INVESTMENT MANAGEMENT TEAM

MARCH 2023 SPELLMAN FUND REPORT

Summary

Silicon Valley Bank Collapse

The collapse has been brewing for a few years now. Like many of their competitors, SVB poured billions of dollars into government bonds (treasuries) when the interest rates were close to 0%. At the time, they seemed like a good investment, especially during the height of the pandemic. However, since coming out of the pandemic, the federal reserve has raised interest rates to combat inflation. Doing so, it drastically decreased the value of many of the government treasuries that SVB invested in. A “bank run” followed, and SVB announced that it sold many of those securities at a loss. This created widespread panic amongst many of the tech companies that deposited money at the bank. It forced those companies to withdraw their deposits and that caused the bank to collapse. In the end, the FDIC (The Federal Deposit Insurance Corp) had to step in to ensure that the customers were looked after and covered up to $250,000 in deposits.

Interest Rate Hike

The Federal Reserve of the United States raised interest rates by 25 basis points, marking the 9th consecutive increase since March 2022. With this increase in rates, the Federal Funds rate sits between 4.75% - 5.00%. It is important to consider that this is the highest it’s been since February 2007, when rates were at their peak on the eve of the financial crisis. Although Fed Chair Jerome Powell has faced criticism from congress, the committee’s goal of restoring price stability remains a top priority.

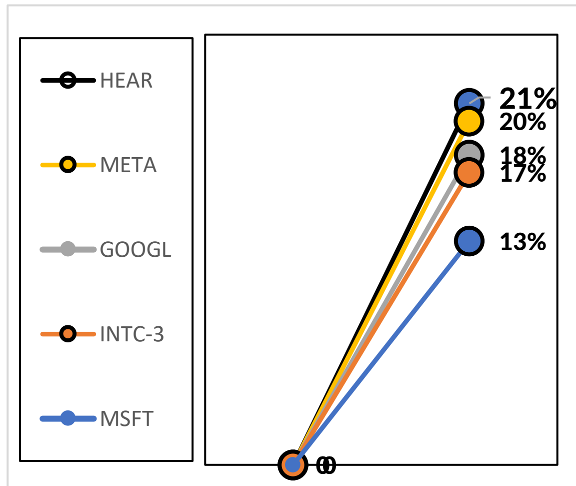
Portfolio Performance as of March

Equites increase by more than 15%

The portfolio experienced an overall increase in equities from $357,308 to $417,567. The top performers leading the portfolio were mainly from the Technology and Communication Services sector. The highest performing stocks achieving greater than 10% returns were:

- Turtle Beach (HEAR)
  - 21% increase
- Meta Platforms (META)
  - 20% increase
- Alphabet Inc (GOOGL)
  - 18% increase
- Intel Corporation (INTC)
  - 17% increase

Microsoft Corporation (MSFT)
  - 13% increase



The worst performing stocks came from a variety of sectors: Healthcare, Consumer Cyclical, Communication Services, and Financial Services. The stocks hit the hardest (greater than 10% decrease) were:

JPMorgan Chase & Co. (JPM)
  - 11% decrease

General Motors Company (GM)
  - 14% decrease

CVS Health Corporation (CVS)
  - 15% decrease

Nexstar Media Group Inc. (NXST)
  - 16% decrease

Prudential Financial (PRU)
  - 22% decrease