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Lessons Learned:

Dear Investment Board Members and UConn Foundation Board Members,

First and foremost, we would like to thank you for the life changing education and real-world experience that we have received over the course of this past year. Each of us recognizes that the opportunity to participate in the Student Managed Fund is both an honor and a privilege. The Student Managed Fund offers a unique type of learning, as it provides the opportunity to merge in-class instruction with real world experience in the financial market. Despite the challenges brought about by the COVID-19 pandemic, our team has maintained a motivated spirit with the intent to take full advantage of everything the program has to offer. We must give many thanks to Patrick Terrion, Jeff Annello, and Laurel Grisamer for their help and guidance in creating an incredibly meaningful experience for us in the current virtual environment.

From the beginning of the semester, Patrick Terrion and Jeff Annello have emphasized the importance of having a worldly thought process, as well as an insatiable desire to constantly learn and draw all the lessons we can from the world. The art of thinking is an invaluable skill that students develop in the Student Managed Fund and is one of the many aspects that differentiates the SMF program from other classes. While most financial courses focus on quantitative data, the SMF program has taught us that the uncountable aspects of a business are more important to understand, as they are what truly drives the numbers. There are infinite ways to interpret data, but in order to be a successful investor, we must develop intuition by broadening our knowledge base. With this in mind, each of us attempts to fully understand the businesses we invest in and put just as much emphasis on the assumptions that go into our valuations as the numbers themselves. This mindset is not only essential to be successful in the financial industry but is also applicable to all aspects of life. The art of thinking is something that team blue will continue to develop and utilize throughout our lives.

We have also developed technical skills essential to value investing. During the summer, each of us created our own valuation projects and developed a basic knowledge of the valuation process. Throughout the semester we furthered our valuation and financial modeling skills in the form of discounted cash flows, economic value added, and comparable company analysis. In doing so, we utilize key industry resources including Bloomberg, Value Line, and Morning Star. Additionally, we have been able to build upon our previous knowledge and gain first-hand experience in portfolio management, value investing, and risk mitigation. These hard skills are something that we will continue to refine and utilize throughout our duration in the SMF program as well as going forward in our professional careers.

Going forward, each member of team blue remains committed to The Student Managed Fund and will continue to take full advantage of everything this program has to offer. We will continue to hold each other accountable and challenge each other to continue improving as individuals and as a team. We hope you enjoy our report and gain a further understanding of our process and approach in managing our portion 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 uses a value investing approach and aims to allocate capital into companies that are easily understood and have distinct competitive advantages, resilient business models, strong balance sheets and future cash flows; all at which trade for a discount to the intrinsic value of the company.
- Our strategy involves a bottom-up approach to US domestic equities. With a 1-year holding period we like to invest in companies that we would hold for a lifetime. By utilizing the resources and databases we have on hand, we conduct a thorough fundamental and financial analysis while taking into consideration a company’s competitive positioning, macro-environment, and other potential risks before making a final decision on the investment.

**Process:**

- Each week our team screens 1-2 investment pitches presented by members. These pitches include a thorough analysis of the company’s operations, market analysis, financial valuations such as (DCF, EVA, Comps, etc...), and other specific catalysts/risks which will be used to calculate the fair value share price.
- An in-depth discussion follows each pitch and members decide whether to allocate capital via a majority vote of 8 out of 11. If a stock is purchased, we determine the position size through a second vote in which majority is still required. We will typically start with a 5% allocation, and then vote on added increments of 1% until there is no longer majority.
Investments and Performance

❖ 50.4% of the portfolio ($511,979) is currently invested in 8 securities. These securities fall into the following sectors: Industrials, Financials, Communication Services, Real Estate, and Healthcare.

❖ The team has not allocated capital towards the following sectors: energy, utilities, information technology, materials, consumer staples and discretionary.

❖ The current fund is underperforming the market with a total return of 9.22% compared to the benchmark of 11.16% which leaves a difference of 194 basis points

Portfolio Overview

Investment Managers:
Caleb Benedict  Matthew Clarke  Zachary Conover
Andreanna Crawford  Vaishali Kanamalla  Laura London
Abigail Marshall  Michael Quint  Paul Serio
Spencer Vlandis  Shane Young

Fall Officer Positions
Paul Serio - Co-lead Manager
Michael Quint - Co-lead Manager
Abigail Marshall - Portfolio Manager
Matthew Clarke - Digital Media Manager
Zachary Conover - Communications Manager

Investment Philosophy

Team Blue approaches investing with a value mindset. We learn to apply the fundamental teachings of investing greats such as Benjamin Graham and Warren Buffett in the pursuit of finding undervalued domestic securities. We define “undervalued” as a business with a positive margin of safety, meaning its market value is trading at a discount to its intrinsic value. We first analyze a business through qualitative and quantitative lenses. This includes reading the annual reports, proxy statements, investor presentations, and relevant news to understand how the business operates as well as other important things such as its competitive positioning, risks, plans for growth, etc... Our qualitative research includes evaluating the company’s management team, business model, and overall market positioning. Quantitatively, we initially screen all investments based on FCF, ROIC, ROE, ROA, P/E, and Market Capitalization. By screening companies that pass our threshold for these credentials, we are preventing an investment in a business that may not be generating cash flow or ROIC as well as assessing its comparative risk to its peers and markets. By using this two-fold analysis we are ensuring that our investments are only those of high-quality, low-risk, and quality positioning and most importantly prevents us from investing in something we don’t understand.
**Style**

With our client being the UConn Foundation, our style must take into consideration the appropriate risk-profile deemed for the University’s endowment. By choosing to utilize a value investing approach, we are aiming to maximize returns while minimizing as much risk as possible. The latter is key to our overall style which is why we invest mainly in U.S Large Cap value stocks with a minimum time-horizon of 10-years. Although our current investing environment has made it difficult to find value, due to extremely low-interest rates, an accommodative Fed, and multiple stimulus plans brought upon by the U.S government, we still firmly believe there are multiple high-quality companies that fit our criteria and prove to be good investments trading at a discount to their intrinsic values.

Although our economy has borne shock to its system with GDP seeing its largest drop of 32.9% in Q2 of 2020, unemployment numbers breaking record-highs, and small-businesses being temporarily or permanently shut-down due to the virus, we continue to witness the market make all-time highs. We as a team, must be aware of these unprecedented market conditions and proceed with caution. By using our approach of selecting high-quality businesses that we see necessary to the economy that also have strong balance-sheets, cash flows, and formidable competitive positioning, we believe we can hedge the volatility being created by the market environment we’re currently presented with.

**Investment Strategy**

As previously mentioned, our strategy approach to investing is largely focused on the preservation of capital for our client. This means we are willing to sacrifice higher-returns which bear more risk and instead, pursue investments which minimize the overall risk of our portfolio while still providing an opportunity for appreciation higher than the average risk-free returns in current markets.

Our team believes that we can hold true to our strategy by carefully vetting out the investment ideas that are presented. We do so by holding weekly meetings in which the investment proposal is thoroughly discussed and voted on in a democratic fashion. Our open Q&A discussions provide everyone an opportunity to provide insight and opinion as to whether the investment fits within our over-arching strategy or not. By holding each other accountable and constantly reminding ourselves of our fiduciary responsibility, we always put our best foot forward to ensure that only the best investments are selected.

**Risk Management**

With risk management at the core of our investment philosophy, we are always wary of all the types of risk involved with our investment decisions. Our fiduciary responsibility is to ensure that the preservation of capital remains a top priority for our client and we have a full understanding of the risk-profile we create with our investments. Before making any financial decisions, we always discuss the possibility of risks such as the types listed below:

**Aggregation Risk:** A portfolio with holdings 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

Our portfolio is currently heavily weighted in Large Cap domestic equities, which is mainly because these investments best fit the criteria we are looking for in a risk-adverse portfolio. However, we are aware that this may present some level of diversification risk due to the large holding in the SPY index as well as our individual equity selections. Although we remain focused on only selecting companies that we feel comfortably fit our criteria, we will be keeping a look-out for any small to mid-cap companies that prove to be a safe and sound investment decision. Heading into the spring, we will also have a large focus on risk management as we become more invested in individual equities. Our responsibility as portfolio allocators will be to properly examine our portfolios risk-profile both holistically and on an individual-company basis. We will then make calculated risk-management decisions such as selling, rebuying, reallocating, and adjusting stop-losses to ensure we are efficiently allocating our capital.

**Procedure:**
The stock selection process for Team Blue consists of such important steps as the sector breakdown, voting, and allocation strategy. This semester our team decided to break down the portfolio into eleven sectors we have selected. We avoided investing into the basic materials sector because of the high volatility and little returns. As to the remaining sectors, we distributed it among the analysts who perform their research by keeping up with the sector related news, reports, and etc. Each analyst covers one to two sectors and keeps the team updated on the recent sectors developments. Please see a snapshot of our industry allocation below:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Analyst</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>Zachary Conover</td>
</tr>
<tr>
<td>Financials</td>
<td>Abigail Marshall</td>
</tr>
<tr>
<td>Industrials</td>
<td>Paul Serio &amp; Mike Quint</td>
</tr>
<tr>
<td>Consumer Staple</td>
<td>Spencer Vlandis &amp; Caleb Benedict</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>Paul Serio and Mike Quint</td>
</tr>
<tr>
<td>Materials</td>
<td>Laura London</td>
</tr>
<tr>
<td>Real Estate</td>
<td>Matt Clarke &amp; Abigail Marshall</td>
</tr>
<tr>
<td>Health Care</td>
<td>Andreanna Crawford</td>
</tr>
<tr>
<td>Information Technology</td>
<td>Vaishali Kanamalla</td>
</tr>
<tr>
<td>Comm. Services</td>
<td>Caleb Benedict</td>
</tr>
<tr>
<td>Utilities</td>
<td>Shane Young</td>
</tr>
</tbody>
</table>

With regards to the voting procedure, our team would listen to the company pitch, discuss any questions during the Q&A portion of the presentation and then vote whether to invest in that company or not. At the first half of the semester our analysts would vote on GroupMe platform which enables anonymous voting. At the second half of the semester, we decided to vote during the presentation meetings in order to stimulate more discussion around the investment ideas. A stock would be selected if the majority of the team (8 of 11 votes) supports it.

Following the voting process comes the capital allocation. Our team invests from 5% to 8% in each of the selected stocks. The capital allocation voting procedure is similar to the stock selection voting process.
After our team decides on the stock selection and allocation, the analysts who pitch the investment idea write a one-page report which consists of summarized financial information on the stock such as beta, market capitalization, P/E ratio, business description, risks and risk mitigants, and investment thesis. Following that the portfolio manager sends in the one-page report along with stop loss and buy orders to an assigned account manager.

Performance:

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Name</th>
<th>Sector</th>
<th>Dividend Yield</th>
<th>Date Purchased</th>
<th>Cost Basis</th>
<th>Shares</th>
<th>Average Cost</th>
<th>Current Price</th>
<th>Market Value</th>
<th>% of Portfolio</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDX</td>
<td>FedEx</td>
<td>Industrials</td>
<td>1.10%</td>
<td>9/29/2020</td>
<td>$79.139</td>
<td>311</td>
<td>$254.66</td>
<td>$286.58</td>
<td>$89,126</td>
<td>7.80%</td>
<td>$9,927</td>
<td>12.53%</td>
</tr>
<tr>
<td>V</td>
<td>Visa</td>
<td>Financials</td>
<td>0.59%</td>
<td>10/13/2020</td>
<td>$69.312</td>
<td>339</td>
<td>$204.46</td>
<td>$210.35</td>
<td>$71,309</td>
<td>6.82%</td>
<td>$1,996</td>
<td>2.88%</td>
</tr>
<tr>
<td>AMT</td>
<td>American Tower Corporation</td>
<td>Real Estate</td>
<td>1.78%</td>
<td>10/21/2020</td>
<td>$60.075</td>
<td>246</td>
<td>$244.21</td>
<td>$252.20</td>
<td>$63,875</td>
<td>5.92%</td>
<td>$3,200</td>
<td>5.33%</td>
</tr>
<tr>
<td>GOOG</td>
<td>Alphabet</td>
<td>Communication Service</td>
<td>0.00%</td>
<td>10/26/2020</td>
<td>$55.588</td>
<td>35</td>
<td>$1,882.23</td>
<td>$1,760.74</td>
<td>$61,626</td>
<td>5.47%</td>
<td>$6,038</td>
<td>10.86%</td>
</tr>
<tr>
<td>LMT</td>
<td>Lockheed Martin Corporation</td>
<td>Industrials</td>
<td>2.90%</td>
<td>11/6/2020</td>
<td>$69.320</td>
<td>190</td>
<td>$664.84</td>
<td>$685.00</td>
<td>$69,350</td>
<td>6.82%</td>
<td>$30</td>
<td>0.04%</td>
</tr>
<tr>
<td>MCO</td>
<td>Moody’s Corporation</td>
<td>Financials</td>
<td>0.81%</td>
<td>11/20/2020</td>
<td>$60.557</td>
<td>220</td>
<td>$273.26</td>
<td>$282.34</td>
<td>$62,115</td>
<td>5.98%</td>
<td>$1,557</td>
<td>2.57%</td>
</tr>
<tr>
<td>UNH</td>
<td>UnitedHealth Group</td>
<td>Healthcare</td>
<td>1.47%</td>
<td>11/20/2020</td>
<td>$70.318</td>
<td>210</td>
<td>$334.85</td>
<td>$338.34</td>
<td>$70,631</td>
<td>8.82%</td>
<td>$314</td>
<td>0.45%</td>
</tr>
<tr>
<td>FB</td>
<td>Facebook</td>
<td>Communication Service</td>
<td>0.00%</td>
<td>11/2/2020</td>
<td>$47.610</td>
<td>184</td>
<td>$258.75</td>
<td>$276.97</td>
<td>$50,962</td>
<td>4.69%</td>
<td>$3,353</td>
<td>7.04%</td>
</tr>
<tr>
<td>SPY</td>
<td>S&amp;P 500 ETF</td>
<td>Index Fund</td>
<td>1.48%</td>
<td>9/21/2020</td>
<td>$503.956</td>
<td>1,547</td>
<td>$125.70</td>
<td>$153.06</td>
<td>$186,215</td>
<td>49.61%</td>
<td>$56,260</td>
<td>11.16%</td>
</tr>
<tr>
<td>CASH</td>
<td></td>
<td></td>
<td>4.78%</td>
<td>9/22/2020</td>
<td>$0.00</td>
<td>0</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>0.00%</td>
<td>$0.00</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Starting Value: $1,000,000
Market Value: $1,092,210
% of Portfolio: 100.00%
$ Change: $92,210
% Change: 9.22%
Economic Outlook:

All our investments thus far have been in domestic equities. Therefore, we spend a lot of time monitoring the US indexes such as the DOW, S&P 500, and NASDAQ. The US markets are currently on an expansionary run due to the Federal Reserve keeping rates near 0 and the government continuing to lend to businesses and households during the pandemic. As of January 15th, the P/E ratio for the S&P 500 is at 38, much higher than this time in 2020 when it was at 22. This is the highest-level equities have traded at in the past 10 years, making it difficult for us as value investors to find undervalued stocks.

Some of the metrics we will continue to follow closely are the Fed funds rate, inflation, and GDP growth. We see GDP to grow by about 2% in 2021 due to continued vaccine rollout and restrictions on dining and shopping being lifted. With this prediction we assume that President-elect Biden’s stimulus plan is deployed in Q1 2021 and that COVID-19 cases are contained to the point that businesses can reopen. We’re also closely following the unemployment rate as a metric to track if economies are actually reopening. As state economies open gradually, we see a possibility of increased inflation late in 2021. The Fed has increased its balance sheet to 7.3 trillion up from 4.2 trillion last February and during this time inflation has actually decreased. Due to inflation persistently undershooting the Fed’s target of 2% over the last decade, the Federal Reserve has decided to change their mandate to allow more flexibility in inflation growth and pursue an “average-target of 2%”. This means that we may see inflation run-above 2% for an extended amount of time before the Fed makes any decision on increasing the FFR. Taking this uncertainty into consideration, we continue to value our investments with a threshold cost-of capital that does not speculate on what the US FFR will be at any given time, yet we remain cautious on the changes in our economic climate.

Despite the uncertainty of these times, we are confident that our investments are in diverse industries that can withstand further economic lockdown but also have upside to the further potential economic reopening. Investing in tech, military defense and healthcare have provided us with a strong hedge against prolonged unemployment and decreased consumer spending.

Sector Analysis

Industrials:

The Industrials sector is composed of a wide selection of sub-industries that produce goods or provide services for industrial use. There are a multitude of subsectors within the industry such as aerospace companies like Lockheed Martin, heavy machinery companies like Caterpillar, passenger transports such as Delta Airlines, shipping companies such as FedEx, and many more. The industrial sector currently holds a weight of 9.98% in the SPY and a 14% weighting in our portfolio.

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 have made a steady recovery from lows of 36.1 in April, to a healthy 57.1 in December of 2020 suggesting industrials are facing an expansionary
market alongside a reopening economy. While this data shows a healthy recovery in manufacturing, we must move forward with caution as any more lockdowns can adversely affect the PMI again.

Throughout these challenges, our team believes Industrials will remain a winning sector moving into 2021. We do expect to see a slow and steady economic recovery as the world begins to re-open and we strongly believe that the companies we have selected within the Industrials will withstand any challenges thrown at them in the following year.

For example, we have invested in the Aerospace & Defense sector through the purchasing of Lockheed Martin. We strongly believe that regardless of political uncertainties and the macroeconomic problems we face in the current climate, LMT will be able to continuously produce a surmountable amount of free cash flow due to the long-term nature of their revenue contracts with the U.S government and its operations will not be affected by any short-term risks. We also remain confident in the growth behind shipping and logistics companies such as Fedex due to the increasing popularity of E-commerce and a shift from in-store retailers to online shopping. That combined with an extremely well-established business model, will continue to help Fedex thrive as the world progresses through these challenges. According to S&P Global, YTD the SPDR Industrials has underperformed at an approximate 9% gain compared to the SPY’s 17% gain, leaving an 800 basis point gap. This underperformance has not largely affected our optimism for the industrial sector, mainly because the underperformance was due to a large decline in Airlines and big Aerospace companies such as Boeing. By carefully selecting companies within the Industrial sector, we believe we will benefit regardless of how quick the economy reopens.

Financials:

The financial services sector has experienced relative growth despite the upending of the industry due to the coronavirus pandemic. Companies in the sector are reimagining ways to maintain high margins in the low-interest rate environment that 2020 has presented. The panic resulting from the economic downturn of 2020 triggered an influx of expansionary monetary policy. The U.S. Federal Reserve initially supplied immense liquidity in the form of cash to allow for intervention from banks if needed. The Fed also became a direct buyer in several financial markets to ensure those markets would be able to operate. The Fed lowered the rate to a range of 0.0% to .25% for the second time in history in March 2020, which has remained throughout 2020.

Despite the challenges presented by lower interest rates, the increased integration of technology for financial institutions can restore profitability in the near future. Technology is also affecting insurance companies who are facing disruptions from the use of telematics. Merger & Acquisitions and Private equity activity has fallen, especially among middle market firms, however both industries are poised for potential upside as the pandemic is expected to ease over the next year.

Current Holding: Visa (NYSE: V)

Communication Services:

The Communication Services Sector has experienced ample growth as a result of the pandemic and continued lockdowns. According to Fidelity, there was a sharp decline in digital advertising spending as companies focused on cutting advertising expenses in early 2020. As consumers sheltered in place, however, purchasing activity quickly moved online and advertising spend rebounded. In fact, there has been upwards of a 35% annualized growth in online shopping during the pandemic. While this growth in
online shopping is about 20% less than U.S. retail growth, online shopping makes up a mere 10% of the grocery segment by market share. Fidelity, therefore, believes that the industry has a lot of growth potential with the current rise in online platforms & digital advertising revenue streams.

Over the past year, the Communication Services sector’s return was 18.20%, outperforming the S&P 500 Index which had a return of 15.72%. Additionally, the sector has a large P/E ratio of 41.56 and a dividend yield of 3.79%. The sector’s current market cap stands at approximately $5.92 trillion.

Current Holdings:  
Alphabet (NASDAQ: GOOG)

Healthcare:  
Healthcare currently makes up 13.44% of the S&P 500 index. The healthcare industry, with a market cap of $7.69 Trillion as of January 19, 2021, can be divided into 6 sub sectors - Pharmaceuticals, Biotechnology, Health Care Technology, Life Sciences Tools and Services, Health Care Providers and Services and Health Care Equipment and Supplies, with pharmaceuticals being largest sub sector, making up 29.3% of the industry.

Outlook  
With the pandemic, and the fluctuation of its impacts, the healthcare industry has seen and can expect to continue to see a reliance on telehealth from consumers. Thus pharmaceutical and life sciences companies are being pushed to see what can be done virtually; as PwC cites, 98% of surveyed pharmaceutical and life sciences executives said they expect digital investment in clinical trials to increase in the next year. This will likely also come in the form of government investment, which could overall increase access to healthcare for consumers, providing a more optimistic expectation for the industry’s future with regards to resilience against COVID. Additionally, the rapidly growing elderly population increases the pool of Medicare patients as well as people who will require services for chronic diseases, driving healthcare market expansion. Furthermore, as consumerism continues to push patients to make decisions based on price and value, price transparency is becoming increasingly more important. Therefore, companies dealing in healthplan products (such as HDHPs and HSAs) can expect to see more popularity with consumers looking for other ways to pay for healthcare.

While government regulations continue to threaten the healthcare space when it comes to the ability to release new products and product pricing, the Biden administration's plans regarding healthcare will be aimed at COVID-19 and economic recovery most immediately, and health reform will be addressed farther down the line. The most near-term concern would be potential risk adjustments and other tools to deflate healthcare spending and decrease the rate of Medicare inflation. Interest rates are another concern, with The Business Research Company reporting that US interest rates can expect to rise up to 3.5% by 2021, therefore making it more expensive for companies to borrow money. Thus companies in capital intensive markets, such as healthcare services, may struggle to set up new facilities and procure equipment.

Current Holdings:  
United Health Group (NYSE: UNH)
Real Estate:

The Real Estate Sector has struggled significantly as a result of the COVID-19 pandemic and the expedited transition to work-from-home. However, rebounding economic activity, strong property fundamentals, and low interest rates have bolstered the positive recovery for the sector at large. The industry is incredibly complex, hosting 9 distinct types of REIT businesses, and 3 Real Estate services on the market. At large, the Real Estate composite still remains 5.3% below their pre-corona highs, only one of three sectors which are still lagging.

There is still promise within this sector. Multi-family, industrial, and alternatives REITS - tower companies, cold food storage, etc.- have seen resilient growth throughout 2020. Multi-family has seen a 4.5% growth in 2020, and is positioned for continued favorable performance in 2021 as Metro areas such as Austin, Atlanta, Phoenix, and Boston are seen as continued growing opportunities. The overall fundamentals of industrial real estate remain strong, as its demand increased due to greater online purchases. Alternatives within the Real Estate sector accounted for more than 12% of all commercial real estate investment in 2020. Investment within this subsector has risen steadily in recent years, and will continue to attract high levels of interest from investors in the upcoming half decade.

Real Estate is a pillar of the global economy, therefore, analysts project growth in the sector to range from 5.7% to 7% over the next several years.

Current Holdings:

American Tower Corporation (NYSE: AMT)

Current Holdings:

Federal Express Corporation (NYSE: FDX)

We purchased 311 shares of FedEx stock at $254.66 for a total cost of $79,119.

FedEx is a delivery service company that serves 220 countries worldwide and is in markets connected to 99% of Global GDP. FedEx pioneered Express delivery and is now one of three commercial providers that dominate the global small-parcel shipping landscape. FedEx is also now the largest domestic less-than-truckload carrier. FedEx provides a broad portfolio of transportation, E-commerce and business, under the respected FedEx brand services through companies competing collectively, operating independently and managed collaboratively. FedEx serves local communities and international markets through their main operating segments, including FedEx Express, FedEx Ground, FedEx Freight, and
FedEx Service. FedEx derived 51% of revenue from its express division, 33% from ground, 10% from freight, and 6% from Service.

Although consumer spending is expected to decline in 2020, it is anticipated to return to growth, representing a potential opportunity for the industry to mitigate short term losses. The Freight Packing and Logistics Services industry has grown steadily over the five years to 2020 due to increases in trade and freight volumes, or goods transported in bulk. Over the past five years, downstream demand has improved in line with rising industrial production and global trade. However, steady economic growth was impeded in 2020 due to the COVID-19 (coronavirus) pandemic. Industry revenue in the US is forecast to rise at an annualized rate of 2.8% to $3.3 billion over the five years to 2025. A resurgence in consumption levels and trade activity will likely bolster freight volumes, which will generate demand for freight packing and logistics services. Logistics industry majors across the value chain are expected to prioritize operational efficiencies, with investments in technology adoption. Freight forwarders that offer innovative online solution offerings in freight matching, custom brokerage, and transportation management solutions are expected to transform the segment with enhanced customer experience. The warehousing industry is expected to transform significantly with process automation due to the emergence of cross-border eCommerce and increasing demand for integrated supply chain solutions.

FedEx’s efforts to grow profitably across each segment are gaining traction despite challenging operating conditions brought about by COVID-19 and the difficult integration of TNT in the European market. Ground is set to leverage recent initiatives and investments into improving operating efficiency while the narrative on driving yields higher is a significant step in improving pricing discipline after the B2C surge. FedEx has also begun to show signs of leveraging the broad portfolio with Ground delivering select Express packages and Freight hauling harder to handle, bulky volume, which is now separated from smaller packages. A newly expanded seven-day residential network and early benefits from delivering select Express packages have helped Ground weather the B2C mix surge following the COVID-19 pandemic. This sets the stage for a stronger focus on B2C yields, combined with recovering B2B activity. Express also generated long-awaited operating leverage in a strong airfreight market, which should continue as passenger cargo space remains limited in key trade lanes as the global economy recovers. FedEx’s resilient, adaptive business model and the accelerated growth in E-commerce, positions the company to perform well in the near and long-term horizons.

As of November 30th, we have an unrealized gain of 12.53% on FDX.
Lockheed Martin Corporation (NYSE: LMT)

We purchased 190 shares of Lockheed Martin stock at $364.84 for a total cost of $69,320.

Lockheed Martin Corp is a global security company that primarily researches, designs, develops, manufactures, and integrates advanced technology products and services. Headquartered in Bethesda, MD, Lockheed operates 375-plus facilities globally. The US accounts for almost 75% of sales, followed by Europe and Asia Pacific, each generating about 10%. The Middle East and other countries account for the remaining revenue. The company operates through four business segments: Aeronautics (40% of sales), Rotary and Mission Systems (25% of sales), Space Systems (18%), and Missiles and Fire Control (17%). The US government is Lockheed's biggest customer, accounting for about 71% of revenue (the Department of Defense alone accounts for 61%). It makes combat aircraft, unmanned aircraft, helicopters, satellites, and spacecraft, as well as ship and submarine combat technology and missiles and missile defense systems. Lockheed's flagship F-35 jet fighter accounts for more than 25% of sales.

The Aerospace and Defense industry is largely defined by its high capital intensity and large government oversight. Due to the difficulty of manufacturing processes and complex supply chains, there is a naturally large barrier to entry, which leaves a small group of bigger name players who intensely compete for project contracts. These contracts are typically long-term agreements with the US government, or other international governments, and are usually very large in terms of revenue. Due to the reliance on the US government, a lot of the businesses within this industry look to the US defense budget as a guide for revenue growth. Although there is concern that the US defense budget may see cuts against a growing US balance sheet, we believe the priority of US defense will remain to mitigate any growing geopolitical tensions or global conflicts. With governments and commercial operators beginning to focus on space exploration and satellite expansion, we believe Aerospace and Defense remains a prime beneficiary of any growth related to space. This is because the businesses that makeup this industry are the same one’s manufacturing and developing products for any space related projects. In more recent times, the industry has seen some complications with supply chain issues due to the Covid-19 pandemic. Although this has had an adverse effect on production numbers in 2020, we believe it will not pose any long-term or structural risk to companies who are largely supported by the US
government. Over the long-term we expect supply chains to be restored and production growth to recover to pre-pandemic levels.

Lockheed Martin remains one of the largest and strongest players within an industry that operates in a mostly acyclical market. Since Lockheed derives 71% of its net sales from the US government through long-term contracts, we believe they are well positioned to weather any headwinds brought upon by Covid-19 or an economic downturn. Lockheed also has a record backlog of about $150 Billion which is about 2.5x the amount of their FY19 revenues. This along with the fact that US defense will most likely remain a top priority, puts Lockheed in a great position to continuously benefit from its growing segments. More specifically, the F-35 program is known as the backbone of Lockheed Martin and serves as the foundation to 13 nations defense programs. This program will most likely continue to see growth over the next few decades, regardless of any budget cuts. We also believe LMT is trading at a discount to its intrinsic value due to a market that is worried about budget and supply chain issues related to Covid-19 and the upcoming election. Lockheed remains integrated in some of the world’s most important programs both space and defense related. We believe their strong financials and intelligent management team, will continue to add shareholder value through dividend growth and efficiency management and provides a great defense play in a market clouded by uncertainty.

As of November 30th, we have an unrealized gain of .04% on LMT.

**Facebook Inc. (NYSE: FB)**

We purchased 184 shares of Facebook stock for $258.75 at a total cost of $47,610.

Facebook is the leading social media platform in the world. Its operations consist of five different revenue sources. These are Facebook, Instagram, WhatsApp, Messenger, and Oculus. These offerings allow users to connect and share with friends and family through a wide variety of devices. More recently Facebook has been utilized by business owners to connect with customers and by other media companies to reach the public. Their operations are diverse as Facebook and Instagram are most popular in the U.S., while messaging app, WhatsApp is more commonly used in foreign countries like India. Facebook has recently made moves to merge the communication services of Facebook, Instagram and WhatsApp to expose different geographies to each of the apps.

Facebook competes with any company that is in the battle for the screen time of users. Facebook’s main revenue source is advertising revenue so having users spending time on their apps increases the value of ad space and gives Facebook more information to create user specific ads. Its competition consists mainly of Snapchat, YouTube, Apple’s iMessage, and Signal. YouTube is the most significant
competition in terms of users as they are second to Facebook in monthly active users. More recently, tech industry leaders Elon Musk and Chamath Palihapitiya have called on people to use Signal messaging app instead of WhatsApp. This is following the news that Facebook is requiring WhatsApp users to share more data. The messages exchanged on WhatsApp cannot be seen by Facebook as there is end to end encryption, however location, purchase history, and contact lists are among the items that can be used by Facebook once WhatsApp users agree to the terms and conditions. This has created a worry among Facebook investors, and we will continue to monitor the status of Facebook's MAU’s to see if this will have long term ramifications.

In addition to pressure from competing social media platforms is the probability that the FTC breaks up Facebook’s platforms due to violation of antitrust laws. We acknowledged this risk early on and believe that there is less worry about current operations being broken up, but that it will be unlikely Facebook can continue to grow through acquisitions similar to the Instagram acquisition. Furthermore, CEO Mark Zuckerberg consolidated the separate platforms to make them one entity and harder for them to ever be broken up.

As of November 30th, we have an unrealized gain of 7.04% on FB.

Visa (V)

On October 13, 2020 we purchased 339 shares of V stock for $204.46 per share for a total cost of $69,312.28.

Founded in September 1958 in Fresno, CA Visa is a global payment processor company. It makes money through a four-party payment model that includes consumers, card-issuing financial institutions (consumer's bank), merchants, and acquirers (merchant’s bank). Visa serves as the middleman in this four-party model, earning fees mainly through service revenues, data processing revenues, and international transaction revenues. This four-party payment model has expanded in recent years to include technology companies, fintechs, governments and governmental organizations. Visa operates in more than 200 countries with the largest market in the US.

In our valuation, we assumed a weighted average cost of capital of 9.0%. We assumed a terminal growth rate of 4.9% since Visa remains competitive and has strong prospects for growth due to the nature of the contactless payment solutions industry. We calculated a target price of $215.40 which gave us a 4% margin of safety at the time of the pitch.

Fueled by the steady expansion of cashless transactions and positive macroeconomic trends, analysts predict global payments revenues will rise by a (CAGR) of 5.9% from 2019 to 2028. Also, due to an increase in economic activity, countries are incentivized to switch to cashless payments method. Though the pandemic continues to have a negative effect on the global economy, there are some signs of recovery. As businesses are starting to operate in a limited capacity, the use of contactless payments solutions increases. Visa is investing heavily to promote their “Tap to Pay” technology. In addition to that Visa has
made a decision of delaying some changes in their fee structure up until April 2021 because they are committed to maintain the relationships with clients whose businesses are struggling because of COVID-19. After the pandemic hit many flights, events, and etc. were cancelled leading to an increased number of dispute charges requests. Therefore, one of the actions Visa has recently implemented was an introduction of their software called “Verifi” which was aimed to help processing the dispute fees requests.

Some of the risks Visa might face are data security concerns like the rising number of cyber attacks, local regulations that give local payment processors a competitive advantage, and the competitors coming up with the new ways of processing the transactions. Visa is committed to provide secure services and heavily invests in research and development. Also, Visa is a global brand that tailors its products and services towards the needs of the individual markets.

Visa was included in the Dow Jones Sustainability North American Index as well as FTSE4Good in 2018. It was named as one of Ethisphere’s World’s Most Ethical Companies for seven years in a row and was included as members of the 100 Best Corporate Citizens and 100 Most JUST Companies rankings. Visa is committed to switch to 100% renewable electricity by 2020 as well as it has implemented diversity programs for employees and suppliers. In April 2020 Visa Foundation donated $210 million to support local businesses and those who were affected by the pandemic.

As of November 25, 2020, we have an unrealized gain of 2.88% on V.

**UnitedHealth Group (UNH)**

On November 20, 2020 we purchased 210 shares of UNH stock for $334.8465 per share for a total cost of $70,317.765.

UnitedHealth Group is a managed care company, headquartered in Minnetonka, Minnesota, and was founded in 1977. It has two primary business platforms: UnitedHealthcare, which serves as its health benefits, and Optum, its health services business. The two businesses can be furthermore divided into four segments: UnitedHealthcare (which includes Employer & Individual, Medicare & Retirement, Community & State, and Global), OptumHealth, OptumInsight, and OptumRx. UnitedHealth Group earns revenue through premiums, product sales, service fees and investments. UNH’s consumer-centric business model works to serve the broad healthcare marketplace, payers, care providers, employers, governments, and life sciences companies and consumers, and operates in 140 countries around the world.

In our valuation, we assumed a weighted average cost of capital of 9%. We assumed a terminal growth rate of 3% since UnitedHealth group is already large and competitive, however, the company continues at an impressive rate to grow due to innovative practices and changing demographics. We calculated a target price of $393.64 which gave us a 11.8% margin of safety at the time of the pitch.
UnitedHealth Group has a strong focus on innovation, a customer-centric business model, and strong growth potential. UnitedHealth Group invests nearly $3.5 billion annually in technology and innovation. This large sum of money is allocated to improve healthcare costs, affordability, enhancing the healthcare experience, and achieving better health outcomes. Additionally, UnitedHealth Group’s customer-centric approach offers a continuum of benefit designs, price points, and approaches to engagement for full flexibility of consumer needs. Lastly, despite the company’s already impressive size, there continues to be growth potential. UnitedHealth group estimates a 13-16% long term growth objective, as the company experiences growing numbers of those eligible for Medicare. Lastly, the diversified business model that UnitedHealth Group has creates many potential avenues for growth.

While the healthcare industry has been largely impacted by the pandemic, various sectors are affected differently, especially considering their product portfolio. Given UnitedHealth Group’s diverse product and service offerings allow for the company to maintain a bullish long-term growth outlook. Regardless of COVID-19, consumerism is on the rise, pushing customers and patients to base more and more decisions on price and value. This places greater importance on price transparency, meaning that companies in this industry should prioritize consumer-centric business models and electronic tools and options for their customers. In addition, high deductible health plans, such as plans OptumBank offers, have seen (and are expected to continue to see) steady growth since 2018 as a result of the difficulty patients find in making hospital payments. As hospitals struggle in the face of the pandemic, the managed care market is expected to continue to expand, as well Medicaid.

UnitedHealth Group has a few core risks that pertain to their business. First, UnitedHealth Group is subject to the risk of cyber attacks and data breaches due to the vast amount of information that they collect for their customers. Additionally, UnitedHealth Group is particularly vulnerable to various banking regulations, international regulations, and Pharmacy Benefit Manager regulations. Lastly, UnitedHealth Group is sensitive to COVID impacts such as decreases in the ability to visit the hospital or have elective surgeries.

**Alphabet (GOOG)**

On October 26, 2020 we purchased 35 shares of GOOG stock for $1,588.23 per share for a total cost of $55,588.05.

Alphabet was established by the co-founders of Google, Larry Page and Sergey Bin in 2015. The company is a technology conglomerate that consists of two main components: Google, which is the core business of Alphabet, and “Other Bets”. Google is a chain of internet products designed for web browsing, email, cloud storage, navigation, and other various services. The “Other Bets” segment includes emerging businesses at various stages with the goal of developing thriving companies in the medium to long term. Alphabet generates the majority of its revenues through advertising and invests heavily in artificial intelligence.

In our valuation, we assumed a weighted average cost of capital of 9.5%. We assumed a terminal growth rate of 3% since Alphabet is already large and competitive, however, the company still invests in additional avenues of growth. We calculated a target price of $1,684.17 which gave us a 8.24% margin of safety at the time of the pitch.

Alphabet has very strong growth prospects despite having relatively mature subsidiaries like Google. This long-term value creation is achieved through continuous investments (M&A and R&D) within its
businesses. Google’s monopolistic nature also poises the company for long-term growth even as competitors may emerge in the market. Alphabet’s innovative spirit connects back to its strong growth potential. The conglomerate’s businesses constantly adapt to consumer and industry trends while exploring new ways to better serve customers. Considering these points, Alphabet is able to achieve robust financial performance despite volatility in the market and global economy. With its strong brand strength and reputation, Alphabet continues to hold a leading position in the market.

As a result of the pandemic and lockdowns in place, the Communication Services sector has experienced positive growth due to the increased demand for technology, streaming services, and entertainment. With companies including Alphabet, Facebook, Netflix, and Verizon, the Communication Service sector has experienced 12.7% revenue growth (TTM vs. Prior TTM). Overall, the diversified nature of this sector along with current market conditions show positive signs for future growth.

Some of the risks Alphabet may face include declines in advertising revenue due to current macroeconomic volatility, intense competition as its businesses expand into a wide range of markets/industries, and the heightened regulatory environment with recent antitrust lawsuits. Through its robust financials and continuous investments, however, Alphabet has been able to effectively handle these risks.

As of November 25, 2020, we have an unrealized gain of 10.86% on GOOG.

American Tower Corporation (NYSE: AMT)

On October 19, 2020 we purchased 246 shares of American Tower Corporation for $243.08 per share at a total cost of $59,797.68.

American Tower Corporation is a global telecommunications real estate investment trust (REIT) that is a leading independent owner, operator, and developer of wireless and broadcast communications real estate. The Company has two main operating segments: property and services. Nearly 96% of American Tower Corporation’s revenue is attributable to their communication sites where they provide a range of services from cellular data, mobile video, and broadcasting. American Tower Corporation is the leader in its industry as it generated nearly 20% of the total revenue for the $38.6B industry with its top clients being AT&T inc, Verizon Wireless, T-Mobile U.S. inc, and Sprint Corporation.

We believe American Tower Corporation is a strong investment for three key reasons. The first is the fact that the company is both the international and intranational leader in a high growth industry with a high barrier of entry. Since the beginning of the year, data traffic in the U.S. has increased a staggering 32% (CAGR). With this substantial growth in data usage, the deployment of a 5G network, and AMT being the leader in revenue generation in 19 of 20 countries they own towers, they have positioned themselves for success in the upcoming decades. We also saw American Tower Corporation as a safe investment due to the low revenue volatility and low capex structure of the industry. There clients sign 10-15 year non-cancelable contracts with fixed inflation and escalation. This along with the low capital expenditures of 2.6% allow for continued dividend growth and massive acquisition of tower banks abroad.

In our valuation, we assumed a weighted average cost of capital of 7.5%. We believe that a terminal growth rate of 3.5% is justified by AMT’s proven track record of strong revenues and long-term scalable
growth through their long-term partnerships. Our target price was $265.83 with a margin of safety of roughly 9.7%.

As of January 15th, 2020, AMT is currently trading at $219.89, down roughly 11.5% of our initial investment. The primary cause of this decline was due to a decline in revenues in the Asia and Latin America property segment, low interest rates, and a 2.7% decline in free cash flow year over year. We still believe that AMT is a strong hold due to how well run the business is, their recent acquisition of Insite Wireless group (owns, operates, and manages roughly 3,000 communication sites primarily in the US and Canada) for $3.5B as the further prepare for the deployment of 5G, and expectations of nearly $46.9B of non-cancellable tenant lease revenue.

Moody’s (MCO)

On November 20, 2020 we purchased 220 shares of MCO stock for $275.26 per share for a total cost of $60,557.20.

Moody’s Corporation consists of Moody’s Investors Service (founded in 1909), Moody’s Analytics (founded in 2008), and Moody’s Foundation (founded in 2002) with the headquarters in New York, NY. Moody’s Investors Service issues credit ratings for debt securities and Moody’s Analytics provides economic analysis software, risk management solutions, and professional development training. Moody’s Corporation operates globally with offices in more than 26 countries.

In our valuation, we assumed a weighted average cost of capital of 9.0%. We assumed a terminal growth rate of 4.9% since Moody’s remains competitive and has strong prospects for growth despite market volatility. We calculated a target price of $303.90 which gave us a 10% margin of safety at the time of the pitch.

Over recent decades, the global fixed-income markets have grown significantly both in terms of the amount and types of securities or other obligations outstanding. Therefore, Moody’s believes that the long-term growth outlook for debt capital markets remains favorable for continued growth and increased demand for related information including credit opinions, research, data & analytics, and risk management tools. Another point to consider is that there has been heightened attention to credit analysis and risk management within corporations. This is a result of the increasing complexity of financial markets which require more risk management strategies with market volatility and uncertainty. The fast past of technology and communication growth also stresses the greater need for credible and globally comparable credit risk opinions. Finally, Moody’s has demonstrated strong performance despite recent market volatility. This stems from the favorable low interest rate environment as well as Moody’s innovative nature of using acquisitions and partnerships in order to better tailor its products to suit customer needs. Together, these points support a strong buy for Moody’s.

Moody’s is within the financial services industry - an industry which was certainly upended by the pandemic with businesses having to come up with new strategies to support their core operations. While the financial services industry is broad, Moody’s business is dependent on changes in the volume of debt securities issued in the domestic & global capital markets as well as to changes in interest rates. Therefore, focusing more on the debt capital markets, one trend is that the low yield environment is encouraging more corporations to carry out more new bond issuances while retiring existing higher interest rate debt. Specifically focusing on the investment grade space, the increased need for capital due to market
conditions has resulted in a record $1.67 trillion in debt issuances - the investment grade corporate supply is at a record. This debt that was raised at low yields during the first half of this year, needs to be repaid over time. Rating agencies have responded to the steep drop in earnings and increase in corporate leverage by downgrading credit ratings. Therefore, credit rating agencies are benefiting from current market conditions with the favorable low interest rate environment while decreased profitability and increased leverage spurred greater downgrade activity. As a result of current volatile market conditions, it is even more important for lenders/investors to have ample information on bond issuer credit risk.

Some of the risks Moody’s may face include debt capital markets volatility, specifically with regards to the volume of debt securities issued, pricing pressures from customers & competitors, and overall market volatility due to the Covid-19 pandemic. Moody’s has been able to effectively handle these risks through its diversified product offerings (i.e. Moody’s Analytics risk management services), strong brand strength, and ample liquidity maintenance through long-term borrowings and temporary suspending of its share repurchase program.

Moody’s is constantly working towards the goal of promoting transparent and globally consistent ESG standards in order to help market participants to better understand risks and make more sound investment decisions. Moody’s has a CSR Council headed by CEO McDaniel as well as a CSR Working Group in which senior executives and top management implement the CSR strategy. Through Moody’s numerous acquisitions and programs, the firm works towards the goals of empowering people with financial knowledge, activating an environmentally sustainable future, and helping young people to reach their potential.

As of November 25, 2020, we have an unrealized gain of 2.57% on MCO.