

2023 CUSP Sector Attribution

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The Creighton University Student Portfolio (CUSP) Fund evaluates performance relative to the Russell 1000, which is comprised of the largest 1,000 companies by market capitalization in the United States. We used portfolio attribution analysis to evaluate the CUSP Fund's performance relative to the benchmark. The total attribution, the CUSP Fund's alpha, is separated by sector allocation and individual security selection effects. The allocation effect compares how underweighting or overweighting sectors impacted the CUSP Fund's relative performance. Selection effect measures managers' ability to choose securities within a particular sector. The total effect highlights the CUSP managers' ability to generate returns relative to the benchmark of the Russell 1000. The period covered is calendar year 2023.

CUSP managers do not attempt to predict the performance of any sector represented in the index. We intend to mostly match the CUSP weights to the Russell 1000 benchmark weights at the beginning of the year. CUSP sector overweighting and underweighting is normally a result of changing values in the underlying holdings. However, the fund is underweighted in two of the sectors: energy and utilities. The fund held no utility companies in 2023 and is underweight in energy due to the University mandate to divest fossil fuel investment holdings by the end of 2025.

The table below reports the CUSP 2023 attribution analysis relative to the Russell 1000. The CUSP and Russell 1000 had positive annual returns of 24.07% and 26.66% respectively. The total alpha was -2.59%, comprised of a positive 0.65% allocation effect and a negative selection effect of -2.99%. Much of the negative selection effect was driven by the class focus on a value driven approach. In general, growth sectors outperformed value in the Russell 1000 in 2023. Moreover, the CUSP was slightly underweight in the technology sector going into the year and did not hold some of the firms that benefitted the most from the explosion of interest in artificial intelligence. If the CUSP is underweight in a sector that ultimately performs well, as the IT sector did, the CUSP will underperform the index for that portion of the fund's stock holdings relative to the index. That played out in 2023.

The CUSP outperformed the Russell 1000 in health care (slight underweighting), industrials (slight overweighting), and financials (slight overweighting). These three sectors generated positive alphas of 2.37%, 1.33%, and 1.25% respectively. Much of these sectors' outperformance came from selection effect: 2.13% for Health Care, 1.21% for Industrials,

and 2.13% for Financials. A positive selection effect in a sector means the CUSP holdings in that sector outperformed those reflected in the index.

The technology sector is a key contributor to the CUSP trailing its benchmark. The CUSP was underweighted in the sector and had a negative selection effect as well, generating a sector alpha of -3.28%. The CUSP also lagged the index in consumer discretionary and communication services, resulting in negative sector alphas of -2.10% and -1.56% respectively.

Because the CUSP sector weights tend to mimic those of the index, sector allocation effects should be small. Overall, sector allocation contributed 0.65% to Fund alpha. Underweighting in energy, health care, and utilities proved to be effective as they produced positive allocation effects.

Because the CUSP holds only about 60 stocks of the 1000 stocks in the index, stock selection effects could provide a majority of the difference in observed performance. In 2023, due to disappointing results in technology, consumer discretionary, and communication services, the CUSP underperformed the Russell 1000 benchmark. Sectors such as financials, healthcare, industrials, and utilities helped soften the underperformance. Generally, the CUSP outperformed in more defensive sectors and underperformed in more offensive sectors in 2023.

The CUSP managers are disappointed in the relative underperformance during 2023. Since we take a value approach and manage portfolio risk by sector-weight-matching the index, we recognize we won't always come out ahead of the benchmark. During the spring semester of 2024, CUSP managers paid particular attention to the sectors that generated the lowest returns in terms of selection effect in hopes of improving holdings in these areas.

Sector	CUSP Return	Benchmark Return	Difference	Allocation Effect	Selection Effect	Total Effect
Energy	-13.42%	-1.42%	-12.00%	0.75%	-0.62%	0.45%
Real Estate	1.22%	12.10%	-10.88%	-0.11%	-0.34%	-0.54%
Financial	22.98%	12.27%	10.71%	-0.13%	1.28%	1.25%
Technology	46.77%	57.84%	-11.07%	-0.77%	-2.78%	-3.28%
Consumer Discretionary	21.59%	42.30%	-20.71%	0.12%	-2.06%	-2.10%
Materials	-5.73%	12.55%	-18.28%	-0.24%	-0.54%	-1.08%
Health Care	15.84%	2.06%	13.78%	0.53%	2.13%	2.37%
Industrials	31.04%	18.08%	12.96%	-0.22%	1.21%	1.33%
Utilities	0.00%	-7.08%	7.08%	1.03%	0.22%	1.03%
Consumer Staples	2.49%	0.52%	1.97%	-0.63%	0.13%	-0.45%
Communication Services	32.73%	55.80%	-23.07%	0.33%	-1.63%	-1.56%