Course name: Investment Analysis  
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Title: Portfolio Report

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**Investment Policy Statement**

Objective:

Returns- Expect to Outperform market by investing in Retail, Health Technology, Product Manufacturing, Transportation, Consumer non-durables and Consumer durables that have potential capital appreciation and steady growth to buy low and sell high.

Short-term financial goals and liquidity needs- This is a portfolio where we want to buy equity when the prices are low and sell when the prices are high. Our criteria for selecting a stock is that it is an upside (money making) stock in the long run.

Risk- This portfolio is majorly concentrated in health technology, Retail and product manufacturing. These three sectors will have a major impact in the portfolio performance.

Time horizon- This is a short term time horizon portfolio.

Liquidity- We tend to liquidate the asset frequently as the main objective is to buy low and sell high, if we see an an asset that is very profitable, we will sell the stock and tend to buy another one that has potential for a break out in the short term.

Risk Tolerance- Once every 1.5 to 2 weeks our advisor will review the portfolio and any losses greater than 15% will be reviewed and discussed whether to hold it or liquidate It and buy a stock which has potential for good returns in short term period.

Asset Allocation- Our overall asset allocation will 100% be in equity, our primary asset classes will be 43.7% in health and technology, 23.2% in retail and 19.38% in product manufacturing. Consumer non- durable account for 7.8% of portfolio, transportation accounts for 3.2% and 2.3% for consumer durables. At least more than 10% will be kept in cash for potential future buying of equity. We will rebalance our asset allocation as frequently as possible as the main objective is to buy low and sell high.

**Investment Strategy**

Our portfolio aims to have a short-term time horizon by investing in medium-large cap company’s equity. We seek to have good return in short- term period by buying the stock low which has potential to break out and sell high before consolidation. We seek to invest in medium-large cap companies which showed a steady growth and has potential for capital growth and has less default risk.

The short-term horizon will have low risk tolerance as the portfolio will not have time to recover. We chose six different sectors to diversify our portfolio and they are Retail, Health Technology, Product Manufacturing, Transportation, Consumer non-durables and Consumer durables. As we are trading frequently and there are trading costs we seek to gain as much return as possible before we sell the stock to cover for the trading costs. We tend to liquidate the asset frequently as the main objective is to buy low and sell high, if we see an an asset that is very profitable, we will sell the stock and tend to buy another one that has potential for a break out in the short term.

**Portfolio holdings, values, value and performance history**

An S&P 500 Index Fund is an investment that consists of stocks that are listed on the standard & Poor’s 500 Index. The index is followed by many ETFs and mutual funds. It represents almost 80% of available U.S. market capitalization. The index was worth $406.60 on the start date of 11/14/2022, and it is now worth $393.16. The index’s change percentage is -3.42%, which is negative and indicates that the index has a downward trend.

**Holding Period Return (Ending December 5,2022)**

|  |  |
| --- | --- |
|  | Holding Period Return |
| Portfolio | -0.6% |
| S&P 500 Total Return Index | -3.42% |

**Portfolio Overview**

图形用户界面, 文本, 应用程序

描述已自动生成Portfolio Holdings as of December 5,2022

|  |  |  |
| --- | --- | --- |
|  | Percentage of Fund’s Net Assets | Percentage of Fund’s Net Assets 1 Month Ago |
| Boston Scientific Corp. | 2.5% | 0.00% |
| Costco Wholesale Corp. | 13.5% | 0.00% |
| Dexcom Inc. | 5.5% | 0.00% |
| FedEx Corp. | 3.2% | 0.00% |
| Honeywell International Inc. | 14% | 0.00% |
| Johnson & Johnson | 16.6% | 0.00% |
| Kellogg Co | 3.6% | 0.00% |
| Merck & Co Inc. | 4.1% | 0.00% |
| Procter & Gamble Co. | 4.2% | 0.00% |
| SolarEdge Technologies Inc. | 5.8% | 0.00% |
| Shopify Inc – Ordinary Shares – Class A | ­­­­­1.8% | 0.00% |
| TJX Companies, Inc. | 2.2% | 0.00% |
| Tata Motors Ltd. – ADR | 2.3% | 0.00% |
| Vertex Pharmaceuticals, Inc. | 14.9% | 0.00% |
| Walmart Inc. | 5.6% | 0.00% |
| Cash Reserves | 0.2% | 100.00% |
| TOTAL | 100% | 100.00% |

**Asset Allocation**

**Percentage of Fund’s assets**

电脑萤幕的截图

描述已自动生成

**Discussion of Fund’s Performance**

The fund’s overall return has been negative (-0.6%). In comparison to the S&P 500 Index, the fund has underperformed in the last 15 days. During the same time period, the index fell by -3.42%. Due to the recession, increased interest rates by Federal Reserve and fluctuating market returns, investors are highly discouraged from investing in the market. Vertex Pharmaceuticals will be releasing a lot of new candidates in the near future. They recently submitted ‘gene-editing candidate for blood disorders’ to regulators and expect to submit one more candidate, which will help the company compete in the billion-dollar cystic fibrosis (CF) treatment market. This invention prompted us to make significant investments in this stock.

The fund has underperformed recently, but there are expectations that it will outperform in the near future because the equities in the fund are on the verge of great inventions that will propel them to market leadership in their respective sectors. There is a high likelihood of significant growth in health and producer manufacturing in the near future. The fund’s primary goal is to buy low and sell high, earning profits on the difference in prices.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | SHARES | DIV PER SHARE | TOTAL DIV | PAY DATE |
| K | 520 | 0.59 | $306.80 | 11/30/2022 |

The portfolio generates returns through dividends as well as diversification into different sectors. Diversification is used to spread risk throughout the portfolio. The health-care industry has made a significant contribution to the fund (21.44%). Due to their consistent success, non-dividend equities such as Vertex Pharmaceuticals Inc., Johnson and Johnson and SolarEdge Technologies Inc. assisted in carrying the portfolio. Because we only had one dividend stock, it also helped to boost the portfolio. Over the period, the industrial sector (5.20%) has remained strong. In contrast, the information technology sector (-1.92%) which accounts for a sizable portion of the portfolio, had a disappointing period. The consumer durable sector had a negative return (-0.88%). While there were negative returns in the portfolio from stocks that held a significant weight in the portfolio, because there was diversification, the overall return was not dragged down significantly.

|  |  |
| --- | --- |
| Sector | Return |
| Health Care | 21.44% |
| Industrials | 5.20% |
| Consumer Staples | -0.88% |
| Information Technology | -1.92% |
| Consumer Discretionary | 1.90% |

# **Portfolio Characteristics**

## **Beta Breakdown by Asset**

|  |  |  |  |
| --- | --- | --- | --- |
| Symbol | Description | Beta | Weight |
| BSX | Boston Scientific Corp. | 0.84 | 2.534% |
| COST | Costco Wholesale Corp | 0.72 | 13.935% |
| DXCM | Dexcom Inc | 1.2 | 5.440% |
| FDX | Fedex Corp | 1.32 | 3.327% |
| HON | Honeywell International Inc | 1.15 | 14.029% |
| JNJ | Johnson & Johnson | 0.57 | 16.478% |
| K | Kellogg Co | 0.47 | 3.509% |
| MRK | Merck & Co Inc | 0.39 | 4.049% |
| PG | Procter & Gamble Co. | 0.4 | 4.128% |
| SEDG | Solaredge Technologies Inc | 1.22 | 5.453% |
| SHOP | Shopify Inc - Ordinary Shares - Class A | 1.88 | 2.000% |
| TJX | TJX Companies, Inc. | 0.9 | 2.205% |
| TTM | Tata Motors Ltd. - ADR | 2.04 | 2.472% |
| VRTX | Vertex Pharmaceuticals, Inc. | 0.43 | 14.785% |
| WMT | Walmart Inc | 0.53 | 5.656% |

Table 1： Equities weights vs Beta

Table 1 shows the weights and beta of each equity in the portfolio. We multiplied each equity’s weight to its beta to get weighted beta, then we summed all of the weighted beta to get the total portfolio beta: 0.8028.

The S&P 500 has a beta of 1.0, the beta of our portfolio is 0.8028. Comparing to the S&P 500, our portfolio is less risky, which also indicate that the portfolio return is expected to be lower than the S&P 500 return. Our portfolio is active for no more than 1 month, so we only have a small sample of portfolio performance data. We used these data to do a comparison of our portfolio performance to S&P 500 performance for the month of November.

## **Attribution Analysis**

Our portfolio is consisted of equities from five S&P 500 sectors: Health care (43.29%), Industrials (19.83%), Consumer Staples (27.23), Information Technology (7.45%), and Consumer Discretionary (2.205%)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Attribution | | | | | |
|  |
|  | Portfolio | | | S&P500 Sectors | | |
| Sector | Weight | Return | Weighted Return | Weight | Return | Weighted Return |
| Health Care | 43.29% | 21.44% | 9.28% | 13.30% | 4.70% | 0.625100% |
| Industrials | 19.83% | 5.20% | 1.03% | 8% | 7.60% | 0.608000% |
| Consumer Staples | 27.23% | -0.88% | -0.24% | 6.20% | 6.20% | 0.384400% |
| Information Technology | 7.45% | -1.92% | -0.14% | 28.10% | 5.80% | 1.629800% |
| Consumer Discretionary | 2.205% | 1.90% | 0.04% | 11.80% | 0.80% | 0.094400% |
|  | 100.00% |  | 9.97% |  |  | 3.34% |

Table 2： Portfolio vs S&P 500 sector contribution attribution

From table 2, we can tell that equities in health care sector have a huge impact on our portfolio, they account for 43.29% of the portfolio, and it contributed 9.28% weighted portfolio return. The weight of health care equities in the S&P500 is only 13.3%, and the weighted return of equities in this sector for November is 0.625%. We can guess that the general health care sector has experienced a good month. Equities in consumer stables sector also account for a big portion of the portfolio, 27.23%, but its contribution of the portfolio weighted return is -0.24%.

Comparing to the corresponding S&P500 sectors, our portfolio outperformed by 6.63%. We break the contribution down by the sectors weight allocation and selection. The next two sectors will analyze the contribution distribution from the two factors.

## Contribution from fund selection

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Returns due to fund selection | | | | | |
|
|
| Sector | Fund Return | S&P 500 Return | Difference | Fund Weight | Contribution to Fund Return |
| Health Care | 21.44% | 4.70% | 16.74% | 43.29% | 7.246076% |
| Industrials | 5.20% | 7.60% | -2.40% | 19.83% | -0.475848% |
| Consumer Staples | -0.88% | 6.20% | -7.08% | 27.23% | -1.927672% |
| Information Technology | -1.92% | 5.80% | -7.72% | 7.45% | -0.575449% |
| Consumer Discretionary | 1.90% | 0.80% | 1.10% | 2.205% | 0.024255% |
|  |  |  |  |  | 4.29% |

Table 3： Return contribution due to equities selection

Table 3 presented detailed calculation of the contribution from equities selection. From previous analysis, we learned that the weighted return of our portfolio outperformed the S&P500 weighted return by 6.63%, table 3 shows that 4.29% out of 6.63% is contributed by equities selection. The contribution of equities from health care sector is largest, it accounts for 7.246% of the 4.29% equities selection contribution. Consumer discretionary equities contributed 0.024%. All of the other sectors contributed negatively. Consumer Staples equities contributed the largest negative portion, -1.928%, followed by information technology equites’ contribution portion of -0.575% and industrials equities’ contribution portion of 0.476%.

## Contribution from fund allocation

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Returns due to allocation | | | | |
|  |
| Sector | Fund Weight | S&P500 Weight | Difference | S&P500 Return | Contribution to Fund Return |
| Health Care | 43.29% | 13.30% | 29.99% | 4.70% | 1.409342% |
| Industrials | 19.83% | 8% | 11.83% | 7.60% | 0.898852% |
| Consumer Staples | 27.23% | 6.20% | 21.03% | 6.20% | 1.303674% |
| Information Technology | 7.45% | 28.10% | -20.65% | 5.80% | -1.197468% |
| Consumer Discretionary | 2.205% | 11.80% | -9.60% | 0.80% | -0.076760% |
|  |  |  |  |  | 2.34% |

Table 4： Return contribution due to equities allocation

Table 4 shows the contribution from equities allocation. It indicates that equities in health care sector, consumer staples sector and industrials sector are highly overweighted. Equites in information technology and consumer discretionary are underweighted. The allocation of equities from these sectors contributed 2.34%. Equities in health care and consumer staples contributed the most, they each contributed 1.4% and 1.3% respectively. Industrials equities contributed 0.899%. This may be due to their heavy allocation in the portfolio. The remaining two sectors made a negative contribution.

**Team Organization and Operations**

Yuxin Zhang- Trader, Stock Analyst, Management

1. Investigate all of the historical performance of S&P500 stocks
2. Qualitative company analysis
3. Stock trend prediction
4. Teamwork allocation

Haiyun Zhao-Trader, Stock Analyst, Management

1. Execute stock trading
2. Monitor stock performance
3. Stock performance analyzing
4. Writing team communication email

Roshan Arigela – Stock Analyst

1. Investment strategies analyzing
2. Stock selection assisting

Ayushi Kedia & Omkar Chavan-

1. Constructed the Risk and Return Analysis Excel Model of the portfolio comparing with SP500.
2. Executed Equity Analysis/Trades.
3. Supervision over  portfolio performance.

**Conclusion**

Our portfolio has smaller validity comparing to S&P500, and we gained higher return. Investment in health care sectors yield us the greatest return. During the holding period, we saw big changes of price in SEDG and COST, we also witnessed small but stable returns. We panicked when there were huge price fluctuations in some stocks, we also felt bored occasionally when there were small or no improvement. We believe we have learned a good amount of knowledge about how to do stock investment from this project.

Most team members are highly effective in finishing their work. We met a few times and also communicated actively through email to exchange our ideas. Through the one semester of collaboration, we have learned from each other from different perspectives about investment strategies and how to trade to increase our portfolio value. We have also learned that it is difficult to be successful if we are all relying on others to do the work. We also found that we must give justification for our ideas instead of blindly advocating them. We believe we can do better in terms of team collaboration, communicating, and compromising when needed in the future based on the experience we have gained from this project.