UNIVERSITY OF CONNECTICUT STUDENT MANAGED FUND

Spring 2023 Full Year Portfolio Report

MAY 9, 2023

UNIVERSITY OF CONNECTICUT SCHOOL OF BUSINESS
UNDERGRADUATE STUDENT MANAGED FUND—TEAM BLUE

Data from October 26, 2022 – April 11, 2023

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LETTER TO THE IAB & UCONN FOUNDATION

Dear Investment Board Members and University of Connecticut Foundation Members,

A year of long nights, invaluable learning experiences, and sometimes tough love from Jeff on Fridays has ended. We continue to be grateful and proud to be a part of one of the oldest and most prestigious programs the University of Connecticut School of Business offers. It is an honor and privilege to have the opportunity to manage a million dollars of assets and invest in businesses we agree on as a team. We are thankful to learn from your diverse career backgrounds, industry expertise, and insightful life experiences through different SMF Speaker Series and end of semester presentations.

The Student Managed Fund has challenged us in many ways and helped us prepare for the next chapter that awaits most of our team members as we begin full-time positions in a few months. Throughout the year, we continued to learn the art of investing and how real money managers operate. Our team has expanded our analytical skills, accounting knowledge, and presentation skills in ways impossible without the Student Managed Fund.

Even though our time on the Student Managed Fund is ending, the lessons learned, and relationships formed will last a lifetime. We all cherish the academic, professional, and personal growth made possible through this program and cannot be more excited to showcase all our hard work in this report. The following report details our investment process, portfolio performance, and lessons learned from this past year. We hope you all enjoy and gain a better understanding of Undergraduate Team Blue's experience this year.

Sincerely,

Undergraduate Team Blue 2022-2023

PORTFOLIO OVERVIEW

INVESTMENT MANAGERS:

Jordan Ferro:
Co-Lead Manager

Sam Rupff:
Co-Lead Manager

Michael Campisi:
Portfolio Manager

Matthew Iallonardo:
Risk Manager

Cameron Regan:
Communications Manager

Carolina Draghi:
Website Manager

Finn Sheehan

Damon Diamantes

Monica Pydipati

Jake Gallup

Matt Pasquale

SMF Supervisor: Jeff Annello **Trader:** Michel Rakotomavo **SMF Director:** Chinmoy Ghosh

BENCHMARK & STYLE:

Our portfolio performance benchmark is the broad S&P 500 index. Our investment style focuses on a 10–15-year investment horizon viewing short-term performance with an open mind. We primarily target large-cap equities with proven business models, competitive advantages, strong historical performance, and growth potential. We acknowledge companies are rewarded for their commitment to environmental, social, and governance initiatives and maintain that any allocation demonstrates impressive ESG performance. Since our focus is on equities, we have not invested in fixed income instruments this semester.

PHILOSOPHY & STRATEGY:

Our investment philosophy is built on three pillars:

(1) **Focus on a long-term horizon**
   a. 10–15-year investment horizon with a focus on companies that can beat out different business cycles

(2) **Proven business models**
   a. Focus on companies with strong economic moats
   b. We look for a company's historical ability to beat out different business cycles
   c. Target equities with recurring revenue streams
   d. Emphasize companies that return some value to shareholders

(3) Some type of catalyst
   a. Search for companies that Wall Street misprices for a short-term reason which does not change a long-term business model
   b. Identify companies with future growth prospects or beneficial business re-organizations

We manage our portfolio on the conviction of beating out the S&P 500 index over a 10-to-15-year period. Our team maintains a strong fiduciary responsibility and mandates our portfolio philosophy is followed without exception for all allocations. Investment decisions must follow strict due diligence and include quantitative and qualitative analysis.

PROCESS:

Team Blue's investment process begins with ongoing research. Managers are assigned sectors to stay up to date on but act as generalists. We see value in the experience gained from pitching equities from different sectors. Companies are identified with a blended bottom-up and top-down approach. We are aware many sectors are beaten down and in the short term may experience difficulties but have found the most value here. In addition, we seek out companies from the perspective of owning the business itself. Our team looks for companies in both our everyday environments and in the industries that we believe have the greatest potential. We also use tools such as Blomberg and CapIQ to screen for companies with different criteria. A general screen enables us to pinpoint companies with solid quantitative performance. Once a manager pinpoints an equity of interest, in-depth equity research follows. The most common resources are a company's 10-k, investor relations materials, earnings calls, sell-side reports, and additional information from CapIQ and Bloomberg.

Once a manager is confident in their investment idea, a formal pitch to our team follows. Our managers are required to pitch at least once a semester. Pitches are done in person on Fridays and are 15-30 minutes, followed by a question-and-answer section. Our team maintains an open mind throughout this process and welcomes constructive criticism. In addition, our fund supervisor, Jeff Annello, is always present to give his input and advice for future pitches. The voting process is in-person after a pitch and requires a supermajority (8/11) vote for allocation. We believe that in person voting is essential and are all comfortable sharing our opinion, whether in agreement or dissent. Percentage allocation is proposed in the pitch by the managers presenting. Managers typically suggest a 5-10% allocation depending on their confidence in the company and the sector's attractiveness. A simple majority vote can increase or decrease percentage allocation. Finally, our portfolio manager submits the trade with a 20% stop loss provision.

The work continues after an investment is made. Managers are expected to keep up to date on earnings calls and any relevant company updates and notify our team. Equity performance is monitored in excel with all relevant financial metrics.

INVESTMENTS & PERFORMANCE:

Our portfolip consists of twelve strong equities that have the potential to beat out the broad index over the long-term. We ended first semester only 28% allocated which left a lot of work for our final semester on the SMF. Our team worked diligently over winter break to find ideas and conduct research, which allowed us to hit the ground running in the second semester. Team Blue maintained a strong pipeline of pitches throughout the second semester and is proud to say we are 100% allocated to equities.

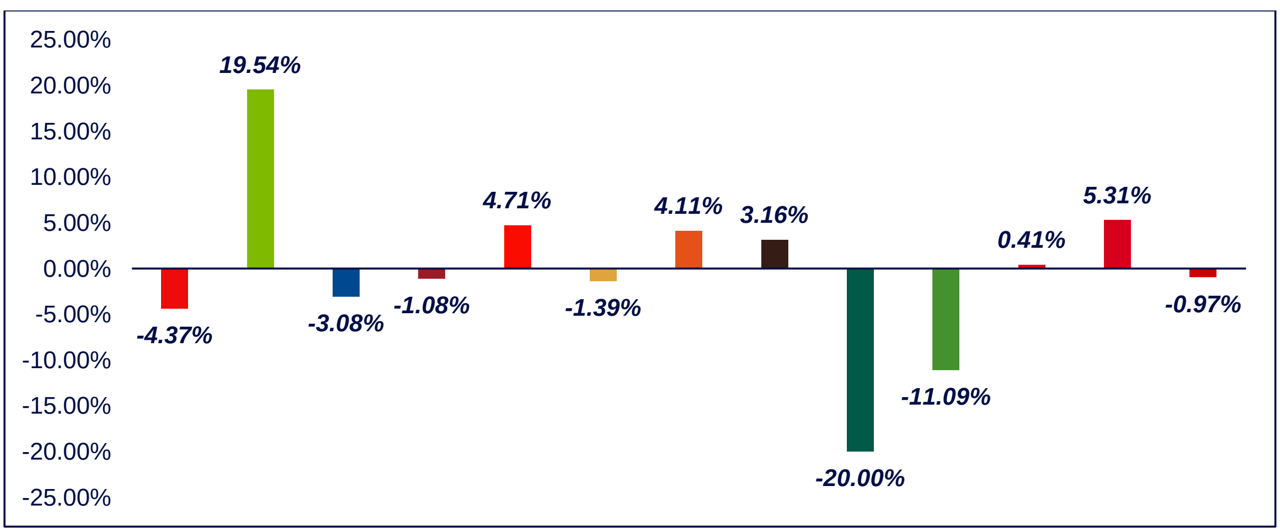
Overall, the broad market slightly outperformed our portfolio of equities. The S&P 500 had an overall return of 6.48% over our investment horizon. Our portfolio of 12 strong businesses had an overall positive gain of 3.81%, falling short of the broad market by 267 basis points. Our team is confident in our asset allocation and firmly believes that investment in these businesses will outperform the overall market over a 10–15-year time horizon.

Shown in (*Figure 1)* is our overall profit and loss from the twelve companies that make up our SMF portfolio. In addition, (*Figure 2)* shows the percentage gain or loss of each respective equity in our portfolio.

Figure 1: *Equity Profit Loss*

Company Name	Gain / Loss	Trade Date (s)
JOHNSON & JOHNSON	$ (2,812.50)	14-Nov
MICROSOFT CORPORATION	$ 20,295.99	15-Nov
LOWE'S COMPANIES, INC.	$ (2,945.72)	28-Nov & 29-Mar
THE TJX COMPANIES, INC.	$ (909.35)	28-Nov & 29-Mar
ADOBE INC.	$ 4,031.78	23-Jan
VISA INC.	$ (1,521.63)	30-Jan
HCA HEALTHCARE, INC.	$ 3,709.78	16-Feb
UNITED PARCEL SERVICE, INC.	$ 2,804.23	16-Feb
CF INDUSTRIES HOLDINGS, INC.	$ (17,735.44)	22-Feb & 27-Feb
DEERE & COMPANY	$ (7,581.31)	22-Feb & 27-Feb
Taiwan Semiconductor Manufacturing Co., Ltd.	$ 486.62	27-Feb & 29-Mar
Restaurant Brands International Inc.	$ 4,582.17	27-Mar
CVS HEALTH CORPORATION	$ (846.90)	10-Apr

Figure 2: *Percentage Gain & Loss*



CF Industries triggered our 20% stop-loss toward the end of our investment horizon. CF Industries stock price has dropped significantly since our allocation because of investor overreaction and market volatility in the basic materials sector. CF Industries announced the acquisition of Waggaman Ammonia Production Facility for 1.68 billion dollars from Incitec Pivot Ltd, and the stock price immediately dropped. Furthermore, we underestimated the potential volatility in investing in commodity-driven equity in the short term. Our team strongly believes CF industries is a value investment, but our fiduciary responsibility is our top priority as investors for the University of Connecticut Foundation. As a team, we agreed to allocate the funds from CF Industries to less volatile equities we had already invested in. The allocation of funds to tickers TSM, TJX, and LOW is shown in (*Figure 3)*. As a team, we voted on allocating companies to add to these positions, and a ratio of votes was used to determine position size.

Figure 3: *Allocation of CF Funds*

CF STOPPED OUT TRADE VALUE $72,859.20

Company	Vote	Ratio	Cash Allocation	Percent of portfolio
TSM	6	0.375	$27,322.20	2.47%
TJX	6	0.375	$27,322.20	2.47%
LOW	4	0.25	$18,214.80	1.64%
Total Votes	16			

ECONOMIC OUTLOOK

For our team to successfully invest and make prudent decisions, it is imperative that we understand the economic markets impacting our investments. To ensure this, we consistently research, discuss, and debate the current state of the economy, and where we believe it is headed in the future (more specifically the next 10 years).

THE US & GLOBAL ECONOMIES:

Figure 4: *12-Month percentage change, Consumer Price Index, All items, not seasonally adjusted – Source: U.S. Bureau of Labor Statistics*

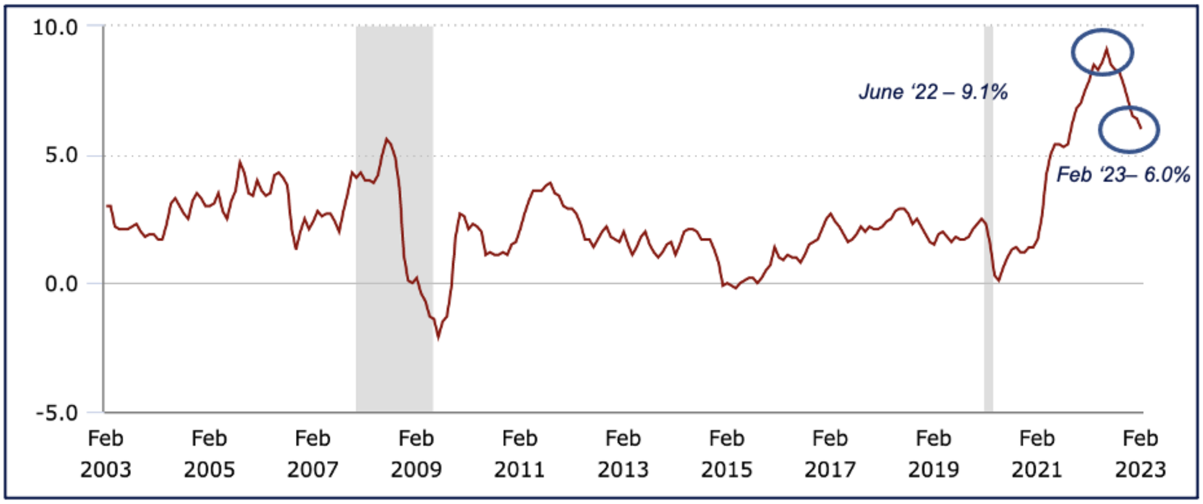
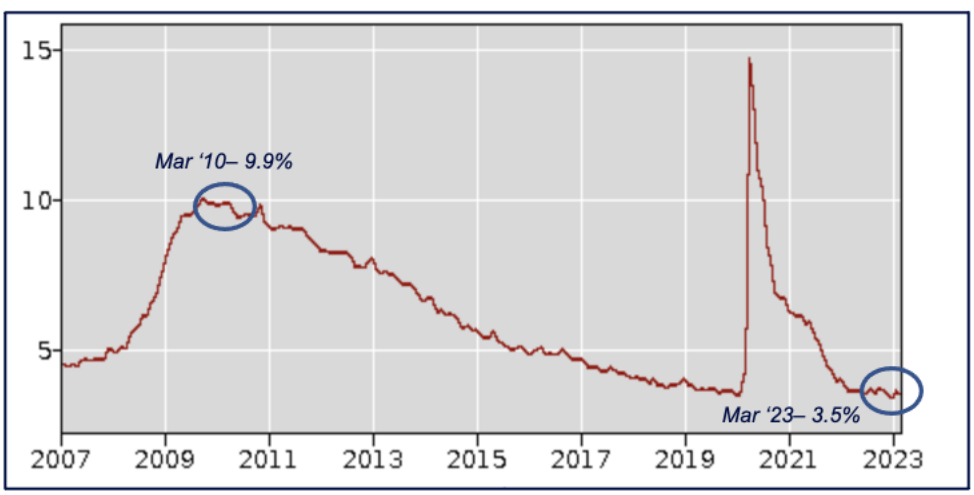


Figure 5: *Interest Rate Hikes*

FOMC Meeting Date	Rate Change (bps)	Federal Funds Target Rate
March 2, 2023	+25	4.75% to 5.00%
Feb 1, 2023	+25	4.50% to 4.75%
Dec 14, 2022	+50	4.25% to 4.50%
Nov 2, 2022	+75	3.75% to 4.00%
Sept 21, 2022	+75	3.00% to 3.25%

Figure 6: *Unemployment*



As of this report, our investments are securities listed on U.S. exchanges. Therefore, our portfolio is sensitive to changing U.S. domestic economic conditions. However, we must also keep in mind the broader global economy as well or risk a narrow-minded view of the economic factors impacting our investments.

Fears of a U.S. recession in the second half of 2023 remain, due to the gradual tightening in credit conditions and reduced bank lending, which has resulted in a sharp contraction in loan demand spanning five consecutive months. While there are no indications of a global financial crisis-style credit crunch, downside risks to financial stability have increased. Real GDP is expected to grow at 0.9% in 2023 overall, but the economy will contract at an average annual rate of 2.2% across the third and fourth quarters, leading to a lowering of the 2024 growth forecast to 0.8%. Inflation is still excessive and will require restrictive policy rates for a prolonged period, despite some cooling in price pressures. Labor market rebalancing has been encouraging since late 2022, with growth in labor supply outpacing demand for four consecutive months, although the unemployment rate ticked lower to 3.5%, and the labor market remains too tight for comfort. The U.S. economy has remained resilient, although cracks in key metrics continue to stoke fears of a significant pullback in the latter half of 2023.

The global economy's early 2023 prospects of achieving a soft landing, with steady growth and declining inflation, have been undermined by persistent high inflation and recent turmoil in the financial sector. Despite some decline in inflation, underlying price pressures remain stubbornly high, and tight labor markets in several economies have further compounded the problem. The rapid increase in policy rates has led to side effects such as banking sector vulnerabilities, which have raised fears of contagion in both the financial and non-financial sectors. The risks to the global economic outlook are heavily skewed towards a hard landing, with the chances of such an event having risen sharply.

Overall, our time in the SMF was marked by instability throughout the global economic markets. Persistent inflation, high interest rates, geopolitical tensions, and varying sentiments were top of mind for us throughout the year. Constant fears of a recession and overall volatility forced us to remain committed to investing in companies with proven business models, strong future growth prospects, and aligned with our long-term investment horizon.

SECTOR ANALYSIS

Team Blue's portfolio consists of four sectors of the S&P 500. While we use the S&P index to benchmark performance, we by no means intend to replicate the sector weights of the index. Our team's conviction that the technology sector offered the best deals and potential for future growth is reflected in our 39.7% industry allocation *(Figure 7).* Identifying companies at the equity level led our team to allocate the remainder of funds to the healthcare, consumer discretionary, and industrials sectors.

Figure 7: *Sector Allocation*

Sector	% Invested Portfolio	S&P Sector Weight
Information Technology	**39.7%**	**26.3%**
Healthcare	**21.8%**	**15.3%**
Consumer Discretionary	**24.1%**	**10.9%**
Industrials	**13.7%**	**8.3%**

INFORMATION TECHNOLOGY:

The Information Technology sector includes Technology Software & Services, Technology Hardware and Equipment, and Semiconductors & Semiconductor Equipment Manufacturers. The sector contains companies such as Apple, Microsoft, Nvidia, Visa, and Mastercard. The sector has recovered from a battering brought about by quantitative tightening; however, companies are expected to continue facing challenges related to supply chains, labor force, and innovation, which have been further complicated by significant macroeconomic and global uncertainties.

Sector performance has been 5.27% over the past year, outperforming that of the broader S&P 500's -5.30% return. The sector has bounced back significantly from the onslaught of unfavorable economic factors that had initiated a yearlong sell-off throughout the sector. A hawkish Fed, committed to raising rates at a brisk pace, forced many companies to borrow less money. In turn, investors understood that earnings would subsequently grow at a slower than anticipated rate, decreasing the attractiveness of such investments.

Nearly all companies have announced job cuts and reduced hiring, as big players acknowledge over hiring throughout the pandemic. Reduced demand for various electronic devices has put pressure on those companies with an unfavorable revenue mix and has investors' eyes glued to performance in higher growth segments, such as cloud computing and AI. Antitrust remains prevalent, as seen through continued scrutiny of Google's advertising business and the recent blockage of Microsoft's planned acquisition of Activision Blizzard.

A potential bright spot in the sector is the performance of software companies. Software firms are experiencing the most consistent earnings growth in the industry and profiting from enduring trends like the adoption of cloud-based solutions by businesses. These companies present comparatively more alluring investment prospects due to the rise of artificial intelligence, cloud services, and gaming. Additionally, the search for potential investments in tech stocks associated with industrial sectors such as defense and automotive could be worthwhile, as those companies are making significant strides in their recovery process.

With these factors in mind, our team still believed it was an opportune time to invest in companies throughout the Information Technology sector. Nearly 40% of our portfolio was allocated to the sector, with investments being made in Microsoft, Adobe, Visa, and Taiwan Semiconductor Manufacturing Co. Given that many companies saw their valuations falter, it provided us with a large margin of safety when performing quantitative analysis. Qualitatively, many of these companies have resilient business models, even amidst unfavorable macroeconomic conditions. Long-term, the demand for technology and the integral role it plays throughout society will continue to grow, which in turn will drive growth for companies throughout the Information Technology sector.

HEALTHCARE:

The healthcare sector is one of the most complex sectors within the U.S. and world economy and accounted for nearly 18% gross domestic product in 2022 within the United States. There are many sub-industries within the healthcare sector such as drug manufacturing, medical equipment production, health insurance and healthcare facilities. Companies such as Johnson and Johnson, Pfizer, and Moderna were household names during the COVID-19 pandemic and their respective stock prices saw an upswing during that time. Now coming out of the pandemic the future of the healthcare industry is uncertain.

As a group we still felt that the healthcare industry would be a stable investment for our portfolio given a 10–15-year time horizon. We invested in Johnson and Johnson, as J&J has proven to be a top company within the healthcare industry and has even been crowned a “dividend king” due to how stable its dividend payouts to shareholders have been over the company’s lifetime. We also invested in HCA (Hospital Corporation of America). HCA is one of the largest healthcare providers in the world, with a network of over 2,000 sites of care, including 185 hospitals and 119 freestanding surgery centers. To tie up the sector we invested in CVS. While CVS has loaded up on debt due to its major acquisition of Aetna, we expect the acquisition to provide many synergies and to pay off over our investment horizon.

There are some industry trends that show a positive direction for healthcare's future. There is an older population within the United States mainly due to the baby boomer population getting older, which has driven a strong demand for the products offered by the sector. There are also major barriers to entry when it comes to trying to compete against top firms within the industry, which fed well into our thesis of investing in a strongly qualified and stable company with a protective moat like Johnson and Johnson.

One potential issue in the healthcare industry is the major reliance on patents to protect against manufacturing and product rights. Companies will often rely on these patents to protect their products from being copied after they have invested large sums of money into research and development. Patents eventually expire though, and revenue is lost due to customers switching from a private label to a generic brand medicine for a cheaper cost. Another area of concern within the industry is that most growth within the industry is done inorganically as big firms will acquire drugs or other branches from smaller companies for a premium. This raises the question of whether the research and development cost that major firms focus a major portion of their expenditures on is worth it. It also requires a very skeptical point of view when it comes to major acquisitions. We evaluated all these aspects and felt that investing in Johnson and Johnson, HCA, and CVS were great decisions for our portfolio.

Over the timespan of our portfolio our three investments in the health care industry stayed relatively flat. This was in line with the performance of the overall healthcare industry.

CONSUMER DISCRETIONARY:

The consumer discretionary sector comprises companies working in a host of different industries, including automotive, distribution, hotels, restaurants, leisure, retail, and consumer goods. Consumer discretionary industries are highly sensitive to economic cycles, with consumer confidence regulating much of their business activities.

The consumer discretionary sector did not fare well in 2022, reporting a 31.15% decline YoY, underperforming the S&P 500, which has declined 19.12%. Increasing inflation, spurred by pandemic after-effects and the Russia-Ukraine war, combined with increasing interest rates has led to decreased confidence in the economy and therefore decreased spending on consumer goods. Retail in particular fell over the course of the year, with consumers largely choosing to budget their money away from spending on consumer goods. It should be noted that the first half of 2022 was marked with supply chain issues that led to tighter inventories amidst surprisingly strong demand, which allowed some retailers to increase prices, but this effect waned as the second half of the year brought increasing recession concerns. However, hotels and general hospitality stocks saw increases throughout the year, spurred by consumers yearning to vacation and take advantage of relaxed pandemic regulations, a characteristic that is only beginning to wane as the year ends.

In 2023, the outlook for the consumer discretionary market continues to be shaky. The sector continues to rely heavily on macroeconomic concerns, and continued uncertainty regarding interest rates and inflation, culminating in potential recession fears, are causing some to continue worrying about increasing their spending habits. Being a cyclical industry, the consumer discretionary sector is therefore experiencing some disinterest due to its lack of stability for investors during a potentially volatile economic market. However, the sector does happen to be one of the best performing sectors this year, with the Consumer Discretionary Select Sector SPDR Fund returning 17% in Q1 2023. This may be the result of the incredibly poor performance from the sector in 2022, which has contributed to making valuations more attractive in 2023. Long term investors in particular are thriving, as strong fundamentals and low valuations are making for attractive investments for long term investors. Overall, while consumers continue to worry about their spending habits in the face of a potentially volatile economic condition in 2023, spending has risen, benefitting the consumer discretionary market and making for many attractive potential investments in the sector.

Due to the relative lows that the consumer discretionary sector has been experiencing over the past couple of years, there is opportunity for a much larger rebound in 2024, but that prediction remains risky as well. If inflation continues to cool down and the economy manages a soft landing, the country would be in a position where consumer discretionary spending would likely increase dramatically, making consumer discretionary stocks the leaders of the recovery bounce. Now, it is largely high-income households that are no longer feeling the effects of the economic squeeze felt earlier this year and are moving back into discretionary spending. As more mid- and lower-income households begin to spend more because of a potential soft landing by the economy, the consumer discretionary sector could see a great rebound in 2024.

INDUSTRIALS:

The industrial sector is a "secondary sector" whose products and services typically are inputs to other businesses than directly to consumers. Companies in the industrial sector manufacture and distribute capital goods, including aerospace & defense, construction, equipment, and engineer products. In addition, industrial companies provide commercial services such as transportation, printing, and office services. Businesses such as. UPS, Raytheon Technologies, Lockheed Martin, and Deere & Company form this sector.

Overall, the industry has outperformed the broad market with a 5.47% return year-over-year compared to 3.66% return from the S&P 500. Over the last year, the industrial sector has faced the same concerns as the overall market. High inflation and concerns over long-term monetary policy impacts have slowed the sector. Fiscal and monetary policy and consumer and business sentiment drive companies in this sector. As GDP slows and supply and demand diminish, the Industrial Sector follows closely. U.S manufacturing is facing some of the most significant issues over the long term. Underinvestment, political tensions in China, and lagging pandemic effects create difficult situations for these businesses.

The industrial sector has three main themes: sustainability, digitization, and onshoring. ESG compliance is a staple for every large business and a challenge the fossil-fuel-reliant manufacturing subsector face. Governments and investor demand businesses in this sector push toward carbon-neutral initiatives and rely on renewable energy sources. To remain competitive, companies must continue to innovate their technologies. A.I, robotics, and cloud computing enable meaningful improvements on all fronts for the sector. Finally, the pandemic led to a shift to de-globalization and onshoring, driving companies to bring manufacturing closer to home.

UNALLOCATED SECTORS:

With such turbulent macroeconomic behavior in recent months, our team found it most suitable to strip our investment philosophy down to the basics and focus on finding solid companies that can generate reliable cashflows. We remain confident in our investments but recognize we are only allocated to four sectors. We have chosen equities with unique business models to lessen the risk of sector downturns. Our team believes the individual business models of our companies are different enough to remain resilient even in most downturns.

PORTFOLIO POSITIONS

JOHNSON & JOHNSON (NYSE: JNJ):

On November 14th, we purchased 375 shares of Johnson and Johnson at $171.82 per share at a total cost of $64,432.50.

Johnson & Johnson is a multinational conglomerate leader in its three business segments: Pharmaceuticals, MedTech, and Consumer Healthcare. The company is the largest manufacturer of pharmaceutical products in the United States and the second-largest producer of medical devices. The company plans to spin-off its Consumer Healthcare segment by the end of 2023.

Our first allocation for our portfolio was JNJ which provided a solid foundation to hedge volatility. We see value in the company's history for stability in times of economic turmoil and long-term performance compared to the S&P 500. JNJ consistently devotes more revenue to research and development than its competitors and still produces enough free cash flow to increase its dividend continuously for 59 years. Finally, we see long-term value from the strategic spin-off of the Consumer Healthcare segment because it will allow each company to focus on its core competencies. Johnson and Johnson produce substantial recurring revenue through their strong pipeline of medical devices and drugs, which have 20 years of patent protection attached. Currently, JNJ has fourteen drugs that make over one billion each in revenue, with top drugs contributing over five billion each fiscal year. In addition, the company has the potential for over fourteen new approvals by 2024. A considerable concern is the patent cliff of Stelera, a 9-billion dollar per year drug, but this will cause short-term softness. Drugs such as Darzalex and Invenga have had significant revenue streams ($4B+), and patent protection for more than ten years will pad the company's revenue streams. The company is dedicated to expanding its MedTech business segment and recently announced the acquisition of a medical technology company Abiomed for 16.6 billion dollars which is the world leader in breakthrough heart, lung, and kidney support technologies.

Consistently innovated for over 100 years and with a strong brand image, the consumer health segment will thrive as a new public entity under the name Kenvue. This type of spin-off is among many in the healthcare industry; Pfizer & Merck Spun out their consumer businesses. The complexity of healthcare needs and strategic focus for consumer business makes sense for the spin-off to happen now. On May 4th, 2023, Kenvue officially became its own public entity on the NYSE. The consumer healthcare company closed more than 22% up on its first day of trading and has held that level steadily since. Our team has a strong conviction the consumer brand will continue to remain strong as its own brand and now public company.

Johnson and Johnson is backed with solid financials and a triple-A credit rating. The company has a strong dividend yield of 2.78%, which has grown for 59 consecutive years. In addition, the company has strong operating margins with even more significant pharma margins. Ultimately, Johnson and Johnson is a company that continues to unlock value for shareholders, will outperform during economic turmoil, and fits perfectly in our investment philosophy.

As of April 11th, 2023 we had an unrealized loss of -4.37% on JNJ.

MICROSOFT CORPORATION (NASDAQ: MSFT):

On November 15th, 2022, we purchased 429 shares of MSFT at $242.08 per share at a total cost of $103,852.32.

Microsoft is a dominant software company focusing on three business segments: Productivity and Business Processes, Intelligent Cloud, and More Personal Computing. The company sells its products through OEMs, distributors, and resellers, and directly through digital marketplaces, online stores, and retail stores. Microsoft was founded in 1975 and is headquartered in Redmond, Washington.

Microsoft is an attractive investment for many reasons, the first being its resilient business model. The model itself is built upon three pillars: an integrated system of products, high customer switching costs, and strong recurring revenues. Microsoft's broad portfolio of products are integrated within businesses and consumers alike. Microsoft Office alone is used by more than a million companies worldwide, and Azure, Microsoft's cloud platform, is used by 95% of Fortune 500 companies. These products have been relied upon for decades, with competitors being unable to replicate the different consumer and business applications that Microsoft provides. For customers, moving on from Microsoft's software applications is unfeasible, given the sheer amount of data housed on various programs. And for Azure in particular, once data is housed on the cloud platform, it is very expensive to switch to a different provider. Microsoft's rock-solid recurring revenue stream is built upon a variety of monthly and annual subscription options that are tailored to customer needs. Given the necessity of these software programs, and the many years they have been used by businesses and consumers, cancellations remain low.

The ability to capitalize on trends in both the gaming and cloud computing industries also makes Microsoft a great long-term investment. An expansive console and game title portfolio has allowed Microsoft to build a loyal gaming customer base. Microsoft's Azure has seen the fastest growth throughout the cloud computing industry, driven by its interconnected platform that is cheaper than its direct competitors of AWS (Amazon) and Google Cloud (Alphabet). In addition, our team also has a strong conviction Microsoft's investment in OpenAI's ChatGPT will continue to drive growth in the long-term.

Microsoft remains in a strong financial position that is likely to continue going forward. It is one of two companies in the world with an AAA credit rating, reflecting its unquestionable ability to repay debt. Additionally, Microsoft has seen consistent increases in EBIT margin, debt repayment, and ROE, which reflects strong financial governance. Company leaders have shown a greater commitment to returning shareholder value over the long-term, which aligns with our investment philosophy.

Lastly, market volatility has provided us with what we believe to be a great entry point in buying Microsoft. The share price has dropped significantly, as attributed to a broader tech sell-off and unfavorable macroeconomic conditions. The drawback in investment in the Information Technology sector is only indicative of short-term softness for the sector's products, which we believe will not last for an extended period. For these reasons, we believe Microsoft is a great long-term investment for our portfolio.

As of April 11th, 2023 we had an unrealized gain of 19.54% on MSFT.

LOWE'S COMPANIES INC. (NYSE: LOW):

On November 28th, 2022, we purchased 368 shares of LOW at $210.01 per share at a total cost of $77,284.53. On March 29th, we added to our position size of LOW with an additional 96 shares. This brought our overall cost basis to $95,643.64.

Lowe's is an American retail company that primarily operates in the home improvement sector with over 1,900 retail locations in the United States. For the past 40 years, Lowe's has served its customers as the second largest home improvement retailer in the country and has shown resilient growth over that time. We see value in Lowe's strong business model that has grown 8% annually over the last two decades. A lot of this growth has and will continue to be driven by their pro-business, which provides steady revenues and helps to grow their market share in various consumer segments. Lowe's 2% dividend and increasing share buyback program has returned billions of dollars to its investors and makes it even more attractive to us as investors.

Despite a slowing economy, Lowe's still benefits from strong tailwinds that will continue to support its growth. The average U.S. home has reached its oldest age since World War II. Now more than ever, homeowners are needing to make necessary and discretionary improvements to their homes. With a slowing housing market, many homeowners will be settling with their current homes for the foreseeable future. This is the time to make improvements to their house that they will be able to enjoy will they still own the property. Whether the improvements are being made by professionals or the homeowners themselves, Lowe's will supply the necessary items to help complete these projects.

Lowe's has seen a significant increase in their return on invested capital over the past few years, mainly due to their operational and managerial improvements. Online shopping, dedicated pickup zones, and dedicated pro-customer attendants have helped improve the shopping experience and are driving better margins for the company. One of the main changes that will help push Lowe's margins even higher is their new market delivery model. This delivery model cuts out stockrooms and unnecessary stops for Lowe's deliveries. Using cross-dock terminals and direct to customer shipping, Lowe's has managed to improve delivery efficiencies and increase their margins significantly.

Since joining the company in 2018, CEO Marvin Ellison has made substantial improvements to Lowe's, and we believe under his guidance this company will see continued and significant growth.

As of April 11th, 2023 we had an unrealized loss of -3.08% on LOW.

TJX COMPANIES INC. (NYSE: TJX):

On November 28th, 2022, we purchased 698 shares of TJX at $80.19 per share at a total cost of $55,972.62. On March 29th, we added to our position size of TJX with an additional 360 shares. This brought our overall cost basis to $83,835.39.

TJX is a group of off-price retail stores consisting of T.J. Maxx, Marshalls, HomeGoods, and HomeSense, with an international presence in Canada, Europe, and Australia through Winners and T.K. Maxx. The company differentiates itself from other retailers by offering branded apparel, accessories, and home furnishings at heavily discounted prices. The high luxury offered at lowered prices attracts consumers from all demographics who pursue the high brand lifestyle without wanting to spend excessively.

The economy has recently seen rising inflation and rising interest rates to lower inflation. Both situations call for decreased disposable income for consumers, who begin to seek ways in which they can save money. Off-price retail, known as inferior goods, tend to do well during these situations, as was seen with their rising share prices over the past few months. The off-price retail market saw a 40% rise in sales during 2021, the drivers of which have largely continued in 2022. TJX is a leader in this market, with many consumers turning to it as they offer more and better-quality brands than their competitors. TJX also has an edge over its competitors as it is the only American off-price retailer with an e-commerce platform and an international presence. With an incredibly diversified supplier portfolio as well as increased investment in distribution channels and capacity, TJX is positioned to grow its international presence rapidly in the coming years. The company also makes for a strong investment as their growing store count and greater cost management is likely to cause an increase in earnings per share of approximately 12% in the next five years.

There do remain some risks facing TJX. One is the potential of suppliers walking away from distributing to TJX, as selling to off-price retailers is the least profitable option for traditional retailers. However, while some companies decided to begin pulling their stock from TJX shelves, many of these companies are yet to begin doing so. Additionally, TJX has a varied supplier portfolio of over 20,000 vendors which they can continue doing business with. TJX has also met with some quality control issues; however, this has done little to deter customers from continuing to visit their stores. Two prominent threats now are rising supply chain costs, as incremental freight transportation costs are increasing, and increasing rent prices, as TJX rents its storefronts. However, while both contribute to rising costs for the company, both are short-term risks that are likely to clear up in time. Overall, while there do exist risks for the company, the risks are relatively insignificant.

During the holiday season of 2022, in which TJX was projected to fare well as more shoppers used the store as a low-cost source of quality goods, the company's share price increased greatly. The increase calmed following the holiday season, but the draw towards TJX was not lost. Shoppers continue to use TJX as a source of low-cost shopping, using the store as a way to save on branded items. During the holiday season and the period following it, there was an influx of brand-name inventory, allowing TJX to seize on a number of deals to increase its own stock inventory. However, while Marmaxx sales, consisting of T.J. Maxx and Marshalls, saw an 8% YoY growth in Q4 2022, HomeGoods sales fell 4%. Despite this, TJX as a company continues to thrive, and its stock price is indicative of that, with the share price continuing to remain stable. The growth of the company has allowed it to hike its dividend again as well as plan more share buybacks.

As of April 11th, 2023 we had an unrealized loss of -1.08% on TJX.

ADOBE INC. (NASDAQ: ADBE):

On January 23, 2023, we purchased 238 shares of ADBE at $359.31 per share at a total cost of $85,515.72.

Adobe is a software company that targets creative professionals, enterprises, and marketers. They operate three business segments (Digital Media, Digital Experience, and Publishing and Advertising) globally, with 42% of revenue coming from overseas. The Digital Media segment offers products to help businesses create and design. Digital Media also includes applications associated with Adobe's document format, the PDF. Digital Experience provides solutions for enterprise customers that allow them to optimize their customer Experience through AI and machine learning. The Publishing and Advertising segment, which only accounts for 2% of revenue, offers products and services, such as e-learning solutions and technical document publishing.

Adobe's products and services are integrated into creative professionals' lives, offering substantial competitive advantages. Adobe is positioned to capture long-term trends in digital media and SaaS cloud infrastructure. The company has attractive financial strength, significant recurring revenue (93% ARR FY 22), and growing operating margins. We viewed market mispricing in Adobe's share price as an opportunity to get a quality investment at a discounted cost.

Adobe is well-positioned for robust growth on the back of favorable societal and technological trends. The continued transition from on-prem data storage to the cloud provides opportunities for companies to contribute to the transition. Additionally, the shift from a perpetual licensing model to a subscription-based model will provide consistent revenue and growth opportunities. As society becomes more digitized, the utilization of online communication pathways requires improvements and innovations to meet evolving customer needs. The growth of social media and the “creator economy” means individuals require increasingly advanced tools to reach their audiences, providing further opportunities for Adobe to capitalize on.

Our investment in Adobe does come with numerous risks. Adobe has experienced significant turnover in the c-suite over the last few years, with notable departures of high-level executives. Continued changes to the company’s executive leadership team could increase the risk of poor execution by management. Adobe’s future growth is somewhat dependent on investments made in AI and machine learning technology, and increased scrutiny of these technologies due to privacy concerns could cause business processes to lose efficiency. With a looming recession, Adobe may experience slowing revenue growth, given businesses will spend less on the company’s products and services. Fierce competition throughout the industry may lead to companies capturing market share from Adobe, if Adobe is unable to develop products that meet customer needs.

As of April 11th, 2023 we had an unrealized gain of 4.71% on ADBE.

VISA INC. (NYSE: V):

On January 30th, 2023, we purchased 477 shares of V at $229.62 per share cost at a total cost of $109,528.74.

Visa is a global payments technology company that provides electronic payment solutions to individuals, businesses, and governments. The company was founded in 1958 and is currently headquartered in Foster City, California.

Visa is best known for its credit and debit card products, which allow users to make purchases and access cash at ATMs around the world. Millions of merchants accept visa cards worldwide, making it one of the most widely used payment methods globally. In addition to its card products, Visa also provides a range of payment processing services to businesses and financial institutions. These services include authorization, clearing, and settlement of payment transactions, as well as fraud detection and prevention services. Visa's business model is based on charging fees for its payment processing services, primarily in the form of transaction fees. The company generates revenue by charging a percentage of the transaction amount, as well as fixed fees for certain types of transactions.

Visa is a highly profitable company, with a market capitalization of 480.33 billion dollars. The company's success can be attributed to its dominant position in the payments industry, its strong brand recognition, and its ability to innovate and adapt to changing consumer and merchant needs.

Despite its success, Visa faces challenges from new payment technologies, such as mobile payments and cryptocurrencies. However, the company has responded by investing in these technologies and partnering with fintech companies to stay ahead of the curve. Visa is a global leader in the payments industry, with a strong track record of innovation and profitability. As electronic payments continue to grow in popularity, Visa is well-positioned to continue its success in the years ahead.

As of April 11th, 2023 we had an unrealized loss of -1.39% on V.

HCA HEALTHCARE INC. (NYSE: HCA):

On February 16th, 2023, we purchased 347 shares of HCA at $260.30 per share cost for a total cost of $90,323.75.

HCA Healthcare, Inc. is a leading healthcare company offering medical and surgical services, including inpatient care, intensive care, cardiac care, diagnostic and emergency services, and outpatient services, such as outpatient surgery, laboratory, radiology, respiratory cardiology, and physical therapy. It also operates outpatient health care facilities consisting of freestanding ambulatory surgery centers, freestanding emergency care facilities, urgent care facilities, walk-in clinics, diagnostic and imaging centers, rehabilitation and physical therapy centers, radiation and oncology therapy centers, physician practices, and various other facilities. In addition, the company operates psychiatric hospitals. Revenue is derived from government-funded programs and private issuers. Its revenue segments are as follows, corresponding with the percentage each contributes to total revenue: Managed Care & Other issuers (51.6%), Medicare and Managed Medicare (32.1%), Medicaid and Managed Medicaid (9.2%), International (2.3%), and Other (4.8%).

HCA is a fantastic business because of the company's operational efficiency, position to capture industry trends, and shareholder value. Through massive scale and strategic use of its facilities, HCA dominates overall hospital bed occupancy levels, which are more than any competitor and continues to grow its revenue per admission. In addition, the HCA strategy allows them to capture more revenue through "care across the continuum" and higher margin freestanding and quick care facilities. HCA targets markets where they can concentrate facilities in one area and dominate market share. The aging U.S. population will boost revenue in HCA's most prominent markets: Florida and Texas. A lot of HCA's revenue is from Medicaid and Medicare, and with the increase in elderly Americans, this will boost revenue. HCA has a considerable market share in Florida and Texas, popular retirement locations.

Additionally, consolidation throughout the industry will allow HCA to build on its competitive advantages. HCA is also committed to delivering superior value to shareholders. It has routinely made strategic investments, some maturing, leading to a high return on invested capital. HCA has had consistent earnings growth and reduced shares outstanding by nearly 50% over the past decade. Lastly, HCA's ability to maintain stable margins amidst the toughest of headwinds illustrates the company's ability to survive and thrive in any macroeconomic scenario.

Even though HCA is an amazing business, it comes with risks. Increasing regulation throughout the industry and unfavorable legislation may reduce the ability to grow revenue and profitability, given pressure to lower prices and various cuts to government spending. HCA has a large amount of debt (both historically and currently), a significant portion of which must be serviced in the next few years. An inability to do so or the need to refinance at higher rates may reduce investment in other areas and hurt profitability. The slow post-covid recovery caused by a tight labor market and higher costs may cause HCA to lose its competitive edge and market share if it cannot overcome these challenges. A recession would intensify an already tight labor market, spike uninsured patient rates, and reduce patient willingness to spend, reducing profitability.

On April 11th, 2023 we had an unrealized gain of 4.11% on HCA.

UNITED PARCEL SERVICE INC. (NYSE: UPS):

On February 16h, 2023 we purchased 481 shares of UPS at $184.43 per share cost for a total cost of $88,710.83.

United Parcel Service, or UPS, is the world's premier package delivery company and a leading provider of global supply chain management solutions. UPS offers a broad range of services including transportation and delivery, distribution, contract logistics, ocean freight, air freight, customs brokerage, and insurance. UPS delivers an average of 17.5 million packages a day, totaling 6.4 billion packages over the course of a fiscal year, providing services to over 220 countries and territories. UPS has 534,000 employees who carry out services in 119,000 delivery trucks and 586 aircraft carriers. UPS has three revenue segments: U.S Domestic Package, International Package, and Supply Chain Solutions. U.S Domestic Package and International Package are both identified under Global Small Package Operations, which handles express letters, documents, packages, and palletized freight via air and ground services in a single, global smart logistics network. Supply Chain Solutions offers services including forwarding, truckload brokerage, customs brokerage, insurance solutions, logistics and distribution. Its revenue segments are as follows, corresponding with the percentage each contributes to total revenue: U.S. Domestic Package (64%), International Package (20%), and Supply Chain Solutions (16%).

UPS is an industry leader with a strong market presence and growing market share. The company continues to increase its operational efficiency through its strong workforce and extensive supply of vehicles and aircraft. With a powerful management team, UPS is positioned to capture industry trends both now and into the future. The rapid growth in e-commerce will continue to rely on UPS to deliver packages in a short period of time, which will allow a steady growth in revenue in the Global Small Package Operations unit. With a rising demand for supplies to be delivered to medical facilities, UPS has been a leader in shipping medical supplies in a efficient and careful manner, delivering vaccine kits in a temperature-controlled environment through their cold chain logistics. UPS has had a consistent increase in their dividend yield and operating margin, and with their $5 billion share repurchase program, UPS continues to display growing financial strength. UPS continues to enhance their competitive advantages and strive to keep separating themselves from their competitors.

UPS is poised to benefit from industry trends. The current trends in the shipping industry indicate a surge in the volume of small and medium-sized businesses as well as business-to-business transactions. There is a growing demand for faster deliveries and increased visibility into shipments, leading to a push towards e-commerce to provide flexible shipping options. Additionally, customers are seeking more control over their deliveries, resulting in a rising demand to reroute packages to new locations, change delivery times, or adjust shipping service levels. While recent years have seen significant volatility in supply chain markets, they are expected to stabilize in the future.

Although UPS has a strong market share and consistent growth, the company still faces many risks to its future dominance. Recently, shipping volume has dipped, as the surge in activity from e-commerce, brought about by the pandemic, has slowed. UPS is combatting this through its Digital Access Programs, which are helping the company grow volume in high-growth shipping areas. UPS relies on Amazon for a substantial portion of its revenue (11.7% in 2021), which is a concern given Amazon's pivot to in-house delivery. However, UPS is making investments to expand its e-commerce and multichannel fulfillment services, which will mitigate the potential loss of revenue if Amazon reduces its partnership with UPS. Lastly, volatile energy markets have resulted in unpredictable and sometimes high operational costs. UPS is reducing the impact of this risk through fuel surcharges and hedging transactions, protecting the company from dangerous cost situations.

On April 11th, 2023, we had an unrealized gain of 3.16% on UPS.

DEERE & COMPANY (NYSE: DE):

On February 22nd and February 27th, 2023, we purchased a total of 161 shares of DE at $424.42 per share cost for a total cost of $68,331.44.

John Deere is an American multinational corporation that primarily manufactures agricultural machinery, construction equipment, and forestry machinery. The company was founded in 1837 and has since grown into a leading provider of machinery and services for agriculture, construction, forestry, and turf care industries. John Deere's product line includes tractors, combines, harvesters, seed drills, sprayers, and other farm equipment used in planting, harvesting, and processing crops. The company also produces construction equipment such as excavators, loaders, and backhoes for construction and mining applications.

John Deere is a good business but not a great business because it is a major player in two distinct industries, providing their business with a measure of protection from the cyclicality of either sector. The company has made significant efforts to reward shareholders by paying competitive dividends and buying back shares, demonstrating a focus on long-term value creation. With a presence on every continent, approximately 50% of John Deere's revenue comes from outside of the United States. The company has also prioritized innovation, leveraging advanced technology and innovative solutions to improve efficiency, productivity, and sustainability.

Something that made us excited about the company and wanting to own it long term was its integration of AI into the company's products. In 2020, John Deere launched its Smart Industrial operating model, which focuses on providing intelligent, connected machines and applications to transform production systems in agriculture and construction. The model is based on three key focus areas: Production Systems, Technology Stack, and Lifecycle Solutions. The aim is to unlock customer economic value in a more sustainable way by making each step of the system more efficient, enabling machines to be smarter, more precise, and more productive, and adding value throughout the life of the product to maximize uptime and minimize costs. John Deere has set ambitious goals for the future, including connecting 1.5 million machines by 2026, growing enterprise recurring revenue to 10% by 2030, and delivering over 20 electric and hybrid-electric models by 2026. By implementing the Smart Industrial operating model, John Deere aims to remain a leader in the agriculture and construction industries, while also promoting sustainability and innovation.

John Deere faces several significant risks, including economic conditions that may impact its banking arm division, changes in government policies that could affect its operations, supply chain disruptions that could disrupt its production, and technological advancements that may require significant investments to remain competitive. These risks reflect the inherent uncertainties of operating in the agricultural and construction industries, which are subject to a range of external factors beyond the company's control.

On April 11th, 2023, we had an unrealized loss of -11.09% on DE.

TAIWAN SEMICONDUCTOR MANUFACTURING CO. (NYSE: TSM):

On February 27th and March 29th, we purchased a total of 1328 shares of TSM at $88.65 for a total cost of $117,731.94.

Taiwan Semiconductor (TSM) is the largest chipmaker in the world. The semiconductor industry is forecasted to grow to 1.1 trillion by 2030. They are currently 1 0f 2 foundries in the world that possess the most advanced technology. TSM manufactures 50% of all semis worldwide. They have an annual capacity of 13 million equivalent wafers in 2021. The company is also currently building two fabs in Arizona after the Chips act was passed. TSM is a pure play foundry which exclusively produces integrated circuits and has no design capabilities. TSM has a stronghold in the industry with Q3 2022 controlling 59% of the industry revenue. TSM is well positioned with a ROIC of 28% and a dividend yield average of 2.5%.

The semiconductor industry overall is poised for strong growth and will ride tailwinds of social and technological advancements. Companies continue to need and request the most advanced technological advancements. This stems from the wave of 5G and the need for high powered computing. These areas are the biggest drivers of TSM revenue and will continue to push revenue and growth higher. The industry is cyclical in nature, but TSM is positioned well as they are on the edge of leading technology. Contract manufacturers together account for more than 60% of their total global foundry revenue. TSM largest customer is Apple which accounts for about 1⁄4 of total revenue. Other customers include MediaTek, AMD, and Qualcomm. Even though some of these companies are competitors, the need for the best chip to produce the most advanced technology makes competitors rely on TSM for business. US customers account for 60% of revenue while Chin and Taiwan account for roughly 25%. When looking at the industry, we can see a sustained need for the most advanced chips as tech companies strive to produce the best products possible. Semiconductors are used in phones, cameras, TV's, refrigerators, healthcare, energy, transportation, and computing software. The need for chips will always be present as many industries and types of companies need chips to obtain the most advanced tech to date. TSM has this technology and will be able to provide semiconductors globally and at range.

When looking into our investment thesis, we believe Taiwan Semiconductor is the world's largest chipmaker. No other company competes with them as far as market share and total revenue. TSM also has many technological advancements that push them ahead of other semiconductor companies. The process of making chips is so advanced and TSM is only 1 0f 2 companies that can produce the most advanced chips at scale. The demand for these chips is also large, as many companies need this technology for their new products. The growth of 5G and high-performance computing have made the demand for these chips excessive. Competitors give TSM business as well because TSM manufactures chips without their name on them. They can sell their chips to any customer who needs to produce and sell them for future tech and product growth.

That said, TSM is at risk with many geopolitical tensions. The stock would trade much higher if investors were not as concerned over an invasion of Taiwan. The increasing tensions between the US and China also cause uncertainty for the company. There have been sanctions made on China that also scare investors away posing a threat to operations. Another risk to TSM is trade controls. Some trade has been banned and China banned TSM to sell chips to a large part of their past revenue (Huawei). There are also many customer concentrations for TSM. They hold about 70% of their revenue in their top 10 customers. If one customer were to leave them then they would lose a chunk of that revenue. Lastly, the industry's cyclicality poses a threat as when the economy is bad for semiconductors, revenue will decrease and impact the company.

On April 11th, 2023, we had an unrealized gain of 0.41% on TSM.

RESTAURANT BRANDS INTERNATIONAL INC. (NYSE: QSR):

On March 27th, 2023, we purchased 1371 shares of QSR at $62.98 for a total cost of $86,342.55.

Restaurant Brands International (RBI) is a quick service restaurant (QSR) chain comprising four household names: Burger King, Tim Hortons, Popeyes, and Firehouse Subs. The company was built from acquisition and formed in 2014 when G3 Capital facilitated the merger of prominent Canadian coffee brands Tim Hortons and Burger King. The merger would include tax benefits and enable Tim Hortons to leverage Burger King's global footprint and expand internationally. In 2017, Restaurant Brands International expanded its quick service brand by acquiring Popeyes. In addition, the company also added Firehouse Subs to its brand in 2021.

Restaurant Brands International has an attractive business model with four major brands. While we do not believe this is a perfect company, there is a unique time in history to invest in the developing brand. RBI is at a turning point in its business model, and new management has impressive results. The company took on Patrick Doyle as executive chairman. Doyle is the ex-CEO of Dominos and led the company to 29 straight quarters of comparable sales increases. Since joining RBI, Doyle has stripped the company down to its core competencies, focusing on improving brands and helping franchises grow revenue. The broader trends in the market also support quick-service restaurant brands. While profitability issues face the company in the short term, quick, reliable food sources are a staple in everyone's lives and will continue to produce reliable revenue. Ultimately, we see RBI as a fantastic value buy and are confident in the industry's long-term outlook, business model, and new company strategy.

Four primary investment risks are associated with Restaurant Brands International (RBI): franchise risk, liquidity and solvency risk, sociocultural risk, and intense competition. Franchise risk arises from RBI's dependence on its franchise model. The company will only succeed if it can attract new franchisees and prevent insolvency. Liquidity and solvency risk relate to RBI's ability to meet its short-term and long-term obligations. The company has a balance sheet filled with debt. While this has been decreasing steadily, failure to meet financial commitments results in operational difficulties for the company. The sociocultural risk stems from the possibility changing consumer preferences and attitudes toward fast food may diminish demand for RBI's products. Finally, intense competition threatens RBI, as the company must continuously innovate at a pace that keeps up with its peers.

On April 11th, 2023, we had an unrealized gain of 5.31% on QSR.

CVS HEALTH CORPORATION (NYSE: CVS):

On April 10th, 2023, we purchased 1138 shares of CVS at $76.78 for a total cost of $87,380.42.

CVS is a healthcare and retail company that operates a network of pharmacies, healthcare clinics, and other medical services across the United States. The company was founded in 1963 and is currently headquartered in Woonsocket, Rhode Island. CVS is primarily known for its retail pharmacy business, which offers prescription medications, over-the-counter drugs, health and wellness products, and other general merchandise. The company operates over 9,900 retail locations across the country, making it one of the largest pharmacy chains in the United States. In addition to its retail pharmacy business, CVS also operates a number of healthcare services.

These services include MinuteClinic, a walk-in medical clinic that provides basic healthcare services such as flu shots, physical exams, and treatment for minor illnesses and injuries. CVS also offers home health services, which provide nursing, therapy, and other care services to patients in their homes.

In 2018, CVS acquired health insurer Aetna, creating a new healthcare company called CVS Health. This acquisition allows CVS to offer a more integrated healthcare experience, with a focus on providing personalized and affordable care to patients. The combined company has a broad range of healthcare services and capabilities, including pharmacy benefit management, health information technology, and more. CVS's business model is based on a combination of retail sales and healthcare services. The company generates revenue from its retail sales of prescription and non-prescription drugs, as well as from its healthcare services. CVS also generates revenue from its pharmacy benefit management business, which helps manage prescription drug costs for employers, health plans, and government programs.

Despite its size and success, CVS faces challenges from changing consumer and healthcare trends. The rise of e-commerce and online retailers has put pressure on the company's retail business, while the increasing popularity of telemedicine and virtual care has disrupted the traditional healthcare model. However, CVS has responded by investing in new technologies and partnerships to stay ahead of the curve.

Overall, CVS is a major player in the healthcare and retail industries, with a broad range of products and services that serve millions of customers across the United States. The company's focus on affordable, accessible healthcare makes it a key player in the ongoing effort to improve the health and wellness of individuals and communities across the country.

On April 11th, 2023, we had an unrealized loss of 0.97% on CVS.

Conclusion

LESSONS LEARNED:

The responsibility of managing a million-dollar portfolio is something most students will never get the opportunity to do. We are honored and grateful for the chance to hold this responsibility and gain valuable lessons from the program. One of the central goals of the Student Managed Fund is to give students a diverse learning experience, and this is exactly what we got.

Each semester as part of the Student Managed Fund, our team experienced different challenges and learned a lot. Early on this semester, we learned the importance of efficiency. To fully allocate by the end of the semester, we needed to limit rejected pitches and wasted time. We found ourselves focusing on companies our team was already familiar with or had an interest in before an investment pitch. This plan succeeded, and we limited any rejected pitches in the second semester. With this sense of urgency to allocate, our team still held our investment decisions to the same criteria and scrutiny in our investment philosophy. We experienced a lot of the same market volatility we saw in our first semester on the SMF. The storm began to settle, and the collapse of two central banks shocked the world and our teams. Something our team kept reminding each other of is our focus on strategy. As long-term value-based investors, getting caught in short-term fears is easy. We continued to look over short-term issues in the market and are confident in our long-term equity selection.

Jeff pushed us to continue building our presentation and analytical skills throughout the semester. Our teams learned the importance of being concise with our arguments and focusing on what's important. Furthermore, attention to detail is something we stressed this semester. This is something applicable to all aspects of our lives. Simple mistakes should not happen. In addition to improving our presentation skills, our quantitative skills continued to elevate. The rise in interest rates impacts long-term outlooks for different companies. Jeff continued teaching us how to evaluate companies and account for debt, interest expenses, and acquisitions. Ultimately, everyone on our team can confidently say this is the best learning experience we've had at the University of Connecticut.

THE FUTURE:

Our team could not be more excited to turn to the next chapter in our academic and professional careers. Most of our team members are graduating seniors and moving on to their first glimpse at the responsibility of a full-time role. The power of the Student Managed Fund gives our team members the chance to gain a unique edge on every student or new hire. Regardless of whether our professional journeys lead us to money management or not, the lessons learned in the Student Managed Fund will last a lifetime. On behalf of Team Blue, thank you for reviewing our report and allowing us to learn and grow as students through this invaluable experience.