

# Portfolio Review

12/01/2025

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## Cash Flow Crew

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Spencer Gleave

John Robinson

Robert Garaishin

Peter Gagne



# Overview



Macro Strategy: 3C – Hold



Fundamental #1: Vital Farms – Hold



Fundamental #2: PepsiCo – Sell





# Macro Strategy Review

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Statistics	
Total Return	12.62%
Beta	0.25
Standard Deviation	10.91%
Original Position Size	\$49,772
Original Portfolio Weight	5.18%
Current Position Size	\$55,730
Current Portfolio Weight	5.62%
Purchase Date	03/06/2025
Sharpe Ratio	1.18
Jensen Alpha	6.56

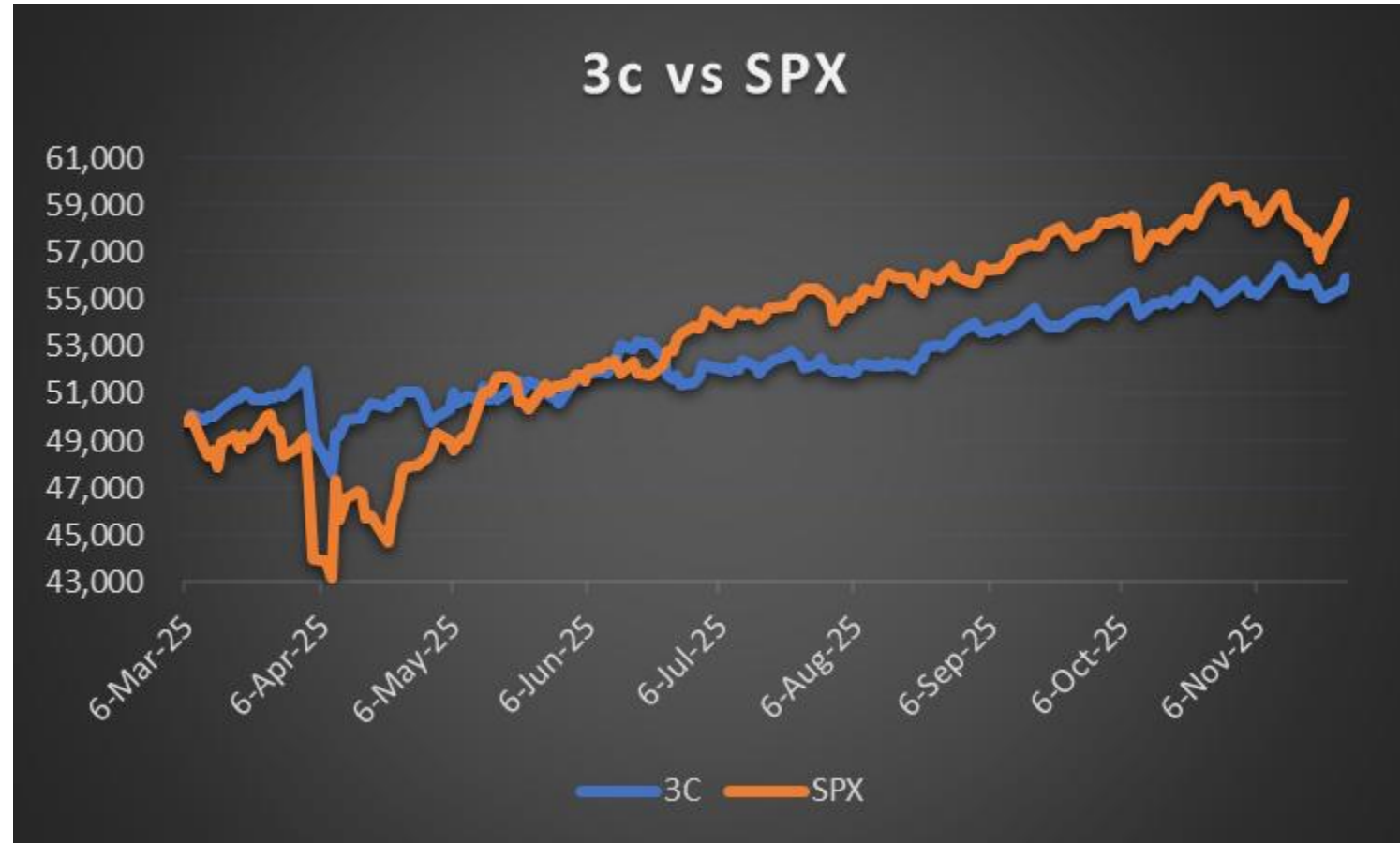
**Original Thesis:** "focus on real assets and essential commodities, positioning our portfolio to benefit from inflation protection, geopolitical uncertainty, and long-term infrastructure trends. Offer diversification across key economic sectors that are resilient to market fluctuations and macroeconomic shifts."

"adding commodities provides a hedge against macroeconomic risks."

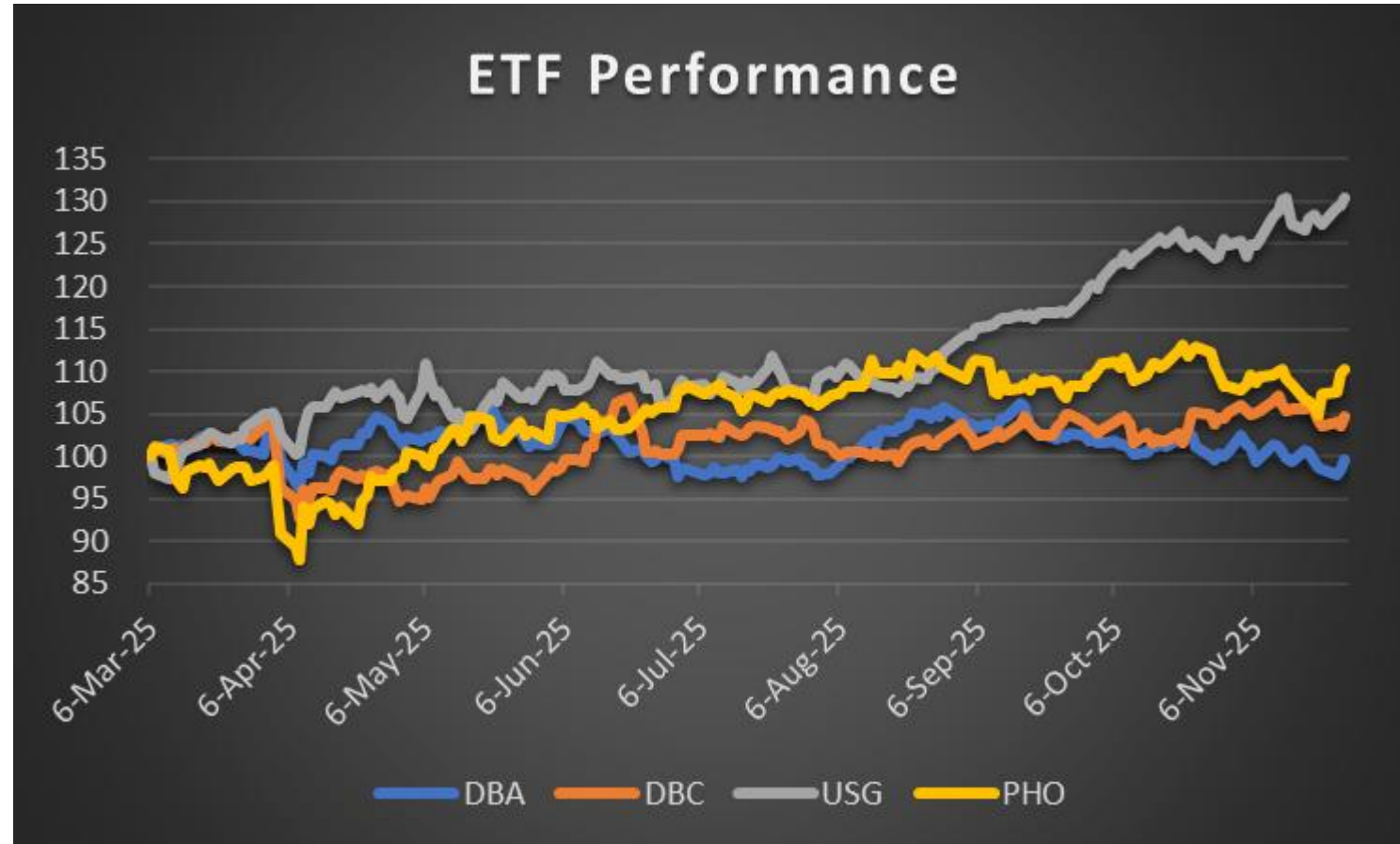
### Considerations:

- Has delivered a low beta
- Benefited from exposure to Gold
- Sharpe Ratio of 1.18 and Alpha of 6.56

# Portfolio vs SPX



# Portfolio vs SPX



# Macro - 3C (Current Positions)



Ticker	Company	Shares	Original Price	Current Price	Total Return	Strategy Weight	Portfolio Weight	Beta	Sector
DBA	Invesco DB Agriculture Fund	381	26.26	26.13	-0.50%	17.86%	1.00%	0.198	Commodities
DBC	Invesco DB Commodity Index Tracking Fund	911	21.74	22.76	4.69%	37.21%	2.09%	0.100	Commodities Broad Basket
USG	USCF Gold Strategy Plus Income Fund	464	32.37	42.22	30.43%	35.15%	1.98%	-0.178	Commodities (Gold)
PHO	Invesco Water Resources ETF	75	65.94	72.64	10.16%	9.78%	0.55%	0.687	Natural Resources



SPENCER FOX ECCLES BUSINESS BUILDING

# Fundamental Review

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# Fundamental #1 – Vital Farms, Inc. (VITL)



Vital Farms, Inc., is a food company that packages eggs, butter, and other products in the United States. Vital Farms partners with over 500 farms that are held to a very high standard of living for their chickens.

## Original Investment Thesis:

- Vital Farms' business model is centered on ethical and sustainable practices, with each chicken having 108 square feet or more and living outside with access to sunlight.
- Farm diversification minimize outbreak impact.
- Gross margin of 37.9% in FY 2024, adjusted EBITDA of \$86.7M, strong cost management.
- Farm network growth from 300 to 425 farms in 2024.
- Net Income grew 108% to \$53.4 million, compared to \$25.6 million in 2024.
- Net Revenue increased 28% to \$606.3 million, compared to \$471.9 million.

## Position Overview

Shares Held	100
Original PPS	\$31.36
Current PPS	\$33.34
Unrealized Return	+6.3%
Sector Weight	0.04%
Portfolio Weight	0.3135%
Beta	1.06
Sector	Consumer Staples



# Fundamental #1 – Vital Farms, Inc. (VITL)



## Why did it fail the expectations?

- **Lower-than-expected guidance:** Net revenue beat analyst expectations but was followed with management expecting sales to slow down next quarter.
- **Overall fear on egg prices:** Avian flu-related supply shortages and higher feed costs. VITL, had a high of \$53 in August down 40% from its high, competitor stock CALM also down 28%, in the same timeframe.
- **Profit takers/overreaction:** The stock was up 76% from March, causing many investors to lock in profits when guidance softened.

## Why not to sell the shares?

- **Low Price:** Current price already reflects the bad news (Management expecting sales to slow, fear of the Avian Flu).
- **Original Thesis:** Price target of \$51/share. The stock is currently at \$32, giving a 59% upside.
- **Ethical Treatment of Animals:** There are lots of regulations in farming to keep people and animals safe, but Vital farms has a higher requirement for their farms than regulatory requirements, reducing regulatory risk.
- **Reduced risk to Avian Flu:** Because Vital Farms partners with over 500 farmers, if one farm get the Avian Flu it doesn't affect the other farms.

# Fundamental #2 – PepsiCo, Inc. (PEP)



PepsiCo, Inc. engages in the manufacture, marketing, distribution, and sale of various beverages and convenient foods worldwide.

## Original Investment Thesis:

- 1<sup>st</sup> position held in the investment fund
- Long-term value stock
- Add stability to the portfolio to allow for riskier growth stocks to be added.
- Long-standing resiliency in the market
- High Dividend growth and yield
- Expected to marginally beat 2023's performance
- Closely tied to S&P 500 Consumer Staples Index

## Position Overview

Shares Held	50
Original PPS	\$165.59
Current PPS	\$148.71
Unrealized Return	-7.09%
Sector Weight	7.40%
Portfolio Weight	0.75%
Beta	0.42
Sector	Consumer Defense





# Fundamental #2 – PepsiCo, Inc. (PEP)



## Why did it fail the expectations?

- **Weak Sales Volume:** PepsiCo relies on volume growth to offset rising costs. US beverage sales fell 3%. Frito-Lay down 2.5%.
- **Margin Pressure from Inflation:** Price hikes outpaced wage growth, reducing demand. Operating margins are down 2.4% this year.
- **Analyst Downgrades:** Bank of America downgraded PepsiCo in April from a buy to neutral and cut the target price by \$30, triggering a sharp sell-off.
- **Consumer Shift:** Growing pushback against ultra-processed foods. PepsiCo is ranked among the top plastic polluters.

## Why sell the shares?

- **Performance Outlook:** Marginally outperformed 2023 (6%). Missed quarterly earnings early 2025 for the first time in 5 years. PepsiCo has also underperformed its rival, Coca-Cola (+12.84%).
- **Role in Portfolio:** Defensive stocks require stability and resilience. Instead, PepsiCo showed volume erosion, margin pressure, and weak innovation.
- **Benchmark Tie:** PepsiCo significantly underperformed the S&P 500 Consumer Staples Index.



# Conclusion

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# Overview



Macro Strategy: 3C – Hold



Fundamental #1: Vital Farms – Hold



Fundamental #2: PepsiCo - Sell