CALIFORNIA STATE UNIVERSITY SAN MARCOS COUGAR FUND

COUGAR FUND REPORTER

VOLUME 1 ISSUE 4 SPRING 2024

A NOTE FROM THE CHIEF INVESTMENT OFFICER: CORY LARGE



Cory Large
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As the CIO of The Cougar Fund for the Spring 2024 semester, I am thrilled to share our remarkable journey of growth and success as a portfolio management team. We've not just met, but exceeded our ambitious goals in a remarkably short span, a clear testament to our unwavering dedication and relentless hard work.

Before we dive in, I wanted to provide context for those not familiar with the CF: *As a flagship program of the CSUSM CoBA, the Cougar Fund was initiated in the Fall of 2019 following a visionary proposal by Dr. Andreas Rauterkus, the Chair of the Finance Department. Dr. Rauterkus presented his vision to the CSUSM Foundation Board and the Dean's Office of CoBA, aiming to establish an immersive student investment program. This initiative seeks to offer students hands-on experience in portfolio management and security analysis, enriching their learning with practical application, nurturing career development, and raising funds for scholarships and programs.*

I want to express my profound admiration for my team of talented, hard-working, and passionate Cougar Fund members. Your dedication, despite the demanding balance of full-time studies and part-time jobs, has been truly inspiring. Week after week, you have consistently shown up, propelling the Fund to new heights. Your unwavering tenacity and unyielding work ethic are a testament to your commitment and should inspire others.

From my experience, the CF environment is a treasure trove of unique and invaluable opportunities for personal growth and learning. It's not just about managing a portfolio, but about delving into, discussing, and applying portfolio management and equity analysis techniques that are typically only available at a professional investment management firm. This exceptional opportunity for personal growth and learning, coupled with the chance to make a real impact on our portfolio's performance, should excite those considering joining the Cougar Fund for future semesters.

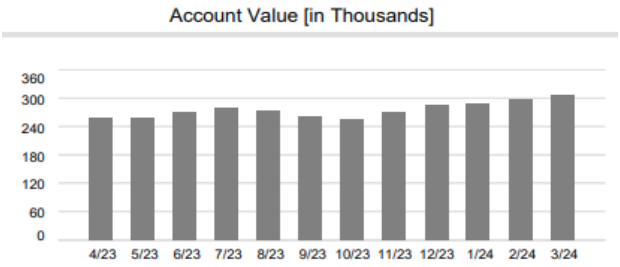
Throughout the Spring '24 semester , we discussed the ever-evolving macroeconomic landscape, held equity research workshops, and presented numerous buy/ sell recommendations for the Fund. These, among other constructive activities, helped refine and elevate the skill levels of our analysts, portfolio managers and executives. Beyond individually, our fund felt the impact as shown by our impressive +6.53% performance (as of the March account statement).

Beginning with ~ $286,000 AUM, one of the most significant milestones we set out to achieve from the beginning of the semester was to surpass the $300,000 AUM mark. This AUM target was not just a satisfyingly round number, but it also meant that the Cougar Fund could start providing stipends and travel support for its leadership. I am thrilled to announce that, as of the March account statement, we not only met but exceeded our target, landing just below ~ $305,000. This collective achievement should fill us all with a sense of pride and motivate us for future success.

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CHIEF INVESTMENT OFFICER REPORT (CONT. FROM PAGE 1)



Portfolio Performance Metrics	
Alpha	0.028
Beta	1.000
Treynor Ratio	0.091
ROI	63.66%
HPR	48.19%

The accomplishment resulted from strategic sector allocation guided by our macroeconomic analysis (our Chief Economist, Jay, will elaborate on this next), purchasing quality companies with metrics aligned with our IPS (Investment Policy Statement), and tactical adjustments within our portfolio. For instance, we allocated our significant ~ 20% cash position to a money market fund yielding over 5% to counter the effects of cash drag on our portfolio. We also evaluated individual names pitched from prior Cougar Fund tenure that evolved to be too risky due to current macroeconomic or company-specific issues. We replaced them with quality names that passed our proprietary fundamentals screener and matched the lower Beta (volatility) requirements outlined in our IPS. Moves like these showcased our team's expertise and contributed to our impressive risk-adjusted performance.

As we look forward to future semesters, we must continuously monitor macroeconomic, sector, industry, and company-specific developments to optimize our Fund for future success. We are also working to shield our portfolio from evolving risks within the economy, such as higher inflation and interest rates, as well as a weakening and credit-dependent consumer. Our strategies include diversifying our portfolio, staying updated with market trends, and making tactical adjustments as needed. As you continue through this year's newsletter, you will begin to recognize our members' talent level and mindful perspectives, which will be crucial in implementing these strategies.

Before I let you dive into the excellent work and due diligence that was performed by our Chief Economist, Sector Portfolio Managers, Marketing Director, and Analysts, I wanted to reiterate that none of our accomplishments could've been possible without the effort put forth by the collaboration from our Cougar Fund members, as well as guidance from our Faculty Advisor, Cougar Fund Founder, and Finance Department Chair Dr. Rauterkus. We are also profoundly grateful for the support and involvement of the CSUSM Foundation Board and the Dean's Office of CoBA. With the 5th anniversary of the CF coming soon, we hope we made you proud of the Fund's performance and progress as an organization during the Spring '24 semester.

To the current Cougar Fund leadership who plan to graduate this semester, thank you for your hard work and aid in progressing the Fund to new heights and passing the torch to those who learned under you. We are truly grateful for your time and efforts and hope you excel during the next steps of your professional careers.

To the leadership, analysts, and other potential members who plan to stay on or join the team in the foreseeable future, I am excited to announce that we have some exciting plans in the pipeline for the Fall 2024 semester. I look forward to another productive and enriching semester with you all.

Let's go Cougars!

Account Value as of 03/31/2024:$ 304,868.43

Change in Account Value	This Period	Year to Date
Starting Value	**$ 297,101.23**	**$ 286,172.97**
Credits	668.52	841.96
Debits	0.00	0.00
Transfer of Securities (In/Out)	0.00	0.00
Income Reinvested	(87.73)	(103.70)
Change in Value of Investments	7,186.41	17,957.20
Ending Value on 03/31/2024	**$ 304,868.43**	**$ 304,868.43**
Accrued Income[d]	*20.86*	
Ending Value with Accrued Income[d]	***$ 304,889.29***	
Total Change in Account Value	**$ 7,767.20**	**$ 18,695.46**
	2.61%	**6.53%**
Total Change with Accrued Income[d]	***$ 7,788.06***	

COUGAR FUND REPORTER VOLUME 1 ISSUE 4 SPRING 2024

CHIEF ECONOMIST OVERVIEW: SANJAY BHATIA



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Before I took this role, I had a basic understanding of economic indicators and their impact on financial markets. However, over the last two semesters, I've had an incredible learning experience, not just for myself but for our fund members. As Chief Economist, I've gained a wealth of knowledge from economic indicators and their influence on investors towards the U.S. financial markets. I've had the privilege of presenting and teaching weekly macroeconomic data to our members, enhancing our understanding of finance and economics. With the knowledge we've acquired and the collective efforts of our fund members, we've reached our $300,000 goal and achieved an annualized return of +6.53%.

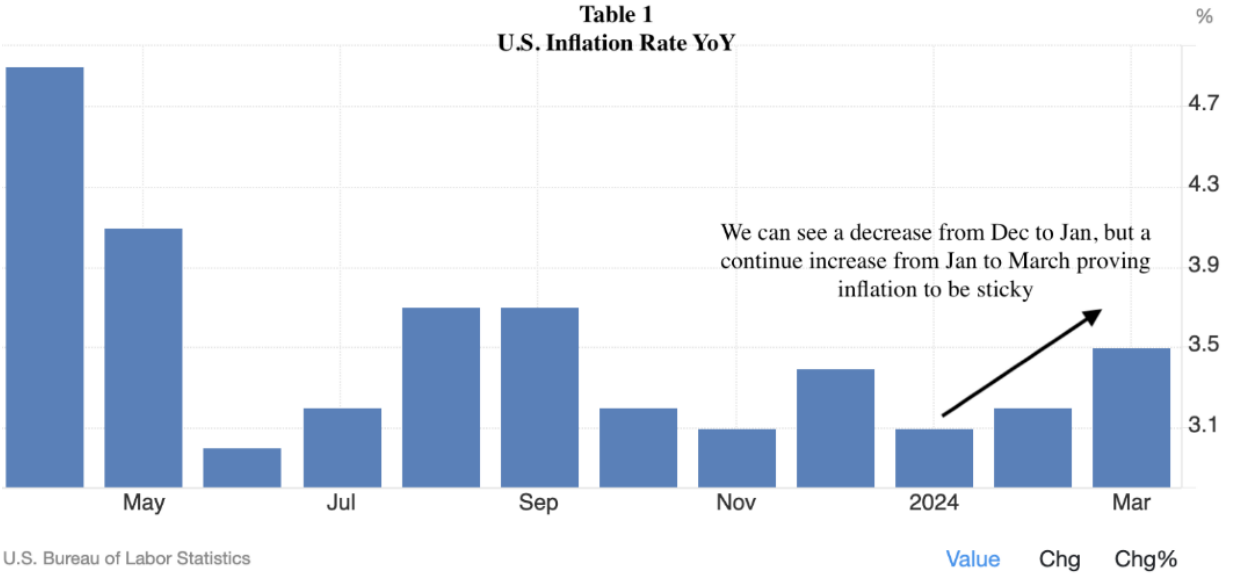
After experiencing one of the most aggressive rate hike cycles, which brought U.S. inflation rates to a 40-year high of 9.1% in June of 2022, we began to witness a decline in inflation, providing relief to consumers. At the start of 2024, investors and economists anticipated a decline in U.S. inflation rates, mirroring the trend from December 2023 (3.4%) to January 2024 (3.1%). They anticipated 7 rate cuts this year to bring inflation down to the Federal Reserve's 2% target. However, as often happens with expectations, they set themselves up for disappointment. From January to March, investors and economists observed a slow increase in inflation rates (see Table 1) and adjusted their expectations for the number of rate cuts this year. The expected seven rate cuts began to diminish as inflation remained stubbornly high, and now the market expects at least one or two rate cuts by the end of the year. Since January's consumer price index, the most significant contributions to higher inflation have come from shelter and gas/energy indices. Predicting future inflation rates is challenging, but The Cougar Fund will closely monitor monthly data to determine how to position our portfolio amidst inflation uncertainty. With the Federal Reserve maintaining a higher interest rate environment, we have seen large market cap banks like JPMorgan benefit from higher net interest income. In contrast, a handful of regional banks like Silicon Valley Bank and First Republic Bank have failed. Moreover, the prolonged period of higher interest rates has negatively impacted real estate securities and durable goods orders. The Cougar Fund anticipates a rate cut towards the end of the year, but we will continue to monitor whether inflation begins to cool off and how it will impact rate cut expectations.

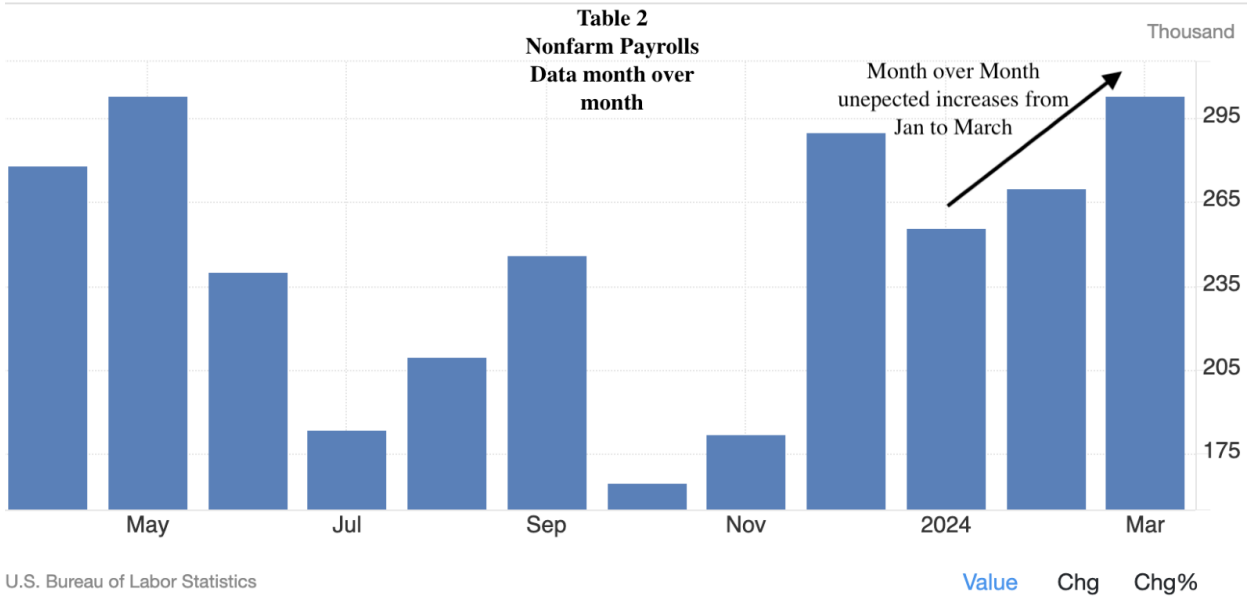
When the Federal Reserve started its quantitative easing cycle in 2020, its purpose was to stimulate the economy by providing liquidity to the financial system, benefiting both consumers and businesses. In contrast, a quantitative tightening cycle does the opposite where its purpose is to slow down the economy and take liquidity out of the financial system which has a significant impact on both consumers and businesses. As we enter a tightening cycle, we should see a negative impact on the labor market as the economy is slowed down due to cutting rates. However, we have seen a stronger-than-expected labor market, and a stronger consumer as recent retail sales data illustrates. Like the inflation story from December to March, nonfarm payrolls decreased from December to January, and we have seen an unexpected increase in nonfarm payrolls from January to March (Table 2). In the latest nonfarm payroll data for March, we have seen a higher-than-expected increase of 303,000 jobs added and unemployment unchanged at 3.8%. It is fair to say that the noticeable job increases have come from those who have lost their jobs during the global pandemic, and we are beginning to see a recovery across the board.

While the labor market continues to strengthen, and the consumer continues to consume products and services around the economy, we are beginning to see a slowdown in the economy as quarter-over-quarter real GDP currently sits at 1.6%, which is significantly lower than last quarter's reading of 3.40%. Additionally, consumer sentiment has gradually declined as we approach a presidential election. According to The Conference Board, consumers express concerns about elevated prices and expectations for the next six months slipped to the lowest level since October 2023. Consumers' outlook for future business conditions, labor market conditions, and income expectations all deteriorated in March. They were also less optimistic about their family's financial situation, both currently and over the next six months. However, consumers optimism towards the stock market continues to be strong.

CHIEF ECONOMIST OVERVIEW: (CONT. FROM PAGE 3)

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The Cougar Funds' outlook on financial markets is to be cautious during times of geopolitical tensions, inflation uncertainty, and rate cuts. We have positioned our portfolio with common stocks to address these factors, including positions within the defense, industrials, financials, materials, consumer discretionary, infotech, healthcare, energy, and real estate sectors. With rising geopolitical tensions and persistent inflation, the fund intends to position the portfolio with a long-term perspective towards more quality/value stocks and to purchase securities linked to exposure in generative AI, cybersecurity, and some semiconductors, while maintaining a low beta to handle any potential recession that may occur in the future due to rate cuts or consumer slowdown. The ultimate goal is to reduce our cash position from 27% to an estimated 5%.

ENERGY & UTILITIES SECTOR: JAMES EVENSON



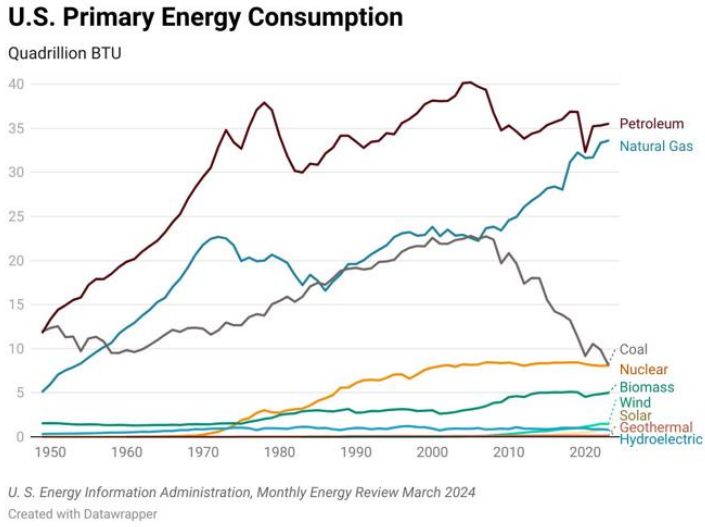
James Evenson
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In 2023, the performance of the S&P 500 energy sector significantly lagged the broader stock market, as indicated by a negative 1.3% return for energy compared to a positive 26.2% return for the S&P 500 index. As of April 23, 2024, the energy sector has outperformed the S&P 500 index, with energy stocks gaining 15.81% compared to the S&P 500's gain of 6.76%. This turnaround in the energy sector's performance can be attributed to the continued recovery in crude oil demand and supply restrictions by OPEC. The above supply and demand situation in addition to geopolitical concerns in the Middle East have boosted energy prices in recent months.

Alongside the heightened demand for crude oil, the United States' access to abundant cheap natural gas has allowed much of the industrial sector to shift from coal power to gas-generated power. This shift, combined with the lifting of the United States' crude oil export ban in 2015 and an increase in the demand for artificial intelligence (AI), has also increased energy requirements and prices. While society aims to shift from fossil fuels to renewable energy, it's becoming evident that this transition may take longer than expected. As a result, the demand for oil and gas will likely persist unabated for the next several years.

Throughout 2024, the utilities sector has maintained pace with the S&P 500, showing a modest increase of 5.7% as of April 30, 2024. However, there's potential for significant growth ahead, fueled by the escalating demand for energy. The U.S. Energy Information Administration (EIA) projects record-high power consumption for 2024 and 2025 in its Short-Term Energy Outlook (STEO). Globally, electricity demand is projected to increase over the next three years, with an average annual growth rate of 3.4%, according to the International Energy Agency (IEA). One of the prevailing trends in recent years is the rapid advancement of artificial intelligence, which is putting considerable strain on our infrastructure. To illustrate, a single ChatGPT request demands ten times more electricity than a typical google search. Expressing concern, CEO of ARM Holdings, Rene Haas, warned that AI data centers could consume up to 20% of U.S. power requirements by 2030, a substantial increase from the current 4%. This projection emphasizes the urgency for expanding infrastructure to accommodate the growing energy needs, presenting an opportunity for the Utilities sector to exceed expectations as companies invest in the necessary infrastructure.

Among the Energy and Utilities sector, I am most interested in the oil & gas industry. Over the past two decades, more than $4.6 Trillion has been invested in renewable energy sources, largely through government subsidies, with the aim of reducing reliance on fossil fuels. However, as of 2023, these government subsidies have yet to yield any reduction in fossil fuel consumption. While every energy source offers its benefits, the transition to electric vehicles and renewable energy sources is projected to take decades to gain significant market share, demanding substantial innovation and investment. Petroleum, natural gas, and coal remain the primary sources of energy consumption (Refer to Image).



The oil and gas industry has been insufficiently invested over the past decade. In the 1970s, the energy sector represented approximately 15% of the broader United States stock market, but it now accounts for about 4% of the S&P 500. Despite this decline in the weighting of the S&P 500, both domestic and global energy consumption have significantly increased since

Energy & Utilities Sector: (CONT. FROM PAGE 5)

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the 1970s. Oil and gas reserves require substantial investment to be replenished, yet the global market has significantly underinvested in this crucial area, leading me to adopt a bullish outlook on the demand for oil and gas.

In the Spring semester of 2024, I presented my pitch to the Cougar Fund on EOG Resources (NYSE: EOG), a company that engages in the exploration, development, production, and marketing of crude oil and natural gas. EOG Resources, Inc. has a market capitalization of $75.8 billion. As of December 31, 2023, 59.1% of their total revenue comes from crude oil and condensate, while 15.6% is generated by natural gas and natural gas liquids (NGLs). EOG's net proved reserves in the U.S. include 39% allocated to crude oil and condensate, 28% in NGLs, and 33% in natural gas.

The investment thesis behind EOG revolves around their anticipated ability to generate $4.8 billion in Free Cash Flow (FCF), assuming a $75 oil price in 2024. Additionally, EOG's strategic focus on organic growth has enabled them to establish a sustainable business model through the capital cycle. EOG is positioned to capitalize on the underinvested oil development opportunities of the past decade, taking advantage of the high crude oil prices created by the supply-demand imbalance.

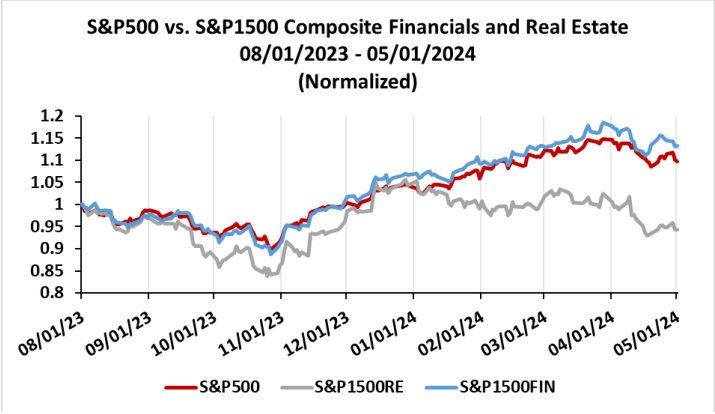
A unique aspect worth highlighting is EOG's commitment to sustainable growth. While EOG's major competitors have opted for mergers and acquisitions (M&A) deals, EOG has remained dedicated to organic growth since 2016. In the landscape of competitor M&A activity, EOG maintains its focus on prioritizing shareholder value, presenting the opportunity for EOG to acquire private companies or potentially become an acquisition target themselves. Some may argue that investors undervalue EOG's stock due to its lack of involvement in M&A deals. However, given the prevailing high interest rates in our current economy, I believe this approach gives them a competitive advantage by refraining from taking on considerable amount of debt. Our initial assumptions for 2024 anticipated 5-6 rate cuts by the Federal Reserve, but it now appears it will be closer to zero rate cuts by year-end, keeping interest rates higher for longer. EOG's minimal debt exposure further strengthens its position in this regard.

Real Estate & Financials Sector: JJ Pilapil



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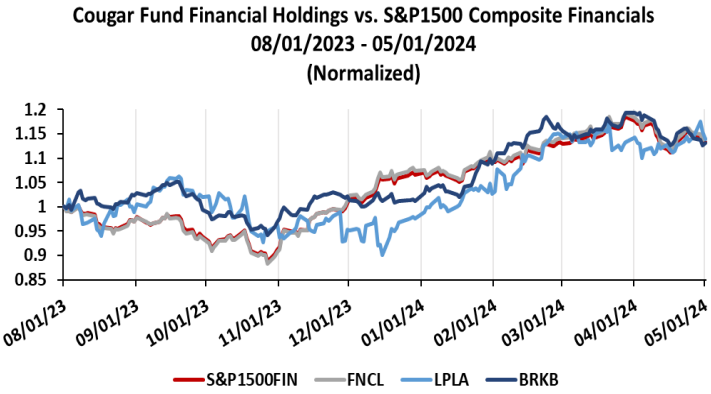
From August 1st, 2023, through May 1st, 2024, the financial sector (S&P 1500 Composite Financials) outperformed the S&P 500 by 3.63%, while the real estate sector (S&P 1500 Composite Real Estate) lagged by 15.27% within the same period. An explanation for these sectors' performance is the higher interest rate environment, where the financial sector tends to flourish while the real estate sector declines. On July 27th, 2023, the U.S. Federal Reserve raised interest rates by 25 basis points, raising the Effective Federal Funds Rate (EFFR) range from 5.25% to 5.50%. This range is the highest the EFFR has been since 2002, and its effect on these two sectors is evident in the nine months between August and May.



Higher interest rates provide a tailwind for the financial sector, which benefits businesses like banks, brokerages, and insurance companies. This sentiment remains valid for the Fund's financial holdings, where all holdings' performances aligned with the financial sector during the nine months, with the Fidelity MSCI Financials Index ETF (ARCX: FNCL) and LPL Financial Holdings Inc. (NASDAQ: LPLA) slightly underperforming (.59% and .60%, respectively) and

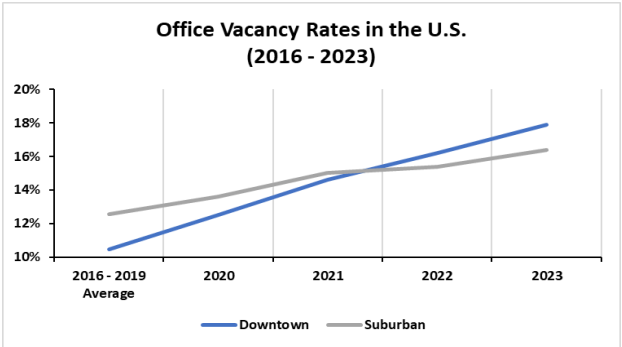
Real Estate and Financials: (CONT. FROM PAGE 6)

Berkshire Hathaway Inc. (NYSE: BRK.B) outperforming by a narrow margin (.13%).

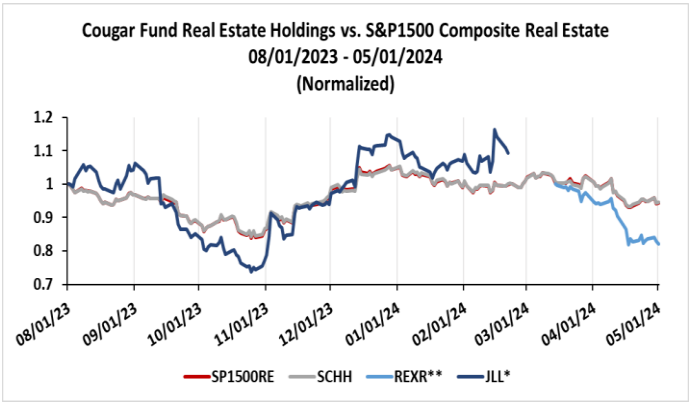


As part of our strategic investment plan, I am proposing to trim our positions in LPLA and BRK.B. This decision is not taken lightly but is based on the fact that each currently has holding period returns (HPRs) of over 100%. By reallocating these funds, we can better capitalize on other subsectors of opportunity, such as banks, credit, asset managers, and fintech. This strategic move was influenced by witnessing the collapse of Silvergate Bank, Silicon Valley Bank, Signature Bank, and First Republic Bank during my first finance class, which sparked my interest in the space, and finding the investments of asset managers particularly intriguing and how their investments reflect their public stock performance. Lastly, I am interested in looking for opportunities within the financial sector that are adapting to business models that are interest rate change-neutral, like non-lending services and payment processing fintech infrastructure.

While a higher interest rate environment posed a significant challenge for the real estate sector, we responded quickly. The industry experienced headwinds due to increased borrowing costs, which dampened activity within the real estate space.



In response, we proactively decided to sell our position in Jones Lang LaSalle (NYSE: JLL), given its exposure to the growing commercial real estate vacancies, particularly in commercial offices. However, we swiftly replaced this position with Rexford Industrial Realty Inc. (NYSE: REXR). REXR offered a favorable dividend yield and a business model driven by a diverse client base's supply chain, logistics, and a favorable real estate portfolio. This proactive response reflects our commitment to adapting our portfolio to changing market conditions.



Since joining the Cougar Fund as an analyst in the Fall of 2022, I have found my participation rewarding academically and professionally. While attending finance classes, it is easy to forget the connection between the material we learn in an academic environment and the real world. However, the Fund provides a setting that allows me to combine the lessons from the classroom into investment decisions and analysis, which ultimately reinforces what I learned from the finance curriculum at Cal State San Marcos. In the professional sense, I have had the opportunity to learn hard and soft skills that are attractive in the job market. From navigating FactSet to analyze companies' financial statements, creating a trading comps model or a discounted cash flow model, to creating a stock pitch presentation to present to the Fund, all these actions helped me sharpen my skills as a developing finance professional.

I want to begin my commendations by highlighting the reinvigorated culture of the Cougar Fund, where we push each other to generate higher-quality work and analysis while maintaining a learning-friendly environment, which I attribute to our Chief Investment Officer, Cory Large, who consistently empowers others by bridging the gap in members' financial analysis knowledge and market perspectives.

Since taking the helm of the fund, Cory has raised the Fund's work standard and serves as an investment analysis role model for all the Fund's members. I also commend my analysts, Rene Braun, and Baruj Silva Gomez. Rene, an international student, and Baruj, a first-year finance student, were integral in developing the REXR buy recommendation. Additionally, I would like to commend all the portfolio managers who pushed and prodded my team's analysis of REXR and assisted us in providing a robust investment thesis and thorough financial analysis. Lastly, I would like to thank Dr. Rauterkus for his role in creating the Fund and supporting students in becoming great investment professionals.

INFORMATION TECHNOLOGY & COMMUNICATIONS SECTOR: TOMAS ELLIOT



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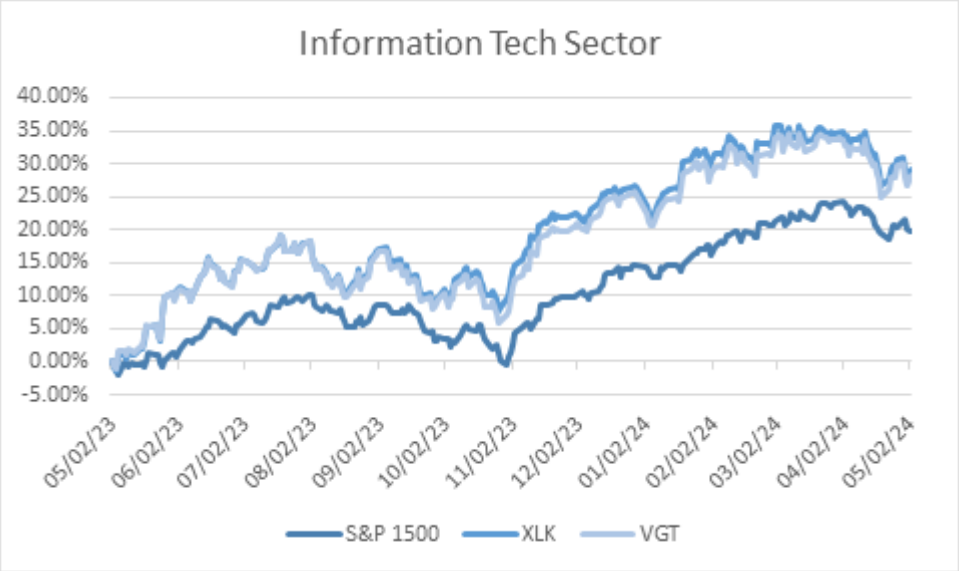
The Information Tech and Communications sector has had a banner year, with many of the magnificent 7 stocks coming from this sector. With Apple, Microsoft, Meta Platforms, and NVIDIA from Information Tech and Communications alone, it isn't a surprise that the sector has been performing exceptionally well, with a YTD return of 6.73%.

With the ending of lockdowns in 2020, we have seen that the world of streaming and advertisements has been completely transformed into a digital environment. With the introduction of AI in late 2022, such as ChatGPT releasing in November of that year, and earlier in 2021 with the rebranding of Meta, the sudden spike in interest in AI has shifted the landscape into an even more microchip-dependent future. As well as semiconductors and their need being symmetrical to those of microchips, we will see AI-based companies rise in popularity, and this is something to consider for future stock pitches in the Cougar Fund.

The Information Tech sector has been one of the most common in the Cougar Fund, with 23% of the Cougar Fund in Information Tech. Table 1 (pg. 9) is a graph that shows us the % change in price for the S&P 1500 composite index for the information tech sector, the technology sector SPDR fund XLK, and the Vanguard Information Technology ETF VGT. We currently own VGT, which we purchased in October 2019, for around $218 per option. The price has now been teetering at $490, a near 124% increase from our purchasing price. If we look at the graph (pg. 9), we notice that both the XLK-US SPDR fund and VGT outperform the S&P 1500. This is due to many investors seeing the potential of AI in the information tech sector as highly profitable, as well as the sector's recent performance. With many companies that are top players in the Information Sector performing exceptionally well, investments in this sector are becoming more and more attractive.

The Communications sector currently accounts for 7% of our holdings, with the Vanguard ETF VOX representing our most significant investment. With a 48.2% price increase since purchase, the Communications sector is also quite profitable. With META and NFLX being the industry's top performers, AI will also play an integral role in the future of the Communications sector.

Through my tenure as a PM for the Info-Tech and Communications sector, I would consider a couple of companies for the future. While these options are more expensive, I have been closely watching NVIDIA, ServiceNow, and Super Microcomputer Inc. Super Micro Computer has continued to grow due to the continued need for microchips. Their YTD shows this, with the 147% increase as proof. Nvidia has been the leader in the microchip boom and will continue to show improvement as semiconductors and microchips become increasingly necessary. ServiceNow has not experienced the same recent growth as the other two; however, ServiceNow has committed itself to its machine learning and artificial intelligence systems, which federal and state governments are already looking at to give ServiceNow more government stipends. (see table on pg. 9)



CONSUMER DISCRETIONARY & STAPLES SECTOR: TYLER GLASSER



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The alarming increase in shoplifting rates has posed significant challenges for dollar stores, straining margins as they grapple with inflation. Businesses unprepared to handle this pressure have felt the impact, with 99 Cent Only announcing its closure alongside Dollar Tree & Family Dollar shutting down stores. Reports of big retailers like Target implementing item count limits at self-checkouts to mitigate losses have become increasingly common. Additionally, cocoa, a key commodity for consumer staples in the United States, has experienced unprecedented volatility (Table 1). This comes due to a bean disease plaguing West Africa, the world's largest cocoa producer, over the past year. With futures up by 160% thus far, the market may witness an increase in non-cocoa-based treats as a response to this disruption. Cocoa demand remains resilient despite record-high prices, evidenced by a 9.3% increase in American cocoa grindings quarter over quarter. This suggests a delayed impact, indicating that it will take time for the cocoa crisis to affect demand and subsequently, company earnings.



On the positive side, the industry has seen surprisingly robust consumer spending data, resulting in strong earnings reports across the board. Procter & Gamble, for instance, exceeded earnings estimates by earning $1.52 per share compared to the expected $1.41, further affirming this trend. Stable consumer confidence levels in staples indicate that the average consumer continues to spend confidently, which bodes well for the sector. Notably, smokeless tobacco products are gaining traction at Philip Morris, with sales up by 21%, now constituting about 40% of revenue compared to traditional cigarettes. Despite higher costs of goods sold due to inflationary pressures across the sector, overall company growth remains steady.

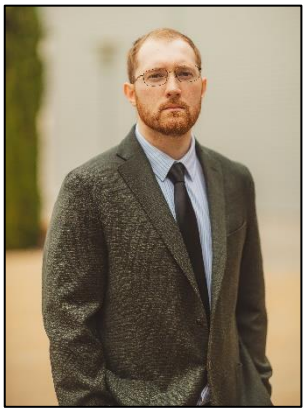
While the consumer staples sector has seen a

bullish market sentiment over the past six months, delivering a total return of 11.5%, the annual return for the past year has been just over 0%. I have been closely monitoring the food and retail industries due to the evolving competitive landscape, particularly with Target's implementation of 360 to compete with Amazon and Walmart in the online space. Additionally, consumer preferences are shifting towards snack foods, with consumers under 40 years old spending 10% more on snacks than in previous years. As the industry continues to evolve, it will be intriguing to observe how the competitive landscape shapes up.

During this semester, I conducted an in-depth analysis of Mondelez International to assess whether the tailwinds behind snack foods outweighed the recent drag from cocoa prices. Beginning with quantitative analysis, I examined revenue breakdowns and compared the company's multiples to its peers, then developed a Sharpe ratio optimization portfolio against an efficient frontier to assess its impact on risk versus return. This led me to conduct relative valuation, resulting in a target price of $76.74, representing about a 9% upside at the time. Furthermore, I constructed a discounted cash flow model, yielding a price of $74.65, indicating a 7% upside. By averaging these values with an analyst's price target of $82.33, I arrived at a final price of $77.9, suggesting a promising 12% upside potential. On the qualitative side, I evaluated the depth of its brand ownership and international interests. Further exploration into cocoa futures and supply chain specifics provided insights into the overall opportunity.

Ultimately, the investment board and I determined that the investment was too uncertain to pursue at the current time. Our primary concern stemmed from the belief that the cocoa crisis had not been fully priced-in to the current stock price, despite the optimistic estimates. We anticipated that a better opportunity might arise in the future when the crisis has a more pronounced impact on company earnings and the stock price tails.

HEALTHCARE SECTOR: IAN SUCH



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I have been in the Cougar fund for three semesters now, and the portfolio manager for the healthcare industry for two, and I've enjoyed getting to work with and grow with all my colleagues at the fund. I'm so grateful to everyone whose shared their knowledge with me and hope to apply that knowledge into the next year. The healthcare industry is in a strange spot currently, behind the success of new weight loss drugs, parts of our retail healthcare sector are bringing earnings down.

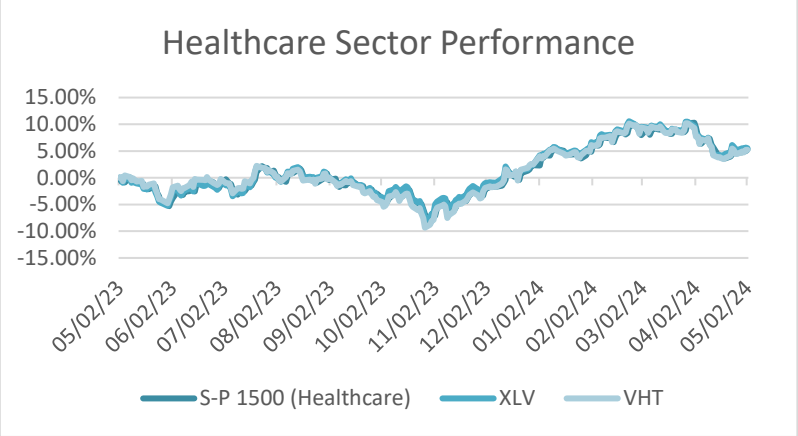
Pharmaceutical stocks like Eli Lilly, have seen huge gains off the back of Mounjaro, while companies like J&J, Merck, and Pfizer have either underperformed the S&P or matched it. Diabetes Prescriptions are leading the industry in production, with 15% of total production given just to these drugs alone. Investing in patents for drugs is harder in our current environment, but it's still a profitable environment.

Retail healthcare has floundered within the last year, distributors for healthcare products like Walgreens and CVS are struggling with high costs. Their debt makes up a significant portion of their total equity; CVS has one of the highest ratios, at 46.9%. Medicare costs and insurance payouts are going up, our population is aging, and new births will be declining below retention. Cost cutting and debt management will be key to surviving the long summer heat.

Our only position in healthcare has been CVS. The Cougar Fund purchased CVS in 2021 for $90/share off the back of the pandemic, which has dropped down to $55/share today, reducing our portfolio by ($3,500). Our cost basis was too high to justify holding onto this stock, but I think it may become a buy within the next semester.

Their company has made two acquisitions within the last two years, trying to move away from being a pharmacy retailer into a clinic that can provide many types of services to customers under Medicare and Medicaid. Their main competitor, Walgreens, has lost market share with the cost of their commercial buildings rising. CVS can capitalize on this changing market share, and being able to offer other medical services from inside their retail stores will help CVS

maintain a customer base and help them compete with a growing mail order market. The cost of their debt is the highest within listed competitors, and mail order pharmacies are growing in market share, taking up 24.4% of the market. Their recent drop down to $55/share is due to their rising medical costs, a substantial risk brought from integrating their new Medicare acquisitions. I will be watching CVS closely into the summer with hopes of a low-price next semester.



INDUSTRIALS & MATERIALS SECTOR: JUAN "TONY" HERNANDEZ



Juan Hernandez
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Since September 2023, I have had the honor of serving as the Portfolio Manager for the Industrials and Materials sector. This enriching experience has equipped me with valuable skills and a network of individuals who share a deep understanding of a complex market. Currently we are witnessing a revolution in the economy. Traditional concepts that were once considered standard no longer apply to today's economy. This shift presents us with an opportunity to restructure and allocate funds with stricter measures to minimize risk. Looking ahead, it is unlikely that the US economy will experience a rate cut due to two factors: persistent inflation and the upcoming election year. This raises the debate about the independence of the Federal Reserve from the Federal Government.

In the Industrial Sector, the infrastructure bill has shifted attention towards companies that typically lack exposure. One such player is Oshkosh Corporation, which has consistently exceeded estimates over the past quarters and the fiscal year of 2023. Oshkosh generates revenue through three avenues: Access, Vocational, and Defense. The company is expanding its backlog across all categories and anticipates growth in its defense segment due to ongoing wars. Oshkosh employs a conservative yet aggressive M&A strategy to enhance shareholder value by optimizing the segments they currently operate in. The future of the industrial sector will require monitoring both rational and irrational behaviors resulting from ongoing wars. This will be supplemented by tracking the full implementation of the infrastructure bill, irrespective of economic constraints or a war in which the United States is primarily involved.

The Material Sector, creating a focus on natural gases and resources. These materials are often overlooked and undervalued due to the allure of more volatile materials, providing potential for upside while still offering solid dividend yields. While this approach may not align with other funds, it is a suitable strategy for us. Our fund aims to secure new gains and distribute funds back in scholarships to students. Our investments should exhibit low betas, indicating less volatility. Therefore, allocating towards the mature and less exciting side of the industry would be a prudent move for our portfolio, especially as wars may increase demand for these services. Another segment worth considering is construction materials, which may become scarce in the coming years due to wars. Investing in construction materials could be a sensible move as the industry progresses.

As my tenure as Portfolio Manager for the Industrials and Materials sector concludes, I would like to express my gratitude to the contributors of the Cougar Fund for their commitment throughout the semester. I would also like to extend my thanks to our advisor/professor, Andreas Rauterkus, PhD, for the knowledge and time he has dedicated to us and the Cougar Fund.

MARKETING DIRECTOR: TANNER SCHANKS



Tanner Schanks
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I want to begin by thanking our CIO, Cory, for creating such an amazing learning environment. Joining the Fund this semester, Spring 2024, made me realize the wealth of opportunity I was missing out on. The fund is a great way to practically apply the analysis techniques you learn in class. I took the role of Marketing Director as a way of contributing to the fund while still developing my analysis skillset. One of the biggest changes I made in our marketing was to our Instagram page. We wanted to display our work done inside the fund, so we began to post the buy/ sell pitches done during our meetings. This helped our student outreach while also highlighting work done by our Portfolio Managers and Analysts. Throughout my tenure, I have received nothing but support from our wonderful team. I look forward to the future of the fund and contributing in new ways myself. I hope readers have enjoyed this newsletter so far.

GAME FORUM

The Cougar Fund's experience at the GAME Forum was genuinely enriching and enlightening. For those unfamiliar, the GAME Forum, run by Quinnipiac University, is the largest student-run financial conference in the world. The two-day conference allows university student-run investment fund representatives to discuss and debate financial best practices with world-renowned industry leaders and engage in a portfolio competition against other universities from around the world.

The Cougar Fund's own CIO, Cory Large, and Portfolio Manager, Juan Hernandez, had the opportunity to represent CSUSM and network with representatives from numerous universities, fostering connections and laying the groundwork for potential collaborations in the future. These interactions allowed us to exchange ideas and best practices, mainly focusing on enhancing the operations and performance of our student-run investment fund. We are eager to leverage these connections to facilitate knowledge sharing and collaboration during our future Cougar Fund meetings, ultimately enriching our investment strategies and overall fund management approach.

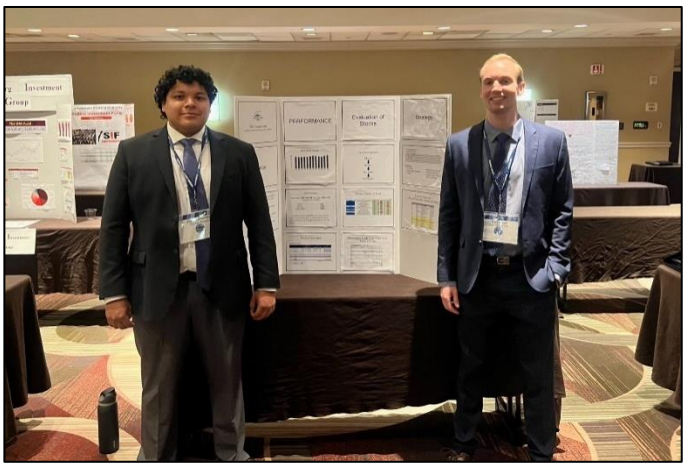
Listening to senior financial and investment professionals during the panel discussions and fireside chats was also invaluable. We took extensive notes during these sessions, capturing valuable insights into investment trends, market outlooks, and career development strategies for 2024 and beyond. We were particularly inspired by the keynote speeches delivered by Robert W. Sharps, David Kelly, and Michael Gapen. Their expertise and perspectives provided valuable insights into the broader financial landscape, informing our investment decision-making process and inspiring us to strive for excellence in our endeavors.

Lastly, we were thrilled to have the opportunity to showcase the Cougar Fund's performance and mission during the student-run investment fund tri-fold presentation. We are proud to share that our fund's performance for 2023 was highly competitive and even better than most of the 50+ universities competing. The judges were impressed with our fund's strategies and mission, recognizing the dedication and innovation we bring to managing our fund's assets.

We are grateful for the team behind the Student Success Grants (SSGs) at CSUSM's CoBA, who helped facilitate grants to cover various expenses for our trip to New York and back.

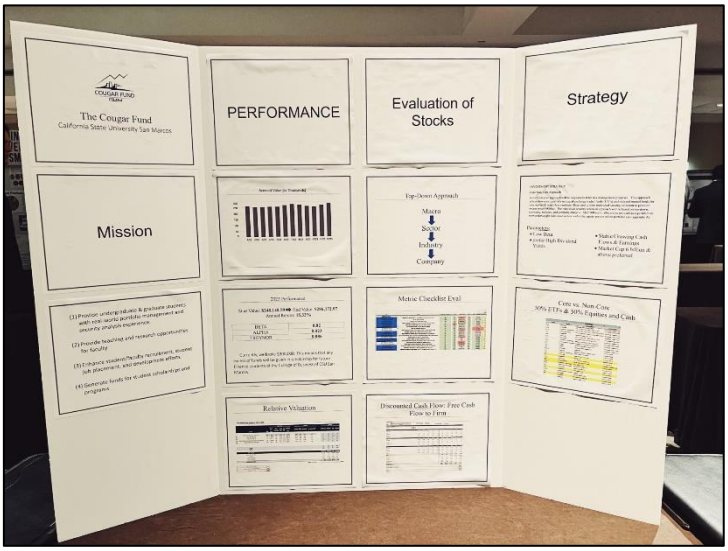
We hope we represented the university well and made our CSUSM professors, board members, and peers proud. This was a semester to remember for the Cougar Fund, and we're only getting started. We hope to see you all next Fall!


Quinnipiac UNIVERSITY // GAME FORUM
Quinnipiac UNIVERSITY // GAME FORUM




eog resources
BUY
9.36% Upside
Price Target: $150.37
Current Price: $135.95




The Cougar Fund
California State University San Marcos
PERFORMANCE
Evaluation of Stocks
Strategy
Mission
Top-Down Approach
Macro
Sector
Industry
Company
Metric Checklist Eval
Relative Valuation
Discounted Cash Flow: Free Cash Flow to Firm


BUY
4.75% Upside
Price Target: $54.96
Price (3/12/24): $52.47