CASH ALLOCATION STRATEGY: TRIPLE THREAT PLUS 1

Team:	Green Day Traders
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Date Presented:	11/25/2024
Investment Decision:	Did Not Invest

INTRODUCTION:

Our group wanted to best develop a relatively “risk-free” cash allocation strategy that would best protect MSIF’s cash, over the long run, while it waits for future stock investments. The idea was reallocating the current ultra-short-term bond holdings into a marginally better “risk-free” bond ETF, a total market ETF, and an ETF that held physical gold. Too best to keep the beta low and not completely lose out on a larger return by putting it into the market, we weighed each bond ETF to 30%, the total market ETF to 30%, and the gold ETF to 10%. We believe that the weightings between each ETF would give the portfolio an ultra-low beta so the MSIF analysts could pitch high beta, “moonshot” stocks, without significantly raising the portfolio’s beta and potentially putting it above the fund’s beta parameter of 0.7.

OVERVIEW OF THE ETFS:

ETF	iShares Ultra-ST Bonds	iShares 0-3 M Treas. Bonds	Vanguard Total Market	iShares Gold Trust
Ticker	ICSH	SGOV	VTI	IAU
Beta	0.05	0.00	1.01	0.15
Expense Ratio	0.08%	0.09%	0.03%	0.25%
YTD Return	4.98%	4.77%	26.27%	30.87%
Allocation	**~$300,000.00**	**$300,000.00**	**$300,000.00**	**$100,000.00**

ICSH has a broad range of short-term U.S. dollar-denominated investment-grade fixed- and floating-rate debt securities and money market instruments. SGOV has U.S. Treasury bonds with remaining maturities less than or equal to three months. VTI contains Large-, mid-, and small-cap equities diversified across growth and value styles, allows exposure to total market with low fees. IAU has over 12 million ounces of physical gold, allowing exposure to the day-to-day price movement of gold bullion. IAU also provides an excellent store of value and is a sufficient hedge against inflation.

INVESTMENT DECISION SUMMARY:

Our cash allocation strategy was rejected. Our calculations for the effect on portfolio sparked large debate as the class lacked confidence in our projected effects, which we admittedly stated that we had difficulty in calculating given the current state of technology tools available to us. Our strategy also came off as more conservative in terms of how much less market exposure it had compared to the other competing strategy. Class sentiments appear to be bullish in both the short- and long-term horizons, so the opportunity to capture more returns from the market was more favorable with the competing strategy. Our strategy was also perceived as potentially imposing on the Fund’s target return on ~19%, which prompted many students to shy away from our neutrally hedged strategy.