



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

**STUDENT MANAGED GORDON SPELLMAN FUND
2022 MID YEAR REPORT**

PPREPARED BY THE UWL INVESTMENT MANGEMENT TEAM

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Fund Summary

- Fund Value as of 12/1/2022: \$395,000
- 6-month return: 1.23%
 - Beat S&P 500 benchmark return of 0.24%
- Most likely due to the performance of Netflix during this 6-month period.
 - Purchased at a discount after stock fell almost \$400
 - Since has rebounded ~60%
- Other strong stock performances included:
 - Starbucks: 35.51% return
 - Boeing: 34.54% return
- Worst performers included:
 - Turtle Beach: -42.08% return
 - Meta: -36.15% return
 - Intel: -32.37% return
- Adobe was liquidated from the fund at the end of May
 - Equitable to \$12,000 at the time
 - Has decreased ~20% since selling
- Inflation has been hard on many sectors in the market
 - Could hedge against it with stake in energy or more in consumer discretionary

Stocks Purchased During Last 6-Months

<u>Company</u>	<u>Shares Purchased</u>
Netflix	52
Microsoft	50

Stocks Sold in Last 6-Months

<u>Company</u>	<u>Shares Sold</u>
Adobe	30
NextEra Energy	27
Boeing	4
Meta	12
Pfizer	32



Holdings Snapshot

<u>Company</u>	<u>% Weight of Portfolio</u>
(UNH) United Health Group Inc.	8.92
(UNP) Union Pacific Corp.	7.57
(GOOGL) Alphabet Inc.	5.46
(NXST) Nexstar Media Group	5.10
(AAPL) Apple Inc.	5.06
(MA) Mastercard Inc.	4.86
(RIO) Rio Tinto PLC	4.62
(JPM) JPMorgan Chase & Co.	4.24
(AMAT) Applied Materials Inc.	4.09
(QCOM) Qualcomm Inc.	3.69
(MSFT) Microsoft Corp.	3.63
(PG) Procter and Gamble Co.	3.59
(NFLX) Netflix Inc.	3.44
(CVS) CVS Health Corp.	3.43
(AMT) American Tower Corp.	3.27
(JNJ) Johnson & Johnson	2.73
(SBUX) Starbucks Corp.	2.44
(PRU) Prudential Financial Inc.	2.11
(GM) General Motors Co.	2.08
(DIS) Walt Disney Co.	2.05
(EMR) Emerson Electric Co.	1.98
(INTC) Intel Corp.	1.90
(SAP) SAP SE ADR	1.72
(KO) Coca-Cola Co.	1.66
(BKNG) Booking Holdings Inc.	1.62
(META) Meta Platforms Inc.	1.62
(PFE) Pfizer Inc.	1.35
(HEAR) Turtle Beach Corp.	0.73
(PYPL) PayPal Holdings Inc.	0.73
(BA) Boeing Co.	0.51

Top Performers

<u>Company</u>	<u>Starting Price (\$)</u>	<u>Ending Price (\$)</u>	<u>Return %</u>
Netflix Inc.	192.91	316.95	64.30
Starbucks Corp.	76.28	103.37	35.51
Boeing Co.	130.65	175.78	34.54
SAP SE	99.33	112.01	12.77
United Health Group	492.55	536.91	9.01
Emerson Electric	88.57	95.64	7.98
General Motors	38.27	40.43	5.64
CVS Health Corp.	96.54	101.65	5.29
Nexstar Media	175.41	184.20	5.01
JPMorgan Chase	129.91	136.24	4.87

NETFLIX



They have done well to maintain their subscriber basis in comparison to their competitors in the past year. The stock has risen 69% from the ticker price of \$169 to \$326 as of December of 2022. Netflix remains a leader in their space and performed admirably in 2022.

Starbucks revenue growth was a big factor that contributed towards the stock performing well in 2022. The company's total retail stores reached 8.4B Dollars in sales in Q4 which was 11% higher than last year. Starbucks also increased their customer base by 9%, with reward memberships rising 16%. An uptick in the sales and growth has come from the Gen Z population. Starbucks providing customization options for many of their drinks which also contributed towards an increase in sales and overall performance.



A combination of high amounts of debt and the disastrous launch of Boeings 737 MAX resulted in investor uncertainty in the last year. However, with Boeing receiving an increased frequency in orders and reporting \$1.5-2 billion in FCF compared to Wall Street's estimate of \$670 million, investors seem to be regaining trust in the airplane manufacturer.

A strong third quarter earnings report revealed SAP's rapidly increasing cloud business 38% growth. This subscription-based model generates predictable revenue and is projected to be SAP's main source of revenue. They project revenue to increase to 36 billion euros by 2025 with 22 billion euros resulting from their cloud subscription plan.

Worst Performers

<u>Company</u>	<u>Starting Price (\$)</u>	<u>Ending Price (\$)</u>	<u>Return %</u>
Turtle Beach Corp.	16.80	9.73	-42.08
Meta Platforms	188.64	120.44	-36.15
Intel Corp.	44.11	29.83	-32.37
American Tower Corp.	252.56	221.30	-12.38
Alphabet Inc.	113.89	100.99	-11.33
Walt Disney Co.	109.19	98.59	-9.71
Qualcomm Inc.	140.02	126.81	-8.90
Booking Holdings Inc.	2,238.57	2,060.29	-7.96
Applied Materials Inc.	114.46	107.01	-6.51
Microsoft Corp.	272.42	254.69	-6.51



Turtle Beach struggled in 2022 mainly because of their financial results throughout the year. In Q3, there were also rumors about selling the companies which ultimately fell through which crashed the stock in Q3. Furthermore, terrible market dynamics like high inflation decreased consumer discretionary spending from consumers alike. This also affected the company's recent acquisitions as a result. Those are a few factors that contributed towards Turtle Beach's poor performance all throughout 2022. Hopefully, there is a rebound in 2023 as inflation starts cool heading into the new year.



Meta's restructure continues to leave investors weary as revenue declines 4% y/y and profit decreases by 52%. Additionally, laying off 13% of its workforce, or 11,000 employees, only adds to the negativity. These difficult times are expected to carry into 2023 as Meta themselves predict no noticeable growth until Q3 2023.



With the semiconductor industry as a whole experiencing a decrease in sales of 4.6%, it is no surprise that Intel is struggling as well. A y/y decrease in revenue of 20% and a 85% decrease in net income are only two alarming statistics for Intel. This in addition to disappointing sales compared to AMD and NVIDIA have resulted in the -32.37% returns in recent months



AMERICAN TOWER®

AMT is performing slightly below the industry average in terms of earnings growth. 18.77% compared to 20.12%, which is confirmed by a PEG of 1.53 that is lower than the industry average 1.88. Additionally, AMT's P/E currently signals they are trading at a premium with a ratio of 19.1 compared to the industries 11.43.

Sector Breakdown and Return

Current Sector Weights

Technology Services	15.82%
Consumer Services	11.42%
Electronic Technology	10.36%
Finance	9.73%
Health Services	8.88%
Transportation	7.29%
Producer Manufacturing	6.57%
Commercial Services	5.65%
Consumer Non-Durables	5.26%
Non-Energy Minerals	5.01%
Health Technology	4.02%
Utilities	3.73%
Retail Trade	3.41%
Consumer Durables	2.84%

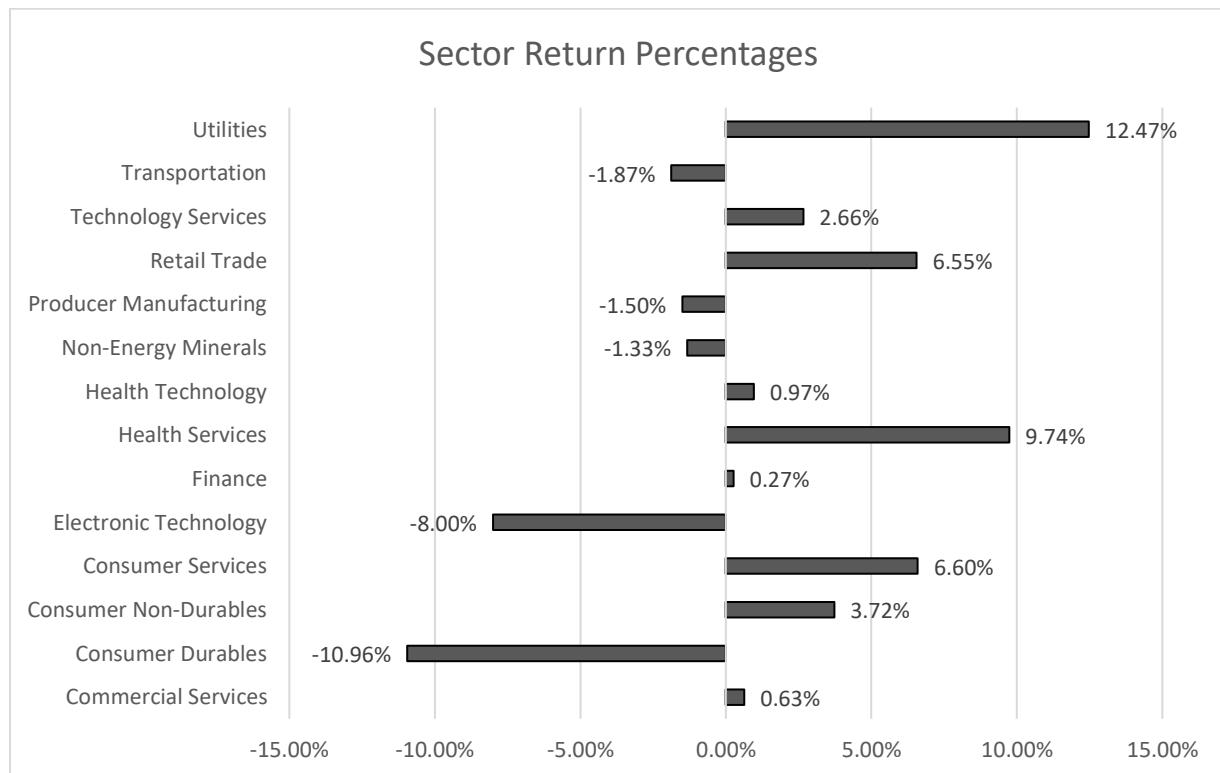


Figure 1.1 Sector Performance

Selection Effect

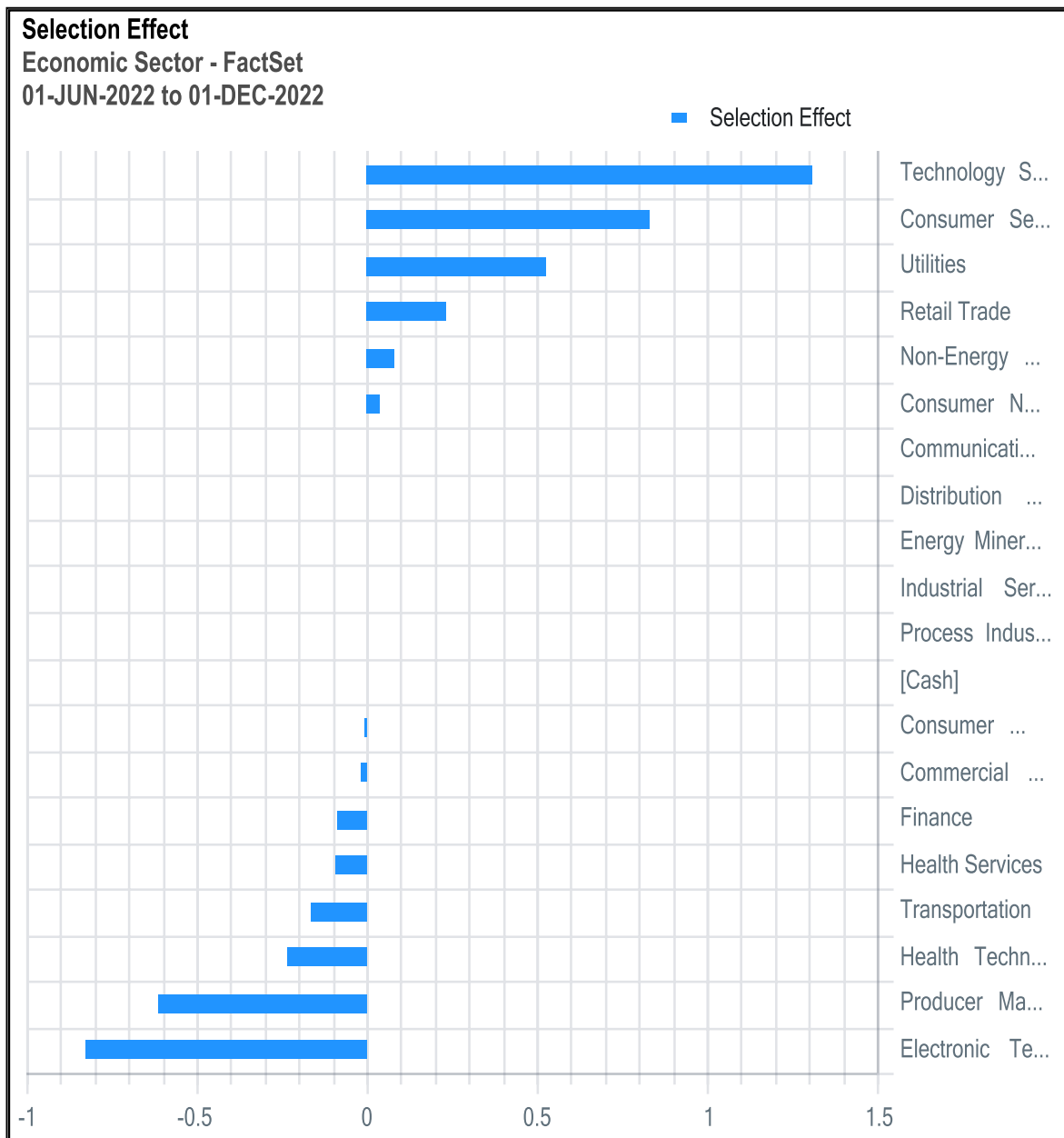


Figure 1.2 Selection effect

Allocation Effect

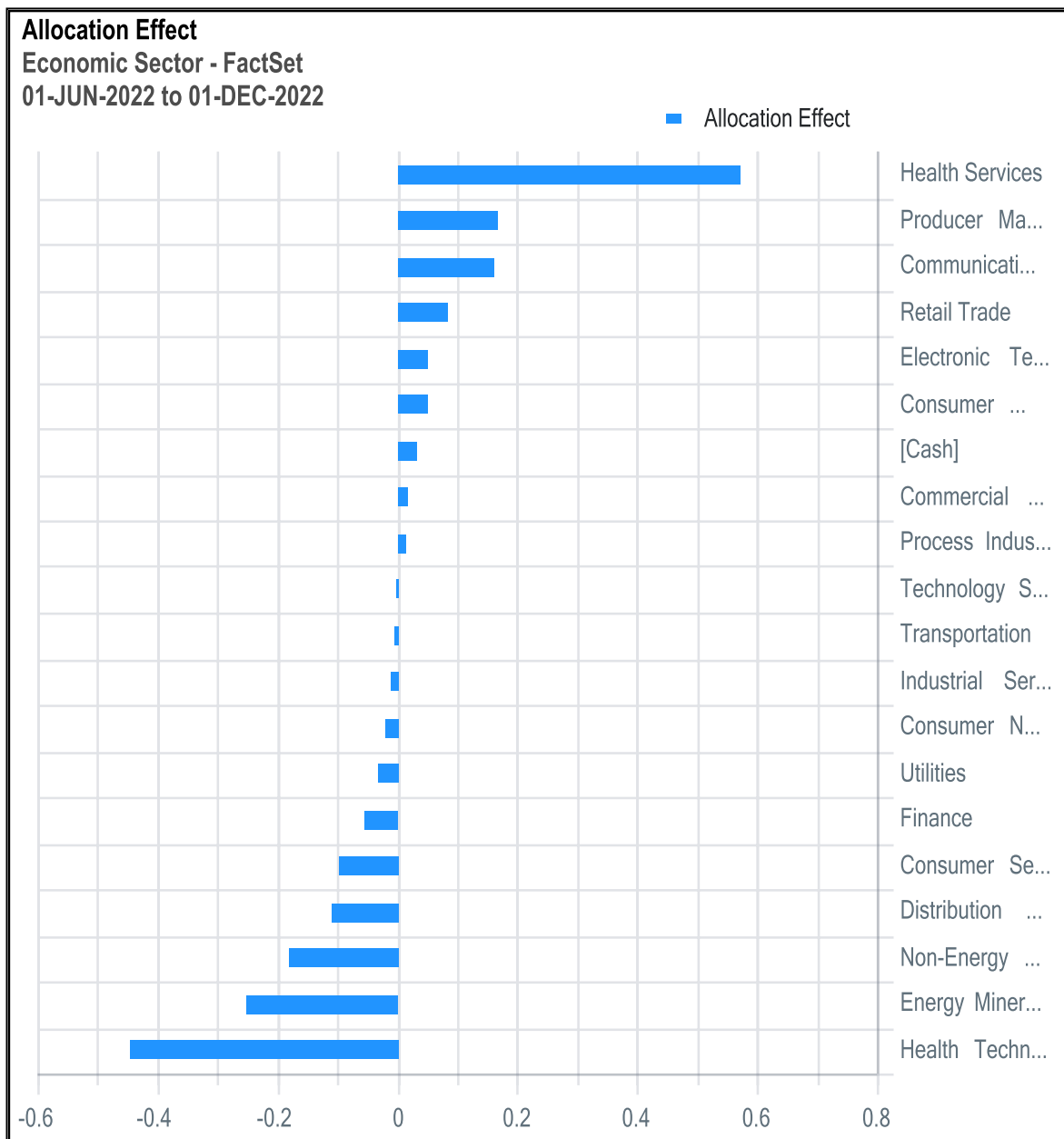


Figure 1.3 Allocation effect

Portfolio Return

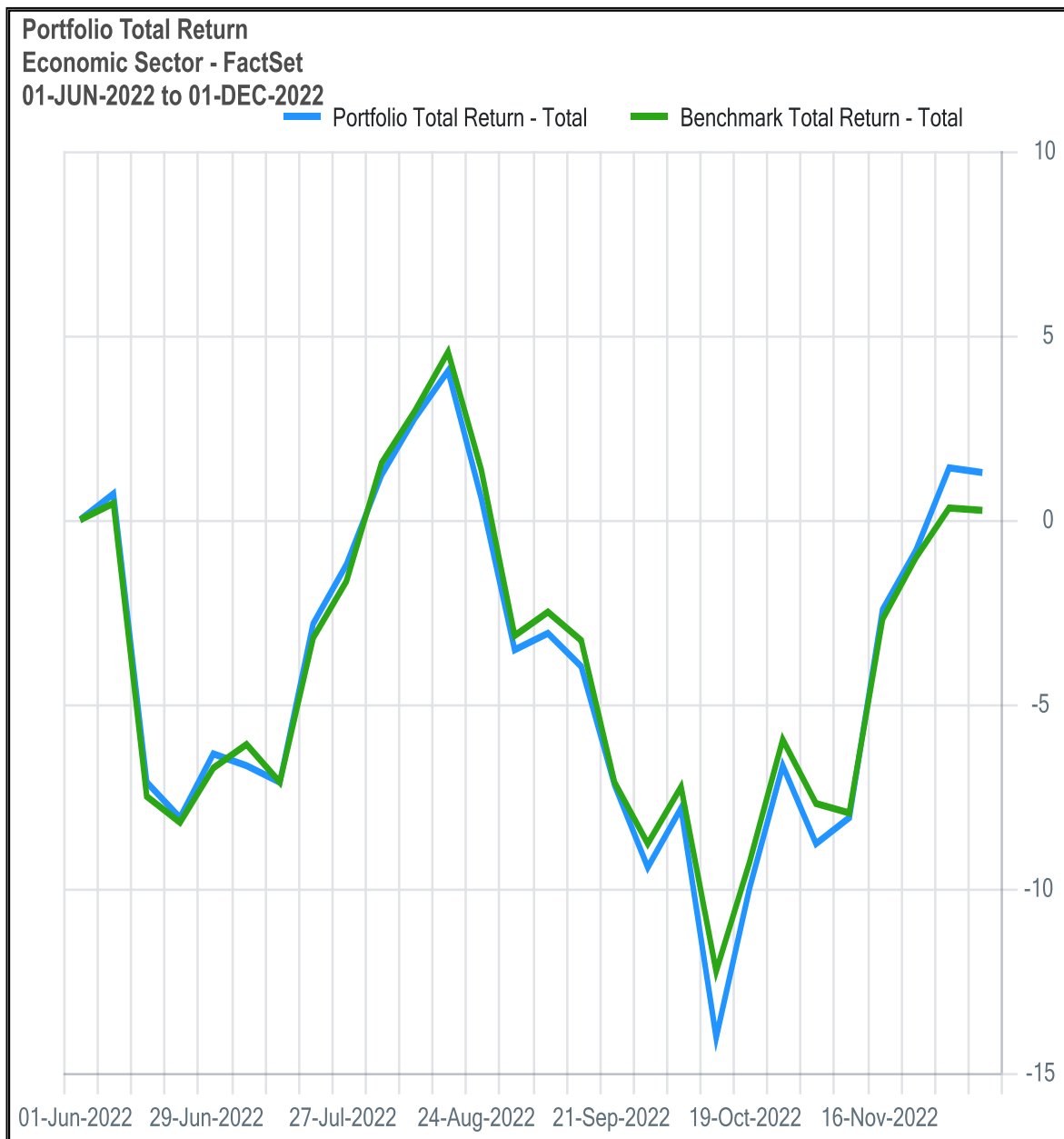


Figure 1.4 Portfolio Return with Benchmark