

Fall 2024  
Portfolio Report



**UConn**

**SCHOOL OF BUSINESS**

Student Managed Fund  
Graduate Team

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## Letter to the Investment Advisory Board Members

Dear Members of the Investment Advisory Board,

On behalf of the SMF Graduate team, I am pleased to present our Fall 2024 Report and share the progress we have made this semester. Our team of eleven, including five leadership members and six analysts, brings diverse perspectives from fields such as engineering, business, insurance, and real estate. Representing both the MBA and FinTech programs, this diversity has been instrumental in shaping our approach to investment analysis.

Under the guidance of Professor Rakotomavo and Laurel Grisamer, the SMF Graduate team successfully managed an initial fund of \$550,800 during the Fall semester, achieving a \$33,000 growth by the Fall 2024 IAB Review on November 22<sup>nd</sup>. Their mentorship has been instrumental in refining our investment strategies and enhancing our understanding of portfolio management.

As we advance into the Spring semester, our objectives are clear:

1. Fully invest all available funds by mid-February.
2. Diversify holdings across all sectors of the S&P 500.
3. Evaluate the portfolio's performance against market benchmarks to ensure alignment with our risk-adjusted return objectives.

We are committed to maintaining a disciplined, data-driven approach to managing the fund and look forward to building on the foundation arranged this semester. Thank you for your trust and the opportunity to manage these resources.

Best regards,

Thomas Liaskas  
Lead Manager, SMF Graduate Team

## Fund Management Team



Thomas Liaskas  
Lead Manager



Nico Wright Sr.  
Portfolio Manager



Gaurav Borad  
Digital Media Manager



Ricardo Vazquez  
Risk Manager



Hetarth Maulik Patel  
Communication Manager



Shane Carroll  
Analyst



Vishwadish Desale  
Analyst



Andrew Handfield  
Analyst



Krishna Patel  
Analyst



Mitchell Rarey  
Analyst



Juncheng Yang  
Analyst

## Investment Philosophy

Our team's investment philosophy is centered around a bottom-up approach, where we focus on analyzing individual companies and their fundamentals, rather than macroeconomic factors like industry and sector trends, as well as geopolitical events. It's our belief that companies with strong fundamentals can perform well, even in weak economic environments. Through our detailed analysis of a company's financial statements and competitive advantages, we aim to identify opportunities that other investors might overlook. Throughout the semester we've used valuation metrics to help determine whether a stock might be undervalued or overvalued relative to its peers, which is another avenue for us to identify mispriced opportunities. Those include price-based metrics, like price-to-earnings, to assess a company's valuation relative to its earnings.

We set an asset allocation target of 80% value and 20% growth for our portfolio. We believe that this complements our bottom-up approach well, as the 80% allocation to value stocks allows us to focus on undervalued companies with strong fundamentals. For example, Dollar General, who has stable revenue growth, pays out a consistent annual dividend amount, and was trading at about 12 times its earnings when we purchased the stock. The 20% allocation to growth stocks is a way for our portfolio to capture the potential upside of innovative companies, even if they trade at premium valuations, as they offer higher risk, higher reward opportunities for us. An example of this is NVIDIA, who has continued to beat Wall Street estimates in 2024, following strong AI demand, but the company was trading at nearly 50 times its earnings when purchased.

## Investment Process

As for screening criteria, we began with our investable universe, which is U.S. large-cap stocks, and from there, we consider if the company falls under our criteria for value or growth. Should the company fall under value, we leverage the MorningStar Direct database as an initial screen. Through the tool, we search for stocks that have a price-to-fair value ratio under one, which helps us understand if a stock is trading below its estimated fair value. As mentioned earlier, we also require a relative valuation analysis for each stock. For example, how does a company's price-to-earnings compare to both its peers and the industry average. Should the company fall under growth, it must have revenue or earnings per share growth equal to or greater than 10% over the last three years. This helps us identify companies that demonstrate significant growth in their financial performance. Additionally, we leverage qualitative indicators for growth stocks, searching for companies that have disruptive business models and competitive advantages in their industries to sustain their growth. Finally, regardless of whether it's a value or growth stock, we ask each team member to calculate their own intrinsic value of a stock through various models in Excel to help determine where a stock is trading relative to what we believe it's worth. A visualization of this process is seen in Figure 1, below.



**Figure 1:** Framework for evaluating U.S. large-cap equities to identify pitch candidates.

## Portfolio Sector Coverage by Analyst

Sector	Analysts
Technology	T. Liaskas, K. Patel, and S. Carroll
Financial Services	N. Wright, A. Handfield, and V. Desale
Healthcare	N. Wright, A. Handfield, and V. Desale
Consumer Cyclical	T. Liaskas, K. Patel, M. Rarey, and J. Yang
Communication Services	N. Wright, A. Handfield, and V. Desale
Industrials	T. Liaskas, K. Patel, M. Rarey, and J. Yang
Consumer Defensive	T. Liaskas, K. Patel, M. Rarey, and J. Yang
Energy	S. Carroll, H. Patel, G. Borad, and R. Vazquez
Utilities	S. Carroll, H. Patel, G. Borad, and R. Vazquez
Real Estate	S. Carroll, H. Patel, G. Borad, and R. Vazquez
Basic Materials	N. Wright, A. Handfield, and V. Desale

**Table 1:** Analyst coverage by sector.

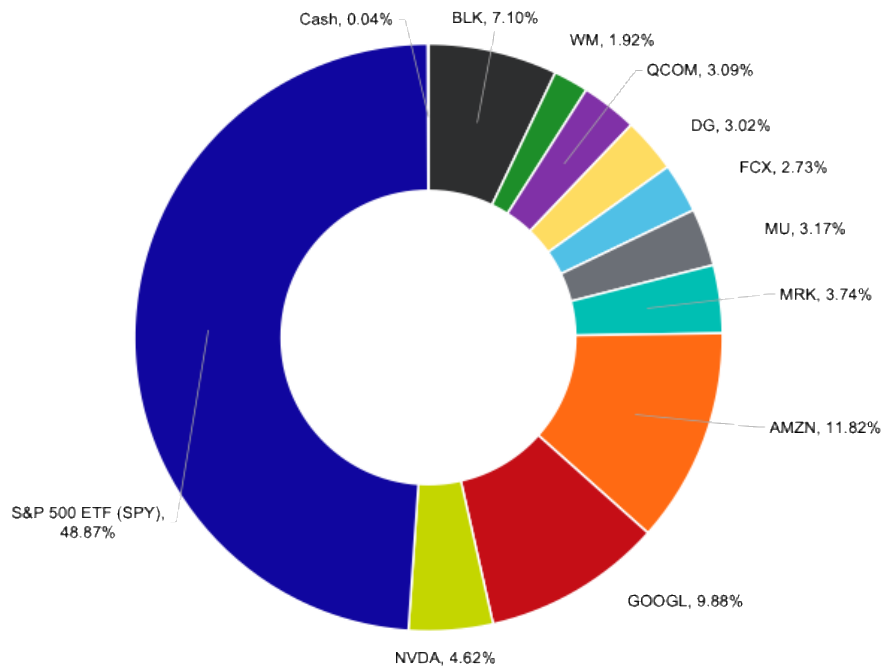
## Portfolio Allocation and Performance

### Allocation per Asset

When pitching a stock, the analyst suggests a recommended investment allocation as a percent of our portfolio. This suggestion is open for debate and is a considered factor during the voting process. The suggested allocation amount is loosely based on S&P 500 sector weights but may vary.

At time of purchase, we allocated between 2% and 12% of our portfolio to each stock. Our smallest allocation was Waste Management at 2%, and our highest Amazon at approximately 12%. As of November 22<sup>nd</sup>, the final day of trading for the Fall semester, our allocations based on current market value ranged from 1.9% (Waste Management) to 11.8% (Amazon).

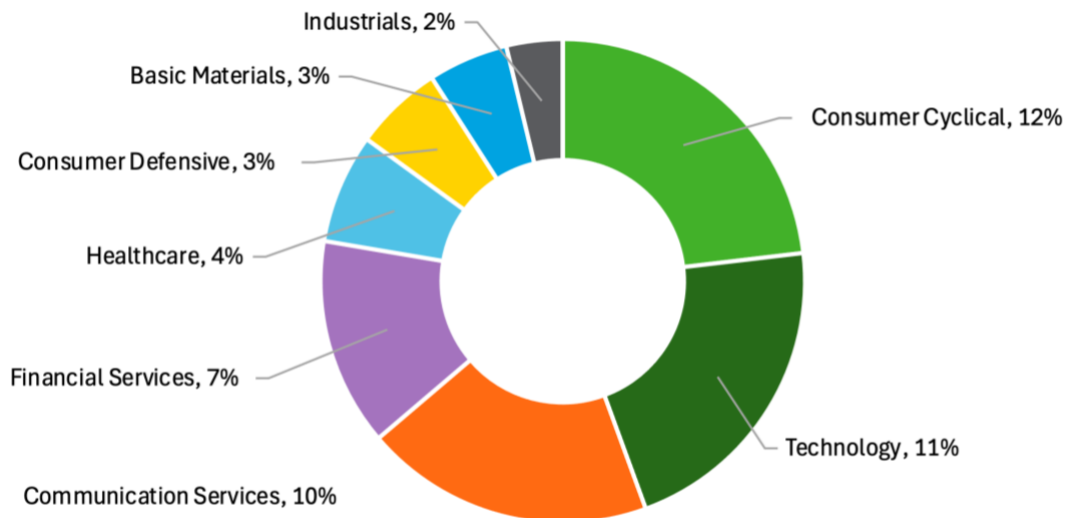
At the end of the trading semester, our SPY holdings amounted to 49% percent of our portfolio. Our target was to have at least 40% of assets invested in non-SPY holdings by the end of the semester; we exceeded that target by 11% with 51% invested in non-SPY holdings. The end-of-semester asset allocation breakdown is shown in Figure 2.



**Figure 2:** Portfolio allocation per asset as of November 22, 2024.

### Allocation per Sector

When choosing stocks, a bottom-up approach was used with sector diversity secondary. However, as a rough guideline, we attempted to not greatly exceed the S&P 500 sector weights. Our allocations per sector range from a low of 2% in Industrials, to a high of 12% in Consumer Cyclical. In addition, we have allocated no funds towards the Energy, Utilities, and Real Estate sectors. Our allocation breakdown by sector can be found in Figure 3. Our comparison to the S&P 500 sector weights is broken down in Table 2.



**Figure 3:** Portfolio allocation per sector as of November 22, 2024. Excludes SPY holdings.

Sector	S&P 500 Sector Weight	SMF Allocation	Overweight/ Underweight
Consumer Cyclical	10.0%	11.8%	1.8%
Technology	32.0%	10.9%	-21.1%
Communication Services	9.0%	9.9%	0.9%
Financial Services	13.0%	7.1%	-5.9%
Healthcare	12.0%	3.7%	-8.3%
Consumer Defensive	6.0%	3.0%	-3.0%
Basic Materials	2.0%	2.7%	0.7%
Industrials	8.0%	1.9%	-6.1%
Energy	4.0%	0.0%	-4.0%
Utilities	2.0%	0.0%	-2.0%
Real Estate	2.0%	0.0%	-2.0%

**Table 2:** Allocation per sector, compared to S&P 500, as of November 22, 2024. Excludes SPY holdings.

## Returns

Overall, our portfolio return was 5.97% vs. the S&P 500's return of 6.1%. Thus, we slightly underperformed the benchmark by a spread of -0.13%. This summary comparison is shown in Table 3: Summary of the SMF Graduate team's returns vs. the S&P 500, as of November 22, 2024..

Portfolio	Cost Basis	Market Value	Difference
S&P 500	\$5,626.02	\$5,969.34	6.10%
SMF Portfolio	\$550,770.90	\$583,671.67	5.97%
<b>SMF Portfolio Spread</b>			<b>-0.13%</b>

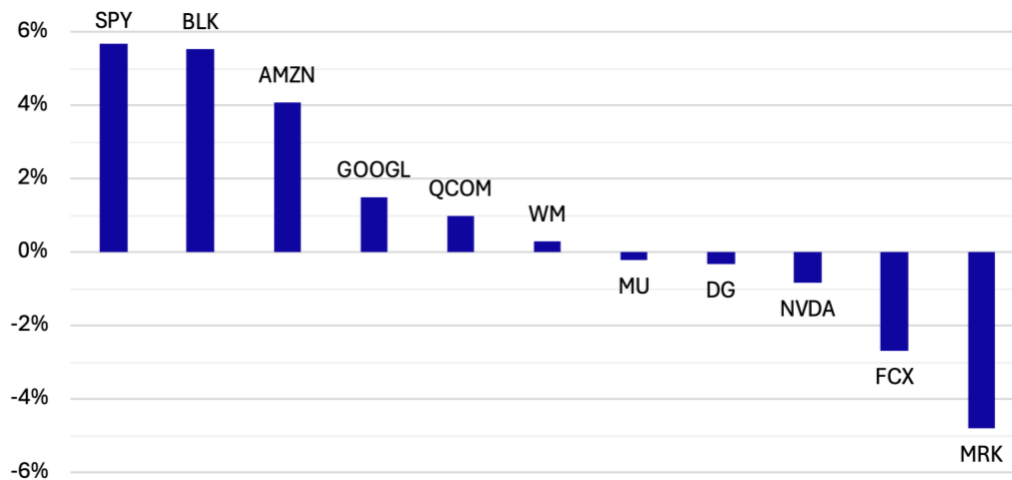
**Table 3:** Summary of the SMF Graduate team's returns vs. the S&P 500, as of November 22, 2024.

The returns of our individual assets ranged from a low of -4.8% for Merck & Co. to a high of 5.53% for BlackRock. Overall, SPY was the highest-returning asset at 5.67%. However, our SPY shares have been held for significantly longer than the other holdings, which were acquired throughout the semester. Individual returns are shown in Table 4, with a graphical representation shown in Figure 4.

Name	Ticker	Cost Basis	Market Value	Return
SPDR S&P 500 ETF	SPY	\$563.55	\$595.51	5.67%
BlackRock	BLK	\$982.19	\$1,036.56	5.53%
Amazon.com	AMZN	\$189.39	\$197.12	4.08%
Alphabet Class A	GOOGL	\$162.35	\$164.76	1.48%
Qualcomm	QCOM	\$155.27	\$156.79	0.98%
Waste Management	WM	\$223.73	\$224.41	0.31%
Micron Technologies	MU	\$102.85	\$102.64	-0.20%
Dollar General	DG	\$75.18	\$74.93	-0.33%
NVIDIA	NVDA	\$143.15	\$141.95	-0.84%
Freeport-McMoRan	FCX	\$44.92	\$43.72	-2.67%
Merck & Co	MRK	\$104.18	\$99.18	-4.80%



**Table 4:** Return per asset as of November 22, 2024.



**Figure 4:** Returns per asset as of November 22, 2024.

## Economic Outlook

Throughout the Fall semester, we witnessed two significant economic events. To begin, the U.S. Federal Reserve cut interest rates by 50 basis points in September 2024, marking the first rate cut since March 2020. The Fed's decision was influenced by progress towards their dual mandate of maximum employment and stable prices. In November, the Fed reduced the federal funds rate further by 25 basis points, citing a continued effort to support economic growth amid easing inflation and labor market conditions. Now, all eyes are on their upcoming meeting in December, where we expect another 25 basis point reduction. The CME FedWatch Tool, which tracks the probability of changes to the Fed rate, as implied by 30-Day Fed Funds futures prices, indicates a 96.9% probability of a 25 basis point cut at the December meeting. Additionally, the Consumer Price Index, while slightly above the Fed's 2% target, is in line with expectations, but the unemployment rate increased slightly in November, which suggests some easing in labor market tightness.

However, we expect the Fed will lower interest rates at a slower pace in 2025. This is our outlook because the Personal Consumption Expenditures (PCE) Index, the Fed's preferred inflation gauge, remains persistently above their 2% target. This suggests to us that certain components of U.S. inflation are sticky, and it will be challenging for the Fed to aggressively cut interest rates, as doing so could potentially re-accelerate inflation. What does this mean for the stock market? Well, this likely will result in higher for longer interest rates, even if it risks slower growth or mild economic contraction. Companies with higher debt levels or cyclical business models may face reduced corporate profits due to higher financing costs and slower demand. We expect high-growth sectors like information technology, which derive much of their valuation from future earnings, to experience downward pressure. Our investment approach will likely experience favorable tailwinds, as investors rotate to value stocks with stable cash flows and lower valuation multiples.

The second significant economic event that took place was the U.S. election, which resulted in a second presidential term for Donald Trump. In addition, Republicans now have control over both the Senate and

the House. Therefore, the next administration will be able to enact many of its policies. That includes an extension of the Tax Cuts and Jobs Act, which lowered the corporate tax rate to 21%, and could potentially lower it to 20% or 15%. On foreign trade, Donald Trump has stated that he wants to impose a universal tariff of 10% to 20% on all imports and impose a 60% tariff on imports from China. Overall, we believe that these policies will have an impact on capital markets. The tax cutting will likely be good for U.S. companies because it will boost corporate earnings, and we certainly saw the domestic equity market respond positively after the election results, but it will also increase government deficits because it reduces the amount of revenue that the government collects. We believe the tariffs will likely hurt the U.S. consumer because companies often pass the higher costs on to their customers. This has the potential to reduce consumer spending and demand, which would ultimately lead to weaker corporate earnings. Furthermore, trading partners often respond to tariffs with retaliatory tariffs, making U.S. exports more expensive and less competitive in international markets.

In conclusion, the Fall semester highlighted two pivotal economic developments that will shape the trajectory of capital markets and broader economic conditions moving forward. Trump's presidency will likely reignite inflation in 2025, should he proceed with a wave of tariffs on U.S. imports. We believe that this will prevent the Federal Reserve from cutting interest rates quickly in 2025, as inflation remains above their 2% target. The higher for longer interest rate environment is likely to pressure growth-oriented sectors while favoring value stocks with stable cash flows. Regardless of the economic or political backdrop, our focus remains on identifying companies that display strong fundamentals and track records of growth.

## Environmental and Social Return Analysis

As mentioned earlier, the SMF Graduate team utilizes a bottom-up approach for our research and analysis of individual equities. A key part of our bottom-up research includes a review of ESG scores and risks for each stock. Incorporating ESG scores into equity research allows investors to better understand both internal and external risks not apparent in traditional financial metrics. In addition, ESG analysis enables investors to align their portfolios with companies that share similar ethical values and practices as they do. Below is a summary of the framework used to interpret company-related risks concerning ESG practices:

### Environmental

- Regulatory: does the company's environmental practices or procedures position the company to incur increased costs due to tightening environmental regulations?
- Physical: does the company incorporate practices to mitigate unexpected costs from natural disasters or supply-chain disruptions?
- Energy Dependence: is the company heavily reliant upon fossil fuels? How would a transition away from their primary energy source impact profitability?

### Societal

- Reputation: can the company's practices lead to negative public perception that can lead to loss of market share?

- Employee and Talent Retention: do internal practices regarding DEI and recruitment cause issues with employee retention and productivity?

#### Governance

- Leadership: does the company's current management structure and processes lead to increased risks of fraud, corruption, and mismanagement?
- Regulatory/Compliance: does their adherence to legal standards increase the risk of legal penalties and audits?

The data for the ESG analysis is pulled by the analyst conducting the stock pitch during their initial research. A quick review of ESG scores is also included in the screening process, however, additional factors related to revenue growth or market leadership could outweigh negative ESG scores and push the stock through for further analysis. During pitches, ESG scores are shown to the team before casting votes.

We leverage Bloomberg ESG scores to analyze each stock, utilizing the Relative Value (RV) Function. Under the ESG scores tab, we can review an overarching ESG percentile score in addition to the individual score for each ESG component. Bloomberg also incorporates ESG ratings from outside sources such as MSCI, S&P, and ISS to help with additional comparisons. Overall, our team did well in selecting stocks that reported scores above or in line with the industry median score. For those with less favorable scores, there was no immediate concern regarding operational disruptions, high unexpected costs, or market underperformance. In addition, none of our current positions reported scores below the industry median for all three sub-categories. Moving into 2025, the team's selection process will continue to include an ESG evaluation to aid portfolio risk management.

## Future Plans

### Goals

Our team looks forward to building off what's been learned in the Fall semester to achieve three primary goals in the Spring:

- 1) Have all funds fully invested by February 14, 2025.
- 2) Diversify holdings amongst all sectors of the SPY index.
- 3) Objectively compare risk/performance of the SMF portfolio with the market.

Below details steps our team plans to implement to meet each of these objectives.

### Invest All Funds by February 14, 2025

Our team meets biweekly. Some of our Fall meetings were used for organizational items which stole time from reviewing new investment ideas. For the Spring semester, we'll assign meeting dates to team members to present investment strategies\*. Between January 2, 2025, and February 14<sup>th</sup>, our team will have thirteen meetings considering different investments.

### Diversify Holdings Amongst SPY Sectors

Team members will choose sectors to explore based on their interest and underweight positions in the SMF portfolio. Funding researched investments in Utilities, Real Estate, and Energy will be an immediate goal as we look to balance the portfolio. Balancing our investments should also include a look at efficiency using the efficient frontier model.

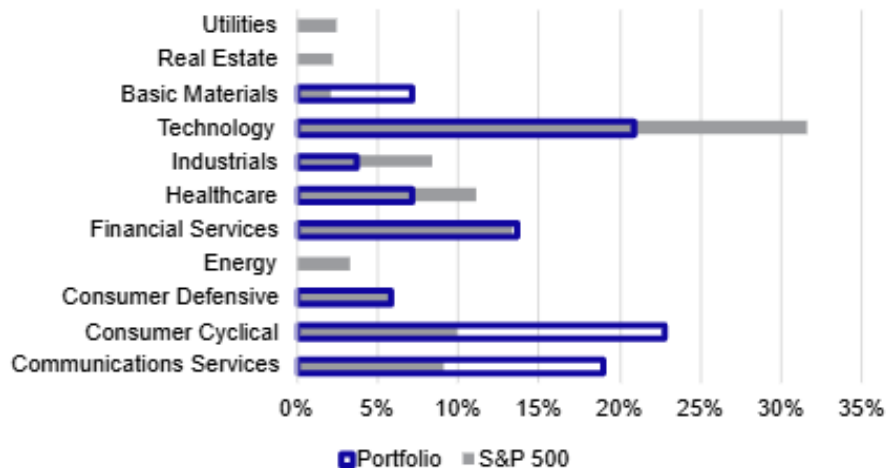


Figure 5: SMF Portfolio vs. S&P 500.

### Compare Risk/Return Against the Market

Our spring reports to the IAB will show that we've been thorough in our investment strategies as far as funding allocations and also that we've been thoughtful of how our portfolio compares with a market index like the SPY. Our final presentation and reports will include review of Sharpe and M2 ratios and how our ongoing mindfulness of risk versus performance instructed buying or selling positions during the Spring semester.

### Portfolio Equity Holding Descriptions

#### Waste Management, Inc. (NYSE: WM)

Waste Management is North America's largest waste disposal company, providing services such as collection, transfer, disposal, recycling, resource recovery, and landfill gas-to-energy. As of December 31, 2023, WM served over 21 million customers in the U.S. and Canada through 332 transfer stations, 263 landfills, 102 recycling plants, and 92 landfill gas projects. The stock was purchased at \$221.00, below the predicted intrinsic value of \$224.53, and constitutes about 1.74% of the overall portfolio.

Waste Management's extensive infrastructure portfolio in a capital-intensive industry supports long-term revenue generation. The company is increasing revenue from landfill-to-gas energy sales and expanding into the medical waste industry through the acquisition of Stericycle. Recent investments in operational efficiency, such as route optimization and automated sorting, will help manage rising costs and maintain profitability. WM's strategic initiatives are expected to yield significant growth, with a 10% dividend increase announced for 2025.

Waste Management benefits from its strong infrastructure and advanced technologies, but faces risks from softer collection volumes, elevated fuel and labor costs, volatile recycling commodity prices, and increased competition from new public-private companies. The company's ability to navigate these challenges will be crucial for sustained growth and profitability.

#### NVIDIA Corporation (NASDAQ: NVDA)

NVIDIA Corporation is a global leader in visual computing, AI, and accelerated computing technologies. It designs GPUs for gaming, professional visualization, data centers, and automotive markets. NVIDIA's platforms, including GeForce, Quadro, Tesla, and NVIDIA AI Enterprise, enable industries to solve complex computational problems. The company is a pioneer in AI infrastructure and cloud computing, partnering with major cloud providers, automotive companies, and enterprises for smart and autonomous systems.

NVIDIA dominates the GPU market with over 90% share in AI-related hardware. It leads in high-growth segments like AI, gaming, and data centers, capitalizing on high-demand industries. The company's significant investment in R&D (~20% of revenue) drives innovation in AI, robotics, and autonomous systems. NVIDIA's scalable business model, with software like Omniverse and CUDA, ensures recurring revenue streams. Our Buy recommendation reflects its robust market leadership, diversified growth avenues, and strong execution in high-growth sectors.

The rising adoption of AI across industries drives demand for high-performance GPUs and AI software. Growth in cloud computing and hyperscale data centers fuels demand for NVIDIA's GPUs. Increased demand for immersive gaming experiences supports GeForce GPUs, while expansion into autonomous vehicle platforms positions NVIDIA as a leader in future mobility. However, high valuation metrics make NVIDIA sensitive to market corrections, chip shortages and geopolitical issues could impact production, and emerging GPU rivals may erode market share in niche areas.

#### Dollar General Corporation (NYSE: DG)

Dollar General is the largest discount retailer in the U.S. by number of stores, with 20,345 locations in the U.S. and Mexico as of August 2024. Originally a family-owned chain, DG focuses on leveraging vendor relationships for quantity discounts and overstock purchases. With over 20,000 stores, DG operates within 5 miles of 75% of the U.S. population and has a significant presence in rural areas, providing exclusive reach.

Dollar General's forecasted free cash flow growth is driven by its expansion efforts and solid financial health indicators. With a nearly 4% dividend yield and a BBB credit rating, DG presents a value opportunity at 12.3x P/E. Geographic expansion and brand differentiation allow DG to access a wider range of consumers, while digital tools leverage existing data to generate upstream revenue.

Discount stores remain attractive due to elevated prices and declining construction and borrowing costs make new store operations less costly. However, increasing unemployment or underemployment, rising labor costs, and a shift toward consumables, which drive lower gross margins, pose risks.

Macroeconomic factors like inflation and higher labor costs can threaten retail revenue, and the trend toward consumables may weaken profitability.

#### Merck & Co., Inc. (NYSE: MRK)

Merck & Co., Inc. is a global healthcare company operating in the Pharmaceuticals and Animal Health segments. The Pharmaceutical segment, Merck's largest revenue driver, earned \$53.6B in 2023, focusing on therapeutics like oncology, immunology, and diabetes. Key products include Keytruda, Gardasil, and Januvia. The Animal Health segment, generating \$5.6B in revenue, focuses on veterinary pharmaceuticals and vaccines. Merck invests heavily in R&D to bring new therapies to market, maintaining a robust drug pipeline.

Merck's stock decline in 2024 was due to a one-time charge from acquiring Eyebiotech Ltd., but its fundamentals remain strong. Keytruda, a leading immuno-oncology drug, drives revenue growth and will be a cornerstone until its patent expires in 2028. Merck's substantial cash flows support heavy R&D investment, averaging \$800 million per new drug. Large-scale production capabilities enhance profitability and create market entry barriers. The Dividend Discount Model suggests a target price of \$139, indicating strong upside from the current price of \$104.

The pharmaceutical industry is high-risk, high reward, driven by significant R&D investments and regulatory oversight. Innovation is crucial, with companies investing in new drugs for unmet medical needs. Patents ensure profitability, but once they expire, generic competition reduces prices. The market is expected to grow due to aging populations and chronic diseases, but pricing pressure poses a risk. Increased M&A activity consolidates the industry. Risks for Merck include regulatory approval uncertainties, dependence on Keytruda, and intense competition.

#### Freeport-McMoran, Inc. (NYSE: FCX)

Freeport-McMoRan Inc. (FCX) engages in mining mineral properties in North America, South America, and Indonesia, primarily exploring for copper, gold, molybdenum, and silver. Key assets include the Grasberg minerals district in Indonesia and several mines in Arizona, New Mexico, Colorado, Peru, and Chile. Incorporated in 1987 and headquartered in Phoenix, Arizona, FCX was formerly known as Freeport-McMoRan Copper & Gold Inc.

Positive Outlook and Investment Thesis: Freeport-McMoRan is well-positioned to benefit from the growing demand for copper driven by renewable energy and electric vehicles. With a diverse portfolio of high-quality mining assets, including the Grasberg district, FCX's significant exposure to copper supports its growth potential. The company's strategic operations in key mineral-rich regions and commitment to innovation and sustainability enhance its ability to navigate industry challenges and leverage opportunities in the shifting energy landscape.

The mining industry is focusing on sustainable practices and technological advancements to improve efficiency and reduce environmental impact. Demand for copper is expected to rise with the growth of renewable energy and electric vehicles, supporting higher prices. However, FCX faces risks from commodity price volatility, geopolitical factors, and regulatory challenges. Continued investment in

exploration and improved mining technologies strengthens FCX's potential for profitable expansion and resilience in a competitive market.

#### Qualcomm, Inc. (NASDAQ: QCOM)

Qualcomm is a global leader in mobile and wireless technology, with a portfolio of over 200,000 active patents focusing on 3G/4G/5G technologies, low-power computing, and on-device AI. As a fabless producer of integrated circuits for voice and data communications, Qualcomm's products are widely used in smartphones, tablets, notebook computers, gaming devices, routers, and wireless infrastructure. The company's competitive advantage lies in its extensive patent portfolio, continually reinforced through heavy R&D investment, which totaled 25% of revenue in 2023.

Qualcomm is positioned for long-term growth with a forecasted rate of over 5%, supported by its industry-leading patent portfolio and a 5-year diversification strategy. The company's blend of value and growth is reflected in its trailing P/E of 15.72 and forward P/E of 13.8. Qualcomm's significant R&D reinvestment maintains its competitive edge in mobile technology, while its diversification plan mitigates risks associated with a narrow business model.

The semiconductor industry has a positive outlook, driven by the AI boom and emerging opportunities in autonomous vehicles, AI-enabled PCs, and high-bandwidth memory. Despite being highly cyclical, the industry is expected to grow faster than GDP over the long term. However, Qualcomm faces risks from geopolitical factors, regulatory challenges, exposure to China, reliance on a few major customers, customer in-sourcing, vertical integration, and dependence on patents in a fast-moving industry.

#### Blackrock, Inc. (NYSE: BLK)

BlackRock, Inc. is a publicly owned investment manager serving institutional, intermediary, and individual investors. It offers global risk management and advisory services, managing equity, fixed income, and balanced portfolios. BlackRock also launches and manages mutual funds, ETFs, hedge funds, and alternative investment vehicles. The firm invests across public equity, fixed income, real estate, currency, commodity, and alternative markets globally, employing both fundamental and quantitative analysis.

BlackRock's market leadership in ETFs and passive funds provides a strong competitive edge. Its diverse revenue streams, including tech-driven revenue from Aladdin, create stability amid industry fee compression. The firm's focus on ESG and expansion in emerging markets position it well for long-term growth. Conservative debt levels and effective risk management strengthen BlackRock's resilience and adaptability to economic shifts.

The asset management industry is shifting towards passive investment strategies, driven by fee compression and demand for low-cost options. BlackRock's strong presence in the ETF space positions it well to capitalize on this trend. However, the industry faces challenges from potential equity market corrections and fee compression. BlackRock's performance is influenced by market conditions, regulatory and compliance risks, reputational risks, interest rate risks, technology and cybersecurity risks, competitive pressures, and geopolitical and economic risks. The firm's focus on technology and

alternative investment solutions requires substantial investment, impacting short-term earnings as returns materialize gradually.

#### Alphabet, Inc. (NASDAQ: GOOGL)

Alphabet is a global technology leader with three core segments: Google Services, Google Cloud, and Other Bets. Google Services includes platforms like Google Search, YouTube, Android, and Google Play, along with hardware such as Pixel and Nest. Google Cloud has seen significant growth, providing cloud infrastructure, data storage, and analytics. The Other Bets segment encompasses emerging ventures like autonomous driving, drone delivery, and life sciences. Alphabet's primary revenue stream is advertising from Google and YouTube, contributing over 80% of total revenues.

Alphabet is part of the "Magnificent 7" tech giants driving the S&P 500's performance, making it crucial for investment portfolios. Despite regulatory concerns, Alphabet trades at a discount compared to peers, presenting a buying opportunity. A two-stage Free Cash Flow to Equity model estimates a target stock price of \$175, indicating a potential upside. Alphabet's EPS growth is expected to be driven by YouTube and Google Cloud, with a new quarterly dividend signaling stability. Robust financial performance and significant free cash flow support continued growth and share buybacks.

The Communication Services sector, including telecommunications, media, and entertainment, is dominated by digital advertising and streaming. Alphabet's strong competitive position is bolstered by Google Search's dominance and YouTube's vast user base. However, the industry faces challenges from data privacy, antitrust issues, and content moderation. Alphabet's main risks include antitrust regulation and competition from AI advancements and Amazon's entry into advertising. Maintaining dominance in a rapidly evolving industry requires continuous innovation and adaptation.

#### Micron Technology, Inc. (NASDAQ: MU)

Micron is one of the largest semiconductor companies globally, specializing in memory and storage chips. Its primary revenue comes from dynamic random-access memory (DRAM), with additional exposure to NAND flash chips. Micron serves a diverse global customer base, including data centers, mobile phones, consumer electronics, and industrial and automotive applications. The company is vertically integrated, enhancing its manufacturing capabilities.

Micron is poised for strong growth, with revenues projected to reach \$37.73 billion by 2025, driven by demand in AI, 5G, and autonomous vehicles. Despite the cyclical nature of the industry, valuation estimates, and analyst sentiment indicate significant upside potential. Micron's vertical integration and economies of scale enhance cost efficiency, manufacturing flexibility, and innovation, solidifying its competitive advantage.

Micron operates in technology-driven markets like AI, 5G, and autonomous vehicles, which drive demand for memory chips. However, the company faces challenges from the cyclical nature of the memory market, intense competition, and the capital-intensive requirements of continuous innovation. Geopolitical risks and trade policies, particularly between the U.S. and China, could impact market access and revenue stability.



Amazon.com, Inc. (NASDAQ: AMZN)

Amazon, founded in 1994, is a global technology company that began as an online bookstore and has since expanded into e-commerce, cloud computing (AWS), digital streaming, and AI. It serves a diverse customer base, including consumers, sellers, developers, enterprises, and content creators. Major offerings include the Amazon.com marketplace, Amazon Prime, Alexa, and AWS. Amazon operates primarily in the Consumer Discretionary sector and also serves the Information Technology sector through AWS.

Despite a P/E ratio of 44.32, Amazon is poised for robust growth, driven by its AWS segment, which is crucial for profitability in the expanding cloud market. Consistent free cash flow and strong AWS margins provide financial stability, supporting investments in logistics, content, and innovation. With 200 million Prime members, Amazon enjoys strong brand loyalty, contributing to sustained revenue growth. The company's ability to bundle services enhances customer retention and drives sales across multiple segments. The PEG ratio of 0.94 indicates attractive long-term value for investors.

The non-apparel retail industry is transforming due to e-commerce and technological advancements. Retailers are adopting automation to address labor shortages and improve efficiency, with Amazon leading this trend through advanced logistics and robotics. However, Amazon faces challenges from shifting consumer behaviors, increased competition, and significant investments in areas like Prime Video and its transportation network. Regulatory scrutiny, data privacy issues, and geopolitical risks also pose threats. Amazon's focus on technology and innovation requires substantial investment, impacting short-term earnings but offering long-term growth potential.