DEPAUW UNIVERSITY
Investment Group

Fall 2017 Semester Report
As of December 29th, 2017

Robert C. McDermond Center
408 S. Locust Street, Suite 150
P.O. Box 37
Greencastle, IN 46135-0037
depauwinvestmentgroup@gmail.com

DEPAUW UNIVERSITY
Investment Group

Table of Contents

DEPAUW UNIVERSITY
Investment Group

Organization Overview

History and Purpose

The DePauw Student Investment Group was established in 1963 with a $4,000 contribution from the Arie and Ida Crown Memorial Fund. Today, the DePauw Investment Group is a student-run organization managing approximately $170,000 by actively investing in the U.S. equity markets. The group's primary goal is to preserve capital while successfully implementing the growth-oriented investment philosophy. An additional purpose is to complement the university's strong liberal arts curriculum with an investment-focused organization while enabling undergraduate students to pursue internships and careers in finance. The organization reinforces DePauw's emphasis on the importance of intellectual curiosity, critical thinking and communication skills while providing students with exposure to capital markets.

Organization Structure

The investment group's portfolio is actively managed by a group of students with demonstrated experience in the asset management industry. The organization's executive leadership is responsible for the implementation of the organization's investment strategy by employing a multi-manager approach where respective portfolio managers pursue growth orientated strategies within their respective sector-specific funds. As the organization's presidents and vice presidents manage the amount of capital allocated to each fund within the portfolio, portfolio managers are responsible for achieving an excess return above their respective benchmarks. Collectively, the organization seeks to maximize return and outperform the broader market while operating as a portfolio of funds.

The leadership team is comprised of two presidents and three vice presidents. Presidents are responsible for the implementation of investment strategies, approving trades and monitoring risk. Vice presidents are responsible for the successful management of the sector-specific funds acting as liaisons between portfolio managers and presidents. Vice presidents will also present investment proposals based on the recommendations of portfolio managers while overseeing the strategic initiatives of each respective fund. Each sector-based fund is managed by one to two portfolio managers with the support of analysts. Portfolio managers are responsible for achieving superior returns over their respective benchmarks by managing the holdings and their respective weights within their fund. Analysts are responsible for performing due diligence and following companies that are held by both the fund and the fund's benchmark. Analysts are also responsible for writing trade recommendations with investment theses and acknowledgements of risk to portfolio managers.

Investment Philosophy

The DePauw Investment Group is a long-only and growth-oriented fund seeking long-term capital appreciation by investing in the U.S. equity market. The investment group operates as a portfolio of funds categorized by U.S. large-cap equity sectors. The portfolio is managed from the top-down and seeks excess return by capturing sector-based momentum, structural and cyclical trends. The portfolio's sector-specific funds seek capital appreciation based on the identification of company-specific strategic advantages by analyzing the operations, financials and momentum of individual securities.

Parameters

The investment group's portfolio will abide by the following rules:

- Remain diversified by holding no more than 33% of the fund's capital in one sector
- Own a minimum of 50 securities
- Will not allocate more than 5% in an individual holding
- Will not utilize options or leverage
- All decisions will be recorded in written proposals containing an investment thesis and acknowledgment of risks
- Student leadership and faculty advisor must unanimously approve investments
- Trade confirmations will be signed by organization president(s) and faculty advisor prior to submission to administration

DEPAUW UNIVERSITY
Investment Group

Semester Review

Restructuring:

This semester, the investment group successfully completed its strategic initiative to fully allocate approximately $150,000 of capital in individual securities leaving a cash balance of $13,877 (8.6% of portfolio value). Following the divestiture of seven publicly-traded funds and the investment in 120 individual securities in mid-October, the group restructured itself as a portfolio of internally managed sector-specific funds. This allows the organization's leadership to focus on the portfolio's sector-specific allocations utilizing a top-down perspective while allowing individual members to involve themselves in the research of individual securities within sectors of interest. This structure also allows the group to benchmark the portfolio's performance against the S&P 500 Index and the performance of sector-based funds against respective iShares sector-specific ETFs. The group has selected the S&P 500 to represent the broader market and Blackrock's iShares sector ETFs as representations of specific sectors and for their accessible holdings information. We believe this structure is compatible with the academic nature of this organization. Utilizing benchmarks and forming and defending a thesis on individual companies or sector-based trends allows students to be engaged with the capital markets while refining their critical thinking, intellectual curiosity and communication skills.

Reflection:

Throughout the semester, the group met on a weekly basis reviewing investment decisions, the portfolio's composition, major corporate actions and market sentiments. The organization's leadership also explained membership expectations moving forward with analyst and portfolio manager roles opening in the spring of 2018. The group's developed structure is designed to systematically prepare students for internships while also providing an avenue for leadership opportunities ensure the organization's growth and longevity.

We were also grateful to hear from and host notable DePauw alumni in the corporate finance and asset management industries. In October, Scott Kemper ('95), Partner and Director at LSV Asset Management, presented a market outlook and emphasized the importance of value-based fundamentals and a recognition of cognitive biases in the investing landscape. In early November, Jason Spilbeler ('07), Maggie Roth ('17), and Brandon Sholtis ('17), from J.P. Morgan's Private Bank in Indianapolis, spoke to the group about their careers in wealth management and important skills to ensure success as an entry-level analyst. Finally, in late November, Mark Koenig ('92), CFO of L Brands, Inc., spoke to the group about his roles and responsibilities as the CFO of a large, international and publicly traded company. We were also grateful for the opportunity to hear from other distinguished alumni as a part of the McDermond Center Speaker Series throughout the semester.

Looking forward, we are excited to continue the organization's momentum. The new structure allows for in-depth portfolio management techniques and analysis on individual securities. While the group benefited from the tailwinds of a low volatility bull market at a record high by the end of 2017, our new structure will be put to the test as we look to deviate from our market cap weighted structure. We will also look to more evenly distribute the number of holdings per sector to mitigate concentration risks and allow for active management. Further, we believe the new structure allows students to pursue their interests in specific sectors while applying their skills and curiosity in company-specific research and presentations. In the spring of 2018, the group is looking forward to weekly meetings comprised of presentations and debates on the benefits and risks associated with different sector allocations and stock investments. We are also looking forward to learning from notable alumni as we continue to develop this organization.

Sincerely,

Mitchell DeShurko '18, President

Investment Decision Making Process

Since the spring of 2017, it has been our goal to fully allocate our portfolio in the market by investing in sector and style-based funds. While our end goal was to manage a portfolio of individual securities, we recognized that investing large increments of cash in active and passive funds provided a path to a fully invested portfolio that mitigated idiosyncratic risk. Last semester, we successfully invested $21,000 in ETFs but were unable to execute approved investments in open-end funds due to a lack of availability on Edward Jones' platform. After we changed brokers from Edward Jones to Scottrade over the summer, we continued a similar investment process for the first half of this semester until we reached our target allocation. The process of selecting sector and style specific funds was guided by the end goal of divesting from the funds held and investing in a targeted amount of underlying individual holdings.

Our investments in 2017 largely built off the 50% portfolio allocation split between Vanguard's Mega Cap Growth fund (MGK) and Mega Cap Value Fund (MGV), which were purchased in the beginning of 2016, to create a portfolio tailored towards individual securities and sectors that we believed would prove advantageous. In the spring semester of 2017, the group invested approximately $7,400 in the Vanguard Financial Sector ETF (VFH) and approximately $15,000 in Vanguard's Dividend Appreciation ETF (VIG) to increase the fund's exposure to the financial sector and income-orientated stocks. At the beginning of the fall semester, the group continued the investment strategy by investing approximately $8,000 in the Red Oak Technology Select Fund (ROGSX) to increase our portfolio's exposure to the cloud computing and software service companies with concentrated positions in holdings such as Google, Microsoft, Oracle, Cisco and Intel. After the second meeting, the group approved an $8,000 investment in the Vanguard Healthcare Sector Fund (VGHCX) to provide the portfolio with low-cost actively managed exposure to the healthcare sector and more specifically, the pharmaceutical industry. Following the two sector-specific investments in early September, the group invested approximately $10,000 in the iShares Russell 2000 ETF (IWO) for the benefit of style-based diversification. The ETF provided our portfolio with small cap exposure while mitigating individual security risk by containing a large number of diversified holdings. Our primary goal was to complement the large-cap concentrated portfolio with small-cap securities for long-term capital appreciation. Finally, for the benefit of diversification, the group approved of an investment of approximately $5,000 in the Utilities Select Sector SPDR ETF (XLU). However, given the explicit goal to divest funds from the portfolio the group approved of the trade, but did not execute it to avoid trading fees. Instead, the group integrated the underlying holdings into the portfolio according to a hypothetical $5,000 investment in XLU.

By mid-October, the portfolio was comprised of 1,973 underlying holdings through seven in-the-market investments and one fund hypothetically integrated into the portfolio (XLU). The investment process beginning in early 2017 successfully allowed the organization to invest approximately $50,000 of capital in weekly increments while mitigating risks associated with concentrated investments in single securities. On October 17th, the top ten holdings accounted for 15.00% of the portfolio's total value and held Apple, Inc. (AAPL) as its largest holding at 2.31% of the portfolio's total value. The portfolio's sector allocations were tilted towards technology (18.48%), Healthcare (15.72%) and Financials (15.44%). With a 12.85% cash allocation, the portfolio traded out of the seven funds held at a value of $130,458.22 on October 18th and invested in the top 120 underlying securities leaving a cash balance of 8.90%. The 120 selected holdings represented approximately 62.36% of the portfolio's value and allowed the fund to remain relatively diversified. The amount invested in each holding was based on 91.00% of the portfolio's value being allocated to the top 120 holdings in proportion to their previous weight. The trading increased the value of the fund's top ten holdings to 25.29% of the portfolio and increased the amount invested in Apple, Inc. (AAPL) to 3.85% of the portfolio's total value. The divestiture of $130,458.22 in funds and acquisition of $140,827.78 in individual securities cost the portfolio 56 basis points of transaction costs. Fortunately, the transaction costs are mitigated by the fact that the portfolio is no longer paying expense fees. The portfolio of individual securities allowed the organization to group the securities by sector and manage them as sector-specific funds. The portfolio's total return is dependent on the amount of capital allocated to each sector-specific fund and the performance and management of the underlying funds. The strategy delegates layers or responsibility and accountability between respective portfolio managers and their fund's performance as well as the between the managers and executive leadership. This structure models strategies by various asset managers including Russel Investments and American Funds.

DEPAUW UNIVERSITY
Investment Group

Portfolio History

As of: 12/29/2016

Ticker	Security	Shares	Price	Value
MGV	Vanguard Mega Cap Value Index	547	$ 67.75	$ 37,059.25
MGK	Vanguard Mega Cap Growth Index	392	87.11	34,147.12
Cash				70,628.99
Total				$ 141,835.36

As of: 3/31/2017

Ticker	Security	Shares	Price	Value
MGV	Vanguard Mega Cap Value Index	547	$ 68.53	$ 37,485.91
MGK	Vanguard Mega Cap Growth Index	392	95.71	37,518.32
VFH	Vanguard Sector Index Funds Financials	113	60.47	6,833.11
VIG	Vanguard Dividend Appreciation	155	89.94	13,940.70
Cash				49,777.63
Total				$ 145,555.67

As of: 6/30/2017

Ticker	Security	Shares	Price	Value
MGV	Vanguard Mega Cap Value Index	547	$ 69.36	$ 37,939.92
MGK	Vanguard Mega Cap Growth Index	392	100.06	39,223.52
VFH	Vanguard Sector Index Funds Financials	113	62.55	7,068.15
VIG	Vanguard Dividend Appreciation	155	92.67	14,363.85
Cash				49,777.63
Total				$ 148,373.07

As of: 9/30/2017

Ticker	Security	Shares	Price	Value
MGV	Vanguard Mega Cap Value Index	547	$ 71.79	$ 39,269.13
MGK	Vanguard Mega Cap Growth Index	392	104.72	41,050.24
VFH	Vanguard Sector Index Funds Financials	113	65.36	7,385.68
VIG	Vanguard Dividend Appreciation	155	94.79	14,692.45
ROGSX	Red Oak Technology Select Fund	332.64	24.35	8,099.78
VGHCX	Vanguard Healthcare Investment Fund	37.897	213.82	8,103.14
Cash				33,777.58
Total				$ 152,378.00

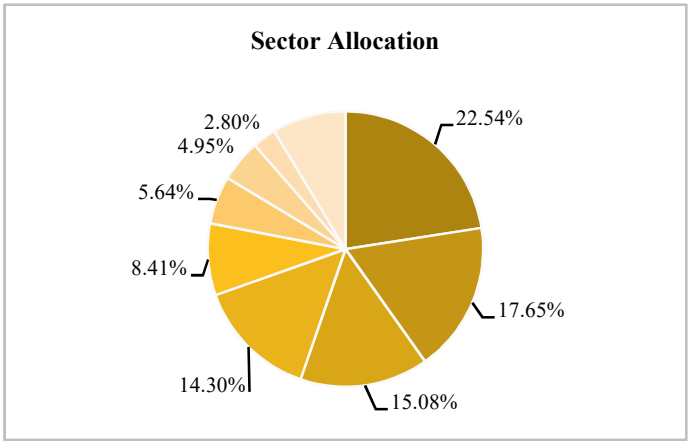
DEPAUW UNIVERSITY
Investment Group

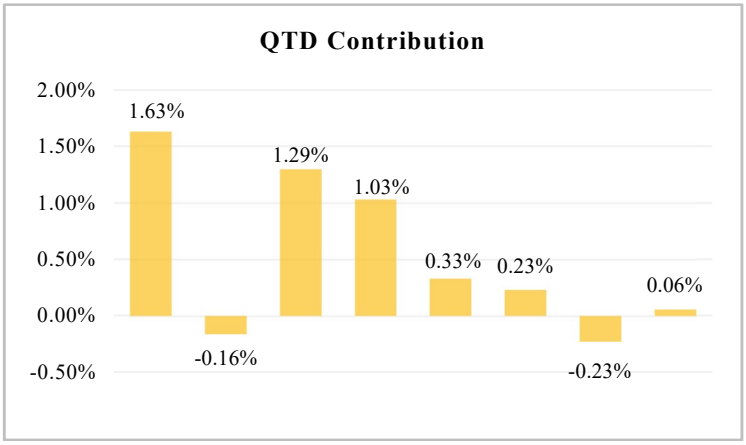
Portfolio Summary

As of: 12/29/2017
Value: $ 160,923.92

The investment group's portfolio remains growth orientated with significant portions of capital allocated in sectors such as Technology (22.54%) Healthcare (17.65%) and Consumer Services (15.08%). Although the financial sector began the semester as the portfolio's third largest sector allocation, the price appreciation of companies in the consumer services sector such as Amazon, AT&T and Home Depot drove the financial sector to the portfolio's fourth largest sector allocation. Looking at the allocation spread from Technology (22.54%) to Energy (2.80%), we recognize the uneven distribution of capital between sectors within our portfolio. While the performance of our top sectors over the third and fourth quarters has increased their respective spreads, we will continue to monitor the distribution of our portfolio and consider the execution of trading strategies to maintain a balanced portfolio.

Sector	Percent	Value	QTD Return	QTD Contribution
Technology	22.54%	$ 36,272.01	7.23%	1.63%
Healthcare	17.65%	28,406.82	-0.91%	-0.16%
Consumer Services	15.08%	24,273.92	8.58%	1.29%
Financials	14.30%	23,011.79	7.18%	1.03%
Industrials	8.41%	13,539.03	3.91%	0.33%
Consumer Goods	5.64%	9,081.87	4.08%	0.23%
Utilities	4.95%	7,959.24	-4.56%	-0.23%
Energy	2.80%	4,501.85	2.05%	0.06%
Cash	8.62%	13,877.39		





Top 10 Holdings

Total: 26.31%

Ticker	Company	Weight
AAPL	Apple Inc.	4.00%
GOOG	Alphabet Inc	3.90%
MSFT	Microsoft Corporation	3.72%
AMZN	Amazon.com, Inc.	2.91%
FB	Facebook Inc	2.30%
JPM	JPMorgan Chase & Co.	2.19%
JNJ	Johnson & Johnson	2.17%
BRKB	Berkshire Hathaway Inc. Class B	1.85%
BAC	Bank of America Corp	1.65%
WFC	Wells Fargo & Co	1.62%

DEPAUW UNIVERSITY Investment Group

Portfolio Sector Analysis

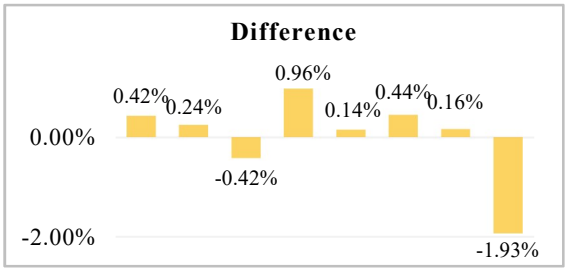
As U.S. equity markets reached record highs throughout the calendar year, it was our top priority to strategically decrease the portfolio's cash allocation. Decreasing the portfolio's cash allocation allowed the portfolio to fully realize the return on the securities within the portfolio. We believe this was reflected by the decreasing spread between the investment group's return and the S&P 500's return. Since February of 2016, the portfolio has realized a 13.60% annualized rate of return compared to the S&P's 20.80%. However, more recently the portfolio has returned 5.25% in the fourth quarter of 2017 compared to the S&P's 6.19% and the portfolio's 0.50% return since November 30th compared to the S&P 500's 1.04% MTD return. The decreasing spread can be attributed to a lower cash allocation instead of active management as the portfolio, in its current form, resembles the top 120 holdings of the market cap weighted S&P 500 index.

The benchmarks' MTD performance primarily reflects continued QTD momentum apart from a 6.18% loss in the Utilities sector and a 4.99% gain in the Energy sector. While the portfolio missed the benefit of the Energy sector's late gains, the portfolio minimized losses in the Utilities sector as the two sectors represent the portfolio's lowest weightings. In the fourth quarter, the 22.54% allocation in the Technology sector benefited our portfolio but we recognize lower contributions from the Financial and Consumer Services sector due to the overweight position in the Healthcare sector. Although the Healthcare fund underperformed other sectors, we maintain a positive long-term outlook on the sector.

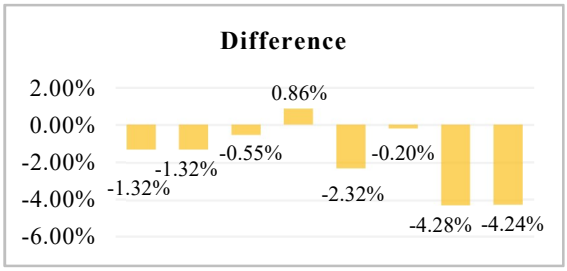
Looking forward, we remain confident in our top sector allocations, however we will consider rotating capital to distribute the portfolio according to our thesis on market sentiments and momentum. Further, while we reaffirm our thesis on top sectors, we also recognize the performance of sub-funds, and subsequently the master fund, are dependent on the weights of underlying securities.

Sector Analysis

11/30 to 12/29 (MTD)	Benchmark	Fund	Difference
Technology	-0.07%	0.35%	0.42%
Healthcare	-0.78%	-0.54%	0.24%
Consumer Services	2.42%	2.00%	-0.42%
Financial	1.03%	1.99%	0.96%
Industrials	0.96%	1.11%	0.14%
Consumer Goods	1.18%	1.63%	0.44%
Utilities	-6.18%	-6.02%	0.16%
Energy	4.99%	3.06%	-1.93%



9/30 to 12/29 (QTD)	Benchmark	Fund	Difference
Technology	8.55%	7.23%	-1.32%
Healthcare	0.41%	-0.91%	-1.32%
Consumer Services	9.13%	8.58%	-0.55%
Financial	6.32%	7.18%	0.86%
Industrials	6.23%	3.91%	-2.32%
Consumer Goods	4.28%	4.08%	-0.20%
Utilities	-0.28%	-4.56%	-4.28%
Energy	6.30%	2.05%	-4.24%



Portfolio Performance Review

According to our portfolio's structure, we define successful portfolio management as the ability to not only hold well-performing securities but to also enable top returning securities to contribute to the portfolio's total return through heavier allocations. By this standard, our portfolio missed significant returns in the fourth quarter of 2017. Although top weighted securities performed well in the fourth quarter, they underperformed companies such as Nike, Inc., Qualcomm, Inc., and Caterpillar, Inc. Several other companies had strong fourth quarter returns carrying their YTD momentum. For example, within the portfolio, Boeing returned 13.21% QTD closing out its year as the leader of the Dow Jones Industrial Average.

On the top-end of our portfolio's performance, Nike, Inc. has continued to dominate its industry and beat earnings expectations. However, in a trend-sensitive industry like the athletic apparel industry, we are hesitant to grant the company more capital and accept its lost contribution to total return in the fourth quarter. With companies such as Caterpillar, Inc. and Union Pacific Corp., we affirm our positive thesis on the Industrials sector and recognize benefits coming from tax cuts materializing and public-private focused infrastructure investments. As stated, although we missed contributions from top returning securities, we are confident in our top positions on an individual security basis but will consider sector-based rotations for the benefit of future returns.

On the bottom-end of our portfolio's performance, volatility of individual holdings in the Healthcare sector such as Celgene Corp., Allergan Plc and Regeneron Pharmaceuticals, Inc., dragged on the portfolio's total return. The headline story of the fourth quarter, however, is the downfall of General Electric Company. Although the market reacted positively for a couple hours to their announcement to trim their dividend, the stock has plummeted since November. Looking forward, the ability to sell securities will test the management team. While it is easy to hold on to underperforming companies such as GE and Celgene, we understand the importance of the opportunity cost of capital. Perhaps both companies rebound in the future, but we must justify their position or search for companies to allocate their capital to in the meantime. With Celgene, we believe it is important to monitor their drug pipeline to consider future earnings. For example, with their recent announcement of less than desired results from two of their cancer drugs, we may consider taking the losses and reallocating capital. With GE, their ability to generate earnings with positive momentum will be dependent on internal operational efficiency. While their stock remained relatively flat throughout the last month of 2017, we believe upward price momentum, albeit slow, is possible.

Individual Security Analysis

Top Ten Return

Ticker	Company	Return
NKE	Nike, Inc.	22.15%
QCOM	QualComm, Inc.	21.97%
CAT	Caterpillar Inc.	20.18%
UNP	Union Pacific Corp.	19.80%
AET	Aetna, Inc.	19.10%
SCHW	Charles Schwab Corp	18.68%
COST	Costco Wholesale Corp.	17.19%
INTC	Intel Corp.	16.96%
ANTM	Anthem Inc.	16.72%
ADBE	Adobe Systems Inc.	16.47%

Bottom Ten Return

Ticker	Company	Return
GE	General Electric Company	-24.22%
CELG	Celgene Corporation	-23.67%
AGN	Allergan plc	-20.41%
EIX	Edison International	-18.52%
PPL	PPL Corp	-18.12%
REGN	Regeneron Pharmaceuticals, Inc.	-15.64%
PCG	PG&E Corporation	-15.18%
BSX	Boston Scientific Corporation	-14.89%
MRK	Merck & Co., Inc.	-11.52%
GILD	Gilead Sciences, Inc.	-10.28%

Top Ten Contribution

Ticker	Company	Contribution
AMZN	Amazon.com, Inc.	0.42%
MSFT	Microsoft Corp.	0.36%
AAPL	Apple, Inc.	0.31%
JPM	JP Morgan Chase & Co.	0.22%
GOOG	Alphabet, Inc.	0.21%
WFC	Wells Fargo & Co	0.20%
BAC	Bank of America Corp	0.19%
UNH	UnitedHealth Group, Inc.	0.18%
INTC	Intel Corp.	0.18%
NKE	Nike, Inc.	0.16%

Bottom Ten Contribution

Ticker	Company	Contribution
GE	General Electric Company	-0.23%
AGN	Allergan Plc	-0.19%
CELG	Celgene Corporation	-0.13%
MRK	Merck & Co., Inc.	-0.12%
REGN	Regeneron Pharmaceuticals, Inc.	-0.09%
EIX	Edison International	-0.07%
BSX	Boston Scientific Corporation	-0.06%
PPL	PPL Corp.	-0.06%
PCG	PG&E Corp.	-0.05%
BMY	Bristol-Myers Squibb Co	-0.05%

Technology Fund Performance Review

Overview

The Technology sector continues to drive innovation in the U.S. and global economy. In the fourth quarter of 2017, the iShares U.S. Technology ETF, the fund's benchmark, gained 8.55%. The technology sector's performance was largely due to better than expected earnings of top companies such as Apple, Microsoft, Intel, and Google. Although the sector flattened towards the end of the fourth quarter, companies stand to benefit from positive 2018 earnings outlooks and the benefits of U.S. tax reform.

The DePauw Investment Group's Technology fund returned 7.23% in the fourth quarter, underperforming the benchmark by 1.32%, but outperformed the benchmark in the last month of the quarter by 0.42% at 0.32% MTD. Although the fund underperformed the benchmark for the quarter, the fund contributed 1.58% to the portfolio's total return with the highest weighting at 22.54%.

Contribution Analysis

Although the Technology fund posted positive absolute returns, it underperformed the benchmark. While the group's technology fund benefited from concentrated top holdings in well-performing companies, the benchmark benefited from a larger number of companies with higher absolute returns. For example, while Qualcomm, Inc. (21.97%) led the fund's QTD return, it was the eleventh highest returning security in the benchmark. Conversely, the fund was benefited by its lack of diversification as its worst performing security, HP, Inc. (-3.75%) performed significantly better than the benchmark's worst performing security, Pandora Media Inc. (-37.40%). However, given the fact that the group's top five securities contributed 5.48% to the fund's QTD returns while the benchmark's top five securities contributed a similar 5.35%, we know that the underperformance was largely due to the missed returns in the first half of October before our trades were executed as well as the benchmarks larger number of well performing securities.

Of the individual securities, Microsoft Corp. (1.65%) was the largest contributor to the fund's QTD performance. The price appreciation was largely due to the third quarter earnings announcement on October 26th that reported EPS at $0.84 versus the $0.72 consensus estimate and revenue at $24.54 billion versus the consensus estimate of $23.56 billion. According to the earnings transcript, the company benefited from better than expected revenue in personal computing and announced an increase in the company's dividend. Apple, Inc. (1.41%) provided the second largest contribution to the fund's QTD performance as the market rewarded the company for beating consensus estimates for both revenue and earnings for the company's fourth quarter of its fiscal year. Apple, Inc reported strong sales of the iPhone 8 and 8 Plus as well as all-time high revenue in its service and content business. On the negative end of the fund's QTD performance, the fund was pulled down by Oracle Corp. (-0.13%), HP Inc. (-0.09%) and NVIDIA Corp. (-0.06%).

Outlook

Although we remain positive on the outlook of the U.S. Technology sector, we recognize the importance of quality companies with positive outlooks for capital appreciation. In this sense, although our fund was benefited by the positive performance of a concentrated number of holdings, we recognize the fact that a lack of diversification could act as a negative headwind if there is a pullback in the sector. On an individual security basis, we will continue to monitor Broadcom's attempt to acquire Qualcomm and any other potential mergers that could positively or negatively influence the fund's performance. Further, it will be essential for the analysts and other students working with the technology fund to continue to monitor the news for new trends in 2018. Especially in the technology sector, there are often new breakthroughs in both hardware and business plans that create exceptional opportunity.

Technology Fund Summary

Number of Holdings:	16	MTD Return:	0.4%
Portfolio Weight:	22.5%	QTD Return:	7.2%

Top 5 Holdings

Ticker	Name	Weight
AAPL	Apple, Inc.	17.73%
GOOG	Alphabet, Inc.	17.31%
MSFT	Microsoft, Corp.	16.51%
FB	Facebook, Inc.	10.22%
INTC	Intel, Corp.	5.22%

Top 5 QTD Return

Ticker	Name	Return
QCOM	Qualcomm, Inc.	21.97%
INTC	Intel, Corp.	16.96%
ADBE	Adobe Systems, Inc.	16.47%
CSCO	Cisco Systems, Inc.	14.24%
TXN	Texas Instruments, Inc.	11.11%

Bottom 5 QTD Return

Ticker	Name	Return
HPQ	HP, Inc.	-3.75%
ORCL	Oracle, Corp.	-2.72%
NVDA	NVIDIA, Corp.	-1.93%
FB	Facebook, Inc.	1.15%
AVGO	Broadcom, Ltd.	4.11%

Top 5 QTD Contribution

Ticker	Name	Contribution
MSFT	Microsoft, Corp.	1.65%
AAPL	Apple, Inc.	1.41%
GOOG	Alphabet, Inc.	0.96%
INTC	Intel, Corp.	0.81%
CSCO	Cisco Systems, Inc.	0.65%

Bottom 5 QTD Contribution

Ticker	Name	Contribution
ORCL	Oracle, Corp.	-0.13%
HPQ	HP, Inc.	-0.09%
NVDA	NVIDIA, Corp.	-0.06%
CRM	Salesforce.com, Inc.	0.08%
AVGO	Broadcom, Ltd.	0.09%

Healthcare Fund Performance Review

Overview

Although political rhetoric has increased the Healthcare sector's volatility 2017, the sector continues to provide necessary goods and services to an aging population across the globe. In the fourth quarter, the iShares U.S. Healthcare ETF, the fund's benchmark, gained 0.41%. Although the ETF finished 2017 up 20.82%, the fund's performance was muted in the fourth quarter. While the benchmark's performance was relatively flat compared to other sectors, the Healthcare sector is a beneficial investment for long term growth due to the importance of innovation within the sector and demographic trends in the U.S. and the world.

The DePauw Investment Group's Healthcare fund returned -0.91% in the fourth quarter underperforming its benchmark by 1.32% but outperforming the benchmark in the last month of the quarter by 0.24% at -0.54%. With 17.65% of the master fund's total capital, the Healthcare fund contributed a negative 17 basis points to the master fund's QTD return.

Contribution Analysis

Although we remain confident in top holdings such as Johnson & Johnson, Medtronic and Abbott Laboratories, their relatively muted performance in the fourth quarter allowed underperforming securities such as Merck & Co., Inc., Allergan, Plc and Celgene, Corp. to pull down the fund's performance. The fund's QTD performance was supported by contributions from companies such as UnitedHealth Group, Inc. (0.96%), Aetna, Inc. (0.40%) and Medtronic Plc (0.30%).

In the fourth quarter, some missed returns are attributed to the time between the beginning of the quarter and the investment group's portfolio turnover. For example, Johnson and Johnson, both the benchmark's and the fund's top holding, provided the benchmark with 7.5% return versus 2.40% for the fund. Similarly, despite the fund's 1.79% position in Mylan N.V. versus the benchmark's 0.69%, the company contributed 0.18% to both the fund and the benchmark due to the difference in QTD returns of 11.30% for the fund and 34.87% for the benchmark. The difference in returns between Mylan N.V and Johnson & Johnson accounts for approximately 97 basis points of missed contributions.

Outlook

With 27 holdings, the Healthcare fund is the most diversified fund within the investment group's portfolio of funds. Given the Healthcare sector's volatility, we believe diversification is beneficial in the long-term. Further, given our explicit goal to increase exposure to the Pharmaceutical industry in early September, we recognize the volatility incurred by our position in the Healthcare sector. In the long-term, we remain confident in our Sector allocation. However, if political rhetoric turns into legislation against drug pricing, we will review our industry-specific exposure. Accordingly, analysts are required to stay up to date on new legislation and ideas coming from Washington D.C. to ensure the fund can make appropriate decisions quickly. Further, in 2018 portfolio managers will consider the rising costs of Healthcare and new technological advancements in the sector. Rising costs could affect earnings for many companies and new uses of technology in the industry can provide a source of alpha for our fund if found.

DEPAUW UNIVERSITY
Investment Group

Healthcare Fund Summary

Number of Holdings:	27	MTD Return:	-0.54%
Portfolio Weight:	17.65%	QTD Return:	-0.91%

Top 5 Holdings

Ticker	Name	Weight
JNJ	Johnson & Johnson	12.30%
MDT	Medtronic PLC	8.81%
UNH	UnitedHealth Group, Inc.	7.76%
ABT	Abbott Laboratories	5.22%
BMY	Bristol-Myers Squibb Co.	5.18%

Top 5 QTD Return

Ticker	Name	Return
AET	Aetna, Inc.	19.10%
ANTM	Anthem, Inc.	16.72%
UNH	UnitedHealth Group, Inc.	14.35%
MYL	Mylan N.V.	11.30%
CI	CIGNA, Corp.	8.12%

Bottom 5 QTD Return

Ticker	Name	Return
CELG	Celgene, Corp.	-23.67%
AGN	Allergan plc	-20.41%
REGN	Regeneron Pharmaceuticals, Inc.	-15.64%
BSX	Boston Scientific, Corp.	-14.89%
MRK	Merck & Co., Inc.	-11.52%

Top 5 QTD Contribution

Ticker	Name	Contribution
UNH	UnitedHealth Group, Inc.	0.96%
AET	Aetna, Inc.	0.40%
MDT	Medtronic PLC	0.30%
JNJ	Johnson & Johnson	0.29%
ANTM	Anthem, Inc.	0.22%

Bottom 5 QTD Contribution

Ticker	Name	Contribution
AGN	Allergan plc	-1.02%
CELG	Celgene, Corp.	-0.68%
MRK	Merck & Co., Inc.	-0.66%
REGN	Regeneron Pharmaceuticals, Inc.	-0.49%
BSX	Boston Scientific, Corp.	-0.32%

Consumer Services Fund Performance Review

Overview

The Consumer Services sector continues to benefit from cyclical trends in the U.S. economy with a strong job market unhindered by inflation. In the fourth quarter of 2017, the iShares Consumer Services ETF, the fund's benchmark, gained 9.13%. Returns in the Consumer Services sector were largely attributed to positive third quarter earnings announcements and a strong M&A deal flow.

The DePauw Investment Group's Consumer Services fund returned 8.58% in the fourth quarter underperforming its benchmark by 0.55% and similarly underperformed the benchmark in the last month by 0.42% posting a 2.00% return. Although the fund underperformed its benchmark, it contributed 1.19% to the portfolio's QTD performance as the portfolio's third largest sector allocation at 15.08%.

Contribution Analysis

Although the fund marginally underperformed its benchmark, the performance was strong relative to the broader market. Amazon, Inc. provided strong returns in the fourth quarter up 21.65% and contributing 2.91% to the fund and 2.67% for the benchmark. Although the investment group's fund holds a larger weighting at 19.27% compared to the benchmark's 13.88%, the fund missed 5.51% of return between the beginning of the quarter and the purchasing of Amazon as a single security on October 13th.

Compared to the benchmark with 169 holdings, the investment group's Consumer Services fund is significantly more concentrated with 21 holdings. While the fund's concentration avoided losses by companies such as Office Depot, Inc. (-22.03%), JC Penny, Inc. (-17.06%), and Expedia, Inc. (-16.79%), the fund missed on gains from companies such as Buffalo Wild Wings, Inc. (47.92%) which announced Arby's intent to acquire the company, and L Brands, Inc. (44.72%) which led the S&P 500 QTD. Although the fund missed returns from the top and mitigated losses from bottom holdings in the benchmark, the QTD returns were comparable with similar weights for companies such as Home Depot, Inc. and Wal-Mart Stores, Inc., which posted strong third quarter earnings results in October.

Outlook

The sector continues to be an active space for M&A and innovation by embracing technology to improve customer experience. Although Amazon continues to pose threats to various sectors, we will be reviewing its prospects of capital appreciation with the opportunity cost of capital in mind. Specifically, Amazon's position will be dependent on its ability to produce positive operating income in its international segment and the continued growth of its web services segment. Within the sector, we see two primary trends marked by the competition between Wal-Mart and Amazon. As Amazon enters more capital-intensive spaces such as brick and mortar retail through the acquisition of Whole Foods Markets, Wal-Mart may offer more room for return with a lower P/E ratio and a less expensive path for expansion as it embraces technological innovation to improve customer experience. Moving forward, we recognize Amazon is still a strong investment, but we will review the weightings to capture future returns.

Consumer Services Fund Summary

Number of Holdings:	21	MTD Return:	2.00%
Portfolio Weight:	15.08%	QTD Return:	8.58%

Top 5 Holdings

Ticker	Name	Weight
AMZN	Amazon.com, Inc.	19.27%
T	AT&T Inc.	6.58%
HD	Home Depot, Inc.	6.25%
V	Visa, Inc.	6.11%
VZ	Verizon Communications, Inc.	5.89%

Top 5 QTD Return

Ticker	Name	Return
COST	Costco Wholesale Corporation	17.19%
AMZN	Amazon.com, Inc.	16.13%
HD	Home Depot, Inc.	15.94%
WMT	Wal-Mart Stores, Inc.	15.85%
LOW	Lowe's Companies, Inc.	14.53%

Bottom 5 QTD Return

Ticker	Name	Return
TWX	Time Warner, Inc.	-9.57%
CHTR	Charter Communications, Inc.	-6.79%
NFLX	Netflix, Inc.	-5.20%
CVS	CVS Health Corp	-0.05%
EBAY	eBay, Inc.	1.43%

Top 5 QTD Contribution

Ticker	Name	Contribution
AMZN	Amazon.com, Inc.	2.91%
HD	Home Depot, Inc.	0.93%
COST	Costco Wholesale Corporation	0.73%
LOW	Lowe's Companies, Inc.	0.63%
WMT	Wal-Mart Stores, Inc.	0.60%

Bottom 5 QTD Contribution

Ticker	Name	Contribution
TWX	Time Warner, Inc.	-0.26%
CHTR	Charter Communications, Inc.	-0.22%
NFLX	Netflix, Inc.	-0.14%
CVS	CVS Health Corp	0.00%
EBAY	eBay, Inc.	0.03%

Financials Fund Performance Review

Overview

Financials rallied in the fourth quarter on the back of three Federal Reserve interest-rate hikes throughout 2017. Stronger consumer and corporate balance sheets were positive catalysts for loan growth throughout the year, and the signed tax reform bill is expected to keep the momentum going in 2018. In the final quarter of 2017, the iShares U.S. Financials ETF, the fund's benchmark, rose 6.30%.

The DePauw Investment Group's Financials Fund yielded a 7.18% return in the final quarter of 2017, exceeding the benchmark by 1.88%. With 14.30% of the portfolio's value, the fund contributed 1.03% to the master fund's overall return.

Contribution Analysis

Our allocation in the Financial sector is top-heavy; although we have 19 holdings, the top 5 holdings comprise 58.90% of the sector's weight. Each of these holdings has a greater weight than any company in the benchmark portfolio. The concentration has allowed the fund to benefit from established players within this space. JP Morgan Chase & Co. (1.62%), Wells Fargo & Co. (1.43%), and Bank of America Corp. (1.38%) collectively added 4.43% to the fund's QTD return. Only three of the 19 holdings contributed negative returns totaling -0.37%. This not only highlights the sector's overall success, but also shows higher success rates with the largest players within the sector.

While the fund missed returns from smaller players such as Two Harbors Investment REIT Corp (61.31%) and Synchrony Financial (24.35%), the fund's focus on established firms protected the fund's performance from companies such as Alexander & Baldwin, Inc. (-40.13%) and LendingClub, Corp. (-32.18%), which dragged on the benchmark's performance.

Outlook

In 2018, we believe the macroeconomic conditions and business cycle will provide favorable conditions for the Financial sector. The market is expecting three increases in the Federal Funds rate which will sustain the sector's rally by adding margin for lending operations. General economic growth increases the demand for financing services and therefore broadly benefits the sector. Banks also stand to benefit greatly from the new U.S. tax laws. While repatriation may not look favorable for the first quarter or 2018, after the money is returned to the U.S., banks are expected to flourish as the demand for financing activities initiatives increases.

By its composition alone, the fund is well-diversified with a blend of banking and non-banking financial corporations. However, we also recognize the importance of the stable and sound operations considering the regulatory burden faced by companies such as Wells Fargo & Co. and Deutsche Bank. While we recognize the difficulty associated with predicting these types of events, we understand the importance of understanding the business operations of underlying holdings.

DEPAUW UNIVERSITY
Investment Group

Financials Fund Summary

Number of Holdings:	19	MTD Return:	1.99%
Portfolio Weight:	14.30%	QTD Return:	7.18%

Top 5 Holdings

Ticker	Name	Weight
JPM	JPMorgan Chase & Co.	15.34%
BRKB	Berkshire Hathaway, Inc.	12.92%
BAC	Bank of America Corp.	11.55%
WFC	Wells Fargo & Co	11.34%
C	Citigroup, Inc.	7.76%

Top 5 QTD Return

Ticker	Name	Return
SCHW	Charles Schwab Corp	18.68%
WFC	Wells Fargo & Co	13.35%
BAC	Bank of America Corp	12.56%
JPM	JPMorgan Chase & Co.	10.92%
PYPL	PayPal Holdings, Inc.	10.68%

Bottom 5 QTD Return

Ticker	Name	Return
AIG	American International Group	-6.93%
CB	Chubb Ltd	-2.49%
USB	U.S. Bancorp	-1.07%
BK	Bank of New York Mellon Corp	2.15%
C	Citigroup, Inc.	3.45%

Top 5 QTD Contribution

Ticker	Name	Contribution
JPM	JPMorgan Chase & Co.	1.62%
WFC	Wells Fargo & Co	1.43%
BAC	Bank of America Corp	1.38%
BRKB	Berkshire Hathaway Inc.	0.71%
SCHW	Charles Schwab Corp	0.45%

Bottom 5 QTD Contribution

Ticker	Name	Contribution
AIG	American International Group	-0.21%
CB	Chubb Ltd	-0.12%
USB	U.S. Bancorp	-0.04%
BK	Bank of New York Mellon Corp	0.05%
AFL	AFLAC Incorporated	0.09%

Industrials Fund Performance Review

Overview

The Industrials sector continued to remain buoyed by a positive growth outlook and the passing of tax reform. The Industrials sector also led with Dow Jones Industrial Average in 2017 with top-performing companies such as Boeing (89.43%) and Caterpillar, Inc. (69.92%). In contrast, General Electric, Co. defied the sector as the Dow's worst-performing security falling 20.57% in November after announcing dividend cuts and a lower growth outlook. The iShares Industrials ETF, the fund's benchmark, returned 6.23% QTD and 0.96% MTD.

The DePauw Investment Group's Industrials Fund yielded a QTD return of 3.91%, underperforming the benchmark by 2.29%, and contributed only 0.33% to the master fund's total return with an 8.41% allocation.

Contribution Analysis

Performance within the sector was carried by some of our largest holdings including Union Pacific Corporation (1.87%) and 3M Co (1.08%) and Boeing Co (1.06%). The major drag on performance was due to General Electric, Co.'s 8.12% sector allocation which contributed 2.70% to the fund's losses this quarter. While the losses incurred by GE hurt the fund's total return, we still consider the fund well diversified. Our bottom holding, Caterpillar, Inc., contributed 0.61% to both the benchmark and our fund.

It is also important to disclose the discrepancy with PayPal Holdings, Inc. (PYPL). Although PayPal has a 2.44% allocation in the benchmark, we have classified PYPL as a company within our Financials fund after reviewing the company's 10-K and sector categorizations by other companies such as Morningstar and Yahoo Finance. Its inclusion would have significantly impacted the performance of this fund, but we reaffirm our decision.

Outlook

2017 has been a year of continuing global economic growth in which the markets have hit multiple new highs. Pre-2017, the election of Donald Trump to the United States Presidency gave momentum to the reflation trade. In the fourth quarter of 2017, the sector was benefited by expectations of large investments in infrastructure and the passing of the tax bill. Performance is expected to continue through 2018 as companies consider investing savings from tax reform into capital expenditures.

While the upward momentum of top performing companies such as Caterpillar and Boeing is positive for our fund, we recognize potential limitations in capital appreciation and the opportunity cost of capital. As we review our positions and consider pulling capital from existing holdings in the coming quarter, particular attention should be paid to stocks that have a significant allocation in the benchmark fund but are missing from our portfolio. Specifically, the Aerospace and Defense sub-sector looks particularly attractive in 2018 as we believe it will see an increased demand due to growing geopolitical risk. For example, looking forward we will consider an increased allocation in Raytheon given its performance momentum (exceeded the sector's return by 7 percentage points in 2017), its international business mix with 40% of current orders coming from foreign sources, and its 8.68% profit margin relative to the sub-sector's 7.22% margin.

Industrials Fund Summary

Number of Holdings:	15	MTD Return:	1.11%
Portfolio Weight:	8.41%	QTD Return:	3.91%

Top 5 Holdings

Ticker	Name	Weight
MMM	3M Co.	13.91%
UNP	Union Pacific Corporation	10.90%
UTX	United Technologies Corp.	9.42%
BA	Boeing Co.	8.71%
GE	General Electric Company	8.12%

Top 5 QTD Return

Ticker	Name	Return
CAT	Caterpillar, Inc.	20.18%
UNP	Union Pacific Corporation	19.80%
BA	Boeing Co.	13.21%
FDX	FedEx Corporation	12.83%
MMM	3M Co.	8.09%

Bottom 5 QTD Return

Ticker	Name	Return
GE	General Electric Company	-24.22%
GD	General Dynamics Corporation	-4.63%
RTN	Raytheon Company	-0.28%
DWDP	DowDuPont, Inc.	0.48%
UPS	United Parcel Service, Inc.	0.70%

Top 5 QTD Contribution

Ticker	Name	Contribution
UNP	Union Pacific Corporation	1.87%
MMM	3M Co.	1.08%
BA	Boeing Co.	1.06%
UTX	United Technologies Corp.	0.69%
FDX	FedEx Corporation	0.65%

Bottom 5 QTD Contribution

Ticker	Name	Contribution
GE	General Electric Company	-2.70%
GD	General Dynamics Corporation	-0.23%
RTN	Raytheon Company	-0.02%
DWDP	DowDuPont, Inc.	0.02%
UPS	United Parcel Service, Inc.	0.03%

Consumer Goods Fund Summary

Overview

Throughout 2017, the Consumer Goods sector has trailed the overall market and more specifically, growth-oriented investments. However, relative to peer value-oriented sectors such as Industrials, Utilities and Energy, the Consumer Goods sector posted a strong finish to the year. For the fourth quarter, the iShares Consumer Goods ETF, the fund's benchmark, gained 4.28%.

The DePauw Investment Group's Consumer Goods fund returned 4.08% QTD underperforming the benchmark by 20 basis points. However, the fund outperformed the benchmark in the last month by 44 basis points with a 1.63% return MTD. At 5.64% of the portfolio's value, the fund marginally outperformed the Industrials fund (3.91% QTD) which accounts for 8.41% of the portfolio's total value and significantly outperformed the Healthcare fund (-0.91% QTD) which accounts for 17.65% of the portfolio's value. However, given the concentration risk associated with the Consumer Goods fund and our long-term outlook for the Industrials and Healthcare sectors, we accept the lost potential for contribution.

Contribution Analysis

Although the Consumer Goods fund and its benchmark posted similar QTD results, the sources of return significantly differ due to the structures of each fund. The Consumer Goods fund currently holds eight companies with its top three positions accounting for 57.44% of the fund's value. The concentration benefited the fund with its top holding, PepsiCo, Inc., accounting for 25.09% of the fund and third largest holding, Nike, Inc., accounting for 15.15% contributing 1.52% and 2.86% to the fund's fourth quarter returns, respectively.

In contrast, the benchmark realized less from mutual holdings such as, Nike, Inc. (0.63%) and PepsiCo, Inc. (0.55%), but benefited from other companies such as Altria Group, Inc. (0.69%), Constellation Brands, Inc. (0.22%) and Estee Lauder, Inc. (0.20%). The benchmark also benefited from strong returns from Calatlantic Group, Inc. and Skechers, USA Inc. at 53.94% and 50.82%, respectively.

Outlook

The fund's QTD return is solid and comparable to the broader market's fourth quarter performance. Further, we estimate the fund missed no more than 30 to 40 basis points of return provided the Consumer Goods fund's 5.64% portfolio weight. While the Consumer Goods fund would have contributed more return to the portfolio if it had capital from the Healthcare or Industrial funds, we remain confident in our positions given the concentration risk associated with the Consumer Goods fund. As we look to mitigate the concentration risk of the fund, we will focus on companies in the Consumer Staples sector such as Walgreen Boots, General Mills, and Kroger Company offering strong prospects for capital appreciation.

Looking forward, we will also reevaluate our top holdings and their prospects for growth in both revenue and share price. PepsiCo, Inc.'s price appreciation in the fourth quarter can be attributed to a recovery from the third quarter and Nike, Inc.'s ability to maintain positive momentum seems speculative given the nature of trends in the sports apparel industry. Along with reviewing these holdings, we will also consider divesting Coca-Cola Bottling Co. (COKE) for its parent owner Coca Cola, Inc. (KO) as represented in the benchmark. According to its 10-K report, Coca-Cola (KO) represents the ownership rights and royalties associated with Coca-Cola products while Coca-Cola (COKE) represents the more capital-intensive bottling business operations. Further, KO also discloses a 35% ownership of publicly traded COKE shares. Therefore, we believe it would be in our best interest to divest from COKE and purchase KO.

Consumer Goods Fund Summary

Number of Holdings:	8	MTD Return:	1.63%
Portfolio Weight:	5.64%	QTD Return:	4.08%

Holdings

Ticker	Name	Return	Weight	Contribution
PEP	PepsiCo, Inc.	6.20%	25.09%	1.52%
PG	Procter & Gamble Co	-1.24%	17.20%	-0.22%
NKE	Nike Inc	22.15%	15.15%	2.86%
COKE	Coca-Cola Bottling Co.	-5.07%	14.22%	-0.79%
CL	Colgate-Palmolive Company	-0.75%	10.80%	-0.08%
ITW	Illinois Tool Works Inc.	8.75%	7.35%	0.62%
ECL	Ecolab Inc.	1.79%	5.91%	0.11%
KHC	Kraft Heinz Co.	1.69%	4.28%	0.07%

Utilities Fund Performance Review

Overview

Considering the market's strong performance in 2017, the traditionally defensive Utilities sector has been out of favor and lacked returns. The iShares U.S Utilities ETF, the fund's benchmark, yielded a -0.28% return in the final quarter of 2017. Further, the year's close was particularly difficult for benchmark as it fell 6.17%.

The DePauw Investment Group Utilities Fund returned -4.56% QTD, underperforming its benchmark by 4.84% and contributed -0.23% to the master fund's total return with a 4.95% allocation. The fund marginally outperformed the benchmark in the last month of 2017 by 12 basis points returning -6.02%.

Contribution Analysis

The fund's top performing security, Dominion Resources, Inc. contributed the largest amount of return to the portfolio at 0.27%. While we view this as a positive given our overall objectives, the 2.33% total return from Dominion reflects poorly on the Utilities fund even in a sector experiencing difficulty. For example, the decision to hold NextEra Energy Partners, LP, instead of its parent company, NextEra Energy, Inc., caused our portfolio to miss a full 100 basis points of QTD return. Further, a lack of diversification enabled Edison International, 6.36% of the fund's capital versus 2.63% of the benchmark, to drag down the fund's total return by 1.38% versus 0.58% for the benchmark.

Outlook

Although we view the Utilities fund as a hedge and downside protection for the portfolio, we will prioritize the fund's management to mitigate its negative impact on the master fund. While the fund is one of the lowest allocations, there are still strategic initiatives to implement to protect our portfolio's drawback. For example, diversification would allow the fund to maintain its defensive purpose without compromising the portfolio's total return. Looking forward, we reaffirm the Utilities fund as one of our smallest allocations given its yield orientated nature and the rising interest rate environment.

Utilities Fund Summary

Number of Holdings:	11	MTD Return:	-6.02%
Portfolio Weight:	4.95%	QTD Return:	-4.56%

Top 5 Holdings

Ticker	Name	Weight
NEP	NextEra Energy Partners LP	16.83%
DUK	Duke Energy Corp	12.68%
D	Dominion Resources, Inc.	12.22%
SO	Southern Co	10.88%
EXC	Exelon Corporation	8.91%

Top 5 QTD Return

Ticker	Name	Return
D	Dominion Resources, Inc.	2.33%
AEP	American Electric Power Co.	0.87%
ED	Consolidated Edison, Inc.	0.54%
NEP	NextEra Energy Partners LP	0.23%
EXC	Exelon Corporation	-0.58%

Bottom 5 QTD Return

Ticker	Name	Return
EIX	Edison International	-18.52%
PPL	PPL Corp	-18.12%
PCG	PG&E Corporation	-15.18%
SRE	Sempra Energy	-6.19%
SO	Southern Co	-6.03%

Top 5 QTD Contribution

Ticker	Name	Contribution
D	Dominion Resources, Inc.	0.27%
AEP	American Electric Power Co.	0.07%
NEP	NextEra Energy Partners LP	0.04%
ED	Consolidated Edison, Inc.	0.03%
EXC	Exelon Corporation	-0.05%

Bottom 5 QTD Contribution

Ticker	Name	Contribution
EIX	Edison International	-1.38%
PPL	PPL Corp	-1.07%
PCG	PG&E Corporation	-0.96%
SO	Southern Co	-0.67%
SRE	Sempra Energy	-0.42%

Energy Fund Performance Review

Overview

Since oil prices fell from over $100 per barrel in 2014 to a low of $33 at the beginning of 2016, investors have fled from the energy market seeking returns from growth orientated sectors such as the Technology sector and Financials. As oil prices struggled to top $50 per barrel in 2017, the market continued to punish companies throughout the energy value chain. However, after OPEC and Non-OPEC countries agreed to extend production cuts through 2018 and WTI Crude broke out above $50 in the fourth quarter, the energy sector saw a moderate rebound. In the fourth quarter, the iShares U.S. Energy ETF, the fund's benchmark, gained 5.79%. A significant portion of the QTD return comes from the benchmark's MTD gain of 4.99%.

In the fourth quarter, the DePauw Investment Group's Energy fund underperformed its benchmark QTD and MTD at 2.05% and 3.06%, respectively. The underperformance is primarily attributed to a lack of diversification within the sector. However, the returns are still comparable due to the past structure of the investment group's portfolio and the benchmark's current structure which tracks a market cap weighted index. Given the fact that the investment group's current portfolio is derived from the aggregation of funds tracking market cap weighted indices, the three companies held by the investment group's Energy fund, Exxon Mobil Corp., Chevron Corp. and Schlumberger Limited., also account for 44.49% of the benchmark's value as its top three holdings.

Contribution Analysis

As the world's largest publicly traded oil and gas company, Exxon Mobil Corp. is the largest holding in both the Energy Fund and the benchmark and returned 1.13% and 2.02%, respectively. However, given the significant difference in concentration, Exxon Mobil contributed 0.57% to the fund QTD and 0.48% to the benchmark. Chevron, Corp., the second largest holding in both the fund and the benchmark, returned 4.51% and 6.54%, respectively. While Chevron's total return lagged in the fund compared to the benchmark, Chevron contributed significantly more return to the fund with a 33.37% weight compared to the benchmark's 15.4% weight.

Although the concentration of capital allowed top holdings to contribute more return to the fund, the lack of diversification caused the fund to underperform the benchmark. For example, Occidental Petroleum Corp. (0.50%), Valero Energy Corp. (0.45%) and ConocoPhillips (0.40%) contributed to the spread between the fund and the benchmark.

Outlook

When the investment group turned over its portfolio in mid-October, it was not a priority for the organization to provide exposure to the Energy sector. Until the close of 2017, the energy sector had been volatile and unable to stabilize. Although the group missed returns in the month of December, we will not allocate more capital to the Energy sector until there is an agreed upon thesis for the sector as well as individual holdings. The group does recognize the fact that companies across the energy value chain have strong correlations with economic growth. If the economic growth expands globally and oil producing entities continue to manage production, the energy sector could offer future returns.

Energy Fund Summary

Number of Holdings:	3	MTD Return:	3.06%
Portfolio Weight:	2.80%	QTD Return:	2.05%

Holdings

Ticker	Name	Return	Weight	Contribution
XOM	Exxon Mobil Corporation	1.13%	50.16%	0.57%
CVX	Chevron Corporation	4.51%	33.37%	1.47%
SLB	Schlumberger Limited.	0.08%	16.47%	0.01%

DEPAUW UNIVERSITY
Investment Group

Additional Information

Contact information:

Organization		depauwinvestmentgroup@gmail.com
Mitchell DeShurko	President	Mdeshurko_2018@depauw.edu
Ranjit Singh	President	Ranjitsingh_2018@depauw.edu
Brooke Bandy	Vice President	Brookebandy_2019@depauw.edu
Zach Williams	Vice President	Zacharywilliams_2019@depauw.edu
Hank Neal	Vice President	Henryneal_2020@depauw.edu

Faculty Advisor

Jeff Gropp, Professor of Economics and Management, Director of the Management Fellows Program — jgropp@depauw.edu

Where we work

J.P.Morgan
Lilly
Goldman Sachs
DELTA
salesforce
westMONROE
BALDWIN Financial Advisors
BMO Harris Bank
PLANCORP Your Financial Life Advocate.
Tortoise Capital Advisors
MURANO