



Georgia Tech Investments Committee

Fall 2022 Portfolio Update

Chris Topalov - Director of Portfolio



Georgia Tech
Student Foundation

Moving Forward by Giving Back

I. Allocations Update

Sector Allocations (1)

Consumer Discretionary	8.40% → 7.45%	▼	One of the worst performers in Q2 (down 26.2% in U.S. markets) amid lack of consumer confidence & increasing prices
Consumer Staples	5.90% → 5.51%	▼	Inflation continues to hurt already slim margins, passing cost down to customer
Energy	4.90% → 7.22%	▲	Conflict in Russia keeps upwards pressure on prices, winter expected to cause record high energy spending
Financials	10.90% → 11.45%	▲	Increasing interest rates helping Banks bottom lines, but M&A and PE deals at all time lows
Healthcare	11.90% → 12.84%	▲	Staff/Supply shortages continue to hurt industry, transition to at-home care picks up amid acquisitions (AMZN-OneMedical)
Industrials	6.90% → 7.38%	▲	Infrastructure Bill to boost construction spending, Pentagon increasing defense spending amid Ukraine conflict

Sector Allocations (2)

REITS	4.90% → 5.14% ▲	Housing market cooling off as demand for real estate falls due to rising rates
Technology	14.90% → 13.05% ▼	CHIPS act to boost U.S. technology investment, supply issues to remain for near future
Media & Telecom	8.90% → 6.37% ▼	Web3 expansion spurs investment in space, race for most 5G coverage picks up amid SpaceX T-Mobile agreement
Utilities	3.90% → 4.30% ▲	Climate bill urges utilities to explore renewable energy sources, high prices during winter expected globally
Quant	0.50% → 0.51% ▲	
Fixed Income	13.50% → 13.26% ▼	Fed reaffirms plans for more rate hikes to cool down economy

Sector	IC Weight	Benchmark Weight
Consumer Discretionary	8.40%	9.20%
Consumer Staples	5.90%	5.30%
Energy	4.90%	3.75%
Financials	10.90%	8.60%
Healthcare	11.90%	11.10%
Industrials	6.90%	6.50%
REITs	4.90%	2.30%
Technology	14.90%	22.25%
Media & Telecom	8.90%	8.60%
Utilities	3.90%	2.40%
Fixed Income	13.50%	15.00%

II. Portfolio Overview

Holdings Performance

- **Natural Gas and Oil** stocks continue to rise amidst global supply shortage
- **REITs** rising to yearly highs as profits from housing market boom continued to roll in
- **Tech** companies miss earnings across, and further lag behind general market for the year
- **Industrials, Energy, and Utilities** look to benefit from government bills
- Rising rates expected to boost **Financial's** profits, but M&A and PE deals at all time lows (affecting advisory fees)
- Inflation continues to hurt **Consumer Staples** margins, some passing costs on to consumers

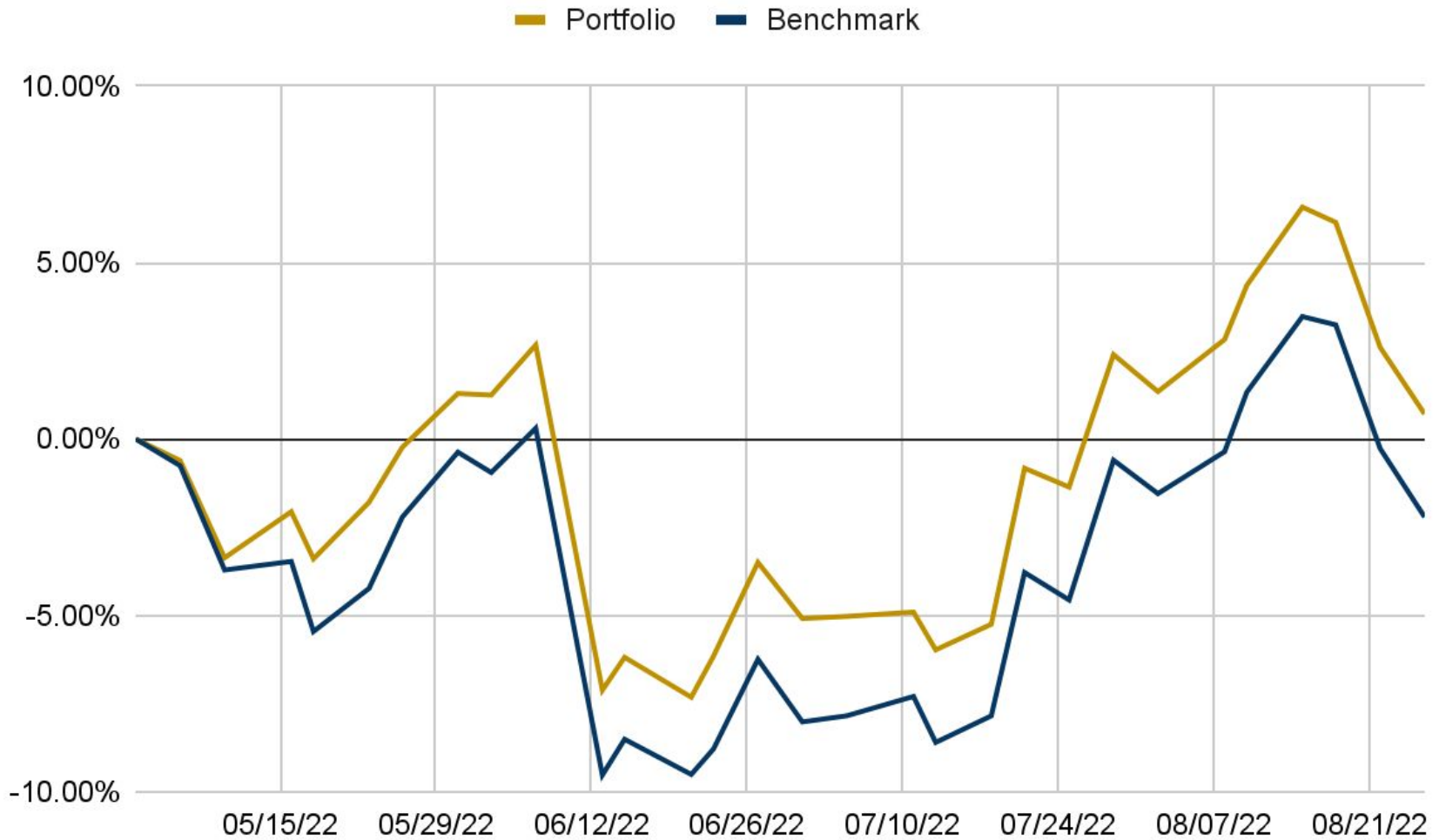
Summer Market Summary

- Stocks entered **bear territory** in Q2 as inflation fears mount
- U.S. housing market cooling off as **mortgage rates rise** and demand for housing falls
- 10-year US treasury rose **3%** by end of quarter while Agg market lagged to worst start ever
- Market mounted small rebound before Powell's Jackson Hole speech
- U.S. dollar hit **parity** with the Euro for the first time in more than 20 years
 - Expensive exports, cheap imports

Recent News

- Government passes Infrastructure, CHIPS, and Inflation Reduction Bills
- Fed remains hawkish and warns of pain for Americans as rate hikes increase (economic cooldown, increased unemployment, etc.)
 - 50-75 bps hike expected in coming months
- Supply chain issues to remain as inflation hits U.S. based steel and aluminum plants
- Infrastructure Bill
 - \$1 trillion package
 - Focused on road, bridge, climate, and broadband initiatives
- CHIPS and Science Act
 - \$280 billion law
 - Boost U.S. chip-manufacturing to alleviate ongoing shortage
- Inflation Reduction Act
 - \$370 billion act
 - Encouraging climate investment and EV purchases
 - Cap on inflation

Equity Portfolio Performance (Current Balance: ~\$1.9mm)



Treynor Ratio

- Performance indicator that estimates volatility-adjusted efficacy of investment
- Measures return of investment adjusted to its beta
- A portfolio with a **higher** Treynor ratio is **desired**

$$TreynorRatio = \frac{R_p - R_f}{\beta}$$

Where:

R_p – Return of portfolio

R_f – Risk-free rate

β – Portfolio beta

Sharpe Ratio

- Similar to Treynor, but uses portfolio standard deviation and risk-free rate
- Negative sharpe ratio means risk free rate is higher than portfolio return
- A sharpe ratio between 0 and 1 is suboptimal, but better than negative
- A sharpe ratio **above 1** is considered **good**

$$SharpeRatio = \frac{R_p - R_f}{\sigma_p}$$

Where:

R_p – Return of portfolio

R_f – Risk-free rate

σ_p – Standard deviation of portfolio excess returns

Alpha

- Measure of how well a stock or portfolio performs in comparison to broad market
- Alpha shows if there is a benefit to active management
- Active management is where investors select the make-up of a portfolio
- **Negative** alpha means the portfolio **underperformed** the benchmark
- **Positive** alpha means the portfolio **outperformed** its benchmark

$$Alpha Formula = \frac{\text{Actual Rate of Return of Portfolio} - \text{Expected Rate of Return on Portfolio}}$$

Beta

- Measures how an asset moves in comparison to its reference market
- **Positive** beta means the asset moves in the **same** direction as its benchmark
- **Negative** beta means the asset moves in the **opposite** direction as its benchmark

Beta coefficient formula

$$Beta\ coefficient\ (\beta) = \frac{Covariance\ (R_i, R_m)}{Variance\ (R_m)}$$

R_i = the return on an individual stock

R_m = the return on the overall market

Covariance = how changes in a stock's returns are related to changes in the market's returns

Variance = how far the market's data points spread out from their average value

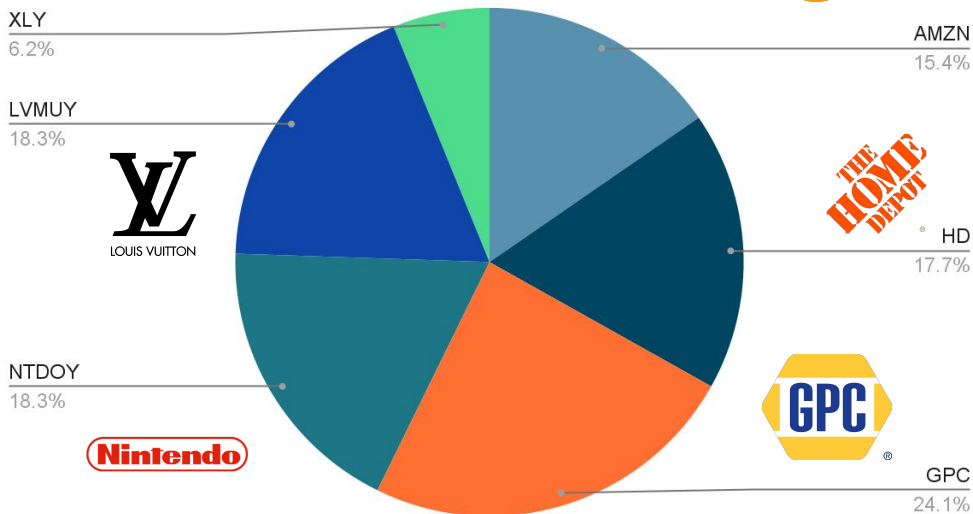
Metric	Portfolio	Benchmark
Pct. Return 1M	-1.92%	-1.88%
Pct. Return 6M	-5.18%	-7.41%
Pct. Return YTD	-14.77%	-15.37%
Pct. Return 1Y	-12.47%	-10.60%
Pct. Return 5Y	84.77%	63.14%

Holdings Summary	
AUM	\$1,906,377.23
Equities	\$1,480,408.25
Fixed Income	\$249,281.96
Cash	\$176,687.02

Holdings Stats			
Avg. Premium over thesis	0.63%	Alpha	3.09%
Avg. Return to Date	54.65%	Beta	0.82
Avg. Return to Date Over Benchmark ETF	22.85%	Sharpe	-0.24
Asset Sales 2022	14 to close 27 to trim	Treynor	-0.05

III. Sectors Overview

Sector Allocation



Statistics

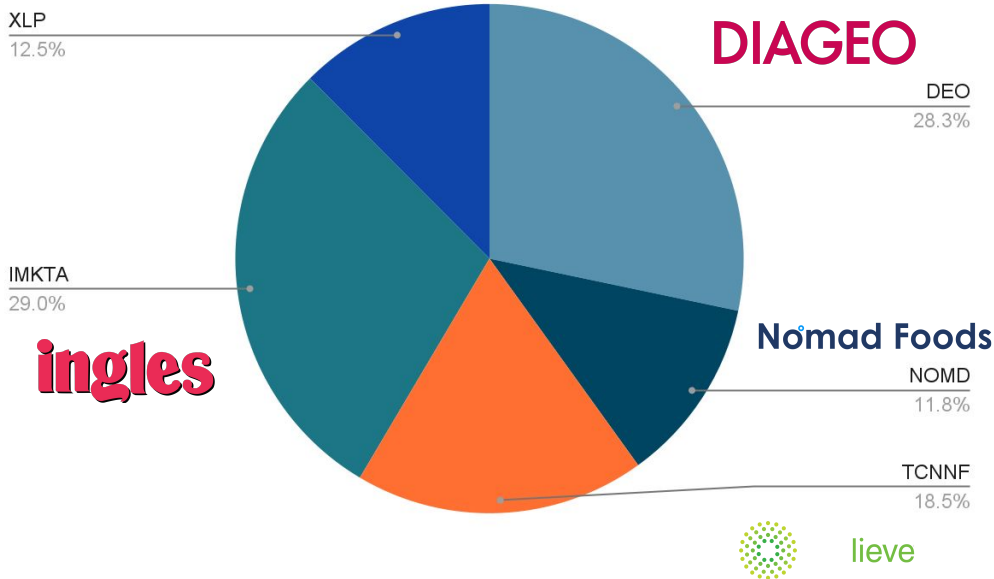
% Return 1Y	-0.93%
XLY % Return 1Y	-10.78%
Beta	0.69
Alpha	3.77%
Sharpe	-0.21
Treynor	-0.03

Members

- **Julian Nirmal - Sector Head**
- Justin George - Senior Analyst
- Michael Corbak - Senior Analyst
- Nicholas Mach - Senior Analyst

- Tharun Venkatesan - Senior Analyst
- Pranay Begwani - Senior Analyst
- Connor Brunson - Analyst

Sector Allocation



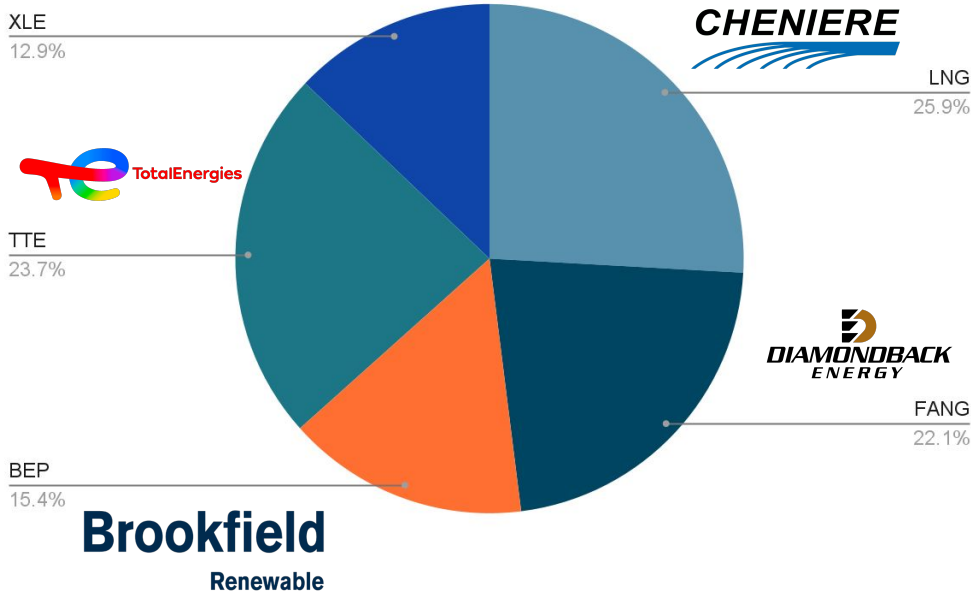
Statistics

% Return 1Y	-0.25%
XLP % Return 1Y	6.72%
Beta	0.71
Alpha	2.85%
Sharpe	-0.10
Treynor	-0.04

Members

- **Kevin Donahoe - Sector Head**
- Ai Liu - Analyst
- Nicholas Stockton - Analyst
- Asa Cronic - Analyst
- Sussmit Chaudhry - Analyst
- Rohan Daswani - Analyst

Sector Allocation



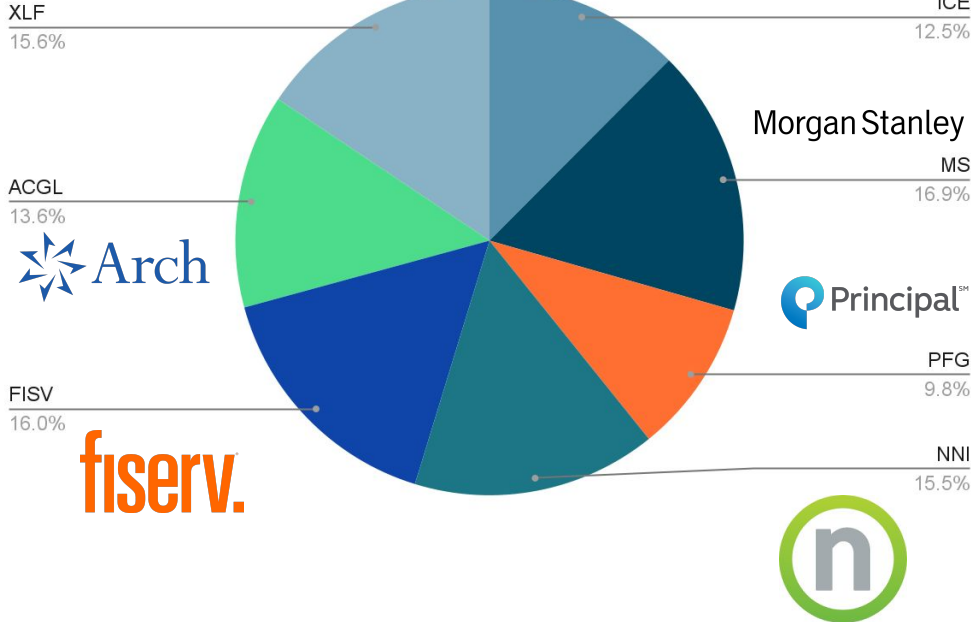
Statistics

% Return 1Y	61.23%
XLE % Return 1Y	80.52%
Beta	0.76
Alpha	20.68%
Sharpe	1.87
Treynor	0.78

Members

- **Robbie Anderson - Sector Head**
- Ronit Ganguly - Senior Analyst II
- Rishi Gullapalli - Senior Analyst
- Caleb Yarbrough - Senior Analyst
- Banks Coggin - Analyst
- Drake Oakhill - Analyst
- Zayyen Patell - Analyst

Sector Allocation



Statistics

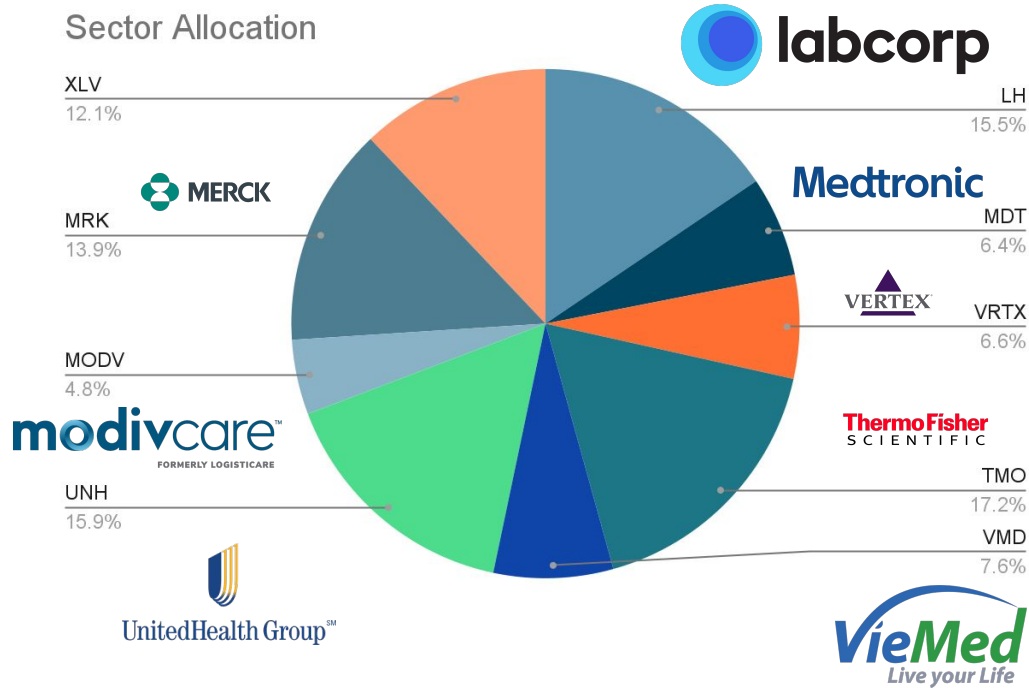
% Return 1Y	-2.01%
XLF % Return 1Y	-10.77%
Beta	0.70
Alpha	3.06%
Sharpe	-0.18
Treynor	-0.04

Members

- **Christian Wilson - Sector Head**
- Sam Webb - Senior Analyst
- Pranav Pusarla - Analyst
- Trevor Pipkorn - Analyst
- Porter Hill - Analyst

- Nicklas Nyman - Analyst
- Maggie Xu - Analyst
- Adit Jindal - Analyst
- Arnav Mardia - Analyst

Sector Allocation



Statistics

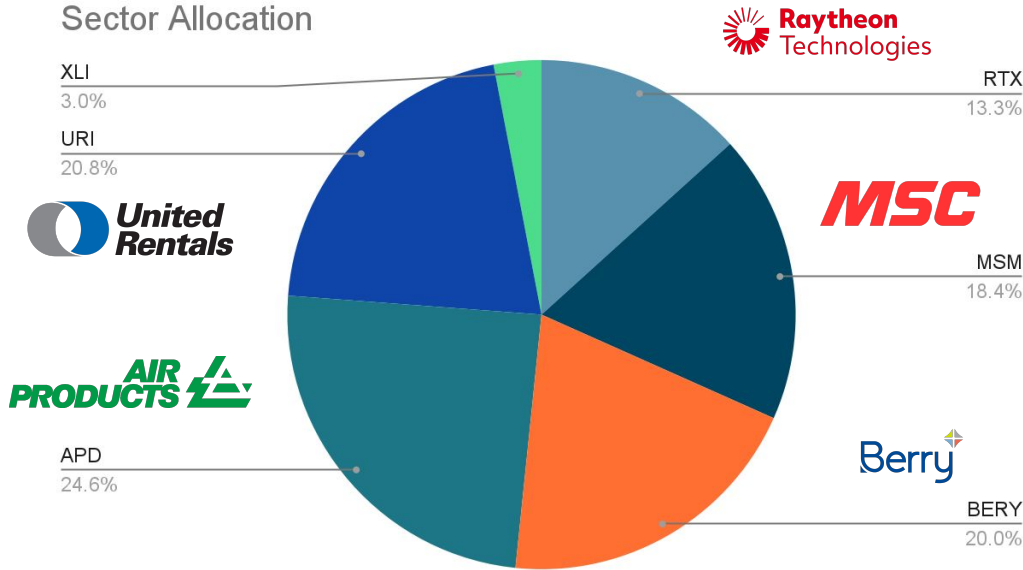
% Return 1Y	2.35%
XLV % Return 1Y	-4.16%
Beta	0.56
Alpha	1.34%
Sharpe	-0.37
Treynor	-0.11

Members

- **Justin Kaplin - Sector Head**
- Aazan Khan - Analyst
- William Martin - Analyst
- Atishay Jain - Analyst

- Thomas Silva Larsson - Analyst
- Raza Pathrawala - Analyst
- Claire McNulty - Analyst

Sector Allocation



Statistics

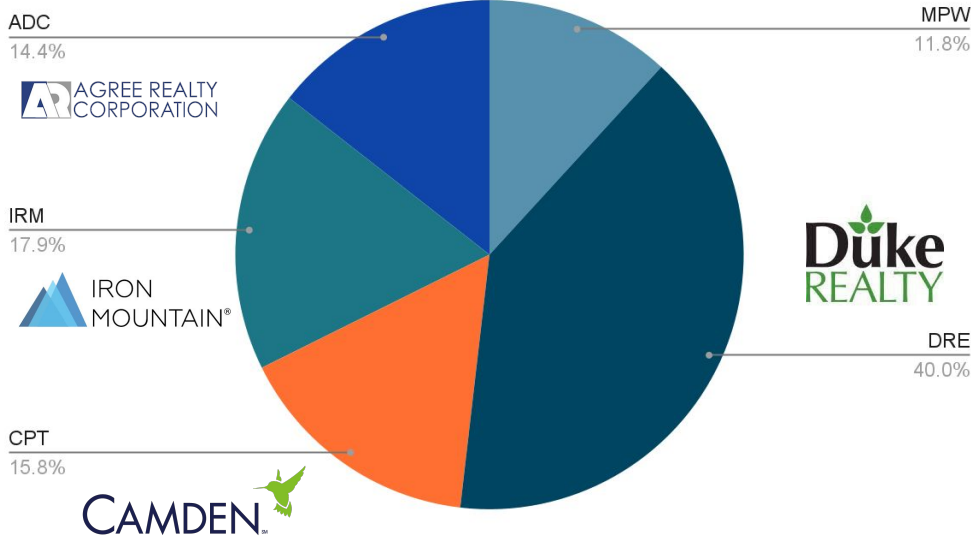
% Return 1Y	-3.99%
XLI % Return 1Y	-6.97%
Beta	0.96
Alpha	3.07%
Sharpe	-0.20
Treynor	-0.08

Members

- **Patrick Young - Sector Head**
- Elliot Nilson - Senior Analyst
- Suchet Sapre - Analyst
- Sloan Wilds - Analyst
- Grant Lieppe - Analyst
- William Formisano - Analyst
- Zachary Close - Analyst



Sector Allocation



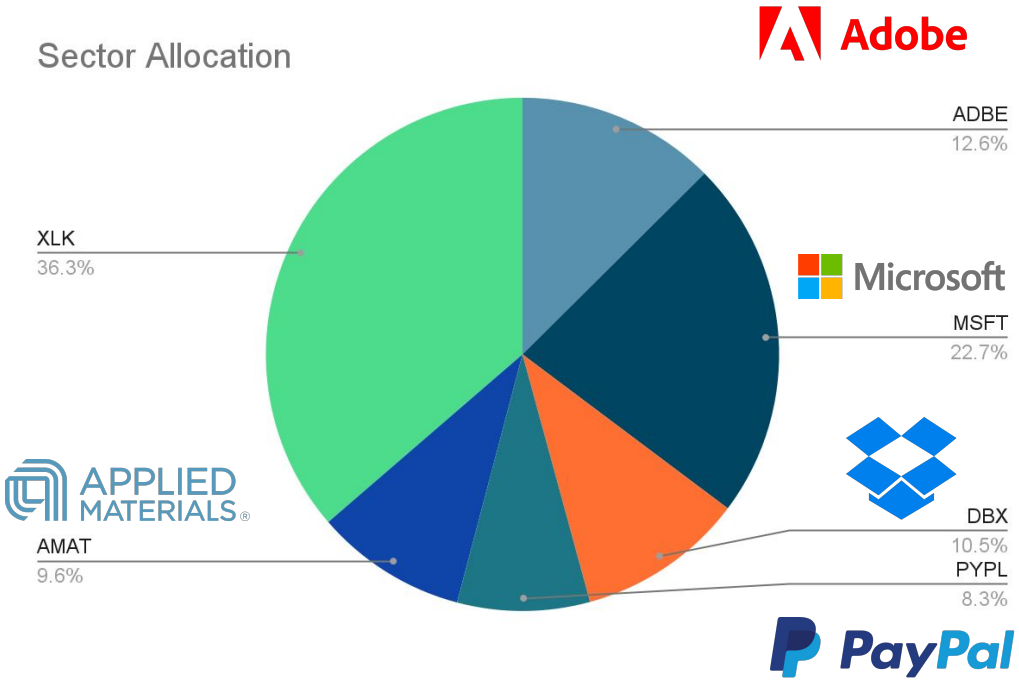
Statistics

% Return 1Y	11.81%
XLRE % Return 1Y	-4.86%
Beta	0.84
Alpha	7.62%
Sharpe	0.43
Treynor	0.13

Members

- **Kaleb Rasmussen - Sector Head**
- Raeah Woodson - Senior Analyst
- Alexander Barton - Senior Analyst
- Katelyn Sbravati - Analyst
- Jameson Drake - Analyst
- Ford Carter - Analyst
- Ethan Nguyen-Tu

Sector Allocation



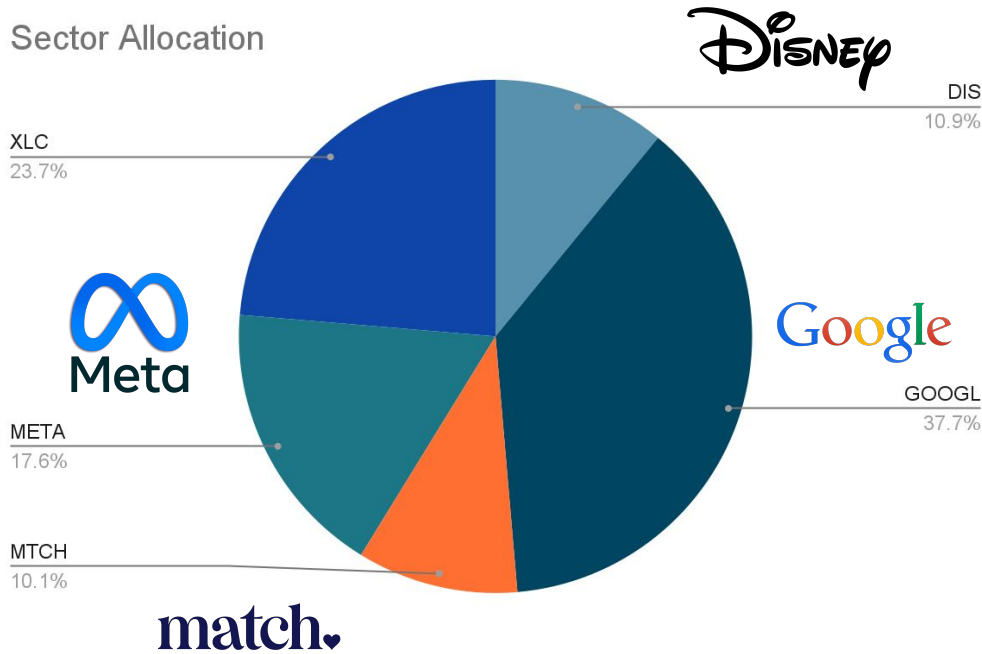
Statistics

% Return 1Y	-21.85%
XLK % Return 1Y	-9.89%
Beta	0.85
Alpha	-4.11%
Sharpe	-0.82
Treynor	-0.19

Members

- **Reagan Sherk - Sector Head**
- Paige Towler - Senior Analyst
- Aubrey Green - Senior Analyst
- Praval Kandima - Senior Analyst
- Gregory Shen - Senior Analyst
- Davis Holcombe - Senior Analyst
- Venky Erninti - Senior Analyst
- David Morris - Analyst
- Malcolm Hall - Analyst
- Khushi Afre - Analyst
- Josh Braun - Analyst
- Sean Alexander - Analyst

Sector Allocation



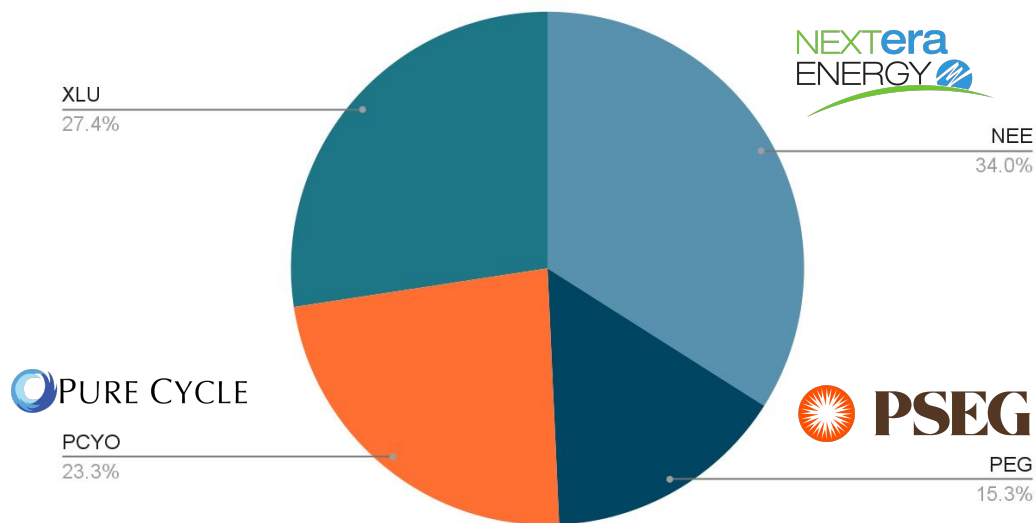
Statistics

% Return 1Y	-35.65%
XLC % Return 1Y	-33.28%
Beta	0.93
Alpha	-11.67%
Sharpe	-1.32
Treynor	-0.30

Members

- **Luke Roberts - Sector Head**
- Maddie Kadens - Senior Analyst
- Aditya Kabu - Analyst
- Owen Elkin - Analyst
- Daniyal Barlas - Analyst
- Shivom Dhamija - Analyst
- Logan Roach - Analyst

Sector Allocation



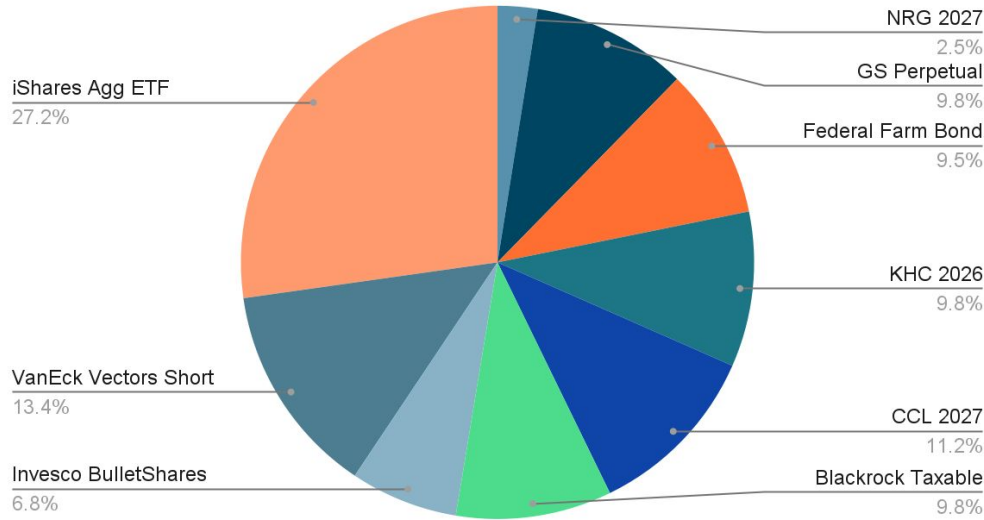
Statistics

% Return 1Y	0.36%
XLU % Return 1Y	13.82%
Beta	0.64
Alpha	0.39%
Sharpe	-0.41
Treynor	-0.14

Members

- **John Alan Williams - Sector Head**
- Eric Xu - Senior Analyst
- Sukhun Lee - Analyst
- Abhigyan Lahri - Analyst
- Max Stevens - Analyst
- Veda Nune - Analyst

Sector Allocation



Statistics

Avg. Estimated Yield	5.40%
Avg. Credit Quality	A-
Portfolio Duration	4.56
Largest Style Exposure	Corporate Credit
Smallest Style Exposure	Municipal

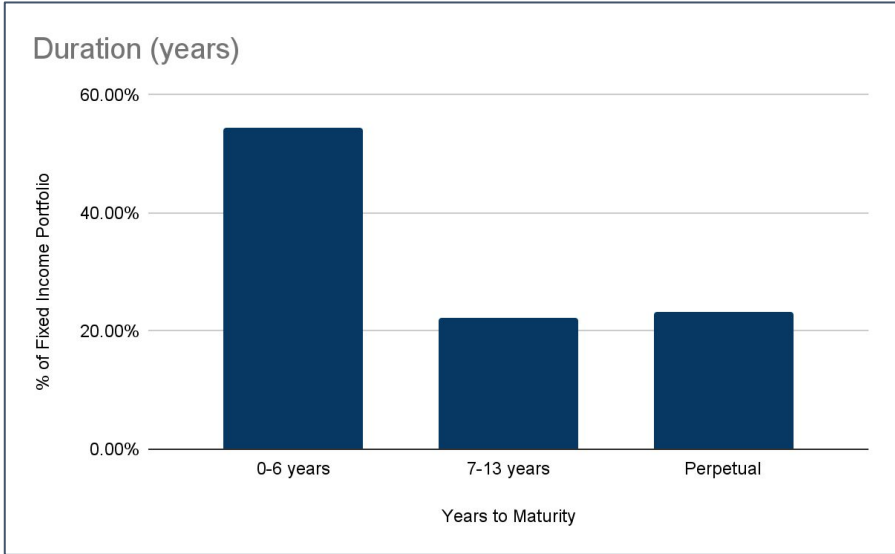
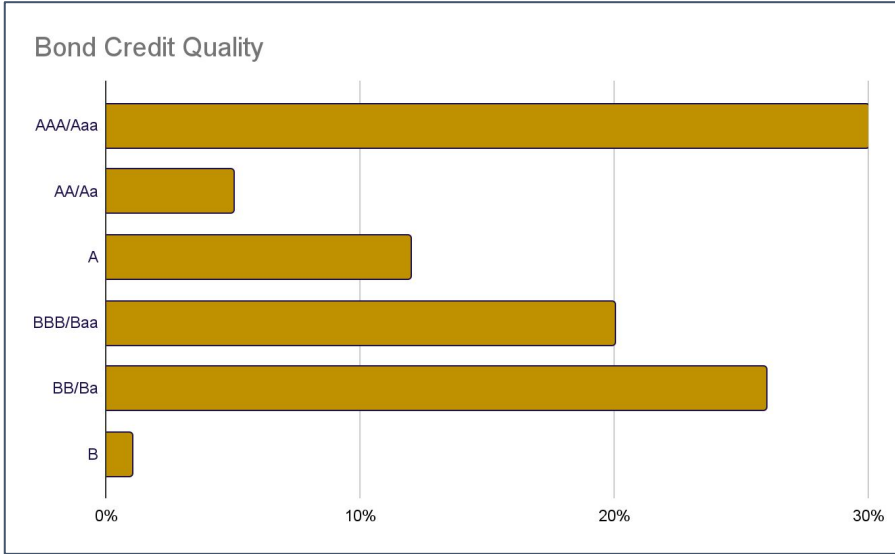
Members

- **Gleb Solntsev - Sector Head**
- Nikita Popik - Senior Analyst II
- Parth Varshney - Senior Analyst II
- Rasmus Eriksson - Analyst
- Xi Jiang - Analyst
- Arianna Simon - Analyst
- Mason Harrell - Analyst
- Robert McGoldrick - Analyst
- Ryan Miller - Analyst

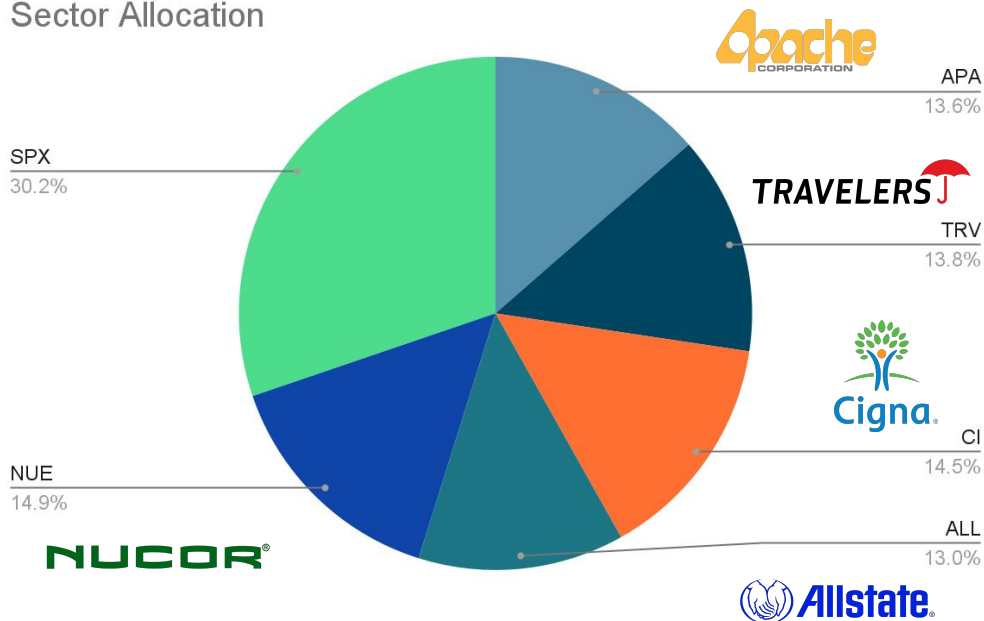
Bond Quality Assessment

Investment Grade
AAA/Aaa - BBB/Baa

Non-Investment Grade
BB/Ba and below



Sector Allocation



Statistics

Fund Performance To Date	-0.97%
Benchmark Outperformance To Date	2.33%

Members

- **Dylan Kynoch - Sector Head**
- Eric Van Ness - Senior Analyst
- John Washburne - Senior Analyst
- Krishna Sardana - Senior Analyst
- Prajwal Vedula - Senior Analyst
- Pearce Strickland - Senior Analyst
- Vishruth Madhusudhan - Senior Analyst
- Riley Mellinger - Senior Analyst
- Kevin Hoxha - Senior Analyst
- Locke Adams - Analyst
- Jonathan Huang - Analyst
- Sreya Atmuri - Analyst
- Lewis Scruggs - Analyst
- Srijan Ponnala - Analyst
- Qing Dong - Analyst
- Christian Haynes - Analyst

IV. Portfolio Group

- Looking for Analysts and Senior Analysts who wish to explore and learn more about the IC portfolio
- Responsibilities:
 - Take recommendations and guidance from sector meetings to Director of Portfolio for further discussion
 - Actively monitor sector holdings
 - Provide organizational updates on verticals and earnings from all sectors
 - Assist with production of portfolio update newsletter
- Great way to show your commitment to IC and learn more about portfolio management
- 1hr meetings **at most** once a week discussing holdings

- If interested, email ctopalov@gatech.edu or speak to your sector head

<u>Name</u>	<u>Position</u>	<u>Phone Number</u>	<u>Email</u>
Chris Topalov	Director of Portfolio	404-360-3276	ctopalov@gatech.edu