

## 2024: A Year in Review

By Banyan Neece and Bengt Morvice

The student managers of the Creighton University Student Portfolio (“CUSP”) Fund had a successful year. 21 students covering 10 different industries conducted research on over 100 individual securities. The CUSP underperformed its benchmark during the calendar year 2023, the Russell 1000, by 2.6% (23.9% vs 26.5%). This underperformance was driven by underexposure to the Magnificent Seven (“Mag 7”) stocks which defined the market throughout this past year. Over the course of this academic year, the managers meaningfully reallocated capital, investing in a variety of companies which we believe will enhance the portfolio’s long-term returns while maintaining an appropriate level of risk. The portfolio began the year with 61 firms. Throughout the course of the year, the portfolio exited 12 positions and entered 16, ending the year with 65 positions. This amounted to a turnover rate of 19.05%, or an expected hold period of 5.25 years.

Prior to the start of summer 2023, we were assigned to sectors and CUSP companies we were to follow. Over the summer, we monitored price changes and wrote summary reports on the quarterly earnings of each of our assigned companies. We also read the 10-K and studied a quarterly earnings call transcript for one of our assigned companies to better familiarize ourselves with equity research and financial reporting. We began the fall 2023 semester by studying the investment policy statements of the Creighton Endowment and CUSP. The work then pivoted towards evaluating companies within the existing portfolio, along with prospective purchases.

During the fall semester, we worked in teams to study the economics of our sectors and make presentations of our findings. This presentation provided the framework for the class to think about the different coverage groups going forward. We then practiced ratio analysis and valuation methodologies to prepare to evaluate the investments of the portfolio. Each coverage group then conducted in-depth research of the companies within their industry, and then presented this information to the class. Each group was expected to choose at least one firm within the current sector holdings as the weakest, and therefore a prospective sell.

We then began the process of screening for potential investments. We started by using Bloomberg equity screens, using key quantitative value drivers to whittle down the list of firms in our sector. We then chose several of the most promising companies, and conducted brief research and presented our findings to the other student managers. Based on this presentation, the class then chose the most promising companies to conduct further research on.

The coverage groups took these chosen firms and conducted more in-depth analysis, along with the previously selected prospective sells. This information was then presented to the class during spring 2024. If the class determined that the prospective buy was stronger than the prospective sell, the firm replaced the sold security within the portfolio. In some cases, firms that were overweight were sold and used to purchase multiple prospective buys. Throughout the process, we rebalanced the portfolio to ensure that the portfolio’s sector weights reasonably matched that of the benchmark.

During 2023, the CUSP underperformed its benchmark. During the year, US equity returns were disproportionately driven by the so-called Mag 7 stocks. The heavy market concentration in the Mag 7 profoundly affected investor outcomes. Portfolios that held all seven – Apple, Amazon, Alphabet

Inc., Meta Platforms, Microsoft, Nvidia, and Tesla – enjoyed supercharged returns. Actively managed portfolios that did not own all these stocks were saddled with large underweight positions, making it exceedingly difficult to beat the benchmark. The CUSP did not contain Nvidia and owned MSFT in a lower weight than the index. We believe that while the portfolio underperformed over the past year, the firms within the portfolio present superior long-term value relative to the market and partially shield the CUSP fund from the risks associated with the unprecedented concentration within the Index. The incoming management team will need to position the portfolio to address opportunities associated with the advent of artificial intelligence, growing geopolitical risks, economic uncertainty, and increased protectionist sentiment.

**Transaction Detail**

Security Name	Type	Ticker	Sector	Cash Flow	Share Quantity	Price per Share	Date
3M Company	Sale	MMM	Industrials	69,824.13	(690.00)	101.19	7/3/2023
Medical Properties Trust, Inc.	Sale	MPW	Real Estate	38,907.18	(7,900.00)	4.92	10/3/2023
Nutrien Ltd.	Sale	NTR	Materials	80,983.67	(1,600.00)	50.61	2/20/2024
Eagle Materials Inc.	Buy	EXP	Materials	(121,077.50)	500.00	242.16	2/20/2024
ResMed INC.	Sale	RMD	Health Care	132,944.79	(725.00)	183.37	2/22/2024
The Boeing Company	Sale	BA	Industrials	140,499.79	(700.00)	200.71	2/27/2024
Topbuild Corp.	Buy	BLD	Industrials	(98,859.60)	240.00	411.92	2/27/2024
Deere & Company	Buy	DE	Industrials	(129,443.40)	360.00	359.57	2/27/2024
Paccar Inc	Buy	PCAR	Industrials	(99,751.23)	900.00	110.83	2/27/2024
U-Haul Holding Company	Sale	UHAL.B	Industrials	207,566.68	(3,300.00)	62.90	2/27/2024
Prudential Financial, Inc.	Sale	PRU	Financials	229,537.76	(2,000.00)	114.77	3/22/2024
RenaissanceRe Holdings Ltd.	Buy	RNR	Financials	(229,084.90)	1,000.00	229.08	3/22/2024