

2022 CUSP Market Cap Analysis

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The CUSP portfolio managers follow an investment strategy that is aimed towards selecting a variety of large-cap and mid-cap domestic equities in an effort to outperform the Russell 1000 index. The CUSP holdings as of May 2022 show a decided slant towards large-cap equities, ranging in market caps from \$2.4 billion to \$2.36 trillion. In contrast, the Russell 1000 index components market caps ranged from a low of \$0.2 billion to \$2.36 trillion.

The accompanying table more clearly demonstrates how the CUSP is skewed towards larger companies, especially relative to the benchmark. The median market cap for the CUSP is \$67.4 billion compared with the benchmark Russell 1000 median of \$13.9 billion. The CUSP average is \$226.0 billion versus \$42.6 billion for the Russell 1000. An important difference between the CUSP and the benchmark is the relative weighting of the individual securities. Apple represents 5.8% of the market value of the index compared with only 2.3% of the CUSP. This means the performance of the CUSP is less dependent on the largest cap holdings, meaning security selection tends to increase in importance.

MARKET CAP	CUSP*	INDEX*
Low	2.4	0.2
Average	226.0	42.6
High	2,357.0	2,357.0
Median	67.4	13.9

*As of May 2022, \$ billions

Overall, the CUSP currently holds 58 different equities, with a comparatively higher proportion of large-cap equities. Over 83% of CUSP holdings have a market cap over \$10 billion, and 22% companies have market caps exceeding \$200 billion. The CUSP currently holds four companies with market caps greater than \$1 trillion. In terms of relative size, just over 66% of the CUSP firms have market caps that would fall within the market cap range that defines the largest 25% of Russell 1000 index firms. Lastly, the CUSP is uniquely positioned, with just over 17% of its holdings ranging between a market cap of \$2 billion and \$10 billion, also known as mid-cap equities.

The Portfolio Practicum's investment strategy is to pursue financially sound companies from across the market cap spectrum. For example, CUSP exposure to equities, such as Amazon (market cap of over \$1.5 trillion), aligns with the goal of investing in large companies, while Teradyne (market cap of \$17.1 billion) aligns with the goal of also targeting smaller companies with strong growth potential. These smaller companies need to have two important attributes to warrant consideration: they need to be financially sound and have the potential for higher growth over the long term. The managers practice prudent risk management by evaluating each investment relative to the overall portfolio.