

2025 Year Ahead

Two “puts” make a right  
**After 20% back-to-back**

**Mid-year: 7,000**

**Year-end: 6,600**



## Contributors

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# EXECUTIVE SUMMARY

There are strong tailwinds supportive of stocks in 2025. **But we see this as a tale of “two years”**

- **BASE CASE:** Equity risk-on first half, S&P 500 **7,000**. Visibility weakens, YE 2025 at **6,600**.
  - **THESIS: TWO “PUTS” MAKE IT RIGHT:**
    - Fed “put” as inflation eases and Fed focuses on supporting employment
    - Trump “put” as White House implements policies to boost confidence & EPS
    - Re-allocation of investor capital from cash/bonds to equities
  - **TALE OF TWO HALFS:** After back-to-back 20% gains:
    - 6 precedents since 1871. Cumulative 4-yr +64% vs 2021-2024 tracking +27% (1-yr left)
    - 3 of 6 precedents saw stocks fall 3<sup>rd</sup> Year. Positives were 1925, 1955, & 1996.
    - 6 of 6 precedents saw **stocks do worse in second half of year 3** (2025)
  - **WHAT COULD GO WRONG:** To us, the downside risks are:
    - DOGE too effective and GDP falls on spending cuts
    - Tariffs are actually implemented and GDP impacted
  - **EPS:** We see 2025/2026 EPS growth to \$275/\$300 (yoy 13%/9%) cyclical driven EPS.
    - corporate capex fell past few years, but easing FCIs mean capex recovers.
    - potential GDP recoveries in Europe/Asia and
    - weaker USD suggests upside to EPS.
    - Productivity improving.
  - **P/E:** P/E expanding in 2025 towards 22X P/E '26E (vs 21X P/E '25E today). Since 1937, the highest P/E realized when yields 3.5% to 5.5%. When between 4% to 5%, P/E is >18X 65% of the instances.
- **BEST IDEAS:** top sector pick **Small-cap (\$IWM), Financials (\$XLF), Industrials (\$XLI), & Bitcoin-related.**
  - **2025 S&P 500 TARGET:** Mid-year **7,000**. Year-end **6,600** which is **22X** 2026 EPS of \$300.



# STRATEGISTS: YE '25 S&P 500 Targets

## STRATEGISTS: Strategist Estimates for 2025

YE '25

Source: Fundstrat, Bloomberg

Firm	Strategist	YE '25 S&P 500 Target	FY '25 EPS Est.	FY '26 EPS Est.
Oppenheimer	John Stoltzfus	7,100	\$275	-
Wells Fargo	Christopher Harvey	7,007	\$274	\$319
Deutsche Bank	Binky Chadha	7,000	\$282	-
Yardeni Research	Ed Yardeni	7,000	\$285	\$320
Evercore ISI	Julian Emanuel	6,800	\$263	-
Societe Generale	Manish Kabra	6,750	\$271	-
BMO	Brian Belski	6,700	\$275	-
HSBC	Nicole Inui	6,700	\$268	-
Natixis	Emilie Tetard	6,700	-	-
Bank of America	Savita Subramanian	6,666	\$275	-
Scotia Bank	Hugo Ste-Marie	6,650	\$255	\$296
Fundstrat	Tom Lee	6,600	\$275	\$300
Barclays	Venu Krishna	6,600	\$271	-
RBC Capital Markets	Lori Calvasina	6,600	\$271	-
Ned Davis Research	Ed Clissold	6,600	\$254	-
CFRA	Sam Stovall	6,585	\$272	-
Morgan Stanley	Michael Wilson	6,500	\$271	\$303
Goldman Sachs	David Kostin	6,500	\$268	\$288
JP Morgan	Dubravko Lakos-Buj	6,500	\$270	-
Citi	Scott Chronert	6,500	\$270	-
UBS	Jonathan Golub	6,400	\$257	\$275
BNP Paribas	Dennis Jose	6,300	\$270	-
Cantor	Eric Johnston	6,000	\$267	-
Stifel	Barry Bannister	5,500	\$252	-
BCA Research	Peter Berezin	4,450	\$240	-

**Our YE 2025 inline  
with Street**

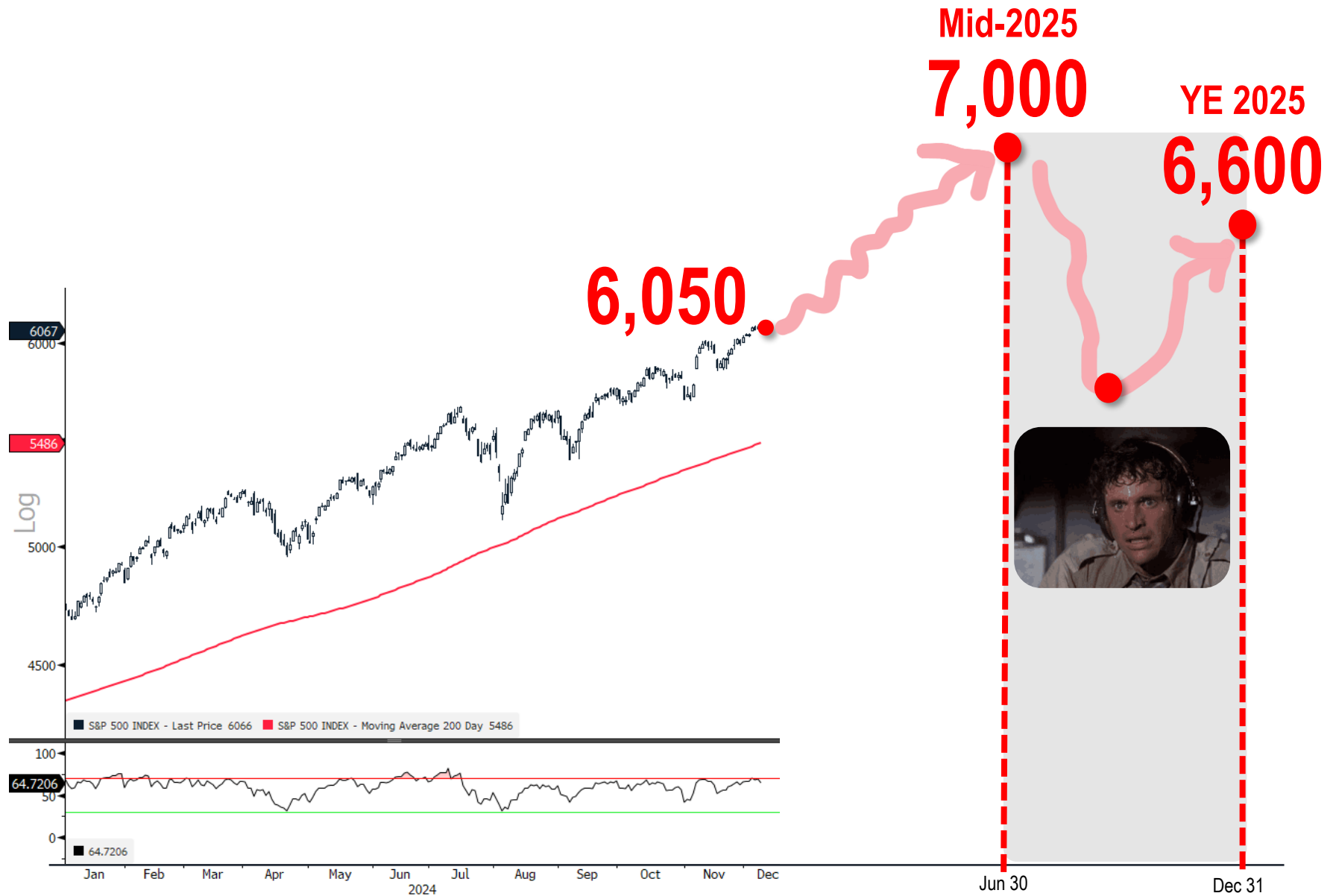
Average	6,508	\$268	\$300
Median	6,600	\$271	\$300
High	7,100	\$285	\$320
Low	4,450	\$240	\$275
# Estimates	25	24	7



**2025? after  
back to back +20%**

Source: Internet

# 2025 YEAR AHEAD: Better first half, worse second half



Source: Fundstrat, Bloomberg



# BACK-2-BACK 20%: 2024 3-yr cumulative lower vs 5 precedents

Instances S&P 500 Annual Return  $\geq +20\%$  for 2 Consecutive years  
Since 1871\*

Signal Year	3-yr trailing Year -2 to 0	Year -2	Back to back <b>+20%</b>		Forward return		2-yr forward Year +1 and +2	Year 3	3-yr forward Year +1 to +3
			Year -1	Year 0	Year +1	Year +2			
1880	91%	11%	43%	21%	-4%	-2%	-6%	-11%	-16%
1925	42%	-1%	20%	20%	4%	27%	32%	38%	82%
1928	82%	4%	27%	38%	-12%	-28%	-37%	-47%	-67%
1936	72%	-5%	41%	28%	-39%	25%	-24%	-5%	-27%
1955	71%	-7%	45%	26%	3%	-14%	-12%	38%	21%
1996	59%	-2%	34%	20%	31%	27%	66%	20%	98%
Average	70%	0%	35%	26%	-3%	6%	3%	5%	15%
2024	27%	-19%	24%	27%					

3-yr gain  
'21-'24 lower

Source: Fundstrat, Bloomberg, FRED

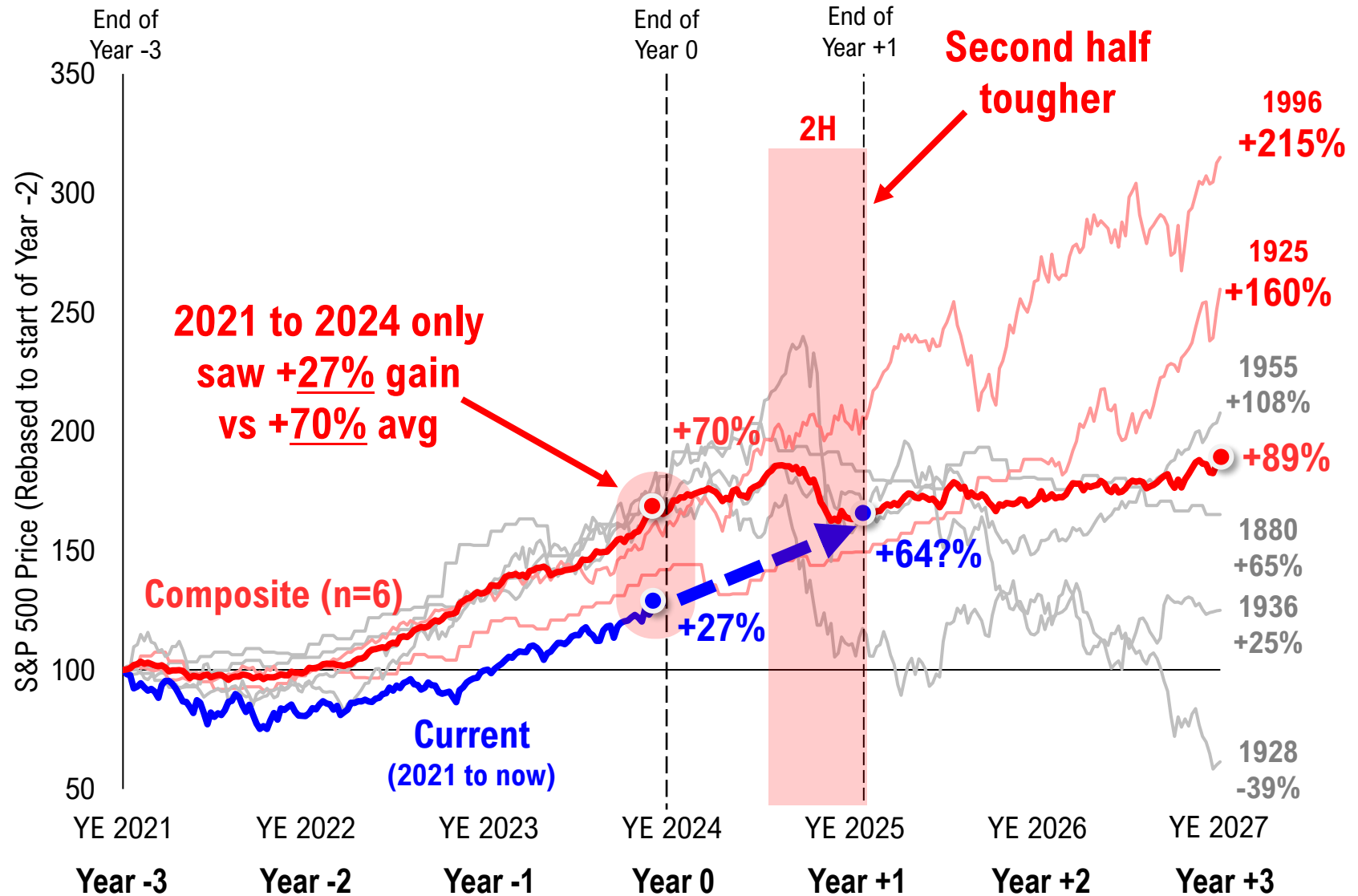
\*Cowles Index used from 1870-1927, S&P 500 Index used from 1928-2024



# BACK-2-BACK 20%: 2021-2024 cumulative returns trail precedents

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Since 1871\*



Source: Fundstrat, Bloomberg, FRED

\*Cowles Index used from 1870-1927, S&P 500 Index used from 1928-2024

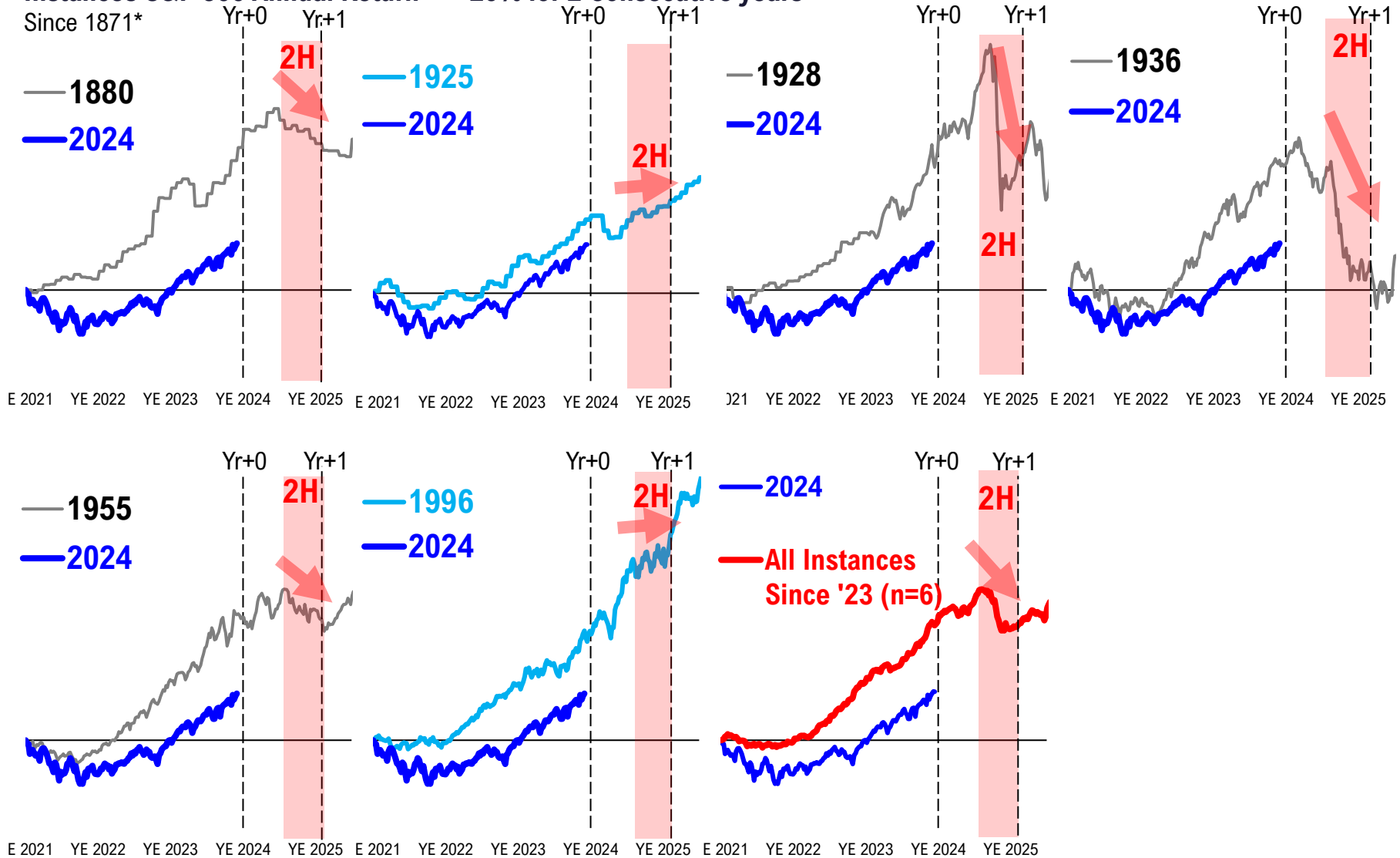


# Second half sees worse returns

## BACK-2-BACK 20%: Second half Year+1 (2025) tougher...unless 1997

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Since 1871\*



Source: Fundstrat, Bloomberg, FRED

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## 2025: Key Themes and Market Expectations



- **DOGE EFFECTIVE:** The most significant “surprise” fundamental developments likely come from the newly created Dept of Govt Efficiency (DOGE). Surprises:
  - identify areas of poor procurement/gov’t waste
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- **ANIMAL SPIRITS RETURNS:** Many factors restore animal spirits:
  - The dual Fed “put” and Trump “put”
  - de-regulation drives M&A
  - benefits small-caps \$IWM
- **STRONGER TAILWINDS FOR SMID GRANNY THEMES**
  - SPACE – AI/Labor** → Musk involvement in new White House moves “space” forward
  - LONGEVITY – Millennials** → Millennials are the most “obese” generation ever. MAHA
  - DOGE – Easing financial conditions + AI** → Palantir/AI gain from DOGE
- **STOCK PICKING:** Correlations between stocks falling to 20 year lows.
  - Good for stock picking → SMID Granny Shots, Newton’s upticks
  - reduced impact from macro drivers, except Fed
- **ROTATION OUT OF “RISK-FREE”:** Capitulation of “cash is a strategy”

Source: Fundstrat

# UNKNOWNNS: What will market resolve in 2025?

White House

Impact on equities

- **INFLATION:** Inflation tracks sub-3% on housing and used cars
- **FINANCIAL CONDITIONS:** FCI ease as Fed ends “inflation war”
- **MORTGAGE RATES:** 30-yr drops to 6% as spread to 10Y normalizes
-  **DOGE:** How effective will the efforts of Elon and Vivek be?
-  **TARIFFS + DEPORTATIONS:** Impact unknown
- **GLOBAL GROWTH:** Lift as Europe/or China emerge from stagnation
- **PENT-UP DEMAND:** US companies expand due to pent-up demand
- **BROADENING PROFITS:** S&P 500 profits gain >10%
- **SENTIMENT:** Investors become bullish
- **INVESTOR FLOWS:** Investors allocate out of cash into equities



	1H	2H
INFLATION	↑↑	↑↑
FINANCIAL CONDITIONS	↑↑	↑↑
MORTGAGE RATES	↑	↑
DOGE	↑	↓
TARIFFS + DEPORTATIONS	↓	↓
GLOBAL GROWTH	↓↓	↑
PENT-UP DEMAND	↑	↑↑
BROADENING PROFITS	↑↑	↑↑
SENTIMENT	↑	↓
INVESTOR FLOWS	↑↑	↑

Source: Fundstrat



# 7. What do you see as the biggest risk to markets?



**White House** Today (11/26/2024)



CRE



Hard landing



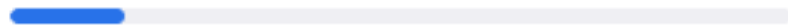
Mag 7 too crowded



Trump Tariffs & Deportation



Trump Dept. of Gov't Efficiency (DOGE)



19%

**57%**

57%

6%



Today (11/26/2024)

9%

20%

Mag 7 too crowded



21%

Trump Tariffs & Deportation



**43%**

43%

Trump Dept. of Gov't Efficiency (DOGE)



7%

**Tariffs #1 risk for 2025**

Source: Fundstrat

**TARGET: S&P 500 YE Target 6,600****2026 EPS  
(% vs 2025)****P/ '26E EPS****Implied Price****Market breadth**

<u>Mid-year</u> fundstrat	<u>YE 2025</u> fundstrat
\$300 (+9%)	\$300 (+9%)
23.3X	22.0X
7,000	6,600
Expanding	Expansive

**P/E de-rates in  
second half of 2025**

Source: Fundstrat



## P/E: Expanding by 2.0X P/E Year +1... not demanding

### '25 and '26 PE Ratio and FCF Yield by Sector

Sorted from Highest to Lowest, '26 EPS

Sector	PE Ratio ( '25 EPS)	FCF Yield ( '25)	PE Ratio ( '26 EPS)	FCF Yield ( '26)
1 FANG+	32x	2.7%	27x	3.3%
2 Tech ex-FANG+	24x	3.8%	21x	4.6%
3 Consumer Staples	22x	3.8%	21x	4.3%
4 Industrials	23x	3.9%	20x	4.7%
5 Discretionary ex-FANG+	20x	4.9%	18x	5.1%
6 Real Estate	19x	4.2%	18x	4.7%
7 Materials	20x	4.1%	17x	4.9%
8 Utilities	18x	-1.3%	17x	-0.2%
9 Healthcare	18x	5.5%	16x	6.1%
10 Financials	17x	4.2%	15x	3.6%
11 Energy	14x	7.4%	12x	8.5%
12 Comm. Services ex-FANG+	11x	10.4%	11x	11.0%
S&P 500	22x	3.8%	20x	4.4%
S&P 500 ex-FANG+	19x	4.4%	17x	5.0%

**Year+1 P/E expands  
from 20X to 22X**

**Current P/E  
Year +1**

Source: Fundstrat, Bloomberg, Factset



# SECTOR: Top Sectors + Upgrades/Downgrades

## S&P 500 Sector Views and #1 Sector Pick Performance

OW = Overweight. UW = Underweight. N = Neutral

	2021	2022	2023	2024	2025
S&P 500	+27%	-19%	+24%	+27%	
Small-cap				OW <sup>1</sup> +18%	OW <sup>1</sup>
Bitcoin	OW	OW	OW	OW	OW <sup>1</sup>
<b>Cyclicals</b>					
Consumer Discretionary	OW <sup>1</sup> +24%	OW	OW	OW	OW
Industrials	OW <sup>3</sup>	N	OW <sup>3</sup>	OW <sup>2</sup>	OW
Information Technology	OW	OW <sup>2</sup>	OW <sup>1</sup> +57%	OW <sup>3</sup>	OW
Communication Services	OW	OW	OW	N N → OW	OW
Materials	OW	N	N	N	N
<b>Near-Cyclicals</b>					
Energy	OW <sup>2</sup>	OW <sup>1</sup> +59%	OW <sup>2</sup>	OW OW → N	N
Financials	OW	OW	OW	OW <sup>1</sup> +31%	OW <sup>1</sup>
Real Estate	UW	UW	UW	OW	OW
<b>Defensives</b>					
Consumer Staples	UW	N	UW	UW	UW
Healthcare	N	OW <sup>3</sup>	OW	OW OW → N	N
Utilities	UW	UW	UW	UW UW → N	N

Source: Fundstrat



# COMPARATIVE SECTOR: Top 3 Ranks by Sector Heads

## S&P 500 Sector Views for 2025

OW = Overweight. UW = Underweight. N = Neutral

	Market Cap (\$B)	Macro Strategy Thomas Lee	Technical Strategy Newton*	Quantitative DQM Tireless Ken
Small-cap	\$3,392	OW	N	N
Bitcoin	\$1,894	OW	OW	OW
<b>Cyclicals</b>	<b>\$32,899</b>			
Consumer Discretionary	5,994	OW	OW	N
Industrials	4,510	OW ②	OW ①	OW
Technology + Comm. Svc	21,304	OW ③	OW ②	OW ①
Materials	1,081	N	UW	UW
<b>Near-Cyclicals</b>	<b>\$10,085</b>			
Energy	1,798	N	UW	UW
Financials	7,124	OW ①	OW ③	OW ②
Real Estate	1,162	OW	N	N
<b>Defensives</b>	<b>\$10,163</b>			
Consumer Staples	3,345	UW	UW	UW
Healthcare	5,580	N	UW	UW
Utilities	1,238	N	N	OW ③

Source: Fundstrat

\* Official ratings from Mark Newton will be published in his outlook on 1/7/2025.

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Source: Fundstrat



## Tracking Trump's Cabinet

No confirmation required



Vice president  
JD Vance



Chief of staff



Deputy



Deputy



Deputy



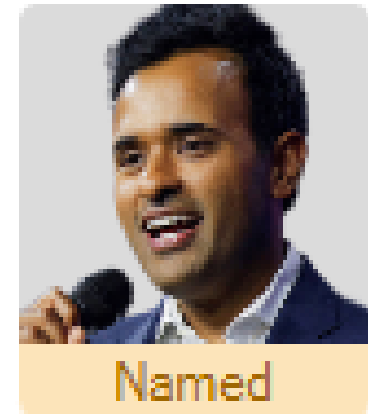
Deputy



Border czar



Govt.  
efficiency  
Elon Musk



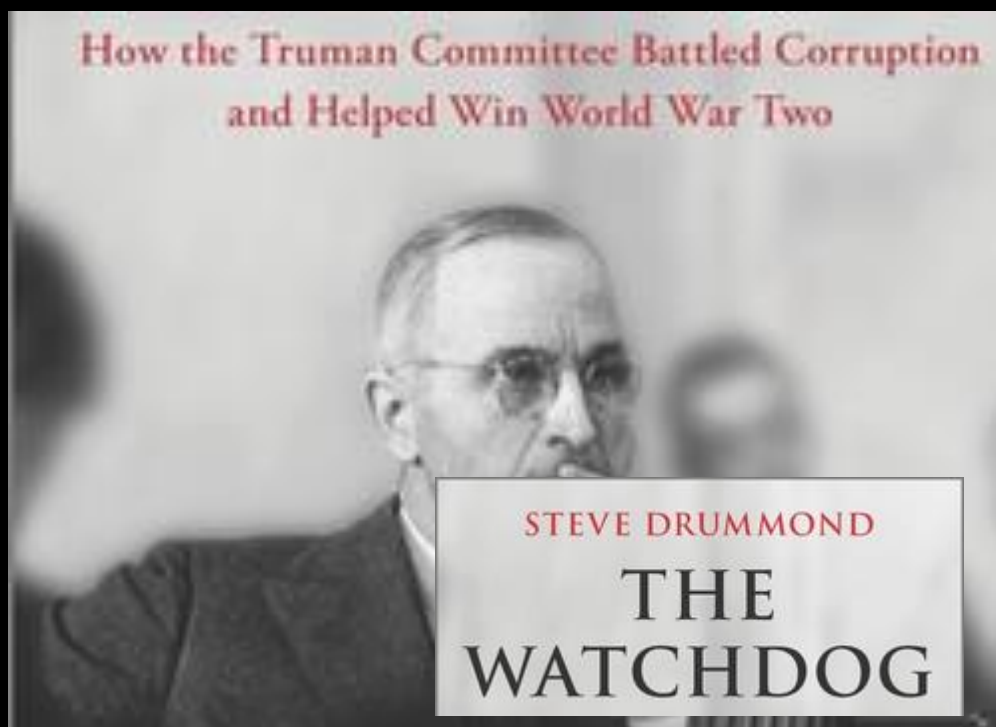
Govt.  
efficiency  
Vivek  
Ramaswamy

By [June Kim](#), [Karen Yourish](#) and [Jasmine C. Lee](#)

Updated Nov. 16, 2024

# DOGE: Harry S. Truman is the OG DOGE

## WWII



## 2025



## DOGE: Harry S. Truman is the OG DOGE



As committee chair, Senator Truman resisted pressure from President Franklin D. Roosevelt to stack the committee with New Deal Democrats, choosing instead to build a bipartisan team of men he considered to be practical and honest, regardless of party affiliation:

### Democratic Senators

- Harry Truman, Missouri
- Thomas Connally of Texas,
- Carl Hayden of Arizona,
- James Mead of New York, and
- Monrad Wallgren of Iowa

### Republican Senators

- Senators Joseph Ball of Minnesota and
- Ralph Owen Brewster of Maine

## DOGE: Harry S. Truman is the OG DOGE

*"There is no substitute for facts" Harry S. Truman*



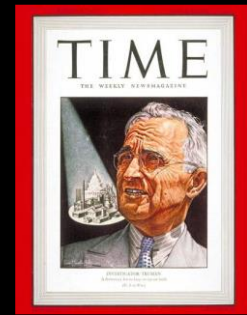
Senator Truman appealed to the American public on CBS Radio, asking that they write to the committee if they saw defense-related waste in their communities.

The committee routinely read the citizen letters sent in and often used them as starting points in its investigations.

The Truman Committee not only uncovered substantial misuse of government funds but helped to build the public's trust in Congress.

## DOGE: Harry S. Truman is the OG DOGE

March 1943, Time Magazine featured “Investigator Truman”



- Excessive spending by contractors cost an estimated \$250 million.
- The Carnegie-Illinois Steel Corporation sold faulty slabs of steel to be used in shipbuilding and falsified quality control reports;
- Defective engines made by the Curtiss-Wright Company and used in airplanes led to the death of student pilots;
- Standard Oil Company and Alcoa, which had exclusive patents or monopolies on critical war materials, had intentionally slowed the development of substitutes or created artificial shortages; and
- The Remington Company, according to Senator Truman, got “\$600,000 for acting as advisors to the Government” but in his words: “nobody knows what this advice is or what it is worth.”
- **Saved the government \$10 – 15 billion**



**x.com to be central in  
Trump presidency**





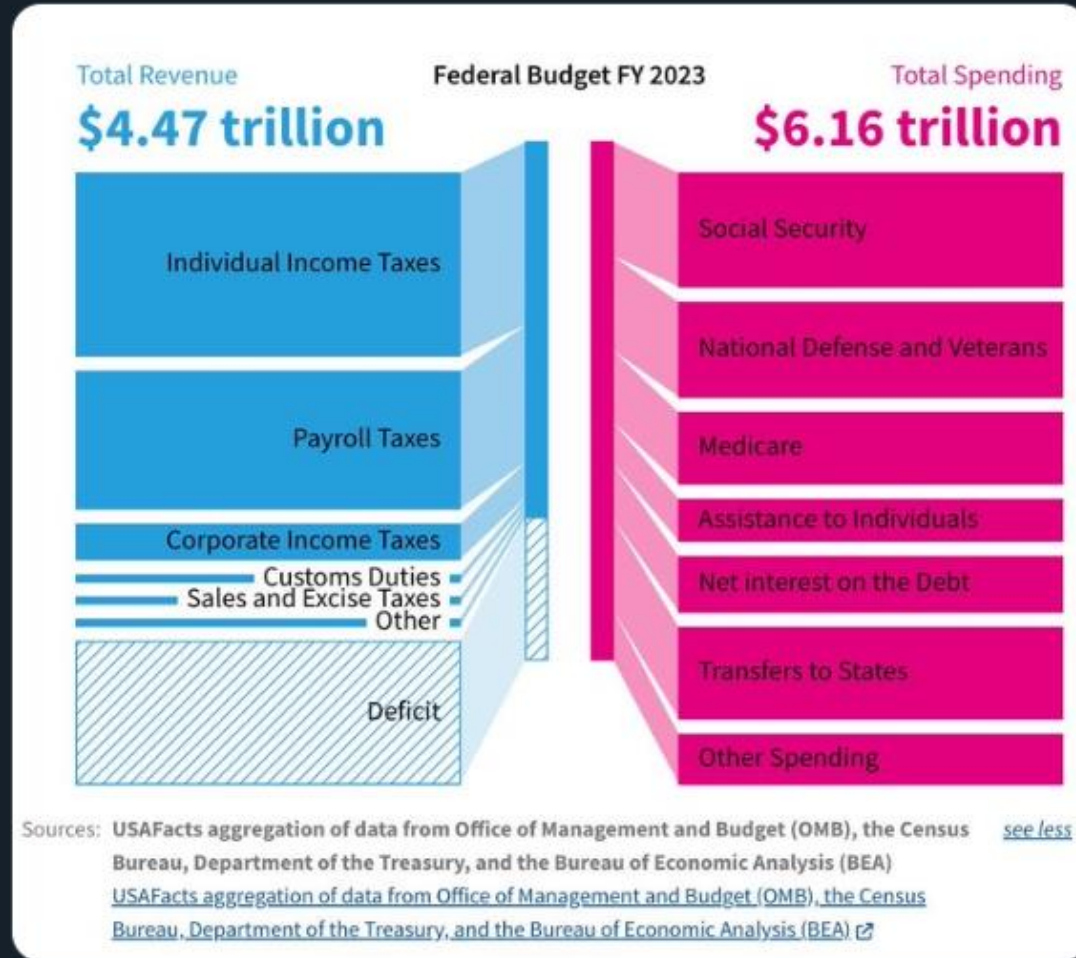
# DOGE: \$\$\$

Department of Government Efficiency  
@DOGE

In FY2023, the U.S. Government spent \$6.16. trillion while only bringing in \$4.47 trillion.

The last budget surplus was in 2001.

This trend must be reversed, and we must balance the budget.



1:40 AM · Nov 23, 2024 · **28.4M** Views

3.3K

8.4K

32K

2.1K

↑



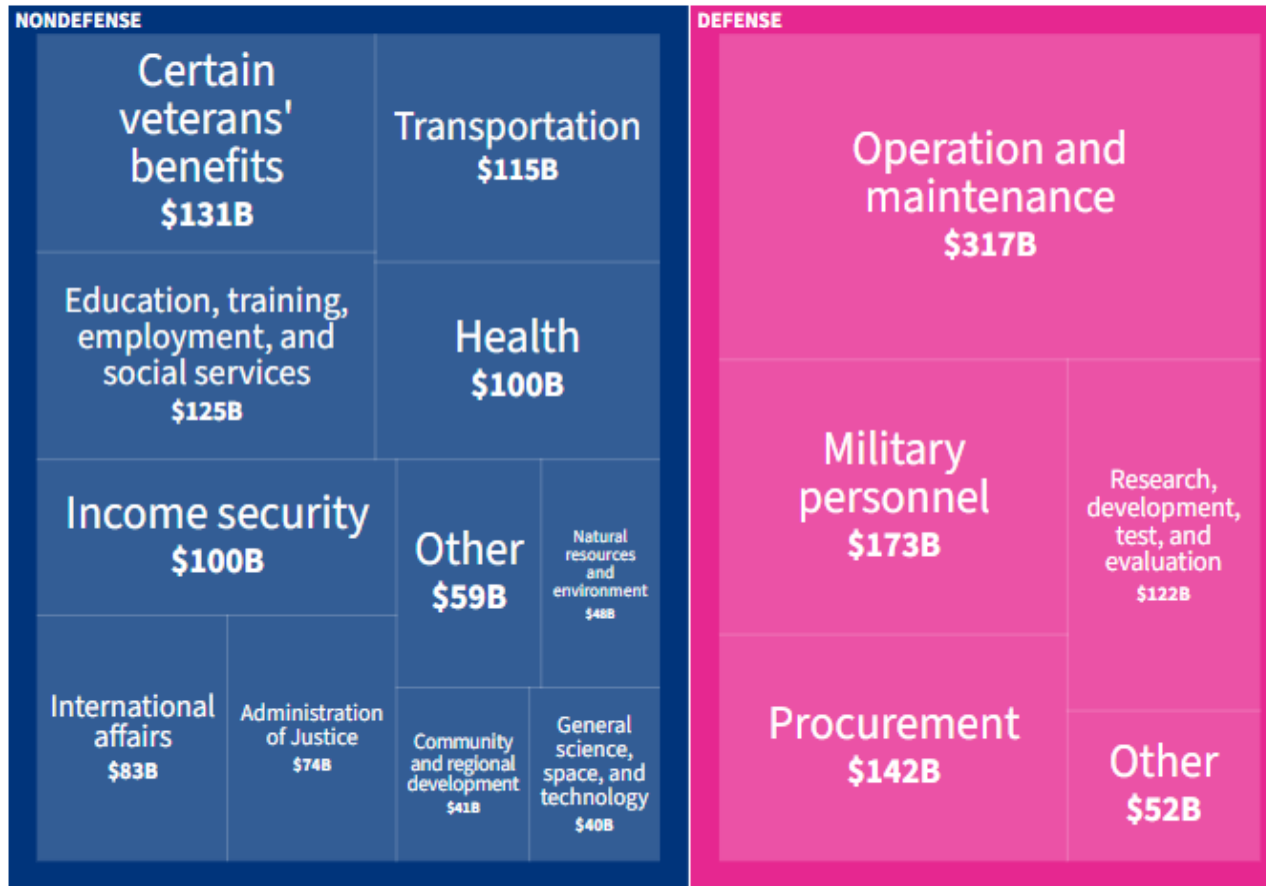


In FY2023, the U.S. Government spent \$6.16. trillion while only bringing in

## Approximately half of federal discretionary spending is allocated to defense.

Federal budget discretionary spending, 2023

All



Source: [Congressional Budget Office](#)

## Key issues:

- Efficiency of procurement
- Needless spending
- Optimized pricing
- Necessary procurement
- Waste in general



## DOGE: Sectors impacted by Dept of Gov't Efficiency

- **NEGATIVE: Healthcare**
  - coupled with RFK heading HHS
  - can a sector work when 2 sectors gov't scrutinizing?
- **NEGATIVE: Govt contractors**
  - Defense cos
  - IT consulting
- **POSITIVE: Productivity providers**
  - Palantir + other tech-focused providers
- **POSITIVE: Bond market via lower yields**

Source: Fundstrat

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Source: Fundstrat

# BITCOIN: Potentially Strategic Reserve Asset





# BITCOIN: Bitcoin vs S&P 500 Index

Since 2022



XBTUSD Currency (XBT-USD Cross Rate) BTC 3yr vs SPX Daily 01JAN2022-03DEC2024

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03-Dec-2024 16:22:43

Source: Fundstrat, Bloomberg

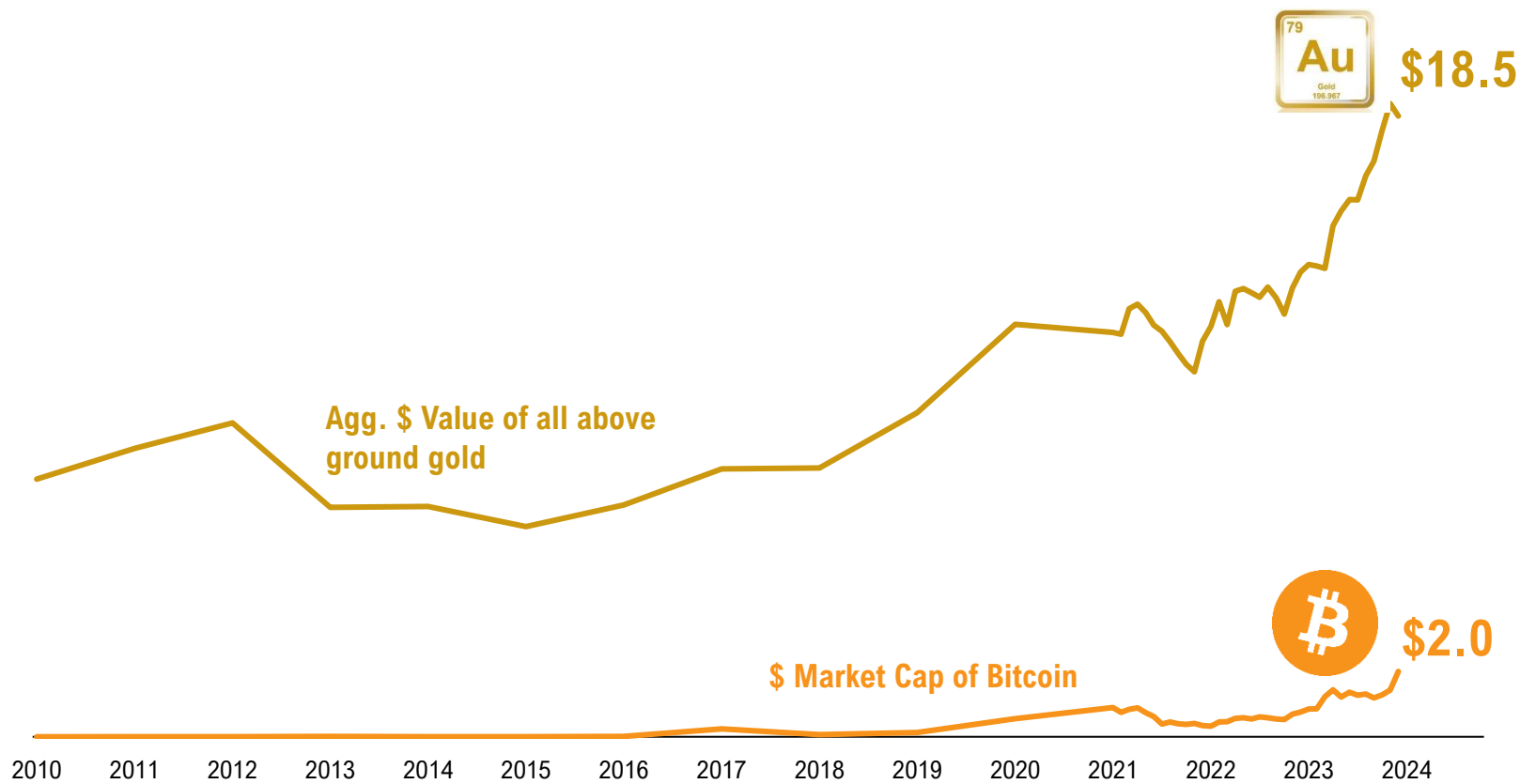
\*Start of 2022 Rebased to 100



# BITCOIN: Just 10% of the value of the Gold market...

## Total Market Value Bitcoin Vs. Gold

Since 2010



Source: Fundstrat, Bloomberg



# BITCOIN: Parity with Gold = \$1 million Bitcoin

## Estimated Price of Bitcoin as a % Premium to Gold Supply

As of 11/25/24

Current:

(b)	Total Gold Units (Troy Oz.)	6,929,430,646
	Gold Price (\$ per Troy Oz.)	\$2,708.73
	Gold Total Value (\$B)	\$18,769.96
(d)	Total BTC Units (Tokens)	19,784,820
	BTC Price (\$ per Token)	\$94,680.00
	BTC Value (\$B)	\$1,873.23

Parity =  
**\$950,000**

Premium =  
**\$2.1 million**

		Spot gold price (\$ per Troy Ounce) (a)						
		\$1,000	\$1,500	\$2,709	\$3,000	\$4,000	\$5,000	\$6,000
BTC premium to gold supply (c)	10%	\$35,024	\$52,536	\$94,870	\$105,072	\$140,096	\$175,120	\$210,144
	25%	\$87,560	\$131,340	\$237,176	\$262,680	\$350,240	\$437,800	\$525,360
	50%	\$175,120	\$262,680	\$474,352	\$525,360	\$700,480	\$875,599	\$1,050,719
	75%	\$262,680	\$394,020	\$711,529	\$788,039	\$1,050,719	\$1,313,399	\$1,576,079
	100%	\$350,240	\$525,360	<b>\$948,705</b>	\$1,050,719	\$1,400,959	\$1,751,199	\$2,101,439
	125%	\$437,800	\$656,700	\$1,185,881	\$1,313,399	\$1,751,199	\$2,188,999	\$2,626,798
	150%	\$525,360	\$788,039	\$1,423,057	\$1,576,079	<b>\$2,101,439</b>	\$2,626,798	\$3,152,158

Source: Fundstrat, Bloomberg

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Source: Fundstrat



## TRUMP “put”: Stock-market focused White House




**Low deficits =  
“yields stay low”**

**Strong growth =  
“grow out of debt”**

**Lots of drilling =  
“low inflation”**

Source: Fundstrat




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# Trump is the most pro-stock market president in history, Wharton's Jeremy Siegel says

PUBLISHED MON, NOV 11 2024 8:36 AM EST | UPDATED MON, NOV 11 2024 11:21 AM EST



Yun Li  
@YUNLI626

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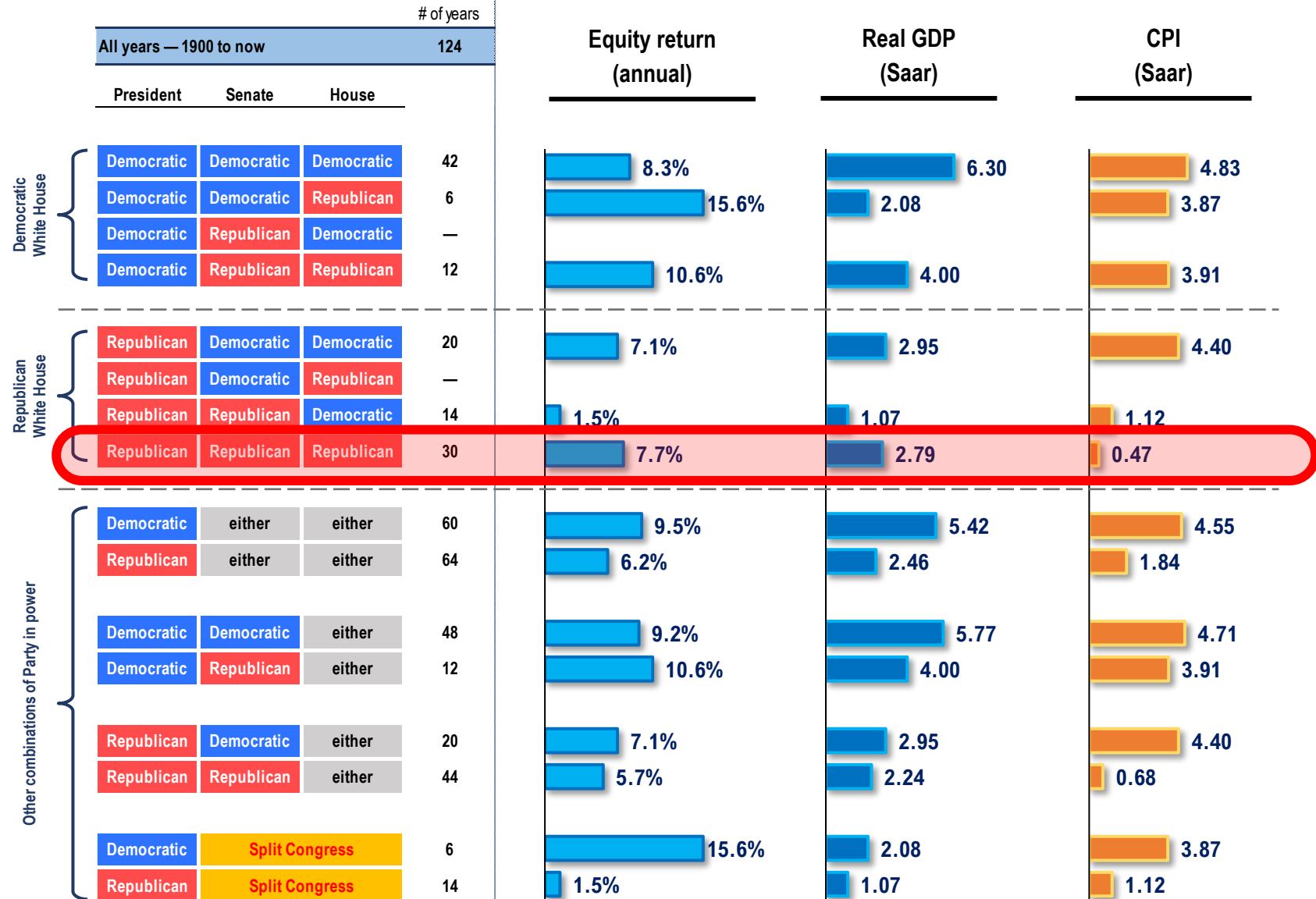
VIDEO 07:01
DOW, S&P, NASDAQ END AT RECORD LEVELS
DOW CROSSES 44,000 FOR THE FIRST TIME EVER
President-elect Trump is the most pro-stock market president in history: Wharton's Jeremy Siegel
CNBC



# Political party in control: Comparative Stock and economic returns

## Political Party and Comparative Equity and GDP returns

Since 1900



Source: Fundstrat, Bloomberg, BLS, BEA, senate.gov, house.gov





# Presidential Year 1: Monthly Returns



**Second half of year  
is worse**

## Monthly Returns per Presidential Term

Since 1929

		Average															
			Jan 1	Jan 21													
<i>First year of the term</i>		n =	-> 20	-> 31	Feb	Mar	Apr	May	Jun	1H	Jul	Aug	Sep	Oct	Nov	Dec	2H
	Rep. Prez. 2nd Term	4	-1.1%	0.5%	-1.1%	-0.1%	-0.7%	2.6%	0.1%	0.7%	2.0%	-2.9%	-1.2%	-0.2%	0.1%	0.5%	-1.8%
	Rep. Prez. 1st Term	7	0.2%	1.5%	-2.0%	0.0%	1.8%	0.0%	-0.1%	1.4%	1.6%	-0.4%	-2.8%	-0.6%	-0.1%	0.2%	-2.3%
	All Republican Prez.	11	-0.3%	1.1%	-1.7%	-0.0%	0.9%	0.9%	-0.0%	1.1%	1.8%	-1.3%	-2.2%	-0.4%	-0.0%	0.3%	-2.1%
All instances since 1929		25	0.4%	0.3%	-1.7%	0.7%	2.5%	1.9%	0.5%	4.9%	2.2%	0.3%	-1.6%	-0.4%	0.6%	0.6%	1.8%
	All Democratic Prez.	14	0.9%	-0.4%	-1.7%	1.3%	3.9%	2.6%	0.8%	7.9%	2.5%	1.5%	-1.1%	-0.4%	1.1%	0.8%	4.8%
	Dem. Prez. 1st Term	8	-0.4%	-0.4%	-2.7%	2.2%	7.5%	4.2%	1.8%	13.0%	0.0%	4.0%	-1.8%	0.6%	2.8%	1.5%	7.2%
	Dem. Prez. 2nd Term	6	2.7%	-0.5%	-0.4%	0.1%	-1.0%	0.6%	-0.4%	1.2%	5.8%	-1.8%	-0.2%	-1.7%	-1.3%	-0.1%	1.6%

## Win Ratio

		Jan 1		Jan 21													
		n =	-> 20	-> 31	Feb	Mar	Apr	May	Jun	1H	Jul	Aug	Sep	Oct	Nov	Dec	2H
	Rep. Prez. 2nd Term	4	50%	75%	50%	25%	25%	75%	25%	50%	75%	0%	50%	25%	75%	50%	50%
	Rep. Prez. 1st Term	7	57%	86%	29%	43%	71%	43%	29%	43%	57%	57%	29%	71%	71%	71%	43%
	All Republican Prez.	11	55%	82%	36%	36%	55%	55%	27%	45%	64%	36%	36%	55%	73%	64%	45%
	All instances since 1929	25	64%	64%	44%	52%	64%	64%	40%	56%	64%	52%	40%	56%	64%	76%	60%
	All Democratic Prez.	14	71%	50%	50%	64%	71%	71%	50%	64%	64%	64%	43%	57%	57%	86%	71%
	Dem. Prez. 1st Term	8	63%	50%	50%	75%	88%	88%	63%	88%	38%	88%	25%	63%	63%	100%	75%
	Dem. Prez. 2nd Term	6	83%	50%	50%	50%	50%	50%	33%	33%	100%	33%	67%	50%	50%	67%	67%

Source: Fundstrat, Bloomberg



# Presidential Year 1: All Republican Terms



## Second half of year is worse

### S&P 500 Performance for All Republican Terms

Since 1929

Macro Research

2nd

2nd

2nd

2nd

Year	Jan 1 - Jan 21		Feb	Mar	Apr	May	Jun	1H	Jul	Aug	Sep	Oct	Nov	Dec	2H
1929	> 20	-> 31													
	1.7%	3.5%	-0.6%	-0.2%	1.6%	-4.3%	10.4%	12.6%	5.4%	9.8%	-4.9%	-19.9%	-13.4%	2.5%	-21.7%
1953	-1.6%	1.1%	-1.8%	-2.4%	-2.6%	-0.3%	-1.6%	-9.1%	2.5%	5.8%	0.1%	5.1%	0.9%	0.2%	2.8%
1957	-4.3%	0.7%	-3.3%	2.0%	3.7%	3.7%	-0.1%	1.5%	1.1%	-5.6%	-6.2%	3.2%	1.6%	-4.1%	-15.6%
1969	-2.1%	1.4%	-4.7%	3.4%	2.1%	-0.2%	-5.6%	-5.9%	-6.0%	4.0%	-2.5%	4.4%	-3.5%	-1.9%	-5.8%
1973	0.6%	-2.3%	-3.7%	-0.1%	-4.1%	-1.9%	-0.7%	-11.7%	3.8%	-3.7%	4.0%	-0.1%	-11.4%	1.7%	-6.4%
1981	-3.0%	-1.4%	1.3%	3.6%	-2.3%	-0.2%	-1.0%	-3.4%	-0.2%	-6.2%	-5.4%	4.9%	3.7%	-3.0%	-6.6%
1985	2.4%	2.5%	0.9%	-0.3%	-0.5%	5.4%	1.2%	14.7%	-0.5%	-1.2%	-3.5%	4.3%	6.5%	4.5%	10.1%
1989	3.2%	3.8%	-2.9%	2.1%	5.0%	3.5%	-0.8%	14.5%	8.8%	1.6%	-0.7%	-2.5%	1.7%	2.1%	11.1%
2001	1.7%	1.7%	-9.2%	-6.4%	7.7%	0.5%	-2.5%	-7.3%	1.1%	-6.4%	-8.2%	1.8%	7.5%	0.8%	-6.2%
2005	-3.0%	1.1%	1.9%	-1.9%	-2.0%	3.0%	-0.0%	-1.7%	3.6%	-1.1%	0.7%	-1.8%	3.5%	-0.1%	4.8%
2017	1.5%	0.3%	3.7%	-0.0%	0.9%	1.2%	0.5%	8.2%	1.9%	0.1%	1.9%	2.2%	2.8%	1.8%	10.3%
<b>All Republican terms</b>															
Average	-0.3%	1.1%	-1.7%	-0.0%	0.9%	0.9%	-0.0%	1.1%	1.8%	-1.3%	-2.2%	-0.4%	-0.0%	0.3%	-2.1%
Win Ratio	55%	82%	36%	36%	55%	55%	27%	45%	64%	36%	36%	55%	73%	64%	45%
<b>Republican Second terms</b>															
Average	-1.1%	0.5%	-1.1%	-0.1%	-0.7%	2.6%	0.1%	0.7%	2.0%	-2.9%	-1.2%	-0.2%	0.1%	0.5%	-1.8%
Win Ratio	50%	75%	50%	25%	25%	75%	25%	50%	75%	0%	50%	25%	75%	50%	50%

Source: Fundstrat, Bloomberg











FED “put”: Support jobs = support economy = support stocks



**dovish**

Source: Fundstrat

## HIGH INTEREST RATES: A recession in “durable goods”

- Recession in auto sales  
- Recession in durable goods  
- Recession in housing demand  

**Inflect with  
Fed rate cuts**

Source: Fundstrat



FED: If they do 1 cut in 2025... that is even more “dovish”

**Fed doing fewer than 5 cuts in 2025 =**

**GOOD**

- Fed needs to get to “Neutral”
- Fed funds 4.75%
- Neutral rate is 2.50% to 3.00%
- Still need 6 to 8 cuts (25bp each)
- Fewer cuts in 2025 = longer cutting cycle

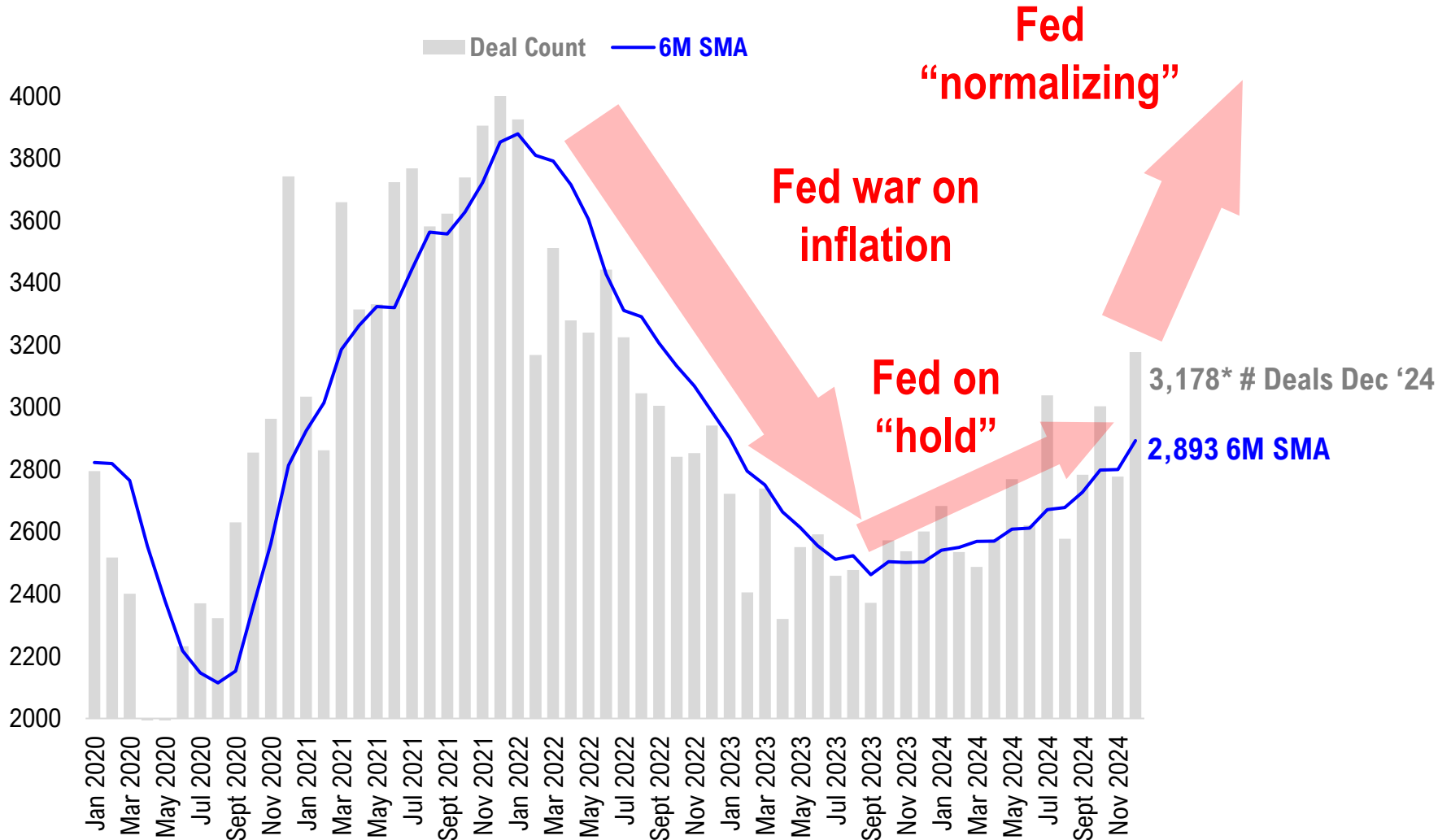
Source: Fundstrat





# M&A Deals: Fed “normalizing” could foster Recovery

Total # M&A Deals by Month  
Since 2020



Source: Fundstrat, Bloomberg

\*Current period value is adjusted based on Time Elapsed in period



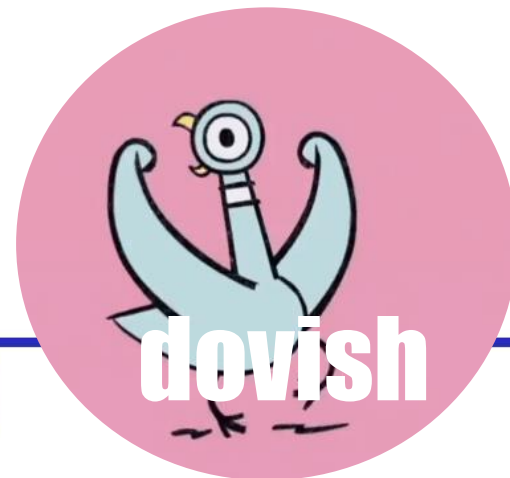
# Trump wins

## 100% (Sept rate)



### ▪ Positive Bitcoin

- Positive Small-caps
  - Positive regional banks
  - Positive CRE
  - Positive de-regulation
  - Positive M&A



## dovish

### ▪ Positive Bitcoin

- Positive Small-caps
  - Positive regional banks
  - Positive CRE
  - Positive M&A

**Small-caps: \$IWM \$IJR**

**Cyclicals: \$KRE \$XLF \$XLI**

**Bitcoin: \$BTC \$MSTR \$SMLR**

## 2025: Key Themes and Market Expectations

- **DOGE EFFECTIVE:** The most significant “surprise” fundamental developments likely come from the newly created Dept of Govt Efficiency (DOGE). Surprises:
  - identify areas of poor procurement/gov’t waste
  - headwinds for Govt contractors (IT consulting, Defense, Healthcare)
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  - de-regulation drives M&A
  - benefits small-caps \$IWM
- **STRONGER TAILWINDS FOR SMID GRANNY THEMES**
  - SPACE – AI/Labor** → Musk involvement in new White House moves “space” forward
  - LONGEVITY – Millennials** → Millennials are the most “obese” generation ever. MAHA
  - DOGE – Easing financial conditions + AI** → Palantir/AI gain from DOGE
- **STOCK PICKING:** Correlations between stocks falling to 20 year lows.
  - Good for stock picking → SMID Granny Shots, Newton’s upticks
  - reduced impact from macro drivers, except Fed
- **ROTATION OUT OF “RISK-FREE”:** Capitulation of “cash is a strategy”

Source: Fundstrat



# SPACE: 16 Space & Exploration Ideas

## Company information

## Valuations

	Ticker	Name	GICS Sub-industry	Market Value (\$m)	YTD Return	P/E	P/S	P/B
1	PLTR	Palantir Technologies Inc. Class A	Application Software	\$158,010	317.9%	193.6x	59.1x	35.8x
2	RKLB	Rocket Lab USA, Inc.	Aerospace & Defense	\$11,618	318.6%		27.4x	29.3x
3	JOBY	Joby Aviation, Inc.	Passenger Airlines	\$6,526	30.9%		41794.1x	7.1x
4	ASTS	AST SpaceMobile, Inc. Class A	Alternative Carriers	\$5,206	311.8%		1543.5x	15.8x
5	AVAV	AeroVironment, Inc.	Aerospace & Defense	\$4,525	23.3%	47.6x	5.6x	
6	KTOS	Kratos Defense & Security Solutions, Inc.	Aerospace & Defense	\$4,114	35.8%	59.2x	3.7x	3.1x
7	GSAT	Globalstar, Inc.	Alternative Carriers	\$3,993	21.6%		18.0x	11.7x
8	IRDM	Iridium Communications Inc.	Alternative Carriers	\$3,592	-24.1%	40.2x	4.3x	6.0x
9	SATS	EchoStar Corporation Class A	Cable & Satellite	\$3,334	41.9%		0.4x	0.3x
10	ACHR	Archer Aviation Inc Class A	Aerospace & Defense	\$3,043	27.2%		5954.8x	8.5x
11	VSAT	ViaSat, Inc.	Communications Equipment	\$1,224	-66.4%		0.3x	0.2x
12	LUNR	Intuitive Machines, Inc. Class A	Aerospace & Defense	\$1,158	368.3%		8.2x	
13	PL	Planet Labs PBC Class A	Research & Consulting Services	\$1,100	56.7%		4.6x	2.4x
14	RDW	Redwire Corp	Aerospace & Defense	\$814	326.0%		2.7x	
15	SPIR	Spire Global, Inc. Class A	Research & Consulting Services	\$354	82.1%		3.0x	4.2x
16	SPCE	Virgin Galactic Holdings Inc	Aerospace & Defense	\$190	-86.8%		22.6x	0.6x
Average				\$13,050	111.5%	85.2x	3090.8x	9.6x
Median				\$3,463	38.8%	53.4x	6.9x	6.0x
% of stocks positive					81%			

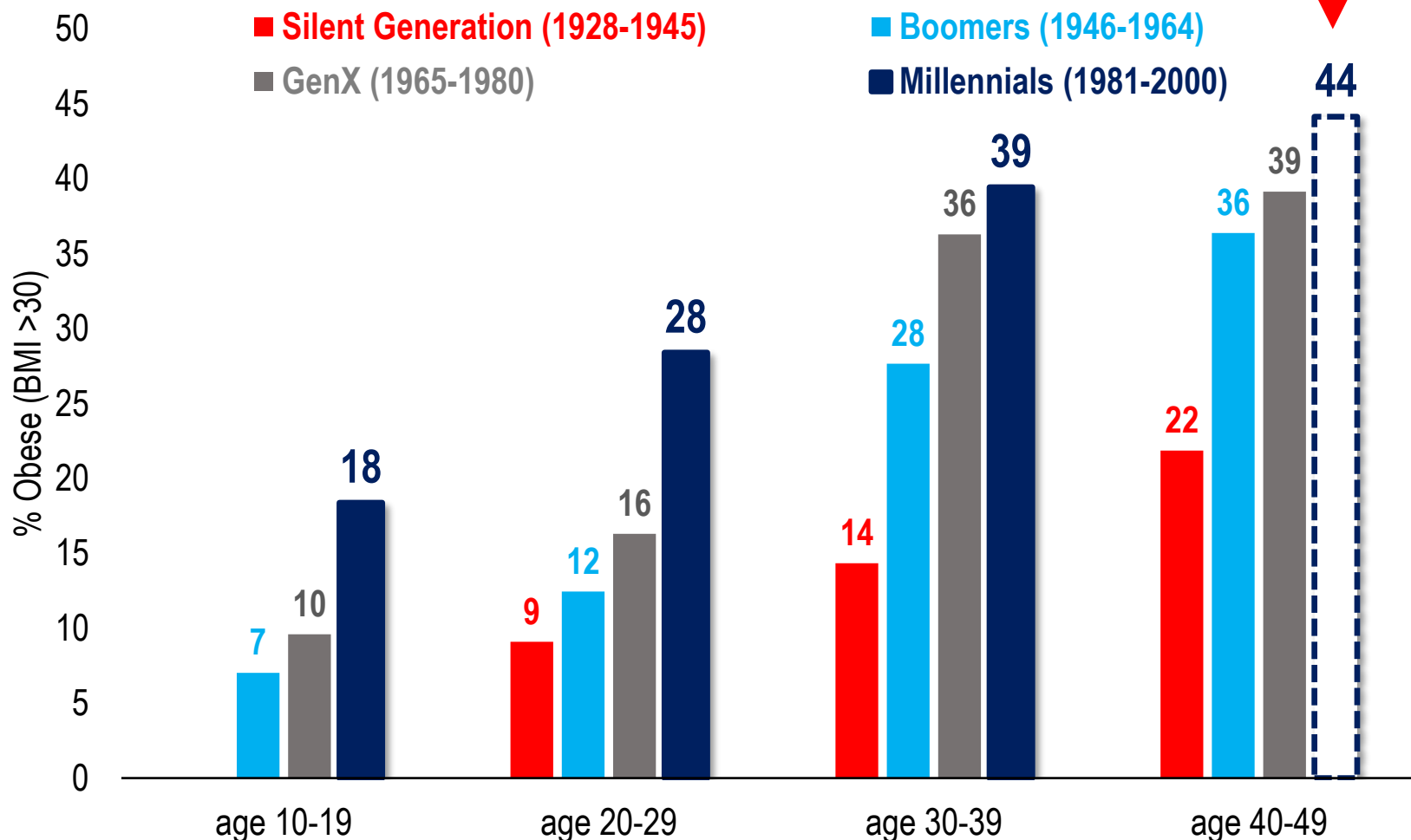
Source: Fundstrat, Factset



# LONGEVITY: Millennials most obese generation

44% of millennials will be obese by age 40

Figure: % of population Obese (BMI >30) for each generation at various age intervals  
Percent of age cohort obese. Per CDC

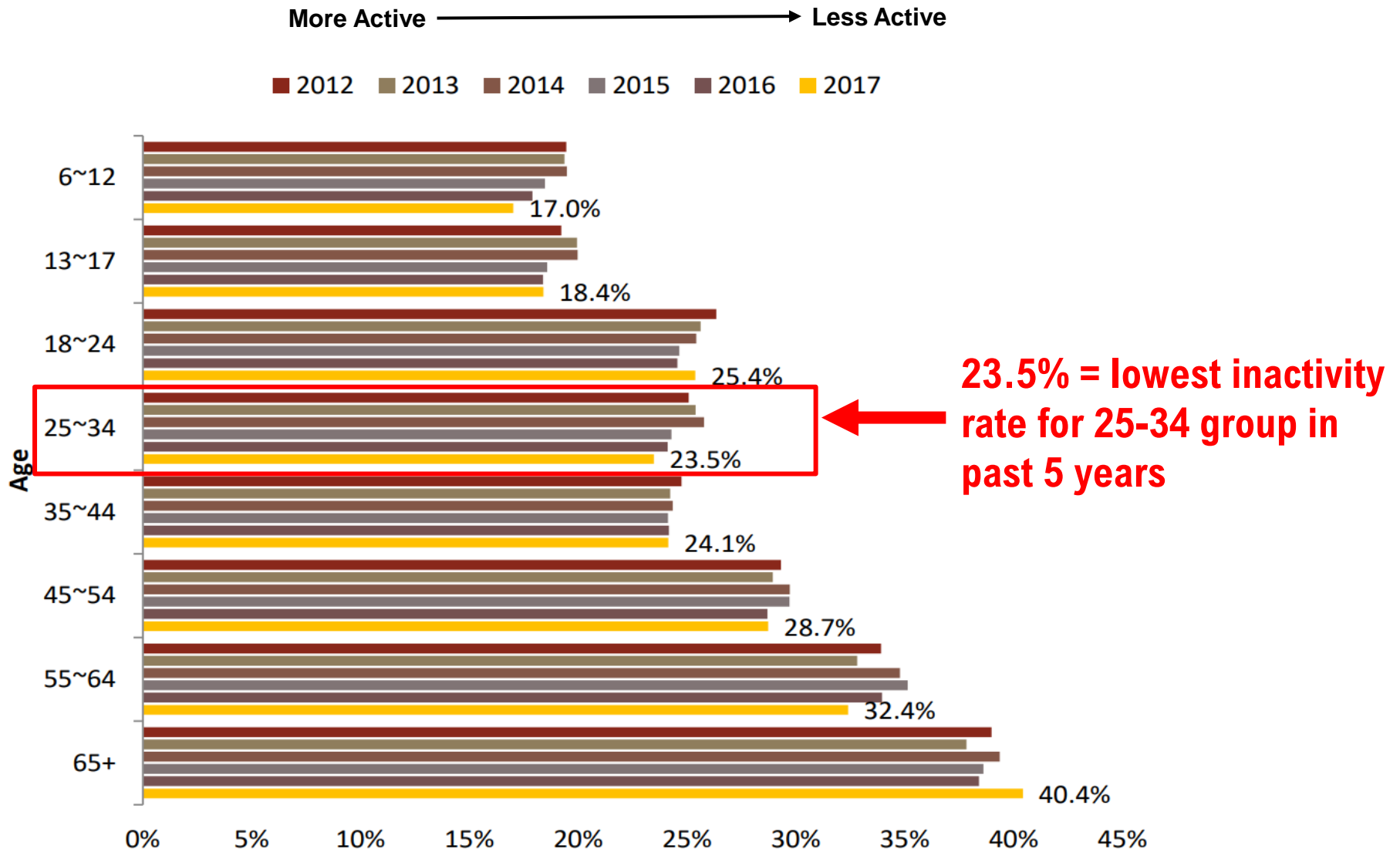


Source: Fundstrat, BLS, <http://physicalactivitycouncil.com/PDFs/current.pdf>



# LONGEVITY: More physically active

Figure: Inactivity Rates Segmented by Age (Survey by Physical Activity Council)  
US Population, Ages 6+



Source: Fundstrat, BLS, <http://physicalactivitycouncil.com/PDFs/current.pdf>



## HEALTH: We project 44% of Millennials will be obese by age 40-49...

Millennials are the most obese generation in the US according to the CDC. If the current trend continues, we estimate that by the time many millennials are between 40-49, 44% will be obese (BMI>30).

- **Obese populations are more at risk for diseases/conditions such as Hypertension, Type II Diabetes, and heart disease**
- **We believe investors are underestimating the significant of the obesity crises in the US and anticipate the demand for drugs that help control related health problems will rise.**
- **The Harvard School of Public Health believes the CDC has previously underestimated the number of obese US adults due to self reporting error.**

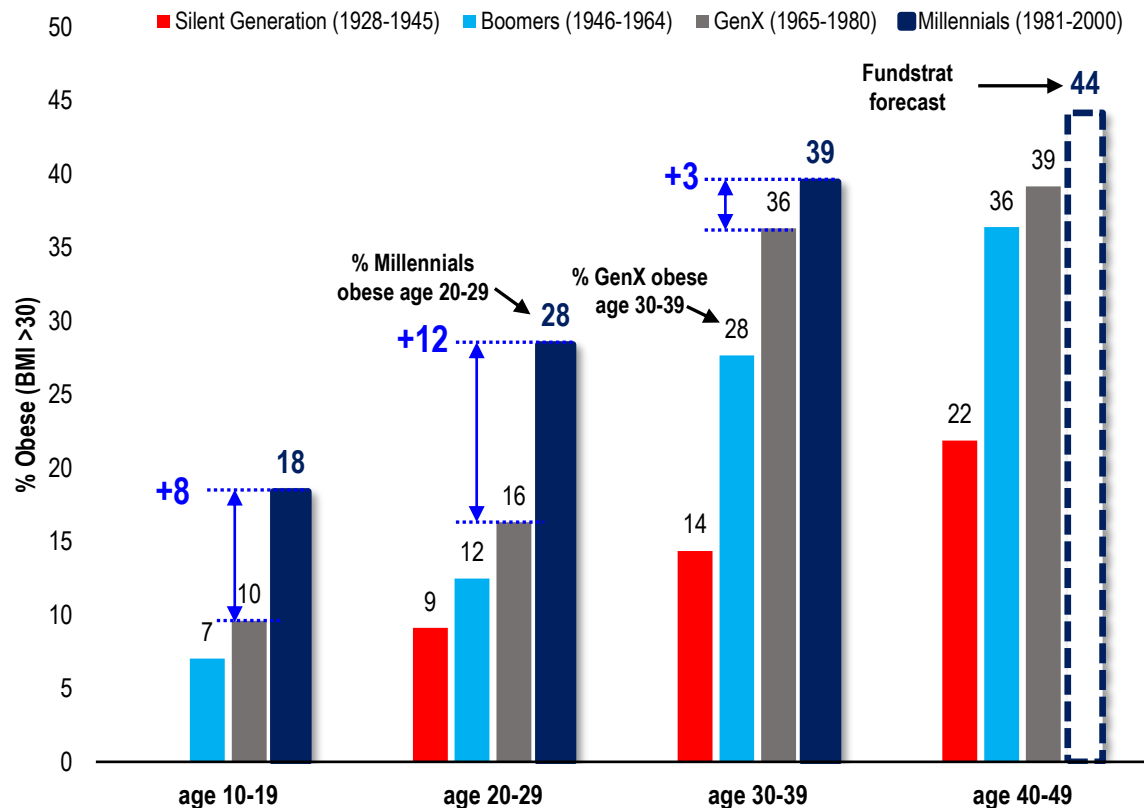
**Figure: % of population Obese (BMI >30) for each generation at various age intervals**

Percent of age cohort obese. Per CDC

### Investment Strategy

The rate of obesity (BMI>30) is expected to rise to 44% for Millennials aged 40-49, which is the next decade (based on trend vs GenX). We expect demand for the following services will surge as a consequence:

- Diet services and products, including **weight loss programs**.
- Weight management, including **fitness centers**.
- **Drugs** to treat health impact from obesity including **hypertension** and **type II diabetes**.
- Other demand for Healthcare/Medical services including **drugs to control appetite** as well as **weight management surgical ( and non-invasive procedures** (liposuction, CoolSculpting, etc).



Source: Fundstrat, CDC, Bloomberg

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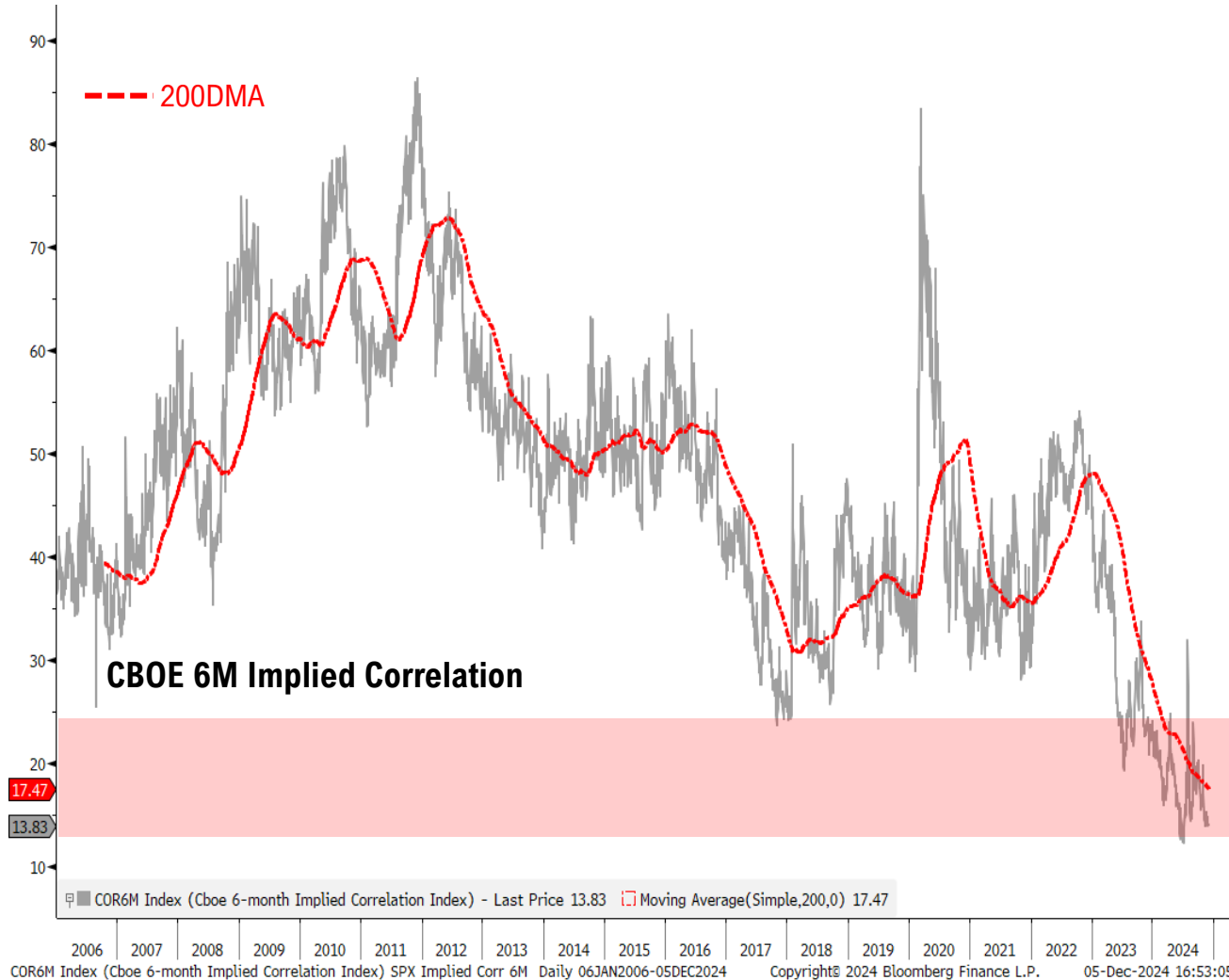
Source: Fundstrat





# STOCK PICKING BETTER: Correlations for stocks falling = good

The collapse in internal correlation of S&P 500 shows systematic risk at low level  
Since 2006



**Low correlation  
is good for stock  
pickers**

Source: Fundstrat, Bloomberg



## SMALL-CAPS: Case for Small-caps strong

- Small-caps benefit from the multiple tailwinds:
  - reviving “animal spirits”
  - M&A
  - upturn of ISM / cyclical activity – 49% of Russell 2000
- Small-caps ‘26 EPS growth +18% vs 10% S&P 500
- Small-caps relative valuation more attractive at 13X median P/E ‘26 vs 17X S&P 500
- Small-caps 10-yr underperformance of S&P 500 is -91%, one of the worst ever only worse than 1988-1998, and **4 precedents followed by outperformance next 3 years and next 5 years**

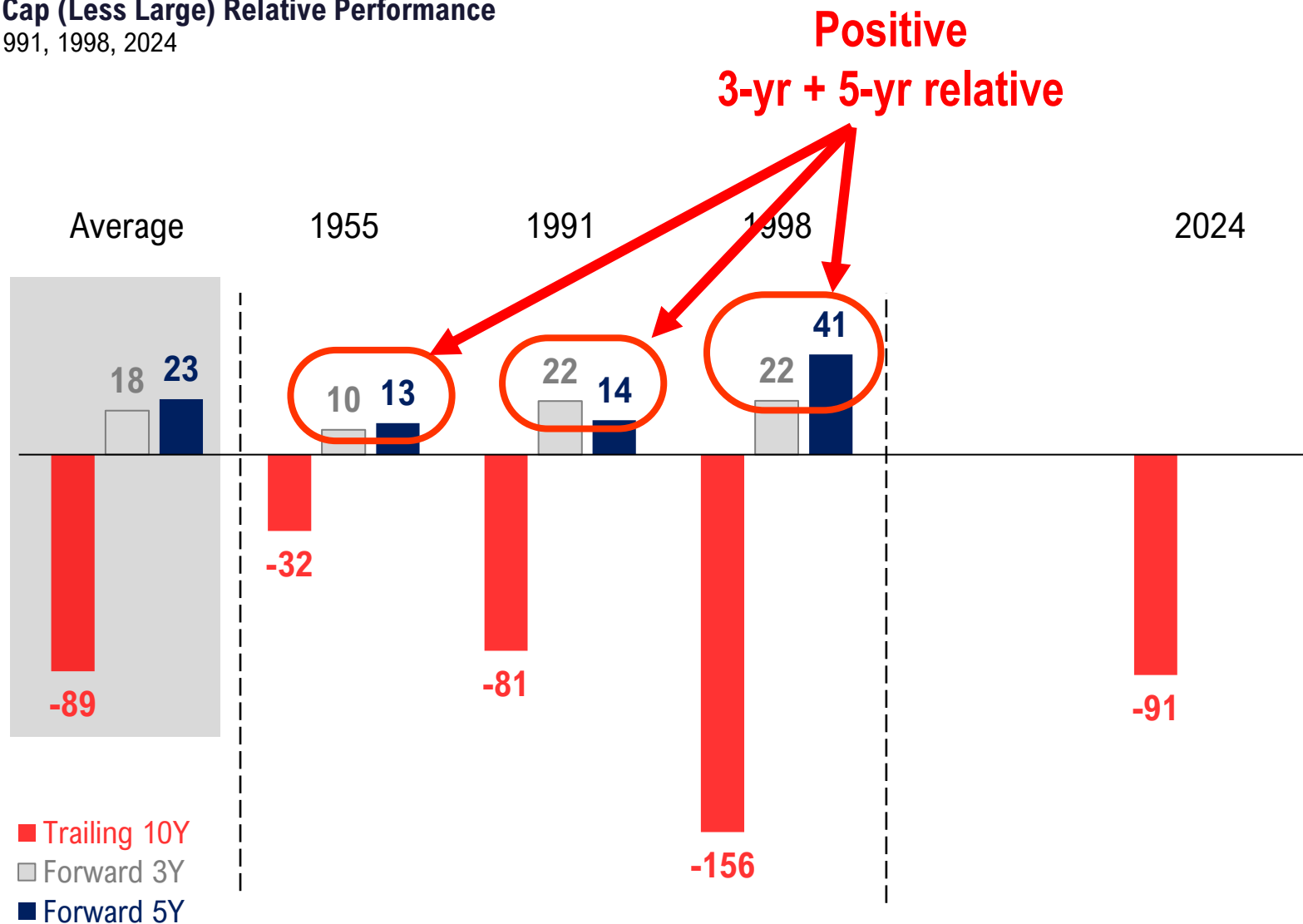
Source: Fundstrat



# SMALL-CAPS: 2<sup>nd</sup> worst 10-yr trailing return... positive forward

## Small Cap (Less Large) Relative Performance

1955, 1991, 1998, 2024



Source: Fundstrat, Bloomberg, Fama French Data Library

\*Fama French Small Minus Big Portfolio used for 1955, Russell 2000 – S&P 500 used for 1991, 1998, and 2024



# SMALL-CAPS: Russell 2000 Index vs S&P 500 Index

Since 2022



RTY Index (Russell 2000 Index) RTY 3yr vs SPX Daily 01JAN2022-03DEC2024

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Source: Fundstrat, Bloomberg

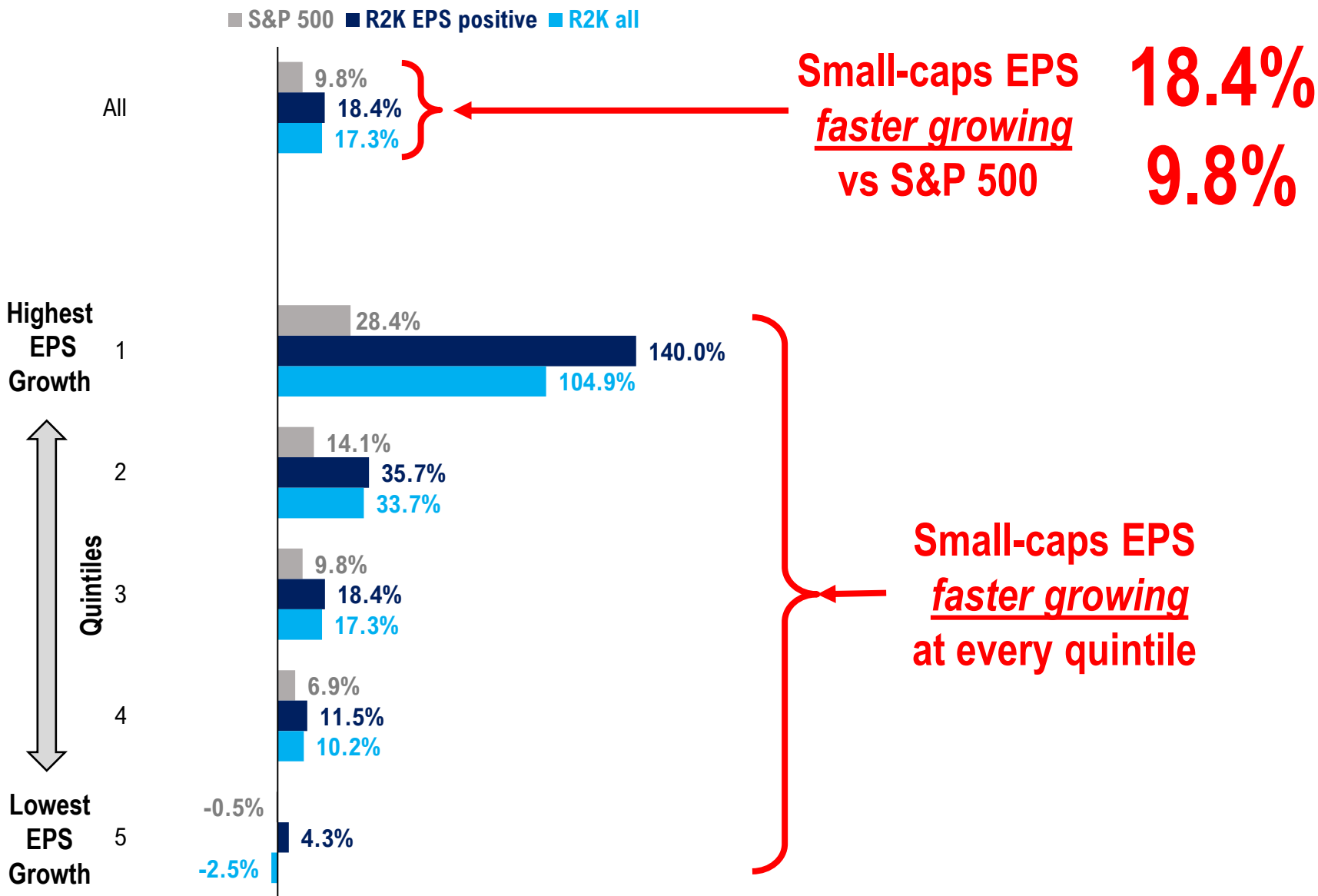
\*Start of 2022 Rebased to 100



# SMALL-CAPS: Faster Growing EPS Relative to S&P 500

## S&P 500 and Russell 2000 Median EPS Growth

FY 2026 EPS Growth. Divided by Quintile



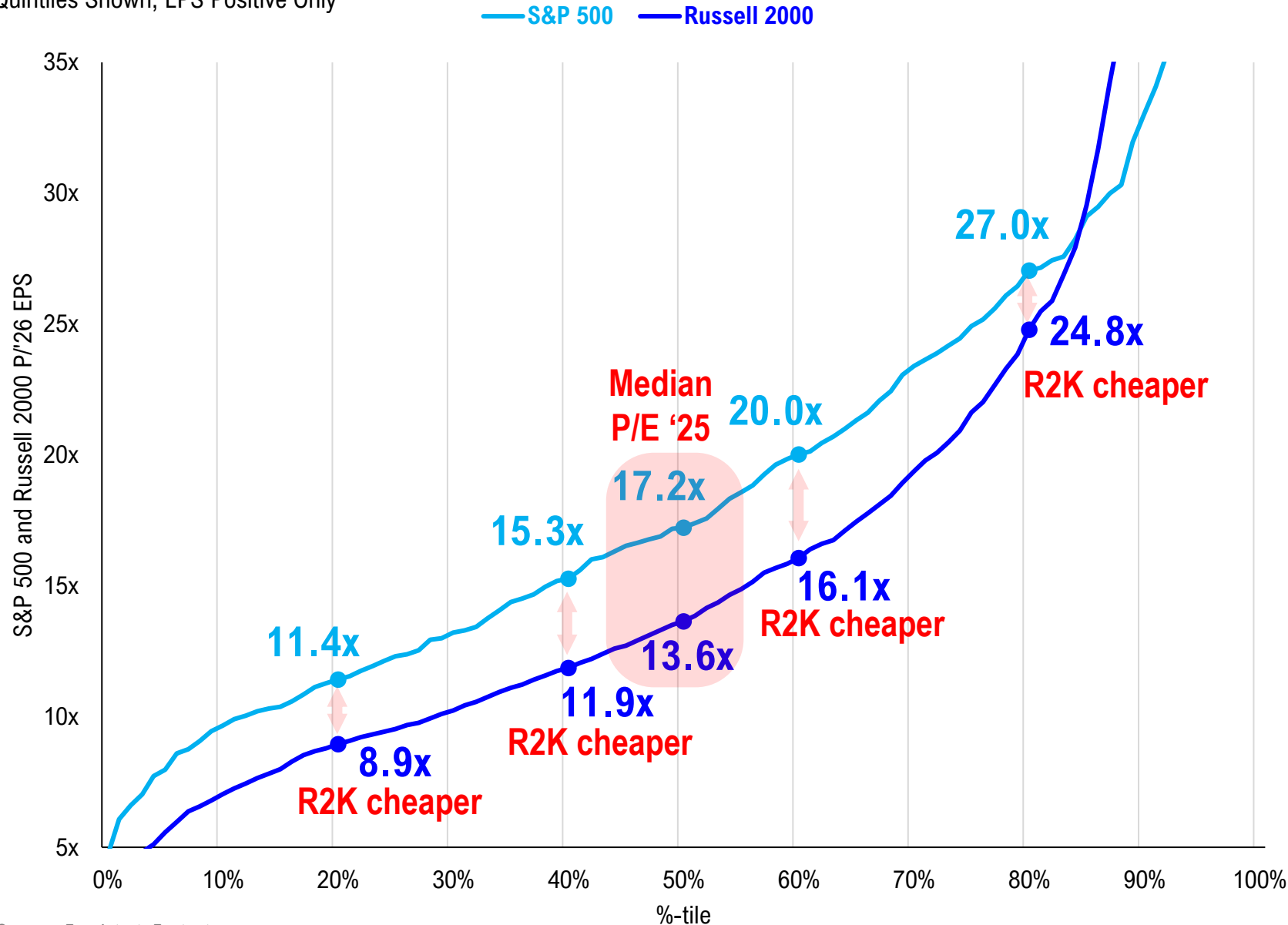
Source: Fundstrat, Factset



# SMALL-CAPS: Undervalued Relative to S&P 500

## Distribution of Russell 2000 and S&P 500 P/'26E

Quintiles Shown, EPS Positive Only



Source: Fundstrat, Factset

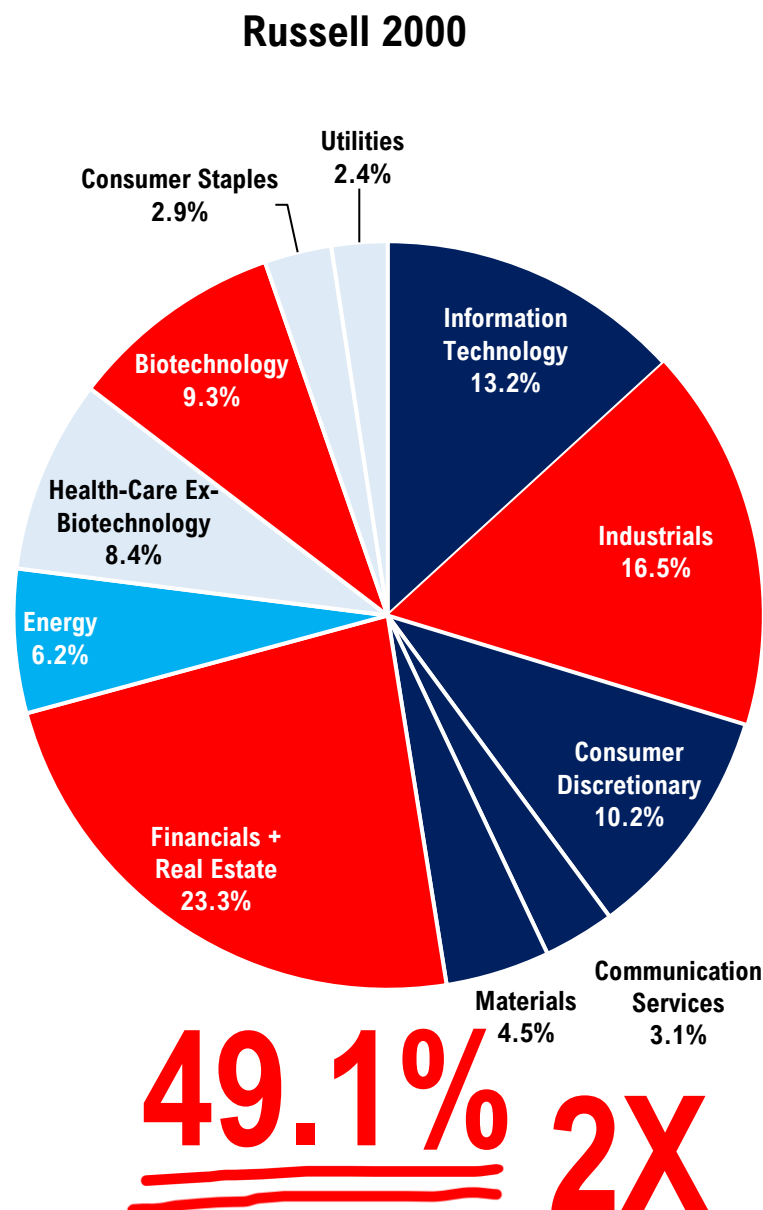
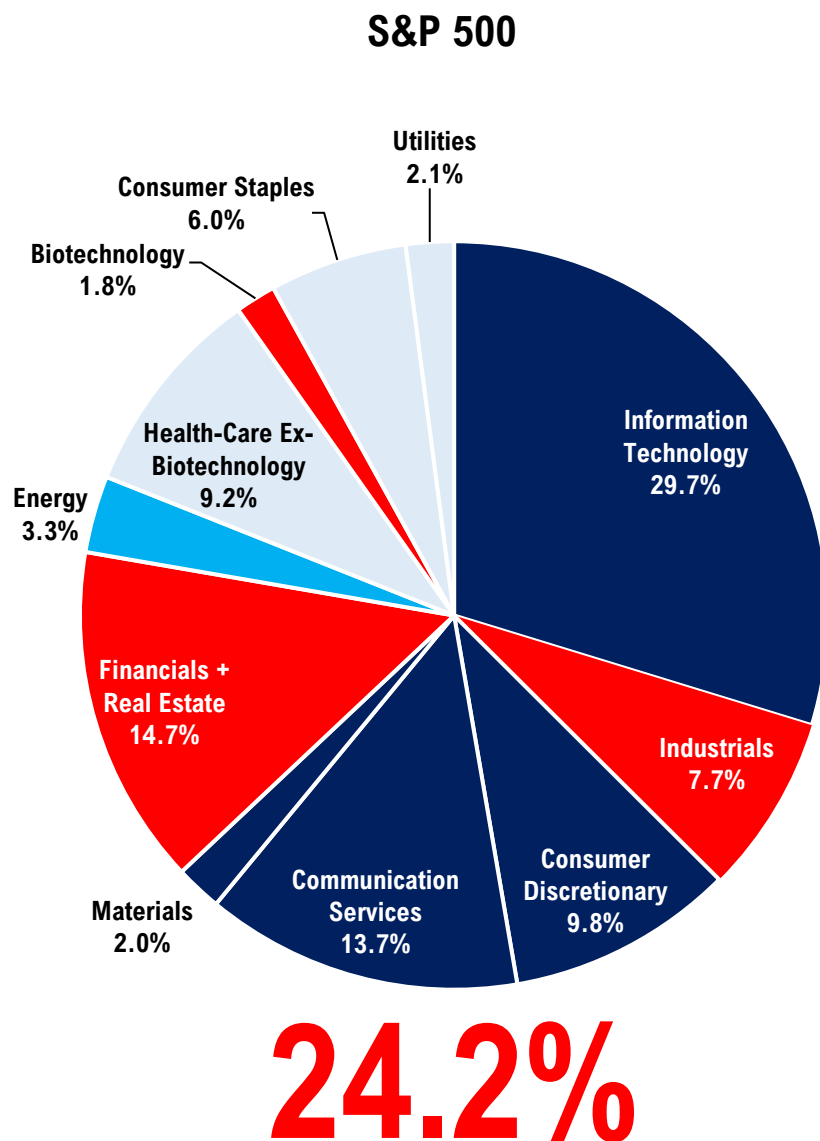
\*Dots represent the P/E of the const. nearest to the integer %-tile bracket from 0-100



# SMALL-CAPS: More Exposure to Rate Sensitive Industries

## GICS Sector Weightings of S&P 500 vs Russell 2000

Biotechnology Shown ■ = Cyclical; ■ = Near-Cyclical; ■ = Defensives

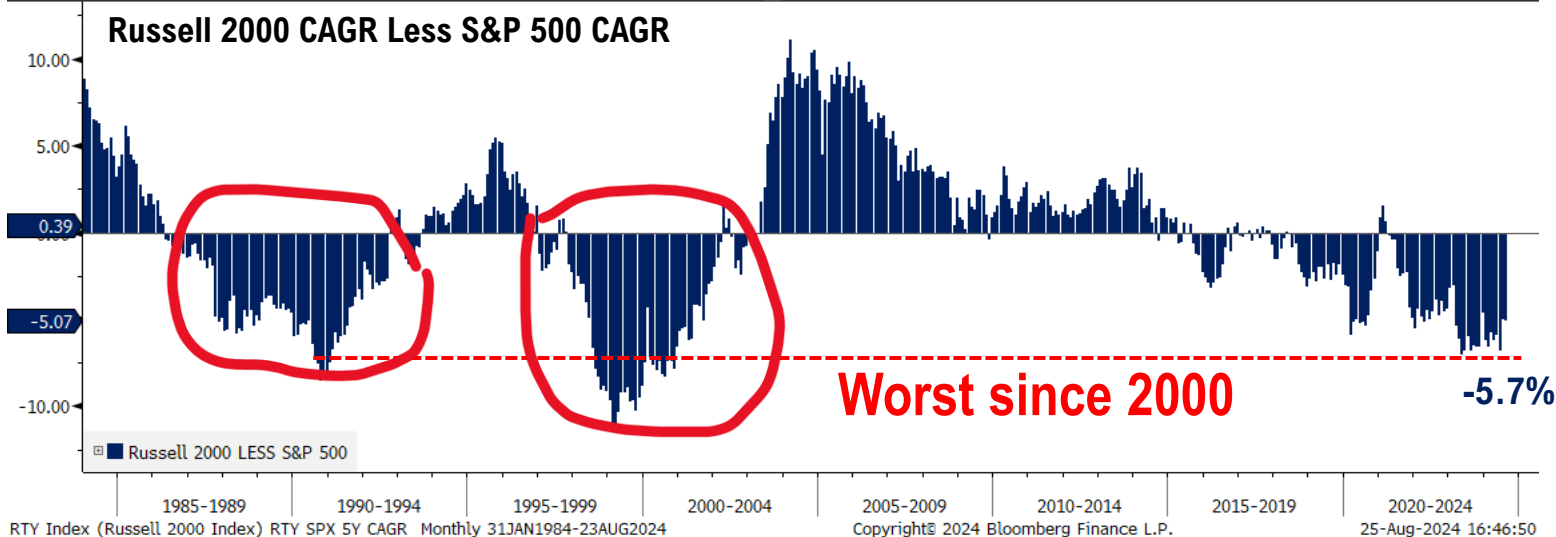
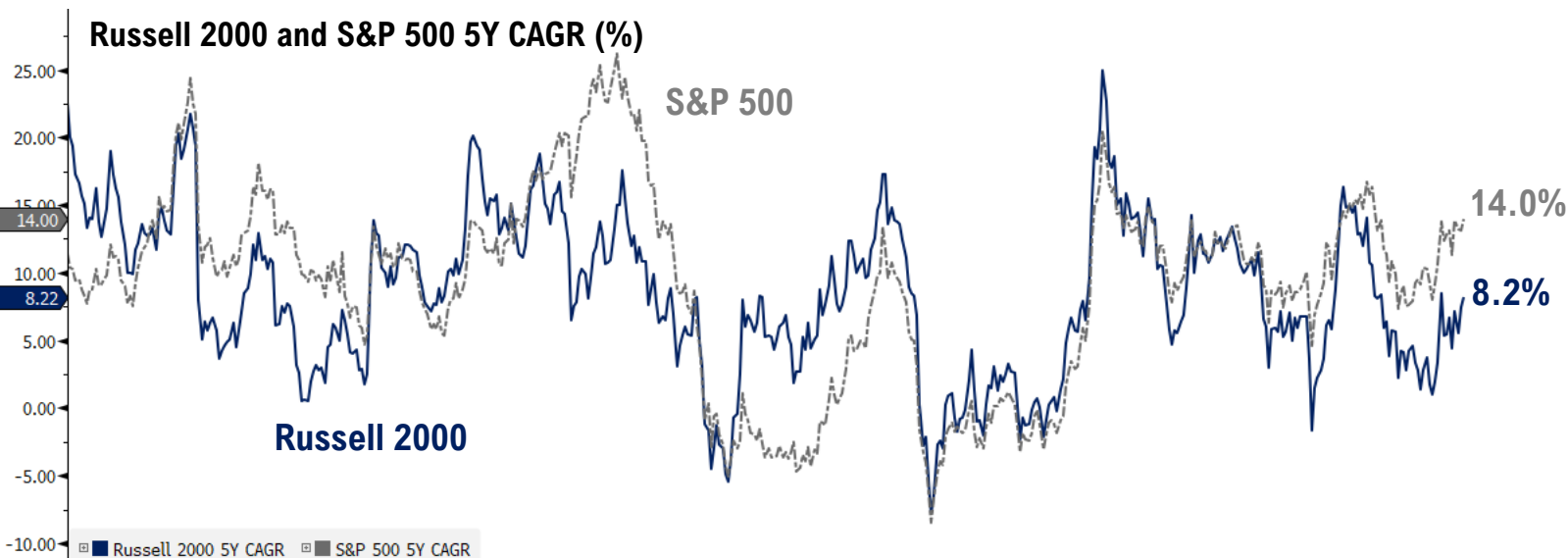


Source: Fundstrat, Bloomberg



# SMALL-CAPS: Skepticism Largely Borne Out of Recency Bias

Russell 2000 and S&P 500 rolling 5Y annualized return  
Since 1984



Source: Fundstrat, Bloomberg

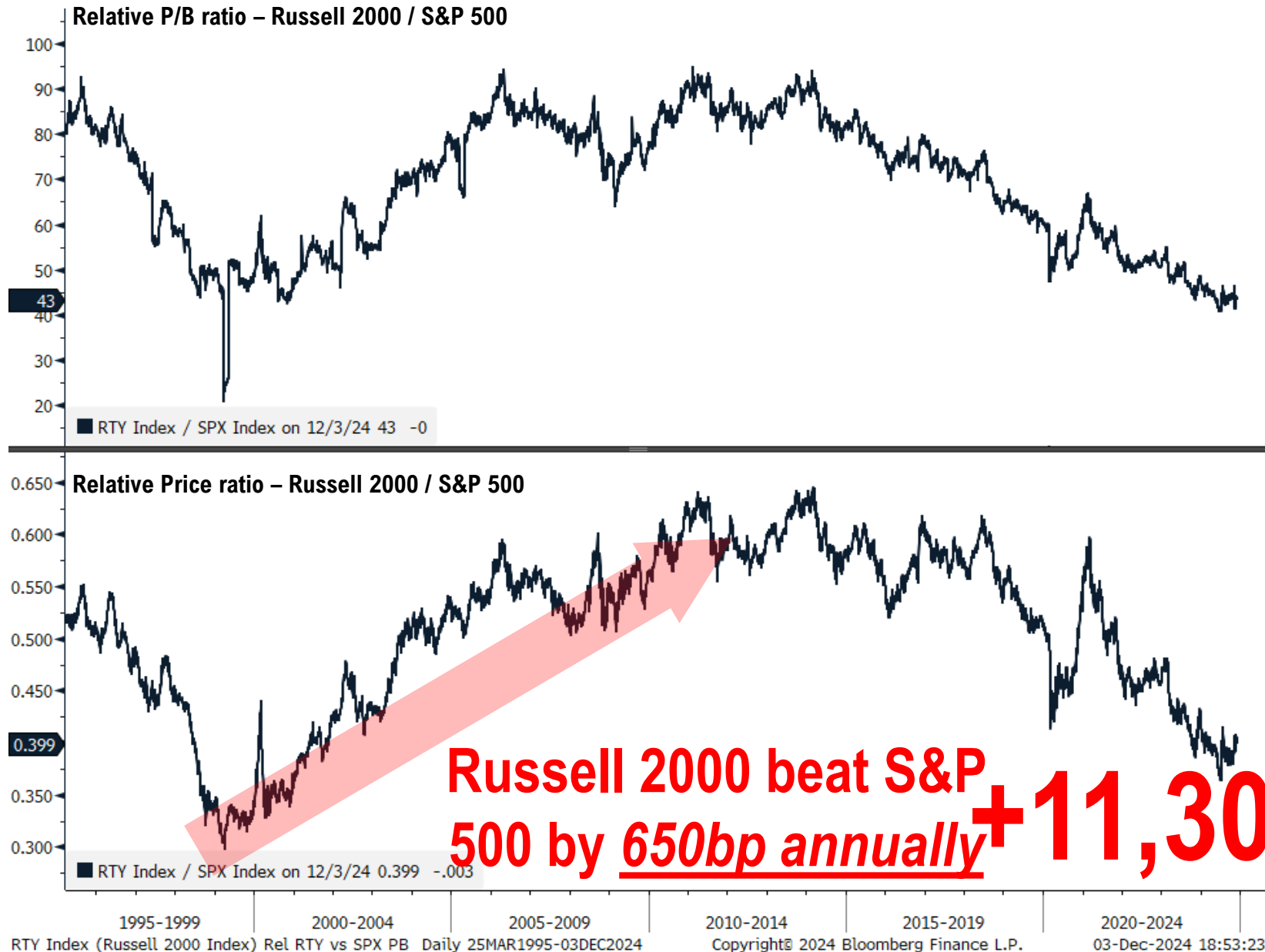




# SMALL-CAPS: Relative P/B Ratio at Key Levels

Relative Price to Book Ratio and Relative Price Ratio - Russell 2000 / S&P 500

Since 1995



Source: Fundstrat, Bloomberg



## FINANCIALS: Case for Financials strong

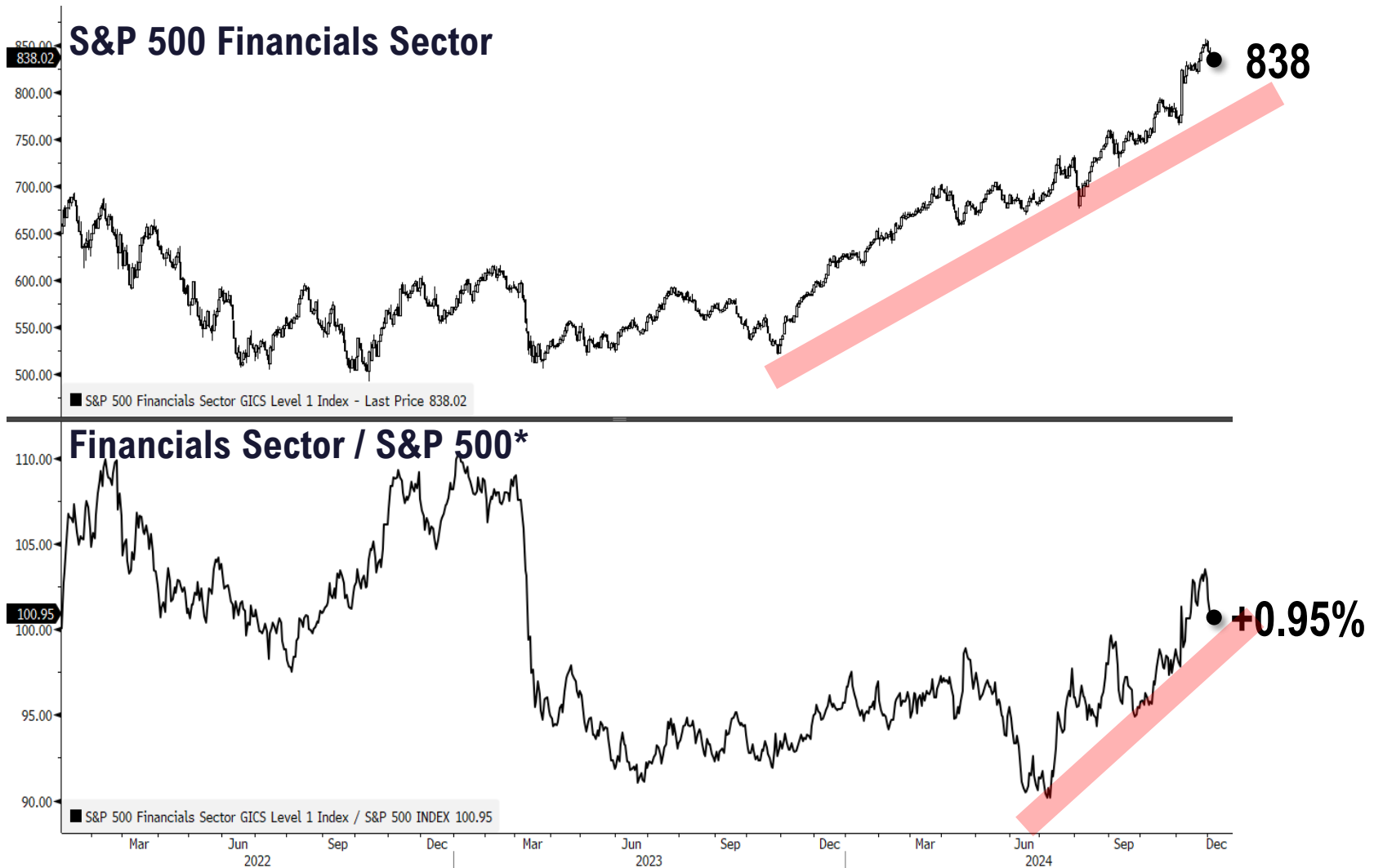
- Revived US “animal spirits” means economic activity likely picking up – ISM manufacturing depressed for nearly 3 years.
- Falling cost of capital and easing Fed means M&A activity likely rises, boosting investment banking activity.
- Capital markets and IPO activity could recover.
- Banks and financials beneficiary of potential White House push to de-regulation.
- Deposits and funding costs near peak. Fed cut relief to “High Cost Deposit” franchises and net interest margin (NIM) below long-term averages.

Source: Fundstrat



# FINANCIALS: Financials Sector vs S&P 500 Index

Since 2022



SSFINL Index (S&P 500 Financials Sector GICS Level 1 Index) SSFINL 3yr vs SPX Daily 01JAN2022-03DEC2024

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Source: Fundstrat, Bloomberg

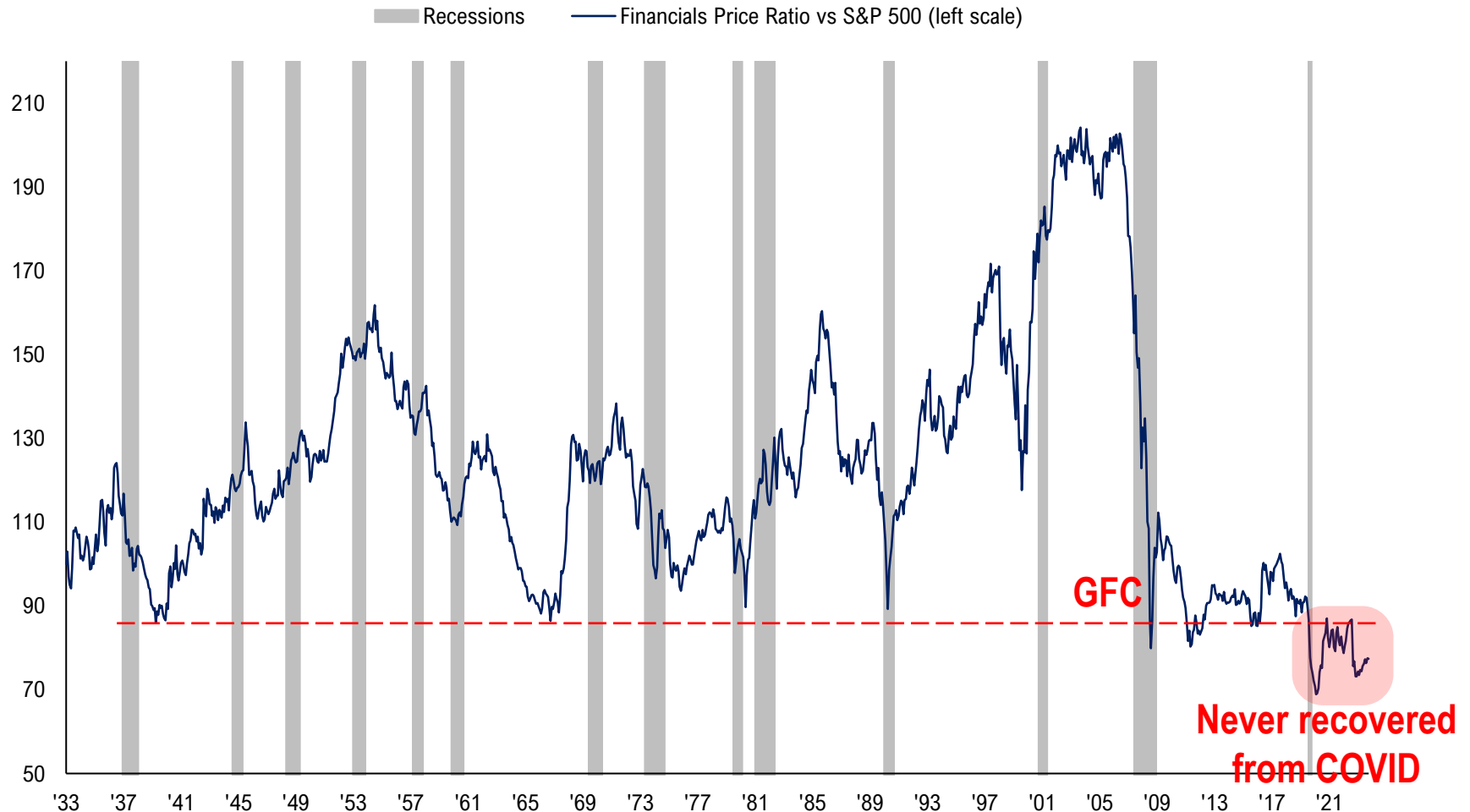
\*Start of 2022 Rebased to 100



# FINANCIALS: Never recovered post pandemic

## Financials Price Ratio vs S&P 500

Since 1933



Source: Fundstrat, Fama Data Library, Bloomberg

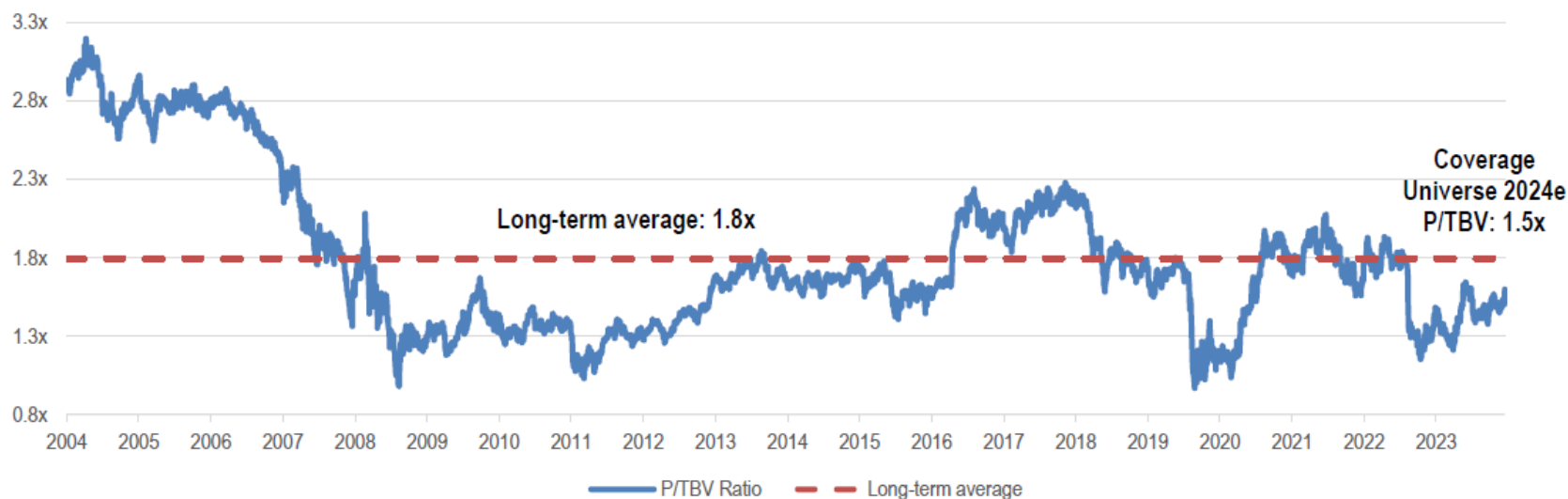


# Regional Bank Stock Multiples are Deeply Discounted to the Market

## Regional Bank Stock P/E Versus S&P 500 P/E Multiple Trend, 2014-Today



## Regional Bank Stock P/TBV Trend, 2004-Today



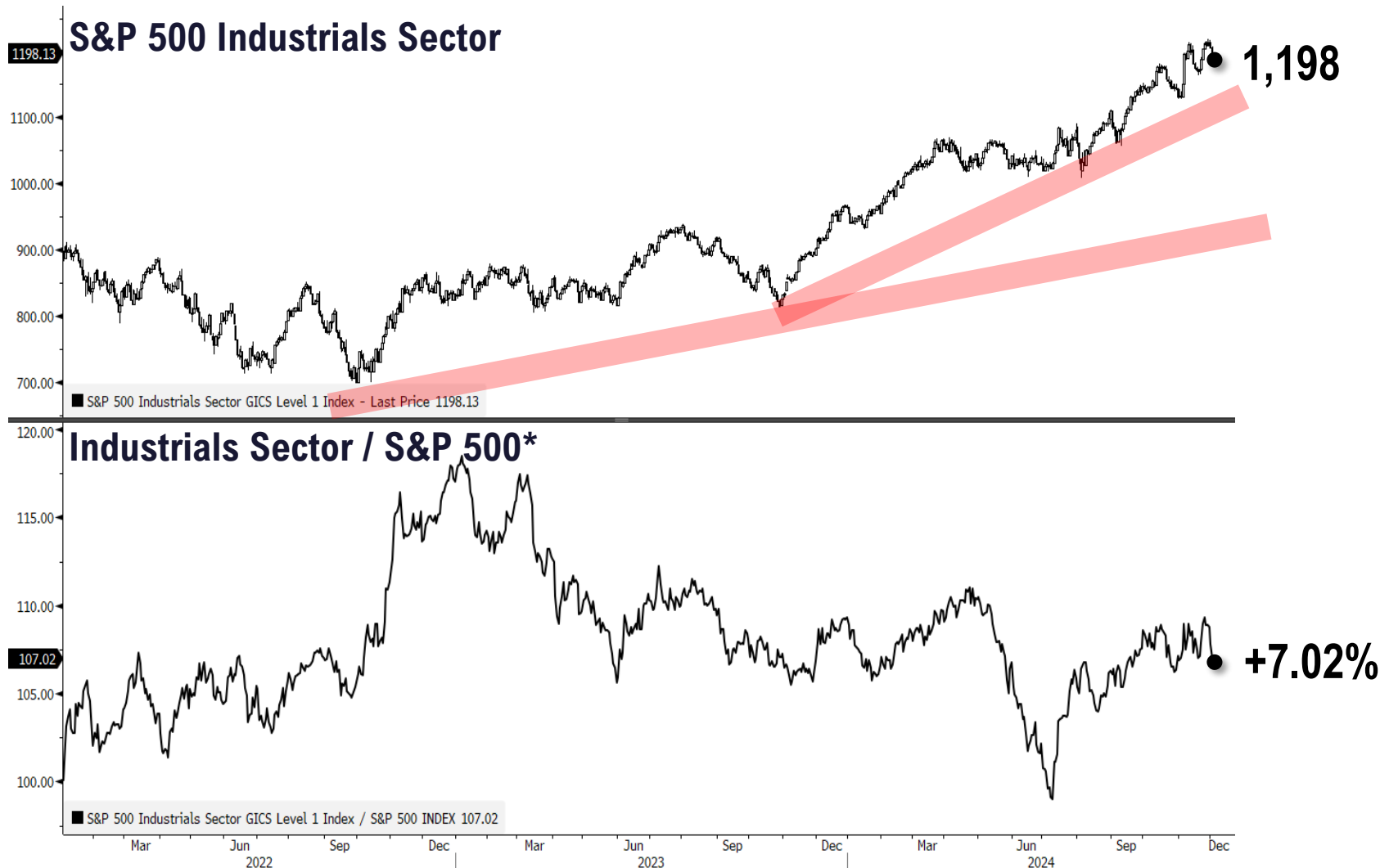
Source: S&P Global. Data is for the Nasdaq Bank Index (CBNK Index) and as of July 2024.

J.P.Morgan



# INDUSTRIALS: Industrials Sector vs S&P 500 Index

Since 2022



SSINDU Index (S&P 500 Industrials Sector GICS Level 1 Index) SSINDU 3yr vs SPX Daily 01JAN2022-03DEC2024

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03-Dec-2024 16:22:29

Source: Fundstrat, Bloomberg

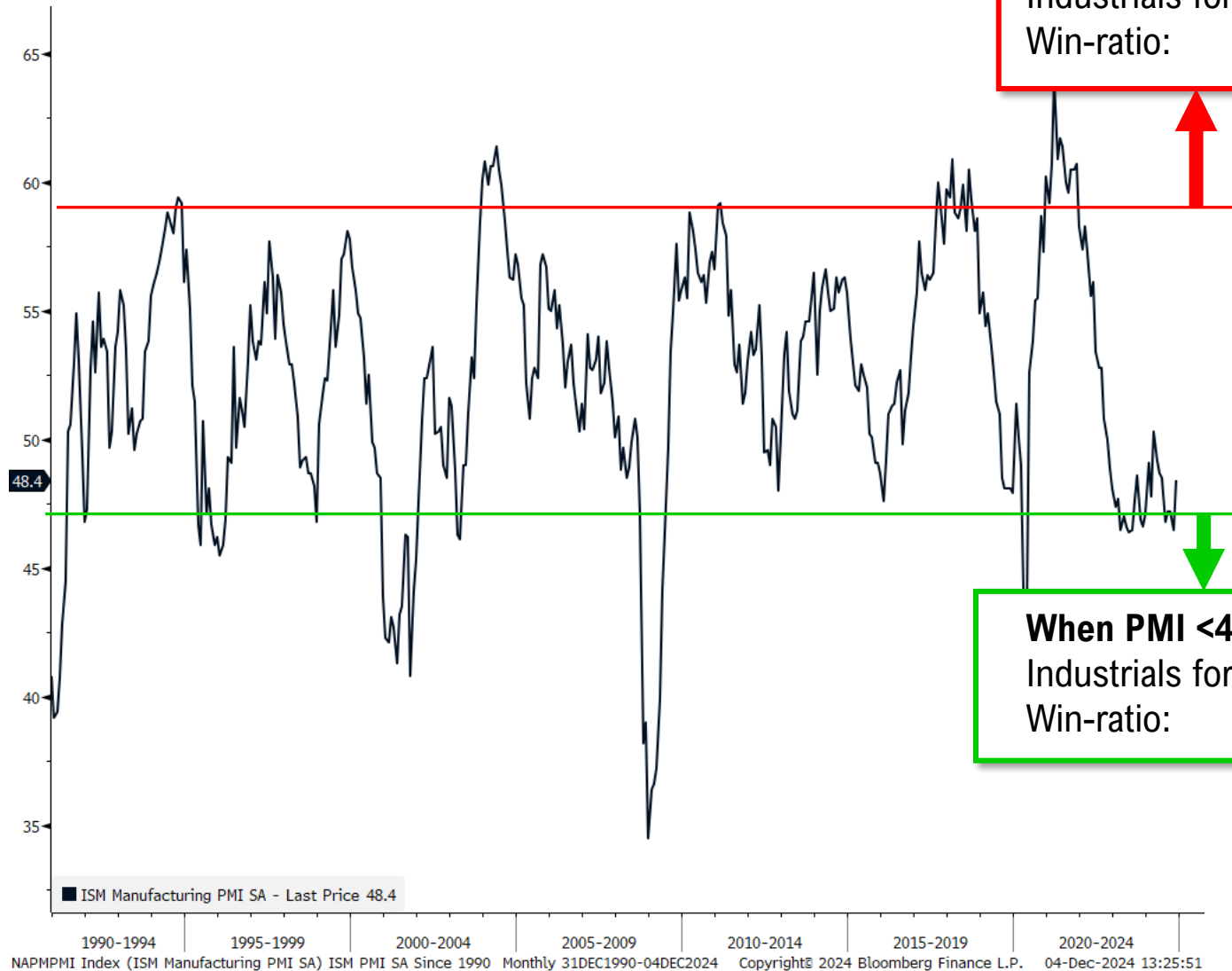
\*Start of 2022 Rebased to 100



# INDUSTRIALS: Buy Industrial stocks when PMI <47

## PMI: ISM

Since 1990. Monthly.



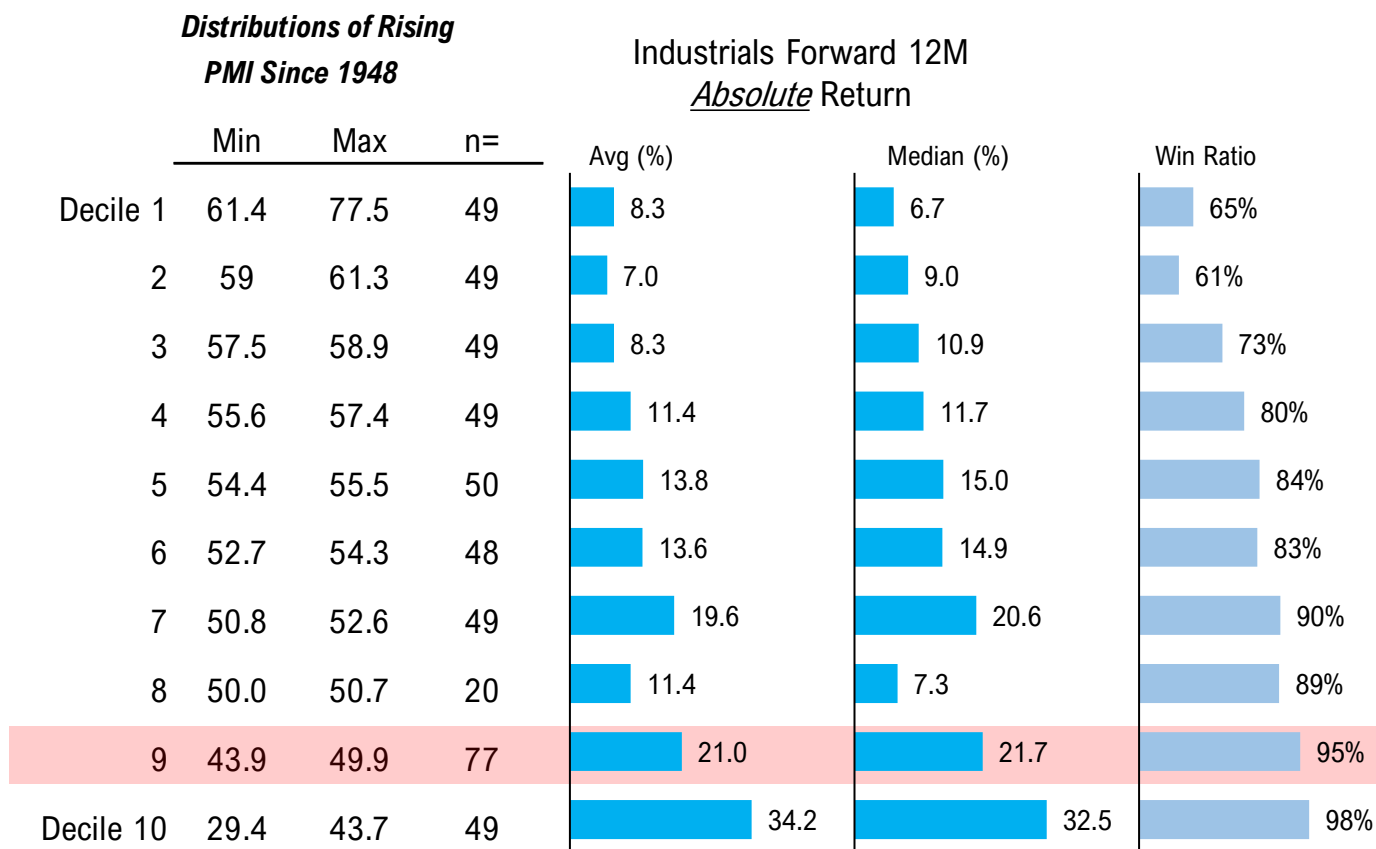
Source: Fundstrat, Bloomberg



# INDUSTRIALS: Even better when PMIs <50 and RISING

## INDUSTRIALS: Absolute Forward Returns of Industrials When PMI is Rising

Since 1948



Source: Fundstrat, Bloomberg, Datastream



# Why Granny Shots?

The term “Granny shot” refers to an unconventional basketball free throw style.

**Shaquille:**  
(career success)

**52%**



**Rick Barry:**  
(career success)

**90%**



Source: NBA, not a prediction of investment outcomes, but a description of a process

# STRATEGY: SMID Granny represents the “best of the best” from Thematics

The SMID granny shots represent the best of the best small and mid-cap constituents from the thematic portfolios

- This is derived from looking at small or mid-cap stocks which appear in multiple themes.

**Figure: SMID Granny Shots are the “best of the best”**

Selected from a universe consisting of 2,471 small and mid-cap stocks

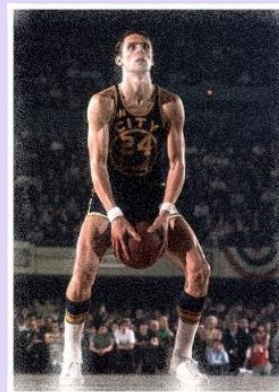
## Tactical (6M-12M)

	# stocks
Style tilt	52
Seasonality	48
PMI Recovery	52

## Thematic (3Y-5Y)

	# stocks
Energy Security	46*
Millennials	30
Global Labor Suppliers	37
Easing Financial Condition	41

## SMID Granny Shots



*Rick Barry career free throw percentage was eye-popping 90%, incredible considering Shaquille O'Neal's only 52%.*

*His secret? The unorthodox style of underhanded throws, which is considered “not macho” enough for most players.*

# overlaps “layups”	Tickers
4	MSTR
3	PRIM, MLI, GVA EXP, EME, CVLT
2	APP, TPX, WSM PLUS, CARG, CVNA AYI, IBCP, TBBK EWBC, NWPX, MCBS SPOT, USLM, TWLO STRL, SNEX, IONQ SHAK, QNST, PI OSPN, MCY, AVPT LPX, ZETA, ITRI IESC, SFM, HIMS FIX, ESE, VMI, BANF AWI, AIT, AGYS

Source: Fundstrat

\*Includes large cap



Rick Barry career free throw percentage was eye-popping 90%, incredible considering Shaquille O'Neal's only 52%.

His secret? The unorthodox style of underhanded throws, which is considered "not cool" enough for most players.

## SMID GRANNY SHOTS: 44 ideas

Introducing new SMID Granny Shot portfolio.

- **These stocks are recommended across at least two of our investment strategies within SMID Universe, which makes them likely to benefit from multiple themes and secular tailwinds.**

Source: Fundstrat, Factset, Bloomberg

Ticker	Company	Mkt Cap (\$M)	Style Tilt	Seasonality	PMI Upside	Energy/Other Security	Millennials	Global Labor Supplier	Easing Financial Condition	Strategy Count
1	MSTR	Microstrategy Inc	\$77,364	•			•	•	•	4
2	PRIM	Primoris Services Corp	\$4,165	•	•	•				3
3	MLI	Mueller Industries Inc	\$9,117	•	•	•		•		3
4	GVA	Granite Construction Inc	\$4,183	•	•	•				3
5	EXP	Eagle Materials Inc	\$9,310	•	•	•				3
6	EME	Emcor Group Inc	\$21,819	•	•	•				3
7	CVLT	Commvault Systems Inc	\$7,570	•		•				3
8	APP	Applovin Corp	\$95,890	•			•			2
9	TPX	Tempur Sealy International	\$9,600			•		•		2
10	WSM	Williams-Sonoma Inc	\$22,989			•		•		2
11	PLUS	Eplus Inc	\$2,120			•		•		2
12	CARG	Cargurus Inc	\$3,352			•		•		2
13	CVNA	Carvana Co	\$30,395			•		•		2
14	AYI	Acuity Brands Inc	\$9,853		•			•		2
15	IBCP	Independent Bank Corp/Mi	\$790		•			•		2
16	TBBK	Bancorp Inc/The	\$2,645		•			•		2
17	EWBC	East West Bancorp Inc	\$14,363		•			•		2
18	NWPX	Northwest Pipe Co	\$535		•	•				2
19	MCBS	Metrocity Bankshares Inc	\$877	•	•					2
20	SPOT	Spotify Technology Sa	\$93,870	•		•				2
21	USLM	United States Lime & Mine	\$4,107	•	•					2
22	TWLO	Twilio Inc	\$16,633	•	•					2
23	STRL	Sterling Infrastructure Inc	\$5,614	•	•					2
24	SNEX	Stonex Group Inc	\$3,263	•	•					2
25	IONQ	Ionq Inc	\$7,134	•			•			2
26	SHAK	Shake Shack Inc	\$5,335	•		•				2
27	QNST	Quinstreet Inc	\$1,227	•	•					2
28	PI	Impinj Inc	\$4,429	•			•			2
29	OSPN	Onespan Inc	\$710	•	•					2
30	MCY	Mercury General Corp	\$3,988	•	•					2
31	AVPT	Avepoint Inc	\$3,501	•			•			2
32	LPX	Louisiana-Pacific Corp	\$8,191	•	•					2
33	ZETA	Zeta Global Holdings Corp	\$4,561	•			•			2
34	ITRI	Itron Inc	\$5,069	•	•					2
35	IESC	Ies Holdings Inc	\$5,036	•	•					2
36	SFM	Sprouts Farmers Market Inc	\$14,691	•		•				2
37	HIMS	Hims & Hers Health Inc	\$6,486	•		•				2
38	FIX	Comfort Systems Usa Inc	\$16,344	•	•					2
39	ESE	Esco Technologies Inc	\$3,690	•	•					2
40	VMI	Valmont Industries Inc	\$6,638	•	•					2
41	BANF	Bancfirst Corp	\$4,219	•	•					2
42	AWI	Armstrong World Industries	\$6,748	•	•					2
43	AIT	Applied Industrial Technolo	\$10,400	•	•					2
44	AGYS	Agilysys Inc	\$3,627	•			•			2

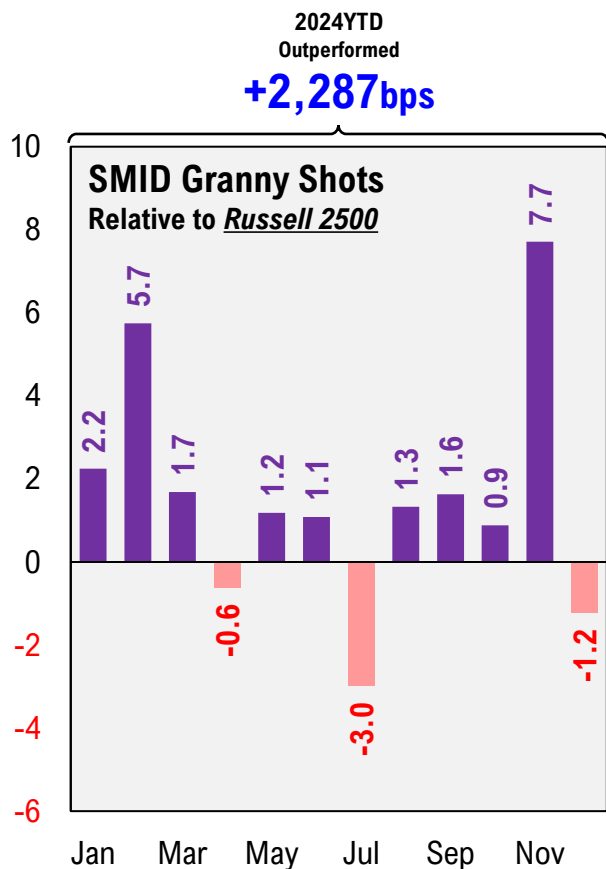


# SMID GRANNY Performance

As of 12/10/2024

## SMID Granny Shots Return Relative to Russell 2500

Monthly since SMID Granny Shots Inception on 1/16/2024



Source: Fundstrat, Factset

\* Jan 2024 return is calculated since SMID Granny Shots introduction on Jan 16.

Ticker	Company	Mkt Cap (\$M)	Style Tilt	Seasonality	PMI Upside	Energy/Other Security	Millennials	Global Labor Supply	Easing Financial Condition	Strategy Count
1	MSTR	Microstrategy Inc	\$77,364	•		•	•	•	•	4
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7	CVLT	Commvault Systems Inc	\$7,570	•	•	•				3
8	APP	Applio Corp	\$95,890	•			•			2
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15	IBCP	Independent Bank Corp/Mi	\$790		•		•	•		2
16	TBBK	Bancorp Inc/The	\$2,645		•		•	•		2
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43	AIT	Applied Industrial Technolc	\$10,400	•	•					2
44	AGYS	Agilysys Inc	\$3,627	•			•			2



## GRANNY SHOTS: Large-cap Grannies now an ETF \$GRNY



The graphic features a grayscale background image of a basketball player in a white jersey, looking upwards and holding a basketball. Overlaid on this image is the text 'Fundstrat Granny Shots US Large Cap ETF' in a dark blue serif font, followed by the ticker symbol '\$GRNY' in a large, bold, purple sans-serif font. To the right of the image, the 'fundstrat capital' logo is displayed, with 'fundstrat' in purple and 'capital' in dark blue, enclosed in a black rectangular frame. Below this, a purple horizontal bar contains the text 'Portfolio Managers' in white. Underneath the bar, the names and credentials of the portfolio managers are listed in dark blue: 'Thomas J. Lee, CFA' with the email 'tom.lee@fundstratcapital.com', and 'Ken Xuan, CFA, FRM'.

**Fundstrat Granny Shots  
US Large Cap ETF**

**\$GRNY**

**fundstrat  
capital**

**Portfolio Managers**

**Thomas J. Lee, CFA**  
tom.lee@fundstratcapital.com

**Ken Xuan, CFA, FRM**

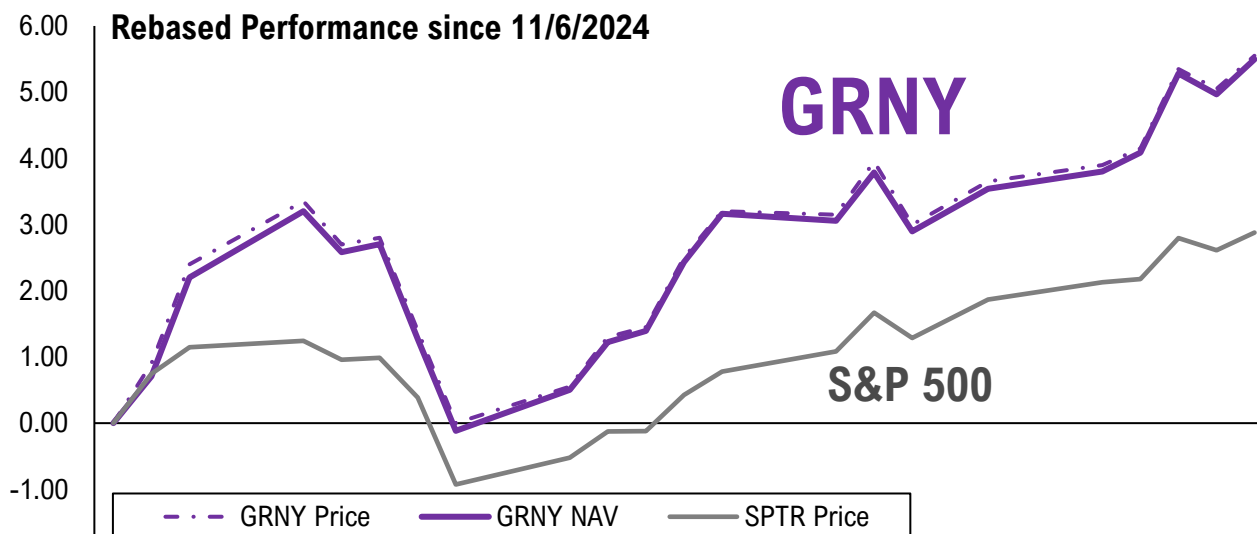


# GRNY Performance since Inception

vs. S&P 500. Source: Fundstrat Capital, Bloomberg. Data as of 12/6/2024.

Ticker: GRNY

Rebased Performance since 11/6/2024



**+5.55%** (Market Price)

**+5.50%** (NAV)

**+2.88%**

**relative  
performance**

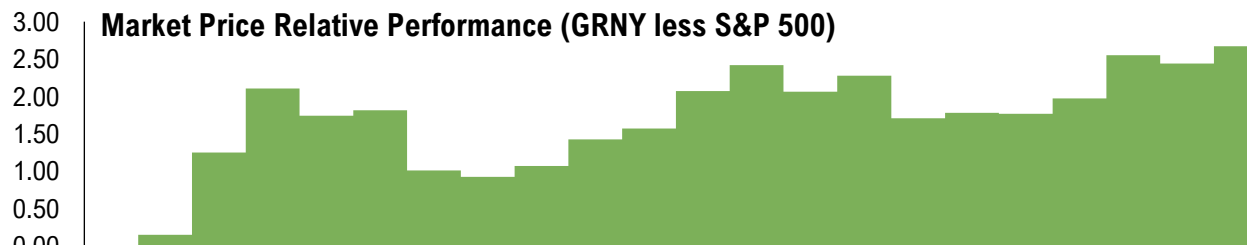
**+262 bps**

**+267 bps**

NAV Relative Performance (GRNY less S&P 500)



Market Price Relative Performance (GRNY less S&P 500)



Nov 6

Nov 18

Nov 29

“BASIS POINT (BP)” MEANS ONE ONE-HUNDREDTH (1/100TH) OF ONE PERCENTAGE POINT. THE PERFORMANCE DATA QUOTED REPRESENTS PAST PERFORMANCE AND IS NO GUARANTEE OF FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE OF AN INVESTMENT WILL FLUCTUATE SO THAT AN INVESTOR’S SHARES, WHEN REDEEMED, MAY BE WORTH MORE OR LESS THAN THEIR ORIGINAL COST. CURRENT PERFORMANCE MAY BE LOWER OR HIGHER THAN THE PERFORMANCE DATA QUOTED. FOR THE MOST RECENT MONTH-END PERFORMANCE, PLEASE CALL (212) 293-7132



# Disclosures

From: Quarter-End as of 9/30/2024

Performance	One Month	Three Months	Six Months	QTD	Fund Inception
ETF - NAV	-	-	-	-	-
ETF - Market	-	-	-	-	-
Benchmark	-	-	-	-	-

Expense Ratio: 0.75%

DISCLOSURES: <https://grannyshots.com/media/>

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Positive (+): The analyst expects the performance of his industry/sector coverage universe over the next 6-18 months to be attractive vs. the relevant broad market benchmark, being the S&P 500 for North America.

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