



# BSAMC

Bocconi Students Asset Management Club

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## EQUITY & FIXED INCOME FUND

Tiago Viamonte  
Rebecca Riccio  
Francesco Mutolo  
Andrea Ricciarini  
Chloe Villa  
Julia Getlikova  
Felix Boegh-Nielsen

TEAM LEADER  
ANALYST  
ANALYST  
ANALYST  
ANALYST  
ANALYST  
ANALYST



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## Introduction

The Equity & Fixed Income Fund started its operations in September 2023, initially focusing solely on U.S. stocks and bonds markets. As of October 2024, the fund expanded its investment geographical horizon, enhancing its flexibility and diversification strategy. The fund aims to provide steady returns through an active management strategy, primarily driven by a value-investing approach in developed markets.

This report encompasses different aspects of our portfolio, including a more detailed fund definition, portfolio performance, macroeconomic analysis of the key markets in which we operate, an outline of our transactions, our risk management approach, and a conclusion focusing on portfolio outlook.

## Fund Definition

Our fund targets a 75:20:5 allocation between equity, fixed-income assets, and cash, aiming to maximize return potential while keeping a certain level of stability provided by interest-bearing securities.

In line with our allocation ratio is also the benchmark that we have chosen for our portfolio: “Vanguard LifeStrategy® 80% Equity UCITS ETF - (EUR) Accumulating (VNGA80)”. At the beginning of the academic year, this benchmark made up a large portion of our portfolio. However, our main goal is to outperform it by continuously increasing the active portion of our portfolio over time. More precisely, we use the increasing active portion to:

- Overweight certain assets included in the benchmark;
- Add stocks independent from the benchmark (stock-picking).

Consequently, the benchmark serves as a fundament of our portfolio strategy, and we aim to build on that by overweighting and adding stocks to capture additional value. In addition, the reasons for choosing this specific benchmark are the following:

- Full alignment with our allocation ratio between equity and fixed-income securities;
- High historical performance (e.g., YTD return net of expenses of 14.36%);
- Relatively low expense ratio of 0.25%;
- Coverage of both developed and emerging markets.

While we do not primarily focus on emerging markets - that is the specific aim of our Emerging Markets Fund - our flexibility allows us to consider investments in developing markets when we identify opportunities that align with our risk-return profile.

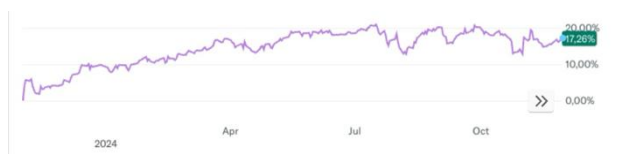
As outlined shortly before, our strategy focuses on developed markets with an emphasis on the U.S., Europe, and Japan. With respect to fixed income, our portfolio currently includes exposure to Treasuries, short-term investment-grade corporate bonds, and a financial credit fund.

Considering the increasing importance of Environmental, Social, and Corporate Governance in the corporate world, we decided to invest solely in companies with adequate ESG-related performance. We consider a company to be adequate in terms of ESG performance when the “Long-term company ESG Score” provided by FactSet is at least 55. This score is based on five factors: Business Model & Innovation, Leadership & Governance, Environment, Human Capital, and Social Capital. Portfolio performance is tracked using Yahoo Finance and additional monitoring is conducted via FactSet.

## Portfolio Performance

Since its inception in November 2023, the fund has delivered a strong performance, while maintaining controlled volatility. Currently structured with an allocation of 80% in equities, 19% in fixed-income securities, and 1% cash & cash equivalents, it aligns closely with both our target and chosen benchmark, and it ensures capital appreciation while remaining sufficiently diversified to mitigate risk. To target our 5% cash reserve, we bought treasury securities, which, due to their high liquidity, are similar to cash but allow us to generate extra returns.

Totaling \$1,211,003, the portfolio has experienced an overall 21.2% growth, of which 13.7% was achieved during the first academic year, with the remaining 7.46% rise from 28<sup>th</sup> October 2024.



The previous graph shows the fund's performance up to the end of 2024, without considering ETFs, investment funds, and positions with a net negative value or no shares held.

The portfolio's performance reflects the strategic allocation across eleven key sectors, which we have overweighted compared to the benchmark, including significant exposures in Consumer Discretionary (17.76%), Financial Sector (10.9%), and Information Technology (6.72%).

Considering both returns and the holding period of these stocks in the portfolio, the selected key individual best performers are Alphabet Inc. (+22.23%), Crédit Agricole SA (+39.42%), and Intesa SanPaolo Spa (+19.76%). The last two

represent an example of capitalizing on a sector which had previously experienced a period of weakness and, in our view, had been subject to excessive market corrections. These stocks have already delivered strong returns, validating our investment thesis and representing a successful example of value recognition.

Moving on to the current management phase of the portfolio, from the 16 of December 2024 to April 2025, the fund delivered a moderate growth of 0.81%. It's necessary to consider the significant uncertainty and volatility that characterized the stock market in the early months of the year, to fully appreciate this performance. The sharp market decline, driven by fears triggered by the impact of Trump's tariffs. More specifically, the benchmark reported a 8.97% drop during the same period, further highlighting the resilience of our portfolio in maintaining stability despite the turbulence. Before analyzing the specific performances, it is important to clarify that the reported data in the following section reflects only the movements within the portfolio based on the individual stocks held. This implies that the performance of the benchmark, which represents around 21% of our fund's allocation, is not taken into account.

The fund remained under passive management, from December 16, 2024 to March 2025, and recorded a steady growth of 1.04% during the period, thanks to our efficient allocation. The benchmark was clearly outperformed as it declined by 5.27%. Considering the previously mentioned macroeconomic outlook, this was an exceptional result. The top performers were undoubtedly the two companies in the banking sector: Crédit Agricole SA and Intesa SanPaolo Spa. They showed strong stock price growth of +28.45%

and 20.46%, respectively, thanks to the positive expectations for the industry. An honorable mention goes to The Coca-Cola Company, which rose by 13.27% over the period, proving to be great performer even in the middle of recessions uncertainties. However, several company, such as tech giant like Alphabet and Microsoft Corporation, suffered heavily, plunging 19.82% and 16.07%, respectively. A major surprise was the sharp decline of 21.86% in Target Corporation, which is usually considered a stable company as it is part of the staple consumer sector.

The transition from the passive management phase involved significant changes to the fund's allocation and required the closure of several positions in companies previously acquired. Notably, Brunello Cucinelli emerged as the most profitable, with a return on investment (ROI) of 26.13%.

In the second phase (from March to April), the fund was actively managed. This period was characterized by some disruption in the global market. The benchmark once again reported a decline in its value: -3.91%. However, our fund managed to hedge against the volatility and the negative trend, resulting in a performance of just -0.25%. This solid result was driven by the strategy of investing heavily during the market downturn, taking advantage of the subsequent rebound. The recent acquisition of TotalEnergies SE proved to be the most effective, leading to an increase of 9.59% during the period. Similar trend was observed for the Korean company, Hyosung Corporation and Prada Spa, whose stock prices both by rose around 9% in the recent weeks. In contrast, FedEx Corporation maintained a negative trend and plunged by 13.22%, as Trump's tariffs continued to pose a threat to its operations. Likewise, the mid-cap

sector continued to decline, resulting in an 11.82% decrease of values of our shares of Spectris PLC.

In conclusion, since inception, the fund achieved an overall growth of 21.16%, significantly outperforming the benchmark, which recorded a performance of +16.44%. This highlights our capability to sustain strong performance even amid recent geopolitical volatility.

## **Macroeconomic Analysis**

### **Global Overview**

#### **US**

So far this year, the U.S. has imposed a 25% tariff on steel and aluminum imports from around the world, an additional 25% tariff on imports from Mexico and Canada, and, as of April 5, a baseline 10% tariff on almost all foreign goods. Currently, intense back-and-forth tariff negotiations are ongoing with Chinese President Xi Jinping, fueling a deepening trade conflict.

On Liberation Day, Trump delivered a fiery speech, portraying tariffs as a powerful economic weapon to protect American industry and workers.

This economic uncertainty has slowed the US economy in the first half of 2025, however Wall Street analysts still expect the main US stock index to end just below 6.000 in average - so an S&P rise of at least 5% between now and December 31, despite the roller coaster it has just been on.

## CHINA

As trade tensions with the U.S. continue to escalate, China's GDP growth is projected to slow to around 4% in 2025, based on expectations that the U.S. will impose further tariffs on Chinese exports starting in September. In response to Trump's aggressive trade policies, China has vowed to "fight to the end," retaliating with its own tariffs on American goods.

Faced with mounting external pressure, Beijing is increasingly shifting its focus toward strengthening domestic consumption and pursuing "high-quality development," particularly in sectors like technology and artificial intelligence. The government has pledged to create tens of millions of jobs and expand support for high-tech industries to cushion the economy against the impact of the trade war. Additionally, to stimulate domestic demand, China plans to issue bonds that will enable local governments to borrow more funds and invest in growth initiatives.

## EURO AREA

The high level of geopolitical and economic uncertainty is expected to weigh heavily on EU economic growth, slowing down its recovery. So far, projections mainly account for the impact of the new trade tariffs between the U.S. and China, but the broader uncertainty is also likely to hurt investment, exports, and consumer spending across Europe.

When it comes to trade, global trade growth is expected to slow due to rising trade policy risks and the effects of the U.S. tariffs on China. On top of that, the euro area is facing weakening domestic demand,

with household consumption staying weak because of high inflation and slow wage growth. Even though inflation is expected to cool off slightly, it's still running above the ECB's target, which limits their flexibility to respond.

Business confidence has dropped sharply, hitting its lowest level since November 2022, and overall economic activity is now hovering close to stagnation.

Last week, the ECB cut interest rates for the seventh time since June, bringing the main rate down to 2.25%. They pointed to "exceptional uncertainty" and a worsening growth outlook driven by rising trade tensions. Analysts are now expecting the ECB to continue cutting rates and borrowing costs into June.

## **Relevant Events**

Recent events have significantly impacted global markets, shaping many of our investment decisions. This section examines recent disruptions to the global economy and trade, highlighting their influence on our investment strategy.

US-China tariffs: In early April 2025, the US imposed a 125% reciprocal tariff, a 20% fentanyl tariff and 7.5-100% tariffs on various goods and services to China. In response, China imposed a 125% tariff on the US. Due to this, retailers like Target fell 21.2% due to their over exposure with China; roughly 30% of Target's goods coming from Chinese factories. Target, being one of our holdings, was our worst performing stock year-to-date (YTD). However, the risk of this was mitigated by our other diversified retailer, Hyosung, a South-Korean

retailer, which has returned 9.6% YTD. Overall, Target represented 2.3% of our fund and Hyosung 2.7% at the end of April 2025 – the US-China tariff embargo has increased the attractiveness of our other retailers.

US global tariffs: The US placed a universal tariff of 10% on all but 3 countries globally; due to this, the growth of trade globally is predicted to fall from 2.9% in FY2024 to –0.2% in FY2025. This fall in trade has caused shipping and logistical equities to fall. One of which, the FedEx corporation, contributes to 2.2% of our fund and has since YTD returns of –20.3%. However, with recent meetings between various European and EU leaders with the Trump administration, expectations for a trade deal have risen and FedEx stock has shown some resurgence.

FED Rates Decision: On December 18<sup>th</sup>, 2024, the Federal Open Market Committee cut the base rate by 25bps to a target range of 4.25%-4.50%, with the rate averaging at 4.33% as of recent. This marked a fifth consecutive reduction in the base rate. Since December, with inflation expectations rising due to the universal tariffs by the Trump administration, rates have remained constant at 4.33%. Further conflicts between Trump and the Federal Reserve chair, Jerome Powell, has reduced expectations in US-based equities, namely since Trump wants a monetary stimulus boosting the US economy in the wake of his universal tariffs.

### **Looking Ahead**

The unpredictability of U.S. tariff measures has had a negative impact on economic activity and outlook, which makes it increasingly difficult to form assumptions about the future. According to

IMF's report from April 2025, global growth is now projected at 2.8% in 2025, well below the 2000–2019 average of 3.7%. Particularly high U.S. tariffs are triggering retaliation by major trading partners, exerting downward pressure on economic growth for the United States, which is expected to be 1.8% in 2025. Furthermore, growing trade frictions and geopolitical uncertainty have negatively impacted Europe's economic growth, prompting the European Central Bank to cut interest rates more aggressively than the Federal Reserve. To prevent a potential decrease in consumer spending, as consumers become more cautious about the future, the ECB reduces its benchmark rate by 25 basis points to 2.25%. On the other hand, the Bank of Japan Governor Kazuo Ueda has signaled that interest rate hikes will continue - on condition the economy sustains a moderate recovery and keeps underlying inflation on track to hit its 2% target. The BOJ's simultaneous battle with inflation and U.S. tariffs - particularly the 25% levy on Japanese auto exports - impose heightening risk on Japan's economy.

### **Portfolio Updates**

The significant adjustments to our portfolio began at the start of the second semester, triggered by Donald Trump's election victory. The political outcome gave rise to expectations of increasing fiscal stimulus, lower corporate taxes, deregulation, and, more broadly, a business-friendly policy environment favoring industries such as energy, financials, and cyclicals.

In response, we reassessed our holdings to capture the potential upside in sectors expected to benefit from these developments. We sold companies with stretched valuations or business models unlikely to gain from the new policy landscape and reallocated capital toward undervalued cyclical stocks and energy names with strong free cash flows and attractive dividend yields.

Our investment decisions were grounded in company fundamentals, relative valuation, macroeconomic trends, and diversification goals. Below is a description of the transactions executed during this period.

**Divestment Summary:** Brunello Cucinelli S.p.A.

Brunello Cucinelli is an Italian luxury brand specializing in cashmere and fine clothing, with a strong emphasis on craftsmanship and ethical production.

**Key Fundamentals:** It holds significant brand equity and a loyal customer base. However, like much of the luxury sector, it is increasingly vulnerable to macroeconomic headwinds, particularly in China and parts of Europe, where consumer confidence has weakened. In addition, input cost inflation is putting pressure on margins. While the company has historically maintained best-in-class profitability, the current environment makes that harder to sustain. Its substantial exposure to non-euro markets also introduces FX volatility as a source of earnings risk.

**Valuation Multiples:** Cucinelli trades at a forward P/E ratio above 40x, significantly higher than peers such as LVMH (~22x) and Kering (~15x). Its Price/Sales multiple is also elevated, signaling that the market prices in continued growth despite

potential scalability constraints. These stretched valuations imply that even a slight earnings or margin miss could result in a sharp market correction.

**Strategic Rationale:** While fundamentally sound, Cucinelli is priced for perfection in an increasingly uncertain macroeconomic context. Rising cost pressures and unpredictable consumer demand prompted us to exit the position in favor of names offering more attractive risk-adjusted returns and better downside protection.

**Divestment Summary:** Toyota Motor Corporation

Toyota is a global automaker with a broad product mix, a strong balance sheet, and leadership in hybrid technologies.

**Key Fundamentals:** While the company boasts solid fundamentals, including operating margins around 11.9%, robust free cash flow, and dominant market share in hybrids, it faces meaningful challenges. Demand in China has slowed, EV competition has intensified, and global supply chain constraints continue to weigh on earnings outlooks. Although Toyota has laid out an ambitious electrification roadmap, it remains behind pure-play EV peers, necessitating increased capital expenditure to catch up. Furthermore, currency fluctuations are compressing export margins.

**Valuation Multiples:** Toyota currently trades at a forward P/E of approximately 7.8x, which is relatively cheap among global peers. However, this low valuation reflects concerns around muted earnings growth and rising capital intensity. While the EV/EBITDA multiple suggests the market still values Toyota fairly, it no longer benefits from the premium reserved for clear EV leaders.

**Strategic Rationale:** Given this heightened competitive landscape and the heavy capital requirements ahead, we chose to exit Toyota and redirect capital into investments with better cyclical upside and stronger return profiles. Despite its operational strength, more compelling growth-adjusted opportunities were available elsewhere. At the same time, by selling Toyota we were able to lower our exposure to the Asian market.

**Investment Summary:** Stellantis N.V.

Stellantis, formed through the merger of PSA Group and Fiat Chrysler, is the world's third-largest car manufacturer by revenue, with a broad and balanced portfolio of global brands.

**Key Fundamentals:** The company has significantly improved operational efficiency, posting an industry-leading EBIT margin above 12%. It exceeded merger synergy targets, resulting in strong profitability and a net cash position. Stellantis is aggressively targeting full BEV (battery electric vehicle) sales in Europe by 2030. Additionally, its revenue is well-diversified across the U.S., Europe, and emerging markets, which reduces concentration risk. Its conservative balance sheet allows for shareholder returns via dividends and buybacks while still supporting reinvestment in growth.

**Valuation Multiples:** The stock trades at a very low forward P/E of ~3.7x and an EV/EBITDA multiple well below industry averages. The company also offers a dividend yield above 8%, fully backed by strong free cash flow and a sustainable payout ratio. These valuations provide a wide margin of safety, even if macroeconomic conditions weaken.

**Strategic Rationale:** Our investment in Stellantis is driven by its exceptional profitability, low leverage,

and undervaluation. It combines cyclical upside with income generation and is well-positioned to outperform peers thanks to disciplined execution and rapid progress in electrification.

**Investment Summary:** TotalEnergies SE

TotalEnergies is a globally integrated energy company that combines traditional oil and gas operations with significant investments in renewables and low-carbon technologies.

**Key Fundamentals:** The company benefits from diversified cash flows across upstream, downstream, LNG, and renewable segments. It can sustain profitability in its upstream business even at oil prices around \$60, while its renewable and electricity divisions are growing steadily.

TotalEnergies is known for capital discipline, cost efficiency, and a solid net debt-to-equity profile. Its ability to generate strong free cash flow during periods of commodity volatility enables consistent dividends and opportunistic share buybacks.

**Valuation Multiples:** It currently trades at a forward P/E of ~8.9x, which is slightly higher than peers like BP and Shell, reflecting its financial strength and relatively greater exposure to clean energy. The company offers a dividend yield exceeding 5%, underpinned by stable cash flow and a conservative payout policy. The EV/EBITDA multiple remains attractive in light of its broad earnings base.

**Strategic Rationale:** Adding TotalEnergies strengthens the income side of our portfolio while offering exposure to both traditional energy and the renewable transition. Its mix of stability, dividend income, and long-term growth makes it well-suited

for navigating the current volatile macroeconomic climate.

**Investment Summary:** Pfizer Inc.

Pfizer is a globally recognized biopharmaceutical company trading at a low, reflecting a potential value opportunity. Its depressed stock price has driven the dividend yield to nearly 8%, offering investors strong income potential. Analyst 12-month price targets indicate over 40% upside, highlighting attractive total return prospects.

Key Fundamentals: Pfizer's strategic focus on innovation is underscored by a robust product pipeline, including enhanced oncology capabilities through the Seagen acquisition, the recent U.S. approval of the antibiotic Emblaveo, and continued advancements in next-generation COVID-19 vaccines. These developments position Pfizer for potential growth across multiple high-impact therapeutic areas.

Valuation Multiples: With a stock price at historically low levels and a forward-looking dividend yield near 8%, Pfizer appears undervalued relative to its earnings and long-term innovation potential. Wall Street's price targets further support the view of a meaningful valuation gap.

Strategic Rationale: We added Pfizer to the portfolio to capture undervalued exposure to the global healthcare sector with a strong income component. The company's resilience to trade policy risks, regulatory stability, and innovative pipeline align

with our goals for value, income, and defensive sector diversification.

**Investment Summary:** Hyosung Corporation

Hyosung Corporation is a diversified South Korean conglomerate with operations spanning textiles, chemicals, industrial systems, and information technology. The company is currently trading at ₩47,100, reflecting a 52-week low, and offers an attractive dividend yield of 7.79%, positioning it as a compelling income investment. Analyst price targets suggest a potential upside, indicating favorable valuation relative to earnings and growth prospects.

Key Fundamentals: Hyosung's robust financial performance includes a net income of ₩323.14 billion and an earnings per share (EPS) of ₩20,845.39 over the past 12 months. The company maintains a conservative payout ratio of 22.98%, ensuring sustainable dividend payments.

Additionally, Hyosung's diversified business model provides resilience across various sectors, including textiles, chemicals, and industrial systems.

Valuation Multiples: With a forward P/E ratio of 7.94x and a price-to-book value (P/BV) ratio indicating undervaluation, Hyosung presents an attractive investment opportunity. The company's earnings yield of 40.52% and free cash flow yield of 44.72% further underscore its financial strength and potential for shareholder value creation.

Strategic Rationale: We added Hyosung to our portfolio to enhance exposure to the South Korean market and capitalize on the company's diversified business model. The strong dividend yield, coupled with favorable valuation metrics, offers a balance of income and growth potential, aligning with our investment objectives.

**Investment Summary:** CVS Health Corporation  
CVS Health is a diversified U.S. healthcare leader that saw a 50.9% surge in its stock during Q1 2025, outperforming the S&P 500. This growth reflects the company's strategic expansion into integrated healthcare services, combining its dominant retail pharmacy presence with health insurance (via Aetna) and innovative care delivery through HealthHUBs and MinuteClinics. With a current dividend yield of approximately 3%, CVS offers an appealing mix of growth and income.

Key Fundamentals: CVS's business spans retail pharmacy, health insurance, and healthcare services. The Aetna acquisition has positioned CVS as a vertically integrated healthcare provider, improving cost efficiency and patient outcomes. Its HealthHUB and MinuteClinic rollouts are driving organic growth by meeting rising consumer demand for convenient, affordable, and preventative care. The company generates recurring revenue through prescriptions and insurance premiums, with non-cyclical demand adding stability.

Valuation Multiples: CVS trades at a P/E ratio of ~15x, below the sector average, suggesting modest valuation despite solid fundamentals and integrated growth potential. Its attractive P/B and P/FCF ratios highlight strong cash generation and operational efficiency. While short-term FCF may be impacted by reinvestment in healthcare infrastructure, the long-term outlook supports a compelling valuation case.

Strategic Rationale: We added CVS Health to the portfolio for its exposure to the expanding U.S. healthcare market and its unique position at the intersection of retail, insurance, and care delivery. The company's large scale, brand trust, and diversified model offer a defensive yet growth-oriented profile. Its integration of Aetna, expansion of HealthHUBs, and move into digital health position CVS well for sustained long-term growth in a transforming healthcare landscape.

**Investment Summary:** Prada S.p.A.  
Prada S.p.A., a leading Italian luxury fashion house, is positioning itself for significant growth in 2025, despite challenges in the global market. The company's 2024 expansion, marked by a 17% year-over-year revenue increase, is fueled by its acquisition of Versace for €1.25 billion, alongside organic growth from product innovation and digital strategies. Prada's strong brand equity, emphasis on sustainability, and presence in both the luxury and e-

commerce markets make it an attractive investment opportunity.

Key Fundamentals: Prada's revenue streams are primarily driven by high-end luxury products, including leather goods, apparel, and accessories. The company has a loyal, affluent customer base, with cyclical demand influenced by economic conditions. In addition to transactional revenue from luxury goods, Prada licenses its brand for eyewear (Luxottica) and fragrances (L'Oréal), providing diversified income sources. The acquisition of Versace enhances Prada's brand portfolio and expands its market share, particularly in the high-end luxury segment. Prada posted a robust balance sheet with total assets of €7.7 billion and a strong return on invested capital (ROIC), highlighting effective capital management.

Valuation Multiples: Prada trades at a P/E ratio of 21.43, reflecting a premium valuation relative to peers. This is justified by its strong brand heritage, the strategic acquisition of Versace, and sustained growth in emerging markets. The integration of Versace is expected to drive significant revenue synergies and further bolster Prada's position in the luxury market, especially against major competitors like LVMH, Kering, and Richemont. While the P/E ratio is elevated, the market is likely pricing in long-term growth drivers, including the successful integration of Versace and Prada's strategic investments in sustainability and digital expansion.

Strategic Rationale: We added Prada to our portfolio to gain exposure to the growing luxury fashion market, driven by strong brand equity, diversification through acquisitions, and innovative growth strategies. The company's scalable business model, particularly in the Asia-Pacific region, and its leadership in both traditional and digital luxury markets, offer strong long-term growth potential. Prada's acquisition of Versace enhances its luxury brand portfolio and strengthens its competitive positioning against larger conglomerates like LVMH, Kering, and Richemont. The company's commitment to sustainability and ethical practices further aligns with broader investment themes focused on responsible growth.

## **Risk Management**

In managing the risks associated with our Equity and Fixed Income Fund, we have maintained a rigorous and comprehensive approach to diversification and risk mitigation, while adapting our strategy to pursue higher returns. Our portfolio remains strategically diversified across geographical regions, industries, and companies to minimize exposure to localized economic volatility. However, since our last report, we have accepted a slightly higher level of volatility in order to achieve superior performance. We continue to avoid investments in high-risk countries, sectors prone to extreme cyclicalities, and companies with very low market capitalizations or elevated default risks. Our investment philosophy remains

focused on companies with strong financial fundamentals, ensuring that volatility is managed within acceptable limits and that tail risks remain controlled. This disciplined yet adaptive approach allows us to deliver sustainable returns, safeguard our capital, and mitigate exposure to extreme events.

### **Portfolio and Benchmark Betas**

Throughout the period, we calculated our portfolio's Beta by employing the weighted average of the adjusted (Bloomberg) Betas of all individual assets, with regressions conducted against the MSCI AC World Index. Our portfolio achieved a Beta of 0.81, closely aligning with the Beta of our benchmark, the Vanguard LS 80% Equity UCITS ETF EUR Acc, which registered an adjusted Beta of 0.67. We are pleased with these results, as they demonstrate our ability to outperform the index while maintaining a comparable level of market correlation.

### **Value at Risk (VaR) Portfolio vs Benchmark**

Recognizing that volatility and market correlation are only part of the risk landscape, we expanded our analysis to include Value at Risk (VaR) calculations, which capture exposure to risks associated with higher moments of the return distribution, such as skewness and kurtosis. Using the historical method and one year of daily return data, we calculated a one-day VaR of -0.79% for our portfolio, equating to approximately \$9,513.8 at a 95% confidence level. In comparison, the benchmark ETF recorded a higher VaR of -1.15%. These results reinforce that, even as we have accepted a modest increase in volatility to achieve higher returns, our fund continues to maintain lower

exposure to extreme tail risks compared to the benchmark. This positioning underscores our commitment to protecting the portfolio against the most adverse market outcomes while delivering enhanced performance.

### **Conclusion**

To conclude, our recent portfolio adjustments reflect our continued commitment to active and adaptive management in the face of ongoing geopolitical and economic volatility. The past months have been marked by intensified global trade tensions, particularly between the United States and China, renewed monetary policy divergence across major economies, and increased uncertainty around fiscal and industrial policies.

In this evolving environment, we made deliberate decisions to rebalance the portfolio. We began the semester by selling a significant number of positions and reallocating capital into our benchmark ETF. This allowed us to stabilize the portfolio while reassessing the macroeconomic outlook. As confidence returned and new opportunities emerged, we selectively reinvested in high-conviction names aligned with our value and risk-adjusted return criteria. These included additions such as TotalEnergies, Pfizer, and Stellantis — investments chosen for their strong fundamentals, low valuations, and defensive income profiles.

While U.S.-China tariff developments negatively impacted some of our holdings — notably FedEx and Target — our diversified approach helped cushion the downside. Meanwhile, new additions like Hyosung

and Prada delivered strong positive contributions, validating our thesis around geographical and sectoral diversification.

We are particularly encouraged by our fund's performance during a period of market stress. Despite ongoing macroeconomic headwinds, the fund has achieved a return of +0.81% since December 2024, significantly outperforming our benchmark, which declined by –8.97%. This outperformance, achieved while maintaining comparable Beta and lower Value at Risk (VaR), reflects the success of our fundamental-driven strategy and disciplined risk management.

Looking ahead, we plan to keep the portfolio largely stable during the summer months. A few positions may be closed or adjusted based on their performance or macro shifts, with proceeds reinvested into our benchmark. In September, with the beginning of the new academic year, we will reassess the portfolio more comprehensively. Our attention will likely shift toward companies and sectors influenced more by fiscal policy and political developments than by the monetary dynamics that dominated our prior decision-making. We believe this transition will define the next phase of the global economic cycle — and our strategy will adapt accordingly

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