2020 Q4 REPORT

HYLANDER STUDENT INVESTMENT FUND

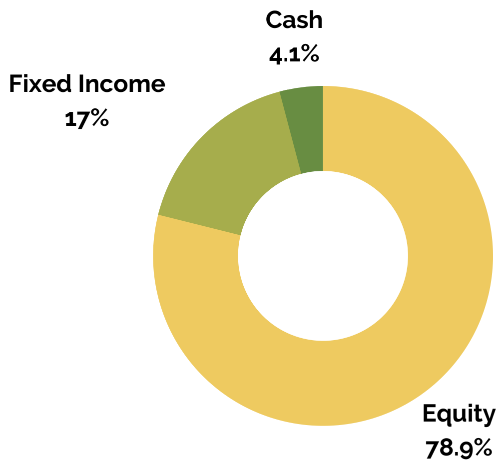
PREPARED BY
HSIF TEAM

UCR School of Business
A. GARY ANDERSON GRADUATE SCHOOL OF MANAGEMENT

HSIF

INVESTMENT APPROACH

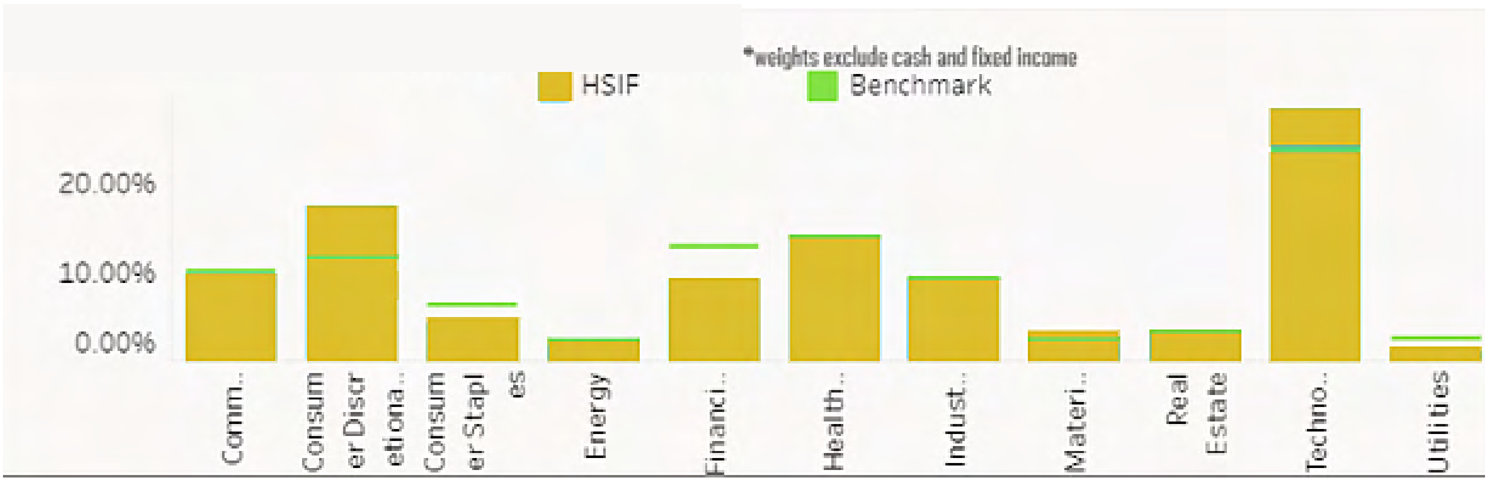
CURRENT ASSET ALLOCATION



The HSIF fund follows a top-down investing approach and focuses on fundamental analysis when selecting securities.Our investment strategy uses growth and value.

Our target asset allocation is 80% equity and 20% fixed income.Our benchmarks consist of 70% Russell 3000 and 30% Bloomberg Barclays Aggregate Bond Index.

SECTOR ALLOCATION



Q4 2020 PERFORMANCE

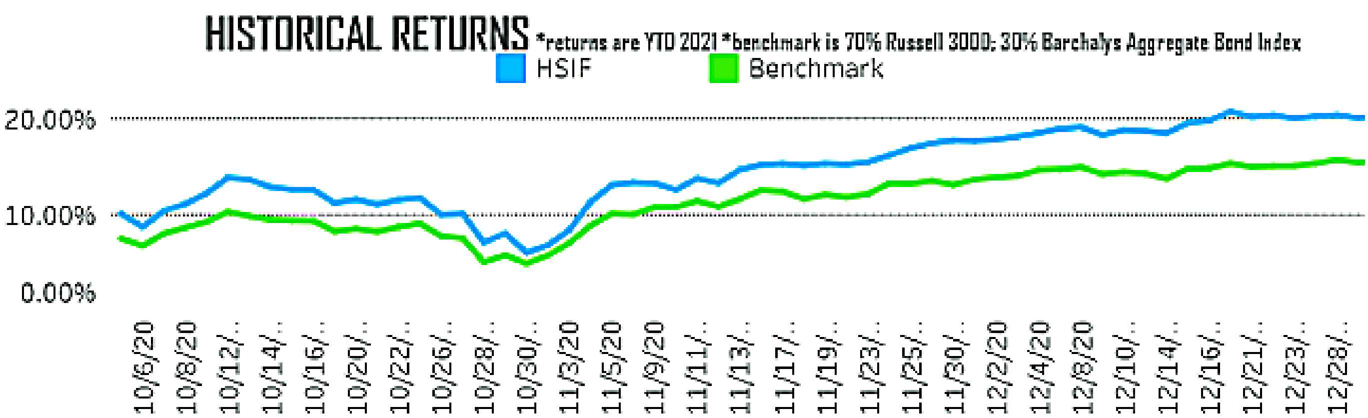
By the end of 2020, the HSIF portfolio returned **20.84%** YTD while the benchmark returned **15.77%**.

20.84%
HSIF

15.77%
Benchmark

Statistics

Tracking Error	0.31%
Information Ratio	1.62
Beta	0.99



Q4 2020 OVERVIEW

Normalizing returns to the beginning of the quarter, the HSIF portfolio returned 10.02%, while the benchmark returned 9.28%. We had 74-basis points outperformance in the HSIF portfolio. When discussing asset allocation at the beginning of the quarter, the team decided not to invest in the energy sector. This decision was made due to the historical underperformance throughout the year of the energy sector overall. After all, by the end of September this same sector had underperformed -50% YTD.

Instead, the decision was made to overweight technology,consumer discretionary, healthcare, and communications sectors. We discussed the strong fundamentals of many companies in these sectors and came to the conclusion these sectors would overperform the broader market.

In the HSIF portfolio, consumer discretionary returned 23.63%, while the sector benchmark returned 7.98%. The HSIF tech sector saw a 12.97% return when compared to 10.25% in the benchmark; and healthcare returned 9.95%, while the sector benchmark returned 7.91%.

Event Highlights During Q4

Q4 experienced significant stock rallies as the markets benefited from easing monetary policy from the Fed. Near the end of October however, the S&P 500 fell 3.5% temporarily as new COVID 19 cases and hospitalizations overwhelmed the nation. This slump was short-lived, with U.S. small caps returning 31% for the quarter and emerging markets returning 19.7%

Another significant event that occurred during Q4 was positive news received on the effectiveness of the COVID 19 vaccine. Sectors that were considered favored by value investors performed favorably well due to this news during the quarter. The energy sector returned +30%, industrials, and materials +15% each, while the financial sector – one that had been heavily affected by the pandemic early on in 2020, returned +22%.

The November election and $900 billion stimulus also contributed significantly to stock rallies in the later part of the quarter. The $900 billion stimulus especially, placed U.S. consumers in a better position to weather out the pandemic induced economic setback.

Q4 2020 SECTOR RETURN VS BENCHMARK

During Q4 2020, we outperformed the sector benchmark in Consumer Discretionary, Technology, and Healthcare.

In the consumer discretionary sector, our outlook in the e-commerce industry growth was proven successful as demand for online shopping increased during the holidays. Moreover, low-interest rates continue to boost construction and refinancing, which in turn helps drive home improvement spending. We remain optimistic on home improvement retailers such as Lowe's and online retailers such as Target. The technology sector saw significant demand for technology equipment and cloud-based services. The work from home trend, at the onset of the COVID 19 pandemic, continued to drive demand in the semiconductor, software, and hardware industry during the later part of 2020.

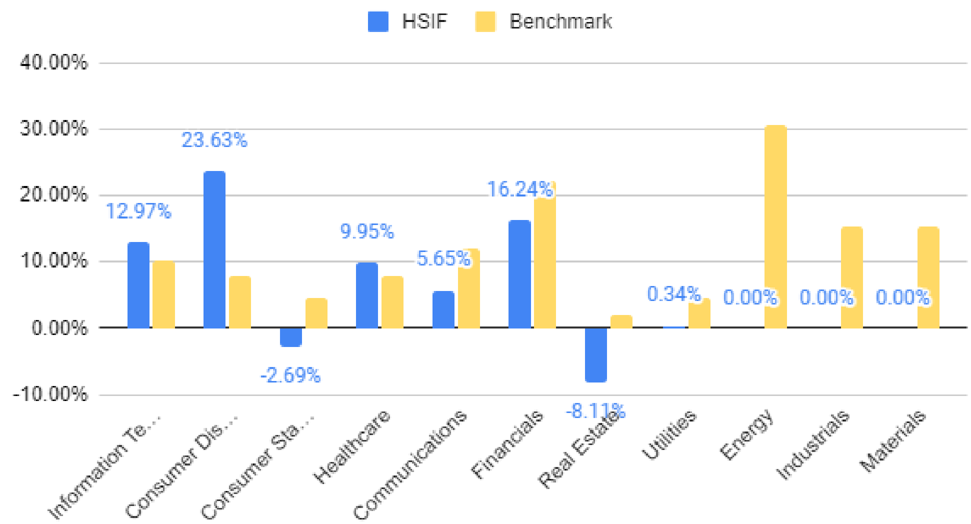
In the healthcare industry, device and medical technology demand increased in the later half of 2020. Pharma companies invested heavily in R&D relating to oncology, immunology and other categories. Global Genomics companies have also seen upsides in their company fundamentals and we expect this industry to continue growing. The financial industry has taken severe losses during the pandemic. However, the industry gained momentum from the sector rotation, which resulted from the news of vaccines. We captured most of the total return of 16.24% in Q4. Due to our concentration on insurance and consumer finance, which is less volatile than other sub-industries, our return in the financial industry lagged the benchmark.

The real estate industry is also negatively affected by the pandemic, as retail real estate and hotel business shrank. Therefore we turned to the specialized REITs to avoid traditional real estate business and increase our exposure to IT-related business, which has shown unique value during the pandemic. However, our positions in Equinix and Crown Castle International, which is data center operator and shared communications infrastructure provider respectively, were struck hard by the news of the vaccine, as investors were favoring pro-cyclical industries, like Financials and Consumer Discretionary. Our position in Equinix had brought us over 19% loss since inception, causing our sector return lagging the benchmark. In order to avoid further losses and spare funds for other investment opportunities, we have liquidated our position in Equinix.

The reason why our return on energy, industrials, and materials are zero is that we did not have equity positions in these sectors as of Q4 2020. Since the beginning of 2021 however, we have already allocated several securities targeted at those sectors, and we will report the returns and earnings beginning next quarter. Below are the top 5 and bottom 5 performing sectors:

Top 5 Performers	Return Q4
Consumer Discretionary	23.63%
Financials	16.24%
Information Technology	12.97%
Healthcare	9.95%
Communications	5.65%

Bottom 5 Performers	Return Q4
Real Estate	-8.11%
Consumer Stables	-2.69%
Energy	0.00%
Industrials	0.00%
Materials	0.00%



Q4 PERFORMANCE ATTRIBUTION

Our portfolio outperformance in Q4 was large attributed to our decision to allocate 80% in equities and 20% in fixed income. The benchmark however, is weighted by 70% in equities and 30% in the AGG bond index. As expected, the equities market saw 2020 as one of its best performing years yet. A 70% weight on the total return for the Russell 3000 in the 4th quarter was 9.38% [HSIF equity portfolio returned 10.66%], while we underweighted the fixed income to the minimum allowed by UCR's guidelines, 20%. A 30% of the fixed income benchmark, AGG, returned 0.19% while HSIF's bond portfolio returned -0.11%.

Another contributing factor was stock selection in the portfolio. Upon entering the quarter, our team got right to work and performed good, thorough research into equities and funds that would be likely to add good value to the portfolio. Below are the top 5 outperformers:

Top 5 Performing Holdings	Return Q4
Amplify Online Retail ETF	40.90%
ARK Genomic Revolution ETF	37.58%
Logitech International SA	19.77%
First Trust Cloud Computing ETF	19.67%
Arthur J Gallagher & Co	17.14%

Unfortunately, we missed out on the energy, industrials and materials sector. The energy sector returned +30%, industrials +15% and materials +15% during the quarter. It was a learning experience for the team. Nevertheless, we have corrected this mistake by investing in these sectors [at the beginning of Q1 2021] and it will serve as a good lesson to pass on to new members that arrive the next school year.

Performance Drivers:	
Asset Allocation	1.30%
Sector Allocation	-1.21%
Stock Selection	0.65%
Over Performance	0.74%

INDIVIDUAL HOLDINGS

as of 12/31/20

Discription	Quantity	Cost Basis Per Share(10/1/2020)	Share Price(12/31/2020)	Return	Total Value	% of Holdi
Fidelity Government Money Market	6998.28		$1.00		$6,998.28	2.99%
First Trust Cloud Computing ETF	192.59	$79.41	$95.03	19.67%	$18,302.21	7.82%
Technology Select Sector SPDR Fund	199.46	$117.58	$130.02	10.58%	$25,933.66	11.08%
Logitech International SA	64.00	$81.15	$97.19	19.77%	$6,220.16	2.66%
NVIDIA Corporation	10.00	$534.41	$522.20	-2.28%	$5,223.57	2.23%
Target Corporation	40.16	$156.68	$176.53	12.67%	$7,088.92	3.03%
Amplify Online Retail ETF	134.43	$91.86	$114.32	40.90%	$15,367.69	6.57%
Lowe's Companies Inc	46.00	$150.83	$160.51	6.42%	$7,383.46	3.15%
Procter & Gamble Co	62.00	$142.98	$139.14	-2.69%	$8,626.68	3.69%
ARK Genomic Revolution ETF	49.00	$67.78	$93.26	37.58%	$4,569.74	1.95%
Health Care Select Sector SPDR Fund	261.08	$106.37	$113.44	6.64%	$29,617.03	12.65%
Communication Services Select Sector SPDR Fund	113.18	$59.65	$67.48	13.12%	$7,637.52	3.26%
Charter Communications Inc	13.00	$619.09	$661.55	6.86%	$8,600.15	3.67%
AT&T Inc.	311.00	$29.05	$28.76	-1.00%	$8,944.36	3.82%
American Express Company	72.32	$104.79	$120.91	15.39%	$8,744.09	3.74%
Arthur J Gallagher & Co	68.56	$105.61	$123.71	17.14%	$8,481.56	3.62%
Equinix Inc	4.02	$825.20	$714.18	-13.45%	$2,867.43	1.23%
Crown Castle International Corp	36.84	$168.01	$159.19	-5.25%	$5,864.72	2.51%
Utilities Select Sector SPDR Fund	110.94	$62.49	$62.70	0.34%	$6,955.75	2.97%
iShares Aaa - A Rated Corporate Bond ETF	234.54	$57.85	$58.52	1.16%	$13,725.46	5.86%
Vanguard Short-Term Treasury Index Fund ETF	436.76	$62.06	$61.60	-0.74%	$26,904.48	11.49%

FORWARD GOALS AND OUTLOOK

Our portfolio asset allocation goals and strategies are based on economic, government, and overall market sentiments.

From the standpoint of the current economy, the US and most other major economies entered 2021 in maturing recoveries. Although some countries are still facing near-term, virus-related hardships, China has shown major progress mostly due to its quicker emergence from lockdowns. Business activity still remains below post-pandemic levels, but emergence of the vaccine suggests that full reopening is on the horizon over the coming year, making a double-dip recession unlikely.

At the end of 2020, a $900 billion additional emergency fiscal stimulus bill was approved by the US government to boost the economy. The Biden administration is also proposing for 1.9 trillion of emergency relief on top of the $900 billion stimulus bill. Such monetary support to boost the economy will serve as a catalyst for strength in US equities.

President Biden also brought forward plans to reduce greenhouse gas emissions through clean energy by investing around $ 400 billion into clean energy and even more into infrastructure. Possible changes include electrification of the transportation system and even heavy-duty trucks; increased investments towards renewable energy in the form of solar, wind, and biofuels. This suggests a bullish sign for the utility sector and renewable energy sector for the coming years. Possible tax increase talks may still not come to light due to a weak economy for the near future.

As the COVID-19 vaccine begins to be distributed around the country, the outlook for high yield credit has improved, especially for companies that have been negatively affected by the pandemic. In the current low yield environment, we will also expose a small portion of the fixed income portfolio to high yield corporate bonds as a yield pickup strategy. Although credit risk is higher in these securities, we see a stronger upside potential than what our current holdings offer. We will be targeting higher-quality debt in sectors with stability because of their ability to weather the impact of the current economic conditions. Looking forward, the team will cautiously monitor any Fed movement, but we do not expect any changes to monetary policy in the first quarter of 2021.

Markets strong recoveries are supported by Fed's generous fiscal stimulus packets and low-interest rates. If fiscal spending increases and the Fed remains supportive, earnings could continue to recover. Consumer Discretionary and Information Technologies had been the best performing sectors for the past 12 months.

We expect Industrials and Renewable Energy sectors to outperform the market for the next 12 months with Consumer Discretionary remaining strong along with Financials and Real Estate beginning to show signs of recovery. We remain bullish on the overall market and continue to allocate our assets according to sectors that we believe will outperform the market for the near future.

PORTFOLIO GUIDELINES

INVESTMENT RESTRICTIONS

a. Capitalization and types of instruments

Investments in the fund should mainly be in equities and fixed income. Part (iii) of this section explicitly states instruments that may not be part of the fund's investments.
All assets of the fund must have readily ascertainable market values and be easily marketable.

(i) Equity investments

Equity investments are restricted to the following instruments:

- Stocks that trade on the NYSE, AMEX, NASDAQ or regional U.S. exchanges
- Common stock
- Exchange-traded funds, excluding structured ETFs that use derivatives
- Stocks of companies with a market capitalization of $500 million or higher
- Stocks of companies that are headquartered in the U.S. or foreign stocks that are listed on U.S. exchanges or that trade in the U.S. as American Depository Receipts (ADRs).

(ii) Fixed income investments

Due to trading costs, fixed-income investments should be done mainly through ETFs. Fixed income funds may only be invested in the following:

- U.S. Treasuries and other U.S. government bonds, including TIPS
- ETFs that focus on Investment-grade corporate bonds of U.S. firms
- High Yield bonds that are mainly U.S. firms
- Developed country bonds that are mainly government bonds
- Less developed countries' government bondsMortgage-backed securities

(iii) Ineligible securities, investments, and trading strategies

The fund may not:

- Engage in short sales or funds that mimic short sales
- Buy on margin or use leveraged ETFs
- Purchase mutual funds purchase preferred stock
- Purchase private placement purchase municipal securities
- Purchase futures, options, or other derivatives trade foreign currencies or purchase ETFs that mainly invest in foreign currencies
- Purchase commodities or commodity ETFs, although stocks of firms that focus on commodities are allowed not make direct real estate investments (REITs or real-estate ETFs are allowed)

b. Diversification and allocation

The fund will maintain a diversified portfolio. To ensure that no one investment dominates the returns of the portfolio the following rules apply:

- No more than 5% may be invested in any one company's stock (ignoring ETF holdings).
- If an investment in a stock reaches 8% of the fund value, the stock must be sold down to less than 5% of the portfolio.
- No more than 30% of the portfolio may be invested in any one sector. A sector is defined as one of the eleven S&P 500 sectors and does not include fixed income.
- No more than 10% of the portfolio may be invested in any one industry.
- No more than 50% of the equity allocation may be invested in stocks with market capitalizations of less than $2 billion.
- No more than 80% of the fund may be invested in equities.
- No more than 20% of the fixed income allocation may be invested in high yield debt or less developed country bonds.
- Foreign equities and ETFs may not exceed 30% of the equity portfolio at the time of purchase.

Portfolio turnover is limited to 125% if the portfolio is fully held in cash at the beginning of the year and 75% if the portfolio is fully invested at the start of the year. Asset allocation should have a target of 0- 20% in cash, 60 – 80% inequities, and 20-40% in fixed income

c. Benchmarking

The performance of the portfolio will be compared to a benchmark that is 70% equities and 30% fixed income. The equity portion of the benchmark will be based on the Russell 3000 Index and the fixed income portion will be based on the Bloomberg Barclays Aggregate Bond Index. While HSIF may deviate from this 70/30 benchmark, as stated in the above asset allocation targets, the team will provide justifications for choosing an allocation from the 70/30 benchmark.

d. Investment team

To ensure that the investment process is well structured and that UCR has sufficient risk management in place, HSIF will be structured around a team of 10-20 students that are chosen each year for the full academic year.

- 1.1 The HSIF investment team will consist of 10-20 members.
- 1.2 Membership on the HSIF team will begin from fall and last until the end of the following summer except for replacement team members, whose terms last until the end of summer.
- 1.3 Only HSIF team members may vote on HSIF trades.
- 1.4 The faculty advisor for HSIF will be the same as the advisor for Hylander Financial Group (HFG) and must be a member of the full-time finance faculty at UCR.
- 1.5 The HSIF team and the HFG club must meet no fewer than five times each quarter during the academic year.
- 1.6 There are two standing HSIF committees: an asset allocation committee of no fewer than three student members and a portfolio committee of no fewer than five student members.
- 1.7 The work of serving as faculty advisor will count as the equivalent of one-quarter course and will be compensated with a course release from the instructor's regular teaching load at the discretion of the Dean.

e. Investment Decisions

The investments made by the students in HSIF are restricted along several dimensions to ensure that the funds grow over time. Specifically, the asset allocation is constrained in that it must include some fixed income, avoid small-cap stocks and derivatives, and be well diversified. HSIF is subject to the following regulations:

- 3.1 Investments of the fund must meet the requirements listed in Appendix A.
- 3.2 All investment decisions require a research report justifying the change to the portfolio.
- 3.3 The student team must vote on all investment decisions.
- 3.4 A quorum for voting is at least 6 members or 50% of the team, whichever is greater.
- 3.5 Only portfolio proposals that receive 51% or more of the vote will be executed.
- 3.6 The faculty advisor may veto any single investment decision made by the students.
- 3.7 The faculty advisor is responsible for ensuring that the portfolio is more conservative in the summer compared to the rest of the year.

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f. Reporting

HSIF will evaluate its performance on a regular basis. Written reports summarizing the performance must be generated each quarter. The HSIF team will also create an annual report that summarizes the results from July 1 to June 30. The report is due by Oct 1.

g.Investment Fund and Payouts

The goal of HSIF is to provide an educational experience to students that will help them understand wealth management. Therefore, it is imperative that the fund not be depleted, either through poor investment decisions or high payouts. Thus, the fund will have no payouts until it reaches $1 million. After that point, the payout rate will be the norm for the university (4%) and will be used to support the costs of the program. Specifically, the payout will go to paying the cost of a faculty advisor. If it ever gets to a size that supports more than the cost of a faculty advisor the funds will go to items that support the investment analysis work.

- 7.1 The investment fund will have no payout until the fund reaches $1 million or June 30, 2022, whichever comes first. No distributions shall be made until the Fund reaches this value or date.
- 7.2 Once the payouts begin, the amount will not exceed 4% a year.
- 7.3 The Advisory Board may vote with the support of at least two members to eliminate the payout for the following year.
- 7.4 The payout will be used to cover the cost of the salary of the faculty advisor.
- 7.5 If the payout exceeds the cost of the salary of the advisor for one course, the remainder may be used for other sources of support for the team, including such items as the cost of Bloomberg machines, trips to investment management companies, CFA exam fees, and other items that are directly related to the work involved in making sounds investment decisions.
- 7.6 If the fund value should reach $25,000 in value, the Fund shall cease to exist, and the Fund shall revert to a student scholarship fund titled the Hylander Student Award Fund to benefit the School of Business undergraduate students who seek a career in financial or investment industries.