Oral Roberts University Student Managed Investment Fund

Consolidated Report

Fall 2024

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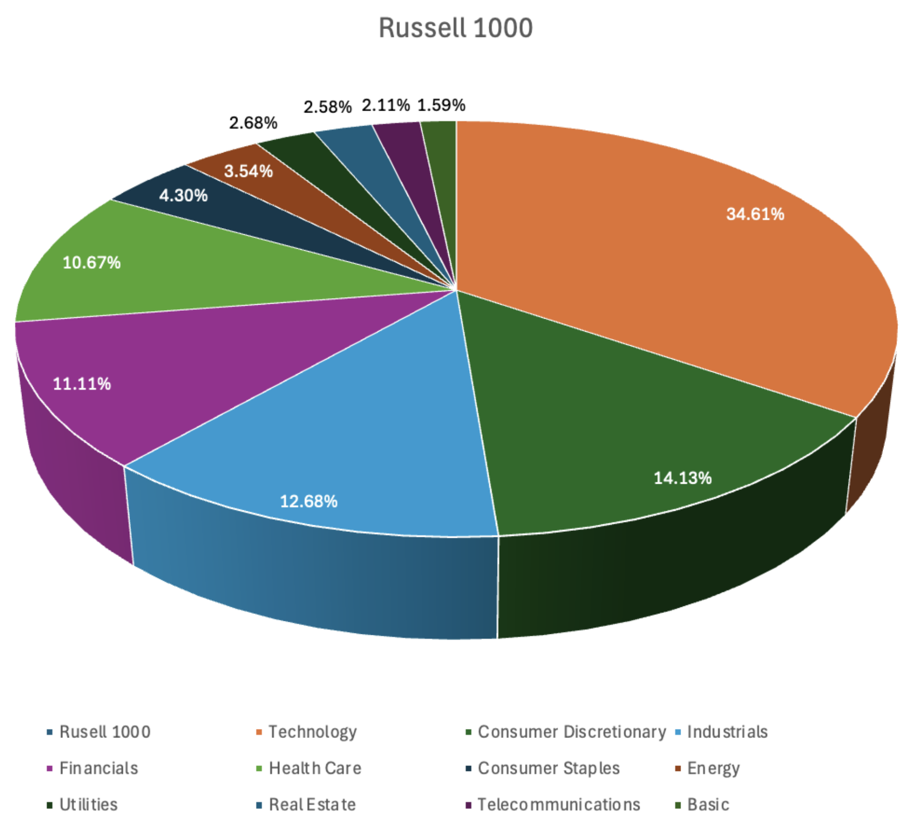
Process

Overview of Industry Level Analysis Performed

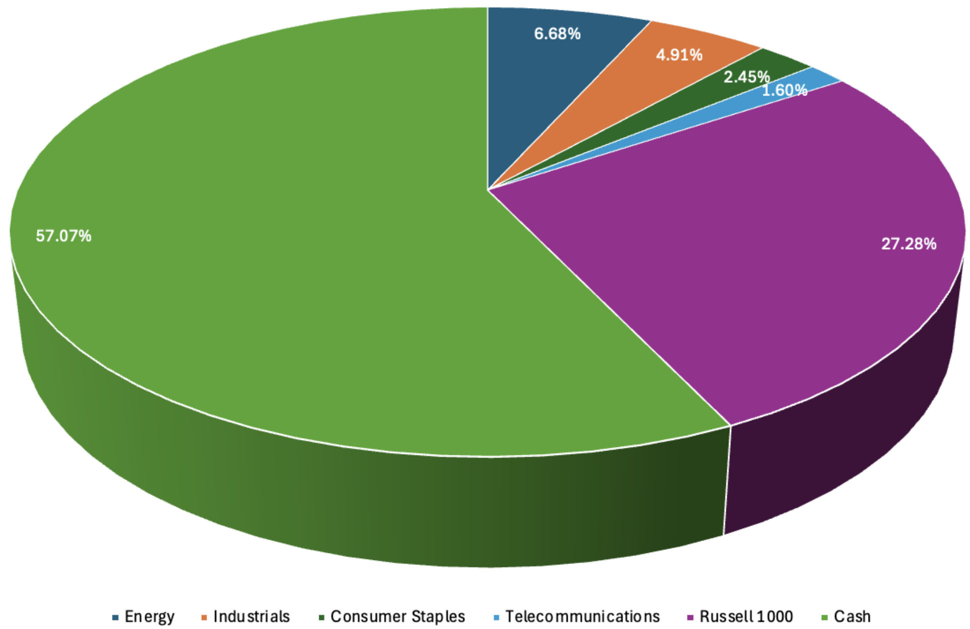
To maintain a diverse portfolio and properly evaluate its prior holdings, the fund managers were each given their own sector to manage. The sectors assigned were Consumer Cyclicals and Staples, Financials, and Technology. Each fund manager was responsible for identifying key factors, investment opportunities, 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 assigned stocks to determine if it would benefit the portfolio to hold, sell, or buy more. 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

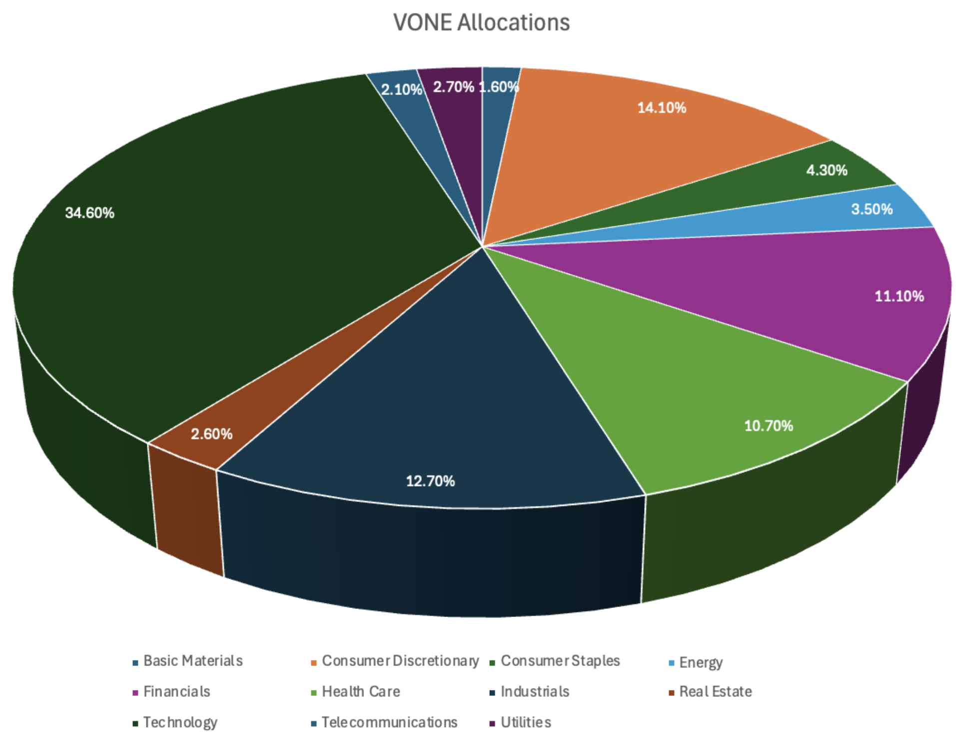


Portfolio Allocations



The current portfolio's breakdown is 57.07% cash, 27.28% in the Russell 1000, 6.68% in energy, 4.91% in industrials, 2.45% in consumer staples, and 1.60% telecommunications. Within the energy sector, Chevron Corporation is 1.65% and Schlumberger N.V. is 5.03%. Honda Motor represents all of the industrial sector, Tyson Foods represents all of the consumer staples sector, and Verizon Communications represents all of the telecommunications sector.

Sector	Russell 1000 Weights	Porfolio Weights	Active Allocations	VONE Allocations
Technology	34.61%	9.44%	-	9.44%
Consumer Discretionary	14.13%	3.85%	-	3.85%
Industrials	12.68%	8.37%	4.91%	3.46%
Financials	11.11%	3.03%	-	3.03%
Health Care	10.67%	2.92%	-	2.92%
Consumer Staples	4.30%	3.62%	2.45%	1.17%
Energy	3.54%	7.63%	6.68%	0.95%
Utilities	2.68%	0.74%	-	0.74%
Real Estate	2.58%	0.71%	-	0.71%
Telecommunications	2.11%	2.17%	1.60%	0.57%
Basic	1.59%	0.44%	-	0.44%
Cash	0.00%	57.08%	57.08%	0.00%
Total	100.00%	100.00%	72.72%	27.28%
As of December 3rd, 2024				



Consumer Cyclicals & Defensive

The process of narrowing down the sector to the top three companies began with utilizing FactSet's universal screening tool to generate an Excel table of stocks in both sectors within the Russell 1000. While constructing the table within FactSet, 25 columns of various financial metrics were added to help filter companies within both sectors. Companies received a point for each column where their values were above or below the median value of the population based on the current metric. As an example, a company with a gross margin above the median value of 35 would receive a point. When each company's points were totaled, the top three companies yielded from this screening process were Carter's Incorporated, Lear Corporation, and Polaris Inc.

Once the three companies were identified, the next step was to determine which would be the best choice for potential investment. Carter's specializes in children's clothing while Lear and Polaris offer automotive products. Since all three companies operate in the cyclicals sector, lowered demand for products and decreased consumer confidence were cited as primary factors contributing to their lower sales performance in all their earnings calls. Given that these companies' revenues are heavily dependent on consumers having excess discretionary income making them more reactionary to economic downturns, these companies appeared to be higher risk choices given current economic conditions, leading to a rejection of all three.

Upon reviewing the preliminary screening for other companies with investment potential, Genuine Parts Company was selected as the best stock. After the company failed to meet analyst expectations upon releasing Q3 earnings, a sharp drop in price appeared to make the stock seem more attractive. However, poor financial performance due to harsh economic conditions as cited in their earnings call resulted in more pessimistic, modified projections. This change resulted in extremely low margins of safety for the fund, leading to the rejection of this proposal. For the second “other” stock pitch, Honda was selected due to its diversified product base which offered some risk reduction for revenue streams. A valuation of this stock showed it to be undervalued, leading the portfolio managers to vote to purchase this stock.

Financials

The Finance and Insurance Industry is one of the biggest in revenue in the US. It directly engages in monetary transactions by creating, acquiring, and trading financial instruments, and current market conditions heavily affect those operations. Four and a half years after COVID-19’s arrival and two and a half years of rising interest rates, inflation, although it has not met the Fed’s target rate, has significantly declined, the labor market is no longer overheated, supply chain constrains have normalized, and the economy has grown at a solid pace although signs of its decline are starting to show. There are concerns about the country slowly moving into a recession, so the market expects the Fed to continue a rate-cutting path. The market expects the Fed to start drifting away from high interest rates and start lowering the rates to keep the economy growing at a healthy pace and bring the country back to a normal yield curve.

Interest rate cuts would have different effects on different sections of the industry. Lower interest rates can make insurance company’s products less attractive, resulting in lower income in the form of premiums. Businesses and consumers to borrow more money, banks would then experience a rising demand for loans, but at a lower profit margin per loan. Finally, the stock market would tend to go up while the bond market goes into a decline, presenting different threats and opportunities in the investments field.

Buying power or bargaining power of customers is high in the financial sector. Buyers prioritize affordability and convenience, looking for lower interest rates and the best user experiences Supplier power is also relatively high due to the amount of regulation that dictates many supply requirements, as well as the capital requirements and taxes associated with operations. There is high competition but low concentration. High capital requirements, high start-up costs, prevalence of economies of scale, regulatory barriers, and supply of knowledgeable labor pose significant barriers to entry. For similar reasons, the threat of substitutes is low, especially in the regulatory and legal environment around it.

It was crucial to understand the key success factor before finding potential undervalued stocks. For the screening process, FactSet’s universal screening tool was utilized to create a table that compared the 40 financial stocks included in the Russell 1000 in terms of profitability, leverage, asset utilization, liquidity, and other valuation metrics. The median score for each variable to use as a benchmark and gave the stock a score based on its performance. The only exception to this rule was the P/E ratio, which was modified to use 25 as a benchmark. Net income margin, return on average total assets, return on average total equity, and a P/E ratio were more heavily weighted than other metrics to create the scores. The stocks with the highest scores were then judged by their 5-year stock price performance, focusing on stocks that have experienced a decline in stock price lately but had strong financials and a solid foundation for future success. After examining each company's financial health and economic factors, the final three stocks selected were T. Rowe Price, MarketAxess Holdings Inc., and Bank of America.

Upon reviewing the preliminary screening for other companies with investment potential, Ameriprise was selected as the best stock. After class discussions and modified to the valuation projections, the margins of safety didn’t look attractive, leading to the rejection of this proposal. For the second round of stock pitches, the portfolio managers were not limited to a single industry. In face of the current economic environment, an emphasis on the healthcare industry was approached. The screening process started by creation a comparison table comparing various Russell 1000 companies on liquidity, activity, profitability, and valuation metrics. Johnson and Johnson (JNJ) appeared to be a solid investment. Pessimistic, neutral, and optimistic scenarios demonstrated that the stock was undervalued; however, due to ethical concerns, the stock proposal was withdrawn.

Technology

The technology sector is poised in a unique position where investors and analysts are debating over whether AI has produced another bubble, waiting to burst. Some argue that AI is being overly credited and won't impact the global economy to such a drastic measure, while others argue that AI is providing operational efficiencies that is allowing these companies to operate with larger margins and reduce costs significantly; therefore providing stronger free cash flows. Paired with this, the Feds cut interest rates twice, further discounting those free cash flows and increasing technology stocks' values.

For the screening process of potential investments in the technology sector, they were initially sorted using the screening feature within FactSet. The parameters were built off current portfolio holdings, which, for the technology sector, is Alphabet and averaged over the last five years. The big focus was on profitability and valuation. From there, only companies with a P/E ratio below 25 were deemed appropriate. Additionally, the stocks were required to have a net margin above 24% to indicate profitability (compared to the current portfolio). Finally, the stocks were ranked according to their FCF margin, and those with the highest margins were chosen as the top three as follows: Skyworks Solutions, Gen Digital and Qualcomm.

After identifying the top three stocks to evaluate, a deeper analysis and valuation was performed to identify the top pick. Gen Digital was taken out due to having a comparably higher P/E ratio and lower EPS. Skyworks and Qualcomm both had strong cases with an industry relative median P/E, paired with stronger EPS, ROA and ROE. Upon reviewing the valuations, Qualcomm was deemed as the top choice. However, just a few days before stock choices were to be presented, news of Qualcomm's licensing partner, Arm Shares, suing them over a patent was released which severely tanked the stock price but also posed uncertainties around the line of revenue coming in from the patent, which is in billions of dollars. Due to the uncertainty of the circumstance, the stock was taken out of consideration.

Upon re-evaluating the initial screen, Meta stood out based on its strong earnings and median P/E. The financial statements were projected with sales grown or reduced based on assumptions made on global internet ad spending, how much of that market Meta can continue to capture and how will its AR/VR segment perform. After completing the valuation, the stock had a margin-of-safety of 21.13%. However, after reviewing the assumptions, there was a realization that adjusting the terminal growth rate by 50 basis points would drastically affect the margin-of-safety. Due to the volatile nature of how Meta was behaving due to that one factor, it was rejected.

The search parameters were broadened and changed since a specific industry was no longer necessary. The emphasis was on stocks that have declined in the past year, while earnings have remained steady or have grown. SLB came across as an attractive investment within these parameters with a forward P/E of 11.2 and FCF yield of 8.9%, supplemented by high volumes on insider buying.

Compliance

For the Fall 2024 semester, 10% 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, 5% was allocated to both Honda Motors and Schlumberger N.V. However, the decision to allocate 5% to Honda presented a compliance issue as Honda is not a member of the

Russell 1000, and, per the IPS guidelines, the aggregate weight of the stock holdings invested in individual stocks which are not members of the Russell 1000 must not exceed 20%. This presented the issue that, given the fund held a very low level of stock to begin with, the investment in Honda would have to be limited to roughly 1% of the entire portfolio to keep it below the 20% aggregate weight of stocks being held as outlined by the IPS. Upon the basis that this investment opportunity was highly attractive and offered a large margin of safety, it was recommended to the board that the allocation for Honda be increased to roughly 5% of the total portfolio under the assumption that its aggregate weighting relative to the other stocks held in the portfolio would eventually fall below the 20% requirement as more companies end up being purchased. This recommendation was approved, resulting in an increase in the allocation in Honda to roughly 5% of the entire portfolio.

Every company reviewed by the fund managers was evaluated for its social responsibility before an investment decision was made. Inspire Insight served as a tool to facilitate discussions on whether investments should proceed based on the companies' engagement in various social issues. 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 Johnson & Johnson (JNJ) stock did raise some questions. The proposal to invest in JNJ was ultimately retracted after review, as it was not compliant with the IPS.

Results

Summary of Approvals

Activity Summary for Fall 2024 (as of 12/10/2024)					
Date	**Ticker**	**Name**	**Decision**	**Vote**	**Approved Allocation**
10/1/24	GOOGL	Alphabet Inc.	Approved - Sell	3Y, 0N	
10/1/24	MRK	Merck & Co., Inc.	Approved - Sell	3Y, 0N	
10/15/24	EWBC	East West Bankcorp, Inc.	Approved - Sell	2Y, 0N	
10/15/24	TSN	Tyson Foods, Inc.	Hold	2Y, 0N	
11/5/24	AMP	Ameriprise Financial, Inc.	Withdrawn		
11/12/24	HMC	Honda Motor Co., Ltd.	Approved - Buy	2Y, 1N	5%
11/12/24	JNJ	Johnson & Johnson	Provis. Approved	3Y, 0N	
11/12/24	GPC	Genuine Parts Company	Withdrawn		
11/19/24	SLB	Schlumberger Limited	Approved - Buy	3Y, 0N	5%
11/19/24	JNJ	Johnson & Johnson	Rescinded	3Y, 0N	
11/19/24	META	Meta Platforms Inc	Did Not Pass	0Y, 3N	
11/26/24	CVX	Chevron Corporation	Hold	3Y, 0N	
11/26/24	WMB	Williams Companies, Inc.	Approved - Sell	3Y, 0N	
11/26/24	Motion to keep VONE and use EQAL for subsequent purchases		Approved	3Y, 0N	
12/3/24	Motion to execute cash investment policy		Approved	3Y, 0N	
12/9/24	VN	Verizon Communications Inc.	Hold	3Y, 0N	

This semester, the portfolio decided to sell Alphabet Inc., Merck & Co., Inc., East West Bankcorp, Inc., and Williams Companies, Inc. These stocks, although they had proved to be undervalued at the time of their purchase, appeared to be currently either fairly valued or overvalued. Each portfolio manager took input from previous valuations and new information available to build new valuations. Following the same process for generating new valuations, Tyson Foods, Inc. and Chevron Corporation were held. New valuations suggested that the stocks remained undervalued and have potential to continue growing and generating returns.

New additions to the portfolio this semester were Honda Motor Co., Ltd. and Schlumberger Limited, introduced on November 11th and November 19th, respectively. Both companies were deemed solid investments, each receiving a 5% allocation, which was the maximum allocation allowed for each stock. Additionally, the portfolio managers were tasked to review the existing stocks in the portfolio.

Portfolio Allocation Table and Gains/Losses

Allocations and Returns (11/30/2024)

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)	$ 161.93	76	$ 12,306.68	$ 161.38	$ 12,264.88	$ 41.80	0.34%	1.65%
HONDA MOTOR CO., LTD. (XNYS:HMC)	$ 25.90	1,414	$ 36,622.60	$ 26.01	$ 36,772.21	$ (149.61)	-0.41%	4.91%
Schlumberger N.V. (XNYS:SLB)	$ 43.94	855	$ 37,568.70	$ 43.10	$ 36,850.50	$ 718.20	1.95%	5.03%
TYSON FOODS, INCORPORATED (XNYS:TSN)	$ 64.50	284	$ 18,318.00	$ 60.65	$ 17,223.82	$ 1,094.18	6.35%	2.45%
VERIZON COMMUNICATIONS INC. (XNYS:VZ)	$ 44.34	269	$ 11,927.46	$ 39.23	$ 10,552.87	$ 1,374.59	13.03%	1.60%
Vanguard Rus 1000 Id;ETF (XNAS:VONE)	$ 275.14	740	$ 203,603.60	$ 221.93	$ 164,229.05	$ 39,374.55	23.98%	27.28%
FDRXX - FIDELITY GOVERNMENT CASH RESERVES	$ 1.00	407,528.26	$ 407,528.26					54.61%
Cash (SPAXX)	$ 1.00		$ 18,379.06					2.46%
		TOTAL	$ 746,254.36					100.00%

Performance Table

Fund Value Change Summary

Beginning of Period	1/1/2024	5/1/2024	8/1/2024	1/1/2024
End of Period	**4/30/2024**	**7/31/2024**	**11/30/2024**	**11/30/2024**
Beginning Balance	**$ 385,220.54**	**$ 685,126.23**	**$ 711,535.37**	**$ 385,220.54**
Donations	$ 277,059.99	$ -	$ -	$ 277,059.99
Interest Received	$ 3,624.33	$ 4,960.86	$ 6,708.48	$ 15,293.67
Dividends Received-Equities	$ 1,244.08	$ 1,522.79	$ 1,712.88	$ 4,479.75
Realized Capital Gains/Losses	$ 8,274.51	$ -	$ 28,451.99	$ 36,726.50
Change in Unrealized Capital Gains/Losses	$ 9,702.78	$ 19,925.49	$ (2,154.36)	$ 27,473.91
Net Capital Gains/Losses	$ 17,977.29	$ 19,925.49	$ 26,297.63	$ 64,200.41
Withdrawals	$ -	$ -	$ -	$ -
Ending Balance	**$ 685,126.23**	**$ 711,535.37**	**$ 746,254.36**	**$ 746,254.36**

Detailed Monthly Data for 8/1/2024 Through 11/30/2024				
Beginning Date	**8/1/2024**	**9/1/2024**	**10/1/2024**	**11/1/2024**
Fidelity Beginning Balance	$ 711,535.37	$ 717,569.82	$ 722,091.82	$ 726,252.34
Deposits	$ -	$ -	$ -	$ -
Interest Received	$ 1,693.50	$ 1,593.57	$ 1,785.28	$ 1,636.13
Dividends Received	$ 330.69	$ 1,056.72	$ 143.22	$ 182.25
Unrealized Capital Gains/Losses	$ 48,618.33	$ 50,490.04	$ 30,340.00	$ 42,453.71
Change in Unrealized Capital Gains/Losses	$ 4,010.26	$ 1,871.71	$ (20,150.04)	$ 12,113.71
Realized Capital Gains/Losses	$ -	$ -	$ 22,382.06	$ 6,069.93
Net Capital Gains/Losses for the Period	$ 4,010.26	$ 1,871.71	$ 2,232.02	$ 18,183.64
Transaction Costs	$ -	$ -	$ (2.08)	$ (0.52)
Withdrawals	$ -	$ -	$ -	$ -
Fidelity Ending Balance	**$ 717,569.82**	**$ 722,091.82**	**$ 726,252.34**	**$ 746,254.36**
Ending Date	**8/31/2024**	**9/30/2024**	**10/31/2024**	**11/30/2024**
Total Portfolio Periodic Return	0.85%	0.63%	0.58%	2.75%
Russell 1000 Return	2.37%	2.14%	-0.70%	6.44%
Total Portfolio Return +/- Russell 1000 Return	-1.52%	-1.51%	1.28%	-3.69%
Ending Cash and Equiv.	$ 400,554.78	$ 403,205.07	$ 479,352.57	$ 425,907.32
Ending Indiv. Equities & Pending Trans.	$ 127,893.24	$ 126,434.95	$ 55,831.77	$ 116,743.44
Ending Index Inv. & Pending Transactions	$ 189,121.80	$ 192,451.80	$ 191,068.00	$ 203,603.60
Fidelity Total Ending Balance	**$ 717,569.82**	**$ 722,091.82**	**$ 726,252.34**	**$ 746,254.36**
Monthly Interest Over Average Cash & Equiv.	0.42%	0.40%	0.40%	0.36%
Indiv. Equity Return Using Average Indiv. Equity Inv.	0.11%	-0.80%	4.12%	6.76%
Russell 1000 Return	2.37%	2.14%	-0.70%	6.44%
Indiv. Equity Return +/- Russell 1000 Return	-2.26%	-2.94%	4.82%	0.32%

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 Verizon, with the second highest being Tyson, yielding a gain of 8.00% and 3.29% respectively. 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 $28,451.99 from selling certain undervalued stocks as their priced reached their estimated value. The fund also generated a net unrealized capital loss of $2,154.36, which is the difference between the purchase and actual stock price held in the portfolio. The fund allocation generated a total portfolio periodic return of 0.85%, 0.63%, 0.58%, and 2.75% for the months of August through November. Moreover, the Russell 1000 yielded 2.37%, 2.14%, -0.70%, and 6.44% from August to November (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.