

# APPLIED INVESTMENT MANAGEMENT

FISCAL YEAR 2022 REPORT



# TABLE OF CONTENTS

I. Foreward	3
II. Committee Members	4
III. Fiscal Year Snapshot	5
IV. Market Review	6
V. Portfolio Review	7-8
VI. Sector Review	9
VII. Sector Performance	10
VIII. Transaction Review	
i. Position - Buy	11-14
ii. Position - Sell	15-17
IX. Stock Highlights	18
X. Recent Alumni	19
XI. Looking Forward	20
XII. Special Thanks	21
XIII. Individual Holdings	22-25



# FOREWARD

We, the Applied Investment Management committee, are proud to present the performance of the AIM portfolio for the 2022 fiscal year.

This semester, our analysts have exceeded all expectations we have had as leadership through all their efforts in order to achieve the year-wide goals set out by us as fund managers and those before us. One of the biggest targets we have had has been to create a more refined portfolio through stock analysis and valuations through market research and our very own equity reports.

The AIM portfolio managed to beat expectations compared to our benchmark during bleak market outlooks caused by the COVID-19 pandemic, supply chain issues, and the ongoing war in Ukraine. Despite our current macroeconomic environment, the program was able to utilize our knowledge and market strategy well as a committee.

The group of individuals selected to the AIM class this semester were derived from the elite Finance program that Kutztown University has constructed. This group of analysts consists of a multitude of educational backgrounds, giving us a wide range of viewpoints when analyzing equities. This group is truly special, and plans to provide the portfolio with market-beating results.



*Hernan Machorro*



*B. Bush*

# COMMITTEE MEMBERS

## LEADERSHIP



Hernan Machorro  
Fund Manager  
Finance & PFP  
Class of 2023



Stephen Sponenberg  
AIM Scholar  
Accounting & Finance  
Class of 2024



Clayton Inderbitzen  
CFO  
Accounting, Finance, PFP  
Class of 2023



Brian Bush  
Fund Manager  
Finance & Management  
Class of 2022

## ANALYSTS



Sierra Alcorn  
Energy Analyst  
PFP  
Class of 2023



Cameron Delillo  
Real Estate Analyst  
Accounting & Finance  
Class of 2023



Kyle Goodwin  
Consumer Discretionary Analyst  
Accounting & Finance  
Class of 2024



Cassidy Kauffman  
Consumer Staples Analyst  
Accounting & Finance  
Class of 2023



Christopher Juliano  
Materials Analyst  
Finance & Criminal Justice  
Class of 2024



Ryan Reynolds  
Communications Analyst  
Finance & Marketing  
Class of 2024



Ethan Slaw  
Energy Analyst  
Finance  
Class of 2023



Tommy Sylvester  
Financial Analyst  
Finance & PFP  
Class of 2024



Jeff Tews  
Information Technology Analyst  
Finance & PFP  
Class of 2023

# FISCAL YEAR SNAPSHOT

0.12%

AIM Portfolio Beat the SPY

\$20K

Invested into Series I Savings Bonds

8

New Stock Holdings

\$800K+

Funds Under Management

With 76 equities in the portfolio at the beginning of the fiscal year, committee leadership pushed the class into a different direction. The class pivoted its focus on the generation of equity reports detailing the fundamental analysis of equities in the portfolio, which highlighted the lagging securities. Not only did these lead to the removal of underperforming stocks, but helped the program attain a more accurately allocated portfolio based upon our benchmark and the current macroeconomic environment according to industry research.



# MARKET REVIEW

The fiscal year of 2022 brought familiar issues regarding international influences on the market. Starting with COVID-19, lockdowns boosted FAANG stocks such as Meta and Apple to new heights with many people relying on technology to keep in touch and to work from home during the pandemic. With the gradual reduction of COVID-19 restrictions, the market took a turn in the wrong direction with looming supply chain issues and increasing tensions caused by inflation. Due to federal spending on policies such as stimulus checks and the FED printing over 40% of the current monetary supply, consumerism finally returned to normal. This began shake the market alongside record low-interest rates and the supply chain shortages. Houses, cars, and durable goods saw remarkably high demand with lagging supply. The increased amount of money in circulation led to increased consumer spending, causing record levels of inflation to reach nearly 8.6%.

In February 2022, Russia invaded Ukraine after fear of NATO approaching too close to Russian borders. International support in favor of Ukraine led to Russia being removed from the Swift System and caused the halting of ADRs from Russia, leaving many investors in Russian securities with worthless stocks. Russia, the largest supplier of energy in Europe, began using fuel as a bargaining chip against the European nations supporting Ukraine. This led to an international oil crisis. This crisis alongside an already weakened supply chain caused inflationary pressure to reach a boiling point. Gasoline and diesel prices are key indicators of overall inflation due to transportation costs being involved in supply chain. Easing pandemic restrictions, supply chain issues, rising crude oil prices, and inflationary pressure dominated the market in the second half of FY22 and led to one of the worst market declines in history.



# PORTFOLIO REVIEW

Total Portfolio Value	
Beginning Balance	\$905,323
Ending Balance	\$805,849
Gain/Loss	(\$99,474)

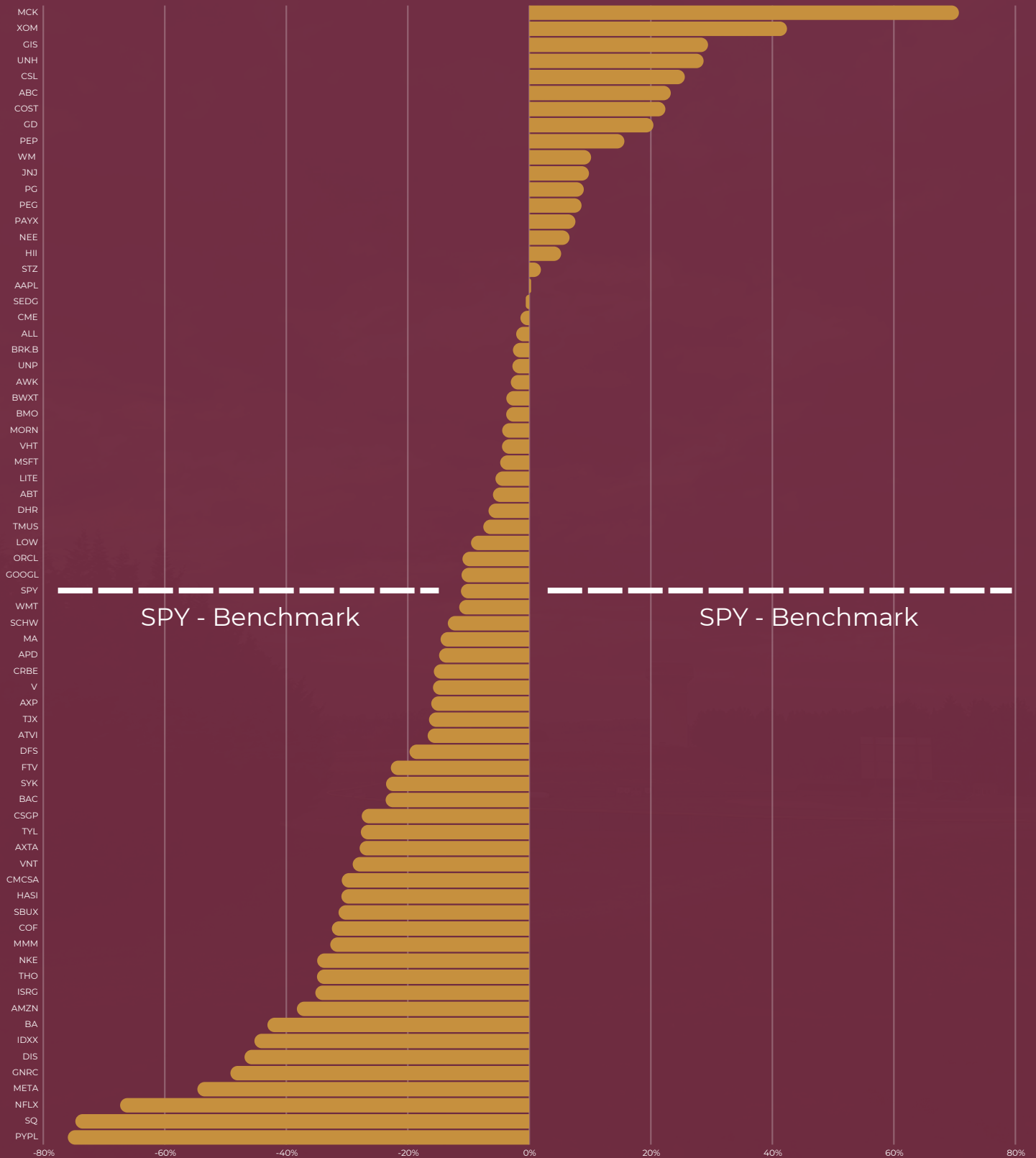
Total Returns	
AIM Portfolio	-10.99%
SPY	-11.11%
AIM vs. SPY	0.12%

Throughout the fiscal year, the committee had one goal: maximize value for our money. Through this ideology, the committee sold our positions in six different firms totaling \$33,635 in cash. This was a critical approach for the longevity of equity value in our portfolio. The equities that were previously held by the portfolio all trailed both their sector and the SPY by a substantial margin.

Despite shortcomings reported in our semiannual performance, the program was able to bounce back in order to beat the SPY's total returns by 0.12% through the selling of lagging equities and reallocation of funds into strong growth companies in line with the goals we have as a committee.



# PORTFOLIO REVIEW

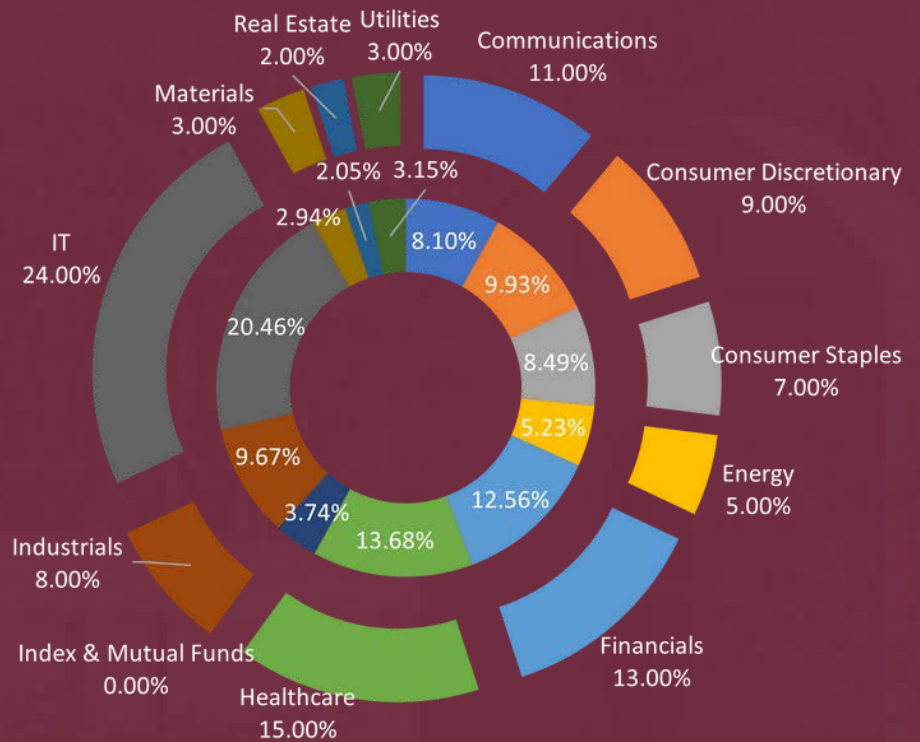




# SECTOR REVIEW

AIM Sector Weights

Sectors	Current	Target Allocation	Allocation Difference
Communications	8.10%	11.00%	-2.90%
Consumer Discretionary	9.93%	9.00%	0.93%
Consumer Staples	8.49%	7.00%	1.49%
Energy	5.23%	5.00%	0.23%
Financials	12.56%	13.00%	-0.44%
Healthcare	13.68%	15.00%	-1.32%
Index & Mutual Funds	3.74%	0.00%	3.74%
Industrials	9.67%	8.00%	1.67%
IT	20.46%	24.00%	-3.54%
Materials	2.94%	3.00%	-0.06%
Real Estate	2.05%	2.00%	0.05%
Utilities	3.15%	3.00%	0.15%

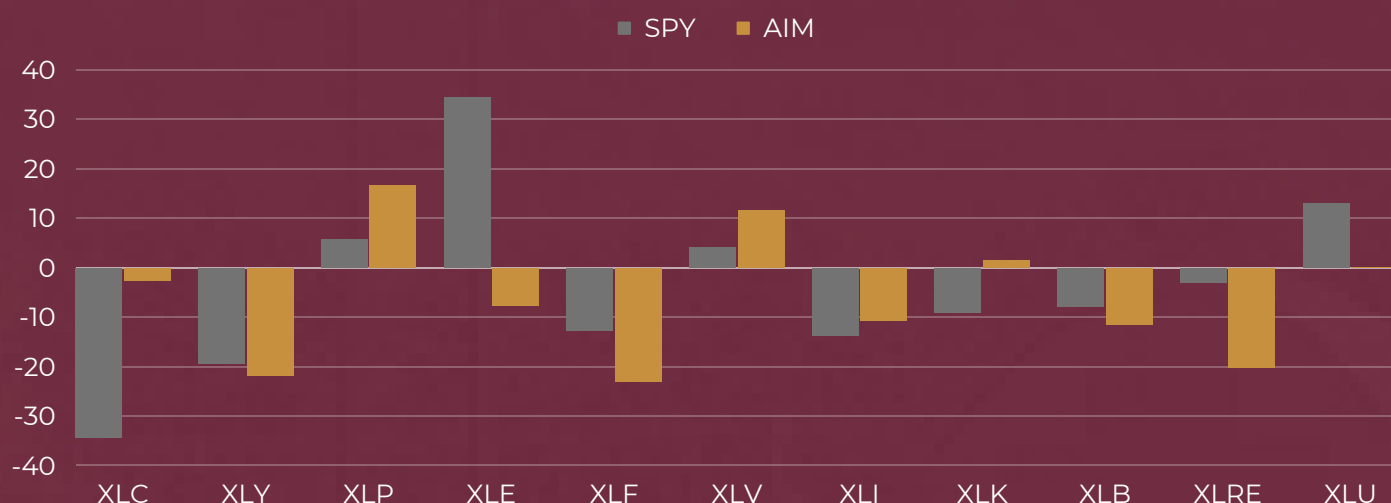


\*Outer Ring SPY Inner Ring AIM

The alignment of our portfolio with the SPY has proved to be successful for the past several semesters of the AIM program. The portfolio is neither overweighted nor underweighted except for a few exceptions. IT remains the most under allocated according to our analysis, with communications and healthcare following behind. The highest allocations can be found in industrials, index & mutual funds, and consumer staples.



# SECTOR PERFORMANCE



	XLC	XLY	XLP	XLE	XLF	XLV	XLI	XLK	XLB	XLRE	XLU
SPY	-34.00%	-19.51%	5.81%	34.29%	-12.65%	4.40%	-13.58%	-8.80%	-7.75%	-2.85%	12.98%
AIM	-2.51%	-21.56%	16.61%	-7.62%	-22.76%	11.48%	-10.41%	1.54%	-11.32%	-20.04%	0.09%

Displayed in the graphic above, the AIM portfolio beat the SPY in 4 out of the 11 sectors within the SPY benchmark. Those being the XLC, XLP, XLV, and XLK. Combined, these four sectors make up 50.73% of the portfolio in weight.

The lagging sectors are XLY, XLE, XLF, XLI, XLB, XLRE, and XLU. Combined, these lagging sectors make up for 49.27% of the portfolio.



# TRANSACTION REPORT

ACTION - BUY

## Costar Group Inc.

Ticker: CSGP  
Date Acquired: Dec. 08 2021  
Shares: 55  
Market Price: \$78.52  
Principal (Net): \$4,319.69

The company has an increasing global presence with very little debt compared to its competitors. CSGP is currently the go-to name in the real estate sector.



## GENERAC Holdings Inc.

Ticker: GNRC  
Date Acquired: Dec. 08 2021  
Shares: 9  
Market Price: \$371.05  
Principal (Net): \$3,339.63

The company overall has high liquidity with a clear history of revenue growth. It is well- positioned moving forward to lead the way into green energy.



## IDEXX Laboratories Inc.

Ticker: IDXX  
Date Acquired: Dec. 01 2021  
Shares: 7  
Market Price: \$607.86  
Principal (Net): \$4,255.16

The company was outperforming the SPY by 200% in returns. Due to their stock buybacks, it has an incredibly strong and stable free cash flow.



# TRANSACTION REPORT

ACTION - BUY

## Series I Savings Bond

Name: Series I Savings Bond  
Date Acquired: Dec. 08 2021  
Principal (Net): \$10,000

The Committee wants to expand into fixed income, and a Series I Bond is a good inflation hedge.

## Netflix Inc.

Ticker: NFLX  
Date Acquired: Jan. 31 2022  
Shares: 16  
Market Price: \$402.40  
Principal (Net): \$6,438.72

The company has strong brand recognition along with its original content. NFLX has a high level of customer satisfaction and is expanding with its international markets.



## American Waterworks Company Inc.

Ticker: AWK  
Date Acquired: Dec. 08 2022  
Shares: 50  
Market Price: \$177.18  
Principal (Net): \$8,860.00

There are major growth opportunities and it is currently undervalued as a company. AWK has a highly competitive advantage and is outranking its competitors.



# TRANSACTION REPORT

ACTION - BUY

## Costco Wholesale Inc.

Ticker: COST

Date Acquired: Dec. 1 2021

Shares: 3

Market Price: \$541.37

Principal (Net): \$1,624.17

The company overall has future growth opportunities. The ROE has had consistent growth and is one of the tops in the consumer staples sector.



## Capital One Financial Corp.

Ticker: COF

Date Acquired: Dec. 8 2021

Shares: 16

Market Price: \$148.92

Principal (Net): \$2,383.04

The company has had a strong price increase over the last fiscal year compared to the SPY and other financial services firms. They have strong brand recognition and resilience through economic crises.



## SPDR S&P 500 ETF

Ticker: SPY

Date Acquired: May 16 2022

Shares: 11

Market Price: \$386.19

Principal (Net): \$4,248.31

The committee felt that purchasing back shares of the SPY would use the cash balance of the portfolio in a better way with detrimental inflation reports on the horizon.



# TRANSACTION REPORT

ACTION - BUY

## Materials - Select Sector SPDR Fund

Ticker: XLB

Date Acquired: May 16 2022

Shares: 123

Market Price: \$80.02

Principal (Net): \$9,844.92

The committee felt strongly that the fund should align itself with the SPY sector allocations. By purchasing the XLB, the sectors grow aligned as well as increased diversification in materials sector.

## Energy - Select Sector SPDR Fund

Ticker: XLE

Date Acquired: May 16 2022

Shares: 65

Market Price: \$76.87

Principal (Net): \$4,997.84

The committee felt strongly that the fund should align itself with the SPY sector allocations. By purchasing the XLE, the sectors grow aligned as well as increased diversification in energy sector.

## T-Mobile US, Inc.

Ticker: TMUS

Date Acquired: May 16 2022

Shares: 42

Market Price: \$122.13

Principal (Net): \$5,130.30

The committee felt that purchasing back shares of the SPY would use the cash balance of the portfolio in a better way with detrimental inflation reports on the horizon.



# TRANSACTION REPORT

ACTION - SELL

## AT&T Inc.

Ticker: T

Date Sold: Dec 01 2021

Shares: (187)

Market Price: \$23.23

Principal (Net): \$4,297.97



The company is failing to move forward in the 5G competition, showing no long-term growth. Long-term debt has increased by 187% over the past ten years, displaying increased risk.

## SPDR S&P 500 ETF

Ticker: SPY

Date Sold: Dec 8 2021

Shares: 60

Market Price: \$468.87

Principal (Net): \$28,130.86

The committee needed the liquidity to fund purchases.

## Splunk Inc.

Ticker: SPLK

Date Sold: May 16 2022

Shares: 105

Market Price: \$90.81

Principal (Net): \$7,458.15



SPLK does not have the positive cash flow that the committee would like to see in a company that we hold. The company spends more in R&D than it has revenue.



# TRANSACTION REPORT

ACTION - SELL

## Walgreens Boost Alliance Inc.

Ticker: WBA

Date Sold: Apr. 18 2022

Shares: (115)

Market Price: \$44.36

Principal (Net): \$4,846.10



WBA has a poor market position compared to its peers in the Pharmacy industry. As a committee, we found that earnings were weak and the company was no longer feasible to own.

## CVS Inc.

Ticker: CVS

Date Sold: May 16 2022

Shares: (67)

Market Price: \$97.17

Principal (Net): \$4,980.17



The committee had a strong negative opinion on the directional shift of CVS' business model.

## Renewable Energy Group

Ticker: REGI

Date Sold: May 16 2022

Shares: (100)

Market Price: \$61.10

Principal (Net): \$6,110.00



Renewable Energy Group was acquired by Chevron Inc. June 16 2022





# TRANSACTION REPORT

ACTION - SELL

## Alibaba Group

Ticker: BABA

Date Sold: Apr. 18 2022

Shares: (30)

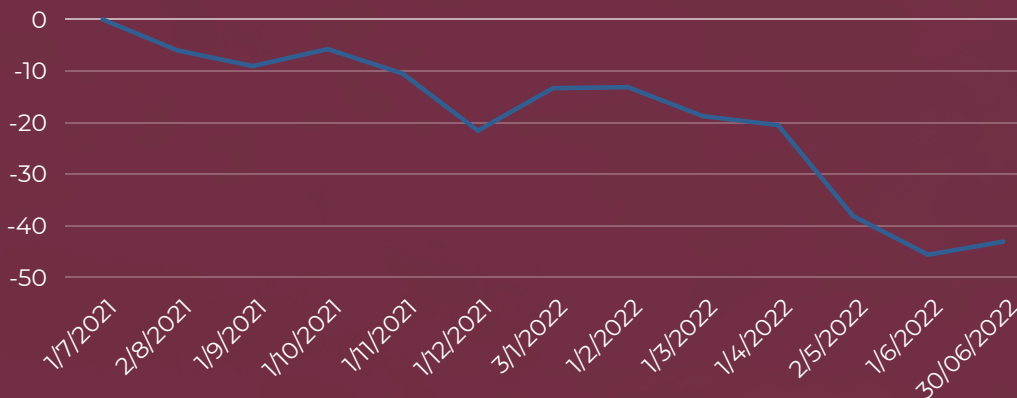
Market Price: \$99.71

Principal (Net): \$5,943.00

BABA's number one country driving revenue is China, and with the political concerns as well as lockdowns during COVID-19, the committee felt that it was too much risk to hold BABA.



# STOCK HIGHLIGHTS



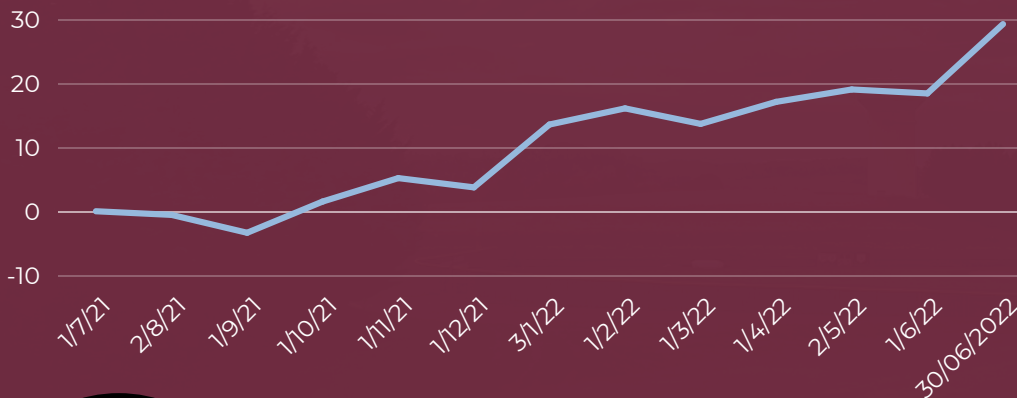
Boeing (NYSE: BA)  
 Beginning Price: \$239.73  
 Ending Price: \$136.72  
 Returns: -42.97%



**Christopher Juliano**  
 Materials Analyst  
 Finance & Criminal Justice  
 Class of 2024

Boeing, while a powerhouse in American aircraft manufacturing and a dominant player in global air travel solutions, has had a rough go of things lately. This saga of struggles started when a single sensor on a Boeing MAX 737 failed, causing Boeing's MCAS (Maneuvering Characteristics Augmentation System) software to go haywire, which directly caused the crash of an Indonesian flight on October 29, 2018. Boeing created a fix, ensured the public the MAX was safe to fly, and 132 days later the same thing happened to an Ethiopian flight, grounding the MAX 737 everywhere globally. This resulted in the single longest grounding of any airliner in U.S history: 619 days. After the crash, Boeing paused production, incurring safety inspections and fines as there was more to be uncovered besides faulty software: Boeing officials lied to safety regulators and in early 202, Boeing settled for 2.5 Billion in damages as a result.

What does this rather dramatic journey mean for investors who hold Boeing stock? It is this analyst's opinion Boeing is handling the adversity well, and will continue to rebound assuming Boeing can continue to meet the deadlines it has, as well as receiving support from the government with whom it contracts with to create transportation, logistics, and even military solutions. Boeing has not done as well as investors as hoped, but this analyst believes Boeing has turned a corner and will hopefully perform well into Q4 2022 and Q1 2023.



General Mills (NYSE: GIS)  
 Beginning Price: \$60.22  
 Ending Price: \$75.45  
 Returns: +29.31%



**Cassidy Kauffman**  
 Consumer Staples Analyst  
 Accounting & Finance  
 Class of 2023

General Mills' Q4 earnings are released around June 30th every year. For 2021, they reported a revenue of \$4.52B and an EPS of \$0.91. For 2022, they had a revenue of \$4.89B and an EPS of \$1.12. Therefore, the stock started to peak towards the end of June in 2022. Also, during June of 2022, General Mills partnered with Regrow Agriculture to monitor agricultural practices.

This increased their ESG because they could give a more accurate emissions baseline. During May, they sold Their stock price tends to increase right before every earnings report. "Helper and Suddenly Salad" in a cash transaction for approximately \$610M. You can see this in the middle of September, March, and June.



# RECENT ALUMNI



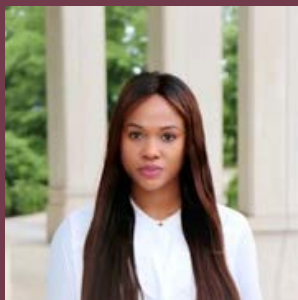
Keith Torres  
Global Corporate Bank Analyst  
JPMorgan Chase & Co.  
Class of 2019



Corey J. Gross  
Fund Accounting Supervisor  
SEI Investments Company  
Class of 2018



Sasha-Lee Hayward  
Senior Analyst-Investor Relations  
Goldman Sachs  
Class of 2019



Jadesola Alatishe  
Hedge Fund Solutions  
Morgan Stanley  
Class of 2021



# ALUMNI SPOTLIGHT

## Heather Mastrangelo

Graduation: Spring 2022  
Previous AIM Position: AIM Scholar  
Current Employer: Amazon.com, Inc.  
Position: Area Manager



"Working on a team will follow you whenever you decide to launch your career. Without being a team player, it is very difficult to succeed. Through the AIM program, I developed my ability to work among a team by listening and learning from others, acknowledging when to disagree and commit, and how to reflect upon wins and losses which are all skills that follow me at Amazon."



## Brittany Arentz

Graduation: Spring 2022  
Previous AIM Position: Senior Analyst  
Current Employer: Morgan Stanley  
Position: Client Service Associate

Morgan  
Stanley

"The AIM program is the epitome of what I do at Morgan Stanley. The AIM Class provided me with hands on experience that is unlike other classes at Kutztown. "



# LOOKING FORWARD

As fund managers, we look to not only grow the equity value of the portfolio, but grow the program in a way that the Kutztown University Foundation, the University, and the students themselves, can all benefit.

As the Federal Reserve has embarked on its recent series of rate hikes for the purpose of combating near record inflation, the equity market has undoubtedly started to react accordingly. This current market situation mirrors events seen in the 1980's. If this is a case of history repeating itself, then we as portfolio managers should be prepared for a possible market rebound.

As we look forward into the future of the Applied Investment Management program, we hope to see our current operations of monitoring equities continue as the year progresses. Not only that, but we look forward to seeing how future legacies of the class improve upon the current model and carry AIM to many more years of prestige as the best Kutztown has to offer.



# SPECIAL THANK YOU

On behalf of the Applied Investment Management students, we would like to thank you for your ongoing support and contributions to the A.I.M. program. With the support of the KU Foundation, students at Kutztown University have been given the opportunity to network with professionals and manage a portfolio valued at \$800,000 dollars. Through generous contributions made by the KU Foundation, the A.I.M. program has expanded to all students at Kutztown University. Through the A.I.M. Program, students can become FactSet certified, which has been recognized by the finance industry as a database for quantitative and qualitative research. With the support and contributions of the KU Foundation, education at Kutztown University has been amplified and students are given the tools and support they need to achieve their desired careers.

Again, we thank you for your contributions, time, and efforts supporting students through serving on the KU Foundation Board.

Applied Investment Management Class of Fall 2022



# INDIVIDUAL HOLDINGS

Company	Ticker	Fiscal Year Return	Company	Ticker	Fiscal Year Return
3M	MMM	-32.62%	Bank of America Corporation	BAC	-23.51%
Abbott Laboratories	ABT	-5.84%	Bank of Montreal	BMO	-3.66%
Activision Blizzard, Inc.	ATVI	-16.59%	Berkshire Hathaway, Inc.	BRK.B	-2.55%
Air Products and Chemicals, Inc.	APD	-14.71%	Block, Inc.	SQ	-74.59%
Alphabet, Inc.	GOOGL	-11.01%	BWX Technologies, Inc.	BWXT	-3.64%
Amazon.com, Inc.	AMZN	-38.12%	Capital One Financial Corporation	COF	-32.36%
American Express Company	AXP	-16.00%	Carlisle Companies, Inc.	CSL	+25.48%
American Water Works Company, Inc.	AWK	-2.90%	CBRE Group, Inc.	CBRE	-15.57%
AmerisourceBergen Corporation	ABC	+23.17%	CME Group, Inc.	CME	-1.32%
Apple, Inc.	AAPL	+0.17%	Comcast Corporation	CMCSA	-30.73%
Axalta Coating Systems LTD.	AXTA	-27.79%	Constellation Brands, Inc.	STZ	+1.79%



# INDIVIDUAL HOLDINGS

Company	Ticker	Fiscal Year Return	Company	Ticker	Fiscal Year Return
Costar Group, Inc.	CSGP	-27.44%	IDEXX Laboratories, Inc.	IDXX	-45.11%
Costco Wholesale Corporation	COST	+22.28%	Intuitive Surgical, Inc.	ISRG	-35.08%
DanaHER Corporation	DHR	-6.57%	Johnson & Johnson	JNJ	+9.70%
Discover Financial Services	DFS	-19.58%	Lowe's Companies, Inc.	LOW	-9.45%
Exxon Mobile Corporation	XOM	+42.30%	Lumentum Holdings, Inc.	LITE	-5.43%
Fortive Corporation	FTV	-22.65%	Mastercard, Inc.	MA	-14.46%
Generac Holdings Inc.	GNRC	-49.06%	McKesson Corporation	MCK	+70.60%
General Dynamics Corporation	GD	+20.31%	Meta Platforms, Inc.	META	-54.50%
General Mills, Inc.	GIS	+29.30%	Microsoft Corporation	MSFT	-4.65%
Hannon Armstrong Sustainable Infrastructure Capital, Inc.	HASI	-30.79%	Morningstar, Inc.	MORN	-4.32%
Huntington Ingalls Industries, Inc.	HII	+5.12%	Netflix, Inc.	NFLX	-67.22%





# INDIVIDUAL HOLDINGS

Company	Ticker	Fiscal Year Return	Company	Ticker	Fiscal Year Return
NextEra Energy, Inc.	NEE	+6.50%	The Charles Schwab Corporation	SCHW	-13.27%
NIKE, Inc.	NKE	-34.78%	The Procter & Gamble Company	PG	+8.85%
Oracle Corporation	ORCL	-10.86%	The TJX Companies, Inc.	TJX	-16.37%
Paychex, Inc.	PAYX	+7.47%	The Walt Disney Company	DIS	-46.74%
PayPal Holdings, Inc.	PYPL	-75.83%	Thor Industries, Inc.	THO	-34.81%
PepsiCo, Inc.	PEP	+15.53%	T-Mobile US, Inc.	TMUS	-7.43%
Public Service Enterprise Group, Inc.	PEG	+8.48%	Tyler Technologies, Inc.	TYL	-27.59%
S&P Sector: Energy SPDR	XLE	+36.51%	Union Pacific Corporation	UNP	-2.64%
S&P Sector: Materials	XLB	-9.26%	UnitedHealth Group, Inc.	UNH	+28.57%
SolarEdge Technologies, Inc.	SEDG	-0.44%	Vanguard Hlth Credit Index, ETF	VHT	-4.35%
SPDR S&P 500 ETF	SPY	-11.11%	Visa, Inc.	V	-15.71%
Starbucks Corporation	SBUX	-31.26%	Vontier Corporation	VNT	-28.93%
Stryker Corporation	SYK	-23.44%	Walmart, Inc.	WMT	-11.40%
The Allstate Corporation	ALL	-2.02%	Waste Management, Inc.	WM	10.05%
The Boeing Company	BA	-42.97%			

