TAMID Group at Michigan

PORTFOLIO MANAGEMENT COMMITTEE REPORT

WINTER 2021

Equity and Portfolio Data as of May 25, 2021

TAMID GROUP
EXPERIENTIAL LEARNING THROUGH BUSINESS IN ISRAEL

Dear TAMID at Michigan Community,

I hope everyone had a great end to the school year and is enjoying a restful start to the summer. Continuing the initiative first implemented last semester (Fall 2020), please find the Winter 2021 Portfolio Management Committee report below. Similar to the last, this report aims to provide increased visibility of our portfolio to our community with the goal of further engaging students and alumni in our work. Ultimately, we hope the report will start and continue the discussions we have during weekly fund meetings.

This particular edition covers all changes and initiatives implemented during the Winter 2021 Semester (January through May). Specifically, we will detail changes to our existing positions, any new positions, and longer-term projects that the PMC is working on. As we continue to write more of these reports, we believe we will be able to more effectively track our progress toward goals set in the previous period. Finally, like our last report, we will conclude with a discussion highlighting our perspective on the market. With this, we want to mention that the PMC is always looking for new and innovative ways of furthering both our own and TAMID's goals as our work progressively evolves.

Feel free to reach out should you have any questions, comments, or concerns. Go Blue!

Warm Regards,

Michael Sternbach, Chairman of PMC (micstern@umich.edu)
Eric Brand, Director of Fund (erbrand@umich.edu)
Nicole Granovsky, Director of Fund (ngranovs@umich.edu)
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Portfolio Management Committee

Michael Sternbach
Chairman of the PMC
Industrials

Eric Brand
Co-Director of the Fund
Financials

Nicole Granovsky
Co-Director of the Fund
Financials

Amber Aylsworth
Energy

Nikhil Dayal
Health Care

Andrew Green
ESG

Ege Gunes
Consumer Retail

Samson Isaacson
ESG

Zack Kaplan
TMT

Matthew Plonskier
Real Estate

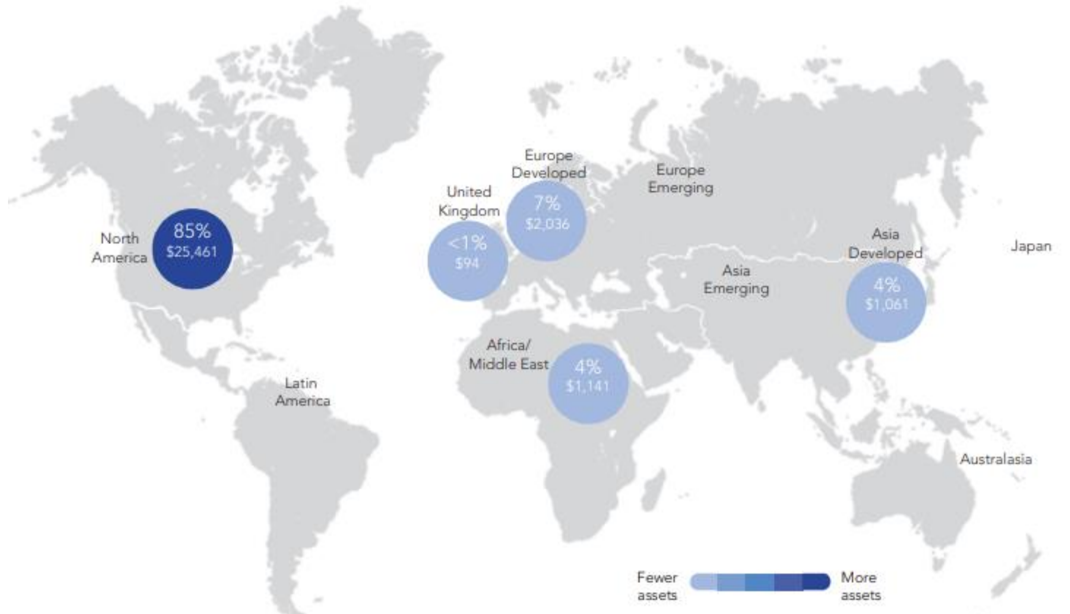
Jeein Shim
Consumer Retail

Isabel Allard

Liam Herron

Jack Wylie

TAMID Group at Michigan Geographic Allocation and End of Semester Portfolio Summary



Summary Results (1)		
	Winter 2021	Difference
Russel 3000	12.34%	-0.34%
S&P 500	12.62%	-0.62%
NASDAQ	6.98%	5.02%
DOW JONES	13.76%	-1.76%
TAMID	12.00%	--

Industy Exposure	
Communication Services	Industrials
Consumer Discretionary	Information Technology
Consumer Staples	Materials
Energy	Real Estate
Financials	Utilities
Health Care	

Equity Exposure Compistion by Market Cap (2)	
	Percent of Portfolio
Large Cap	57%
Mid Cap	27%
Small Cap	16%
Total	100%

Equity Exposure Composition by Valuation	
	Percent of Portfolio
Value	12%
Blend	52%
Growth	36%
Total	100%

Holdings by Type	
	Net Portfolio
Equity	22
ETF	4
Total	26

Performance Metrics (3)	
	3-Year
Sharpe Ratio	0.86
Risk Adjusted Alpha	1.40
Beta	1.03

(1) YTD Performance as of June 6, 2021

(2) Large Cap >= $5bn; Mid Cap >= $1bn; Small Cap <$1bn

(3) Alpha & Beta Calculations against Russell 3000

Contents

Semester Performance

Throughout the winter semester, the Fund sought to capitalize on reopening trends in the economy through further investment in more defensive stocks. While we have historically focused heavily on technology companies, we chose to limit any additional exposure to this sector given the massive gains in 2020, in addition to rising interest rate risk. We find that companies in the tech sector, where investments typically rely on a multiple of future earnings, are particularly impacted by rising rates as higher discount factors applied to future earnings yield subsequently lower valuations. For example, if a company projects $100 in pretax net income and the current discount rate is 6%, that would mean the present value of the future earnings is roughly $94. If the discount rate now changes to 10%, the present value of these earnings falls from $94 to $91.

In pursuing new positions, we assessed the validity of each individual thesis as well as the "fit" of the stock/company within our broader portfolio to adhere to our portfolio weighting strategy. With regard to exiting or trimming certain positions, the PMC carefully analyzed the original thesis of the pitch team and cross referenced it with the current state of each particular company/the overall market. We sold positions where we thought the thesis was either incorrect or no longer attractive, and we trimmed positions to lock-in gains, limit risk from overweighted positions, and free up cash for new positions.

Over the course of the semester, our portfolio generated a return of ~10.93% compared to the Russell 3000's 11.86%. As of May 25th, we recorded an all-time high AUM of $30,452.14. While our semester return is all encompassing of both active and fully realized positions, it is important to highlight our average realized return of approximately 75% and median realized return of roughly 30%. Given the risk that we take on by selecting individual securities to invest in as opposed to a market index, we are slightly disappointed in our recent performance. Despite this, we do recognize the unprecedented times and unusual movement of the market and look at our underperformance as a great learning opportunity. Interestingly, compared to last semester's holdings, if we had made no transactions this semester, we would have generated an additional 2.9% return. Though we are not sure if these results are statistically significant, we plan to further develop our internal portfolio tracker to collect additional performance data based on past decisions. Over the summer, the PMC hopes to analyze this information to improve upon existing decision-making processes within the group.

Based on what we understand so far, we may extend our typical investment horizon beyond 12-24 months to allow more time for our theses to develop. We believe that taking a longer-term approach to portfolio management would also help mitigate risk related to the timing of when we exit a position. To achieve this, we could become more selective in stock selection and/or lessen the individual weightings of positions in the portfolio. Additionally, to gain further insight into our investment decisions, we will track the performance of stocks that we pitched but did not add to the fund. This will provide data on the efficacy of our investment decisions, which could affect our selectivity and weightings in future purchases. Often, we sell positions to use the proceeds for new positions which can also result in suboptimal timing for exiting our positions. Along with the broader initiative, we plan to reevaluate our exit strategy, considering alternative options when creating room for a new position. While it is our job to think critically about how we can improve the Fund, we also note the difficulty in tracking our exact returns as the portfolio remains incredibly active and as a student organization we have limited access to portfolio management technology. On top of this, our portfolio tracking initiative is quite new and something we seek to build out over the coming months as we attempt to increase the granularity of our analysis. This is an area of particular emphasis going into the Fall.

This semester, we also looked at how our positions performed relative to the average and median of comparable companies. Cumulatively, we beat comps by close to 10%. Year to date, our portfolio outperformed comparable companies by ~9% on a median basis and ~7% on an average basis.

Lastly, we would like to take the time to note that while performance is of the utmost importance to us, we are also an educational organization promoting the learning, development, and success of each of our individual members. Each pitch enables students to learn the fundamentals of security analysis, understand a broader industry, analyze a company, and build a financial model. Through TAMID, we have also built an incredibly strong community that remains an integral part of every member's time at Michigan. Together, these lessons both in and out of the classroom are invaluable and have helped our members establish themselves as leaders in the broader Michigan community as we prepare for future careers across finance, consulting, technology, law, and more.

Recent Changes in our Equity Holdings

Salesforce Inc (CRM) - BUY

We purchased four shares of Salesforce on March 8th at a price of $211.27/share. The acquisition, which makes up approximately 3% of our portfolio, plays on the synergy of generational SaaS opportunities and Salesforce's exponentially increasing market share. As global DX spending continues to grow, and Salesforce's portfolio of services continues to expand - making it increasingly difficult for competitors to compete - we expect to see the company's value multiply. Since opening our position roughly two and half months ago, the stock's price has risen 8.5%.

Invesco Aerospace & Defense ETF (PPA) - BUY

We entered this position on March 9th, generating an unrealized return of 7.3%. Despite deciding to sell Raytheon (discussed in further detail below), our committee wanted to maintain broad exposure to the Aerospace and Defense sector. With this, we preferred the Invesco Aerospace & Defense ETF because it is more diversified compared to similar funds, which are much more individually weighted toward Raytheon and Boeing. Prior to the pandemic, the Aerospace and Defense Sector saw consistent growth for over a decade, and we expect this holding to provide stability for the foreseeable future. The position also provides an opportunity for the fund to capitalize on the rebound in travel as it leads to more aircraft contracts.

TPI Composites, Inc. (TPIC) - BUY

The Fund purchased 21 shares of TPI Composites on March 23rd at $50.78/share, resulting in an unrealized loss of 5.4%. Despite the correction in the renewables market, we remain confident in the investment as TPI Composites is a key player in wind turbine manufacturing, as well as manufacturing numerous composite components for electric vehicles. Given the company's large contracts with major wind turbine companies like GE, Vestas, and Nordex, we believe it is favorably positioned to grow from the clean energy boom. Supporting this, political leaders in North America, Europe, and Asia have set ambitious targets for minimizing their carbon footprint through an accelerated shift to renewable energy. As wind technology improves, wind turbines become a more attractive investment for energy producers. By 2023, onshore wind is estimated to cost 50% less per MWh compared to coal.

Williams-Sonoma, Inc. (WSM) - BUY

Williams Sonoma Inc. is a consumer retail company specializing in high-quality furniture, appliances, and kitchenware across four main brands, most notably Pottery Barn and West Elm. Our thesis focused heavily on Williams Sonoma's ability to expand its e-commerce platform and lessen its reliance on retail storefronts, which tend to be much lower margin. Additionally, we viewed the investment as a "COVID play," with consumers shifting spending towards home goods. As a result, TAMID purchased four shares of WSM on March 23rd at $180.30/share. The stock has since generated an unrealized loss of 5.1%, however, we believe that WSM is well positioned to continue capitalizing on the housing shift (as indicated by skyrocketing demand for lumber and homes). With more people realizing the importance of their houses and living spaces (functioning as a workplace as well), WSM stands to benefit from this trend even after the COVID pandemic is "over." Despite the market perhaps seeing the reopening as a negative to such consumer retail names like WSM, we see all the new homes constructed over the past year as perfect customers of the company.

Green Dot Corporation (GDOT) - BUY

Green Dot is a financial technology and registered bank holding company poised to capitalize on the modernization of banking. In late April, TAMID purchased 20 shares at $47.74/share, yielding an unrealized loss of 15.1%. Our thesis centered around Green Dot's hybrid model broken down into two segments: banking-as-a-service (BaaS) and personal banking. Green Dot's BaaS products enable other companies to use its banking infrastructure to power their own products, such as Apple Cash and Uber Pay. We continue to see massive opportunity in this area as companies look to bring innovative financial solutions to their customers, employees, and partners. The launch of Go2Bank (which will allow access to the unbanked adult market) and a long-term partnership with Walmart strengthens TAMID's confidence in Green Dot despite its recent lackluster performance.

MGM Growth Properties LLC (MGP) - BUY

MGM Growth Properties LLC is a real estate investment trust (REIT) focused on the acquisition, ownership, and leasing of destination entertainment and leisure resorts. TAMID purchased 30 shares of MGP on May 19th at $34.50/share, generating an unrealized gain of ~4%. The company follows a growth-oriented business model, with the risk of a significant acquisition strategy mitigated by stable rent agreements (it collected 100% of rent during COVID-19) and consistent dividend growth. TAMID chose to invest in MGP due to the safety of the investment - it has the lowest Beta in the portfolio - and a COVID recovery on the horizon as a future opportunity for expansion and growth.

Flex Ltd. (FLEX) - BUY

As the final pitch of the semester, the industrials desk pitched Flex. On May 19th, we purchased 56 shares at $17.19/share, yielding an unrealized gain of 3.4%. Flex is a manufacturing firm that spans original equipment manufacturing, contracted manufacturing, and original design manufacturing. Given the diversification in Flex's business, we see the investment heavily tied to global growth. That said, Flex has notable ties to renewable energy infrastructure, 5G systems, and EV components, well positioning it to benefit from high growth in these industries. Its 6 primary brands are NEXTracker, Sheldahl, MCI, Farm, Infinex, and Sønderborg Værktøjsfabrik. Beyond our confidence in the company, the position adds to our overweight strategy in industrials and general bullishness on the sector moving forward.

Albemarle Corporation (ALB) - TRIM

On February 11th we trimmed our position in Albemarle Corporation from 11 shares to 8 shares, realizing a 62.14% return. Our investment in Albemarle, which is the largest miner and provider of lithium for electric vehicle batteries, was a play on movement towards cleaner energy and the rapidly expanding EV market. After investing in the business, Albemarle quickly exceeded our expectations, outperforming our implied upside. In deciding to trim the holding, the Portfolio Management Committee had concerns about Albemarle's rather poor ESG score and unfavorable valuation following such drastic upward movement in the stock. Proceeds from the sale were used to purchase shares of TPI composites, further diversifying our clean energy holdings.

Crown Castle International Corp (CCI) - TRIM

Crown Castle is a REIT with a focus on communications infrastructure. On May 19th, we trimmed our position by 33%, selling shares at $181.78 to realize a return of 16.7%. While the transition to 5G offers promising value, we remain heavily invested in this area through our investments in both Ericsson and Flex. We continue to have confidence in Crown Castle (hence the fact that we decided to trim, not sell), but feel as though it is a less direct way to profit from 5G acceleration, and the potential gain from Crown Castle extends beyond the typical 12–24-month investment horizon for TAMID.

Heico Corporation (HEI) - SELL

On February 11th, we decided to exit our 10-share position in Heico Corporation, realizing a 388.10% gain. The aerospace and niche electronics company, which we purchased at $26.77/share and sold at $130.67/share, was one of the most successful investments in TAMID's history. Having held the stock for nearly four years - with no active members on the stock's original pitch team - we felt it was time for TAMID to move on from Heico and lock in our gains. Like the case with Raytheon, the Fund has maintained exposure to the broader aerospace sector through PPA (Invesco Aerospace & Defense ETF).

Raytheon Technologies Corporation (RTX) - SELL

We sold our remaining position in Raytheon for $75.93/share on March 9th, resulting in a loss of 4.1%. Our original thesis revolved around Middle Eastern instability, reelection of Trump, and protection from an imminent recession. At the time of our sale, the Middle East was relatively tame, Biden was president, and we had increased confidence in an economic rebound following COVID-19. Raytheon also had unfavorable financial ratios compared to competitors, suggesting that it was potentially overvalued. For these reasons, we sold Raytheon and bought the Invesco Aerospace & Defense ETF to have greater diversification, while also maintaining exposure.

Ormat Technologies Inc (ORA) - SELL

Ormat is a leading renewable energy provider, designing, building, and supplying power generating equipment for global renewable geothermal energy technology. While certain parts of the original thesis came to fruition (i.e. overseas expansion and 'rising tide' effect of renewable energy expansion), the assumption that then-President Elect Biden would provide support for geothermal did not play out. That, coupled with a well-publicized short seller report, led us to trim half of our stake on February 11th for a return of 68.39%. Further complicating the investment was a March report which revealed that Ormat engaged in "widespread and severe acts of international corruption," bribing officials in Kenya and Guatemala.[1] With the approval of TPI into the fund (and belief that wind is a safer renewable energy bet than geothermal) and the scandal still lingering, PMC decided to sell the last shares on March 23rd for a return of 6.96%. The stock has fallen considerably following our sale.

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[1] https://hindenburgresearch.com/ormat/

Roche Holdings AG (RHHBY) - SELL

We exited our position in Roche Holdings on May 19th, realizing a 25.08% return on the investment. The Swiss pharmaceutical and diagnostics company, a leader in cancer treatment, is the largest pharmaceutical company in the world. We purchased 18 shares at $33.77/share and sold at $42.24/share. In deciding to exit, we felt that our original thesis - that recent strategic acquisitions, innovative research and development, and several promising phase 3 drugs would propel the company upwards - had largely run its course. This was validated by the fact that the stock's price had surpassed our original implied upside of $42. The stock has traded sideways since our sale.

Monmouth R.E. Inv. Corp. (MNR) - SELL

Monmouth is a specialized REIT with an industrial property portfolio focused on long-term leases to investment-grade tenants (including Amazon, FedEx, Coca-Cola, & Anheuser-Busch). TAMID originally invested in Monmouth based on its strategic position relative to e-commerce acceleration, ongoing expansion, and undervaluation in the market due to unfounded concerns about FedEx. Recently, Equity Commonwealth agreed to acquire Monmouth for ~$3.4bn (inclusive of debt) in an all-stock transaction. Based on the May 4th closing price of Equity Commonwealth, this valued Monmouth at approximately $19.40/share. Following this, we decided to sell MNR as we did not want to necessarily roll over our existing ownership and thought it was a rather fair deal. Moreover, with our decision to purchase MGM, we were overweight in real estate relative to the Russel 3000. We ultimately sold the stock on May 19th for a return of 32.23%.

Holdings by Portfolio Weight

Equity and Portfolio Data as of May 25, 2021

Current Holdings	**Ticker**	**Weight**
Blackstone	BX	6.37%
Consumer Staples Select Sector SPDR Fund	XLP	5.94%
Intuitive Surgical Inc	ISRG	5.52%
Lions Gate Entertainment Corp. Class A	LGF.A	5.18%
XPO Logistics Inc	XPO	4.76%
Roku Inc	ROKU	4.42%
Albemarle	ALB	4.27%
Ulta Beauty Inc	ULTA	4.23%
Lululemon Athletica Inc	LULU	4.19%
Zoetis Inc	ZTS	4.12%
Cyberark Software LTD	CYBR	3.79%
Ericsson	ERIC	3.62%
MGM Growth Properties LLC	MGP	3.55%
Flex	FLEX	3.37%
TPI Composites, Inc.	TPIC	3.34%
Allegion PLC	ALLE	3.22%
American Express	AXP	3.15%
Salesforce Inc	CRM	2.98%
Fidelity MSCI Utilities Index ETF	FUTY	2.86%
Green Dot Corp	GDOT	2.71%
Vanguard Materials Index Fund ETF	VAW	2.54%
Crown Castle International Corp	CCI	2.48%
Truist Financial Corp	TFC	2.44%
Constellation Brands, Inc. Class A	STZ	2.38%
Williams-Sonoma, Inc.	WSM	2.18%
Invesco Aerospace & Defense ETF	PPA	2.00%
Fidelity MSCI Utilities Index ETF	FUTY	1.29%
Constellation Brands, Inc. Class A	STZ	0.79%
Total (Equities)		**97.64%**
+ Cash		2.36%
Total (Portfolio)		**100.00%**

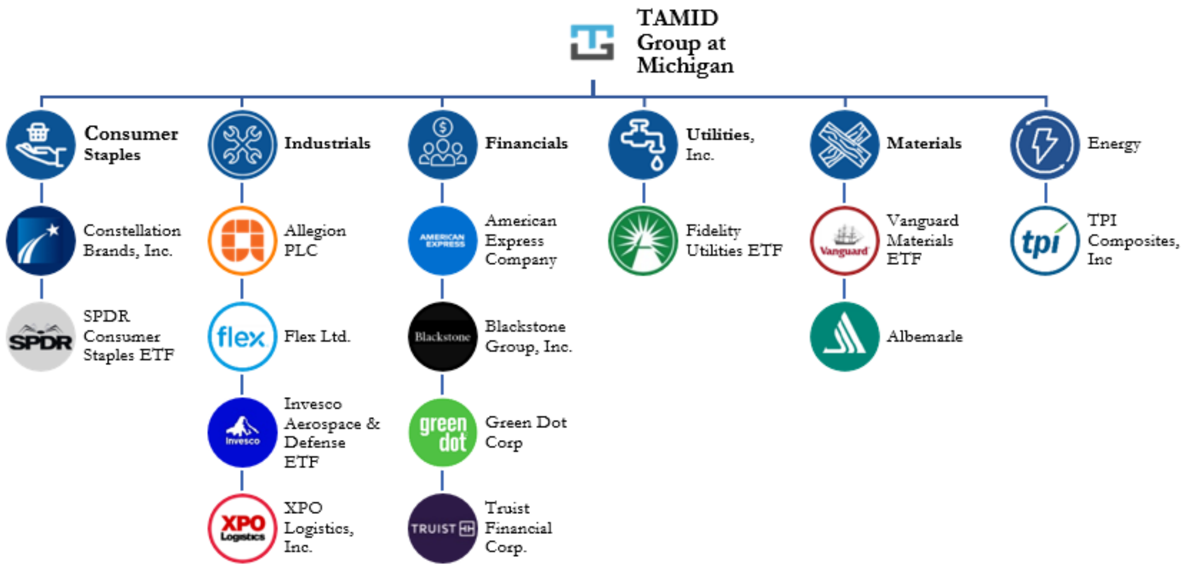
Individual YTD (Since Purchase) Returns

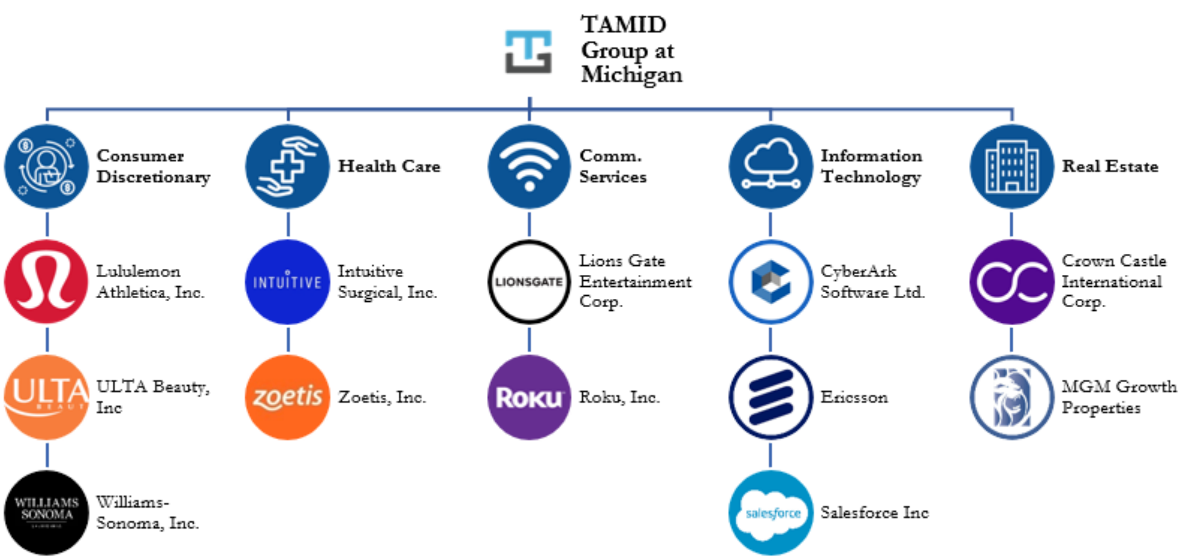
Equity and Portfolio Data as of May 25, 2021

Company	Ticker	Return YTD	% Return
Lions Gate Entertainment Corp. Class A	LGF.A	$593.30	60.75%
Blackstone	BX	$588.21	44.46%
American Express	AXP	$239.82	33.86%
Truist Financial Corp	TFC	$154.56	27.30%
XPO Logistics Inc	XPO	$259.10	22.24%
Allegion PLC	ALLE	$173.32	21.63%
Vanguard Materials Index Fund ETF	VAW	$133.68	21.45%
Crown Castle International Corp	CCI	$132.80	21.42%
Ulta Beauty Inc	ULTA	$154.08	13.64%
Ericsson	ERIC	$112.00	11.63%
Constellation Brands, Inc. Class A	STZ	$84.80	9.78%
Roku Inc	ROKU	$111.20	8.74%
Zoetis Inc	ZTS	$91.21	7.97%
Salesforce Inc*	CRM	$65.76	7.78%
Invesco Aerospace & Defense ETF*	PPA	$40.80	7.31%
Consumer Staples Select Sector SPDR Fund	XLP	$113.25	6.79%
Fidelity MSCI Utilities Index ETF	FUTY	$72.50	6.30%
Intuitive Surgical Inc	ISRG	$92.02	5.75%
MGM Growth Properties LLC*	MGP	$42.57	4.11%
Albemarle	ALB	$43.12	3.53%
Flex*	FLEX	$32.20	3.35%
TPI Composites, Inc.*	TPIC	-$57.96	-5.44%
Williams-Sonoma, Inc.*	WSM	-$53.24	-7.38%
Lululemon Athletica Inc	LULU	-$129.16	-9.06%
Green Dot Corp*	GDOT	-$162.00	-16.97%
Cyberark Software LTD	CYBR	-$254.07	-18.25%
Total (Current Holdings)		**$2,673.87**	**9.74%**
+ Returns YTD from sales		$325.81	1.19%
Total (Current + Sold)		**$2,999.68**	**10.93%**

* Indicates position not held since January 1, 2021

Holdings by Sector





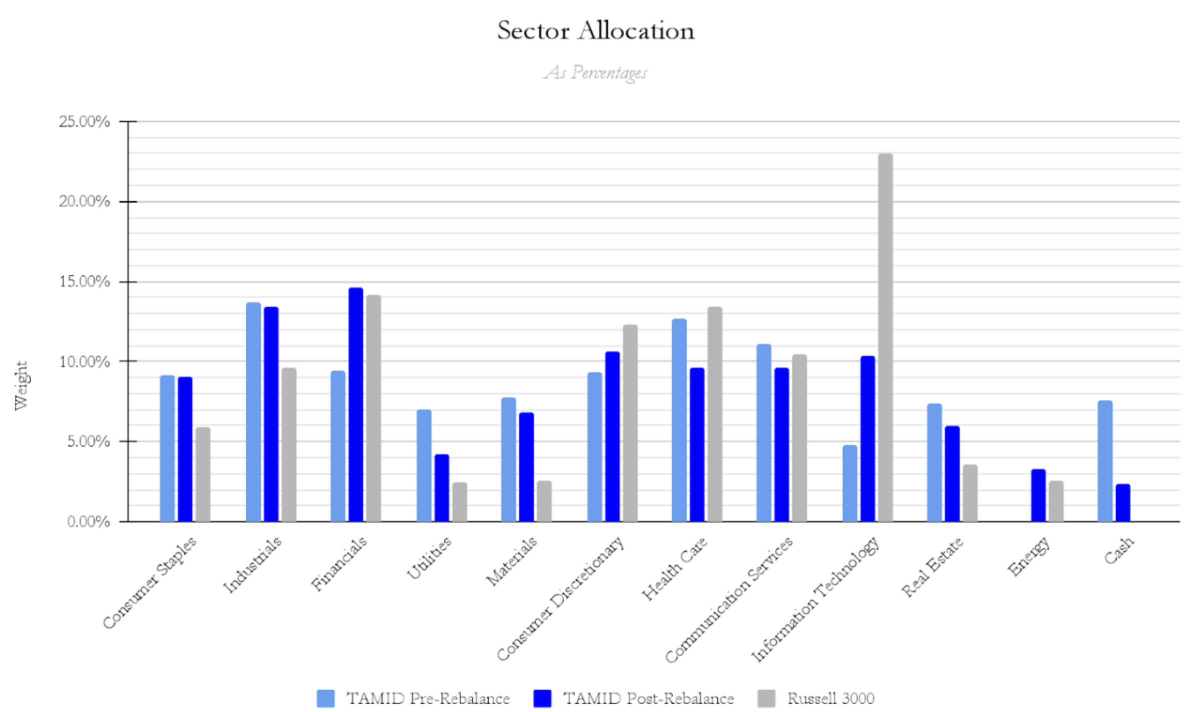
Benchmarking Update

In the Fall, the PMC wanted to better benchmark our portfolio relative to the market, and more specifically the Russell 3000. We elected to use this index as it broadly tracks changes in the market across all sectors of the economy. Since the Fall, we have continued this initiative and use the benchmarking data to aid each investment decision; in addition to assessing the validity of each individual investment recommendation, we consider it relative to our overall portfolio weighting to ensure we are not overexposed to any particular sector or sub-sector. That said, though we aim to benchmark against the Russell 3000, PMC has elected to practice an overweight/underweight strategy where we selectively increase our exposure to sectors for which we are more bullish.

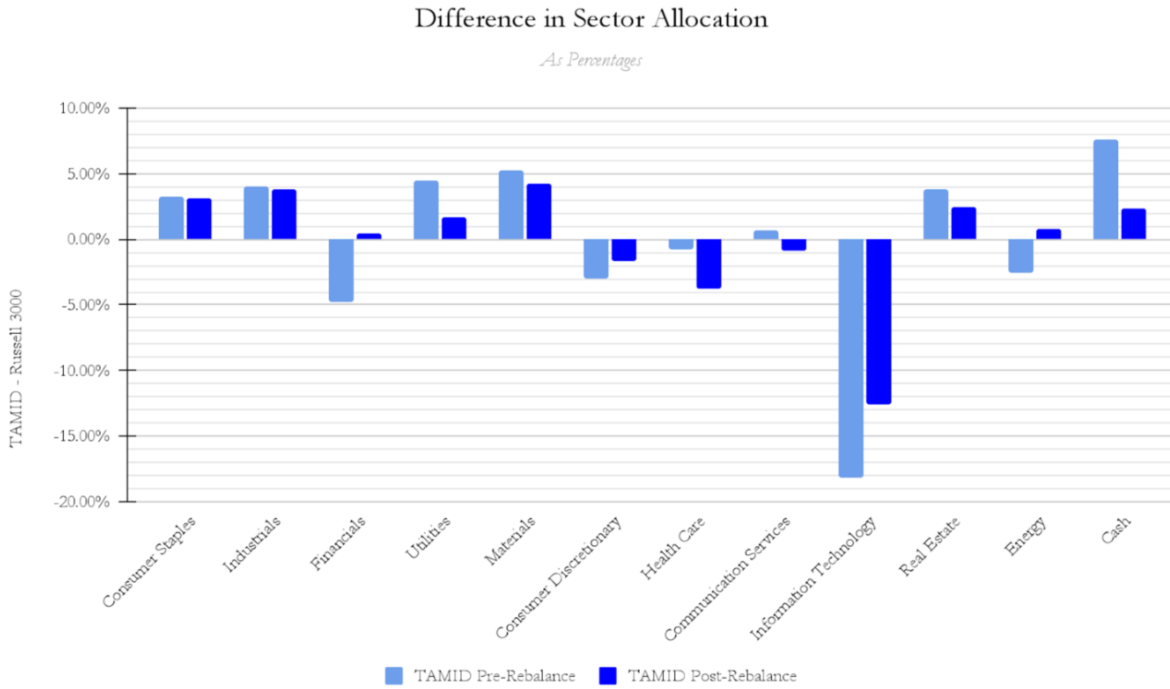
Please see the below charts for the sector breakdown of the Russell 3000 and the breakdown of our portfolio. The data on our portfolio covers both the end of the winter semester ("TAMID Post-Rebalance") as well as at the end of the fall semester ("TAMID Pre-Rebalance"). We have also included a comparison table demonstrating the difference between each sector by weight in our portfolio and the Russell 3000.

Sector Allocation — TAMID vs Russell 3000

Equity and Portfolio Data as of May 25, 2021



Difference in Allocation – TAMID vs Russell 3000
Equity and Portfolio Data as of May 25, 2021



Thoughts and Key Takeaways

We believe that our efforts to more closely model/construct our portfolio based on the Russell 3000 are noticeable. Importantly, we have adjusted our positions significantly in each of the following sectors: financials, utilities, materials, consumer discretionary, information technology, real estate, and energy. We only marginally lost ground (further separation between our portfolio weighting and that of the Russell) with our positions in the health care sector due to our sale of Roche Holdings and the fact that we elected to not take a position in the healthcare desk's most recent pitch. While our exposure to most sectors comes within a few percentage points of the Russell 3000, the biggest difference is with regard to information technology. This is not a concern to us as looking at the Russell 3000, the top two holdings of the index, which account for more than 10% of the portfolio, are Apple and Microsoft. Moreover, as we discussed above, we remain cautious of further investments in technology companies given the 2020 gains that they demonstrated, as well as rising interest rate risk.

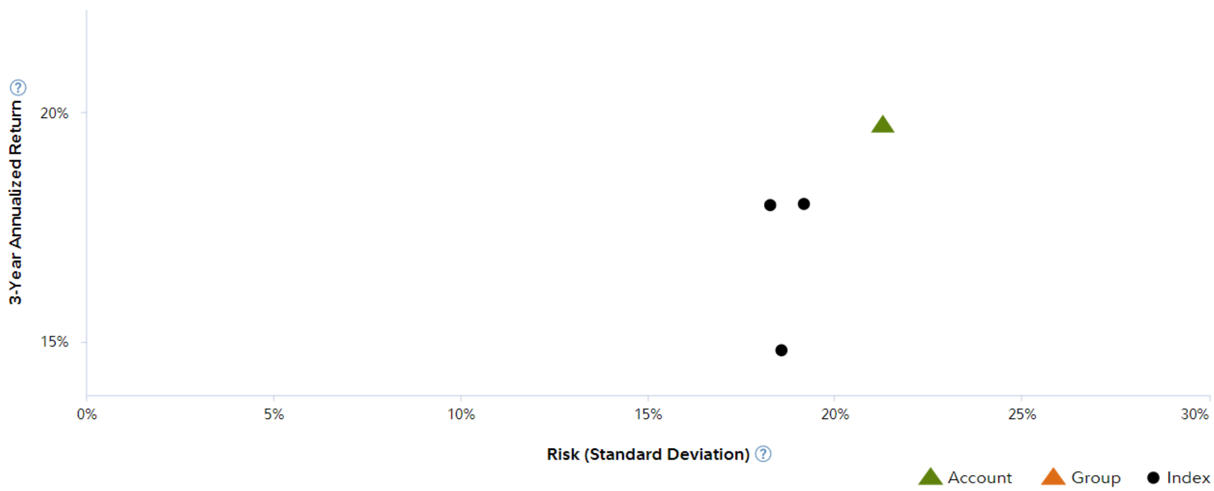
Long-Term Performance and Risk-Adjusted Return

Equity and Portfolio Data as of May 31, 2021

As mentioned in the last PMC report, in order to shed more light on our historical performance, we led an initiative to calculate various risk metrics. This analysis has enabled us to look at our performance and returns relative to the underlying risk that we take by electing to invest in individual stocks instead of a broader market tracking index, like the Russell 3000.

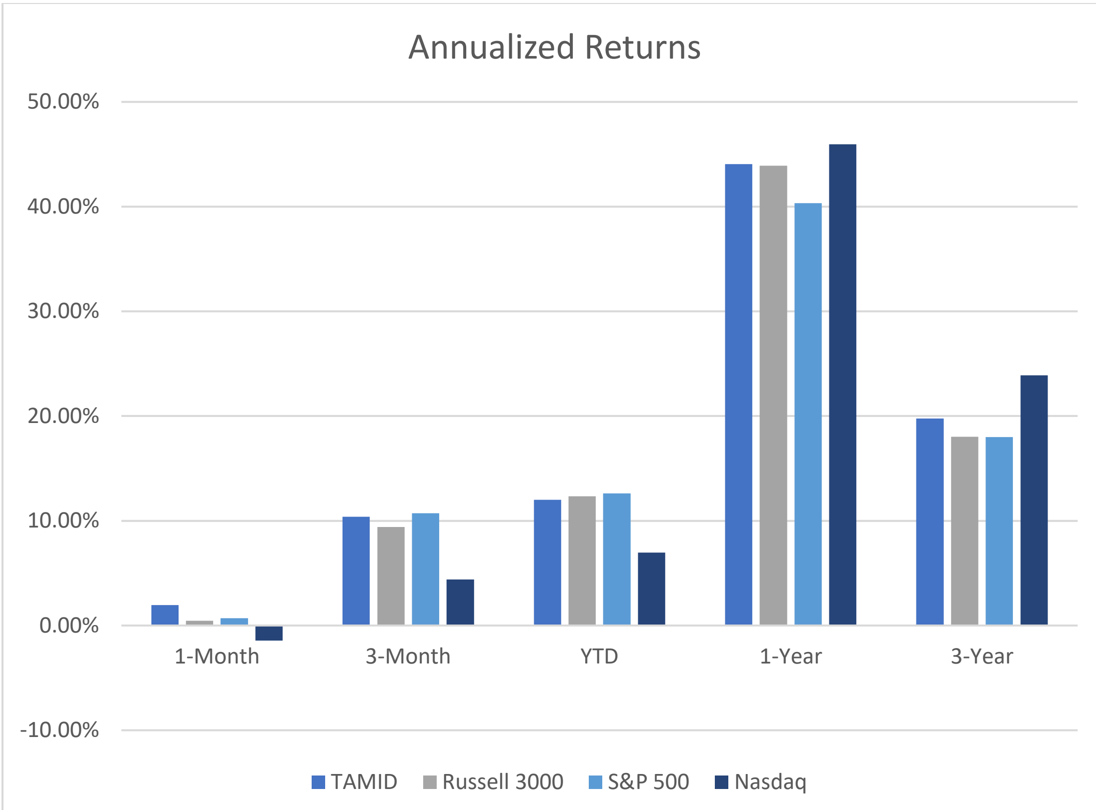
While our last report included more near-term data on these specific risk metrics, we have now decided to shift to a longer-term approach to looking at risk-adjusted returns as we feel that it better aligns with our investment strategy and typical holding period. The chart below highlights our risk vs 3-year annualized return relative to the Russell 3000, the S&P 500, and the Dow Jones Industrial Average. The green triangle represents our portfolio.

Three Year - Risk vs Return: TAMID vs Russell 3000



Over the past three years, the TAMID Fund has averaged an annualized return of roughly 19.76% compared to the Russell 3000's 18.03%. Even though our standard deviation, a measure of an account's volatility over time, is also higher, our risk-adjusted alpha, which demonstrates excess return relative to the Russell 3000, was higher as well. Analyzing this data with reference to the above chart, we can conclude our long-term outperformance of the Russell 3000 on a risk adjusted basis. Our standard deviation over the three-year period is roughly 21.27 compared to the Russell's 19.16. Our risk adjusted alpha is 1.40.

Performance: TAMID vs Market



	1-Month	3-Month	YTD	1-Year	3-Year
TAMID	1.94%	10.38%	12.00%	44.07%	19.76%
Russell 3000	0.46%	9.42%	12.34%	43.91%	18.03%
S&P 500	0.70%	10.72%	12.62%	40.32%	18.00%
Nasdaq	-1.44%	4.41%	6.98%	45.95%	23.88%

Market Thoughts and Outlook

Throughout the Winter 2021 Semester, the PMC has focused on a number of market factors in looking at new investments. Over the past year, we recognized the impact that technology companies had on the markets, and while we remain bullish in the longer term, this semester we remained wary of further exposure to such investments. Due to the acceleration in the shift to and adaptation of new technology over the past year, we believe the pace of growth is unsustainable as it becomes harder to reconcile steep valuations with expected future earnings. Companies in this sector realized extraordinary gains in 2020 and rising interest rate risk negatively impacts their potential future performance.[2] Interestingly, in 2020, we also saw a boom in SPACs, many of which focused on technology companies, but whose performance since completing acquisitions have been subpar.[3] With this, in comparing the S&P 500, NASDAQ, and Russell 2000, we see this trend further highlighted as the tech heavy NASDAQ underperformed the other two market indices.[4] Broadly speaking, we saw the market move toward more cyclical areas associated with accelerating economic growth including energy and financials, both leaders year-to-date. We continue to see opportunity in these two industries as evidenced by our more recent investments.

Source: Charles Schwab, Bloomberg, as of 5/12/2021

Despite the fact that investors seem to eagerly characterize companies as either "growth" or "value" stocks, we remain skeptical of the existence of said dichotomy. Rather than indicating a strategy targeted toward one or the other, we seek to invest in higher growth companies at fair valuations. However, taking a closer look at growth vs. value in a more simplistic sense, we can recognize that

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[2] https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/driven-by-big-tech-s-pandemic-gains-s-p-500-s-2020-surge-masks-uneven-recovery-61957736#:~:text=Take%20out%20the%20top%2030,%2C%20saw%20a%2033.3%25%20gain.

[3] https://markets.businessinsider.com/news/stocks/spac-market-ipo-boom-losing-steam-performance-blank-check-target-2021-3-1030251792

[4] https://www.advisorperspectives.com/commentaries/2021/05/17/schwab-market-perspective-will-the-economy-overheat

value (below indicated as "free cash flow yield") has far outperformed growth over the past year.[5] Again, we believe that this has something to do with rising interest rate risk, as well as the massive gains demonstrated by many of these growthier investments which tend to fall in the information technology sector.

Source: Charles Schwab, Cornerstone Macro, as of 5/12/2021

Economic data indicates that the past year's economic stimulus coupled with the Federal Reserve buying back assets drove upward movement in the market. Many brokerages have seen a spike in demand following first-time investors utilizing their stimulus checks.[6] We have noticeably seen this trend through the rise of "hype stocks" (also referred to as "meme stocks") such as GameStop (GME) and AMC (AMC). On top of this, in April, the Consumer Price Index, a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services, saw its biggest monthly increase (0.8%) since 2009.[7] Economists polled by Dow Jones and The Wall Street Journal predicted a significantly lower increase of only 0.2%. More specifically, cars, trucks, tires, computers, televisions, furniture, toys, computers, and airline fares saw the highest increase in price. Interestingly, for the first time ever, the average sale price of a used car has topped $25,000, a YOY increase of 21%.[8] The lumber market has also exploded, with a 340% YOY increase and a 67% gain YTD.[9]

Inevitably, with such a remarkable increase in prices despite low interest rates, economists and investors begin to subsequently worry about inflation. The Fed has kept short-term interest rates close to zero in order to restart the economy. At the same time, 10-year Treasury Yields have traded

5 https://www.advisorperspectives.com/commentaries/2021/05/17/schwab-market-perspective-will-the-economy-overheat

6 https://www.cnbc.com/2020/05/21/many-americans-used-part-of-their-coronavirus-stimulus-check-to-trade-stocks.html

7 https://www.marketwatch.com/story/u-s-inflation-climbs-in-april-to-the-highest-level-in-13-years-cpi-shows-11620823628

8 https://www.marketwatch.com/story/used-car-prices-just-hit-an-all-time-high-and-surpassed-25-000-for-the-first-time-heres-how-to-still-snag-a-good-deal-11620754705

9 https://www.cnbc.com/2021/04/30/soaring-lumber-prices-add-36000-to-the-cost-of-a-new-home.html

between 1.5% and 1.7% despite strong economic growth. Such low rates have led to negative real interest rates and inflation expectations that are rising faster than nominal yields. All of this has led to the rate of inflation over the past year jumping from 2.6% to roughly 4.2%, the highest level since 2008. Even with this data, Senior Federal Reserve officials insist that the increase is temporary ("transitory"), as they argue that inflation will subside as the country returns to normalcy. If their predictions hold true, inflation will likely return to the targeted 2%. However, prolonged inflation may force the Fed to start increasing interest rates sooner than desired, potentially cutting off a budding economic recovery.[10]

Employment, which has been a huge topic of discussion throughout the pandemic, is also largely impacted by rising inflation. As the price of goods and services rise, employees demand higher wages to support their increased cost of living.[11] Though unemployment has decreased from its pandemic highs, April brought a surprising pullback in employment. U.S. job growth unexpectedly declined, which many attribute to the shortage of workers and raw materials, as improving public health and government aid fuel an economic boom.[12] Over the course of the past year, the government has improved jobless benefits, including a government-funded $300 weekly supplement, which have theoretically made it more difficult for companies to hire workers.[13] As noted, even those who such employers have subsequently been able to hire have also demanded increased pay, making the cost of goods and services remarkably higher for everyone. This leaves employment at approximately 8.2 million jobs below its peak in February 2020, yielding an unemployment rate of 6.1%.[14] In response, The U.S. Chamber of Commerce urged the government to end the weekly unemployment subsidy, but the White House dismissed the issue, stating that the unemployment checks were not causing worker supply shortages.[15]

Given the risk of rising interest rates making it more costly for companies to borrow, as well as increased employment costs, we encourage investors to remain skeptical of high valuations. On top of the aforementioned concerns, with a potential increase in corporate taxes, our PMC is cautious of future earnings being able to truly offset valuations. These macroeconomic conditions elevate the importance of identifying resilient sectors. Looking forward, we broadly remain bullish on financials, materials, industrials, and healthcare.

On a somewhat related note, our fund has also been more interested in potential investments in crypto currency. This year we appointed a Director of Technology who we have worked with to bring increased visibility of this part of the market to our weekly TAMID Fund meetings. For the time being, with unprecedented volatility in the crypto market, we believe it is not yet stable enough for our longer-term, more thesis driven style of investing, but we will continue to assess this area of opportunity as it evolves.

10 https://www.marketwatch.com/story/u-s-inflation-climbs-in-april-to-the-highest-level-in-13-years-cpi-shows-11620823628

11 https://www.cnbc.com/2021/05/22/wages-rise-at-the-fastest-pace-in-years-firms-profits-could-take-a-hit.html

12 https://www.nytimes.com/2021/05/07/business/economy/jobs-report-april-2021.html

13 https://www.businessinsider.com/stimulus-unemployment-benefits-fuel-hiring-struggles-companies-say-2021-4

14 https://www.bls.gov/opub/ted/2021/u-3-was-6-1-percent-u-6-was-10-4-percent-in-april-2021.htm

15 https://www.reuters.com/world/us/us-job-growth-far-below-expectations-april-amid-labor-shortages-2021-05-07/

TAMID's Commitment to ESG

This semester we chose to include a new desk for investments under ESG and social impact. ESG, environmental, social, and governance, has been a growing focus for investors and we felt that it would be immensely valuable to include a desk committed to this. In addition to having a desk fully dedicated to the cause, we also looked at ESG as a factor in analyzing all new investments. Investors have noted the significance of this area in assessing the validity of an investment beyond its potential fiscal returns and in establishing these new criteria, we hope to continue to strive for excellence at the forefront of the markets.

Deepening the Connection to Israel

This semester, we took initiative to strengthen the connection between TAMID and Israel by integrating Israel further into the activities and discussions of the fund. In the second week of fund meetings, we introduced the Israeli Stock Pitch Competition. This included dividing members into random groups and allowing teams to choose an Israeli stock to pitch to the rest of the fund with 30 minutes to prepare. Beyond developing pitching skills, this was an effective and creative way to allow members to dig deeper into the Israeli market and learn about Israeli companies. Moreover, by hosting the activity at the beginning of the semester, we provided a low-stakes environment for new fund members to get comfortable presenting. Pitches included Playtika, Lemonade, Teva, and SolarEdge, some of the largest and most prominent Israeli companies.

The next part of this initiative was through our weekly newsletter and market updates. Rather than only including current events and updates from various industries and the U.S. market, we decided to have teams include Israeli industry and market news as well. We found that this furthered the connection between the TAMID Fund and the Israeli market, while also enriching the educational aspect of the organization.

Future Plans

The Portfolio Management Committee continues to remain integral to the success of TAMID at Michigan's investment portfolio. We will continue to diligently evaluate our current holdings and proposed additions to the portfolio. As mentioned, each new pitch will be analyzed based on its thesis and fit within the overall needs of the portfolio. Given that the broader club does not meet over the summer, we have expanded the PMC to include an additional 10 members, each of whom will be responsible for monitoring a couple of positions in our portfolio. These members will report on the companies that they follow on a frequent basis, while engaging with the Summer PMC in virtual meetings held once a month. As we look ahead to the fall, we welcome any additional recommendations from our members and alumni as we continually seek to expand upon our work. If you have any questions or concerns, feel free to contact Eric Brand or Nicole Granovsky.