

2022 CUSP return attribution

By Henry Lewis and Colin McCabe

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. The security analysis effect highlights the CUSP managers' ability to generate returns by selecting securities within each sector.

CUSP managers make no attempt to predict the relative expected performance of the 10 sectors represented in the index. We focus in matching CUSP weights to those of the Russell 1000 benchmark. Deviations from the benchmark sector weightings are most commonly either marginal or a result of changes in the values of underlying holdings. The CUSP does deviate meaningfully in two sectors. We are underweight energy stocks largely because the University has mandated divestiture of fossil fuel investments within the next couple of years. We also hold no positions in the Utilities sector. Sector weighing differences can have a meaningful impact on the performance of the overall CUSP Fund.

The accompanying table reports the CUSP 2022 attribution analysis relative to the Russell 1000. The benchmark and the CUSP Fund had negative returns, -19.1% and -15.5%, respectively. Although volatile markets resulted in overall negative returns for the CUSP, security selection caused the value-oriented Fund to outperform the benchmark with selection effect alpha of 5.22% and a total Fund alpha of 4.94%. In simple terms, if the CUSP is underweight a sector that ultimately performs poorly overall, the CUSP will outperform the index for that portion if the fund's stock holdings match that of the index. Should the CUSP holdings outperform the index holdings, the CUSP realizes gains from two sources: allocation and selection.

The sectors that positively impacted the CUSP Fund's alpha the most were Consumer Discretionary and Information Technology (IT). The CUSP Consumer Discretionary sector generated a return of -12.05%, compared to the benchmark sector return of -35.31%. The CUSP Fund Information Technology sector generated a return of -24.50%, less than the benchmark return for the IT sector of -35.09%. Information Technology proved to be the largest contribution to the Fund's alpha at 3.08%, closely followed by the Consumer Discretionary alpha of 2.71%. Returns are measured on a total returns basis which includes dividends.

The largest negative contributions to the Fund's alpha came from the Energy and Communication Services sectors at -1.41% and -0.73%, respectively. These results were largely driven by the allocation effect of energy, resulting in an alpha of -0.93%, and the selection effect within Communication Services resulting in an alpha of -0.82%.

Because the CUSP sector weights tend to mimic those of the index, sector allocation effects should be small. Overall, sector allocation contributed 0.59% to Fund alpha. Underweighting in

Technology, Consumer Discretionary and Utilities proved to be effective as they produced positive allocation effects. In addition, Technology and Consumer Discretionary provided positive selection effects.

Because the CUSP holds only about 60 stocks of the 1000 stocks in the index, stock selection effects could provide a difference in observed performance. Indeed, stock selection contributed 5.19%, resulting in the Fund's total alpha of 4.94%. Stock selection proved to be favorable for the IT and Consumer Discretionary sectors at 3.01% and 2.86%, respectively. The CUSP generated positive stock selection effects in four other sectors, including Health Care, Industrials, Utilities and Consumer Staples. Those four sectors produced an average stock selection effect of 1.77%. Stock selection produced relatively disappointing results for the Energy, Real Estate, Financials, Communication Services and Materials sectors at -0.83%, -0.26%, -0.51%, -0.02%, and -0.28%, respectively. However, these negative results did not significantly affect the Fund's positive stock selection effects.

Sector	CUSP Return	Benchmark Return	Difference	Allocation Effect	Selection Effect	Total Effect
Energy	27.58%	55.69%	-28.11%	-0.93%	-0.83%	-1.41%
Real Estate	-10.10%	-2.18%	-7.91%	0.09%	-0.26%	-0.21%
Financials	-17.20%	-12.85%	-4.35%	0.03%	-0.51%	-0.50%
Technology	-24.50%	-35.09%	10.59%	0.21%	3.01%	3.08%
Consumer Discretionary	-12.05%	-35.31%	23.26%	0.35%	2.86%	2.71%
Materials	-11.54%	-10.81%	-0.73%	0.19%	-0.02%	0.16%
Health Care	0.62%	-5.48%	6.10%	0.15%	0.78%	0.99%
Industrials	-13.29%	-14.38%	1.08%	0.16%	0.09%	0.28%
Utilities	0.00%	-27.73%	27.73%	0.20%	0.66%	0.20%
Consumer Staples	4.91%	0.72%	4.19%	0.11%	0.23%	0.36%
Communication Services	-32.24%	-23.66%	-8.59%	0.03%	-0.82%	-0.73%