

Team 1: Stock Selection Narrative

The investment philosophy guiding this portfolio is based on the value investing approach, with a slight inclination towards growth potential. Tailored for a young investor with a long-term horizon, the strategy focuses on selecting stocks that promise steady returns without unwieldy risk. This allows for capital appreciation while mitigating short-term volatility that could concern investors closer to the withdrawal phase.

We have concentrated on large-cap stocks known for their stability and market leadership. These stalwarts of the economy offer consistent performance and resilience during market downturns. Additionally, including select growth stocks captures the spirit of evolving market trends, capitalizing on potential upside that can accrue significantly over an extended period. The balance of core value stocks with a sprinkling of growth-oriented stocks aims to strike a balance between seeking value and capturing the compound growth that younger investors can use due to their longer-term investment strategy.

We built the portfolio using a bottom-up stock selection process, focusing on individual company metrics and values. Each stock was selected by analyzing its Sharpe Ratio, which ensures that the expected return compensates for the risk taken. We strictly adhered to our constraints, ensuring that no stock represented more than 10% or less than 2% of the total investment, thus avoiding over-concentration and preserving diversification.

We will use the S&P 500 index to benchmark our portfolio, which is widely regarded as the best single gauge of large-cap U.S. equities. The S&P 500 captures the performance of 500 leading companies and covers approximately 80% of available market capitalization, making it ideal for the U.S. stock market. It embodies the performance across value and growth stocks and aligns with our diverse investment strategy spanning various sectors. Utilizing the S&P 500 as our benchmark ensures that we have a relevant, broad-based comparator against which we can measure the portfolio's performance, considering the young investor's long-term investment horizon and a strategy that balances the pursuit of value and growth.