Capstone Asset Management Society

2024 Semi-Annual Sector Update

Table of Contents

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 $700,000 in assets, currently holding a 10.42% annualized rate of return and 81.24% 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 9/9/2024, outlines each of the committee holdings as of the Fall 2024 semester at the Capstone, accompanied by a "Quality Watchlist" - a variety of stocks 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

As we enter the back half of 2024, two main themes will shape the macro-economic environment: the loosening of monetary policy and the normalization of inflation. Many inflation rates, specifically in Europe, remain sticky, thereby possibly hindering real income growth and reducing the scope for policy easing. China's recovery as well is expected to pick up as fiscal stimulus takes effect, despite trade tensions with the U.S. and its allies, which many attest to limited growth potential. Moreover, political transitions in various countries pose uncertainties, as analysts fear the financial market reactions to numerous elections. Many analysts remain positively cautious, while warning signs still include a downturn in manufacturing surveys, rising unemployment, and increasing loan delinquencies. In June 2024, the European Central Bank cut interest rates for the first time in nearly 5 years, from an all-time high of 4% to 3.75%. In the United States, after rates were expected earlier in the year, there is growing sentiment that Fed Chair Jerome Powell will cut rates by 25bps this September.

Current Global Interest Rates

Country	Last	Previous	Reference	Unit
Japan	0.25	0.25	Aug/24	%
Switzerland	1.25	1.25	Aug/24	%
China	3.35	3.35	Aug/24	%
South Korea	3.5	3.5	Aug/24	%
Singapore	3.57	3.61	Aug/24	%
Canada	4.25	4.5	Sep/24	%
Euro Area	4.25	4.25	Aug/24	%
Australia	4.35	4.35	Aug/24	%
United Kingdom	5	5.25	Aug/24	%
United States	5.5	5.5	Aug/24	%
Saudi Arabia	6	6	Aug/24	%
Indonesia	6.25	6.25	Aug/24	%
India	6.5	6.5	Aug/24	%
South Africa	8.25	8.25	Jul/24	%
Brazil	10.5	10.5	Aug/24	%
Mexico	10.75	11	Aug/24	%
Russia	18	16	Jul/24	%
Argentina	40	40	Aug/24	%
Turkey	50	50	Aug/24	%

Source: Trading Economics (Interest Rates)

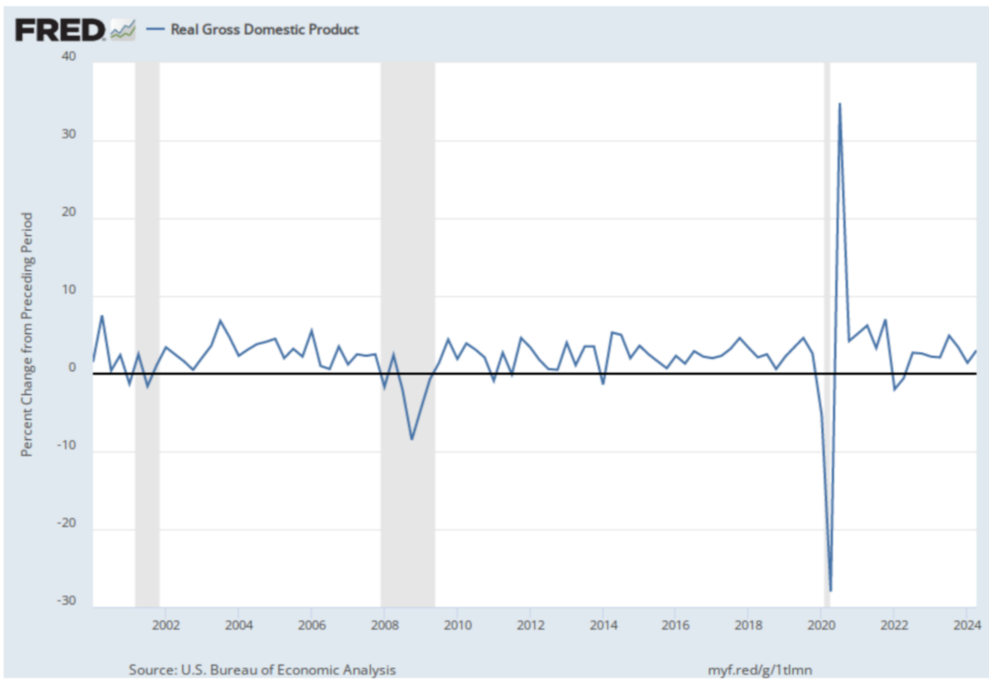
Foreign GDP

Global GDP growth is expected to remain steady moving into 2025, with a projected growth of 3.3% in 2025. Advanced economies such as Italy, the UK, France, and Japan are expected to see an increase in growth from 1.6% in 2023, to a projected 1.8% in 2025. Emerging markets are expected to decelerate slightly, with a projected 0.1% decrease from their 4.3% growth in 2023.

This slower rate is also seen by developing economies, which are expected to grow 4% on average in the coming year – including countries such as China, India, and Brazil.

U.S. Economic Highlights

U.S. Change in Real GDP (2000-2024)



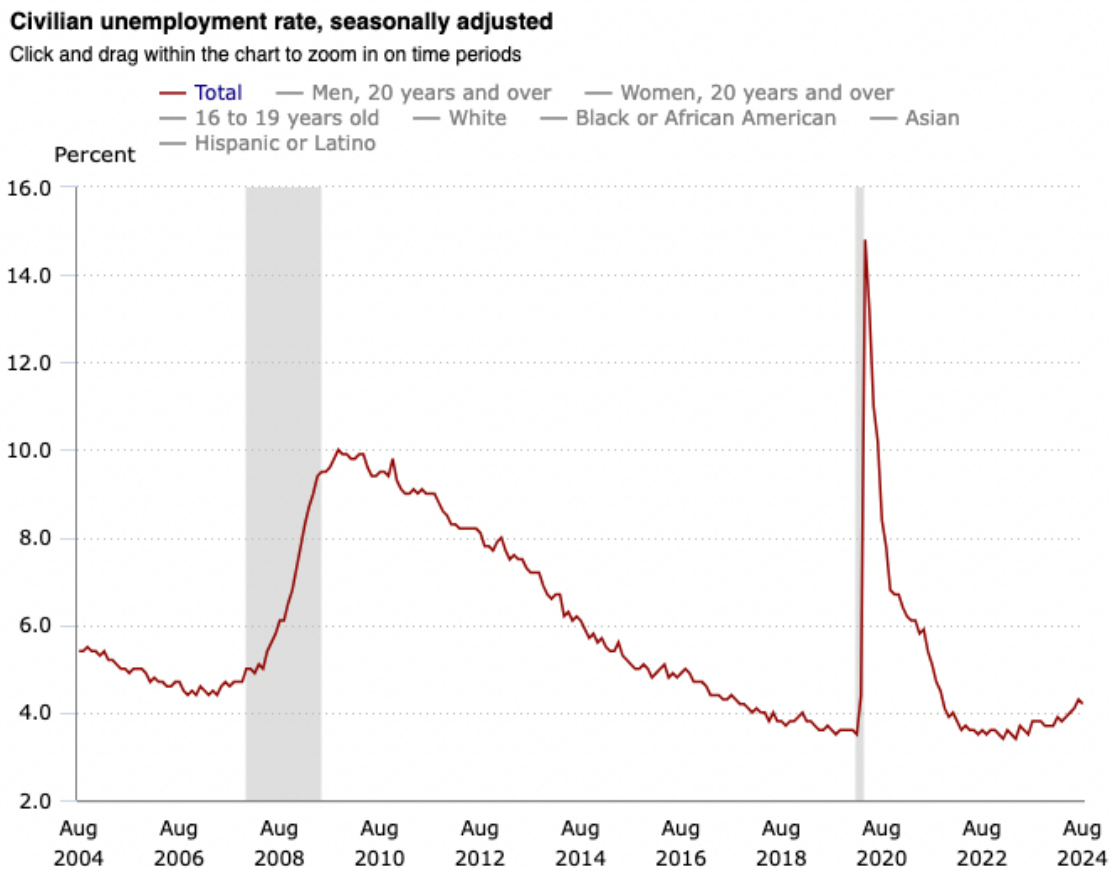
Source: U.S. Bureau of Economic Analysis

As of the Q2 of 2024, the GDP of the United States grew by 2.8% from Q1, now sitting at \$22.92tn, a 3.15% year over year. The U.S. CPI Report for August was released on September 11, 2024, reporting an increase of +3.2% in core consumer prices year over year. While the Fed's target remains at +2.0%, the August CPI eased to 2.5% year over year from 2.9% in July. With a long-awaited rate cut by Jerome Powell and the Fed, many analysts and markets are factoring in a 25-50 bps cut for interest rates in the upcoming September 17-18 FOMC meeting.

U.S. Unemployment

With the U.S. labor report on September 6, 2024, we have seen a less than expected employment increase in August, with unemployment moving from 4.3% in July 2024 to 4.2% in August 2024. Although the employment move was less than hoped for by economists, the jobless rate dropped to 4.2%, along with promising wage growth. Nonetheless, labor market momentum has certainly slowed, with 86,000 fewer jobs added in June and July as previously reported. 142,000 jobs were added in August as well, up heavily from the revised report of 89,000 added jobs in July. With unemployment decreasing and hiring slowing, it leaves the Fed in a sticky situation as to the long-awaited rate cuts.

Civilian Unemployment Rate



Source: U.S. Bureau of Labor Statistics

U.S. Treasury Rates

The U.S. 5-year Treasury Yield is currently 3.46%, with the 10-year Treasury Yield at 3.67% according to the U.S. Department of the Treasury. As previously mentioned, the driving force of potential rate cute lies in inflation, sitting at 2.5% easing to the Fed's target of 2.0%.

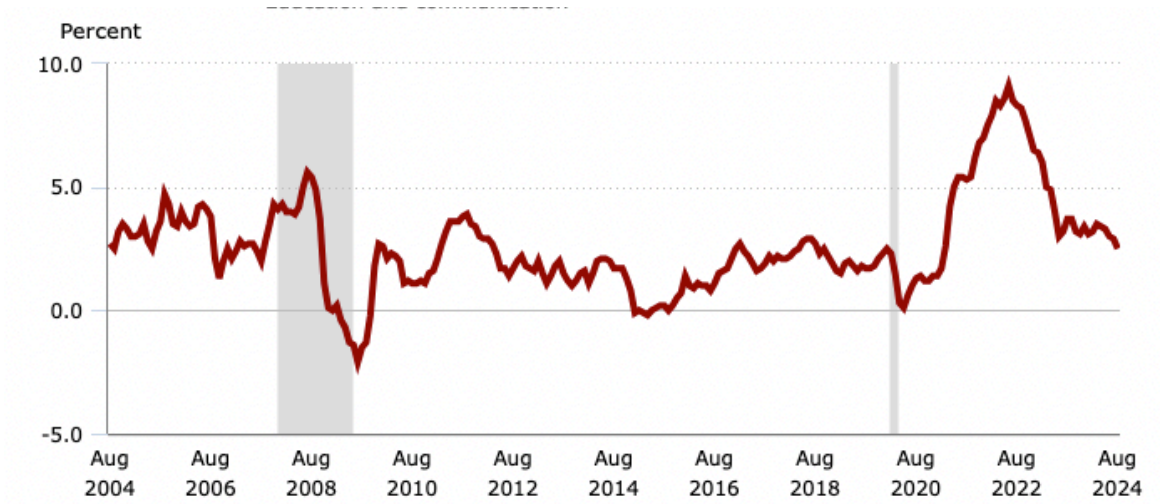
U.S. 5 Year Treasury Yield

Source: CNBC

United States Inflation Rates

As reported in the August CPI report, inflation has fallen to a current 2.5%, a three year low, strongly contributed to falling gasoline prices. Excluding volatile food and energy prices, the core inflation is reported to be stagnant at 3.2%. the pace of increases in the cost of food eased in the month of August, along with used vehicles and energy prices being reported lower than July. With inflation appearing to have tamed, housing inflation refuses to moderate as quickly as many hoped, with housing costs making up more than 70% of the year-over-year increase. After inflation peaked at 9.1% in June 2022, a four-decade high, many look to anticipate the "soft-landing" – whereby a recession is avoided. Looking ahead, Federal Reserve Chair Jerome Powell has expressed that "the time has come" for rate cuts, as civilians and economists alike sit in anticipation for the September 17-18th meeting.

12-Month CPI Percentage Change



Source: U.S. Bureau of Labor Statistics

Holdings Analysis

Financials

Sector Outlook

Since our last update in early February, several economic and political factors have influenced the financial services industry. At the time, we saw most of our holdings benefit from higher rates in the form of interest revenue but anticipated the growing financing costs to place a strain on dealmaking and general economic activity. The soft-landing narrative, which many top economists denied some months ago (asserting recession was inevitable), has now been confirmed. This week, New York Fed President Bill Dudley suggested a larger cut was still possible, causing Wall Street's main indices to climb as investors adopted that likelihood. Bets on a 50-basis point cut increased to a staggering 43% from 14% the previous day. Late payments on credit cards and loans have stabilized after rising earlier this year despite a surge in industry-wide credit card write-offs, credited to tighter lending requirements. Delinquency rates dropped to just over 2% in August, compared to about 2.5% pre-pandemic. While net charge-off rates for credit cards hit a post-2011 high of 4.82% in Q2, banks like Citigroup, Wells Fargo, and BofA report notable improvement and anticipate further declines in delinquencies if economic conditions remain stable. While megabanks like JPM may see reduced benefits from falling deposit costs, smaller banks that relied on expensive funding sources during rate surges will benefit as rates fall. Banks that have sold lower-yielding assets, like KeyCorp, expect significant growth in net interest income (NII). Megabanks may face challenges with NII but will likely see gains in investment banking and trading revenues.

Our approach to the sector in the coming months is optimistic. We believe sector-wide growth is inevitable but will navigate the changing economic and political dynamic carefully, primarily seeking to capitalize on mispriced/undervalued securities through inefficient price action both in and out of our holding.

Holdings Performance

AllianceBernstein (NYSE: AB) – Current Price: $33.00, Initial Purchase Price: $46.50, Second Purchase Price: $33.48 (-29.03% all time), 52-wk high: $35.67, 52-wk low: $25.83, P/E: 11.72, Beta: 1.24 Market Cap: $3.855bn

AllianceBernstein’s stock price has steadily declined in our portfolio since our original purchase of 300 shares at $46.50 on April 20th, 2022. Our portfolio made a second investment into AB on March 18th, 2024, where 300 shares were purchased at $33.48. Today, the stock is trading at $33.00, which represents a -29.03% and -1.43% decline, respectively. Our current holding represents 2.79% of the total portfolio. The bright spot has been the 8.55% dividend yield amounting to $2,106 and representing 36% of all equity dividends in the portfolio. AB's AUM has fluctuated mainly due to market appreciation and depreciation, and as of the end of July 2024, reported $777bn in AUM. This figure represents a 6.67% increase in AUM since our last sector update in February of 2024, but was short of projections and mainly has been driven by inflows in the retail sector and outflows in the private wealth and institutions sectors. The company's beta of 1.24 represents that the stock is regarded as a riskier security but with the potential for higher returns. However, since our original investment and even second investment, we have seen constant depreciation in the stock's price, and over the last eight months, the stock has remained at about $33.00. AB is still one of the largest global asset management firms, but with our current positioning in the market and the recent performance of our holding, we intend to close our position in the coming month.

Goldman Sachs (NYSE: GS) – Current Price: $466.99, Purchase Price: $355.19 (+31.5% all time), 52-wk high: $517.26, 52-wk low: $289.36, P/E: 14.99, Beta: 1.35 Market Cap: $147.52bn

Goldman Sachs has remained a strong holding in our portfolio yielding 21.2% growth since our last sector update in early February and 31.5% total growth since our initial purchase. Reported 2024 Q1 earnings surprised market expectations by an impressive margin, beating earnings estimates by 32.88%. Revenue also beat estimates by 9.84%. This was driven by strong recoveries in investment banking, bond trading, and underwriting operations. Second quarter profit more than doubled, beating analyst estimates of $8.62 per share. Investment banking fees rose 21% while fixed-income revenue increased 17%. CEO David Solomon has continued to express general confidence in capital market activity, and the firm raised its dividend to $3.00 from $2.75.

An item we've kept a close eye on is the firm's desire to exit its consumer banking partnerships. GS is currently facing a $400 million pre-tax loss from the sale of its General Motors credit card business (driven by high charge-off rates and "lax underwriting standards"). They're negotiating with Barclays to take over the card but aren't likely to receive the full outstanding balances of around $2 billion. The GM card portfolio struggled to grow and attracted customers with lower credit scores. They're also seeking to exit their $17 billion Apple card partnership. Despite these realities, we are still confident in the integrity of the future value of the business and the executive leadership to successfully navigate their restructuring efforts. At this stage, we see no reason to alter our position but will continue to monitor progress through the coming months.

Mastercard (NYSE: MA) – Current Price: $487.01, Purchase Price: $360.16 (+35.22% all time), 52-wk high: $490.00, 52-wk low: $359.77, P/E: 37.25, Beta: 1.10, Market Cap: $450.85bn

Mastercard has grown considerably since our last sector update at around 30%. On their June 2024 earnings call, they reported a net income increase of 14.52% and beat revenue estimates by 1.60%. EPS beat expectations by 2.30%. On September 12, 2024, Mastercard expanded its cybersecurity services with an agreement to acquire a global threat intelligence company Recorded Future from Insight Partner for $2.65bn. MA has continued its massive expansion in recent years mainly with acquisitions based on growing their customer base and technological opportunity. These acquisitions strengthen their insights and intelligence in the payments ecosystem, as Recorded Future is the world's largest threat intelligence company, covering over 50% of companies within the Fortune 500. This exemplifies MA's valuable competitive advantage and historically strong use of capital.

A new credit card they plan on releasing in conjunction with Alibaba could result in major profits for Mastercard as well. Alibaba, struggling to advance its market share in the US, plans to release a card to help business owners buy from Chinese markets with greater confidence. If the card achieves its goal, it will connect two of the major world markets leading to significant growth for the firm. MA remains one of our highest performing and reliable holdings in the committee to date, and we will maintain our position at this time. With its various acquisitions and dominance over the fintech sector, we are optimistic to see continued growth moving forward.

Beazley PLC (XLON: BEZ) – Current Price: $768.50, Purchase Price: $681.43 (+12.78% all time), 52-wk high: $787.50, 52-wk low: $485.50, P/E: 5.20, Beta: 0.68, Market Cap: $4.86bn

Beazley PLC continues to showcase its strength in the specialty insurance sector, showcasing a 12.78% capital appreciation since its purchase at $681.43 in December. Its current price of $768.50 reflects its growing position within cyber, MAP (marine, aviation, political risk, and terrorism), and property risk segments. One of Beazley's most important recent developments has been its ability to secure an additional $160 million in cyber reinsurance, bringing its total to $300 million, an impressive number given that Beazley launched the product in January of this year. Beazley's written premiums have risen 7% year-over-year, a considerable number in the insurance industry, while investment returns have also proven successful, bolstered by a $126 million gain through equity, credit, and hedge fund investments. While risk-free yields have begun to decline, Beazley's fixed-income portfolio continues to generate a modest return of 5.1%. The Bank of England's recent reduction of interest rates to 5.0% may pose future challenges but could additionally present a more favorable environment for future growth in its insurance segments. Analysts remain optimistic, setting an average 12-month price target of $934.63. We look forward optimistically to the future developments of the business and our position in the coming months.

Apollo Global Management (NYSE: APO) - Current Price: $112.38, Purchase Price: $69.56 (+61.55% all time), 52-wk high: $126.45, 52-wk low: $77.11, P/E: 12.15, Beta: 1.61, Market Cap: $63.79bn

Apollo has consistently performed at the top of our portfolio. Growth in the firm's Athene retirement services segment has been a large driver of success, representing roughly 40% of AUM and around 30% of fee-related earnings. On the back of higher rates and macroeconomic complications, this has compellingly demonstrated the firm's reliable operational flexibility. Apollo reported $932 million in revenue for Q2 2024, a 17.5% increase year-over-year, exceeding estimates by about 5.7%. On the other hand, they missed EPS expectations reporting $1.64 compared to the estimated $1.74, a shortfall of 5.75%. Apollo's AUM came in at $671 billion representing 12% growth year over year. Segments such as fixed-income investment surpassed expectations, but alternative investment income underperformed, as did other spread-related earnings metrics.

Since our last market update, APO has experienced remarkable volatility with price levels topping out at $126.45 on August 1st, followed by an extreme sell-off after disappointing EPS numbers were reported. CEO Marc Rowan has demonstrated his confidence in markets moving forward but cautioned against clinging to outdated strategies (citing multifamily investment in the US and stunted fixed-income liquidity post-2008) at the 2024 Norges Bank Investment Conference. Rowan and Apollo's entire management team have done a phenomenal job since their inception and have demonstrated the expertise to take the firm into the next stage of the financial landscape with confidence. Despite economic headwinds since the pandemic, APO has and still is outperforming its competitors, and we anticipate that future rate cuts and increased dealmaking activity will boost the firm's top line considerably, as well as benefit the firm's bottom line as costs continue to ease. We will be holding our current position.

Euronet Worldwide (NASDAQ: EEFT) - Current Price: $97.50, Purchase Price: $108.79 (-10.38% all time), 52-wk high: $117.66, 52-wk low: $73.84, P/E: 16.86, Beta: 1.46, Market Cap: $4.34bn

As our newest addition to the Financials Portfolio, Euronet has seen a price depreciation of 8.67% since its purchase in March 2024. Following reports of their 2Q 2024 earnings, Euronet fell short of revenue expectations by 2% and short of adjusted EPS estimates by 1%. Despite these seemingly disappointing reports, earnings were shown to be $2.25 per share, up from $2.03 in Q2 2023, along with reported revenues of $986.2mn, up roughly 5% from Q2 2023's report of $939.1mn in revenue. The shortfall of analyst estimates was led by a discouraging Epay segment, which produced $260.9mn in revenues in the quarter, compared to $264.5 in Q2 2023.

Following a deceleration from the pandemic-period surge in money transfer, their largest segment by revenue, analysts predict the growth to slow in this segment to a normalized 6-7%. Among a strong fintech sector, Euronet is shooting to shift towards higher-margin digital business, in an environment with new rivals offering speed, transparency, and low cost in the money transfer department. Management is focusing its efforts on optimizing ATM productivity, as demand for this sector is being driven by an appetite for cash in developing countries. They will begin to redeploy ATMs in more profitable locations in Asia, Latin America, and Africa. With this, we are expecting operating margins to improve by 60-100 bps annually in the coming years on cost prudence and improved ATM efficiency. They have substantially increased their deployment of ATMs following the pandemic, and now hold 54,005mn ATMs, along with a substantial operating income increase to $79.9mn in Q2 compared to $21.5mn in Q1.

The company still maintains strong financials as well, shown by a steady increase in cash on hand, as well as significantly less long-term debt from a year ago. Their operating margins have also bounced back after a disappointing Q1 2024, sitting at about 13.62%. Looking toward the future, we will continue to monitor their performance on a segment-by-segment basis. Their ATM deployment and operations will prove to be a significant factor in the overall performance of the company as they move away from Epay and money transfer in an extremely competitive and volatile fintech sector. If their efforts are to rotate towards a higher-margin non-Epay business cycle, then we will have to evaluate the strength of the company and reassess our position.

Quality Watchlist

Houlihan Lokey (NYSE: HLI) - Current Price: $152.21, 52-wk high: $157.58, 52-wk low: $94.67, P/E: 29.9, Beta: 0.68, Market Cap: $10,584.6mn

Houlihan Lokey operates as a worldwide investment bank, offering services in mergers and acquisitions, financial restructuring, capital markets, strategic consulting, and financial advisory services. The bank serves corporations, government agencies, and financial sponsors, advising on critical strategic and financial decisions with a rigorous analytical approach coupled with industry expertise. In the interest of a “Quality Watchlist,” HLI is a company that is currently trading near its 52-wk high, and the reason for its inclusion is to watch for any substantial price drops that we can capitalize on, relative to its true intrinsic value. We have identified HLI as a quality investment to watch in the coming months, in part due to its strong finances, as well as its top-ranked restructuring arm.

In the aspect of its restructuring arm, Houlihan Lokey holds the No. 1 global restructuring advising division and has advised on 12 of the last 15 largest U.S. corporate bankruptcies in the last 25 years. In 2023 alone, the firm advised 73 deals, the most of any middle-market bank, in global debt and bankruptcy restructuring. Their durability in this advantage derives from their growing dominance in restructuring into European countries. They have increased their market share by revenue in Europe to 52% between 2017 and 2018, whereas competitors declined in share from 39% to 26%. This expansion, paired with a reputation surrounded by their bankruptcy restructuring services creates a forceful competitive advantage.

Most Active Investment Banks to Global P.E.[2]

1	Houlihan Lokey	242
2	Lincoln International	192
3	William Blair & Company	118
4	The Goldman Sachs Group	108
4	Jefferies Financial Group	108

Despite their notoriety for restructuring, Houlihan Lokey derives over half of its revenue from non-restructuring-related services. Their financial statements also remain sound, as they have seen a substantial increase in operating income from $61,390mn in Q2 to $88,940mn in Q2 2024. With this increase, they have reduced the cash used in operating activities from $133,568mn in 2023, to just $64,511mn in 2024, paired with an increased dividend up to an annualized yield of 1.51%. From a qualitative perspective, Houlihan retains a strong and tenured executive team, including newly appointed CEO Scott Adelson, who has been with HLI since 2002. Alongside him, the average tenure of the executive leadership within the firm is over 30 years, bringing direction and experience to the company. With its strong competitive advantage paired with sound financials, as well as a balanced management team, we will monitor HLI closely for any substantial changes in price.

CME Group (NYSE: CME) - Current Price: $216.89, 52-wk high: $222.63, 52-wk low: $190.70, P/E: 24.0, Beta: 0.78, Market Cap: $78,101.4mn

CME Group Inc. operates a derivatives exchange that trades futures contracts and options on futures, interest rates, stock indexes, foreign exchange, and commodities. Bringing together buyers and sellers of derivatives products on its trading floors, CME offers futures and options across various asset classes. Roughly 80% of CME's revenue comes from clearing and transaction fees, while more than 10% comes from market data and information services. The company provides an exceptional opportunity for a watchlist holding, due to its strong competitive advantage of its diverse product slate and commitment to innovation, along with sound financial statements. Along with this, in the eyes of a value-based approach, the company is trading near its 52-wk high, sitting at $216.89 currently.

CME's derivative products include agricultural, equities, FX, cryptocurrencies, and interest rate products. Their preeminence in the derivatives exchange market is a testament to their comprehensive product offerings, as they maintain a strong geographic reach and diverse client base. During Q2 2024, CME's management reiterated their strengths to maintain this strategic "moat" against competitors. The team, led by CEO Terrence Duffy, highlighted that the company's deep liquidity pools along with strong margin efficiencies in their rates complex make it different for competitors to take share. Margin efficiencies within CME sit roughly around 90%, and futures alone realize roughly $10bn in savings. These margin savings are a very difficult aspect for competitors to mimic, with a total average daily volume of 25.9mn in Q2, an all-time record for the company.

Another driving aspect of this holding in the quality watchlist is its well-balanced financials. With their strong margins, as previously mentioned, their operating income increased to $883.20mn in 2024 Q2, up roughly 12% year over year. Free cash flow now sits at $758.7mn in Q2 2024 from $629.9mn in Q2 2023, along with a substantial EBITDA margin of 71.49. With both its competitive moat and well-balanced portfolio, along with sustainable cash inflows, we will maintain monitoring of the company's future performance.

Consumer

Sector Outlook

The consumer and retail industry continues to show resilience as of September 2024, despite inflationary pressures and broader economic uncertainty. Consumer sentiment remains stable, driven by wage growth and a strong labor market. The Fed maintained interest rates in Q2 at 5.25%–5.5% with inflation at 3.2%, slightly above its 2% target, but expectations for rate cuts in late 2024 are rising. Easing rates could offer consumer and retail companies greater flexibility to manage debt and fund expansions. In Q2, consumer spending saw modest growth, particularly in discretionary categories. While US retail spending dipped by 1.8% in July, recovery is anticipated as inflation slows and seasonal spending increases. E-commerce continues to drive retail growth, with omnichannel strategies gaining traction. Small and mid-cap companies could benefit from future rate cuts, as they often rely on debt financing for store expansions and digital transformation initiatives. As the sector evolves, we aim to identify opportunities where companies can exploit favorable economic conditions and consumer trends.

Holdings Performance

Amazon (NYSE: AMZN) - Current Price: $185.03, Purchase Price: $146.84 (+26.13% all time), 52-wk high: $201.2, 52-wk low: $118.35, P/E: 44.7, Beta:1.15, Market Cap: $1.96tn

Since our initial purchase of 115 shares of AMZN we have seen a 27.6% increase in stock price. While the stock dropped six percent after the release of their less than impressive second quarter revenue on 8/1, the company was still up 21% YTD after close on Thursday. Q2 revenue was reported at $147.98B, which missed analysts' expectations of $148.56B. The CEO of Amazon attributes this miss to the trend of consumers continually seeking cheaper alternatives such as Shein and Temu for their everyday products. While overall revenue was not as strong as expected, we still see large potential in Amazon's ability to beat out competition in the advertising and cloud computing space. AWS (Amazon's cloud computing segment) beat analysts' estimates and grew 19% from the prior year. We continue to have high hopes for Amazon and their success in the cloud computing space. As companies continue to modernize and switch to using the cloud, they will prioritize AWS as their top choice for optimal performance.

Uber Technologies Inc. (NYSE: UBER) - Current Price: $72.48, Purchase Price $67.75 (+5.15% all time), 52-wk high: $82.14, 52-wk low: $40.09, P/E: 77.98, Beta: 1.32, Market Cap: $149.94B

Since our initial purchase of 225 shares of UBER, we have seen a 6.98% increase in stock price. The average one-year target for Uber Technologies Inc. is $89.13. Post-pandemic, Uber's revenue doubled and has steadily increased each quarter. Though shares were down 5% ($55.53) at close on August 5th, they have since risen 3.05%, exhibiting strong fundamentals and potential for long-term growth driven by their constant expansion efforts. YTD, UBER has seen its share rise 13%, outperforming rival LYFT at -22.48% YTD. Uber's Q2 Gross Bookings YoY have grown 17%, with their Mobility Gross Bookings of $20.6B and Delivery Gross Bookings of $18.1B. Uber Freight connects businesses needing to ship goods with drivers who can transport them. It has saved over $1.5B in transportation costs for customers in the past year. They have announced a Design Partner Program, which collaborates with shipping partners to create new transportation services. The expanded capability for same-day delivery may attract more customers, increasing Uber Freight's revenue and market share. Uber Freight's use of AI with this program could improve management, efficiency, and position Uber Freight as a leader in enhancing logistics with AI. We believe the improved customer experience and simplified portal will increase customer satisfaction.

Uber also announced a partnership with Instacart in May, adding restaurants and allowing Instacart users to order from restaurants via UberEats delivery. Launched in 2017, Uber Freight has grown immensely, especially by its $2.25B acquisition of Transplace in 2022. Revenue grew 16% YoY to $10.7B, while combined mobility and delivery revenue grew 19% YoY to $9.4B. Business model changes reduced their total revenue growth by 7 percentage points. UberEats previously paid drivers a service fee and drivers sold their services directly to restaurants. This old model meant drivers were receiving an invoice for each delivery. The upgrade now has drivers sell their services to Uber Eats directly rather than individual restaurants. This means fewer invoices and direct payments, simplifying the process and eliminating the service fee. Their income from operations was increased to $796M, which is up $470M from the previous year and up $624M from the previous quarter. Net cash from their operations was $1.8B and free cash flow was $1.7B. This cash flow has historically been used to invest in their growth, such as the integration of Uber Freight with Uber Direct and their partnership with Instacart. Uber may also invest some of this cash flow into enhancing their AI systems or changes in their UberEats Model. We think that Uber will continue to benefit from investments in customer service and user friendliness.

Tapestry Inc (NYSE: TPR) - Current Price: $42.95, Purchase Price: $40.59 (+5.79% all time), 52-wk high: $48.80, 52-wk low: $25.99, P/E: 12.27, Beta: 1.55, Market Cap: $9.89B

We have seen a 2.72% stock price increase overall since purchasing Tapestry. Currently, TPR is trading at $41.17. Since purchasing, we have had a $329 gain on our position. The one-year target estimate for the stock price is $48.38, indicative of some expected growth. The next earnings report for TPR is scheduled to be released by mid-November 2024. Recently Tapestry

Inc. has implemented a movement called the *Fabric of Change* which is Tapestry's strategy for meeting the company's commitments and goals in four key areas: people, planet, products and communities. This will likely improve the company's position in the industry against its competitors. The current P/E ratio is 10.51 which is under industry average. Competitor Ralph Lauren Corporation (RL) has a current P/E ratio of 16.69, and LVMH has a P/E ratio of 21.94.

Sweetgreen (NASDAQ: SG) - Current Price $34.37, Purchase Price $22.26 (+54.40% all time), 52-wk high: $38.53, 52-wk low: $8.64, P/E: -24.9, Beta: 1.33, Market Cap: $3.855bn

Since our initial purchase of 102 shares of Sweetgreen (SG), we have seen a 51.62% increase in stock price. Currently, SG is trading at $33.95, with a one-year target estimate of $45, indicating further growth potential. The next earnings report is scheduled for release on November 7th, 2024. Recently, Sweetgreen has strategically introduced automated kitchens, aiming to reduce labor costs while enhancing the customer experience. The cost savings from these efficiency improvements are helping to offset the capital expenditures associated with the new technology. This move strengthens Sweetgreen's competitive position in the industry, positioning it favorably against other fast-casual competitors. Sweetgreen's Q2 2024 earnings showed growth compared to Q1, with revenue reaching $184.6 million, a 21% increase year-over-year, and same-store sales rising by 9%. However, the company posted a net loss of $14.5 million, improving from the $27.3 million loss in Q2 2023. In terms of operational efficiency, their restaurant-level profit margin increased to 22%, up from 20% in Q1. Overall, Sweetgreen is still operating at a loss, its Q2 results show improved profitability and operational efficiency, positioning the company for further growth in 2024.

Quality Watchlist

Expedia Group Inc. (NYSE: EXPE) - Current Price: $135.72, 52-wk high: $160.05, 52-wk low $92.48, P/E: 24.45, Beta: 1.79, Market Cap: $17.67B

Expedia has strategically positioned itself for strong growth through a comprehensive revamp of its technology stack, now leading the AI race in the travel industry. Its advanced machine learning models excel in predicting travel preferences, such as destinations, events, and activities, and its industry-leading rewards program underscores its competitive advantage. This innovation supports Expedia's diversified platform, which includes subsidiaries like Hotels.com, VRBO, and Trivago.

Despite a YTD 8.73% drop in stock price, Expedia's fundamentals remain strong. Although the company has substantial liabilities, its net debt over the last three years is relatively low compared to its EBITDA, and it can comfortably cover interest expenses with its EBIT. The company's latest earnings report showed an 8.4% year-over-year revenue increase, reaching

$2.89 billion with 101.2 million nights booked. Analysts forecast a 5.2% revenue increase for the next quarter, indicating steady growth in a competitive market.

Airbnb has been quickly cementing itself into traditional hospitality while Expedia grows its presence in private accommodations through VRBO. Both companies are moving into each other's territories, creating direct competition in conventional and alternative lodging markets. Airbnb's potential market oversaturation could drive travelers toward VRBO, which is also reported to have superior customer service compared to Airbnb. The resurgence of cruise travel offers additional growth opportunities. Expedia's diverse subsidiaries and technological advancements make it something to look out for, especially for those bullish on the travel sector and AI-driven solutions.

Philip Morris International (NYSE: PM) - Current Price: $125.86, 52-wk high: $128.22, 52 Week Low $87.23, P/E: 22.28, Beta: 0.58, Market Cap: $195.3B

Philip Morris International provides high and consistent EBITDA growth, and has attained a YoY FCF growth of 8.8%, much higher than the industry average of 2.2%. They have also been the industry leader in managing the decline of cigarettes. Two of its biggest competitors, Altria and British American Tobacco, have seen double digit percentage declines in volume in the first 6 months of 2024. However, Philip Morris International saw less than a 1% decline in the same period. This could be for a few reasons, one being that Philip Morris International has had a primarily international focus ever since splitting up from Altria. Looking to the future, we expect this to change through non-tobacco products. Their Zyn product has been incredibly successful both domestically and internationally and has seen a 50% volume increase so far in 2024. The company has also stated a plan to have smoke free products account for ⅔ of their revenue by 2030. This is promising for us as they have displayed far more success in pivoting off cigarettes than their peers. Q2 2024 saw 13.6% revenue increase in the smoke-free sector of the business compared to the year before. Given this room for growth in an emerging market, we want to keep monitoring Philip Morris International and their regulatory challenges.

Healthcare

Sector Outlook

The healthcare sector has experienced significant fluctuations over the past few years, particularly in 2023, which was marked by a challenging economic environment. As investors repositioned their portfolios in response to rising interest rates, the healthcare sector underperformed compared to other equity markets, notably technology and communication services. By February 5, 2024, the healthcare sector recorded a gain of only 7.3%, in stark contrast to the S&P 500's impressive 19.5% increase. This divergence underscores the ongoing volatility and the potential for significant alpha opportunities within the sector.

One major theme influencing the healthcare landscape has been the rise of glucagon-like peptide-1 (GLP-1) drugs, initially developed for Type 2 diabetes but now gaining traction as effective weight-loss treatments. Companies like Eli Lilly (LLY) and Novo Nordisk (NVO) have significantly outperformed their peers, with the GLP-1 market projected to reach a staggering $90 billion in the U.S. alone. Despite this, the uptake has been modest; only 12-17% of the Type 2 diabetes population currently uses these therapies, indicating substantial growth potential. Furthermore, the market for obesity treatments—which includes a population nearly three times larger than that affected by diabetes—remains largely untapped, with only 2% of obese individuals receiving prescription drug treatments.

The medical device and supplies sector initially benefitted from easing supply constrained and a resurgence in elective procedures, posting a 7% return by August 1, 2023. However, this momentum was disrupted following announcements related to GLP-1 trials, resulting in a selloff that erased gains. Despite these challenges, the aging population, projected to comprise 20% of the U.S. demographic by 2030, will likely drive demand for medical devices, particularly in surgical procedures and chronic disease management.

The biotechnology segment has faced headwinds, with several indices nearing multi-year lows amid rising interest rates. However, the long-term outlook remains optimistic, with forward earnings growth in healthcare expected to surpass all other sectors in 2024. Notably, antibody drug conjugates (ADCs) are poised for substantial growth, with projections estimating a market size of $22 billion by 2030. Moreover, advancements in neurodegenerative disease treatments, such as Biogen's Leqembi, which has shown promise in slowing cognitive decline, highlight the ongoing innovation in this space.

Looking ahead, the Medicare Advantage (MA) market is a critical growth driver for managed care companies, having penetrated over 50% of eligible participants with nearly 31 million enrolled members. However, reimbursement cuts for 2024 pose challenges that may affect profitability. Additionally, the regulatory landscape remains a focal point as the healthcare sector navigates the implications of the Inflation Reduction Act, which aims to cap patient out-of pocket expenses and introduce price negotiations for certain drugs starting in 2026.

In summary, the healthcare industry is at a pivotal juncture, characterized by both challenges and opportunities. While the sector faced a tumultuous 2023, the combination of favorable valuations, innovative treatments, and demographic shifts creates a compelling investment thesis. As the market evolves, selectivity within sub-sectors will be paramount for investors seeking to capitalize on emerging trends and innovations within this essential industry. With a focus on long-term growth drivers, the healthcare sector is well positioned to rebound and thrive in the coming years.

Holdings Performance

Vertex Pharmaceuticals (NASDAQ: VRTX) - Current Price: $489.95, Purchase Price: $199.27 (+145.74% all time), 52-wk. high: $510.64, 52-wk. low: 341.85, P/E: 37.9, Beta: 0.41 Market Cap: $121.66bn

Vertex Pharmaceuticals has seen many exciting announcements over the last few months. In early July, VRTX announced the FDA acceptance of a new drug application for Vanzacaftor/Tezacaftor/Deutivacaftor which is a triple-combination drug designed to treat cystic fibrosis. In late July it also announced FDA acceptance of their new drug application for Suzetrigine which treats moderate-to-severe acute pain. This caused a jump from $471 to $491 per share which remained relatively constant through today. VRTX also announced a reimbursement agreement in England on August 7th to for eligible patients to receive CRISPR gene-edited therapy CASGEVY. Despite this announcement, along with the National Institute for Health and Care Excellence issuing positive guidance for CASGEVY, VRTX saw a somewhat significant drop in share price.

Intuitive Surgical, Inc. (NASDAQ: ISRG) - Current Price: $491.39, Purchase Price: $377.08 (+30.31% all time), 52-wk high: $493.97, 52-wk low: $254.85, P/E: $84.29, Beta: 1.39, Market Cap: $173.043bn

Intuitive Surgical, Inc., the pioneer in robotic-assisted surgical systems, has had many advancements in their products and business relations. As analysts are becoming skeptical of an AI bubble, investors are turning to diversified investment approach specifically in resources tied to AI infrastructure in which ISRG ranks 24th according to BlackRock. ISRG has seen steady growth, beating the market at +16.8% grown year-over-year and doesn’t plan to slow down especially with their success and advancement of their Da Vinci Robotic Surgical System. The company beat second quarter analyst consensus estimates in both earnings and revenues, which are improving year over year due to the Da Vinci system and Ion procedures. The FDA also recently cleared a labeling revision for Da Vinci X and Xi specific to radical prostatectomy.

Eli Lilly and Company (NYSE: LLY) - Current Price: $924.05, Purchase Price: $416.24 (+122.00% all time), 52-wk high: $972.53, 52-wk low: $516.57, P/E: 113.75, Beta: 0.44, Market Cap: $666.73bn

Eli Lilly and Company, a global leader in the pharmaceutical sector, has recently showcased impressive financial and operational performance. With a strong portfolio of blockbuster drugs, including Mounjaro, Zepbound, Verzenio, and Taltz, Lilly has demonstrated its ability to drive substantial revenue growth. In Q2 2024, the company reported a 36% increase in worldwide revenue, reaching $11.30 billion. This growth was fueled by a 27% increase in volume and a 10% rise in realized prices, partially offset by a 1% decline due to unfavorable foreign exchange rates. Eli Lilly's performance is marked by its revenue growth and its robust margin and earnings metrics. The company's gross margin surged 40% to $9.13 billion, reflecting an 80.8% gross margin percentage, driven by favorable product mix and higher realized prices. Net income and EPS reached $2.97 billion and $3.28, respectively, showing significant year-over-year improvements. On a non-GAAP basis, net income and EPS were even higher at $3.54 billion and $3.92, respectively.

Eli Lilly Price Return vs. Large Cap Pharma Market

Source: Zacks Investment Research

The company's strategic focus on expanding its manufacturing capabilities is evident from its $5.3 billion investment in production. This expansion is designed to support growing demand for its drugs, particularly Mounjaro and Zepbound, and to enhance its pipeline of treatments. Lilly's recent achievements include FDA approval of Kisunla™ for Alzheimer's disease and ongoing submissions for new treatments for obstructive sleep apnea and heart failure.

Looking ahead, Eli Lilly is positioned for continued growth. The company's strong pipeline, commitment to innovation, and strategic investments in manufacturing underscore its potential to capitalize on expanding market opportunities. With its track record of consistent revenue increases and significant advancements in drug development, Lilly is likely to remain a compelling choice for long-term investors. The company's focus on expanding its product offerings and production capacity supports a positive outlook for its stock, reflecting a robust growth trajectory in the pharmaceutical industry.

Novo Nordisk (NYSE: NVO) - Current Price: $136.90, Purchase Price: $77.99 (+75.54% all time), 52-wk high: 148.15, 52-wk low: 86.96, P/E: 45.9, Beta: 0.15, Market Cap: $591.6bn

Novo Nordisk remains a dominant force in the pharmaceutical industry, particularly in the rapidly expanding diabetes and obesity treatment markets. The company's recent successes with its GLP-1 agonists, Ozempic and Wegovy, have significantly boosted its revenue and stock price. The company's recent breakthrough in weight loss therapy through their new oral weight loss drug Amycretin further solidifies its position as a leader in innovative drug development. NVO currently retains a strong R&D pipeline, with over a dozen stage-3 drugs and over 80 in total. NVO has seen a 33.3% increase YTD with no signs of slowing down. Analysts remain bullish on the stock, with an average price target of $144.75. Investors seeking exposure to the pharmaceutical sector and the growing diabetes and obesity markets may find Novo Nordisk to be a compelling investment opportunity.

Novartis (NYSE: NVS) – Current Price $116.95, Purchase Price: $98.13 (+19.18% all time), 52-wk high: $120.92, 52-wk low: $92.19, P/E: 23.65, Beta: 0.50, Market Cap: $234.16bn

In recent years, Novartis, a global healthcare company based in Switzerland, has focused on restructuring to focus on its core pharmaceutical business. In line with this strategy, Novartis sold its Consumer Health joint venture stake to GSK in 2018, spun off its eyecare unit Alcon in 2019, and completed the spin-off of its generics and biosimilars division, Sandoz, in October 2023. Following these changes, Novartis now focuses on innovative medicines, with its key therapeutic areas being the cardiovascular, renal, and oncology sectors. Novartis targets a 5% compound annual growth rate (CAGR) in sales from 2023-2028, with a goal of core margins exceeding 40% by 2027. In 2024, the pharmaceutical giant expects low-double-digit net sales growth and high-teens growth in core operating income. A key focus for Novartis is the patent status of its cardiovascular drug Entresto. One U.S. court invalidated a key patent in July 2023, potentially opening the door for generics after the patent's expiration in 2025. Novartis is appealing the decision but is nonetheless preparing for the eventual loss of exclusivity. In addition, Entresto is one of the first ten drugs selected for Medicare price negotiations, with new prices likely taking effect in 2026. Novartis sees the initial impact as manageable, as Entresto generated an impressive $3.1 billion in U.S. sales for 2023. For the near future, Novartis remains focused on being a leader in innovative medicines while minimizing effects related to patents and drug pricing.

Quality Watchlist

RadNet (NASDAQ: RDNT)- Current Price: $59.57, 52-wk. high: 67.93, 52-wk. low: 25.11, P/E: 331.33, Beta: 1.74, Market Cap: $4.411bn

RadNet is an American radiology firm offering outpatient diagnostic imaging with 365 locations across seven states. Not only does this company maintain the largest holding in a relatively unconcentrated industry, but it has also been implementing AI software solutions to enable more accurate cancer screenings and provide more efficient operational processes. They have experienced significant revenue growth of 12.14% year over year while maintaining strong cash flows. In the future, we see this stock continuing to grow due to RadNet's commitment to continuously acquiring AI-related technology to improve its positioning in the field. Additionally, with the imaging field growing rapidly, the company is planning to open 21 new centers in the short term.

UnitedHealth Group Inc (NYSE: UNH) - Current Price: $594.32, 52-wk high: 607.94, 52-week low: 436.38, P/E: 39.34, Beta: 0.60, Market Cap: $548.81bn

UnitedHealth Group is a US, Minnesota based, diversified health insurance company, that holds 33.56% of market share in the industry as of Q1 2024. Year over year, their revenue has increased by 10.59%. Their dividend yield is also strong at $8.40, or 1.41%, and in their Q2 earnings release they reported adjusted earnings per share of $6.80. UnitedHealth consists of several sectors: UnitedHealthcare, OptumHealth, OptumInsight, and OptumRx. Through these segments they can provide a large breadth of services and products including consumer-oriented health benefit plans, health financial services, software and information products, and pharmacy care programs, allowing them significant diversification of revenue streams. With US employer's expecting a 6% spike in health insurance costs in 2025, UNH should be able to continue their growth, along with sustaining their strong business model.

TMT

Sector Outlook

The week starting September 9, 2024, witnessed significant volatility across various companies in the Technology, Media, and Telecommunications (TMT) sector, as investors closely monitored recent mega cap tech earnings, and the release of August's CPI data. Factors such as advancements in artificial intelligence (AI) applications, anticipation of rate cuts, and robust earnings reports contributed to the Nasdaq's exceptional performance, returning 17.8% year-to-date. As we approach 2025, the TMT sector remains a pivotal driver of market performance. We are broadly optimistic, particularly as advancements in AI, 5G deployment, and streaming reshape the sector. We believe technology will continue to outperform, driven by AI and cloud computing, but regulatory pressures and economic uncertainty could hinder growth. Media companies will need to navigate rising content costs and labor disputes while pivoting to ad-supported models. Telecommunications, anchored by the global 5G rollout, will see new opportunities emerge, particularly in enterprise services and IoT. The TMT committee is cautiously optimistic, forecasting steady growth as economic conditions stabilize and technological innovation continues to deliver value for investors. Looking ahead, there is excitement building around the upcoming FOMC meeting on September 18th, where the Federal Reserve is widely expected to begin its long-awaited easing cycle and reduce the federal funds rate by 25 basis points.

Holdings Performance

Salesforce Inc (NYSE: CRM) - Current Price: $256.81, Purchase Price: $186.23 (+37.90% all time), 52-wk high: $318.72, 52-wk low: $193.68, P/E: 42.85, Beta: 1.30, Market Cap: $235.44bn

We have yielded strong returns since our acquisition of Salesforce (CRM) and have decided to hold our current position of 100 shares. Their latest earnings report on August 28th, 2024 surpassed analysts' expectations, with an EPS of $2.56 adjusted VS $2.36 expected, and revenues of $9.33B VS $9.23B expected. In the recent quarter, CRM saw major growth in their AI segments, which are providing customers the best experience possible. In their latest conference call, CEO Marc Benioff states, "With our new Agentforce AI platform, we're reimagining enterprise software for a new world where humans with autonomous Agents drive customer success together. Salesforce is the only company with the leading apps, trusted data and agent-first platform to deliver this vision at scale and help companies realize the incredible benefits of AI." Not only did the company release strong Q2 results, but they also offered robust guidance for the future, with FY2025 EPS of $10.03-$10.11, versus the consensus of $9.89. As of now, the TMT committee is issuing a hold on our CRM position.

Apple Inc (Nasdaq: AAPL) - Current Price: $216.32, Purchase Price: $163.64 (+32.19% all time), 52-wk high: $237.23, 52-wk low: $164.07, P/E: 33.61, Beta: 1.24, Market Cap: $3.38tn

Following Apple's recent earnings report, the company posted revenue of $85.78 billion, reflecting a 5% year-over-year growth. Earnings per share hit 1.4, up 11% from the previous year, but slightly lower than Q2's performance, due to increasing operational costs and fluctuating foreign exchange rates. iPhone sales remained stable at $39.3 billion, down 1% year-over-year, but Apple achieved growth in constant currency terms. Mac and iPad segments performed well, with Mac sales up 2% and iPad sales rising 20% due to exciting new model releases. Wearables, Home, and Accessories revenue saw a slight dip, declining by 2%. Gross margins held strong at about 46%, with product margins decreasing slightly due to inflationary pressures and supply chain adjustments. Shortly after Apple's recent Glowtime Event, Apple's shares fell more than 1.5% but rallied within the last hour of the day to finish flat. Apple's shares have fallen in recent days following other tech shares, though they're up more than 10% this year. Apple's stock price typically tends to underperform the market on the day of an iPhone launch event. We continue to expect strong revenue growth moving forward as users upgrade their iPhones to take advantage of Apple's AI features. The TMT committee is continuing a hold on our AAPL position.

Quality Watchlist

Broadcom Inc (Nasdaq: AVGO) - Current Price: $167.69, 52-wk high: $185.16, 52-wk low: $79.51, P/E: 136.33, Beta: 1.18, Market Cap: $783.21bn

Broadcom is a key player in semiconductor equipment for data centers, networking, and industry-specific applications, with a growing software portfolio after its VMware acquisition. While it doesn't compete with Nvidia in GPUs, it rivals Nvidia in networking with products like switches and SpectrumX. Despite a slight revenue guidance miss during its recent quarter, EBITDA and AI revenue guidance exceeded expectations. Given the strong performance across key segments and EPS growth projections of 14% this year and 26% next, we consider this a solid quarter for the company and will keep it on our watchlist.

PayPal (Nasdaq: PYPL) - Current Price: $70.35, 52-wk high: $74.40, 52-wk low: $50.25, P/E: 17, Beta: 1.43, Market Cap: $71.93bn

PayPal Holdings remains a strong steady growth tech stock to watch heading into 2025 due to its leading position in digital payments, growth in Venmo, and investments in emerging technologies like cryptocurrency. Strategic partnerships, cost management initiatives, and new revenue streams through merchant services enhance its value potential. While competition and regulatory risks exist, PayPal has seen impressive revenue growth as of late, with their share price increasing by nearly 9% in the past month. Their undervaluation and focus on innovation make it an attractive option for long-term growth. Paired with another titan of the fintech space, Mastercard, it could prove to be a successful addition given any volatile movements in its valuation this year. Thus, it will remain on our watchlist as they continue to stay on the cutting edge of the fintech space.

Industrials

Sector Outlook

The construction industry is expected to experience a bifurcated recovery, with strength projected in the entry-level and luxury residential markets, while mid-market segments may struggle. In commercial construction, performance coatings and resinous flooring are anticipated to lead the market, though new multi-family builds are likely to see a decline.

Renewable energy adoption remains subdued, with high costs and technological limitations in carbon capture hindering broader implementation. However, renewable diesel is emerging as a viable success story due to its cost-effectiveness and ease of integration into existing infrastructure. In the agricultural equipment sector, despite a slowdown and wavering replacement demand, experts believe stable farmer income and low delinquencies could mitigate the downturn.

The oil and gas industry is set for a dynamic year marked by significant shifts in supply, demand, and pricing. Global oil supply is projected to hit a record 103 million barrels per day, with an increase of 770 kilo barrels per day according to the International Energy Agency (IEA). While OPEC+ production is expected to decline by 1.4 million barrels per day, non-OPEC+ production is forecasted to rise by 1.7 million barrels per day. The US Energy Information Administration (EIA) anticipates a modest increase in US oil demand to 20.5 million barrels per day. Oil prices are predicted to stabilize with Brent crude at around $84 per barrel and WTI at $80 per barrel. Concurrently, oil and gas companies are leveraging artificial intelligence (AI) and machine learning (ML) to enhance operational efficiency, and upstream capital expenditure is set to surge nearly 40% above 2019 levels, reflecting robust investment in exploration and production.

Holdings Performance

Waste Management, Inc (NYSE: WM) – Current Price: $203.12, Purchase Price: $165.15 (+23.00% all time), 52-wk high: $225.00, 52-wk low: $149.71, P/E: 23.28, Beta: 0.75 , Market Cap: $81.52bn

Waste Management, a reliable and long-term holding of the portfolio, has seen a rather volatile last couple months within the industrials sector. WM reported earnings on July 24, 202 4for Q2, announcing a quarterly EPS of $1.82, missing consensus estimates of $1.83. Despite the slight risk, this is still a 20.53% increase over earnings of $1.51 per share in the previous year. Along with this, Waste Management reported Q2 sales of $5.40bn, missing estimates of $5.43bn by 0.46%, and a 5.53% increase year over year.

Aside from the disappointing earnings, Waste Management recently closed the books on an acquisition of Stericycle, a leader in medical waste services, for $7.2bn. They announced in June that they would be purchasing all outstanding shares of Stericycle for $62.00 per share in cash, a 24% premium representing a total enterprise value of roughly $7.2bn, with $1.4bn of Stericycle's net debt. This acquisition will provide Wm with a complementary business platform in the healthcare market, a sector with attractive near and long-term growth dynamics. Waste Management will now be positioned to offer customers the opportunity to partner with a single service provider, particularly with a comprehensive suite of environmental solutions.
We remain bullish on WM, as this acquisition solidifies the capital allocation priorities, expanding into the broader healthcare sector. They also maintain strong balance sheet and significant cash flow, helping them to fund this acquisition.

Chevron Corporation (NYSE: CVX) – Current Price: $143.46, Purchase Price: $165.15 (-12.40% all time), 52-wk high: $171.70, 52-wk low: $135.37, P/E: 14.20, Beta: 1.08, Market Cap: $260.25bn

Since its initial purchase, Chevron has performed rather disappointingly, currently down – 12.40% all time. With its recent earnings report for Q2, CVX missed both EPS estimates, reporting $2.93 compared to consensus estimates of roughly $2.74. A large part of this miss was driven more by upstream operations, which came in at $4.71bn, 8% lower than estimates of $5.14bn. Downstream operations were also a large catalyst for this miss, as earnings in this portion of the company were reported at $598mn, a hefty 24% lower than estimates of $792mn.

The company is expected to maintain large growth momentum of free cash flow, driven by upstream oil and natural gas production, as well as realized prices. FCF is poised to climb 10% in 2024, with our hopes that it outpaces its closely traded competitor, Exxon. Earlier in the summer, Chevron was set to acquire Hess Corporation, an independent energy company working in the gas and oil subsector. This deal has since been delayed, as the FTC probed HESS over OPEC communications issues. The $53bn deal now faces a long delay, expected to be delayed possibly into Q2 of 2025 at the earliest. If the deal is completed, it will diversify growth for Chevron beyond the Permian Basin and decrease execution risk in the Tengiz oil field. For now, we will monitor both the company's asset allocation and the process of the deal with Hess closely, with anticipation as to our position with CVX.

Advanced Drainage Systems (NYSE: WMS) - Current Price: $144.43, Purchase Price: $123.09 (+17.34% all time), 52-wk high: $184.27, 52-wk low: $102.32, P/E: 22.85, Beta: 1.53, Market Cap: $11.20bn

Advanced Drainage Systems (WMS) recently announced a strategic move to acquire Orenco Systems, a key player in advanced onsite septic wastewater treatment. This acquisition, anticipated to close in Q3 of fiscal 2025, will enhance ADS's portfolio and expand its presence in the fast-growing wastewater treatment segment. CEO Scott Barbour highlighted the company's robust performance across infrastructure, non-residential, and residential markets, noting the second-best quarter in ADS's history. The acquisition of Orenco is expected to drive further market penetration, leveraging enhanced scale and synergies between the two companies. With increasing frequency and intensity of rain events, there is a growing demand for advanced water management solutions, aligning with ADS's strategic focus.

Despite a recent 10% dip in stock value, ADS's strong financial health and high ROE suggest potential long-term gains. The company's return on equity (ROE) stands impressively at 39%, significantly higher than the industry average of 19%, reflecting strong profitability and efficient capital utilization. WMS’s ability to reinvest profits, as evidenced by a low payout ratio of 8.7%, supports its ongoing growth and innovation.

CAMS remains bullish on WMS due to its solid financial metrics, strategic acquisitions, and commitment to innovation and sustainability. The company's reinvestment strategy and impressive earnings growth underscore its potential for continued success.

Tractor Supply Company (NASDAQ: TSCO) – Current Price: $276.75, Purchase Price: $255.96 (+8.12 all time), 52-wk high: $290.38, 52-wk low: $185.00, P/E: 26.69, Beta: 0.80, Market Cap: $30.57bn

As the newest addition to the industrials portfolio, Tractor Supply Company operates a retail farm store chain in the United States. The company provides farm maintenance, animal, general maintenance, lawn and garden, light truck equipment, work clothing, and other products. Their main core consumer includes ranchers, hobby, part-time, and full-time farmers, as well as rural contractors, customers, and tradesmen. They own about 2,215 Tractor Supply and Orscheln Farm and Home retail stores, as well as 200 Petsense stores. The investment thesis behind this selection was focused on it’s strong growth profile as a company, and investment-driven improvement potential vs. underinvested competitors.

In terms of their performance since purchase, TSCO has appreciated in price by 8.12%, from their initial purchase at $255.96. A large catalyst in the company generating steady profits can be shown by their numbers in their Q2 2024 earnings report. Q2 sales were +1.5% y/y, with +2% of these sales coming from new stores. Gross margin expanded +43bps as transportation/product margin/EDLP tailwinds were offset by growth in lower margin from big competitors. Despite continued expansion into the Midwest, competitors are resilient in TSCO’s environment. With these considerations in mind, however, we remain confident in holding on TSCO at its current status. We expect to see a modestly expanded margin (via sticky pricing) to come soon, as well as advantages in expenditures vs its less capitalized peers.

Quality Watchlist

Cummins Inc. (NYSE: CMI) – Current Price: $301.59, 52-wk high: $322.83, 52-wk low: $212.80, P/E: 21.59, Beta: 0.98, Market Cap: $41.33bn

Cummins Incorporated designs, manufactures, distributes, and services diesel and natural gas engines. The company also manufactures electric power generation systems and engine-related component products, including filtration and exhaust aftertreatment, fuel systems, controls, and air handling systems.

The company has recently produced a Cummins X15N engine, which they are rolling out and supplying to Clean Energy Fuels Corp (CLNE). CLNE is currently the largest provider of renewable energy gas for the transportation industry, and this new purchase of Cummins' engine provides incredible potential for the expansion of the new product. The New 2025 Peterbilt 579 day cab tractor, branded in Clean Energy's signature green, will be equipped with the X15N natural gas engine, and will be available for fleets to test on their normal routes in up to two-week intervals. In these efforts to reduce carbon footprints, Cummins is ahead of its competitors through this trial run with reputable CLNE. For this reason, along with its well-balanced financials, flaunting a steady quarter over quarter increase in EBITDA and they have spent an increased amount of their cash towards investment in future products, we will monitor its position for a substantial price drop or significant event.

General Electric Co. (NYSE: GE) – Current Price: $180.33, 52-wk high: $182.42, 52-wk low: $84.22, P/E: 48.74, Beta: 1.18, Market Cap: $195.53bn

General Electric's recent (April 24') division into three separate entities being Verona, Healthcare, and Aerospace has posed a potential opportunity that we would like to see develop over time. GE Aerospace (GE) has continued even with the division to be one the largest U.S. industrial companies and we view that being the case for a reason. Their integration with airline manufacturers as turbo jet producers along with their mechanical aircraft systems and engine components lead the industry. Their positioning as a secondary parts provider also places them in an extraordinary situation for future development of commercial and defense related aircraft production. They provide resources and parts to every major continent working with private and public firms exposing them to wonderful opportunity but also potential drawbacks. Currently being up 76.45% YTD raises no alarms of their true value but rather just caution going forward as the industrials sector like all others, adjust to rates being lowered and the Presidential Election (being a factor in defense military aircraft production once national budgeting is finalized). GE consistently beats EPS which only makes our opinions of how well GE is run and the opportunity the stock might have higher. With a market cap near 200B and a PE of 48, we will continue to watch for pullbacks that might make for a more attractive buy price.

REITS

Sector Outlook

REITS have been underperforming due to a variety of factors. Elevated interest rates, lingering effects of COVID-19, poorly structured debt, and lack of investor confidence have stifled the industry. However, REITS are seeing some positive signs with many economists predicting several rate cuts of 25 basis points during the remainder of 2024. These rate cuts will allow many companies to refinance their debt that was becoming difficult to afford. Moreover, this will bail out many companies that had balloon mortgages and other types of debt that were set to mature within a 1-2 year time horizon. As a result, investor confidence is being restored. Although the office sector has continued to struggle, alternative housing, storage, and senior housing show promise for the coming months.

In addition to the potential rate cuts, REITs are also benefiting from increased demand in certain markets. For example, the surge in e-commerce continues to fuel growth in REITs as companies seek additional warehouse and distribution. Similarly, the growing interest in technology and data storage is driving demand for data center REITs, which are positioned to capitalize on the expanding need for cloud storage and digital infrastructure. A major concern for REITS in this sector is the vertical integration that Microsoft, Amazon, and Oracle are striving for. Opportunities may still exist using the aforementioned companies as clients, but such clients could quickly turn into powerful competitors. Furthermore, it may be wise to give proper consideration towards other sectors with a simpler demand structure. The aging population is contributing to a steady demand for healthcare and senior living facilities that will hold for the foreseeable future. These factors, coupled with the anticipated rate cuts, should lead to a gradual recovery across the broader REIT market, despite ongoing challenges in traditional office spaces.

Holdings Performance

Alexandria Real Estate Equity (NYSE: ARE) - Current Price: $124.71, Purchase Price: $112.67 (+10.69% all time), 52-wk high: $155.34, 52-wk low: $90.73, P/E: 153.48, Beta: 1.17 Market Cap: $21.33bn, Dividend Yield: 4.18%

In the year since CAMS purchased Alexandria Real Estate, the stock price has risen by 8.2% and is expected to do well when the Federal Reserve cuts interest rates. As of June 30, 2024, ARE has an asset base in North America that includes 42.1 million RSF of operating properties and 5.3 million RSF of Class A/A+ properties undergoing construction and one committed near-term project expected to commence construction in the next two years. These assets are expected to deliver an incremental annual net operating income aggregating $480 million by 1Q28. As of Sep 12, 2024, ARE announced the completion of the sale of a $150 million single tenet class A+ life science facility, located at 1165 Eastlake Avenue East. The company's track record of securing long contracts continued to be true as they got early 15 year renewals on two properties.

Quality Watchlist

CubeSmart (NYSE: CUBE) – Current Price: $54.55, 52-wk high: $54.68, 52-wk low: $33.17, P/E: 30.65, Beta: 0.84, Market Cap: $12.17bn

Trading at $53.92 with a 3.82% dividend yield, CubeSmart is a real estate investment trust that invests in self-storage facilities in the United States. As of December 31, 2022, it owned 611 self-storage properties in 24 states and the District of Columbia containing 44.1 million rentable square feet. Despite rates being uncut, CUBE is one of the strongest self-storage companies in America at this moment with RBC Capital praising it among its peers. The price target of $56.00 suggests a positive outlook for the company's stock, reflecting the firm's confidence in CubeSmart's potential for continued rent performance and strategic business advantages.

Omega Healthcare (NYSE: OHI): Current Price: $40.80, 52-wk high: $41.09, 52-wk low: $27.53, P/E: 30.91, Beta: 0.99, Market Cap: 10.82bn

Trading at $40.57, and a 6.61% dividend yield, Omega Healthcare Investors Inc is a healthcare facility real estate investment trust that invests in the United States real estate markets. Omega's portfolio focuses on long-term healthcare facilities. Omega has one reportable segment consisting of investments in healthcare-related real estate properties located in the United States and the United Kingdom. Its core business is to provide financing and capital to the long-term healthcare industry. Omega has been graded Undervalued while being rated highly stable in terms of growth both in a medium- and long-term view per S&P Global Market Intelligence.

CBRE Group Inc (NYSE: CBRE) - Current Price: $119.50, 52-wk high: $120.52, 52-wk low: $64.63, P/E: 40.24, Beta: 1.40, Market Cap: 36.62bn

Shares in CBRE Group have built up some good momentum lately, which has really inflated its P/E. Typically, we'd caution against reading too much into price-to-earnings ratios when settling on investment decisions, though it can reveal plenty about what other market participants think about the company. Shareholders have had their patience rewarded with a 26% share price jump in the last month. The last 30 days bring the annual gain to a very sharp 35%. With CBRE being leaders in short-, medium-, and long-term outlook they offer a great investment opportunity, as well as leaders in ESG Standards. Per MSCI,
Simply Wall St. and Trading Central.

Public Storage (NYSE: PSA) - Current Price: $362.99, 52-wk high: $364.61, 52-wk low: $233.18, P/E: 34.02, Beta: 0.67, Market Cap: 63.53bn

Since January 1st Public Storage has jumped from a share price of $285 to $359. Public Storage contains a high occupancy rate within its units of 91%. With home prices expected to rise by 4.5% in 2024 the occupancy rate should stay at an all-time high if not rise for the company. Public Storage continues to expand as they have bought $2.7 billion worth of properties and acquired Simply Self Storage for $2.2 billion all in 2023. This acquisition strengthens their market presence and enhances their service offerings. Additionally, the company demonstrated its confidence in future growth by repurchasing $200 million worth of shares. These actions reflect Public Storage's commitment to strategic growth and shareholder value.

Fixed Income

Sector Outlook

Some of our fixed-income portfolio holdings have experienced price declines due to the Federal Reserve's aggressive rate hikes in the last 2 years, with the federal funds rate at 5.25%-5.50%. Despite this, credit ratings remain strong, and we see minimal risk of default, supporting our decision to hold bonds until maturity. Notably, the yield curve briefly returned to a normal slope in September 2024, a positive sign after two years of inversion, although some caution is warranted as this could precede economic slowing. Looking ahead, we expect the Federal Reserve to begin cutting rates in early September 2024, which should benefit our holdings. Historically, bond markets have performed well after rate cuts, with average returns of 8% six months and 13% one year after rate hikes end. This offers the potential for price appreciation with our current holdings. To navigate this environment, we plan to extend the duration of our portfolio to capitalize on falling rates. We remain focused on a balanced approach to fixed income investing, emphasizing credit selection in both high-yield and emerging market bonds while positioning for potential rate cuts.

Holdings Performance

MGM Resorts (MGM 5 ½ 04/15/2027) - Current Price: $98.56 (-6.69% all time), Purchase Price: $105.63, Coupon: 5.50%

MGM has had little movement within the past few months, with the bond hovering between $97-$99. The bond has a current Standard & Poor's rating of BB-. The slight increase in price over the last year is due to decreases in the inflation rate, leading to expectations of rate cuts. The Fed has kept the discount rate at 5.50% since it increased it from 5.25% in July 2023. The Fed is expected to drop interest rates by 25 basis points at its next meeting here in September 2024 and continue to do so at the next few meetings into 2025. With this in mind, we expect to see growth in MGM's price over the next few quarters, providing us with an opportunity to make back capital losses from our initial purchase.

Raytheon Technologies (RTX 4 ½ 6/1/2042) - Current Price: $93.12 (-24.97% all time), Purchase Price: $124.11, Coupon: 4.50%

Our RTX bond has remained in the low $90 range over the past month but has risen 5.2% in the past six months. RTX had a strong Q2, with shares increasing by 41.6% since the end of last year. The bond is rated BBB+ by Standard & Poor's, reflecting a solid credit standing. The price drop since our purchase is not unexpected, given the high interest rates of the past two years and concerns over RTX's liquidity. However, as a large firm with substantial assets and a strong credit rating, we have little concern about being repaid at maturity. With the Federal Reserve expected to cut rates soon, we anticipate recovering some losses if we choose to sell before maturity. For now, we plan to hold the bond and monitor its performance closely.

Source: Yahoo Finance

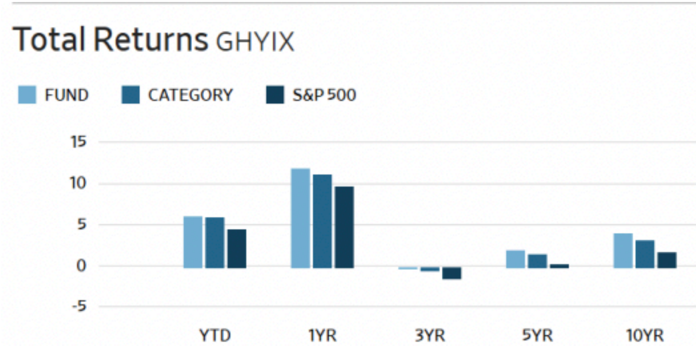
Icahn Enterprises (IEP 6 ¼ 05/15/2026) – Current Price: $97.98 (+2.74% all time), Purchase Price: $96.33, Coupon: 6.25%

Our IEP bond has performed well in recent months, with its current price rising to $98.97, reflecting a 2.74% gain from our purchase price of $96.33. Despite slight dips in September, the bond has benefited from steady Federal Reserve rates at 5.50% since July, boosting its performance given its strong coupon. Standard & Poor's maintains a BB rating for IEP, reflecting its higher yield and associated risk. Looking ahead, the Fed is expected to cut rates by 25 to 50 basis points, potentially driving further price appreciation. With a maturity date of May 2026, this bond remains attractive for its yield, especially as rates may decline in the coming months. 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.

Source: Yahoo Finance

Goldman Sachs High Yield Municipal Bond Fund (GHYIX) - Current Price: $9.45 (11.18% all time), Purchase Price: $8.50, NAV: $11.51B, Expense Ratio: 0.54%

GHYIX has shown resilience this year, despite continued Federal Reserve rate hikes that have impacted the broader fixed-income market over the past year. With its BBB credit rating, we remain confident in the fund's quality, alleviating concerns about potential defaults. The fund's 12.2% one-year return indicates solid performance. Given its exposure to high-yield municipal bonds and a favorable 4.31% dividend yield, we expect further upside as interest rates stabilize or decline in 2024. The fund's low turnover rate and consistent monthly dividends also enhance its appeal for long-term hold. We remain optimistic that GHYIX has more upside potential and will continue to deliver strong returns.



	YTD	1YR	3YR	5YR	10YR
Fund	6.34	12.11	-0.24	2.19	4.26
Category	6.18	11.43	-0.50	1.66	3.37
S&P 500	4.73	9.94	-1.57	0.54	1.91
% Rank in Category	41	33	35	21	10
Quintile Rank	3	2	2	2	1

3, 5, and 10 Year Returns are Annualized

Vanguard Emerging Markets Bond Fund (VEMBX) – Current Price: $10.28 (7.10% all time), Purchase Price: $9.55, NAV: $9.55B, Expense Ratio: .55%

Our position in the Vanguard Emerging Markets Bond Fund (VEMBX) has seen positive performance since its acquisition in April 2023. The current price stands at $10.28, reflecting a 7.10% gain all-time from our purchase price of $9.55. The fund continues to offer strong potential for growth. Despite the rate hikes over the past year, VEMBX has shown its resilience. While the fund is non-diversified, we believe its solid credit holdings and management, along with potential market stabilization, position it well for continued growth. With the Federal Reserve likely to pivot towards rate cuts, we expect further upside potential in this position.

Contrarian

Sector Outlook

The first 9 months of 2024 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. The market reflects this reaction in almost every sector. 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.

Accenture (NYSE: ACN) - Current Price: $349.57, Original Purchase Price: $337.50, Recent Purchase Price: $285.35, Average Price: $311.43 (12.39% all time), PE: 32.01, Beta: 1.24 Market Cap: $218.97bn

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. With an economic downturn around the corner Accenture and consulting 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 Exec 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.

As mentioned in our original investment thesis, Consulting companies will have cycles just as the economy does, however, when they prosper, they will produce extremely great returns. Accenture plans to stay ahead of the competition in every industry by knowing exactly where to focus their research and development. They have historically utilized their strengths in technology and management consulting to their advantage. However, now they plan to not only double down on IT research and development, but also expand into both the developing green economy and underserved market. When looking at Accenture's current clients, 73% of surveyed business leaders expect to achieve double-digit growth by 2025. Furthermore, they "aim to increase revenue by more than 20% per annum by 2025".

Finally with growing assets like cash and cash equivalents, Accenture looks to plan large acquisitions or long-term investments. Another sign of this is their steadily growing retained earnings, showing they are in a good financial position. Almost 90% of businesses in the Global Fortune 100 rely on Accenture for consulting services. They recently rolled out a mass technology sector that included thousands of hires and millions in revenue. Accenture works directly with major companies and corporations who are having internal and/or external problems. They create solutions through outsourcing, innovative strategic plans, and technology development. Clients hire Accenture to help them create more value within their business. These partnerships can last anywhere from a few months to a decade of consulting services. Accenture's industry knowledge, global scale, and innovative technology services has positioned them to be one of the biggest firms in the industry.

The GEO Group (NYSE: GEO) - Purchase, Price: $7.21, Sale Price $13.50, (87.24% Gain), Current Price: $12.75, P/E: 51, Beta: 0.65, Market Cap: $1.78bn

With a stated target price of $12.50 during our last sector analysis, we sold off our entire holding of The Geo Group for an approximately 87% gain. Trump's odds of presidency towards the end of the Biden run sent prices soaring well above fair market value, which we were fortunate to take advantage of. However, deteriorating earning strength and failure to deliver on management promises confirmed our thesis to sell. The substantial gains achieved quickly have allowed us the flexibility to seek more attractive investments. Please view the previous portfolio update for more commentary.

Green Thumb Industries (OTC: GTBIF) - Current Price: $10.42, Purchase Price: $9.58 (+8.76% all time), 52-wk high: $16.33, 52-wk low: $6.42, P/E (TTM): 37.07, Beta: 1.44, Market Cap: $2.44bn

In our previous sector analysis, we detailed how the potential reclassification of cannabis to Schedule 3 will impact the ever-changing cannabis landscape, why certain operators are positioned to capitalize on industry weaknesses, and why Florida could spur a larger federal movement. Today, we will cover how Greenthumb is set up to dominate the cannabis industry.

To begin, Greenthumb is the most profitable cannabis operator within context. Trulieve posted very strong numbers with up to 60% gross margins. However, Greenthumb operates a large portion of its business in the wholesale distribution line. Wholesale historically has lower margins because of the amount sold. Trulieve generates almost zero wholesale revenue due to their concentration in the state of Florida. For context, cannabis operators are forced to vertically integrate to avoid transporting illegal cannabis across state lines. Therefore, as states continue to progress, Greenthumb is best positioned to capitalize. And their products work. Their "Incredibles" brand (8% market share) and "Dogwalker" pre-rolls both rank among the top three in total market share within their specific segments. Greenthumb uses its brand strength to bolster margins and continually produce elite profitability numbers. Since our purchase of Greenthumb, its TTM earnings have nearly doubled. By the end of 2026, analysts predict earnings will have tripled from this already doubled number. By 2029, analyst predictions suggest earnings will be eight times our current TTM. Any additional regulatory actions or M&A, as mentioned next, will certainly speed up and amplify this process to even higher levels.

While historically benefitting from a focused approach on internal growth, Greenthumb is nowhere near done capitalizing on a weak broader market. Today, GTBIF announced that they received industry-leading rates on their refinanced senior secured debt in the amount of approximately $150 million at a SOFR + 5% rate. This will be used, along with a portion of their cash balance, to retire the $250 million of current senior debt. It gives them the ability to not only remain financially flexible for future opportunities but also provides the flexibility to reduce rates once the Fed cuts. They also secured a long-term partner with over $60 billion in AUM in one of the first bank-backed cannabis loans to large multi-state operators. Why is this such a big deal? With only $225 million in long-term debt, excluding lease obligations, they have the flexibility to acquire major operations without over-leveraging. Not to mention, by the end of this year, they will be earning about half of their long-term debt per year in REAL retained income.

Compared to competitors, Greenthumb is a true unicorn. Since 2021, the top five operators have produced 22 profitable quarters. Greenthumb has produced 13 out of the 22 profitable quarters. (4 From trulieve 2021, 4 from Verano 2022, and 1 from Cresco 2024). Useful financial analysis follows according to their recent earnings report follows:

Revenue Breakdown

- 11% y/y revenue growth `
- 53% gross margins
- 19.3% operating margins

Balance Sheet Risk Ratios

- Total Debt to EBITDA: 1.63x
- EBITDA/Interest 15.49x, industry average is 3.88x
- Current Ratio: 2.4x prior to maturation of long-term debt
- Debt to book value: 24%

Ben Kovler, CEO of Greenthumb continues to impress as well. He is committed to shareholder value, echoing the Buffett commandments on the dangers of dilution. Not only does he refuse to dilute, but he has also authorized the purchase of up to $100 million in buybacks. He stays true to the game and follows all legal tax obligations, unlike much of the industry.

Asset Allocation

Sector	Weighting
Real Estate	0.76%
Industrials	8.45%
Consumer	9.88%
Healthcare	21.68%
Financials	18.20%
Technology	7.08%
Contrarian	7.79%
Fixed Income	7.84%
Cash	19.32%

Company	Weighting
ALEXANDRIA REAL ESTATE EQUITIES, INC. (XNYS:ARE)	0.76%
LiveOne, Inc (XNAS:LVO)	0.99%
RTX 4.5% 6/1/2042 Corp	1.15%
Vanguard Emerging Markets Bond Fund;Investor	1.39%
Novartis Inc. (XNYS:NVS)	1.61%
Goldman Sachs High Yield Municipal Fund	1.66%
CHEVRON CORPORATION (XNYS:CVX)	1.73%
TAPESTRY, INC. (XNYS:TPR)	1.74%
IEP 6.25% 5/15/2026 Corp	1.77%
INTUITIVE SURGICAL, INC. (XNAS:ISRG)	1.79%
MGM 5.5% 4/15/2027 Corp	1.86%
TRACTOR SUPPLY COMPANY (XNAS:TSCO)	1.91%
EURONET WORLDWIDE, INC. (XNAS:EEFT)	1.91%
ADVANCED DRAINAGE SYSTEMS, INC. (XNYS:WMS)	2.00%
MASTERCARD INCORPORATED. (XNYS:MA)	2.08%
UBER TECHNOLOGIES, INC. (XNYS:UBER)	2.17%
APPLE INC. (XNAS:AAPL)	2.63%
ALLIANCEBERNSTEIN HOLDING UNT (XNYS:AB)	2.79%
WASTE MANAGEMENT, INC. (XNYS:WM)	2.81%
AMAZON.COM, INC. (XNAS:AMZN)	2.87%
GREEN THUMB INDUSTRIES INC. (OTCM:GTBIF)	2.98%
SWEETGREEN, INC. (XNYS:SG)	3.10%
THE GOLDMAN SACHS GROUP, INC. (XNYS:GS)	3.27%
SALESFORCE, INC. (XNYS:CRM)	3.46%
BEAZLEY PLC (XLON:BEZ)	3.60%
Novo Nordisk A/S (XNYS:NVO)	3.69%
ACCENTURE PUBLIC LIMITED COMPANY (XNYS:ACN)	3.82%
APOLLO GLOBAL MANAGEMENT, INC. (XNYS:APO)	4.19%
ELI LILLY AND COMPANY (XNYS:LLY)	6.61%
VERTEX PHARMACEUTICALS INCORPORATED (XNAS:VRTX)	7.99%
Pathward Financial, Inc. (XNAS:CASH)	19.32%

Since the inception of the Capstone Asset Management Society in 2018, we hold a total return of 85.36%, with an annualized rate of return of 10.83%, slightly below the S&P's annual return of 11.33% since that time. As highlighted by our weightings above, we remain overweight in three main groups, financials, cash, and healthcare, which is our biggest weighting at 21.68%. Vertex Pharmaceuticals (VRTX) alone makes up 8% of the entire portfolio and has been our highest returning investment at 144.61% since its purchase. At our current status, we see little to no reason to exit any specific positions within the portfolio, with exception to The Geo. Group (GEO), in part due to our large amount of dry powder in Pathward Financial. We currently hold $143,216 in cash on hand, and as it makes up 19.32% of the portfolio, we will look to expand our equity and bond positions by using some of this cash. With this, we want to grow our real estate investments, as Alexandria Real Estate (ARE) is the only holding within it, representing a mere 0.76% of the portfolio. In anticipation of rate cuts this upcoming week, we will monitor the Fed's decision closely. An easing of Fed's monetary policy will affect borrowing prices, thus changing the environment of cyclical sectors such as financials and real estate.

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 masters 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.

Analysts By Committee

Financials

Committee Head

Chris Rinaldi

Analysts

Sophie Smith
Gabe Radziszewski
Jake Kroner
Anthony Manetta
Creighton Fowler
Michael Hollingsworth
Nicholas Puma
Taylor Sharpe
James Karidis
James Gannon

Consumer

Committee Head

Justin Walker

Analysts

Aidan Gorman
Cannon Kenney
Dylan Mather
Elizabeth Hunter
Henry Danaher
Lauren Summe
Luke Marron
Maeve McInerney
Mason Whiteside

Max Brown
Mia Jankowiak
Morgan Beckler
Quinn Rinke
Ryan Gregg
Shea Chamberlain

Healthcare

Committee Head
Ryan Robinson

Analysts
Cecilia Cordell
Jon Schlesinger
Brayden Price
Charlie Wendell
Evan Alegre
Gabe Radziszewski
Kerri Mochnaly
Morgan Beckler

TMT

Committee Head
Campbell Watts

Analysts
Jesse Juliano
Ryan Gregg
Gregory Olson
Elias Prado
Dylan Mather
Dylan Bolduc

Quinn Rinke

Industrials

Committee Head
Greg Olson

Analysts
Blake Collins
Jacob Kim
Ethan Pflug
Jon Schlesinger
Cooper Brackett
Cannon Kenney

REITS

Committee Head
Zachary Rolland

Analysts
Evan O'Connell
Preston Vaughan

Fixed Income

Committee Head
Gabe Radziszewski

Analysts
Tyler Underwood
Nicholas Puma
Jacob Kim

Evan O'Connell
Elias Prado
Taylor Sharpe
Kerri Mochnaly
Shea Chamberlain

Contrarian

Committee Head
Conner Forbes

Analysts
Jack Schreiber
Riley Flynn
Matthew Cote
Mason Corazzari
Brady Culin
Ryan Gregg
Jake Kroner
Dylan Mather
Dylan Bolduc
Alex Barrido