

2022 CUSP Sector Allocation

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Sector	CUSP Weight	Benchmark Weight	CUSP Over (Under) Weight
Information Technology	23.84%	27.42%	-3.58%
Health Care	13.99%	13.73%	0.26%
Consumer Discretionary	10.11%	11.69%	-1.58%
Financials	12.55%	11.32%	1.23%
Communication Services	9.59%	8.89%	0.70%
Industrials	10.64%	8.31%	2.33%
Consumer Staples	7.38%	5.98%	1.40%
Real Estate	4.21%	3.42%	0.79%
Utilities	0.00%	2.79%	-2.79%
Materials	5.30%	2.47%	2.83%
Energy	2.24%	3.76%	-1.52%

The CUSP portfolio is benchmarked against the Russell 1000 Index, and so we have established sector weightings that mostly match the index. There are two significant departures from this. First, we don't hold any Utilities. The absence of Utility holdings within the CUSP represents a large underweighting relative to the 2.79% weight in the index. The CUSP makes up for this severe underweight with the overweighting of other sectors. Second, we have chosen to maintain the current holdings within the Energy sector and not to engage in further analysis of stocks within this sector. In accordance with Creighton University guidelines, we will exit these fossil fuel holdings in the near future.

Even though CUSP performance is measured against the Russell 1000 Index as a benchmark, we don't strive to simply match the index. Our holdings within each sector can vary meaningfully from the holdings within the index. For example, Apple and Microsoft each exceed 5% of the index in market value. CUSP holdings of each recently were 2.35% and 2.65%, respectively. Moreover, we hold just under 60 names in the CUSP, which means some sectors are represented by very few holdings. Because we hold positions that are relatively concentrated in the number of positions held, we typically strive to invest no more than 3% of the portfolio in any particular name. We believe this is a prudent manner in which to manage risk.

The accompanying table shows the CUSP is overweight in Health Care, Financials, Communication Services, Industrials, Consumer Staples, Real Estate and Materials. Conversely, the Fund is underweight in Information Technology (IT), Consumer Discretionary, Utilities and Energy. The index weightings are based on the iShares Russell 1000 ETF. The managers altered sector weightings a bit during the year by reducing various trimmed positions while adding new companies to the portfolio. Most of the changes resulted from price appreciation or depreciation among holdings within sectors.

Looking at the sectors that are underweighted, the most notable is in the benchmark's biggest sector, IT. In a move to become more in line with the benchmark, we added positions in

Qualcomm and Teradyne to the sector. We trimmed positions in Micron, Fabrinet and Apple, all of which experienced significant price appreciation, to help manage risk and better diversify within the IT sector. On a related note, the CUSP was underweight IT during the decline in 2022. Our underweight of IT during the first part of 2022 actually aided in the CUSP's benchmark-relative performance. Our investment decisions in early 2022 are designed to more closely match the CUSP and Index IT sector weights.

The CUSP is currently, and has been, overweight in both the Materials and Industrials sectors, which the managers also strived to align more with the benchmark. The portfolio managers added one company to the Materials sector, bringing sector holdings to four companies. The company added, Freeport-McMoran, is focused on mining materials, a subsector not previously represented within the portfolio. Along with the addition, each existing company in sector was trimmed to a portfolio-relative weighting of roughly one percent. This is partly due to a dramatic runup in price of two of the existing holdings. This was undertaken merely as an adjustment to more closely weight-match the Index and to reduce risk in existing holdings, as well as a means of freeing up more cash to invest in other sectors.

The CUSP holds positions in seven companies in the Industrials sector, another that is slightly overweight. During the course of Fall 2021 and Spring 2022, the CUSP managers undertook an extensive review of the holdings within this sector, ultimately choosing to leave the sector largely unchanged in light of proposed increases in infrastructure spending and expectations for a continued economic recovery.

The Financials and Communications Services sectors are also overweight relative to the benchmark. CUSP holdings in Financials (three insurance companies and five banks/financial companies) and Communication Services (six companies) each exceed the benchmark. We added a specialty insurance company (Assurant) to Financials to further diversify this sector. We added Nexstar, a media company, to the Communication Services sector in part because it operates in a subsector not currently represented. As with other sectors, several existing companies within these sectors were evaluated and deemed worthy of continued investment.

The CUSP managers made minor changes to the Healthcare and Consumer sectors. The managers added one firm to bring total healthcare-related holdings to six, while trimming positions in two existing holdings. On the consumer side, while Consumer Discretionary is underweight (five holdings) and Staples are overweight (four holdings), CUSP managers have taken the approach of considering the sectors together and generically as Consumer. The Real Estate holdings were all added by the 2020-2021 CUSP managers. We monitored them, ultimately deciding to make no changes within this sector.

Entering 2023, we believe the CUSP's holdings, specifically those in IT and Communication Services, position us well to take advantage of the positive trends in artificial intelligence, cloud computing, data warehousing and 5G expansion. We also believe our holdings in Industrials and Materials are positioned to capitalize on increased infrastructure spendings and the recovery of the economy.

