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Investment Management Company Newsletter

Ursinus College Investment Management
Company

Fall 2023


The Ursinus College Investment Management Company Newsletter, Fall 2023

Kaela Frenchman

Olivia DeFusco

Jack Thompson

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URSINUS COLLEGE INVESTMENT MANAGEMENT COMPANY

Fall 2023 Newsletter





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URSINUS COLLEGE

Investment Management Company

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At a Glance

The Ursinus Investment Management Company, UCIMCO, is a student run endowment portfolio management company headed by Olivia DeFusco, Kaela Frenchman, Jack Shimer, Scott Sloan, Evan Coffey, and Jack Thompson under the advisement of Dr. Elisheva Stern and Professor Maureen Cumpstone. UCIMCO is split between three teams of student investors, the Women's Fund, Stock Selection, and Endowment. Each team meets weekly to discuss investment strategies pitches, and current events that could affect the portfolio. Our goal is to generate return for Ursinus College's endowment and to create awareness of the role an endowment plays in the institution's operation. This semester, UCIMCO had a variety of focuses. The Endowment Fund focused on adding passive income into the fund and bolstering broad exposure allocations. The Women's Fund and Stock Selection continued technical analysis research and finding undervalued stocks. All groups worked on presentation comfortability, as analysts were given multiple opportunities to present in front of other analysts, Ursinus Alumni, and other professionals in the financial atmosphere.



Each team is responsible for a different part of the portfolio. Members on the stock selection and Women's fund teams learn about evaluating individual companies and pitch new ones at the end of every semester to be added to the portfolio. The Endowment Team invests in diversified ETFs that represent different asset classes. Subgroups on the team research each asset class and by the end of the semester they are weighted, and funds are reallocated.

Thanks to the support of our donors and contributors, UCIMCO is able to invest in more than just stocks. Continuing support allows UCIMCO to reinvest into itself to fund new research tools like Morning Star, Seeking Alpha, and Yahoo Finance; fund the field trips where members learn from experience; and fund the presentation dinner. These purchases help UCIMCO grow by improving alumni relations and the enjoyment and interest of current and future members.



Letter from Kaela Frenchman ('24) and Olivia DeFusco ('24)

As we returned to Ursinus for our final year our intentions were to set goals for the upcoming year which include deeper analysis of our holdings and potential investments, an organized and welcoming environment for all, and to find a successor.

In regard to deepening the women's fund's understanding of investments we have started and plan to continue to incorporate tactics such as technical analysis, risk analysis, and regression analysis. These additions have allowed us to look at the risk in our portfolio from a different perspective and helped enhance our investment research. We have put these tactics in place in hopes of leaving a positive and forward moving mark on the women's fund.

In terms of creating an organized and welcoming environment, we compiled guest speakers such as Marina Bitar ('06), Susie Zelaya-Rivera ('19), and Madelynn Sorokanych ('22) who are not only alumni but also strong and confident women in the finance field. All of these speakers enlightened the women's fund on the path to success in the finance industry and gave valuable advice for post graduate endeavors. We are so grateful to have had such wonderful mentors this semester who guided us not only through stock selection but also in life after Ursinus.

Lastly, we would like to mention and inform our supporters that the women's fund will be in promising hands after our career at Ursinus has concluded in the Spring of 2024. As we look to the future, we want to ensure that the fund is put in the best position possible. Which leads us to announcing our replacement who will be shadowing us in the Spring of 2023 – Mayleigh Rickey. For those of you who don't already know her, Mayleigh is a junior finance major with a double minor in management studies and media and communications studies. She is also a member of the women's gymnastics team ehre at Ursinus and has been a Chief Research Officer for the fund for the past two semesters. Mayleigh is a passionate and hardworking individual who is always willing to go the extra mile to ensure that everything is done efficiently and effectively. We are overly grateful to have someone like Mayleigh in the fund who is so eager to take on this resposnsibility.





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While this is our last letter for the newsletter, this is not the last time you will be hearing from us as we will be running the fund one last time in the Spring of 2023. With this being said, we would like to thank everyone that has helped us along the way especially with the sudden passing of Dr. Deacle. Specifically, thank you to Professors Cumpstone, Stern, and VanGilder for always encouraging and supporting us over our time in the fund. We look forward to seeing you all in a different light as guests from the final presentations in the Fall of 2024.



Letter from Jack Thompson ('24)

When I first came to Ursinus College, I anticipated most of my involvement being related to science due to my major in Biology. Although I have always had an interest in finance and investments, I never thought I would grow my financial knowledge past the courses in the finance minor. Little did I know the role UCIMCO would play in expanding my understanding of investing and being a strong and confident leader. Stepping outside my comfort zone and joining UCIMCO has allowed me to grow from being an analyst, to a Chief Curriculum Officer. If it was not for my many peers and great faculty within the fund, I would not have the knowledge or leadership qualities that UCIMCO has granted me.



Unlike most members of the fund, I do not plan on continuing a career in finance or investing. However, personal investing is a skill I have always wanted to attain and is one I believe is crucial for financial stability. Learning how to do proper research, understanding key economic variables, and having a better understanding of world markets has advanced my investment knowledge exponentially. In addition to learning in the classroom, the groups trips to Commonfund in NYC, as well as countless presentations, have drastically improved my proficiency in public speaking. UCIMCO has not only granted me real world investing experience but has also grown my friendships and connections with many great individuals.



Honoring Dr. Scott Deacle and Investment Team Updates

Endowment

It has been a challenge for the endowment group to regain its footing after the tragic loss of our mentor, teacher, and friend, Dr. Scott Deacle. Dr. Deacle was insightful in so many ways and always seemed to know what to do when an analyst had a question. He brought an energy to the endowment group and UCIMCO as a whole that cannot be replaced and will forever be missed. Moving forward, our mission as an endowment group is to honor the legacy of Dr. Deacle and his wishes for UCIMCO to be completely student-led.

Given the large scope of the endowment group's investment portfolio, the endowment takes an active investment approach in changing the allocations into existing asset classes yearly, in hopes of limiting unsystematic risk. This is primarily achieved through asset and geographical diversification. Following extensive market research, asset classes are weighted accordingly to reach the endowment's key goal of maintaining purchasing power while simultaneously yielding returns in the long term. This research is vital to understanding allocation given that macroeconomic news such as interest rate hikes have a direct impact on our existing holdings, including our fixed income and US equity investments. In recent years, the endowment has taken ESG investment strategies into account in order to be in line with Ursinus' core mission statement and has favored growth heavy opportunities in new market sectors such as India and Asian-Pacific region.

Despite having a great deal of existing diversification in the portfolio, turbulent macroeconomic conditions have made it increasingly difficult to predict the market and allocate accordingly. The current macroeconomic landscape is somewhat hazy and has been difficult for endowment analysts to navigate. Between the banking crisis in the spring, a roaring market in the early summer months, and a volatile rate environment in the fall, picking the right markets to invest in has been a challenge. For this reason, the endowment fund has increased its broad exposure investing into etf's such as JIRE, COM, and DGS. Rather than taking a bet on a single type of commodity or a singular country's economic performance, the endowment has picked ETF's that allocate to entire regions or sectors.



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We are excited to continue to expand and maintain the portfolio in hopes that further diversification will occur, ensuring the fund will be accessible to even more Ursinus students and, in due time, rival some of the largest funds in the country.



Stock Selection

The stock selection group utilizes two investing strategies, one of which comes from Edgar Wachenheim III, who focuses on financial ratios to determine what is an appropriate investment. In following his strategy, stock selection analysts search for stocks that have low debt and seem to have low prices in relation to their earnings, as shown by the debt-to-asset and price-to-earnings ratios. The other investment strategy follows Michael Moe's priority on identifying super trends and the four Ps (people, product, potential, and predictability).

This semester, the Stock Selection group had decided to research on companies within the industrials and basic materials sectors, with the two new purchases being Caterpillar in industrials and West Lake Corporation in basic materials. The stock selection group had also decided to purchase more existing stock within the portfolio within its rebalancing period, which consisted of being American Express, Blackstone Mortgage Trust, Exelon, Goldman Sachs, Merck, Nexstar Media Group, Occidental, and Pfizer. There were also many stocks that were sold during this rebalance period as well, which consisted of Agios Pharmaceuticals, AMD, Honeywell, Knight-Swift, McDonalds, Microsoft, Proctor & Gamble, Salesforce, Starbucks, UPS, Walmart & Waste Management. This was partly due to collecting profit from the securities that had performed well as well as mitigating risk within the portfolio. There were only two stocks that had been completely sold off from the portfolio, which were Agios Pharmaceuticals & Ameresco. The portfolio maintains 29 different stocks within its current management.



Women's Fund

In the Women's Investment Fund, the analysts start by reading a report from Argus, which details the performance and key trends of eleven industries, ranging from Basic Materials to Utilities. This report also gives their strategy for each industry, such as whether their allocation is overweight or underweight. Next, the analysts select the industry that interests them. This semester, the analysts chose Technology, Communications, Industrials, Utilities, and Financials.

The analysts researched their industries to find the industry medians for our core four ratios for each of their chosen sectors. These ratios include the price-to-earnings ratio, long-term debt-to-capital ratio, fixed charge coverage ratio, and quick ratio. These ratios for our potential companies are compared to the industry median to see how the company is performing. Once finding the industry medians, the analysts researched and presented three undervalued stocks to help narrow their search for the best fitting stock for our portfolio.

The next aspect of our strategy entails looking at the company's ESG statements and reports. We screen these companies for their environmental, social, and governance criteria. We have recently focused on various positive aspects of ESG, one standard we are incorporating is that there is at least one female on the company's executive board. For the future, we plan on narrowing our ESG considerations and having a less ambiguous set of standards based on the values that our fund deems most important. This set of standards is key to shaping our portfolio in the most impactful way possible for our fund.

Using our strategy, our portfolio is currently invested in ten different industries: Health Care, Technology, Consumer Staples, Industrials, Consumer Discretionary, Financial Services, Energy, Utilities, and Communications. We have seen very positive returns since the reallocation on November 21st, 2023.

We are looking forward to further growth in our returns, just as we are growing in participation. This semester, we have 12 women enrolled in the fund, 6 of which are in both analysts and in leadership positions within our fund. Despite this, we hope to recruit more students for the Spring of 2024 semester. Overall, we are thrilled to watch our updated portfolio's performance in the coming weeks!



UCIMCO Investment Performance and Analysis

Endowment Fund Performance

	Benchmark (70/30 ACWI/AGG)	Our Portfolio
Apr. 12 – Nov. 13	3.20%	0.66%
Nov. 13 – Nov. 21	3.19%	2.47%

The UCIMCO Endowment portfolio trailed the 70/30 ACWI/AGG benchmark over the most recent investment period, stretching from April 12th, 2023, to November 13th, 2023. Although the portfolio trailed the benchmark it still was in the green and showed gains for the school. During this period, the main portfolio goals were to add passive income into the fund and bolster broad exposure allocations. The Endowment wants to ensure its future as a club at Ursinus and passive income is one of the key pillars of a successful Student Managed Investment Fund. Increasing broad exposure allocations in emerging markets, developed markets, commodities, and U.S. equities helps the fund mitigate risk and not take bets on singular regions or sectors. The fund has also continued to cut the allocation to real estate, while making further investments in all three equity asset classes. Treasuries is holding firm as the second biggest asset class of the fund due to a brighter future ahead. With the FED holding the federal funds rate at 5.25%-5.50% in November and an expected higher for longer rate environment, we expect yields to start coming down in 2024.

Women's Fund Performance

Semester	Benchmark (Dow Jones Total Market)	Our Portfolio
Spring 2021	-10.7%	-11.6%
Fall 2021	3.0%	4.2%
Spring 2022	-8.0%	7.9%
Fall 2022	1.90%	-1.56%
Spring 2023	0.43%	-2.43%
Fall 2023	11.90%	14.27%

The UCIMCO Women's portfolio beat the benchmark Dow Jones Total Market Index by 2.37% over the investment period. The plan this semester was to diversify the portfolio a bit more by adding to our underweight sectors. Analysts voted in favor of this and it has had a slight underperformance. To note, a few selections that have stood out are HLN, which is up 3.44%



relative to the sector benchmark, TNL which is up 2.38% relative to the sector benchmark, RNR which is up 2.37% relative to the sector benchmark and E which is up 2.20% relative to the sector benchmark. The portfolio is headed in the correct direction and plans to focus on Macro-Trends that could potentially affect performance in the future.

Stock Selection Performance

	Benchmark (SCHB)	Our Portfolio
April – November	-16.27%	-12.06%
Spring 2023	2.26%	8.02%
Fall 2023	8.80%	4.10%

UCIMCO Stock Selection Fund has underperformed the benchmark by 4.7% from April 11th to November 4th. Although it underperformed the benchmark, the portfolio still had a positive return of 4.10%. From this positive gain, the best performers were NVIDIA, Blackstone Mortgage Trust (BXMT), and AMD. NVIDIA outperformed the technology sector by 60.63%, totaling a return for our portfolio of 86.94% since rebalance. BXMT outperformed the real estate sector by 36.1% and had a total return of 34.24% since rebalance. AMD also outperformed the technology sector by 10.55% and totaled a return of 32.86%. The worst performing stocks were Ameresco, Pfizer and UPS. Ameresco had a total negative return of -40.84%, a -2.51% difference from its energy benchmark. Pfizer had a total negative return of -26.85%, a difference of 5.01% from its healthcare benchmark. UPS outperformed its benchmark by 4.62%, although it had a total negative return of -24.23%

The UCIMCO Stock Selection Fund has underperformed the benchmark by 470 basis points from April to November. This was due to the overweight in technology during that time period. However, the fund has outperformed the benchmark from April 5th to November 4th and from September 20th to November 4th in part due to the addition of stocks in the industrials and materials sectors which have significantly outperformed the benchmark. The fund outperformed the benchmark by over 400 basis points from April 5th to November 4th. The fund has seen great performance since the mid-semester rebalance on September 20th and has since outperformed the benchmark by over 500 basis points.



Endowment Outlook

Asset Class	Tickers	Weighting Strategy	Key Considerations
US Equities	SPY, SCHD, VTV	Normal Weight	<ul style="list-style-type: none">• Expecting moderate growth in U.S. Equities through the winter• Sold SUSA to diversify portfolio and acquire a high-dividend value ETF to hedge risk during a possible economic downturn and gain passive income for the fund.• Added VTV due to its diversified portfolio in technology and finance and historical persistence of value through stagnant conditions.• Held SPY for its broad market exposure and held SCHD for its high dividend yield and theme of gaining passive income.
Emerging Markets	GMF, IXSE, DGS	Overweight	<ul style="list-style-type: none">• Overweight to capture emerging markets "catch up" growth during Western stagnation.• Added DGS to boost our passive income for the asset class with a high dividend yield.• DGS main exposure is to emerging small cap which tends to outperform and be less volatile than emerging index's as a whole.• Continue to focus on Asian markets with GMF to capture high growth in targeted areas.
Developed Markets	EWJ, EWL, JIRE	Normal Weight	<ul style="list-style-type: none">• Adding JIRE to focus on broader exposure across all developed markets and hedge against country specific risk. We are not betting on one specific market to boom or bust.• Holding EWL and EWJ as we expect Switzerland to remain steady and economic conditions in Japan continue to improve.• Dropping EWA because Australia's economy is still fighting inflation and remaining stagnant.



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Asset Class	Tickers	Weighting Strategy	Key Considerations
US Corporate Bonds	QLTA, ISCH	Normal Weight	<ul style="list-style-type: none">• Generous dividends from ICSH & QLTA give us large exposure to passive income, a common theme for the endowment this semester.• Drop LQD because of its lower credit rating compared to QLTA, which is only A rated and above.• With the concept of higher for longer interest rates the chance for corporate defaults increases and we want to make sure our credit exposure is of the highest quality.• Current market environment and FED's pause in interest rates signals to greater likelihood for bond yields to fall causing prices to rise in secondary markets.
US Real Estate	SRVR	Underweight	<ul style="list-style-type: none">• Underweight real estate due to continual losses and the concept of "higher for longer" interest rates which discourages borrowing/investing into real estate.• Dropped XLRE due to its heavy holdings in US Real Estate which holds a worse outlook than international real estate markets.• SRVR provides diversification into other countries; however, real estate still faces potential losses in short-term and we believe it's better to continue to lower our real estate share as an endowment fund.
Commodities	BCI, COM, FXN	Normal Weight	<ul style="list-style-type: none">• Dropped SIVR and EVMT because of recent decline in silver and other EV metals.• Added COM to diversify portfolio in a broad commodity future contract that exposes us into metals, energy, and agriculture sectors.• Added FXN that focuses investments in gas and electrical power to reduce volatility and increase returns.• Normal weight the entire sector to hedge against inflation and market volatility.
US Treasuries	TLT, TLH, SHV	Normal Weight	<ul style="list-style-type: none">• Continuing to implement the 60/40 strategy of short term to long term bonds in order to have two definitive durations and capitalize on the short term.• Although the 10-year saw yields at record highs we feel there is no need to make rash decisions and offload. We



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have optimism yields will start to come down in 2024 and prices will increase in the secondary bond markets.

- Short-term yields still remain higher than long-term yields.
- Yield curve has slowly begun to flatten, due to geopolitical tensions in the Middle East and rate volatility.



Stock Selection Picks

Caterpillar Inc. (CAT)



Background:

Caterpillar Inc. is the world's leading manufacturer of construction and mining equipment, off-highway diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. CAT was founded just under a 100 years ago in 1925, is headquartered in Irving, Texas, and currently has over 110,000 employees worldwide.

Thesis:

Caterpillar Inc. is a well-known American multinational corporation specializing in manufacturing construction and mining equipment. We should invest in Caterpillar Inc. because of its unyielding brand image, strong price forecast, solidified stance in the industry, and robust statistical analysis as it grows and innovates.

Ratios:

- **P/E:** 20.43
- **Current:** 1.39
- **Quick:** 0.83
- **Total Debt to Equity:** 2.07
- **Long-term Debt to Capital:** 0.62

Strengths:

- Large portfolio of products and services
- Strong brand image
- Global operations
- Focus on innovation

Weaknesses:

- Dependence on the US market
- Weak marketing, rely on their brand image
- High labor turnover rate

ESG Considerations:

- Committed to reducing their greenhouse gas emissions
- Plan to implement water management strategies
- Strive to reduce their landfill intensity from operation wastes



Westlake Corporation (WLK)



Background:

Westlake Corp is a manufacturer and global supplier of chemicals, polymers and building products. Its Performance and Essential Materials segment offers a wide range of essential building blocks for making products utilized in everyday living, including olefins, vinyl chemicals, polyethylene, and epoxies. Its Housing and Infrastructure Products segment produces key finished goods for building products, pipe and fittings, and global compounds businesses. The company was founded by Ting Tsung Chao in 1986 and is headquartered in Houston Texas with just under 16,000 employees. It is the largest producer of low-density polyethylene (LDPE) in the United States.

Thesis:

Westlake Corporation maintains strong financials and indicates growth within its company. Westlake also contains a strong diverse product portfolio that global conglomerates rely on for everyday use products. Not only does Westlake have strong operational performance, but the company also invests in innovative and research technology to keep its discovery capabilities at a competitive level with global markets. The company has a large and growing distribution network globally with an increasing demand for its products.

Ratios:

- **P/E:** 13.2
- **Current:** 2.54
- **Quick:** 1.91
- **Total Debt to Equity:** 0.52
- **Net income margin (%):** 9.46%

Strengths:

- Strong financials & growth
- Diverse product portfolio
- Strong operational performance
- Innovate & Research/Discovery Capabilities
- Large & Growing Distribution Network
- Sustainability & Environment Consciousness
- Increasing Demand for Products

Weaknesses:

- Sells commodities in a highly competitive market
- Volatility in raw material prices
- External factors beyond control of surges and shocks
- Foreign legislation and regulations

ESG Considerations:

- Minimizing water usage
- Boost its recyclable capabilities



Women's Fund Picks

NextEra Energy (NEE)



Background:

NextEra Energy is a company based out of Juno Beach, Florida, but extends to 49 states and four Canadian provinces. It is the world's largest utilities company and generates, transmits, distributes, and sells electric power to customers in North America. Their endeavors include battery storage, wind, universal solar, nuclear, transmission, pipeline, etc. NextEra Energy emphasizes clean energy solutions such as renewable generation facilities, battery storage projects, and electric transmission facilities, etc. 3 of their 14 board of directors are women.

Thesis:

We should consider investing in NextEra Energy due to their strong ratios and their establishment in renewable energy and the utilities market as a whole. However, we should possibly consider waiting to invest within the utilities sector due to their poor performance this year.

Ratios:

- **P/E:** 15.84
- **Quick:** 0.42
- **Long-term Debt to Capital:** 0.53
- **Fixed Charge Coverage:** 1.26

Strengths:

- Largest Company within the utilities sector
- Diversified Portfolio
- Renewable energy focus

Weaknesses:

- Highly competitive market
- Geographical concentration within the United States
- Weather conditions

ESG Considerations:

- Focused on clean energy technology
- Efforts to reduce water consumption
- Care about human rights and diversity



Renaissance Holdings Ltd. (RNR)



Background:

Renaissance Holdings is a company that provides insurance and reinsurance products internationally and, in the U.S., The company offers property, casualty and specialty segment insurance. Within these segments, the company has various products of coverage including reinsuring other companies against natural catastrophes like floods and tornadoes. Insurance in the casualty and specialty segment includes employers’ liability, medical malpractice, and directors and officers. Renaissance distributes their services as well as products mostly through intermediaries. In addition, they invest and manage investment funds. Their mission is to, “match desirable, well-structured risks with efficient sources of capital to achieve our vision of being the best underwriter” to give their shareholders the long-term returns they want.

Thesis:

We should invest in this stock because of its strong ratios, positive earnings, strong market leadership position, and opportunity to increase its customer base as unorganized players struggle due to the increase in regulations. The stock will also help our portfolio as our financial sector is currently weighted at 6.5% and our goal weight for the financial sector is between 10-17%.

Ratios:

- **P/E:** 27.63
- **Quick:** 1.46
- **Long-term Debt to Capital:** 0.204
- **Fixed Charge Coverage:** 2.02

Strengths:

- Estimate has increased from \$2.90 to \$29.84 per share
- Strong market leadership position

Weaknesses:

- Replacing employees with RNR knowledge will be costly
- Low investments in customer-oriented service

ESG Considerations:

- Goals to help facilitate a lower-carbon emissions economy



SPX Technologies (SPXC)



Background:

SPX Technologies is based in Charlotte, North Carolina and has around 3,300 employees in 15 different countries such as Germany, Denmark, China, and Australia. They were founded in 1911, in Muskegon, Michigan. They are a global supplier of infrastructure equipment such as heating, ventilation, air conditioning, detection, and measurement. Their HVAC solutions include cooling towers, residential and commercial boilers, and comfort heating products. Their detection and measurement products include inspection equipment, communication technologies, and specialty lighting. Their business strategy is focused on growth in their HVAC and detection and measurement business through product innovation, geographic expansion, and entry into adjacent markets and targeted strategic initiatives. SPX is also committed to surpassing their customers' needs for safe, reliable, and efficient solutions.

Thesis:

Related to the averages for the industrial sector, SPX Technologies' strong ratios suggest that it is a good stock. SPX's stock trends suggest that it could be a very good investment for UCIMCO in the long term. In addition, their strength within the sector and various opportunities to expand in the market make it a good investment for the portfolio.

Ratios:

- **P/E:** 43.43
- **Quick:** 1.43
- **Long-term Debt to Capital:** 0.18
- **Fixed Charge Coverage:** 2.44

Strengths:

- Strong dealer community
- Good product automation
- Strong distribution network

Weaknesses:

- Gaps in their product range
- High attrition rate in work force
- Fails to integrate firms with different work cultures

ESG Considerations:

- Strong sustainability culture
- Initiatives help support the United Nations Sustainable Development Goals
- Values of integrity, accountability, excellence, and teamwork



Interdigital Inc. (IDCC)



Background:

Interdigital is a technology and research and development company that was founded in 1972 in Philadelphia, Pennsylvania. The company is known for providing a wide range of technologies used in digital cellular and wireless products and networks, including 4G and wifi-related products, all over the globe. Since 2012, the company has been headquartered in Wilmington, Delaware and the current president and CEO is Liren Chen. Interdigital has a market cap of \$2.12 billion. They have around 550 employees and their executive board is made up of only 3 women out of 17 total members. Interdigital is able to continue having growth due to their agreements with other large firms such as LG and Apple.

Thesis:

Related to the averages for the communications sector, the lower P/E ratio, higher Quick, lower Long-Term Debt to Capital, and similar Beta indicate that InterDigital is a strong stock. In addition, their stock is currently undervalued and is expected for growth. This suggests that Interdigital Inc would be a good investment for UCIMCO.

Ratios:

- **P/E:** 11.89
- **Quick:** 4.96
- **Long-term Debt to Capital:** .32
- **Fixed Charge Coverage:** 1.26

Strengths:

- Hold a large number of patents
- Strong balance sheet with good cash flow

Weaknesses:

- Costly litigation over intellectual property and defending licensing practices
- Security breaches

ESG Considerations:

- Sustainable and equitable future initiatives
- DEI goals – encourage women to join the tech field
- Increasing renewable energy footprint
- Partnership with a non-profit coding school



Salesforce (CRM)

Background:

Salesforce is a well-known cloud software firm based in the United States that was founded in 1999 by Frank Dominguez, Dave Moellenhoff, Parker Harris, and Marc Benioff. The company is well-known for its Customer Relationship Management (CRM) products, which assist companies in efficiently and effectively managing sales, marketing, interactions with clients, and customer service. Salesforce has grown into a major player in the cloud computing and CRM software industries worldwide, with a strong focus on social responsibility and innovation. It is a foundation in current business technology solutions because of the widespread implementation of its services and products across a variety of industries, including sales, marketing, customer support, and business management.

Thesis:

Given Salesforce's leadership in the CRM industry and its potential for significant expansion and ongoing innovation, investing in the company is an excellent strategic decision. Salesforce is in an advantageous position to profit from the growing need for effective customer relationship management tools because of its cloud-based solutions and commitment to customer satisfaction. Salesforce continually invests in research and development, ensuring that its platform remains innovative and up-to-date with the latest technology trends.

Ratios:

- **P/E:** 42.5
- **Current:** 1.28
- **Long-term Debt to Capital:** 43.22
- **Fixed Charge Coverage:**
- **Quick:** 1.19

Strengths:

- Market Leadership
- Diverse Product Portfolio
- Global Reach

Weaknesses:

- High Costs
- Cloud Computing and CRM industries are extremely competitive
- Concerns about data security

ESG Considerations:

- Carbon neutrality initiatives
- High value on inclusion, equity, and diversity
- Dedication to responsible and ethical business operations



Our Teams

Management Team

Chief Curriculum Officers

Evan Coffey
Jack Thompson
Olivia DeFusco
Scott Sloan
Kaela Frenchman
Jack Shimer

Chief Risk Officers

Matthew Tuley
Jared Minnichbach
Michael Scheller
Eric Tanz
Kieran MacDonough

Chief Communications Officers

Carlie Shiller
Laura Bradley

Chief Research Officers

Carly Troilo

External Affairs Officer

Sarah DiLello

Chief Information Officers

Jordan Williams
Mayleigh Rickey
Isabella Scarpetti

Women's Fund Analysts

Katie Ciuffreda
Laura Bradley
Samantha Mallen
Carlie Shiller

Emily Carkhuff
Camila Knipe
Mayleigh Rickey
Isabella Scarpetti

Carly Troilo
Sarah DiLello

Stock Selection Analysts

Liam Behnke
Luke Christmas
James Condi
Sean Connelly
Chris Cravan
Jason Werrick

Dean Davis
Ryan Dever
Chris Forgie
Nick Francois
Mitchell Garber
Richard Williams

Gabriel Glassic
Matthew Hyder
Aiden Jones
Hunter Murray
Eddie Newman
Storm Snape

Nick Pomajevich
Alex Pratzner
James Rapp
Lucas Selb

Endowment Analysts

Will Alain
Billy Cardino
Tyler Causa
Patrick Collins
Bill Cook
Cole Grubbs

Kieran Hollander
Dylan Hollick
Jared Minnichbach
Alexandra Nenish
Jordan Pick
Kipp Ransome

Kirk Ransome
Kyle Rosenfeld
Tyler Sargent
Michael Scheller
Max Shilstone
McKade Trauger

Nick Troha



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Thank You!

UCIMCO would like to extend a special thanks to those who shared their insights, experiences, and Support.

- Eric Parnell on technical analysis
- CFA and Ben Henwood
- Ursinus Alum at Valuation Technologies for speaking with the Endowment Team
- Women's Fund Guest Speakers: Marina Bitar, Susie Zelaya-Rivera, and Madelynn Sorokanych
- Chris Sabia and the Hartford Funds for hosting the Stock Selection Fund on a field trip
- Maryanne Balkir for arranging the Day at the Fed field trip



UCIMCO would not exist without the generous contributions it has received in its time, expertise, and money from a variety of Ursinus faculty, alumni, administrators, and parents of students. The fund wishes to thank the following supporters for their contributions:

Ursinus College Office of Academic Affairs

Isaac Abrams ('19)

Briana Anderson ('14)

Youssef Boussen ('16)

Paul Cottam ('19)

Maureen ('79) and John Cumpstone ('77)

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Michael ('97) and Tracy Fleming

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Christopher Guy

Clay Hall ('12)

Chris Herdelin

Jacob Kang ('21)

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Matthew Malgari

The Magargee Family

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Erich Pingel ('11)

Joseph Pursley ('03)

Susan Stewart ('80)

Robert Tucci ('78)

Daniel J. Uba ('06)

Daniel Urban ('07)

The Vanguard Group (matching gifts)



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How To Contribute

You can provide financial support to this valuable learning experience for Ursinus students today and in the future by visiting <https://www.ursinus.edu/support-uc/ways-to-give/online-gift-form/> or you can scan the URL code below to access the donation website.

Use the drop-down menu under “Designation” and select “Other”. In the comments box please specify “Student Invest Fund”.





Investment Policy Statement
UCIMCO Endowment
April 10th, 2023





URSINUS COLLEGE

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Scope & Purpose: Context

The Ursinus College Investment Management Company, UCIMCO, was founded in November of 2016 to create an opportunity for Ursinus students to learn about the fundamentals of investing. Regardless of the major, any student can participate and gain an opportunity for invaluable hands-on lessons in teamwork, valuation, the markets, and economics.

UCIMCO manages three funds on behalf of Ursinus. Groups of student analysts manage endowment-style and stock selection funds on behalf of the college endowment. At the end of each semester, UCIMCO presents its stock selections and asset allocations to students, alumni, and donors.

UCIMCO has provided the school with a way to grow its capital, while also creating an avenue for students to gain hands-on learning. Through its existence, UCIMCO has created a network for former and current students to connect.

In addition to the opportunities created for students, UCIMCO provides a sense of connection between alumni and current students. These funds consist of donations mostly from Ursinus alumni, allowing them to maintain a connection to the college. The hope is for these student-managed funds to grow over time, allowing for greater expansion of the group's portfolio.

Investment Objective

The endowment fund's financial goal is to provide consistent returns that surpass the ACWI/AGG benchmark. The MSCI ACWI stock index tracks nearly 3,000 stocks in 48 developed and emerging markets. It is the most common global equity funds benchmark and has been a guide for asset allocation. The Bloomberg US Aggregate Bond Index, or the AGG, is a broad base, market capitalization-weighted bond market index representing intermediate-term investment grade bonds traded in the United States.



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Scope & Purpose: Structure

Positions currently held by students within UCIMCO are as follows:

The faculty advisor is the teacher that is currently teaching the UCIMCO stock selection class. The faculty advisor is part of the investment committee and is responsible for the overall supervision of the fund. The faculty advisor is responsible for submitting our investments to the college controller for purchasing.

The Chief Curriculum Officers are primarily responsible for operating as the leaders of the investment committee. Chief Curriculum Officers act as both governing and managing fiduciaries meaning that they are responsible for most of the decision making alongside the faculty advisor. As the investment committee they are responsible for overseeing the fund's evaluation of contemplated investments. The committee shall have the final authority in approving investments and shall make recommendations to the faculty advisor respecting the sale of investments. Chief Curriculum Officers are responsible for creating the curriculum for each semester and ensuring that students are exposed to useful and important knowledge regarding our past, present, and future markets. Chief Curriculum Officers also meet with the faculty advisor to decide the asset allocation by sector for each semester.

The Chief Information Officers is responsible for providing relevant market, sector, and stock updates to the entire fund. The Chief Information Officer's duty is to update the endowment selection group with information to make better and more informed decisions.

The Chief Compliance Officers is responsible for updating the investment policy statement as the governance section requires. The Chief Compliance Officer is also responsible for monitoring the fund to ensure that UCIMCO's students, practices, and processes operate under predetermined guidelines as defined in the investment policy statement throughout the progression of the fund.

The Chief Development Officers is responsible for coordinating with the Advancement Office to ensure the UCIMCO's success in raising capital. The Chief Development Officer is also responsible for proposing new ideas in order to obtain more capital for the fund. It is the Chief Development Officer's responsibility to produce an infographic showcasing the past, present and future actions of the fund to promote involvement from members outside of the Ursinus community.



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Scope & Purpose: Structure Continued

The Chief Communications Officer is responsible for organizing the newsletter at the end of each semester, as well as keeping the website up to date. In addition, they run social media platforms such as the UCIMCO Instagram account and the LinkedIn profile.

The External Affairs Officer is responsible for tasks such as reserving rooms, planning dinners, working with Ursinus's tech and front office, and sending invitations to guests. They also help to plan field trips, organize guest speakers, and do most of the planning for all of the fund's needs.

The Chief Research Officer is responsible for providing data to the curriculum officers and overseeing the work of the risk research team.

The Chief Risk Officers main responsibility is to conduct data analysis for the benefit of the endowment fund. They are also responsible for doing research reports, as well as writing code to help best manage the risk of the fund.

The organizational structure of the students/members consists of seven teams, each focusing on a specific asset class consisting of: commodities, corporate bonds, developed market equities, emerging market equities, real estate, U.S equities, and U.S treasuries. Each one of these teams is comprised of 3-4 students.

Every team conducts research to determine if changes need to be made to their current asset class. This can consist of reallocations of funds, selling of specific holdings, and or purchasing of new funds. Presentations are created to show each teams hypothesis regarding the weight distribution to each of that sector's holdings. These presentations will also showcase potential new investments the team wants to make and what current holdings they want to keep or remove from the fund.

Each team is responsible for monitoring their assigned asset class throughout the semester, which will aid groups in their decision-making process. The asset team will use this information to decide whether their asset class will be underweighted, overweighted, or maintain a normal weight. The updates received from other groups and from class discussions will help each group to better understand the current economy, allowing for more coordinated and calculated decisions.



Governance: Reviewing & Updating Documents

The UCIMCO Endowment Investment Policy Statement should be updated at least once a semester when a rebalancing of the fund takes place. The process for updating the IPS will involve the entirety of the UCIMCO Endowment fund so that each member understands the goals, expectations, guidelines, and restrictions of the fund. UCIMCO leaders will help to guide the review and updating process and it is important to add that in some cases there will be very little content to update in the IPS. The chief compliance officer will be the ones responsible for updating this. When making changes to the IPS, it is important for us to log what in specific is being altered and how UCIMCO is altering it. This helps to track our progress and differentiate from our past documents. In order to log the changes, we will keep a file with each IPS document starting with this one. UCIMCO members should also feel inclined to note on the changes made within their respective sections.

Determination of Asset Allocation:

Inputs Used & Development of Input Assumptions

Proposed Asset Allocation

US Equities 20.0-35.0%

Treasuries 10.0-30.0%

US Corporate Bonds 3.50-10%

US Real Estate 2.50-10.0%

Emerging Markets 5.0-20.0%

Developed Markets 5.0-20.0%

Commodities 2.50-8.0%



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US Equities:

U.S. equities hold the largest asset class share in the portfolio due to the strong returns equities have over time. This holding allows the fund to capitalize on market growth over time, while also providing UCIMCO with a pathway to outperform the benchmark. Extensive research and evaluations of market trends allow the fund to maximize returns and grow the value of the portfolio.

Treasuries:

Treasuries are a lower-risk investment which maintains a larger holding in the portfolio due to stability. This asset class creates stable returns with low price volatility, establishing downside protection and forming a solid backbone for the portfolio.

US Corporate Bonds:

U.S. corporate bonds is a sector of the portfolio which provides a balance between fixed income and U.S. equities. This asset class provides us with exposure to the success of equities, while still achieving many of the price stability aspects of fixed income.

US Real Estate:

U.S. real estate allows the fund to capitalize on the continual housing market growth, as well as corporate real estate investments. This provides exposure to corporate growth, as well as an avenue to yield strong returns when interest rates are low, and the economic outlook is strong.

Emerging Markets:

Emerging markets provide us the opportunity to yield strong returns but also comes with greater risk. This asset class allows us to look for new investment opportunities and invest in new trends or countries the group feels will perform well. Emerging markets holds a smaller share due to risk but creates greater diversity and exposure in the fund.



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Developed Markets:

Developed markets will give us exposure to other economies that provide stability like U.S. markets but can differ in their performance. This allows the fund to capitalize on other countries' economies that could outperform the U.S., or to provide stable returns during times of uncertainty in domestic markets.

Commodities:

Commodities is a unique asset class that benefits the fund due to it having little to no correlation with equities and fixed income. This creates better diversification and downside protection in the portfolio. The small asset class share makes the impact on the portfolio minimal but provides exposure to new markets and the increased global demand for precious metals.

Investment, Return, and Risk Objectives: Overall Investment Objectives

Risk management is essential to mitigate losses and create net gains over time. because if a firm blows up no one makes money. A key consideration for managing a portfolio is to avoid making emotional decisions. Specifically, the purpose of having a risk measure is to understand the general volatility of a fund in relation to its benchmark index. In a real-world setting, risk management is a daily responsibility, however, UCIMCO as a fund does not have these capabilities. As opposed to measuring standard deviation, one factor we will keep in mind to ensure our goal is maintain a diverse portfolio. Additionally, throughout the groups' research we will scan for political, credit, and macroeconomic risk. Abiding by these methods will help prevent major losses. To mitigate volatility caused by investor uncertainty influenced due tax rate changes, inflation rates, and monetary policies, we will hold a portfolio that is extremely diverse. To succeed in this goal, we will be cautious when paying attention to short-term fluctuations. Additionally, it is recommended to overweight quality ETFs and underweight riskier ETFs. Overall, it is necessary to consider the future outlook of the fund, working to yield a positive risk-reward ratio. The beta of an investment security will be a variable to pay attention to because it portrays the level of risk in terms of the entire market. The practice of reevaluating risk measures is crucial for pursuing and attaining investment goals, making risk management a top priority.



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Risk Tolerance & Investment Constraints (U.S. Equities)

The portfolio of the Ursinus College Investment Management Company is well diversified in many different sectors of the economy. We believe that our portfolio is able to keep with our overall strategy of being less aggressive and focusing on market average returns. The UCIMCO portfolio has done a great job implementing procedures to make sure our sectors are well diversified to help balance out any losses we may incur. We believe that the Ursinus College Investment Management Company should take a risk tolerance level of 2 on a scale from 1-5. This scale represents a level 1 being little to no risk taken to a level 5 which signifies the largest amount of risk taken. This ranking system is based on multiple factors which will be discussed in detail. The first factor is the theoretical percentage of loss equity we are equipped to handle. We believe that we should see no more than the percentage the total market is down as the percentage our portfolio is down. We will be able to achieve this by implementing new risk measures to insure we stay diversified and in less risky options.

Relevant constraints

The Ursinus College Investment Management Company needs to adopt a formal plan to showcase the various constraints that are being dealt with in the investment field. One of the main changes we have made is coming up with a horizon for performance achievement metrics. As a company, UCIMCO knows that tracking the achievement of each individual ETF more closely is imperative to ensure we are following the market average and not allowing for major losses within our portfolio. UCIMCO will be able to achieve this by being more proactive and getting rid of underperforming ETFs more quickly instead of holding them for long periods of time.

At this time, we believe having 15 percent liquidity will be doable and be able to better position the company for any undisclosed losses we may incur. Having a 15 percent liquidity will allow us some flexibility in making sure we do not expose the company and investors to too much market volatility at any given time.

The tax considerations will play an effect into how we invest depending on whether we will hold a short or long position on any asset class in our company. We will allow each analyst to determine the risk worth reward or holding onto a stock for a short or long position depending on the expected return and expected tax rate.



Performance Reporting and Risk Measurement (U.S. Treasuries)

When managing the endowment, there needs to be a medium of performance reporting and risk measurement. To that end, the endowment team has a performance spreadsheet updating near instantaneously throughout the year, so the performance of the fund is open knowledge to all. This platform shows all gains, losses, market value at purchase date, and market value at the present time, along with valuation at each rebalancing session every semester. This updating sheet is pivotal to the fund's success as it shows where it stands at any time and allows the analysts to get a better understanding of each sector.

The endowment fund does its own research on top of the analysis of professional investors. This enables UCIMCO analysts to learn and understand what goes into the actual rating of risks for ETFs. By researching the holdings within each ETF, groups can ensure that every investment will be something the college is comfortable investing in. The goal of UCIMCO's research is to further the fund's knowledge of specific sectors so that it can get a clearer picture of what it means to be a research analyst and as the end goal, to grow the endowment for years to come.



Investment Policy Statement
UCIMCO Stock Selection Fund
April 10th, 2023





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Scope and Purpose: Context

Ursinus College is a private four-year collegiate institution in Collegeville, Pennsylvania, founded in 1869. Ursinus College Investment Management Company (UCIMCO) was founded by Ursinus students in 2016. It is funded by donations. The fund was founded to teach students investment basics with real assets. UCIMCO currently manages \$150,000 across three different sections. UCIMCO is essential to the Ursinus endowment fund as it can create positive returns and provide income to pay for faculty, staff, and facilities.

Scope and Purpose: Structure

This investment policy statement governs the investment portfolio managed by the UCIMCO stock selection team. As part of the Ursinus College Investment Management Company, there are several different roles which each have different responsibilities. UCIMCO operates under the supervision of the faculty advisor. The fund operates in a two-tiered governance structure in which the Chief Curriculum Officers and faculty advisor act as governing and managing fiduciaries and the returners act as operating fiduciaries. Each group is responsible for making investment decisions in the best interest of Ursinus College and UCIMCO alike.

The faculty advisor is the teacher that is currently teaching the UCIMCO stock selection class. The faculty advisor is part of the investment committee and is responsible for the overall supervision of the fund. The faculty advisor is responsible for submitting our investments to the college controller for purchasing.

The Chief Curriculum Officers are primarily responsible for operating as the leaders of the investment committee. Chief Curriculum Officers act as both governing and managing fiduciaries meaning that they are responsible for the majority of decision-making alongside the faculty advisor. As the investment committee, they are responsible for overseeing the fund's evaluation of contemplated investments. The committee shall have the final authority in approving investments and shall make recommendations to the faculty advisor respecting the sale of investments. Chief Curriculum Officers are responsible for creating the curriculum for each semester and ensuring that students are exposed to useful and important knowledge regarding our past, present, and future markets. Chief Curriculum Officers also meet with the faculty advisor to decide the asset allocation by sector for each semester.



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The Chief Information Officer is responsible for providing relevant market, sector, and stock updates to the entire fund. The Chief Information Officer's duty is to update the stock selection group with information to make better and more informed decisions as a whole.

The students in the fund hold several different responsibilities. They are split into two groups, newcomers and returners. The newcomers are students who are participating in their first semester with the fund whereas the returners have participated for at least one semester. Newcomers are responsible for staying up to date on assets currently held by UCIMCO and reporting a buy, hold, or sell signal to the fund. The newcomers are responsible for providing research to aid in the rebalancing of our assets to achieve target allocation. They also partake in voting to decide the buying, holding, or selling, of some or all of each investment. Returners are tasked with researching and presenting new investment opportunities to the fund. The returners also operate as part of the investment committee with the purpose to participate in and oversee the fund's contemplated investments. Returners act as operating fiduciaries for the purpose of implementation. They are tasked with creating and sharing research reports regarding contemplated investments. They also partake in voting to decide the buying, holding, or selling, of some or all of each investment.

The investment strategy of UCIMCO focuses on U.S. equity market sectors. UCIMCO invests in all 11 sectors, with those being Industrials, Materials, Healthcare, Technology, Energy, Financials, Real Estate, Communication Services, Consumer Staples, Consumer Discretionary, and Utilities. The weights of each sector in our portfolio vary by semester as decided by the Chief Curriculum Officers and the faculty advisor.

Governance: Reviewing and Updating Documents

It is the responsibility of the Chief Curriculum Officers to determine and execute investment policy. The Chief Curriculum Officers are obligated to ultimately approve or disapprove of the policy. It is the duty of the C-suite to review the IPS each semester and vote on proposed changes by the returning students of the fund. It is the faculty advisor's responsibility to select the Chief Curriculum Officers, Chief Information Officer, and any additional roles for the semester. The Investment Committee by default is the returning students. It is at the Chief Curriculum Officer's discretion that the responsibilities can be allocated and shared by other roles.



URSINUS COLLEGE

Investment Management Company

Fall 2023 Newsletter

Determination of Asset Allocation

As noted above, the investment committee strives to invest in each of the 11 sectors with weights based on their assessment of market conditions.

Overall Investment Objectives

UCIMCO will seek to maximize long-term total returns consistent with prudent levels of risk. Investment returns are expected to preserve or enhance the real value of the principal investment. Investments are expected to generate income for Ursinus College through dividends and growth of capital. UCIMCO will pursue assets with adequate liquidity. As a nonprofit, UCIMCO avoids taxation on capital gains and dividends.

Risk Tolerance

UCIMCO has a relatively high-risk tolerance as the fund is based on the education of students who are likely to make an occasional mistake. The portfolio is comprised of equities in all asset classes which provides diversification to minimize the fund's risk. The fund utilizes market and individual security research and suitable holdings to minimize risk. The fund screens potential investments with the parameter of at least \$1 billion dollars in market capitalization. The Chief Curriculum Officers and faculty advisor will supervise diligent research and evaluation on a potential investment. The fund will manage risk by examining a company's financial statements to ensure it has low debt in relation to its sector. With rebalancing periods at least twice a semester the fund will make investment decisions based on macroeconomic trends that follow our time horizon. It is assumed that a fund managing equities will face a greater risk but the fund is tolerant as it is based on education with a secondary goal of returns on investment. Analysts of UCIMCO will follow this risk tolerance and recognize risk is necessary for the fund to produce returns in line with our objectives. The fund is studying the use of stop-loss orders to minimize loss by outlier investments.



Investment Policy Statement
UCIMCO Women's Fund
April 10th, 2023





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Scope and Purpose: Structure

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UCIMCO invests in all 11 sectors, with those being Industrials, Materials, Healthcare, Technology, Energy, Financials, Real Estate, Communication Services, Consumer Staples, Consumer Discretionary, and Utilities. The weights of each sector in our portfolio vary by semester as decided by the Chief Curriculum Officers and the faculty advisor.

Governance: Reviewing and Updating Documents

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Determination of Asset Allocation

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Overall Investment Objectives

UCIMCO will seek to maximize long-term total returns consistent with prudent levels of risk. Investment returns are expected to preserve or enhance the real value of the principal investment. Investments are expected to generate income for Ursinus College through dividends and growth of capital. UCIMCO will pursue assets with adequate liquidity. As a nonprofit, UCIMCO avoids taxation on capital gains and dividends.

Environmental, Social, and Governance Considerations

UCIMCO Women's Investment Fund is determined to empower women and support them in whichever way, shape, or form that it can. One of the ways UCIMCO exercises this philosophy is by ensuring that women's representation is evident in the firms that it looks to purchase for the portfolio.

Risk Tolerance

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