2024 GMU SMIF ANNUAL REPORT

GEORGE MASON UNIVERSITY

MONTANO STUDENT MANAGED INVESTMENT FUND

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Investment Strategy and Process

The Montano Student Managed Investment Fund operates under a value-based, top-down investment approach. The Fund currently manages roughly $425,000 and is diversified across eleven sectors that provide for a comparative analysis against the S&P 500 Total Return, our fund's benchmark index. The Fund's investment strategy seeks to preserve and enhance assets over time by tracking the benchmark index, while minimizing risk and transaction costs. The Fund's goal will be met by assessing future economic conditions, including inflation, recession risks and interest rate levels when determining investment positions within the portfolio.

The fund is actively managed by the investment, risk, and finance committees alongside student analysts. We aim to change our positions only at the end of each semester, as stated by our Investment Policy Statement. Our process begins at the beginning of the semester when student analysts are assigned a specific sector within the S&P 500. Once each sector has been assigned to a team of analysts, the semester starts with each group analyzing the performance of the holdings picked within their sectors from the previous semester. This allows our analysts to become familiar with the methodology of previous analysts as well as identify key drivers within their sectors. This preliminary research gives our analysts the opportunity to begin to identify holdings that they may wish to remove.

Once past performance has been sufficiently reviewed, our analysts will conduct a macro-level analysis of their individual sectors, the S&P 500, and various global markets. This process gets each team more familiar with their respective sectors and allows them to identify domestic and global macroeconomic risks to be used in future analysis. This allows analysts to identify key catalysts within their sectors that will help them avoid firms that may remain undervalued for long periods of time. At this point our analysts begin to identify potential firms that they may wish to add to the portfolio at the end of the semester.

After each team of analysts concludes which holdings they would like to remove from their sectors, and their respective replacements, they will present their findings to the class. At this point, the class will then vote on whether to accept the changes proposed by each sector or to hold the current position. Additionally, the class can vote to move the position into a sector ETF if they do not find the current position, nor the proposed changes made by the presenting team to be in line with our investment objectives. Holdings being added to the portfolio cannot represent more than a 5% weight of our total holdings as stated by our Investment Policy Statement.

Financial Highlights

The SMIF portfolio ended the year 2024 with a market value of $425,000 and its largest risk bets having been placed in NVIDIA Corp, Broadcom Inc, and IBM. The SMIF portfolio outperformed its benchmark by +3.34%, ending the year with a total portfolio return of 29.05% and a standard deviation of 11.65%, compared to the S&P 500's return of 25.71% and a standard deviation of 12.61%. The SMIF portfolio also returned a Jensen's Alpha of 6.03% and a Sharpe Ratio of 2.10. An analysis of the sector performance shows that the portfolio's Industrials and Utilities sectors outperformed by wide margins, which were 22.12% and 19.92% respectively. Consumer Discretionary and Energy sectors underperformed their benchmarks the most by -8.04% and -5.55% respectively. Statistical analysis reveals that our portfolio had a beta of 0.87 with a VaR of 1.04% and a CVaR of 2.15% - both with a confidence level of 95%.

Performance Analysis

Overall, we outperformed our benchmark by approximately 334 basis points through the period of January 1st, 2024, to December 31st, 2024, as the fund achieved a total return of 29.05%, compared to the S&P 500's return of 25.71%. This notable outperformance was primarily driven by strong gains in the Information Technology sector, which was the largest contributor relative to its weighting within the portfolio.

The Information Technology sector comprised 33% of the portfolio's total holdings and delivered an impressive total return of +43.26% over the period. In contrast, the sector's benchmark, represented by the Technology Select Sector SPDR Fund (XLK), recorded a return of 21.63%, highlighting the significant alpha generated by our active management in this space. Among the top-performing stocks in the sector, Microsoft emerged as the standout performer by weight, contributing +6.38% to the portfolio's overall return. This performance came after a strategic partial selloff of Nvidia shares, which allowed us to reallocate capital efficiently while maintaining strong exposure to key growth drivers within the sector.

On the other hand, the Consumer Discretionary sector was the weakest performer relative to its benchmark, the Consumer Discretionary Select Sector SPDR Fund (XLY). While our holdings in this sector posted a respectable return of +18.46%, they lagged behind the benchmark's return of 26.50%, indicating an underperformance of 804 basis points. This shortfall was largely attributable to weaker-than-expected performance from several key holdings in the retail and automotive segments, which faced headwinds from shifting consumer demand trends and macroeconomic challenges.

Despite the relative underperformance in Consumer Discretionary, our overall strategy of sector allocation and stock selection within high-growth industries contributed positively to our fund's success in surpassing its benchmark. Looking ahead, we will continue to focus on identifying opportunities in sectors with strong secular tailwinds while actively managing risk to sustain our competitive edge.

2024 Performance

2025 Investment Outlook

The S&P 500 experienced a remarkable 25.01% gain in 2024, benefiting from a confluence of favorable macroeconomic factors. These included strategic interest rate cuts, a cooling of inflationary pressures, and positive economic indicators, such as robust consumer spending and solid productivity growth. The labor market remained resilient, with employment numbers reaching record highs, further fueling optimism for the broader economy. As we look ahead to 2025. However, the landscape for capital markets will be significantly influenced by the incoming administration's policy shifts, which are expected to introduce a wave of deregulation, substantial corporate tax cuts, changes to immigration policy, and the potential implementation of blanket tariffs on a global scale.

Despite the Federal Reserve's planned interest rate cuts, we anticipate that the combination of these disruptive economic policies will drive inflationary pressures higher, which may necessitate a reversal of the current rate adjustments. This could result in sustained elevated interest income for the financial sector, particularly benefiting banks and other financial institutions. On the contrary, these same policies could exert pressure on the consumer discretionary sector, which may face headwinds from rising costs and uncertainty in consumer demand.

The anticipated upward trajectory of inflation is likely to erode consumer confidence, potentially leading to a decline in consumer spending. As inflation continues to rise, the growing burden on household budgets could push the Consumer Confidence Index lower, further dampening the outlook for consumption. Additionally, consumer credit debt rose significantly in 2024 to all-time highs. We foresee a potential increase in consumer credit default rates, which could exacerbate financial stress for both consumers and businesses. This trend may negatively affect sectors such as consumer discretionary and real estate, as both are particularly sensitive to shifts in consumer sentiment and credit conditions.

On the positive side, the deregulatory environment under the new administration is likely to spur increased mergers and acquisitions (M&A) activity, as businesses take advantage of less regulatory scrutiny, particularly from the Securities and Exchange Commission. Tech companies, which have historically been subject to significant regulatory pressures, could stand to benefit from these changes, leading to an acceleration of innovation and market expansion. Moreover, the forecasted surge in artificial intelligence (AI) investments, particularly in areas such as data centers and cloud storage, is expected to sustain GDP growth and generate new revenue streams for companies in the tech sector. These developments should help maintain strong corporate profits, particularly in industries that are capitalizing on the AI boom.

However, despite the positive outlook for certain sectors, stock market valuations are notably inflated, with exorbitant price-to-earnings multiples in many areas. While the AI-driven tech sector continues to see impressive growth, we anticipate that some areas, such as semiconductors and AI-related components, may experience price corrections as demand fluctuates. The market's momentum may ultimately give way to volatility, as investors recalibrate expectations for future earnings growth.

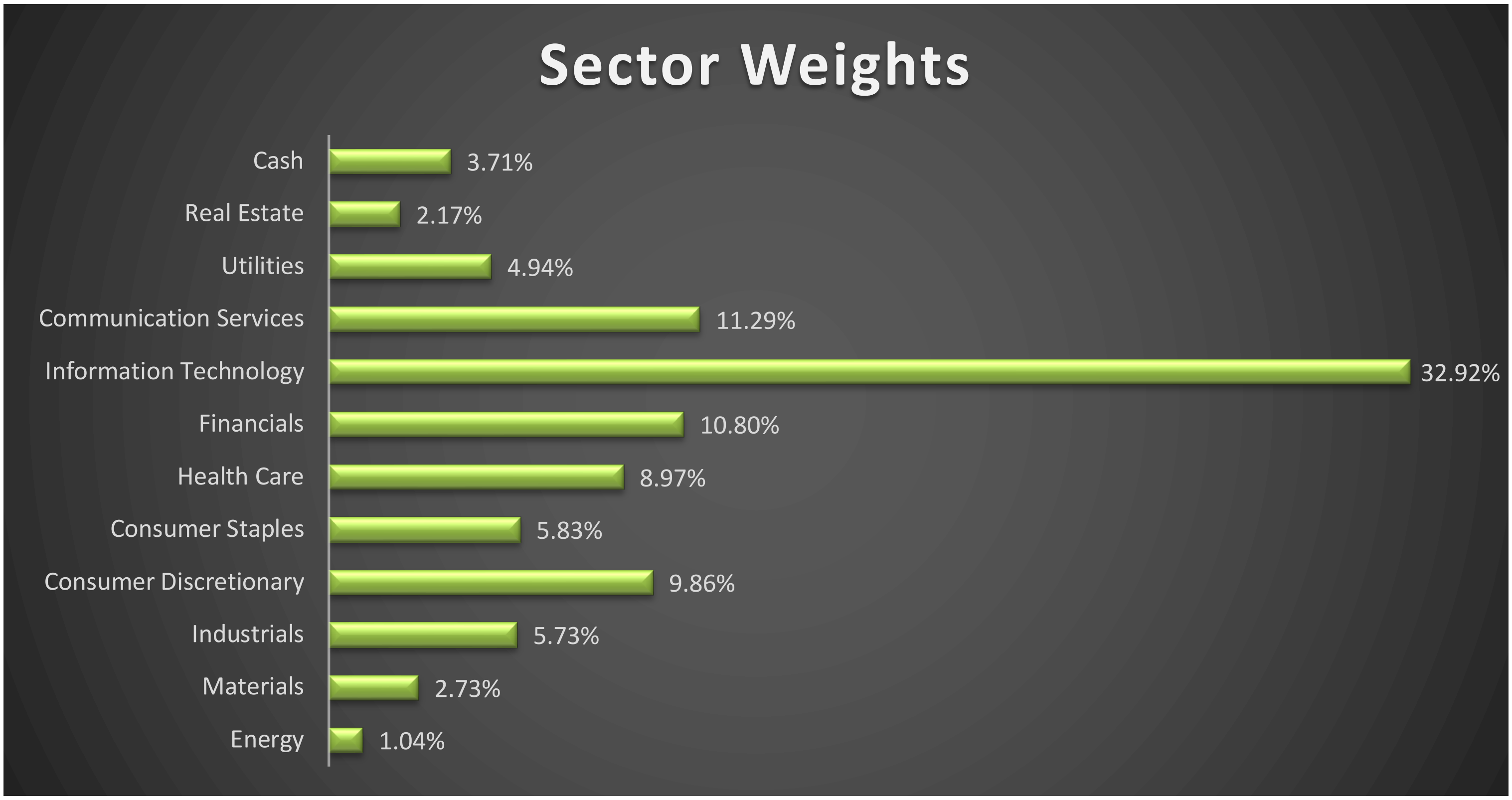
Global geopolitical tensions remain a critical risk factor for the markets, particularly in relation to supply chains and the semiconductor industry. The escalating tensions between Taiwan and China, the ongoing conflict in Ukraine, and the uncertain ceasefire in Gaza all contribute to an environment of heightened risk. These geopolitical uncertainties could disrupt supply chains, increase market volatility, and amplify existing risks for global trade, especially in industries reliant on stable supply networks including semiconductors, construction, and automotive manufacturing.

Looking forward to early 2025, we forecast that economic growth will accelerate in key sectors, including financial services, technology, and communications. These industries are well-positioned to capitalize on both domestic and international demand, and their growth is likely to outpace other sectors. Conversely, we remain cautious on real estate, consumer discretionary, and healthcare, which could face significant challenges amid rising inflation, tightening credit conditions, and shifting consumer priorities.

In terms of GDP growth, we expect stability, albeit with minor corrections in equity valuations, particularly in sectors that are overvalued or overly reliant on speculative growth. Protectionist policies, combined with a potential reversal of rate cuts and increased inflation, could lead to mounting concerns over consumer credit defaults. These dynamics will require careful monitoring, as they could have far-reaching consequences for both the broader economy and specific sectors.

GMU SMIF Sector Reports

GMU SMIF consists of eleven sectors that represent the benchmark for a comparative analysis. Each sector is tightly analyzed below in the following reports. These reports include current holdings, and sector performance during the analyzed period, along with statistical highlights and upcoming investment expectations. The eleven sectors in their order of presentation are: Energy, Consumer Staples, Consumer Discretionary, Materials, Healthcare, Communication, Industrials, Real Estate, Finance, Utilities, and Technology.



Energy Sector
Written By: Raheeg Joari

Sector Performance

For the year ended December 31st, 2024, the SMIF Energy sector underperformed its benchmark Energy Select Sector SPDR Fund (XLE) by 5.81%. The sector returned -0.038%, while its benchmark returned 5.77%. This performance was largely driven by the ongoing geopolitical tensions, volatility in oil prices, and policy uncertainties surrounding both traditional energy sources and renewables. Despite increased global focus on green energy initiatives, oil and gas production continued to play a significant role, with fluctuating demand driven by geopolitical disruptions, particularly in the Middle East.

Sector Summary

In 2024, the SMIF Energy sector faced significant challenges that hindered its performance. We sustained significant losses from Chevron (CVX), ConocoPhillips (COP), Valero (VLO), and Schlumberger (SLB), all of which positions were exited in Q3. Geopolitical conflicts, particularly in the Middle East, created continued instability, disrupting oil production, and causing fluctuations in global oil prices. The Biden administration's Inflation Reduction Act, which aimed at accelerating the transition to clean energy, added another layer of complexity for the sector. While the Act spurred growth in renewable energy investments, it also created uncertainties for traditional oil and gas producers, as companies adjusted to changing policies and regulatory pressures. Additionally, the rise in interest rates, a result of the Federal Reserve's ongoing efforts to curb inflation, exacerbated these challenges. Higher interest rates led to decreased demand for oil and gas, as well as reduced investment in energy projects due to increased borrowing costs. This combination of geopolitical unrest, shifting policies, and financial volatility led to heightened market uncertainty, contributing to the sector's underperformance in 2024.

Upcoming Investment Expectations

The Energy sector will continue to be shaped by a blend of traditional and emerging forces. The Trump Administration's focus on increasing domestic oil production through his drilling policy is expected to boost U.S. output, though market volatility may persist. Nuclear energy is also set to rise, with strong support for the development of next-generation reactors as a clean, reliable energy source. At the same time, the energy demands for AI will continue to grow, benefiting both traditional and renewable energy source providers. The ongoing push for renewable energy around the world will likely ensure long-term growth, though the energy market will remain volatile as these dynamics play out.

Statistical Highlights:

Sector Value: $4,449

% of Portfolio Allocated: 1.04%

Energy Sector	Weight %	HPR %
CHENIERE ENERGY INC	1.04%	16.65%
Total	**1.04%**	

Consumer Sector

Written By: Lydia Samuel & Abigia Abebe

Sector Performance

For the year ended December 31st, 2024, the SMIF Consumer Discretionary sector returned 18.46%, underperforming its benchmark, the Consumer Discretionary Select Sector SPDR Fund (XLY), by 8.04%. Home Depot (HD) was the sector's top performer, with a return of 17.82%, while McDonald's (MCD) was the lowest performer, with a return of -7.31%. In contrast, the SMIF Consumer Staples sector delivered a total return of 28.31%, outperforming its benchmark, the Consumer Staples Select Sector SPDR Fund (XLP), by 16.12%. Walmart (WMT) led the sector with a return of 52.59%, while Dollar General (DG) was the lowest performer, with a return of -10.31%.

Sector Summary

The year 2024 marked a strategic shift in the SMIF portfolio as analysts made notable divestitures from McDonald's (MCD) in the Consumer Discretionary sector, along with Dollar General (DG), General Mills (GIS), Hershey (HSY), Procter & Gamble (PG), and Constellation Brands (STZ) from the Consumer Staples sector. In 2024, the Consumer Staples sector saw slower growth compared to the Consumer Discretionary sector, which benefited from strong consumer spending and a recovering post-pandemic economy, despite inflationary pressures and rising credit delinquencies. Interest rate cuts and a strong job market further fueled optimism for Consumer Discretionary. However, SMIF analysts adopted a more cautious outlook for 2024, under-allocating to Consumer Discretionary and prioritizing the more defensive Consumer Staples sector. This strategic shift led to Consumer Staples outperforming the benchmark, while Consumer Discretionary underperformed.

Upcoming Investment Expectations

Given the rising political uncertainty and economic risks in 2025, we remain cautiously optimistic about the Consumer sectors while staying mindful of potential challenges. Policy shifts, such as tariffs, deportation measures, and inflationary pressures, could strain both sectors, particularly in categories like electronics, clothing, and toys. Additionally, labor shortages may drive up wages and operational costs. Despite these risks, we are bullish on Consumer Discretionary, supported by strong consumer spending and a recovering economy. As we move into 2025, we plan to focus on diversifying our Consumer Discretionary holdings, specifically targeting companies less affected by Trump Administration policy shifts, to mitigate challenges and position for long-term growth. For the SMIF Consumer Staples sector, we will look for companies that can cushion the impact of rising prices without significantly affecting their customers.

Statistical Highlights:

Sector Value: $67,455

% of Portfolio Allocated: 15.69%

Consumer Staples & Discretionary	Weight %	HPR %
TJX COMPANIES INC	1.77%	-4.19%
AMAZON INC	4.38%	17.82%
GENERAL MOTORS	1.49%	-0.26%
HOME DEPOT INC	2.22%	14.99%
WALMART INC	3.28%	52.60%
COSTCO WHOLESALE CORP	2.55%	39.61%
Total	**15.69%**	

Materials Sector

Written By: Jonathan Pino

Sector Performance

For the year ended December 31st, 2024, the SMIF Materials sector returned -2.02%, underperforming its benchmark Materials Select Sector SPDR Fund (XLB), which returned 0.14%. The SMIF Materials sector had a higher market value allocation than the S&P 500 (2.73% vs. 1.67%), reflecting a 1.06% overweight. The returns for the Materials sector were driven by Steel Dynamics (STLD), the sole holding in the Materials sector of the SMIF portfolio. Steel Dynamics (STLD) fluctuated throughout 2024 trending upwards. However, lower earnings were reported in Q4 resulting in a decline in share price.

Sector Summary

During 2024, the performance of the Materials sector was hindered by economic challenges in the U.S. and a slowdown of growth in China. Material demand declined in 2024 due to concerns over potential economic downturn in the U.S., combined with a decline in consumer demand and a downturn in China's property market that weighed heavily on global demand for materials. Together, the decline in material demand and high interest rates resulted in suppressed activity in interest-sensitive segments like construction materials for a large portion of 2024. The sluggish performance of the Materials sector highlights the importance of strategic diversification. With only one stock, the portfolio is susceptible to swings in the price of steel. Incorporating diverse material holdings such as DuPont de Nemours (DD) or LyondellBasell Industries (LYB) would give the portfolio exposure to different materials such as chemicals and fertilizers that are not closely correlated with any single commodity.

Upcoming Investment Expectations

Our 2025 Investment Outlook highlights a cautiously optimistic stance for the Materials sector, driven by improving macroeconomic conditions. As stated in our Investment Outlook a reversal of rates could have adverse effects on the real estate market which could directly affect the Materials sector, more importantly the steel industry.

Statistical Highlights:

Total Sector Value: $11,729

% of Portfolio Allocated: 2.73%

Materials	Weight %	HPR %
STEEL DYNAMICS INCORPORATED	2.73%	-2.01%
Total	**2.73%**	

Healthcare Sector

Written By: Eray Tulun

Sector Performance

For the year ended December 31st, 2024, the SMIF's Healthcare holdings returned 5.59%, outperforming the benchmark Healthcare Select Sector SPDR ETF (XLV) returns of 2.47% by a difference of 3.12%. The SMIF Healthcare sector has a lower market value allocation than the S&P 500 (8.97% vs. 10.10%), reflecting a 1.13% underweighting. Our best performing securities were Eli Lilly & Co (LLY) and Regeneron Pharmaceuticals (REGN), while our worst performing securities were Novo-Nordisk (NOVO) and Zoetis Inc (ZTS). Notable divestitures included an exit out of Cigna (CI), closing out our 46-share position with a total capital gain of 39%, while reinvesting 2.05% of the Healthcare Sector into Universal Health Services (UHS).

Sector Summary

In 2024, the healthcare sector saw strong momentum driven by weight-loss drugs, boosting pharmaceutical companies, and fueling R&D pipelines. However, the sector faced a sharp decline in Q4 as healthcare reform policies proposed by the incoming administration - such as Medicaid repeals, increased pharmaceutical regulation, and rising medical cost inflation - cast uncertainty over the industry. With political shifts and evolving policy infrastructure, 2025 is poised to be a turbulent year for healthcare.

Upcoming Investment Expectations

Although the healthcare sector underperformed in 2024, we believe that the low valuations could prove to be a good entry point for long-term holding. This in conjunction with the Trump Administration's policy initiatives. Particularly, the end of limits on prescription prices for Medicare and Medicaid participants could result in an increase in biopharmaceutical profits. However, these companies may also be impacted by Robert F. Kennedy Jr's appointment as the head of the Department of Health and Human Services. His stance against pharmaceutical companies could mean stricter regulations and impact on biotech research. Another key piece of optimism in our outlook is the potential utilization of AI and machine learning in biopharmaceutical research, such as AI being used for mRNA-based vaccine formulation.

Statistical Highlights:

Sector Value: $38,552

% of Portfolio Allocated: 8.97%

Health Care Sector	Weight %	HPR %
UNIVERSAL HEALTH SERVICES	2.05%	-8.48%
ELI LILLY & CO	3.69%	33.03%
STRYKER CORP	1.71%	21.33%
INCYTE CORP	1.52%	6.14%
Total	**8.97%**	

Communication Services Sector

Written By: Matthew Rickard

Sector Performance

For the year ended December 31st, 2024, the SMIF Communication Services sector holdings posted a 33.56% gain, driven by strong performing holdings in Alphabet (GOOG) and AT&T (T). Despite significant growth in these holdings, the total SMIF Communications sector underperformed its benchmark by 1.14%, with the Communication Services Select Sector SPDR ETF Fund (XLC) yielding a 34.70% return. The SMIF Communication Services sector had a higher market value allocation than the S&P 500 (11.29% vs. 9.34%), reflecting a 1.95% overweight. It also delivered a stronger dividend yield than its benchmark (1.23% vs. 1.00%).

Sector Summary

The Communication Services sector was the highest yielding sector in the market in 2024, attributed to robust revenue growth from advertising and cloud services, driven by the surge in interest around AI. Major players in the sector including Alphabet and Meta emerged well-positioned to capitalize on AI-driven innovations, primarily in areas of digital advertising that we forecast will continue to drive growth in 2025. The SMIF portfolio was able to capitalize on these trends through holdings in Alphabet, as well as a purchase of Meta in December at a favorable price point. Losses were mitigated with notable sales out of Match Group Inc (MTCH) and Disney (DIS), while securing significant gains with exits out of positions in Live Nation Entertainment (LYV) and AT&T (T).

Investment Expectations

The Trump Administration's deregulatory policy is likely to alleviate pressures previously placed on major players in the sector allowing for higher M&A activity. Significant plans for investment in AI infrastructure and data centers will streamline innovation for more advanced AI tools that will benefit communications companies, and allow for improved personalized ad targeting, driving higher engagement and advertising revenues. Lastly, the Trump Administration's positive relationships with technology and communication industry executives supplemented by major corporate tax cuts all signal the potential for significant excess returns in the Communication Sector.

Statistical Highlights:

Sector Value: $48,543

% of Portfolio Allocated: 11.29%

Communication Services	Weight %	HPR %
ALPHABET INC-CL C	5.53%	35.62%
META PLATFORMS INC	2.89%	-3.77%
VERIZON	1.38%	-2.89%
NETFLIX	1.5%	1.45%
Total	**11.29%**	

Industrials Sector

Written By: Yashkaran Sidhu

Sector Performance

For the year ended December 31st, 2024, the SMIF Industrials sector returned an impressive 39.42%, outperforming its benchmark Industrial Select Sector SPDR Fund (XLI) by 22.11% (39.42% vs. 17.31%). This strong performance can be primarily attributed to a well-diversified sector and the exceptional performance of General Electric Aerospace (GE).

Sector Summary

Three major factors contributed to the outperformance of the industrial sector; interest rate cuts, the integration of robotics to boost efficiency, and the reshoring of U.S. manufacturing, which we expect to continue to be a significant trend in the future. Interest rate cuts have been particularly beneficial for the industrial sector, as industrial companies tend to carry high leverage and long-duration assets. These firms often take on substantial debt for large projects, making them highly sensitive to interest rate changes. In a falling rate environment, companies can redirect their focus toward expansion and improving efficiency by investing in technology. The reshoring of manufacturing back to the U.S. is another key driver of the sector's success. We believe the U.S. is entering a manufacturing "super cycle," leading to substantial growth in the manufacturing sector. This growth directly impacts the expansion of commercial real estate markets. Additionally, the increase in re-shored jobs and manufacturing activity has driven up spending in U.S. manufacturing construction, which has nearly doubled since the end of 2021. Efforts to automate warehouses and integrate robotics have also played a significant role in the sector's performance. Automation addresses a major challenge in the industry - the dependency on employees for completing tasks - while simultaneously reducing operating costs and increasing efficiency.

Upcoming Investment Expectations

We have identified several opportunities to capitalize on growth within the industrial sector in 2025. Our investment strategy will focus on companies that are integrating AI and automation into critical operations. Additionally, we see significant potential in storage solutions, as the reshoring of the manufacturing industry is expected to drive increased demand for warehouses to store products.

Statistical Highlights:

Sector Value: $24,640

% of Portfolio Allocated: 5.73%

Industrials Sector	Weight %	HPR
CATERPILLAR INC	1.11%	24.65%
UNITED RENTALS INCORPORATED	1.40%	-17.61%
GE AEROSPACE	3.22%	64.96%
Total	**5.73%**	

Real Estate Sector
Written By: Kurshat Gheni

Sector Performance

For the year ended December 31st, 2024, the SMIF Real Estate sector demonstrated a modest recovery compared to its dismal performance in 2023. The sector returned 3.91%, an improvement from the return observed last year. However, it underperformed its benchmark Real Estate Select Sector SPDR ETF (XLRE) by 1.17%, which posted a return of 5.07%. Factors contributing to this relative underperformance include ongoing interest rate volatility, limited commercial real estate demand, and Kimco Realty Corp's (KIM) underperformance. The SMIF Real Estate sector has a slightly higher market value allocation than the S&P 500 (2.17% vs. 2.10%), reflecting a 0.07% overweighting.

Sector Summary

In 2024, the real estate sector continued to grapple with macroeconomic headwinds, including elevated interest rates and structural shifts in the commercial property market. Mortgage rates remained higher than historical averages for much of the year, restraining residential property transactions. Commercial real estate experienced reduced demand for office and retail spaces, driven by evolving workplace practices and consumer preferences toward e-commerce. Notable divestitures included an exit from our position in Avalon Bay (AVB), realizing a modest 10% gain.

Upcoming Investment Expectations

The outlook for 2025 includes cautious optimism. As the Federal Reserve signals a shift towards easing monetary policy, rate cuts are anticipated to stimulate demand in both residential and commercial real estate markets. Analysts project stabilization in mortgage rates, potentially rekindling activity in the housing market. In the commercial segment, industrial properties - particularly those catering to logistics and data centers - are expected to perform well. However, President Trump's inflationary policies, coupled with the recent strong employment report, have reduced analysts' expectations for the number and pace of rate cuts in 2025. As a result, we will adopt a cautious approach to commercial real estate investments. However, we remain optimistic about investments in data centers, driven by the Trump Administration's proposed Stargate Project, which includes a $500 billion commitment to infrastructure supporting AI development and advancements.

Statistical Highlights

Sector Value: $9,312

% of Portfolio Allocated: 2.17%

Real Estate Sector	Weight %	HPR %
KIMCO REALTY CORP	2.17%	-6.65%
Total	**2.17%**	

Finance Sector

Written By: Katuta Kapinka

Sector Performance

For the year ended December 31st, 2024, the SMIF Financial sector delivered an impressive return of 35.12%, outperforming our benchmark Financial Select SPDR ETF (XLF) by 4.57%. This substantial growth was driven by favorable economic conditions and strategic investments that capitalized on market trends. The SMIF Financials sector has a lower market value allocation than the S&P 500 (10.80% vs. 13.16%), reflecting a 2.36% underweighting.

Sector Summary

Fueled by a post-election rally, the sector saw a price-return gain of over 30% by mid-December, as reflected in the S&P 500 Financial Sector Index, surpassing the broader S&P 500 by nearly 5 percentage points. Within the SMIF Financial sector, most of the gains were attributed to J.P. Morgan Chase & Co. (JPM) Brown & Brown Inc (BRO), and First Horizon Corporation (FHN). J.P. Morgan Chase & Co. benefited from high interest rates and a resilient economy, which drove strong growth in net interest income and loan volume. Each division performed exceptionally well, supported by market volatility surrounding the U.S. elections and a steepening yield curve that positively impacted Fixed Income, Currencies, and Commodities (FICC) trading. Brown & Brown Inc., an insurance provider, experienced significant growth due to the higher interest rate environment, which led to a surge in investment income. Additionally, rising fees and premiums - fueled by business optimism and expectations of a soft landing - contributed to its strong performance. First Horizon Corporation was added to the portfolio as part of a strategic move to diversify our exposure within the sector. Its strong positioning in the regional banking market allowed it to capitalize on economic growth in its key regions, resulting in stable deposit growth and solid loan performance. Initial concerns at the start of 2024 were centered around the failures of several small and mid-sized U.S. banks, which were ultimately attributed to institution-specific issues rather than sector-wide instability. Nonetheless, the financial sector demonstrated resilience, bolstered by an improving economic environment, and strengthening market fundamentals.

Upcoming Investment Expectations

Looking ahead, the Financial Sector is well-positioned to benefit from a more accommodative regulatory environment following the 2024 U.S. election, which is expected to create favorable conditions for mergers, acquisitions, and capital market activities. If policymakers successfully manage economic growth while keeping inflation under control, confidence among businesses and consumers is likely to improve, further supporting the sector's outlook. Given the financial sector's cyclical nature, the continued strength of the U.S. economy and progress toward a soft landing should alleviate lingering recession concerns, providing a solid foundation for future growth.

Statistical Highlights:

Sector Value: $46,434

% of Portfolio Allocated: 10.80%

Financials Sector	Weight %	HPR %
BROWN & BROWN INC	3.96%	44.32%
MOODY’S CORPORATION	2.42%	-3.62%
FIRST HORIZON CORPORATION	1.56%	22.43%
JPMORGAN CHASE & CO	2.86%	44.26%
Total	**10.80%**	

Utilities Sector

Written By: Aarya Walvekar

Sector Performance

For the year ended December 31st, 2024, the SMIF Utilities sector had a total return of 43.21%, outperforming its benchmark The Utilities Select Sector SPDR Fund (XLU) by 19.93% (43.21% vs. 23.28). After finishing 2023 as the lowest-performing sector, the second half of 2024 led to a dramatic boost in performance. This growth can be attributed to significant development in AI as the market began to recognize the energy demand needed to support AI and technological growth, as well as the three rate cuts implemented in 2024.

Sector Summary

After an extended period of high interest rates to combat inflation, the Federal Reserve implemented three rate cuts in 2024, creating a positive impact on the utilities sector. Utilities are capital-intensive and often rely on debt to fund infrastructure projects. The rate cuts reduced borrowing costs, improving profitability and financial flexibility. Furthermore, as bond yields fell with declining interest rates, income-focused investors returned to utilities for their stable dividend yields, driving demand for utility stocks. Additionally, a notable catalyst for this sector was the growing recognition of increased electrical energy demand driven by the adoption of AI and related technologies. Data centers and AI applications require substantial power, boosting revenue prospects for electricity-focused utilities. Hence, the fund exited its position from Atmos Energy Corporation (ATO), whose revenue structure had a full reliance on natural gas. New positions were entered into Constellation Energy Corporation (CEG) and Vistra Corporation (VST) in Q4 of 2024. We retained our position in Entergy Corp (ETR) and saw a 55.93% return. Entergy effectively leveraged federal subsidies and state-level incentives to fund infrastructure projects and expanded its operations in Texas. Further supporting our decision to retain Entergy Corp, in early December, Meta announced plans to invest $10 billion into its largest data center in Louisiana. To power that plant, Entergy Corp plans to bring three power plants online, signaling potential for growth.

Upcoming Investment Expectations

In 2025, the most significant news that could affect the SMIF Utilities sector overall is the anticipated effects of the Trump Administration on the energy markets. On January 20th, 2025, President Trump signed an executive order titled "Unleashing American Energy" that aims to promote fossil fuel production and reduce regulatory complexities for energy and utilities companies. This order will expedite approvals for the drilling of oil and gas on federal lands and may benefit our positions through increased investment in energy projects and streamlined regulatory processes. Our analysts assert that the companies within the utilities sector are well diversified, with involvement in both coal and oil powered plants, as well as renewables, and are strategically positioned to benefit even with changes to the current regulatory environment.

Statistical Highlights:

Sector Value: $21,241

% of Portfolio Allocated: 4.94%

Utilities Sector	Weight %	HPR %
CONSTELLATION ENERGY	1.71%	-12.64%
ENTERGY CORP	2.04%	55.93%
VISTRA CORP	1.18%	-14.17%
Total	**4.94%**	

Information Technology Sector

Written By: Luigi Bilibio, Aakriti Adhikari, Mohammed El Hadj Sidi, Alex Handley

Sector Performance

For the year ended December 31st, 2024, the SMIF Technology sector achieved an impressive 43.26% return, outperforming its benchmark Technology Select Sector SPDR Fund (XLK) by 21.63% (43.26% vs. 21.63%). The SMIF Technology Sector has a lower market value allocation than the S&P 500 (32.92% vs. 33.72%), reflecting a 0.08% underweighting. The overperformance can be mainly attributed to our positions in Nvidia (NVDA), Apple (AAPL), Broadcom (AVGO), and Adobe (ADBE).

Sector Summary

The notable divestitures in 2024 included the sale of Cisco (CSCO) and Motorola Solutions (MSI) due to a weak growth outlook and underperformance in the market. Notable purchases in 2024 include new positions of Meta (META), Netflix (NFLX), and Synopsis (SNPS) in December. This strategic move diversifies our holdings in the technology sector to prepare for the economic volatility that is anticipated in 2025, while also aiming to gain enhanced exposure to AI innovations.

Upcoming Investment Expectations

This year, the global economy is anticipated to create a favorable environment for the technology sector to thrive, driven by advancements in generative AI, quantum computing, and sustainable technology solutions. Generative AI is set to revolutionize industries, promoting efficiency in content creation, healthcare, and software development. Sustainability remains a key focus, with energy-efficient chips and green cloud computing solutions addressing regulatory and environmental demands. Supportive policies and increased government spending are also incentivizing innovation across AI, semiconductors, cloud computing, and renewable energy. Advances in real-time AI processing are expanding applications in autonomous vehicles and healthcare, while cloud computing continues to drive digital transformation by offering scalable solutions to businesses worldwide. Additionally, the Trump Administration's announcement of the $500 billion Stargate joint venture to build AI infrastructure in the U.S. further boosts the sector's growth prospects. Despite challenges like semiconductor supply chain tensions, our holdings are well-positioned to benefit from high-performance computing and the rising demand for innovative technologies.

Statistical Highlights:

Sector Value: $141,524

% of Portfolio Allocated: 32.92%

Technology Sector	Weight %	HPR %
APPLE INC	5.27%	30.70%
BROADCOM INC	3.25%	110.43%
SYNOPSIS INC	2.58%	-5.80%
INTL BUSINESS MACHINES CORP	5.79%	39.27%
MICROSOFT CORP	6.40%	12.92%
NVIDIA CORP	6.37%	171.24%
PALO ALTO NETWORKS INC	1.99%	23.41%
QUALCOMM INC	1.27%	8.33%
Total	**32.92%**	

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