Oral Roberts University Student Managed Investment Fund

Consolidated Report

Spring 2024

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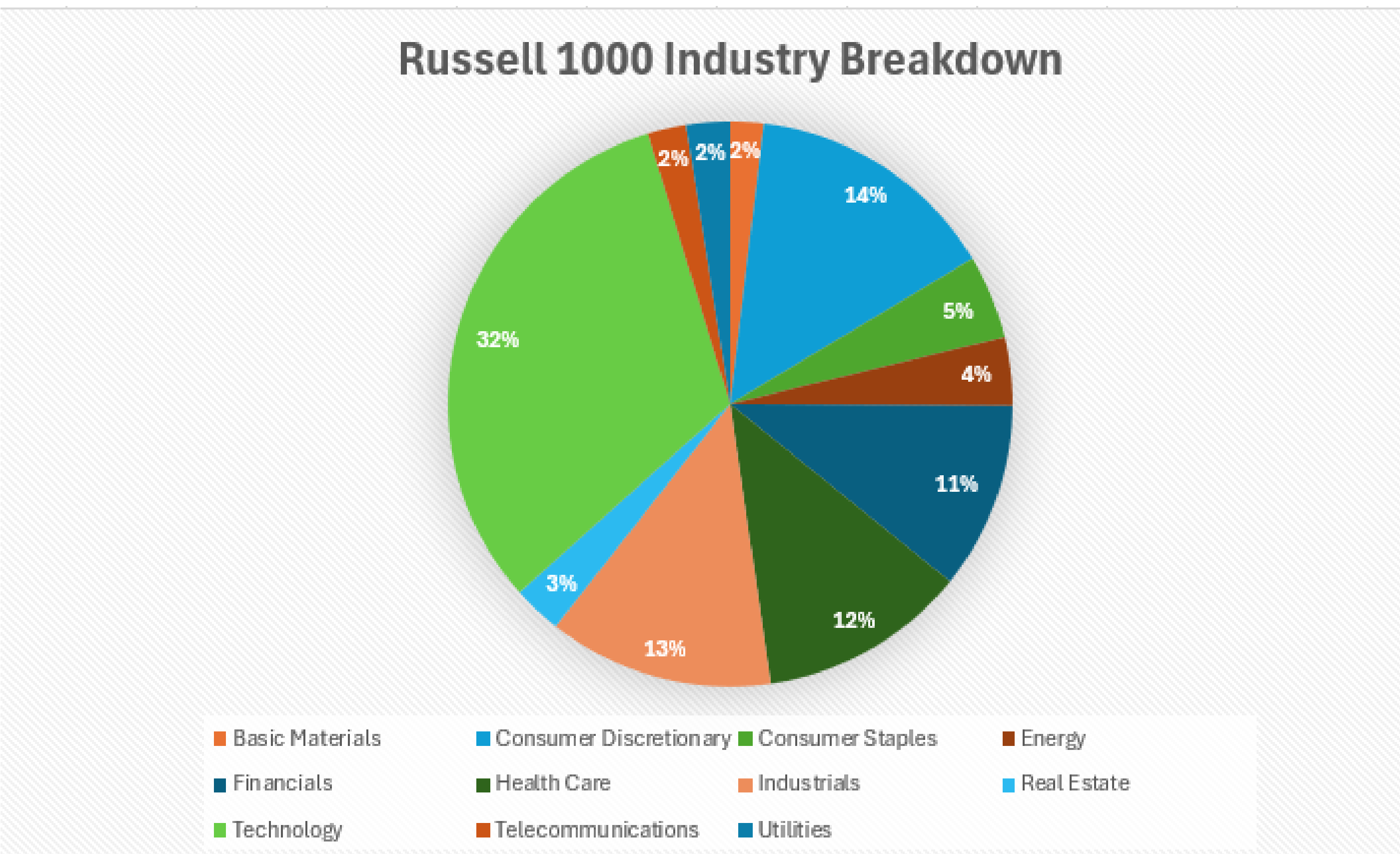
PROCESS

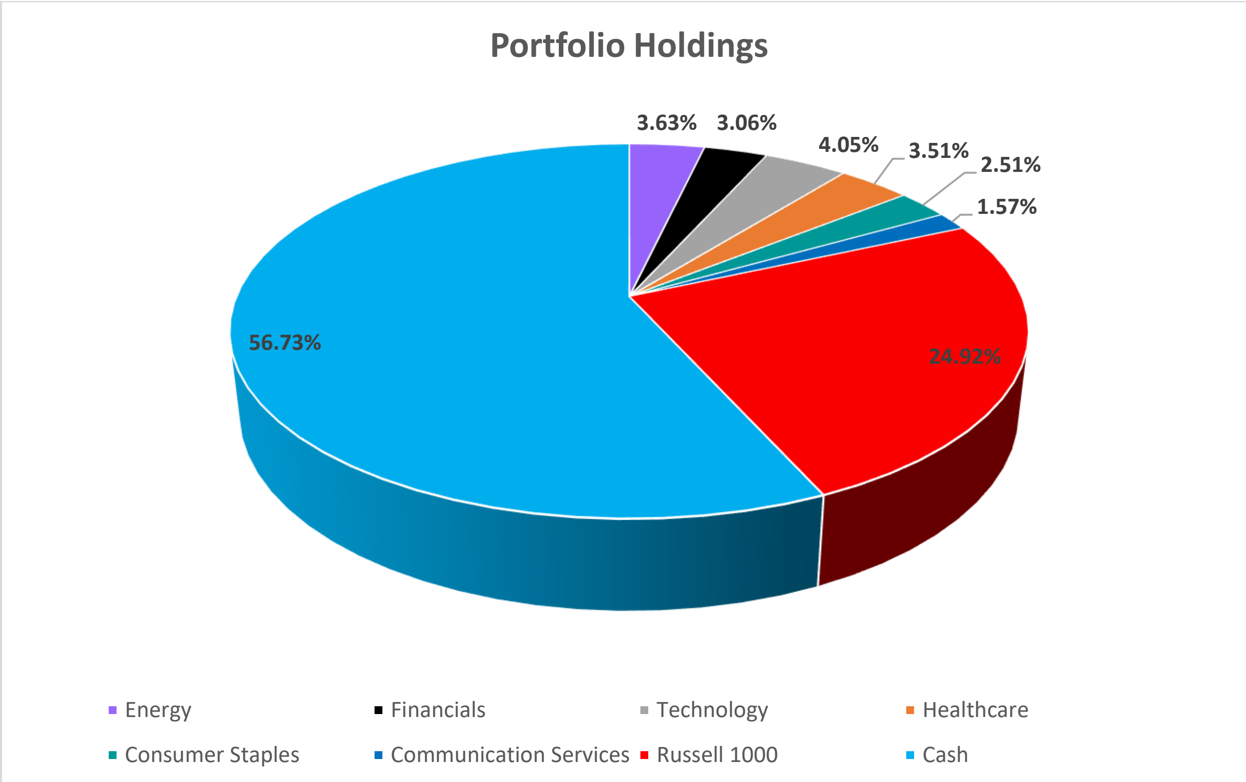
OVERVIEW OF INDUSTRY LEVEL ANALYSIS PERFORMED

To maintain a diverse portfolio and properly evaluate its prior holdings, the fund managers were each given their own sector to manage. The sectors assigned were Consumer Cyclicals, Consumer Staples, Industrials, Financials, and Technology. Each fund manager was responsible for identifying key factors, investment opportunities, and developing an overall understanding of the structure and any trends pertaining to each given sector. The managers utilized resources such as FactSet, Bloomberg, ValueLine, and other relevant sources to thoroughly and accurately research their assigned sector.

Another goal the fund managers had was to reassess the portfolio's holdings invested in by prior managers. Each fund manager revalued the stock of the company relating to their assigned sector to determine if it would benefit the portfolio to hold, sell, or buy more. The general industry research done prior to this acted as a springboard to help improve the accuracy and results of the valuations. The fund managers considered both valuation and portfolio allocation when determining what steps to take regarding each prior holding. This allowed the fund managers to accomplish their goal of maintaining a diverse portfolio with continued growth opportunities.

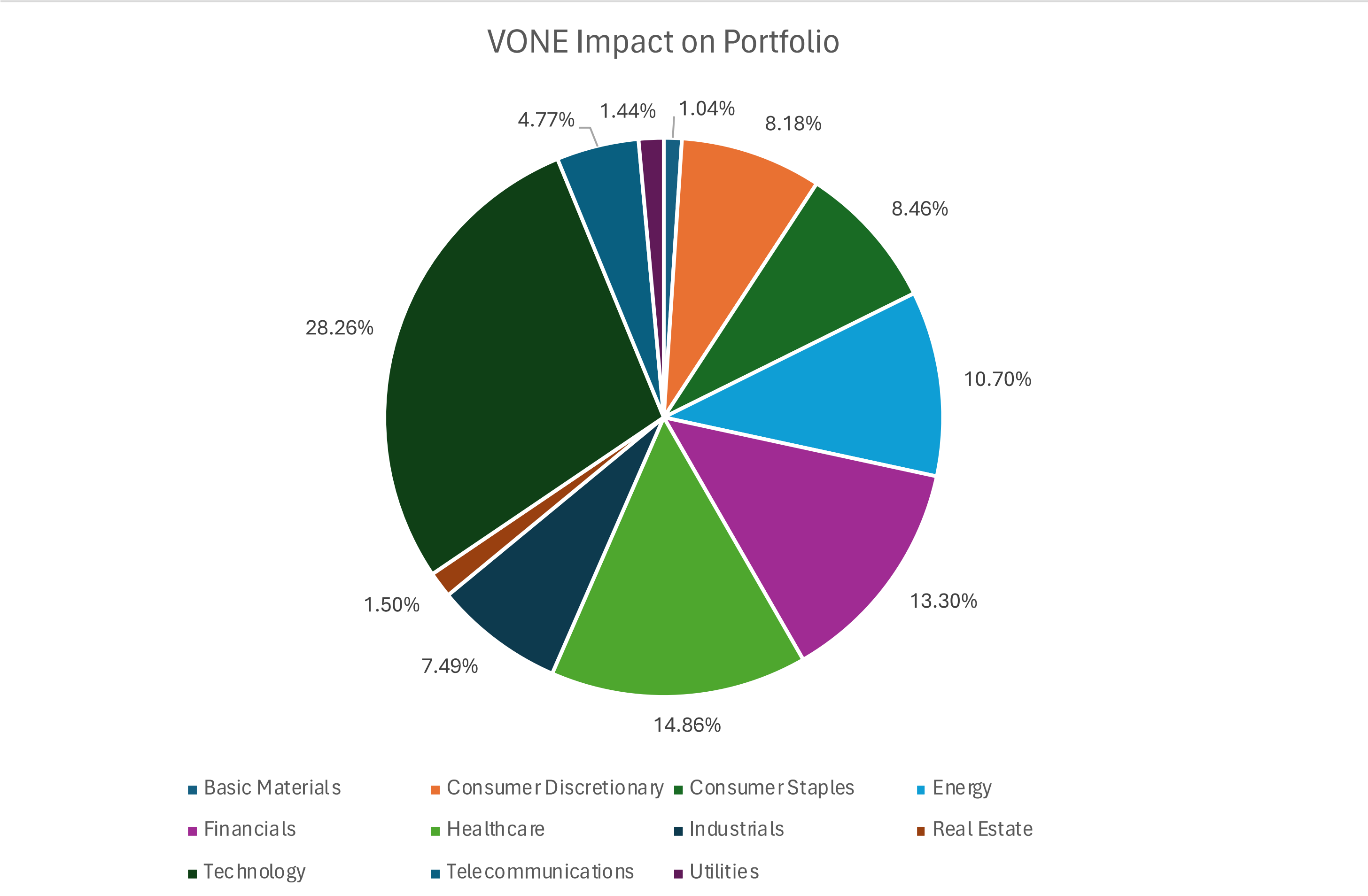
INDUSTRY BREAKDOWN





The current portfolio's breakdown is 56.73% cash, 24.92% in the Russell 1000, 4.05% in technology, 3.63% in energy, 3.51% in healthcare, 3.06% in financials, 2.51% in consumer staples, and 1.57% communication services. Within the technology sector, Alphabet Inc is 3.06%. Within the energy sector, Chevron Corporation is 1.84% and The Williams Companies, Inc is 1.80%. Within the healthcare sector, Merck & Co. is 3.51%. Within the financial sector, East West Bancorp, Inc is 3.06%. Within the consumer staples sector, Tyson Foods, Inc is 2.51%. Within the communication services, Verizon Communications, Inc is 1.57%.

Sectors	Portfolio Sector Weights	VONE Impact on Portfolio
Basic Materials	0.45%	1.04%
Consumer Discretionary	3.54%	8.18%
Consumer Staples	3.66%	8.46%
Energy	4.63%	10.70%
Financials	5.75%	13.30%
Healthcare	6.43%	14.86%
Industrials	3.24%	7.49%
Real Estate	0.65%	1.50%
Technology	12.23%	28.26%
Telecommunications	2.06%	4.77%
Utilities	0.62%	1.44%
Total	43.27%	100.00%



CONSUMER CYCLICALS

In narrowing the search for the top five companies, the process involved visiting Bloomberg and implementing various filters. Initially, the Russell 1000 was incorporated to restrict the selection to the necessary companies. Following this, focus was further directed towards the specific industry – consumer cyclical or discretionary. The utilization of these filters yielded all the companies in the index pertaining to the industry, subsequently refined to a price-to-earnings (P/E) ratio of less than 7. This ratio, comparing a company's stock price to its earnings per share (EPS), is a fundamental financial indicator. It aids in discerning whether a stock is overvalued, undervalued, or reasonable priced. The criterion was particularly pertinent for comparing companies in the consumer cyclical industry, given its representation of industry growth and profitability forecasts. With a P/E ratio of 7 serving as the benchmark, hence regarded as undervalued. Bloomberg successfully narrowed down the search employing the filters mentioned, resulting in the identification of five companies potentially worthy of investment: General Motors (GM), Ford (F), AutoNation (AN), Phinia (PHIN), and Avis (CAR). The financial metrics assessed encompassed P/E, P/B, and debt ratios, EPS, dividend yield, return on equity (ROE), revenue growth rate, and operating margin, with most surpassing the industry average.

To further narrow the selection to the top two companies within this industry, a refined analysis was conducted for the best-performing entities among the initial top five contenders. The comprehensive assessment encompassed various financial metrics such as profitability, debt, and price ratios, dividend yield, return on equity (ROE), revenue and other growth rates, and operating margin, with notable superiority over the industry average observed across most indicators. Following meticulous evaluation, the companies ultimately chosen for the top two positions were Ford and Avis, with Ford securing the second position and Avis emerging as the top performer.

To identify the ultimate two leading entities, recourse was made to FactSet, where companies within the consumer cyclical industry, listed in both the Russell 1000 and S&P 500, were meticulously filtered. The evaluative process encompassed a thorough examination of financial metrics such as profitability and price ratios, dividend yield, return on assets (ROA), return on equity (ROE), return on invested capital (ROIC), revenue and other growth rates, and operating margin. These metrics served as crucial indicators shedding light on the operational efficiency and shareholder value of the companies considered, with a notable majority surpassing the industry average. Following rigorous scrutiny, the chosen companies emerged as Wendy's and Hasbro, securing the top two positions, with Wendy's claiming the first position and Hasbro attaining the second.

CONSUMER STAPLES

The screening process used to identify the top companies within the Consumer Staples sector worthy of investment included several different financial data metrics. This data, whether ratios or company reported accounts, was gathered primarily from the information provided by FactSet. The search began by compiling a list of 25 companies in the sector that had potential on the surface. The next step in this process was identifying each company's profitability, leverage, liquidity, and price ratios, as well as historical growth in sales and earnings. From this list a general idea of relativity between the competitors was identified, making the selection of the more attractive options much clearer. From here, the top five companies in each category were noted, and a score was given to each indicating where they ranked against the competition. Once all the categories were ranked accordingly, the points each company earned were added, and the three highest scorers were recommended as possible investment opportunities.

While still applying the same principal strategy used to identify three attractive investment opportunities, the process of narrowing the decision down to one company had a heavier focus on growth potential. The process began by broadening the search from the established companies with stable success to look more for newer companies with exponential growth over the last few years. This growth was not only exclusive to revenue and profitability, but also stock and market share growth. The two companies identified when applying this new parameter were e.l.f. Beauty, Inc (ELF) and Celsius Holdings, Inc (CELH). After identifying ELF and CELH as potential investments that could grow exponentially over the next year or so, the next step was to utilize the metrics used to identify the top three companies previously with these two new opportunities. While CELH did not have metrics that compared with the top three selected previously, the company's financials fared well against the overall average and, thus, was selected to move forward. The combination of higher-than-average profitability, liquidity, leverage, and a significant opportunity for future growth made CELH stand out against the competition, and the company was brought forth to the other fund managers as a possible investment opportunity.

Celsius Holdings, Inc (CELH) had a primary case for investment based on its growth and expansions possibilities. The company has recently experienced a substantial amount of growth in sales due to factors such as consumer preference, product positioning, and partnerships. The belief with CELH was that sales would continue to grow as consumers are beginning to lean towards healthier alternatives, and the company would be able to meet demand with its partnership with PepsiCo. After presenting CELH as a potential investment to the other fund managers, it was decided that the investment would not benefit the fund due to the valuation's dependence on substantial growth. The valuations used only painted CELH as a good investment if the company could maintain high growth and profitability, which the fund managers did not believe was possible even with international expansion. Moving forward, the decision was made to search for companies with more financial stability instead of growth opportunities.

INDUSTRIALS

The top five companies were selected using financial metrics available on FactSet. The process began by categorizing companies into industries. From there, specific financial indicators were used to evaluate which companies appeared undervalued. These metrics included price-to-earnings ratio, price-to-book, net income margin, gross margin mean, current dividend yield, debt ratio, long-term debt ratio, quick ratio, inventory turnover, and net sales to gross fixed assets. Each company was ranked within the top ten for each category, and those that consistently appeared across the lists were chosen. This method guided the selection of the companies.

The selection process for narrowing down the industry to the top two companies involved a strategic use of various financial metrics and an emphasis on lower debt ratios, especially given the industry's notorious issues with high leverage. The selection criteria were further refined by considering the economic context, specifically the concerns over a potential recession. In such economic conditions, companies with high debt loads are generally more vulnerable and thus riskier investments. Therefore, companies that maintained stronger balance sheets with lower debt levels were deemed more suitable and secure for the fund under the current economic forecasts. This approach not only aligned with the fund's strategy of minimizing risk but also ensured that the selected companies were better positioned to withstand economic downturns, making them preferred candidates for investment.

In narrowing down the realm of possible investments, both quantitative and qualitative factors were considered. Lockheed Martin's dominance in defense, backed by government contracts, and Mueller's leadership in infrastructure solutions were considerations. However, due to the current economic conditions. Despite their initial appeal, both Lockheed Martin and Mueller were deemed overvalued due to economic uncertainties.

FINANCIALS

The approach to narrowing down the industry to the top five companies began with establishing medians for key financial ratios of the current stock in the portfolio holdings, East West Bancorp (EWBC). Using Bloomberg's relative valuation function, medians were determined for several critical indicators, including the P/E ratio, net interest margin, and tier one common equity ratio. The philosophy guiding the selection of these ratios was centered on the pursuit of identifying stocks that are not only affordable but also capable of generating high profitability and maintaining high-quality assets. Following the screening process, five companies emerged as matches meeting the established criteria: Capital One Financial Corporation, Popular Inc., SLM Corporation, Synchrony Financial, and First Citizens Bancshares Inc. These companies were deemed to exhibit characteristics indicative of undervaluation and potential for future growth, thus warranting further analysis and consideration for inclusion in the portfolio.

To narrow down the selection to the top five companies, a comprehensive approach was undertaken, focusing on both quantitative and qualitative factors. Qualitative factors included market share, credit normalization, credit policy, and market conditions. Quantitative factors included financial ratios and historical averages. The three stocks chosen were Synchrony Financial, SLM Corporation, and Popular Inc. Synchrony Financial had a significant market share in the credit card space and decent financials. Next, SLM Corporation provides student loans when workers have to go back to school to increase their skills during a recession. Lastly, Popular Bank had the greatest market share, brand recognition, and financial ratios in the Puerto Rican banking market.

To narrow to the top stock, alignment to the general environment and liquidity was highly weighted. Popular Bank’s strong presence in the Hispanic population positions them well to capture the influx of mainland Hispanics. Also, the acquisition of Evertec Group’s retail, digital banking and commercial cash management applications align well with Hispanic due to their high technological adoption rate. Lastly, Popular Bank is the largest bank in Puerto Rico with over 55% of the island’s market share in loans and deposits. However, after a lengthy debate over increased risk due to geographic location, the stock’s margin of safety was deemed too low for investment.

TECHNOLOGY

To identify technology stocks that could potentially be worth adding to the portfolio, the equity screening setting on Bloomberg was used. Companies were required to have a P/E ratio under 50 and to have a market cap above $20 million. Historical performance and financial strength were also critical in identifying the best companies. Internal and external factors and overall market conditions were also considered. The tech market overall was full of overvalued stocks. After conducting a thorough analysis, the top three companies chosen were Adobe (ADBE), Oracle (ORCL), and Motorola Solutions (MSI).

Once the top three companies were identified, the goal was to identify the most solid of the three companies to move forward with. After evaluating the stocks in more depth, however, it was determined that all three of them were likely overvalued. Adobe had a solid track record but concern about its current product offerings and AI compatibility, Oracle’s price spiked suddenly after the company had produced middling financial results, and Motorola’s continued financial strength and resulting hype led to a market overvaluation.

Due to the rejection of the stocks identified in the “Top 3” analysis, Apple (AAPL) was chosen as the best stock to move forward with from the tech sector. Lawsuits and general uncertainty had moved the stock to a more undervalued position. However, after lengthy debate and analysis, the stock’s margin of safety was deemed to be too low for portfolio investment.

ENERGY

Energy was not a sector assigned to anyone at the start of the semester. However, the energy sector turned out to be a fascinating sector for multiple reasons. First, oil and commodity prices have been increasing. Second, the current stock market phase coincides with energy stocks thriving. Finally, most of the other sectors are stuffed full of overvalued stocks, while there were more opportunities in this industry to find a decent purchase.

Chevron Incorporated and Williams Company were both chosen for their earnings potential, long-term growth outlook, and overall position relative to the market. The primary concerns with Chevron were its complications in finalizing its acquisition of Hess Corporation, the unpredictable nature of the energy sector, and Chevron's overall earning potential in the short term. Concerns with Williams involved its earning potential in the short term with a possible recession incoming. The portfolio managers believed the rewards of these stocks outweighed their risk, and both were added to the portfolio.

COMPLIANCE

For the Spring 2024 semester, 8% of the total fund in the SMIF was designated for selected stocks, adhering to allocation limits where no single stock exceeding five percent of the total fund or twice the weight of any single stock in the Russell 1000 index. Specifically, 3% was allocated to both Chevron and Williams, along with a 2% increase in the allocation for Tyson. However, these allocations diminished due to additional cash contributions to the fund. In the previous semester, about 9% of the fund was allocated to stocks, and a portion of these holdings was sold for reasons unrelated to the companies' compliance, further details of which are provided beneath the allocation table. The fund managers have decided to delay transferring the cash reserves into the Vanguard Russell 1000 until next May, citing the attractive risk-free rate offered by the FDRXX. After that period, they plan to gradually move the cash reserves into the Vanguard Russell 1000.

Every company reviewed by the fund managers was evaluated for its social responsibility before an investment decision was made. Some companies' actions raised concerns, affecting their eligibility under the Investment Policy Statement (IPS). While most companies did not pose concerns regarding these issues, the United Health Care (UNH) stock did raise some questions. The proposal to invest in UNH was ultimately retracted after review, as it was not compliant with the IPS.

The funds were invested in the oil and gas and consumer staples industry, and progress is being made towards the target cash and equity allocations, as decided by the fund managers. Therefore, based on these considerations and final decisions, the portfolio is believed to comply.

RESULTS

SUMMARY OF APPROVALS

Activity Summary for Spring of 2024 (as of 4/26/2024)					
Date	**Ticker**	**Name**	**Decision**	**Vote**	**Approved Allocation**
2/13/2024	EWBC	East West Bankcorp, Inc.	Hold	5Y, 0N	
2/27/2024	GM	General Motors Company	Approved - Sell	5Y, 0N	
2/27/2024	GOOGL	Alphabet Inc.	Hold	5Y, 0N	
2/27/2024	MRK	Merck & Co., Inc.	Hold	5Y, 0N	
3/12/2024	WEN	The Wendy's Company	Withdrawn		
3/12/2024	LMT	Lockheed Martin Corporation	Withdrawn		
3/12/2024	CELH	Celcius Holdings, Inc.	Withdrawn		
3/26/2024	AAPL	Apple Inc.	Withdrawn		
3/26/2024	BPOP	Popular, Inc.	Did Not Pass	2Y, 3N	
4/2/2024	TSN	Tyson Foods, Inc.	Increased Wt.	5Y, 0N	4.00%
4/9/2024	CVX	Chevron Corporation	Approved	3Y, 2N	3.00%
4/9/2024	WMB	The Williams Companies, Inc.	Approved	4Y, 1N	3.00%
4/9/2024	MLI	Mueller Industries, Inc.	Withdrawn		
4/9/2024	Motion to Spread out Cash Investment		Approved	4Y, 1N	
4/16/2024	HAS	Hasbro, Inc.	Withdrawn		
4/16/2024	UNH	UnitedHealth Group Incorporated	Provis. Approved	4Y, 1N	
4/16/2024	VZ	Verizon Communications Inc.	Hold	4Y, 1N	
4/25/2024	UNH	UnitedHealth Group Incorporated	Rescinded	4Y, 0N	

This semester, the first financial action taken for the portfolio was to increase the allocation for Tyson. After observing a significant price drop in Tyson's stock and conducting a valuation, we found it to be undervalued compared to our initial purchase price. Believing in its potential for recovery and noting its steady improvement, we, the portfolio managers, decided to raise our investment from an initial 2% to 4%. The first new additions to the portfolio this semester were Chevron and Williams, introduced on the same day. Despite concerns about the volatility of oil prices, both companies were deemed solid investments, each receiving a 3% allocation, reflective of the inherent volatility in the oil and gas sector. Additionally, the portfolio managers were tasked to review the existing stocks in the portfolio. This review led to the decision to sell our holdings in General Motors, as its stock price had risen significantly and appeared overvalued at the time of our assessment.

PORTFOLIO ALLOCATION TABLE AND GAINS/LOSSES

Allocations and Returns (4/30/2024)								
Ticker/Name	Closing Price	Quantity	Market Value	Average Cost Basis	Cost Basis Total	Total Capital Gain/Loss	Total Capital Gain/Loss Percent	Allocation
CHEVRON CORPORATION (XNYS:CVX)	$ 162.86	76	$ 12,376.98	$ 161.38	$ 12,264.88	$ 112.10	0.91%	1.80%
EAST WEST BANCORP, INC. (XNAS:EWBC)	$ 75.41	276	$ 20,813.16	$ 52.07	$ 14,371.32	$ 6,441.84	44.82%	3.04%
ALPHABET INC. (XNAS:GOOGL)	$ 164.14	168	$ 27,575.50	$ 104.57	$ 17,568.20	$ 10,007.30	56.96%	4.02%
MERCK & CO., INC. (XNYS:MRK)	$ 130.06	186	$ 24,191.35	$ 106.98	$ 19,897.42	$ 4,293.93	21.58%	3.53%
TYSON FOODS, INC. (XNYS:TSN)	$ 60.53	284	$ 17,190.52	$ 60.65	$ 17,223.82	$ (33.30)	-0.19%	2.51%
VERIZON COMMUNICATIONS INC. (XNYS:VZ)	$ 39.61	269	$ 10,653.75	$ 39.23	$ 10,552.87	$ 100.87	0.96%	1.55%
THE WILLIAMS COMPANIES, INC. (XNYS:WMB)	$ 38.64	316	$ 12,210.24	$ 38.89	$ 12,289.15	$ (78.91)	-0.64%	1.78%
Vanguard Rus 1000 Id;ETF (XNAS:VONE)	$ 229.63	740	$169,925.98	$ 221.93	$164,229.05	$ 5,696.93	3.47%	24.78%
FDRXX - FIDELITY GOVERNMENT CASH RESERVES	$ 1.00	390,822.83	$390,822.83	N/A			N/A	56.99%
		TOTAL	$685,760.30					100.00%

PERFORMANCE TABLE

Fund Value Change Summary as of 4/26/2024	2024 YTD
Beginning Balance	$ 385,220.54
Donations	$ 277,059.99
Interest Received	$ 2,400.22
Dividends Received-Equities	$ 1,244.08
Net Realized Capital Gains/Losses	$ 8,274.51
Net Unrealized Capital Gains/Losses	$ 14,746.21
Withdrawals	$ -
Ending Balance	$ 688,945.55

Detailed Monthly Data for 1/1/2024 Through 4/26/2024				
Beginning Date	**1/1/2024**	**2/1/2024**	**3/1/2024**	**4/1/2024**
Fidelity Beginning Balance	$ 385,220.54	$ 393,729.88	$ 401,716.74	$ 414,185.88
Deposits	$ -	$ -	$ -	$ 277,059.99
Interest Received	$ 1,015.50	$ 725.42	$ 659.29	$ 0.01
Dividends Received	$ 143.22	$ 330.69	$ 626.95	$ 143.22
Realized Capital Gains/Losses	$ -	$ 8,274.51	$ -	$ -
Cumulative Unrealized Capital Gains/Losses	$ 22,330.42	$ 20,986.66	$ 32,169.56	$ 29,726.01
Change in Cumulative Unrealized Capital Gains/Losses	$ 7,350.62	$ (1,343.76)	$ 11,182.90	$ (2,443.55)
Transaction Costs	$ -	$ -	$ (0.22)	$ -
Withdrawals	$ -	$ -	$ -	$ -
Fidelity Ending Balance	**$ 393,729.88**	**$ 401,716.74**	**$ 414,185.88**	**$ 688,945.55**
Ending Date	**1/31/2024**	**2/29/2024**	**3/31/2024**	**4/26/2024**
Total Portfolio Periodic Return	2.21%	2.03%	3.10%	-0.33%
Russell 1000 Return	1.39%	5.40%	3.21%	-3.00%
Total Portfolio Return +/- Russell 1000 Return	0.82%	-3.37%	-0.11%	2.67%
Monthly Interest Over Average Cash & Equiv.	0.40%	0.36%	0.41%	0.00%
Indiv. Equity Return Using Average Indiv. Equity Inv.	5.54%	1.66%	5.83%	2.83%
Indiv. Equity Return +/- Russell 1000 Return	4.15%	-3.74%	2.62%	5.83%
Yellow denotes data for a partial month.				

The portfolio allocation table highlights the performance of the stocks in the current portfolio since the fund's creation. A significant part of the total stock gain came from Alphabet, with the second highest being EWBC, yielding a gain of 64.43% and 45.92% consecutively. Apart from the other stocks, the rest were placed in the Russell 1000 and cash reserves to gain dividends and interest. The fund's allocation generated a net realized capital gain of $8,274.51 from selling certain undervalued stocks as their price reached their estimated value. The fund also generated a net unrealized capital gain of $14,746.21, which is the difference between the purchase and actual stock price held in the portfolio. In addition to these funds, we also received donations totaling $277,059.99. The fund allocation generated a total portfolio periodic return of 2.21%, 2.03%, and 3.10% for the months of January through March. Moreover, the Russell 1000 yielded 1.39%, 5.40%, and 3.21% from January to March (respectively). During this semester, there were struggles to find companies that were undervalued due to market conditions. Thus, the net gain from the portfolio would be expected to be lower than that of the benchmark. Since the benchmark is more diversified, lowering risk, it explains the considerable difference in the yields' returns. However, we are hopeful that in the future, with more favorable market conditions, the stocks are likely to perform well as calculated.

STRATEGY

- In the scenario that one or more of the stocks within the portfolio reaches a margin of safety that is -5% or worse in the negative before the next semester, the portfolio managers recommend selling the stock immediately.
- The portfolio managers recommend continuing to spread out the amount being added to the portfolio, with cash doing well right now.