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**UNIVERSITY OF WISCONSIN – LA CROSSE
COLLEGE OF BUSINESS
ADMINISTRATION**

**STUDENT MANAGED GORDON SPELLMAN FUND
2023 MID YEAR REPORT**

PREPARED BY THE UWL INVESTMENT MANAGEMENT TEAM

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Fund Summary

- Fund Value as of 12/1/2023: \$419,978.24
 - Funds Current Cash Value: \$42,176.59
- **6-month return:**
 - Spellman Fund: 10.34%
 - S&P 500 return: 9.11%
 - Spellman Fund had a 1.23% greater return than the S&P 500
- **Top 3 Highest Performers**
 - Intel Corporation (INTC): 44.58% increase
 - Prudential Financial Inc. (PRU): 25.34% increase
 - Bookings Holdings Inc. (BKNG): 22.58% increase
- **Top 3 Worst Performers**
 - NextEra Energy (NEE): -18.59% decrease
 - Pfizer (PFE): -17.83% decrease
 - PayPal Holdings (PYPL): -8.63% decrease
- **Top Economic Sectors**
 - Industrials: 14.98% increase
 - Financials: 14.06% increase
- **Worst Economic Sectors**
 - Utilities: -18.59% decrease
 - Energy: 1.15% increase
- We sold shares of Meta Platforms, Disney, Netflix, and Nexstar Media on 5/13/2023 to cut our Communication Services holdings to get our sector weights in line with our policy.

Stocks Purchased During Last 12-Months

<u>Company</u>	<u>Shares Purchased</u>
Exxon Mobil (XOM)	85

Stocks Sold in Last 12-Months

<u>Company</u>	<u>Shares Purchased</u>
Starbucks (SBUX)	100
Alphabet (GOOGL)	108
Meta Platforms (META)	8
Disney (DIS)	9
Netflix (NFLX)	11
Nexstar Media (NXST)	22

Holdings Snapshot

<u>Company</u>	<u>% Weight of Portfolio</u>
United Health Group Inc. (UNH)	8.65
Union Pacific Corporation (UNP)	7.31
Apple Inc. (AAPL)	5.99
Applied Materials, Inc. (AMAT)	5.92
Mastercard Incorporated Class A (MA)	5.67
Netflix, Inc (NFLX)	5.24
JPMorgan Chase & Co. (JPM)	5.12
Microsoft Corporation (MSFT)	5.10
Rio Tinto pic Sponsored ADR (RIO)	5.00
Procter & Gamble Company (PG)	3.65
QUALCOMM Incorporated (QCOM)	3.38
Nexstar Media Group, Inc. (NXST)	2.97
Meta Platforms Inc. Class A (META)	2.71
SAP SE Sponsored ADR (SAP)	2.71
Alphabet Inc. Class A (GOOGL)	2.63
American Tower Corporation (AMT)	2.60
NextEra Energy, Inc (NEE)	2.53
Booking Holdings Inc. (BKNG)	2.51
Intel Corporation (INTC)	2.38
Exxon Mobil Corporation (XOM)	2.35
CVS Health Corporation (CVS)	2.29
Johnson & Johnson (JNJ)	2.26
Emerson Electric Co. (EMR)	1.92
Prudential Financial, Inc (PRU)	1.92
General Motors Company (GM)	1.54
Walt Disney Company (DIS)	1.50
Coca-Cola Company (KO)	1.48
Pfizer Inc. (PFE)	0.78
Boeing Company (BA)	0.71
Turtle Beach Corporation (HEAR)	0.69
PayPal Holdings, Inc (PYPL)	0.47

Top Performers

<u>Company</u>	<u>Starting Price (\$)</u>	<u>Ending Price (\$)</u>	<u>Return %</u>
Intel Corporation (INTC)	31.13	44.70	44.58
Prudential Financial, Inc. (PRU)	80.13	97.78	25.34
Booking Holdings Inc. (BKNG)	2,550.00	3,125.70	22.58
SAP SE Sponsored ADR (SAP)	132.17	159.12	20.39
Meta Platforms Inc. Class A (META)	272.61	327.15	20.01
Netflix, Inc. (NFLX)	403.13	473.97	17.57
Rio Tinto plc sponsored ADR (RIO)	61.04	69.09	16.44
Union Pacific Corporation (UNP)	195.68	225.27	15.79
JPMorgan Chase & Co. (JPM)	137.58	156.08	15.07
Microsoft Corporation (MSFT)	322.58	378.91	14.40



Intel's long-standing leadership in the CPU market has been challenged by innovators like Nvidia and Advanced Micro Devices, who have gained momentum thanks to AI. However, Intel's revenue performance has improved, which has boosted its stock price by roughly 64% year-to-date. Their unique position as the only major Integrated Design Manufacturer in the semiconductor industry, designing and manufacturing its own advanced chips, is also a significant advantage. Recently, Intel's shares rose after beating earnings estimates, driven by gains in its foundry business and a surge in interest in AI, along with signs of a recovery in the PC market.



Reports show that Prudential Financials' Q3 adjusted profit rose due to improved net investment spread and reduced expenses. The company is well-positioned for growth with its higher earnings from emerging markets, better spread income, and strong financial positions. Additionally, Prudential Financial is transitioning its business model towards more stable and recurring sources of income like underwriting.



Booking and Holdings had a great turnaround where shares rose nearly 50% in 2023, reaching an all-time high in August where the price per share was \$3,250. Booking Holdings has built an extensive ecosystem for travelers that has brought in more than 3.1 million properties from 2.5 million in the year-ago quarter. The company has recently placed itself at the top of the market with competitors such as Expedia and Airbnb. The company's stock could continue to climb higher over the long term as Allied Market Research predicts a compound annual growth rate of 15% through 2031 for the online travel industry taking it to a size over \$1.8 trillion.



SAP, one of the largest independent software vendors in the world had a great year with a 20.39% return in the second half of 2023. The company reported total revenues of \$8.428 billion on a non-IFRS basis. This improved by 4% compared to the same quarter in 2022 showing growth in the company over time. SAP had new launches of "Rise with SAP solution", "Grow with SAP" and "SAP Datasphere" in 2023 as well. These are positively viewed additions to the company and are expected to contribute positively to SAP's growth and overall success.

Worst Performers

<u>Company</u>	<u>Starting Price (\$)</u>	<u>Ending Price (\$)</u>	<u>Return %</u>
NextEra Energy, Inc. (NEE)	72.96	58.51	-18.59
Pfizer Inc. (PFE)	38.02	30.47	-17.83
PayPal Holdings, Inc. (PYPL)	63.05	57.61	-8.63
Nexstar Media Group, Inc. (NXST)	152.27	141.93	-5.15
General Motors Company (GM)	33.02	31.60	-3.77
Coca-Cola Company (KO)	60.00	58.44	-0.32
CVS Health Corp. (CVS)	68.88	67.95	0.30
Exxon Mobil Corp. (XOM)	103.36	102.74	1.15
Johnson & Johnson (JNJ)	154.54	154.66	1.59
Turtle Beach Corp. (HEAR)	11.12	11.31	1.71



NextEra Energy fell double-digit percentages in the last week of September and has been down ever since. The stock had fallen to levels last seen in early 2020. Their subsidiary, NextEra Energy Partners also decreased their annual dividend growth guidance to 5% or 8% for the upcoming years. NextEra Energy Partners also made hints about a potential shift in their business plan, which may result in fewer drop-down deals with their parent company, NextEra Energy. Given that such drop-down deals are a significant source of funding for NextEra Energy, these developments could not be good for the firm by resulting in less additional revenue.



Last year, Pfizer brought in record sales of more than \$100 billion due to coronavirus prevention and treatments. Now it is heading towards a 39% drop this year. This is because record levels of vaccine and treatment revenue occurred during the height of the pandemic, so it makes sense that sales of these goods are declining as we move closer to the post-pandemic scenario.



PayPal Holdings is down 27% year-to-date after falling 63% in 2022. They also dropped 11.4% in October of this year. Last year during Q3, PayPal had 432 million active accounts, but this year during the same quarter they only had 428 million.

They also took a step back in profitability with their operating margin falling from 16.3% last year to 15.7% in Q3 of this year. PayPal is also spending more in buybacks than they are making. They had a free cash flow of \$1.1 billion in Q3 but repurchased \$1.4 billion in its shares. This indicates that PayPal needs to find a way to increase their earnings, especially if they want to regain the ground they've lost in the past years.



Nexstar Media Group had a poor Q3 earnings report.

Nexstar Media Group had a poor Q3 earnings report. Their net revenue fell to \$1.3 billion, which is a 10.8% decrease compared to last year. Contributing to this decrease was the decline in total television advertising revenue from political advertising also decreased by 85.3% due to the off-cycle election year. Nexstar's adjusted EBITDA and free cash flow also declined by 51.9% and 66.2%, respectively. Even though Nexstar has faced challenges, they still managed to return \$246 million to their shareholders through repurchases and dividends in Q3.

Sector Breakdown and Return

Current Sector Weights

Information Technology	21.87%
Communication Services	14.80%
Health Care	14.26%
Financials	13.27%
Industrials	10.14%
[Unassigned]	8.02%
Consumer Staples	5.33%
Consumer Discretionary	4.33%
Utilities	2.97%
Energy	2.56%
Real Estate	2.44%

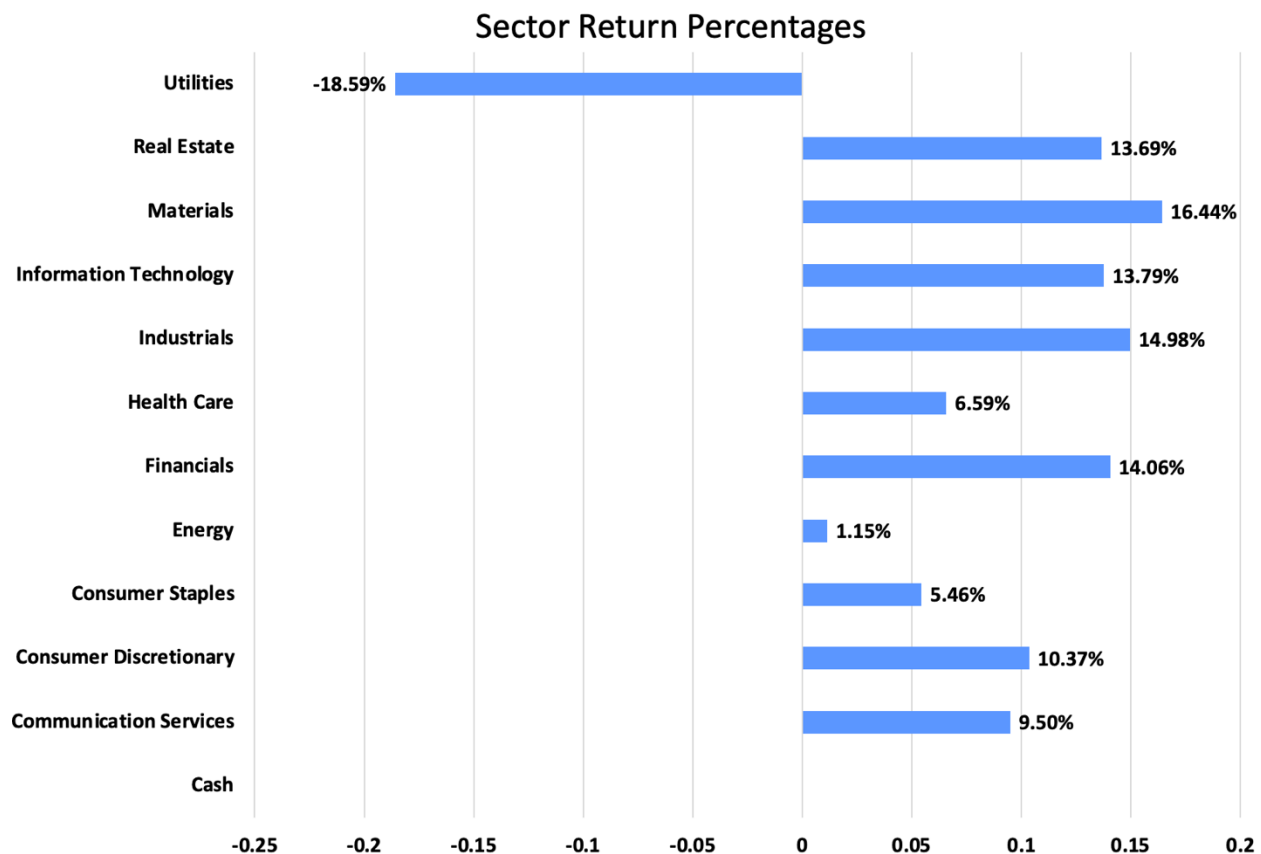


Figure 1.1 Sector Performance

Selection Effect

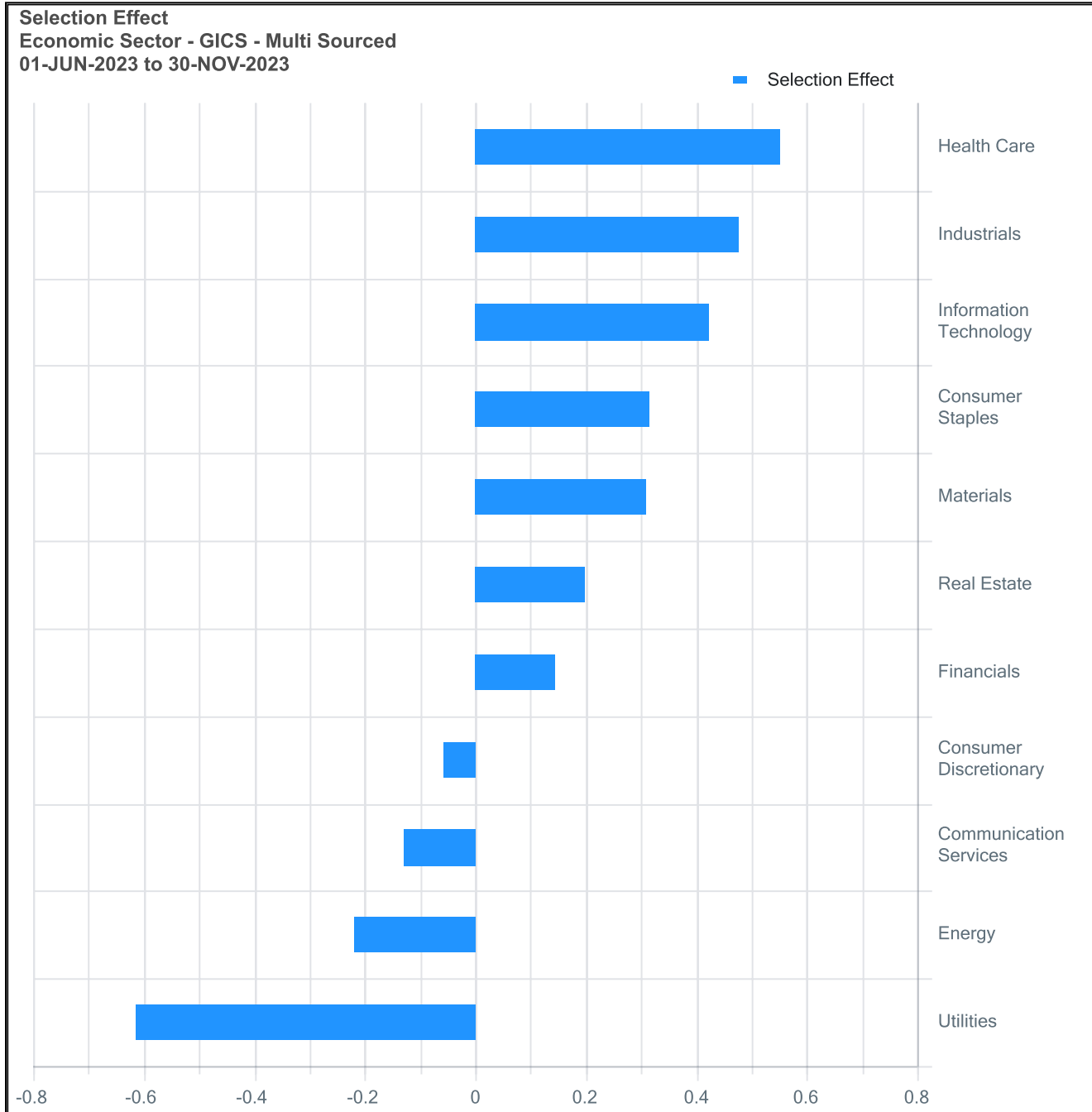


Figure 1.2 Selection Effect

Allocation Effect

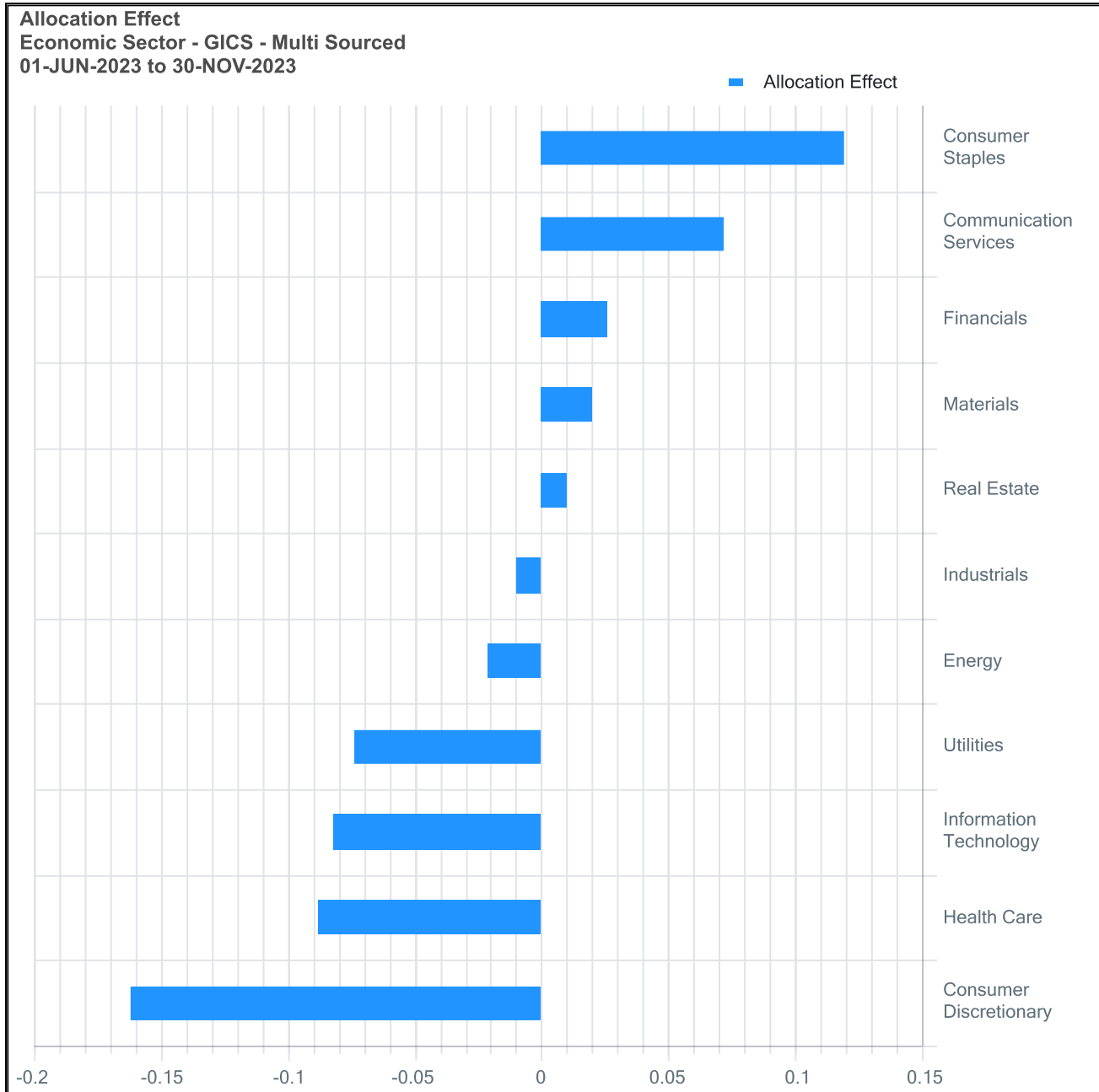


Figure 1.3 Allocation Effect

Portfolio Return

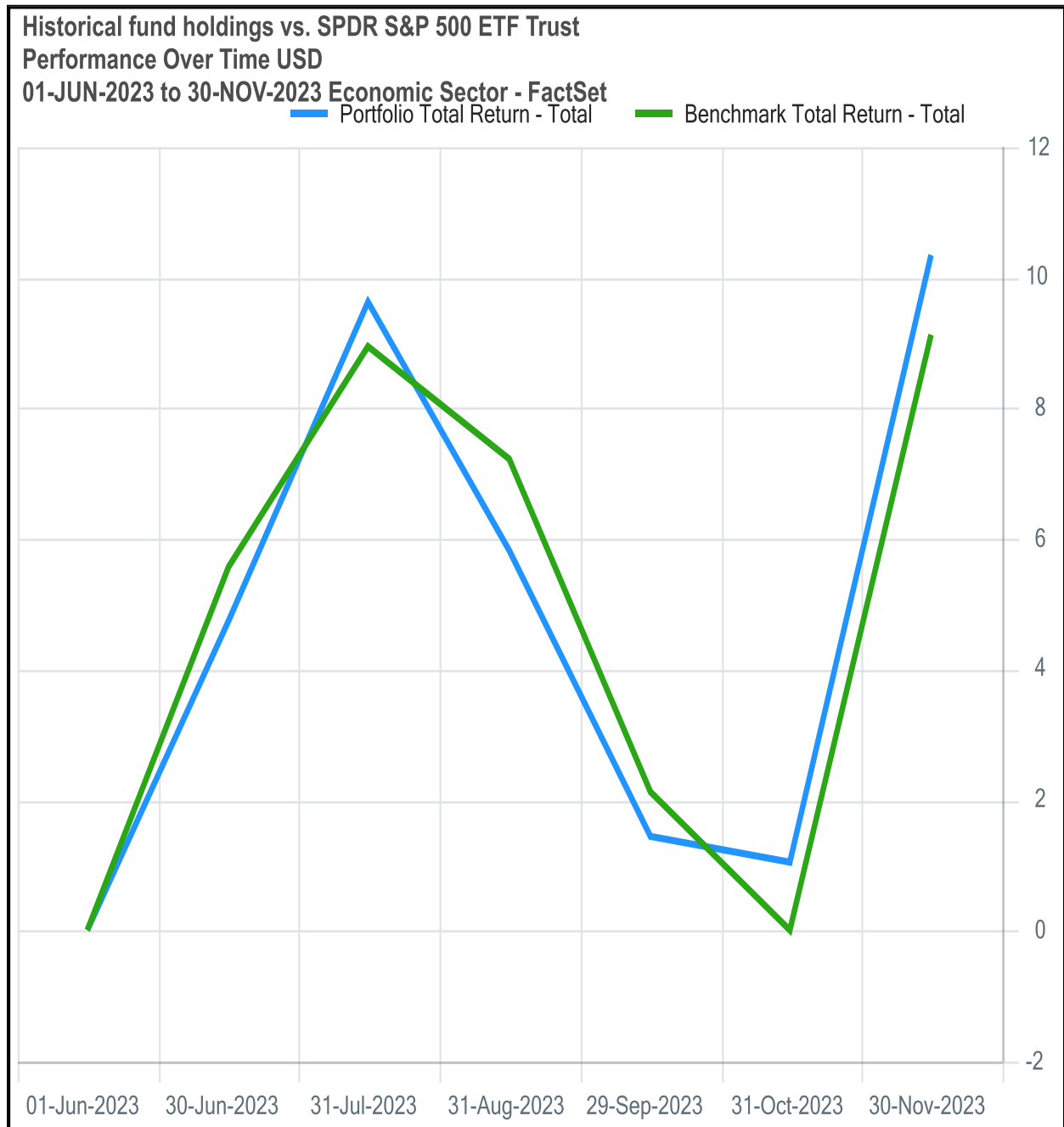


Figure 1.4 Portfolio Return with Benchmark