



CMGG Investment Group

30 July 2023

John Smith
Project Manager for Wealth Company
456 Side St.
Philadelphia, Pennsylvania 19102

Dear Mr. Smith,

Subject: Analytical Letter Report regarding your \$10,000 investment

Thank you for choosing CMGG Investment Group to create an investment portfolio of \$10,000. Our team considers our clients' short-term and long-term financial goals while making an investment portfolio. We can assure you that our stock selections will satisfy your goal of generating steady profits for years to come.

Introduction

CMGG Investment Group is based in Philadelphia, Pennsylvania. Although our firm has only been active for a short period, we follow timeless investment principles from Benjamin Graham, a world-renowned investor who also mentored Warren Buffett. Value investing, coined by Graham, is choosing reputable, undervalued stocks based on their assets, liabilities, and dividend payouts. Therefore, we pay close attention to when these credible stocks fluctuate and drop in price, which maximizes our return when we decide to sell.

We invest in buying and holding undervalued blue chip stocks with steady returns through high dividend yields. As a result, we have earned the reputation of satisfying our clients' long-term investment goals. With this being said, our team has compiled several stocks that would generate wealth over time: Apple, AT&T, and Comcast.

Cost-Benefit Analysis: Apple

Apple is the premier provider of phones, tablets, laptops, and other electronic accessories, such as Airpods, Apple Watch, and more. As a result, Apple is one of the most popular companies in the world with its diverse technological portfolio. That translates to them having the highest market cap of any stock, with a market capitalization of over \$3 trillion. As a result, it is a highly traded stock which also helps it be low-risk and consistent. Another reason why Apple is a good investment is because of the quarterly dividend payments they pay for each stock that is owned. These transactions provide a stable source of income which is earned passively, just by holding the stocks.

Apple pays a 0.5% dividend yield (\$0.24 quarterly dividend payment per share), which you will collect four times a year. Apple's stock price has also risen over 140% over the last three years. Apple's growth is expected to be done later, as there is bullish sentiment for its short-term and long-term stock price. With these potential earning benefits come some risks as well. There is some bearish sentiment for Apple in the short term, so a potential decrease in price in the short term is possible. Since Apple is at its all-time high, potential regression could happen as holders look to capitalize on its high price. The potential decrease in the production of iPhones is another cause for concern. This decrease could affect Apple's profitability and have a negative effect on the stock price. Also, because of the current instability of the U.S. economy, the entire stock market's strength can be questioned, directly affecting Apple's stock price.

Cost-Benefit Analysis: AT&T

AT&T is a leading telecommunications company, providing a wide range of services, including wireless, broadband, and television. AT&T is a large-cap stock with a market capitalization of \$140 billion. With AT&T being a highly-traded stock, the company has generated steady profits and strong cash flow for many years. After 36 years of consecutive dividend increases, AT&T froze its dividends and lost its Dividend Aristocrat status in 2021. Then in 2022, AT&T utilized a deal with "Discovery to form Warner Bros. Discovery" (WBD) to reduce its dividend payments (Invezz, 2023). Despite this, AT&T is one of the top-paying dividend stocks, hovering around 7%. AT&T spent "about \$10 billion on its dividend last year and had more than \$35 billion in operating cash flow from continuing operations" (Mullaney, 2023). The company has also increased its capital investments in 5G networks and fiber optics. AT&T's first-quarter earnings report showed \$30.1 billion in revenue and EPS of \$.60. Its dividend payments are covered by cash flow. This dividend structure could become problematic if its quarterly cash flow does not exceed its quarterly cash dividend.

Before making an investment decision regarding AT&T, it is crucial to consider both the pros and cons carefully. One pro of investing in AT&T is how its low stock price is perceived as undervalued. However, some cons are the negative risks, like investing in a company that underperformed the New York Stock Exchange (NYSE). Another con is the company's significant decrease in free cash flow since 2020. With a "5.44% fall in Free Cash Flow (FCF) from 2019-2020" and a further 7.38% decline in 2021, the company will have less cash available for AT&T to support growth, pay dividends, and return value to shareholders (North, 2023). AT&T has reacted appropriately by cutting its spending by \$2 billion, which is intended to provide a "steady flow of cash to service its net debt of \$132 billion" and support its high dividend payout (An, 2023).

Cost-Benefit Analysis: Comcast

Comcast Corporation operates as a media and technology company worldwide. It operates through Cable Communications, Media, Studios, Theme Parks, and Sky segments. The company also owns the Philadelphia Flyers and the Wells Fargo Center arena in Philadelphia, Pennsylvania. Comcast's first-quarter earnings report showed \$29.69 billion in revenue and EPS of \$.92. When Comcast struggled with revenue and getting subscribers for its streaming service,

Peacock, the company survived by maintaining low costs. Comcast stock has skyrocketed 20% in recent months due to its box office hit Super Mario Bros. Movie and Peacock bringing in "60% more subscribers to 22 million" (Cook, 2023). Comcast has enjoyed a \$685 revenue boost from this. Also, Comcast's consistent 3% dividend yield and a five-year compound annual dividend growth rate of over 10% prove that it is steady and reliable for investing. Since the dividend is covered by profit and cash flow, this stock continues to provide stability and steady dividends to its shareholders.

Comcast's recent successes and its NBC Universal and DreamWorks Animation acquisitions have made themselves competitors with Disney. However, it is more than likely that Comcast will sell its 33% stake in Hulu to Disney, ultimately giving Disney majority control over this popular streaming platform. Disney's diverse portfolio of TV networks consists of sports, kids, environmental, politics, and food channels. In addition to Disney's rivalry, Comcast faces newer competition in the wireless home internet sector, such as T-Mobile. To stay ahead of the competition, Comcast has taken on a lot of debt to roll out its "10G internet service that will reportedly offer 10 Gbps, ten times faster than most internet services currently offer" (Bouma).

Conclusion

CMGG Investment Group appreciates your initial investment. We are confident in our data-driven approach that these three companies' rising stock prices and dividend yields will satisfy your financial goals.

Thank you for reading our letter, and please contact us if you have any questions.

Sincerely,

CMGG Investment Group

Co-Founders: Caprice Woods, Mikael La Ferla, Garrett Mease, and Grace Jung

cmgg@scarletmail.rutgers.edu

123-456-7890

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