THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

UMushroom

SOLO YOLO

One portfolio. One brain cell. Full conviction. Full of Fun?

UMushroom Investment Competition 2025

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28th November 2025

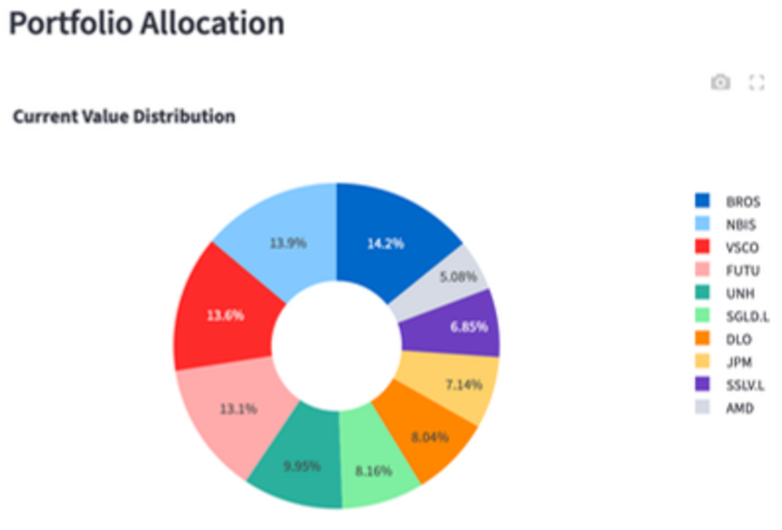
Tear Sheet

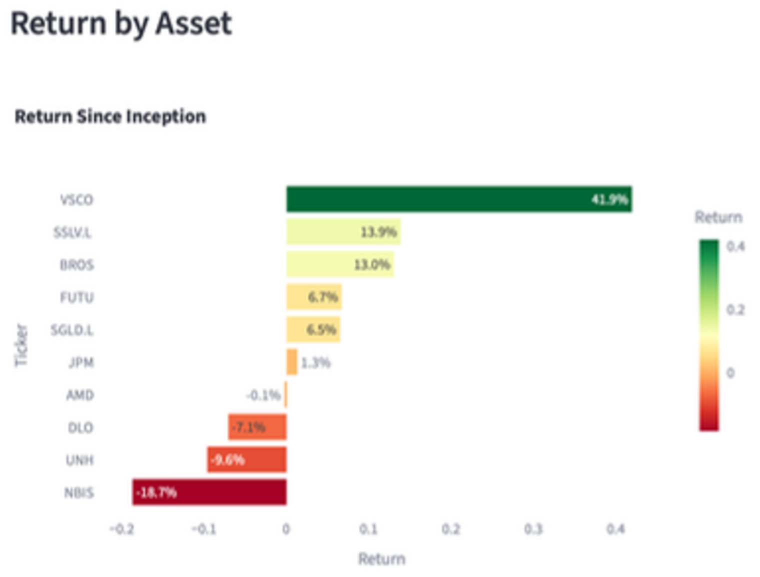
High-conviction, catalyst-driven, focusing on value rebound, AI/semi momentum, and turnaround plays, supported by defensive rare-earth hedge

Narrative Summary

- We favour **value stocks** with **clear catalysts** and **strong buy-in momentum**, with **light hedge via gold and silver**
- **Momentum recovery story** remain key to our portfolio **~27.3%**: **BROS** and **FUTU**, both with **multi-year growth story** and outperforming industry peers
- AI/semi exposure ~19%, despite market wary of bubbles, we remain bullish on **NBIS (exponential demand growth, clear moat)** and **AMD (revival of chip story)**
- **Defensive Value** stocks are **UNH** (essential, recovery of MLR) and **JPM** (balance sheet giant), whereas **DLO** is our favourite in **LATAM** Digital Payments **exposure**
- Our **turnaround play** was **VSCO**, due to success of Victoria's Secret Shows, but due to recent performance we are looking to take profit.
- Silver and Gold remain our main hedge for market volatility, and beneficiary of rate cut cycle

Allocation Summary





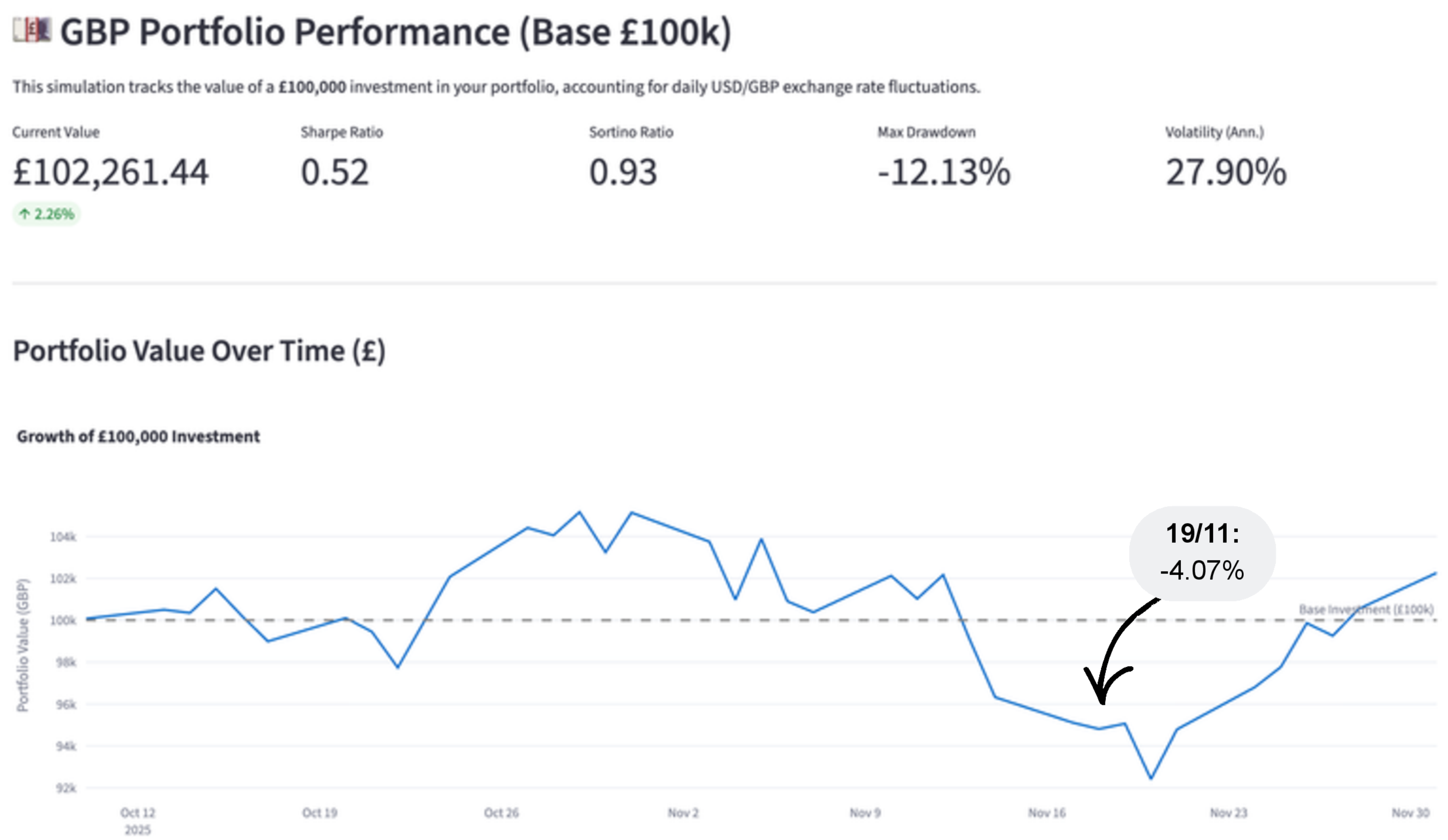
Source: Portfolio Simulation as at 1 Dec

Top 3 Weights (~41%)
- BROS — 14.35%
- NBIS — 13.53%
- FUTU — 13.47%

Asset Class Split
- Equities: ~91.7%
- ETCs : ~14.69%
- Cash: 4.34%

Geographical Exposure
- US equities: ~70%
- China/Asia: 13%
- LATAM: 8%

Portfolio Performance



Source: Portfolio Simulation as at 1 Dec

Portfolio Metrics

S&P 500 Return: +1.06%
Portfolio Return: +2.26%
Active Return (vs S&P 500): +1.2%
CAPM Expected Return:+2.53%
Portfolio Beta (Regression-Weighted): 1.38
Alpha:-0.27%
(-0.02 std, statistically insignificant, we take this as noise and remain bullish on our portfolio)

Source: Portfolio Simulation as at 1 Dec, Annual Rm = 10%

Risk Controls

Max position cap: 15%
Sector cap: 35%
No leverage used
High-beta allocations offset by defensive value + metals

Position Sizing Logic
- High conviction → 10–15%
- Medium conviction → 7–10%
- Hedge/vol protection → 5–9%

Macro Overview

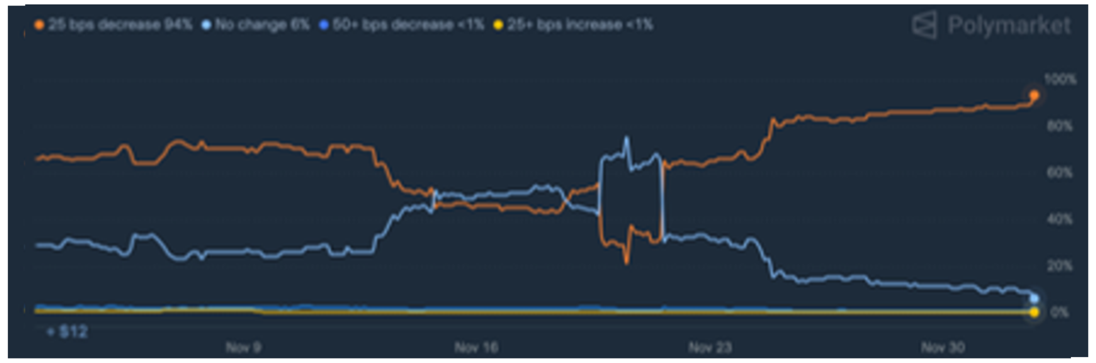
Keep it simple. Keep it rational. Don't panic.

AI Bubble? Big Short is Back

- As we entered October market began registering concerns on AI Bubble Pop, which has lead to VIX spiking, tech dump, NASDAQ slide of ~3.9%
- And guess who is back with a SHORT ON PLTR AND NVIDIA?
- We do agree that there is AI bubble in parts of the market, and that there will be a correction in mid term sentiment, hence we gradually rotated out of RBRK
- However, when we evaluated our remaining holdings, we keep strong fundamentals (high-AI sensitivity stocks: NBIS, AMD, FUTU) that are justified in our holdings despite AI Valuation Concerns
- Two key things:
  - Depreciation term argument → *We remain uncertain on the 3/6 years argument*
  - TPU → *We don't see a replacement of GPUs in near term, but a more competitive market which would compress margin. Long-term market would benefit from a demonopolised environment.*

Fed Rate Cut

- Government Shutdown (1/10-12/11) has led to data fog and, as expected, increased volatility
- Better than expected NFP and Governor stance have led to the market lowering the probability of rate cut, which is detrimental to our high CAPEX tech exposure



17/11: 45%

↓

1/12: 94%

Source: Polymarket as at 27 Nov

"*The market's two main concerns: AI valuations and the* ***December Fed rate cuts****, which are, in our view, poised to* ***resolve positively in the near term****. We expect both catalysts (NVIDIA earnings & FED rate cut) to turn sentiment, restore risk appetite, and support a move back into positive territory.*" **our comment on 17 Nov**

Trump Threw Another Tariff Party Again

- On 10 Oct 2025, Trump announced the US would impose an additional 100% tariff on Chinese imports starting 1 Nov 2025
- He also proposed export controls on critical software to China and signalled a major escalation in trade tensions, especially after China imposed rare-earth export controls
- Our stance has always been the same; **it is another TACO trade**, and earnings started off on the right foot with banks outperforming expectations, hence...

Volatility/Negative Market Sentiment Our Entry

Source: Bloomberg as at 27 Nov

(1) 10 Oct: First Entry → VIX Jumped due to China Trump Tariff

(2) 13/14 Oct: Second Entry VIX Jumped Again due to Credit Concern

(3) 18 Nov: Enter due to market fright on AI Bubble

Economic Headlines that Affect Our Portfolio

- Melei's Victory gave us continued confidence on the exposure of LATAM, and we view LATAM as a positive environment despiite growing risk of regulatory tightening
- ACA stabilization + Medicaid funding decisions → Obamacare extension (70% certain)
- Correction in crypto assets and China regulatory risk remain manageable for FUTU

Strategy Rationale

Conviction, Discipline and Be Humble.

Macro → Micro = Timing

- We don't buy stocks randomly — we wait for macro to open the door
- Volatility spike? Rate-cut rumours? Tariff scare?
- That's when catalysts become mispriced, and that's when we move
- We also keep track of macro trends strongly, and have our own view

We Know What We Buying

- Every name in the portfolio is one we've followed way before the competition.
- We know the company, not just the ticker and we don't enter if we don't understand
- Hence, we were able to predict market-beating expectations on JPM, FUTU, UNH and BROS
- This is our "**insight edge**": we move fast because we **understand the micro stories** better than most

Our comments:

"*UNH expect **better than forecasted** based on Elevance positive earning reports.*" **our comment on 27 Oct** → EPS $2.92 (Beat by $0.11) & Revenue $113.16B (Beat by $103.86M) on 28 Oct

"*BROS earnings will be out today after market. **Expect better guidance or reiteration**.*" **our comment on 5 Nov** → increased its FY guidance system-wide SSSG to 5.7% and company-operated SSSG to 7.4% on 6 Nov

"*FUTU reports earnings tomorrow. We **expect results to beat estimate** and to provide further validation of our overall thesis.*" **our comment on 17 Nov** → EPS $2.93 (Beat by $0.39) & Revenue $822.80M (Beat by $191.29M) on 18 Nov

A Mix of High Beta and Defensive Stocks

- FUTU, VSCO, NBIS, AMD and BROS are our high beta stocks which we have high conviction in
- JPM, UNH, DLO, Gold and Silver are our defensive/value positioning
- We also hold 85/15 split in cash till the last day, as we are always actively positioning our self when opportunity align, not dumping everything in one go...

We Won't Be Right All The Time... hence

- RBRK is an idea that we were always and remain interested in.
- Sell-side analyst target is at 68% return upside
- But, we noted increasing technical pressure (multiple lower-lows) and linked to market wary of AI sentiment, we don't see near term catalyst for pure AI play, hence we closed our position

Source: Bloomberg as at 27 Nov

Why Each Name is in the Portfolio

Our thesis & valuation

Momentum Recovery

FUTU (Digital brokerage)

- Strong earnings beat, positive account trends (as we have expected)
- **P/E 16× vs HOOD 51× (when we look at FUTU growth trajectory 27% CAGR vs HOOD 16% CAGR)**
- Quality growth at undervalued multiples due to associated risk with China, Mainland Chinese represent less than 20% paying clients and 30% of total AUM
- With Q3 results beating estimates and management expressing positive sentiment on account openings and margin trends, we view concerns around liquidity crunch and China regulatory as largely unsound

BROS (starbucks for genz)

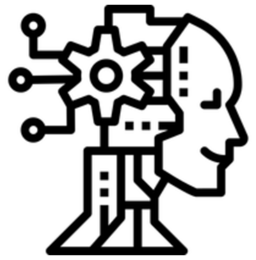
- **Our favourite stock, multi-year growth**, with comps beating forecast in Q3 and offerings remain differentiated and accompanied by strong unit value in latest expansion
- With strong traffic growth, against industry trend, and cost pressure of coffee subsiding, we like BROS at its **existing BF P/E at 60X > 1STD below mean**
- Near term catalysts include food tailwinds, restaurant category recovery, and further clarity of FY26 expansion plans

Turnaround Story

VSCO (no more angel but PINK)

- Brand recovery initiatives are gaining traction, and 2Q25 delivered across-the-board beats (Sales, EPS, GM, OM), providing strong validation.
- The stock has rallied meaningfully, with a P/E of 18.5x (vs mean of 9.1x).
- We plan to **reassess our position following 3Q earnings** to decide whether to continue holding into FY26 or to lock in gains, as the remaining catalyst seems to have waned.

AI/Semiconductor



NBIS (Neo-cloud infrastructure)

- 40–60% higher revenue/GPU vs bare metal peers
- Drawdown driven by sentiment, not fundamentals
  - end-market demand remain accelerated
  - Microsoft partnership ($17.4 billion guaranteed five-year contract) and NVIDIA preferred status
- **EV/Sales 5× vs peer avg 18×**
- **EV/EBITDA 14x vs peer avg 53x**
- **And at 0.01x on a 2026 EV/Sales/Growth basis!**

We view this discount due to the risk associated with AI narrative, but we are bullish in seeing to continue to be outlined in the next 2 years.

AMD (chip exposure)

- MI300 uptake strong, strength in cloud, DC GPUs and embedded solutions; growing market share in CPUs
- Expanding AI server TAM, **hunt mode**
- **Multi-year roadmap validated by earnings call → $20 EPS**
- Although P/E of 34.3x is on historical mean level, we expect earnings acceleration to boost stock price

LATAM Exposure

DLO (payment platforms)

- DLO remain our **only LATAM, small-cap exposure**
- Despite recent pressure due to LATAM geopolitical factors, we view that Milei's election provides a boost in this region and supports increased earnings from other LATAM markets. We like the exposure to LATAM fintech, substitutable with NU, but we prefer our entry.
- We also view the **lower net take rate, higher TPV as positive,** contrary to market reaction, as it signifies strong penetration story

Source: Bloomberg as at 27 Nov, Company

Why Each Name is in the Portfolio

Our thesis & valuation

Defensive Stocks

JPM (bank.. a very big one)

- I like this bank and remain bullish on its **balance sheet strength**. With volatility expected to remain high throughout the Trump tenure and ongoing geopolitical tensions, we view JPM's trading desk as a key beneficiary of this environment.
- The previous quarter's earnings showed performance above market expectations, and we continue to believe they can sustain this trend and continue gaining market share.
- We also think the likelihood of a liquidity-crunch stress event is low, we also view positively that JPM acknowledges potential risks in the financial markets
- **JPM's 18% ROE deserves a slightly higher valuation above current P/BV 2.9x**

UNH (health insurance and healthcare ... a very big one)

- The healthcare and insurance sector is cyclical, and UNH was previously hit by multiple negative headlines: management turnover, elevated Medical Loss Ratios (MLR), and broader sector-wide pressure
- Despite this, we remain **positive on UNH's fundamentals and competitive advantage**: **largest insurance** market share in the U.S. (~15%), and OptumRx accounts for **one-third of all U.S. prescriptions** processed, giving the company scale-driven MLR efficiency unmatched by peers.
- 3Q25 results demonstrated clear MLR outperformance, signalling upside into 2026.
- At a **BF P/E of 18.25**, we **expect reversion toward the historical mean P/E of 19.21**, with potential expansion toward 21x should FY26 guidance be revised upward in the 4Q25 report. We remain unfazed by market noise and stick to the fundamentals:

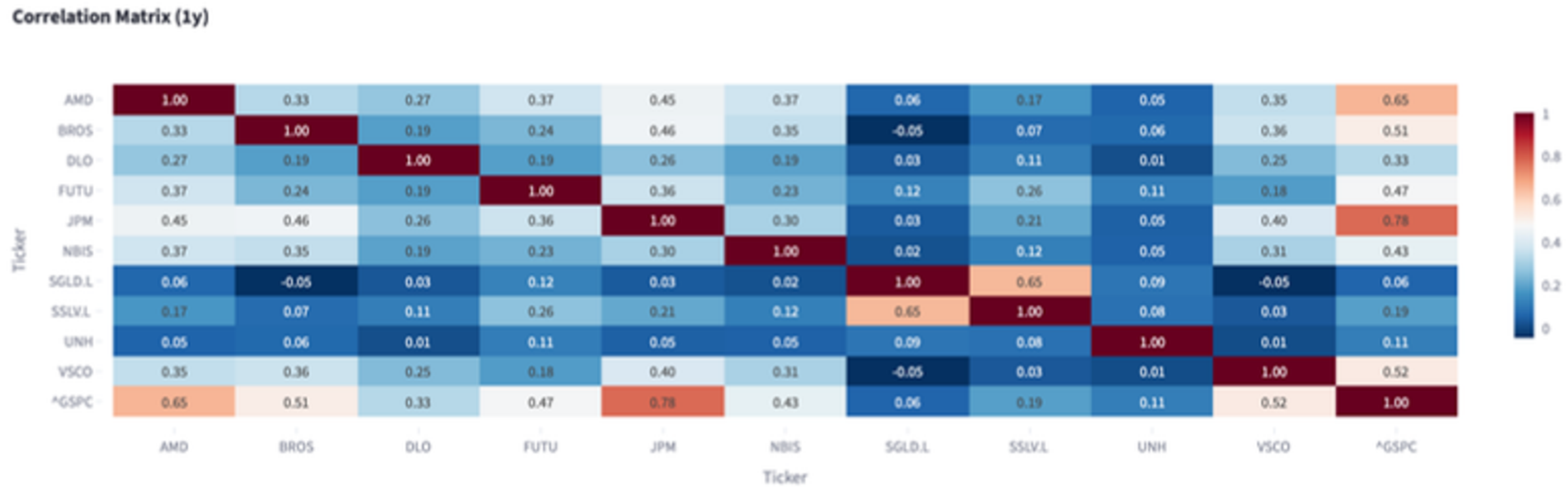
"As long as there are three humans in this world — one will provide healthcare, one will provide insurance, and one will pay for these."

Rare Earth Hedge

Gold & Silver

- Other than the fact that they are hedge positioned, their fundamental demand remain strong
- **Rate cut cycle** should **increase demand for gold and silver**
- Demand could potentially slowdown as central bank slows down
- But, do people sell gold?
- I don't think so
- Silver just follows it lol, poor man's gold, but aside from financial market Silver demand in EVs and Solar is still inact

Our Portfolio Correlations Are Manageable



Source: Bloomberg as at 27 Nov, Company

What worked, what didn't, and how we'd improve

We remain optimistic on our portfolio with certain adjustments expected

Evaluation

What worked?

- **Turnaround Strategy Delivered**: VSCO & BROS were the strongest contributors
- **Correct Macro Timing**: Entries aligned with volatility spikes (10 Oct, 13–14 Oct, 18 Nov)
- **Valuation Discipline**: Bought high-quality growth (FUTU, AMD) at compressed multiples
- **Hedging Paid Off**: Metals (Gold/Silver) reduced drawdowns during VIX spikes

What didn't?

Looking at our performance, -4% as at 19 Nov, and -0.14% as at 26 Nov,

- **NBIS Drag**: High-beta AI correction weighed on short-term performance
- **DLO Volatility**: LATAM FX + political risk impacted fintech exposure.
- **Short Horizon Challenge**: 6-week window amplified noise over fundamentals

What we would improve?

- **Earlier Rotation Out of Weak Technical Names**: E.g., closing RBRK sooner was directionally right, but do it earlier next time
- **Scale down on first entry**: FOMM (Fear-of-missing-market)

Catalysts

- VSCO Earnings Result → Decision
- Portfolio Companies Next Quarter Results
- Earnings re-rating once AI bubble fear normalises
- Medicare Advantage Pricing → MLR Pressure Further Eases
- Obamacare Continuation Plans → MLR Visibility
- December Fed Cut & Tone After Meeting for 2026 number of cuts → Valuation and Growth
- Milei's Argentina reform trajectory → FX Stability
- Brazil 2026 Presidential Cycle → Pro-business sentiment

Additional Remarks

- We are at a very interesting point, we remain bullish on US equity, hence our strong positioning in them.
- We view 2026 to be a year for *Healthcare, Luxury and Non-Renewable Energy.*
- Emerging Market is also an interest area that we will be looking at.

Why not ...

- **ETFs**: we prefer active investing for mispricing and confident with our stock-picking; dilute conviction (we don't want every semi/AI stocks)
- **Commodities**: limited tools (options/futures); keep simple with Gold and Silver
- **Bonds/Money Markets**: return not suitable for the timeline
- **Crypto**: I don't do crypto, no fundamentals to evaluate...Doge Coin

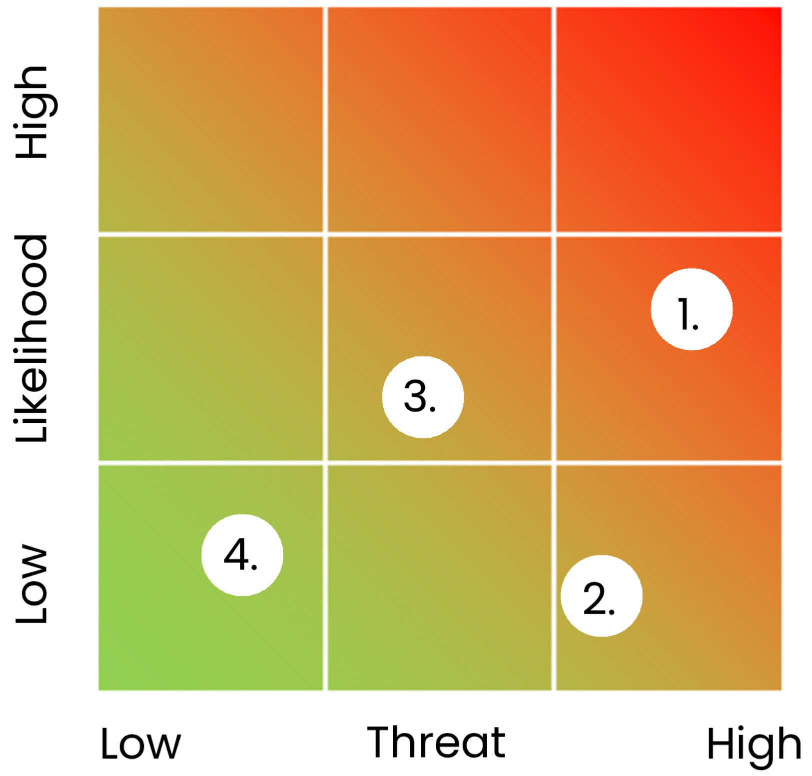
*Our benchmark portfolio **based on CAPM, should return +2.53%**, which meant we underperformed by -0.27%. However, **given the short time frame and statistically insignificant value (-0.02 std)**, in comparison to volatility of 27.9%, we view such performance as **temporal and a noise in the long term**. Recent stock performance affirms our belief, as we have **seen recovery in our performance.***

Source: FM214 Lectures & Classes

Appendix

We recognise our risks and take proactive steps to manage them

Risk Matrix



1. **AI Meltdown (1.32 Beta)**
   - Our portfolio is heavily correlated with NASDAQ, hence our performance is affected by the AI Narrative
2. **Fed Decision Reversal/Hawkish Tone**
   - We deem unlikely that there will be a reversal, and that Fed might be sound cautious but not hawkish.
3. **Volatility Spike (-0.31 Beta)**
   - Geopolitical risk
   - Black Swan events
4. **Trump Tariff**
   - Our view is that Trump Tariff has low likelihood of happening and the impact is minimal; TACO trade and investors has high tolerance towards Trump Tariff Proposal

Mitigants

- We actively monitor our position and our relationship with the broader market
- With a rather diversified portfolio, we are also looking to rotate gradually/reduce our weight in AI-driven equity to 15%
- We remain disciplined in our risk control and sizing logic, in-trend on macros