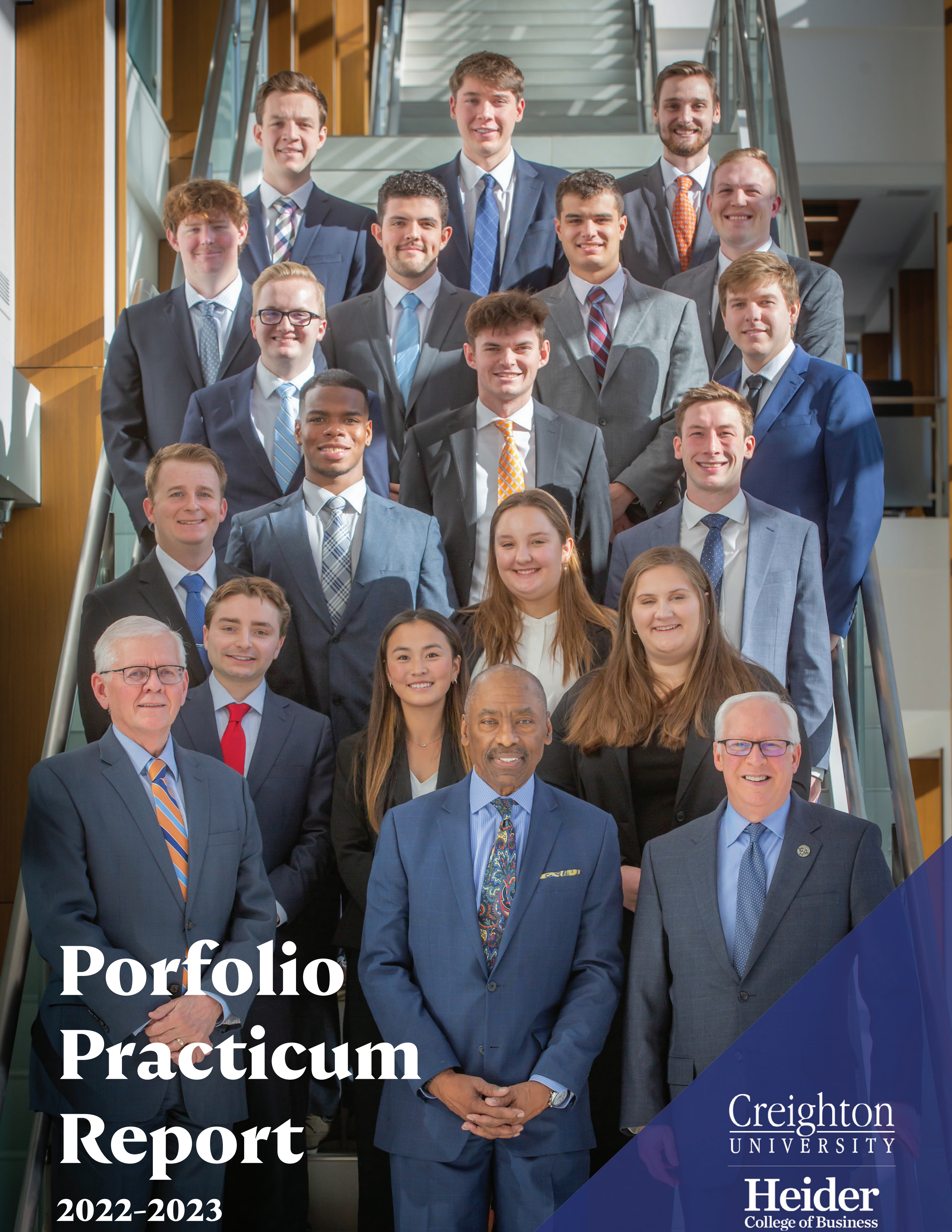

Porfolio Practicum Report

2022-2023

Creighton UNIVERSITY

Heider College of Business

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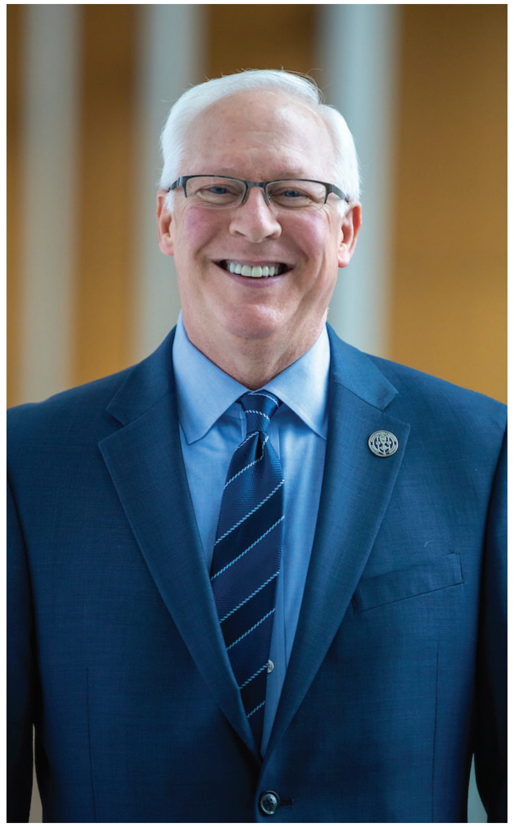
LETTER FROM THE DEAN



For more than three decades, the Heider College of Business' top finance students have invested a portion of University endowment funds through the Portfolio Practicum course. The program is a tremendous learning opportunity for our students, and I am exceptionally proud of our student managers.

Investing is never simple. But our Portfolio Practicum student managers have a long history of applying the skills they have learned in their finance classes to great success, often outperforming their Russell 1000 benchmark. The Portfolio Practicum began in 1992 with $100,000; today the CUSP Fund exceeds $9.5 million. But the experience our students have acquired is invaluable.

Please join me in congratulating the faculty and students for their great success with the Fund. We wish them the very best in their future finance careers. We know they will achieve great success.

PROGRAM HISTORY

The Portfolio Practicum program began with $100,000 of University endowment monies. Since its inception, the Creighton University Student Portfolio (CUSP) Fund has grown significantly, and it continues to be a premier experiential learning opportunity for top finance students in the Heider College of Business.

Creighton's Portfolio Practicum was born from struggle. Heider College of Business finance professor, Robert Johnson, PhD, CFA, CAIA, established the program in 1992 as a direct result of his personal experience seeking employment as a recent college graduate. Says Johnson: "I repeatedly heard during interviews that investment management firms wanted people with some practical money management experience."

Johnson thus established the Portfolio Practicum course to give students the industry experience many prospective employers deemed necessary. At the time, it was the country's only two-course sequence program in which undergraduate students managed actual money. Since then, Creighton's Portfolio Practicum has served as the model for numerous other university curriculums and ranks in the nation's top 20 student-run investment programs. It has enjoyed a remarkable history, with speaking appearances by Warren Buffett and beating benchmarks on a regular basis.

With over a quarter of a century of preparing its students for successful finance careers, the Portfolio Practicum achieved Johnson's dream of giving graduates a competitive edge in the job market.

Randy Jorgensen, PhD, CFA
Portfolio Practicum Faculty Leader
Finance Professor, Department of Economics and Finance

My third year as the instructor for the Portfolio Practicum has come and gone. This year, 17 students (three graduate and 14 undergraduate) finished their work as CUSP analysts. We were hoping this year would provide a respite from COVID and supply-chain snarls. Little did we know the year would be dominated by discussions of inflation, interest rates and Fed policy. And along the way many of the shortages that appeared due to supply chain issues turned into gluts and worries about oversupply. The students had their hands full this year, no doubt.

Despite the challenges facing the students, the portfolio has performed well under their supervision and management. The CUSP return for 2020 was 18.6%, nearly matching a return of 18.9% for the Russell 1000, the Fund's benchmark. The return for 2021 was 26.4% versus the benchmark return of 24.8%. The return for the CUSP for 2022 was -15.5% versus -19.1% for the benchmark. We don't enjoy the idea of losing money, but we are comforted by the fact that the CUSP outperformed for a second year in a row. We should all tip our hats to the students for that result!

2022-23 was another successful year for the CUSP as both the value of the fund and student knowledge advanced substantially. During the year, 17 of Creighton's top seniors and graduate students worked diligently in a concerted effort to meet their fiduciary duty to the Creighton endowment by applying a value-based approach to manage the CUSP. The class made incremental changes to most of the industry sectors represented in the CUSP, selling nine holdings and replacing them with 12 new holdings. In keeping with past classes, the CUSP continues to maintain sector weights similar to those of the benchmark, the Russell 1000 index.

When we interview and choose students for acceptance into the course, we are mainly looking for students who have a passion and an aptitude for investment management. Without those attributes, the many hours spent performing intensive quantitative and qualitative analyses could become real drudgery. This year's class demonstrated both and were a delight to work with! We believe we have taken steps to manage risk within CUSP holdings while providing for an opportunity for growth in value. It will be up to the next class to follow this lead. The class has been selected and is now beginning the task of learning about the portfolio companies. I look forward to working with them. With an eye to the future, I want to emphasize how much I appreciate the efforts of this outgoing class. They are a remarkable set of minds, and I expect they will become leaders future students can look up to.

Michael L. Green, MBA
Portfolio Practicum Instructor
President and Owner, EverGreen Capital Management

The more things change, the more they remain the same. It's a worn quote, but one I think our students will come to appreciate even more in years to come when managing their or others' portfolio. The Portfolio Practicum class teaches many invaluable lessons. I hope our students retain them all, especially this one: in managing portfolios, there will always be something that is "not normal." The recent bank failures can be added to the conditions I cited last year (Ukraine war, interest rates and supply chain). The most important skill I hope they have acquired is becoming comfortable with making decisions during uncertain times. This is necessary for portfolio management, and life.

Porfolio Practicum Students

Katie Allen
Program: Master of Finance (MFIN)
Hometown: Phoenix, Arizona
Internship: Kiewit Corporation, Omaha, Nebraska

Emma Cox
Major(s): Finance (Financial Services track)
Hometown: Roseville, Minnesota
Internship(s): Union Pacific Railroad, Omaha, Nebraska; Conagra Brands, Omaha, Nebraska
Post-graduation Employment: Construction Solutions Consultant, FTI Consulting, Seattle, Washington

Spencer Dunckley
Major(s): Finance (Financial Analysis track) and Accounting
Hometown: Beaverton, Oregon
Internship(s): KPMG, Omaha, Nebraska; National Indemnity, Omaha, Nebraska
Post-graduation Employment: FSO Audit Staff, EY, Chicago, Illinois

Juan Carlos Fernandez Wohler
Major(s): Finance (Financial Analysis track) and Business Intelligence & Analytics (Information Technology track)
Hometown: Mexico City, Mexico
Internship(s): TD Ameritrade, Omaha, Nebraska

Riley Gill
Major(s): Finance (Financial Analysis track) and Business Intelligence & Analytics (Information Technology track)
Hometown: Portland, Oregon
Internship(s): Chartwell Financial Advisory, Chicago, Illinois; TD Ameritrade, Omaha, Nebraska
Post-graduation Employment: Investment Banking Analyst, Chartwell Financial Advisory, Chicago, Illinois

Cole Goeltl
Major(s): Finance and Accounting
Hometown: Fort Collins, Colorado
Internship(s): Strategy&, Chicago, Illinois; Deloitte, Omaha, Nebraska; Five Elms Capital, Kansas City, Missouri; Union Pacific Railroad, Omaha, Nebraska
Post-graduation Employment: Associate Consultant, Bain & Company, Denver, Colorado

Maggie Harens
Major(s): Finance and Economics
Hometown: Edina, Minnesota
Internship(s): Advance Triwest Equipment, St. Paul, Minnesota; Integrated Trade Finance, Omaha, Nebraska; National Indemnity, Omaha, Nebraska
Post-graduation Employment: FSO Business Consultant, Ernst and Young, Kansas City, Missouri

Tristan Houk
Major(s): Finance
Hometown: Pensacola, Florida
Internship(s): National Indemnity Company, Omaha, Nebraska

Evan Hughes
Program: Master of Investment Management and Financial Analysis (MIMFA) and Master of Business Administration (MBA)
Hometown: Scottsbluff, Nebraska
Internship(s): Prodigy Asset Management, Omaha, Nebraska; Principal Asset Management, Des Moines, Iowa

Porfolio Practicum Students

Joseph Joas
Major(s): *Finance and Accounting*
Hometown: *Edina, Minnesota*
Internship: *PwC Capital Markets and Accounting Advisory Services, Minneapolis, Minnesota*

Cole Sheridan
Major(s): *Finance and Economics*
Hometown: *Shawnee, Kansas*
Internship(s): *Arthur J. Gallagher, Omaha, Nebraska; First Westroads Bank, Omaha, Nebraska; Five Elms Capital, Kansas City, Missouri; McCarthy Capital, Omaha, Nebraska*
Post-graduation Employment: *Investment Banking Analyst, Stephens, New York, New York*

Henry Lewis II
Major(s): *Finance (Financial Analysis track) and Marketing*
Hometown: *Omaha, Nebraska*
Internship(s): *Conagra Brands, Omaha, Nebraska*
Post-graduation Employment: *Financial Analyst, Conagra Brands, Chicago, Illinois*

James Steichen
Major(s): *Finance (Financial Analyst track)*
Hometown: *Tulsa, Oklahoma*
Internship(s): *Mariner Wealth Advisors, Omaha, Nebraska; Gavilon, Omaha, Nebraska*
Post-graduation Employment: *Healthcare Analyst, CIBC, Chicago, Illinois*

Colin McCabe
Major(s): *Finance (Financial Analysis track) and Accounting*
Hometown: *Chicago, Illinois*
Internship(s): *Grant Thornton, Chicago, Illinois; IAMS Wealth Management, Omaha, Nebraska*
Post-graduation Employment: *M&A Associate, Grant Thornton, Chicago, Illinois*

Jackson Strombeck
Major(s): *Finance (Financial Analysis track) and Economics*
Hometown: *Hartland, Wisconsin*
Internship(s): *Johnson Controls, Milwaukee, Wisconsin; BHHIC, Omaha, Nebraska; Northwestern Mutual, Omaha, Nebraska*
Post-graduation Employment: *Lender Services Consultant, FTI Consulting, Chicago, Illinois*

Daniel Ralls
Major(s): *Finance (Financial Analysis track) and Military Management*
Hometown: *San Mateo, California*
Post-graduate Employement: *Field Artillery Officer, U.S. Army, R. Campbell, Kentucky*

Evan Weerts
Program: *Master of Investment Management and Financial Analysis*
Hometown: *Carmel, Indiana*
Internship(s): *Mutual of Omaha, Omaha, Nebraska*
Post-graduation Employment: *Financial Analyst, Mutual of Omaha, Omaha, Nebraska*

A Year *in Review*

Daniel Ralls | *Cole Goeltl*

The student managers of the Creighton University Student Portfolio (CUSP) Fund had a successful year. Seventeen students worked together to cover 10 sectors, delivering presentations on more than 100 individual securities. The CUSP uses the Russell 1000 as its benchmark, and in 2022, the Russell 1000 had a negative return of -19.1%. Over the same period, the CUSP Fund had a negative return of -15.5%. Notably, the CUSP outperformed its benchmark for yet another year. Over the course of 2022 and 2023, the CUSP managers meaningfully reallocated capital, investing in a variety of companies that we believe will enhance the portfolio's long-term returns while maintaining an appropriate level of risk. The portfolio began the 2022-23 school year with 58 firms. Throughout the year, the class agreed to sell nine holdings and purchase 12, ending with a total of 61 firms in the portfolio.

The class first met at the end of the 2021-2022 school year to discuss expectations for the coming year. Each student was assigned both a sector and a series of companies within that sector to follow throughout the summer. Over the summer, students learned about their firms by reporting on daily stock price changes, listening to quarterly earnings calls and reading both quarterly reports and 10-K's. The goal of this work was for managers to familiarize themselves with their firms as well as their sector.

We started the fall semester by reviewing the investment policy statements of Creighton University's endowment and the CUSP Fund and by learning the fundamentals of value investing. Each sector gave two presentations to the class in the first semester. The first presentation focused on evaluating the firms currently held within the portfolio, as well as providing a brief sector overview. The second presentation was an industry screen, evaluating various companies that we viewed as potential additions to the portfolio.

In the spring semester, each of the sector teams presented its buy/sell recommendations for the portfolio. To ensure quality analysis of every holding within the portfolio for future years, the class decided to attempt to maintain the total number of firms within the portfolio at 60. Therefore, to add a company to the portfolio, each sector had to sell a company from the portfolio. Each presentation was followed by two rounds of voting and lengthy debates. The class decided early in the semester that any buy/sell decision would require a two-thirds vote. While some votes were nearly unanimous, oftentimes a final decision required vigorous debate.

At the end of the spring semester, the class spent five days completing the portfolio's first comprehensive redesign in over a decade. This series of workshops produced more than 20 key initiatives to enhance recruiting, retention, onboarding and portfolio management. Key changes included enhancing investment decision governance, creating a cloud-based knowledge management system and increasing the CUSP's visibility both on campus and online.

While the CUSP outperformed the market last year, it was still a difficult year for the class to act as long-term value investors. How can one estimate the future earnings of a company when the past several years of earnings are heavily skewed by Covid? What is the long-term value of a company when it can increasingly expect a decades-worth of disruptive innovation and strategic repositioning to occur in a few years or less? After a decade of near-zero interest rates, how should the class account for record levels of inflation and interest rate hikes when estimating and discounting companies' earnings? These questions made it intellectually challenging to predict the economic outlook of any given industry, and the intense stock market volatility made it emotionally challenging to not try to time the market.

Nevertheless, we are confident that we followed a disciplined approach as value investors, and we believe that our thorough analysis will yield positive results in the future. The 2022-2023 school year was a transformational period for both the CUSP Fund and the Portfolio Practicum itself, and we are confident that next year's managers will guide the portfolio to new heights.

Capturing Value Through Satellite Holdings

Spencer Dunckley | Cole Sheridan

The CUSP Fund managers approach investing with a focus on value-oriented stocks and companies that can be purchased with a margin of safety and a promising future in terms of growth and valuation. The portfolio is benchmarked against the Russell 1000 index, and we, as managers, monitor and evaluate 55+ holdings while maintaining sector allocations generally in line with the benchmark. We utilize a core-satellite approach that allows the opportunity to establish true financial stability (core) while promising future growth prospects (satellite). Core holdings are roughly defined as those that hold such potential for future growth that the class would be highly unlikely to sell them. About 40% of the portfolio holdings are considered core.

While core holdings help the portfolio track the benchmark, satellite holdings provide opportunities for growth. Said another way, satellite holdings present an opportunity for growth over and above the index. Having a mix of core and satellite holdings affords the portfolio opportunity to outperform the benchmark of the Russell 1000, provided the CUSP Fund managers choose the right satellite holdings. The managers of the CUSP take a long-term approach that involves investing in companies that are well positioned financially and economically, today and in the future.

An example of a satellite holding is NXP Semiconductors (NASDAQ: NXPI). NXP Semiconductors designs semiconductors and software for mobile communications, consumer electronics, security applications, in-car entertainment and networking. NXP offers semiconductor solutions and products to automotive, wireless infrastructure, lighting, mobile and computing applications. It is a long-standing supplier in the semiconductor industry and operates globally. China accounts for roughly 40% of its sales, with Singapore and the United States next in line with about 10% of sales each. NXP is unique in the fact that it is headquartered in the Netherlands and thus not affected by the recent CHIPS Act. Overall, the company has a very diverse portfolio within the semiconductor market, is extremely active in the M&A and has a healthy valuation. CUSP managers spend a significant amount of time and effort investigating satellite companies such as NXP. Any such firm must stand on its own financially but also must fit within the portfolio based on risk.

As mentioned above, core holdings have demonstrated long-term potential combined with a reasonably moderate risk profile. One such core holding is J.P. Morgan (NYSE: JPM). JPM operates in the financial industry with a business focus spread across investment banking, wealth management and commercial banking. JPM derives about 40% of its revenue from consumer banking and 37% from investment banking. JPM has a broad customer base and competes on a global scale, allowing it to navigate the relatively volatile market conditions of recent quarters.

JPM's strong dividend yield of 3.07% combines with a dividend growth rate of 13.54% over the past five years. This adds to the firm's stature as a core holding. The CUSP managers spent quite a bit of time investigating the Financials sector, and JPM in particular, ultimately deciding it possessed all of the characteristics desired of a core holding. It remains a foundation for the financials sector of the CUSP.

CUSP Return Analysis

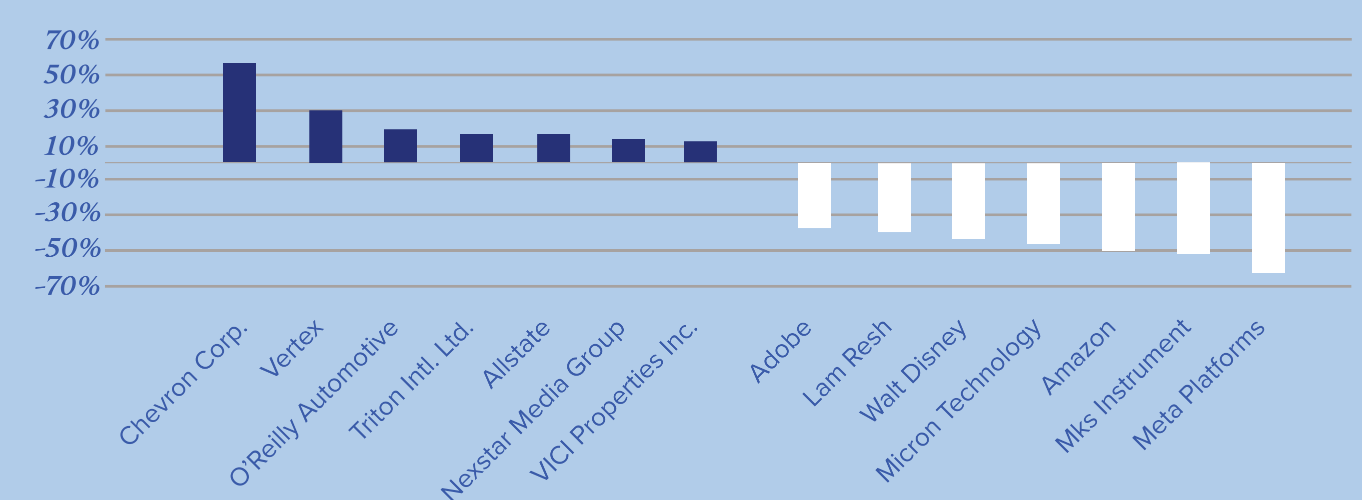
Juan Carlos Fernandez Wohler | Tristan Houk

The CUSP Fund return outperformed the benchmark Russell 1000 in 2022. The CUSP returned -15.5% compared to the benchmark return of -19.1%. Over this period, CUSP sector weightings were similar to the benchmark, with the main differences being slightly overweight in Staples and Industrials, slightly underweight in Technology and Energy and an no investments in Utilities.

We spend a portion of time in class evaluating how the portfolio has performed on an absolute and relative basis. As a part of the analysis, we examine the performance of our individual holdings. Since the portfolio is essentially sector-weight-matched, differences in holdings within the sectors drive portfolio returns. The accompanying table shows the seven largest contributors and detractors for the CUSP's returns over the year 2022 in terms of total return, including dividends. The three largest contributors to positive return were Chevron Corp (CVX) at 55.94%, Vertex (VRTX) at 29.77% and O'Reilly Automotive (ORLY) at 21.28%. The three largest detractors were Meta Platforms (META) at -64.45%, MKS Instruments at -51.89% and Amazon (AMZN) at -50.71%. Even though the portfolio generally matches the index sector weights, individual holdings might not. For example, in April 2023, Amazon, Apple and Microsoft represented about 14.6% of the index. They made up a much smaller 7.1% of the CUSP Fund.

Over the year, we observed large losses in the Technology sector due to macroeconomic trends and large growth in our largest energy holding, Chevron. The CUSP Fund managers do not use observed returns as a definitive reason to sell a position or to add more. Rather, observed returns are utilized as an indicator of when it may be time to update coverage on a portfolio company. The University has mandated the divestment of fossil fuel companies within the next couple of years. CUSP managers chose not to make that divestment this year in part because of the performance of the sector relative to others.

Largest Contributors and Detractors to Return During 2022



2022 CUSP Return Attribution

Henry Lewis II | 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 on 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 alpa 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%

2023 CUSP Market Cap Analysis

James Steichen | Evan Weerts

The CUSP Fund managers pursue a strategy of selecting a mix of large-cap and mid-cap domestic equities to compare favorably to the Russell 1000 Index. The CUSP holdings as of April 2023 indicate a clear tilt towards large-cap equities, with market caps ranging from $1.82 billion to $2.56 trillion. This differs from the Russell 1000 index components, which have market caps ranging from $0.43 billion to $2.56 trillion. The accompanying table highlights how CUSP is more heavily weighted towards larger companies, particularly in comparison to the benchmark. The table below provides the latest data in $B.

Market Cap	CUSP*	Index*
Low	1.83	0.43
Median	57.44	12.23
High	2,563.63	2,563.63
Average	214.72	42.10

*As of 04/11/2023

The median market capitalization of the CUSP Fund stands at $57.4 billion, in contrast to the benchmark Russell 1000 with a median of $12.23 billion. The CUSP also boasts a higher average of $214.72 billion compared to the Russell 1000's $42.10 billion. One notable distinction between the CUSP and the benchmark is the relative weighting of individual securities. Apple, for example, represents 6.0% of the market value of the benchmark index, while only accounting for 2.42% of the CUSP. This means that the performance of the CUSP is less reliant on the largest cap holdings, and security selection plays a more significant role.

In terms of portfolio composition, the CUSP Fund currently holds 60 different equities, with a higher proportion of large-cap companies. Over 78% of CUSP holdings have a market capitalization exceeding $10 billion, and 22% of companies have market caps surpassing $200 billion. Remarkably, the CUSP includes four companies with market caps exceeding $1 trillion. In relative size, just over 63% of CUSP firms fall within the market cap range that defines the largest 25% of Russell 1000 index firms. Notably, the CUSP has a unique positioning, with only 20% of its holdings categorized as mid-cap equities, falling between a market cap of $2 billion and $10 billion.

The investment strategy of the Portfolio Practicum student managers focuses on identifying financially sound companies across the market cap spectrum. For instance, the inclusion of Microsoft (MSFT) with a market cap of over $2.15 trillion, aligns with the objective of investing in large, established and dependable companies. On the other hand, Snap-On Inc (SNA), with a market cap of $12.3 billion, aligns with the goal of targeting smaller companies with strong growth potential. To be considered for inclusion in the portfolio, these smaller companies must possess two critical attributes: financial stability and long-term growth potential. The portfolio managers exercise prudent risk management by thoroughly evaluating each investment in relation to the overall portfolio. This approach ensures that all investments align with the portfolio's investment goals and risk tolerance, while also considering the potential for higher growth over the long term.

Investment Style

Evan Hughes | Emma Cox

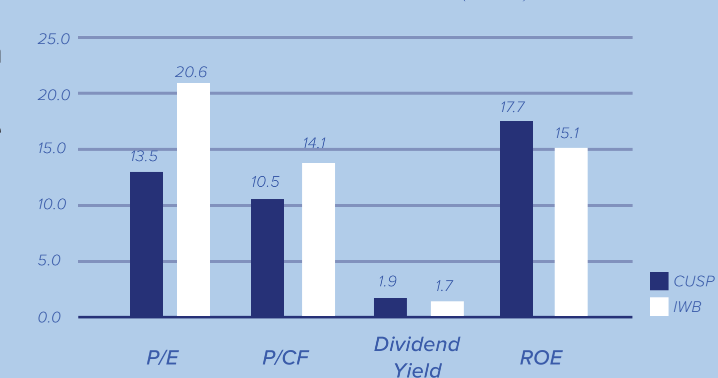
The Creighton University Student Portfolio (CUSP) Fund follows a value-based investing approach to evaluate stocks that we hold, purchase or sell during the year. This approach is characterized by analyzing a stock's price multiples to determine if its implied intrinsic value is in line with the market value. Some of these price multiples include Price-to-Earnings, Price-to-Book, Enterprise Value-to-EBITDA and Price-to-Cash Flow. Some industries, such as insurance, banking and real estate, called for more specialized ratios. Regardless, the class portfolio managers attempted to use different multiples or metrics to measure each firm's profitability, return to shareholders and future prospects.

CUSP Fund managers start their evaluation of new additions to the portfolio by researching and analyzing stocks whose prices appear to be lower than their intrinsic value. This research involves a deep dive into a company's capital structure, management, balance sheet, cash flows and competitive advantage analysis that managers use to decide if a company is a worthwhile investment at its price.

One example of the value-based investing strategy at work was demonstrated through the CUSP's addition of Kroger to the portfolio in March of 2023. Kroger is one of the largest grocery store companies in the country and owns brands like Fred Myer, Bakers and Ralph's. The firm recently agreed to acquire Albertsons, though it has faced some SEC resistance, making completion of the merger uncertain. Kroger has shown strong growth over the past 10 years, even through the pandemic, and continues to strengthen its technological efficiency and private label brands. At the time of presentation, Kroger was trading at 10.7x P/E, significantly lower than its five-year average of 12.2x. It was also trading at a significant discount compared to the industry average of 16.1x. Its sustainable growth rate was also estimated at 15.3%, and this, along with the aforementioned metrics and its investment in private labels, led the CUSP managers to pitch and ultimately purchase Kroger.

The value-based approach to investing is especially evident when looking at the CUSP Fund as a whole. The chart shown below shows the CUSP's average P/E ratio is 13.5, compared to the IWB 20.6. IWB is an ETF that mimics the CUSP benchmark, the Russell 1000. This is a 34.4% difference and demonstrates the CUSP's commitment to investing in stocks that have a reasonable valuation or even a margin of safety. The CUSP also has a substantially lower P/CF and a higher ROE than the benchmark. A majority of these differences are due to security selection since the CUSP sector allocations tend to mimic the benchmark. Still, there are some differences in sector weighting. The CUSP is slightly overweight in firms in the Consumer Staples and Materials sectors, which tend to have lower P/E ratios. Finally, the CUSP firms have a higher average ROE than the benchmark, a result that sometimes implies a tilt towards growth. However, a number of CUSP firms engage in significant amounts of share repurchases, which drives the book value of equity down and in some cases even negative. In these instances, ROE is not necessarily a measure of growth versus value. In the case of the CUSP, this measure does indicate a tilt towards firms that are consistently profitable.

Metric Comparables Between the CUSP and Russell 1000 (IWB)



CUSP 2023 Sector Allocation

Jackson Strombeck | *Riley Gill*

Sector	Port	Index	Over/Under Allocated
Information Technology	24.99%	24.65%	0.34%
Health Care	14.50%	14.34%	0.16%
Financials	12.07%	13.50%	-1.43%
Consumer Discretionary	11.02%	10.10%	0.92%
Industrials	10.56%	9.37%	1.19%
Communication Services	8.89%	7.80%	1.09%
Consumer Staples	8.63%	6.89%	1.74%
Real Estate	3.95%	2.89%	1.06%
Materials	3.23%	2.82%	0.41%
Utilities	0.00%	2.80%	-2.80%
Energy	2.15%	4.64%	-2.49%

The CUSP Fund is benchmarked against the Russell 1000 Index. We attempt to match CUSP sector allocations with the Russell 1000 Index. There are two significant departures from this. First, we do not hold any Utilities. The absence of Utility holdings within the CUSP represents an underweighting relative to the 2.80% weight in the index. The CUSP makes up for this underweight with the slight overweighting of other sectors. Second, we are mandated by the University to divest fossil fuel stocks within the energy sector by 2025. The CUSP Fund managers determined the best course of action is to maintain the current holdings until a later date. With a potential reduction coming soon, we can expect the CUSP to be underweight by about 4.64% in the Energy sector as well, leaving room for overweighting in other sectors.

Even though CUSP performance is measured against the Russell 1000 Index as a benchmark, we do not strive to simply match the index. Our holdings within each sector can vary meaningfully from the holdings within the index. We strive to generate alpha through security selection and allocation. We hold just under 60 names in the CUSP, which means each sector is represented by very few holdings. Because our holdings are relatively concentrated in the number of positions held, we typically strive to invest no more than 3% of the portfolio in any single name. We believe this is a prudent way to manage risk and offers the best practices of diversification.

The table above shows the current weighting of each sector and how these weightings compare to the benchmark (as of April 28, 2023). We are currently overweight all sectors, except the Financials, Utilities and Energy sectors, as mentioned above. As the semester progressed, the CUSP managers altered weightings and holdings by adding new names to the portfolio while removing companies we believe do not hold as much relative value in the long term.

It is important to note that, when dealing with relatively concentrated positions, granularity matters. We hold Visa (V) within the CUSP. Some services report Visa in the Financial sector, while others place it in the Information Technology sector. This is an important issue for the CUSP since Visa is weighted 2.57% within the portfolio. Moving that one holding shifts the sector weight discussion significantly. Since we are benchmarked against the Russell 1000, we referred to the index to determine where Visa is placed within the index, which is Information Technology. We followed a similar process with other holdings.

If we moved Visa to Financials, some may question our relatively significant underweight other holdings in the Information Technology sector. CUSP managers make a conscious effort to keep each equity position below a 3% weight. We believe this brings best allocation practices and lower individual equity risk. By contrast, Apple (AAPL) and Microsoft (MSFT) make up 6.52% and 5.53% weighting in the Russell 1000, respectively, but only a 2.9% and 2.39%, respectively, in the CUSP. As macroeconomic turmoil continues, the CUSP managers elected to add an additional firm to the Technology sector, replacing Fabrinet (FN) and Micron Technologies (MU) with Adobe (ADBE), Corning Incorporated (GLW) and NXP Semiconductors (NXPI).

The CUSP has a more concentrated exposure to Consumer Discretionary and Consumer Staples equities compared to the Russell 1000. Within the Consumer Discretionary space, the portfolio managers voted to purchase Crocs Inc. (CROX) amid expectations of continued growth from the acquisition of HEYDUDE. To free up funds to make this purchase, we sold Hasbro Inc. (HAS). In Consumer Staples, we voted to purchase Kroger Co. (KR) to benefit from the expected cost synergies and market position after the anticipated merger between Albertsons and Kroger. To make this investment, Constellation Brands (STZ) was sold.

The CUSP exposure to the Financial sector is underweight compared to the Russell 1000 index. Moves within this sector include the trimming of our position in Evercore Inc. (EVR) and an investment in Carlyle Group (CG). This move comes from the managers' increasing favor of the Private Equity space over the Investment Banking space amid low valuation for private equity funds and slowing deal pipelines for investment banks. We also elected to temporarily cut Hilltop Holdings (HTH) for the summer months, as the new class will be monitoring changes daily. The current CUSP managers determined it prudent to move out of regional bank stocks while students are away during the summer. The CUSP managers spent a great deal of time discussing this sector, especially given the impact rising interest rates and the turmoil in regional bank stocks have had. An added concern is the impact of persistently high inflation on costs for insurance companies. In the end, the CUSP managers could not identify another entity within the sector that offered a risk/return profile available in stocks in other sectors. Thus, we decided to leave the sector relatively underweight.

The CUSP exposure to the healthcare industry is slightly above the weighting that Healthcare represents in the Russell 1000. During the school year, Horizon Therapeutics became a merger target, which pushed the stock price up. We took the opportunity to divest the firm at favorable valuation. To offset the sale, McKesson (MCK) and Exelixis Inc. (EXEL) were added to the CUSP.

The CUSP ended the year with more exposure to the Industrials sector than the Russell 1000. Significant movements were made within the sector as a bid to acquire Triton International Ltd. (TRTN) sent the stock to all-time highs. The favorable valuation motivated CUSP managers to sell Triton from the portfolio. The CUSP managers then added two equipment rental companies to diversify exposure in the space: Herc Holding (HRC) and United Rentals (URI).

The Materials sector remains slightly overweight compared to the Russell 1000 index, as does Real Estate and Industrials. Changes to the portfolio within the Materials sector include a divestment from Lyondellbassell Industries N.V. (LYB) and Freeport-McMorRan Cos. (FCX) amid favorable valuations and uncertain forecasts. The managers of the CUSP then decided to invest in Nutrien Ltd. (NTR), gaining exposure to the international food supply chain. Minor changes were made to the CUSP holdings in the Real Estate sector, including trimming its position in VICI Properties Inc. (VICI) and adding a position in Medical Properties Trust (MPW). No changes were made to the CUSP in the Communication Services sector.

Overall, the CUSP managers tried to balance the portfolio to manage the macroeconomic risks associated with a potential recession as well as to benefit from the expansion of the economy domestically and abroad in the coming years. We do so using security selection while avoiding the allure of sector rotation strategies.

CUSP managers add Crocs Inc. in March 2023

Evan Hughes | Emma Cox

Crocs (CROX) is the second largest casual footwear retailer in the world. A recent acquisition of HEYDUDE shoes further solidifies Crocs' market share and expands its product offerings. Crocs is projected to leverage its significant international presence and its logistics network to increase HEYDUDE's revenues by 20%, with an operating margin around 25%. Moving forward, the firm is expeced to maintain and expand industry-leading operating and net profit margins, generating favorable returns for the CUSP. The CUSP managers voted to add the stock to the portfolio in March 2023.

Crocs has experienced a meteoric rise since 2020, and management has continued to stoke the fire by adding casual footwear brand, HEYDUDE, to its product offerings. Since the purchase of HEYDUDE finalized in early 2022, the brand has outperformed expectations. At acquisition, the Crocs management team believed that revenues for HEYDUDE would total $700-750 million in 2022. Actual revenues exceeded $890 million. HEYDUDE is projected to generate consistent revenue growth in the mid-20 percent range moving forward. The CUSP managers believe that Crocs will be able to smoothly transition the HEYDUDE brand into its existing logistical network and digital marketing presence. Expanding HEYDUDE's brand recognition and introducing the brand to international markets will continue to drive industry-leading profitability, generating exceptional share price appreciation.

While the HEYDUDE acquisition fortifies Crocs' market share, the brand has generated impressive organic growth. Crocs boasts a remarkable brand recognition of 92%. Furthermore, the firm operates in an omni-channel environment with a strengthening digital and international presence. International revenues have grown 91% since 2020, while digital sales have increased its portion of total revenues from 36.7% in 2021 to 37.8% in 2022. Crocs total revenues for 2022 increased 15%, while generating a net margin of 15%. In addition to strong operating and net profit margins, Crocs also generates consistent free cash flow growth. The CUSP managers believe the consistent growth of free cash flow provides the firm with ample opportunity to continue to acquire cohesive brands, which would further cement Crocs' market share. In addition to potential acquisitions, the strong free cash flow generation creates an opportunity to return wealth to shareholders in the form of dividends and share repurchases.

Our analysis suggests Crocs was reasonably valued at the time of purchase with meaningful upside potential. The firm was also trading at a favorable discount on a relative basis. Taken together, we believe Crocs will generate favorable share price appreciation while concurrently returning value to shareholders via share repurchases and dividends. Given Crocs' remarkable organic growth, its strategic acquisition of HEYDUDE and its strong free cash flow generation, the CUSP managers believe this addition will help bolster the Consumer Discretionary sector of the portfolio.

Materials Sector Shifts Focus to Fertilizer

Jackson Strombeck | Riley Gill

The CUSP managers voted to add Nutrien (NTR) to the Materials sector in March 2023. The sales allowed the CUSP to free up funds to purchase shares of Nutrien. Nutrien is a large player in the fertilizer space and joins Albemarle (ALB) and Bery Global (BERY) in the sector. In order to make room for Nutrien, we voted to divest our holdings of LyondellBasell Industries N.V. (LYB) and Freeport-McMorran Companies (FCX) in March 2023. In the paragraphs that follow, we describe each of the three companies and explain the rationale for the change in portfolio makeup within the Materials sector.

Nutrien (NTR):

Nutrien produces and distributes potash, nitrogen and phosphate products for agriculture, industrial and feed customers. Its retail segment distributes crop nutrients, crop protection products, seed and merchandise. The firm also provides agronomic services to growers. Potash, Nutriens' main segment at about 40% of revenues, is used to make all kinds of fertilizers. As technologies advance and manufacturing efficiencies evolve, we expect the price of fertilizer will likely drop over time. In contrast, we expect to see volumes rise with the ever-increasing demand for food products worldwide. The result should be an expansion of profitability for Nutrien.

The war in Ukraine has had a significant impact on the industry in which Nutrien operates. One of the results of the conflict has been a subsequent price increase in crops, followed by a price increase in fertilizers, which benefited Nutrien in 2021 and 2022. At present, there is no evidence to suggest the conflict will slow down or be resolved. The conflict has caused dislocations up and down the food chain. Near term, Nutrien has benefitted from some of this change. Longer term, we believe Nutrien is well positioned to continue to benefit from the growth in demand for agricultural products.

Nutrien has a strong balance sheet with limited debt. The firm initiated a $4 billion stock repurchase program that will culminate in 2023. In addition, the firm's dividend yield is 3.12%. The firm is projected to generate $5 billion in free cash flow, which it plans to use for operational improvements, share repurchases and debt repayments. The company prefers to grow internally with the goal of maintaining relatively high margins. In this industry, volume is more important than price as most fertilizers produce similar results, meaning margins are particularly important for producers.

The CUSP managers view Nutrien as a leading competitor in an ever-growing industry. Given the firm's competitive position, expanding market share, financial strength and economies of scale coupled with a reasonable valuation, CUSP managers voted to add the firm to the materials sector of the CUSP in March 2023.

Freeport McMoRan (FCX):

Freeport McMoRan (FCX) is best known for its production and sale of copper (80% of revenue) and gold (10% of revenue). Freeport is currently the biggest public copper producer in the world, with about 1.93 million tons produced in 2022. Due to its heavy reliance on copper as a product, the value of FCX common stock has a high degree of correlation with the price of copper. Given the current and projected need for copper, we expect Freeport will continue to play a prominent role in the production and sale of the commodity. The CUSP managers' decision to sell was motivated by the belief that price appreciation related to increasing demand for copper has already been fully recognized in the stock price.

At the time of sale, Freeport-McMoRan was valued at twice that of a set of comparable firms generated by Bloomberg on a price-to-earnings basis. Part of the premium over the comparable set can be attributed to Freeport's higher relative profitability. Still, on an intrinsic value basis, our analysis suggested Freeport-McMoRan was trading for a not-insignificant premium. The high earnings multiple and perceived premium over its intrinsic value offered a compelling reason to divest from Freeport-McMoRan. Moreover, a recent run up in copper prices has pulled FCX up along with the rest of the industry. Bottom line, the CUSP managers voted to divest Freeport in order to seek more favorably priced securities in the Materials Sector.

LyondellBasell Industries N.V. (LYB):

CUSP managers voted to divest LyondellBasell Industries (LYB) in March 2023. LYB is a globally diversified chemicals company that generates roughly half of its revenue in the United States, which represents its largest single market exposure. LyondellBasell primarily offers products within the categories of olefins and polyolefin, intermediates and derivatives, and advanced polymer solutions. The firm offers chemical materials that are sourced to companies in the automobile parts, plastic packaging, cosmetic and paint industries to be formed into their final state before being purchased by an end consumer.

The decision to sell LyondellBasell was not because of the company's financials but rather because of macroeconomic prospects for the chemical materials industry. Our analysis suggests that over the next 10 years, growth in supply within the firm's sector is likely to outpace demand. More near term, over the next year, prospects for a global recession are weighing on demand prospects. The CUSP managers ultimately decided that the future prospects for Nutrien presented a better investment opportunity.

CUSP Sells Allstate to Purchase Aon

Daniel Ralls | Cole Goeltl

The CUSP Fund managers replaced Allstate (ALL) with Aon (AON) in March 2023. In November 2022, the class voted unanimously to sell Allstate, but the transaction was tabled until a suitable replacement was identified. In March 2023, the CUSP Fund managers determined Aon was an appropriate replacement for Allstate. The core drivers of this decision were greater confidence in the future of insurance brokers than primary insurers, Allstate's poor performance relative to its peers and Aon's superior performance relative to its peers.

We believe that insurance brokers, such as Aon, have a brighter outlook than primary insurers, like Allstate, due to insurance brokers having less underwriting exposure, less reliance on investment income and a more favorable basis of competition.

First, we believe that it will be increasingly challenging for primary insurers to profitably underwrite insurance policies given mounting claim severity and volatility. For example, we are particularly worried about primary insurers' ability to profitably underwrite in the face of climate change, monetary inflation, social inflation, global decoupling between the U.S. and Asia, auto manufacturers offering their own insurance policies and increasing customer concentration as fewer people transition from owning their own cars to usage-based models, like ridesharing apps.

Second, we believe that fixed-income investment returns will provide a major headwind for primary insurers, with rising interest rates generating considerable unrealized losses. Notably, although the current instability of financial institutions is largely driven by unrealized losses due to rising interest rates, additional interest rate increases will likely occur to combat inflation. In other words, regulators must balance financial instability with rising inflation, but solving one by changing interest rates would likely make the other worse. Therefore, it seems likely that primary insurers will continue experiencing either increased claim severity due to continued inflation or increased unrealized losses due to continued interest rate hikes – if not both.

Third, we believe that insurance brokers have a brighter outlook than primary insurers due to the former having a more favorable basis of competition than the latter. More specifically, whereas primary insurers have increasingly become commoditized goods that compete on price, insurance brokers compete based on service and

relationships across diverse but complementary product offerings. As a result, we believe that insurance brokers can sustain and expand their margins due to their favorable competitive landscape and value proposition and that primary insurers will struggle to maintain their already thin margins as they compete on price in the face of challenging headwinds from underwriting and investments.

We decided to sell Allstate rather than the Fund's other insurance holdings because Allstate had the highest percentage of revenue from auto and home policies of the three companies (88%), and we believe that those product lines face the most challenging underwriting prospects. Additionally, we do not believe that Allstate is well positioned to overcome these challenging underwriting prospects in the future given that the firm already has a loss ratio of 89% and a combined ratio of 112% compared to its competitors' average loss ratio of 70% and combined ratio of 97%. Finally, we do not believe that Allstate's stock price adequately reflects the firm's poor performance and outlook given that the firm had a P/B of 2.3 compared to its competitors average of 1.5.

Conversely, we believe that Aon is the most attractive investment among insurance brokers considering its profitability, growth, shareholder returns and valuation. For example, relative to its peer group average, Aon's profit margin is 43% higher, its FCFF/Assets is 65% higher, its FCFF/Assets 3-year CAGR is 657% higher and its combined buyback-dividend yield is 142% higher. Despite Aon's superior financials, its P/E is only 2% above its peers, and its P/FCFF is 19% below its peers. Thus, AON was added to the CUSP Fund in March 2023.

Exelixis's TKI-based Products Spark a Purchase for CUSP Managers

Henry Lewis II | Colin McCabe

CUSP Fund managers added Exelixis Incorporated (EXEL) to the Healthcare sector of the CUSP in March of 2023. Exelixis is a small biotech firm specializing in oncology products and research. The firm's products, Cometriq and Cabomeytx, are primarily used to treat kidney, liver and thyroid cancer. The products are built from the firm's drug compound Cabozantinib. Both products are based on tyrosine kinase inhibitor (TKI) technology. TKI drugs are targeted therapies that work to prevent the growth of cancer cells by blocking key mechanisms of division (National Cancer Institute). TKI's are medications in pill form and require little support from the manufacturer. Exelixis's marquee product, Cabomeytx, is estimated to control roughly 43% of the TKI kidney cancer market (2022 Q4 Earnings Presentation).

In November of 2022, CUSP managers voted to sell Horizon Therapeutics (HZNP) due to a significant jump in price on rumors of a takeover. Both EXEL and HZNP are classified as biotech and pharma firms within the Healthcare sector. The CUSP managers weighed the added risk biotech presents relative to other types of firms in the sector, ultimately deciding that EXEL presented a reasonable risk/return option for the sector within the portfolio. The CUSP managers simultaneously voted to add McKesson Corporation (MCK), a stable healthcare investment, as an additional way to diversify the risk within the Fund's holdings in the sector.

COVID-19 created substantial profit potential for firms with existing applicable treatments, or the means to quickly adapt existing research. The post-COVID-19 pharmaceutical environment separated the stronger biotech firms from the weaker. Well positioned firms have large cash balances, strong existing products and well-developed drug pipelines. Our research suggests Exelixis is one of those firms.

Exelixis has a very strong balance sheet with a 100% equity capital structure and significant liquidity with a meaningful cash balance. On the operating side, the CUSP managers are optimistic about the growth potential of Cabomeytx. There are 400,000 new cases of kidney cancer each year globally, with 80,000 new cases in the U.S. (National Library of Medicine). 20-40% of those cases qualify for Cabomeytx treatment, and the potential patient population will only continue to grow. The firm's drug pipeline is particularly strong due to the success of Cabozantinib. Exelixis is actively pursuing eight phase III trials involving Cabozantinib and over 15 phase I and phase II trials. The firm's other TKI-based drugs in development, such as Zanzalintinib, are additional reasons for excitement. Moreover, the firm prefers to allocate 50% of revenue to R&D, which serves as a competitive advantage over its peers, which allocate 25% of revenue to R&D.

The CUSP managers viewed the firm as attractively priced, with a P/E of 30 and an EV/EBITDA of 20.06. Both were below the median in its 14-company large peer set. Exelixis also traded at a substantially lower P/S of 3.44 and had a PEG ratio of 0.65. One concern is that the firm may be undervalued due to earnings volatility. Our analysis suggests the volatility was due to fluctuations in R&D expenses and that the firm has otherwise been consistently growing earnings. We expect earnings will continue stabilizing this year and in the near future. We also noted that sales have doubled in the past three years without any meaningful change in stock price. Overall, we came to the same conclusion as professional analysts that Exclixis is reasonably valued and that the recent stock price is a good entry point for investment.

McKesson's Operating Consistency Makes It a Buy for CUSP Managers

Henry Lewis II | *Colin McCabe*

The CUSP managers voted to buy McKesson Corporation (MCK) in March of 2023. McKesson Corporation is the nation's leading pharmaceutical drug and medical device distributor. Its $267 billion in revenues makes McKesson one of the top 10 largest corporations in America. The company orders products directly from manufacturers, selling them to hospitals, pharmacies and other care providers. McKesson sells some of its own products, such as gloves and masks, as well. The firm operates four business lines: Med-Surg Solutions, Prescription Tech Solutions, U.S. Pharmaceutical and International. U.S. Pharmaceutical and International are the firm's two largest segments, comprising roughly 93% of revenues. U.S. Pharmaceutical has a 3-year growth rate of 8.5%, and the firm's total revenues have grown 28.5% over the past four years. McKesson has consistently grown revenue 5-7% each year for the past 10 years beyond that.

McKesson is classified as a healthcare supply chain company and a part of the overall Healthcare sector. The past several years for the healthcare supply chain sub-sector is characterized by opioid-related litigation, COVID-19-related volume disruptions and increasing prescription volume. Opioid-related litigation created significant uncertainty amongst distributors, but now that the settlement of $19.4 billion is concrete, the path forward is clear. As part of the resolution, McKesson is required to pay $7.4 billion over the next 18 years. Tailwinds for McKesson include increasing prescription volume, an aging populace and the genericization of Humira (Bloomberg). Providers continually write more prescriptions each year due to increased care access and range of effective options. Americans generally require more care and more prescriptions as they age, therefore driving additional increases in the firm's top line.

The CUSP views McKesson as somewhat of a defensive play, albeit one that exhibits consistent growth. Consumers and other organizations cannot function without the vital role McKesson plays. From a portfolio perspective, MCK provides some diversification for the CUSP positions in biotech firms. 13.79% of the CUSP is invested in healthcare, with 5.07% invested in biotech as a subsector.

McKesson recently completed the sale of the firm's European and Australian operations as a part of a years-long restructuring plan. The objective was to refocus on higher margin and higher growth areas of the business, such as Prescription Tech Solutions. Prescription Tech's operating margin of 17.14% helps offset the lower 4.8% operating margin of U.S. Pharma and Med-Surg Solutions departments. We believe McKesson will increase operating margins in the near term, leading to an increase in EPS over the next two-three years.

CUSP managers viewed McKesson as reasonably valued at the time of purchase. The firm traded at a P/E of 14.75, squarely in the middle of its peers, while also sporting the second-best PEG ratio. McKesson was also more profitable than its peers on many metrics. Our intrinsic valuation analysis of the firm, generally in line with the valuations reported by professional analysts in Bloomberg, suggested enough potential upside in stock price to justify purchase.

At the time of purchase, the CUSP's healthcare holdings were underweight the Russell 1000 benchmark by 1.5%. Proceeds from the sale of Horizon Therapeutics, cash on hand and the trimmings from the rebalancing of Vertex Pharmaceuticals and Regeneron Pharmaceuticals funded McKesson's purchase. CUSP managers also evaluated CVS but ultimately decided upon McKesson due to the prospects for the firm.

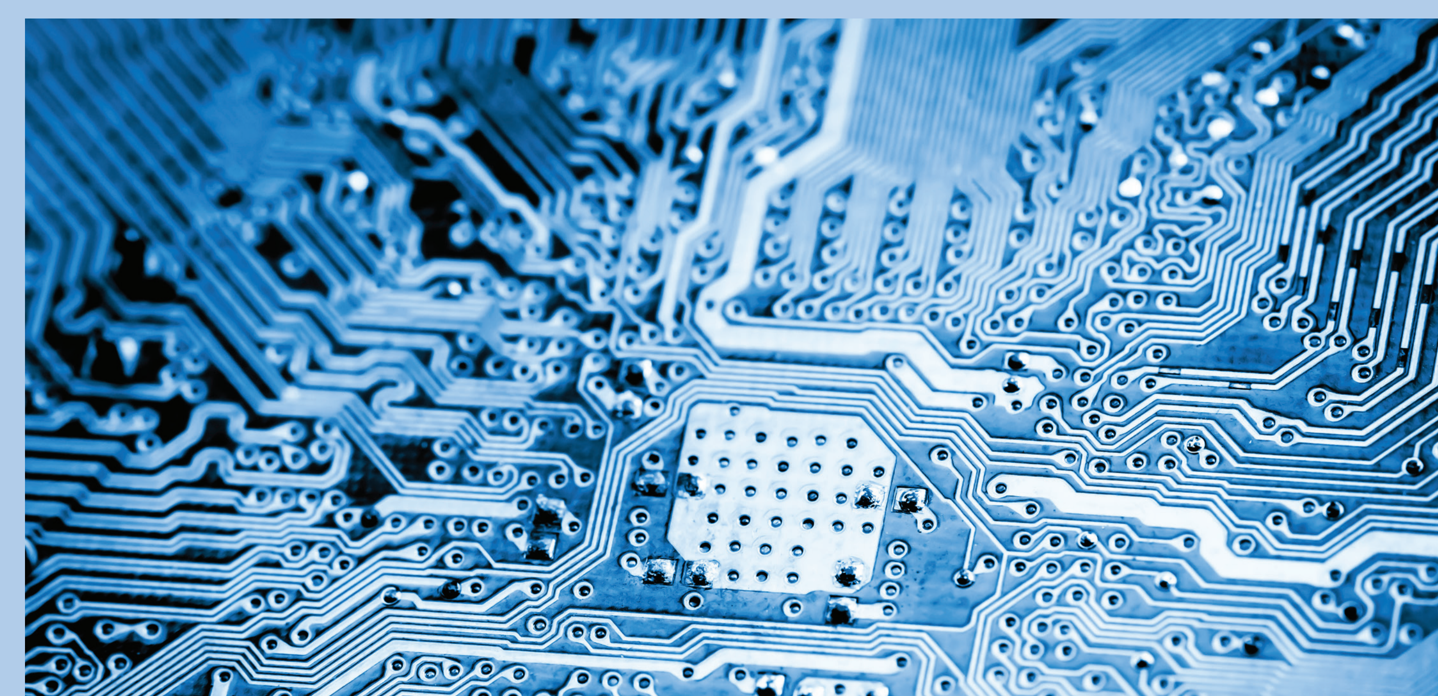
NXP Semiconductors Replaces Micron Technology in the CUSP

Spencer Dunckley | *Cole Sheridan*

NXP Semiconductors (NXPI) operates as a global designer of semiconductor and software solutions for mobile communications, consumer electronics, security applications, in-car entertainment and networking. NXPI offers its products to the automotive, identification, wireless infrastructure, lighting, mobile and computing applications. It provides leading solutions that leverage intellectual property, deep application knowledge, RF (Radio Frequency) and more. China accounts for roughly 40% of its sales, with Singapore and the United States next in line with about 10% of sales each. The firm is unique in that it is headquartered in the Netherlands and hence unaffected by the recent CHIPS Act. The firm has four primary operating groups: automotive, industrial, communication infrastructure and mobile. This diverse portfolio of activities within the semiconductor market allows the firm to reach a variety of customers and regions. The CHIPS Act opens an even bigger opportunity to share some of the market in China. NXPI has a fairly new management team that brings an experienced, ambitious drive to the company. The team has recently completed transactions in EV and tech startups.

Overall, the company has a reasonable P/E and EV/EBITDA compared to its competitors, and according to multiple metrics, it is undervalued. The company is predicted to grow at a high rate into what analysts are stating will be a $1 trillion industry by 2030. For those reasons, the CUSP Fund managers have decided to invest in NXPI. To make room for the purchase, CUSP managers voted to sell Micron Technology (MU).

Micron Technology is a semiconductor manufacturer focused on the storage components of semiconductors. It has two main types of semiconductors, both focused on storage. MU has been a strong competitor in its field, and its stock has performed well for the CUSP. Prospects, however, are less promising. Micron's chips are facing a significant drop in demand, shifting from a shortage of supply to a shortage of demand. The CHIPS Act will hamper Micron as it pushes firms to move production out of China. MU has a large majority of its production operations in China and thus is no longer able to produce at the same capacity as previously. The factories that MU has announced it will build in the United States will not be completed until years into the future. CUSP managers concluded the risk of continuing to hold MU was not worth the potential benefit, especially when compared with NXPI as an alternative.



The Season of Staples: It Is No Longer Modelo Time

Evan Hughes | *Evan Weerts*

Consumer staples has been a very popular topic of discussion throughout the equity market's wild ride in 2022. Generally thought of as a defensive sector, the Consumer Staples sector returned -0.83% in 2022, while the S&P 500 returned –19.44%. The Consumer Staples sector has provided investors with downside protection throughout the calendar year. The CUSP Fund has capitalized on this opportunity by being slightly overweight in the sector for the past year.

As analysts, we pitched the sale of Constellation Brands (STZ) from the CUSP Fund's Consumer Staples sector holdings replacing it with Kroger (KR). We believe that Kroger can thrive in the grocery business because of its private label goods and its use of data science to enhance the customer experience.

First, Kroger has continued to expand and innovate in both its strategy and products. In 2021, Kroger's private label goods enjoyed $28 billion in sales. These goods add approximately 6% to the grocer's gross profit margin. Kroger's private label goods are the nineth largest CPG portfolio in the United States. We expect this margin to trickle down to the bottom line more and more as inflationary pressures ease. On top of that, Kroger manufactures 29% of its own private label goods, cutting out the middleman to provide cost savings to its consumers. In 2021 alone, Kroger made over $1 billion in Home Chef ready-to-cook meals. Kroger has strategically shifted, predicting that the average consumers are trying to stretch their dollars more while still demanding delicious meals in their own homes. Whether it's meal prep for home or organic products courtesy its Simple Truth product line, Kroger is constantly expanding its product mix to serve all.

Second, Kroger has managed to capture data on about 92% of sales via its loyalty cards. Kroger cultivates the customer relationship from several angles. Connecting data back to customer's behaviors, motivations and influences allows for Kroger to individualize the grocery experience. Kroger doesn't just let this data sit there either; leadership uses it to drive actionable results. Nearly 80% of Kroger customers have asked to receive relevant information and offers from the company, resulting in a redemption rate that is significantly higher than the national average. Kroger uses data science to individualize coupons and market new product offerings to consumers. In fact, approximately 95% of customer interactions with products on Kroger's website and app are enabled by personalization. This personalization drives a significantly higher level of engagement in product offerings and nearly doubles the likelihood of customers adding those items to their carts, according to Kroger's 2021 annual report.

Lastly, Kroger's valuation appears attractive relative to other grocers in the market. Compared to its peers with a median P/E ratio of 20.3x, Kroger is cheaper, with a P/E ratio of 15.2x. The same picture is painted with EV/EBITDA as well. Kroger's EV/EBITDA ratio of 6.9x is lower than the Consumer Staple's average EV/EBITDA of 8.3x. Kroger compares well to its closer peers, such as Costco's EV/EBITDA ratio of 21.9x or Weis Market's EV/EBITDA ratio of 8.1x. Kroger's current ratio is below its five-year historical EV/EBITDA ratio of 7.6x, leading us to conclude the company is attractively priced both historically and comparatively.

After analyzing Constellation's recent performance and strategic outlook, the CUSP Fund managers voted to exit the CUSP position in the firm in March 2023. Two recent strategic moves by the firm have failed to pay off. Constellation's change of focus in its Wine and Spirits market has generated negative growth in operating income each of the last four years, with no promising catalyst for meaningful growth on the horizon. Additionally, a 2017 investment in Canopy Growth Corporation has generated losses nearing $2 billion. Given the firm's recent strategic missteps and lack of a meaningful strategy to recover, the CUSP managers decided to direct investment in this sector to other firms.

The first of these missteps is the dedication to the Wine and Spirits market despite consistent underperformance. Since 2018, this segment has seen its revenues steadily decrease each year while costs have been increasing. The combination of declining revenue with increased expenditures has harmed Constellation's margins in this segment. Similarly, operating income has decreased every year since 2018. While the firm's Beer segment has experienced favorable growth, the profitability of the Beer segment has been quickly eaten away by the lackluster performance of the Wine and Spirit segment. In 2017, to gain exposure to the cannabis market, Constellation Brands entered into a 10% ownership of Canopy Growth Corporation (CGC), which subsequently grew to a 38% stake by the end of 2018. The 38% stake represented about a $4 billion investment in Canopy. The acquisition proved to be disastrous. Extensive impairment losses in Canopy have led to Constellation reporting negative net income in three of the last four years, including losses of $71 million for fiscal year 2023. The Canopy segment generated a $2 billion loss in operating income for 2023. Constellation brands announced in October of 2022 that the firm would be surrendering its controlling interest in Canopy. Considering these missteps, the CUSP managers voted to sell Constellation in March 2023.

In addition to Constellation Brands and Kroger, we investigated Monster Energy (MNST) as a potential buy for the portfolio. However, given the firm's current valuation and its irregular cost structure, the team decided that the long-term growth potential did not outweigh the costs.

CUSP Managers Buy Corning Inc. and Rebalance Technology

Tristan Houk

I analyzed three companies in the Information Technology sector during March 2023. I proposed buying Corning Inc. (GLW), decreasing our position in Fabrinet (FN) and increasing the CUSP Fund investment in Adobe Inc. (ADBE) The CUSP portfolio managers agreed with my recommendations. My rationale follows.

Corning Inc. is involved in the design and manufacturing of glass for many applications. Its business is divided into six segments: display technologies, optical communications, specialty materials, environmental technologies, life sciences and all other, which includes the auto glass and Hemlock Semiconductor Group businesses. Corning Inc.'s largest segments are its Optical Communications segment, responsible for creating fiber optic communication, and its Display Technologies, responsible for creating glass substrates for display panels. The company had a market capitalization of approximately $30 billion at the time of analysis and traded at a price-to-earnings ratio of 22 and a forward P/E of 16. In addition to the attractive valuation, the company was able to grow its core sales by 5% and produce a core gross margin of 36%. CUSP Fund managers found these metrics to be attractive for a company with such varied vectors of growth.

Another large factor driving CUSP managers' decision to purchase Corning Inc. are the macroeconomic and political factors impacting the broader technology hardware sector. These impacts include reduced demand from the wind down of pandemic-fueled technology spending, foreign exchange rates being hit due to a strengthening U.S. dollar and the CHIPS Act restricting China's access to American advanced semiconductor equipment. The view of CUSP managers is that Corning Inc. overcomes most of the impact of these concerns. The firm has product applications that aren't blocked by the CHIPS Act and has segments that are sheltered from poor macroeconomic conditions thanks to subsidies related to the BEADS program. On the negative side, the company does have significant overseas operations that impacted the company's profits by $616 million in 2022.

The decision to invest also stems from bullish outlooks given by analysts and company management. Management warned that disruptions would continue in the first quarter due to pandemic-related lockdowns and other measures happening in China. Despite this hiccup, management has reiterated that the company has pricing power in much of its portfolio and gave a core EPS estimate in the range of $0.35 to $0.42. Industry consensus has been that macroeconomic conditions will result in depressed sales and profit margins in the first half of 2023, but growth trajectory will resume in the second half of the year. With the long-time horizon CUSP managers take when assessing possible investments, the short-term headwinds the company is facing present an opportunity to buy a great company for a good valuation.

Considering the addition of GLW to the portfolio, CUSP managers decided to rebalance some technology holdings. CUSP managers decided that it would be appropriate to reduce exposure to Fabrinet due to its weak market power but maintain a position because of the company's strong financial performance. CUSP managers also thought it best to increase the position in Adobe Inc. due to its non-cyclical nature and strong financial performance. All changes were undertaken in March 2023.

CUSP Managers Vote to Maintain Status Quo in the Communications Sector

Katie Allen | Maggie Harens

The Creighton University Student Portfolio (CUSP) Fund currently holds Alphabet Inc Cap Stock (GOOG), Walt Disney (DIS), Electronic Arts (EA), Meta Platforms (META), Nexstar Media Group (NXST) and Verizon Communications (VZ) in the Communications sector. Our team pitched to sell Electronic Arts and Meta and hold the remaining stocks. Our team also pitched Formula One (FWONA) and Interpublic Group (IPG) as potential additions to the portfolio. The CUSP managers decided not to move forward with any of the potential buys or sales.

Electronic Arts was considered a hold in our initial presentation in the fall of 2022. Subsequent events led us to reconsider this decision. The firm's portfolio of games evolved with the new Electronic Arts Football Club after its decision to end its partnership with FIFA. Additionally, many of the company's games seem to be successful year after year. However, in February of 2023, EA had not demonstrated continued growth and seemed to stagnate. The firm revealed in earnings calls that it had not increased the number of players it services, which means that revenue growth was limited as well. Despite these concerns, the CUSP Fund managers could not agree on a decision to sell Electronic Arts, so ultimately it remains in the portfolio.

We pitched Formula One as a potential buy in February as well. The CUSP managers decided not to invest in this stock as it is a tracking stock for Liberty Media and the returns are hard to determine. Days prior to the pitch to buy the stock, Saudi Arabia made an offer of $20 billion for this specific branch of the larger company, and it ultimately was rejected by Liberty Media. The class decided that the opaque characteristics of a tracking stock made the stock too challenging to adequately evaluate and value.

Meta Platforms is a current holding in the CUSP Fund. We evaluated Meta in the fall of 2022 and ultimately pitched Meta as a possible sell, with initial support from the CUSP managers. Meta had some success during 2022, with its daily active usage increasing by 5% year over year. Ad impressions had increased by 23% year over year, stemming from Instagram's newest feature, Reels, which competes with TikTok. The increase in users did not transfer directly into earnings. Revenues decreased while the cost of revenue increased during 2022. This was mainly due to a substantial increase in research and development costs stemming from the firm's Reality Labs Segment. Reality Labs is the virtual reality segment at Meta, and investors are banking on it for the future of Meta's success. The CUSP managers viewed the firm as sending mixed signals. The stock price fell to new lows even as the firm made substantial cuts in its workforce. Meta reported overall disappointing year-end earnings and results. However, the class decided the prospects for future growth were sufficient to maintain the position.

Interpublic Group was pitched as a potential buy in February of 2023 and a new addition to the CUSP Communications sector. Interpublic Group is one of the top global marketing solutions companies with many well-known clients who generate over 80% of its revenue. Our investment thesis was that the firm has strong relationships with big-name clients while also having diversification in specialized marketing solutions. Interpublic Group is focusing on differentiation to solve a broader set of business problems. It had a strong year in 2021, with organic revenue growth of 19.8% in Latin America. In 2022 it demonstrated strong organic growth within its largest sector. A downside for Interpublic Group is its disappointing quarterly earnings. EPS was down from 0.91 to 0.77 in quarter three of 2022. It reported similar decreases in net income due to a large increase in expenses. The class noted the uncertainty of the current economy and the way marketing companies may be affected during a recession. Due to the firm's operating results combined with too many uncertainties, the class decided against the purchase of Interpublic Group.

MPW: Purchased to Further Diversify the Real Estate Sector

Juan Carlos Fernandez Wohler

Medical Properties Trust (MPW) was added to the CUSP Fund during the first quarter of 2023. MPW is a triple-net Real Estate Investment Trust (REIT) that invests in healthcare real estate. Its triple-net REIT nature gives lease payments stability and predictable growth in nearly any economic climate. From January 2022 until mid-March 2023, MPW's stock price declined by almost two-thirds because of macroeconomic headwinds putting pressure on some healthcare operators. Rising interest rates and high inflation environment also had a negative effect on MPW's stock price. Despite the pullback in price, MPW continued to deliver strong results during 2022.

Why do the CUSP managers believe there is a good investment opportunity in MPW? The answers are its underwriting model, its strong profitability and growth and an aging population and the corresponding increased need for healthcare services.

First, as one of the biggest healthcare real estate owners in the world, MPW benefits from its scale and expertise, which gives it a competitive edge over other healthcare REITs. Its expertise is reflected on its underwriting model. MPW invests in healthcare real estate, not the consolidated financial performance of its tenants. Its portfolio is carefully chosen so that the facilities are extremely important to the community they serve, and its leases are structured so that even if the operator changes, the facility remains operational. In 2022, MPW's largest tenant, Stewart, struggled to maintain profitability in some of its facilities. However, during the first quarter of 2023, it was announced that a new tenant would assume management of these facilities. This transaction provides evidence of the success of MPW's underwriting model, and the change aided MPW by decreasing its exposure to its largest tenant. In light of these events and MPW's history of successful underwriting, we believe that MPW has a bright future

Second, MPW has a proven track record of strong profitability and growth over the years. This success can be attributed, in part, to MPW's robust acquisition activity, which has contributed significantly to both its top and bottom-line growth. Over the past five years, MPW has nearly doubled its revenue and normalized funds from operations (FFO). Despite the challenges with Steward, MPW was able to sustain revenue growth and even improve its margins. Its sustained profitability and growth despite a challenging macroeconomic environment give us confidence in its financial stability and long-term growth prospects.

Third, MPW's real estate portfolio is diversified amongst several types of facilities offering different healthcare services. Its portfolio gives exposure to 10 different countries, all of which have an increasingly aging population. MPW's portfolio is positioned to make the most of this demographic shift, and we believe this makes MPW an attractive investment.

The CUSP managers believe MPW's future looks promising. Its proven history of successful underwriting, its financial stability and long-term growth prospects and its strategic position to meet the healthcare demand of an aging population lead us to believe that MPW is a good investment. The addition of MPW into the CUSP Fund helps diversify our holding in the Real Estate sector, in which we currently have exposure to industrial, communications and entertainment REITs. Additionally, the team believed that the decline on price offered an attractive entry point with the potential for significant price appreciation and a high dividend yield.

United Rentals and Herc Rentals Replace Triton International in the CUSP Industrials Holdings

Evan Weerts | *James Steichen*

The Industrials sector returned – 8.57% in 2022, according to Morningstar, compared to the S&P 500 Index's performance for 2022 of –19.44%. The Industrial sector has long been thought of as a defensive sector, and it was just that in the year 2022. With rising interest rates and economic uncertainty, investors have shifted toward more defensive sectors and companies. This has provided both complexities and opportunities within the sector. One of the CUSP Fund holdings, Triton International (TRTN), was acquired by the Canadian asset management firm Brookfield in March 2023. This deal caused Triton's stock price to jump 30% on the day of the acquisition. CUSP Fund managers decided to exit the position given the level of the premium offered and the fact that the offer price was fully priced in by investors. This merger is expected to close in Q4 of 2023.

From a portfolio management perspective, CUSP managers want to remain slightly overweight in the Industrial sector. To fill the hole that Triton left in the Industrial sector, CUSP managers decided to add United Rentals Inc. (URI) and Herc Holdings Inc. (HRI) to the portfolio.

United Rentals is the largest rental company in the United States, capturing 16% of the rental market according to Statista. The company's rentals include general construction and industrial equipment, such as backhoes, skid-steer loaders, forklifts, earthmoving equipment and material handling equipment, among others. Customers include construction and industrial compaies, manufacturers, utilities, municipalities, homeowners and government entities. Even though United Rentals is the market leader, overall, the rental market is an extremely fragmented market. United Rentals has used this to its advantage, using its strong balance sheet to acquire firms to expand its physical footprint. One such example is United Rentals' acquisition of Ahern Rentals Inc. for $2 billion in Q4 of 2022. This was one of United Rentals' largest acquisitions in the last 20 years.

CUSP Fund managers deemed United Rentals attractive because of its recent pullback in valuation despite perceived growth potential. United Rentals' stock price dropped approximately 20% during to the regional banking crisis of early 2023. Since many construction projects are financed by regional banks, recent worries about bank runs and constricted lending caused investors to pull back on investments in firms such as United Rentals. In our view, nothing in the underlying business of United Rentals had changed, and CUSP managers viewed the price drop as providing for a more attractive entry point into a profitable and growing company. With an industry median P/E ratio of 16.71x, United Rentals looks attractive at a P/E ratio of 14.67x. United Rentals' EV/EBITDA ratio of 7.12x is exactly the sector median at 7.12x as well. Additionally, United Rentals boasts an attractive five-year revenue CAGR of 11.88% and a decade high return on invested capital of 13.43%. It also appears URI is poised to capitalize from a forthcoming significant uptick in spending on infrastructure as a result of several recent spending bills that were signed into law. The impressive double-digit growth combined with the recent pullback in valuation led CUSP managers to vote to buy URI for the portfolio in April 2023.

In addition to URI, the CUSP managers voted to add Herc Holdings Inc. to the industrials sector. Herc Holdings Inc. operates through a subsidiary, Herc Rentals, as an equipment rental supplier, offering a large portfolio of industrial equipment for rent. Herc Rentals' classic fleet includes equipment such as aerial, trucks and trailers, material handling, air compressors, earthmoving, compaction and lighting. Its industry-specific services include power generation, climate control, remediation and restoration, pumps, trench shoring and studio and production equipment. According to the firm's 10k, Herc Rentals has approximately 6,700 employees in 364 locations in North America and generates about 90% of revenues from the U.S., with another 10% coming from Canada. The firm has grown significantly over the past two years, mostly by acquiring smaller specialty equipment firms.

CUSP managers considered Herc Rentals a good investment due to its attractive valuation and aggressive growth strategy. Herc Rentals has had significant growth in revenues of 16.4% in 2021 and 32.10% in 2022. Similar to URI, HRI's stock price has been discounted during the period of instability in regional banks in early 2023. The CUSP managers view the drop in price as providing a good entry point for the stock. For example, Herc Rentals' P/E ratio of 9.98x compares favorably to the rental industries median P/E ratio of 16.71x. Like URI, HRI stands to benefit tremendously from the Build Back Better Act, giving the company ample opportunity for growth in the near term. Finally, it is worth noting that Herc Rentals is the third largest player in the equipment rental space. Given the firm's profitability, strong balance sheet and reasonable valuation, the stock was added to the portfolio in April 2023.

The surplus of funds provided by the acquisition of Triton provided CUSP managers with the ability to alter some of the other holdings within the CUSP industrials sector. These funds were strategically allocated to Acuity Brands and Snap-on, two existing holdings. CUSP managers decided on this due to the recent drawback in Acuity's stock price and the strong Q1 performance from Snap-On, with 10.2% organic sales increase from FY 2022. Both are solid names within the sector, and we believe they continue to provide meaningful return potential for the portfolio. All these transactions were completed in April 2023.

Financials: Evercore is Replaced by Carlyle Group

Joseph Joas

The CUSP currently consists of eight companies within the Financials sector and four companies specifically within the banking subsector. The banking firms include JP Morgan Chase & Co. (JPM), Bank of America (BAC) and Hilltop Holdings (HTH). The CUSP managers added Carlyle Group Inc. to the sector and sold Evercore Inc. (EVR). In my presentation, I proposed Carlyle Group Inc. (CG) and Stifel Financial Corp. (SF) as possible buys and Evercore Inc. and Bank of America as potential sells.

Carlyle Group is a leading alternative investment company known for its specialization in private credit, real estate and private equity transactions. Carlyle Group Inc. is well diversified geographically between its operations in the Americas, EMEA and Other – Pacific and has approximately $373 billion assets under management. The firm has consistently grown assets in spite of the volatility and uncertainty in the financial markets. The firm demonstrates strong profitability metrics and has experienced strong returns relative to that of similar large private equity firms, such as Ares Management (ARES), Apollo Global Management (APO), Brookfield Asset Management (BN) and KKR & Co. (KKR). Additionally, Carlyle recently appointed a new CEO, a position that has been vacant for an extended period. The incoming CEO will provide leadership and direction for the company going forward. These historical metrics coupled with the firm's strong balance sheet and reasonable valuation motivated the CUSP managers to add the firm to the CUSP in March of 2023.

Stifel Financial Corp. was also considered as a potential addition to the CUSP Fund. Stifel Financial Corp. has experienced large growth in its revenues, assets and increasing EPS through operations as well as strategic acquisitions. Most of Stifel Financial Corp.'s revenue is generated through its Global Wealth Management at 64.8% of total revenues, followed by its Institutional Group at 35.2% of total revenues. This sector includes investment banking, fixed income and equity operations. The CUSP managers viewed the firm's historical growth and metrics favorably but ultimately decided the potential for growth for other sub-sectors of the banking field provided more appealing return potential.

Given that the CUSP is fully invested and that any purchase must be countered with a sale, I presented Bank of America and Evercore Inc. as potential sells. Bank of America has been in the CUSP since 2017, and Evercore Inc. has been in the CUSP since 2019. The CUSP managers ultimately voted to continue to hold Bank of America. The firm has highly diversified revenue streams in the form of Consumer Commercial Banking, Global Banking, Global Wealth and Investment Management and Global Markets. We believe the firm's prospects, combined with its strong balance sheet and reputation, enhance its potential for appreciation, especially given the recent market developments related to the collapse of Silicon Valley Bank, Signature Bank and Credit Suisse.

I also pitched Evercore Inc. as a possible sale. Evercore Inc. is a leading independent boutique investment banking firm that advises on deals pertaining to mergers and acquisitions, corporate restructurings, financings, divestitures, initial public offerings and private placements. The firm also provides a small amount of equity research to certain institutional investors. Since Evercore Inc.'s revenue is highly dependent on investment banking services at roughly 98%, the firm is highly sensitive to increasing interest rates. This negatively affects deals within the capital markets and overall deals within the pipeline. The CUSP managers decided this large dependence on investment banking services coupled with interest rate effects leaves the firm more exposed to risks that could lead to unfavorable returns relative to others in the industry. We also noted the firm's decreasing return multiples from 2017 to 2022 when compared to industry peers, such as Moelis & Company (MC) and Lazard (LAZ).

The CUSP managers ultimately decided to sell Evercore Inc. and replace it with Carlyle Group Inc. in March of 2023. We believe that Carlyle Group Inc. offers the largest potential stock appreciation in the next three-to-five years through its strong operating ratios, well-diversified business segments and diversification of operations geographically. The CUSP managers believe that the private equity sector, in which Carlyle Group Inc. resides, has greater return potential as compared with Evercore Inc.'s investment banking sector. Thus, Evercore Inc. was sold to gain exposure to these trends.

ADDENDUM: Hilltop Holdings (HTH) is the sole regional bank held within the CUSP. The uncertainty surrounding regional banks in early 2023 spurred the CUSP managers to look closer at this holding. We noted the bank is profitable, has good liquidity and a strong capital base. But we also noted the bank has a relatively high loan-to-deposit ratio. The CUSP managers decided it prudent to sell HTH and replace it with Evercore in April 2023. We did not make the switch because we believe HTH to be flawed. Rather, we are acutely aware that the CUSP Fund will not be actively managed during the summer months. Thus, we decided to act with an abundance of caution in making the switch. We will reverse the switch once the current market uncertainty has subsided.

2022–2023 CUSP Fund Buy and Sell Decisions

PURCHASES:

Company:	Rationale:
Aon PLC (AON)	Aon (AON) is one of the largest insurance brokers in the U.S. We believe that the firm is a particularly attractive investment given its strong profitability, growth, shareholder returns and valuation. For example, relative to its peer group average, Aon's profit margin is 43% higher, its FCFF/Assets is 65% higher, its FCFF/Assets three-year CAGR is 657% higher and its combined buyback-dividend yield is 142% higher. Despite Aon's superior financials, its P/E was only 2% above its peers, and its P/FCFF was 19% below its peers. The CUSP managers added AON to the portfolio in March 2023.
Carlyle Group Inc. (CG)	The CUSP Fund positions in banks within the Financials sector are JP Morgan Chase & Co., Bank of America and Hilltop Holdings. The CUSP Fund managers voted to exit its position in Evercore Inc. and purchase Carlyle Group Inc. (CG) as a replacement. We believe Carlyle Group Inc. has a larger stock appreciation potential due to the firm's strong profitability metrics and reasonable valuation metrics. We also believe the private equity subsector has the potential for the largest tailwinds in the next three-to-five years relative to other sectors within the industry. We added CG to the CUSP in April 2023. (ADDED NOTE: Before breaking for the summer, CUSP managers sold its only regional bank, Hilltop Holdings (HTH), out of an abundance of caution given the current stresses in that market. HTH was replaced by Evercore but only so long as the uncertainty surrounding regional banks subsides. The change was made largely because the CUSP is not monitored as closely during the summer months.)
Corning Inc. (GLW)	Corning Inc. (GLW) is involved in the design and manufacturing of glass for many applications. Its business is divided into six segments: display technologies, optical communications, specialty materials, environmental technologies, life sciences and all other, which includes the auto glass and Hemlock Semiconductor Group businesses. With its superior products, large number of meaningful patents and diverse revenue sources, Corning Inc. has pricing power in a market that is facing pressure on margins. CUSP managers voted to add Corning Inc. to the portfolio in April 2023 to diversify within the technology hardware space and add a company producing a product with a wide range of use cases that was trading at an attractive valuation.
Crocs Inc. (CROCX)	Crocs (CROCX) is the second largest casual footwear retailer in the world. A recent acquisition of HEYDUDE shoes further solidifies Crocs' market share and expands its product offerings. Crocs is projected to leverage its significant international presence and its logistics network to increase HEYDUDE's revenues by 20% with an operating margin around 25%. Moving forward, the firm is expected to maintain and expand industry-leading operating and net profit margins, generating favorable returns for the CUSP. The CUSP managers voted to add the stock to the portfolio in March 2023.
Exelixis Incorporated (EXEL)	Exelixis Incorporated (EXEL) is a market leader in tyrosine kinase inhibitor (TKI)-based oncology therapies. The potential of Cabozantinib, the biotech firm's primary revenue driver, made for an intriguing investment proposition. Cabozantinib, used to treat kidney cancer, is the leading drug of its treatment type with properties that are adaptable for use in other cancers, as reflected in the firm's pipeline of drugs. The firm's prospects coupled with a relatively conservative valuation, likely due to volatility on the income statement, led the class to add EXEL to the portfolio in March 2023.
Herc Holdings (HRI)	CUSP managers added Herc Holdings (HRI) to the industrials sector in April 2023. Herc Holdings Inc. operates through a subsidiary, Herc Rentals, as an equipment rental supplier offering a large portfolio of industrial equipment for rent. Herc Rentals' classic fleet includes equipment, such as aerial, trucks and trailers, material handling, air compressors, earthmoving, compaction and lighting. Its industry-specific services include power generation, climate control, remediation and restoration, pumps, trench shoring and studio and production equipment. Herc Rentals was deemed a good investment by the CUSP managers due to its attractive valuation and its aggressive growth strategy.

PURCHASES *CONTINUED*:

Company:	Rationale:
McKessen Corporation (MCK)	McKesson Corporation (MCK) is a leading drug and medical device distributor. McKesson profiles as a consistent earner, with increasing revenue in each of the past 10 years. The CUSP managers view the prospects of the firm post-opioid crisis as providing the potential for generally higher margins. Much of this will come from the sale of the firm's satellite businesses and increased focus on technology solutions. The core distribution business will see continued growth driven by prescription volume, an aging populace and changes in available generic options. MCK was added to the Healthcare sector of the CUSP in March 2023.
Medical Properties Trust (MPW)	Medical Properties Trust (MPW) is a real estate investment trust that invests in healthcare facilities. MPW's stock price declined significantly during 2022 because of macroeconomic headwinds that put pressure on healthcare operators. The CUSP managers believe that MPW's history of consistent growth and strong profitability make it a good long-term investment. Additionally, the team believes that the decline in price offers an attractive entry point with the potential for significant price appreciation, which combines favorably with MPS's high dividend yield. MPW was added to the CUSP in March 2023.
Nutrien (NTR)	The CUSP managers voted to add Nutrien (NTR) to the CUSP in March 2023. Nutrien is a large player in the fertilizer space. We believe the firm is poised to benefit from the growing volume of fertilizer and related products demanded by farmers in both mature and emerging markets. We expect the large size of Nutrien relative to its competitors to offer economies of scale, allowing for increased cost efficiency and improved margins and growth going forward. We believe that, at its current valuation, Nutrien represents a good choice for capitalizing on those trends.
NXP Semiconductors (NXPI)	NXP Semiconductors (NXPI) operates as a global designer of semiconductor and software solutions for mobile communications, consumer electronics, security applications, in-car entertainment and networking. NXPI offers its products for automotive, identification, wireless infrastructure, lighting, mobile and computing applications. The firm is unique in the fact that it is headquartered in the Netherlands, meaning it is not affected by the recent CHIPS Act. NXPI has a fairly new management team that brings an experienced, ambitious drive to the company. The team has recently completed transactions in EV and Tech startups. NXPI was added to the CUSP in March 2023.
United Rentals (URI)	United Rentals (URI) is the largest rental company in the United States, with about 16% of the rental market, according to Statista. The company's rentals include general construction and industrial equipment, such as backhoes, skid-steer loaders, forklifts, earthmoving equipment and material handling equipment, among others. Customers include construction and industrial companies, manufacturers, utilities, municipalities, homeowners and government entities. Even though United Rentals is the market leader, overall, the rental market is an extremely fragmented market. United Rentals has used this to its advantage, using its strong balance sheet to acquire firms to expand its physical footprint. United Rentals was deemed attractive by CUSP managers because of the recent pullback in valuation in spite of perceived growth potential. URI was added to the CUSP in April 2023.

SALES:

Company:	Rationale:
Allstate Corp. (ALL)	The CUSP managers voted to sell Allstate (ALL) in March 2023. We believe Allstate's stock price does not adequately reflect the challenges that primary insurers like Allstate could face when underwriting against factors such as climate change, monetary inflation, social inflation and global decoupling between the U.S. and Asia. Additionally, we do not believe that Allstate was well positioned to overcome those challenging underwriting prospects in the future given that the firm already had a loss ratio significantly higher than its peers. Finally, we concluded primary insurers' fundamental basis of competition would yield worse long-term results than insurance brokers, such as Aon.
Constellation Brands Inc. (STZ)	After an analysis of Constellation's (STZ) recent performance and strategic outlook, the CUSP managers voted to exit its position in the firm in March 2023. Two recent strategic moves by the firm have failed to pay off. Constellation's change of focus in its Wine and Spirits market has generated negative growth in operating income each of the last four years with no promising catalyst for meaningful growth on the horizon. Additionally, a 2018 investment in Canopy Growth Corporation has generated losses nearing $2 billion. Given the firm's recent strategic missteps and lack of a meaningful strategy to recover, the CUSP managers decided to direct investment in this sector to other firms.
Evercore Inc. (EVR)	The CUSP Fund exited its position in Evercore Inc. (EVR) for multiple reasons: the firm's decreasing return multiples, a very large dependence on investment banking services that are quite sensitive to increasing interest rates and Evercore's overall unprofitable deals within the capital markets. We believe this could negatively impact stock appreciation in the next three-to-five years. EVR was sold in April 2023.
Freeport-McMorran Companies (FCX)	The CUSP managers voted to divest its interest in Freeport-McMorran Companies (FCX), a firm in the Materials sector, in March 2023. Freeport McMoRan is best known for its production and sale of copper (80% of revenue) and gold (10% of revenue). Because of its heavy reliance on copper as an output, the firm's stock price is highly correlated with the price of copper, which has increased significantly in recent months. As a result, FCX has a high earnings multiple and perceived premium over its intrinsic value when compared with other firms within the Materials sector.
Hasbro Inc. (HAS)	In March 2023, the CUSP voted to sell Hasbro (HAS), a game and toy producer in the Consumer Discretionary sector. Hasbro Inc., one of the largest toy conglomerates in the world, recorded very poor performance over the course of 2022 and provided a poor outlook for 2023. The firm continues to struggle with the aftermath of the acquisition of eOne in 2019 and, at last report, had begun to look for buyers of the production company. While Hasbro has a strong video game and digital media presence with Dungeons and Dragons and Peppa Pig, it struggles to compete with larger, more established firms that have hundreds of digital games and content in their portfolios. This, in addition to the seemingly industry-wide downturn in net revenues and increase in costs due to the macroeconomic environment, led CUSP Fund managers to sell Hasbro and buy Crocs in its place.
Horizon Therapeutics (HZNP)	Horizon Therapeutics (HZNP) is a biotechnology company focused on the discovery, development and commercialization of medicines. The firm has a portfolio of 12 medicines in the areas of rare diseases, gout, ophthalmology and inflammation. HZNP was sold from the CUSP in December 2022 when news of a possible acquisition of the firm caused the stock price to jump.
LyondellBasell Industries N.V. (LYB)	The CUSP managers voted to sell LyondellBasell Industries N.V. (LYB) in March 2023. LYB is a globally diversified chemicals company. The firm primarily offers products within the categories of olefins and polyolefin, intermediates and derivatives and advanced polymer solutions. While LYB is solid financially, the CUSP managers fear growth in supply in the firm's product space will outpace demand in the coming years. We viewed this as an opportunity to shift resources within the Materials sector into a firm with more promising growth prospects.

SALES *CONTINUED*:

Company:	Rationale:
Micron Technology (MU)	Micron Technology (MU) is a semiconductor manufacturer focused on two main types of semiconductors, both focused on storage. MU has been a strong competitor in its field, and the stock has performed well for the CUSP. Prospects, however, are less promising. Micron's chips are facing a significant drop in demand, shifting from a shortage of supply to a shortage of demand. The CHIPS Act will hamper Micron as it pushes firms to move production out of China. MU has a large majority of its production operations in China and thus is no longer able to produce at the same capacity as it did previously, and new factories under construction are years away from being operational. CUSP managers concluded the uncertainty and the risk of holding MU were not worth the potential benefit. The position was liquidated in March 2023.
Triton (TRTN)	Triton International (TRTN) provides leases of shipping containers. It offers acquisition, leasing, re-leasing and sale of intermodal containers and chassis to shipping lines, freight forwarding companies and manufacturers. It operates in two segments of industrials, equipment leasing and equipment trading. Triton is the leading player in container leasing, providing efficiency and certainty through its extensive international network and large inventory. Triton International agreed to be acquired by the Canadian asset management firm, Brookfield, in March 2023. This deal caused Triton's stock price to jump 30% on the day of the acquisition. CUSP managers decided to exit the position given the level of the premium offered and the fact that the offer price was fully priced in by investors.

The Heider College of Business joins the Portfolio Practicum class in thanking our alumni, friends and business partners for their support. We look forward to working with you as we continue our mission of educating business leaders in the Jesuit tradition and positively impacting the world.

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