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# MAP TEAM SHOOTOUT FINAL PORTFOLIO PITCH

Morgan Stanley SKILLS CHALLENGE

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# IMPACT STATEMENT

| | |
|---|---|
| Situation | Create a portfolio for a 1M dollar, 10-year retirement portfolio with a traditional 60 40 equities and fixed income split. |
| Response | The portfolio must achieve a balanced mix of growth and stability, ensuring reliable income streams and capital preservation while capturing long-term appreciation. The strategy must consider current market dynamics, including inflation risks, tariff uncertainties, and potential shifts in U.S. and global monetary policy. |
| Impact | This 60/40 portfolio balances growth and stability, aiming to protect capital while generating steady income. It's designed to weather inflation and market volatility, supporting long-term retirement goals despite economic and policy uncertainties. |

# OUR CUSTOMER

## Target Persona

- Aged 50-65
- Well-educated
- High savings

## Values

- Simplicity and personalization
- Autonomy
- Convenience
- Diversification

## Potential Fears

- Market Volatility
- Inflation
- Balancing portfolio growth with current income

## Our Approach

- Regular meetings followed by notes and summary
- Curated newsletter to keep customer in the loop regarding news that may affect their portfolio
- Online feedback surveys leading to action items for our team

# P.E.S.T.E.L Analysis

| P | E | S | T | E | L |
|---|---|---|---|---|---|
| Political | Economic | Social | Technological | Environmental | Legal |
| Trump administration policy volatility<br><br>Trade policy and Tariffs | Recession Risks<br><br>Federal Reserve interest rates<br><br>Market Volatility | ESG investing<br><br>Social media impact on consumer spending | Rise of AI<br><br>Investment Automation | Climate change<br><br>Environmental degradation | Interest rate and tax laws could shift<br><br>ESG rules could change |

# FEASIBILITY STUDY AND RECOMMENDATION APPROACH

| | | | |
|---|---|---|---|
| Equities: | 60% | • Large-cap stocks<br>• Dividend stocks | • Large-cap and dividend-paying stocks with small international market exposure<br>*Example: Coca-Cola, Johnson & Johnson* |
| Fixed Income: | 40% | • US Treasury bonds<br>• Corporate bonds (investment grade)<br>• Municipal bonds | • US Treasury bonds<br>• Investment-grade corporate bonds<br>*Example: IGSB, SPSB* |

# Equities Recommendation Report

## Individual Stocks (20% of Equities = $120,000)

| | | |
|---|---|---|
| **Coca-Cola (KO)** | 63+ years of dividend increases, resilient global model with strong US & Asia manufacturing. Inflation-hedge due to concentrate sales model. | $60,000 |
| Johnson & Johnson (JNJ) | 63+ years of dividend increases, diversified healthcare products | $60,000 |

## US-Focused ETFs (40% of Equities = $240,000)

| | | |
|---|---|---|
| **VTI (Total US Market ETF)** | **Broad exposure to US large cap, mid cap, small cap stocks.** | **$100,000** |
| **SCHD (Dividend Growth ETF)** | **Focus on high-quality, dividend-paying US companies, strategic against tariffs.** | **$80,000** |
| **XLI (US Industrials ETF)** | **Heavy on US manufacturing; benefits from "Made in America" initiatives.** | **$60,000** |

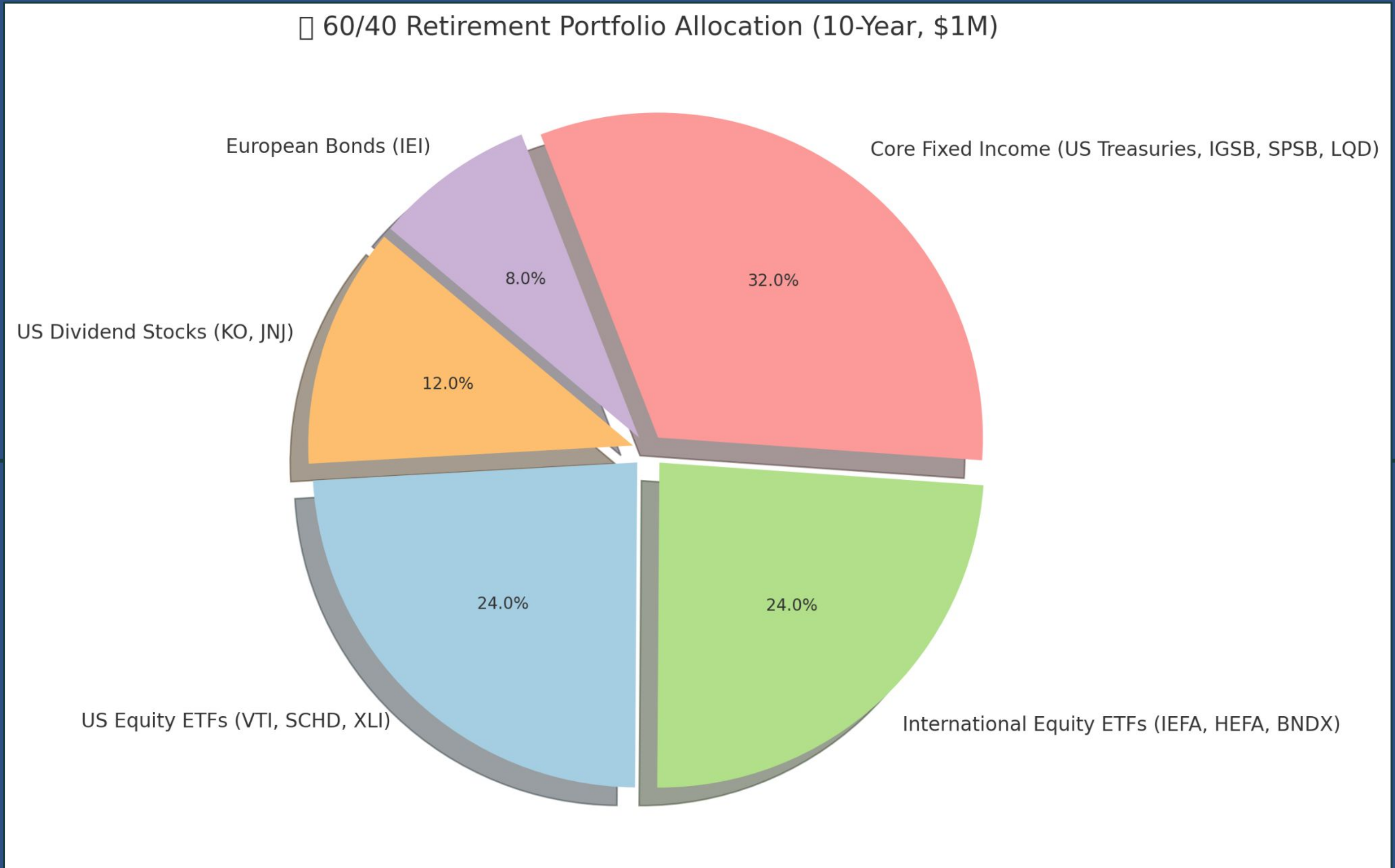
## International ETFs (40% of Equities = $240,000)

| | | |
|---|---|---|
| **IEFA (Developed Markets ex-US ETF)** | **Diversifies outside the US; large European exposure, some tariff protection.** | **$120,000** |
| **HEFA (Hedged International ETF)** | **Mitigates currency risks in international holdings.** | **$60,000** |
| **BNDX (Intl. Bond ETF, hedged)** | **Global bonds exposure; diversified fixed-income risk.** | **$60,000** |

# Fixed Income Recommendation Report

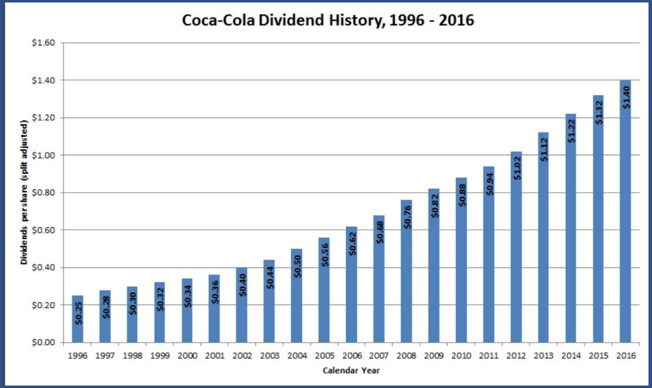
| | | |
|---|---|---|
| | **Core Fixed Income (80% of Fixed = $320,000)** | |
| **US Treasury Bonds (10-yr)** | **Stability, safety, hedge against deflation risks.** | $150,000 |
| **IGSB / SPSB (Investment Grade Corp)** | **Short-term corporate bonds; diversify credit risk, reduce duration risk.** | $100,000 |
| **LQD (iShares Investment Grade Corporate)** | **Broader exposure to corporate bonds.** | $70,000 |
| | **European Bonds (20% of Fixed = $80,000)** | |
| **IEI (Euro Gov't Bonds ETF)** | **Tariff hedge: reduces US-China trade risks; benefits from stability in Europe** | $80,000 |

# RECCOMENDATION REPORT



# Investing in historically dividend paying, recession resistant stocks with broad global diversification to hedge unprecedented tariff placement

**We recommend Coca-Cola Co. and Johnson & Johnson as our individual equity components to supplement our diversified ETFs due to their strong track records of dividend stability and global diversification, meaning the risk of international tariffs will be hedged.**

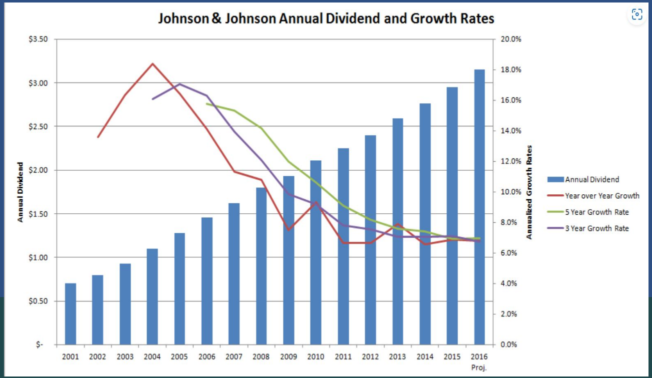



## Coca-Cola Co. (KO)

- **Dividend Resilience: Coca-Cola has increased its dividend for 61 consecutive years, making it a Dividend King—a clear indicator of long-term reliability and shareholder returns.**
- **Global Supply Chain Diversification: Coca-Cola's operations span over 200 countries, with a strong U.S. consumer base and manufacturing facilities across Asia. This broad footprint mitigates risks related to regional tariffs, trade tensions, and geopolitical uncertainty whether tariffs favor Asia or the U.S., Coca-Cola's dual-market exposure provides flexibility and resilience.**

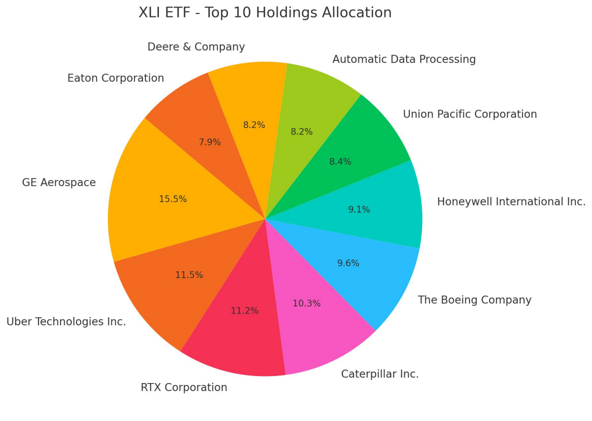
## Johnson & Johnson (JNJ):

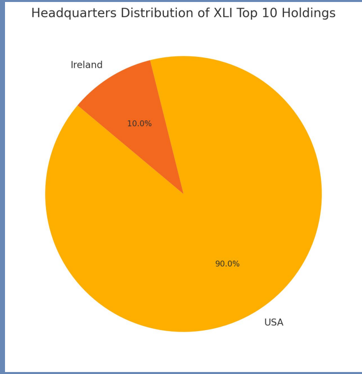
- **Dividend Stability: Johnson & Johnson has an unbroken 61-year streak of dividend increases, underscoring its financial strength and commitment to shareholder returns.**
- **Past Strength in Recession: As a diversified healthcare company with leading positions in pharmaceuticals, medical devices, and consumer health products, JNJ's revenues are less cyclical and less sensitive to economic downturns. Healthcare demand remains relatively stable across economic environments.**



# ETFS FOCUSING ON U.S MANUFACTURING AND DIVERSIFICATION ARE STRONG PICKS DURING INTERNATIONAL TARIFF UNCERTAINTY

Investing in a diverse supply of U.S.-focused, international, and sector-specific ETFs offers broad diversification, risk mitigation, and strategic positioning for global macroeconomic trends. U.S.-focused ETFs like SCHD and VTI provide core exposure to large-cap growth and dividend stability, while international ETFs like IEFA and HEFA reduce concentration risk and offer a hedge against U.S.-specific geopolitical factors (e.g., tariffs). XLI adds targeted exposure to U.S. manufacturing, aligning the portfolio with potential policy shifts toward domestic production. Fixed income ETFs like IEI, IGSB, LQD, and BNDX deliver stability and income, balancing equity volatility while diversifying across geographies and interest rate environments.





Our client can buy low, as it is projected that the ETF will reach 401 by May 2027. This information was published by Stockscan's Analyst post-tariff announcement.

# Risk Assessment Matrix

What are the risks associated with our strategy, and how are those risks mitigated?

- **Risk:** The traditional allocation to fixed income in times of macroeconomic uncertainty was somewhat shaky shortly after liberation day. The big selloff that occurred was a manifestation of the broader recessionary fears, and if the administration releases economically damaging news in the short or medium term, we could see something similar happening.
    - The threat of this risk is moderate, with a 21-50% change of occurring.
    - **Mitigant:** This risk would apply to all of the clients. However, we mitigate the risk through our exposure to public equities as well. Many companies, especially as of recent like Insulet, have exhibited resilience, even beating earnings estimates and expectations. Thus, the allocation of some of the portfolio to equities as well mitigates the risk.
- **Risk:** On the equities side broadly, allocation at all in the volatile environment could be dangerous.
    - The threat of this risk is major, with a 51-75% chance of occuring.
    - **Mitigant:** This risk affects all of our clients. We mitigate this risk by focusing on industries that are largely recession-proof, and stable companies that are resilient within those broader industries.
- **Risk:** Not as much return from an overall lower risk profile - that is to say not capitalizing on some of the big swings that the volatility has caused.
    - The threat of this risk is minor, with a 76-100% change of occurring.
    - **Mitigant:** The risk is a valid one, but in terms of a retirement portfolio, when considering our client's needs and desires, the lower-risk, lower-return profile is one that is desirable. Even if we are profiting off beta, in this environment that may be better than taking a risk to profit off alpha.

# Profit / Loss Scenarios

What do the base, worst, and best case scenarios look like?

- **Base Case:** Our moderate-return, and low-risk profile plays out nicely, delivering solid returns that ride alongside the markets as a whole, profiting off beta. This is by far the most likely outcome, and it fits nicely in line with our client's desired outcome.

- **Worst Case:** News comes out that shakes up the market significantly like it did after liberation day, and a bond sell-off combined with investor uncertainty tanks the value of the portfolio. This would be unideal, but given the nature of our portfolio it would still fare better than many others.

- **Best Case:** Our moderate-return and low-risk profile strategy delivers at the upper end of its potential, and we profit off alpha, rather than beta. Although possible, the nature of the securities in the portfolio make this potential outcome less likely.

# VALUE STREAM MAPPING

Define Product Family:
Our "product family" is investment portfolio services for high-net-worth individuals aged 50-65. This service focuses on creating diversified retirement portfolios, balancing stability, low-risk and moderate return for clients nearing retirement.

Our Approach:
Market Research & Analysis: PESTEL analysis, macro trends, sector research.
Portfolio Design: Asset allocation (e.g., 60/40 equities/fixed income), ETF & stock selection.
Investment Thesis Development: Write supporting rationale (e.g., Coca-Cola's dividend track record).
Risk Analysis: Create risk matrices, profit/loss scenarios.
Portfolio Pitch: Present recommendations to clients.

Collect Data:
Client goals: Retirement age, desired income, risk profile.

Market trends: Inflation, interest rates, sector performance.

Portfolio performance metrics: Expected returns, volatility, Sharpe ratio.

Risk factors: Exposure to market downturns, inflation risk, currency risk.

Identify Waste and Improvement Opportunities:
Overprocessing: Re-running analyses multiple times.

Delays: Waiting on client feedback or data.

Overproduction: Overly complex models that clients don't understand.

Communicating Our Final Product: For a streamlined communication to stakeholders we could focus on:

Explaining how our portfolio hedges against tariff risks internationally

Focuses on recession proof stocks

We could focus on maintaining the client relationship via check-ups especially if markets fluctuate beyond prediction

# Q&A/Team Captain Contact Page

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# Thank You

A special thank you to our Morgan Stanley advisors
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