



*Pisco Med Publishing*

## **Wharton Global Youth Program Competition Summary and Strategy**

**Xingyi Yu<sup>1</sup>, Hao Wu<sup>2</sup>, Zhuoling Chen<sup>2</sup>, Shengkai Yuan<sup>3</sup>, Longhao Xu<sup>4</sup>**

**1. Shenzhen college of International Education, Shenzhen 518000, China.**

**2. Shenzhen Academy of International Education, Shenzhen 518000, China.**

**3. Shenzhen Wanke Meisha Academy, Shenzhen 518000, China.**

**4. Shenzhen Shekou International School, Shenzhen 518000, China.**

---

**Abstract:** This is a report paper submitted for the 2021-2022 Global Youth Program of the Wharton School, and we present our investment strategy here. Among more than 2,000 participating teams, we were around the 150th. Therefore, our strategy and report may be helpful for some analysis and further research.

As the competition ends, our return is - 3.10 percent with a cash balance of \$33,881.28. As such, the portfolio value is \$96,899.39. The result is largely unexpected, as our revenue stably rose and was higher than the average one of the SPDR S&P 500 trust in the first two-thirds of the competition. Around Nov 10, we suffered a loss of 4 percent and another significant reduction in the last week because of the outbreak of the omicron variant. Therefore, we do not question our strategy. The following content will explain tactics and details in each industry and demonstrate our understanding of investment tools.

**Keywords:** Investment Strategy; Financial Industry; Health-Care Industry; Consumer Industry; Energy Industry

---

### **1. The Financial Industry**

The industry can be roughly divided into three sub-sectors: traditional banks, securities companies, and insurance. Traditional banks usually associate with macroeconomic measures, while securities companies are more sensitive to the cycle of the stock market. Insurance companies have relatively strong anti-risk ability.

Based on Nichole's demand, we need to give her stable and safe investment returns. Considering the correlation with the macro-economy, the traditional banking industry is likely to experience a growth because of the recovery of the U.S economy after the pandemic and the confirmation of the Fed's expectation to raise interest rates (Sarkar, 2021). In this field, we invested BAC (Bank of America Corp) and WFC (Wells Fargo & Co) because of their small volatility. Other financial industry companies we invest in include AXP, GS, BX and MCO. Among them, we chose AXP, GS and BX based on their Q3 financial reports, and they are also the leading enterprises in their respective subdivided industries.

Since the start of the competition coincides with the release of Q3 financial reports, it is a good time to purchase. A better-than-expected financial report can be of great benefit to investors. We chose AXP, because it is one of the best companies in the industry, and its profits have been on the rise in recent years except during the pandemic in 2020. AXP does consumer lending, which has benefited from the post-pandemic economic recovery. Therefore, we bought the stock two weeks before the publishing of reports. After that, the report showed the bottom line increased 74.6% year over year (Nasdaq, 2021). Goldman Sachs is an investment bank. Its net revenue for the third quarter increased by 26% and profit up to 60 percent from a year earlier (Goldman Sachs, 2021). As GS was a large and stable company with good value, it could still go back to a higher price after a correction, and the fact proved it.

## 2. The Health-care Industry

The rapid aging of the population brings many investment opportunities in this industry. In this process, many biotechnology companies and gene therapy companies are gradually moving towards a larger stage. In the past three years, the world is troubled by many public health problems, including the COVID-19. The current shortage of vaccine and unequal distribution of medical equipment pose another problem for the disease control and prevention. As such, in the foreseeable future, this field will attract a huge number of investors and capitals.

We selected three stocks, Merck, Iqvia and Myriad, in this industry. We chose Merck for two reasons. First, as a pharmaceutical giant with a long history, Merck tends to have a stable growth, and with its exploration in the pension industry, the growth is likely to last longer. Secondly, in the ongoing pandemic, Merck has been actively researching and developing new medicines. In October, the pharmaceutical giant's antiviral program became the first pill to succeed in fighting against COVID-19, and it is estimated that the pill will make about \$22 billion in revenue through 2030 (Merck, 2022; Dunn, 2021). More importantly, Merck has reached agreements with eight generic drug companies, allowing each of them to sell the pill in more than 100 low- and middle-income countries, granting a broader range of receipts and receiving a more benign reputation in guaranteeing social equity.

Additionally, we chose Iqvia, which is a pharmaceutical R&D outsourcing company. We believe that CRO companies will benefit from the rapid development of the pharmaceutical industry for a long time. In the short term, to speed up the research on COVID-19, large pharmaceutical companies will also increase their investment in drug R&D outsourcing. Finally, in the field of innovative medical research, we chose Myriad. It is a company dedicated to gene therapy. We believe that the breakthrough development in this sector will benefit the leading companies in this sector.

## 3. The Consumer Industry

This sector consists of consumer discretionary and consumer staples. Our team focused on consumer discretionary because we look high upon the recovery of economy after the pandemic. Traded companies include both offline and online sector for different reasons.

Offline sector includes Starbucks and AMC because we believe that offline companies would benefit from the epidemic with the help of government policies such as subsidies or expansionary monetary and fiscal policies. Adding up with the inhibited consumption due to COVID-19, offline consumption will grow after. Among the two companies traded, Starbucks' stability and maturity are the main reasons to buy it. Experiencing declines of 11.28% in the revenue growth and 74.21% in the NI growth rate during COVID-19, it recovers, reaching a rise in NI growth rate of 352.36% (Starbucks Cooperation, 2021). Additionally, AMC Entertainment is the largest movie theater chain worldwide. Recently, because of Omicron, its price has a huge decline. However, there are still possibilities for it to recover after the initial fall in the long run.

In terms of online sector, we considered Alibaba and Netflix. Alibaba is a Chinese multinational technology company, specializing in the e-commerce retail business. Netflix has become one of the world's largest streaming services. With the help of popular TV series, the amount of users increased considerably. In the long run, its price is believed to rise. Both companies contribute to increasing the convenience and enlarging recreation for consumers with their online service or shopping system. They have stable consumer with their loyalty and high quality product, which rise the entry barrier. In the case of BABA, the strict control of the Chinese government reduces its prospect.

Lastly, the majority of money for consumer industry is invested on Tesla. The spread of new energy vehicle not only promotes the development of manufacturing industry but also bring new opportunities for consumer industry. Since 2020, Tesla began a rapid growth. In 2021 1H, the revenue growth rate is 171.69%, the net margin is 207.12%, and the NI growth rate is 3635.58% (Brown, 2021).

Also, some new ideas and concepts were brought by the this industry. For example, Meta-vers drove a new agitation. Many companies benefited from it due to the lockdown. However, all technology development can't leave chips. According to the TSMC, there would be a lack of semi-conductor products in the next two years. In these two months, we have traded six

companies, including Qualcomm, Microsoft, Nvidia, Adobe, Baidu, and Meta-verse(FB). Because of the COVID-19 and the limited supply of chips, they all have the opportunity to increase prices. This is especially true for Qualcomm, who mainly involves in smart-phone market and has a low PE ratio (22.43) compared to others.

## 4. The Energy Industry

The energy industry is mostly involved in the exploration and development of oil or gas reserves, oil and gas drilling, and refining. The reliance and large consumption of energy of modern society made the energy industry plays a determining part of infrastructure and maintenance of the world.

As oil prices have crashed globally during the COVID-19 pandemic, OPEC decreased production to stabilize the price; removing over 10 million a day from production after the demand for oil plunged to an all-time low (Stevens, 2020). Consequently, oil prices were at its highest in almost 3 years on July 5<sup>th</sup>. However, the global consensus on reducing greenhouse emissions limits potentials spaces for future development.

Only two trades were made in the industry due to its volatile nature and Nicole's aim for long-term stable growth. As the overall inflation in the US is serious, OPEC+ also said it would not consider production cuts soon (Lawler et al., 2021). On the other hand, energy is recently facing very large downward revision risks, due to the recent release of some crude oil reserves by the United States to control oil prices and the outbreak of Omicron. Therefore, an investment strategy that does not pursue rapid benefits deviate us from the energy industry.

Moreover, as the logic of our configuration is to allocate a small amount of crude oil selectors, we looked for companies with higher safety cushions within the plate, such as XOM and Royal Dutch Shell Plc. Due on these companies' excellent quality, based on performance and statistics over the last couple of years, their stock prices will make a good representation of the market circumstances for this industry.

## References

- [1] AXP Earnings Date. Nasdaq. (n.d.). Retrieved February 17, 2022, from <https://www.nasdaq.com/market-activity/stocks/axp/earnings>.
- [2] Brown, M. (2021, October 22). Tesla Q3 2021 earnings: 3 biggest takeaways. Inverse. Retrieved February 17, 2022, from <https://www.inverse.com/innovation/tesla-q3-2021-earnings-3-biggest-takeaways>.
- [3] Goldman Sachs reports 2021 third quarter earnings per common share of \$14.93. Goldman Sachs. (n.d.). Retrieved February 17, 2022, from <https://www.goldmansachs.com/media-relations/press-releases/2021/2021-10-15-q3-results.html>.
- [4] Lawler, A., Ghaddar, A., & El Gamal, R. (2021, August 16). OPEC+ sees no need to meet U.S. call for more supply, sources say. Reuters. Retrieved February 17, 2022, from <https://www.reuters.com/business/energy/opec-sees-no-need-speed-up-oil-cuts-easing-despite-us-calls-sources-2021-08-16/>.
- [5] Qualcomm (QCOM). Zacks Investment Research. (2022, November 17). Retrieved February 17, 2022, from <https://www.zacks.com/stock/chart/QCOM/fundamental/pe-ratio-ttm>.
- [6] Sarkar, S. (2021, October 20). Fed to wait until 2023 to raise rates, but there is risk of earlier hike. Reuters. Retrieved February 17, 2022, from <https://www.reuters.com/business/fed-wait-until-2023-raise-rates-there-is-risk-earlier-hike-2021-10-20/>.
- [7] Starbucks reports record Q3 fiscal 2021 Results. Starbucks Corporation. (2021, November 11). Retrieved February 17, 2022, from <https://investor.starbucks.com/press-releases/financial-releases/press-release-details/2021/Starbucks-Reports-Record-Q3-Fiscal-2021-Results/default.aspx>.
- [8] Stevens, P. (2020, April 10). OPEC and allies agree to historic 10 million barrel per day production cut. CNBC. Retrieved February 17, 2022, from <https://www.cnn.com/2020/04/09/oil-jumps-ahead-of-make-or-break-opec-meeting.html>.