2025
ANNUAL LETTER

The Claremont McKenna College
Student Investment Fund

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Letter from the CEO

Friends of the CMC Student Investment Fund,

I am pleased to present the 2025 Annual Report for the Claremont McKenna College Student Investment Fund (SIF). Over the past year, we have made significant strides in expanding our recruiting initiatives, strengthening our investment strategy, and training new analysts admitted to the Fund. With $3.5 million in assets under management (AUM), SIF continues to provide hands-on investment experience to our members while delivering strong returns and fostering a culture of mentorship and professional development.

Recruitment & Training Initiatives

This year, we implemented significant initiatives to ensure a more inclusive and fair recruiting process. Through targeted information sessions—including dedicated events for women and international students—one-on-one coffee chats, and application workshops, we emphasized accessibility and transparency. As a result, we saw a 38.5% increase in analyst hires compared to 2023. Beyond recruitment, we have prioritized structured training for new analysts to bridge the gap between financial theory and practical investing. Our comprehensive training program, covering fundamental valuation techniques, financial modeling, and stock pitching, ensures that every analyst is well-equipped to contribute meaningfully to the Fund.

Portfolio Performance

This year, our portfolio saw strong performance across multiple sectors, with our Energy & Utilities group saw an 82.2% 1Y growth, followed by TMT (Technology, Media, and Telecom) with 66.9% 1Y growth, and Healthcare at 21.9%. Our team has worked diligently to refine our investment approach by focusing on high-conviction positions and rebalancing the portfolio to align with long-term strategic goals. We have also emphasized deeper industry research and high-quality stock pitches to maintain our track record of disciplined investing. In addition to our internal portfolio reviews, we introduced a bi-annual feedback process to promote continuous improvement within our analyst teams. By fostering accountability and engagement, we are ensuring that SIF remains a high-performing organization.

External Engagement & Development

SIF's commitment to career development continues to be a defining aspect of our organization. This year, we strengthened our relationships with key firms by hosting speaker events with industry leaders, including alumni from hedge funds, private equity firms, and asset management companies. Our alumni network remains a cornerstone of the Fund's success, providing mentorship and career opportunities to current members. We also reinforced our presence in national pitch competitions, with our teams achieving strong performances in the Cornell Undergraduate Stock Pitch Challenge in New York and the Oxford Alpha Fund Varsity Stock Pitch Competition. These achievements underscore the depth of our analytical capabilities and the strength of our training program.

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Moreover, we remain deeply involved in helping our sophomore members prepare for the highly competitive recruiting process, offering one-on-one mentorship, resume workshops, and mock interviews. Upperclassmen provide invaluable guidance, equipping younger members with the skills needed to secure top internships across investment banking, private equity, hedge funds, and asset management. Our focus on early career preparation ensures that sophomore analysts enter the recruiting cycle well-prepared and confident in their abilities.

Special Acknowledgements

SIF would not be what it is today without the support of several key individuals who dedicate their time and expertise to guiding the Fund. Professor Eric Hughson, our faculty advisor, has been instrumental in shaping the Fund's investment approach, providing invaluable feedback on our stock pitches, and challenging us to think more critically as investors. We are also incredibly grateful to Jim Floyd, CIO of CMC's Endowment, for his ongoing support and insights into institutional investing. His perspective on asset management and risk allocation continues to shape the way we manage our portfolio responsibly within the context of a larger endowment. Finally, a huge thank you to Professor Dass and Nancy Faust from the Financial Economics Institute (FEI), who keep our operations running smoothly behind the scenes. From coordinating logistics and recruiting speakers to ensuring our events run seamlessly, Nancy's and Professor Dass' contributions allow SIF members to focus on what matters most—learning, investing, and growing together as a team.

Concluding Thoughts

On a more personal note I would like to thank the fund members who I have had the pleasure of working alongside with. The quality of our pitches, training programs, and investment decisions ultimately hinge on the hard work of both new and returning fund members. When I was first admitted to SIF as a freshman, I knew very little—just enough to recognize how much I had to learn. It was through the guidance of upperclassmen, their patience and willingness to share their knowledge, that I found my footing. Their mentorship shaped not only my understanding of investing but also my confidence in recruiting for, and navigating through, professional experiences I have been lucky enough to have throughout my time at CMC. To every member of the Fund, thank you for your dedication, your insight, and the energy you bring to this organization. It has been an honor to grow alongside you, and I am confident that SIF will continue to thrive because of the exceptional people who make it what it is.

Sincerely,

Anastasia Nikolaeva
Chief Executive Officer
Claremont McKenna College Student Investment Fund

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Admissions

The fund hires first-year and sophomore students in the Fall on an annual basis. We invest heavily into our recruiting process and are dedicated to facilitating an accessible, equitable, and fair hiring process. To that end, SIF leadership this year spent a cumulative 250+ hours over three weeks to facilitate our hiring process, including 27 hours of interviews over three days. We are proud that the 2024-25 application cycle was one of the fund's most competitive in its entire history. We received over 100 written applications, marking a 15% YoY increase. Of the total applications, around 75% were first-years and 25% sophomores. This proportion was roughly flat versus last year's recruiting cycle.

To maximize accessibility we held multiple events ahead of our formal recruiting process. In September, we tabled at CMC's Club Fair, and our booth was the most visited at the fair. Next, we held information sessions and an informal mixer to provide new students with an overview of the fund and an opportunity to speak with current members. We also organized additional small-group sessions for female and international student applicants. Finally, we hosted an in-depth application and interview training workshop to prepare prospective candidates for success. The workshop covered the basics of investing, stock research, and interviewing best practices to ensure all applicants had a baseline understanding and were equipped to succeed in our interview process.

The Fund's formal recruiting process has been refined over many years in consultation with the FEI Board of Directors with the aim of admitting talented and high-potential students, irrespective of their major or prior finance knowledge. To ensure a fair process, current fund members were barred from providing any specific application or interview advice to prospective candidates. Moreover, fund members who participated in a coffee chat with a prospective candidate were barred from interviewing that candidate in the second round interviews. Fund leadership including our executive members, portfolio managers, and vice presidents led interviews and were required to attend interview training to discuss standardized interviewing guidelines. After submitting a written application, candidates advanced to the second round which consisted of a technical and behavioral interview. In this round, the vast majority of an applicant's score is based on behavioral dimensions (e.g. work ethic, team fit, growth potential) and not on finance technicals. Finally, select candidates advance to an industry group placement round, which helps us match top candidates to the industry groups they are best fit for.

This year, SIF hired 18 new analysts, a nearly 40% increase YoY. 14 are first-year students and four are sophomores. Around one-third of the new analyst class is female, which is slightly above the percentage of written applications the fund received from female candidates. We are incredibly excited about our new analyst class and have already witnessed tremendous growth and value-add to the Fund. Their excitement, passion, and teamwork is contagious. And we are excited to see their continued progression in the years to come.

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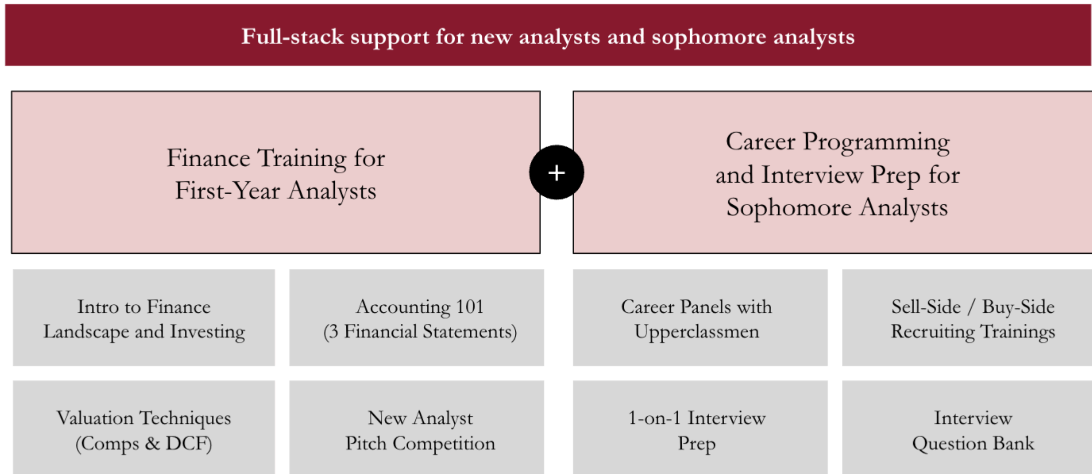
Training and Career Development

CIO: Ethan Choi

The Fund's Chief Investment Officer (CIO) is tasked with leading year-long new analyst training. These weekly sessions cover topics in accounting, finance, and valuation. My goal in these trainings is to not only teach new analysts the theory of finance but to help foster an interest and passion for fundamental equity investing. In addition to this training curriculum, a core pillar of the Fund's mission is its commitment to career development. This year, the Fund delivered on this promise through continued mentorship, speaker events, and career panels.



Mentorship

Senior members in the fund including portfolio managers and vice presidents are passionate about giving back to junior members, creating a strong and vibrant culture of mentorship in the fund. Senior members frequently schedule meals and informal chats with junior members to support their career journey and answer questions along the way.

Speaker Events

Year-to-date, we have invited a wide range of guest speakers from across the investment management landscape. In November, we hosted Kevin Sullivan from Light Street Partners, a leading technology-focused hedge fund and crossover fund. Mr. Sullivan, a CMC alumnus, is a partner at Light Street and leads private investing at the firm. In December, we hosted CMC alumni David Bradley and Ben Herrick. Mr. Bradley is the Chief Operating Officer at Hawk Ridge Capital, a multi-billion long-short hedge fund based in Los Angeles, CA. Mr. Herrick is a portfolio manager at Artisan Partners, a $146 billion asset manager, where he leads the Artisan International Value Fund (ARTKX). Most recently, in January, we hosted CMC alumnus Scott Gilbertson, the CEO of Beauty for All Industries (BFA). Prior to this appointment, Mr. Gilbertson was a partner at TPG Growth, a platform managed by alternative assets giant TPG.

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Career Panels

We hosted two career panels this year that were open to all students from the 5Cs and geared towards underclassmen. The first career panel featured upperclassmen SIF speakers with experience on the sell-side at bulge bracket and boutique investment banks. They shared insights on their internship experiences and recruiting advice. The second panel featured SIF members with experience on the buy-side including at hedge funds, venture capital firms, and private credit funds. Both workshops had strong attendance with the maximum capacity reached in both venues.

Historical Placements

Internship Recruiting Preparation

We thoroughly prepare our members to succeed in the interview process for their internships and full-time jobs. This year, we introduced formal, structured trainings led by the Fund's CIO to help sophomores interested in investment banking navigate the recruiting process from start to finish. This included detailed workshops on understanding the vast institutional finance landscape, how to approach networking, and how to best prepare for behavioral and technical interviews. In addition, senior fund members hold countless one-on-one mock interviews every recruiting cycle.

We also hosted two information sessions with professional search firms Amity Search Partners and Carter Pierce to support seniors in the Fund who are interested in working on the buy-side after investment banking.

Representative Placements

We are proud that our Fund members have secured internships and full-time jobs at leading investment banks, asset managers, and corporates.

SIF Historical Placements[1]

[1]Represents full-time or internship offers received by fund members in the last three years

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Overall Fund Performance

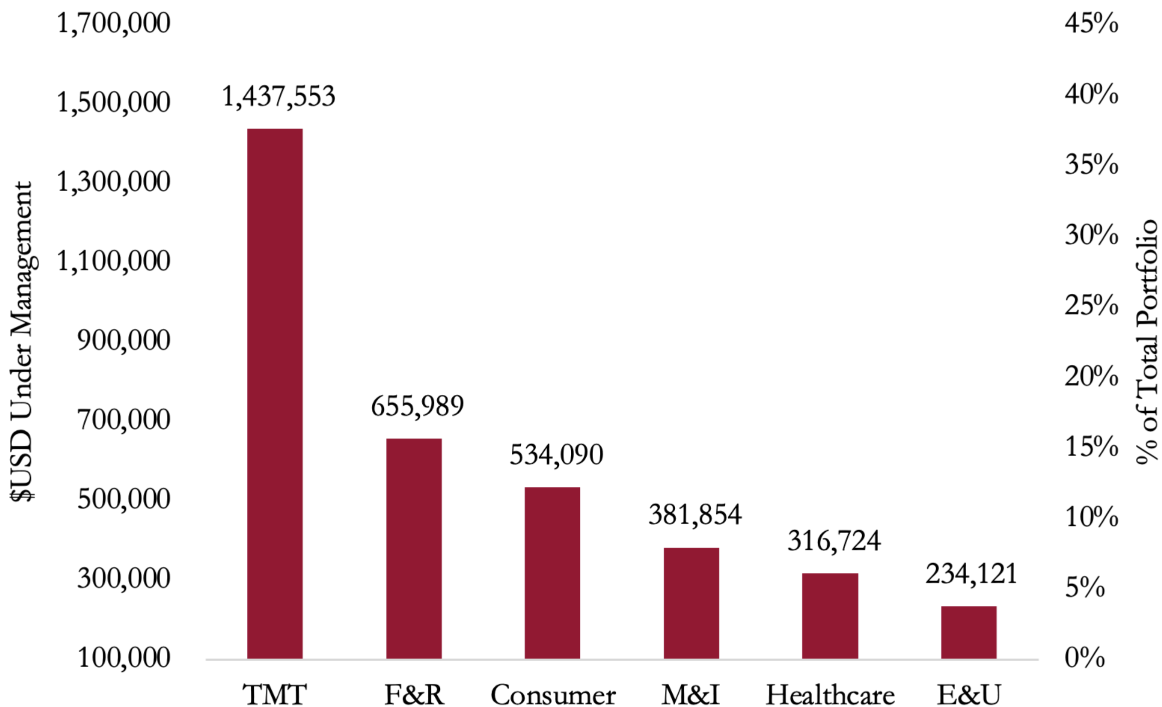
COO: Kian Shah

The Fund grew its capital base by 25.9% in fiscal year 2024 to achieve a record size of just over $3,500,000. This increase was due to active management of the industry group portfolios and asset allocation decisions made at the fund wide level. We would like to thank Jim Floyd and the team at the CIMC, Professor Eric Hughson, as well as the various CMC alumni and Fund affiliates for their continued support of the Fund and the learning opportunity it provides for our members.

The below charts summarize the Fund's allocation by industry sector as of February 4, 2025. Prior to the summer of 2024, positions where the original investment thesis was deemed unlikely to materialize were sold. This preserved our capital, minimized risk, and concentrated the portfolio to only those positions which we as a fund have conviction in. Upon returning to campus for the 2024-25 academic year, the portfolio was rebalanced to weight the industry groups to match the S&P 500. This decision was for two reasons. The first being that we did not have conviction in any alternative allocations and the second that we can attribute outperformance of the S&P 500 to the Fund's stock selection. In fiscal year 2024, the Fund outperformed the S&P 500 by 4.20%.

As of this date, our largest equity holdings were ServiceNow Inc., Dynatrace Inc., and Applovin Corp. Our cash holding remains low exemplifying our continued commitment to actively deploying our capital. Included below is a summary of industry group and Fund wide performance metrics as compared to the S&P 500.

Portfolio Breakdown by Industry



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Summary View	1 Year	YTD	6 Month	1 Month	1 Week
F&R	30.27%	5.07%	22.56%	4.11%	1.69%
Benchmark	27.63%	5.18%	18.09%	4.63%	-0.33%
Difference	**2.64%**	**-0.11%**	**4.46%**	**-0.52%**	**2.02%**
M&I	10.35%	1.67%	8.88%	2.13%	-3.43%
Benchmark	18.55%	3.99%	11.64%	3.24%	-0.64%
Difference	**-8.20%**	**-2.33%**	**-2.76%**	**-1.11%**	**-2.78%**
Consumer	5.14%	1.26%	8.83%	2.41%	-0.83%
Benchmark	23.80%	2.39%	22.52%	1.99%	0.01%
Difference	**-18.66%**	**-1.13%**	**-13.68%**	**0.41%**	**-0.85%**
TMT	44.87%	1.97%	45.41%	0.02%	-0.93%
Benchmark	14.21%	-0.66%	12.83%	-2.02%	-1.14%
Difference	**30.65%**	**2.63%**	**32.59%**	**2.04%**	**0.21%**
H&LS	-0.85%	7.84%	-10.27%	7.05%	-0.96%
Benchmark	3.56%	6.88%	-2.53%	5.81%	0.35%
Difference	**-4.40%**	**0.95%**	**-7.74%**	**1.23%**	**-1.31%**
E&U	59.76%	12.76%	32.63%	7.77%	3.40%
Benchmark	17.01%	3.82%	3.21%	1.81%	0.97%
Difference	**42.75%**	**8.93%**	**29.42%**	**5.96%**	**2.43%**
Total	25.9%	3.0%	23.4%	2.0%	-0.6%
Benchmark	21.73%	2.68%	12.93%	1.66%	-0.45%
Difference	**4.20%**	**0.36%**	**10.50%**	**0.34%**	**-0.16%**

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Financials & REITs Group

Portfolio Manager: Casper Hoving

The Financials and REITs group manages the portion of the Student Investment Fund's portfolio allocating capital to businesses within banking, insurance, asset management, and real estate. These sectors are essential components of the global economy, offering income-generating opportunities and benefiting from macroeconomic trends such as interest rate movements, credit cycles, and economic growth. The financial sector consists of firms that provide services related to banking, lending, insurance, wealth management, and capital markets. REITs own and manage income-producing real estate, offering investors exposure to real estate markets with liquidity advantages over direct property ownership. REITs are classified into two main categories, including Equity and Mortgage REITs. Rising interest rates over the past few years have significantly impacted the real estate sector starting with REITs experiencing sharp declines throughout 2022, followed by a gradual recovery following the start of rate cuts and improving economic conditions. Throughout this cycle we initially shifted the portfolio weighting back towards financials and more recently focused on rebalancing the portfolio as investors appear to demonstrate their appetite for both REITs and financial services companies with more favourable economic tailwinds anticipated in the following quarters. As market conditions change, we aim to adjust our portfolio weightings between financials and REITs, yet also maintain longer term positions in large, industry leading firms such as Berkshire Hathaway and Visa, which we have remained bullish on throughout the observed cycles.

Recent Pitch: Apollo Global Management (NYSE: APO)

Company Overview

Apollo (NYSE: APO) is a global alternative asset manager and retirement services provider, offering a broad range of investment strategies through its Asset Management and Retirement Services segments. Founded in 1990 and headquartered in New York, Apollo had $733.3 billion in assets under management as of September 30, 2024. Its strategies span yield, hybrid, and equity investments, targeting diverse sectors. The company's subsidiary, Athene, specializes in retirement services and manages $319.8 billion in assets, primarily focused on long-term sustainable returns that help customers prepare for retirement.

Investment Thesis:

1. Shift Toward Alternatives: Institutional investors are increasing their allocations to alternative assets both in dollar value and as a percentage of their portfolios. Additionally, high-net-worth individuals remain under-allocated to private markets, and is projected to be an area of significant growth for managers of alternative assets.

2. Opportunities in Origination: The global industrial renaissance, especially in terms of the energy transition and need for digital infrastructure, there is a significant need for capital, which is where Apollo can create tailored solutions to work together with large corporations to achieve long term goals. With banks pulling back from lending, largely due to increasing regulatory scrutiny following the Global Financial Crisis, Apollo's leadership in private credit and its ability to originate deals positions it to capitalize on these growing financing needs, further bolstered by partnerships with major banks like Citi and BNP Paribas.

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3. <u>Leadership in Retirement Solutions:</u> Apollo's subsidiary Athene is the leading provider of retirement solutions in the U.S., capturing a growing share of inflows in the retirement services industry. Apollo's deep expertise in credit and long-term capital formation strategies combined with its leading retirement solutions unit position them uniquely to take advantage of opportunities, particularly those stemming from the current misalignment seen in retirement solutions across the broader market.

Decision: Buy

Position: 181 shares at $139.11 / share

Decision Rationale

Apollo is positioned incredibly well at a pivotal moment in the evolution of private markets and institutional investing, where another wave of change is set to come as alternative managers such as Apollo grow into investment giants. The industry is experiencing strong growth due to structural shifts favoring alternative assets, and therefore will be able to continue to grow its assets under management and deployment. These trends are driven by continued institutional reallocation and the under-penetration of private markets among high-net-worth individuals on the capital formation side, and capital demand from sectors like digital infrastructure and energy transition in terms of origination.

Apollo is also a leader in terms of innovation when it comes to alternatives. For example, Apollo is seeking to become a liquidity provider to the private credit industry, where they see themselves becoming a market-maker for private credit and potentially even equity. The idea behind this is it provides investors with a far larger investable universe and will decrease the barriers to investing in private credit and equity significantly, providing a far larger investable universe for investors across the industry.

Finally, Apollo's focus on real assets and credit-based strategies offers resilience in uncertain economic environments. As banks continue to retreat from lending and long-term capital needs rise, Apollo stands as a key enabler of economic growth, providing stability and attractive risk-adjusted returns across market cycles to an increasing cohort of institutional investors and high net worth individuals seeking private market exposure.

Key Risks

1. <u>Interest Rates & Leverage</u>**:** Apollo's private credit business has benefitted from rising interest rates, however, the private equity side of the business is more sensitive to rate hikes, as higher borrowing costs can make leveraged buyouts more expensive and reduce overall deal activity. Furthermore, higher rates can impact asset valuations, potentially leading to markdowns on existing private equity holdings. While Apollo's diversified model balances these effects, navigating rate-driven market shifts remains a key risk.

2. <u>Regulatory & Market Cycles:</u> The alternative asset management industry is subject to evolving regulations, especially in private credit and retirement solutions. Increased scrutiny on leveraged lending, financial disclosure, or retirement products could impact Apollo's ability to operate as efficiently. Additionally, economic downturns or credit market disruptions could affect asset valuations and investor sentiment, leading to potential fund outflows or markdowns.

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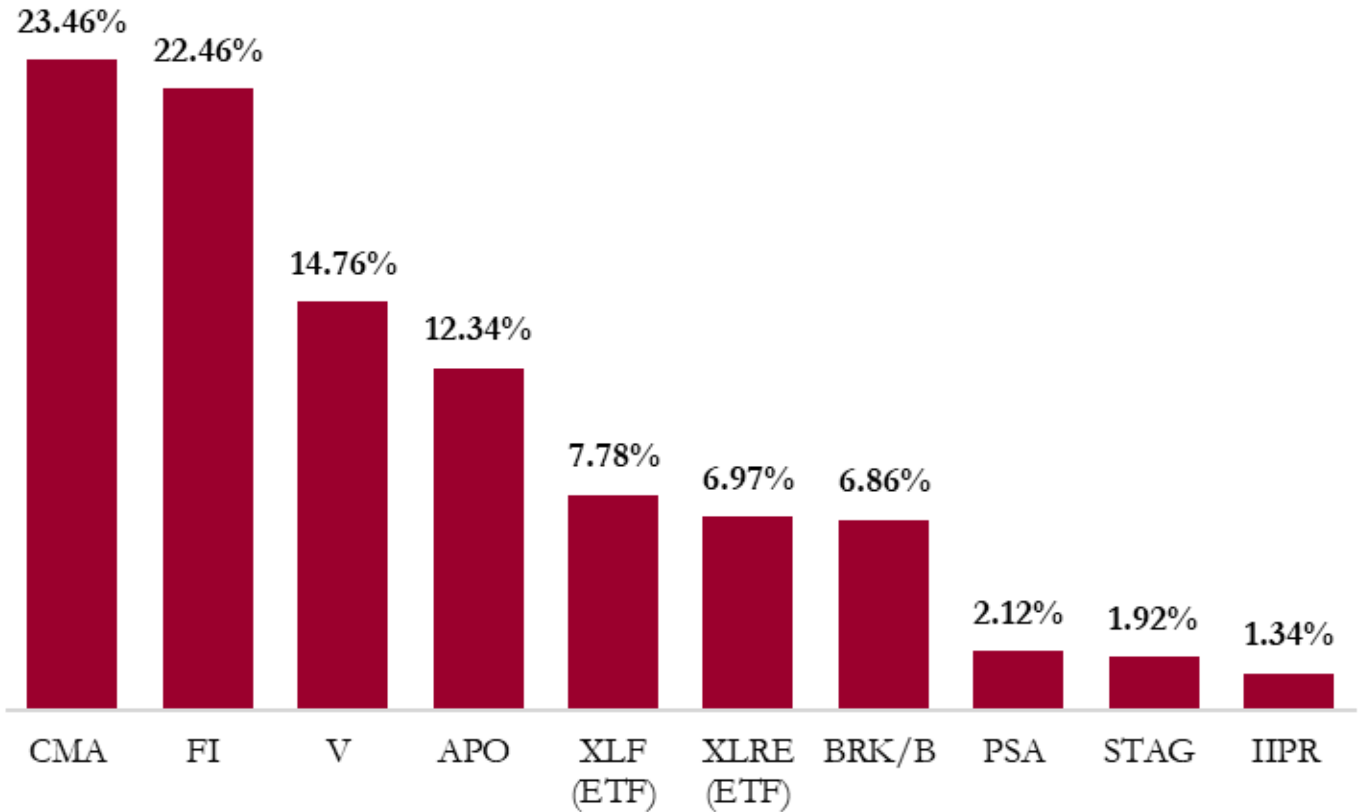
3. Competition & Market Saturation: As institutional demand for private market exposure continues to rise, competition among asset managers is intensifying. Firms like Blackstone, KKR, and Carlyle are also expanding aggressively in private credit, infrastructure, and real estate. Apollo must continue to differentiate itself through superior deal origination, capital formation, and strategic partnerships to maintain its competitive edge and sustain growth in an increasingly crowded market.

Current Positions

Financials & REITs



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Healthcare & Life Sciences (H&LS) Group

Portfolio Manager: Livia Hughson

The Healthcare and Life Sciences group manages the portion of the SIF portfolio focused on investing in both the future and foundational elements of the healthcare and life sciences industry. Our strategy emphasizes identifying emerging therapies with transformative potential while maintaining positions in stable, cycle-proof companies that provide long-term resilience. The group also prioritizes teaching analysts fundamental and industry-specific valuation and research methods to ensure a disciplined approach to navigating this dynamic sector., and company sizes with a dual focus on both value and growth. Currently, healthcare holdings represent 8.77% of the SIF portfolio, with a total market value of $290,240**,** spread across seven positions**:** Elevance Health Inc. (ELV)**,** GE Healthcare (GEHC)**,** Healthcare Corp. of America (HCA)**,** Iqvia Holdings (IQV)**,** Novartis (NVS)**,** ResMed (RMD**)**, and Zymeworks (ZYME)**.**

2024 was an interesting year for healthcare, as the sector underperformed the S&P 500 by about 2-3%. Investors turned to higher-growth sectors like technology, while healthcare faced challenges despite excitement around GLP-1 weight loss drugs like Ozempic and Wegovy. However, uncertainty lingered with the upcoming announcement of Robert F. Kennedy Jr.'s candidacy, raising questions about potential healthcare policy changes. This mix of innovation and caution made 2024 a pivotal year for the sector. Looking ahead to 2025, a balanced investment strategy focusing on both innovative healthcare advancements and careful attention to policy changes could present opportunities for growth in the sector.

Recent Pitch: GE Healthcare (NYSE: GEHC)

Company Overview

GE Healthcare, now an independent company, is a global leader in medical technology, headquartered in Chicago. The company provides a broad range of products and services, including medical imaging, diagnostics, patient monitoring systems, and healthcare IT solutions. Known for its advanced technology in imaging equipment like MRI and CT scanners, GE Healthcare plays a pivotal role in improving patient care and outcomes worldwide. The company operates with a hybrid model, integrating cutting-edge digital solutions, such as AI-driven diagnostics and remote monitoring, alongside traditional healthcare services. This approach has been crucial to driving innovation and sustaining growth in an increasingly digital healthcare environment

Investment Thesis:

Spin Off History Burdened the Image of GEHC: The restructuring of GE HealthCare into a separate entity resulted in significant one-time expenses, which limited the company's ability to allocate resources toward growth initiatives. However, as GE HealthCare completes its transition from General Electric, including the exit from Transition Service Agreements (TSAs), it is enhancing its strategic decision-making capabilities and improving operational efficiency. This shift positions the company for more agile and focused growth moving forward.

Increased R&D Expenditure Fuels Innovation and Pipeline Poised for Growth: GE HealthCare's lean business model enhances operational efficiency, reduces costs, and frees up resources for research and development (R&D). The market has yet to fully recognize the growth potential of Flyrcado, GE HealthCare's newly FDA-approved drug, which is expected to drive long-term revenue growth. Additionally, the company's increased investment in R&D positions it to build a strong pipeline that will support sustained growth in the future.

End-to End Platform with Integrated AI gives GEHC a Competitive Edge: GE HealthCare's optimized operating

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model, with its four focused and integrated segments, creates cross-selling and synergistic opportunities that drive growth. The company's open healthcare ecosystem, supported by integrated network effects, enhances its ability to deliver better insights and predictive capabilities. This positions GE HealthCare with a competitive edge over rivals like Philips and Siemens, enabling it to offer more advanced and efficient solutions in the market.

Decision: Hold

Position: 657 shares at $89.13/share

Decision Rationale

Despite the risks outlined, an investment in GE HealthCare offers an opportunity to gain exposure to the diagnostic imaging and medical devices space, following our group's strategic focus on high-growth healthcare assets. Of the key risks considered, the greatest concern is the ongoing uncertainty around the Chinese procurement recovery and the potential delays in government stimulus packages. After further research, we determined that despite these challenges, GE HealthCare's growth potential remains strong. The company is well-positioned to benefit from its robust product pipeline, particularly its AI and imaging innovations. Even with the market's reaction to near-term volatility, GE HealthCare's operational strengths and long-term outlook make it an attractive investment. We believe the stock still presents value compared to industry peers, and the current valuation supports the case for a solid investment in GE HealthCare.

Risks

1. Intense Competition from Rivals: The medical technology and healthcare industries are highly competitive, with key players like Philips, Siemens Healthineers, and Medtronic posing significant threats to GE HealthCare's market share. As rivals continue to innovate and expand their product offerings, there is a constant risk that GE HealthCare may lose ground to these competitors, especially in emerging markets or new technologies.

2. Exposure to China and Geopolitical Risk: GE HealthCare has significant exposure to China, with approximately 14.2% of its revenue coming from the region. This makes the company vulnerable to shifts in Chinese government policy, including the ongoing anticorruption campaign, which has targeted the healthcare sector. This campaign has led to increased scrutiny and regulatory challenges for foreign companies operating in China, potentially affecting GE HealthCare's sales and operations. Additionally, there is uncertainty surrounding the Chinese government's stimulus package, which, if not delivered or scaled back, could dampen economic growth and reduce healthcare spending. If these factors negatively impact demand for medical devices and imaging solutions, GE HealthCare could face a decline in revenue from this critical market.

3. Reduced Revenue Growth Forecast: GE HealthCare has revised its revenue growth forecast for the year, lowering it from 4% to 1%-2%. This adjustment is primarily driven by ongoing uncertainty surrounding the resumption of Chinese procurement activities. The delayed recovery in demand for medical devices and imaging solutions in China—due to factors like the anticorruption campaign and shifting government policies—has introduced significant risks to GE HealthCare's growth prospects in the region. If procurement continues to be slow or fails to fully resume, the company could face a more prolonged period of reduced revenue from this key market.

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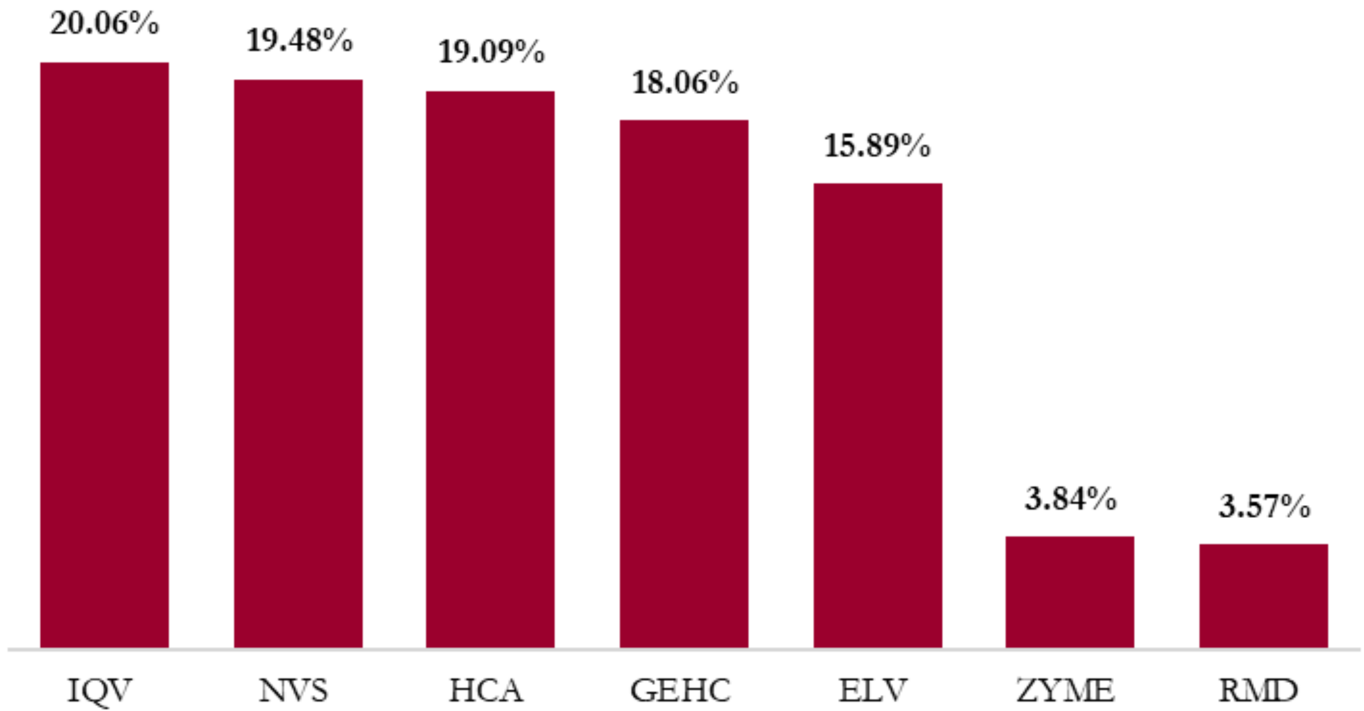
Current Positions

Healthcare & Life Sciences



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Technology, Media & Telecommunications (TMT) Group

Portfolio Manager: Yahya Yousef

The Technology, Media, and Telecom (TMT) group is the largest industry group in the fund, totalling $1.4M+. The group's investment strategy is characterized by identification of market leaders in high-growth industry verticals that exhibit strong tailwinds, capitalizing on technological advancements and consumer trends. Due to the fact that technology valuations have been particularly high in recent years, a trend that has only become more exacerbated, TMT invests in high-quality businesses positioned for sustainable growth in resilient end markets at acceptable prices, rather than trying to invest for pure value.

Particularly attractive to TMT's investment strategy are Software-as-a-Service (SaaS) companies. These businesses are special in that they tend to have impressive growth paired with high margins, strong recurring revenues due to contractual sales, and powerful operating leverage. Nearly 70% of the TMT portfolio is invested in SaaS businesses, and they have historically been a key driver of portfolio returns. Roughly 25% of the portfolio is currently invested in the Technology ETF, which serves as a proxy for investment in the "Magnificent 7" technology companies. This allocation is important, as these companies have consistently and dependably driven returns not only for the technology sector, but for the broader market index overall. The remaining ~5% of the portfolio is allocated to investments in semiconductor design and manufacturing.

Going into 2025, tech stocks have seen renewed momentum driven by advancements in artificial intelligence, cloud computing, and digital transformation. Key developments include robust earnings reports from major players in the industry, increased adoption of AI-driven tools across enterprises, and heightened capital investment in next-generation data center infrastructure and computing solutions across the country. While valuations are getting quite steep, TMT remains committed to identifying opportunities in innovative sectors poised for long-term growth.

Recent Pitch: AppFolio (NASDAQ: APPF)

Company Overview

AppFolio (APPF), a leading provider of property management software, has established itself as a crucial partner for real estate portfolio managers, specifically small-to-medium management enterprises. Appfolio's property management software enables real estate managers to automate and streamline functions across the value chain, from investors to tenants. This helps managers scale their operations and enhance efficiency as they handle diverse and growing real estate portfolios. The company boasts an $8.1 billion market cap, supported by $794 million in last-twelve-month (LTM) sales, representing a 28% year-over-year growth rate. As of Q2 2024, AppFolio oversees 8.7 million units under management through its Property Management Software and Value-Added Services. Its innovative platform is designed to scale operations and enhance efficiencies for property managers handling diverse real estate portfolios.

Investment Thesis:

1. Recent leadership change: Significant management shakeup in recent years will set AppFolio on a new course. New management is focused on leaner cost structure along with transformative business strategy that moves AppFolio beyond SMBs, expanding to reach the larger enterprise customer base.

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2. Best-in-class innovation: AppFolio's continued innovation primes it for market share gain and increased monetization opportunities. Specifically, the launch of "AppFolio Stack," rollout of proprietary AI product "Realm," and creation of the new "Max" subscription tier will drive top line growth and boost AppFolio's competitive advantage.
3. Shifting upmarket: The shift to upmarket unlocks significant new growth opportunities. The push to expand the software to cater to larger property management customers (1.5k+ units) is set to launch a new phase of growth across revenue, managed units, and profit margins due to economies of scale. Having cornered the SMB customer segment, expanding to service larger enterprises creates a new and exciting growth runway.

Decision: Buy

Position: 250 shares at $234.14 / share

Decision Rationale

We anticipated promising revenue and margin growth as a result of ongoing developments at the company. AppFolio underwent a recent management shakeup, crowned by the appointment of SaaS industry veteran Shane Trigg to the CEO position in 2023. New management leveraged AppFolio's pricing power as a market-leader in property management software to increase prices of Core and Plus subscription tiers by 5% following 2Q '24. Since then, AppFolio has realized serious growth and efficiency, increasing revenue by 45% and expanding margins by 36,000 basis points.

Concurrently, AppFolio has been rolling out highly innovative products as part of its property management offering, including AI-driven products such as Realm, to improve their customer experience even further. Moreover, management has identified Realm AI as a driver of customer acquisition, creating opportunities for monetization on other features. AppFolio has been accelerating its YoY feature adds as it gains patterns and launches products. Continued innovation creates cross-sell and up-sell opportunities and simultaneously expands its TAM.

AppFolio is positioning itself to move beyond the SME market and poach larger and more lucrative "upmarket" customers from rivals. Moving upmarket will boost AppFolio's managed units growth. Upmarket customers have also been shown to have lower churn rates compared to SMB and be less price sensitive due to having larger software budgets. There are already early signs of success with this initiative as indicated by 2Q '24 addition of a 10,000+ unit customer.

Key Risks

1. IT Budget Constraints: AppFolio could be impacted by a larger trend of pullback in IT budgets due to macroeconomic conditions. Tighter budget constraints could impact customer acquisition, especially at the SMB level, as well as purchase of Value Added Services, which serve as add ons. AppFolio's shift upmarket could help combat this as larger customers could still be impacted by this, they are less sensitive to these changes, making them a more stable customer base.
2. Competition: Though AppFolio may have a competitive edge with their product offerings, they are still competing with incumbents for upmarket customers. This presents a challenge as larger customers are less likely to switch. Historically, upmarket customers would turn to Yardi or RealPage as they are known to have functionality suited for large and complex property portfolios. Though Yardi was exclusive in offering specific

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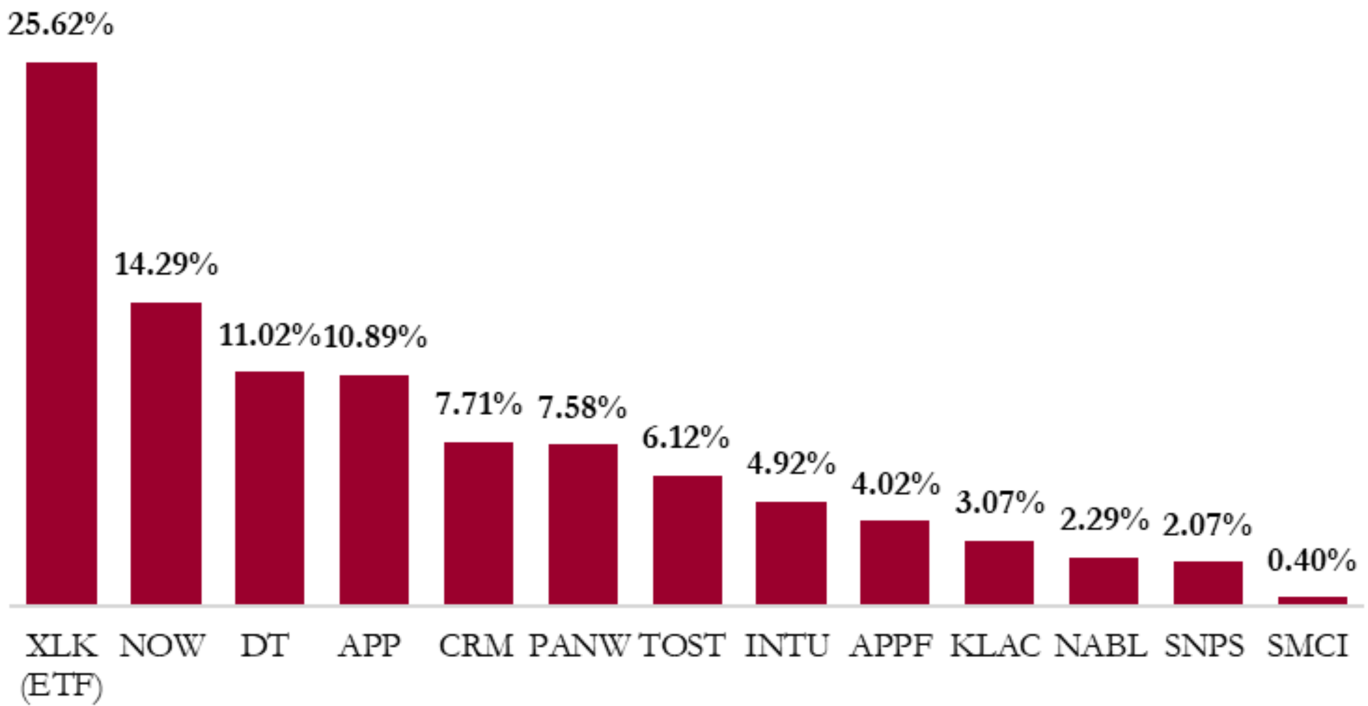
upmarket software such as a platform for student housing, AppFolio now wields a rival product with functionality for large/complex portfolios and specific housing types, doubling its actual TAM.

3. <u>Interest Rates:</u> Elevated interest rates in the post-COVID era

Current Positions

Technology, Media & Telecommunications



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Energy & Utilities (E&U) Group

Portfolio Manager: Shiah Sarkowsky

The Energy and Utilities group manages the portion of our portfolio allocated to equities in power generation, infrastructure, and energy services. As of this report, holdings total approximately $232,100, making up a significant portion of our total portfolio. This allocation is spread across key positions, with Constellation Energy (CEG) comprising the largest share, followed by Xylem (XYL), and Prysmian (PRY MI). Other holdings include a mix of renewable energy providers, energy adjacent-infrastructure companies, and energy-related ETFs. The sector has delivered a 59.76% return over the past year, making it one of the portfolio's strongest performers. The combination of traditional utilities, nuclear energy, and infrastructure-related equities has provided a balanced exposure to both defensive and high-growth opportunities, positioning the group well amid shifting macroeconomic conditions.

A key driver of the sector's growth has been the rising demand for energy, fueled by the increasing adoption of artificial intelligence and high-performance computing, which place unprecedented stress on the power-grid. This has reinforced the importance of energy infrastructure, from power generation to transmission and distribution. Additionally, the new administration's policy shift toward a more fossil fuel-friendly stance has led to increased investment in domestic energy production and midstream infrastructure. While short-term volatility persists, the sector remains well-positioned due to long-term tailwinds, including global energy demand, grid modernization, and energy security. The Energy and Utilities group will continue to monitor macroeconomic and policy developments to capitalize on emerging opportunities.

Recent Pitch: Xylem Inc. (NYSE: XYL)

Company Overview

Xylem Inc. (NYSE: XYL) is an American-based water technology provider that serves public utilities, industrial, commercial, agricultural, and residential markets. As a market leader in water transport, treatment, and testing, Xylem operates in over 150 countries, with more than 50% of its revenue derived from sustainable solutions. The company is heavily focused on digital technologies, which comprise 30% of its portfolio, and allocates 90% of its R&D toward energy-efficient, eco-friendly innovations. Xylem's business segments include Water Infrastructure (30%), Water Solutions & Services (30%), Applied Water (20%), and Measurement & Control Solutions (20%). The recent merger with Evoqua acts as a strong catalyst for future growth, enhancing Xylem's positioning in key end markets and setting the stage for long-term expansion and a potential multiple re-rating.

Investment Thesis:

1. Macroeconomics Tailwinds: Xylem is well-positioned to capitalize on secular macro tailwinds, particularly rising U.S. and global investments in water infrastructure, which offer a strong runway for growth ahead of competitors. The company's product range aligns closely with government priorities, including water quality improvements and pipeline replacements, allowing it to benefit from funding for new infrastructure projects and system upgrades. A significant portion of Xylem's revenue comes from government contracts, providing a stable income stream with long-term commitments that cushion market downturns—an advantage over competitors primarily serving private clients. Additionally, Xylem's advanced filtration and monitoring technologies meet

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stringent regulatory standards, making it a preferred partner for government-backed projects. Its smart monitoring and leak detection capabilities further strengthen its role in essential public infrastructure.

2. Evoqua Acquisition: The acquisition of Evoqua enhances Xylem's competitive edge by expanding its portfolio and driving market leadership in advanced treatment, services, and intelligent solutions. The deal strengthens Xylem's position in key verticals, including life sciences, food & beverage, and energy, while reinforcing its capabilities in industrial and utility applications. The combined portfolio covers water infrastructure, applied water, measurement & control services, and integrated solutions, offering a comprehensive range of products such as pumps, valves, sensors, smart meters, and control systems. These data-driven solutions support lifecycle services, including odor and corrosion control, further solidifying Xylem's role in water management.

3. Multiple Compression and Revenue Mix Shift: Investors have yet to fully recognize Xylem's transition toward higher-margin segments, which is expected to drive a multiple re-rating. The Measurement & Control Solutions (M&CS) division, which specializes in data collection, analytics, and predictive modeling, has faced a temporary decline in new orders, dropping 18% year-over-year in Q2 2024. However, revenue in this segment grew by 26% year-over-year, driven by sustained demand for its solutions and improved execution. As Xylem continues to strengthen its M&CS offerings and optimize its revenue mix, it is well-positioned for long-term margin expansion and value creation.

Decision: Buy

Position: 343 shares at $124.7 / share

Decision Rationale

Xylem Inc. was purchased based on its strong positioning to capitalize on macroeconomic tailwinds, particularly the growing global investments in water infrastructure. The company is well-aligned with government priorities such as water quality improvements and pipeline replacements, positioning it to benefit from significant funding for infrastructure projects. A large portion of Xylem's revenue comes from government contracts, providing stability and long-term income, which offers an advantage over competitors focused on private clients.

The acquisition of Evoqua enhances Xylem's competitive edge by expanding its capabilities in advanced water treatment and smart solutions, especially in high-growth sectors like life sciences, food & beverage, and energy. This strengthens Xylem's leadership in industrial and utility applications.

Xylem's commitment to sustainable, energy-efficient technologies aligns well with increasing regulatory standards and growing demand for eco-friendly innovations. Although the Measurement & Control Solutions division experienced a temporary decline, the company's focus on higher-margin segments and optimized revenue mix presents strong potential for long-term margin expansion. As Xylem continues to integrate its acquisitions and strengthen its offerings, it is poised for future growth and a potential re-rating, making the stock an attractive investment.

Key Risks

1. Supply Chain and Execution Risks**:** Xylem's success depends on a reliable supply chain and the effective execution of its projects. In Q2 2024, the company's Measurement & Control Solutions (M&CS) segment saw a decline in new orders, although it still posted year-over-year revenue growth. This suggests that while demand

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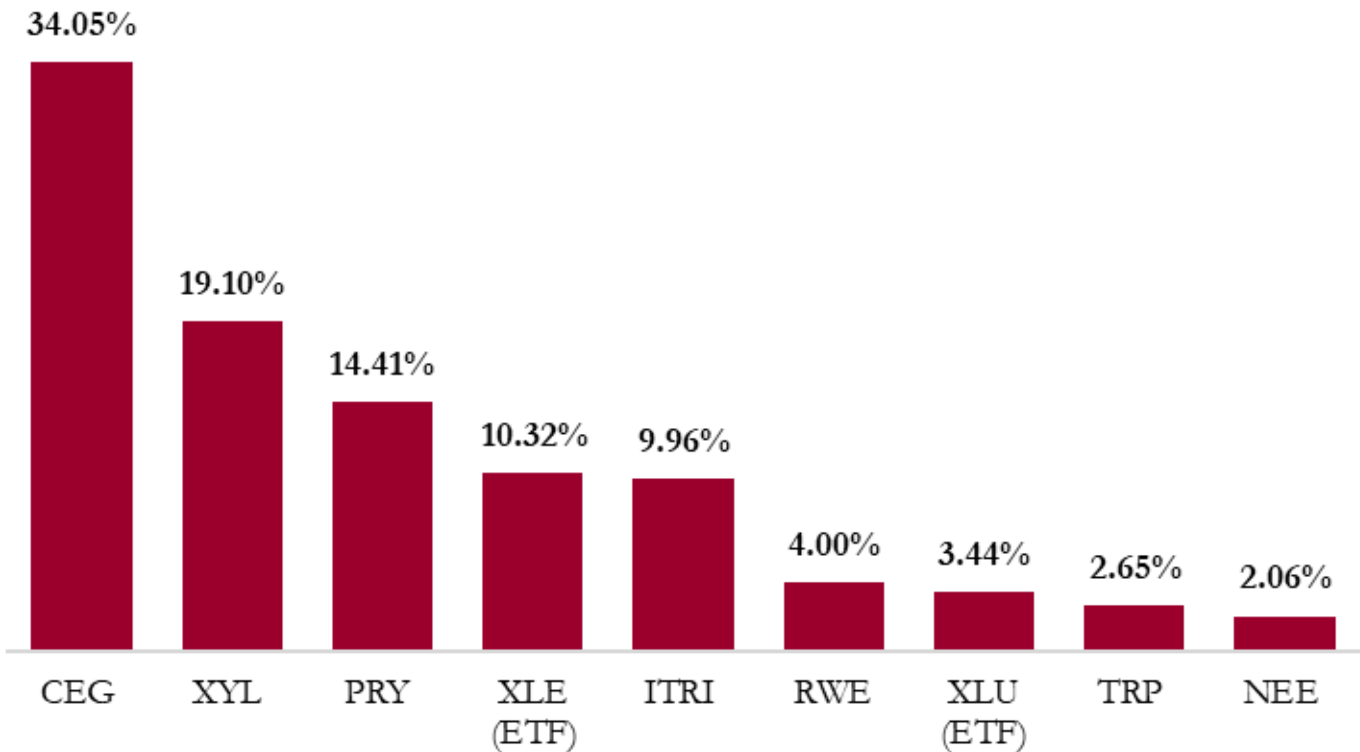
remains strong, execution challenges could continue. Any delays or supply chain disruptions, especially in the wake of acquisitions like Evoqua, could lead to missed revenue targets or delayed project timelines, affecting profitability and growth projections.

2. Regulatory and Compliance Risks**:** Xylem's product offerings are closely tied to regulatory compliance, particularly in the water infrastructure and treatment sectors. For example, the company is well-positioned to capitalize on EPA PFAS regulations, but changing or unexpected regulatory shifts, particularly on a global scale, could impact its business. Any delays in regulatory compliance or changes in environmental laws could cause operational hurdles, increased costs, or even loss of contracts if the company fails to meet new standards.

3. Integration and Execution of Evoqua Acquisition**:** While the acquisition of Evoqua presents significant growth opportunities, it also comes with integration risks. The successful merger will require the seamless integration of operations, technologies, and cultures from two sizable companies. Any disruptions or inefficiencies in integrating Evoqua's advanced treatment solutions into Xylem's existing portfolio could delay the expected synergies and growth prospects. Additionally, market reactions to the acquisition may be slower than anticipated, delaying the anticipated boost in Xylem's competitive position.

Current Positions

Energy & Utilities



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Consumer & Retail Group

Portfolio Manager: Dylan Krueger

The Consumer & Retail group manages ~$500,000 allocated across positions within the apparel, entertainment, consumer packaged goods, travel, and retail industries. Currently, entertainment holdings, specifically live entertainment, make up a significant portion of the portfolio with approximately 29.8% of our total holdings with a market value of ~$154,000. At the time of this report, the Consumer & Retail portfolio holds six positions: Churchill Downs (CHDN), Disney (DIS), Dollar Tree (DLTR), Avolta (AVOL), Henkel (HEN3), and Live Nation Entertainment Inc. (LYV). Our oldest position is Henkel, which has been held since 2022 and has experienced an annual return of 11.3%. We are looking to exit this position given the long holding period and our belief that there are better opportunities to allocate this capital. Our best performing position has been Live Nation Entertainment, which has seen a total return of 65.0%, while our worst position has been Dollar Tree with a total return of (36.5%).

Over the last year, we have seen an impressive 31% growth across the Consumer Discretionary sector and a steady 8% growth among Consumer Staples. This year has been highlighted by the impact of interest rates and inflation on the consumers purchasing power, which has created budget-conscious behaviors and the delay of purchases. This has especially impacted the lower-income consumer who has struggled to make ends meet. Despite the impact on consumers across the board, we continue to allocate capital within brick & mortar locations and live entertainment as consumers continue to enjoy in-person experiences, which has been overlooked in recent years. Furthermore, research suggests that consumers are shifting away from services and back towards goods. This is expected to accelerate consumer's nominal goods consumption by 3.2% YoY. Our latest pitch of Abercrombie & Fitch positions us to capture this shift in demand and benefit from a softline retail rebound.

Recent Pitch: Abercrombie and Fitch (ANF)

Company Overview

Abercrombie & Fitch is a global retailer of casual luxury apparel and accessories, operating a portfolio of brands including Abercrombie & Fitch, Hollister, and Abercrombie Kids. With its roots dating back to 1892, the company has transformed its image to prioritize inclusivity and sustainability, catering to a younger and more diverse demographic. Abercrombie is pursuing growth through enhanced digital capabilities, omnichannel integration, and international expansion.

Investment Thesis

Hollister as a Second Growth Engine and International Expansion: Hollister's growth momentum highlights its untapped potential within the Abercrombie portfolio. Recent efforts, such as the launch of collegiate apparel (e.g., UCLA windbreakers selling out twice within three months) and targeted marketing campaigns like #HollisterGameDay (18M+ TikTok views), have driven sales among the core 14-22 age demographic. Hollister's eCommerce revenue surged by 61% over the past three months, while same-store sales have grown 16% YTD, significantly outpacing the 3.4% pre-pandemic three-year average.

Internationally, Abercrombie is pursuing aggressive expansion in Europe with flagship stores like the two-story Oxford

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Street location in London and plans to open 120 new stores globally by 2025. Europe is expected to contribute significantly to the company's 2025 revenue target of $5 billion, up from $4.3 billion in 2023. The company is also integrating omnichannel tools such as the Share2Pay app and AI-driven personalization to enhance customer experience globally.

Supply Chain Diversification and Operational Efficiencies: Abercrombie has strategically diversified its supply chain away from tariff-vulnerable regions, enhancing resilience. Furthermore, the "read-and-react" inventory model enables the company to commit less than 50% of open-to-buy inventory ahead of seasons, compared to 80% pre-pandemic. This approach has improved inventory freshness and supported gross margin stability, which reached a record 65.1% in Q3 2024. Year-over-year operating margins increased by 170 basis points to 14.8%, demonstrating the company's ability to balance reinvestment with profitability. Additionally, the company's Q3 2024 revenue grew 14% year-over-year to $1.2 billion, with comparable sales up 16%, driven by strength across categories like sweaters, jeans, and dresses. Management expects full-year 2024 sales growth of 14-15% and operating margins around 15%, with a long-term goal of maintaining a sustainable 10%+ margin.

Decision: Buy

Position: 614 shares at $114.73/share

Decision Rationale

Abercrombie & Fitch's robust execution and strategic reinvestment in Hollister and international markets, alongside its supply chain optimization and operational excellence, position it for sustained growth. Despite market skepticism focusing on short-term margin concerns, the company's $5 billion revenue target and durable long-term growth drivers make this an attractive buying opportunity.

Risks

1. Tariffs Impacting Key Manufacturing Countries: The U.S. is displaying volatility in international trade relations at the moment, with 25% tariffs having already been imposed on Mexico and Canada. On that note, U.S. tariffs on apparel imports from regions like Cambodia and Vietnam, as well as potential shifts in trade policies, could increase costs and disrupt A&F's supply chain.

2. Elevated Freight Costs: Global ocean freight rates remain approximately 140% higher compared to 2019 levels, despite some recent decreases. This persistent elevation in shipping costs could pressure A&F's profit margins, especially if the company absorbs these costs to remain price-competitive.

3. Decline in Consumer Spending: Economic indicators suggest a potential slowdown in consumer spending. For instance, the U.S. economy is projected to experience a 2.1% reduction in GDP by 2026 due to proposed tariffs, which could lead to decreased consumer spending power. A downturn in consumer confidence and spending could adversely affect A&F's sales, particularly in discretionary categories like apparel.

4. Challenges in International Market Penetration and Shifting Consumer Preferences: A&F's strategy includes significant international expansion, with plans to open 120 new stores globally by 2025. However, failure to

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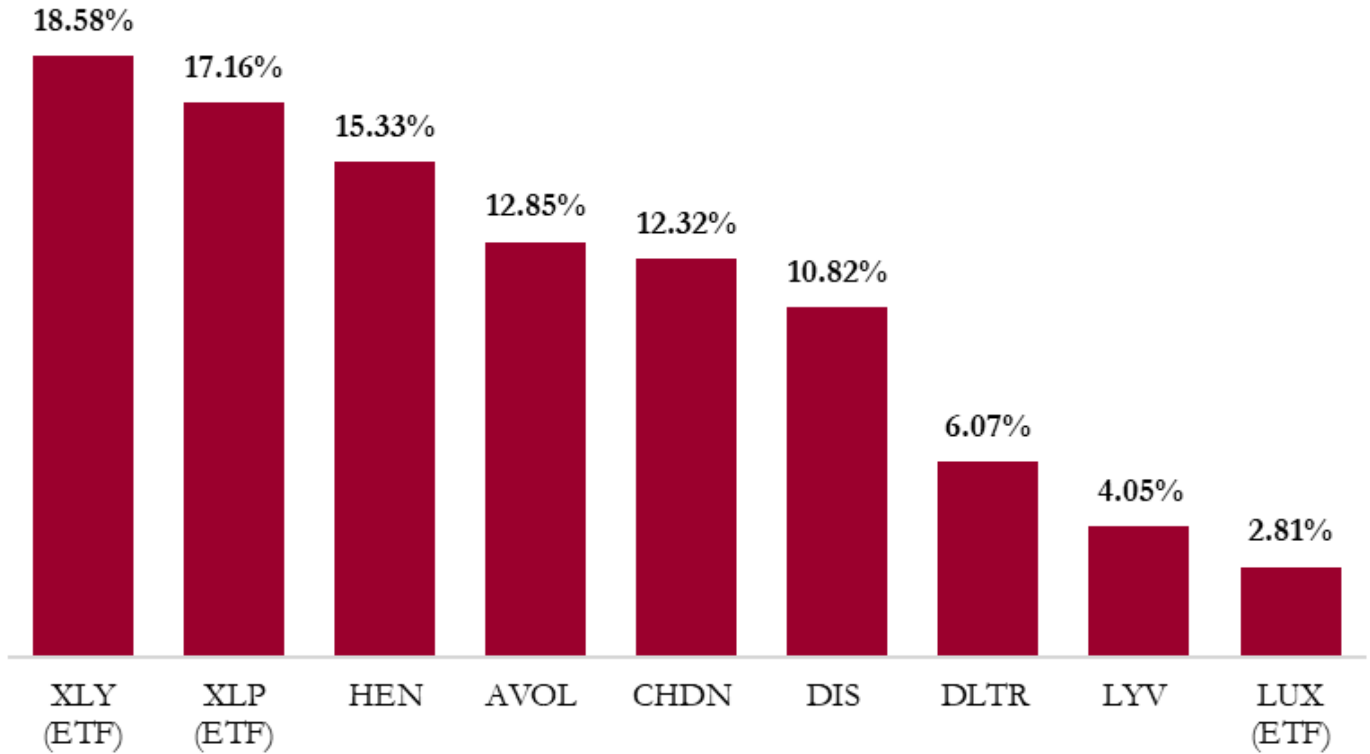
effectively penetrate these markets due to cultural differences, local competition, or misalignment with consumer preferences could hinder growth. Additionally, rapid changes in fashion trends and consumer behavior, both domestically and internationally, pose a risk if A&F cannot adapt swiftly. The company's success heavily relies on its ability to resonate with diverse consumer bases and stay ahead of fashion trends.

Current Positions

Consumer Group



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Materials and Industrials (M&I) Group

Portfolio Manager: Caden Rogers

The Materials and Industrials group manages the portion of the SIF portfolio focused on core infrastructure, manufacturing, and materials businesses that play a crucial role in the global economy. Our strategy emphasizes identifying quality businesses trading at discounts to intrinsic value, with a long-term, value-oriented approach. The group focuses on developing original, catalyst-driven investment theses that identify specific triggers for unlocking value. Additionally, many of our investments rely on estimating mid-cycle earnings power to navigate the cyclicality of the sector effectively. Analysts are trained to apply fundamental valuation techniques alongside sector-specific insights, ensuring disciplined, well-informed investment decisions in this capital-intensive and cycle-driven space.

Currently, the group manages $375,000, representing 10.5% of the SIF portfolio. The holdings span eight positions: Copa Airlines (CPA), Fortune Brands (FBIN), MYR Group (MYRG), EnPro (NPO), Legacy Housing Corp (LEGH), Lockheed Martin (LMT), Patrick (PATK), and Vestis (VSTS). This diverse selection provides exposure to various sub-industries, allowing for both cyclical and defensive investments.

Over the last year, the Materials and Industrials sectors have shown divergent performance, with Materials experiencing modest growth (+13%) while Industrials (+33%) demonstrated more robust gains. The Materials sector faced headwinds in 2024, primarily due to a slowdown in China's growth. The industrial sector's performance reflected tensions between general economic optimism and manufacturing weakness. Materials and Industrials encompasses an incredibly broad set of companies, meaning that all major secular trends tend to flow through the group. There is also promise among pure-industrial companies. For example, potential interest rate cuts could stimulate homebuilding companies, and the A&D industry is looking at a year of improved customer volumes and defense spending. Policy changes from the incoming administration may further support reshoring and reindustrialization efforts, potentially boosting capital investments in the sector.

Recent Pitch: EnPro Industries (NPO)

Company Overview

EnPro Industries is a diversified industrial technology company focused on delivering highly engineered solutions through its two core segments: Sealing Technologies and Advanced Surface Technologies (AST). Its Sealing Technologies division provides products critical for the containment of fluids and gases in industrial processes, while its AST segment offers precision surface treatments and components for semiconductor manufacturing. The company operates in markets that require customized, high-performance products, benefiting from long-term customer relationships and high switching costs.

Investment Thesis

Restructured NPO is a Materially Better Business: Over the last five years, EnPro has transformed from a low-margin, low-growth industrial company into a streamlined, high-margin operation through strategic acquisitions and divestitures. By eliminating legacy businesses, including Fairbank Morse and Stemco Brake Products, EnPro has reduced its exposure to cyclical markets and now targets higher-margin industries with greater long-term growth prospects.

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NewCo's Strength Has Been Hidden by Underearning in the AST Segment: The AST segment has faced temporary headwinds due to a downturn in semiconductor demand, with fab utilization rates declining and overall production volumes contracting. However, AST remains a key supplier to Tier 1 manufacturers like ASML and TSMC, with its products deeply integrated into semiconductor fabrication processes through sole-source contracts and customized components. The cyclical semiconductor downturn has masked AST's true earning potential. The market has priced in revenue growth and margin figures that are significantly below what EnPro will achieve in a normalized demand environment. Some possible contributors to mispricing include low analyst coverage and investor mix.

NPO is Set for Better-Than-Expected Performance with End-Market Inflection: Semiconductor production is showing signs of recovery, with fab utilization rates stabilizing and CapEx investment by key players accelerating. EnPro's AST business is positioned to benefit from this inflection, especially as foundries expand capacity under the CHIPS Act, new EUV lithography systems are deployed, the industry generally moves down-node, and EnPro is able to flex its operational leverage. Under a normalized semiconductor demand environment, the market should realize EnPro's strength and close the current discount that it trades at compared to intrinsic value.

Decision: Hold

Position: 295 shares at $184.77/share

Decision Rationale

EnPro Industries' strategic transformation and strong positioning in high-growth markets, particularly through its AST segment, set the stage for long-term value creation. However, the current semiconductor recovery remains in its early stages, and AST's full growth potential has yet to be realized. As fab utilization rates normalize and CapEx spending by major players accelerates, AST is expected to drive meaningful earnings growth. The stable performance of the Sealing Technologies segment further mitigates near-term risks. With the investment thesis hinging on a semiconductor recovery, we maintain a hold rating as the thesis continues to play out.

Risks

1. Delayed Semiconductor Recovery: The AST segment is highly dependent on a semiconductor industry recovery to deliver greater than expected returns. If demand for semiconductor products such as memory chips, logic circuits, and EUV lithography systems does not rebound as expected, AST's contribution to EnPro's topline growth and margin expansion may remain muted. Given that semiconductor CapEx investments by key players like TSMC and Intel are already planned through 2025, a prolonged recovery could result in several quarters of underwhelming financial performance.

2. Geopolitical Risks: EnPro is exposed to geopolitical tensions, particularly between the U.S. and China, as the semiconductor industry is heavily reliant on cross-border supply chains. The U.S. CHIPS Act aims to reduce this dependency by incentivizing domestic semiconductor production, but restrictions on exports of critical components and technologies could disrupt EnPro's supply relationships or limit its ability to serve international customers.

3. Dependence on Key Customers: EnPro's AST business relies on long-term relationships with Tier 1 semiconductor equipment manufacturers, including ASML and TSMC. These clients operate in highly cyclical industries, and any reduction in orders, contract renegotiations, or loss of exclusivity agreements could materially

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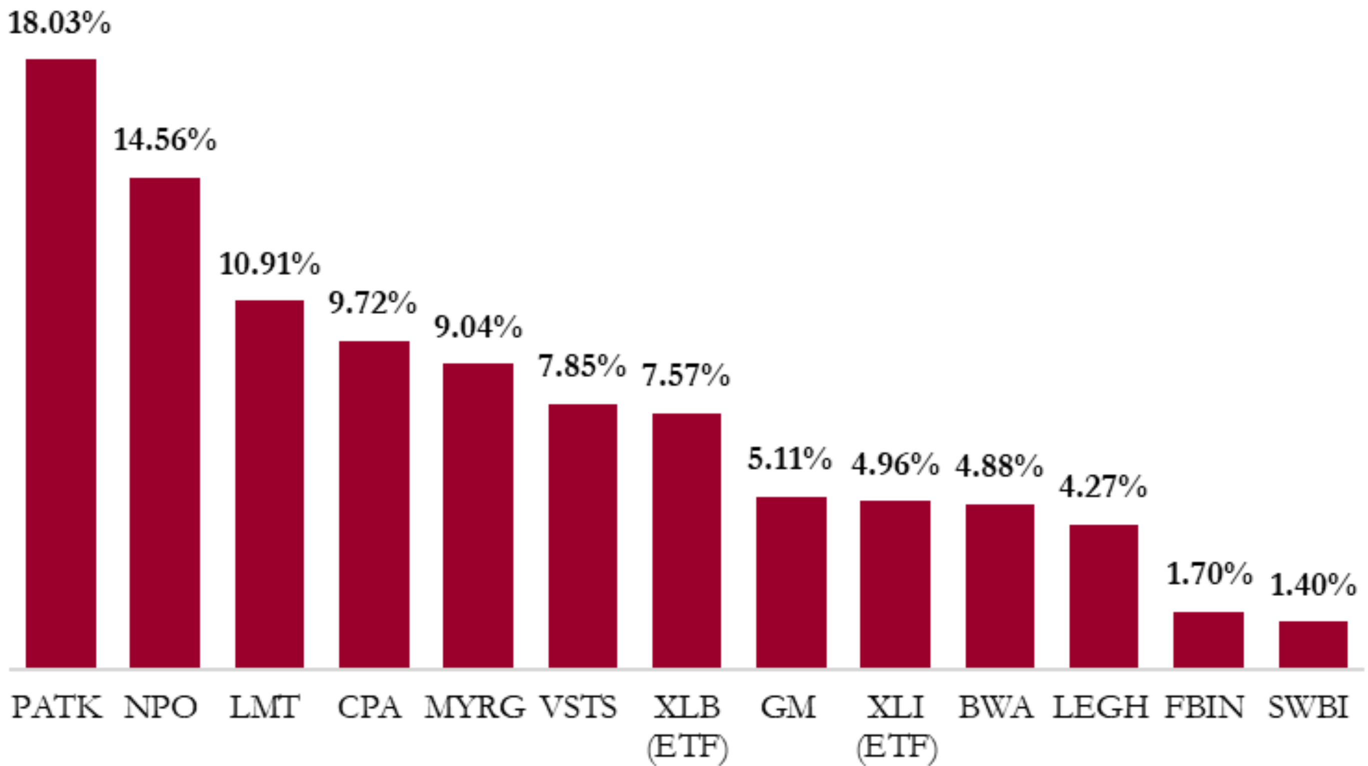
impact EnPro's revenue.

4. Supply Chain Disruption: EnPro relies on specialized materials and components, particularly within the AST segment, where products like precision optical filters and custom-engineered coatings are critical to its operations. Global supply chain bottlenecks—driven by geopolitical conflicts, COVID-related disruptions, and material shortages—have already impacted semiconductor production and could further delay AST's ability to meet demand when the market rebounds.

Current Positions

Materials & Industrials



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2025 ANNUAL LETTER

The Claremont McKenna College
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