



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

**STUDENT MANAGED GORDON SPELLMAN FUND**

**2021-2022 ANNUAL REPORT**

**Prepared by the UWL Investment Management Team**

**Note: all numbers in this report are as of 4/10/2022**

## Contents

|   |    |
|---|----|
| LETTER FROM THE FACULTY ADVISOR .....       | 3  |
| SUMMARY .....                               | 4  |
| HOLDINGS SNAPSHOT .....                     | 5  |
| FUND OVERVIEW- TOP PERFORMERS .....         | 6  |
| FUND OVERVIEW - WORST PERFORMERS .....      | 7  |
| INVESTMENT PHILOSOPHY .....                 | 8  |
| INVESTMENT PROCESS.....                     | 9  |
| SECTOR ALLOCATION BREAKDOWN AND RETURN..... | 10 |
| PORTFOLIO RETURN AND STATISTICS.....        | 11 |
| MEET THE TEAM – STUDENT ANALYSTS .....      | 12 |

## LETTER FROM THE FACULTY ADVISOR

This year, the Investment Management Team (IMT) made their first presentation to the Gordon Spellman Fund Advisory Board, providing their recommendations on the fund's asset allocation. The team now presents to the Advisory Board each semester to review the fund performance and make sector allocation recommendations. As the IMT has grown, we now have a student fund manager who leads the team and assists me in tasks related to the fund. Pratham Arora has served in this role for Spring 2022 and was primarily responsible for creating this inaugural report.

I also led the IMT on a trip to the Student Managed Investment Fund Consortium Conference in Chicago in October 2021. The students got to hear from various investment professionals, were able to network with peers and professionals, and viewed poster presentations from students at other universities with student-managed investment funds. We hope to make this an annual trip. In addition to joining this consortium, we also joined the CFA Institute's Consortium of Student-Managed Funds. These consortiums provide learning opportunities for students and allow for a sharing of best practices across institutions.

We continue to hold student stock presentations at the end of each semester, which determines our buy and sell decisions for the Gordon Spellman Fund. We have welcomed the return of face-to-face presentations for the students and Advisory Board this academic year. The students continue to improve in their analysis and presentation quality.

We also started heavily utilizing the Kaplan Finance Lab in Wittich Hall. The IMT holds their regular meetings in that room, and the FIN 475 (Investment Analysis and Portfolio Management) course is held in that room. Students have access to state-of-the-art technology in that room, as well as financial data via our Telemet Software.

Overall, the fund grew from around \$415,000 in April of 2021 to \$417,000 in April of 2022, despite withdrawing almost \$14,000 in January of 2022. In 2021 and 2022, we withdrew money from the fund to support data costs and the banquet which follows the presentations. With these funds we have been able to fund the purchase of Telemet Orion Finance Lab software, annual Value Line subscriptions, and the annual costs of our Rise Display Ticker outside the Kaplan Finance Lab, in addition to hosting dinner after the presentations for students and Advisory Board.

The students and I look forward to continuing to grow the fund's operations. We will expand the role of the student fund manager, build a website for the fund, and continue to explore opportunities for our students. I would like to thank the FIN 475 students, the IMT members, the Advisory Board members, and my colleagues for their continued support related to the fund.

Sincerely,  
Dr. Adam Stivers, Ph.D.  
Assistant Professor of Finance

## SUMMARY

- **Fund Value as of 4/10/2022: \$416,750**
- **One-year return: 4.3% (benchmark S&P 500 return: 11.4%)**
- **We mostly underperformed compared to the benchmark due to our lack of energy holdings, which was by far the best performing sector**
- **Eight sell transactions occurred over the past year (all were to trim our positions)**
- **Four new stocks were added to the fund**
- **Following the IMT's advice, the rule that sector weights must stay within 5% of the S&P 500 was added to the Investment Policy Statement**

### STOCKS THAT WERE SOLD

| DATE          | COMPANY          | # OF SHARES |
|---------------|------------------|-------------|
| MAY 2021      | APPLE            | 84          |
| MAY 2021      | NEXT ERA ENERGY  | 130         |
| MAY 2021      | COCO-COCO COLA   | 95          |
| MAY 2021      | GOOGLE           | 5           |
| DECEMBER 2021 | APPLE            | 118         |
| DECEMBER 2021 | MASTERCARD       | 38          |
| DECEMBER 2021 | EMERSON ELECTRIC | 43          |
| DECEMBER 2021 | BOEING           | 9           |

### STOCKS THAT WERE BOUGHT

| DATE          | COMPANY        | # OF SHARES |
|---------------|----------------|-------------|
| MAY 2021      | GENERAL MOTORS | 200         |
| MAY 2021      | AMERICAN TOWER | 48          |
| DECEMBER 2021 | RIO TINTO ADR  | 270         |
| DECEMBER 2021 | PAYPAL         | 30          |

### IMT RECOMMENDATIONS

#### Renewable Energy Industry

- The fund should add holdings with exposure to generation, storage, and utility
- Diversification in renewable energy will provide stable long-term returns

#### More Active Rebalancing

- Allows us to follow the original investment strategy

#### Interest Rates are going to continue to rise over the next 6 months to a year

- Companies in the information technology should be vary with how much debt they take on
- This affects the real estate sector as well with high interest rates increasing mortgage rates
- The financial services sector should benefit from this as they can make more income from high interest loans

## HOLDINGS SNAPSHOT

| <u>COMPANY NAME</u>       | <u>% OF PORTFOLIO</u> |
|---------------------------|-----------------------|
| APPLE                     | <b>14.38%</b>         |
| MASTERCARD INCORPERATED   | <b>9.31%</b>          |
| ALPHABET INC              | <b>9.15%</b>          |
| UNITEDHEALTH GROUP        | <b>8.66%</b>          |
| UNION PACIFIC CORPERATION | <b>8.20%</b>          |
| APPLIED MATERIALS         | <b>4.76%</b>          |
| JP MORGAN & CO            | <b>4.26%</b>          |
| PROCTER & GAMBLE          | <b>4.08%</b>          |
| QUALCOMM INCORPERATED     | <b>4.01%</b>          |
| COCO-COLA COMPANY         | <b>3.48%</b>          |
| ADOBE                     | <b>3.41%</b>          |
| EMERSON ELECTRIC COMPANY  | <b>3.20%</b>          |
| INTEL CORPERATION         | <b>3.09%</b>          |
| META PLATFORMS INC        | <b>2.90%</b>          |
| JOHNSON & JOHNSON         | <b>2.85%</b>          |
| PRUDENTIAL FINANCIAL INC  | <b>2.33%</b>          |
| THE WALT DISNEY COMPANY   | <b>2.22%</b>          |
| STARBUCKS CORPERATION     | <b>2.12%</b>          |
| BOOKING HOLDINGS INC      | <b>1.90%</b>          |
| SAP SE ADS                | <b>1.87%</b>          |
| NEXTERA ENERGY INC        | <b>1.61%</b>          |
| TURTLE BEACH CORPERATION  | <b>1.16%</b>          |
| THE BOEING COMPANY        | <b>1.06%</b>          |

## FUND OVERVIEW- TOP PERFORMERS

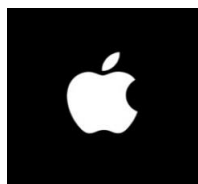
| Company                        | Weight | Return |
|--------------------------------|--------|--------|
| Pfizer Inc                     | 1.39%  | 58.72% |
| UnitedHealth Group Inc         | 6.09%  | 51.59% |
| CVS Health Corporation         | 2.61%  | 47.86% |
| Apple Inc.                     | 7.20%  | 31.77% |
| Prudential Financial Inc       | 1.86%  | 31.21% |
| Rio Tinto PLC                  | 1.36%  | 28.34% |
| Coca-Cola Co                   | 1.37%  | 23.16% |
| Alphabet Inc A                 | 5.81%  | 19.55% |
| Procter & Gamble               | 3.03%  | 19.44% |
| Nexstar Media Group, Inc. Cl A | 3.63%  | 19.28% |



Pfizer was by far the best performing stock that we have had over the past year. The stock has had a provided a one-year return of 58.72%. A lot of this success has to do with the company making huge progress on the COVID-19 vaccine and more importantly getting it distributed successfully to people during this pandemic. Furthermore, approving the vaccine for children of various age groups has also contributed towards the stock performing so well this past year.

UnitedHealth Group Inc is another stock that has performed outstandingly well all year. The stock has continued to show tremendous growth this year providing a total return of 51.89%. A major contributor for this is the fact that they extended their merger with Optum. Furthermore, strong numbers across the board in terms of their revenue, profitability as well as cash flows took this insurance company to new heights.

One of the reasons CVS has done well over the past year is because the company is very good at producing strong cash flows. Operating cash flow has gone up from 15.9B in 2020 to 18.3B in 2021. Furthermore, they are keeping their debt under control, reducing their debt ratio from 116% to 58% in 2021. The company has also expanded their minute clinics as well as health hubs for all Americans. These are few factors of many more contributing towards the stock's success.



Apple yet again has been performing well over the past year, providing a solid return of 31.77%. Despite all the supply chain issues, Apple has shown strong iPhone sales over the past year. They continue to make solid growth in areas like AR/VR as well as their car project. With all this growth the company is also approaching a market cap of nearly 3 trillion dollars. These are just the few reasons of many that have Apple continuing to break barriers and have the stock performing well.

Over the past year the stock has had a return of 31.21%. The increase in stock price for this insurance company is largely because of the business growth, lower expenses, and limited liquidity. All these things were possible because of the company's international business growth with Life Planner and Gladiator Life & Other as well as operating income going up from 7.9M to 289M in Q4. These aspects have resulted in the stock performing well.

## FUND OVERVIEW - WORST PERFORMERS

| Company                      | Weight | Return  |
|------------------------------|--------|---------|
| PayPal Holdings Inc.         | 0.26%  | -41.88% |
| Boeing Co                    | 1.14%  | -31.89% |
| Walt Disney Co               | 2.67%  | -29.6%  |
| General Motors Company       | 2.25%  | -29.22% |
| Meta Platforms, Inc. Class A | 3.62%  | -28.97% |
| Turtle Beach Corporation     | 1.54%  | -28.3%  |
| Intel Corp                   | 2.48%  | -27.92% |
| Starbucks Corp               | 2.51%  | -26.61% |
| SAP SE                       | 2.04%  | -17.29% |
| Applied Materials Inc        | 4.76%  | -13.32% |



This stock has struggled over the past year, plunging down to a negative return of 41.88%. Increased competition in this digital space has a lot to do with PayPal's decline over the past year. The economic hit has had a lot to do with their recent struggles. Furthermore, PayPal is used for a lot of outsourcing jobs and a reduction of payments for such jobs over the past year has meant that less PayPal accounts have been opened and less overall transactions have occurred through PayPal.



Boeing is a stock that continues to struggle. It has been down -31.89% within the past year. Certainly, we were still in a pandemic over the past year and that has been a major factor for the stock struggling. They have also had quality control issues with their 787 Jets over the past year. In addition, due to all the delays they have paid 3.5 billion to their customers to make up for late deliveries. In 2021, the company was also under investigation for fraud, and they paid 2.5 billion in the DOJ settlement. All these things have contributed towards their stock struggling.



The company has been struggling to gain a subscriber base which has contributed towards the stock dropping off. It has been down almost 30%. Furthermore, various COVID-19 variants also contributed towards the stock struggling as the company's theme parks struggled to bring people in as travel plans kept changing due to the pandemic. Those are two major reasons for the stock struggling throughout the past year.



GM has not had a positive return over the past year, as it's down 29.22%. COVID-19 has had a lot to do with it. Couple that with all the various variants as well as supply chain issues have resulted in GM's production going down. Hence it has impacted the company's performance as their deliveries have been affected in a negative manner.



The company has changed their name from Facebook to Meta. However, since then company has taken a dive, and returns have been down -28.97%. The company is deeply invested in the idea of Meta and that has investors worried. The company has also lost ad revenue to the removal of targeted ads with iOS devices. While the idea of virtual reality and its application is huge, it's likely to take a long time before it's put into provision. Furthermore, this level of investment has decreased the company's profits and raised expenses causing the stock to take a huge dip.

## INVESTMENT PHILOSOPHY

The overall investment philosophy of the fund is very much learning-oriented, that said, the fund uses a value investing approach, meaning that most of the stocks are going to be companies with future growth opportunities, good profitability, and reasonable price multiples. Stocks will be added based on the research and analysis from students as part of the FIN 475 class.

The fund's investment philosophy is centered around:

1. Low price multiples (or higher price multiples being justified with high future growth)
2. Consistent and strong profitability
3. Economic moats
4. Future growth opportunities
5. A goal of long-term growth and outperforming the S&P 500
6. A goal of preserving the value of the portfolio for future students

The other aspect of the philosophy for the fund is that is that this for the long term. Meaning, that this is to be around for the long haul while also having the mindset to outperform the performance of the market. More specifically, being a calculative with the stocks that are picked to mitigate risk and have disciplined asset allocation.

Related to asset allocation, the fund's philosophy also is to keep the fund well balanced and that means that no sector shall have more than 15% of the fund when chosen. This is to create stability and minimize volatility.

Per the guidelines of the fund, the primary focus is on the major sectors and to make recommendations as well as any relevant stocks in those sectors. As mentioned before, long-term growth is the idea and so short-term thinking is not part of the fund's philosophy.

The benchmark for allocation in a certain sector is at +/- 5% of the S & P 500 allocation. That said, we believe that allocation should not be more than 25% in a certain sector. This is to ensure that the portfolio is well balanced and ensure that it can combat volatility in times of uncertainty.

Finally, the Investment Management Team strongly believes in the renewable energies industry and sees that as the future. This is because we realize the importance of the environment and as the next generation, this industry will play a huge role towards having that last. More specifically, our sector analysis has also proved that the energy sector has bounced back in the toughest of times with renewables leading the charge in terms of growth year over year.



## INVESTMENT PROCESS

### **Investment Analysis and Portfolio Management Course:**

Each semester, students in this course form groups and select a stock to analyze. This could be a stock currently in the fund to analyze as a possible sell, or a new stock to possibly add to the fund. The students receive mentoring from the Advisory Board during the semester, and then present their findings and recommendations to the Advisory Board and Finance Faculty at the end of the semester.

Each presentation is scored by Advisory Board Members, faculty, and their fellow students. The highest-rated groups have their recommendations followed. Typically, the top two or three groups have their recommendations implemented by the fund. The students in the course also provide buy, sell, and hold recommendations for all the existing stocks in the fund. Transactions only occur at the end of each semester, and stocks are revisited for full analysis every few years.

### **Investment Management Team:**

The IMT at UWL has a collaborative team approach towards the Gordon Spellman Fund. The team consists of 5 analysts and the market sectors are evenly divided amongst the 5 members. As a team, we conduct what we call “sector analysis” and discuss our findings every 2 weeks. As part of our research, we use reliable sources like Fidelity, Morningstar, Telemet, and Yahoo Finance.

Each analyst’s sector analysis consists of the following topics:

- Relevant news in the sector
- How the sector has performed leading up to the meeting
- What the YTD performance has been of the respective sectors
- How are the stocks in the fund for the respective sectors performing?
- How the sectors are performing individually in comparison to the S&P 500
- Our predictions for the sector’s future and whether we should keep our holdings in the respective sector based on the performance and analysis going forward.
- Finally, if there are some stocks that we don’t have in the fund that are also performing well is something we include as part of our sector analysis.

An accumulation of these sector analysis research across the semester then goes into how the team prepares for the end of the semester presentation we provide to the Advisory Board of the Gordon Spellman Fund. Our presentation consists of showing a graph of how our fund performed in comparison to the S&P 500. We then get deeper into specifically talking about the best- and worst-performing sectors and provide reasoning behind the performance. We also describe the best and worst stock performers across the fund. The last major part of our presentation has us providing advice on how we would reallocate the fund to ensure that the fund keeps growing.

Overall, our investment process is a very straightforward, ensuring that we conduct a good analysis and provide the board with a good picture of the performance of the fund, and how it should be approached going forward.

# SECTOR ALLOCATION BREAKDOWN AND RETURN

## CURRENT SECTOR WEIGHTS

|                        |        |
|------------------------|--------|
| Cash Items             | 5.86%  |
| Communication Services | 14.7%  |
| Consumer Discretionary | 6.61%  |
| Consumer Staples       | 4.88%  |
| Financials             | 6.10%  |
| Health Care            | 15.11% |
| Industrials            | 9.67%  |
| Information Technology | 24.64% |
| Utilities              | 3.90%  |
| Real Estate            | 3.05%  |
| Materials              | 5.48%  |

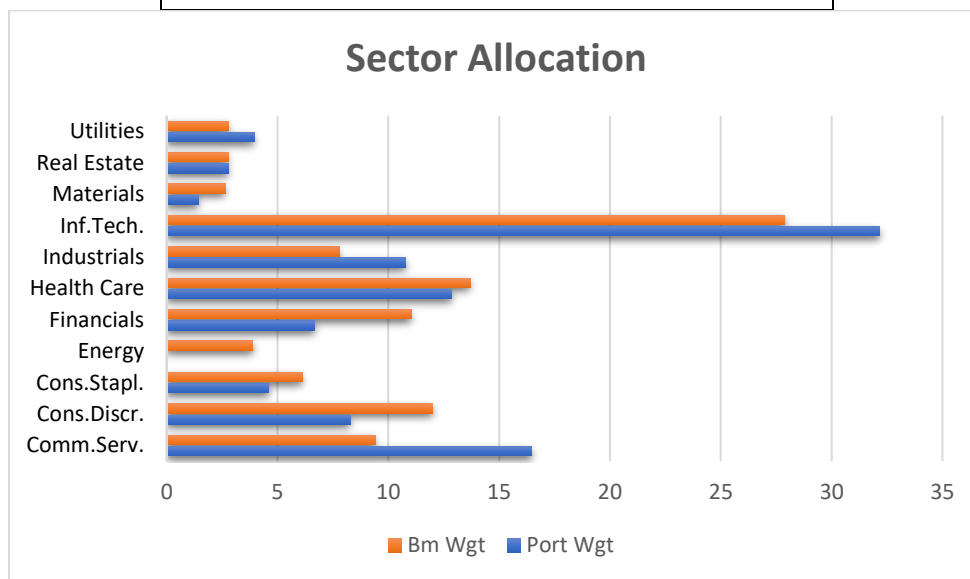


Figure 1.1 – Sector Allocation

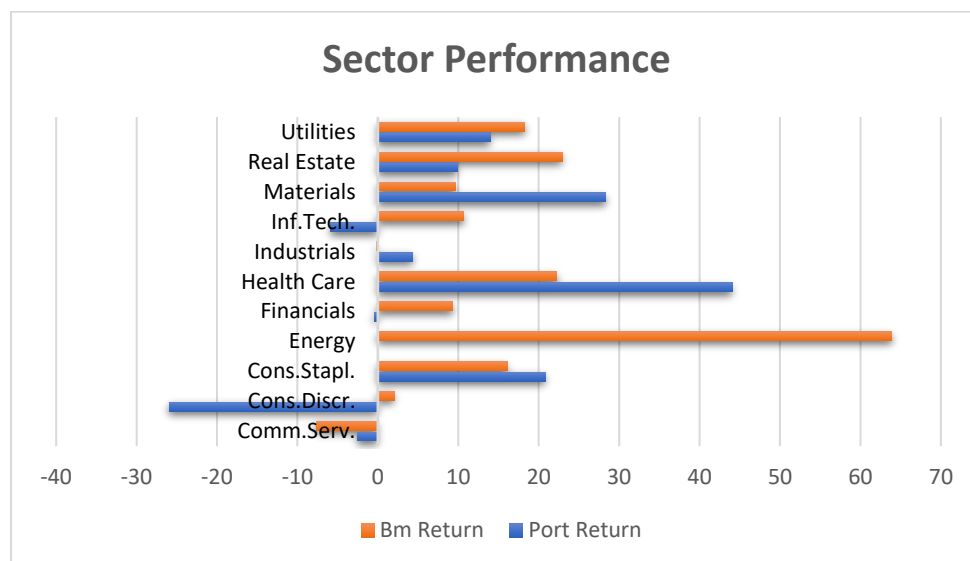
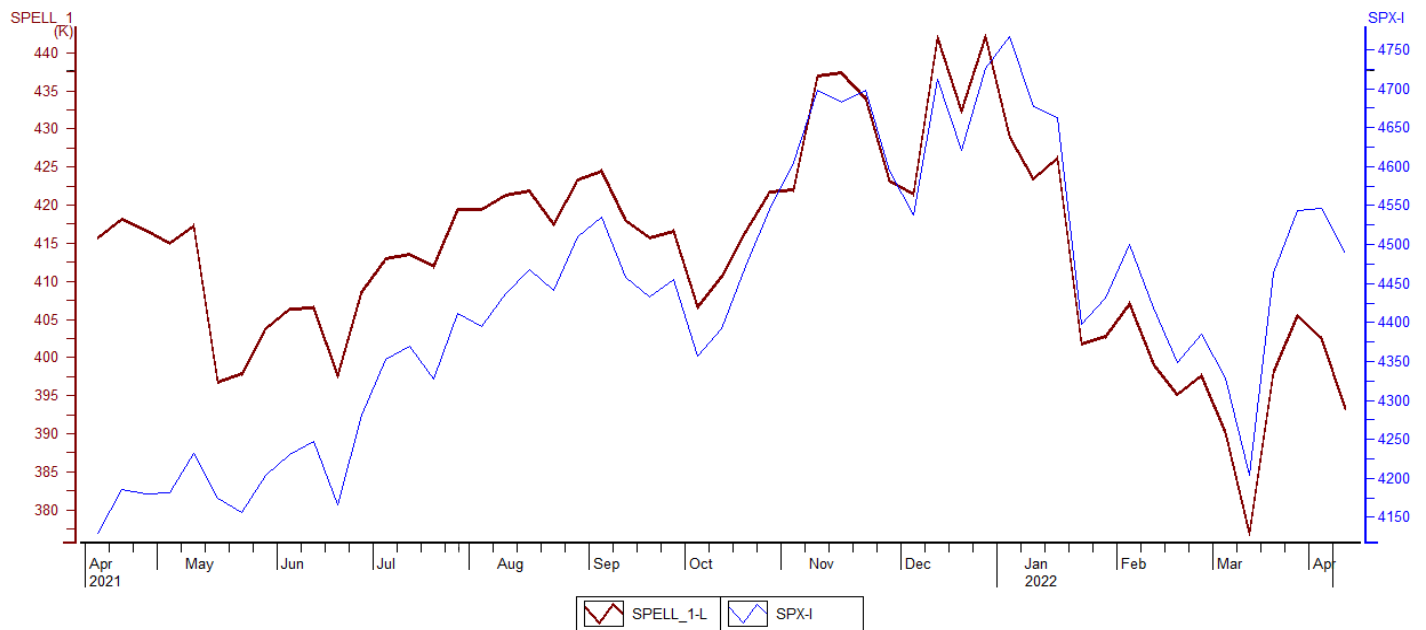


Figure 1.2 – Sector Performance

## PORTFOLIO RETURN AND STATISTICS



**Figure 1.3 – 1-year return with benchmark**

| <b>1-Year Statistics</b> |               |
|--------------------------|---------------|
| Alpha                    | <b>-0.11%</b> |
| Beta                     | <b>0.92</b>   |
| Information              | <b>-0.93</b>  |
| Sharpe Ratio             | <b>0.35</b>   |
| Treynor                  | <b>0.02</b>   |
| Annualized Return        | <b>4.28%</b>  |

## MEET THE TEAM – STUDENT ANALYSTS



**Pratham Arora** – [arora6484@uwlax.edu](mailto:arora6484@uwlax.edu)

Pratham was born and raised in India. He has resided in Switzerland and now the US for nearly 10 years. He is currently interning at Wipfli LLP, as a Tax intern this semester. He is currently pursuing a bachelor's in sciences degree, with a concentration in accounting and finance. Pratham is intrigued about understanding the stock market and learning various investment strategies to grow a stock portfolio. He is member of Investment Club and was also one of the first inaugural members of the Investment Management Team and is the current director of the team at UWL.



**Cole Greco** – [greco5965@uwlax.edu](mailto:greco5965@uwlax.edu)

Cole Greco is originally from the Milwaukee area graduating from Whitnall High School. He is a transfer student from the St. Cloud State University where he studied accounting. Currently, he is pursuing his bachelor's in finance with a minor in business analytics. Also, during the spring semester he has been interning with a small private equity search fund that specializes in manufacturing. This summer he will be interning with BMO Harris Bank as a summer analyst in their credit division. Cole became interested in investing through his desire to stay up to date with current events and market news. Cole is a member of the Investment Club and a 2-year member of the Investment Management Team.



**Jack Hansen** – [hansen3705@uwlax.edu](mailto:hansen3705@uwlax.edu)

Jack Hansen is a member of the Investment Management Team (IMT) here at UW-La Crosse. He is a sophomore with a major in Finance and a minor in Psychology. Jack got involved with the IMT to develop a better understanding of how the markets work and are constantly changing along with wanting to develop more knowledge of the various sectors. Having more knowledge on these topics have helped him keep more informed about world/country news and events which he has enjoyed greatly. The other aspect that Jack enjoyed by joining this team is the friendships that have been made with other team members. Jack says, "Working alongside with the team members have made this experience the best that it can be, and I have learned a lot from them given that they are upperclassman. Joining IMT was one of the best decisions I have made regarding my education here at UW-La Crosse."



**Weston Davis** – [davis9369@uwlax.edu](mailto:davis9369@uwlax.edu)

Weston Davis is currently a sophomore here at La Crosse studying Finance. He joined the IMT team the start of sophomore year and has gained multiple skills that he can use in his future career. As being a part of the team, Weston's biggest takeaway has been to learn how to present in a professional manner. Overall, the team has been an asset for him and has helped him get his foot in the door for internships.



**Derek Woodruff** - [woodruffdelap7906@uwlax.edu](mailto:woodruffdelap7906@uwlax.edu)

Derek Woodruff DeLap is from Sun Prairie, Wisconsin, a growing suburb located just outside of Madison. He is currently pursuing his bachelor's degree in finance and will be graduating this May. After graduation, he will be pursuing a master's degree in finance from the University of Minnesota – Twin Cities. There, he plans to be a part of the Carlson Funds Enterprise to further develop his understanding of finance and capital markets. Outside of academia, Derek enjoys golfing, downhill skiing, and watching the Green Bay Packers and the Milwaukee Bucks.