



Capstone Asset Management Society

2025 Q1 Semi-Annual Sector Update

Table of Contents

Introduction.....	3
Economic Outlook.....	4-12
Financials.....	13-28
Consumer.....	29-33
Healthcare.....	34-42
TMT.....	43-50
Industrials.....	51-57
REITS.....	58-61
Fixed Income.....	62-65
Contrarian.....	66-71
Asset Allocation.....	71-73
Executive Board.....	74-76
2025 Investment Themes.....	77
Analysts/Committees.....	78-81

Introduction

The Capstone Asset Management Society is a student-led organization at the University of Alabama dedicated to helping members grow their knowledge of investing and prepare for successful careers in finance. Our society, founded in 2018 actively manages a paper-trade portfolio of over \$770,000 in assets, currently holding an 11.59% annualized rate of return and 93.06% in total returns. Within CAMS, we cover 7 sectors of the market, including financial services, consumer, healthcare, TMT, industrials, REITS, fixed income, and our final committee, which covers all areas of the market, contrarian.

Throughout the semester, members within each committee assume the roles of equity analysts, allowing them control over decision-making, stock selection, and fund allocation regarding the portfolio. We pride ourselves on a value-investing based approach, allowing for multiple pitches throughout each semester from all sectors of the market. Under the guidance of the executive team and committee heads, students within the society develop key skills in equity analysis, valuation, modeling, risk analysis, and portfolio management. Analysts use these skills to help them create their team's equity pitches throughout the school year. Following an in-depth discussion and presentation by the committees, the group then collectively votes to either approve or reject the proposed investment.

To make informed decisions about potential investments, it is crucial for new members to grasp an understanding of value investing fundamentals and financial analysis. These skills are taught by our New Member Educator over the 9-week new member period. Following the 9-week curriculum, new members present a pitch of a selected stock within their committee to the rest of the society. They then assume the role of equity analysts within a specific committee and contribute to pitches and research with other members.

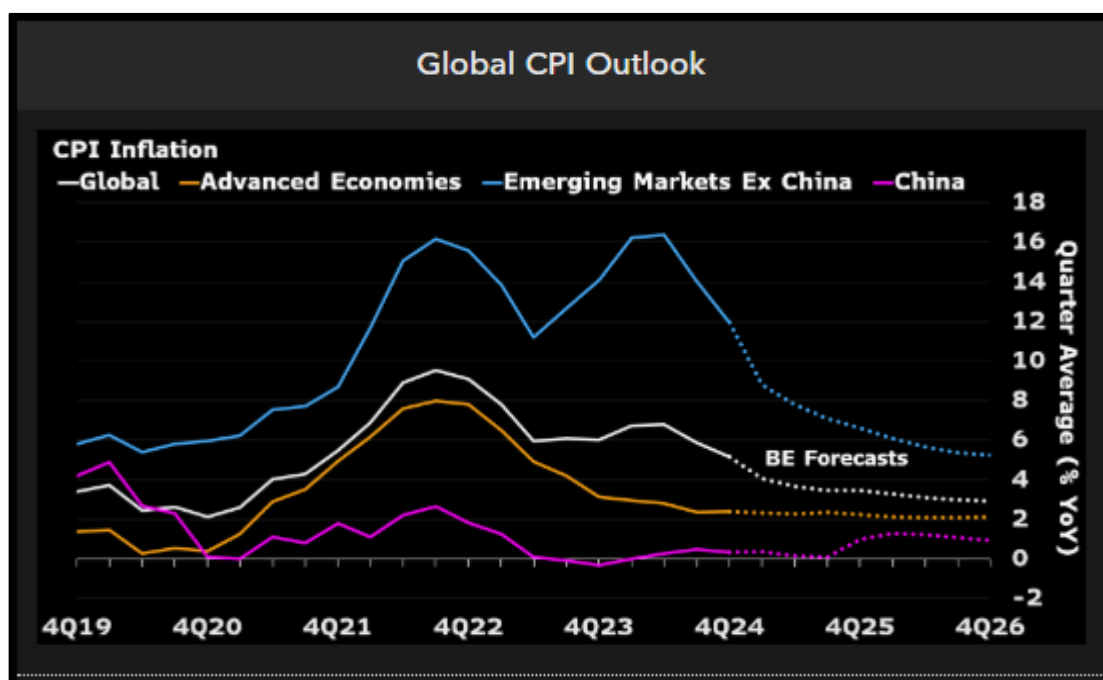
The following sector update, created on the week of 2/17/2025, outlines each of the committee holdings as of the Spring 2025 semester at the Capstone, accompanied by a "Quality Watchlist" - a variety of equities within each sector that are proven to be valuable and strong companies with durable competitive advantages, potentially worth investment given changing economic circumstances or significant price changes. Following an initial overall outlook on the macro-economic environment, the analyses provide our insights as a group in reference to the status of our investments.

Economic Outlook

Global Economic Highlights

Despite lots of noise within headlines surrounding the global macroeconomic environment, global inflation at this point in time seems to be cooling. The rise in the euro area's December inflation was driven by comparisons to a low year-ago reading, and is likely to be short-lived as cost pressures in the EU are moderating. Holiday-related spending boosted Chinese prices, but the threat of deflation within the countries remains immediate. In hot spots such as Argentina and Turkey, inflation is falling from extremely high levels. According to Bloomberg Economics' forecasts, global inflation is ebbing to 3.5% in Q4 2025, not far from the 3.2% pace seen in the decade prior to the COVID-19 Pandemic. GDP-weighted average fell to 5.1% in Q4 2025, down from 6% at the end of 2023 and an extremely high 9.1% in year end 2022. Advanced economies are expected to see further deceleration to roughly 2.3% in 2025, above most central bank's targets, but down from 2.4% in Q4 2024 and 3.1% in Q3. The global picture is expected to see a double-digit price gain in Argentina and Turkey, despite both countries seeing a current slowdown. Emerging markets composite, excluding the Chinese economy, topped out at 16.4% in Q2 2024 and is set to ease to 6.6% in Q4 2025, down from 11.9% in Q4 2024.

Global CPI Outlook



Source: Bloomberg Economics

Current Global Interest Rates

Country	Last	Previous	Reference	Unit
Japan	0.5	0.25	Jan/25	%
Switzerland	0.5	0.5	Jan/25	%
Singapore	2.46	2.46	Feb/25	%
Euro Area	2.9	3.15	Jan/25	%
Canada	3	3.25	Jan/25	%
South Korea	3	3	Jan/25	%
China	3.1	3.1	Feb/25	%
Australia	4.1	4.35	Feb/25	%
United Kingdom	4.5	4.75	Feb/25	%
United States	4.5	4.5	Jan/25	%
Saudi Arabia	5	5	Jan/25	%
Indonesia	5.75	5.75	Feb/25	%
India	6.25	6.5	Feb/25	%
South Africa	7.5	7.75	Jan/25	%
Mexico	9.5	10	Feb/25	%
Brazil	13.25	12.25	Jan/25	%
Russia	21	21	Feb/25	%
Argentina	29	32	Jan/25	%
Turkey	45	47.5	Jan/25	%

Source: Trading Economics (Interest Rates)

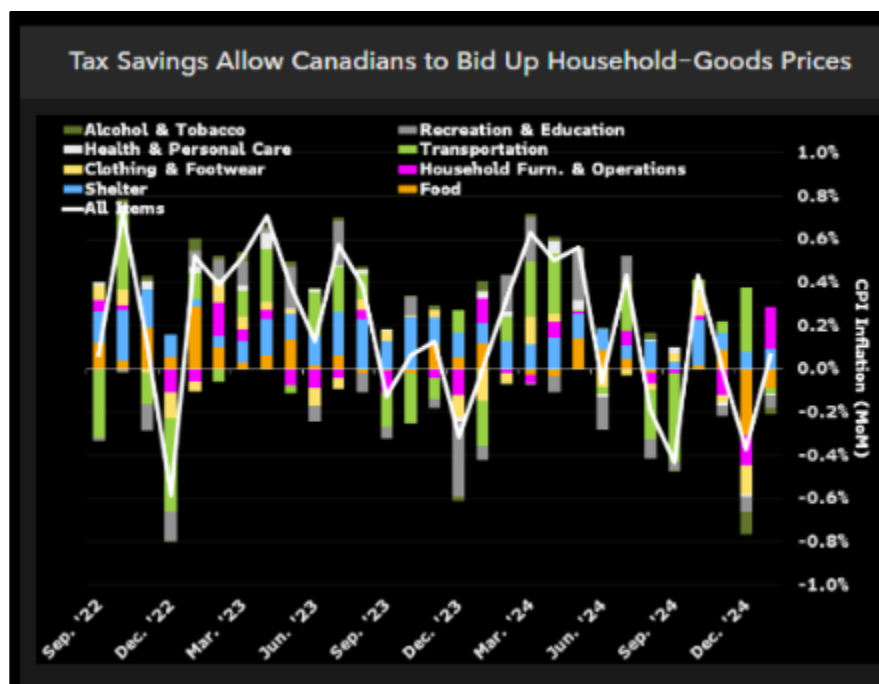
Foreign GDP and Inflation

North America

Turning attention towards the rest of North America, the Bank of Canada is currently bracing for consequences of trade conflicts between foreign countries. After 200 basis points of rate cuts, the BoC is now bracing to move forward to a neutral stance. Considering underlying inflation pressures to be “consistent” per policymakers, and a soft labor market, slower population growth in 2025 will contribute to further labor market cooling. This, in turn, lowers the potential GDP growth and economic activity within the country. Downside risks to this outlook loom in the matter of trade conflicts, likely keeping Canadian policymakers to cut rates in a quarter-point in the near term. If a trade deal is reached in the spring, however, the BoC can hold the overnight-rate target steady around 2.5%. In terms of GDP, the monthly GDP surprised negatively in November, falling 0.2% during the month and dragging annual growth down to 1.5% from 1.9% in October. Construction, real estate, and healthcare industries were a main catalyst for this shrinking growth, but these industries are supported by a structural housing shortage and the growing, even though aging, population. The country’s consumer price index increased 0.1% in January on a non-seasonally adjusted basis, enough to boost the measure of inflation to 1.9% from 1.8% in December, inching towards the 2.0% target. The data suggest that consumers are

using the savings from the temporary tax break by the country to spend on food, clothing, and recreational goods. The tax break still points to some downward price adjustments in some categories, however it overall has shown ramped up spending.

Canadian Tax-Break Effects on Spending



Source: Bloomberg Economics

Mexico provides a very difficult 2025 outlook, given the fact that US President Donald Trump's trade and immigration plans are set to weigh heavily on the country. The implementation of these proposed policies, and the impact on exports and remittances, may take time, but uncertainty will continue to drag on investment and growth in 2025. Decelerating inflation and greater economic slack will keep the central bank on its rate-cutting path, but peso depreciation and the US policy path limit its room. GDP in Q3 rose 1.6% from a year earlier, and quarter-over-quarter growth rose to 1.1% from 0.4% prior, bolstered by exports, household consumption, and private investment. Leading indicators however point to a steep deceleration of growth in the fourth quarter. The main drag on this is the uncertainty about the future of bilateral relations with the US. Fiscal constraints and worries about the government's economic and political agenda contribute as well, with a widening negative output gap this year also. The country's inflation rate fell to 3.6% in January from 4.2% in December, the lowest since 2021. Non-core rate dropped to 3.3% from 5.9%, as low food prices offset high energy costs. Month-over-month, the core rate was practically unchanged from 3.7% prior. Accumulated peso depreciation is also a key consideration.

Euro Area

The Euro Area moving into 2025 has seemingly little room for growth, matched with high levels of risk and volatility. As war rages in Ukraine, along with a political vacuum emerging in the heart of Europe, the country now faces the threat of tariffs from the US. The fight against inflation is one of the shining points of the EU, as the ECB will continue to cut interest rates and looks to reach a neutral stance in 2025. The labor market as well, has held up remarkably well. Euro-area GDP is forecasted to expand just 0.1% in Q4 2024, a marked slowdown with the 0.4% expansion in Q3. Despite this, slower inflation is supporting real incomes, which could provide some boost to GDP in the coming year. As inflation increased slightly in December, the sources of the rise offer some comfort to investors, as a large part of the increase comes from fuel price base effects. WE anticipate the ECB to cut rates in March, and anticipate the 2.0% target being reached by year-end 2025. Key catalysts moving forward include the implication of US tariffs, political instability in Paris and Berlin, and plans for savage fiscal consolidation.

Asia-Pacific

The impending changes by U.S. administration could prove to be challenging for the APAC region, and China in specifically. While China's stimulus measures should support growth, a U.S. trade tariff on its exports could seriously damage its economy. These actions could impede all of the APAC region's growth, however lower interest rates and inflation should ease their drag on spending power. In emerging markets, robust demand growth seems to be buoying GDP growth. Swings in capital flows driven by expectations surrounding U.S. policies require central banks to be cautious.

Asia's exports have continued to expand, but external headwinds and risks have risen. The semiconductor cycle is likely to ease, and the expansion of global trade slowing in 2025 will drive down economic growth. Weaker growth in China alone will weigh on its imports from the region. Along with this, the headwinds for Chinese exporters on the U.S. markets are likely to push into other markets, increasing competitive pressure.

Real GDP forecast									
						Change from prior forecast			
(% year over year)	2023	2024	2025	2026	2027	2024	2025	2026	
Australia	2.0	1.1	2.1	2.2	2.4	0.0	-0.1	-0.2	
China	5.2	4.8	4.1	3.8	4.3	0.2	-0.2	-0.7	
Hong Kong	3.3	2.7	2.3	2.3	2.3	-0.6	-0.4	-0.2	
India	8.2	6.8	6.7	6.8	7.0	0.0	-0.2	-0.2	
Indonesia	5.0	5.0	4.9	4.9	4.9	0.0	-0.1	0.0	
Japan	1.7	-0.3	1.3	1.0	1.0	-0.3	0.0	0.1	
Malaysia	3.5	5.5	4.9	4.5	4.5	0.4	0.1	0.0	
New Zealand	0.9	0.8	2.2	2.4	2.4	-0.2	-0.1	0.0	
Philippines	5.5	5.5	6.0	6.2	6.5	-0.2	-0.2	-0.2	
Singapore	1.1	3.4	2.5	2.4	2.4	1.0	0.0	-0.2	
South Korea	1.4	2.2	2.0	2.0	2.0	-0.1	0.0	0.0	
Taiwan	1.3	4.4	2.4	2.1	2.4	0.2	0.3	-0.3	
Thailand	1.9	2.8	3.1	3.0	3.1	0.0	0.0	0.0	
Vietnam	5.0	6.7	6.6	6.7	6.7	0.5	-0.2	0.0	
Asia Pacific	4.9	4.5	4.2	4.1	4.4	0.1	-0.2	-0.3	

Note: For India, 2023 = FY 2023 / 24, 2024 = FY 2024 / 25, 2025 = FY 2025 / 26, 2026 = FY 2026 / 27, 2027 = FY 2027 / 28. Source: S&P Global Ratings Economics.

Source: S&P Global

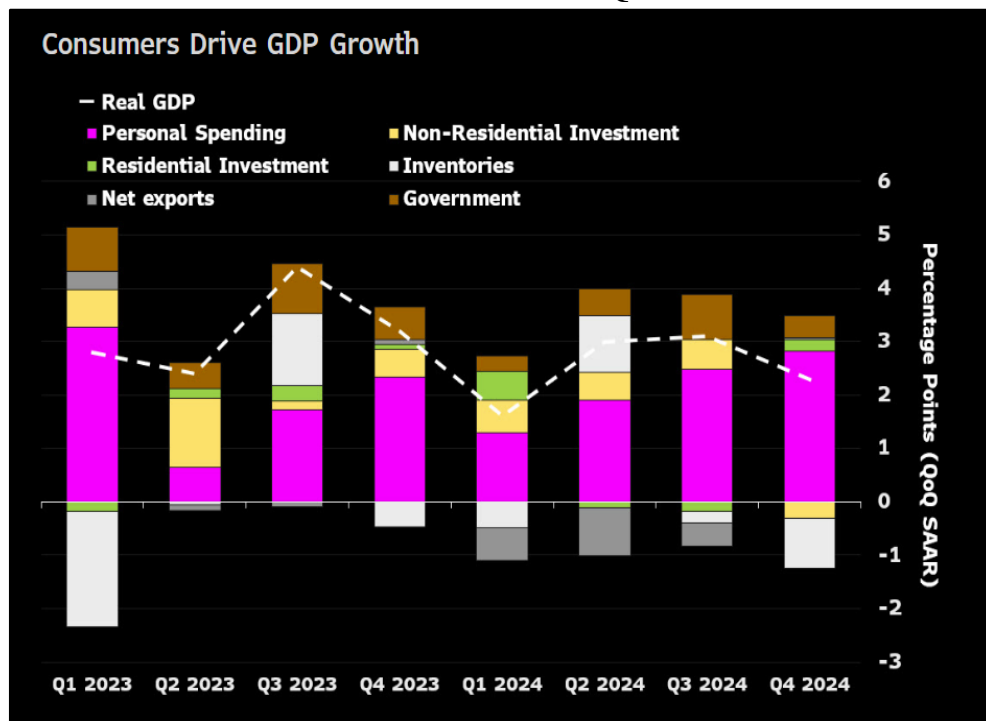
Latin America

Latin America and the Caribbean's GDP growth hit 2.4% in 2024, according to the International Monetary Fund's January 2025 update. While the report notes that Latin America has been in a "trap of low growth capacity" throughout the past decade, with an average growth rate of just 1% annually, the growth in 2024 proved optimistic for the region. 2025 GDP is anticipated to be slightly higher, estimated in the 2.4%-2.5% range, despite still being lower than global GDP growth projections of 3.3%. Inflation rates have also continued to decrease across the region, dropping significantly from peaks in years prior and have reported historically low unemployment levels as well.

U.S. Economic Highlights

As no surprise, the largest economic concerns regarding the United States came in the form of the US presidential contest. With majority of Trump's tariffs likely arriving later in FY25, we anticipate the Fed to continue cutting rates later on in the year. We also expect the growth-enhancing effect of fiscal impulse to marginally outweigh the drag potentially seen by tariffs. In the fourth quarter of 2025, GDP is relatively stronger than it seems at first glance. With inventories excluded, it reflects a surge in demand from consumer that has fueled talk about US exceptionalism. Real GDP decelerated to 2.3% in Q4 (vs. 3.1% prior), with consumer spending leading the way surging to 4.2% (vs. 3.7% prior). That reflected increases in both services (healthcare heavily weighted) and goods (recreational goods and vehicles). Another gauge of underlying demand, in sales to domestic purchasers, essentially the same thing as GDP without international trade and inventories, grew 3.1% vs. 3.7% prior, clearing top-line GDP. Trade unexpectedly added a 0.04pp, even as the trade deficit widened to a record \$122.1bn in December. Residential investment saw an increase by 5.3% vs 4.3% prior, showing potential signs of life within the struggling US residential housing market. Business investment came in underwhelming however, as an increase in only 7.8% in equipment (10.8% prior) and a deceleration in intellectual property products to 2.6% from 3.1% previously. Bottom line, a post-election surge of consumer sentiment could very well support investment and fuel growth, with the prospect of pro-business politics. Taking into consideration the positive surprise in demand, along with the surge in the business sector, the economy could be led to grow more than expected. Catalysts moving forward include tariff implications, inflation, immigration, and fiscal austerity.

US GDP Growth Since Q1 2023



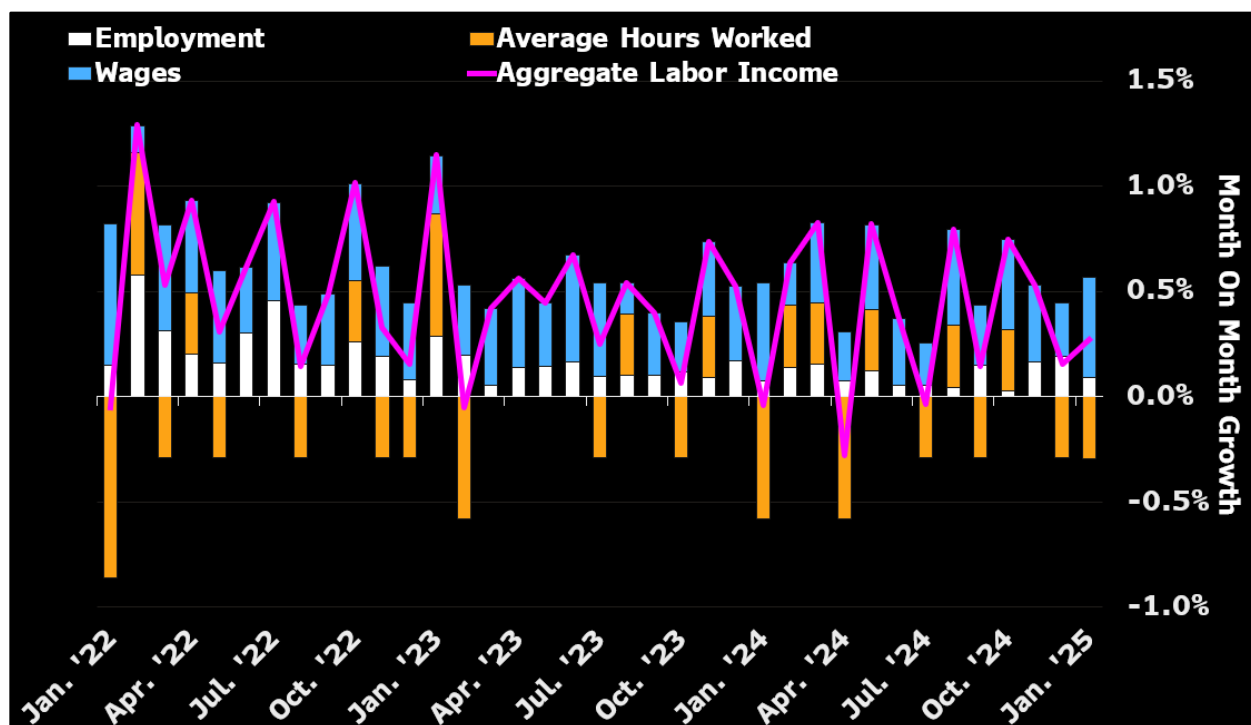
Source: Bloomberg Economics

U.S. Unemployment

January's surprisingly weak jobs report shows that the labor market is now a key source of disinflationary pressure for the economy of the United States. Downward revisions in the establishment survey however were smaller than expected, implying that the employment level at the end of 2024 was lower than the real-time prints indicated, with large upward revisions in the household survey suggesting labor supply was higher. Nonfarm payrolls rose 143k, below consensus expectations of 175k. On a non-seasonally adjusted basis, January hiring fell by 2.85mn. Due to the Bureau of Labor Statistics not revising old data to account for updated population counts, January's headline household survey is not directly comparable to December's, but they do publish an estimate of what the change would have been without the population control effect. In this case, the labor force would have increased by 91k and employment by 234k, meaning the unemployment rate would have fallen by 0.2pp. The population revisions in the household survey closed the gap between the employment level it presents and the one from the establishment survey. Pre-revision, the household survey indicated average monthly job growth of just 45k, while the establishment survey showed 182k. Following the revision, the implied 12-month average monthly employment growth in the household survey was 225k – higher than the post-revision estimate of 168k per the establishment survey. The decline in unemployment rate to 4.0% vs. 4.1% prior was due to the number of employed growing by more than the increase in the labor force, and the number of unemployed declining roughly 37k. Labor-force participation rate increased to 62.6%, with prime-age participation

increasing to 83.5%. Hourly wages increased by an average 0.5% in December, keeping the annual pace of wage growth at 4.1%. Despite this, the average workweek fell to 34.1 hours from a downwardly revised 34.2 hours in December. With payrolls growing, albeit slower than many analysts expected, we anticipate aggregate monthly workers' compensation grew by just less than 0.3%.

Surging Wages Largely Offset by Declining Hours



Source: Bureau of Labor Statistics, Bloomberg Economics

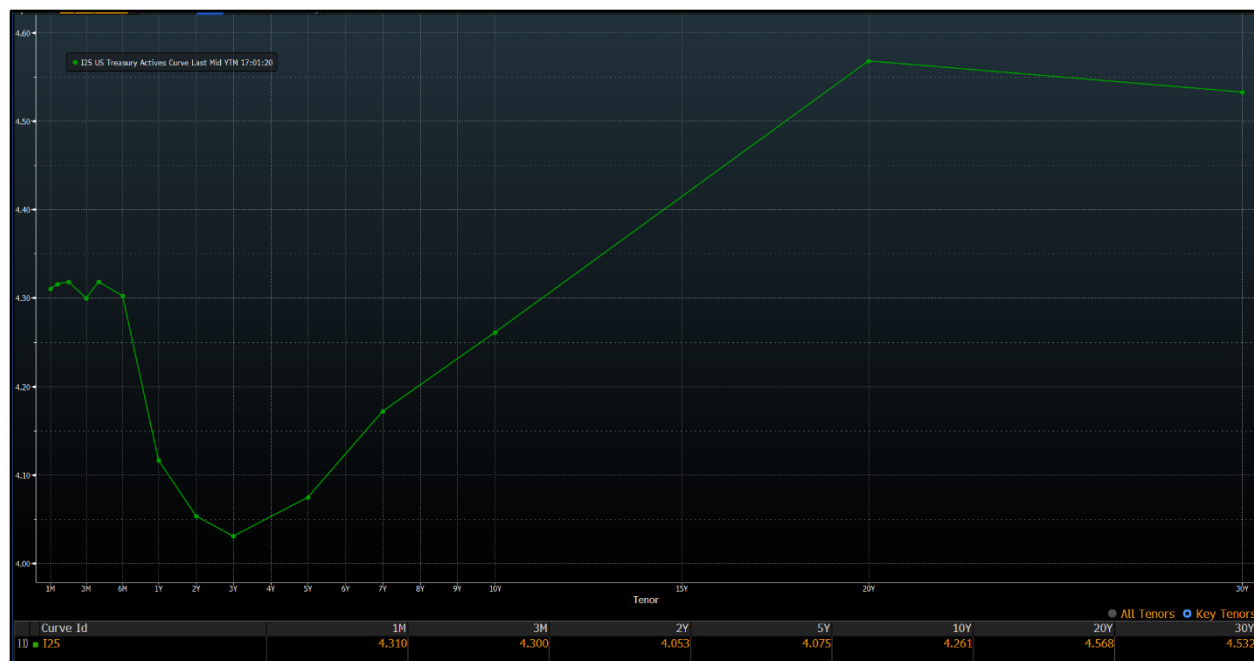
It is notable that January's payroll print is tepid, and despite revisions to past data, we believe the establishment survey and the household survey are currently overstating levels of employment slightly. Our current baseline is that the Federal Reserve will cut between 50bps-75bps for the upcoming fiscal year.

U.S. Treasury Rates

The U.S. 5-year Treasury yield currently sits at 4.075%, with the 10-year yield at 4.261%, according to the U.S. Department of the Treasury. As shown in the graph below, the yield curve is what investors describe to be "inverted," as the 10-year yield is trading lower than the 3-month yield, which sits around 4.3%. As rates volatility have extended the drift lower, even with high uncertainty given the near-term policy distributions, the distribution of rates has given slight growth resilience. Inflation lingering above target, and political uncertainty have strengthened the Fed's argument for staying on hold for an extended period of time. The decline in rates

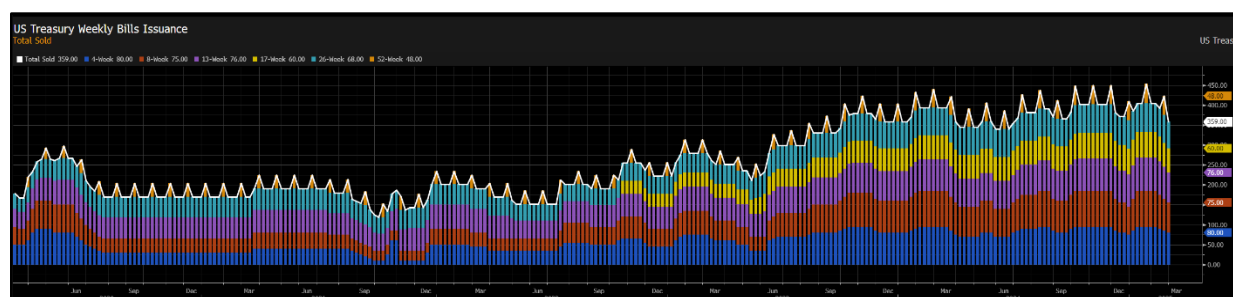
volatility has been led by parts of the surface most sensitive to the Fed, reflecting the narrowing of distribution of near-term policy rates.

U.S. Treasury Yield Curve



Source: Bloomberg Economics

US Treasury Weekly Bills Issuance



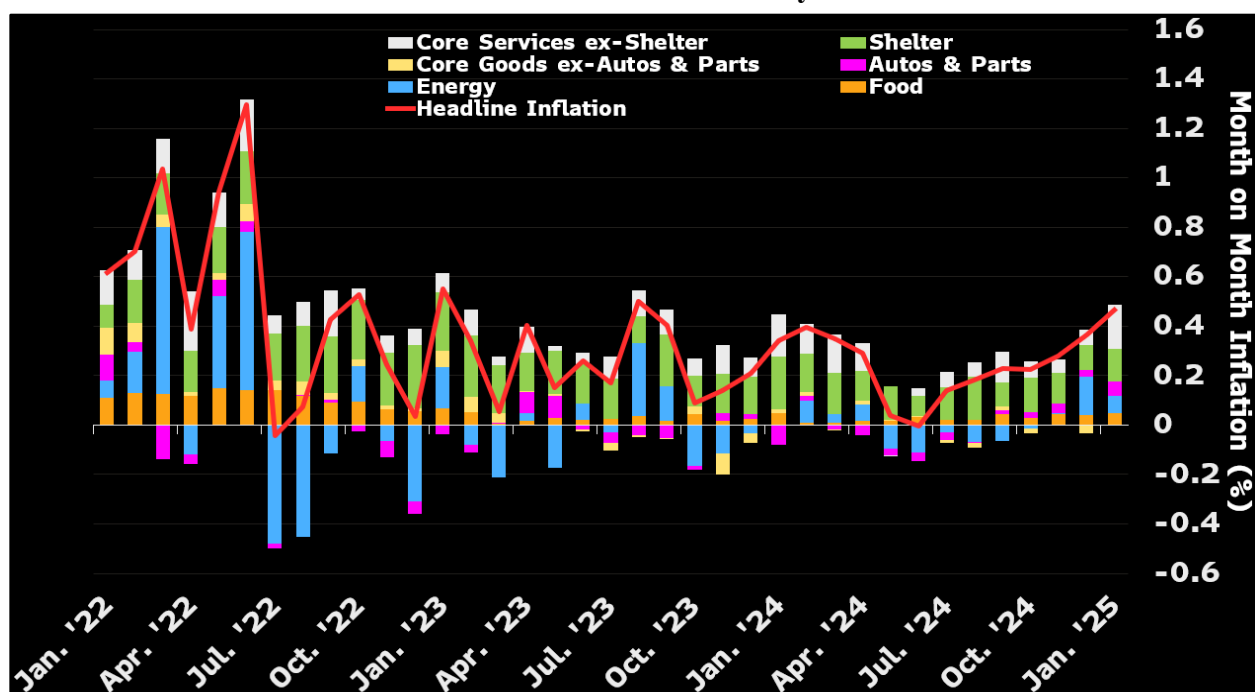
Source: Bloomberg Economics

US Inflation Rates

January’s CPI report showed surprisingly quick gains in the headline and core CPI indexes, but most of which can be contributed to residual seasonality, known as the “January effect,” limiting the signal from the hot release. While the seasonal-adjustment process doesn’t adequately account for the typical acceleration to start the year as firms reset prices, the result is a stronger than normal seasonally adjusted print. Prior to the release, the Fed was priced to hold rates steady

in March, and the CPI report strongly supported this sentiment. Headline CPI inflation increased 0.47% in January, compared to 0.36% prior, and core CPI rose 0.45% vs. 0.21% prior. On a YOY basis, CPI accelerated to 3.0% vs. 2.9% prior, and the core jumped to 3.3% from 3.2% prior. Food at home accelerated to 0.5% inflation vs. 0.3% prior, a large catalyst of which was the price of eggs rising 15.2% in January. Energy costs contributed roughly 7bps to the top-line CPI, with natural gas costs rising 1.8% vs. 2.8% prior, largely a result of January's severe cold weather surges. Both core CPI and headline CPI were driven up primarily by services inflation. Shelter prices rose nearly 0.4% in January, vs. 0.3% in December. Primary rents and OER (operating expense ratio) rose by more than 0.3%, and the price of lodging away from home (hotels, motels) increased 1.7% on a seasonally-adjusted basis, contributing 2bps to the headline inflation. Other core services contributed nearly 18bps to monthly headline inflation – most of which was due to an increase in transportation services, specifically vehicle-insurance costs (+2.0%). Airfares rose 1.2%, contributing only roughly 1bps to inflation, and adding to the evidence that January travel was stronger than the seasonal norm. The Fed's favorite tool for monitoring inflation: the Personal Consumption Expenditure (PCE) is set to be released on February 28th 2025, with analysts pricing in an uptick of 0.27% monthly vs. 0.16% in December. This would set core PCE YOY to fall to 2.6%, from 2.8% in December. With personal spending likely slowing in January despite growth in personal income, we anticipate the release.

Month-over-month Inflation by Sector



Source: Bloomberg Economics

Holdings Analysis

Financials

Sector Outlook

Since our letter in the third quarter of 2024, the CAMS Financial Services portfolio weight has grown to represent 21.19% of the greater CAMS portfolio with the addition of the Unum Group in late October and partial liquidation of our position in AllianceBernstein in early November (further explanation included below). Our portfolio is weighted as follows: 32% in insurance, 30% in institutional banking (including investment banking services, alternative asset management, private equity, and private credit due to industry consolidation of services under singular corporate umbrellas (GS, APO)), 28% in payment processing, and 10% in traditional asset management. With significant weight in American equities, our previous outlook was based on anticipated growth fueled by favorable domestic economic conditions. While this outlook has either been fulfilled on many fronts or continues to develop, one key figure that we are paying close attention to is the alarming progression of US credit card loan defaults. Credit card lenders wrote off \$46B in seriously delinquent loan balances in the first nine months of 2024, up approximately 50% from the same period in 2023 and astoundingly at the highest level in 14 years. The consensus is that the bottom third of US consumers are “tapped out”, to quote the head of Moody’s Analytics when discussing the matter. The American consumer’s resilience despite years of high inflation and borrowing costs has deflated top economist and academic projections and is poised to trigger a decline in consumer spending power. We are actively researching the impact this will have on Visa and Mastercard’s transaction volume, and how potential future legislative action could develop (however it is worth noting that overall consumer spending is strong). In recent months, EU and US legislators have shown negative sentiment toward the two mega processors and, in the US specifically, have made proposals to cap credit card interest rates at 10% (Republican Senator Hawley and Democrat Senator Sanders proposed bill in new Senate, in line with President Trump’s campaign pledge). The current avg. APR eclipses 22%, with some consumers bearing the weight of over 30%. We are also researching how private credit (PC) firms with heightened exposure to consumer lending may need to restructure their underwriting procedures and risk assessment practices. Consequently, we are looking at our own exposure to PC through Apollo Global Management’s ability to navigate and take advantage of potential growth prospects generated by this environment.

General overhead developments in the industry include the following: sector-wide profits have increased due to expense reduction and growing non-interest income, major technological investments are reducing operational costs (as in the case of Vanguard), fee reduction announcements are reshaping the competitive landscape of large asset managers, and investment banks such as HSBC are targeting more profitable APAC markets and reducing concentration in the US and EU. Along with this, NYC investment banks saw significant increases in trading and

IB revenue, and the major private equity and credit funds are expanding their non-bank lending operations as well as looking to attract retail investors (as in the case of KKR's \$850 million real estate credit fund and partnership with Capital Group to launch the "public-private debt fund"). Insurance companies are expected to benefit from a decline in claims costs but are also expected to bear the weight of rising healthcare administration expenses and are also the target of potential legislative action in the coming months or years.

We remain bullish on the sector based on all the factors mentioned above, as well as the favorable regulatory environment and long-run economic conditions expected under President Trump. As always, we will continue to actively research, manage, and capitalize on any mispriced components found within or outside of our holding.

Holdings Performance

AllianceBernstein (NYSE: AB) – Current Price: \$37.87, Initial Purchase Price: \$46.50, Second Purchase Price: \$33.48 (+12.92% all time), 52-wk high: \$41.37, 52-wk low: \$30.57, P/E: 10.20, Beta: 1.24, Market Cap: \$4.19bn, Dividend Yield: 8.62%

AllianceBernstein, after a relatively stagnant year in terms of price movement, has compiled a strong performance financially in FY24. Despite a disappointing Q4 equity outflow, totaling to -\$24.1bn driven by institutional redemptions related to performance, active fixed income inflows total \$24.6bn, buoyed by a strong retail demand. Quarterly year over year, AB has performed well, with Q4 2024 revenues up 15.3% from 2023 sitting at \$1,257mn compared to \$1,090mn in '23, and Q4 operating income expanding 33.1% from '23. Looking at the full year performance, Ab saw a 7.7% increase in top-line growth, and an astounding 37.5% operating income increase from FY '23 to FY '24, paired with a 560bps expansion in operating margins. Preliminary Q4 net flows were reported by AB to be -\$5bn, below the Bloomberg consensus of +\$200mn, as these outflows were led by the institutional investor channel. Their strength from the majority of the year derived from the retail and wealth segments, which were positive all year but turned negative in December of 2024. Another tailwind for AllianceBernstein has come through strong public market performance, as performance fees from their Public Alternative strategies in Q4 came in at \$66mn. Firmwide performance fees nearly doubled in Q4 from the prior year, driven by the Private Markets platform which accounted for nearly 2/3 of the FY24 performance fees. These include middle market lending, AB CarVal (primary credit strategies), and commercial real estate debt.

For its performance within our portfolio specifically, without dividend yields, AB has netted an unrealized loss of -10.62%, as the stock has been more actively traded than others within our portfolio. Following a strong Q3 earnings report, we found an opportunity to gain back some lost momentum with the company by selling 247 shares on 11/11/2024, at the dollar-cost average

price of \$39.99, freeing up \$9,013 in cash through the transaction. Looking forward, AB needs to gain strength within the institutional investment sector or shift resources primarily to retail and private wealth in order to gain market share. This quarter of institutional outflows makes it the 8th quarter of negative flows from the firm, as management elaborated on the Q4 earnings call that the concentration of outflows came from active equities. Many investors, including ourselves, were underwhelmed by the guidance moving into FY '25. Management stated that they have no intention of changing the firm's corporate structure to a C-Corp, as they believe the multiple uplift would not offset a reduction in earnings from tax leakage. Given underwhelming guidance and a heavy reliance on economic conditions given the revenue concentration within their fixed income sector, we are establishing a price target of \$40 to exit our position. If considerations were to arise concerning business structure or strategy, we will revisit our position and update estimates accordingly.

AB AUM By Channel

Twelve Months Ended 12/31/24: AUM Roll-Forward by Distribution Channel										
In US \$ Billions	Beginning	Sales/New	Redemptions/	Net Cash	Net			Investment	Net	End
Investment Service:	of Period	Accounts	Terminations	Flows	Flows	Adjustm ⁽¹⁾	Transfers	Performance	Change	of Period
Institutions										
US	\$150.5	\$9.6	\$(2.9)	\$(4.6)	\$2.1	\$—	\$0.1	\$7.8	\$10.0	\$160.5
Global and Non-US	166.6	3.4	(12.0)	(10.0)	(18.6)	—	—	12.9	(5.7)	160.9
Total Institutions	317.1	13.0	(14.9)	(14.6)	(16.5)	—	0.1	20.7	4.3	321.4
Retail										
US	197.1	66.3	(44.9)	(8.7)	12.7	—	(0.1)	30.7	43.3	240.4
Global and Non-US	89.7	33.6	(26.8)	(6.1)	0.7	—	—	3.5	4.2	93.9
Total Retail	286.8	99.9	(71.7)	(14.8)	13.4	—	(0.1)	34.2	47.5	334.3
Private Wealth										
US	80.8	15.2	(14.8)	1.3	1.7	0.7	—	9.3	11.7	92.5
Global and Non-US	40.5	5.6	(5.1)	(1.3)	(0.8)	—	—	4.3	3.5	44.0
Total Private Wealth	121.3	20.8	(19.9)	—	0.9	0.7	—	13.6	15.2	136.5
Firmwide										
US	428.4	91.1	(62.6)	(12.0)	16.5	0.7	—	47.8	65.0	493.4
Global and Non-US	296.8	42.6	(43.9)	(17.4)	(18.7)	—	—	20.7	2.0	298.8
Total Firmwide	\$725.2	\$133.7	\$(106.5)	\$(29.4)	\$(2.2)	\$0.7	\$—	\$68.5	\$67.0	\$792.2

Source: AllianceBernstein Q4 Earnings Presentation

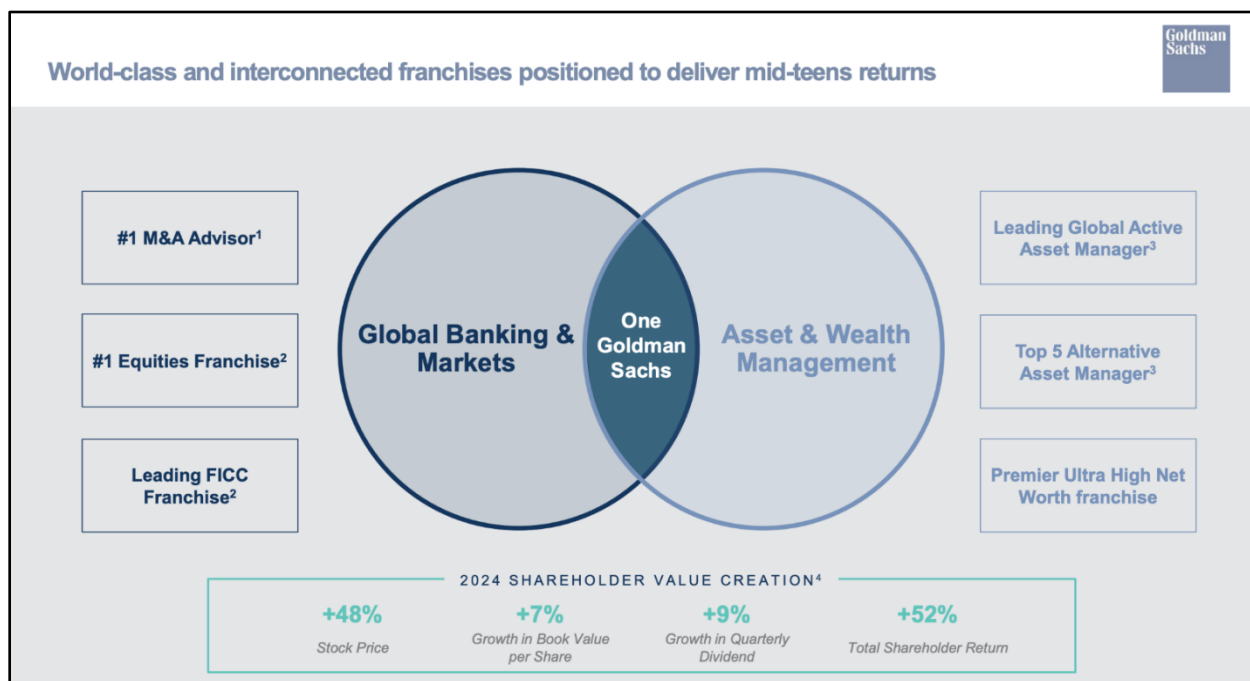
Goldman Sachs (NYSE: GS) – Current Price: \$622.29, Purchase Price: \$385.65, Second Purchase Price: \$324.73 (+81.01% all time), 52-wk high: \$672.19, 52-wk low: \$381.42, P/E: 15.35, Beta: 1.36, Market Cap: \$194.18bn, Dividend Yield: 2.33%

Since our last sector update on September 9, 2024, GS was trading at a price of \$466.99, the stock has risen to \$622.29 with an increase of 41.45%. Our average purchase price of \$355.19 reflects an overall gain of 81.01%. Goldman announced its Q4 2024 earnings on January 15, 2025, reporting an EPS of \$11.95, which beat the consensus estimate of \$8.21 by \$3.74.

Quarterly revenue increased 22.5% year-over-year to \$13.87 billion, outperforming analysts' expectations of an expected \$12.36 billion. This strong quarter solidified a solid year of surpassing EPS estimates across all four quarters of the year.

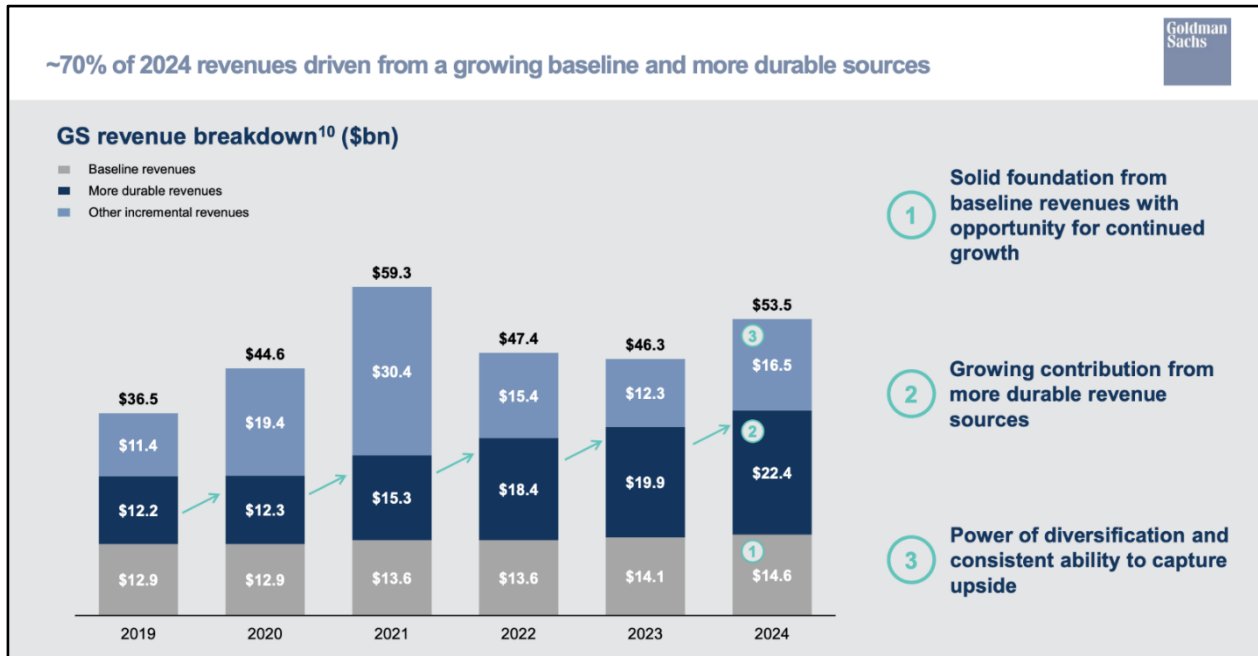
Key drivers of this revenue growth were due to strong performance in asset and wealth management, equities and fixed-income trading, as well as an upturn in investment banking activity.

Goldman Sachs Value Highlights



Source: Goldman Sachs Full Year Earnings Presentation

Goldman Sachs Revenue Breakdown



Source: Goldman Sachs Full Year Earnings Presentation

Along with strong financial performance GS continues to benefit from strong leadership under C.E.O. David Solomon. David has demonstrated his capabilities and remains poised to reach new heights and exceed expectations. “I’m encouraged that we have met or exceeded almost all of the targets we set in our strategy to grow the firm five years ago, and as a result, have both grown our revenues by nearly 50% and enhanced the durability of our franchise.” - David Solomon, GS Q4 2024 Earnings Report (January 15, 2025). Goldman has continued to refocus their initiatives towards shifting heavily into an asset & wealth management focus, trying to grow management fees, and raise third-party capital for its alternative business. The company has found or is finding new homes for acquisitions they had done in wealth management and installment lending to more main street customers. Although these acquisitions don’t immediately boost margins, we see them as a step towards diversifying the business to fit in with trends that the market has rewarded to its peers, such as close comp Morgan Stanley. Management has set financial targets including an ROE of 14%-16% in the fiscal year, along with return on tangible common equity of 15%-17%, and an expense ratio in the 60% range. The company still exemplifies a sturdy economic moat, as the brand recognition provides a competitive advantage in garnering investment banking deals and recruiting top talent. It’s global reach and scale give it the ability to vie for large cross-border deals that smaller brokerages simply can’t handle. It’s asset management business contends with companies who specialize in this particular sector as well, as it is well diversified by asset type and distribution channel. Among the \$2.8bn AUM at the end of 2023, roughly 10% are in alternative investments, 25% in equities, 40% fixed income, and 25% in liquidity products. Their distribution channels remain

extremely well diversified as well, as assets are roughly evenly split between high-net-worth individuals, third-party distributed, and institutional clients. The asset management industry does not possess high barriers to entry, however it does possess high barriers to success, as it takes both time and skill, along with scale to build a sturdy foundation and gather assets to control.

Regarding Trump's national leadership, market sentiment reflects that the Trump administration's potential and likely policies will create a favorable environment for financial institutions. Policies anticipated to impact banking include deregulation, increased M&A activity, and lower corporate taxes. This will benefit GS in its position as a leader in capital markets and investment banking. Potential risks and catalysts moving forward are circulated around slow adaptation to the current regulatory and capital markets environment. Other banks were quick to materially change their operations, by increasing emphasis on investment operations and lessening capital allocation to trading. Goldman has followed in these footsteps by paring back its trading operations, however it took them longer than many close competitors, and will take time to scale. We believe in the initiatives and management team moving forward, as we maintain our overweight rating on the company.

Mastercard (NYSE: MA) – Current Price: \$576.31, Purchase Price: \$360.16 (+61.06% all time), 52-wk high: \$576.94, 52-wk low: \$428.86, P/E: 41.50, Beta: 1.10, Market Cap: \$525.43bn, Dividend Yield: 0.48%

Mastercard has performed significantly well since our last letter, with a notable increase of over 57% on the initial entry. In its Q4 2024 earnings report, the company reported a 16% year-over-year revenue increase to \$7.49 billion, with net income growth of 20%. EPS of \$3.82 surpassed expectations of \$3.69. On September 12, 2024, Mastercard strengthened its cybersecurity services with the \$2.65 billion acquisition of Recorded Future, a global threat intelligence company serving over 50% of Fortune 500 companies. In October, Mastercard also announced they would acquire Minna Technologies, a subscription management service. These strategic moves reinforce Mastercard's competitive advantage in cybersecurity and intelligence within the payment ecosystem and a belief in consumer growth. In late 2024, Mastercard also authorized a \$12 billion share buyback program and raised its dividend by 15%. With its continued expansion and strong financial performance, Mastercard remains a dominant player in the overall financial industry. Adding to this, the company maintains a substantial economic moat, like many payment networks from a network effect. The more customers plugged into a payment network, the more attractive that payment network becomes for merchants, which, in turn, makes the network convenient for customers. Mastercard has reached essentially universal acceptance in most developed markets. While the network effect is the primary driver of this moat, the highly scalable nature of payment processing leads to sizable cost advantages for these large networks, cementing their position within the industry.

While revenue declined in 2020 due to the COVID-19 Pandemic and that issue bled into the start of 2021, growth bounced back quickly as Mastercard has capitalized on it. Secular trends and improving share should allow MA to maintain strong growth rates over the next five years, being fueled by international markets and Mastercard's favorable mix. Their recent results suggest that consumer spending was largely holding steady as impacts from one-time issues began to fade. Q4 results suggest the environment may be improving as well, and near-term outlook may be better than many analysts expected. On a constant-currency basis, net revenue grew 16% YOY, up 14% from the previous quarter, and payment volume grew 11.6%, up 10.5% from the previous quarter. Management pointed to low unemployment and moderate inflation as supportive of customer spending, along with cross-border volume which has served as a tailwind for the network in the previous couple of years.

As mentioned in the sector overview, we are monitoring a group of legislative and economic factors that are poised to impact the performance of the firm. One figure we are actively researching is the 14-year record debt write-offs recorded by major lenders last year, but current data do not show a deceleration in spending activity. Legislative risks are still in their infancy, but sentiment within EU and US governments suggests that potential action capping APR is on the horizon. In either case, we believe MA is well positioned to adjust and stands to continue benefiting from its duopoly with Visa.

Beazley PLC (XLON: BEZ) – Current Price: \$1102.37, Purchase Price: \$679.16 (+62.34% all time), 52-wk high: \$1103.28, 52-wk low: \$964.98, P/E: 5.73, Beta: 0.67, Market Cap: \$5.40bn

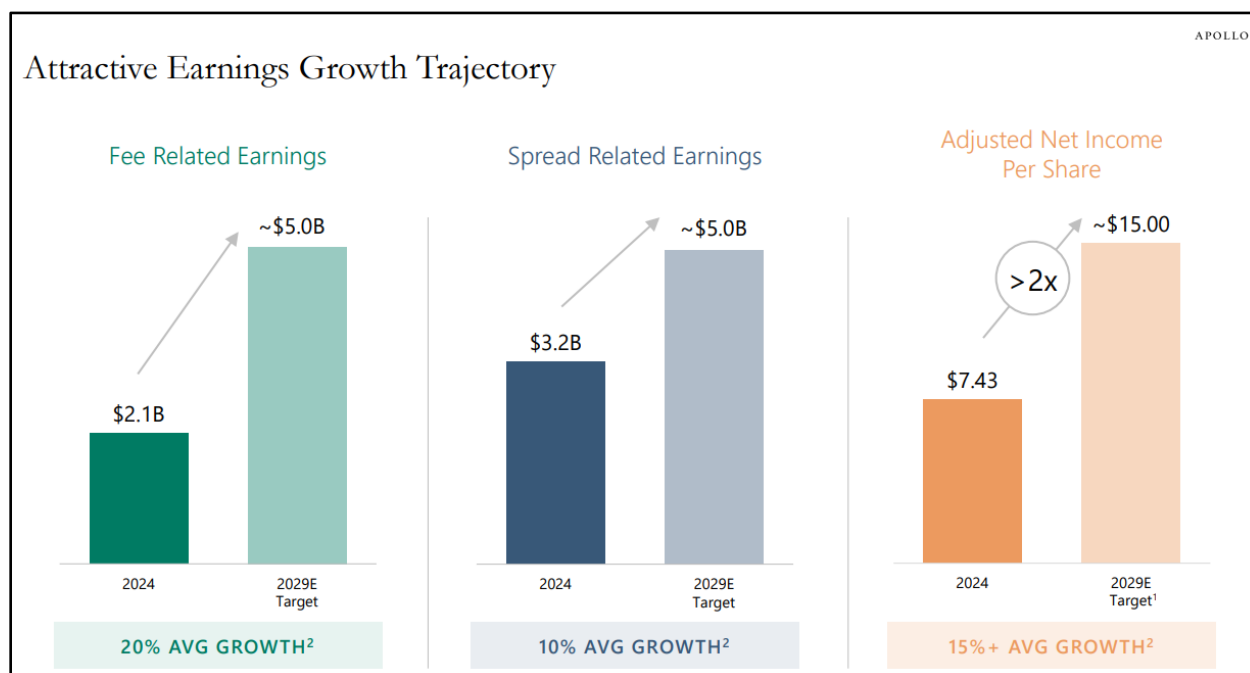
Beazley PLC, the London-based specialty insurer has appreciated roughly 55% in unrealized gain since our initial purchase in December 2023. This year, BEZ has actively encouraged the development of the catastrophe market, in order to hedge, at scale, their systematic risk. Given the recent developments in the catastrophe market this year, namely Hurricane Helene and Milton in the US, the company has maintained their full-year combined ratio guidance of around 80%. Between these two hurricanes, BEZ has estimated losses of between \$125mn and \$175mn. Beazley's investment performance through the 9 months ended Nov. 11, 2024, was extremely promising, as the average yield of their fixed income instruments sat around 4.3%, with total investment at \$513mn. Insurance revenues in the first half of FY '24 was reported at \$2730.6mn, compared to \$2628.1mn a year prior, and up substantially from \$964.5mn in the second half of 2023. The company has also provided \$482.1mn in free cash flow for the first half of 2024, compared to the -\$229.2mn in the previous semi-annual period. The company's revenue segments also have transitioned to much more balanced across their cyber risk, digital risks, MAP risks, property risks, and specialty risks. Cyber risks made up 22% of revenues, with gross premiums written at \$603.6mn in 2024 S1, compared to \$582.2mn in 2023 S2.

The last two years have seen Beazley produce excellent results, and we expect that the company can continue to deliver for the third year in a row, leading from a combined ratio likely to be set close to the low 80% guidance. Back in FY23, the company saw a period of pivoting to capital returns and has helped to demonstrate capital return power ever since. Looking forward, we anticipate subsequent capital returns in the form of share buybacks, enhancing both EPS and BV per share. Cyber prices in FY24 did see a softening in pricing, however we consider this segment of the business to be extremely attractive, with long-term growth drivers and the international focus of the company. Given these anticipations, and a consistently strong focus on shareholder prosperity by the management team, the financials committee remains overweight on BEZ.

Apollo Global Management (NYSE: APO) - Current Price: \$149.27, Initial Purchase Price: \$64.57, Second Purchase Price: \$88.59 (+119.58% all time), 52-wk high: \$189.49, 52-wk low: \$95.11, P/E: 18.56, Beta: 1.46, Market Cap: \$85,155.6mn, Dividend Yield: 1.24%

Since our letter in the third quarter of 2024, Apollo has performed significantly in strengthening its competitive advantage in alternative asset management. It achieved record AUM of \$751 billion, recording total inflows of \$150 billion and origination volume of over \$220 billion. While it has shown impressive growth in the time between our last letter and now, the firm's goal remains focused on long term sustainable growth as opposed to "blowing off the doors of any one quarter", to quote CEO Marc Rowan in the Q4 2024 earnings call. Rowan went on to explain that the firm has solidified its current strategy around the four following fundamental changes taking place in the market: 1) The notion of the global industrial renaissance, centered around investment in energy, infrastructure, power, data, manufacturing, and a "host of other things that are going to be needed, financed, and borrowed." 2) Retirement through Athene's robust performance and growing reliance on retirement solutions market-wide. 3) Retail-investor attention/demand for alternative asset exposure, and the potential for this investor class to grow to institutional liquidity levels in a fraction of the time. 4) The reclassification of public vs private within the marketplace- that both are safe and risky in similar regards. The private investment class is going to be an important aspect of future client solutions. Projections on fee and spread related earnings, as well as adjusted net income are included below:

Fee and Spread Related Earnings Estimates



Source: APO Q4 Earnings Presentation

The robust private credit landscape has taken center stage as firms like Apollo and its direct competitor, KKR, have taken strides to mold and develop the platform on which the segment is poised to expand. In September, Apollo announced an exclusive partnership with Citigroup to establish a direct lending program aiming to provide corporate and sponsor clients with access to the private lending capital pool at a scale and size that can provide significant funding certainty in strategic transactions. Estimates value the program's financing of debt opportunities in the next several years at approximately \$25 billion. Apollo Co-President Jim Zelter said, "We are pleased to form a first-of-its-kind, scaled direct lending program with Citi, a preeminent banking partner and leader in capital markets and advisory. Our collaboration will allow Citi to enhance its client offerings and bring more private solutions to bear, while enabling Apollo to increase origination flow and tap into Citi's extensive client relationships." Apollo also launched a \$2.5 billion joint venture with Mubadala Investment Company as a continuation of the partnership they created in 2022. They are also partnering with State Street to launch the SPDR SSGA Apollo IG & Private Credit ETF, which will consist of a portfolio having private credit ranging from 10% to 35%, with illiquid investments capped at 15%, and an expense ratio of 0.70%. As Apollo looks to make markets in private, investment grade debt more accessible and liquid, the fund is set to launch on 3/6/2025. We remain cautious regarding the SEC concerns surrounding the fund, as the regulator worries on the fund's liquidity, name, and ability to comply with valuation rules, given its first-of-its-kind nature. APO has also proposed an all-stock acquisition of Bridge Investment Group for \$1.5bn. At just 3% of \$50bnm of real-estate-dominated assets, this deal is lower than recent alternative-industry deals, but will boost such assets at the PE

company. The deal would immediately add to FRE, while diversifying the company's assets and increasing real estate assets to 14% of total assets, from the current 10%. Marc Rowan predicts that partnerships such as these, along with others between traditional and alternative asset managers will reshape Wall Street, anticipating that large PE firms will collaborate with both in an effort to create co-branded funds.

Key takeaways from the most recent earnings call include the following: retirement services remain a major growth driver, with or without regulatory changes, public-private convergence will create new investment opportunities, interest rates staying higher for longer benefit the firm's credit-focused strategy, wealth management and individual investor growth are accelerating, and M&A remains focused on enhancing origination rather than outright expansion.

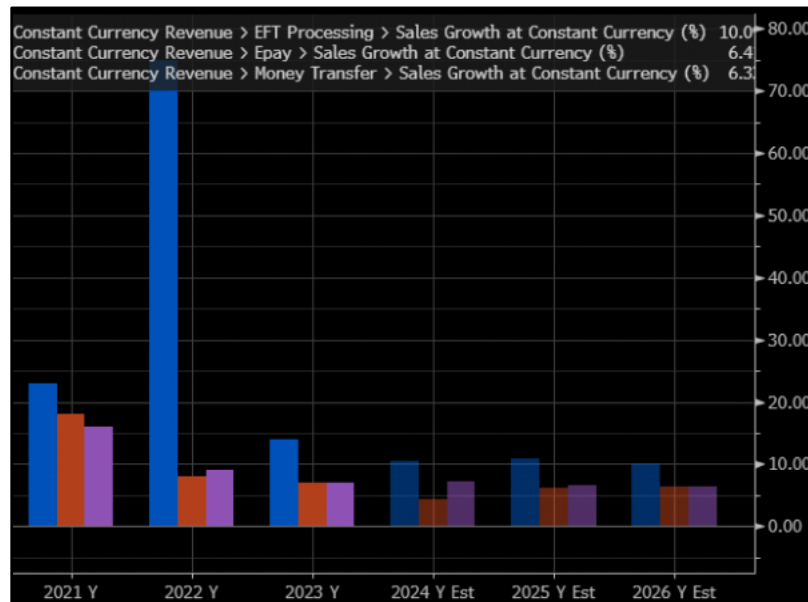
We are confident in the leadership and growth prospects of Apollo and are enthusiastic to see how the firm develops in the coming months, as we remain overweight.

Euronet Worldwide (NASDAQ: EFFT) - Current Price: \$102.46, Purchase Price: \$108.79, (-5.82% all time), 52-wk high: \$117.66, 52-wk low: \$91.07, P/E: 15.40, Beta: 0.92, Market Cap: \$4,481.9mn

The year for EFFT has been tumultuous to say the least, as investor sentiment surrounding the company decreased substantially in the summer of 2024, as the company began shifting to its ATM-optimization approach during the fiscal year. Following our previous writeup on the company in the fall, Euronet reported Q3 double digit gains in EFT revenue and EBITDA, helping to beat top-line consensus estimates, along with outperformance in its ePay and money transfer segments. Moving into the fourth quarter of the year, the company expected near-term headwinds with cross border money transfer segment competitions. This, paired with a seemingly growing shift to cashless transactions by customers, made investors wary about the company's new strategic initiatives. Despite this, the Q4 earnings on 2/13/2025 were met with a tremendous response by market sentiments, as the stock finished up 10% in the single day. These positive sentiments were for good reason, as company is on track to add 3000-3500 ATMs this year, hopefully improving operating margins, along with European tourism to increase 5% YOY.

Financially, they reported a 9% increase in revenue YOY, along with 26% operating income increase YOY, 12% increase in EFT revenues, 8% increase in ePay, and 9% increase in money transfer from Q4 '23. Management reiterated their strategy of propelling EFT performance through decommissioning and relocating unprofitable ATMs, as they shift more of their revenue split towards this segment.

Constant Currency Revenue Splits



Source: Bloomberg

From an equity outlook standpoint, we believe that Euronet will have to leverage its industry lead in remittances to pivot digital money transfers, as competition among quick and efficient payment processors grows increasingly tight. As previously stated, the European tourism rebound will help ATM demand with near-term tailwinds, as the company pours resources into optimizing their ATMs. EEFT is redeploying unprofitable ATMs in Asia, Latin America, and Africa, outlining one of their best strategic advantages: global presence. The shift to a higher margin digital business and cost vigilance could likely drive operating leverage and EPS growth in the next few years. Another large note comes in the form of the company's recent deal with Swedbank. EEFT acquired Swedbank's ATM assets and will provide ATM outsourcing services in 3 Baltic countries: Lithuania, Estonia, and Latvia. Through the deal, Euronet will acquire the bank's in-branch and off-branch ATM assets and integrate them into their own Ren payments processing platform. For reference, Swedbank is a leading bank in the Baltic region, with 7mn private customers and over 500k corporate clients. The deal is expected to have full migration of assets into the Ren payment platform by fall of FY25.

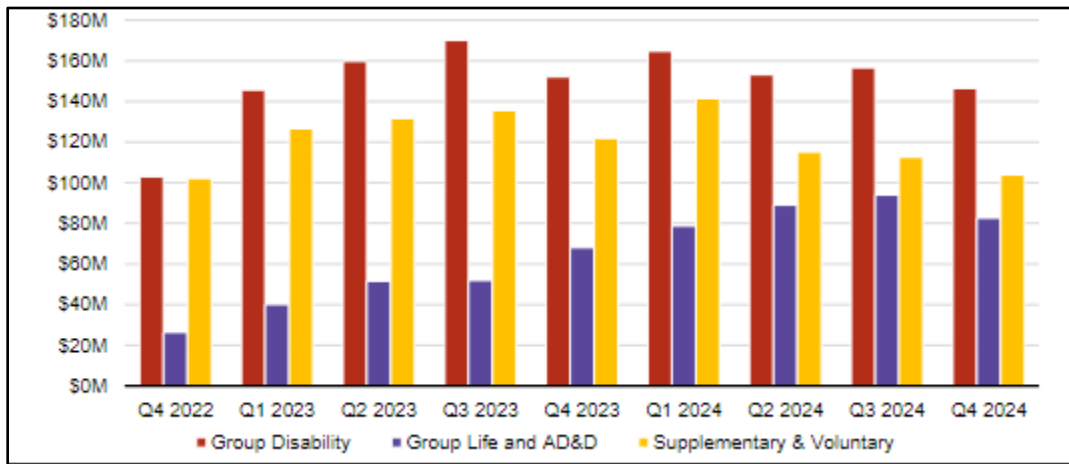
Given their recent financial performance and delivery on strategic initiatives, we remain extremely bullish on EEFT. Euronet continues to expand international presence in Europe and expand its Ren payments platform, while growing each of their revenue segments continually. Their shares are trading at a seemingly inexpensive forward FY25 P/E of 11x, which we see as a steep discount to peers. The bear case scenario that we have identified would be a result of prolonged economic downturns due to elevated geo-political tensions, elevated inflation, supply-chain issues. These issues would weigh on leisure travel volumes and pressure growth in ePay and money transfer segments.

Unum Group (NYSE: UNM) - Current Price: \$82.29, Purchase Price: \$63.68 (+29.88% all time), 52-wk high: \$83.96, 52-wk low: \$48.38, P/E: 10.25, Beta: 0.92, Market Cap: \$14,547.0mn

Unum Group has demonstrated recent dominance in the insurance sector, appreciating 18.47% since our investment in October 2024. Its current price of \$75.44 reflects the company's continued strength in disability, life, and supplemental insurance, as well as its sensible capital management.

Our original investment thesis centered around the company's leading market share of 18% in the disability insurance sector along with UNM's capital deployment plans of up to a billion in share buybacks and dividends, bolstering investor confidence. Before our investment, UNM deployed \$179.9m into share buybacks and \$69m into dividends. Additionally, after-tax adjusted operating income has grown 10.2% year-over-year, further reinforcing the company's strong financial position. Liquidity remains high, with \$2.0 billion in holding company cash, while its risk-based capital ratio of 430% highlights a well-capitalized balance sheet. Looking at Q4 2025 results, US sales improved as they approach 20% growth for the quarter and 7% for the full year, with sales expected to be in the 5-10% range in 2025. Despite the slight miss in Group Disability earnings, the loss ratio remained strong at 60.4% and is expected to remain in the low 60% range for 2025. For the Group Life sector, management is continuing to guide roughly 70% benefits ratio for 2025, and noted there could be continued favorability. FY 2025 EPS growth was 10.1% relative to analyst consensus 10-15%, largely on the weaker supplementary and voluntary results. From these results, Supplementary and Voluntary earnings came in below management expectations of \$120mn/quarter given benefit volatility and a one-time expense (due to change in dental strategy). With the long-term care risk-transfer market deepening, Unum's plan to exit 19% of its legacy LTC block in a reinsurance deal with Fortitude Re is a large step in the right direction. The LTC block has historically represented about 30-35% of Unum's equity, through its core operations largely centered on benefits. The overall deal is expected to free roughly \$100mn in capital.

Unum US Pretax Operating Income by Product



Source: Wells Fargo Securities

Investment income has also contributed to Unum’s growth, with a 23.0% increase in book value per share, reflecting strategic asset allocation and favorable market conditions. As we look ahead, Unum projects 4-7% premium growth and 8-12% EPS growth for 2025. This creates bullish confidence in its operational momentum. While the broader interest rate environment remains a factor to watch, the company’s diversified insurance offerings and disciplined risk management position it well for continued success.

Quality Watchlist

Houlihan Lokey (NYSE: HLI) - Current Price: \$173.35, 52-wk high: \$192.10, 52-wk low: \$121.81, P/E: 30.73, Beta: 1.01, Market Cap: \$12,159.6mn

Houlihan Lokey, the high-quality M&A independent and valuation advisor, saw in initiation in coverage within our Quality Watchlist in September, and has since appreciated in price by roughly 18%. The driving factor of its addition to our watchlist portfolio, like many other companies, is a mix of its strong financial records along with its sizable competitive moat, in the form of its stronghold on US mid-cap M&A. Having reported its Q3 earnings on January 28, 2025, the company once again beat on both street EPS and revenue estimates. Their revenue segments are split between Corporate Finance, Financial Restructuring, and Financial & Valuation Advisory. Corporate Finance, which covered about 66% of revenue in FY24, generated \$422mn in the year, up 36% YOY, and drove revenue margins substantially compared to other business segments. Momentum in this area has been driven by its mid-market focus, diverse industry mix, and multi-solution offering for clients. Restructuring revenues came in at about \$131mn, 21% of total revenue and up only 2% YOY. In our view, we believe that this segment will stabilize around this revenue area, as a strong, improving M&A environment will not necessarily grow restructuring revenues, as management guidance within their earnings call

did not justify a catalyst for this sector. HLI commented “as the M&A markets are robust, it is just hard to grow a restructuring business... so I think we feel comfortable staying higher for longer. I don’t think we’re comfortable saying they’re potentially in this market could be incremental growth.” Also adding, “we think it’s kind of a heroic effort from the team to keep us flat at an increasing M&A environment.” Given these comments, it is our consensus that the company will maintain their restructuring advantage within the middle market but will have to substantially increase fees on these deals to offset the decrease in activity in this industry. Their final segment, Financial & Valuation Advisory, covering roughly 15% of revenue in 2024, came in flat, reporting \$285.6mn in top-line results compared to \$286.6mn in the year prior. To create growth in this segment, it is essential that the company continues their geographic expansion of their service offerings and responds regularly to changes in regulatory reporting and differing tax environments. The three segments, from a 5-Year FY Revenue CAGR view, have growth 13%, 10%, and 12%, respectively, maintaining their stronghold in the middle-market investment banking environment.

From a comps standpoint, HLI trades at a 30.73 P/E in line with the industry median of 30.73, along with a 20.65% ROE, coming in 12.98% lower than the industry median of 33.63%. Their EV/EBITDA traded at an average of 20.27x in FY24, slightly higher than the street’s 16.89x.

Given their revenue splits and room for growth, we remain neutral on our coverage for HLI. The company has a notable lead over peers in sub \$1bn transactions, and favorable markets brighten the outlook for the company, with consensus eyeing 15-20% top-line growth in 2025-26 on improved banker productivity and head-count growth. Restructuring revenue share has shrunk to 20-25%, but the fee stream may remain near highs on an elevated interest rate environment. Revenue performance depends heavily on cyclical M&A, but their steady compensation-ratio target of 61.5% reduces bottom-line volatility and enables through-the-cycle margins of over 20%. A substantial event within the M&A market will allow us to reevaluate our stance on the company, but at this moment in time their share price aligns with our current valuation for the company. Upcoming catalysts for the business include the pace of hiring activity, accretive bolt-on M&A, an overall broad-based pickup in middle-market M&A activity, and restructuring mandates and regulations within the US, given their geographic concentration of 70% within the country.

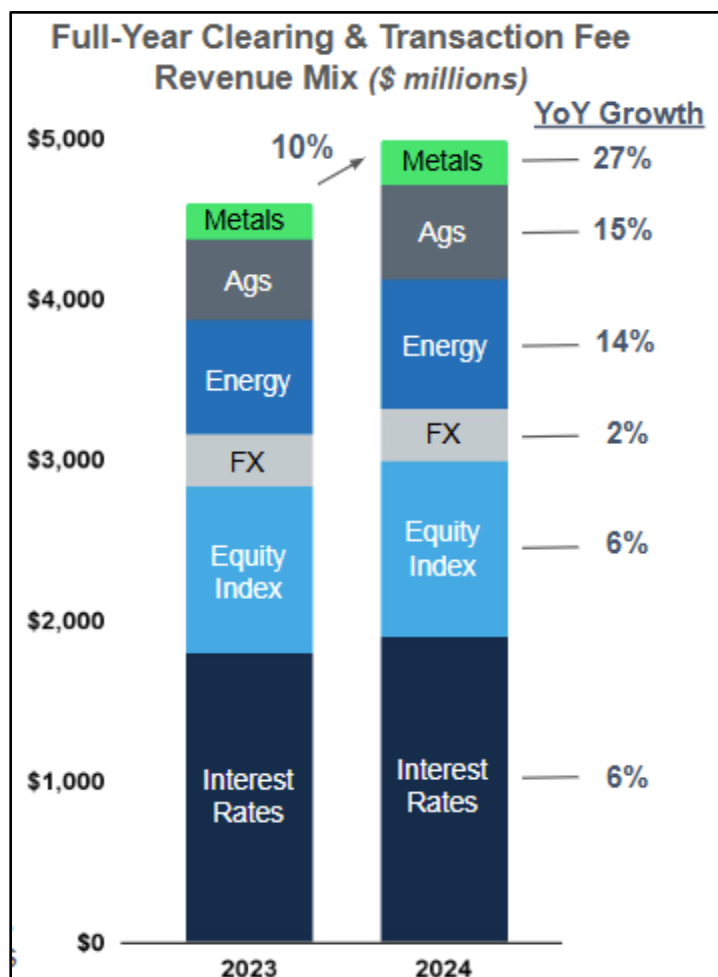
CME Group (NYSE: CME) - Current Price: \$253.77, 52-wk high: \$254.40, 52-wk low: \$186.08, P/E: 26.33, Beta: 0.49, Market Cap: \$91,447.9mn

Another recent addition to our Quality Watchlist, CME Group operates as a derivatives exchange that trades futures contracts and options on futures, interest rates, stock indexes, foreign exchange, and commodities. CME has enjoyed a string of strong results as the firm has seen strong futures trading activity across its business. Trading volumes rose 11% in 2024 with interest rates and commodity futures setting new all-time highs. Normally, CME’s broad diversification across its different classes of assets limits how much overall growth the firm sees,

as success in one segment often is offset by weakness in another, limiting incremental growth. Despite this, 2024 saw a large strength in almost every part of CME's business, as all six futures and options classes (interest rates, equity indexes, FX, energy, ags, and metals) all reached record revenues in 2024. Unlike many companies, CME is one in particular that thrives off market uncertainty, as their trading fee revenue is directed by market volatility, rather than market directionality. The company can benefit from volatility to the downside, as demand for hedging increases and they see an increase in the use of their product offerings. Management touched on these benefits during their Q4 earnings, as YOY results reported a 10% increase in revenue, 12% increase in operating income, 10% increase in net income, and 10% increase in diluted EPS. Physical commodities made up more than a third of clearing and transaction fee revenue in the fiscal year, as combined ADV grew 17%. Crude oil markets were driven by OPEC production cuts, geopolitical conflicts, and supply disruptions. Despite 2024 being the second lowest volatility year in the last decade, equity index products achieved all-time record revenues, and OTC alternative products saw meaningful growth with AIR (adjusted-interest rate) total return futures alone growing 261% YOY in Q4. A near-term headwind that we see as a potential issue to the company would be the unusually high volatility in recent months in markets, as a return to normal conditions could possibly damage the firm's future top-line growth.

Financially, the company maintains astounding capital allocation, with its extremely strong balance sheet. They maintain \$26.5bn in equity compared to \$3.3bn in debt, along with ample liquidity at \$2.9bn in cash at the end of December 2024. In the firm's clearinghouse business, there is some credit risk and revenue can fluctuate based on market volatility; however, the strength of their balance sheet leaves them well positioned to withstand any liquidity issues. The company's competitive moat is also a substantial driving force of the business model. As the leading venue for trading US futures contracts, more than 95% of US interest-rate futures trade on the CME exchange, and they have exclusive licenses to issue futures contracts on the S&P 500, Russell 2000, and Nasdaq indexes. It also remains the dominant venue for trading West Texas Intermediate oil futures. This moat has proved durable as attempts by NYSE Liffe and ELX to enter the US interest-rate market failed to gain traction, despite having similar contracts as CME. The ability to trade on an exchange efficiently is dependent on the amount of liquidity present on the exchange already. This creates a powerful flywheel effect for CME in terms of their network effects, as the number of traders that already utilize their exchanges ensure that their contracts have good liquidity, increasing their value to other customers.

Clearing and Transaction Revenue Mix



Source: CME Q4 Earnings Presentation

Upcoming catalysts that we have identified include market volatility levels, geopolitical tensions regarding commodities, and future acquisitions by CME as they remain atop the derivatives exchange sector.

Moving to its comps valuation, CME has astounding margins, as their 70.21% EBITDA margin comes in higher than the industry median of 67.17%, along with a 64.20% operating margin that is 11.18% higher than the median as well. Its net profit margin sits at 57.34%, nearly 20% higher than the industry's median of 37.37%. The company's ROIC, ROA, and ROE sit closely with the industry medians, at a respective 9.25%, 2.63%, and 13.04%. As touched on previously, their balance sheet provides a mere 0.1x Net Debt/EBITDA multiple, substantially lower than the 1.76x median. At this time, we upgrade our position on the company to overweight. Our analysis will require deeper and more in-depth research on the company, as our estimate of true upside compared to the portfolio's hurdle rate is yet to be seen.

Consumer

Sector Outlook

As of March 2025, the consumer and retail industry face a challenging landscape, marked by both opportunities and obstacles. Consumer spending has remained relatively steady, signaling some potential in the industry. However, with inflation stubbornly hovering around 3% and the possibility of inflationary policies from the new administration, the Federal Reserve remains hesitant to cut rates further. Additionally, we will be monitoring potential supply chain issues due to new tariffs. Companies may look to source their materials from domestic partners rather than paying more for imported goods. Since September 2024, the Federal Reserve has implemented a series of interest rate cuts, bringing the federal funds rate down to a range of 4.25% to 4.50% as of December 2024. These cuts aim to support economic activity amid ongoing uncertainties. E-commerce continues to be a significant driver of retail growth, with omnichannel strategies becoming more prevalent as consumers increasingly demand seamless shopping experiences. Small and mid-cap companies stand to benefit from the recent rate cuts, as lower borrowing costs provide greater opportunities for store expansions and other investments. As the committee navigates this evolving environment, we aim to identify opportunities for companies to capitalize on the current and future competitive landscape.

The consumer staples sector had a solid 2024, delivering positive returns but underperforming high-growth stocks that dominated investor demand. Retail remains strong, with Walmart near all-time highs, while Target presents a value opportunity after lowering guidance. Tobacco is thriving, driven by the rapid growth of smokeless products like Philip Morris's Zyns and a younger generation that is poised to be the first generation in a while to consume more nicotine than their parents. Despite moderating cost pressures, pricing power remains intact, allowing companies to sustain their margins. Private-label brands and warehouse clubs, particularly Costco, continue to perform well as consumers seek value in a higher-cost environment. A potential rate cut could drive investor rotation into defensive, cash-generating names, and if economic growth slows, staples may see increased demand as a safe haven. Given our current underweight position in defensives, this presents a compelling opportunity to add exposure.

In the consumer discretionary sector, companies are constantly innovating their product lines to meet shifting consumer preferences. The risk is that companies can overextend themselves, as seen with Deckers, the owner of Uggs and HOKAS, who saw a 25.46% decline after demand guidance slowed down. While these brands saw strong growth, they stumbled when future guidance fell short, and consumer attention shifted elsewhere. In our consumer committee, we're focused on identifying rising companies or well-established brands that are currently undervalued or facing temporary setbacks but have the potential to bounce back as consumer demands evolve. As younger consumers become the dominant market force, companies must adapt by tapping into this demographic's desire for products that align with their values. They

prioritize sustainability, convenience, and affordability, and those who can meet these needs will have an edge in the market.

In emerging markets, we believe that the highest quality products will ultimately win. The data shows that younger generations are highly focused on quality and are increasingly influenced by online reviews and social media. For example, Pepsi's acquisition of Siete underscores the trend toward healthy eating, following the broader consumer demand for nutritious alternatives to traditional snacks. As we analyze companies, we're particularly focused on how they leverage AI to expand their customer bases. So far, this has been limited to basic website upgrades, but we believe that companies that successfully incorporate AI into their business models will have a significant advantage in reaching new customers and growing sustainably.

Holdings Performance

Tapestry, Inc. (NYSE: TPR) - Current Price: \$81.25, Purchase Price: \$40.59, (+100.17% all time), 52-wk high: \$90.85, 52-wk low: \$35.23, P/E: 23.58, Beta: 1.33, Market Cap: \$16.82bn

Tapestry Inc.'s stock price has significantly increased by 100.17% since our initial purchase of 298 shares. Per our last update, TPR was priced at \$42.59 a share with a \$9.89bn market cap. This past week, Tapestry closed 10.04% short of their \$87.87 52-wk high but their strong Q4 report shows promise for the 2025 fiscal year, and hence led to a 12% surge in shares this past week. They forecast a 2025 revenue of \$6.85bn and EPS of up to \$4.90, which is 3% higher than the 2024 fiscal year. Last November, due to FTC regulatory issues, TPR's initial plans with Capri (NYSE: CPRI) in a \$8.5bn merger were blocked. Capri Holdings Limited is a fashion group consisting of various companies such as Michael Kors, Versace, and Jimmy Choo. This merger would have, according to the FTC, lessened employee benefits and disadvantaged consumers with their accessible luxury market dominance. This would mean higher prices and less options for consumers. After their failed merger, CPRI's shares have fallen about 50% while TPR's have risen around 10%. While they plan to appeal, TPR has announced they will be using cash on hand and debt to fund a \$2bn share repurchase authorization.

Though TPR's CEO Joanne Crevoiserat has acknowledged the hesitation consumers still have to spend, Coach's emphasis on innovation and value has helped them to remain strong and become TPR's top performer in 2025 Q2. Crevoiserat also announced TPR's plans to hold off on M&A's until Coach's and Kate Spades's growth has stabilized. They plan to introduce new styles at Coach, invest in revamping Kate Spade, and prioritize gaining customers in high-potential markets like China and Europe. Tapestry has recently seen an increase in their sales and customers, with over 2.7m new North Americans this quarter (over half of which are Gen-Z and Millennial). This new customer base comes from some of their new trendy offerings, like the Coach Tabby bag and New York collection of bags. While Coach has remained consistent in growth and popularity, TPR has turned more of their focus on reviving Kate Spade. They

recently brought in a new CEO and plan to cut down on the number of styles to build a signature collection. Crevoiserat hopes their focus on iconic and identifiable designs for Kate Spade will help improve sales.

Sweetgreen, Inc (NYSE: SG) - Current Price: \$21.46, Purchase Price: \$22.26, (-3.59% all time), 52-wk high: \$45.12, 52-wk low: \$16.42, P/E: N/A, Beta: 2.45, Market Cap: \$2.54bn

Since our initial purchase of 102 shares of Sweetgreen (SG), we've seen a -3.59% decrease in stock price. Recently, Sweetgreen's stock has experienced a downward trend, falling to \$22.60 per share from a high of nearly \$44 in November 2024. The price drop follows news of analysts adjusting their price targets for the company, driven by a more bearish sentiment in the restaurant industry as a whole. Looking ahead, Sweetgreen's plans to triple the number of Infinite Kitchens across its storefronts in 2025. This automation will continue to drive margin expansion and reduce labor costs, positioning the company for improved profitability. However, the overall performance of the restaurant industry may factor in the company's growth trajectory. Sweetgreen's Q3 2024 earnings were released in November 2024, showing a net loss of \$14.5m, representing a 13% year-over-year growth. In-store sale growth slowed from a reported 9% in Q2 2024 to 6% in Q3 2024. Sweetgreen plans on expanding their Infinite Kitchen concept, aiming to open at least 40 new locations in 2025, with over half featuring this technology. Sweetgreen's Q4 2024 earnings call will be held February 26, 2025, where we expect to hold until Sweetgreen can reach a closer 12-month price target of \$41.20, indicating a potential upside of approximately 58.8% from the current price.

YETI Holdings (NYSE: YETI) - Current Price: \$34.29, Purchase Price: \$36.74, (-6.67% all time), 52-wk high: \$45.25, 52-wk low: \$33.41, P/E: 16.68, Beta: 2.07, Market Cap: \$2.83bn

Since our initial purchase of 550 shares of YETI, we've seen a -6.67% loss in stock price. YETI remains a strong long-term investment due to its product innovation, premium brand recognition, international growth, and efforts to limit exposure to tariffs. While these factors support our view, their impact will take time, as seen in YETI's mixed fourth-quarter and full-year 2024 earnings. In Q4, net sales grew 5% to \$546.5 million, while international sales jumped 27% for the quarter and 31% for the year. Adjusted EPS rose 11% to \$1.00 in Q4 and 21% for the year, but GAAP EPS fell 30% due to a \$9.9 million recall reserve adjustment and foreign currency pressures. Despite these challenges, YETI generated \$219.6 million in free cash flow and expanded adjusted gross margins by 170 basis points to 58.6%. The company also repurchased \$200 million in shares and increased its buyback authorization by \$350 million.

Drinkware remains competitive but grew 7% annually, aided by seasonal launches and the shift toward durable alternatives to single-use plastics, partly driven by rising awareness of microplastics. Coolers & Equipment saw strong 17% growth, supported by new products, including a powered cooler platform acquired last year. More details on this technology are

expected in future updates. International markets now make up 19% of sales, up from 16% last year, showing solid traction.

It is of note to point out that we have recently trimmed our position in YETI, selling 256 shares at \$36.74/share on 2/18/2025, realizing roughly \$614 on the transaction. The thesis behind decreasing our exposure to the company is a result of extreme reliance on expanding internationally and moving into new categories. Large investment in marketing, international & digital capabilities, we fear may curb near term operating profit. Regardless, we still see growth possible within the company, likely not in the near term. It still holds a strong balance sheet, but with a sales miss in both wholesale and drinkware, we are cautious and have established a \$40 price target.

For 2025, management expects 5-7% sales growth and 6-8% adjusted EPS growth, though foreign exchange remains a headwind. The focus remains on brand strength, new product launches, and strategic investments. We are keeping a close eye on the position, watching for signs that our key catalysts—international expansion, new product adoption, and margin improvements—are getting closer to being realized. For now, we hold and allow YETI's long-term strategy to play out.

Ulta Beauty (NYSE: ULTA) - Current Price: \$343.45, Purchase Price: \$369.20, (-6.97% all time), 52-wk high: \$574.76, 52-wk low: \$318.17, P/E: 13.74, Beta: 1.20, Market Cap: \$15.93bn

On the same day that we trimmed our position in YETI, we also initiated a sell of 14 shares of ULTA at \$369.20/share, a break-even point with our purchase price. Following investor digestion of the company's earnings report, it was troubling to us that same-store sales have flatlined over the past couple of years. Revenue and EPS margins appear to be shrinking, possibly on account to high increases in COGS over the previous few quarters. We remain bullish on the company, and a highlight is the loyalty program being viewed as positive by the younger demographic, which we will touch on shortly. At this time, we have established a \$375 price target for ULTA to re-evaluate.

Over the past three months, Ulta Beauty has seen significant leadership changes, strategic initiatives, and market activity. In January 2025, Kecia Steelman was named CEO, succeeding David Kimbell, with plans to focus on brand execution, exclusive launches, and store modernization. Financially, Ulta has faced stock challenges but raised its fourth-quarter outlook following a strong holiday season. The company is enhancing its loyalty program, aiming to expand its 44-million-member base to 50 million by 2028, while also planning to open 200 new stores over the next three years. Additionally, Ulta partnered with Brittany Mahomes and makeup artist Deanna Paley during Super Bowl weekend to celebrate women in sports, reflecting its commitment to diversity and empowerment in beauty. These developments highlight Ulta's ongoing efforts to strengthen customer engagement and drive growth in a competitive market.

Quality Watchlist

NIKE, Inc. (NYSE: NKE): Current Price: \$78.41, 52-wk high: \$102.49, 52-wk low: \$68.62, P/E: 23.86, Beta: 1.02, Market Cap: \$114.34bn

Nike, Inc. is the largest athletic footwear/apparel designer, developer, and distributor in the world, riding the success of their irrefutable brand and “must-have” products, such as their signature “swoosh” and Jordan brand. Nike has seen a diminishment in market share from new competitors including Lululemon, On Running, and Hoka. Nike reported an -8% YoY decrease in revenue for Q2 2025, with a 14% quarterly decrease in their DTC revenues and a 3% quarterly decrease in wholesale revenues. They also cited a 26% decrease in net income, which amounted to \$1.2B.

Nike is down from a 52-week high of \$102.49 largely due to investor concerns regarding their sub-par sales growth. The market also draws concern to their lagging profit margins as new players enter the athletic footwear/apparel market. However, Nike hopes to revamp their iconic brand by using cutting-edge technology to encourage hyper-personalization and more accurately predict consumer tastes and trends. Nike has already implemented machine learning to offer more personalized product recommendations, and plans to incorporate GenAI into their product innovation, taking athletes ideas and converting them into physical prototypes in a fraction of the time it would take a human imagination team to do so.

Healthcare

Sector Outlook

In 2025, the US healthcare industry is navigating a complex and dynamic landscape marked by cautious optimism, driven by innovation, strategic growth, and resilience in the face of ongoing challenges. Despite past difficulties, nearly 60% of industry leaders hold a favorable outlook for the year, with expectations of rising revenue and improved profitability. Key trends include significant investments in advanced technologies such as generative AI, digital platforms, and automation, which aim to enhance consumer experiences, improve operational efficiencies, and drive growth. The incoming administration and the 119th Congress are set to address critical healthcare issues, including Medicare, drug pricing, and surprise billing, prompting organizations to prepare for potential regulatory impacts by monitoring appointees, evaluating legislative control, and strengthening regulatory strategies. Financially, the sector is showing signs of recovery. Medicare Advantage (MA) margins, which faced pressure in 2024, are expected to recover by 150 to 200 basis points, reaching long-term margins of 3-3.5% by 2028. The decline in MA margins was due to lower CMS rate increases, changes in risk adjustment, and rising costs from utilization pressure, including the Inflation Reduction Act's impact on Medicare Part D. Medicaid enrollment faces challenges due to a decline and adverse shifts in the risk mix, but rates are expected to readjust within 18-24 months. Growth segments such as Health Services and Technology (HST) and specialty pharmacy are driving the sector forward. HST, the fastest growing sector, is projected to grow at a 9% CAGR from 2023 to 2028, reaching \$100 billion by 2028. Specialty pharmacy, driven by increased utilization and demand for GLP-1 agonists, is projected to grow by 10% CAGR from 2023 to 2028. Consumer affordability remains a crucial focus for healthcare organizations. Developing inclusive products and services to address affordability challenges is a priority. Strategies include expanding services to alternative sites of care, offering virtual health options, and investing in consumer-facing digital technologies. Enhancing consumer trust through transparency and addressing concerns about AI usage is also a priority. Health plans and systems are collaborating with employers to improve workforce health through wellness programs, onsite clinics, and customized coverage options. Operational efficiencies are being enhanced through outsourcing, advanced staffing models, automation technologies, and centralized command centers. Developing multidimensional growth strategies to increase revenue is a top priority for 2025, with a focus on organic growth rather than mergers and acquisitions. Health care organizations are exploring successful growth strategies from other industries and adapting them to the healthcare sector, using digital tools and technology platforms to create personalized and convenient consumer experiences. Prioritizing health equity as a business imperative is essential for addressing health inequities and improving access to high-quality care. Health plans and systems are developing products and services tailored to specific populations and using Community Health Needs Assessments (CHNAs) to gather insights on community health status and gaps. In summary, the US healthcare industry in 2025 is navigating a multifaceted landscape of challenges and opportunities. By leveraging technological

advancements, addressing regulatory changes, and focusing on consumer needs, healthcare organizations are well-positioned to drive growth, improve operational efficiencies, and enhance overall health outcomes. The sector's recovery and growth are underpinned by a commitment to innovation, strategic planning, and a focus on consumer-centric approaches.

YTD Price Return: S&P 500 vs. Healthcare Sector



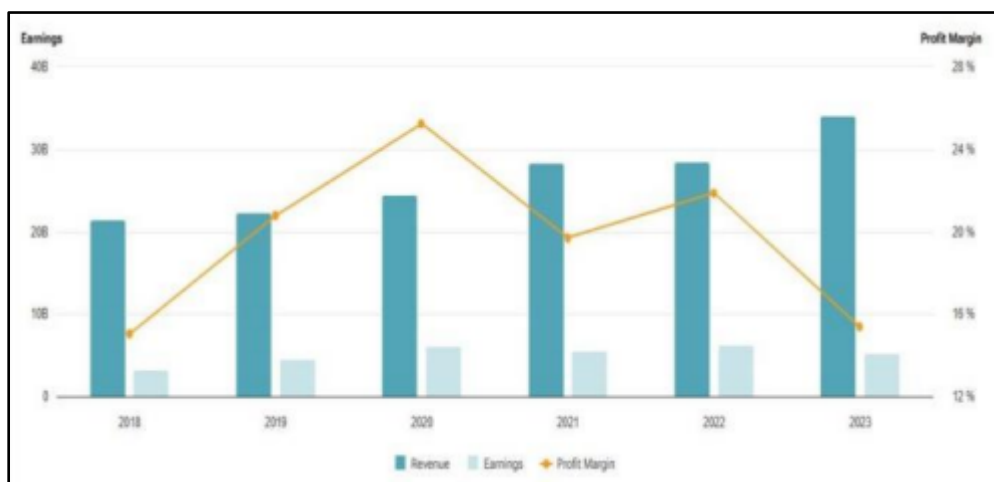
Holdings Performance

Eli Lilly and Company (NYSE: LLY) - Current price: \$920.63, Initial Purchase Price: \$365.94, Second Purchase Price: \$588.11 (+122.79% all time), 52-wk high: \$972.53, 52-wk low: \$711.40, P/E: 59.91, Beta: 0.71, Market Cap: \$872.91bn

Eli Lilly & Co., a major player in the pharmaceutical sector, has been experiencing a moderate increase in volatility as we ring in the new year. They have maintained a large volume of sales of their highly popular GLP-1 drugs, which include Zepbound (for weight loss) and Mounjaro (for diabetes). In the last quarter of 2024, these two products raked in \$5.4 billion in sales for Eli Lilly. During the same quarter, Eli Lilly beat earnings estimates, while unfortunately missing its sales estimates. This has contributed to sizable dips in stock prices over the last few months. Currently, Eli Lilly is in the late-stage trial phase of a new weight loss drug called Orforglipron, which can be taken orally as opposed to injection. Current data shows it can reduce body weight by up to 15%, which could be a major game changer for the company if it is approved by next year. Over the past 2 years, Eli Lilly has received approvals for multiple new drugs, such as Omvoh, Kisunla and Jaypirca. These have been contributing greatly to Eli Lilly's revenue growth over 2024.

Eli Lilly's growth outlook exceeds most peers and drives a sector-premium valuation, and long-term consensus may need to go higher still. That is heavily dependent on the Q3 and Q4 shortfalls for Zepbound in obesity and Mounjaro in diabetes, and whether they're an inventory issue, rather than a sizable change in market dynamics. Operating margin progression is a key catalyst for the company moving forward, as management continues to raise its targets and longer-term consensus estimates exceed 50%. Lilly must balance this with support for new launches, ongoing manufacturing investments, and scaling of its R&D. LLY's scheduled Phase 3 data for Orforglipron and injectable drug Retatrutide headline a year where weight-loss market dynamics could see large shifts, as opposing pharmaceutical companies are set to report results. In their Q4 earnings call, management sounded extremely bullish on the scalability of Orforglipron, highlighting that its launch will have sampling, co-pay, full formulary access, and globalization as rapidly as possible for the company. They also initiated a Ph3 Orforglipron in hypertension, which is believed to support the drug's tolerability, scalability, and patient reach.

LLY Revenue/Earnings/Profit Margin



Source: Macrotrends

Intuitive Surgical, Inc. (NASDAQ: ISRG) - Current Price: \$573.15, Purchase Price: \$377.08 (+52.00% all time), 52-wk high: \$616.00, 52-wk low: \$364.17, P/E: 88.36, Beta: 1.19, Market Cap: \$204.42bn

Intuitive Surgical, Inc., the creator of the DaVinci System, a minimally invasive robotic surgical tool, has been able to hold on to market share while steadily growing throughout the year. The stock has beaten earnings estimates the past three quarters due to the release of their DaVinci 5 system last March. Worldwide procedures increased 17% over 2024, with this to marginally decrease in 2025 to 16%. This growth is expected to come from increased adoption globally, as

the company plans to exponentially expand operations in Spain, Portugal, and Italy. We are continuously bullish on this stock due to its ability to rapidly gain market share while minimizing margins.

Q4 procedure growth remained solid in the fiscal year 2025, as guidance for next year points to the sustainability of these utilization trends, which ultimately drive the entire business as procedure growth begets demand for additional systems. DaVinci 5 continues to perform well and we believe that the placement momentum will only rise as production ramps up, and the robotic device gets fully launched over the span of the upcoming year and further. Robotic surgery remains one of the most attractive investment areas in terms of growth across medtech, where the company dominates in market share. A healthy mix of more capital placements of its robotic systems, and greater utilization of the company's products could likely result in higher recurring revenue, while limiting the effect of volatile hospital purchasing patterns. A valuation premium is supported by Intuitive's peer-leading operating margin and runway for robotic adoption.

Negative catalysts for Intuitive could be the rise of GLP1 medications, which have already negatively impacted the number of geriatric surgeries performed last year. Although this negatively impacts the company, we see it to be minimal enough to not outweigh the potential growth of the DaVinci system. When looking at the competitive landscape, we are still confident in Intuitive due to the lack of potential serious competitors. This is a factor that we are still looking into as a future concern as companies like Johnson & Johnson (JNJ) plan to expand their surgical robot research within the year.

Novo Nordisk A/S (NYSE: NVO) - Current Price: \$90.65, Purchase Price: \$77.99 (+17.40% all time), 52-wk high: \$148.15, 52-wk low: \$77.82, P/E: 28.85, Beta: 0.42, Market Cap: \$303.63bn

Novo Nordisk has seen a slight decline in stock value, down 1.22% as of February 14, 2025, trading at \$77.87. Despite this dip, the Danish pharmaceutical giant remains a dominant force in the GLP-1 drug market, with its popular medications Ozempic and Wegovy leading the way in treating diabetes and obesity. The company continues to control almost two-thirds of the global GLP-1 market, even as competition from rivals like Eli Lilly, with their own GLP-1 treatments, intensifies. In 2024, Novo Nordisk reported a 25% year-over-year revenue increase, with strong contributions from Ozempic and Wegovy, though competition from cheaper alternatives and compounded versions of its drugs is growing. Novo's guidance for 2025 reflects several trends of note for us, including GLP-1 demand, competitive positioning vs. rival and fellow holding Eli Lilly, and headwinds from supply-chain issues and pricing pressure. Insulin will need to grow as more patients are diagnosed with and treated for diabetes, and as patients require more intense regimens as their disease progresses. Demographic trends are supported by a market shift from human insulin toward modern insulin analogs (i.e., Novo's Levemir and NovoLog), net

generation insulin analogs, and a novel weekly insulin. Pricing pressure within the US is extremely intense however, and Chinese pressures remain in-line with this as well. A temporary headwind on the company's volume is being realized through delayed insulin treatments as a result of the GLP-1 therapy success.

The company maintains a strong economic moat as well, accounting for 34% of the global diabetes market, including roughly half of both the \$15bn insulin therapy market and the \$40bn GLP-1 market. A focused R&D strategy allows the firm to repeatedly extend patent protection through innovation. Efficient manufacturing technologies, paired with the sheer scale of the company have allowed their insulin business to provide strong global profitability. The company also displays remarkable capital deployment, as they have historically held low debt levels, but have recently been deploying debt to finance acquisitions such as the Emisphere acquisition in 2020 and the Catalent sites deal in 2024. A strong free cash flow position allows the company to continue investing in its pipeline and distributing cash via dividends or repurchases of stock. They have an impressive record of focusing on shareholder value and returning value, as these distributions have grown from a total of DKK 34bn in 2018 to DKK 68bn in 2024. With a 50% payout ratio, we expect rising cash flows to make room for small, incremental acquisitions in the coming years, or possibly a large purchase that could add-in more debt to the capital structure, thus lowering the cost of capital.

Looking ahead, Novo Nordisk's strong pipeline of investigational GLP-1 treatments, as well as ongoing developments in other therapeutic areas like hemophilia and Alzheimer's disease, offer significant potential for future growth. Despite mounting competition and the pressures of regulatory challenges, the company's track record of innovation and its diverse portfolio help it maintain a solid position in the market.

RADNET, INC. (NASDAQ: RDNT) - Current Price: \$55.47, Purchase Price: \$68.16 (-18.62% all time), 52-wk high: \$93.65, 52-wk low: \$42.45, P/E: 1,696.33, Beta: 1.82, Market Cap: \$4.11bn

RadNet, Inc. is a leading provider of high-quality diagnostic imaging services through a national network of outpatient imaging centers. The company specializes in advanced imaging technologies, offering services such as MRI, CT, ultrasound, and X-ray, catering to healthcare providers and patients. Despite some fluctuations in recent performance, the company has been a strong performer in the diagnostic imaging sector, with significant investments in artificial intelligence (AI) through its subsidiary, DeepHealth. This includes innovations aimed at improving imaging workflows and diagnostic accuracy. RadNet has also focused on expanding its market presence through collaborations, such as the partnership with GE Healthcare to enhance breast cancer diagnosis with AI-powered imaging solutions. The company has been

involved in ongoing technological advancements, including FDA-clearance expansions for its SmartMammo AI algorithm.

Looking at the recent Q4 earnings, RDNT reported record revenue and adjusted EBITDA for the quarter, with an increase in top-line results by 13.5% to \$477.1mn, and adjusted EBITDA up 14% to \$75mn. The Digital Health segment showed strong momentum, with an increase in revenue of 28.1%, and EBITDA up 61.6% YOY. Volume growth was a positive takeaway from the call as well, with 8% aggregate and 4% same-center procedural volume growth, driven by an increased demand for their diagnostic imaging services.

In terms of financial performance, RadNet has demonstrated solid growth with notable increases in stock value over the past year, reflecting positive market sentiment. However, the company has faced some challenges, as indicated by a recent drop of 1.90% in its value. Analysts, including those at Truist, have raised RadNet's price target from \$80 to \$94, signaling confidence in the company's prospects. The company maintains a strong balance sheet position with \$740mn in cash and cash equivalents, along with a Net Debt/EBITDA ratio of under 1x, even after strategic transactions in 2024. Despite this, the stock's performance has been volatile, with a YTD return of -12.18%, compared to the S&P 500's positive return of 3.96%.

RadNet remains a prominent player in the diagnostic imaging field, with a strong emphasis on AI-driven innovation. With management anticipating roughly \$20mn of investment for building sales, marketing, and implementation capabilities in their new Digital Health segment, we anticipate a slight hit on short-term profitability. Labor shortages and inflationary pressure within the radiology field continue to pose challenges, and they are forecast to deploy \$45mn in salary and wage increases for the upcoming year. We are closely watching its growth and the impact of its technological advancements on future earnings, as we remain overweight on this position.

Novartis Inc. (NYSE: NVS) - Current Price: \$109.06, Purchase Price: \$98.13, Trim Price: \$105.67 (+13.61% all time), 52-wk high: \$120.92, 52-wk low: \$92.35, P/E: 18.58, Beta: 0.55, Market Cap: \$215.38bn

Novartis' stock has recently been under pressure, experiencing a 2.46% drop as of February 14, 2025. The decline follows a downgrade by UBS, which lowered its recommendation from "buy" to "neutral" and reduced its target price for the stock from 111 to 104 Swiss francs. The investment firm cited concerns about a slowdown in the company's growth trajectory, mainly due to several key patents nearing expiration. Among the most significant drugs facing this issue are Entresto, Tasigna, and Promacta. While Novartis continues to have a strong portfolio in oncology, immunology, and cardiovascular treatments, these challenges could put a strain on its future revenue. Additionally, UBS believes that the company's expected growth is already priced into consensus forecasts, which makes the stock less appealing at current levels. As a result,

Novartis is facing headwinds that have tempered investor sentiment. The pharmaceutical giant's recent acquisition of Anthos Therapeutics, valued at up to \$3.1 billion, is an effort to strengthen its cardiovascular business and diversify its pipeline. However, despite these strategic moves, the stock's performance has not been immune to market volatility. Investors are closely watching the company's efforts to counterbalance the impact of patent expirations with innovations and acquisitions.

The company consistently exceeded consensus estimates through 2024, delivering strong sales expansion and tight control of operating expenses, with their core franchises promising significant growth scope. Strong guidance for 2025 growth leaves consensus doubtful of the management team's 5% CAGR sales target for the next four years, however. Multiple 2025-26 clinical readouts, if positive, are likely to drive up analysts' expectations of growth. Due to the successful Kisqali adjuvant launch, and updated Entresto ex US genericization assumptions, we remain neutral on the company. On the mid-term outlook, we expect a strong performance of Kisqali to lead strong CAGR, likely just below management's goal of 5%. Limited risk to 2025, along with the potential for their Entresto segment upgrades, allow us to see little risk moving forward. It is also of note that we trimmed our position on 11/11/2024, selling 47 shares at \$105.67, realizing roughly \$5,000, and leaving the position to be valued at just \$5,998.30 within the portfolio.

Novartis will need to deliver strong results from its pipeline, particularly in the cardiovascular space, to regain investor confidence. As of now, the stock's performance reflects the market's cautious outlook amid these challenges. The broader market trends, such as economic slowdowns and regulatory pressures, also add layers of uncertainty to the company's near-term prospects. Consequently, Novartis will need to navigate these obstacles carefully in the coming quarters

Vertex Pharmaceuticals Inc. (NASDAQ: VRTX) Current Price: \$479.79, Initial Purchase Price: \$182.93, Second Purchase Price: \$231.96 (+140.77% all time), 52-wk High: \$519.88, 52-wk Low: \$377.85, Beta: 0.41, Market Cap: \$123.21bn

As the largest individual weighting within our portfolio, the company has been performing well this year, with its stock up approximately 15% year-to-date. The recent dip follows a general market correction, but analysts remain optimistic due to the company's growth prospects. A major catalyst for the stock has been the FDA approval of Journavx, a non-opioid pain medication, which is expected to generate significant revenue. This new product has the potential to become a blockbuster, with forecasts estimating \$5 billion in peak annual sales by 2031. Vertex has also projected 2025 revenues to rise to around \$12 billion, driven by both Journavx and its existing portfolio of cystic fibrosis treatments. Vertex's P/E ratio is currently unavailable as it continues to report losses, but the company's forward P/E is pegged at 25x, indicating

moderate valuation relative to its growth potential. Vertex's market cap stands at \$118B, and it continues to expand its pipeline, with treatments in development for various conditions like type 1 diabetes and kidney disease

The company reported solid year-end results, with highlights including 12% YOY top-line results up to \$11bn, and analysts forecasting roughly \$12bn in 2025, a 9% jump. Strong demand for its CF (Cystic Fibrosis) therapy, Trikafta/Katrio, delivered \$10.2bn in sales for the year, and the company continues to use its healthy free cash flow to expand its portfolio, focusing on delivering strong commercial launches of Alyftrek and Journavx. The US approval of Alyftrek adds a convenient once-daily dosing to its CF franchise and expands their dominance in this market. Additionally, Vertex will benefit by having a plethora of years of patent protection, as Alyftrek's composition of matter patent expires in 2039.

Despite its promising pipeline and growth trajectory, the stock is still facing some challenges, including investor caution around the long-term rollout of new drugs and the competitive biotech landscape. Nonetheless, analysts have set a 1-year target estimate of \$497.87, indicating significant upside potential in the near term. Vertex will need to continue delivering strong growth from its portfolio, including the success of Journavx, to maintain positive momentum. We remain neutral on the company at this time, given that the CF business remains strong and continues adding value for VRTX shares. We conclude this rating given that CF sales trajectory is largely reflected in the stock currently, and we remain cautious about concerns on the commercial opportunity of Casgevy.

Quality Watchlist

Boston Scientific Corporation (NYSE: BSX) - Current Price: \$104.87, 52-wk high: \$107.17, 52-wk low: \$65.52, P/E: 52.03, Beta: 0.84, Market Cap: \$154.75bn

Boston Scientific Corporation is a global developer, manufacturer, and marketer of medical devices that are used in a broad range of interventional medical specialties. The company develops cardiovascular and cardiac rhythm management (CRM) products, including imaging catheters, imaging system and guidewires. It also makes devices used for electrophysiology, endoscopy, pain management (neuromodulation), urology, and pelvic health, including laser systems, hydrogel systems, and brain stimulation systems.

Its two primary segments include Cardiovascular and MedSurg. The Cardiovascular segment accounts for roughly 60% of revenue, including cardiology (45%) and peripheral interventions (15%). Cardiology business develops and manufactures devices and medical technologies for diagnosing and treating a variety of diseases and abnormalities of the heart, while the peripheral interventions business develops products to diagnose and treat peripheral arterial and venous

diseases, as well as products to diagnose and treat various forms of cancer. The MedSurg segment, covering the remaining 40% of revenue, makes devices for endoscopy (15%), urology (15%), and neuromodulation (5%). Endoscopy business develops devices to treat pulmonary and gastrointestinal conditions through minimally invasive scopes and needle systems. The urology segment develops and manufactures devices to treat urological conditions, such as kidney stones, benign prostatic hyperplasia (BPH), prostate cancer, and incontinence. The neuromodulation business develops devices to treat neurological movement disorders, and manage chronic pain.

The actual stock has seen a strong performance recently, with a modest 0.03% drop as of February 14, 2025. The company has been benefiting from momentum investing, where stocks with solid upward trends continue to attract attention from hedge funds and institutional investors. BSX's recent success can be attributed to its innovative medical technology portfolio and its expansion into high-growth markets such as EMEA (Europe, Middle East, and Africa). The company's advancements in medical devices, particularly in cardiology, endoscopy, and urology, have driven investor optimism. With favorable sector trends and positive earnings results, Boston Scientific remains a high conviction pick for many investors seeking strong momentum stocks. The company's strategic focus on expanding its global footprint, especially in emerging markets, positions it for continued growth. Additionally, as part of the healthcare innovation landscape, BSX is expected to benefit from increasing demand for its products across various medical specialties. However, like most stocks in the medical sector, it is subject to regulatory pressures, market fluctuations, and potential disruptions in the global supply chain.

Despite these risks, Boston Scientific's forward momentum makes it an attractive investment for those looking for exposure to the healthcare industry. Moving forward, its ability to continue delivering strong results from its expanding pipeline will be critical to sustaining investor confidence. The company appears poised to maintain high-single-digit growth in revenue through 2026, ahead of consensus, and fueled by its Watchman implant and pulse-field ablation technology that can provide a substantial top-line boost. Global expansion of these two segments could help exceed management's 8-10% long term growth target, as its new offering in the MedSurg segment have continuously expanded their product portfolio to contribute to this. Given the growing healthcare market and the company's strong positioning, BSX remains a solid pick, though investors should be mindful of broader economic conditions and sector-specific risks.

Sector Outlook

Since the Federal Reserve's 25-basis-point rate cut in late 2024, tech stocks have broadly remained strong. Companies are pouring more into AI spending than ever before, with Microsoft, Amazon, Google, and Meta planning to spend roughly \$320 billion on capital expenditures in 2025. Although recession concerns are easing, geopolitical tensions, supply-chain uncertainties, and evolving monetary policies could still impact performance in 2025. Generative AI adoption spurs capital expenditures in data centers, chip manufacturing, and specialized cloud hardware. The emergence of DeepSeek has spurred a sense of urgency in American AI development, with many concerned that the US could lose its AI dominance to China or other world powers. On January 21, 2025, President Trump announced the start of the Stargate Project, which plans to invest up to \$500 billion over the next four years to develop AI infrastructure in the US. The Stargate Project should drive massive growth to companies that are involved with data centers and semiconductors, sparking growth in numerous sectors of the US economy that have benefitted from AI. Cybersecurity spending remains robust, as businesses prioritize threat detection data protection in an era where many employees are working from home. We remain cautiously optimistic, expecting AI, cloud, and connectivity tailwinds to drive impressive sector earnings. Further rate cuts could stimulate tech spending, but tariffs and regulatory pressures necessitate careful position sizing. Overall, companies that efficiently integrate AI, manage content costs, and capitalize on connectivity demand are positioned to outperform in the evolving TMT landscape.

Holdings Performance

Apple Inc (Nasdaq: AAPL) - Current Price: \$238.03, Initial Purchase Price: \$163.64, Second Purchase Price: \$165.23 (+45.51% all time), 52-wk high: \$260.10, 52-wk low: \$164.08, P/E: 34.14, Beta: 0.93, Market Cap: \$3.58tn

We have yielded strong returns since our acquisition of Apple (AAPL) and have decided to maintain our current position of 90 shares. Apple released its latest earnings report on January 30th, announcing its highest quarterly revenue ever of \$123.3 billion, an increase of 4% year-over-year, and an all-time high quarterly diluted EPS of \$2.40, which represents a 10% increase year-over-year for its fiscal 2025 first quarter. On the earnings call, CEO Tim Cook stated, "Today Apple is reporting our best quarter ever," citing the growing impact of Apple Intelligence, which will expand to more languages in April. This strong performance is driven by revenue growth across Apple's products and services along with both current and planned integration of artificial intelligence functionality. However, iPhone revenue fell short of expectations, reaching \$69.14 billion instead of the anticipated \$71.03 billion, with sales strongest in regions where Apple Intelligence is available. In the future, we can expect to see the

expansion of Apple Intelligence AI into Chinese markets through their new partnerships to address declining iPhone sales in China.

Apple's fiscal 2025 sales growth is estimated to hover in the mid-single digits range, led by its services unit, even with unpredictable product sales, specifically in China. Google's roughly \$20bn payment to Apple for default search status is at risk as well after a Department of Justice anti-trust ruling, likely resulting in a near-term overhang. Another key aspect to look out for include Apple's broad ecosystem of 2.35bn active devices under the Apple product portfolio, commanding significant distribution advantages. Newer devices like the iPhone 16e that can spread AI features could potentially aid a much-needed product refresh for the end of fiscal year 2025 as well. The overhaul of AAPL's lowest priced iPhone model can revive product sales that have been stagnant over the previous 2-3 years, and this new device could be appealing in emerging markets dependent on the success of Apple Intelligence. In addition to Chinese use, there is potential within user growth in India and Brazil as well, an underpenetrated sector of the market.

Potential challenges remain due to tariffs from the Trump administration, which could impact Apple's profit margins given that most of its production is based in China. Despite this, Apple's strong performance is expected to continue, and we plan to maintain our position.

NVIDIA (Nasdaq: NVDA) - Current Price: \$114.06, Purchase Price: \$121.74 (-7.37% all time), 52-wk high: \$153.13, 52-wk low: \$75.61, P/E: 38.78, Beta: 1.92, Market Cap: \$2.78tn

The most recent addition to the TMT sector of the CAMS portfolio is NVIDIA, which we purchased immediately following the sell-off that occurred in response to DeepSeek releasing their new AI model. Following NVIDIA's most recent earnings report, the company posted revenue of \$22.1 billion, representing an 87% year-over-year surge as AI adoption accelerates across various industries. Data center revenue, which now accounts for 82% of NVIDIA's total sales, grew 111% year-over-year to \$18.4 billion, as demand for GPU chips has rapidly increased. NVIDIA's gross margins expanded to 76%, a record high, as NVIDIA leveraged its pricing power in an AI-driven market. While NVIDIA has gained over 200% in the past year, there has been increased volatility in the stock, as well as volatility in the technology sector as a whole. The stock tends to be sentiment-driven, with traders reacting sharply to news about AI competition. Despite some concerns about emerging players like DeepSeek, NVIDIA's 80%+ market share in AI chips and its CUDA software moat make it incredibly difficult for competitors to overtake them.

NVDA's long-term outlook and competitive advantages remain intact as it builds on yet another solid quarter of earnings, and clarifies that the Blackwell GPU ramp-up will begin in FY '26. We see robust Blackwell production, even with a slight delay, propelling top-line expansion in the end of 2025 and through 2026.

Looking ahead, NVIDIA is set to benefit from \$1T+ in AI infrastructure investment over the next decade, as cloud providers, enterprises, and sovereign nations race to build AI-capable data centers. Given the explosive demand for AI acceleration and NVIDIA's near-monopoly in high-end GPUs, the TMT committee plans to hold our NVIDIA position long-term. It is also worth noting that with the purchase of NVDA, we have initiated a stop-loss market order at \$105/share.

PayPal Holdings Inc (Nasdaq: PYPL) - Current Price: \$69.75, Purchase Price: \$78.13 (-10.71% all time), 52-wk high: \$93.66, 52-wk low: \$56.97, P/E: 15.05, Beta: 1.30, Market Cap: \$69,000mn

Over the past three months, PayPal has experienced notable developments in its financial performance, strategic direction, and market positioning. In the fourth quarter of 2024, the company reported earnings per share of \$1.19 and revenue of \$8.37 billion, both exceeding Wall Street expectations. Despite the earnings beat, investor sentiment remained mixed due to concerns over a slowdown at Braintree, PayPal's subsidiary focused on merchant payments. The decline followed repricing strategies aimed at improving transaction margins, but it also led to weaker growth in the short term. Additionally, PayPal's flagship branded payment service underperformed, raising concerns about its ability to compete in a rapidly evolving digital payments landscape. In response, the company outlined plans to revitalize its core payments business throughout 2025, emphasizing innovation and customer retention. Investors appeared wary of the company's ability to regain momentum, particularly in a competitive industry with rising fintech challengers.

The key goal set out by CEO Alex Chriss is expanding operating margin without compromising top-line growth. The company has leveraged its global lead in e-commerce and peer-to-peer payments to scale products and channels such as crypto, buy now, pay later, small-business unbranded checkout, and contactless in-store payments. Profitability concerns from competition spurred a pivot into increasing lower margin unbranded transactions are being addressed with the launch of value-added services and pricing-to-value initiatives.

The TMT Committee believes that the recent volatility is an overreaction to temporary setbacks rather than a fundamental shift in PayPal's long-term prospects. CEO Alex Chriss has demonstrated strong leadership, and we are confident in his ability to overcome these challenges and promote sustainable growth. PayPal's extensive global footprint and continued focus on margin expansion provide a solid basis for future success. While short-term headwinds persist, we maintain confidence in its ability to execute its growth strategy. Currently, the TMT Committee maintains to hold PYPL.

Salesforce Inc (NYSE: CRM) - Current Price: \$293.06, Purchase Price: \$186.23 (+56.61% all time), 52-wk high: \$369.00, 52-wk low: \$212.00, P/E: 43.17, Beta: 1.30, Market Cap: \$280.46bn

We have yielded strong returns since we acquired Salesforce (CRM) and have decided to hold our current position of 100 shares. Their latest earnings report on October 31st, 2024, slightly missed analysts' expectations, with an EPS of \$2.41 adjusted VS \$2.45 expected and revenues of \$9.44B VS \$9.44B expected. In the recent quarter, CRM saw significant growth in their AI segments, which provide customers with the best experience possible. CEO Marc Benioff states in their latest conference call, "Agentforce, our complete AI system for enterprises built into the Salesforce Platform, is at the heart of a groundbreaking transformation." Further, President and CFO of Salesforce, Amy Weaver, will "continue to drive disciplined profitable growth with third quarter GAAP operating margin of 20.0%, up 280 basis points year-over-year, and non-GAAP operating margin of 33.1%, up 190 basis points year-over-year."

Salesforce's robust growth in current remaining performance obligations (11% in constant currency vs. 9% consensus) was offset by muted subscription guidance for FY '26, suggesting a tough economic climate. The outlook is surprising to us, especially as Data Cloud and AI annual recurring revenue climbed an astounding 120% over the past year to \$900mn. Though this may be a conservative forecast, management will need to justify the mismatch between cRPO growth and sales realization. The company's market share of over 40% in cloud sales-force productivity and customer-service applications is a plus as enterprises deploy more AI agents. The recent announcements of high-profile executives either retiring or leaving the company raise some uncertainty about AI monetization as well.

Analysts have set a consensus price target of \$395.89 for Salesforce, reflecting expectations of future earnings growth, profit margins, and various risk factors. However, opinions vary, with the most optimistic analysts projecting a target of \$442.00, while the most cautious estimate is significantly lower at \$247.00. To align with the consensus forecast, one would need to assume that by 2028, Salesforce's revenue will reach \$49.1 billion, with earnings of \$9.4 billion, and that the stock will trade at a PE ratio of 53.8x, using a discount rate of 7.0%. With the current share price at \$359.95, the consensus target implies a modest 9.1% upside, suggesting that analysts, on average, view the stock as fairly valued. The TMT committee is currently issuing a moderate buy on our CRM position.

Uber Technologies Inc. (Nasdaq: UBER) - Current Price: \$74.46, Purchase Price: \$67.75 (+9.90% all time), 52-wk high: \$87.00, 52-wk low: \$54.84, P/E: 16.25, Beta: 1.39, Market Cap: \$155.51bn

This quarter, UBER's reported earnings serve as extremely positive sentiment for our current position, as earnings exceeded guidance by management and maintained respectable growth in

key network effect metrics, such as trips, monthly active platform consumers (MAPCs), engagement, and monetization per user. Even with these stellar earnings, shares have traded within the mid-\$60s range for the week, due to downgraded guidance on account of currency headwinds. Uber's gross bookings for the quarter were \$44.1bn, representing 17.6% YOY growth – stripping out the effects of exchange rate fluctuations however, growth was closer to 21%. Quarterly trips surpassed 3 billion for the first time during the quarter, and monthly active platform consumers is larger than ever, representing a strong demand-side of the marketplace. Uber's engagement level is now twice as large of direct competitor Lyft, as these network effects show the virtuous cycle is intact and solidify Uber's place as the primary ride-hailing market service.

The largest threat moving forward, which also may be the largest opportunity that we have identified is the rise of autonomous vehicles. AVs could, theoretically, replace Uber as the primary demand aggregator, or these AVs could collaborate with Uber's network and massively reduce costs. Themes surrounding the AV market will be monitored closely, as well as Uber's consistently strong network effects – core user base, engagement, and monetization.

Uber has an extremely diversified product offering that contributes to revenue. In mobility, we anticipate strong growth in underpenetrated markets across the globe. In delivery, we expect to be in the early stage of Uber's e-grocery delivery venture, and we support the diversification that this option could bring to Uber's value proposition. We believe that customers will gravitate to convenience offered by something like this as e-grocery catalog size continues to improve. Their final segment, and smallest: freight, is positioned to benefit from a strong digitization of logistics and supply-chain management. The company maintains a sound balance sheet and has recently announced a \$7bn share repurchase program as well, which we believe is appropriate at this point in trading. It is worth noting that we have recently re-allocated Uber to a TMT holding, as opposed to its previous Consumer status, due to its concentration of revenue streams as well. We remain overweight on UBER at this time.

Amazon.com Inc. (Nasdaq: AMZN) - Current Price: \$205.02, Initial Purchase Price: \$150.61, Second Purchase Price: \$138.23 (+39.62% all time), 52-wk high: \$242.52, 52-wk low: \$151.61, P/E: 37.13, Beta: 1.19, Market Cap: \$2.17tn

AMZN's first-quarter outlook, as described in their recent Q4 earnings call, was slightly better than many analysts anticipated, despite mentioning over \$2bn of incremental currency pressure weighing on revenue. Additionally, given the early returns on profitability front from the ongoing network improvement efforts, we remain bullish on our profitability estimates for the upcoming fiscal year. While operating margins have remained steady, even small improvements, which we have seen, are a positive sign. Retail demand trends in general have remained stable over the previous 7 quarters, with e-commerce performing reasonably well but still showing

signs of consumer stress. Q4 revenue grew 10% YOY at \$187.8bn, compared to top-end guidance of \$188.5bn. Currency was a \$700mn greater headwind than consensus anticipated as well. The two key segments for long-term growth, AWS and advertising, grew 19% and 18% respectively YOY, with signs of substantial investment likely coming from management this year. Net income rose 88% to \$20 billion, which was higher than predicted. However, revenue from Amazon's cloud-computing unit, Amazon Web Services, increased by 19% to reach \$28.79 billion which was lower than expected. Experts have stated that they are monitoring this number closely after disappointing results from Alphabet and Microsoft as well. US tech stocks have experienced significant downturns because of the success of new artificial intelligence technologies from China. Notable model DeepSeek was created a fraction of the cost of AI technology from the U.S. and has comparable performance. Amazon CEO Jassy has made clear his intentions to make Amazon an AI leader and has developed multiple special teams within Amazon to drive AI innovation. Amazon must also keep an eye on President Trump's proposed tariffs as much of their inventory is sourced internationally from countries such as China, which offer cheaper exports. While Amazon maintains a steady growth, it is important to keep an eye on their ventures into AI as well as the success in their cloud-computing unit.

Margins remain stronger than anticipated over the previous few years, with room for expansion as the multi-hub strategy and increased use of robotics continue to unlock efficiencies. Q4 profitability was impressive to say that least, with operating profit at \$21.2bn compared to guidance's \$20bn metric, resulting in an operating margin of 11.3%, significantly up from 7.8% in Q4 2023.

The company also maintains its extremely strong economic moat in the form of its network effects, cost advantages, intangible assets, and high switching costs. It's retail business has strong network effects associated with its marketplace, where more buyers and sellers continually attract more buyers and sellers; a strong cost advantage tied to purchasing power and vertical integration. AWS also presents high switching costs for the consumer, a cost advantage within itself as the scale of its economy leaves competitors trailing to keep up with their investment pace. The combination of online stores, third-party seller services, subscription services, and physical stores gives the company remarkable scale. We reiterate our hold position on the company at this time. Similar to AMZN, we also note that that company has been reclassified into the TMT allocation, based on the primary drivers of its revenue.

Quality Watchlist

Vertiv Holdings Co (NYSE: VRT) - Current Price: \$108.05, 52-week high: \$155.84, 52-week low: \$55.00, P/E: 81.05, Beta: 1.44, Market Cap: \$41.14bn

Vertiv specializes in providing critical digital infrastructure and continuity solutions for data centers, communication networks, and industrial facilities. Their product portfolio includes power management systems, thermal management solutions, integrated rack systems, and monitoring software, all designed to ensure optimal performance and reliability of vital applications. With a global presence, Vertiv operates 23 manufacturing centers and 14 customer experience centers, supported by a workforce of approximately 27,000 employees. In Q4 2024, Vertiv reported net sales of \$2.35 billion, marking a 26% increase from the same period in the previous year. The adjusted operating profit for this quarter was \$504 million, reflecting a 53% year-over-year growth. Adjusted diluted earnings per share stood at \$0.99, up 77% from Q4 2023. For the full year 2025, the company projects net sales between \$9.125 billion and \$9.275 billion, with adjusted diluted EPS ranging from \$3.50 to \$3.60. Vertiv holds a leading position in the data center infrastructure market, particularly benefiting from the increasing demand for AI-driven data centers. The company's expertise in power and thermal management solutions is crucial for supporting high-density computing environments required by AI applications. Collaborations with industry leaders, such as Nvidia, to develop advanced cooling solutions underscore Vertiv's commitment to innovation in this space. The investment community maintains a positive outlook on Vertiv's prospects. According to 15 analysts, the average rating for VRT stock is "Strong Buy," with a 12-month price target of \$134.29, suggesting a potential upside of approximately 24% from the current price. This optimism is driven by Vertiv's robust financial performance, strategic positioning in the AI infrastructure sector, and ongoing innovation in data center solutions. As of February 14, 2025, VRT is trading at \$108.05, reflecting a slight decrease of 1.20% from the previous close. The stock has experienced a year-over-year increase of approximately 66%, indicating strong market confidence in Vertiv's growth trajectory. Vertiv Holdings Co is well-positioned to capitalize on the growing demand for advanced data center infrastructure, particularly in the AI sector. The company's strong financial performance, strategic partnerships, and positive analyst sentiment suggest a favorable outlook for investors considering VRT as a potential addition to their portfolios.

Okta, Inc. (NASDAQ: OKTA) - Current Price: \$96.29, 52-Week High: \$114.50, 52-Week Low: \$65.04, Beta: 1.02, Market Cap: \$15.0bn

Okta, Inc. is a leading provider of cloud-based identity and access management solutions, enabling organizations to securely connect individuals to applications, devices, and data. Founded in 2009 by Todd McKinnon and Frederic Kerrest, Okta offers a comprehensive suite of products, including single sign-on, multi-factor authentication, API access management, and lifecycle management. Headquartered in San Francisco, California, the company serves over 18,800 organizations worldwide, spanning various industries such as technology, financial services, healthcare, and retail. In the third quarter of fiscal year 2025, Okta reported total revenue of \$665 million, representing a 14% increase year-over-year. Subscription revenue also grew by 14% to \$651 million. The company achieved an adjusted operating income of \$154

million, yielding a non-GAAP operating margin of 23%. Adjusted diluted net income per share was \$0.67, surpassing analyst expectations. For the full fiscal year 2025, Okta projects total revenue between \$2.595 billion and \$2.597 billion, reflecting a 15% year-over-year growth, with a non-GAAP operating income ranging from \$573 million to \$575 million. Okta maintains a strong position in the identity and access management market, focusing on providing secure and seamless user experiences.

The company's strategic investments in its partner ecosystem, public sector verticals, and engagement with large customers have contributed to its growth. Notably, 15% of Okta's third-quarter bookings were attributed to new products, including Okta Identity Governance and Okta Privileged Access, indicating successful expansion of its product portfolio. As organizations increasingly prioritize cybersecurity and identity management, Okta's comprehensive solutions are well-positioned to meet this demand. Analysts have expressed optimism regarding Okta's performance and future prospects. The company's focus on identity management, rather than expanding into broader platforms, has been well-received. This strategic clarity, combined with strong financial results, has led to positive sentiment among investors. Okta's guidance for the fourth quarter of fiscal 2025 includes expected revenue between \$667 million and \$669 million, with a non-GAAP operating margin of 23%, reflecting confidence in sustained growth. As of February 14, 2025, OKTA is trading at \$96.29, reflecting a slight decrease of 3.94% from the previous close. The stock has experienced fluctuations over the past year, with a 52-week range between \$65.04 and \$114.50. Despite recent market volatility, Okta's strong financial performance and strategic focus have contributed to investor confidence. Okta, Inc. continues to solidify its leadership in the identity and access management sector through consistent financial growth, strategic product development, and a clear market focus. The company's robust performance and positive analyst outlook suggest a favorable investment opportunity for those interested in the cybersecurity and identity management space.

Industrials

Sector Outlook

The US construction industry, which totals \$1.8 trillion annually to the economy, is poised for sustainable growth through 2025, driven by technological implementations and an increase in nationalist policies from the new political administration. Government spending is set to fuel growth and recovery through the Infrastructure Investment and Jobs Act (IIJA) amidst labor shortages and a volatile supply chain fluctuation. Demand for affordable housing remains steadfast alongside manufacturing infrastructure to support the growth of American facilities. AI implementation has brought cost savings and efficiency through improved scheduling techniques and more accurate cost estimates, while drones and robotics have enhanced safety and enabled vast surveying methods.

In the oil and gas sector, OPEC+ production is expected to be stagnant in the first quarter of the 2025, followed by gradual increases in supply coupled with a relatively low global oil demand growth, resulting in the price per barrel of Brent Crude to be \$74, down from the current \$81. Capital expenditure in this sector have spiked a noticeable 53% in the last four years driven by carbon capture technology and fracking infrastructure. We have seen the big players in the industry expand production in the Gulf of America and engage in an active M&A market. Exxon Mobil, Chevron, Diamondback, ConocoPhillips, ONEOK, and Occidental all completed or are closing deals upwards of \$10 billion.

Aerospace and Defense is faced with a multitude of opportunities and challenges and global tensions continue to simmer and commercial aerospace faces workforce disruptions. Geopolitical conflicts continue to drive defense spending and as a result, defense expenditures surpassed US\$2.4 trillion in 2023. While defense spending may decline in real dollar value, the Trump administration is expected to sustain a significant spend in the sector. Strikes, shortages, and delays have characterized the commercial aerospace sector with Boeing topping headlines most often, all while domestic and international flying hours soar above pre-pandemic highs. Numerous labor strikes have created an even more extensive backlog of aircraft demand, as Boeing and Airbus ended the year with 5,595 and 8,658 aircrafts in their backlogs respectively. Additionally, a shortage of air traffic controllers has created a threat for commercial flying in the US which has contributed to the recent rise in commercial incidents.

Holdings Performance

Waste Management, Inc (NYSE: WM) - Current Price: \$227.73, Purchase Price: \$165.15 (+37.90% all time), 52-week high: \$230.39, 52-week low: \$195.97, P/E: 33.46, Beta: 0.77, Market Cap: \$91.40 bn, Dividend Yield: 1.42%

Waste Management, Inc. Has demonstrated steady growth over the past year despite market fluctuations. The stock has experienced a favorable range in comparison to our buy in price, reaching a 52-week high of \$230.39 and a low of \$196.59. This shows WM has remained a dominant player in the waste management industry. In November 2024, Waste Management announced the acquisition of Stericycle, Inc., a medical waste and paper shredding company, for \$7.2 billion. This strategic acquisition expands WM's service line and strengthens its position in its sector. Additionally, the company reported a 3.7% year-over-year increase in revenue for the 2023 fiscal year, totaling \$20.4 billion, driven by growth in collection services and renewable energy initiatives. With much of the sales growth and margin dilution coming from this acquisition, WM has doubled its deal synergy target to \$250mn, as the integration is still in its early stages. Even with these incurred costs in mind, WM's legacy business delivered 4% organic revenue growth and a record 30% EBITDA margin in Q4 2024.

The company maintains a strong economic moat stemming from its intangible asset advantage: an irreplaceable landfill footprint. Federal and state regulations have made it extremely pricey to operate and close landfills and difficult to receive approval for new landfills. Due to this, the number of landfills has fallen from 10,000 in 1980 to only 1,500 today. Today, public companies' management or own about 60% of municipal solid waste landfills, including life-of-site agreements to operate municipal-owned landfills. WM operates about 263 landfills, which is roughly 25% more than Republic Services, and twice the size of Waste Connections. This landfill scarcity has provided WM with pricing power as annual core price increases consistently exceed inflation. Furthermore, WM generates profits from competitors that don't own landfills, or own ones that are located too far away to be a competitor in cost.

Waste Management projects continued growth through its renewable energy programs, including landfill gas-to-energy facilities and the production of renewable natural gas to power its machinery. We believe these initiatives—combined with its recent acquisition of Stericycle and its steady financial performance—positions Waste Management Inc. Favorably amongst other competitors in the waste management industry.

Chevron Corporation (NYSE: CVX) – Current Price: \$156.47, Purchase Price: \$163.77 (-5.40% all time), 52-week high: \$167.11, 52-week low: \$135.37, P/E: 16.07, Beta: 1.08, Market Cap: \$280.1bn, Dividend Yield: 4.31%

Since its initial purchase, Chevron has performed rather disappointingly, currently down 5.4% all time. In Q3, CVX beat EPS by 3.3%, reporting a \$2.51 EPS compared to the consensus \$2.43 expected revenue. This was driven by product growth in key regions, with CVX having achieved a 7% year-over-year increase in oil equivalent output. In Q4, CVX missed EPS by 2.4%, with an actual EPS of \$2.06 compared to an expected EPS of \$2.11. In 2024, big oil companies' profits

were squeezed by lower oil prices. Although upstream earnings rose for CVX in Q4 from the prior year, downstream operations yielded a loss of \$248 million, compared to earnings of 1.1 billion from the prior year. Weak jet fuel demand and a 3% decrease in year-over-year U.S. fuel sales have fueled weaker demand in refining and smaller margins. These trends in downstream operations are expected to continue throughout 2025.

Chevron has a projected free cashflow inflection of \$10 billion by 2026. This is due to projects in regions such as the Permian Gulf, TCO, and the Gulf of America. Chevron is also prepared to maintain strong shareholder growth through strategic buybacks. As for Chevron's acquisition of Hess, the merger has been cleared by the FTC. However, it is currently on hold due to a pending arbitration with Hess's Stabroek block in Guyana. The hearing is set for May 2025, and a decision is expected within the following 3 months. This deal would give Chevron access to 30% of Hess's 11 billion barrels of oil equivalent, a discovered recoverable resource in Guyana. This would be crucial as Chevron reserves are at their lowest level in the past decade. This acquisition would also diversify growth for Chevron beyond the Permian Basin and decrease execution risk in the Tengiz oil field.

Additionally, moving into 2025, the political and economic environments appear to be more favorable to the oil industry, with the Trump administration implementing several policies designed to bolster the oil and gas industry, including the establishment of the National Energy dominance Council, a prioritization of liquefied natural gas exports, and the reversal of offshore drilling bans along with other energy development plans focused in Alaska. However, major oil companies are currently reluctant to expand their drilling activities rapidly. Moreover, the impact of tariffs and other international trade developments have not fully materialized yet. We have cautious optimism in Chevron's growth prospects, as we closely monitor the issues in downstream operations and Chevron's rate of reserve placement.

Advanced Drainage Systems (NYSE: WMS) – Current Price: \$126.93, Purchase Price: \$123.93 (+3.12% all time), 52-week high: \$184.27, 52-week low: \$110.75, P/E: 21.23, Beta: 1.52, Market Cap: \$9.85 bn, Dividend Yield: 0.57%

Advanced Drainage Systems (WMS), an American-based leading provider in stormwater and wastewater management solutions, has experienced significant stock price fluctuations over the past year. The company reached an all-time high of \$184.27 in May 2024 and a 52-week low of \$112.01 in January 2025. The 2024 hurricane season showcased more frequent and intense natural disasters, for which current stormwater infrastructure cannot sustain. The company looks to capitalize on this trend by continuing to innovate and expand its product lines while leveraging its unique national presence in an extremely fragmented market.

In response, the company made a strategic acquisition of Orenco Systems, a leader in advanced wastewater treatment, in August through its subsidiary Infiltrator Water Technologies, further strengthening its presence in the decentralized wastewater treatment industry. Additionally, they have been investing in sustainability, including a \$30 million expansion of its recycling facility in Cordele, Georgia, to increase the use of recycled plastics in its products. The company has also aligned itself with broader ESG initiatives, working to reduce greenhouse gas emissions and improve water management efficiency.

Despite these growth initiatives, Advanced Drainage Systems faced short-term financial headwinds, with adjusted EBITDA decreasing by \$12.7 million, net income dropping by \$24.6 million, and EPS declining by \$0.28 in the third fiscal quarter. These declines were largely expected due to recent acquisitions and expansion costs, though the core business progressed as planned, and the Infiltrator segment outperformed, driven by double-digit growth in both tanks and advanced treatment products.

Looking ahead, Advanced Drainage Systems remains well-positioned within an evolving industry that is increasingly shaped by stricter water management regulations, rising infrastructure investments, and growing demand for sustainable drainage solutions. While raw material costs, supply chain challenges, and macroeconomic conditions pose potential risks, their strong backlog of existing orders, steady net sales growth over the past nine months, and continued execution of its strategic vision have led the company to reaffirm its previously issued financial targets for fiscal 2025. Investor sentiment remains mixed in the short term, but analysts point to long-term opportunities as the company continues expanding its footprint in stormwater management and wastewater treatment.

Tractor Supply Company (NYSE: TSCO) – Current Price: \$54.90, Purchase Price: \$45.68 (+27.41% all time), 52-week high: \$61.53, 52-week low: \$48.30, P/E: 26.91, Beta: 0.84, Market Cap: \$29.18bn, Dividend Yield: 1.66%

In the fourth quarter this year, TSCO delivered \$3.8bn in top-line results, boosted by 0.6% comparable sales growth. Tractor Supply's comparable performance was supported by a 2.3% increase in transaction count, as cost deflation continues to pressure average unit price. Despite this, operating margin declined 70bps to 8.4% in the quarter, reflecting the firm's continued emphasis on investing behind its brand despite the challenging retail backdrop. Management has said that they are targeting 1%-3% comparable sales growth and an operating margin in the high-single-digits range for FY 2025. We remain encouraged by the firm's execution in what can be classified as a challenging environment, and its commitment to investing through this cycle. The expanding breadth of its offerings show tremendous potential for growth of its current customer base, and increased penetration of new customers is a positive factor that can support top-line growth moving forward.

The company displays tremendous capital allocation, as adjusted ROC have outpaced the weighted cost of capital consensus estimates, being 23% average over the last 10 years and 8%, respectively. The balance sheet is strong as well, with the firm's low absolute debt level and operating leverage. Net Debt/EBITDA remains below 1x and is anticipated to stay at this level through the next 5-yr, with near-term capital demands remaining minimal. Their investment strategy is strategically sound as well, despite the hiccup in the impairment of Petsense. Cash distributions have been appropriate, with management returning cash to shareholders when optimal. The company suspended share repurchases in the early stages of COVID-19 but has resumed opportunistic purchases given the strong demand that have persisted in the previous year. They have also raised their dividend in the past couple of years, lifting the payout by 7% to \$0.22 per quarter post-split, returning excess capital to shareholders.

Cenovus Energy Inc. (NYSE: CVE) – Current Price: \$15.31, Purchase Price: \$16.29 (-6.02% all time), 52-week high: \$21.90, 52-week low: \$13.76

A recent addition to the industrial's holdings, Cenovus Energy, is a Canadian-based integrated oil and gas company. The company has experienced fluctuations in the energy market over the past year. The stock has seen a notable range, hitting a 52-week high of \$21.90 while also dipping to a low of \$13.76. As a key player in the oil sands sector, Cenovus has maintained its position as a leader in crude oil production, refining, and transportation despite volatility in commodity prices. In December 2024, Cenovus announced its 2025 capital budget and corporate guidance, projecting increased production levels due to ongoing and newly launched projects. The company expects a 4% year-over-year increase in downstream crude throughput, forecasting between 650,000 and 685,000 barrels per day. Despite recent market challenges, Cenovus remains focused on expanding its operations while maintaining cost discipline. One of the most significant developments for Cenovus is its continued involvement with the Pathways Alliance, a consortium of major Canadian oil sands producers dedicated to achieving net-zero greenhouse gas emissions by 2050. This commitment to sustainability and carbon reduction initiatives may position Cenovus favorably for long-term investors seeking ESG-aligned energy holdings.

Cenovus' aim to return 100% of excess free funds to shareholders could be overshadowed by the implementation of US tariffs, amid a wider discount for Western Canada Select crude oil. Upstream volume is set to rise 3-6% a year in 2025 and 2026, which could buoy cash flow and support shareholder returns during the period. Higher downstream throughput could support expanded cash flow, with guidance calling for a refinery utilization rate of 90-95% this year. Tightening environmental requirements and higher regulatory costs are key long-term risks that we see for Cenovus, and as of now, we remain neutral.

Quality Watchlist

Southern Company (NYSE: SO) - Current Price: \$90.58, 52-wk high: \$94.45, 52-wk low: \$66.62, P/E: 22.53, Beta: 0.44, Market Cap: \$99.15bn

Southern Company (SO) is a leading energy company headquartered in Atlanta, Georgia, known for its commitment to clean energy transition and innovative energy solutions. They provide electricity through electric operating companies in three states and natural gas distribution utilities in four states. They develop, construct, acquire, own, and manage power generation assets and sell electricity at market-based rates in the wholesale market. Electric utilities accounts for roughly 80% of revenue, with Southern Company Gas, the distribution of natural gas through utilities, covering the other 20%. Southern Company has recently made significant strides in its clean energy initiatives. The company has successfully placed Plant Vogtle Unit 3 into commercial operation, marking a major milestone in the expansion of America's largest clean energy producing nuclear plant. Southern Company's financial performance has been solid, with the company reporting strong results in its recent quarterly filings. For the third quarter of 2024, Southern Company reported earnings of \$1.42 billion, or \$1.30 per share, compared with \$1.47 billion, or \$1.35 per share, in the third quarter of 2023.

The company currently maintains a capital plan of \$63bn through 2025-2029, which could be raised with \$10-\$15bn worth of investment opportunities, mostly in generation and transmission in Georgia. The high volume of CapEx could fuel upside to its EPS and rate-base growth targets of 5-7% and 7%, respectively. Taking advantage of these growth opportunities and commanding greater power demand could help preserve its premium valuation in respect to competitors as well. Looking forward, the Industrials committee will monitor the reframing of ESG investing and the rise of nuclear energy to determine a favorable entry point.

Nucor Corporation (NYSE: NUE) - Current Price: \$131.59, 52-wk high: \$203.00, 52-wk low: \$112.25, P/E: 12.33, Beta: 0.998, Market Cap: \$30.34bn

Nucor Corporation (NUE) is the largest steel producer in the United States and the largest recycler of scrap in North America.

The company operates under three main segments: Steel Mills, Steel Products, and Raw Materials. Steel Mills is the core segment of Nucor, bringing in roughly 60% of annual revenue, where they produce sheet steel, plate steel, structural steel, and bar steel. This segment also includes Nucor's equity method investment in NuMit LLC, as well as international trading and distribution companies that buy and sell steel manufactured by the company and other producers. The Steel Products segment (35% of revenues) produces steel tubing, electrical conduit, fabricated concrete reinforcing steel, steel deck, and other products. The raw materials segment

accounts for 5% of total revenues, covering natural gas drilling operations and DRI production, while sheet products account for roughly 25% of revenue in itself.

The company posted consolidated net earnings of \$287 million for Q4 2024, compared to \$250 million in Q3 2024 and \$785 million in Q4 2023. For the full year 2024, Nucor reported net earnings of \$2.03 billion, a significant decrease from \$4.53 billion in 2023. This decline in earnings reflects the softer steel demand experienced throughout 2024. Despite the challenging market conditions in 2024, Nucor's CEO, Leon Topalian, expressed optimism for 2025. The company has invested in NuScale Power, which is developing small modular nuclear reactors, demonstrating Nucor's commitment to diverse clean energy sources. Industrials is monitoring the reaction to tariffs on American manufacturing as well as the sustainability of nuclear energy growth as part of a potential investment thesis for Nucor.

REITS

Sector Outlook

REITs have navigated a turbulent environment over the past few years, grappling with persistently high interest rates, legacy debt challenges, and evolving market dynamics. However, the outlook in early 2025 appears more positive. Following a series of gradual rate cuts implemented in late 2024, many REITs successfully refinanced expensive debt, significantly easing their balance sheets and restoring investor confidence. With borrowing costs now at lower levels, operators are better positioned to invest in property improvements and strategic acquisitions. While traditional office REITs continue to face difficulties from prolonged remote work trends and changing workspace needs, other segments are thriving. Industrial REITs remain robust, fueled by persistent e-commerce growth and ongoing supply chain realignments that have led to increased demand for modern warehouse and distribution facilities. Data center REITs are also riding a wave of digital transformation, with increasing demand for cloud services, edge computing, and advanced digital infrastructure driving new construction. In this competitive space, tech giants continue to pursue vertical integration strategies, which presents both opportunities and challenges for REITs serving as key infrastructure providers. Additionally, the renewed focus on sustainability and energy efficiency is prompting many REITs to adopt green building practices and pursue energy efficient renovations. These initiatives not only lower operating costs but also attract a growing base of ESG investors.

Demographic shifts have helped REITs bolster performance. Healthcare and senior living REITs are especially well positioned to benefit from these shifts. As the population ages, the need for quality healthcare facilities and specialized senior housing has surged, leading to steady occupancy rates and long-term lease agreements that provide predictable income streams. Urban infill healthcare projects and suburban senior living communities are emerging as particularly attractive investments, reflecting changing consumer preferences. Furthermore, emerging niche sectors such as life science REITs and cell tower REITs are beginning to capture investor interest as technology and innovation drive new demand patterns. Life science properties have benefited from increased funding for research and development, while cell tower REITs are positioned to capitalize on the continued implementation of 5G networks. Overall, with improved refinancing conditions, enhanced operational efficiencies, and strong performance in select sectors, the broader REIT market is on a path to gradual recovery in 2025. Considering the uncertainties in certain traditional segments, general structural shifts, diversified tenant bases, and renewed investor sentiment our outlook going forward is optimistic but cautious.

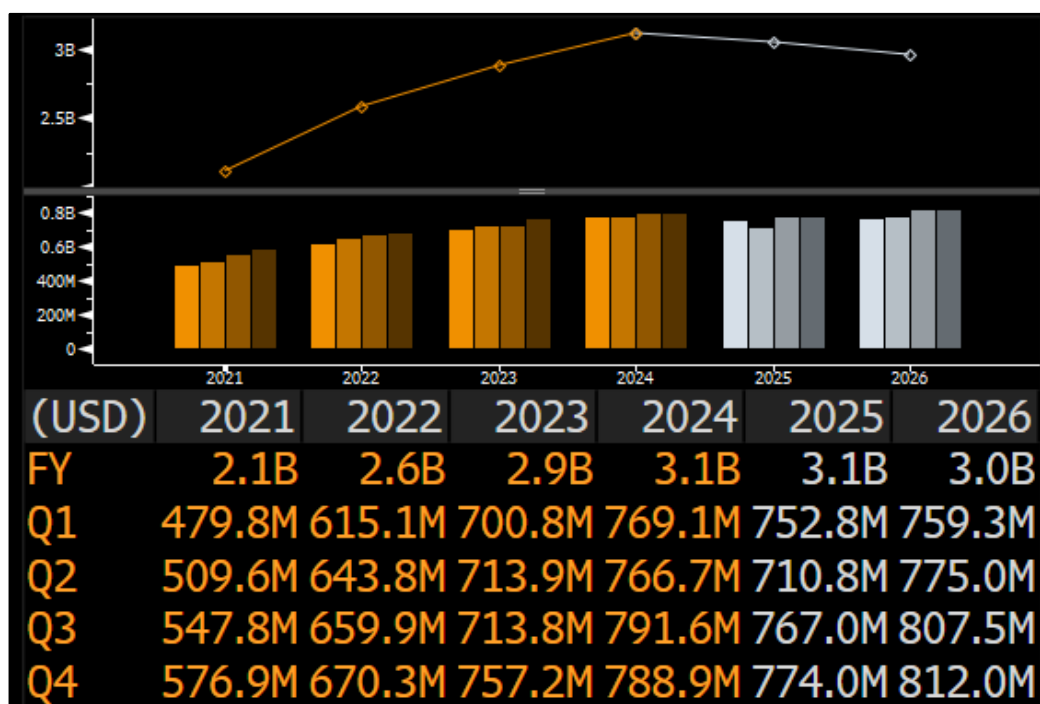
Holdings Performance

Alexandria Real Estate Equity (NYSE: ARE) - Current Price: \$94.83, Purchase Price: \$112.67 (-9.00% all time), 52-wk high: \$130.14, 52-wk low: \$93.25, P/E: 52.7, Beta: 1.21, Market Cap: \$16.4bn, Dividend Yield: 5.57%

As of February 2025, ARE has faced a tough environment, with its stock declining significantly over the past year. Once a standout in the life sciences and technology real estate space, the company now struggles amid a more challenging market. Leasing activity has slowed, and increased competition for top-tier lab and research spaces has put pressure on rental growth and occupancy rates. A clear indicator of this downturn is the company's current price-to-earnings (P/E) ratio, which has dropped well below historical levels. While this lower P/E reflects market concerns about near-term growth and added risks, many investors see it as an opportunity suggesting that ARE's long-term earnings potential might be undervalued.

Improved refinancing conditions following the rate cuts in late 2024 have helped reduce borrowing costs, yet these gains haven't fully translated into better operating performance. Rising costs, a slower leasing recovery, regulatory uncertainties, and shifts in tenant demand especially in the life sciences sector continue to challenge the company's growth outlook. Nonetheless, ARE still holds a diversified portfolio of high-quality assets that attract long term tenants. Management is focused on streamlining operations and repositioning strategically to boost leasing activity. Although market sentiment remains cautious, the significantly lower P/E ratio indicates that there could be room for a rebound if ARE overcomes its current challenges and leverages its portfolio's strengths. In summary, while ARE's recent performance appears subdued, the lower valuation might offer a launchpad for recovery as the company works to navigate obstacles and awaits growth in the life sciences and technology real estate markets

ARE Comparable Revenue



Source: Bloomberg

Quality Watchlist

Omega Healthcare (NYSE: OHI) - Current Price: \$36.40, 52-wk high: \$44.41, 52-wk low: \$29.66, P/E: 23.6, Beta: 1.04, Market Cap: 10.26bn, Dividend Yield: 7.36%

Omega Healthcare Investors (OHI) is a leading healthcare REIT specializing in skilled nursing and senior care facilities across the U.S. and U.K. The company has long been a favorite among income investors due to its high-yield dividends, but challenges in the skilled nursing sector, including tenant financial pressures and reimbursement risks, continue to impact its long-term outlook. Omega benefits from an aging population and rising demand for long term care. However, interest rates continue to weigh on REIT valuations, and some operators within its portfolio face financial distress, leading to rent deferrals and restructuring efforts. Management has navigated these challenges well, maintaining a strong balance sheet and actively recycling assets to optimize returns. OHI ended the fourth quarter with liquidity of \$1.968bn, which consisted of cash (\$518.3mn), and the undrawn portion of the credit facility (\$1.45bn). Debt/Adjusted EBITDA remains strong at 4.1x versus 4.3x in the previous quarter. During the quarter, the company issued 10.9mn shares for total gross proceeds of \$438.4mn. Subsequent to the end of the quarter, OHI repaid its \$400mn, 4.5% senior note that matured in January 2025 using cash from the balance sheet. They also extended the maturity of their \$1.45bn credit line and \$50mn term loan to October 2025.

While Omega's long-term fundamentals remain intact, near-term risks persist. Investors should watch for updates on operator performance, potential rent escalations, and regulatory shifts in Medicare and Medicaid reimbursements. Given its discounted valuation and high yield, OHI presents an opportunity for steady income in exchange for tolerating volatility

Farmland Partners Inc. (NYSE: FPI) - Current Price: \$11.81, 52-wk high: \$12.85, 52-wk low: \$9.70, P/E: 43.96, Beta: 0.71, Market Cap: 583.13M, Dividend Yield: 11.78%

Farmland Partners Inc. (FPI) is an internally managed real estate company that owns and seeks to acquire high-quality North American farmland. The company also makes loans to farmers secured by farm real estate. Late 2024, Farmland Partners sold 46 farms totaling 41,554 acres across eight states for \$289 million to Farmland Reserve Inc., the real estate arm of the Mormon Church. This transaction increased the company's funds by \$50 million above book value, which were allocated to debt reduction, stock repurchase, and new acquisitions. Despite challenges such as fluctuating commodity prices and weather-related risks, Farmland Partners' diversified portfolio and strategic asset management position it well to capitalize on the growing demand for agricultural real estate. Key factors include interest rate movements, agricultural policy changes, and global food demand trends, as these can significantly impact FPI's performance. The company has shown significant deleveraging through asset sales as well, closing on a cumulative

\$310mn in dispositions in Q4 2024, with net proceeds being heavily utilized to de-lever with \$190mn of fixed and floating rate debt repaid, leaving them with no more unhedged floating rate debt. \$27mn worth of shares were repurchased, and most remaining cash from asset sales were used to be a special \$1.15/share dividend in Q1 2025. Overall leveraged declined 12% from 39% at Q3 2024 to 27% in Q1 '25.

Given its substantial dividend yield and exposure to the agricultural sector, FPI has appeal for income generation and diversification.

Fixed Income

Sector Outlook

As the Federal Reserve navigates a way to manage inflation and economic growth, the fixed-income landscape continues to evolve. With the federal funds rate now at 4.25% to 4.50%, interest rates have remained elevated, continuing to exert some pressure on bond prices, especially in the short term. With inflation figures hovering around 3.0% for headline CPI and 3.3% for core CPI, it appears that further rate cuts are still on hold, potentially delaying the relief for bondholders that many had expected earlier in the year. We have observed some price fluctuations in our portfolio holdings, but our strong credit ratings across the board offer reassurance regarding stability. As we enter 2025, short-term rates are expected to remain elevated through at least the second half of the year, with maybe a more modest rate cut or two expected by mid-2025. This rate environment means that shorter-duration bonds could continue to feel pressure, although higher yields could benefit our holdings in the medium and long term. As we move forward into 2025, the interest rate outlook remains a key factor for bondholders. Short-term rates are likely to remain elevated as inflation continues to be a concern, but the long end of the curve could stabilize, creating opportunities for capital appreciation as the Fed gradually loosens its policy stance. With inflation expected to moderate but remain above the Fed's 2% target through the year, we are positioning our portfolio with an eye on both high-yield and emerging market bonds, which could outperform as the economy slows and rates fall.

MGM 5 ½ - Maturity Date: 4/15/2027, Current Price: \$99.98 (-5.35% all time), Purchase Price: \$105.63, Coupon: 5.50%

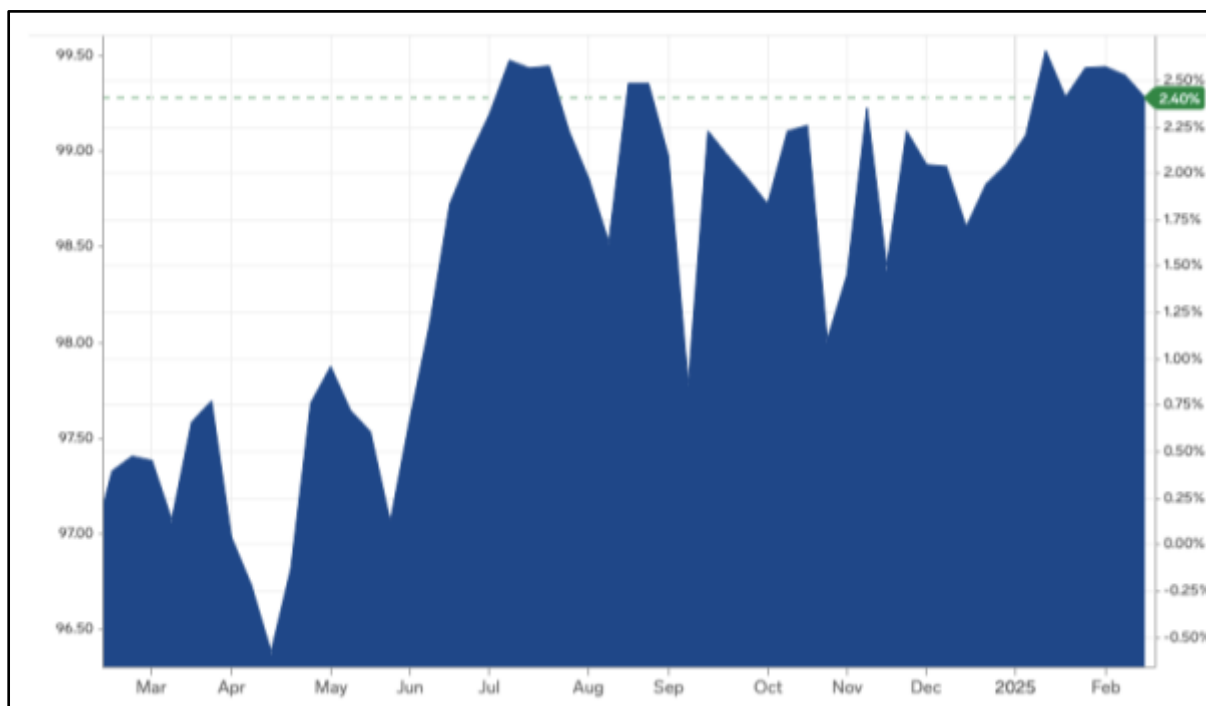
MGM has had little movement within the past few months, with the bond consistently hovering between \$99.50-\$100.50. The bond has a current Standard & Poor's rating of BB-. Much of the slight price increase seen in the latter half of 2024 and early 2025 is due to the continued interest rate cuts by the Fed. Currently the discount rate is set at 4.50%, with current market expectations projecting the rate to drop to between 3.75%-4.00% by the end of 2025. Considering these expectations, we expect the price of MGM to slowly rise throughout 2025 and cut away at our capital losses from initial purchase.

IEP 6 ¼ - Maturity Date: 5/15/2026, Current Price: \$99.70 (+3.50% all time), Purchase Price: \$96.33, Coupon: 6.25%

Our IEP bond has performed well in recent months, with its current price rising to \$99.70, reflecting a 3.50% gain from our purchase price of \$96.33. This bond benefited from steady Federal Reserve rates from July to September and has further benefitted from more recent rate cuts including December 2024's 25 basis point cut that set the federal funds target rate to 4.25%-4.50%. Standard & Poor's maintains a BB rating for IEP, reflecting its higher yield and

associated risk. Despite a recent increase in consumer prices, looking ahead, the Federal Reserve is not expected to cut rates again until later this year, with some market analysts anticipating the next movement to be a 25-basis point cut in December 2025, followed by additional cuts during 2026, potentially driving further price appreciation. With a maturity date of May 2026, this bond remains attractive for its yield, especially given recent rate declines with the potential for further cuts leading up to the bond's maturity date. The current yield-to-maturity remains appealing, and a rate cut could enhance the bond's performance further, solidifying this bond as a strong hold moving forward.

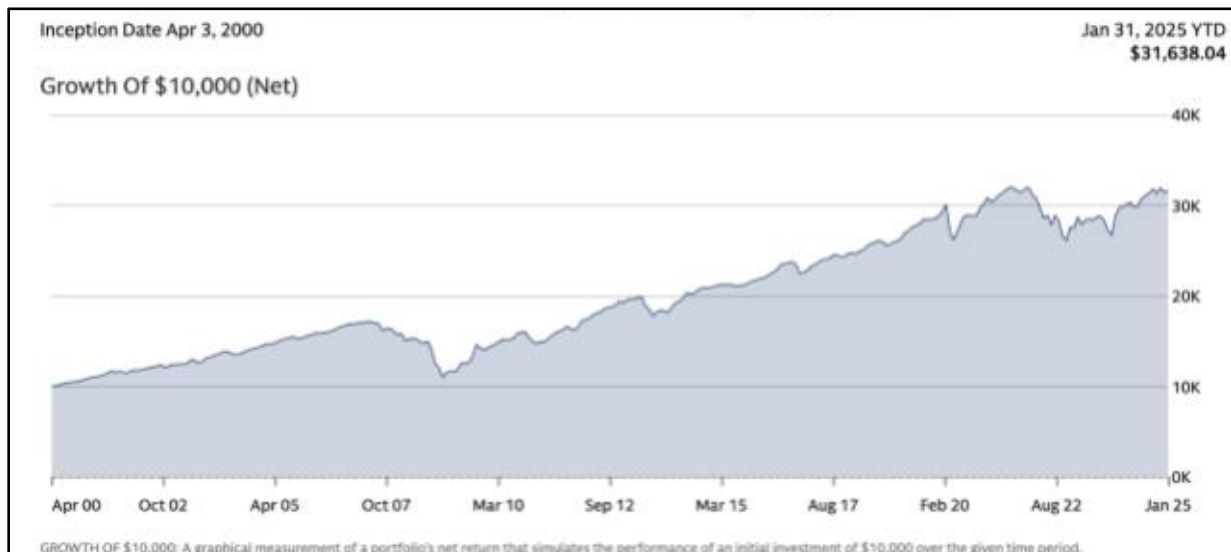
IEP Yield to Maturity



Goldman Sachs High Yield Municipal Bond Fund (NYSE: GHYIX) - Current Price: \$9.30 (+9.41% all time), Purchase Price: \$8.50, NAV: \$11.99B, Expense Ratio: 0.54%

Over the past year, GHYIX has achieved a return of 5.69%, reflecting its effective management and strategic positioning. The fund maintains a diversified portfolio with 3,215 holdings, primarily in high-yield municipal securities. Notably, the fund's turnover rate is low at 13%, indicating a stable investment approach. Given the current interest rate environment and the fund's strategic positioning, GHYIX is well-positioned to continue delivering attractive tax-exempt income to investors. Its consistent monthly dividends and focus on high-yield municipal bonds make it a bullish option for sustainable income with potential for capital appreciation.

GHYIX \$10,000 Investment Growth



Source: Goldman Sachs

Vanguard Emerging Markets Bond Fund (NYSE: VEMBX) - Current Price: \$10.24, Purchase Price: \$9.54, (+6.84% all time), NAV: \$10.24, Expense Ratio: 0.50%

The Vanguard Emerging Markets Bond Fund Investor Shares (VEMBX) is trading at \$10.17 per share, reflecting a year-to-date return of 1.65% and an impressive 11.45% one-year return, outperforming its three-year return of -2.19% and five-year return of 3.69%. This recent strength is driven by stabilizing emerging market economies and favorable global interest rate trends. The fund maintains a well-diversified portfolio, with 93.21% allocated to bonds—73.71% in government securities and 13.50% in corporate bonds—while holding 7.07% in cash. Notably, its top ten holdings account for 21.25% of its assets, with significant positions in the Republic of Peru (2.77%) and Romania (2.04%). VEMBX also remains attractive for income-seeking investors, offering a dividend yield of 7.69% alongside a competitive 0.55% expense ratio. With the Federal Reserve maintaining interest rates, capital inflows into emerging markets are expected to remain strong, potentially driving bond valuations higher, though geopolitical risks and currency volatility remain key considerations. Given its focus on government and high-quality corporate bonds, VEMBX is well-positioned to navigate the evolving market landscape, balancing growth opportunities with risk management. The fund continues to be a strong option for investors seeking emerging market debt exposure, offering a compelling combination of yield and diversification.

VEMBX Asset Holdings Distribution

Holdings As Of 12/31/2024		Portfolio Stats As Of 12/31/2024		Alloc As Of 12/31/2024	
Top Holdings HLDR »				Top Assets	
Name	Position	% Net	Value	Government	76.72%
10) Vanguard Cmt Funds-Vanguard Mark	216.12M	5.447%	216.12M	Corporate	15.51%
11) T 4 ¹ / ₈ 10/31/31	110.00k	2.715%	107.73M	Cash and Other	7.77%
12) PERU 2.783 01/23/31	120.30k	2.585%	102.57M		
13) T 1 ³ / ₈ 11/15/31	119.43k	2.461%	97.64M		
14) T 1 ⁷ / ₈ 02/15/32	111.50k	2.365%	93.83M		
15) OMAN 4 ³ / ₄ 06/15/26	84.87k	2.117%	83.98M		
16) COLOM 8 ³ / ₈ 11/07/54	82.00k	2.003%	79.47M	Top Ind. Group Allocation	
17) INDOIS 5.65 11/25/54	67.78k	1.674%	66.42M	Sovereign	77.81%
18) SOAF 7.95 11/19/54	68.07k	1.643%	65.20M	Oil&Gas	8.38%
19) ARGENT 0 ³ / ₄ 07/09/30	77.99k	1.336%	52.99M	Banks	1.78%
				Electric	1.59%
				Pipelines	1.33%
				Mining	.51%
Hlds Anlys PORT »				Top Geo. Allocation	
Top 10 Hldings % Port	19.67	OAS Duration Coverage Ratio	0.991	Mexico	9.68%
OAS Effective Duration	6.55			U.S.	8.34%
				Colombia	5.73%
				Indonesia	4.99%

Source: Bloomberg

JPMorgan: Ultra-Short Income (NYSE: JPST) - Current Price: \$50.50, Purchase Price: \$50.52 (-0.09% all time), NAV: \$50.50, Expense Ratio: 0.18%

The JPMorgan Ultra-Short Income ETF (JPST) was added to our portfolio on January 28, 2025, with 396 shares purchased at \$50.56 per share, totaling \$20,021.76. With a primary focus on managing risk and maintaining a short-duration portfolio, JPST serves as our cash reserve fund, offering stability and steady income. As of February 14, 2025, the NAV is \$50.50, reflecting minimal price movement, which aligns with its low beta of 0.05. The ETF maintains an attractive 30-day SEC yield of 4.54%, and a 12-month yield of 5.16%, continuing to generate solid income while keeping risk low. The fund is well-diversified, with 861 holdings across a variety of sectors, helping to spread risk while providing stable returns. With an expense ratio of just 0.18%, JPST is competitively priced compared to similar funds, allowing for efficient exposure to high-quality, short-duration debt. In the current market, with elevated interest rates and inflation uncertainty, JPST offers a safe, liquid place for steady income, with its holdings being short duration minimizing interest rate sensitivity and positioning it well for market volatility. This is a well-diverse portfolio with solid risk-adjusted returns making it ideal for our cash reserves.

Contrarian

Sector Outlook

The start of 2025, as discussed in many of the previous committee-specific outlooks, has been filled with extreme uncertainty and doubt about the future of the US economy. There have been rumors of a glooming recession that at this point feels inevitable. Because of this, many companies have lowered their projections and caused extreme increases in negative investor sentiment. On multiple occasions equities will lose mass amounts of market share after missing one or two earnings. In true value investing fashion, there are many quality companies at valuable discounts because of fear and doubt. The Contrarian committee plans to find multiple of these companies and use this margin of safety to our advantage. While so many stocks have been steadily declining over the past few quarters, their competitive advantage and business models are not affected. This means that in due time, they will inevitably maintain their past success and rise to new all-time highs.

Holdings Performance

Accenture (NYSE: ACN) - Current Price: \$386.06, Initial Purchase Price: \$337.50, Second Purchase Price: \$285.35 (+24.12% all time), P/E: 32.41, Beta: 1.24, Market Cap: \$241.43bn

Accenture is the biggest publicly traded consulting company in the world. The initial investment idea came from its extreme growth over the last three years as well as their dominance in the IT and management consulting world. When this company was originally pitched in March its stock price was sitting at its all-time high of \$387. After pitching the company, we waited until earnings came out before making a decision. With the negative investor sentiment and foresight of a recession, Accenture lowered its expected growth from 2%-5% to 1%-3%. This immediately caused a dip in the stock price and we bought at \$337.50. With an economic downturn around the corner Accenture and consulting as a whole ceased to find new billables and contract work. The entire industry went on pause for a few months until Accenture's price per share found itself all the way at \$285 in June. At this time the Executive Committee met virtually and agreed through technical analysis of the moving average and MACD, as well as hopefulness for their Q3 report. When this report came out, it was not all that impressive. However, their bookings surged by 22%. When investors saw this, they gained hope that the economic cycle may not affect companies utilizing consulting quite as much as once perceived. The future of this company in our opinion is very bright.

Since doubling down on this investment at a price of \$285 in June 2024, Accenture has increased their share price by more than 35%. Most of this growth can be attributed to positive investor sentiment about the economy and consulting industry. The initial drop Accenture took after their Q4 earnings report in 2023 was caused by many individuals speculating an economic decline,

which in result would make consulting obsolete since firms would not have the extra FCF to utilize consulting firms. However, once it was clear to most investors that the economy was headed for a smooth landing, the tides changed. Accenture increased their guidance and new bookings and have been steadily increasing ever since. For the fiscal year 2024 they boasted a 14% increase in new bookings totaling over \$80 billion dollars. Their operating margin increased to 15% and they produced \$8.6 billion in free cash flow. This company's share price hit a steady constant of around \$350 until the Deepseek / Nvidia catalyst took place. When these headlines started coming out, it made investors believe that AI was cheaper for the masses than originally believed. This would directly benefit companies that utilize AI for their everyday operations. Accenture has been one of the most positively outlooking companies when it comes to using AI. They have integrated this new technology with the rest of their state-of-the-art IT arsenal.

One challenge that Accenture is facing right now is the strength of the U.S. dollar. Since ACN has so much business internationally they are forced to deal with currency exchange issues on a daily basis. The problem is however, when businesses in other countries want to purchase Accenture's services, they will be paying more relative to their own currency than if they hired local consulting firms. This issue is not incredibly important because of the size of the contracts and the businesses that are involved. If the current administration chooses to create legislation that weakens the dollar, Accenture and other international companies will prosper.

All in all, we are still bullish about this company and we believe that Accenture will remain the peak of IT consulting internationally. Especially because of all the work that goes into their investment and R&D department as well as their intricate usage of M&A Deals. They currently have more than \$6.6 billion scattered across 46 active deals with other companies to integrate vertically and horizontally. This will not only allow them access into emerging markets geographically, but also different markets / sectors of the consulting sphere.

Invesco China Technology ETF (NYSE: CQQQ) - Current Price: \$47.28, Purchase Price: \$31.39 (+33.61% all time), 52-wk high: \$52.98, 52-wk low: \$30.25, P/E: 26.11, Beta: 1.20

We have yielded strong returns since our acquisition of CQQQ in early September 2024. In fact, since acquisition we are up 33.61%, while QQQ is up 16.7% in the same period. The macroeconomic environment has been on the front lines of the Chinese front, as Xi Jinping and the Chinese Politburo are finally addressing their property crisis and imminent need to stabilize their financial markets. In September 2024, the CCP issued a stimulus bazooka, including monetary easing, property market support, fiscal measures, and stock market support. However, this stimulus package ended up disappointing investors, as they did not release exact numbers. Up until recently, CQQQ fell due to this disappointment. Currently, China is back in the spotlight again, but this time due to artificial intelligence. DeepSeek, a Chinese company which released a new LLM last month, claimed it could make a best-in-class AI LLM for less than \$5M—which shook up markets worldwide. Causing a \$600B loss in NVDA in one trading

session, this news was enough to force investors to give China another look. The Hang Seng Index is up ~15% YTD. Looking ahead, investors are closely eyeing the first week of March, when the Politburo will be meeting again to discuss actual stimulus numbers. If strong, the start of the Chinese multi-year bull run could be upon us.

Green Thumb Industries (OTC: GTBIF) - Current Price: \$7.43, Average Price: \$9.73 (-23.65% all time), 52-wk high: \$16.33, 52-wk low: \$7.00, Beta: 1.59, Market Cap: \$1.76B

Since our last update on September 18, 2024, we feel validated in our industry analysis despite extremely weak GTBIF performance. As predicted, Florida's heavy tier-one operators (VRNOF, CURLF, and TCNNF) experienced the largest dips after the state failed to pass adult-use legalization.

Outside of Florida, the election of President Trump and the pause in rescheduling cannabis to Schedule 3 have further contributed to industry-wide losses. Rescheduling has been delayed due to uncovered communications between members of the DEA allegedly conspiring against the recent proposal. Trump's new DEA pick, a historically anti-cannabis figure, has made controversial statements linking cannabis availability to school shootings. We believe the reflection of this news throughout market prices was well-founded by most industry leaders except GTI.

The Boise Schiller Flexner case has moved faster than expected, which, in cannabis, is almost entirely unheard of. Positive remarks from judges were captured as the case made its way up to the federal appeals courts. If you are unfamiliar with this lawsuit, the plaintiffs argue that cannabis should not be controlled as a substance by the DEA. More broadly, they seek to reduce the power of commerce restrictions from Congress in various ways. The case is being tried by famed defense attorney David Boies, most notable for his appearance in Bush v. Gore. While positive remarks from judges were noted, federal appeals courts have expressed skepticism about the plaintiffs' overall arguments.

	Canadian Operators				US Operators						Canadian Operators				US Operators			
(Millions, USD) TTM	TLRY	OGI	CGC	GTBIF	TCNNF	CURLF	VRNOF	CRLBF		(Millions, USD)	TLRY	OGI	CGC	GTBIF	TCNNF	CURLF	VRNOF	CRLBF
Market Cap	\$ 1,070.00	\$ 200.00	\$ 280.00	\$1,760.00	\$ 940.00	\$1,130.00	\$ 420.00	\$ 310.00		Market Cap	\$ 1,070.00	\$ 200.00	\$ 280.00	\$ 1,760.00	\$ 940.00	\$1,130.00	\$ 420.00	\$ 308.00
Enterprise Value	\$ 1,556.00	\$ 177.00	\$ 638.00	\$2,313.00	\$ 2,180.00	\$3,000.00	\$ 1,461.00	\$ 1,150.00		Enterprise Value	\$ 1,556.00	\$ 177.00	\$ 638.00	\$ 2,313.00	\$ 2,180.00	\$3,000.00	\$ 1,461.00	\$ 1,150.00
Revenue	\$ 829.00	\$ 118.00	\$ 207.00	\$1,121.00	\$ 1,172.00	\$1,357.00	\$ 897.57	\$ 740.00		Revenue	\$ 829.00	\$ 118.00	\$ 207.00	\$ 1,121.00	\$ 1,172.00	\$1,357.00	\$ 897.57	\$ 740.00
EBITDA	\$ 12.70	\$ (55.24)	\$ (41.64)	\$ 367.37	\$ 291.78	\$ 229.86	\$ 198.08	\$ 128.69		EBITDA	\$ 12.70	\$ (55.24)	\$ (41.64)	\$ 367.37	\$ 291.78	\$ 229.86	\$ 198.08	\$ 128.69
NI	\$ (248.00)	\$ (60.00)	\$ (417.00)	\$ 63.62	\$ (133.15)	\$ (201.09)	\$ (146.36)	\$ (10.63)		NI	\$ (248.00)	\$ (60.00)	\$ (417.00)	\$ 130.00	\$ 44.80	\$ (100.00)	\$ 2.00	\$ 8.00
FCF	\$ (92.00)	\$ 2.00	\$ (123.00)	\$ 133.77	\$ 80.00	-	-	\$ 13.00		FCF	\$ (92.00)	\$ 2.00	\$ (123.00)	\$ 180.00	\$ 373.00	\$ 36.00	\$ 6.00	\$ 96.00
Quick Ratio**	1.2x	3.13x	-	1.42x	.66x	.21x	.23x	.75x		Quick Ratio**	1.2x	3.13x	-	1.42x	.66x	.21x	.23x	.66x
EBITDA/Net Interest	.36x	-	-	19x	5.3x	2.6x	4.25x	2.29x		EBITDA/Net Interest	.36x	-	-	19x	5.3x	2.6x	4.25x	2.29x
P/FCF	-	100	-	13.16	11.75	-	-	23.85		P/FCF	-	100	-	9.78	2.52	31.39	70.00	3.21
BV P/S ex. Goodwill	1.55 (136%)	1.73 (110%)	3.4 (122%)	4.9 (66%)	4.37 (89%)	.40 (36%)	2.28 (188%)	0.06 (.07%)		BV P/S ex. Goodwill	1.55 (136%)	1.73 (110%)	3.4 (122%)	4.9 (66%)	4.37 (89%)	.40 (36%)	2.28 (188%)	0.06 (.07%)
TBV/PS	.62 (54%)	1.73 (110%)	2.27 (102%)	2.88 (38%)	-	-	-	-		TBV/PS	.62 (54%)	1.73 (110%)	2.27 (102%)	2.88 (38%)	-	-	-	-
EV/FCF	-	89	-	17.29	27.25	-	-	88.46		EV/FCF	-	89	-	12.85	5.84	83.33	243.50	11.98
EV/EBITDA	122.52	-	-	6.30	7.47	13.05	7.38	8.94		EV/EBITDA	122.52	-	-	6.30	7.47	13.05	7.38	8.94

Our opinion on these news events differs broadly from current market expectations, but that doesn't mean that price drops were unfounded throughout the industry. Above is a financial analysis of the US "Tier One Operators" vs. the Canadian "Tier One Operators." Tier 2 US operators were not included in the search because of the horrid financial position of most of those assets.

As we will later discuss, 280E taxes, historically high interest rates, and increased leverage make half the tier-one operators un-investable. To top it off, most US operators fail to pay their 280E taxes. It is reflected in the quick ratio analysis that all unpaid taxes are added to short-term debt. It is our opinion that any federally illegal drug operator may see excessive crackdowns by the IRS, demanding their payment of taxes. Per a June 28, 2024, IRS clarification memo, they announced that 280E taxes still apply to flower-touching businesses. We do not trust industry management's claims such as, "This no longer applies to us," despite their best effort to make us believe it.

Per a January 14, 2025, report from MJBIZ Daily, over \$3 billion in debt comes due within the cannabis industry by the end of 2026. \$GTBIF seems to be the only tier-one operator ahead of the curve. As stated in our last report, they refinanced the totality of their long-term debt over the summer at an industry-leading SOFR + 5% loan. The following tier-one operators need to refinance by 2026:

CURLF: \$460m

CRLBF: \$400m

TCNNF: \$390m

VRNOF: \$350m

If the IRS enforces tax compliance alongside these debt maturities, refinancing costs could increase by over 50%. Without SAFE Banking or similar protections, some operators may be forced to liquidate assets. Notably, bankruptcy laws do not apply to federally illegal industries, creating additional risks for investors.

Most vulnerable to this struggle are operators such as VRNOF and CURLF, the least cash-flowing businesses with the most leverage. Despite an over four-year-long bear market, we believe current CURLF and VRNOF prices accurately represent their current financial position. The most important portion of rescheduling cannabis is the 280E relief. 280E is the tax code that restricts every non-COGS business expense. According to our analysis, Trulieve will benefit the most from 280E relief with an almost \$170M swing in net income. VRNOF will barely break even, and CURLF will still be \$100M in the negative, which makes us question whether 280E will change the overall momentum of their businesses.

TCNNF and CRLBF seem to be the “value investors” guide to cannabis should rescheduling take place. It is hard to see a world in which these stocks will not explode on the momentum this brings. At current valuations, we see substantially more immediate upside possibilities compared to \$GTBIF. For one, post-280E, Trulieve and Cresco trade at 2.52x and 3.21x TTM FCF, respectively. We are of the camp that the substantial earning power of these organizations post-280E should keep these companies viable for future investment. However, increased competition in Florida in anticipation of AU legalization will likely diminish immediate-term margins. Coupled with the amount of leverage that TCNNF and CRLBF bring, it would be tough to initiate a buy rating on these two organizations without federal reform.

We are still in the camp that GTBIF is the clear winner in the space. As the only clear operator to remain viable without any federal action, we believe that GTBIF will be able to position itself as the lead player for years to come because of its financial flexibility and current earnings power.

We believe it is insane that GTBIF currently trades at the lowest EV/EBITDA ratio of all tier-one global operators. Per our analysis, Canadian operators have much more refined balance sheets without any of the profitability of US operators. GTBIF is right in the middle, with the strongest US balance sheet and much more profitable than any Canadian operator could hope to be.

As debt maturity looms, it is our opinion that GTBIF will inorganically grow to become the largest EV operator before the end of 2026. We expect GTBIF to purchase one Canadian operator, giving them access to the international markets. US operators primarily operate within US borders, while Canadian operators are legally allowed to ship their products to a much more premium-priced European market. Additionally, we would expect them to purchase the best and greatest brands inside California to distribute to the world. Because of interstate commerce laws, the most experienced growers are stuck in the Pacific Triangle (West Coast) without any way to transfer their products to other markets. The Pacific Triangle has the best growing environments for outdoor cannabis, which produces vastly higher yields at a cheaper cost than greenhouse operations. The talent in California also produces the world's best extracts, which are proving to be one of the only value-added differentiators in a largely commoditized industry. A GTI-branded Alien Labs, Jeeters, or 710 Labs would open the distribution of the most premium products, defining the overall product market. Alongside their already market share-leading brands like Dogwalkers, this strategy would give them a brand moat, which is absent among any of the tier-one or two operators globally.

We do not price growth normally in this sector because of the unpredictability of federal reform. However, we know how large the black market is due to crime data. The legal + illegal market combined for around \$100B in 2024. With \$1.1B in revenue in a \$30B legal market, the same market share would give GTBIF approximately \$3.6B in revenue given black market conversion, with the flexibility to capture even more market share through inorganic growth at market floor

asset liquidation prices. As discussed earlier, the industry as a whole is trying to lighten, making GTBIF the only logical strategic buyer of these distressed assets.

In terms of catalysts, GTI, along with CEO Ben Kovler, has invested in a controlling stake in Agrify, a leading producer of cannabis extracts. Agrify primarily operates in the hemp-derived THC beverage category. At first, this investment surprised us, as the cannabis industry typically harbors resentment toward hemp-derived THC. Products in this category are not subject to the same stringent regulations that federally illegal cannabis operators must follow. Additionally, prohibitionists oppose hemp-derived THC products because they are virtually indistinguishable from illegal cannabis. It seems only the hemp-derived producers, underage consumers, and illegal state residents approve of these products.

However, the rationale behind this acquisition quickly became evident. While Agrify offers a potential avenue for GTBIF to go public through a reverse merger, the primary motivation appears to be expanding distribution networks. Hemp-derived THC beverages can be sold at mainstream retail locations such as gas stations, events, and bars in most states. Partnering Agrify with GTI-branded products could, in theory, facilitate the distribution of GTBIF products to these retail platforms if federal reform is enacted. This strategy could establish long-term relationships that place GTBIF products in premium retail locations. With that said, it's important to note that some states have recently initiated efforts to ban hemp-derived THC products, which could impact the effectiveness of this acquisition. Nonetheless, GTBIF secured Agrify at an extremely low cost—approximately \$10 million in convertible notes. This favorable price point may help offset some of the associated risks.

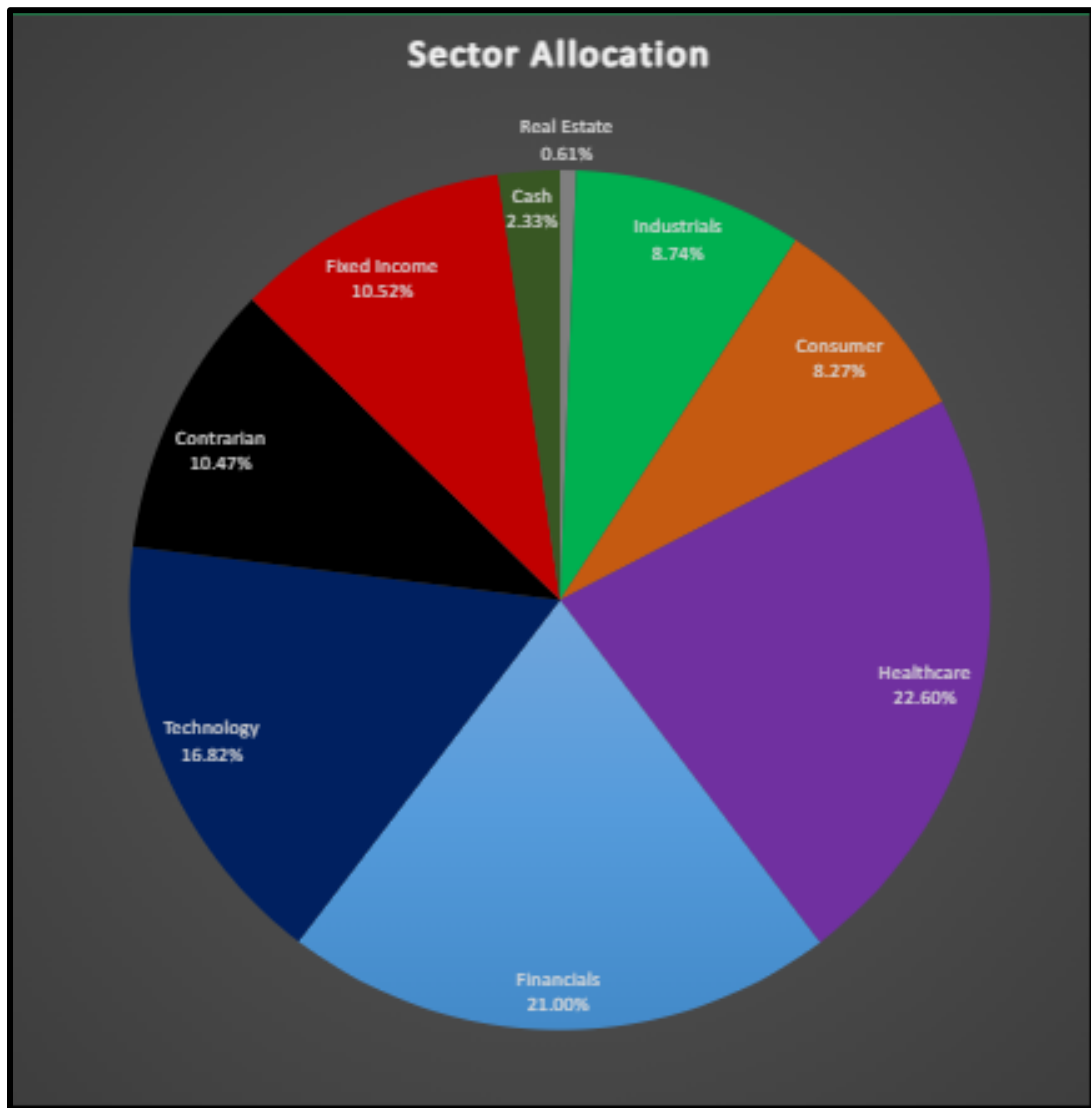
GTBIF now trades at pre-Florida speculation prices despite overall growth in its primary lines of business. As a result, we have increased our total invested capital in the company by over 33% at an average price of around \$8.50.

Asset Allocation

Individual Company Weightings

Company	Weighting
TRACTOR SUPPLY COMPANY (XNAS:TSCO)	0.37%
EURONET WORLDWIDE, INC. (XNAS:EEFT)	0.37%
ALEXANDRIA REAL ESTATE EQUITIES, INC. (XNYS:ARE)	0.61%
Novartis Inc. (XNYS:NVS)	0.83%
RTX 4.5% 6/1/2042 Corp	1.15%
YETI HOLDINGS, INC. (XNYS:YETI)	1.36%
Vanguard Emerging Markets Bond Fund;Investor	1.38%
ADVANCED DRAINAGE SYSTEMS, INC. (XNYS:WMS)	1.40%
Goldman Sachs High Yield Municipal Fund	1.65%
RADNET, INC. (XNAS:RDNT)	1.66%
IEP 6.25% 5/15/2026 Corp	1.77%
ALLIANCEBERNSTEIN HOLDING UNT (XNYS:AB)	1.80%
CHEVRON CORPORATION (XNYS:CVX)	1.84%
ULTA BEAUTY, INC. (XNAS:ULTA)	1.85%
SWEETGREEN, INC. (XNYS:SG)	1.85%
MGM 5.5% 4/15/2027 Corp	1.86%
INTUITIVE SURGICAL, INC. (XNAS:ISRG)	2.00%
Cenovus Energy Inc. (XNYS:CVE)	2.01%
UNUM GROUP (XNYS:UNM)	2.16%
UBER TECHNOLOGIES, INC. (XNYS:UBER)	2.20%
PAYPAL HOLDINGS, INC. (XNAS:PYPL)	2.31%
MASTERCARD INCORPORATED. (XNYS:MA)	2.33%
Pathward Financial, Inc. (XNAS:CASH)	2.33%
Novo Nordisk A/S (XNYS:NVO)	2.35%
NVIDIA CORPORATION (XNAS:NVDA)	2.47%
GREEN THUMB INDUSTRIES INC. (OTCM:GTBIF)	2.63%
JPMorgan:Ultra-Short Inc (ARCX:JPST)	2.70%
APPLE INC. (XNAS:AAPL)	2.90%
AMAZON.COM, INC. (XNAS:AMZN)	3.09%
WASTE MANAGEMENT, INC. (XNYS:WM)	3.13%
TAPESTRY, INC. (XNYS:TPR)	3.21%
ACCENTURE PUBLIC LIMITED COMPANY (XNYS:ACN)	3.74%
BEAZLEY PLC (XLON:BEZ)	3.84%
SALESFORCE, INC. (XNYS:CRM)	3.84%
THE GOLDMAN SACHS GROUP, INC. (XNYS:GS)	3.85%
Invesco China Tech (ARCX:CQQQ)	4.11%
APOLLO GLOBAL MANAGEMENT, INC. (XNYS:APO)	4.85%
ELI LILLY AND COMPANY (XNYS:LLY)	6.51%
VERTEX PHARMACEUTICALS INCORPORATED (XNAS:VRTX)	7.88%

Sector Weightings



Executive Board



Jesse Juliano: President

Jesse is a junior from Birmingham, Alabama majoring in Finance and minoring in Value Investing. Next summer, Jesse plans to intern with Raymond James as an Equity Research Analyst. Outside of CAMS, Jesse volunteers with "Food for Our Journey", where he delivers meals to the hungry. In his free time, Jesse enjoys playing pickleball, reading, and going to the gym.



Conner Forbes: Vice President

Conner is a junior from Huntsville, Alabama majoring in Finance and Economics and minoring in Value Investing. Conner will be spending this upcoming summer in Charlotte interning with Wells Fargo in their Corporate Investment Banking division. Outside of CAMS, Conner is a member of Delta Tau Delta and Delta Sigma Pi, and is a senator for the Culverhouse College of Business. Conner enjoys playing pickleball, working out, and wrestling in his free time.



James Gannon: Portfolio Manager

James is a junior from Lockport, IL studying Finance and Accounting and minoring in Value Investing. This upcoming summer, James will be interning with the Goldman Sachs Asset Management division in Chicago. In addition to his involvement in CAMS, James is involved in SGA and is a member of Delta Tau Delta. In his free time, James enjoys cooking and working out.



Ryan Gregg: Director of New Member Education

Ryan is a junior from Philadelphia, Pennsylvania studying Finance and Economics and minoring in Value Investing. Ryan will be spending his upcoming summer in New York where he will be completing an internship with Stifel as an Equity Research Analyst. Outside of CAMS, Ryan is a member of Delta Sigma Pi and Sigma Phi Epsilon. In his free time, Ryan also enjoys playing and teaching the guitar.



Greg Olson: Director of Recruitment

Greg is a senior from Annapolis, Maryland majoring in Finance and Economics and minoring in Mathematics. This past summer, Greg interned with NASDAQ as a Business Analyst Intern. Outside of CAMS, Greg is involved in the Cryptocurrency Club and Business Honors Program. In his free time, Greg enjoys soccer, golf, traveling, cooking, and fitness.



Cecilia Cordell: Co-Director of Member Development

Cecilia is a junior from Atlanta, Georgia studying Finance, Economics, and Math, and is on the AMP track to obtain her master's in quantitative economics. Cecilia spent this summer in Boston with Fidelity as an operations intern, and plans to intern with JP Morgan's equity research division this upcoming summer in NYC. Cecilia is involved on campus within the Faculty Scholars Program, the Manderson Specialized Masters Association, and as a Research Ambassador.



**Cannon Kenney: Co-Director of Membership
Development**

Cannon is a senior from Newport Beach, California studying Finance and Entrepreneurship. This summer, Cannon completed an internship in with Barclays within their Equity Research Division in NYC and plans to join the firm full-time upon graduation. Cannon is a member of Sigma Chi and enjoys trivia, traveling, and camping.

2025 Investment Themes

With the fundamental value investing approach that we seek to display within our portfolio, we aspire to be opportunistic investors as well. We will continue to approach our coverage on current holdings, as well as potential investments, with a bottom-up approach – identifying strong businesses regardless of sector and cyclicalities. Despite this strategy, however, we must always view our investment with consideration of the overall macroeconomic environment, thus allowing us to view our investments with a top-down approach as well. Combining these two strategies will allow us to form strong theses on companies, industries, and global markets in the future.

Looking onto 2025 and beyond, we want to outline a few key investment themes that we have identified to be crucial in maintaining strong returns within our portfolio. The first of which is understanding current context around sector-positioning. Although we do not perform basket purchases (i.e.; being bullish in one industry and purchasing a basket of securities within it), we will continue to identify key elements and catalysts within each sub-sector of the market, in order to capitalize on opportunities when we see them. Along with this, we are emphasizing deep, thought-provoking research on securities in order to separate true signals from noise. Investors within the markets often react to noise, a strong reason for the volatility that has been seen so far this year. Our goal is to block out this noise and focus on clear cut signals within earnings calls, investor presentations, and company news in order to analyze the true value of a company based on current events. With our long-term view on equities, we will be able to withstand the volatility of the markets to invest in fundamentally sound, financially stable, and competitively advantaged companies. Coverage on current companies will be applied to with these ideas in mind as well, as we will continue to monitor holdings and form opinions based on new information. We also want to turn our attention towards international equities and fixed income securities, as our portfolio currently holds only one international equity (XLON: BEZ) and one international mutual fund (ARCX: CQQQ). US stocks have lagged global peers in the first two months of 2025, breaking a trend that has characterized majority of the last 15 years. Chinese and European stocks are up roughly 14% and 8% respectively, compared with US stocks so far this year.

The final theme we will be focusing in on is considering individual stock picks. As previously discussed regarding our standard bottom-up approach of equity selection, the S&P 500 return dispersion last year rose to one of the highest levels on record, meaning there was a considerable gap between the best and worst index performers. In this “micro-driven” market, a high share of stock return is explained by company-specific factors. In the first two months, 74% of the S&P 500’s returns have been driven by fundamental factors rather than macro factors, compared to an average of 58% over the previous decade (according to Goldman Sachs Research). This incentivizes us to continue our value-based approach moving into the year.

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