Make America Great Again Fund

MSDS 460 - Decision Analytics

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Investment Philosophy

With the election of President Trump and the new administration's priorities, we think that this is an opportunity to create the Make America Great Again Mutual Fund. This fund will focus on asset classes that the new administration has indicated it wants to prioritize. The fund is composed of 14 US Equities. The fund portfolio will be a combination of existing mutual funds and mid to large cap stocks. This will be an active managed fund with its primary focus on beating benchmarks such as the S&P 500.

The Trump administration has indicated focusing on 1) Tariffs, 2) Deregulation, 3) Oil & Gas, 4) Steel, 5) Aerospace & Defense, 6) Cryptocurrency, and 7) Immigration. Additionally, one of Trump's key advisors is Elon Musk who generates most of his wealth from Tesla. To balance the portfolio, the portfolio will also include funds from across several industries - XLI (Industrial Sector), XLV (Health Care Sector), XLK (Technology Sector), XLF (Financial Services), and XLE (Energy Sector). The companies large and mid cap stock companies picked for Trump priorities are: 1) Berkshire Hathaway B, 2) Wells Fargo, 3) Oneok, 4) Nucor, 5) Huntington Ingalls, 6) Microstrategy, 7) Exxon Mobil, 8) Tesla, and 9) Geo Group.

The management team of this fund was able to raise $1M in its first round. The $1M will be the starting point of the fund and the equities will be distributed evenly. The goal of this fund is to maximize returns with the lowest risk assets that align with the new administration priorities.

Portfolio Holdings

Berkshire Hathaway B (BRK-B) - With the threat of tariffs, that will likely also increase the costs of homes, automobiles, and boats. Because of that increase, insurance companies should also see increased revenue from the uptick in the values of products being insured. Economists are already projecting that Cars and Truck prices will rise from the proposed tariffs. In addition to the potential revenue increase, Berkshire Hathaway's strong balance sheet with a record level of $680B of Investments & Cash make it an attractive company to invest in.

Wells Fargo (WFC) - Wells Fargo has had significant regulation oversight over the last few years driven by the historical scandals and investigations that came from within the company. The regulations cap that has limited its growth should be lifted in 2025 and the new administration has indicated that it would like to significantly reduce regulations. The combination of the regulation cap ending and deregulations should help Wells Fargo return to a growth trajectory.

Oneok (OKE) - Oneok is one of the largest midstream oil and gas companies with a market cap of $58B. The company has 50,000 miles of pipeline running from Texas to North Dakota.

President Trump at a campaign rally in July 2024, has indicated that he wants to “drill, baby, drill”. This should lead to an increase in oil and gas production throughout the US.

Nucor (NUE) - With the impending steel tariffs on other countries, this should benefit US steel companies such as Nucor. Nucor has had positive free cash flow and net income over the last 4 years with the potential to turnaround its revenue decline thanks to the tariffs. Nucor is also a “Buy” to many Wall Street Analysts with some even recommending it as a “Strong Buy”.

Huntington Ingalls Industries (HII) - Huntington Ingalls is the country’s largest military shipbuilder. The new administration wants to eliminate inefficient spending throughout the government and companies like HII may be able to benefit from the reprioritization of budgets. The continued DoD strategy of shifting its attention towards the Pacific will benefit companies such as HII where ships will be more important than ever.

Microstrategy (MSTR) - Microstrategy is unique in that its core business is business software, but over the last few years, it’s also bought a significant amount of bitcoin making it the largest corporate holder of bitcoin. With the new administration looking at deregulation and potential promotion of cryptocurrency, Microstrategy has a strong upside if crypto becomes more mainstream under this administration.

Exxon Mobil (XOM) - Similar to Oneok, the new administration’s efforts of Oil & Gas should benefit the largest US Oil company. The new administration has also just withdrawn from the Paris Accord and wants to double down on domestic oil production.

Tesla (TSLA) - Elon Musk is a special advisor to President Trump and Tesla should benefit from their close relationship. Although tariffs may increase prices for companies such as Tesla, the upside is potential deregulation from the administration and ensuring that emerging EV competitors such as BYD don’t make it to US shores.

GEO Group Inc (GEO) - GEO Group is a REIT (Real Estate Investment Trust) that specializes in private prison real estate holdings. With the increased focus on ICE and immigration, GEO should get a bump in their facilities for illegal immigrants before they’re deported.

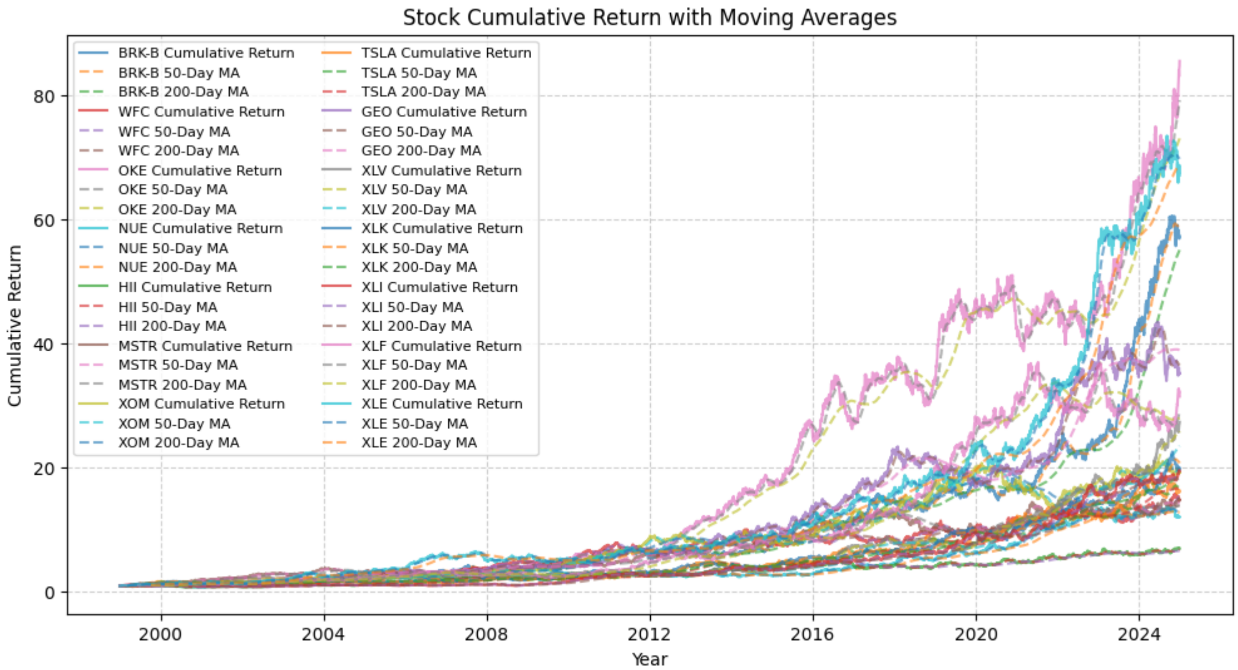
Select Sector SPDR ETFs (XLV, XLK, XLI, XLF, XLE) - These funds are to help balance the portfolio in the event that the administration priorities run into roadblocks with courts, lawmakers, or from donors.

Investment Methods

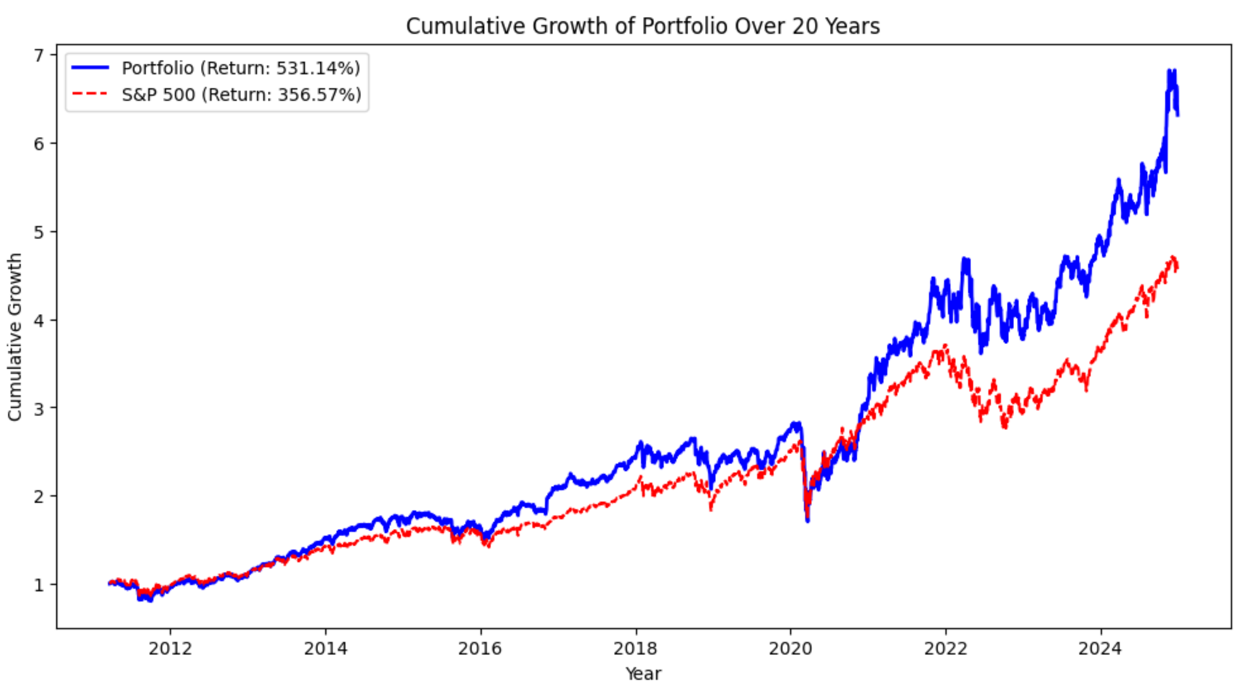
The equities chosen for the portfolio had a strong record of performing over the last 25 years. The annualized returns range from ~8% to ~18% with all of them having a sharpe ratio below 1.0 (which is low risk).

Stock / Fund	Annualized Returns (%)	Annualized Volatility (%)	Sharpe Ratio
BRK.B	16.298256	15.865018	0.901244
WFC	11.286880	15.843955	0.586147
OKE	17.806515	15.992326	0.988381
NUE	10.461676	15.603927	0.542279
HII	8.476994	15.849207	0.408664
MSTR	11.242001	15.765118	0.586231
XOM	12.275012	16.111410	0.637748
TSLA	11.611885	15.808640	0.608015
GEO	14.503373	15.924253	0.785178
XLV	13.548904	15.844056	0.728911
XLK	12.355210	16.015518	0.646574
XLI	12.286231	15.868713	0.648208
XLF	14.106047	16.068994	0.753379
XLE	16.880916	15.834315	0.939789

Since these assets have had strong annualized returns with a low sharpe ratio, the fund will be employing a **buy and hold strategy**. Many of the companies within the portfolio have performed well and a household name within their respective industry positioning this portfolio for growth. Each of the assets chosen within the portfolio have had significant cumulative returns over the last 25 years.



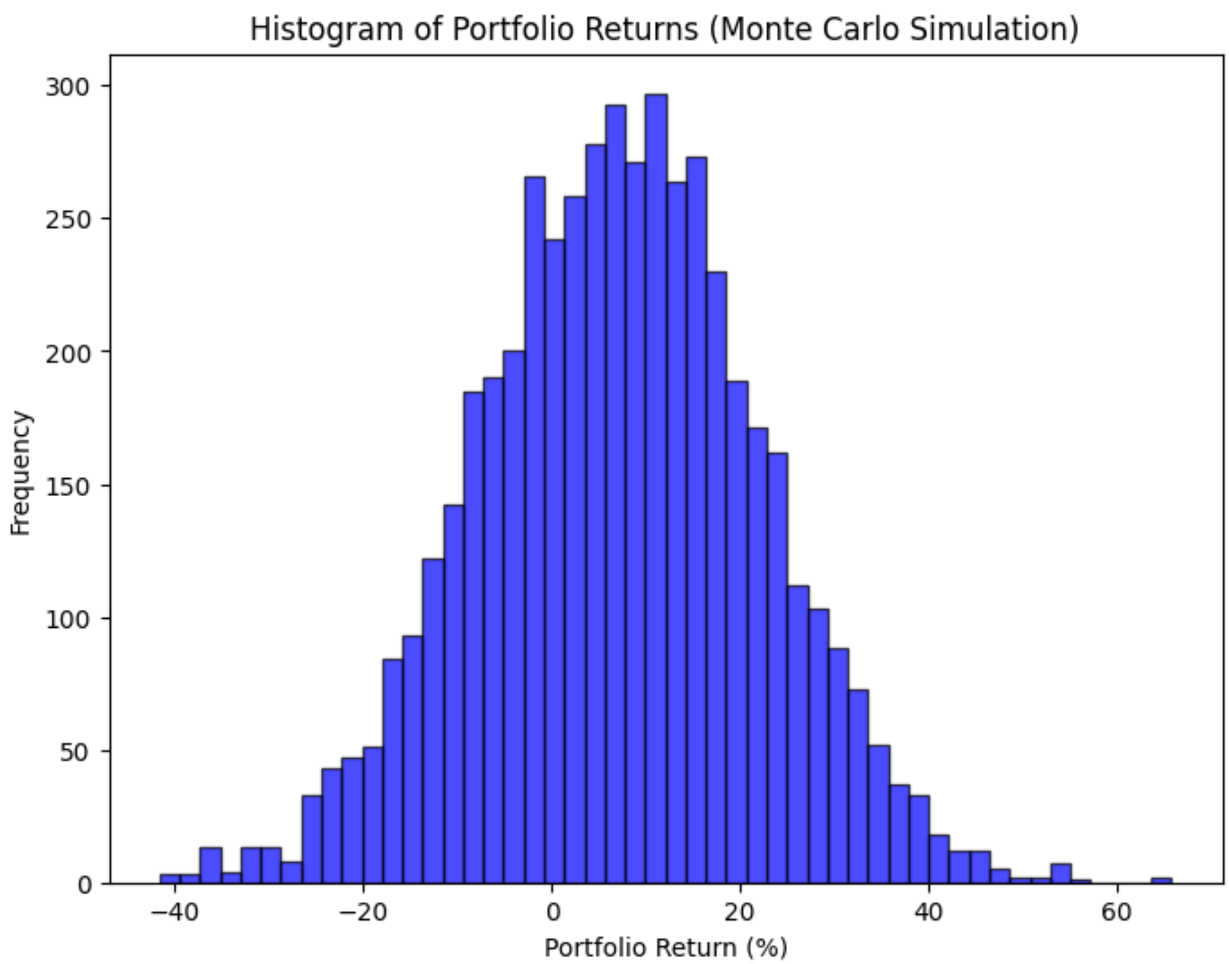
The initial portfolio model used to perform the performance of the portfolio was the standard Monte Carlo simulation using mean returns. Using this model resulted in a cumulative portfolio return of 531.14% against the S&P 500 of 356.57%.



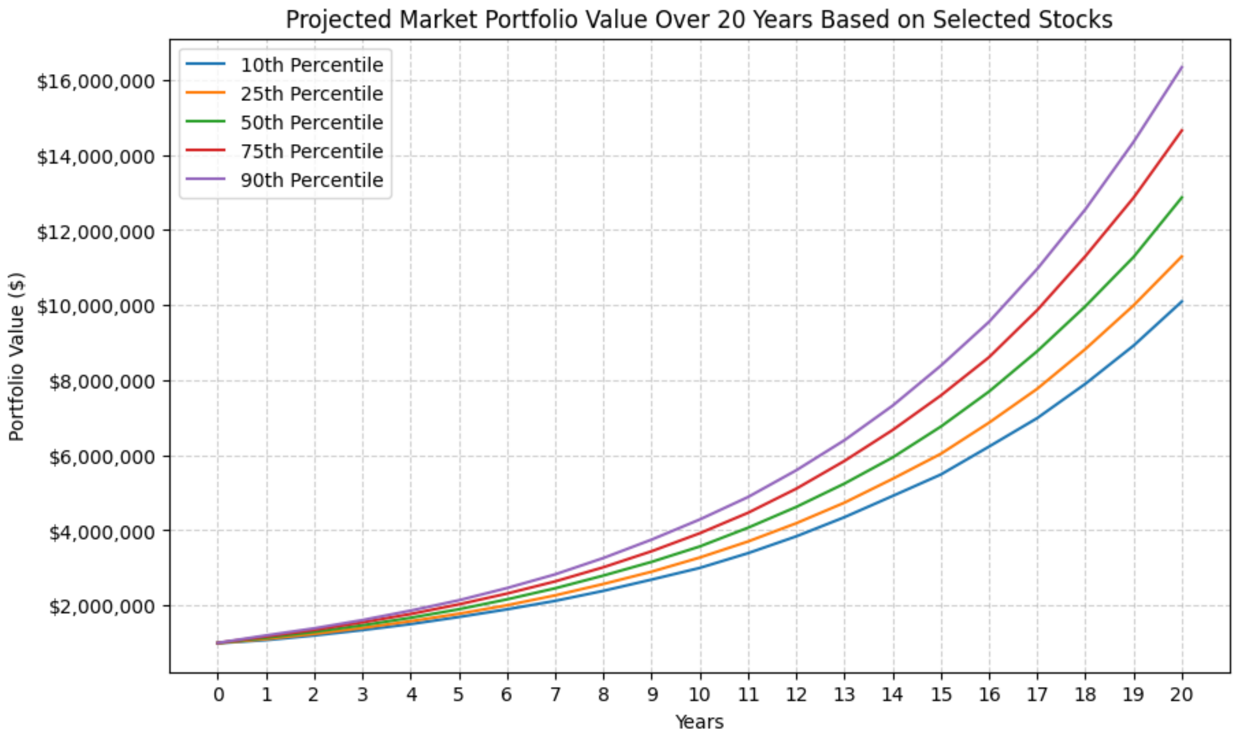
A momentum trading model uses a relative strength strategy to identify securities which have positive upside when compared to a benchmark security. Its validity is based on the consensus that securities that perform well relative to others will continue to perform well into the future. The inverse also remains where securities that perform poorly relative to their peers will continue to comparatively underperform.

Performance Evaluation

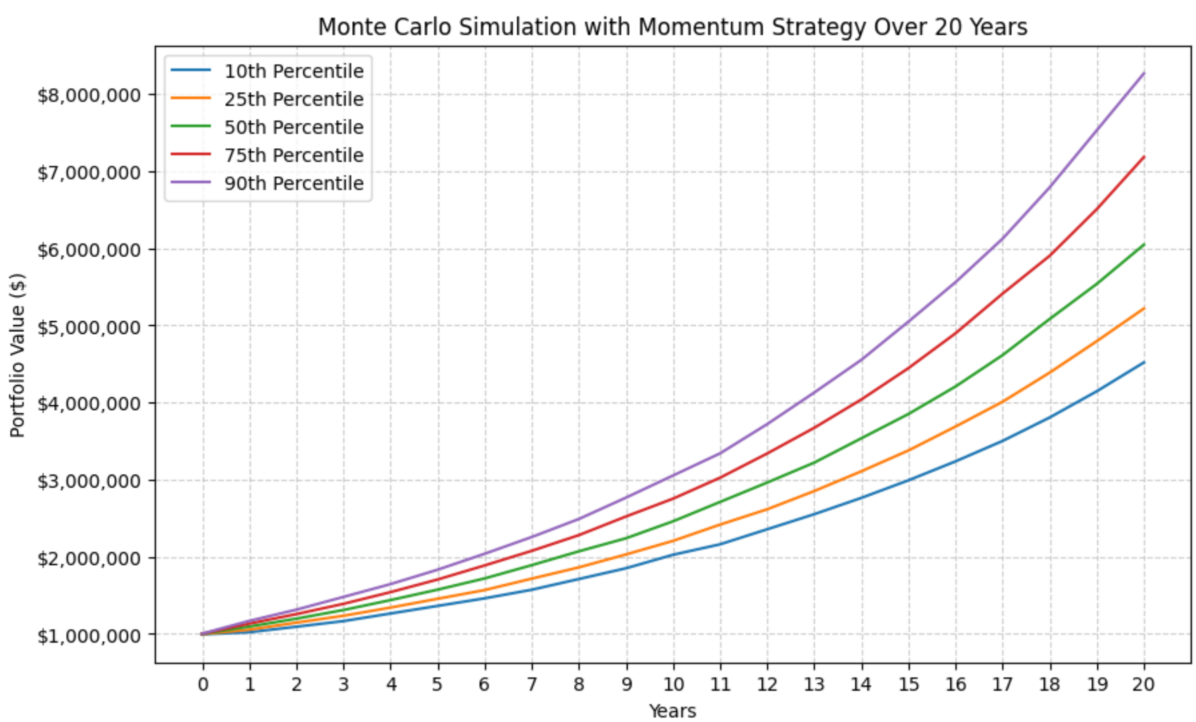
A histogram showing how frequent the annual returns provides confidence that this portfolio will continue to gain the strong returns it's had in the past. The midpoint for the histogram is in the high teens.



Now we take the $1M and assess both models to see what the total dollars return would be. Using the 2 models to compare, the recommended method is the mean returns model. This model showed that by the end of 20 years, the portfolio would grow to ~$13M in the median scenario with the 10th percentile (low end) being at ~$10M and the 90th percentile (high) being ~$16M.



The second model momentum simulation strategy still shows positive growth across all percentile ranges but not as high. The median (50/50) scenario shows ~$6M with a range of ~$5M (10th percentile or low) - $8M (90th percentile or high).



Management Recommendation

Despite the political affiliations with the fund managers, the assets in this portfolio shows that it has the opportunity to exceed funds such as the S&P 500. The fund also has significant upside given the current administration BUT if the midterms changes to the other party OR the GOP does not get reelected in 2028, then this funds performance may start to slow. Since we're still early in the new administration, it would be recommended to create the fund as soon as possible to maximize the returns. Once the political landscape changes, the fund may need to alter its strategy and possibly even pick new assets to include in the portfolio. This would alter the original buy and hold strategy. The fund as it stands has more upside potential than downside as shown in the below range of returns chart.