



Patrick Henry Investment Group

Annual Report

July 2023

*“Teach us to number our days that we may gain a heart of wisdom.
Satisfy us in the morning with your steadfast love, that we may rejoice and be glad all our days.
Let your work be shown to your servants and your glorious power to their children.
Let the favor of the Lord our God be upon us, and establish the work of our hands;
Yes, establish the work of our hands!”*

Psalm 90:12, 14, 16-17

Letter From the Outgoing President – Everett Chew

Hellen Keller once said that “a bend in the road is not the end of the road... Unless you fail to make the turn.” For the Patrick Henry Investment Group (PHIG), this past school year was full of twists and challenges. We had to change course on multiple occasions, and there were times we couldn’t see where to head next, but the Lord faithfully directed our paths. Through it all, our members remained resilient and committed to the group’s mission, creating a unique sense of community that will leave us stronger than ever before. I owe a special thanks to this year’s student Board members - Inge Washburn, Reagan Van Belle, and Josiah Kitching. These three all helped me navigate the past two semesters, encouraged me when things got difficult, and effectively managed the group’s strategy and operations.

The Fall semester began with a large recruiting and education push from the PHIG leadership team. This was a time where we desperately needed a critical mass of students to function properly. We spoke to dozens of new students about the group and encouraged them to join. At the same time, we revamped the Analyst Training Program (ATP) by creating an online, interactive, self-paced course. We were thrilled when 10 students successfully completed the course by producing a 3-statement model, defending an investment thesis, and passing a verbal interview. The number of analysts more than doubled, and the group’s technical skills also increased to a new level.

The size of our new group brought along an unexpected challenge in the Winter: effectively managing a large number of analysts. We rigorously interviewed and carefully selected two new senior analysts, Ronen Wyrick and Elijah Mendoza, to assist in creating pitches and leading teams. The new senior analysts were immediately thrown into the deep end and tasked with sourcing investment ideas while each managing two analysts under them. I was excited to see these two develop as leaders and grow in their organizational and technical skills.

Early March sent shockwaves through our group when we learned that Signature Bank, one of our holdings, had been seized by the FDIC. The leadership decided to use this difficult situation as an opportunity to learn and grow as a group. We reviewed the investment decision, talked with members of the original pitch team, and adjusted our pitch pipeline process. The renewed focus on reducing downside risk forced everyone to be more cautious with investment decisions in the Spring and will serve as a valuable guideline going forward.

A major highlight of the Spring was making our largest investment to date in Enbridge (ENB). Senior Analyst Hunter Erickson and his team produced an extensive report with robust models on Enbridge that gave us great confidence in moving forward with a larger position. The investment received unanimous approval and was accordingly approved by the PHIG Program Director.

Our group also made great strides accelerating professional development opportunities for members. Senior leadership conducted practice interviews, demonstrated how to network, and wrote extensive industry guides for new members. As a result, PHIG members have received phenomenal offers. This year’s successes include two students interning/working in Investment Banking at Matrix Capital Markets and Wells Fargo, one student in corporate finance at the Aerospace Corporation, and another student at a Private Equity fund. We are excited to see the impact each of these students has as a result of their participation and training in PHIG.



PHIG is in its early stages, and we are still laying the foundation of our portfolio and organizational structure. We are so thankful for your support and contributions to our group. Not only are you donating to our fund or operating budget - you are investing in the minds and lives of dozens of students who will be the next generation of business executives and entrepreneurs. One of those students is our former COO, Inge Washburn. I am excited to welcome her as the new President of PHIG and trust her to guide the group through this new season. I have seen tremendous leadership growth in the past year from her and am confident in her vision for the group.

Below you will find our portfolio update and a message from Inge.

Sincerely,

Everett Chew
PHIG President, 2022-2023

Portfolio Update

Over the past two semesters, our analyst teams examined a number of potential investments. Ultimately, we approved two: Enbridge and Keysight Technologies. PHIG primarily looks for mid- to long-term investments, and thus our investment in these companies reflect a bullish view of where these companies will be in 3-5 years.

Stock Ticker	Price (6/23/23)	Shares	Cost	Cost (Per Share)	Unrealized Gain/Loss (%)	Unrealized Gain/Loss	Realized Gain/Loss	Total Gain/Loss	Market Value
TMO	\$524	5	\$2,755	\$551	-5%	(\$133)	\$0	(\$133)	\$2,621
NKE	\$110	32	\$4,008	\$124	-11%	(\$460)	\$0	(\$460)	\$3,547
SBNY	\$0	13	\$2,885	\$219	0%	\$0	(\$2,885)	(\$2,885)	\$0
ENB	\$36	126	\$5,008	\$40	-9%	(\$448)	\$0	(\$448)	\$4,560

Enbridge (ticker: ENB) On April 12th, we purchased 126 shares of ENB at a price of \$39.75 per share. As the oldest midstream oil & gas distributor with an industry leading 94,000 miles of pipeline. ENB has a strong dividend yield (7.2% at time of writing), healthy margins (25% EBITDA margin at time of purchase), (reasonable debt position (4.8x long term debt to EBITDA at time of purchase) and is undervalued compared to DCF and discount dividend analysis. For these reasons, we believe ENB is best positioned among its peers to capitalize on the geopolitical headwinds for US oil & gas distribution.

Keysight Technologies (ticker: KEYS) On April 24th, we voted to initiate a position of \$3000 in Keysight Technologies (KEYS). KEYS is a leading technology company that specializes in providing cutting-edge electronic measurement solutions to a wide range of industries. KEYS offerings enable engineers, researchers, and scientists to design, develop, and validate electronic devices and systems accurately and efficiently. KEYS' advanced technologies and expertise help customers address complex challenges, accelerate time-to-market, optimize performance, and ensure the reliability and quality of their products. Notable KEYS customers include Apple, Amazon, Lockheed Martin, and NVIDIA. Steady revenue growth, 21% net margins, strong customer retention, and high incremental return on R&D spend - at an attractive valuation - made KEYS a compelling investment opportunity. An allocation in KEYS will be made pending approval from the college administration.

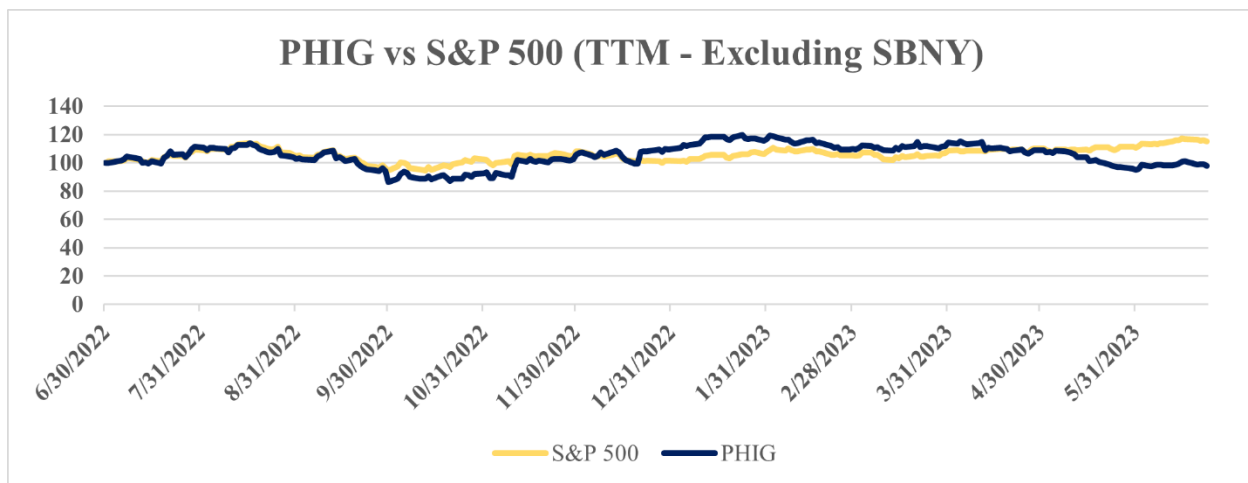
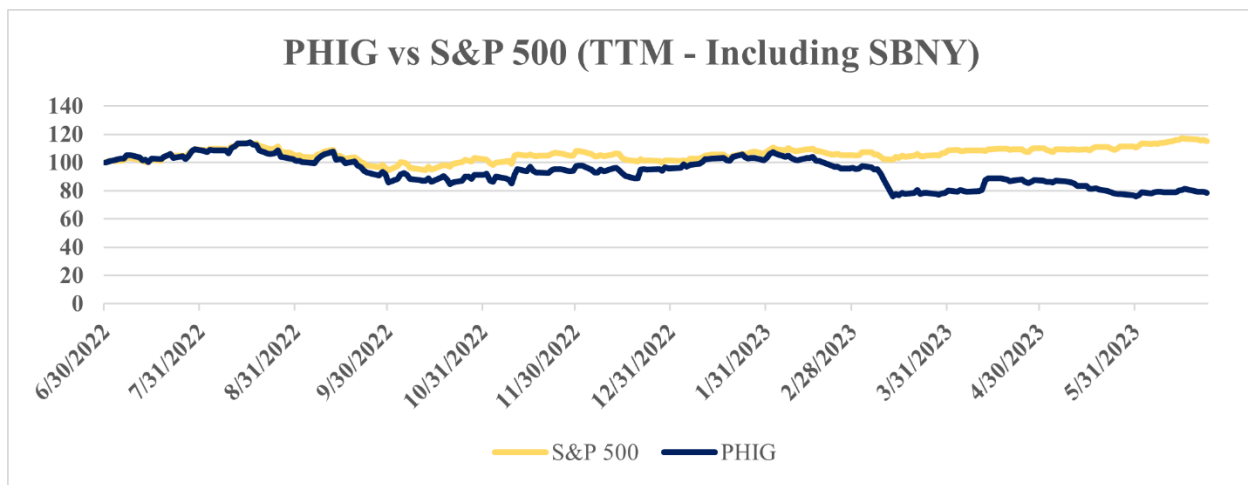
Cash Management: Given economic uncertainty and the possibility of a hard landing in late 2023, we have decided to take a very cautious approach toward investment allocation. As such, 85% of our total portfolio (roughly \$74,000) is in cash. In December of 2022, we purchased \$54,000 of US Treasuries at a 4.3% Yield to Maturity. In April of 2023, the Treasuries matured. We expect to convert a large percentage of our cash balance to treasuries at the beginning of the fall semester. Please note that our reported returns do not include returns from interest on cash or treasuries.

Signature Bank (ticker: SBNY) The thesis behind our investment in SBNY was briefly laid out in the previous report and explicated in our SBNY pitch deck. Prior to SVB's collapse, there was little concern surrounding SBNY. 10 out of 17 analysts listed on Bloomberg ranked the stock a buy after the January 17th earnings report. However, SVB's collapse triggered a run on SBNY's deposits, roughly 90% of which were uninsured. On March 12th, 2023, Signature Bank was closed

by the New York State Department of Financial Services and placed under the receivership of the Federal Deposit Insurance Corporation (FDIC), citing systemic risks to the entire US banking system. Although depositors were made whole, equity holders – including we – were entirely wiped out.

The obvious question, then, is how will we improve our diligence process to avoid future SBNYs? One clear answer is that going forward, we must obtain a deeper understanding of the overall industry in which our prospective company operates. In the aftermath of SVB, First Republic, and SBNY, it became clear that our understanding of the intricacies of the US banking system was far from adequate. Our future research pipeline will emphasize a rigorous understanding of the target industry before developing an equally rigorous understanding of an individual company.

Fund Performance



On a TTM basis, the S&P 500 gained 15%. During the same time period PHIG lost 21% (including SBNY) or 3% (excluding SBNY).

2023-2024 Goals – Inge Washburn

This year is a year of transition. The last founding member of PHIG graduated and we have three new board members: Hunter Erickson (COO), Ronen Wyrick (CRO), and Elijah Mendoza (CFO). I am excited to lead PHIG through this season of transition and believe it is possible to lead successfully with a clear strategy.

PHIG's purpose is to attract exceptional students into the EBA Program and develop them into faithful stewards of God's resources. For PHIG to succeed long-term, every person should know how his role and responsibilities support the strategy. I am working on a one-page visual that defines PHIG's strategy through by showing how each role and its responsibilities support PHIG's mission.

At the start of the summer, we identified key areas of improvement, defined potential solutions, and commenced projects to address these issues: the Senior Analyst Training Program and standardized pitch and reporting processes.

The Senior Analyst Training Program is designed to ensure that new senior analysts are equipped to independently lead a team. We currently require senior analyst applicants to complete a pitch deck, and then pass a one-hour interview in which they explained their investment thesis and supporting models. However, the Senior Analyst Training will add to this by improving pitch process alignment and project management skills. This training program will provide instruction and practice projects to determine whether potential senior analysts have the skills necessary to independently produce a pitch and train new analysts.

We now have a standardized pitch process and plan for regular reporting. The pitch process includes a 5-slide pitch deck template as the core of every pitch and a step-by-step plan for producing a pitch. Teams will learn the fundamentals of building a pitch from this standardized process, then can expand on the central structure as they grow in knowledge. Additionally, we aim to maintain engagement through regular reporting. PHIG seeks to increase member awareness through weekly updates summarizing key current events and portfolio performance. Moreover, as members graduate, the next phase includes maintaining contact with alumni to keep former members updated on PHIG's status and gradually expand PHIG's professional network.

I joined during the planning and development stage of PHIG my freshman year. Since then, PHIG has provided opportunities to learn technical and project management skills, practice godly leadership, and invest in other EBA students. Joining PHIG was one of the best decisions I made as a freshman, and I hope many incoming freshmen make the same choice. Thank you for your support in creating a lasting opportunity for personal and professional growth.

Sincerely,
Inge Washburn
PHIG President, 2023-2024