



2025

## Spring Semester Report

05/13/2025

# Mizzou Investment Fund

ESTABLISHED 1967

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# The Mizzou Investment Fund

## Semester Summary

- ◆ For the Spring 2025 semester, the IFM Fund returned 1.88% compared to the S&P 500 Index return of –0.87%.
- ◆ The portfolio's top five holdings are **Amazon.com** (AMZN), **Microsoft Corporation** (MSFT), **NRG Energy** (NRG), **Apple, Inc.** (AAPL), and **Alphabet, Inc** (GOOG), with weights of 9.20%, 9.11%, 8.21%, 5.85%, and 5.84%, respectively.
- ◆ The IFM team added a total of nine names to the portfolio and sold or trimmed positions in eleven during the term.

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Robert J. Trulaske, Sr.  
College of Business  
University of Missouri



## Fund History

The Board of Curators of the University of Missouri established the Truman Tracy Memorial Investment Fund in 1967 as a tribute to Professor Truman Tracy, who passed away earlier that year. Dr. Tracy was the senior investments professor at the University of Missouri. The Truman Tracy Fund was originally established with memorial contributions from his students, colleagues, and friends.

In the same year as Tracy's death, Arie and Ida Crown established the Crown Memorial Student Investment Fund. Students initially managed the Tracy and Crown Funds as separate accounts, but the portfolios have since been merged and are now managed as a portion of the broader pool of assets within the Mizzou Investment Fund.

Before the Investment Fund Management (IFM) class began, students in the undergraduate investments and security analysis courses managed the funds. The portfolio has been actively managed since its inception, with the exception of the period from 1980 to 1984 when the funds were passively managed before Dr. Gary Trennepohl took over as advisor.

The Student Portfolio Analysis and Management Club was formed in 1991. This club sparked enough interest that eventually a portfolio management course was created in 1999 to meet student demand. The students competed in security analysis and portfolio management competitions, and their strategy presentations earned national awards.

In the Fall semester of 2005, the Department of Finance dedicated a separate course to manage the Fund, and the Mizzou IFM Program was born. Admission to the class continues to be competitive. Enrollment is typically limited and includes both undergraduate and MBA students. In 2006, the Fund saw a large increase in assets under management, as the IFM class began managing a portion of the endowment funds given to the college as a gift from the family of Robert J. Trulaske, Sr. The total value of assets under management by the Mizzou IFM Program now exceeds \$2.482 million and includes funds from the Truman Tracy Fund, Crown Fund, and Trulaske endowment.

## Management Team

**Nathan Amor**  
Fund Manager

**Hayden Klein**  
Chief Economist

**Will Erpelding**  
Chief Market Strategist

## Analyst Team

**Tyler Bret**  
Energy (GICS 10)

**Alden Dietrich**  
Materials (GICS 15)

**Matthew Ross**  
**John Barr III**  
Industrials (GICS 20)

**Maddie Moulin**  
Consumer Discretionary (GICS 25)

**Claire LeDuc**  
Consumer Staples (GICS 30)

**Jeremi Camarena**  
Healthcare (GICS 35)

**James Murray**  
**Ryan Lawlor**  
Information Technology (GICS 45)

**Aleah Livingston**  
Communications Services (GICS 50)

## Welcome Letter from the Fund Manager

In the spring semester of 2025, the impact of a new presidential administration brought uncertainty regarding tariffs, trade policy, and economic stability. We however were privileged to reposition the fund during our time and are leaving it in a position with which we are confident will lead to outperformance through the rest of the year.

### IFM Program Description

The officers and sector analysts were tasked with monitoring their respective areas of coverage, updating the class on changes in that area, and completing price analyses to value companies within those areas, making recommendations to the fund for action to be taken.

### Strategy

The fund focused on finding high-quality companies with strong growth opportunities, while still requiring strong price momentum to ensure trading activity that reinforced our thesis. We are also responsible for researching and setting factor tilts for the portfolio. These include a beta target, which is the market factor or how a stock price moves in relation to the broad market. Size, which is simply a measure of market cap for the companies in our coverage area. Value is a measure of how close a company's stock price is trading to the intrinsic value of assets that company owns. A lower price multiple indicates a better deal because that stock price is backed by real assets. Finally, we target companies which stock prices are high momentum, which means the price has been increasing faster than the market over the last year and is lower than it was a month ago. The factor targets for the fund were as follows; beta under 0.8 and size in the 60<sup>th</sup> percentile or greater, ensuring non-volatile stocks with large balance sheets. The lower-than-market beta factor was a result of changing economic conditions and high levels of volatility. We did not want market correlation because the market was not moving in the direction that we wanted our stocks. We targeted companies in the 30<sup>th</sup> percentile for value, working to find reasonably priced companies, and finally, we looked for stocks in the top 80<sup>th</sup> percentile for momentum, indicating strong returns over the last year. By coupling these factors together, our goal was to identify large, high-quality companies that had been growing quickly but still had room to continue.

In trying to identify the best sector beta, the officers drafted and the fund approved the following sector tilts; GICS 10—Energy, underweight. The lack of historical returns in the sector and low growth opportunity led us to believe we could find better growth opportunities with similar income potential. Financials, underweight. This sector is indexed due to its abnormal valuation techniques, the lack of ability to produce alpha in the sector pushed us to allocate funds elsewhere while still maintaining some exposure. Information Technology, underweight. We reduced our exposure to reduce beta in the portfolio, the lofty valuation for growth companies in this sector leads to increased volatility in market contractions or when bad news comes out.



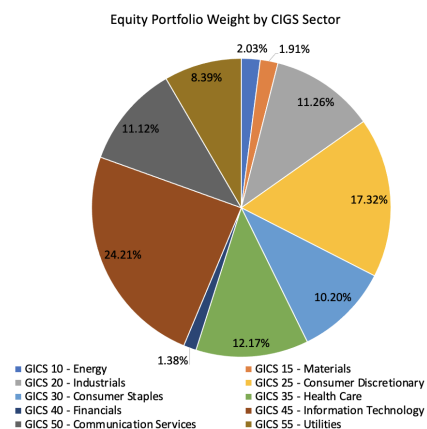
**Nathan Amor**  
Fund Manager

### Portfolio Characteristics

Assets Under Management	\$2,612MM
Number of Equity Holdings	28

### Weighted Average Holdings Statistics

Beta	1.00
Market Capitalization	82.06 Billion
Book-to-Market	0.09
One-Year Return	9.49%



### Top 10 Equity Holdings

	Portfolio Weight
Microsoft Corporation (MSFT)	9.11%
Amazon.com Inc (AMZN)	8.96%
NRG Energy (NRG)	8.07%
Alphabet, Inc. (GOOG)	5.84%
Apple, Inc. (APPL)	5.83%
Meta Platforms, Inc. (META)	5.66%
Nvidia Corporation (NVDA)	5.51%
Eli Lilly and Company (LLY)	5.12%
RTX Corporation (RTX)	4.65%
Republic Services, Inc. (RSG)	3.83%

Real estate, underweight. We did not increase exposure in the sector due to quickly changing interest rates and building costs as well as a lack of coverage due to a lack of sector analyst. Consumer Discretionary, overweight. There are great opportunities for both defensive and cyclical companies in this sector and companies can be identified that have strong balance sheets and great margins, they are also often trading at lower multiples, which means better value for our fund. Communication Services, overweight. This sector is largely cyclical companies with growing revenues and strong balance sheets that trade with better value than I.T. companies. Utilities, overweight. With our single holding in the sector, the fund has found significant outperformance and continues to do so.

### Trading

We repositioned the fund by selling low quality and high beta positions as quickly as possible with the sells of Celsius (CELH) and Permian Resources (PR). We then moved into switching our sector tilts and sold partial stakes in Nvidia (NVDA) and Salesforce (CRM). Finally, sales were made as needed to identify underperforming companies or meet liquidity needs. To shift towards our targets we made large purchases of Philip Morris (PM), O'Reilly Automotive (ORLY), and Agnico Eagle Gold Mines (AEM). We chose to trade a new bio-tech company for our old one by selling the entire position in Roivant Sciences (ROIV) and purchases a large stake in Vertex Pharmaceuticals (VRTX). As we drew closer to the end of the semester, the analyst team in the spring has the unique responsibility of setting the fund up for success and liquidity needs over the summer. In light of this, we invested our excess cash into the XLP—consumer staples index, so that despite tariffs we can continue to maintain income generation and capital preservation over the summer. In the event that tariffs are lifted we still have positive market exposure here as well.

### Performance

For this term, we achieved a total return of 1.88% compared to the S&P 500 which returned -0.87% in the same time. This semester's team inherited control of the fund shortly after the announcement of sweeping tariffs, the deep drawdown in the broad market during that time sharply affected our short term performance because we owned several large positions with either high beta or a large foreign exposure. At its worst, we were underperforming the S&P by about 6.8%, the recovery of capital was through thoughtful purchases in companies that are market resilient and highly profitable. We also eliminated positions which would be disproportionately affected by new economic and business environments and we successfully brought the fund back into outperformance. We were able to create a positive return during the semester and believe we are leaving the fund in a position to generate above average returns as we relinquish control. In the last three years the fund has returned 40.73% compared to 37.27% in that period for the S&P 500. While this is not drastic outperformance, the IFM program was chartered to and continues to act as a live learning experience and what the fund doesn't generate in above average returns it certainly returns in experiential learning for students who choose to participate in the program.

Purchases		
Stock	Date	Amount
DAL	3/11/25	\$6,460
XLV	3/18/25	\$40,242
XLP	3/18/25	\$60,553
PM	4/09/25	\$51,181
ORLY	4/09/25	\$76,968
RTX	4/16/25	\$25,942
AEM	4/24/25	\$47,236
CTRA	4/29/25	\$20,428

Sales		
Stock	Date	Amount
CELH	3/11/25	\$21,730
PR	3/11/25	\$22,717
NVDA	3/18/25	\$47,220
CRM	3/18/25	\$15,245
CRS	4/09/25	\$32,363
MAT	4/09/25	\$40,911
NRG	4/09/25	\$56,620
WSCO	4/09/25	\$14,311
MGNI	4/22/25	\$43,339
CRS	4/24/25	\$57,370
PR	4/29/25	\$22,667

Our thesis, which consisted largely of moving into defensive sectors due to the S&P 500 having an average P/E ratio of 27 when we began the semester. Also, news of looming tariffs and trade tensions made us uneasy about holding highly cyclical positions. We also knew we wanted to find a gold mining company to gain exposure to gold. If we could have acted quicker on that premise we would have achieved significantly higher returns, however, over the course of the semester we were able to right the ship and now the portfolio is more closely aligned with our beliefs on where it should stand. Our best performance was in utilities which is from the continued ownership in NRG Energy (NRG). The stock has returned a total gain of 264% in the portfolio since purchase and continues to significantly outperform the sector and market. We also achieved strong outperformance in energy via the timely sale of Permian Resources (PR) and the purchase of Coterra Energy (CRTA). Otherwise, performance was largely in line or below the sector with our outperformance being attributed to just a few stocks in the portfolio. The best performing stocks in our portfolio were in defensive sectors and were profitable, stable companies. Our worst performers were companies that had significant tariff exposure or are highly cyclical with the outlier being Google, which lost its deal with Apple, retracting the gains made on the position.

### Closing Remarks

I am proud to report that amidst the most impactful stock market event since Covid, we were still able to outperform the S&P 500. This program has been incredibly enlightening and has pushed our team to learn and grow more than any other program has thus far. The experience I've gained managing the fund has also been unparalleled and will serve me well as I transition into a career. I am grateful to Dr. Yore for all of his hard work and help throughout the semester. I also want to thank my executive board members whom without I would have not been able to guide the fund.

Sincerely,

*Nathan Amor*

Performance	IFM	S&P 500
Three Year	34.36%	36.03%
Semester	1.88%	-0.87%

IFM Performance By Sector		
Sector	Return	Benchmark
Energy	-3.02%	-7.36%
Materials	-9.40%	-1.07%
Industrials	1.15%	4.43%
Consumer Discretionary	-1.02%	-5.29%
Consumer Staples	2.49%	4.80%
Healthcare	-7.18%	-6.16%
Financials	3.17%	3.17%
Information Technology	-3.64%	0.12%
Comm Services	-7.07%	3.13%
Utilities	50.57%	3.75%
Real Estate	- - - -	2.24%

Top Performing Holdings	Semester Return
NRG Energy, Inc. (NRG)	50.57%
AutoZone, Inc. (AZO)	13.69%
Republic Services, Inc. (RSG)	13.46%

Bottom Performing Holdings	Semester Return
Merck & Co., Inc (MRK)	-23.44%
Delta Air Lines, Inc. (DAL)	-19.03%
Alphabet, Inc. (GOOG)	-18.32%

*Performance as of 05/13/2025*

## Chief Economist's Outlook

The US Economy is currently undergoing significant change headlined by a redefinition of how the US views foreign affairs. This has led to significant economic uncertainty throughout the term.

### Economic Outlook

I am currently forecasting real GDP for the current year to be 1.8% and Nominal GDP of 4.4%. I forecast real GDP on a 5-year horizon to be 2.75% and nominal GDP to be 4.95%. I do believe the economy was in an expansionary phase following post COVID recovery. However, recent disruptions could take the US economy in a different direction within the business cycle.

### GDP

I believe that currently the US is in a transitory phase currently. In the long run, the economy will likely begin to reach it's peak and then begin to contract once again. I forecast real GDP for this horizon to be 2.6% and nominal GDP to be 4.7%.

I am anticipating a recession is more likely than not with a 55% probability during this transition. A recession would only require one more quarter of contracting GDP. The economy relies on a strong, but fragile, job market to hold course. The job market will help to establish a baseline of spending. A declining job market could have ripple effects that could lead to more sustained issues. Currently, the unemployment rate has been within a 4.0 to 4.2% over the last twelve months. With so much of the GDP being US spending, this low unemployment rate gives some level of stability to the economy.

### Inflation

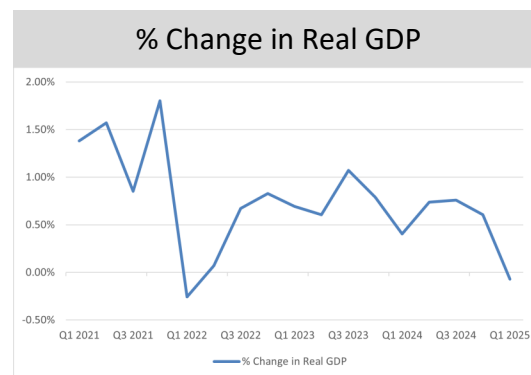
I anticipate that currently steady inflation is disrupted in later months due to increasing prices related to tariffs. I forecast inflation, based on the CPI, for this year to be 2.6%. I forecast inflation over a 5-year time period to be 2.2% and long-run inflation to be 2.1%.

Inflation has cooled throughout the term; however, this is likely the result of a natural cooling following a period of high inflation. With the uncertainty regarding tariffs many firms likely are attempting to hold off price hikes. Depending on the severity of the implementation of these tariffs, inflation measures will likely begin to tick up. Trade deals with the UK and China begin to offer some sign of relief for the US economy, and continued support for these deals will alleviate inflationary pressures.

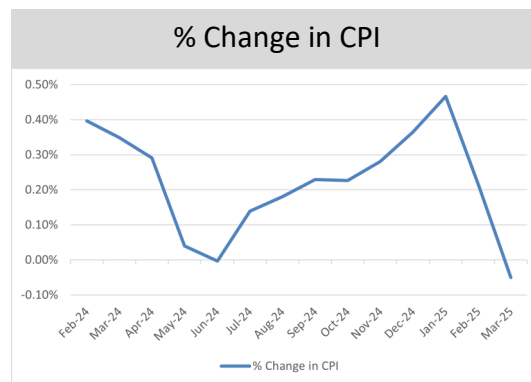
However, the CPI and PPI were the highest in January at 0.5%, 0.6% respectively. This could be a result of decreasing demand amidst high consumer uncertainty; however, according to the BEA, consumer spending has increased by 3.0% over the last two months. The early effects of tariffs will likely begin to show up in upcoming reports for May.



**William Erpelding**  
Chief Economist



*Data Via FRED*



*Data Via FRED*

### Consumer Sentiment

According to the University of Michigan's sentiment survey, the consumer sentiment index has been dropped 32.4% YoY. This is on the back of high economic uncertainty. According to the same survey, consumers are expecting inflation over 6.0% for the coming year. I do believe the political nature of the perception of the current economy has led to a more emotional response which could be affecting the results of the surveys.

Looking only at consumer sentiment, it may seem clear that a recession is looming; however, the Leading Economic Index (LEI), which compiles many recessionary indicators, would lean more into the notion that the economy is transitioning with a chance of a recession in the process. The Index's 6 month average remains above the threshold to which a recession would occur. Which once again would point towards a fragile transitional phase of the US economy.

### Interest Rates

The current yield curve exhibits an inversion up until the 5-year treasury. Short-term economic uncertainty and dropping consumer sentiment seems to be driving up short term yields. The yield curve's continually climbing short-term yields are likely indicators of a recession.

The Federal Open Market Committee met on the 6th of May. As anticipated, interest rates were held steady at 4.25% - 4.5%. This did reflect the conservative approach that the Fed has utilized over recent months.

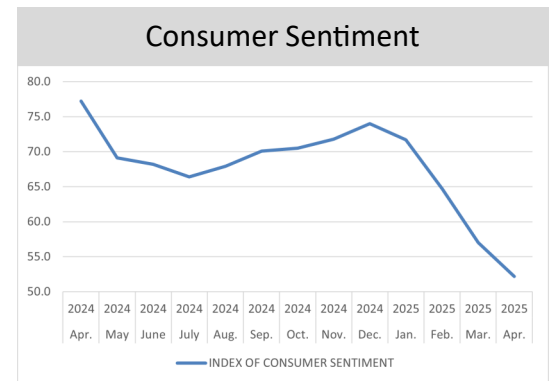
### Sector Performance Analysis

Defensive sectors are best positioned in the case that the economy continues to be rocky. A possible looming recession and significant economic reform lead to these insulated sectors to be likely outperformers in coming months. The transitory nature of the current economy will mean the outlook for sectors may rotate in the opposite direction back to cyclical sectors.

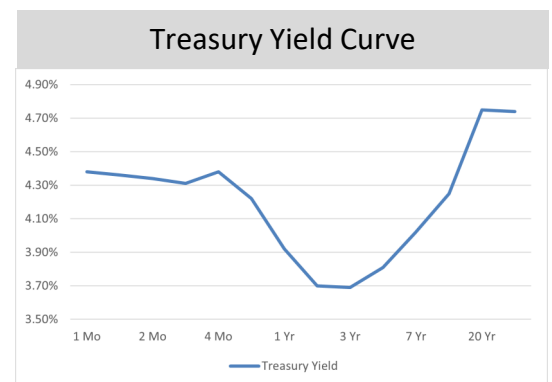
Dropping oil prices was a key goal of the new administration. Dropping oil prices does not bode well for the Energy GICS 10 Sector. Furthermore, dropping demand due for oil/gas during economic uncertainty could further hinder energy. For this reason I assigned a **Underperform rating** to Energy. Alongside energy, I believe Information Technology, Financials, Real Estate, Materials, and Communication Services will also underperform the market.

GICS 20 Industrials is an interesting case in current conditions as tariffs may drive businesses to increase production in the US. This would create increased demand for industrial equipment. However, if the messaging behind tariffs continues to be mixed, companies will likely hold off on bringing operations into the US. I am assigning a **Market Perform** to Industrials and Consumer Discretionary.

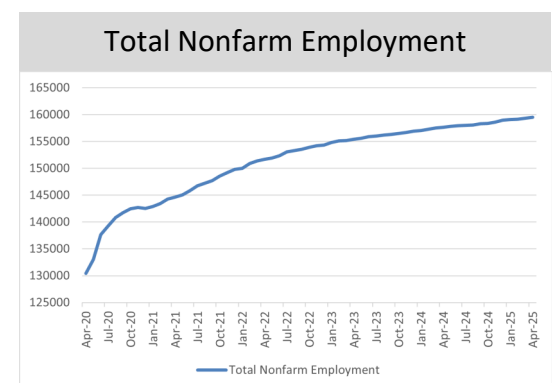
I believe traditionally defensive sectors will **Outperform** such as Consumer Staples, Utilities, and Healthcare.



*Data Via University of Michigan*



*Data Via Department of the Treasury*



*Data Via FRED*

## Chief Market Strategist's Outlook

The S&P 500 experienced a highly volatile start to 2025. After reaching an all-time high of 6,147 on February 20th, the index underwent a sharp correction, declining to 4,835 by April 7<sup>th</sup> – a drawdown of 21.34%. Since then, reduced concerns surrounding a potential global trade war have contributed to a recovery, with the index rebounding to 5,686 as of May 3<sup>rd</sup>. This reflects a net decline of 7.50% over the past two and a half months.

Mounting recession concerns, the potential for escalated geopolitical tensions, and elevated equity valuations create ample pressure for continued downward movement in the US equities market. These macro headwinds may hinder earnings growth and result in investors rotating capital out of equities and into safer assets.

### US Market Outlook

Following a multi-year bull market, the S&P 500 appears to have now transitioned into a sideways market. The index has posted returns of 4.31% over the past month, -3.31% year-to-date (as of May 3<sup>rd</sup>), and 10.90% over the last 12 months.

I project a modest 4.75% one year gain for the S&P 500. In my five year S&P base-case projection, I estimate a total return of 39% (6.81% CAGR), while in my five year bull-case projection, I expect a total return of 65% (10.53% CAGR).

Due to the aforementioned economic headwinds, I believe there is a 35-45% chance of a bear market materializing within the next 12 months.

### Fundamental Valuation

Dividend Discount Model (DDM) valuations of the S&P 500 suggest that the index still has further upside, with valuations ranging from 5,651-6,961. Key assumptions for these models include an equity risk premium of 4.57%, a risk-free rate of 4.31%, a long-run annual average earnings growth rate of 5.28%, and a payout ratio of 84.65%.

The S&P 500 is currently trading at a P/E ratio of 28.37, representing a 38% premium to its 50-year historical average of 20.55. The Shiller CAPE ratio stands at 35.26, nearly a 61% premium to its 50-year average of 21.93. However, it is important to note the structural changes the market has experienced over the last 50 years when considering these metrics. The scalability of firms has drastically increased due to major advancements in technology. Along with this, the composition of the S&P 500 has shifted notably toward technology firms, which typically exhibit a superior growth ability compared to companies in other industries. When earnings and inflation-adjusted earnings are multiplied by their respective historical valuation multiples, the implied P/E based fair value for the index is approximately 4,164, while the CAPE based valuation shows a fair value of a mere 1,940.



**Hayden Klein**  
Chief Market Strategist



Model Assumptions					
	2025E	2026E	2027E	2028E	2029E
Estimated S&P 500 Dividends	\$ 77.85	\$ 76.85	\$ 79.05	\$ 79.05	\$ 79.30
Estimated S&P 500 Earnings	\$ 270.05	\$ 289.68	\$ 314.50	\$ 339.66	\$ 366.83
Estimated Five-Year Growth Rate	2.00%				
Estimated Long-Run Growth Rate	5.28%				
Buybacks and Dividends to Earnings	84.65%				
10-Year Treasury Constant Maturity Rate	4.31%				
Equity Risk Premium	4.57%				
Cost of Equity	8.88%				

Two-Stage Augmented Dividend Discount Model (Percentage Growth in Dividends + Repurchases)					
	2025E	2026E	2027E	2028E	2029E
Expected Dividends and Repurchases	\$ 228.60	\$ 233.17	\$ 237.83	\$ 242.59	\$ 247.44
Terminal Value	\$ 7,232.29				
Present Values	\$ 209.95	\$ 196.68	\$ 184.25	\$ 172.60	\$ 161.69
Implied Value	\$ 5,651.19				

Implied S&P 500 Average P/E Valuation		
S&P 500 P/E Ratio	28.37	Implied Value \$4,164.87
S&P 500 Earnings (ttm)	202.67	S&P 500 P/E Ratio % Premium to Avg 38.05%
S&P 500 P/E Ratio Long-Run Average	16.13	
S&P 500 P/E Ratio Long-Run Std. Dev.	7.48	
S&P 500 P/E Ratio 50-Year Average	20.55	

### 1 Year VIX Chart



## Fundamental Valuation Continued

Additional relative valuation methodologies used include the Buffett indicator valuation, treasury yield-based valuation, and Baa yield-based valuation, which give the S&P 500 a fair value of 3,058, 4,702, and 8,811, respectively. The Buffett indicator valuation compares the total US market cap to GDP. Meanwhile, the treasury yield-based valuation compares the S&P 500's earnings yield to the 10-year US Treasury yield, and the Baa yield-based valuation compares the spread between the S&P 500's earnings yield and investment grade US corporate bonds.

Each valuation method and their respective weight in the overall valuation is as follows. The single-stage augmented DDM valuation accounts for 15% of the total, while the two-stage augmented DDM using forecasted payouts contributes 17.5%. The two-stage augmented DDM based on percentage growth carries the highest weight at 20%. The implied average price-to-earnings (P/E) ratio makes up 15%, and the implied average CAPE ratio represents 10%. The Buffett indicator valuation is weighted at 12.5%, with the treasury yield-based valuation and the Baa yield-based valuation each contributing 5%. Based on these inputs, the resulting weighted average valuation of the index is 5,177.28, implying the index is currently overvalued by approximately 9.84% relative to its current level of 5,686.67.

## Technical Analysis

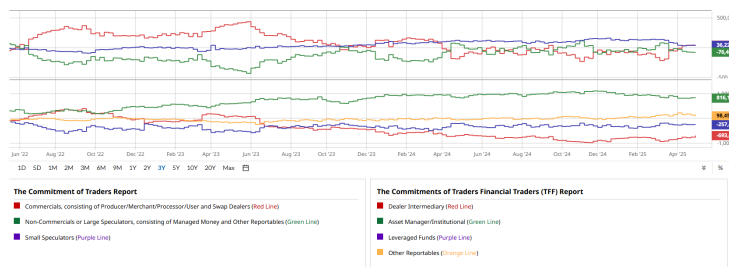
The S&P 500 has seen high levels of volatility over the past year, particularly in recent months. Notably, the index declined 10.81% in just two days in early April before rebounding 9.52% on April 8<sup>th</sup> – marking the third-largest single-day gain in S&P 500 history. Despite an overall decline of 7.50% since late February, the S&P has seen a short-term rally, gaining 9.84% over the course of 9 straight winning days from April 22<sup>nd</sup>-May 2<sup>nd</sup>. On April 14<sup>th</sup>, the S&P registered a death cross, a traditionally bearish signal. Since then, the 50-day and 200-day simple moving averages have continued to diverge. It will be important to monitor this trend. A quick reversal in the 50-day SMA would suggest the death cross was a false signal, while continued divergence would reinforce the downward trend. Prior to the recent correction, the index was in the midst of a long-term ascending channel, consistently hitting higher support and resistance levels.

## Supporting Market Indicators

Utilizing Aswath Damodaran's implied equity risk premium framework (<https://pages.stern.nyu.edu/~adamodar/>), which derives the ERP from current market prices using a DCF model on the S&P 500, I arrive at an ERP of 4.82%. By applying an 80% weight to this estimate and a 20% weight to the analyst consensus ERP of 3.58%, I arrive at a composite ERP of 4.57%, which underpins my valuation models.

The VIX has been elevated over the last month, closing above 30 for 10 consecutive days (and 12 out of 13) in early to mid-April, peaking at 60.13 on April 7<sup>th</sup>. Its 200-day, 50-day, and 20-day SMAs are 19.56, 25.87, and 32.26, respectively. These sustained heightened levels signal a high degree of fear in the markets. The VXV, which measures 3-month volatility, has closely tracked the VIX, indicating that investor fear extends beyond short-term uncertainty.

The Commitment of Traders (COT) reports reveal the aggregate long and short positions held by different market participants in exchange-traded commodities and major indices. From this, we can see that large money managers are net short on the S&P 500, with recent action being more bearish. Leveraged funds are also net short on the index, although recent activity has been neutral.



Over the last year, the gold-to-platinum ratio has risen to 3.34, up 36.89% year-over-year. This spike suggests a flight to safety amid heightened recession concerns and geopolitical instability. Simultaneously, it implies lower expected industrial demand for platinum, potentially indicating an economic slowdown.

**Sector Focus: Materials**

I entered the semester with a bearish outlook on the materials sector as a whole, with the exception of precious metals and their associated miners. This thesis has largely materialized, as the price per ounce of gold has increased approximately 22.10% YTD, while silver has gained 8.60% YTD. I remain bullish on precious metals through the remainder of 2025. Briefly, my thesis rests on continued demand for safe-haven assets amid recessionary fears, as well as capital outflows from the bond market caused by recent volatility and confusion. Additionally, increasing net purchases by central banks, tariff exemptions, and declining energy prices – which support margin expansion for miners – further bolster the case. Should global trade tensions de-escalate, the Fed could refocus on their monetary easing cycle which would boost gold in a more traditional sense.

**Sector Focus: Consumer Staples and Consumer Discretionary**

The consumer staples sector has outperformed the broader market thus far in 2025, delivering YTD returns of 5.50%. As a traditionally defensive sector, this outperformance aligns with increased investor risk aversion amid macroeconomic uncertainty. I expect consumer staples to continue its outperformance as macro headwinds persist.

Conversely, consumer discretionary equities are often the first to suffer during economic downturns, as consumers scale back on non-essential purchases. Given the current macro environment, I anticipate underperformance in this sector for the remainder of 2025.

**Sector Focus: Communication Services and Information Technology**

After a strong multi-year bull run, the information technology sector has been among the hardest hit during the recent market correction. XLK, which tracks the information technology sector, has lost approximately 6.70% of its value YTD and 10.60% since its February peak. This selloff has been driven by frothy valuations in the sector compounded by economic and geopolitical uncertainty, leading investors to reassess riskier assets like technology stocks.

Meanwhile, the communication services sector has held up comparatively better, with the sector's benchmark, XLC, posting a slight YTD gain of 0.15%, despite a 7.65% pullback since its February top. This better relative performance can be attributed to a lower P/E ratio (19.40 vs 34.22 for the XLK) and a reduced beta (1.12 vs 1.23). Given these factors, I believe communication services offers a more compelling near-term risk-adjusted return profile relative to information technology, making it a better allocation of capital for investors aiming to preserve upside potential while managing risk in today's volatile market.

## ENERGY SECTOR

I have a **Market Underperform** rating on the energy sector due to macroeconomic uncertainty, dropping commodity prices, and political tensions.

### Economic Drivers and Recent Developments

In 2025, the energy sector has faced a complex macroeconomic environment due to fluctuations in commodity prices, trade dynamics, and political tensions. The price of crude oil and natural gas has been highly sensitive to global events, geopolitical tensions have slowed down and OPEC has shifted their strategy and increased supply. Oil and gas prices are trending downward due to increasing production.

The Federal Reserve interest rate has stayed consistent and energy companies are still facing higher borrowing costs. U.S. oil and natural gas exports have remained strong due to domestic oversupply. LNG exports have played a strong role in balancing global demand, especially for European countries. Crude oil inventories have been building since early 2025 due to increased production and moderating demand. The inventory growth has put downward pressure on oil prices.

### Performance Outlook

I expect the sector to underperform the S&P 500 Index and give an expected return of  $-1.00\%$  to  $0.00\%$  over the next year according to data from IBIS World. Sales for 2025 are expected to be flat or slightly negative, driven by weaker oil and gas prices, constrained demand, and recent political tensions. Oil prices have been dropping, and OPEC has increased their supply, overall weakening pricing power. Tariff shocks and policy changes have further hurt commodity prices. Additionally, capital discipline across energy is expected to limit production and spending, hurting the top line. I came to my expected sales growth based of IBIS World estimates.

### Sector Winners and Losers

The EV/EBITDA ratio is most appropriate for valuing firms in the energy sector. Energy firms have complex capital structures and EV/EBITDA captures both equity and debt to fairly compare companies. EV/EBITDA ties the firms valuation to earnings with a sector median value of 7.2x.

I came to my winners and losers by looking at possible undervaluation and mispricing. **Coterra Energy (CTRA)** is a winner that the fund purchased this semester with an upside of 23.6% and a strong growth rate of 41.4% compared to the sector norm growth rate of 9.4%. They also have a low cost of capital compared to sector norms.



**Tyler Bret**

Energy Sector Analyst

### Sector Vital Statistics

Energy Sector (GICS 10; XLE)						
Market Weight	4.4%					
Average Market Capitalization	\$40.1 B					
Number of Companies	22					
Sector Performance	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr
SPDR Ticker	-14.4%	-8.7%	-5.0%	-12.6%	5.5%	125.2%
Sector Metrics	EV/EBITDA	Gr. R	WACC	Tax Rate	Dep Rate	Reinvestment Rate
SPDR Ticker	7.2x	9.4%	7.8%	21%	37.45%	21.1%

Source: Bloomberg

### Sector Winners and Losers

Company	Ticker	EV/EBITDA	Price	Target	% Diff
<b>Outperform</b>					
Coterra Energy	CTRA	7.1x	\$24.83	\$30.70	23.6%
Schlumberger	SLB	6.7x	\$33.81	\$44.54	32.0%
Valero Energy	VLO	8.6x	\$117.59	\$189.74	61.4%
<b>Underperform</b>					
Hess Corp	HES	6.9x	\$129.05	\$128.12	-0.1%
Texas Pacific	TPL	52.8x	\$1288.87	\$505.30	-60.8%
EQT Corp	EQT	12.6x	\$50.01	\$38.11	-23.8%

Ticker	Gr. R	WACC	Tax Rate	Depreciation Rate	Reinvestment Rate
CTRA	41.4%	5.51%	21%	57.04%	0.00%
SLB	8.25%	8.31%	21%	28.34%	4.79%
VLO	5.10%	8.10%	21%	33.43%	0.00%
HES	-0.10%	7.01%	21%	35.08%	81.50%
TPL	13.4%	10.38%	21%	4.46%	16.68%
EQT	20.0%	7.13%	21%	68.49%	100.00%

## MATERIALS SECTOR

I have a **Market Perform** rating for the materials sector over the next twelve months due to persistent macroeconomic headwinds, tariffs, and weakening industrial activity which collectively reduce earnings visibility and limit upside.

### Economic Drivers and Recent Developments

The Materials sector remains in a mature phase, characterized by low growth and high sensitivity to macroeconomic cycles. Sector performance is closely tied to interest rates, inflation, and industrial output, all of which have faced pressure due to tighter financial conditions. Persistent inflation and elevated borrowing costs have reduced construction, manufacturing, and consumer goods demand, all core drivers of materials consumption.

Despite long-term upside tied to infrastructure investments, these catalysts are not expected to meaningfully offset near-term challenges. Electric vehicles, renewable energy, and data center growth support demand for critical inputs like copper, lithium, and nickel. However, these gains are likely to be uneven and concentrated in a few sub-industries. The broader sector outlook remains constrained by macro uncertainty and cyclical weakness, and historically, the Materials sector has lagged during early market recoveries. Without a broad-based economic acceleration, sustained outperformance is unlikely.

### Performance Outlook

Sector revenues are forecasted to grow by just 0.58% in 2025 with a weak five-year CAGR of 0.37%. Technical momentum remains weak, with the 50-day moving average sitting below the 200-day moving average, signaling continued downside pressure. Given low projected sales growth, elevated valuation multiples, and deteriorating industrial indicators, I expect the sector to continue underperforming the broader market over the next twelve months. I project a one year return for the sector of about 5%.

### Sector Winners and Losers

**Vulcan Materials Company (VMC)** is expected to outperform the Materials sector, supported by strong growth and lower risk. ROE of 12.43 percent trails the sector's 17.2 percent, but a beta of 0.81 vs. 1.16 signals reduced volatility. Long run growth of 12.75 percent exceeds the sector's 7.0 percent, and a 24.47 percent payout ratio shows balanced capital use. With a target price of \$286.91 and 8.53 percent implied upside, **VMC** offers attractive return potential.

Conversely, **Albemarle Corporation (ALB)** is expected to underperform due to weak growth and elevated volatility. ROE of 16.28 percent is near the sector average, but long-term revenue growth of negative 34.80 percent is a major red flag. A beta of 1.58 vs. 1.16 signals higher risk, and the 11.93 percent payout ratio limits returns. With a target price of \$115.86 and an implied downside of 5.66 percent, **ALB's** outlook is unfavorable.



**Alden Dietrich**

Materials Sector Analyst

### Sector Vital Statistics

#### Materials Sector (GICS 15; XLB)

Market Weight	2.5%					
Average Market Capitalization	\$31.91 B					
Number of Companies	28					
Sector Performance	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr
XLB	-3.22%	-5.40%	0.37%	-6.25%	4.55%	67.22%
Sector Metrics	P/B	Payout	ROE	Beta	LRG	
XLB	3.56x	31.7%	17.2%	1.16	7.0%	



Source: Bloomberg

### Sector Winners and Losers

Company	Ticker	Multiple	Price	Target	% Diff
<b>Outperform</b>					
Vulcan Materials Company	VMC	4.33x	\$267.05	\$289.83	8.53%
Linde PLC	LIN	6.36x	\$454.95	\$485.34	3.38%
Ecolab Inc	ECL	4.14x	\$255.38	\$272.37	7.04%
<b>Underperform</b>					
Albemarle Corporation	ALB	0.65x	\$60.30	\$56.89	-5.66%
The Mosaic Company	MOS	0.75x	\$30.51	\$28.78	-5.67%
Celanese Corporation	CE	0.43x	\$45.95	\$42.42	-7.68%
Ticker	Payout	ROE	Beta	LRG	
VMC	24.47%	12.43%	0.81	12.75%	
LIN	40.44%	16.63%	0.99	8.02%	
ECL	44.87%	17.00%	1.05	13.30%	
ALB	11.93%	16.28%	1.58	-34.80%	
MOS	30.13%	9.37%	1.09	-19.70%	
CE	15.56%	25.95%	1.18	7.68%	

Data as of May 2, 2025

## INDUSTRIALS SECTOR

We are giving the Industrials' sector a **Market Perform** rating. While the sector benefits from infrastructure investments, defense demand, and reshoring trends, margin pressures, labor constraints, and elevated input costs pose challenges that limit near-term upside.

### Economic Drivers and Recent Developments

The industrial's sector is heavily cyclical, making it sensitive to changes in the current macroeconomic conditions. Overall, the sector is heavily tied to GDP growth, interest rates, inflation, and capital investment.

In the first quarter of 2025, the U.S. GDP contracted 0.3%, marking the first decline since early 2022. This was primarily due to a surge of imports anticipating the incoming tariffs. The Federal Reserve is currently in a wait and see mode, choosing to hold current interest rates until there is greater economic clarity. Their Chairman, Jerome Powell noted tariffs are "significantly larger than expected" and are likely to cause higher inflation.

The recent GDP contraction and substantial tariffs introduced trade disruptions, inflationary pressures, and investment uncertainty. Industrial companies are reliant on imported materials, and the surge in importance signals potential supply chain disruptions. Higher tariffs will raise input costs, and squeeze profit margins. This environment, which is earmarked by the policy shifts, inflation concerns, and slowing growth, has led to deferred capital expenditures, and a more cautious business plan.

### Performance Outlook

Over the next twelve months, we expect the Industrials sector to perform in line with the broader market, though short term volatility may persist through the current economic uncertainty. In Q1 2025, U.S. GDP contracted by 0.3%, which was the first decline since early 2022, fueled by a surge of imports ahead of the tariffs. These tariffs are expected to increase inflationary pressure as well as near term growth metrics.

Given the cyclical nature of the Industrials sector, which is tied closely to GDP growth, interest rates, inflation, and capital investment, we anticipate the growth to be disturbed short term as companies face rising input costs and disruptions to their supply chain. The surge in oil prices to an all time high in 2025 highlights investor anxiety and economic uncertainty. Business sentiment remains cautious, as we see many firms delaying their capital expenditures.

Despite this, we project sector wide sales growth of around 3.3% over the next twelve months, driven heavily by aerospace & defense, infrastructure, and industrial names benefiting from the continued government spending. We believe macroeconomic confidence will begin to return in late 2025, along with the overall momentum.



**John Barr III**  
Industrials Sector Analyst



**Matthew Ross**  
Industrials Sector Analyst

## Sector Winners and Losers

To identify potential winners and losers in the Industrials sector, we ran a linear regression analysis using valuation multiples. Among the options we considered, EV/EBITDA emerged as the most reliable predictor of over/under valuation. We selected this multiple because it reflects a company's core earnings while accounting for depreciation and debt—factors especially relevant in a capital-intensive, highly leveraged sector like Industrials.

We found our top five outperformers to be **Waste Management, Inc. (WM)**, **Howmet Aerospace, Inc. (HWM)**, **General Electric Company (GE)**, **Deere & Company (DE)**, and **W.W. Grainger, Inc. (GWW)**. The top five underperforming companies were found to be **Paycom Software, Inc. (PAYC)**, **Northrop Grumman Corporation (NOC)**, **Otis Worldwide Corporation (OTIS)**, **Illinois Tool Works, Inc. (ITW)**, and **Verlato Corporation (VLTO)**.

Upon conducting our analysis of our winners and losers compared to the Industrials sector, we established the fundamental determinant medians for the XLI (Industrials sector ETF). They are as follows: EV/EBITDA: 17.32x, Long-Run Growth: 10.59%, Tax Rate: 21%, Depreciation Rate: 19.77%, Reinvestment Rate: 19.85%, and WACC: 8.14%. Featured in the chart to the right, the outperformers' EV/EBITDA ratios are generally higher than that of the XLI, and these outperformers tend to exhibit stronger long-run growth and higher reinvestment rates than the sector norms, while underperformers typically carry a higher WACC or lower capital reinvestment. This reflects investor willingness to assign premium valuations to companies with strong fundamentals.

**Waste Management, Inc (WM)** and **General Electric Company (GE)** both demonstrate a 100% reinvestment rate, while **Deere & Company (DE)** maintains just a 12.59% reinvestment, which explains its lower multiple. **Northrop Grumman Corporation (NOC)** and **Otis Worldwide Corporation (OTIS)** carry WACCs below sector average, which could reflect investor concerns.

When analyzing their depreciation rates and tax exposure, we see outperformers such as **WM** (35.84%) and **PAYC** (22.02%) carrying higher depreciation rates, which contributes to their higher EV/EBITDA valuations. The variance between their reinvestments, cost of capital, and non cash expenses reinforce the dispersion of their valuations.

## Sector Vital Statistics

### Industrials Sector (GICS 20; XLI)

Market Weight	11.35%					
Average Market Capitalization	\$50.6 B					
Number of Companies	79					
Sector Performance	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr
XLI	-3.60%	-0.21%	-0.21%	5.56%	10.18%	19.14%
Sector Metrics	EV/EBITDA	LRG %	Tax Rate	Depr. %	Reinvest%	WACC
XLI	17.32x	10.59%	21%	19.77%	19.85%	8.14%



Source: Bloomberg Finance L.P.

## Sector Winners and Losers

Company	Ticker	EV/EBITDA	Price	Target	% Diff
<b>Outperform</b>					
Waste Management, Inc.	WM	21.68x	\$234.06	\$319.33	36.43%
Howmet Aerospace, Inc.	HWM	16.15x	\$154.65	\$173.55	12.22%
General Electric Co.	GE	37.96x	\$208.37	\$264.98	27.17%
Deere & Company	DE	12.99x	\$482.65	\$645.79	33.80%
W.W. Grainger, Inc.	GWW	24.95x	\$1069.00	\$1427.22	33.51%

<b>Underperform</b>					
Paycom Software, Inc.	PAYC	15.61x	\$228.22	\$188.99	-20.66%
Northrop Grumman Co.	NOC	6.53x	\$492.99	\$240.33	-105.22%
Otis Worldwide Corp.	OTIS	9.62x	\$97.47	\$60.92	-60.00%
Illinois Tool Works, Inc.	ITW	12.21x	\$242.00	\$197.22	-22.71%
Verlato Corp.	VLTO	14.50x	\$95.62	\$80.75	-18.39%

Ticker	LRG %	Tax Rate	Depr. %	Reinvest %	WACC
WM	10.54%	21%	35.84%	100.0%	6.13%
HWM	23.88%	21%	14.47%	16.24%	10.16%
GE	18.67%	21%	14.85%	100.0%	9.71%
DE	-2.35%	21%	14.61%	12.59%	7.51%
GWW	5.90%	21%	8.11%	20.66%	9.14%
PAYC	10.59%	21%	22.02%	38.03%	7.80%
NOC	4.20%	21%	23.87%	22.69%	4.32%
OTIS	9.20%	21%	7.25%	11.53%	7.34%
ITW	1.78%	21%	8.84%	0.00%	8.54%
VLTO	6.28%	21%	6.02%	69.06%	6.89%

Data as of May 5, 2025

## CONSUMER DISCRETIONARY SECTOR

Following a tempered performance in 2024, the Consumer Discretionary sector enters 2025 facing persistent macroeconomic challenges. Given its cyclical nature and the risk of new tariffs on consumer goods, I anticipate the Consumer Discretionary sector will **Market Perform** in line with the broader S&P 500 over the coming year.

### Economic Drivers and Recent Developments

The Consumer Discretionary sector is considered cyclical, meaning its performance tends to align with fluctuations in consumer spending. Key indicators of these trends include Disposable Personal Income (DPI) and Personal Consumption Expenditures (PCE). DPI represents personal income after taxes, while PCE measures overall consumer spending on goods and services. In March 2025, DPI rose by 0.5%, and PCE increased by 0.7% month-over-month, reflecting a modest near-term uptick in consumer activity. On a year-over-year basis, PCE increased 2.3% compared to March 2024, signaling steady, if moderate, growth in consumer expenditures.

In the fast-food restaurant industry, sales are projected to grow by 1.1% in 2025, up from a 0.6% increase in 2024, indicating a modest acceleration in demand. In the auto parts retail sector, profit margins rose by 6.2% year-over-year in 2024, reflecting improved operational efficiency. Meanwhile, e-commerce sales are expected to increase by 0.4% in 2025, following flat growth (0.0%) in 2024, signaling a slight rebound in online consumer activity.

### Performance Outlook

I project the Consumer Discretionary sector to Market Perform in 2025. For the remainder of 2025, I project the sector to return 5%. As new tariffs on consumer goods begin to be implemented, this sector will face supply chain disruptions, decreased consumer demand, and heightened pricing pressure. Over a 1-year period, the XLY returned 8.26%, while the SPY returned 10.47%. The sector is currently displaying similar momentum to SPY.

### Sector Winners and Losers

**General Motors (\$GM), Aptiv (\$APTIV), and Mohawk Industries (\$MHK)** are well-positioned to outperform, supported by strong fundamentals and attractive valuations. GM trades at a low 0.23x P/S with 200.86% upside potential, leveraging robust cash flow and disciplined cost management to fund its EV transition and shareholder returns. MHK, at 0.61x P/S with 79.4% upside, benefits from a potential housing market recovery and margin improvements despite a -2.68% sales decline. Aptiv (0.66x P/S, 96.45% upside) is poised to capture long-term growth in EVs and ADAS through its global OEM partnerships, supported by a solid 13.8% LRG% despite near-term sales softness.

**Tesla (\$TSLA), Amazon (\$AMZN), and Airbnb (\$ABNB)** face valuation and macroeconomic headwinds. Tesla's 9.25x P/S and 85.02% downside reflect slowing EV demand, margin pressures, and intensifying competition. Amazon's 3.16x P/S remains elevated amid margin compression from rising retail costs, despite healthy 10.99% sales growth and 15.9% NPM. Airbnb, trading at 6.91x P/S with a -42.15% downside, faces regulatory challenges.



**Maddie Moulin**

Consumer Discretionary Sector Analyst

### Sector Vital Statistics

Consumer Discretionary Sector (GICS 25; SPDR XLY)						
Market Weight	10.68%					
Average Market Capitalization	\$103.5B					
Number of Companies	50					
Sector Performance	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr
SPDR XLY	-8.31%	-11.73%	-11.73%	8.26%	3.11%	15.95%
Sector Metrics	P/S	LRG%	NPM	P-O	Beta	SGRTH
SPDR XLY	2.54x	15.6%	11.0%	23.7%	1.26	5.0%



Source: Bloomberg

### Sector Winners and Losers

Company	Ticker	P/S	Price	Target	% Diff
<i>Outperform</i>					
General Motors	GM	0.23x	\$45.24	\$136.0	200.86
Mohawk Industries	MHK	0.61x	\$106.3	\$190.8	79.4%
Aptiv PLC	APTIV	0.66x	\$57.06	\$112.1	96.45%
<i>Underperform</i>					
Tesla, Inc.	TSLA	9.25x	\$282.1	\$43.22	85.02%
Amazon.com, Inc.	AMZN	3.16x	\$184.4	\$103.7	43.75%
Airbnb, Inc.	ABNB	6.91x	\$121.9	\$70.52	42.15%
Ticker	LRG%	NPM	P-O	Beta	SGRTH
GM	2.85%	3.21%	0%	1.36	9.08%
MHK	3.95%	4.78%	0%	1.24	-2.68%
APTIV	13.8%	3.21%	0%	1.44	-1.96%
TSLA	14.5%	7.26%	0%	4.43	0.95%
AMZN	16.95%	15.9%	0%	1.31	10.99%
ABNB	21.25%	23.52%	0%	1.14	11.95%

Data as of May 2, 2025

## CONSUMER STAPLES SECTOR

I believe the Consumer Staples sector will **Market Perform** over the next twelve months, as its defensive characteristics and stable margins offer resilience in uncertain macroeconomic environments, but with limited growth catalysts, outperformance could be capped.

### Economic Drivers and Recent Developments

During the rising tariff tensions and recession concerns, consumer staples has become a safe haven for investors. Following President Trump's latest round of tariffs, it was the only S&P 500 sector to post gains during a selloff in the broader market, meaning there is a shift towards stability. While tariff exposure does exist (e.g., **Colgate (CL)** and **Procter & Gamble (PG)** manufacture in Mexico), it's far lower in apparel or electronic sectors. Companies such as **Kroger (KR)** and **PepsiCo (PEP)** also benefit from investor defensiveness, also supported by their historically resilient demand patterns.

We are seeing retailers take steps to manage cost pressures by using some pre-imported inventory, shifting ad strategies, and pushing the suppliers to absorb tariff costs. Still, leaders at **Walmart (WMT)** and **Target (TGT)** have warned that some price hikes and constraints on inventory may be inevitable if the tariffs persist. Even so, the sector does continue to benefit from strong pricing power along with insulation from discretionary pullbacks.

### Performance Outlook

I project Consumer Staples sector sales to grow between 0.8% and 1.5% over the next twelve months. While there have been recent tariff shocks and recession fears and those drove short-term inflows, rising costs and supplier strain could weigh on margins later this year. Retailers are holding their prices low for now, but executives warn that this won't be sustainable long term.

Stock price performance may level off as well, following the initial rally. I project a one-year return of 4.5% to 6.0%, as the investors shift cautiously amid persistent inflation along with broader market uncertainty.

### Sector Winners and Losers

The three Consumer Staples companies I believe are best positioned to outperform over the next year are **Walmart Inc. (WMT)**, **Coca-Cola Co (KO)**, and **PepsiCo, Inc. (PEP)**. Walmart (EV/EBITDA: 22.69) trades well above the sector average of 12.5x, but its higher long-run growth rate (34.4% vs. 4.3%), elevated depreciation (32.4% vs. 18.6%), and strong reinvestment (41.5% vs 20.6%) justify this premium, unlike the losers with weaker fundamentals.

The three companies I believe are likely to underperform are **Church & Dwight (CHD)**, **Monster Beverage (MNST)**, and **Clorox (CLX)**. Monster Beverage (EV/EBITDA: 27.62) is the most overvalued name on the list, despite a relatively modest growth rate (13.7%) and the lowest depreciation rate in the group (3.3%). Its reinvestment rate of 47.1% is high, but offers a small amount of efficiency given its limited return on capital and declining price targets. Investor confidence continues to weaken amid this uncertainty.



Claire LeDuc

Consumer Staples Sector Analyst

### Sector Vital Statistics

Consumer Staples Sector (GICS 30; XLP)						
Market Weight	6.05%					
Average Market Capitalization	\$88.4 B					
Number of Companies	38					
Sector Performance	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr
XLP	-0.53%	2.90%	3.66%	7.60%	4.64%	40.99%
Sector Metrics	EV/EBITDA	LRG %	Tax Rate	Depr. %	Reinvest %	WACC
XLP	12.5x	4.3%	21.9%	18.6%	20.6%	5.86%



Source: Bloomberg

### Sector Winners and Losers

Company	Ticker	EV/EBITDA	Price	Target	% Diff
<b>Outperform</b>					
Walmart Inc.	WMT	22.69x	\$96.04	\$106.96	11.4%
Coca-Cola Co.	KO	7.94x	\$72.35	\$76.40	5.6%
PepsiCo, Inc.	PEP	13.23x	\$134.31	\$151.53	12.8%
<b>Underperform</b>					
Church & Dwight	CHD	21.01x	\$99.01	\$58.47	-40.9%
Monster Beverage	MNST	27.62x	\$59.25	\$26.91	-54.6%
Clorox	CLX	17.32x	\$141.20	\$129.04	-9.4%
Ticker	LRG%	Tax Rate	Depr. %	Reinvest %	WACC
WMT	34.43%	25.53%	32.41%	41.45%	7.14%
KO	5.96%	17.36%	7.81%	21.67%	5.98%
PEP	3.62%	19.42%	17.23%	21.73%	5.67%
CHD	8.62%	21.89%	15.35%	0.00%	6.29%
MNST	13.66%	21.15%	3.29%	47.12%	6.99%
CLX	8.15%	26.63%	20.02%	31.41%	6.16%

Data as of April 29, 2025

## HEALTHCARE SECTOR

I have a **Market Perform** rating on the healthcare sector and expect it to trade in line with the S&P 500 over the next twelve months. As growth from GLP-1 therapies begins to normalize and broader innovation—including AI integration and digital health advancements—supports stable but moderating revenue growth, investors are likely to balance profit-taking with a search for value in discounted names.

### Economic Drivers and Recent Developments

The healthcare sector continues to evolve, driven by the recent surge in GLP-1 drug demand, which significantly benefited large pharmaceutical firms and had a ripple effect on related subsectors such as biotech, distribution, and managed care. Furthermore, demographic shifts—including an aging population and increasing chronic disease prevalence—are fueling long-term demand for healthcare products and services. According to *IBIS World*, the healthcare sector will see revenue growth of 6.1% in 2025, largely attributed to rising demand in preventive care, specifically pharmaceuticals, and integration of digital technologies.

### Performance Outlook

The healthcare sector is expected to experience modest but steady sales growth of approximately 5-6%, following period of outsized gains driven by the surge in GLP-1 drug demand. As that growth driver normalizes, leading companies are expected to reinvest profits into strategic partnerships, acquisitions, and innovation. Given the dynamic and recent valuations, the sector is likely to generate a stock price return of around 5% over the next year, reflecting cautious optimism.

### Sector Winners and Losers

For the healthcare sector, the price-to-sales (P/S) ratio was selected as the primary valuation metric, as it effectively captures the industry's emphasis on consistent revenue generation and pricing power.

Among the sector winners, **Eli Lilly (LLY)** stands out with a high relative valuation, justified by exceptional fundamentals: 40.35% long-term revenue growth, 23.51% NPM, and strong monetization of GLP-1 therapies. **Bristol-Myers (BMY)**, despite a strong multiple and robust 46.47% LRG, shows a sharply negative NPM and no dividend payout, suggest a speculative bet on turnaround or pipeline success.

On the underperforming side, companies like **Cardinal Health (CAH)**, **Cencora (COR)**, and **Centene (CNC)** trade at a steep discount (0.15x-0.18x) due to fundamentally low P/S scores despite decent long-term growth and stability. This reflects the lower-margin, volume-based nature of distribution and managed care businesses, which structurally limit profitability and pricing power. For instance, **CAH** has a payout ratio over 58% despite a near-zero profit margin (0.38%), suggesting limited reinvestment capacity.



**Jeremi R. Camarena**

Healthcare Sector Analyst

### Sector Vital Statistics

#### Healthcare Sector (GICS 35; SPDR XLV)

Market Weight	10.79%					
Average Market Capitalization	\$85.1 B					
Number of Companies	61					
Sector Performance	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr
SPDR XLV	-1.70%	6.51%	6.51%	0.32%	3.84%	12.24%
Sector Metrics	P/S	LRG%	NPM	Payout	Beta	SGR
SPDR XLV	3.26x	9.85%	9.81%	11.9%	0.78	2.2%



Source: Bloomberg

### Sector Winners and Losers

Company	Ticker	Multiple	Price	Target	% Diff
<b>Outperform</b>					
ELI LILLY AND CO.	LLY	1.51x	\$794.10	\$417.90	90.0%
BRISTOL-MYERS CO.	BMY	1.31x	\$49.61	\$26.34	86.4%
BIAGEN INC.	BIIB	1.04x	\$120.93	\$77.91	55.7%
<b>Underperform</b>					
CARDINAL HEALTH	CAH	0.15x	\$145.53	\$1,096.33	-87.3%
CENCORA INC.	COR	0.18x	\$291.04	\$1,536.04	-81.6%
CENTENE CORP.	CNC	0.17x	\$59.26	\$268.41	-78.2%
Ticker	LRG%	NPM	Payout	Beta	SGR
ELI LILLY AND CO.	40.35%	23.51%	45.87%	0.49	32.00%
BRISTOL-MYERS CO.	46.47%	-18.53%	0.00%	0.41	7.32%
BIAGEN INC.	2.50%	16.87%	0.00%	0.11	-1.62%
CARDINAL HEALTH	9.47%	0.38%	58.22%	0.66	10.64%
CENCORA INC.	11.12%	0.51%	27.58%	0.60	12.12%
CENTENE CORP.	11.65%	2.03%	0.00%	0.49	5.89%

Data as of May 2nd, 2025

## INFORMATION TECHNOLOGY SECTOR

We have a **Market Perform** rating on the Information Technology sector. While the sector continues to have high growth potential, overvaluations, elevated rates, and geopolitical trade complications limit its relative upside.

The Information Technology Sector is comprised of 69 stocks representing 30.3% of the broader index, making it the largest contributor to the S&P 500. The sector diverges into three main industry groups: Software & Services, Technology Hardware & Equipment, and Semiconductors & Semiconductor Equipment. The four largest players are Apple Inc. (**AAPL**), NVIDIA Corp. (**NVDA**), Microsoft Corp. (**MSFT**), and Broadcom Inc. (**AVGO**).

The top 10 companies in the Information Technology sector make up 77.7% of its total market capitalization, with Apple Inc. (**AAPL**) holding the largest share at 22.3%. This top-heavy structure can create outsized volatility across the sector, causing minor price movements or news tied to the largest companies to significantly sway overall performance.

### Economic Drivers and Recent Developments

Robust demand for AI infrastructure, cloud computing, and enterprise software continues to drive IT sector growth. S&P Global projects global IT spending to grow by 9% in 2025, fueled by enterprise investments in AI, data centers, and software. The FED is expected to cut rates in 2025, which would ease some pressure on current tech valuations.

However, ongoing U.S. and China trade tensions have elevated interest rates and pose downside risk for many companies within the Information Technology sector. Signs of economic slowdown or a possible recession also limit upside and increase volatility in the future.

Developments in AI have become a major catalyst for innovation, with firms accelerating integration into productivity tools, software platforms, and infrastructure. Cloud computing and cybersecurity advancements are also expanding as demand is surging for technology that enables secure, scalable, and flexible deployment within public and private firms.

Recent global trade uncertainty and supply chain disruptions have led to more cautious capital spending and workforce reductions across parts of the Information Technology industry. The sector remains well positioned for continued innovation and digital transformation, near term growth may be slowed by macroeconomic and geopolitical uncertainty.



**James Murray**

Information Technology Sector Analyst



**Ryan Lawlor**

Information Technology Sector Analyst

### Sector Vital Statistics

Informational Technology Sector (GICS 45; XLK)						
Market Weight	30.30%					
Average Market Capitalization	\$219.23B					
Number of Companies	69					
Sector Performance	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr
XLK	5.79%	-3.89%	-7.44%	10.24%	53.57%	145.16%
Sector Metrics	Growth %	Net Profit Margin	Payout	Beta		
XLK	8.75%	18.32%	27.33%	1.27		

## Performance Outlook

Our one-year sales forecast anticipates a growth of 3.39% YoY for 2025 across US markets. We note that on going tariffs act as a constraint, primarily impacting imports and potentially delaying capital expenditures, though we see them less of a direct constraint on overall sales compared to broader economic factors.

The Technology Select Sector SPDR ETF (XLK) boats a 3-year annualized return of 53.57% and reached an all-time high of \$243.14 in February 2025. Looking ahead through the remainder of the year we anticipate XLK's performance to largely mirror the broader index. However, this is a fragile approximation. Persistent recession fears or a macroeconomic downturn could have a harsh effect on valuations. Net of these macroeconomic fears, and assuming conditions remain stable and improve, we expect the XLK to recover towards the all time highs observed earlier in the year.

## Sector Winners and Losers

After performing quantitative analysis on the Information Technology Sector, certain market multiples were found to have statistical significance. To derive our sector winners and losers, we primarily assed the Price to Sales (P/S) ratio. P/S is key for valuing IT sector firms, especially those prioritizing rapid revenue expansion over immediate profits, allowing for valuation even with low earnings. Sales figures are generally more stable and less susceptible to accounting variations than earnings, making P/S useful for comparing companies at different growth stages. EV/EBITDA was used in junction with P/S to account for high use of leverage within the sector.

The winners for the sector identified through our analysis include **Jabil Inc. (JBL)**, **GoDaddy Inc. (GDDY)**, **Amphenol Corp. (APH)**, **EPAM Systems Inc. (EPAM)**, and **Hewlett Packard Co. (HPE)**.

**EPAM Systems Inc. (EPAM)** is considered the top potential outperformer based on its projected upside of 23.45%, reflecting a price target of \$197.69 compared to its current price of \$160.14, alongside its predicted P/S of 14.05x which is much higher than the sector average of 8.47x.

The firms expected to underperform are **Broadcom Inc. (AVGO)**, **Tyler Technologies Inc. (TYL)**, **Texas Instruments Corp. (TXN)**, **Akami Technologies Inc. (AKAM)**, and **Analog Devices Inc. (ADI)**.

**Tyler Technologies Inc. (TYL)** is considered the top potential underperformer based on its projected downside of -36.00%, reflecting a price target of \$351.79 compared to its current price of \$549.71, alongside its predicted P/S of 3.22x which is much lower than the sector average of 8.47x.



Source: Bloomberg Terminal

## Sector Winners and Losers

Company	Ticker	Price	Target	% Diff.
<i>Outperform</i>				
Jabil Inc.	JBL	\$150.68	\$181.52	20.47%
GoDaddy Inc.	GDDY	\$175.83	\$202.66	15.26%
Amphenol Corp.	APH	\$80.90	\$97.23	20.19%
EPAM Systems Inc.	EPAM	\$160.57	\$197.69	23.12%
Hewlett Pack. Co.	HPE	\$ 16.93	\$19.42	14.74%
<i>Underperform</i>				
Broadcom Inc.	AVGO	\$204.29	\$135.76	-33.55%
Tyler Tech. Inc.	TYL	\$549.71	\$351.79	-36.00%
Texas Inst. Corp.	TXN	\$165.03	\$115.99	-29.71%
Akami Tech. Inc.	AKAM	\$ 82.61	\$59.71	-27.72%
Analog Dev. Inc.	ADI	\$198.71	\$135.61	-31.75%

Ticker	Growth %	Net Profit Margin	Payout	Beta
JBL	13.25%	4.81%	2.88%	1.12
GDDY	17.07%	20.49%	0.00%	1.11
APH	15.70%	15.92%	27.35%	1.09
EPAM	8.18%	9.61%	0.00%	1.71
HPE	4.40%	8.56%	27.18%	1.33
AVGO	18.75%	11.43%	100.00%	1.06
TYL	13.65%	12.30%	0.00%	0.84
TXN	11.70%	30.68%	99.92%	0.96
AKAM	7.81%	12.65%	0.00%	0.81
ADI	11.80%	17.35%	100.00%	0.99

Data as of May 2nd, 2025

## COMMUNICATION SERVICES SECTOR

I have an Outperform rating for the sector. Continuing its momentum from a strong 2024, the Communication Services sector is well-positioned to outperform the broader S&P 500 index in 2025.

### Economic Drivers and Recent Developments

In 2025, the Communication Services sector continues to support a bullish outlook from strong consumer demand. They face a mixed macroeconomic environment marked by slowing growth, persistent inflation, and uncertainty around a potential soft recession. While the Federal Reserve has held interest rates steady, borrowing costs remain elevated, potentially impacting ad budgets and capital expenditures for smaller media and telecom firms. Consumer spending and disposable income are key economic drivers, especially for companies offering premium content, streaming platforms, and mobile services. The sector is undergoing a major transformation as traditional media declines and streaming, digital content, and social platforms dominate. AI is reshaping how firms like Meta and Netflix generate revenue, personalize content, and scale efficiently. Key metrics—such as MAUs (YouTube Shorts: 70B daily views), ARPU (Verizon: +3.8% YoY), and subscriber growth (Netflix: 270M+)—are critical for evaluating financial strength and market position.

### Performance Outlook

Despite macroeconomic uncertainties and the potential for a recession, The Communication Services sector appears resilient and bullish. The XLC, delivered a 21.86% return over the past year, outperforming the S&P 500's 12-month return of 10.97%. Year-to-date, XLC is up 2.25%, even as the broader market trends downward. I project total sector revenue to rise approximately \$2.42 trillion over the next year, up from \$2.3 trillion in 2024. I expect the XLC to return 10%–12% over the next 12 months, outpacing the SPY.

### Sector Winners and Losers

The metric I determined to be statistically significant and important for valuing the Communication Services sector is the P/E ratio. P/E effectively captures market expectations while reflecting profitability. The sector median P/E is 18.77x, and the median sales growth is 5.92%, which served as benchmarks in my evaluation.



**Aleah Livingston**

Communication Services Sector Analyst

### Sector Vital Statistics

Communication Services Sector (GICS 50; XLC)						
Market Weight	9.08%					
Average Market Capitalization	\$301.9B					
Number of Companies	22					
Sector Performance	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr
XLC	11.44%	-5.05%	0.22%	19.60%	18.55%	91.13%
Sector Metrics	Growth					Sales Growth
	P/E	Rate	ROE	Payout	Beta	(y/y)
XLC	18.77x	13.70%	17.47%	19.03%	1.05	5.92%



Source: Bloomberg

### Sector Winners and Losers

Company	Ticker	P/E	Price	Target	% Diff
Outperform					
Alphabet Inc.	GOOGL	16.67x	\$157.90	\$201.83	27.83%
Meta Platforms, Inc.	META	23.14x	\$543.51	\$699.58	28.72%
News Corporation	NWS	43.20x	\$31.22	\$36.22	16.01%
Underperform					
AT&T Inc.	T	17.27x	\$27.70	\$28.42	3.04%
Fox Corporation	FOXA	10.78x	\$49.35	\$50.65	2.64%
Electronic Arts Inc.	EA	39.25x	\$144.43	\$119.43	-17.31%
Growth					Sales Growth
Ticker	Rate	ROE	Payout	Beta	(y/y)
GOOGL	19.88%	23.41%	0.00%	1.01	13.87%
META	11.43%	18.45%	0.00%	1.24	21.94%
NWS	21.60%	16.94%	16.10%	1.31	71.94%
T	0.55%	-7.38%	0.00%	0.41	1.40%
FOXA	6.80%	4.71%	27.74%	0.52	-35.49%
EA	6.00%	10.35%	24.46%	0.74	1.83%

Data as of May 1, 2025

## Schedule of Investments

As of May 7th, 2025

Company Name	Symbol	Shares Held	Market Value of Postion
<b>GICS 10 - Energy</b>			
Coterra Energy, Inc.	CTRA	2,200	\$50,017.00
<b>GICS 15 - Materials</b>			
Agnico Eagle Mines Limited	AEM	400	\$47,116.00
<b>GICS 20 - Industrials</b>			
Delta Air Lines, Inc.	DAL	1,441	\$65,406.99
Republic Services, Inc.	RSG	380	\$95,910.10
RTX Corporation	RTX	900	\$115,713.00
<b>GICS 25 - Consumer Discretionary</b>			
Amazon.com, Inc.	AMZN	1,197	\$225,574.65
Autozone, Inc.	AZO	11	\$41,384.53
McDonald's Corporation	MCD	250	\$79,548.75
O'Reilly Automotive, Inc.	ORLY	57	\$79,140.89
<b>GICS 30 - Consumer Staples</b>			
Constellation Brands, Inc.	STZ	255	\$48,406.65
Sel Sector:C Stp SPDR	XLP	1,760	\$143,589.60
Philip Morris International, Inc.	PM	335	\$58,909.75
<b>GICS 35 - Healthcare</b>			
Eli Lilly and Company	LLY	155	\$121,041.05
Merck & Co., INC.	MRK	750	\$59,429.40
Sel Sector:H Care SPDR	XLV	278	\$37,660.66
<b>GICS 40 - Financial</b>			
Sel Sector:Finl S SPDR	XLF	685	\$33,962.23
<b>GICS 45 - Information Technology</b>			
Apple, Inc.	AAPL	730	\$142,328.17
Microsoft Corporation	MSFT	520	\$226,184.40
Nvidia Corporation	NVDA	1,205	\$137,014.53
Salesforce, Inc.	CRM	325	\$90,176.13
<b>GICS 50 - Communication Services</b>			
Alphabet, Inc.	GOOG	875	\$132,999.91
Meta Platforms, Inc.	META	235	\$139,827.91
<b>GICS 55 - Utilities</b>			
NRG Energy, Inc.	NRG	1,729	\$206,347.51

## Investment Fund Coordinator



**Adam S. Yore, Ph.D.**

*Associate Professor of Finance and Stephen Furbacher  
Professor of Organizational Change*

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