest expense
3. **Student and Global Growth**
 - Discover is popular with younger people which allows for sustained long-term growth
 - Discover predominantly operates in the U.S. and is looking to expand internationally





General Dynamics (NYSE:GD)

Business Description

Overview:

General Dynamics is a global aerospace and defense company that offers a broad portfolio of weapons and services. GD generates revenues by collecting on contracts issued by the government.

Business Segments:

1. Aerospace (23.7%)
2. Combat Systems (17.2%)
3. Marine Systems (13%)
4. Information Technology (22.9%)
5. Mission Systems (23.50%)

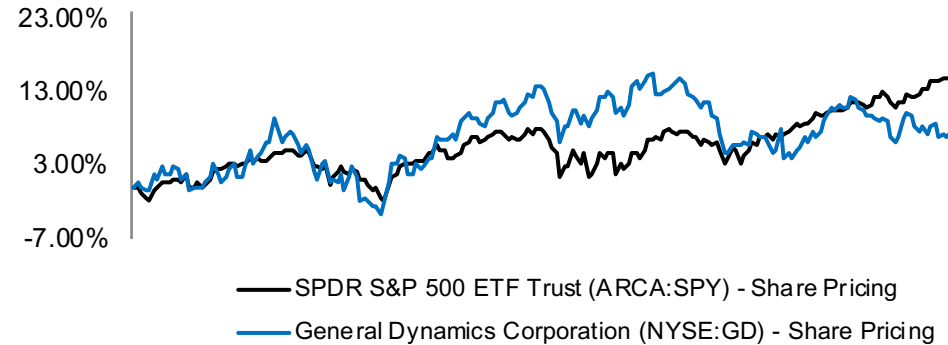
Recent M&A:

- CSRA, Hawker Pacific, FWW, Avjet, Bluefin Robotics

Risks:

- International Market Risk
- Contractual Risk & Government Relations
- Changing demands

TTM Stock Performance (vs. SPY)



Investment Thesis

Industry Trends	Highly Innovative Culture	M&A
Commercial Aircrafts	IT Department	CSRA
Digital Trends	Commercial Jets	Bluefin Robotics
Global military expenditure	Government Contracts	Global customer service



Norwegian Cruise Lines (NYSE:NCLH)

Business Description

Overview:

- NCLH offers cruises across the spectrum of consumer income levels ranging from contemporary to luxury
- Apollo Global:** Control ownership in 2007; **IPO in 2013**
- Management team with **80+ years** cruise industry experience

Three Primary Business Segments:

- Norwegian Cruises (16 Ships = **61.5% of Fleet**)
 - Contemporary market
- Oceania Cruises (6 Ships = **23% of Fleet**)
 - Premium market
- Regent Cruises (4 Ships = **15.5% of Fleet**)
 - Luxury market

Ship Fleet:

- 2018: **26 Ships, 54,400 berths**
 - Avg Fleet Age: **9.8yrs** (lowest in industry)
 - Fuel/Revenue: **6.49%** (lowest in industry)
- 2027: **37 Ships, 82,100 berths**

Global Destinations:

- Europe, Asia, Australis, New Zealand, South Africa, Canada, Bermuda, Caribbean, Alaska, Hawaii, etc.

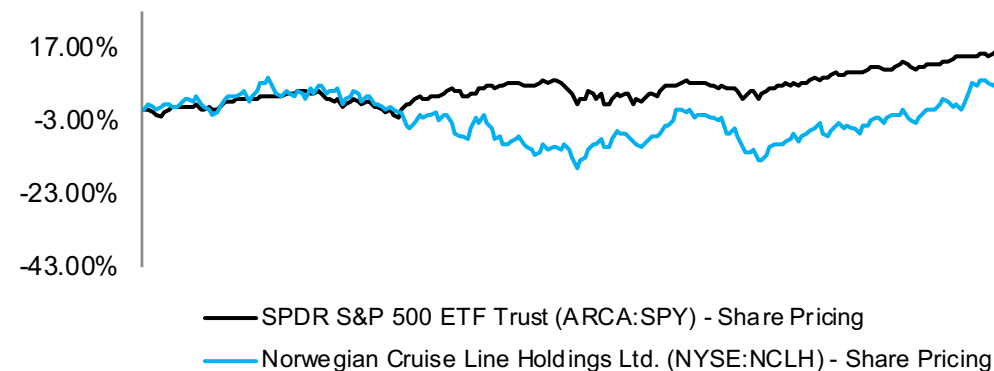
Historical Performance:

- 5yr Revenue CAGR: **18.7%** (highest in industry)
- 5yr EBIT CAGR: **25.3%** (highest in industry)
- Market Share: **9%**

Primary Risks:

- Adverse fuel pricing and decrease in discretionary spending

TTM Stock Performance (vs. SPY)



Investment Thesis

Enhanced Offerings	Best in Class Yield	APAC Market Potential
- Upscale berths - Exclusive access	- Net Yield: \$250 per customer	- Under penetrated mkt
- Unique itineraries	- Onboard spending	- Only 1 ship currently
- Millennial target market	- Pre-cruise revenue	- Avg \$2K per trip (Chinese tourism)



Las Vegas Sands Corp. (NYSE:LVS)

Business Description

Overview:

- Las Vegas Sands is the largest casino operator in the world
- Developer of destination properties and resorts that feature gaming, lodging, entertainment, retail, restaurants, convention, exhibition facilities, and other amenities
- LVS's unique MICE business model (Meetings, Incentives, Conferencing, and Exhibitions), sets them apart from their competitors by providing a one-of-a-kind venue for events that drives growth and overall traffic to their resorts.

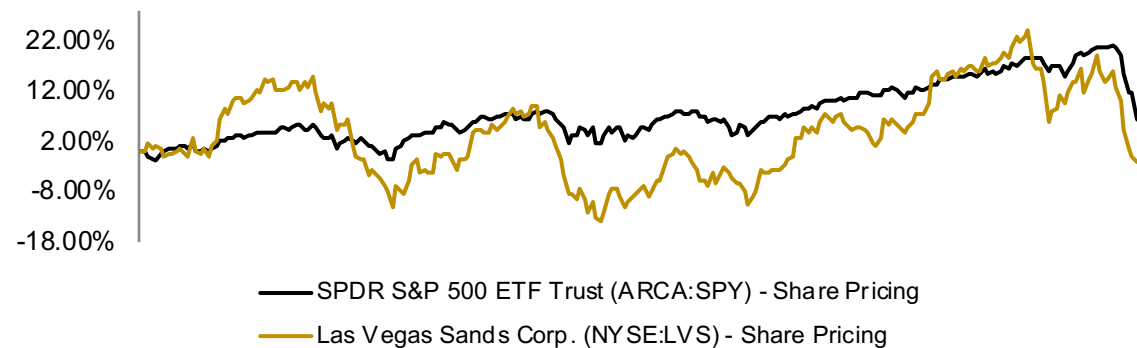
Business Segments:

1. Macau (66% of revenue)
2. Singapore (22%)
3. Las Vegas (12%)

Risks

1. Exposure to Chinese markets
2. Regulatory risks pertaining to gaming licenses
3. Foreign exchange rate risks
4. Ownership Structure

TTM Stock Performance (vs. SPY)



Investment Thesis

Competitive Positioning	Expansion Opportunities	Transportation Infrastructure
-Singapore -Duopoly	-Marina Bay Sands Tower 4	-Macao HSR development
-Macao Dominance	-Japan (Tokyo or Osaka)	-Hong Kong Bridge
-ROIC greater than 20% on new projects	-Londoner Rebranding	-Singapore most developed in East Asia





U.S. Bancorp (NYSE:USB)

Business Description

Overview:

- U.S. Bancorp is a Minneapolis based regional bank, it is the fifth largest commercial bank in the US by asset size (\$488 billion)

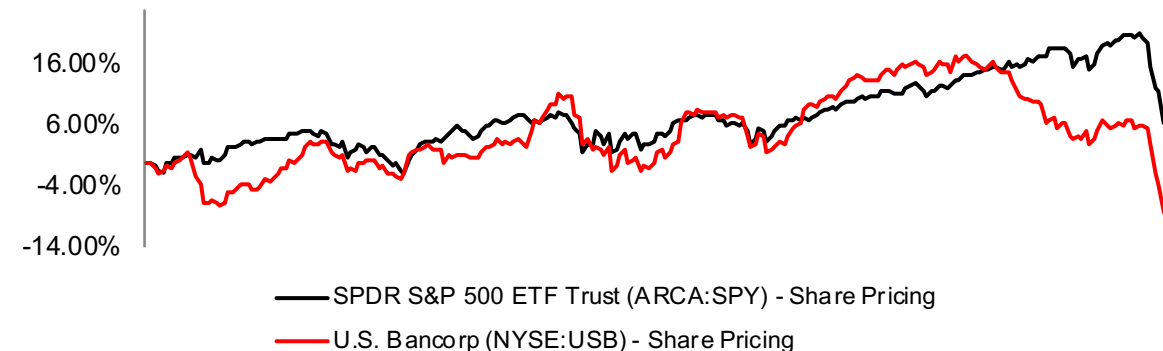
Business Segments:

- Consumer and Business Banking (40% of revenue)
 - Traditional banking segment offering products and services through banking offices, and online platforms
- Payment Services (29%)
 - Consumer and business credit cards- USB is the #1 financial institution issuer of credit cards
- Corporate and Commercial Banking (18%)
 - Lending, financing, and capital market solutions to public, private, and non profit institutions
- Wealth Management & Investment Services (13%)
 - Traditional wealth management services, revolutionizing wealth management through its digital customer experience

Risks

- Government Regulation
- Interest Rate Risk
- Macroeconomic Credit Risk

TTM Stock Performance (vs. SPY)



Investment Thesis

Unmatched Efficiency	Consistent Shareholder Returns	Exemplary Risk Management
-Superior ROE & ROA	-Consistently growing dividend	- Diversified businesses
-53.3% efficiency ratio	-Consistent annual stock buybacks	-Hong Kong Bridge
-5 th largest commercial bank in the US	-10.9% 7 year dividend growth CAGR	-Relative performance during recession



Cisco Systems Inc. (NYSE:CSCO)

Business Description

Four Primary Business Segments:

1. Infrastructure Platforms (58% of revenue)
 - a. Focus on switching to software and subscriptions
 - b. New software product, Cisco DNA, provides automation, analytics, and security features for institutional clients
2. Services (25% of revenue)
 - a. Expanded Technical Services offerings from hardware support to software, solutions, and premium support
 - b. Increased investments in cloud, security, and analytics services
3. Applications (11% of revenue)
 - a. Offers Cisco AppDynamics and IoT software
 - b. Application offerings monitor and analyze business performance and application performance in real time
4. Security (5% of revenue)
 - a. Acquisition of Duo security extended Umbrella Platform capabilities into web-based proxy and firewall
 - b. Increased investment in cloud-delivered security

Recent M&A:

- Exablaze (Dec 19, 2019)
- CloudCherry (Aug 26, 2019)
- Duo Security (Aug 2, 2019)

TTM Stock Performance (vs. SPY)



Investment Thesis

Increased Demand for Cybersecurity

- Expected CAGR of 11% over next 5 years

Balance Sheet Strength

- Enough cash to completely cover debt

Superior Use of Cash

- 67% of cash used for share repurchases
- Guaranteed minimum of 50% of cash returned to investors



Berkshire Hathaway, Class B (NYSE:BRKB)

Business Description

Overview:

- Berkshire Hathaway Inc. is a global conglomerate primarily engaged in Property & Casualty Insurance, Reinsurance, and Super Catastrophic Insurance. They also own a variety of standalone businesses as well as substantial equity stakes in select companies.

Business Segments:

- Sales and Service: (53.8%)
 - BRK owns a variety of Manufacturing and Service businesses such as McLane, Dairy Queen, and Berkshire Hathaway Home Services.
- Insurance (26.3%)
 - BRK owns a variety of insurance companies including Geico, General Re, and National Indemnity. These operations generate substantial float to be invested by BRK for equity returns.
- Railroad, Utilities and Energy (17.6%)
 - BRK owns many Utilities throughout the western United States, Canada, and Great Britain as well as Burlington Northern Santa Fe Railroad and Berkshire Energy.

Risks

- Succession
- Catastrophes
- Subsidiary Underperformance

TTM Stock Performance (vs. SPY)



Investment Thesis

- Valuable business structure virtuous cycle**
 - Insurance float feeds Equity and Business investments, who's cash flows benefit the insurance reserves.
- Strong Collection of High ROIC generating businesses**
 - Berkshire's disciplined capital allocation results in high quality businesses being bought at fair prices that can create value for the company for the long-term.

Mohawk Industries, Inc. (NYSE:MHK)

Business Description

- Mohawk Industries is a global flooring manufacturer that creates, sources, and distributes carpets, rugs, ceramic tile, laminate, wood, stone, luxury vinyl tile and vinyl flooring

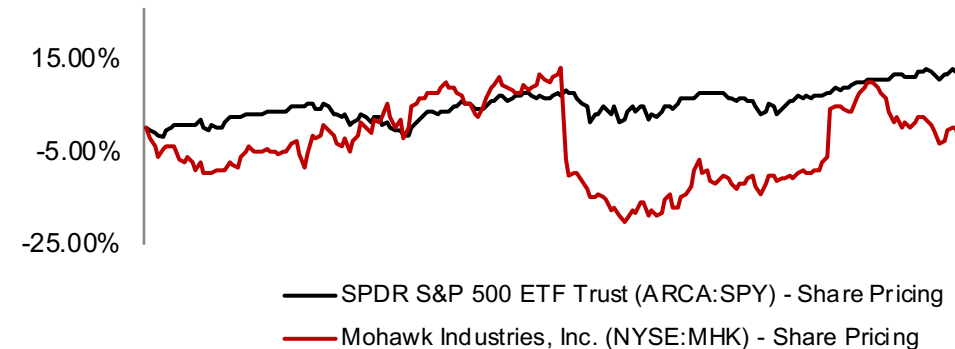
Three Business Segments:

1. Global Ceramic (36% of revenue)
 - MHK has long-term clay mining rights and their own frit manufacturing
 - Extremely large market with growth prospects in South America, Eastern Europe, India, and China
2. Flooring North America (40% of revenue)
 - Luxury Vinyl Tile (LVT) will fuel growth into the future (currently growing at 20%)
3. Flooring Rest of the World (24% of revenue)
 - LVT and recent acquisitions leave Mohawk well positioned

Recent M&A:

- Godfrey Hirst (Australia and New Zealand)
- Eliane (Brazil)
- IVC (Europe and North America)

TTM Stock Performance (vs. SPY)



Investment Thesis

Operational Excellence

- Heavy vertical integration
- Economies of scale

Innovation

- Development of LVT and global best practices
- Hundreds of patents and technologies

Global Growth Prospects and Scale

- Well positioned as emerging markets are industrializing

