

Capturing Value Through Core and Satellite Holdings

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The CUSP portfolio managers use a value-focused investment approach with the goal of purchasing companies with both promising growth and fair valuations. The CUSP portfolio is benchmarked against the Russell 1000 index. The CUSP is constructed of about 60+ equities but seeks to maintain sector allocations that are similar to the benchmark. The fund managers use a core and satellite holdings approach to achieve diversification. This allows for stabilization through core holdings while seeking calculated growth opportunities through satellite holdings. Core holdings are established companies that offer such steady, dependable growth in sales and earnings, hopefully leading to stable value increases as a result. Given their stability and the difficulty in finding better alternative investment opportunities, core holdings are best described as positions that are unlikely to ever sold by a class. The portfolio's composition is roughly 60% core and 40% satellite holdings. Several of the core holdings have been held in the portfolio for in excess of 10 years.

Satellite holdings offer unique growth opportunities that seek to differentiate the fund from the benchmark. These firms are chosen due to their unique growth potential and add what the managers consider to be measured risk to the portfolio. Since the CUSP is sector-weight matched against the benchmark, any outperformance by the CUSP relative to the benchmark must come from security selection within each sector. With long term growth in mind, a mix of both core and satellite holdings create a fund with the potential to outperform the Russell 1000 given the class selects the appropriate satellite holdings.

An example of a core holding is Microsoft (NASDAQ: MSFT). Microsoft is a technology industry leader specializing in software, hardware and services. Their diverse range of products including cloud services, devices, and Microsoft Office products positions them as distinct leaders in technological development. With recent acquisitions of Open AI and Activision Blizzard, Microsoft continues to revolutionize their products and maintain their place at the forefront of technological innovation. Microsoft has been continuously reaching record revenues and their consistent growth cements their place as a core holding. Additional core holdings include such familiar names as Apple, McDonald's, United Healthcare, and JP Morgan, just to name a few.

An example of a satellite holding is Electronic Arts (NASDAQ: EA). Electronic Arts is a premier gaming development and entertainment company. Electronic Arts creates perennial titles such as Madden, EA Sports FC, NHL, and UFC games while also offering standalone games such as Apex Legends and Star Wars Jedi Survivor. Electronic Arts fills a distinct niche in the gaming and entertainment industry due to their annual titles which offer stability within the dynamic gaming landscape. Their gaming portfolio contains diverse genre's and both mobile

and console games, which positions them well to maintain their place as a premier gaming developer. With the highly anticipated NCAA College Football franchise returning in 2024, Electronic Arts offers a unique opportunity for growth going forward.

All satellite holdings are diligently researched by CUSP managers to ensure they match the long- and short-term goals of the portfolio. The combination of both satellite and core holdings creates both strong diversification and a unique risk profile, allowing the fund to emulate the Russell 1000 in terms of risk profile while also differentiating itself in key ways, potentially leading to superior performance.