SMF FALL 2020 PORTFOLIO REPORT

JANUARY 18, 2021
UNIVERSITY OF CONNECTICUT SCHOOL OF BUSINESS
UNDERGRADUATE STUDENT MANAGED FUND
TEAM WHITE

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Letter to IAB

Dear Investment Board Members & UConn Foundation Board Members,

Our team would first like to start off by thanking you for the incredible opportunity that we have been given over the past 3 months. For the past 20 years the Student Managed Fund has been the pinnacle of the Finance Department and the School of Business, and, with exceptional instructors, students, and supporters, this program has flourished and grown to new heights. All of these individuals 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 diverse team of eleven students consist of athletes, officers, and workers from a variety of academic disciplines. This diversity of thought has allowed us to experience unique perspectives in both the in-class lessons as well as their out-of-class applications. With that being said, our team of eleven all agree that this program has been one of the, if not the most, impactful experiences while here at UConn.

Here at UConn, there are very few opportunities to merge in-class instruction with real world application. However, the Student Managed Fund has given us the opportunity to take on new experiences whilst navigating the consequences of our actions. We have all learned so much in such a short time thanks to the program, our instructors, and of course each other.

The Student Managed Fund has given us the opportunity to learn about a wide array of topics including risk mitigation, portfolio management, and fundamental analysis. Additionally, and perhaps most importantly, we have learned to think in a critical manner that encompasses all perspectives of a given situation . We continuously strive to integrate lessons learned from the program into our investing approaches and everyday thinking as we seek to see the world through a new lens. This newfound philosophy has enabled us to overcome emotions, bias, and mental roadblocks when investing in the most competitive markets in the world.

We hope that you enjoy our report and gain a better understanding of the approach, process, and strategy that we deploy for managing our part of the Foundation's portfolio.

Sincerely,

Team White

Portfolio Overview

Investment Managers

Sam Berkun	Tyler Lasicki	Joe Mascaro
Brandon Milich	Garrett Noonan	Janjer Patel
Ryan Polistena	Abby Pyensen	Jack Rupff
Chloe Jihae Son	Hollis Wivell	

Fall Officer Positions

Sam Berkun: Co-Lead Manager
Hollis Wivell: Co-Lead Manager
Garrett Noonan: Portfolio Manager
Tyler Lasicki: Digital Media Manager
Abby Pyensen: Communications Manager

Investment Strategy Overview

Benchmark & Style:

Our Investment strategy is simple: Invest in high conviction equities that are currently trading lower than their intrinsic value. We track our portfolio investments against the S&P 500, specifically the SPDR S&P 500 ETF Trust (SPY) which is used as the funds benchmark. We mainly focus on mid to large cap equities, however our mandate allows us to invest in fixed income assets as well. The team has elected not to actively pursue fixed income instruments given the low interest rate environment, and negative real yields. The fund also holds a mandate to invest in companies that demonstrates commitment to corporate social responsibility and ESG initiatives.

Philosophy & Strategy:

Our team follows a value investing mindset and therefore seeks companies with:

- *An understandable businesses model with reasonably predictable cash flows*
- *A business with primary control over its own destiny and a buffer against uncontrollable events*
- *A business that generates more cash than is required to operate*

- *A business that considers Environmental, Social, and Governance factors in all decisions*
- *A business run by honest, efficient, intelligent, and diverse management who treat shareholders as partners*

To achieve this, our team uses a mix of both top-down and bottom-up approaches where we identify specific companies and industries that we believe are underappreciated and then conduct fundamental analysis while weighing factors such as market capitalization, industry tailwinds, and other prospects to the firm's and industry's continued success. First, managers will find attractive investments within their industry coverage groups through comprehensive research while maintaining a conservative risk profile to carry out the investment philosophy. Then, managers will typically engage in comprehensive research, including calls with IR teams, and utilize university resources such as Bloomberg, Morningstar and NetAdvantage to gain a better understanding of both the industry and company in question. Finally, managers will utilize a plethora of valuation methodologies including discounted cash flows, economic value added, and discount dividend models, as well as sensitivity analyses, comparative analysis and exit multiples to better understand the current market pricing of an asset. The dispersion between the market price and our implied share value, using our conservative assumptions, can better assist us in making the decision to buy or sell a security.

Process:

Each week, our team screens 1-2 investment pitches that are presented by other team members. These pitches include a full valuation model, industry and company analysis, catalysts for future growth, and possible risks to the company. Then, all metrics are used to calculate the fair value share price. Following an in depth presentation, the team will discuss whether or not to allocate capital into the company. If selected, we then determine an appropriate position size after another round of votes based on our confidence in the selection.

Selection:

- Our team requires 8 out of 11 votes for minimum investment purchases
- Our team maintains a 15% maximum allocation limit on portfolio commitment for an individual equity
- All Dissenters ("No voters") will have the opportunity to share their reasons for dissent prior to allocation voting

Allocation:

- Our team's minimum investment starts at 5%, as we believe anything lower would introduce diversification risk to returns
- Our team requires a majority vote to move on to incremental percentage allocation. For example, if there are only 5 managers who voted "yes" to increase the allocation amount to 7% of the portfolio then the group would stick with 6% for that individual security.

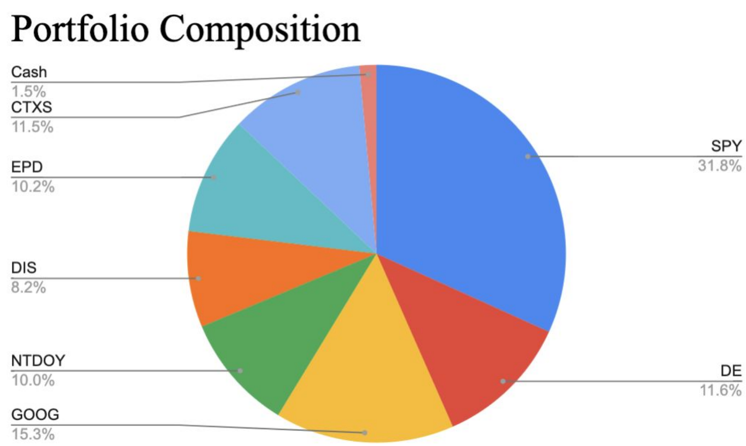
- After the foundation's rebalancing efforts, our team continues to monitor and rebalance our equities as necessary

Risk Management:

- Our team places stop loss orders are placed at 15% downside at the time of order
- Our team actively rebalances our portfolio if a position is deemed to be "too big" and reallocate into either SPY or an existing equity that has been purchased
- Our team typically only presents companies that maintain a 5% or more margin of safety over their market price. This reduces the downside risk and any potential drawdowns that may materialize
- Our team is continuously conservative in all our estimates and take pride in the due diligence necessary to have realistic assumptions about future growth projections of each company or industry
- Our team is not afraid to take disciplined profits and take all risk off the table

Investments & Performance:

- As of November 26, 2020, 66.75% of the portfolio was invested in 6 securities that fell into the following sectors: Industrials, Communication Services, Energy, and Technology.
    - At time of publication, 73.93% of the portfolio is invested in 8 securities, with the addition of Stamps.com (NASDAQ: STMP) and UnitedHealth Group Inc (NYSE: UNH).



- As of November 26, 2020, the fund was outperforming the market with a total return of 12.54% compared to the benchmark of 9.82%.
- Top performers include: DIS (+20.66%), DE (+20.39%), GOOG (+14.30%), and EPD (+9.03%).
- Every company invested in by the team has yielded a positive return up this point.

Ticker	Company	Sector	Date Purchased	Shares	Purchase Price	Price	Cost Basis	Market Value	% of Portfolio	% of Equity	% Change
SPY	SPDR S&P 500 ETF	Index Fund	9/22/2020	913	$330.30	$362.74	$301,564	$331,182	31.78%	0.00%	9.82%
DE	Deere & Company	Industrials	9/22/2020	464	$217.58	$261.95	$100,957	$121,545	11.63%	17.43%	20.39%
GOOG	Alphabet Inc.	Communication Services	10/16/2020	89	$1,568.88	$1,793.19	$139,631	$159,594	15.28%	22.88%	14.30%
NTDOY	Nintendo Company	Communication Services	10/23/2020	1,492	$65.51	$70.00	$97,740	$104,440	10.00%	14.98%	6.85%
DIS	The Walt Disney Company	Communication Services	11/3/2020	584	$121.94	$147.13	$71,213	$85,924	8.22%	12.32%	20.66%
EPD	Enterprise Product Partners	Energy	11/12/2020	5,319	$18.28	$19.93	$97,229	$106,008	10.15%	15.20%	9.03%
CTXS	Citrix Systems	Technology	11/20/2020	979	$121.85	$122.44	$119,291	$119,869	11.47%	17.19%	0.48%
Cash	Cash	N/A	9/22/2020	15,372	$1.00	$1.00	$0	$15,372	1.47%	0.00%	0.00%
						Total	$927,625	$1,043,934	100.00%	100.00%	12.54%

Economic Outlook

In order for our team to successfully invest and make prudent decisions, it is imperative that we understand the economic markets that we are investing into. Therefore, we prudently research, discuss, and debate what the current state of the economy is and where we believe it is going in the future (more specifically the next 10 years).

The US Economy

As of this report, an overwhelming majority of our investments are securities listed on either the NYSE or NASDAQ. Therefore, our portfolio is fairly sensitive to changing U.S. domestic economic conditions.

It is no surprise that we are currently experiencing a very unorthodox time in our nation's history. Between COVID-19 and the political implications of an election cycle, the economy has been stuck between a rock and a hard place with a stock market that is even less discernible moving forward. We saw 33% growth in Q3 GDP versus Q2 with 2021 expected to see growth of around 3.5% . Unemployment hovering at 6.9% with long term NAIRU of 5-6% remains elevated compared to before COVID-19, but wage growth has been a solid 3.5% in Q3.

Real yields remain at all time lows and we have seen core PCE of just 1.4%. A very dovish Fed is expected to keep yields low for quite a while. This accommodation has made investors flock toward historically riskier assets (stocks) in an effort to make yield and therefore has continued to drive prices higher. In the near term, we believe it is important to take all these factors into account including: historically low rates, an extremely accommodative Fed, more expected fiscal stimulus, and a weak dollar when making investment decisions.

In summary, 2020 has seen modest growth and recovery from the March and April lows of COVID-19, and we believe there will be strong growth to come in 2021. Additionally, historically low real yields and a Fed that is committed to their "lower for longer" strategy will continue to drive fund flows into the equity market. Also, it is important to mention our value investing strategy. Although growth outperformed value by 30% in 2020, our portfolio has done incredibly well compared to the broader market. Expectations for value to outperform growth in 2021 remain high, but regardless, our investments into sound companies that derive real value help insulate us from more dramatic economic changes that can plague the markets.

Sector Analysis

Communication Services

The Communication Services sector comprises companies that offer services like traditional telecoms, as well as media and entertainment companies that facilitate communication and provide their own content. There are five major industries in this sector including Diversified Telecommunication Services, Wireless Telecommunications Services, Media, Entertainment, and Interactive Media & Services.

For 2020, the Communication Services Index had a return of 25.27%, outperforming the S&P 500 Index which had a return of approximately 18.5%. The sector has a large average P/E ratio of 39.70 and an average dividend yield of 3.82%. As a sector, YoY revenue grew just over 13%, but the Communications Services sector was one of the few sectors that stay-at-home guidelines benefited. The nature of their services proved essential for people in a stay-at-home environment, especially with consumers searching for home media and entertainment options, and these businesses saw a boom in demand.

This sector has not received all good news however, as an increase in calls for antitrust litigation against many of these large search engine/social media companies have brought regulatory uncertainty to these businesses. In addition, these same companies have been under scrutiny for their section 230 legal protections, introducing even more uncertainty into the future of these prominent companies. Yet, a strong potential growth driver is poised to advance this sector even further. The 5G rollout already underway should strongly support this sector as it spreads across the country and is woven into infrastructure. This will come with high capital expenditures in the near-term though, and the pandemic has slowed the process of the rollout. Overall, Communication Services should continue to grow despite some of these regulatory risks, particularly with the pandemic accelerating the expansion of many industries within the sector.

Current Holdings:
Alphabet Inc. – Class C (NASDAQ: GOOG)
Nintendo (OTCMKTS: NTDOY)
Walt Disney Co (NYSE: DIS)

Energy

The Energy sector focuses on businesses that provide the services and equipment that allow companies to extract sources of energy from the earth, along with companies that do the exploration, production, refining and marketing of fossil fuels like oil, natural gas and coal. Some industries that fall under this sector include Oil and Gas Drilling and Production, Pipeline and Refining, Mining Companies, Renewable Energy, and Chemicals.

The Energy sector struggled in 2020 falling nearly 38% for the year. This compares to the S&P 500 index which grew around 18.5%. This drop was caused by the onset of the pandemic, with a simultaneous price war between OPEC and Russia. With the price war initiated right as the pandemic exploded, a massive oil shock on both the supply and demand side rocked the sector. Although this price war quickly found a resolution, oil demand still remains depressed due to lack of demand brought on by COVID-19. This continued uncertainty for the oil market has depressed the energy sector, however better market conditions in 2021 could prime it for a bounceback year.

With the global economy recovering from the pandemic, oil demand should continue to return, albeit slowly. Additionally, large diversified energy companies are in a much better position now than a year ago—many with strong balance sheets and easy access to cash—which can drive growth going forward. These factors are positive overall for the sector, but the overarching uncertainty may continue to weigh on the sector as a whole.

<u>Current Holdings:</u>
Enterprise Products Partners (NYSE: EPD)

Industrials

The industrial sector stocks are generally involved directly in the production of capital goods like aircraft, electrical equipment, and industrial machinery, or the provision of transportation services and infrastructure. This is a broad sector that covers many industries, some of which include Aerospace & Defense, Construction & Engineering, Transportation Infrastructure, and Airlines. The wide range of this sector exposes it to many distinct industries, thus the pandemic had a diverse set of consequences for the businesses classified under this sector.

For 2020, the Industrials sector underperformed the S&P 500 Index, having a return of approximately 7% compared to the broader index's approximate return of 18.5%. It had a massive average P/E ratio of 105.27, but a low average dividend yield of 1.93%. As a historically pro-cyclical sector, Industrials may be poised for a solid 2021 as markets have begun to trade similar to what is normally seen in the early stages of a business cycle. The prospect of an increase in infrastructure spending is also good news for this segment and the steady recovery of the transportation and air freight industry should aid in the comeback.

One of the largest drags on this sector in 2020 was airline stocks, which were severely harmed by the COVID-19 pandemic. With business travel and tourism depressed, airlines experienced one of the most difficult shocks of all the industries. Fortunately, with progress made on the vaccine it appears that air travel may recover, but it remains to be seen if business & leisure travel ever return to their pre-pandemic levels. Despite all the uncertainty surrounding the extent to which some industries will be able to recover, macroeconomic tailwinds seem to be in favor of at least average performance of the Industrials sector.

Current Holdings:
Deere & Company (NYSE: DE)

Technology

The Technology sector contains nearly all the essential industries to today's internet-powered, device-driven world. Dominated geographically by Silicon Valley, its six major industries include Communications Equipment, Electronic Equipment, IT Services, Semiconductors, Software, and Hardware. It is a highly concentrated sector, with a handful of its major companies representing over 50% of the sector's weight due to their influence. As the premier sector of the twenty-first century thus far, this group continued its strong performance in 2020 as the onset of the pandemic only emphasized society's reliance on these businesses' products and services.

The Technology sector had a return of around 44% in 2020, far outperforming the broader market which saw a return of approximately 18.5%. The sector had a fairly high average P/E ratio of 46.31 and saw average EPS increase nearly 50% from the year before. Many of these technology stocks were at the forefront of the transformation to a stay-at-home environment, powering many of the software and devices people needed to work from home or interact with friends and family. Specifically, increasing consumer demand for PCs, gaming hardware, software, personal devices and online payment services drove this positive performance.

There are still many long-term growth drivers present for this sector and the effects of the pandemic only accelerated digital trend that was already in motion. Yet, it is important to note that investor optimism on future growth potential has pushed these technology valuations well above their historical average. This, paired with the concentration of the sector in a few companies, adds some uncertainty on if this sector can match its tremendous performance in 2020.

Current Holdings:
Citrix Systems Inc. (NASDAQ: CTXS)

Unallocated Sectors

Five other sectors—Consumer Staples, Financials, Materials, Real Estate, and Utilities—remain unallocated in our portfolio. The final two sectors, Consumer Discretionary and Healthcare, do have a place in our portfolio, but were added after the November 30th end date utilized for this report. We purchased Stamps.com (NASDAQ: STMP) which falls in Consumer Discretionary and UnitedHealth Group Inc (NYSE: UNH) which falls under Healthcare, in mid-December. To conclude, we acknowledge the importance of diversifying our portfolio across multiple sectors to hedge against sector-specific downturns, and have worked diligently to find the best companies within the six sectors we have already allocated in our portfolio. Nevertheless, we also believe that diversifying for diversification's sake can harm an investment strategy and that our value investing principles should not be compromised simply to invest in a company in a specific sector. While we plan to take a closer look at businesses in sectors we currently have unallocated, our intention is always to find companies that meet our rigorous standards regardless of their sector. Therefore, investments will not be forced in order to gain exposure to any one sector.

Portfolio Positions

Deere & Company (NYSE: DE)

On September 22, 2020 we purchased 464 shares of DE for $217.58 per share at a total cost of $100,957.00.

John Deere operates under 3 segments: Agriculture and Turf (A&T), Construction and Forestry (C&F) and Financial Services. Under their A&T segment, Deere provides a full line of equipment for all farming and turf needs including crop harvesting, turf and utility, hay and forage, crop care, and tractor equipment. Under their C&F segment, Deere provides a full line of construction, earthmoving, roadbuilding, and timber harvesting equipment. Deere maintains the most complete forestry equipment in the world. As part of a recent acquisition in 2018, Deere added Wirtgen Group in order to capitalize on growing demand for road development and maintenance. Under their Financial Services operations, Deere provides credit servicing, mainly for retail purchases and used equipment taken as trade-ins. A growing, yet stable business under their financial arm is their equipment leases to governmental organizations.

DE operates in two major industries: construction and agriculture. The construction industry is closely tied to the global economy and economic growth and can therefore often be more risky. This sector is highly influenced by the real estate market and has seen solid advancements in recent months with positive housing start figures. Moving forward, national and global construction spending is supposed to continue to expand into 2021. The agriculture industry saw short-term destabilization in commodity prices during the pandemic but has since recovered. Farmer sentiment remains fluid and continues to improve with a strong outlook on crop prices for 2021 ahead.

As a leader in the farm and heavy construction industry with a supportive financing arm, John Deere (DE) is a standout among its peers and is poised for both conservative and continual growth for years to come. We see 5 key drivers that will continue to propel DE forward in months and years to come. Firstly, with utilization of new technologies and AI, along with robust R&D expenditures, DE continues to remain the market leader in precision agriculture. Secondly, the growth in their Construction & Forestry arm (C&F) will be supported by a pending infrastructure bill, urbanization, and movement into more road building activities. Thirdly, the U.S. - China trade deal presents the opportunity for an additional $200B in crops to be purchased from farmers and therefore prop up the agriculture industry in general. Federal assistance to crop losses from the pandemic will also continue to boost farmer confidence and capital, thus allowing them a great opportunity at purchasing DE equipment. Finally, growth in aftermarket sales as the result of an ageing equipment fleet will spur new demand and top line growth for DE.

Risks to DE include: operating in highly competitive markets that are on the nexus of technological innovation, heavy reliance on raw materials for production of their machines makes them vulnerable to price swings, changes in the real estate and infrastructure markets can have a significant impact on the C&F arm of the business, and fiscal and monetary changes in governmental policy could adversely impact John Deere's gowing financing arm.

DE's corporate social responsibility highlights include: Compliance with emission standards, promoting stewardship of the land, empowering economic development, and promoting and growing an independent and diverse Board of Directors.

As of November 26, 2020, we had an unrealized gain of 20.39% on DE.

Alphabet Inc. – Class C (NASDAQ: GOOG)

On October 16, 2020 we purchased 89 shares of GOOG for $1,568.88 per share at a total cost of $139,630.54.

Alphabet Inc. (GOOG) is a holding company that operates through the Google and Other Bets segments. Its most prominently known segment, Google, includes its main internet products. The Other Bets segment consists of early innovative businesses. These moonshot inventions operate with the goal of solving radical problems as thriving businesses in the medium to long-term future, and range from an autonomous vehicle unit to helium balloons that provide solar-powered internet services in remote areas.

Google operates in four major industries: search engines, digital advertising, cloud computing, and hardware products. We see potential for growth in each of these, while focusing on gains in the cloud computing industry amidst the COVID-19 pandemic and the transition to work from home. We believe that there is substantial potential for Alphabet to capture market share in this segment via Google Cloud Platform and G Suite Productivity Tools. A glimpse of this was seen during the first quarter of 2020. While the advertising business was struggling, Google Cloud revenue increased 52%.

We believe that Alphabet's strong position in the tech industry coupled with continuous innovation will allow it to continue leading the sector and delivering above average returns. Growth in the cloud computing industry will allow Alphabet to continue having an edge over competitors. This potential combined with Google's footprint in the advertising space and its ability to pursue alternative investment opportunities via Other Bets will allow it to remain at the forefront of the tech industry for years to come.

There are multiple risks that could negatively impact the share price of Alphabet. During the COVID-19 pandemic, weakening revenues were seen in the digital advertising business. This was due to shifts in the digital ad ecosystem and changes in consumer behavior. As the vaccine begins to be rolled out, we expect the advertising industry to recover as businesses gain traction once again. Regulatory risks are a constant concern for a company with the size and depth of Google. This fall, the Department of Justice's antitrust probe joined one of many accusations in anticompetitive behavior and of biased search results that Google has been accused of.

In our valuation, we assumed a weighted average cost of capital of 9.5%. We believe that a terminal growth rate of 3.5% is justified by Alphabet's ability to continue dominating the advertising market while expanding into other areas of potential growth, highlighted by expansion in the cloud computing industry. Our target price is $1,738.56 with a margin of safety of 9.78%. The price of GOOG, as of November 26, 2020 is $1,771.43.

As of November 26, 2020 we had an unrealized gain of 14.30% on GOOG.

Nintendo (OTCMKTS: NTDOY)

On October 23, 2020 we purchased 1,492 shares of NTDOY for $65.51 per share at a total cost of $97,740.47.

Nintendo is an international leader in the interactive entertainment industry. It develops, produces, and markets hardware and software for both TV-linked and handheld consoles. It maintains a vast collection of intellectual property, owning beloved characters like Super Mario, Pokémon, Kirby, Donkey Kong and more. It currently derives the vast majority of its revenue from the Nintendo Switch platform. This consists of the Switch and Switch Lite consoles, thousands of software titles, and the Nintendo Switch Online service.

The Consumer Electronics and Video Games industries are rapidly growing due to changes in consumer tastes, which has only accelerated due to the stay-at-home orders brought on by the COVID-19 pandemic. In fact, according to a study by NPD, 32 million more Americans are playing video games in 2020 than there were playing in 2018. Additionally, 35% of gamers have reported higher playing times and 94% reported an increase in engagement on platforms they were already using. Nintendo is poised to take advantage of this blossoming industry, despite the fact that their two competitors, Sony and Microsoft, released their next-gen consoles in mid-November 2020. The PlayStation 5 and the XBox series X do not compete directly with

Nintendo’s flagship platform--the Switch--as the Switch has a different target demographic with a lower price point, exclusive Nintendo titles, and even its design which features portable handheld gaming. Indeed, Switch sales have continued to increase and outnumbered both the Series X and PS5 in November.

In our valuation, we calculated a weighted average cost of capital of 9.3%, and used a terminal growth rate of 4.5%. Our target price was $73.26, and this gave us a margin of safety of 7.8%. Nintendo has easily surpassed this mark, selling for $79.15 at market close on January 14, 2021.

Nintendo’s current business model and product offerings, along with its future prospects, position it for success and growth moving forward. It continues to enjoy booming and growing success from its flagship Switch platform, and saw outstanding performance in the last fiscal quarter and holiday season. Its Nintendo Switch Online service grew 73% from January to September and represents a source of growing recurring revenue. Incredible results from new game releases like *Super Mario 3D All Stars,* as well as a slate of upcoming game releases and growth in the mobile gaming segment also point to a promising future. New, unique, products like *Ring Fit Adventure*, an exercise action role play game, and *Mario Kart Live: Home Circuit,* an augmented reality game, should be growing sources of revenue. COVID-19 has resulted in a boon for the video game industry, and Nintendo has reaped the rewards, growing sales 113% last quarter. Its surge in hardware sales represents a foundation for more software sales. The company’s exclusive family of characters represent a competitive advantage over rivals and a stable source of demand. Its rock-solid balance sheet, with zero debt and over $14 billion in cash, lowers risk.

The greatest risks facing Nintendo include competition from rival hardware and software manufacturers and disruption of supply chains and delays in product launches associated with the COVID-19 pandemic. Additionally, foreign exchange fluctuation has the potential to hurt revenue realized from international sales. A potential decline is Switch sales would hurt the company, as these represent most of its revenue.

Nintendo emphasizes protecting the environment and working towards a sustainable society. It relocated its Spain office to reduce energy consumption; its U.S. office committed to using 100% renewable energy. All offices are committed to the most efficient shipping and operating strategies to reduce energy consumption and CO2 emissions. The company publishes a Corporate Social Responsibility report every year detailing its efforts in this area. It has an ESG score of 18, which is classified as “Low” and ranks it 79th out of 765 companies in the “Software and Services” industry.

As of November 26, 2020, we had an unrealized gain of 6.85% on Nintendo.

The Walt Disney Company (NYSE: DIS)

On November 3, 2020, we purchased 584 shares of DIS for $121.94 per share at a total cost of $71,212.96.

The Walt Disney Company is a diversified family entertainment and media enterprise, who over the years has successfully acquired and integrated subsidiaries such as Pixar, Marvel, and 21st Century Fox. Disney operates in four business segments: Media Networks; Parks, Experiences and Products; Studio Entertainment; and Direct to Consumer & International. Having successfully created a one-of-a-kind, integrated platform, their engaging consumer experience and creative storytelling has created lifetime brand loyalty passed down through generations.

Disney does business across three large market segments: pay – TV market, travel & tourism, and movies & streaming. The pay – TV market has seen a general, slow decline in revenue production in recent years, as consumers are moving away from cable. Disney was impacted greatly by the onset of the COVID-19 pandemic, having to completely close down all studio entertainment production, as well as parks and experiences. Now, with phased reopening strategies, they are starting to see a reprieve, but the closures of these industries negatively impacted revenues across all businesses. A bright spot stemming from the pandemic has been the success of streaming. Stay at home orders, along with work from home and a general consumer preference to avoid potential exposure hazards has brought ‘binging’ on direct-to-consumer platforms to the forefront. Subscriber growth has grown, and an emphasis is being seen in the release and conception of original content.

In our valuation, we calculated a weighted average cost of capital of 9.5%, and used a terminal growth rate of 4.5%. Our target price was $141.68, and this gave us a margin of safety of 14.9%. Disney has reached share value levels far greater than our implied share price, as it has reached a price of $171.44 as of market close on January 15, 2021.

We believe that Disney is uniquely positioned to remain a leader amongst their peers, as well as become a prominent player in the emerging streaming sector. Already a market leader in global entertainment, the Company has an unrivaled ability to create and monetize brands through dominant franchise. Their broad diversification across business segments will allow for accelerated growth in the DTC segment; with a global portfolio already exceeding 100MM paid subscribers. On top of this, they have developed Strategic acquisitions and partnerships that have grown their already expansive content library, as well as opened more opportunity into DTC with their 67% ownership in Hulu through the acquisition of 21st Century Fox. Despite the negative impacts from the pandemic, we see this as only temporary and recognize Disney’s unique market position and the plans they are making for prolonged success.

The greatest risks facing Disney include prolonged negative impacts resulting from the COVID-19 pandemic, as well as concerns related to their newly expanded upon DTC focus. In regards to the pandemic, continual resurgences of cases could cause greater limited capacity constraints and even more shutdowns of in-person business segments such as Parks, Experiences and Products, and Studio Entertainment. Both of which make up a large majority portion of DIS revenues. Pertaining to DTC, these risks focus on increased competition in the space of original content releases and insufficient subscriber base growth in streaming ventures.

Disney's approach to corporate social responsibility is built on their long legacy of community and workplace engagement. Some highlights from FY2019 of their many, wide-reaching programs include: $338.2M in charitable contributions, 315 acres protected through their conservation effort, and 612,000 hours of volunteer work recorded. Additionally, their environmental sustainability commitment to protect our planet as they grow their business has brought about change for more sustainable designs and a move to renewable electricity.

As of November 26, 2020 we had an unrealized gain of 20.66% on DIS.

Enterprise Products Partners (NYSE: EPD)

On November 12, 2020 we purchased 5,319 shares of EPD for $18.28 per share at a total cost of $97,231.22.

EPD is a publicly traded Delaware limited partnership, the common units of which are listed on the New York Stock Exchange ("NYSE") under the ticker symbol "EPD." They are a midstream energy company with operations that currently include: natural gas gathering, treating, processing, transportation and storage; NGL transportation, fractionation, storage, and export and import terminals (including those used to export liquefied petroleum gases, or "LPG," and ethane); crude oil gathering, transportation, storage, and export and import terminals; petrochemical and refined products transportation, storage, export and import terminals, and related services; and a marine transportation business that operates primarily on the United States ("U.S.") inland and Intracoastal Waterway systems. Their assets currently include approximately 50,000 miles of pipelines; 260 MMBbls of storage capacity for NGLs, crude oil, petrochemicals and refined products; and 14 Bcf of natural gas storage capacity.

The industry is in the midst of a transition that began as commodity prices began falling in 2014. The strongest players have practiced financial discipline and laid the groundwork for future growth, while the weaker players have struggled to continue paying distributions (leading some to restructure in order to survive). EPD has shown a best-in-class ability to operate in these conditions by continuing to increase its distribution while maintaining a superior, investment grade credit rating and executing on its growth projects.

EPD is positioned to grow due to its diverse portfolio of operations, strategic usage of its current assets, and its entrance into innovative technologies and commodities. With over 50,000 miles of pipelines, and tentacles in multiple commodity markets, EPD will be a first choice for NGL and other commodity producers for years to come. Additionally, although the company continues to build new projects, EPD has been able to take advantage of assets already in service in order to capitalize on the influx in volumes, for example within the Permian Basin. Finally, placing an emphasis on LPG and petrochemical products will allow EPD to expand its horizons all the while helping emerging markets in their quest for societal development.

Risks to EPD include: accidents along its extensive network, deterioration in commodity demand and political action against energy emancipation.

EPD's corporate social responsibility highlights include: harnessing solar-sourced power and continues to expand its facilities, a YoY decline in total CO_2 emissions – 19% improvement over the last decade, and LPG Exports can eliminate 20 million metric tons of CO_2 emissions compared to coal.

As of November 26, 2020, we had an unrealized gain of 9.03% on EPD.

Citrix Systems Inc. (NASDAQ: CTXS)

On November 20, 2020 we purchased 979 shares of Citrix Systems for $121.85 per share at a total cost of $119,291.15.

Citrix is an enterprise software company who creates a digital workspace that provides unified, secure, and reliable access to all applications and content employees need to be productive - anytime, anywhere, on any device. This is all because they want to help companies improve the productivity and user experience of their most valuable assets, their employees. Citrix accomplishes this goal through their flagship product, Workspace (70% of revenue), and associated services. Citrix is in the process of transitioning their customers to the cloud, and from a perpetual license to a subscription business model. This will include benefits such as predictable revenue streams and reduced COGS. Citrix also has long standing partnerships with firms such as Microsoft and Google and a number of large and reliable customers including 99% of the Fortune 100.

Although the reopening of the U.S. economy may result in businesses moving a range of employees back into offices, it is likely that the work- from- home structure and employee flexibility will remain in place. In 2019, 16% of workers were fully remote, this number has jumped to 80% in 2020. It is unlikely that this trend will continue perpetually, however even if this number reverts back to ~20% in 2021/2022 it is likely that clients will retain the software regardless, still requiring a base level of remote work infrastructure. In addition to accelerating work from home (WFH) software adoption, COVID-19 has also validated the idea that people can be productive at home. It has proven that businesses can continue to operate despite a bulk of their workforce working from the confines of their own home. This validation paired with peoples neutral or positive experiences with WFH will be a long-term driver of Citrix client retention and growth.

Our thesis holds that Citrix is at the forefront of a long and persisting shift to work from home and flexible work options. They are well positioned to take advantage of this due to their transformation to a subscription SaaS business model, longstanding (sometimes 30+ year) partnerships and client base (including 98% of the Fortune 500). All of this working in tandem with Citrix's reasonable price relative to its peers, puts Citrix in a unique opportunity to create and sustain tremendous value.

In our valuation, we assumed a weighted average cost of capital of 9%. We believe that a terminal growth rate of 4.5% is justified by Citrix's strong long-term positioning and existing relationships. Our target price is $125 with a margin of safety of 5.4%.

The most relevant risks and considerations for CTXS include, but are not limited to its reliance on strategic partnerships that are essential to their business and the potential for specialized new SaaS competitors to disrupt their business

As of November 26, 2020, we had an unrealized gain of 0.48% on CTXS.

Lessons Learned

Throughout the course of this academic year thus far, the Student Managed Fund has proved to every individual of this team what a true privilege and honor is to be a member of such a great program. Despite all of the obstacles brought on by the COVID-19 pandemic, from navigating effective remote communication to finding ways to continue healthy debate in security selection and allocation, the commitment and intensity of the program has been phenomenal. While there were of course some minor bumps in the road, every team member has surely taken advantage of each opportunity and challenge presented by Patrick Terrion and Jeff Annello.

The summer assignment to individually prepare a valuation was a great way to start off the process and get a taste of how much we had to learn. It taught us basic valuation techniques as well as what goes into equity selection. Upon beginning the fall semester, the lessons introduced in the course built upon themselves and developed a greater comprehension of financial modeling and valuation skills through discounted cash flows, comparable company analysis, and dividend discount models. The Harvard case studies taught valuable skills and approaches to then utilize in the SMF. Perhaps the most important skill that we have grown to develop is sifting through the copious amounts of information at our disposal to determine what is useful and what is not. From there we craft a target price, margin of safety, and sensitivity analysis, which is then defended by our different assumptions. Additionally, by becoming familiar with resources such as Bloomberg, Value Line, and other financial databases, we can formulate an argument for a firm's business model and the drivers impacting the valuation. Such include growth potential, leverage, and other telling financial factors. Everyone has a different viewpoint and interpretation of what a valuation tells us, yet the well fostered environment to be able to articulate this and confidently back up an argument with support from the ideas presented by instructors is what continues to make the Student Managed Fund the prestigious and highly respected program that it has become and continues to be today.

While we are far from completely mastering any of these topics, this program has broadened our thinking and enhanced our hard skills in an environment surrounded by like minded individuals. We are excited for what is to come in the next semester and enter it with a newfound confidence in our ability to know when something is truly attractive and worth its value, and knowing when the hype is exceeding the potential of an investment.