

The background of the top half of the page is a faded, light-colored photograph of a large, multi-story brick building. On the left side, there is a prominent clock tower with a white clock face and Roman numerals. The building has a classic architectural style with arched windows and decorative moldings. The overall tone is soft and professional.

Applied Investment Management

Annual Report
July 1st, 2018 – June 30th, 2019



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MANAGEMENT'S MESSAGE



Dear Kutztown University Foundation,

“Price is what you pay, Value is what you get”, a quote by Warren Buffett.

This is the philosophy we’ve used to inspire our committee this semester, because Applied Investment Management is unlike any other course at Kutztown University. A.I.M. provides students with a unique chance to grow both personally and professionally. The price we pay is a rigorous study schedule, however the value established in this course is limitless, and shaped in discovery.

Through research, trial-and-error, and a commitment to excellence, our committee members work hard to pinpoint credible information for securities suggestions. Locating, interpreting, and meaningfully presenting individual research makes A.I.M. more difficult than a traditional college course. However, the experience gained makes all the time, struggles, late-nights and extra cups of coffee worth it. We, as a committee, firmly believe that A.I.M. students enter the workforce with a competitive advantage.

To encapsulate this advantage, we have highlighted the extraordinary success of A.I.M. alumni to the foundation, our current committee, and to prospective students. This has provided an incentive to both current and future scholars to strive for excellence, both inside and outside of the classroom. With the enduring support of the foundation, we can continue to produce well-rounded, highly educated and experienced graduates that are destined for success.

Much like the ocean tide, semesters come and go, and it can be difficult for students to realize just how far they have progressed. A.I.M. embodies this incredibly, and as returning managers we can attest to the feeling of being overwhelmed and discouraged. However, we continue to try harder, we continue to work together, and we continue to be successful as a team. This is the value that Buffett was talking about, and without the support of the Kutztown University Foundation it would never be possible. A.I.M. gives us the insight to see what we are truly capable of.

Sincerely,



John Quigley



Christopher Waller



A.I.M. COMMITTEE



Back Row: Strahinja Cvetkovic, Jack Morgan, DeSean Longino, George Decker

Middle Row: Megan Kelly, Sean Nagy, Jessie Brady, Trevor Smith

Front Row: Christopher Waller, Phillip Houseknecht, John Quigley

<u>COMMITTEE MEMBER</u>	<u>YEAR</u>	<u>MAJOR(S)</u>	<u>A.I.M. POSITION</u>	<u>HOMETOWN</u>
Christopher Waller	Senior	Accounting & Finance	Manager	Allentown, PA
John Quigley	Senior	Finance	Manager	Summit Hill, PA
Phillip Houseknecht	Senior	Accounting & Finance	Technology Officer	Emmaus, PA
Trevor Smith	Junior	Accounting & Finance	Marketing Officer	Schuylkill Haven, PA
Jessie Brady	Senior	Personal Financial Planning	Technology Officer	Glen Gardener, NJ
Sean Nagy	Senior	Finance	Alumni Outreach	Philadelphia, PA
Megan Kelly	Senior	Finance & Personal Financial Planning	Marketing Officer	Shoreham, NY
George Decker	Senior	Accounting	Alumni Outreach	Metuchen, NJ
Desean Longino	Senior	Finance, Personal Financial Planning, Communication Studies	Secretary	Atlanta, GA
Jack Morgan	Junior	Accounting & Finance	Technology Officer	Souderton, PA
Strahinja Cvetkovic	Junior	Finance	Treasurer	Belgrade, Serbia



MARKET REPORT



During the fiscal year, the S&P 500 experienced turbulent times. The S&P 500 dropped 11 percent in December 2018. Six months later, the market reached an all-time high in June 2019. Fluctuations of this magnitude, in the S&P 500, would make any investor nervous. It also raises questions about where all this volatility originates. The market panicked in December and, as a result, we experienced one of the largest December losses since the Great Depression. Most blame the sell-off due to trade tensions between the U.S. and China.

The sell-off cannot solely be blamed on the trade war. Some other factors that feed into it include euphoric investors that poured capital into the market after the Tax Cuts and Job Act of 2017. This argument is found in our Spring 2019 A.I.M. market report stating: “In September, U.S. consumer confidence hit its highest level since 2000.” The confidence that was produced in 2017, due to tax cuts, came to a grinding halt as soon as uncertainty in the trade war took hold. However, the disappointing 4th quarter in 2018 left great opportunity in the market, plunging share prices just in time for investors to pick up their favorite stocks for a special holiday discount.

For those who do not believe in efficient markets, the “January effect” hit the market harder than ever. In this case, some may attribute the extreme volatility due to tax-loss harvesting investors looking to avoid capital gains tax. However, the market continued to expand well past the 2nd quarter of 2019. Markets continued to advance due to an improving trade outlook. Strong July results can be attributed to strong 2nd quarter earnings results.

During the fiscal year, there were two federal funds rate changes. The fed first decided to pump the brakes on the growing economy on September 27th, 2018 when the rate was raised from 2.0% to 2.25%. The effects of the hike were modest. Additionally, the central bank had bumped up its benchmark rate eight times since late 2015, noticeably increasing monthly payments for borrowers. Then, another increase to 2.5% on December 19th, 2018 resulted in a hard hit to the market. The rate remained unchanged for the rest of the fiscal year. Furthermore, unresolved trade tensions paired with an inverted yield curve has frightened investors, although, the market has rebounded to an unprecedented point. Recent volatility leaves most questioning how much growth is left in the business cycle.





TRADING REPORT



The A.I.M. portfolio returned 9.81% during the annual fiscal year ending June 30, 2019, underperforming the return of the S&P 500 benchmark (SPY) of 9.91% over the same period. Top-performing stocks include Starbucks Inc. (SBUX, annual return of 72.81%), Danaher Corp. (DHR, annual return of 44.83%), Waste Management Inc. (WM, annual return of 42.56%), and Microsoft Corporation (MSFT, annual return of 36.37%). Throughout the annual fiscal year, the A.I.M. portfolio held overweight positions in the Consumer Discretionary, Consumer Staples, and Industrial sectors, near neutral positions in Technology and Utilities sectors, and underweight positions in Communications, Energy, Financials, Health Care, and Materials sectors. Factors that influenced our fiscal year performance included the U.S. Federal Reserve slashing interest rates to as low as 2.00%, strong growth in the technology sector, and tax benefits from the Tax Cuts and Jobs Act of 2017. Furthermore, the underperformance of our benchmark can be partially attributed to the increase in our cash balance, as we began liquidating positions to transition into fixed income securities. Thus, the portfolio generated a lower return, as 8% of our entire portfolio balance now lies in a low-risk money-markets account.

A.I.M. Portfolio	
Beginning Portfolio Value (7/1/2018)	\$515,797.25
Ending Portfolio Value (6/30/2019)	\$566,396.10
Fiscal Year Gain	\$50,598.85
Cash Balance	\$41,893.65

Performance	Fiscal Year	5 - Year Average
AIM Portfolio	9.81%	8.63%
SPY	9.91%	10.58%
AIM vs. SPY	(0.10%)	(1.95%)

	A.I.M.	Benchmark	Variance
Average Monthly Excess Return	0.7481%	0.7542%	(0.006%)
Standard Deviation	5.69%	5.62%	0.07%
Sharpe Ratio	0.1315	0.1342	(0.27%)

	A.I.M.	Benchmark	Variance
Average Monthly Excess Return	0.7481%	0.7542%	(0.006%)
Beta	1.01	1	0.01
Treynor Ratio	0.74%	0.75%	(0.01%)



TRADING SUMMARY



Reject Buy	Adidas AG	ADDYY
Buy	Axos Financial	AX
Buy	BWX Technologies	BWX
Buy	Comcast	CMCSA
Reject Buy	CyroLife	CRY
Reject Buy	FedEx	FDX
Reject Sell/Hold	JetBlue	JBLU
Reject Buy	JP Morgan	JPM
Reject Buy	Netflix	NFLX
Buy	UnitedHealth Group	UNH
Partial Sell	SPDR S&P 500 EFT	SPY
Sell	Colgate-Palmolive	CL
Sell	American Outdoor Brands	AOBC
Hold	Walgreens Boot Alliance	WBA
Hold	CME Group	CME
Hold	Walt Disney Company	DIS
Hold	NextEra Energy	NEE
Hold	Nike	NKE
Hold	Microsoft	MSFT
Reject Buy	Ormat Technologies	ORA
Sell	Toyota Motor Corporation	TM
Sell/Hold	Gilead Life Sciences Inc.	GILD
Reject Buy/Hold	CVS	CVS

<u>BUY</u>	<u>RATIONALE</u>	<u>SELL</u>	<u>RATIONALE</u>
Axos Financial	<ul style="list-style-type: none"> • Low cost structure • Differentiation in income segments • Consistent outperformance of sector and competitors • Rebranding 	Colgate-Palmolive	<ul style="list-style-type: none"> • Questionable CEO-company relationship • Large underperformance compared to competitors • Overvalued • Under-diversified income segments
BWX Technologies	<ul style="list-style-type: none"> • Undervalued • Timeliness of opportunity • Navy & NASA contracts • Clean energy, thus ethical 	American Outdoor Brands	<ul style="list-style-type: none"> • Underperformance • Questionability in holding a gun stock • Poor quantitative analysis • Questionable volatility
Comcast	<ul style="list-style-type: none"> • Growth opportunity with Sky • Undervalued per DCF, P/E valuations • Strong DuPont analysis • Strong revenue and EPS growth 	Toyota Motor Company	<ul style="list-style-type: none"> • Questionable industry outlook • Underperformance of the sector and SPY • Weak 10-year revenue & EPS growth • Weak DuPont analysis
UnitedHealth Group	<ul style="list-style-type: none"> • Under-allocated in sector • Outperformance in sector and industry • Strong growth expectations • Strong cash flow 	Gilead Life Sciences	<ul style="list-style-type: none"> • Overvalued per DCF, P/E, and PEG valuations • Patent expirations • Underperformance against SPY, sector, and competitors • Research indicates potential growth opportunities

INDIVIDUAL HOLDINGS

XOM	Exxon Mobil Corporation	BA	Boeing Company (The)
AX	Axos Financial, Inc.	BWXT	BWX Technologies Inc
BAC	Bank of America Corporation	CSL	Carlisle Companies, Inc.
BMO	Bank of Montreal	DHR	Danaher Corp.
BRK-B	Berkshire Hathaway Inc.	FTV	Fortive Corporation
CME	CME Group Inc.	GD	General Dynamics Corporation
DFS	Discover Financial Services	HII	Huntington Ingalls Industries
SCHW	The Charles Schwab Corporation	JBLU	Jet Blue Airways Corporation
WFC	Wells Fargo & Company	MMM	3M Company
AAPL	Apple, Inc.	UNP	Union Pacific Corporation
MSFT	Microsoft Corporation	WM	Waste Management
ORCL	Oracle Corporation	WDC	Western Digital Corporation
MORN	Morningstar Inc.	CVS	CVS Health Corporation
PAYX	Paychex	COST	Costco Wholesale Corp
SPLK	Splunk, Inc.	GIS	General Mills Inc.
V	Visa Inc.	KHC	Kraft Heinz Company
PEP	PepsiCo, Inc.	KR	The Kroger Company
STZ	Constellation Brands	VHT	Vanguard Health Care Index Fund ETF
WBA	Walgreen Company	GILD	Gilead Life Sciences, Inc
NEE	NextEra Energy, Inc.	UNH	UnitedHealth Group Inc
PEG	Public Service Enterprise Group Inc.	JNJ	Johnson & Johnson
BABA	Alibaba Group Holding Ltd.	MCK	McKesson Corp.
LOW	Lowe's Companies Inc.	SYK	Stryker Corp.
NKE	Nike, Inc.	ATVI	Activision Blizzard, Inc.
SBUX	Starbucks	CMCSA	Comcast Corp
THO	Thor Industries Inc.	FB	Facebook
TJX	TJX Companies, Inc. (The)	T	AT&T
		DIS	Walt Disney Company

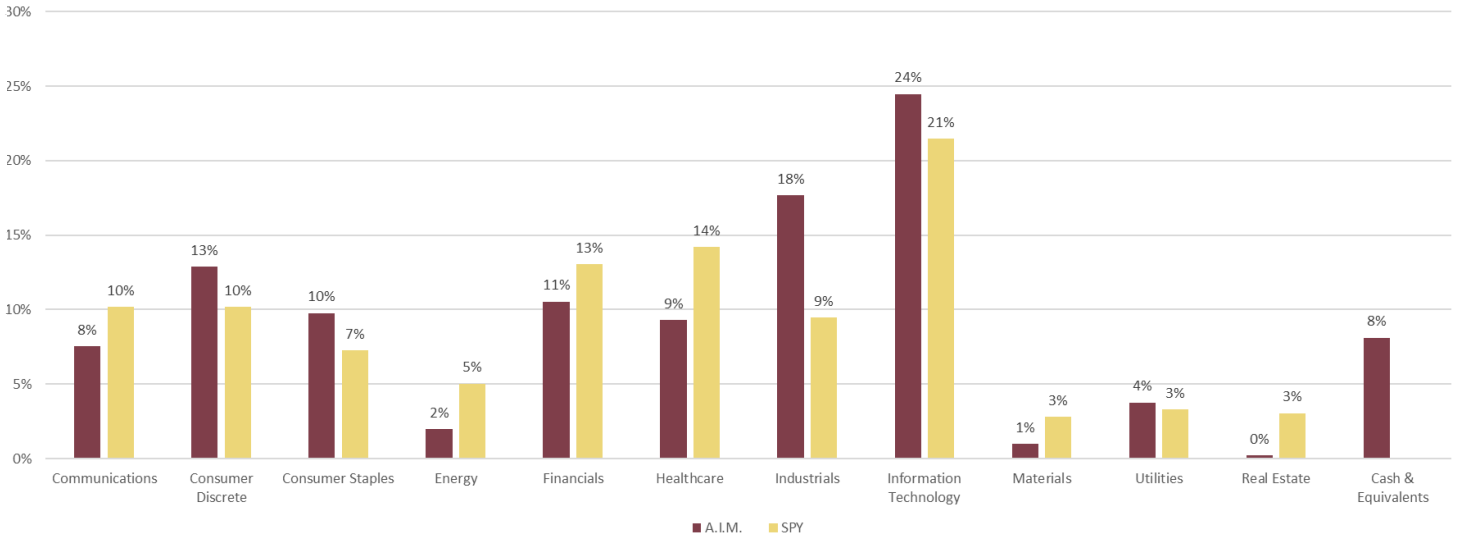




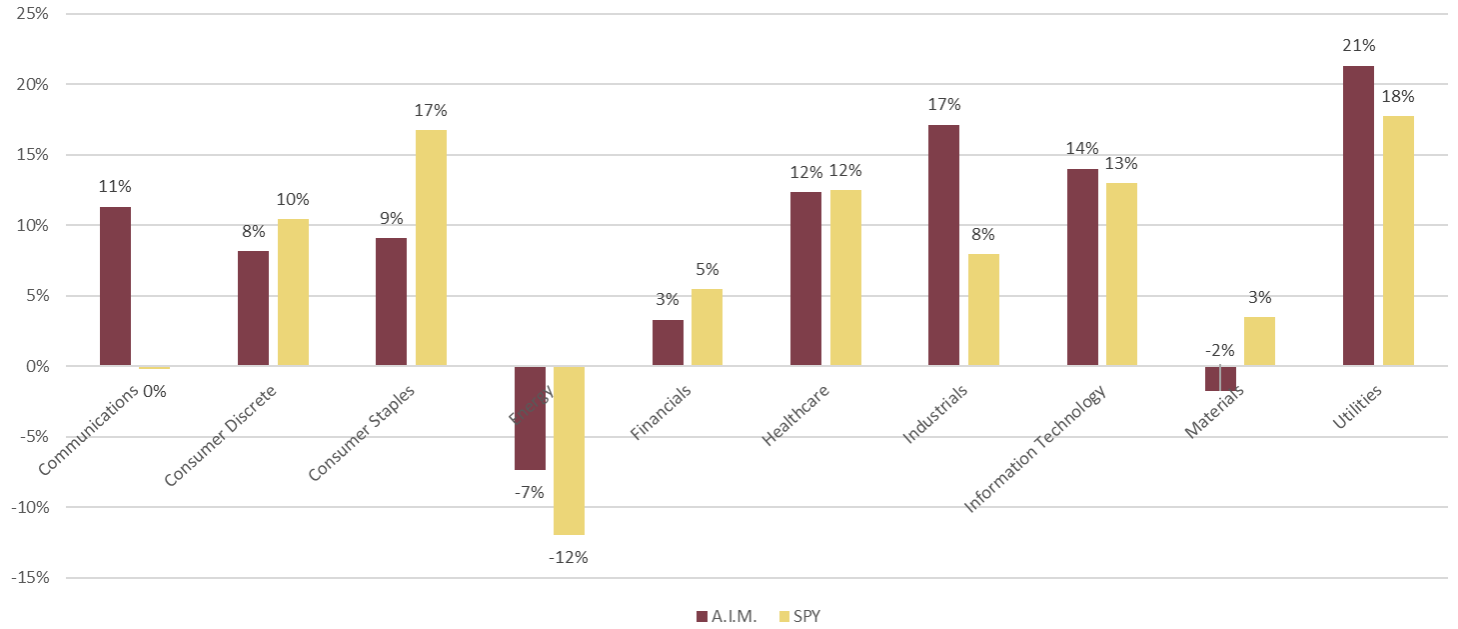
SECTOR ALLOCATIONS & RETURNS



Sector Allocations: A.I.M. vs SPY



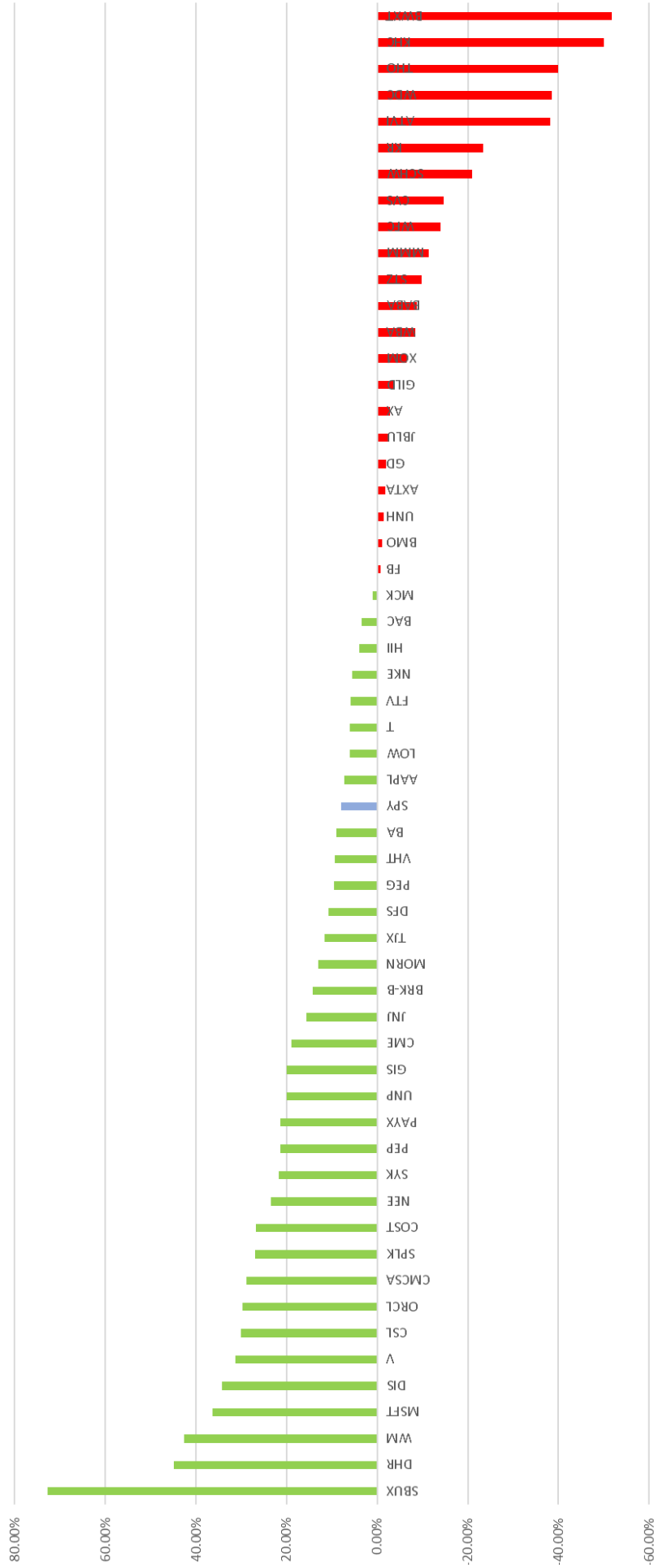
Sector Returns: A.I.M. vs SPY



INDIVIDUAL STOCK RETURNS



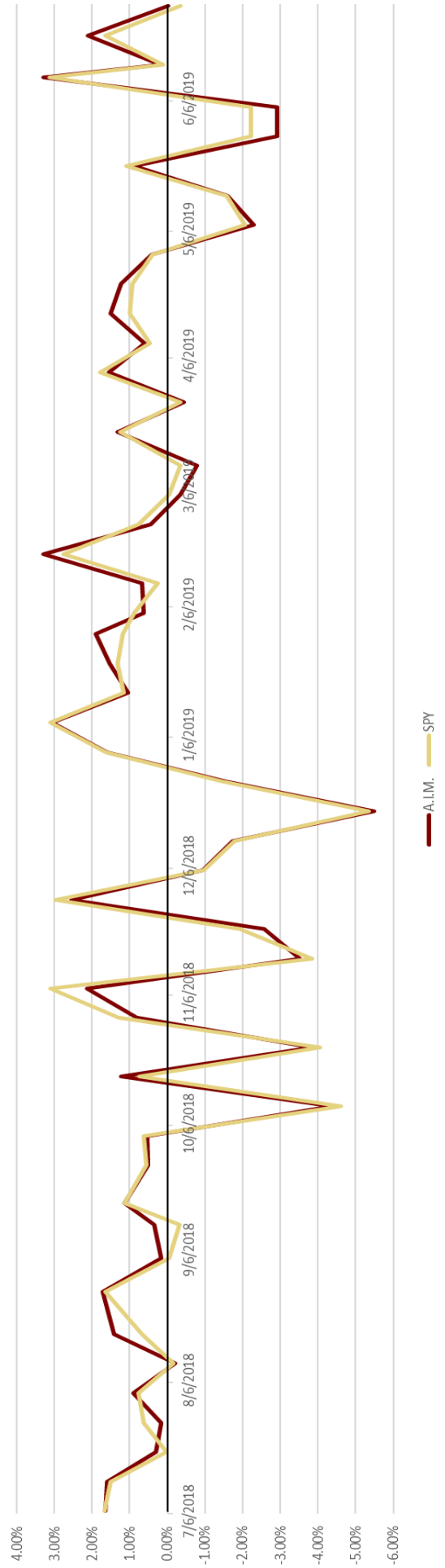
Individual Stock Returns



PORTFOLIO RETURNS vs. BENCHMARK



FY 2019 A.I.M. vs. SPY



CURRENT HOLDINGS

COMMUNICATIONS

ATVI

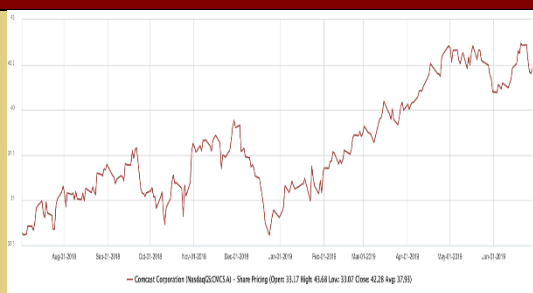
Activision Blizzard, Inc



- Earnings for Q2 2019 came in at \$328M, beating expected EPS by 70% with an actual EPS of \$.34. The adjusted EPS is expected to decrease with a 3rd quarter estimate of \$.20.
- Declining users during Q2 2018, ATVI reported a total of 352 million monthly active users, a drop from the 374 million the company had in Q1 2018. The decrease in users lead to a big decrease in earnings resulting in missing estimates two quarters in a row.

CMCS.A

Comcast Corporation



- The latest report for Comcast during the fiscal year was released on July 25, 2019 for Q2, which ended June 30, 2019. The Adjusted EPS was \$.78 which beat the consensus of \$.75 by \$.03. The adjusted revenue earnings were \$26.86B, which underperformed the consensus of \$27.08 by \$223.03M.
- On March 1, 2019, Comcast made a public announcement that Thomas Reid Sr. will be the new Executive Vice President, General Counsel, and Secretary of the Company as of April 2019. His new presence within the company will present necessary value to the company's overall growth as its share price has gone in an upward direction since Thomas officially started working. He is not the only reason, but a change in leadership creates new value in an adapting industry that has already shown positive results.

FB

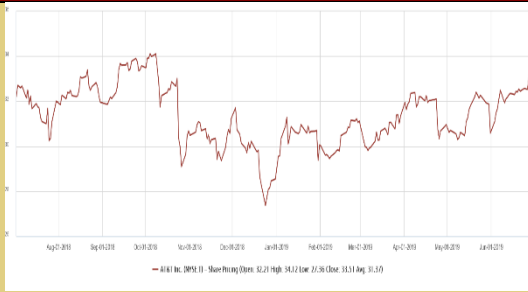
Facebook, Inc



- Earnings for Q2 2019 are \$ 2,616M. The consensus EPS for the upcoming quarter is \$1.65 and represents a negative change for the year-over-year (-2.4). Revenue consensus is expected as \$14.96 B, while the actual revenue for 2Q 2019 is \$16,866M.
- Facebook is working to control "deepfakes", which pose a huge threat to business and the 2020 election. They are committed to protecting the election. "Deepfakes" are false videos depicting occurrences that never actually happened. Facebook suspends Russian Instagram accounts targeting U.S. voters.

T

AT&T



- AT&T reported diluted EPS of \$0.56 as compared to \$0.75 in the year-ago quarter. Consolidated revenues were reported at \$44.8 billion, up 17.8%.
- AT&T is planning to start initial standalone deployments in 2020, a milestone for delivering 5G benefits to enterprises.

DIS

The Walt Disney Company



- On Wednesday, May 8th, 2019, The Walt Disney Company reported diluted EPS of \$3.54 compared to \$1.95 one year ago. Reported revenue was 15 billion which is 500 million higher than the last year.
- The acquisition of 21st Century Fox by Disney took place on March 20, 2019. Among other key assets, the acquisition included the 20th Century Fox film and television studios, U.S. cable/satellite channels such as FX, Fox Networks Group International, a 73% stake in National Geographic Partners, Indian television broadcaster Star India, and a 30% stake in Hulu.





CONSUMER DISCRETIONARY



BABA

Alibaba Group Holding Limited



- The latest report for Alibaba during the fiscal year was released on August 24, 2019 for Q1, which ended on June 30, 2019. The Adjusted EPS was \$1.78 which beat the consensus of \$1.48 by \$.30 and the Adjusted Revenue Earnings were \$16.34B which beat the consensus of \$15.82B by \$523.14M.
- On March 7, 2019, the NBA China and Alibaba Group announced an expansion in their partnership to allow the NBA's presence on Alibaba platforms for the first time. Not only will this development increase their presence, but it's also projected to promote more online sales by Chinese consumers.

LOW

Lowe's Company



- Lowe's net income is \$1.7B which is an increase from what it was last quarter of \$1.5B. Their diluted EPS is up to \$2.15 which is a great increase from last year when it was at \$1.86. Overall, the company had an increase of net income by about 10% from the following year.
- Lowes believed they capitalized on the spring demand and strong holiday execution causing the increase in sales late in the fiscal year. For the future they believe to have an increase of sales by 2% for the following fiscal year.

NKE

Nike Inc.



- On September 24, 2019 Nike reported its Q1 2019 earnings. The company reported adjusted EPS of \$0.86, exceeding consensus estimates of \$0.70 per share. The company reported revenues of \$10.66B compared to the expected \$10.44B.
- CEO Mark Parker stated that product innovation and a stronger e-commerce business helped boost results. Parker stated that online sales were up 42% during the quarter and Nike's women's business grew at a double-digit clip. Nike also said it had its biggest "back to school" season ever for kids; on the heels of it launching a subscription box for children's sneakers.

SBUX

Starbucks Corporation



- Starbucks Corporation reported Q3 2019 earnings of \$0.78 per share on July 25, 2019. This beat the consensus of \$0.72 by \$0.06. Starbucks Corporation reported Q3 2019 Revenue of \$ 6.8B on July 5, 2019.
- Starbucks reported on April 25, 2019 that same-stores sales grew by 3% during its fiscal 2019 second quarter. Sales were up 4% in the company's Americas region and 3% in China, its second-biggest market.

THO

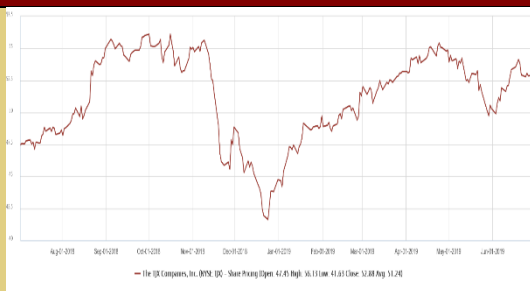
Thor Industries, Inc.



- Thor Industries announced its Q4 2019 earnings and reported earnings per share of \$1.70, beating the consensus estimate of \$1.48 per share. The company reported revenues of \$2.31B, which missed the consensus estimate of \$2.34B.
- On February 1, 2019, Thor Industries announced the closing of its acquisition of Erwin Hymer Group (EHG), one of Europe's largest makers of recreational vehicles for \$1.9B in cash and stock options. This acquisition created a clear entrance way into the European market for Thor industries.

TJX

The TJX Companies, Inc.



- TJX reported Net Sales of \$9.3B, an increase of 7% from the prior year. They also announced diluted EPS of \$0.57, versus the prior year's EPS of \$0.56.
- Marshalls announced that its new website will have an "ever-changing fresh mix of merchandise" that mimics its famous in-store treasure hunt experience. Marshalls is owned by TJX Companies Inc.





CONSUMER STAPLES



CVS

CVS Health Corporation



- On August 07, 2019, CVS announced its Q2 2019 earnings. CVS reported revenues of \$63.43B, beating the consensus estimate by \$766.74M. When adjusted, CVS earned \$1.89 per share, surpassing the expected consensus of \$1.69 per share.
- Shares of CVS were slipping in February after the drugstore chain signaled that its performance in 2019 would be challenged with legal implications involving the nearly \$70B acquisition of Aetna, the health insurance giant. The news weighed on 4Q2019 results and the stock finished the month down 12%.

COST

Costco Wholesale Corporation



- On Thursday, May 30, 2019 Costco announced third quarter diluted EPS of \$5.79 per share, compared to \$4.74 per share last year. Net sales were reported at \$33.96B from \$31.62B last year.
- On Thursday, October 10, 2018 Costco Wholesale Corp said that September same-store sales rose 4.2% from one year ago. The warehouse club giant said that their September net sales rose from \$13.64 B to \$14.41B.

GIS

General Mills Inc.



- General Mills Inc. reported Q4 2019 earnings of \$ 0.83 per share on June 26, 2019. This beat the consensus of \$0.77 by \$0.06. General Mills Inc. reported 4th quarter 2019 Revenue of \$ 4.2B on June 26, 2019.
- General Mills Inc. snack-bar business faltered in its latest quarter (4th quarter FY19), and sales of grocery staples such as cereal were flat, highlighting the tough path the packaged-food maker faces as it works to spark faster growth.

KR

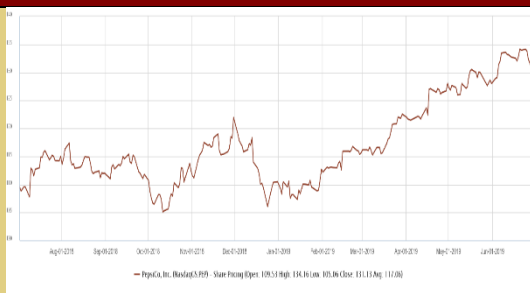
The Kroger Company



- The latest report for Kroger during the fiscal year was released on June 20, 2019 for Q1, which ended on April 30, 2019. The Adjusted EPS was \$.72 which beat the consensus of \$.71 by \$.01 and the adjusted revenue earnings were \$37.25B, which underperformed the consensus of \$37.27B by \$22.68M.
- On March 7, 2019, Kroger reported Q4 and fiscal 2018 data which revealed to the public the first full year development of its three-year transformation plan. The plan would implement more free cash flow use into continued growth of the company, but the share price does not seem to agree with Kroger's transformation process at this time.

PEP

PepsiCo, Inc.



- Earnings for PepsiCo Q3 2019 is \$6.94B. Actual EPS was \$1.49, matching the consensus at \$1.49. Last year the EPS was \$1.75, which is a 26 basis-point drop for the YOY change. The consensus revenue was \$16.48B, and the actual revenue for the quarter is \$17.19B.
- PepsiCo has issued their first green bond to identify concerns such as carbon emission, clean water, and plastic waste. PepsiCo and competitors will launch a canned version of their current bottled water.

STZ

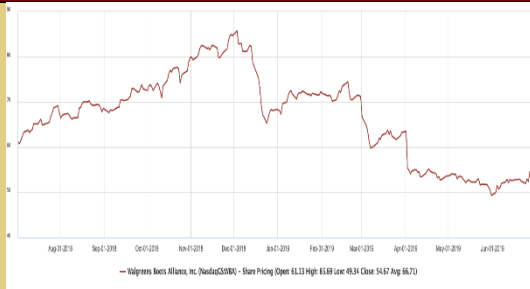
The Constellation Brands, Inc. Class A



- Constellation Brands, Inc. reported Q1 2020 earnings of \$2.21 per share on June 28, 2019. This beat the consensus of \$2.05 by \$0.16. Constellation Brands, Inc. reported Q1 2020 Revenue of \$2.1B on June 28, 2019.
- On April 4, 2019, Constellation Brands Inc. announced they had reached a deal to sell wine brands including Clos du Bois and Mark West to E. & J. Gallo Winery for \$1.7B. The spirits maker will also sell production operations in California, New York and Washington in the deal.

WBA

Walgreens Boots Alliance, Inc.



- The latest report for Walgreens during the fiscal year was released on June 27, 2019 for Q3. The Adjusted EPS was \$1.47, which beat the consensus of \$1.43 by \$.04. The adjusted revenue earnings were \$34.59B which beat the consensus of \$34.52B by \$70.63M.
- On December 11, 2018, Walgreens Boost Alliance made an announcement that the debt securities exchange listing of senior notes that were all long term would be transferred from the New York Stock Exchange to Nasdaq. This announcement allowed for the decline for the rest of the month of December in share price and has not reached higher levels since before the announcement.





FINANCIALS



AX

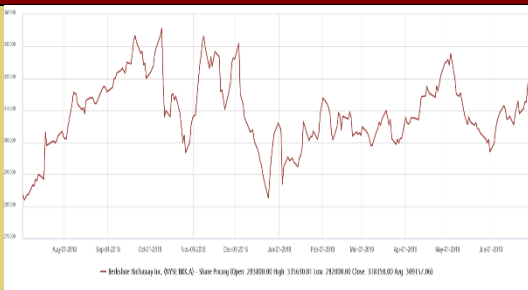
Axos Financials



- On Tuesday April 30th, 2019, Axos Financial reported diluted EPS of \$0.63 compared to \$0.80 a year ago. Reported revenue was \$136.3M which is \$36.2M higher than a year ago.
- BofI Holding, Inc. (NASDAQ: BOFI) parent of BofI Federal Bank, announced that September 12, 2018, its new corporate name is Axos Financial, Inc. Additionally, BofI Federal Bank became Costco Axos Bank on October 1, 2018.

BRK

Berkshire Hathaway, Inc.



- Berkshire Hathaway revenue for the twelve months ending June 30, 2019 was \$251.440B, a 5.21% increase year-over-year. EPS for the twelve months ending June 30, 2019 was \$11.76, a 38.86% decline year-over-year.
- Due to GAAP, owners believe that wild swings in gains will inevitably continue. Even though it has been falling behind the S&P 500, Buffett still believes in his company because of the various services it provides and its up and coming growth opportunities.

BAC

Bank of America Corporation



- On July 17, 2019, Bank of America Corporation announced its Q2 2019 earnings. They reported an adjusted EPS of \$0.74, exceeding consensus estimates of \$0.70 per share. The commercial bank reported revenues of \$23.2B, which was on target with consensus estimates of \$23.25 B.
- During Q2 2019, Bank of America showed strong performance as a result of high interest rates from the Fed, allowing the commercial bank to charge higher interest on loans without having to significantly increase their payout to depositors.

BMO

Bank of Montreal



- Earnings for Q2 2019 came in at \$1.5B, resulting in an adjusted EPS of \$1.79. 3.76% under the forecasted EPS. The adjusted EPS consensus estimate for Q3 came in at \$1.82, which would be \$.10 higher than the previous Q3.
- Profits for BMO in the last few months of December rose 38%. After an impressive 4th quarter in 2018 BMO increased their dividend yield. Management stated, “The bank's results were driven by strong performances from its Canadian and U.S. personal and commercial banking divisions, as well as its wealth management business.”

CME

CME Group, Inc.



- On July 31, 2019 CME Group announced its Q2 2019 earnings. The company reported revenue of \$1.3B which was lower than the consensus estimates of \$2.18B. The company reported its adjusted EPS of \$1.76 which matched the consensus estimate of \$1.76.
- CME Group revenue gains were fueled by strong growth in the exchange-giant's international markets. Trading volumes in Latin America, Asia, and Europe all increased throughout September. Acquisitions also contributed to the gains as NEX, the trading-platform operator that was purchased in 2018, generated \$187M in revenue during the second quarter results.

DFS

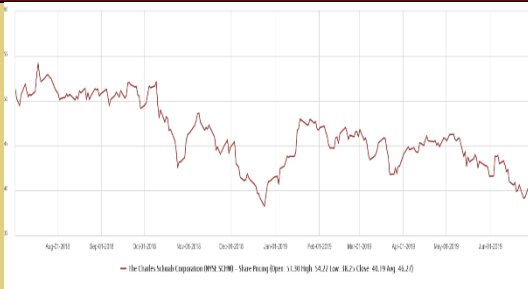
Discover Financial Services



- Discover Financial Services reported Q2 2019 earnings of \$2.32 per share on July 23, 2019. This beat the consensus of \$2.11 by \$0.21. Discover Financial Services reported Q2 2019 Revenue of \$2.9B meeting consensus estimates.
- On May 28, 2019, Discover announced that the payments brand of Discover, signed an agreement with Sage, a market leader in cloud business management solutions, that provides cardholders more options to pay at key hospitality and retail merchants throughout the UK and Ireland.

SCHW

The Charles Schwab Corporation



- Earnings for Q2 2019 came in at \$937M, resulting in matching expectations of an adjusted EPS of \$.66. The adjusted EPS consensus estimate for Q3 came in at \$.65.
- The broker world is currently seeing lots of rapid change as many trading platforms begin to offer zero fee funds. Specifically, the steady decline in 2018 can be explained by JPMorgan Chase's announcement that they will be offering a free investing app.

WFC

Wells Fargo & Co



- Earnings for Q2 2019 were \$6.21B, which is \$1B more from Q2 2018 due to an increase of interest income and decrease of interest expense. Consensus for Q3 2019 net income is \$20.88B. Expected EPS for Q3 2019 is \$1.16, a \$0.14 drop compared the previous quarter, but a \$0.03 increase from last year.
- Wells Fargo has terminated 350 people at an East Bay office to increase efficiency around the same time the building lease was up. Wells Fargo is ordered to hire some candidates they refused nearly five years ago. The Labor Department found Wells Fargo discriminating against thousands of candidates and must pay up to \$600,00.





HEALTHCARE



VHT

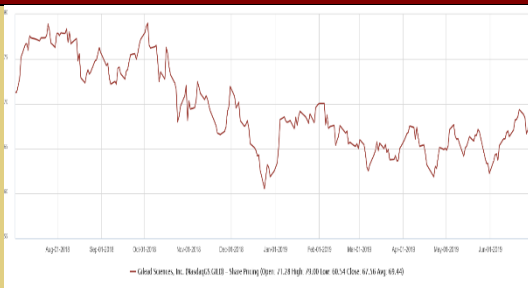
Vanguard Health Care Index Fund ETF



- As of July 31, 2019, Investor shares have a return of .33% and admiral shares have a return of .35% both of which are down from the following year. The EPS jumped from .28 in 2018 to .58 in 2019.
- The board concluded that shareholders benefits came from economies of scale and breakpoints in the fund's management fees from Wellington Management which is what increases the funds' assets.

GILD

Gilead Life Sciences, Inc.



- On June 30, 2019, Gilead Sciences announced its Q2 2019 earnings. The Company reported an adjusted EPS of \$1.72 per share, exceeding consensus estimates of \$1.68 per share. Gilead Sciences reported revenues of \$5.7B, which exceeded the \$5.5B consensus estimate
- New competitive threats such as AbbVie's Mavyret, as well as a rapidly shrinking marketplace are directly attributed to Gilead's 12.7% decline in share price over the course of the year. CEO John Milligan announced that he would be stepping down July 2018. However, the company did not name a replacement until early December. This nearly five-month-long leadership transition put the brakes on the firm's business development plans for most of 2018.

UNH

United Health Group, Inc.



- Earnings for UNH are \$3.4B. The actual EPS for the period is \$3.88 which beat the Consensus Estimate by 3.5%. The revenue for Q3 2019 is \$60.4B, which is 1.3% higher than the consensus.
- Recently there has been more insider selling than buying. UNH reported an individual to the FBI due to concerns of fraudulent activity.

INJ

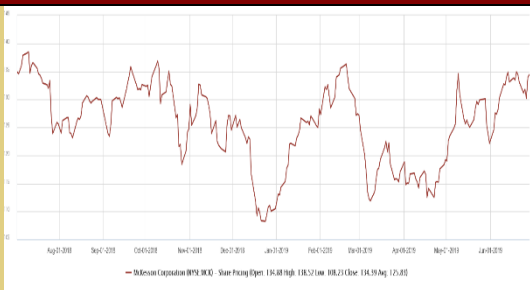
Johnson & Johnson



- On Tuesday, April 16th, 2019, Johnson & Johnson reported diluted EPS for the quarter of \$1.39, \$0.21 lower than the last year. Reported revenue for the quarter was \$20B.
- The stock experienced a sell-off in 2018 after a judge awarded \$4.7B to plaintiffs who said that J&J's baby powder caused their cancer. J&J said it planned to appeal the decision, and the shares were able to rebound from the decline.

MCK

McKesson Corporation



- Earnings for Q2 2019 came in at \$423M, thus beating the expected EPS by 8.88% with an actual EPS of \$3.31. The adjusted EPS is expected to continue to grow with a Q3 EPS estimate of \$3.53.
- In December of 2018, a class action lawsuit was filed. The complaint claims that between 2013 and 2017 the Company made false and misleading statements to the market. McKesson colluded with other companies in the market to fix the price of generic drugs. This collusion violated federal antitrust laws. McKesson's revenues throughout the class period were in part the result of illegal activities and were therefore unsustainable. The company also failed to maintain effective controls on financial reporting.

SYK

Stryker Corporation



- The latest report for Stryker during the fiscal year was released on July 25, 2019 for Q2, which ended on June 30, 2019. The Adjusted EPS was \$1.98 which beat the consensus of \$1.94 by \$.04 and the adjusted revenue earnings were \$3.65B which beat the consensus of \$3.60B by \$52.49M.
- On March 27, 2019, Stryker announced that they have obtained a new Vice President and Chief Legal Officer by the name of Robert Fletcher. He would begin working in April 2019 and would add his experience to the leadership team to help add necessary value.



INDUSTRIALS



BA

The Boeing Company



- The Boeing Company reported Q2 2019 earnings of \$5.82 per share on July 24, 2019. This beat the consensus of \$6.69 by \$0.87. The Boeing Company reported Q2 2019 revenue of \$15.8B.
- On October 11, 2019, Boeing's board stripped Chief Executive Dennis Muilenburg of his dual role as chairman in an unexpected shake-up at the highest ranks of the company. This was amid the crisis of their 737 MAX planes.

BWXT

BWX Technologies, Inc.



- On Wednesday May 1st 2019, BWXT reported diluted EPS of \$0.51 for the quarter, \$0.15 lower than a year ago. Reported revenue was \$416.5M which is 41 million lower compared to the last year.
- BWX Technologies Inc. signed a definitive agreement to acquire Sotera Health's Nordion medical isotope business. The acquisition accelerates and de-risks BWXT's entry into the medical radioisotope market by adding licensed infrastructure, about 150 highly trained and experienced personnel, and two production centers to BWXT.

CSL

Carlisle Companies, Inc.



- On July 23, 2019, Carlisle Companies Incorporated announced its Q2 2019 earnings, reporting a record second quarter adjusted EPS of \$2.62, beating consensus estimates of \$2.36 per share. The company reported revenues of \$1.314M, surpassing the consensus estimate of \$1.312M.
- During Q2 2019, Carlisle Companies results were fostered by a continuing demand for both new construction and replacement products across several of their business segments. Additionally, the company broadened its scope of product offerings with its acquisition of companies such as MicroConnex, Hosco Fittings, Integrated Dispense Solutions, and Shinhang.

DHR

Danaher Corporation



- The latest report for Danaher during the fiscal year was released on July 18, 2019 for Q2, which ended on June 30, 2019. The Adjusted EPS was \$1.19 which beat the consensus of \$1.16 by \$.03 and the Adjusted Revenue Earnings were \$5.16B which beat the consensus of \$5.09B by \$67.58M.
- On February 25, 2019, Danaher made an announcement that they would be acquiring the Biopharma Business of General Electric Life Sciences for \$21.4B. The tax benefit adjusted value would come in at \$20B, all of which was acquired by a cash purchase. Danaher's share price increased as a result and continued to positively increase the value of the company.

FTV

Fortive Corporation



- Fortive Q2 earnings are \$.90 per share, which beat Zach's consensus of \$.89 per share. The quarterly earnings last year were \$.91 a share. FTV revenue for Q2 is \$1.68B, which was 3.29% short from the consensus revenue. Compared to last year the revenue is the same and has not been able to beat consensus within the last four quarters.
- An article by Simply Wall St. posted information as to why FTV can stay on top of its debt. Three weeks prior, an article announced FTV will split into two different companies by the end of 2020.

GD

General Dynamics Corporation



- On Wednesday April 24, 2019 General Dynamics Reported diluted EPS of \$2.56. They also reported revenue of \$9.3B, up 22.9% year-over-year.
- On Tuesday, October 15, 2018 General Dynamic's electric boat division secured a contract to offer lead yard support, development studies and design efforts in relation to Virginia class submarines. The deal is valued at \$434.4M.

HII

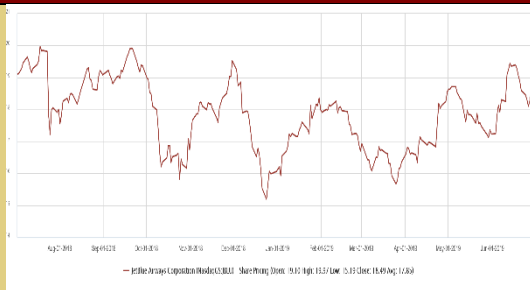
Huntington Ingalls Industries



- In 2018, Huntington recorded a record high in revenues, reaching \$8.2B. EPS rose from \$10.46 in 2017 up to \$19.09.
- Both the president and the CEO have input growth opportunities in the company's strategy. These opportunities include bettering technology to access new markets and building onto core shipbuilding capabilities to increase efficiency. This along with the company just recently having one of their best years ever leads to confidence moving forward.

JBLU

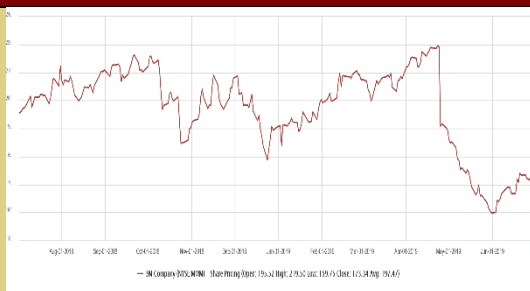
Jet Blue Airways Corporation



- On July 23, 2019, JetBlue Airways Corporation released their Q2 2019 earnings, reporting diluted EPS of \$0.60, exceeding consensus estimates of \$0.57 per share. The company reported revenues totaled \$2.105B, surpassing consensus estimates of \$2.1B.
- During Q2 2019, Jet Blue Airways saw environmental challenges in the Caribbean, specifically in Punta Cana leisure markets. Additionally, the company reported to have made significant progress in their structural cost program during Q2. They signed a long-term engine maintenance agreement covering half of the V2500 engines which serve their current Airbus fleet of aircrafts.

MMM

3M Company



- On Thursday, July 25, 2019, 3M, released its 2Q2019 earnings. The company reported adjusted EPS of \$2.20 versus the expected estimate of \$2.07. The company reported revenues of \$8.1B, beating the consensus estimate by \$66.10M.
- In April 2019 3M Company decided to cut 2,000 jobs as demand weakened in China's automotive and electronic sector. Net sales fell 2.6% to \$8.2B. The company announced a staggering 54.5% drop in its first-quarter net income and downgraded its full-year EPS guidance. The market sent 3M shares down 8.5% on April 24, 2019. By the end of the month, the stock had fallen another 3%.

UNP

Union Pacific Corporation



- Earnings for Q2 2019 came in at \$1.57B, resulting in beating the expected EPS of \$2.12 by 4.72% with an actual EPS of \$2.22. The adjusted EPS is expected to continue to grow with a Q3 EPS estimate of \$2.29.
- Trade tensions led to nervous investors regarding the freight rail sector overall. However, UNP is positioned in a way that keeps volatility from trade uncertainty at a minimum. CEO Lance Fritz points out that UNP exposure to a variety of markets in the U.S. gives the company optimism for the long run and a sound business model.

Waste Management



- On Thursday, April 25, Waste Management Inc. announced first quarter earnings of \$3.70B compared to \$3.51 for the same 2018 period. Diluted EPS for the second quarter was \$.94 per share.
- As of Wednesday, October 16, shares of Waste Management had gained 1.57% over the past month, outpacing Business Services sector's loss of 0.02% and the S&P 500's loss of 0.25%.





INFORMATION TECHNOLOGY



AAPL

Apple, Inc.



- On Tuesday, April 30, Apple Inc. announced Q2 revenue of \$58B, a decrease of 5% from a year ago. Apple also announced diluted EPS of \$2.46, down 10% from the prior year.
- In an article published on Thursday, October 17, Barclays predicts Apple's streaming service called "Apple TV+" could accumulate over 100 million subscribers in a year. Apple TV+ launches on November 1 for \$4.99 a month.

MSFT

Microsoft Corporation



- Microsoft Corporation reported Q4 2019 earnings of \$1.37 per share on July 18, 2019. This beat the consensus of \$1.21 by \$0.16. Microsoft reported Q4 2019 Revenue of \$ 33.7B.
- On April 23, 2019 shares of Microsoft Corporation reached a market value of \$130.50, thus causing the company's to cross the \$1 trillion threshold to join Apple and Amazon.

ORCL

Oracle Corporation



- On Wednesday, June 19th, 2019, Oracle Corporation reported diluted EPS of \$1.07 compared to \$0.82 a year ago. Reported revenue for the quarter was \$11.1B.
- Oracle Co-CEO Mark Hurd took a leave of absence from the software giant to deal with an unspecified medical illness. Hurd died on October 18, 2019.

MORN

Morningstar, Inc.



- Earnings for Q2 2019 came in at \$42.1M, resulting in beating the expected EPS by \$.02 with an actual EPS of \$.72. The adjusted EPS is expected to continue to grow with a Q3 EPS estimate of \$.75.
- In May, Morningstar announced a new global suite of bond indices that represent all main fixed-income markets and asset classes. The introduction of a new index suite is part of Morningstar's larger investment in the fixed-income space.

PAYX



Paychex, Inc.

- Revenue increased 12% to \$3.8B for the 2019 fiscal year. The diluted EPS is up to \$2.86 per share which is also a 4% increase from the following fiscal year.
- The company was able to acquire Oasis Outsourcing Group Holdings which they believe can be a valuable asset moving forward. They also have great dividend growth and a yield of 3%, making this stock a great long-term investment for any portfolio. The company has great consistency and a good business model.

SPLK



Splunk, Inc.

- On August 21, 2019 Splunk Inc., announced results for its Q2 2019 earnings ended July 31, 2019. Total revenues were \$517M compared to the expected \$489M. Actual EPS was reported as \$0.30 compared to the consensus estimate of \$0.13 per share.
- Splunk Inc, extended its customer base in its Q2 2018 and signed almost 550 new enterprise customers worldwide. On August 21, 2019, Splunk Inc. agreed to acquire SignalFX.

V



Visa, Inc.

- On Wednesday, April 24th, 2019, Visa reported diluted EPS of \$1.31 compared to \$1.11 a year ago. Reported revenue for the quarter was \$5.5B which is 10% higher than the last year.
- In 2018, Visa announced a partnership agreement with Western Union to implement Visa Direct's payment platform. Nearly \$80 trillion is transferred annually, 85% in cash. Western Union reached 200 countries and 800 million transactions in 2018.

WDC

Western Digital Corporation



- EPS, which started the fiscal year at \$2.27 has ended the year at (\$2.58). This is the primary reason the stock price has dropped, stemming originally from their revenue dropping \$4B dollars over the year.
- Western Digital is likely to see strong growth opportunities in the future in flash storage, which they believe is going through a cycle. They also started a new plan to reduce operating expenses, which they are on pace to hit their target. They are expecting a growth of 20% and 30% in their two main fields of HDD and flash.

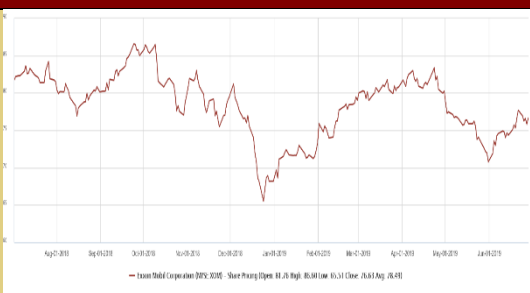


ENERGY



XOM

Exxon Mobil Corporation



- On August 2, Exxon Mobil Corporation announced its 2Q2019 earnings. The company reported adjusted EPS of \$0.73, exceeding consensus estimates of \$0.66 per share. The company reported revenues \$69.09B, versus the expected \$65.2B.
- On June 13th, ExxonMobil and SABIC announced the decision to proceed with the construction of a chemical facility and in a 1.8 million metric ton ethane steam cracker in Texas. This investment venture will result in the creation of approximately 6,000 jobs during construction and will create 600 additional permanent jobs after completion.



UTILITIES



PEG

Public Service Enterprise Group, Inc.



- On Tuesday, July 20, PEG announced EPS of \$0.58 per share, \$0.06 less than their prior year EPS of \$0.64. PEG also have an agreement of \$842M dollars' worth of energy investments.
- In an article written on Friday, October 18, BPU continues to finalize a new energy masterplan. One of the most important plants in New Jersey, which provides about 90% of the carbon-free electricity in the state is owned by Public Service Enterprise Group.

NEE

NextEra Energy



- On June 26, 2019, NextEra reported an EPS of \$2.35 which beat analysts' consensus for the quarter. NextEra Energy's adjusted earnings have risen 13% year-over-year.
- Development subsidiary NextEra Energy Resources added 747 MW of solar contracts and 341 MW of battery storage to its backlog. This brings NextEra's pipeline of contracted renewable energy projects to more than 12.3 GW overall.





MATERIALS



AXTA

Axalta Coating Systems Ltd.



- Earnings for Q2 2019 came in at \$98.4M. Q3 2019 results are expected to be reported on October 27th however, revenues are expected to be \$1.12 B, down 2% from the year-ago quarter. Adjusted EPS of \$0.52 increased 13.0% versus \$0.46 in Q2 2018. The adjusted EPS consensus estimate for the next quarter is \$0.45.
- The almost 30% increase during the month of June was mostly due to a potential outright sale of the company. CEO Robert Bryant expressed that Axalta has continued to follow a long-term strategy focusing on lower costs and smarter investments in growth.





ALUMNI SPOTLIGHT



JASON BLOUCH



Jason Blouch graduated in December 2008 with a dual major in Finance and International Business.

Jason is currently employed as a Supervisory Revenue Officer with the Internal Revenue Service.

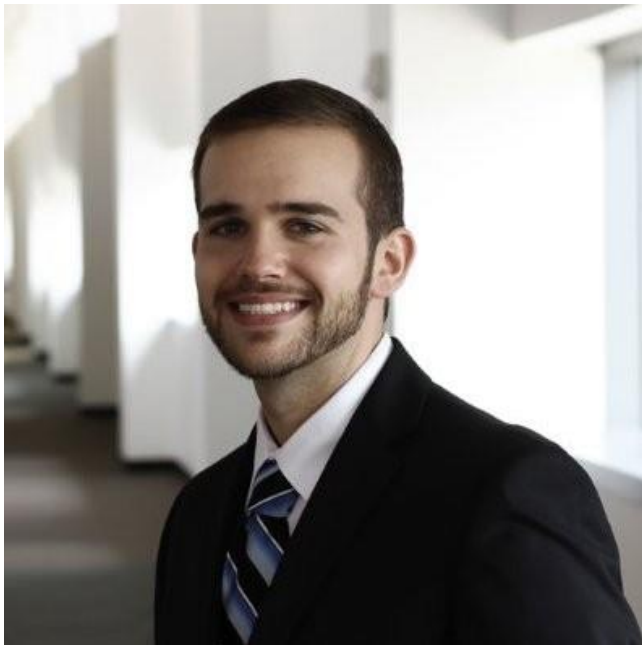
In this role Jason continually uses the skills of business and asset valuation that he learned through his A.I.M. committee involvement and undergraduate Finance education.

Jason credits the RISE Convention as an experience during his A.I.M. involvement which introduced him to the way other students thought about and approached finance applications.

He also noted that the RISE Convention opened his eyes to the many ways one can apply a finance and business education.

When it became time to interview after graduation, Jason was aided by his A.I.M. experience. The regular intense discussion of the class helped to prepare him for the interviewing process.

NICCO ANGELONE



Nicco Angelone graduated in Spring 2012 with a dual major in Finance and Accounting.

He is currently employed as a Finance Manager with Vanguard.

In his position as Finance Manager, Nicco continues to use the skills of financial modeling and cost benefit analysis he first began developing during his time as an undergraduate student.

Nicco believes that A.I.M.'s value to the student analyst is in developing the ability to present in front of your peers, while facing their questions and criticisms.

He believes that A.I.M. helps students develop the level of professionalism necessary for the workplace: being prepared and accountable for a real portfolio with real money being invested.

SPECIAL THANKS

Dear Kutztown University Foundation,

We would like to extend our humble gratitude for the continued support of the Applied Investment Management Program. This course grants us students a particularly unique opportunity to hone our skills through both independent research and analysis, strong communication tasks, and teamwork.

Furthermore, the structure of the course truly emulates a real-world environment and continues to be a course highlight among current students and A.I.M Alumni. Having personal experience with portfolio management provides us with extraordinary insight into the world of finance and will undoubtedly help give us a competitive advantage among our peers.

Once again, we truly appreciate this incredible opportunity. Thank you for your continued support.

Sincerely,

The A.I.M. Committee

