



UWL

IMT



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

STUDENT MANAGED GORDON SPELLMAN FUND

2023-2024 ANNUAL YEAR REPORT

PREPARED BY THE UWL INVESTMENT MANAGEMENT TEAM

Maycie Bean, Charlie Johnson, Noah Borden, Joey Neubert, & Mya Trafficante



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Letter from Faculty Advisor

This year, the Investment Management Team (IMT) completely changed its membership from the previous academic year. It now has 5 new members, who started midway through the Fall semester after being recruited from the Investment Club. The team created a midyear report in December, and in Spring 2024 has worked on monthly reports, this annual report, and will present the fund performance and portfolio recommendations to the Gordon Spellman Advisory Board.

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. Students now use FactSet to help in their research and analysis, which are included in the Kaplan Finance Lab. The IMT holds their regular meetings in that room, and the FIN 475 (Investment Analysis and Portfolio Management) course is held in that room. This year students were able to utilize a stock selection spreadsheet model built by a previous student, which pulls updated financial information from FactSet to create an investment score. This summer, I will have a student researcher work on refining this model using ChatGPT. Some students this year were also fortunate to have calls and meetings with key executives and investor relations from the companies they analyzed.

Overall, the fund grew from around \$383,000 in April of 2023 to \$455,000 in April of 2024. With funds disbursed from the fund over the past few years we have been able to fund the purchase of FactSet, 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 IMT will bring back four of its members next year, which will provide much needed stability. With this stability, the students and I hope to expand the responsibilities of the team. Next year, we hope to resume the annual Student Managed Investment Consortium Conference trip that we have taken in the past. 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.

Associate Professor of Finance



Fund Summary

All data is based on the past 12 months, 4/14/23 to 4/15/24, and all numbers are as of 4/15.

- **Fund Value as of 4/15/2024:** \$455,162.47
 - Funds Current Cash Value: \$53,102.65
- **12 Month Return**
 - Spellman Fund: 20.66% (not including interest on cash holdings)
 - S&P 500 Return: 24.32%
- **Best Performers**
 - Meta Platforms Inc. (META): 126.09% Increase
 - Applied Materials Inc. (AMAT): 83.75% Increase
 - Netflix Inc. (NFLX): 79.30% Increase
- **Worst Performers**
 - Pfizer Inc. (PFE): -33.80% Decrease
 - NextEra Energy Inc. (NEE): -17.07% Decrease
 - PayPal Holdings Inc. (PYPL): -17.01% Decrease
- **Spellman Fund - Best Economic Sectors**
 - Communication Services: 48.59% Increase
 - Information Technology: 40.56% Increase
 - Consumer Discretionary: 28.74% Increase
- **Spellman Fund - Worst Economic Sectors**
 - Utilities: -17.07% Decrease
 - Health Care: -11.48% Decrease
 - Real Estate: -10.83% Decrease

Stocks Sold During the Past Year

| <u>Date</u> | <u>Company</u> | <u>Number of Shares</u> |
|---------------|--------------------------|-------------------------|
| December 2023 | Alphabet Class A (GOOGL) | 9 |
| December 2023 | Nexstar Media (NXST) | 10 |
| December 2023 | Netflix (NFLX) | 5 |
| December 2023 | Walt Disney (DIS) | 7 |
| December 2023 | Meta Platforms (META) | 4 |
| May 2023 | Nexstar Media (NXST) | 22 |
| May 2023 | Netflix (NFLX) | 11 |
| May 2023 | Alphabet Class A (GOOGL) | 108 |
| May 2023 | Walt Disney (DIS) | 9 |
| May 2023 | Meta Platforms (META) | 8 |

- No stocks were purchased within the year, but there was a limit-buy order for Brunswick Corp. (BC) that did not fill.



Holdings Snapshot

| <u>Company</u> | <u>% Weight of Portfolio</u> |
|---------------------------------------|-------------------------------------|
| Applied Materials, Inc. (AMAT) | 7.67 |
| Union Pacific Corporation (UNP) | 7.21 |
| UnitedHealth Group Incorporated (UNH) | 6.65 |
| Mastercard Incorporated Class A (MA) | 5.95 |
| JPMorgan Chase & CO. (JPM) | 5.69 |
| Netflix, Inc. (NFLX) | 5.44 |
| Microsoft Corporation (MSFT) | 5.14 |
| Apple Inc. (AAPL) | 5.07 |
| Rio Tinto plc Sponsored ADR (RIO) | 4.48 |
| QUALCOMM Incorporated (QCOM) | 4.22 |
| Procter & Gamble Company (PG) | 3.48 |
| Meta Platforms Inc Class A (META) | 3.23 |
| SAP SE Sponsored ADR (SAP) | 2.91 |
| Nexstar Media Group, Inc. (NXST) | 2.70 |
| Booking Holdings Inc. (BKNG) | 2.60 |
| NextEra Energy, Inc. (NEE) | 2.54 |
| Exxon Mobile Corporation (XOM) | 2.53 |
| Alphabet Inc. Class A (GOOGL) | 2.43 |
| Emerson Electric Co. (EMR) | 2.28 |
| CVS Health Corporation (CVS) | 2.13 |
| American Tower Corporation (AMT) | 2.13 |
| General Motors Company (GM) | 2.12 |
| Johnson & Johnson (JNJ) | 2.06 |
| Prudential Financial, Inc. (PRU) | 2.02 |
| Intel Corporation (INTC) | 1.82 |
| Walt Disney Company (DIS) | 1.52 |
| Coca-Cola Company (KO) | 1.37 |
| Turtle Beach Corporation (HEAR) | 0.98 |
| Pfizer Inc. (PFE) | 0.63 |
| Boeing Company (BA) | 0.50 |
| PayPal Holdings, Inc. (PYPL) | 0.47 |



Stock Returns

| <u>Stock</u> | <u>Percent Return</u> |
|----------------------------------|------------------------------|
| Meta Platforms Inc. (META) | 126.09 |
| Applied Materials, Inc. (AMAT) | 83.75 |
| Netflix, Inc. (NFLX) | 79.30 |
| Microsoft Corp. (MSFT) | 45.74 |
| QUALCOMM Incorporated (QCOM) | 44.98 |
| SAP SE Sponsored ADR (SAP) | 43.18 |
| Alphabet Inc. (GOOGL) | 42.24 |
| JP Morgan Chase & Co. (JPM) | 35.33 |
| Turtle Beach Corp. (HEAR) | 33.95 |
| Prudential Financial, Inc. (PRU) | 33.64 |
| Emmerson Electric (EMR) | 32.38 |
| Booking Holdings (BKNG) | 31.87 |
| General Motors Company (GM) | 25.17 |
| Mastercard (MA) | 24.18 |
| Union Pacific Corporation (UNP) | 20.60 |
| Intel (INTC) | 15.44 |
| Walt Disney (DIS) | 13.43 |
| Exxon Mobile (XON) | 6.84 |
| Procter & Gamble (PG) | 5.56 |
| Apple (AAPL) | 5.08 |
| Rio Tinto (RIO) | 4.21 |
| CVS Health (CVS) | -4.51 |
| Coca-Cola (KO) | -4.87 |
| Nexstar Media Group (NXST) | -7.13 |
| Johnson & Johnson (JNJ) | -8.28 |
| American Tower Corporation (AMT) | -10.83 |
| UnitedHealth Group (UNH) | -11.59 |
| Boeing Company (BA) | -16.80 |
| PayPal Holdings (PYPL) | -17.01 |
| NextEra Energy (NEE) | -17.07 |
| Pfizer (PFE) | -33.80 |



Best Performers

| <u>Company</u> | <u>Weight %</u> | <u>Return %</u> |
|----------------------------------|-----------------|-----------------|
| Meta Platforms Inc. (META) | 3.23 | 126.09 |
| Applied Materials, Inc. (AMAT) | 7.67 | 83.75 |
| Netflix, Inc. (NFLX) | 5.44 | 79.30 |
| Microsoft Corp. (MSFT) | 5.14 | 45.74 |
| QUALCOMM Incorporated (QCOM) | 4.22 | 44.98 |
| SAP SE Sponsored ADR (SAP) | 2.91 | 43.18 |
| Alphabet Inc. (GOOGL) | 2.43 | 42.24 |
| JP Morgan Chase & Co. (JPM) | 5.69 | 35.33 |
| Turtle Beach Corp. (HEAR) | 0.98 | 33.95 |
| Prudential Financial, Inc. (PRU) | 2.02 | 33.64 |



Meta Platforms - Meta's remarkable performance, with a market capitalization of \$434 billion, has made it one of the top-performing stocks in the S&P 500 this year. In its Q4 2023 report, revenue increased by 23% and net income rose by 164%. A key driver behind Meta's success has been the launch of its new social media platform, Threads, akin to Twitter. It had 30 million downloads just one day after its release. Additionally, Meta introduced a subscription service for its VR headsets, further diversifying its offerings. And, despite facing privacy concerns and potential legal challenges, the company's financials remained strong and stable, with a solid balance sheet and positive cash flow.



Applied Materials - Applied Material (AMAT) has performed well in 2023 and early 2024. In Q1 2024, Applied Materials beat Wall Street's expectations for revenue and earnings. Strong margins, especially in its services segment, drove profit growth despite flat sales year-over-year. Applied Materials was able to pivot and grow its business in other areas, helping insulate the company from cyclical declines. This strong financial performance boosted investor confidence with the company's shares up 25% YTD as of April 23, 2023, and 70% up within the last year. Looking ahead, Applied Materials is well-positioned to benefit from the growing demand for chips powering artificial intelligence (AI) and the broader digital transformation across industries.



Netflix - In 2023, Netflix delivered one of its strongest performances to date, with promising prospects continuing into 2024. The company's revenue surged by 12.5% and its operating margin reached an impressive 16.9%, both exceeding expectations for Q4 of 2023. Looking ahead to Q1 of 2024, projected growth is 13.2% and anticipated operating margin is 26.2%, to be reported on April 18th. Netflix's substantial growth is due to its crackdown on password sharing and strategic price increases this past year. These initiatives have proven to be successful as subscriptions are increasing, margins are expanding, and free cash flow generation is improving. Netflix is also trading at its lowest forward PEG ratio in history, signaling potential for high double-digit returns within the next 5 years.



Microsoft - Microsoft stock shares have continued to increase following their powerful Q4 2023 earnings. MSFT stock has gained nearly 70% since the start of 2023 compared to the 30% rise in the S&P 500 Index over the same period. The company's recent investment in OpenAI has positioned them as a top AI-related stock to buy. Azure AI customers drove an impressive increase of 60% in MSFT stock post-report. As the world market demands more cloud resources, Microsoft's AI and cloud potential positions them for growth in the long run.



Qualcomm Incorporated - Wireless chipmaker Qualcomm (QCOM) stock has performed well in 2023 and 2024. As the leading provider of 5G modems and chipsets, Qualcomm has benefited from the global rollout and adoption of 5G networks and devices. This has driven growth in their QCT (chip) business segment. Qualcomm has also been enhancing the AI capabilities of their chips, positioning themselves as a leader in AI processing for mobile and edge computing devices. This has attracted investor interest given the AI boom.

Worst Performers

| <u>Company</u> | <u>Weight %</u> | <u>Return %</u> |
|--|-----------------|-----------------|
| Pfizer Inc. (PFE) | 0.63 | -33.80 |
| NextEra Energy, Inc. (NEE) | 2.54 | -17.07 |
| PayPal Holdings, Inc. (PYPL) | 0.47 | -17.01 |
| Boeing Company (BA) | 0.50 | -16.80 |
| UnitedHealth Group Incorporated (UNH) | 6.65 | -11.59 |
| American Tower Corporation (UNH) | 2.13 | -10.83 |
| Johnson & Johnson (JNJ) | 2.06 | -8.28 |
| Nexstar Media Group (NXST) | 2.70 | -7.13 |
| Coca-Cola Company (KO) | 1.37 | -4.87 |
| CVS Health Corporation (CVS) | 2.13 | -4.51 |



Pfizer – Pfizer has been trading at a 9-year low as prices continue to fall. Pfizer sales tanked 41% in Q4 as the revenue was down to just 14.2 billion. The company also incurred a 3.4 billion net loss largely due to a revenue reversal involving Paxlovid, its COVID pill. Pfizer’s P/E ratio as of April 2024 is 13.6, much higher than 7.89 in April of 2023. As the time of COVID continues to move further into our past, the stock has not been able to regain its peak performance it once had during that time.



NextEra Energy – NextEra Energy has faced challenges over the past few years, correlating with its negative return. The company has lost almost 57% of its value throughout 2023 and has reduced its dividend growth targets to 10% per year, down from 12-15% a few years prior. The rising of interest rates have posed a challenge to the industry as the company’s assets are financed with debt and long-term contracts to sell electricity to utilities. With higher interest rates, this is favoring short-term and low-capital-intensive energy sources ultimately hurting the company.



PayPal Holdings – PayPal has not been able to recover from its massive stock price decline which started in late 2021. The surge in online shopping during COVID sent PayPal to all-time highs of around \$300 per share. However, after COVID when online shopping slowed PayPal was not seeing the same growth causing investors to lose confidence. The company’s current stock price is trading at seven-year lows. They are struggling to make a comeback facing increased competition from Apple Pay which is gaining market share over PayPal.



Boeing Company – Boeing is facing concern from investors about the safety of its airplanes. Quality manager John Barnett and quality engineer Sam Salehpour have both raised concerns about the safety of Boeing aircraft. Sam claims shortcuts in production have allowed potentially defective parts to be installed on the aircraft. This comes after a door plug on a Boeing 737 blew off during an Alaskan Airlines flight luckily no one was seriously injured. All of these factors have led Boeing’s stock to decline 33.34% YTD.



UnitedHealth Group Incorporated – A rise in utilization alarmed investors, pushing down UnitedHealth Group’s stock price. The insurer saw an increase in service utilization in Q4 that it linked to an increase in vaccines against the respiratory syncytial virus (RSV) and higher COVID-19 expenditures, especially in December. The company’s medical loss ratio increased to 85% in the quarter due to this and the persistent pattern of patients—particularly seniors—seeking care later than planned throughout the epidemic.



Sector Weights

| Economic Sector | Fund Weight (%) | S&P 500 Weight (%) |
|-------------------------------|------------------------|-------------------------------|
| Information Technology | 27.83 | 29.66 |
| Communication Services | 15.32 | 9.30 |
| Financials | 14.13 | 12.89 |
| Healthcare | 11.46 | 12.06 |
| Industrials | 10.00 | 8.73 |
| Consumer Staples | 4.85 | 5.92 |
| Consumer Discretionary | 4.72 | 10.28 |
| Materials | 4.48 | 2.36 |
| Utilities | 2.54 | 2.21 |
| Energy | 2.53 | 4.13 |
| Real Estate | 2.13 | 2.18 |



Sector Returns

| Economic Sector | Fund Return (%) | S&P 500 Return (%) |
|-------------------------------|------------------------|-------------------------------|
| Communication Services | 48.59 | 45.99 |
| Information Technology | 40.56 | 43.55 |
| Consumer Discretionary | 28.74 | 25.50 |
| Financials | 27.64 | 23.63 |
| Industrials | 20.34 | 24.56 |
| Energy | 6.84 | 12.59 |
| Materials | 4.21 | 12.81 |
| Consumer Staples | 2.36 | 2.00 |
| Real Estate | -10.83 | 4.19 |
| Healthcare | -11.48 | 4.80 |
| Utilities | -17.07 | -4.34 |

Selection Effect

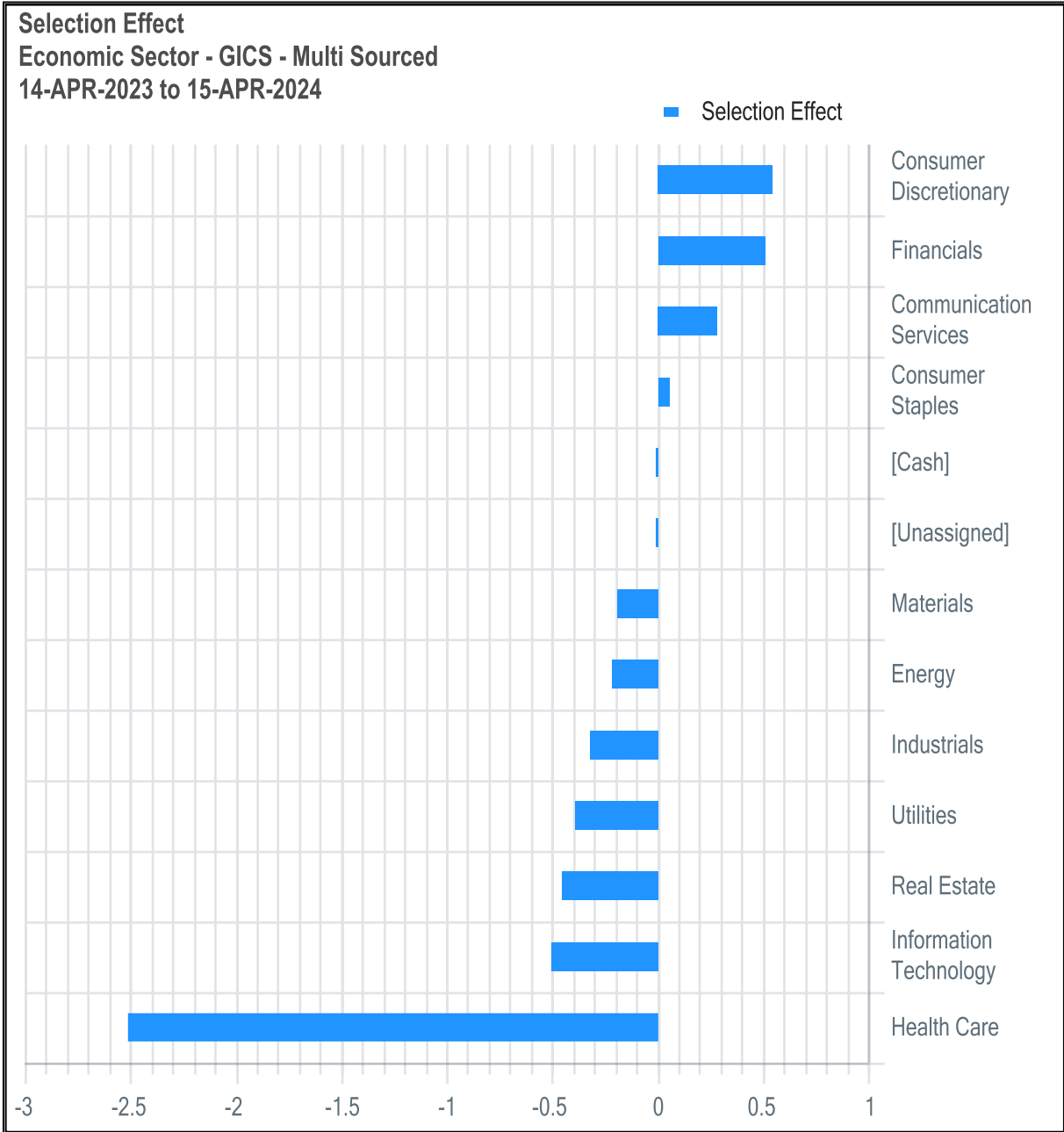


Figure 1.2 Selection Effect

Allocation Effect

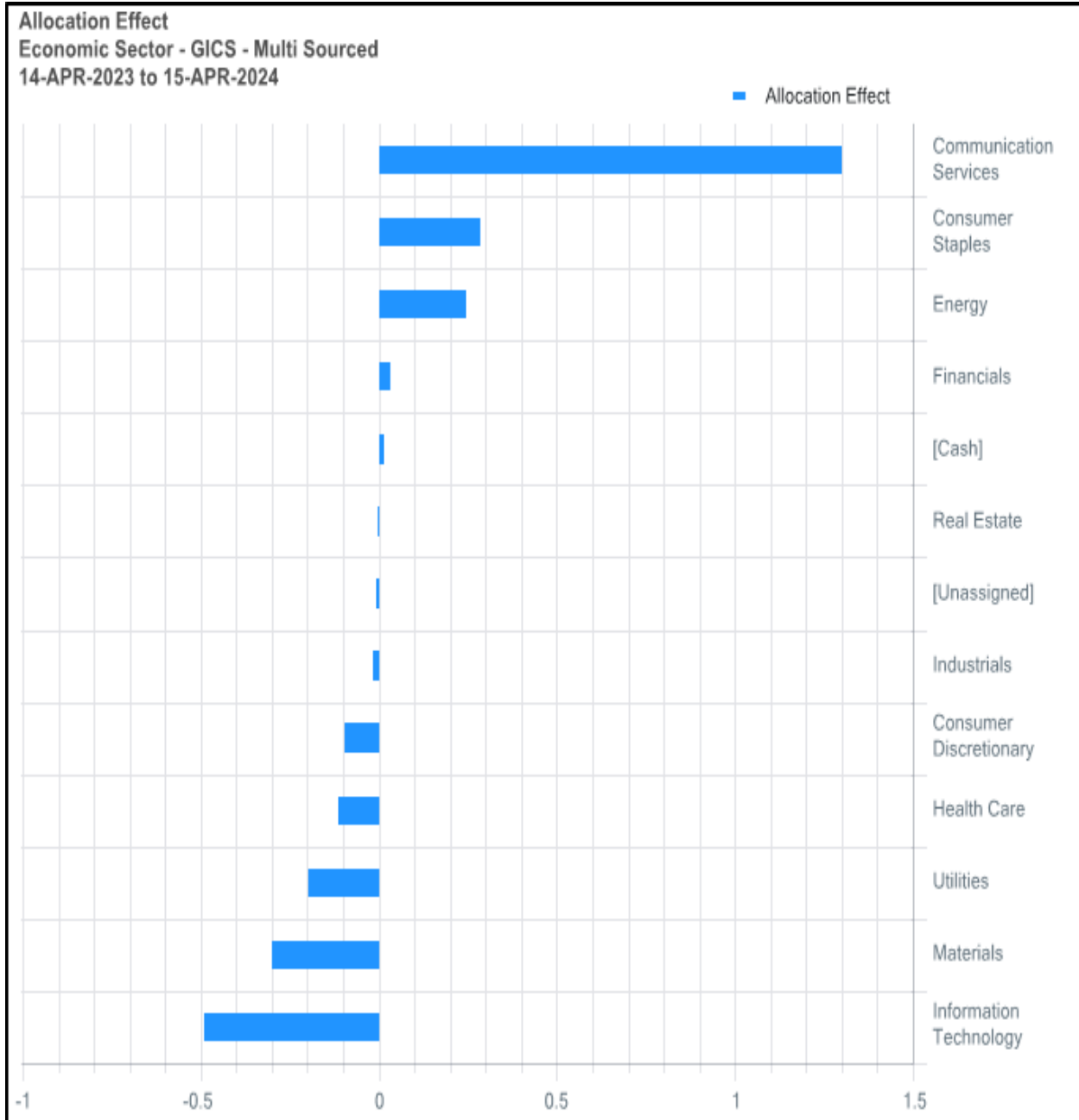


Figure 1.3 Allocation Effect

Portfolio Return

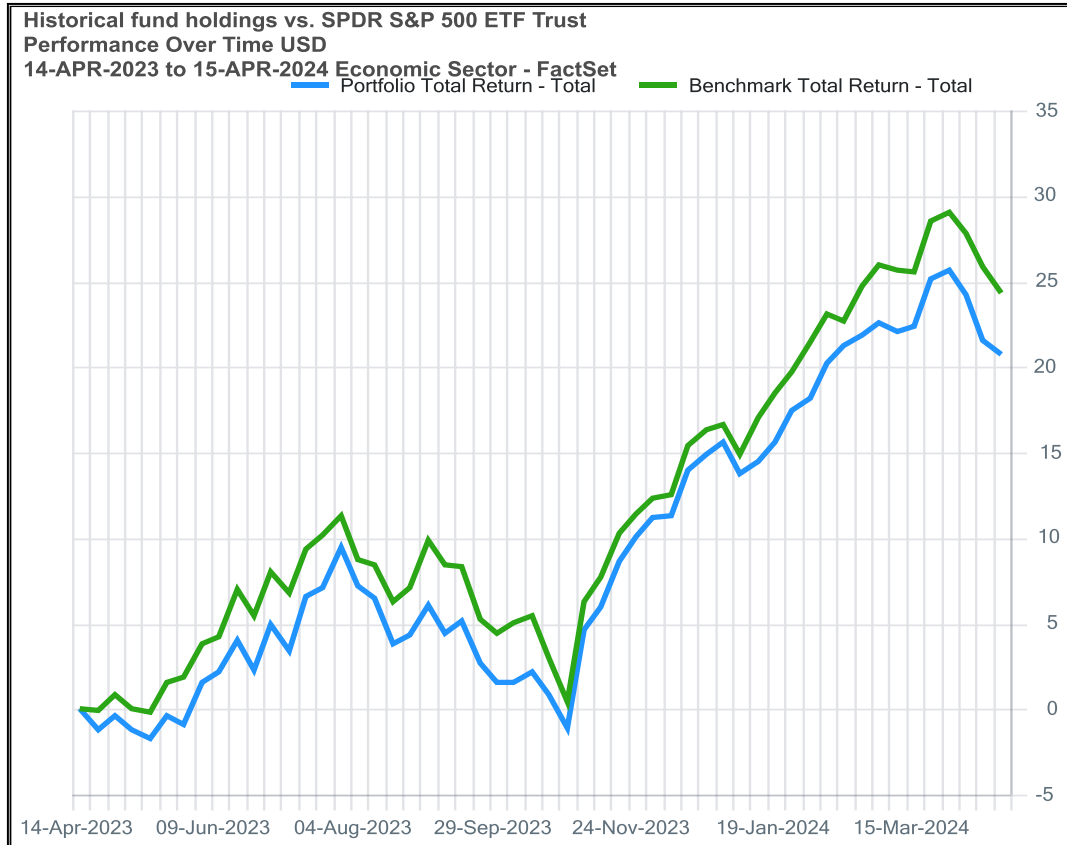


Figure 1.4 Portfolio Return with Benchmark

Statistics

| | Spellman Fund | S&P 500 |
|----------------------------|---------------|---------|
| 12 Month Return | 20.66%* | 24.32% |
| Year-to-Date Return | 4.14%* | 6.58% |
| Beta | 1.00 | 1.00 |

*Returns only based on equity holdings



Recommendations

Portfolio Adjustments

The team is recommending that we continue to trim our communication services. Currently, this sector has a weight of 15.32% while the S&P 500 has a weight of 9.30%. This is a difference of 6.01%, falling out of line with the Spellman Fund Policies. We recommend trimming the communication services to reach an approximate weight of 13%. The fund's technology sector currently has a weight of 27.83% while the S&P 500 has a weight of 29.66%. We recommend increasing the technology sector by approximately 5% to get a target weight of 32-33%. We should also consider increasing our consumer discretionary sector weight to be closer in line with the S&P 500. Currently the Spellman Fund's consumer discretionary has a weight of 4.72% compared to the S&P 500 weight of 10.28%. We recommend a target weight of 9-10%.

Artificial Intelligence

The team believes that Technology will be a top-performing sector in the future. We believe artificial intelligence (AI) will be a significant factor for the future of not only technology companies but all companies in general. Based on Accenture's research Artificial Intelligence in business operations is expected to double the efficiency of the workforce and boost profitability by an average of 38% by 2035. The Spellman Fund stock presentations will be highlighting two AI companies: NVIDIA and Arm Holdings. These presentations will go further into detail about the benefits of AI, and why the technology industry will continue to grow.



Investment Philosophy

The Gordon Spellman Investments Fund was established with an endowment of twenty thousand dollars by Kevin Spellman in 2004 to serve as an opportunity for students interested in securities markets to learn through practical experience. The first trade was made in February 2006.

The Gordon Spellman funds stocks and sectors are tracked through the FactSet database. These stocks are analyzed through different reporting methods, commonly used through portfolio analytics within FactSet.

The goal of the fund is to provide hands-on learning with real money for students. Therefore, we want to protect the value of the fund for future students. We are long-term investors, and the goal is to outperform the S&P 500. We also try to manage risk and preserve the fund value. This is done so through disciplined asset allocation and not allowing shorting or margin trading.

The fund's investment strategy is to follow a value investing approach. We look for stocks with strong future growth opportunities, good profitability, and reasonable price multiples. We also look for positive ESG stocks and those with economic moats. Stocks will be added or sold based on the research and analysis from students as part of the FIN 475 class. The club advisor(s) and Faculty Advisory Board must unanimously approve all transactions being made.

To stay diversified, no individual investment can be more than 15% of the fund when chosen and no sector can compose more than 30% of the fund when chosen. Each sector must also stay within +/- 5% of the S&P 500 allocation.

Monthly, Mid-Year and Annual reports completed by the Investment Management Team are posted on the UWL website under the College of Business Administration, Gordon Spellman Fund. These reports are available for all to view and are shared with the FIN 475 class who are analyzing a selected stock.

Finally, the Investment Management Team strongly believes in the information technology industry and sees that as the future. This is because they realize the prevalence of artificial intelligence today. Investing in artificial intelligence is crucial due to its potential to revolutionize industries, boost efficiency, and cut costs. AI's capacity to analyze vast data sets and provide actionable insights empowers businesses to make informed decisions swiftly, gaining a competitive advantage in dynamic markets.



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 recommendations for which stocks in the fund should be re-evaluated by future students. Students are also asked to give their recommendation on the fund's sector weights. Transactions only occur at the end of each semester, and stocks are revisited for full analysis every few years.

Investment Management Team:

As student managers of the Spellman Fund, the team is afforded the opportunity to participate in actual financial markets through security analysis and portfolio management. This experience grants them practical insight into current financial markets, teaching them to balance emotional reactions to current news with long-term objectives. Throughout this process, they develop a strategic outlook to analyze current and future economic conditions and their potential impact on the Fund.

The Investment Management Team creates monthly reports on the performance of the Spellman Fund, as well as one mid-year and annual report. The reports are posted to the UWL page and shared with the Investment Analysis and Portfolio Management class. Within the reports the team makes stock and industry recommendations based on their analysis of the fund through FactSet. At the end of the year, the team presents their findings and recommendations to the Spellman Board members. This presentation occurs prior to the presentations from the Investment Analysis and Portfolio Management class to provide baseline knowledge on the fund's performance throughout the past year.



Meet The Team – Student Analysts



Maycie Bean – bean7010@uwlax.edu

Maycie Bean is from Wisconsin Rapids, Wisconsin and is currently a senior pursuing a bachelor's degree in finance and a minor in tourism and event management. Maycie will graduate in May of 2024 and begin her professional career. Maycie joined the Investment Management Team to strengthen her knowledge of portfolio management and the stock market. As a part of the IMT, she has been able to stay up to date on current market news, as well as learn how to use FactSet and how to analyze portfolio and stock performance. Maycie is eager to apply what she's learned from UWL and the IMT to her career in finance post-graduation.



Noah Borden – borden0264@uwlax.edu

Noah Borden is a junior transfer student from The University of Kentucky. He is pursuing a bachelor's degree in finance and will be graduating in May 2025. Noah is hoping to get a career in equity research or investment management. Noah joined the Investment management team to prepare for a future in investment management post-graduation. Being a part of the IMT has helped him learn how to use Factset, stay up to date with financial news, and learn about creating financial reports.



Charlie Johnson – johnson1285@uwlax.edu

Charlie Johnson is a Freshman from Stillwater, Minnesota, a suburb outside St. Paul. He is pursuing his bachelor's degree in finance from the University of Wisconsin-La Crosse and will graduate in May 2027. Charlie is an active member of the Investment Club, Collegiate Entrepreneur's Organization (CEO), Financial Management Association (FMA), and Real Estate Club. Charlie has a keen interest in finance, with a particular focus on the stock market. It excites him to have a hands-on learning experience while collaborating with individuals who share similar interests. By providing depth to the team, he aims to later support and guide other young finance enthusiasts in their pursuit of continuous learning.



Joey Neubert – neubert5042@uwlax.edu

Joey Neubert is a sophomore at the University of Wisconsin - La Crosse, majoring in Finance with a minor in Economics. In May of 2026, Joey desires to graduate with a Bachelor of Science Degree from the College of Business Administration and enter the workforce in financial advising. Joey is currently an honors student and actively involved in the Investment Club at UW - La Crosse. He is also committed to physical conditioning and is a second-year member of the UW - La Crosse Men's Club Ice Hockey team. Joey is looking forward to being the Treasurer on the Board of the Men's Club Hockey Team in the upcoming seasons.



Mya Trafficante - trafficante0009@uwlax.edu

Mya Trafficante is a freshman from Sussex, Wisconsin, a suburb located outside of Milwaukee. She is currently pursuing her bachelor's degree in finance with a minor in business analytics at the University of Wisconsin-La Crosse and will be graduating in May of 2027. She is also an ongoing member of the Investment Club, Women in Business, and the American Marketing Association at UWL. Through the Investment Management Team, Mya has been able to gain a better understanding of the stock market and learned numerous strategies that can assist in analyzing a stock portfolio.