2023 GMU SMIF ANNUAL REPORT

GEORGE MASON UNIVERSITY

MONTANO STUDENT MANAGED INVESTMENT FUND

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Investment Strategy and Process

The Montano Student Managed Investment Fund operates under a value-based, top-down investment approach. The Fund currently manages roughly $292,708 and is diversified across ten sectors that provide for a comparative analysis against the S&P 500 Total Return, our fund's benchmark index. The Fund's investment strategy seeks to preserve and enhance assets over time by tracking the benchmark index, while minimizing risk and transaction costs. The Fund's goal will be met by assessing future economic conditions, including inflation, recession risks and interest rate levels when determining investment positions within the portfolio.

The fund is actively managed by the investment, risk, and finance committees alongside student analysts. We aim to change our positions only at the end of each semester, as stated by our Investment Policy Statement. Our process begins at the beginning of the semester, when student analysts are assigned a specific sector within the S&P 500. Once each sector has been assigned to a team of analysts, the semester starts with each group analyzing the performance of the holdings picked within their sectors from the previous semester. This allows our analysts to become familiar with the methodology of previous analysts as well as identify key drivers within their sectors. This preliminary research gives our analysts the opportunity to begin to identify holdings that they may wish to remove.

Once past performance has been sufficiently reviewed, our analysts will conduct a macro-level analysis of their individual sectors, the S&P 500, and various global markets. This process gets each team more familiar with their respective sectors and allows them to identify domestic and global macroeconomic risks to be used in future analysis. This allows analysts to identify key catalysts within their sectors that will help them avoid firms that may remain undervalued for long periods of time. At this point our analysts begin to identify potential firms that they may wish to add to the portfolio at the end of the semester.

After each team of analysts concludes which holdings they would like to remove from their sectors, and their respective replacements, they will present their findings to the class. At this point, the class will then vote on whether to accept the changes proposed by each sector or to hold the current position. Additionally, the class can vote to move the position into a sector ETF if they do not find the current position, nor the proposed changes made by the presenting team to be in line with our investment objectives. Holdings being added to the portfolio cannot represent more than a 5% weight of our total holdings as stated by our Investment Policy Statement.

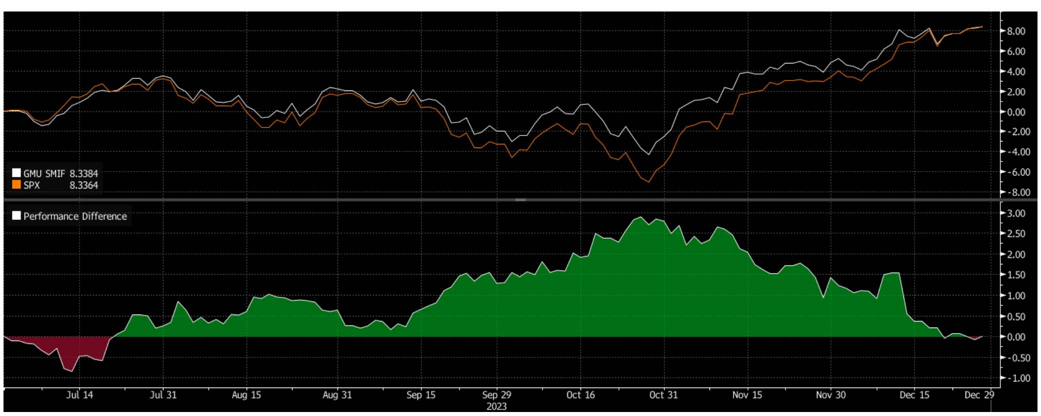
Financial Highlights

The SMIF portfolio ended the year 2023 with a market value of $292,708 and its largest risk bets having been placed in Brown & Brown, Google, Entergy Corp., and General Mills. The SMIF portfolio underperformed its benchmark by -6.39% with less volatility than its benchmark, ending the year with a total portfolio return of 20.30% and a standard deviation of 12.76% compared to the S&P 500's return of 26.68% and a standard deviation of 13.10%. The SMIF portfolio also returned a Jensen's Alpha of -4.85%, but after the full management transition in the middle of the year, the Jensen's Alpha was 1.30%. An analysis of the sector performance shows that the SMIF's Materials and Utilities sectors outperformed by wide margins, which were 12.56% and 9.94% respectively. Real Estate & Consumer Discretionary underperformed their SPDR benchmarks the most, by -30.20% and -27.15% respectively. Statistical analysis reveals that our portfolio had a beta of 0.93, a VaR of 1.58%, and a CVaR of 2.19% - both with confidence levels of 95%.

Performance Analysis

Overall, we underperformed our benchmark by about 639 basis points over the period 12/28/22-12/28/23, as the fund returned 20.30%, in comparison to 26.68% for the S&P 500. The biggest contributor to the underperformance, relative to their weighting was Industrials. The Industrial sector made up 8.32% of the portfolio's holdings and saw a total return of -6.10% over the period, compared to its benchmark's (XLI) return of 17.89%. Leidos was the worst performing stock in the sector by weight, contributing -1.55% to the total portfolio's performance. The worst performing sector relative to its benchmark (XLRE) was Real Estate which returned -16.32% compared to its benchmark's return of 13.88%. The best performing sector by weight was Technology, as Broadcom, Alphabet, and IBM combined provided +7.64% to the total portfolio performance. Despite this, the sector underperformed its benchmark (XLK) by about 6%. The best performing sector relative to its benchmark (XLB) was Materials which had a return of 25.60%, which is 12.56% greater than its benchmark's return.

Total Return After Management Transition (June 1)



2024 Investment Outlook

The S&P 500 had a strong year in 2023, boasting a 26.68% gain despite uncertainty regarding inflation and the rising interest rate environment. As we transition into 2024, capital markets look to be shaped by the policies of the US. Federal Reserve, with a focus on the Fed's discretionary monetary policy. Labor market reports such as initial jobless claims, and nonfarm payroll data will be a key factor in advising these policies. To recap, the Federal Reserve's main challenge in 2023 was to combat inflation through a series of rate hikes. Based on information from the December 2023 FOMC meeting, investor sentiment is leaning towards a hypothesized 3 rate cuts by the Federal Reserve in 2024.

The recent drop in seasonally adjusted initial jobless claims to 202,000 signals a cooling, but stable job market. This data supports our thesis of no imminent recession and suggests that the economy is balancing employment and inflation effectively. A stable job market would boost consumer confidence and would prompt borrowing by companies and individuals. Despite high inflation and interest rates, consumer spending remained stable in 2023. We believe this is not sustainable throughout 2024 and predict a decline in the US GDP growth rate to around 1%.

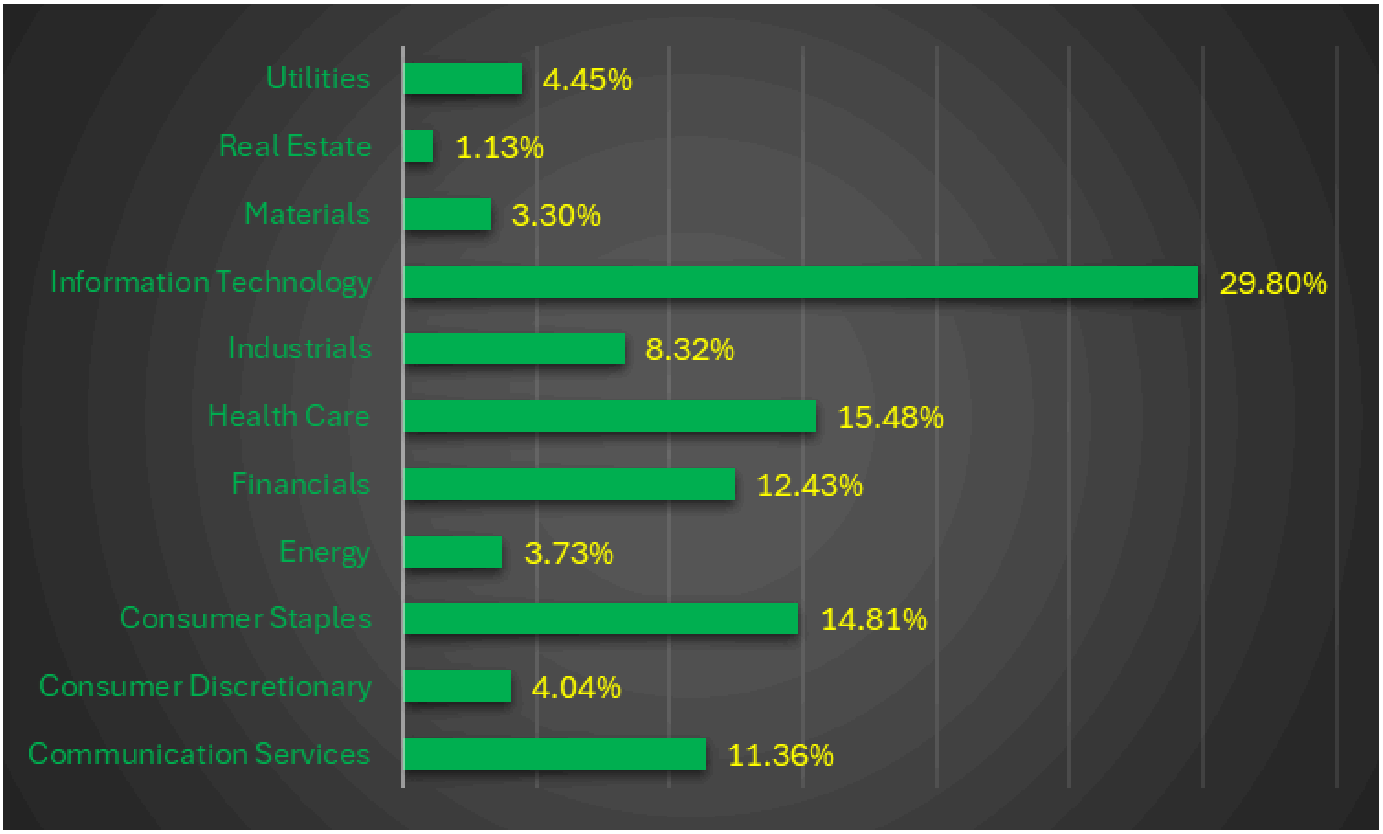
We anticipate a real disposable income growth rate of about 3% and a core PCE inflation rate of around 2.4% in December 2024 due to the rate cuts. The decrease in interest rates prompts an opportunity to invest in high P/E growth stocks. Coupled with lower forecasted market P/E ratios and falling interest rates, we hold an overall bullish sentiment on equities. Moreover, significant drops in business investment and housing market activity last year set the stage for improved performance in 2024.

Despite these factors, we expect to see some volatility in the market given that 2024 is an election year, which generally prompts investor speculation regarding policy reform. In the event of a Democratic victory, we anticipate an increase in tax rates which we believe will impact equities marginally due to potential decreases in corporate earnings. However, a Republican victory may lead to lower tax rates which could boost the equities market to finish the year off strong.

In the geopolitical environment, we believe that Taiwan will continue to be relevant for US-China relations. China's current economic slowdown has the potential to negatively impact trade. Concerns about a 'hard landing' for China also could push US equities lower. The potential escalation of the Israel-Hamas war into a broader conflict in the Middle East would impact the US economy through increased oil prices. We plan to continue monitoring these developments throughout the year.

GMU SMIF Sector Reports

GMU SMIF consists of ten sectors that represent the benchmark for a comparative analysis. Each sector is tightly analyzed below in the following reports. These reports include current holdings, and sector performance during the analyzed period, along with statistical highlights and upcoming investment expectations. The ten sectors in their order of presentation are: Energy, Consumer, Materials, Healthcare, Communication, Industrials, Real Estate, Finance, Utilities, and Technology.



Energy Sector
Written By: John Walton

Sector Performance

Over the period of 12/30/22-12/28/23 the energy sector underperformed its benchmark (XLE) by 3.20%. The lackluster performance was due to Chevron's weak output from its shale operations and expansion delays in Kazakhstan, accompanied with the vast amount of geopolitical risks. Over the past year, the fund's energy sector returned -4.28% while its benchmark returned -1.07%.

Sector Summary

The average weight of the SMIF Energy sector was 3.73% over the past year. The performance of the energy sector was primarily driven by the following macroeconomic factors: supply cuts, high interest rates, weak economic growth, and conflicts over oil. World leaders in oil exports (OPEC+), Saudi Arabia and Russia included, have agreed to voluntary output cuts totaling 2.2 million barrels per day by early 2024. The high interest rates that seem to linger have had a significant impact on the energy sector. The Fed's mission to combat inflation has caused demand for oil to fall throughout 2023. There has also been uncertainty in the energy sector, especially after the threat of geopolitical conflict. The Israel-Hamas war has led to instability in the region and even open attacks on oil tankers in the Red Sea. Over the past year, crude oil has seen a total drop of $4/barrel, from $82/b to $78/b.

Upcoming Investment Expectations

We are monitoring the ongoing tensions in conflict regions, such as Israel-Hamas and Guyana, as an escalation could impact the price of oil. As the Fed is expected to cut interest rates in the coming year, the demand for oil is likely to increase as a result. Given the geopolitical risks in tandem with US economic expectations, investment in the energy sector is one to be proceeded with caution. We are holding an equal weight defensive portfolio within this sector until we can find an opportunity we feel confident investing in within the noise of an upcoming political election.

Statistical Highlights:

Sector Value: $ 11,930.59
% of Portfolio Allocated: 3.73%

Energy Sector	Weight %	HPR %
CHEVRON CORPORATION	1.47%	-13.06%
CONOCOPHILLIPS	2.11%	3.37%
VALERO ENERGY CORPORATION	0.15%	4.77%
Total	**3.73%**	

Consumer Sector

Written By: Simon Kanazeh

Sector Performance

Over the period 12/30/2022-12/28/23, the fund's Consumer Discretionary sector had a return of 16.93%, underperforming the benchmark by 27.15%. The Consumer Staples Sector had a total return of 4.45%, outperforming the by sector benchmark by 3.97%. Top performers in our holding within these two sectors include Home Depot, with an 18.8% return & Constellation Brands, with a 4.46% return.

Sector Summary

The year 2023 was yet again filled with uncertainty as the economic impacts of a post-covid world remain to be seen. Even in a macroeconomic environment filled with rising interest rates, supply chain woes, and record levels of inflation, GMU SMIF analysts were cognizant of this environment and concentrated risk in the consumer staples sector. The rationale behind this concentration was that Consumer Staples firms are less sensitive to economic cycles and thus would be a great defensive position.

Upcoming Investment Expectations

With global uncertainty near an all-time high, we are significantly more bullish in the Consumer Discretionary Sector than we are in the Consumer Staples Sector. Investors have fled to less-risky investments over the past year, and as a result have driven up the prices within Consumer Staples. We believe that our large concentration in XLP will limit underperformance in this sector and will be looking for an undervalued company in Consumer Staples over the following months. Moving into 2024, we anticipate similar drivers to influence valuations as the year progresses.

Statistical Highlights:

Sector Value: $60,292.67
% of Portfolio Allocated: 18.85%

Consumer Staples & Discretionary	Weight %	HPR %
HOME DEPOT INCORPORATED	4.04%	18.80%
MCDONALD'S CORPORATION	1.06%	1.59%
THE COCA-COLA COMPANY	0.60%	-0.88%
CONSTELLATION BRANDS INCORPORATED A CLASS	3.38%	4.46%
COSTCO WHOLESALE CORP.	3.87%	48.96%
DOLLAR GENERAL CORPORATION	0.14%	5.49%
GENERAL MILLS INCORPORATED	2.81%	-20.47%
HERSHEY COMPANY	1.77%	1.36%
KELLANOVA	0.57%	-4.39%
PROCTER & GAMBLE CO.	1.25%	-1.52%
TARGET CORPORATION	0.43%	6.57%
Total	**18.85%**	

Materials Sector

Written By: Chris Ross

Sector Performance

Over the period of 12/30/2022-12/28/2023, the SMIF's material holdings returned 25.6%, outperforming the S&P 500 Materials sector which only returned 13.04%. The SMIF was overweight the sector by .31%, with materials representing 2.71% of the total portfolio. The returns for the sector were driven by Martin Marietta Materials' (MLM) performance for the first half of the year, followed by Steel Dynamics (STLD) strong performance in the latter half of the year.

Sector Summary

During 2023, the performance of the materials sector was hampered by high interest rates along with significant volatility in commodity prices. Extremely high rates caused a slowdown in new construction, thus the demand for building materials and supplies suffered. Our sole materials holding to start 2023, Martin Marietta Materials, was directly impacted by the slowdown in new home construction as the company is a supplier of heavy building materials. Overall, Martin Marietta experienced a volatile start for the first few months of 2023 but had a holding period return of 8.04%. On May 3rd, the SMIF decided to close its position in Martin Marietta and hold Steel Dynamics Inc. instead.

On May 3rd, the SMIF entered into a new position with Steel Dynamics Inc., the largest domestic producer of steel. In late May, steel hit its lowest price of 2023 after steadily declining since peaking in mid-March. Due to buying Steel Dynamics Inc. shortly before steel prices bottomed out, the SMIF benefitted from a recovery in steel prices and the stock had a holding period return of 15.34%. However, this highlights a weakness in the SMIF's allocation of the materials sector. With only one stock, the portfolio is susceptible to swings in the price of steel. Perhaps adding other materials stocks such as DuPont de Nemours or LyondellBasell Industries would give the portfolio exposure to different materials such as chemicals and fertilizers that are not closely correlated with any single commodity.

Upcoming Investment Expectations

Our 2024 Investment Outlook highlights our bullish stance on business investments and housing activity. Macroeconomic factors, namely multiple projected rate cuts, support this thesis. Lower rates should lead to cheaper financing and thus lower mortgage rates, which in theory should spur increased home purchases and other financing activities. Steel Dynamics is poised to benefit from this as steel is needed for housing projects and business investments such as tools, equipment, and vehicles. There are also additional opportunities to diversify our holdings and increase our exposure to other materials such as plastics or chemicals.

Statistical Highlights:

Total Sector Value: $10,555.22
Portfolio Allocation: 3.30%

Materials	Weight %	HPR %
MARTIN MARIETTA	1.14%	8.04%
STEEL DYNAMICS INCORPORATED	2.16%	14.39%
Total	**3.30%**	

Healthcare Sector

Written By: Gabriel Curtis

Sector Performance

Over the period of 12/30/22-12/28/23 our sector underperformed its benchmark by 6.02%, a total return of -4.00%. However, this performance drag was due to overexposure in biotech which was corrected in May. The performance of the sector after our active management, from 5/29/23-12/29/23, was roughly 10.37%, an overperformance of the benchmark during the same period by 3.43%.

Sector Summary

It is our belief that three factors contributed to the underperformance of the healthcare sector. The first factor was the shortage of frontline labor caused by the burnout from managing the pandemic. This has led to an increase in costs across all healthcare sub-industries. The second factor was the decreasing funding towards biotech due to rising interest rates. The third factor was the rising disenrollment rate of health insurance caused by rising inflation and the removal of Covid relief funds. We identified CVS and Moderna as having the greatest exposure to these factors due to their size and concentration in health insurance and biotech. After cutting these positions and reinvested into Zoetis, for diversification, and Vertex Pharmaceuticals, for pharmaceutical exposure, we began generating alpha. Excess cash was held in the sector ETF, XLV, before being strategically redeployed into Cigna Group and Eli Lilly in December. The Cigna Group has strong financials: Debt-to-Assets of 20.81%, Total Debt / EBITDA of 3x, and 3 year CAGR of 5.74%. Eli Lilly was selected due to the opportunity its new weight loss drug could have on the market.

Upcoming Investment Expectations

The consensus view for payers is that M&A activity and gov. sponsored healthcare exposure will increase. Due to regulatory restrictions on profit margins, M&A activity is the dominant way to gain volume and profit through synergies. Due to an aging population and increasing medical costs, more people are expected to be reliant on government provided insurance, ergo the attraction for Medicare Advantage. The consensus view for providers is that they will be laser focused on operational improvements so they can manage increasing costs and the labor shortages. Health systems technology firms will be able to scale quickly if they can reduce costs across the industry, but they will face intense competition due to the high demand.

Statistical Highlights:

Sector Value: $44,236.07
% of Portfolio Allocated: 15.48%

Health Care Sector	Weight %	HPR %
BIO-RAD LABORATORIES-A	0.00%	-23.95%
CVS HEALTH CORP	2.11%	-25.29%
ELI LILLY & CO	0.15%	-1.51%
MODERNA INC	0.71%	-25.42%
REGENERON PHARMACEUTICALS	1.43%	21.77%
STRYKER CORP	1.94%	23.27%
THE CIGNA GROUP	2.10%	-7.79%
UNITEDHEALTH GROUP INC	4.19%	0.85%
VERTEX PHARMACEUTICALS INC	0.60%	17.94%
ZOETIS INC	0.60%	10.42%
HEALTHCARE ETF	1.65%	
Total	**15.48%**	

Communication Sector

Written By: John Shaffer

Sector Performance

Over the period of 12/30/22-12/28/23, our Communication Sector holdings posted a 36.05% gain in 2023, led by our third strongest performer portfolio wide, GOOG. However, the Communication Services sector of the S&P 500 posted a very strong performance during 2023. When comparing our portfolio to its benchmark, we have underperformed the Communication Services Select Sector SPDR ETF (XLC) by 20.56%. This underperformance is due mainly to our lack of exposure to META, which experienced a +187% gain in 2023. Not holding META limited our upside as compared to XLC which currently holds META at a 23.66% weight.

Sector Summary

The Communication Services Sector was quite calm for the SMIF in 2023. We cut T-Mobile in June, which unfortunately was near its year low and just prior to its rebound. The cut of T-Mobile eventually funded the bolstering of our Disney holdings. After quite a lackluster year for Disney, we see a lot of upside in its near future. Finally, the SMIF shifted some gains from GOOG into our newest round of investments, more specifically for Communications, Live Nation, following the trend associated with experience-based entertainment.

Upcoming Investment Expectations

We believe there is a strong opportunity to capitalize on investment opportunities in the Communication Services Sector. With a more investment friendly environment on the horizon, Google has a strong opportunity to continue to grow its market share in AI. Disney's streaming service is nearing profitability, narrowing its losses by 74% YoY. Disney's acquisition of Hulu brings them to a combined 198.7 million subscribers as of Q4, making them an even bigger player in streaming. The SMIF believes that these factors give us reason to maintain bullish sentiment on Communication Services.

Statistical Highlights:

Sector Value: $20,649.68

% of Portfolio Allocated: 11.36%

Communication Services	Weight %	HPR %
ALPHABET INC-CL C	6.47%	58.44%
LIVE NATION ENTERTAINMENT IN	0.10%	11.96%
OMNICOM GROUP	1.81%	9.55%
T-MOBILE US INC	0.96%	-4.82%
WALT DISNEY CO/THE	1.74%	3.90%
COMM ETF (XLC)	0.28%	0.06%
Total	**11.36%**	

Industrials Sector

Written By: Swikrit Acharya

Sector Performance

Over the period of 12/30/2022-12/28/2023, the fund underperformed the industrial sector by 23.99%. This could be due to overweighting the portfolio in the underperforming securities within the industrial sector by 2.61%.

Sector Summary

We believe that three major factors have contributed to the mixed performance in the industrial sector. We firmly believe that these factors are due to the impact of interest rate hikes, the pre-pandemic level of port activity, and technological advancements. The industrial sector's weakness in high-interest rates is due to its often high leverage and long-duration assets. In this sector, firms carry substantial debt for large projects, making them sensitive to interest rate hikes that increase financing costs. In 2023, there was an increase in port activities within the industrial sector, reaching levels similar to those before the pandemic, signifying a rebound in global trade. Finally, the industrial sector focused on integrating collaborative robots, known as 'cobots', into its operations. They are designed to work alongside humans to increase efficiency and reduce the physical strain on employees.

The SMIF saw opportunities in the industrial sector throughout 2023 and decided to add equities within that space to the portfolio. The negative returns experienced in this sector of the fund are due to investing at the wrong time and a lack of diversification within the sector. For example, General Electric (GE) had a return of 95.12% in the given timeframe, however, the SMIF did not buy GE until August. By then, we had failed to capture about 85% of the gains and only about 15% return was available. Finally, our holdings within the industrial sector consist of 6 stocks whereas our benchmark is holding about 78 stocks. They are well diversified within their sector whereas we feel the shocks in the event of underperformance by one out of the 6 shares we own.

Upcoming Investment Expectations

We have identified many ways to capitalize on the opportunities within the industrial sector in 2024. Our investment strategy will specifically target firms that are integrating AI and automation into key areas such as precision manufacturing, supply chain optimization, and energy-efficient production processes. We also see opportunities in specific areas such as commercial aerospace, and infrastructure could be potential opportunities due to the demand for replacing older, less efficient units with the most up-to-date units.

Statistical Highlights:

Sector Value: $26,612.01
% of Portfolio Allocated: 8.32%

Industrials Sector	Weight	HPR
CANADIAN PACIFIC KANSAS CITY	2.39%	5.61%
CATERPILLAR INC	1.09%	25.64%
GENERAL ELECTRIC CO	1.24%	12.53%
LEIDOS HOLDINGS INC	1.92%	-24.26%
LOCKHEED MARTIN CORP	1.29%	-1.46%
NORTHROP GRUMMAN CORP	0.40%	0.16%
Total	**8.32%**	

Real Estate Sector

Written By: Christopher Lindholm

Sector Performance

Over the period of 12/30/22-12/28/23, the sector underperformed in comparison to its benchmark by -30.29%. This drag in performance was likely caused by exposure to real estate in emerging markets as seen with the American Tower Corporation (AMT).

Sector Summary

It is our belief that two major factors have contributed to the subpar levels of performance witnessed in this sector, interest rate increases and exposure to emerging markets. Increased interest rates have negatively impacted the real estate sector by raising mortgage rates and contributing to the slowing of demand by potential buyers in the market. In the commercial real estate space, there are already lower levels of demand being felt due to changing work conditions as well as the emergence of online shopping and e-commerce. Adding interest rates into the mix has caused demand to lower even further. Many properties are now being sold at a fraction of the previous appraisal value. AMT has a high exposure to emerging markets, such as India, and its presence in India was met with impairment charges which had hurt the company's performance going into early 2023.

As a result of these negative factors, SMIF has decided to cut both American Tower and Extra Space Storage from the portfolio in order to reduce exposure to the heightened risks seen in this section of the market. Analysts of the fund have opted for 0% weight in this sector heading into the beginning of 2024 to allocate funds into more risk averse sectors.

Upcoming Investment Expectations

The commercial space has seen lower levels of demand for each class of office space as well as commercial malls. The SMIF believes that rates will hold higher but will drop by the end of the first half of the year. Given the higher levels of risks seen, we cannot currently recommend investments in REITs specializing in office space or mall space. A potential avenue to explore would be REITs with exposure to student housing, REITs with exposure to senior living homes, and REITs that have exposure to strip malls. These have shown to have weathered the current macroeconomic climate and could provide stable returns as more students begin college, senior citizens begin their retirement, and urban developers opt for strip malls. The SMIF is expecting to once again place trades within this sector in a month's time while maintaining an underweight rating until expected rate cuts occur in the future.

Statistical Highlights

Sector Value: $3,614.37
% of Portfolio Allocated: 1.13%

Real Estate Sector	Weight %	HPR %
AMERICAN TOWER CORP	0.60%	-9.04%
EXTRA SPACE STORAGE INC	0.54%	-13.06%
Total	**1.13%**	

Finance Sector
Written By: Clarita Orosco

Sector Performance

The Finance Sector has returned 17.69% return within the 12/30/2023-12/28/23 holding period and the portfolio sector outperformed our benchmark by 290 basis points. The beginning of 2023 was plagued with high volatility for the financial sector, with an increase in bank closures after SVB's bank run in March. The fund was able to maintain positive returns by holding onto insurance, and bank stocks.

Sector Summary

The Finance Sector had a weighted portfolio allocation of 12.43% over 2023. In December the fund sold Aflac (AFL) to diversify out of our sector's oversaturation in insurance stocks, with a focus on shifting into reinsurance. Our top selection for this sector has been Brown & Brown (BRO). Climate change has been the biggest contributors to Brown & Brown, and Chubb Limited's (CB) returns. An uptick in hurricanes, wildfires, and other natural disasters have increased consumer premiums. We believe inflation is stabilizing, yet climate change is continuing to impact not just the U.S., but worldwide. Its ramifications will only spur more of a need in reinsurance companies and therefore increase the value of our sector's current insurance stock picks. In Aflac's place, we bought into the two biggest giants in payment processing, Visa (V) and Mastercard (MA). The aim is to capitalize off of growing consumer spending while minimizing potential defaults from high consumer debt, for the next year.

Upcoming Investment Expectations

We project that a higher interest rate environment will substantially impact the financial sector during the first half of the year, especially with the presidential election looming overhead. Due to the current macroeconomic environment, capital markets-focused firms and certain insurance companies may be of higher value for the sector. Keeping a lookout for reinsurance companies as the probability for natural disasters may lead to better growth than companies whose focus is in another specialized field. We'll also look at companies that are implementing AI into their procedures in terms of processing payments or preventing cybersecurity attacks. The Fund will also continue to monitor firms who operate on the buy now, pay later model.

Statistical Highlights:

Sector Value: $39,758.09
% of Portfolio Allocated: 12.43%

Financials Sector	Weight %	HPR %
AFLAC INC	3.46%	15.92%
BANK OF AMERICA CORP	0.87%	-2.19%
BROWN & BROWN INC	3.75%	24.24%
CHUBB LTD	1.20%	13.20%
JPMORGAN CHASE & CO	1.15%	9.83%
MASTERCARD INC - A	0.09%	23.22%
MORGAN STANLEY	1.82%	4.88%
VISA INC-CLASS A SHARES	0.09%	2.41%
Total	**12.43%**	

Utilities Sector

Written By: Abdullah Khalid

Sector Performance

The utilities sector was the worst performing sector in 2023 due to the high interest rate environment and increase in mega cap investment. Over the period of 12/30/22-12/28/23, our portfolio outperformed our benchmark by 9.94%, with a total return of 2.96%.

Sector Summary

Utilities are historically known for their stability and income characteristics similar to fixed-income securities. This has proven to be fruitful for investors during periods of economic recession. In 2023, markets created attractive opportunities for bondholders, attracting investors who ordinarily invested in utilities, explaining sector underperformance.

Up until November 29th, the portfolio's energy and utilities sector had exposure to natural gas risk. Our holding Atmos Energy Corporation showed a 100% reliance on NG. Paired with the inherent risk of NG price fluctuations that ConocoPhillips and Chevron Corporation hold in the energy sector posed obvious overexposure to this one commodity. This is why the fund was repositioned into Entergy Corporation, an electric company. The consensus is that it is a better time to be a natural gas consumer rather than a supplier.

The current utility holding, Entergy Corporation, received an injection of liquidity from the US government to recover 609 million minutes of lost revenue due to severe weather conditions. ETR is also expanding in the industrial hub of south Texas with the recent approval of the 1,215 megawatt facility capable of powering 989,000 homes congruently. We believe that this company will provide energy caliber growth with utilities grade stability and income. Given the catalysts, current financial health, above-industry average dividend package (value and quality), and supporting market comparables, the fund has a conviction to believe that these factors have yet to be priced in.

Upcoming Investment Expectations

The consensus view on inflation is that it would be appropriate for the Federal Reserve to announce three rate cuts causing income investors to reinvest in the sector due to attractive dividend packages and stability properties. Natural gas reserve targets have been upgraded to 88 BCF which indicates increased supply, indicative of downward price pressure. The relationship with NG supply and demand defines our Utility bull thesis for 2024, explaining our position of marginally trimming our sector weight by 0.14%.

2024 investment expectations should be prefaced with the upcoming election which will directly affect clean energy policies for the next presidential term. It should be noted that our holding utilizes four EIA-compliant sources of natural resources for electricity creation. The fund believes that the current utilities portfolio is strategically positioned to benefit from the continuation of the current regulatory and green energy environment, supporting our bullish outlook.

Statistical Highlights:

Sector Value: $14,233.59
% of Portfolio Allocated: 4.46%

Utilities Sector	Weight %	HPR %
Atmos Energy Corp	4.08%	0.46%
Entergy Corp	0.38%	0.60%
Total	**4.46%**	

Technology Sector

Written By: Sri Medicherla

Sector Performance

The SMIF's technology sector achieved a 54% return from 12/30/2022-12/28/2023, slightly underperforming XLK by 6%. With a 2.9% overweight, and a total of 29.80% portfolio weight, the underperformance can be mainly attributed to the sale of Nvidia Corporation, which had a remarkable 230% return last year, driving XLK's returns.

Sector Summary

The SMIF sold HP Incorporated (HPQ) in June due to weak future expectations, driven by low computer hardware demand and unfavorable long-term earnings projections. Subsequently, investments were made in International Business Machines (IBM) and Qualcomm (QCOM), overweighting the technology sector. In November, positions in Cisco (CSCO) and Broadcom (AVGO) were trimmed to allocate capital to Palo Alto Networks (+1.9%) and Nvidia Corporation (+3%), aiming to increase exposure to cybersecurity amid advancements in AI-based fraud detection and to diversify the fund's semiconductor segment exposure. This strategy allows us to capture the upside of high P/E growth stocks in a declining interest rate environment.

Upcoming Investment Expectations

This year, there is an opportunity to leverage AI-driven fraud solutions and cybersecurity advancements, particularly in light of the substantial risk of spreading misinformation to influence large audiences during the upcoming presidential election. AI-driven techniques like data poisoning and deep fakes pose significant challenges. Additionally, we anticipate that AI technology will enhance workforce productivity and efficiency, with more companies integrating these solutions into daily tasks. Despite potential escalations in US-China trade tensions, the semiconductor industry is expected to grow, with Nvidia at the forefront of the global chip market.

Statistical Highlights:

Sector Value: $95,317.06

% of Portfolio Allocated: 29.80%

Technology Sector	Weight %	HPR %
ADOBE INC	2.13%	76.73%
APPLE INC	5.83%	49.37%
BROADCOM INC	5.56%	104.71%
CISCO SYSTEMS INC	3.33%	9.62%
HP INC	1.85%	23.79%
INTL BUSINESS MACHINES CORP	2.29%	29.23%
MICROSOFT CORP	7.87%	57.41%
NVIDIA CORP	0.76%	67.85%
PALO ALTO NETWORKS INC	0.18%	2.07%
Total	**29.80%**	

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Vice-President	Clarita Orosco
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Vice-President	Simon Kanazeh

Finance Committee

President	Sri Medicherla
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