RGIP

2024 ANNUAL REPORT

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ANNUAL REPORT 2024

ROLAND GEORGE INVESTMENTS PROGRAM

STETSON UNIVERSITY

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ROLAND GEORGE INVESTMENTS PROGRAM

INTRODUCTION

MAKING ROLAND GEORGE'S DREAM A REALITY THAT HAS THRIVED FOR 40 YEARS.

After the passing of Roland J. George, Sarah George approached Stetson University determined to bring her late husband's dream to life. Roland, who had suffered vast investment failures of his own in the market crash of 1929, insisted that the truest way to learn the principles of investing was to learn by doing. He embraced failures and mistakes as a critical part of the learning process. Theory and principles are important in an investor's learning path, but nothing can replace practical learning experiences. The Georges envisioned a program in which students would not only have the traditional classroom experience, but also be given the opportunity to manage a real portfolio – purchasing and selling securities, constantly monitoring the portfolio, and enduring the pressures of generating sufficient income to pay for the program's expenses.

During his lifetime, Roland endeavored to spread these ideas but was unable to find a sponsor in the academic community for such a program. Offers on his part to assist in creating and financing a "practical" investments course went unaccepted. However, on August 20, 1980, Sarah George transferred assets valuing just under $500,000 to Stetson, accompanied by contributions from President Pope Duncan, Dean David Nylen, H. Douglas Lee, and Professor Kenneth Jackson. Then came a memorandum stating the terms of the new Roland George Investments Program (RGIP), which the school was committed to bringing to life for the approaching spring semester.

Carter Randall, a noted lecturer, writer, and panelist on PBS's Wall Street Week, was selected as the first Distinguished Visiting Professor. Randall proved to be instrumental to the program, as his efforts as a lecturer, advisor, and fund consultant established the ambitious standards RGIP holds itself to today.

From 1982 to 1987, Gerald T. Kennedy assumed this position and introduced the use of computers to scan stocks meeting criteria derived from student research. Students advanced their research methods through the introduction of services such as Value Line and Dow Jones News Retrieval, in conjunction with data sources such as Zack's Icarus Services and the O'Neil Reports.

Sarah George passed away in 1988, and in her will, she left a gift of $3.6 million to establish the Roland and Sarah George Investments Institute, where the Roland George Investments Program (RGIP) was born. The Institute provides support for investment education at Stetson to bring investment professionals and academic theorists together and helps provide access to research in investments for the School of Business Administration faculty. The Stetson community greatly appreciates Sarah George's generosity and vision for investment education. The George endowment has also allowed RGIP to have a full-time resident professor with applied experience.

The RGIP further progressed through its division into a two-year, four-course program. Students take courses focusing on equity analysis, fixed income analysis, and portfolio management. The curriculum is designed to provide a comprehensive understanding of investment principles while offering practical, hands-on experience.

Max Zavanelli was selected as the first Roland George Distinguished Visiting Professor of Applied Investments. Since then, Ned Schmidt, Frank Castle, K.C. Ma, and David Mascio have served as visiting professors. These individuals were selected for their applied investment experience and enthusiasm to effectively convey this knowledge to the students in the program. Their efforts have helped materialize Mr. and Mrs. George's dream of developing the RGIP into a first-rate organization for applied investment research and investment education.

The program is currently led by Professor Matthew Hurst, the Roland George Professor of Applied Investments, and Professor Matthew Imes, the Director of the Roland George Investments Program. In 2024, they assumed these leadership roles as part of a planned transition. Together, they guide students through a rigorous curriculum, provide mentorship, and foster experiential learning that prepares students for careers in investment management.

The RGIP is unique in its concept and design, giving Stetson business students the opportunity to simultaneously learn the theory behind portfolio management and put that learning into practice with a lot more than test grades at stake. While many universities offer courses using computer-simulated programs with "play" money, RGIP students are trusted to invest more than $7 million.

Roland George believed the best way to prepare for a career in investments was through participation in actual investment decisions under the supervision of experienced investment managers. His dream is now a reality, as the program has thrived for more than 40 years and continues to fundamentally change the way Stetson University teaches investments.

TRUSTEES

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Chief Investment Officer, Lead Technology Associate

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Fixed Income Portfolio Manager, Lead Basic Materials Associate

William Hubbard
Strategic Growth Portfolio Manager, Lead Consumer Staples Associate

Max Miller
Value Portfolio Manager, Lead Health Care Associate

Jennings Pitts Jr.
Tactical Growth Portfolio Manager, Lead Industrials Associate

Beatriz Vossen
Risk & Compliance Officer, Lead Telecommunications Associate

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DIRECTOR'S NOTE

Matthew Imes

DIRECTOR

As I reflect on 2024, the term that resonates most with this year is "evolution." The global financial markets presented a mix of opportunities and challenges, driven by shifting monetary policies, technological advancements, and geopolitical uncertainties. These factors underscored the importance of adaptability and strategic foresight, qualities that RGIP has demonstrated in abundance this year.

Capital markets in 2024 were shaped by the Federal Reserve's ongoing balancing act between inflation control and growth, with persistent rate adjustments contributing to market volatility. Fixed income markets experienced record inflows as investors sought stability amidst uncertainty, while equity markets contended with fluctuating sentiment influenced by geopolitical events and the rapid adoption of artificial intelligence (AI). AI, in particular, emerged as a defining theme, not only transforming industries but also influencing investment strategies and valuations.

This year has also been a period of transition for RGIP. I was honored to join the program as Director in August, alongside Dr. Matthew Hurst, who assumed the role of RGIP Professor. Together, we have focused on fostering a culture of collaboration and competition. My emphasis on building a supportive yet challenging environment, coupled with Dr. Hurst's innovative approach leveraging AI in our processes, has positioned RGIP to thrive in the years to come. Notably, we have prioritized expanding the RGIP alumni network, exemplified by our Ponte Vedra alumni event in November.

Amid this dynamic backdrop, RGIP's investments have experienced significant gains. Our growth stock portfolio increased 23.56% while the value stock portfolio earned 22.4%, and the fixed income portfolio gained 5.15%. Our total assets under management grew to $6.8 million across three portfolios. This growth reflects the program's commitment to rigorous analysis, disciplined investment, and the dedication of our exceptional students.

The program's achievements in 2024 have been nothing short of remarkable. RGIP earned first place in the Fixed Income category at the prestigious Quinnipiac GAME Forum and won the CFA Institute Research Challenge for the state of Florida. Our students also showcased their talents at the Florida Investment Conference, USF Investment Tournament, and the NIBC Global Investment Banking Competition. These accomplishments highlight the analytical skill, teamwork, and dedication that define our program.

Experiential learning remained a cornerstone of RGIP in 2024. Both cohorts traveled to New York City in October to network with alumni, visit renowned investment firms, and deepen their understanding of the financial industry. We also hosted our annual RGIP Symposium in April, featuring a panel of distinguished alumni, and the RGIP Showcase in November, where students presented stock pitches on the megatrend of sustainable energy investment. Three of these pitches were selected for inclusion in our portfolios, demonstrating the program's forward-looking approach.

As RGIP continues to evolve, I remain inspired by the passion, ingenuity, and resilience of our students. Their achievements, both individually and collectively, are a testament to the strength of the program and its ability to shape the future leaders of the financial industry.

Sincerely,
Matthew Imes
Director, Roland George Investments Program

2024 marked a year of evolution for RGIP, driven by the unwavering adaptability, strategic foresight, and passion of our students, who continually set new benchmarks of excellence."

PROFESSOR'S NOTE

Matthew Hurst

PROFESSOR

PIONEERING THE FUTURE OF INVESTMENT MANAGEMENT

The Roland George Investments Program (RGIP) entered 2024 with a bold vision: to integrate cutting-edge technology and data-driven insights into the fabric of portfolio management. This year, we focused on building the critical infrastructure necessary to manage the portfolios of the future. By leveraging advancements in artificial intelligence, automation, and predictive analytics, RGIP has not only enhanced its investment process but also positioned its students to thrive in an industry increasingly shaped by technological innovation.

BUILDING FOUNDATIONS FOR INNOVATION

Throughout 2024, RGIP embarked on transformative projects aimed at redefining how investment portfolios are analyzed and managed. Our flagship initiatives included the development of AI-powered dashboards to monitor earnings, macroeconomic trends, and sector performance in real-time. These tools provide students with unprecedented access to insights, enabling more informed decision-making and elevating the program's strategic capabilities.

Additionally, RGIP implemented automated trading systems that streamline execution and reduce operational inefficiencies. These innovations were complemented by advanced research projects where students explored applications of machine learning to identify market trends and assess security-level risks. These accomplishments not only reflect the program's commitment to innovation but also reinforce RGIP's reputation as a leader in experiential learning.

A STRATEGIC FOCUS ON THE FUTURE

The investment landscape in 2024 tested the adaptability and analytical rigor that are foundational to modern portfolio management. As inflation moderated and economic growth remained robust, equity markets experienced normalization. However, elevated valuations, particularly in the technology sector, emerged as a key theme. The dominance of the so-called "Magnificent 7" stocks highlighted investor enthusiasm for innovation-driven growth but also underscored the concentration risk within major indices.

Against this backdrop, RGIP took a more measured approach, emphasizing slightly defensive positioning within its equity portfolio. While acknowledging the transformative potential of leading technology companies, the program sought to balance exposure by identifying opportunities in sectors with stronger valuation support and lower price volatility. This strategic shift aimed to mitigate downside risk while maintaining the potential for meaningful returns in a high-valuation environment.

The Federal Reserve's success in achieving a soft landing provided stability for equity markets, while the gradual reversion of the yield curve to historical norms signaled a more traditional macroeconomic backdrop. These evolving conditions reaffirmed the importance of disciplined decision-making, adaptability, and strategic foresight—qualities that RGIP instills in its students through rigorous analysis and hands-on portfolio management.

CLOSING THOUGHTS

2024 was a year of transformation and achievement for RGIP. The program's strategic focus on integrating AI and advanced analytics into portfolio management has set the stage for continued success. As we look to 2025, RGIP remains committed to its mission of fostering excellence in investment management education, empowering the next generation of financial leaders to thrive in a complex and ever-evolving world.

> **"Throughout 2024, RGIP embarked on transformative projects aimed at redefining how investment portfolios are analyzed and managed."**

CIO'S NOTE

Sugeeth Sathish
CHIEF INVESTMENT OFFICER

"RGIP is a program that transforms challenges into learning opportunities through collaboration, innovation, and resilience, equipping students with career readiness to excel in a dynamic financial landscape."

2024 was a year defined by the resilient yet volatile nature of financial markets. Despite persistent challenges, including a higher-for-longer rate environment, inflationary pressures, and domestic and geopolitical uncertainties, the market found strength in a robust labor market, resilient consumer spending, expectations of future interest rate cuts, and the transformative influence of the artificial intelligence (AI) megatrend. This dynamic macroeconomic environment provided an enriching learning experience for students. RGIP enjoyed a highly successful year, marked by strong portfolio performance, academic excellence, and top placements in national and international competitions.

Entering 2024, the economic landscape was shaped by elevated inflation and a Federal Reserve committed to price stabilization through a higher-for-longer interest rate policy. This stance weighed heavily on fixed-income securities early in the year, with rising yields pressuring valuations. Meanwhile, equity markets showed resilience, bolstered by strong corporate earnings, improving sentiment around recession risks, and breakthroughs in AI technologies that drove investor optimism.

In the latter half of the year, the Federal Reserve adjusted its strategy, reducing interest rates by 100 basis points to foster economic growth and promote a "soft-landing". By December, the federal funds rate stood at a range of 4.25%–4.50%. Despite these cuts, longer-term yields, including the 10-year Treasury, rose above 4.5%, reflecting ongoing concerns about sticky inflation and robust economic activity.

Equity markets extended their rally through year-end, fueled by technological innovation in AI and sustained strength in corporate performance. The labor market remained a pillar of stability, with the unemployment rate declining to 4.1% in December, further supporting consumer optimism and spending. As inflationary pressures eased, investor sentiment grew increasingly optimistic, with expectations of further rate cuts in 2025 enhancing the outlook for both equities and fixed income.

Under these conditions, the RGIP portfolios excelled. For equities, RGIP strategically employed a balanced approach with a risk-on appetite in the growth equity portfolio while remaining defensive in our value portfolio. The Growth

Portfolio increased systematic exposure to cyclical sectors, such as Technology, with an emphasis on increasing exposure in artificial intelligence across both software and semiconductors. The Income Portfolio, made up of the Value Equity Portfolio and Fixed-Income portfolio, focused on returning yield. With the Value Portfolio overweight defensive industries like Healthcare, Staples and Utilities, the portfolio was able to benefit from systematic growth. Meanwhile, the Fixed-Income Portfolio employed a short-duration strategy to minimize interest rate sensitivity and protect capital in a volatile rate environment. By blending short-duration Treasuries for stability with short-duration corporate bonds for yield enhancement, the portfolio effectively balanced capital preservation with income generation. This approach provided liquidity for reinvestment opportunities as the rate environment cleared up.

Beyond portfolio management, RGIP students continued to shine. On the global stage, highlights from the year include RGIP students winning the Florida Final of the CFA Institute Research Challenge for the fourth year in a row and placing first in the Quinnipiac GAME Global Portfolio Competition for our Fixed Income portfolio. Additionally, students embraced new challenges, broadening the program's competitive reach and reputation by ranking in the top 10% among over 500 teams and earning a spot in the Global Finals of the NIBC Global Investment Banking Competition. Professionally, students secured internships and full-time employment across top investment firms in the country.

The program has continued to expand and provide invaluable opportunities for the students. This fall, RGIP continued its tradition of the annual New York trip, which serves as a cornerstone of the program's experiential learning. This year marked a significant milestone as both the junior and senior cohorts participated in the trip together for the first time, fostering inter-cohort collaboration and mentorship. The trip provided students with invaluable opportunities to network with industry professionals, including RGIP alumni, and gain insights into the financial industry. Additionally, the program launched the Finance Club on campus, creating an opportunity for underclassmen to explore and learn about finance. With over 50 members, the club offers invaluable resources to help secure internships and serve as a pipeline for future RGIP members.

Reflecting on 2024, the RGIP program once again affirmed the vision of Roland George to empower students through experiential learning. As Chief Investment Officer, I am immensely proud of the dedication, insight, and collaboration demonstrated by the Investment Committee and the analyst class. Their efforts not only upheld the program's legacy of success, but also set the stage for continued excellence in the years to come. As we look to the future, I am confident that RGIP will remain a transformative experience for the students, cultivating leaders across the world of finance.

To the faculty, alumni, and partners who make this program possible, we extend our heartfelt gratitude. Your guidance and support are the foundation upon which our achievements are built. A special thank you to our alumni who have remained engaged – whether by returning to share their expertise, mentoring students, or supporting the program in other ways. Your involvement continues to strengthen our community.

To close, I would like to express my sincere gratitude to Dr. Hurst and Dr. Imes, who have provided guidance and support critical to the program's success. I am proud of the strong community RGIP has built, and I am excited to see how future cohorts rise to the challenges ahead and continue to drive the program's legacy forward.

STETSON UNIVERSITY

PORTFOLIO PERFORMANCE

STRATEGIC GROWTH
VALUE EQUITY
TACTICAL GROWTH
FIXED INCOME
RISK AND COMPLIANCE

STRATEGIC GROWTH PORTFOLIO

William Hubbard

Strategic Growth Portfolio Manager, Lead Consumer Staples Associate

EXECUTIVE SUMMARY

In 2024, the Growth Equity Portfolio under the Roland George Investments Program exhibited resilience and strategic expertise in navigating a complex market environment shaped by a blend of idiosyncratic and macroeconomic factors in the United States. This year, there were both major strains on the market and incredible feats achieved. The S&P 500 achieved 56 all-time high closes, the Nasdaq Composite reached 110, and the Dow Jones Industrial Average recorded 41. In addition, interest rates remained heightened with strong economic releases throughout the year. Hundreds of countries held elections with massive transfers of power, including the United States and nations in the European Union. As the portfolio manager, these challenges were addressed with a strong emphasis on long-term growth potential, utilizing in-depth equity research and thorough financial analysis to refine our asset allocation and sector weightings.

2024 PERFORMANCE REVIEW

The portfolio delivered a 1-year money-weighted return of 24.2%, compared to the benchmark index's return of 22.8%. This performance is the result of our strategic selection of high-potential stocks and proactive adjustments to asset allocation in response to changing market conditions.

- Assets Under Management (AUM): $3.6 million
- Return on Investment (ROI): 24.2%
- Alpha: 1.4% (vs the Wilshire 5000 Total Market Index)

SECTOR WEIGHTINGS

At the start of 2024, our portfolio's sector allocation was strategically structured to seize growth opportunities while managing risks. The table below highlights our weightings across the Global Industry Classification Standard (GICS) sectors.

SECTOR PERFORMANCES

Our portfolio's standout performers of 2024 exemplify our ability to identify and invest in sectors with robust growth trajectories.

INDUSTRY WEIGHTINGS 2024

INDUSTRY (ICB)	BENCHMARK	TARGET	RATIONALE
Consumer Discretionary	13.80%	14.18%	Overweight
Consumer Staples	4.00%	4.95%	Overweight
Energy	3.30%	4.16%	Overweight
Financials	12.60%	9.31%	Underweight
Health Care	10.50%	12.97%	Overweight
Industrials	12.10%	13.95%	Overweight
Technology	34.90%	28.44%	Underweight
Basic Materials	1.70%	2.13%	Overweight
Real Estate	2.50%	3.17%	Overweight
Telecommunications	2.20%	1.78%	Underweight
Utilities	2.40%	2.97%	Overweight

The Communication Services sector lead in returns for the year with incredible performance, even above Information Technology amidst the AI boom. Communications companies like Meta took on substantial gains due to increased digital advertising revenues fueled by strong consumer spending. This sector's performance highlights its resilience and growth potential, fueled by the adoption of new technologies to boost earnings and engagement. The second highest performing sector in 2024 was Information Technology, with companies like Palo Alto and Palantir showing consistent gains throughout the year. Advancements in AI were pivotal to this sector, while leading IT companies achieved substantial progress in incorporating AI into their products and services, driving strong performance and indicating a bright future for the sector.

2024 OUTLOOK & STRATEGY

As we look ahead to 2025, we expect many of the trends observed in 2024 to persist. Our strategic priorities will include:

1. Sector Weightings

Using guidance from our Weighting Optimizer, we plan to overweight our exposure to Consumer Staples, Energy, Healthcare, Industrials, Real Estate, and Utilities sectors, while decreasing our weightings in Financials and Technology, aligning with our outlook on global economic and sector-specific trends. Sectors remaining at their current weighting will be Basic Materials, Telecommunications, and Consumer Discretionary.

2. Key Investment Themes

Our key investment themes rely on reliable sectors and companies in light of heightened interest rates and a strong economy, while finding undervalued opportunities in sectors best positioned to outperform. both our program and the university, we strive to enhance performance and maintain alignment with our long-term investment objectives.

3. Risk Management

We will continue refining our risk management framework to safeguard against downside risks while capitalizing on upside opportunities.

Our forward-looking strategy is built to address the uncertainties of 2025, leveraging our expertise in equity research and portfolio management to achieve sustainable growth for the Roland George Investments Program. With a steadfast commitment to delivering exceptional results for both our program and the university, we strive to enhance performance and maintain alignment with our long-term investment objectives.

RGIP STETSON UNIVERSITY

VALUE EQUITY PORTFOLIO

Max Miller
Value Portfolio Manager
Lead Health Care Associate

INVESTMENT POLICY STATEMENT OBJECTIVE

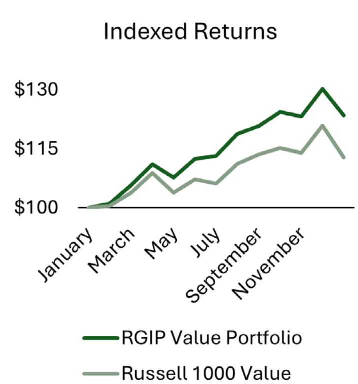
- Invest in equities focused on income generation while still generating strong growth prospects
- Create an invaluable learning experience for student analysts, providing a unique approach for personal and professional growth

CONSTRAINTS

- Up to 5% of the portfolio is permitted for hedging
- Maintain portfolio beta less than 1 against the Russell 1000 Value Index
- Maintain portfolio dividend yield greater than 210 bps
- Follow mean-variance optimizer suggested industry weights +/- allowable boundaries
- Uninvested cash exceeding 20% of the overall portfolio must be reinvested, unless it is to be withdrawn, transferred, or invested in TIPS
- Equities that filed for IPO in the previous six months not permitted
- The value portfolio cannot exceed 65% of the total RGIP Income Fund

2024 PORTFOLIO PERFORMANCE

The value portfolio delivered a total return (capital appreciation plus reinvested dividends) of 23% compared to the Russell 1000 Value Index's return of 14.4%.



This year's performance is attributed to a strong selection of individual securities and strategic industry allocation combined with accurate market and macroeconomic outlooks. The top performers this year were Walmart, Alphabet, and Casy's General Store with total returns of 76%, 42%, and 41% respectively. Also, Emcor and Westinghouse AirBrake were added mid-year but had 12-month total returns of 124% and 53%. Their strong performance is attributed to excellent financials and bottom line growth as well as momentum from the data center infrastructure build-out.

2025 PLAN & OUTLOOK

Industry (ICB)	Benchmark Altocation	Target Weight
Telecommunications	4%	3%
Cons. Discretionary	13%	12%
Cons. Stapies	7%	9%
Energy	6%	6%
Financials	19%	16%
Health Care	14%	17%
Industriats	18%	16%
Technology	9%	7%
Basic Materials	3%	3%
Real Estate	4%	5%
Utilities	4%	5%
Cash	-	1%

This strategic allocation aligns with a broader shift toward stability as financial conditions remain uncertain, inflationary pressures persist, and economic growth moderates. Given the historical resilience of these sectors during periods of tightening financial conditions, this move serves to protect the portfolio from potential volatility while ensuring a steady stream of dividends.

The decision to adopt a more defensive posture is also in response to revised investment policy constraints, emphasizing lower beta exposure and a greater focus on income generation. As equity risk premiums adjust to a new interest rate paradigm, the fund is prioritizing industries that exhibit pricing power, stable cash flows, and lower sensitivity to cyclical downturns.

Health Care remains particularly attractive due to its inelastic demand and strong fundamentals, while Utilities provide a hedge against market turbulence with their regulated revenue streams and predictable earnings. This is further emphasized through examining the low beta of the Utilities industry against the benchmark versus all the others. Consumer Staples, benefiting from consistent consumer demand, further strengthens the defensive core of the portfolio by offering downside protection during economic slowdowns.

In addition to these shifts, Real Estate has been designated overweight as part of the fund's continued emphasis on value-oriented investments. Despite concerns over higher financing costs in a higher-for-longer rate environment, select REITs offer compelling opportunities due to discounted valuations and the potential for stable cash flows. The recent addition of two REITs in December reflects confidence in specific segments of the real estate market, particularly those less sensitive to rate volatility, such as gaming and residential REITs. These asset classes benefit from structural demand drivers, including the continued need for logistics infrastructure and resilient housing markets in supply-constrained regions.

While broader equity markets remain sensitive to evolving Fed policy, this repositioning reflects a deliberate approach to mitigate risk and ensure a sustainable income stream for the portfolio. By focusing on high-quality, income-generating assets with defensive characteristics, the fund aims to navigate the current macroeconomic landscape while preserving long-term value.

TACTICAL GROWTH PORTFOLIO

Jennings Pitts, Jr.
Tactical Growth Portfolio Manager, Lead Industrials Associate

The Roland George Investment Program Tactical Growth Equity Portfolio was officially approved and signed in December 2024, marking the beginning of a new, active investment strategy within the broader Roland George Investment Program. With assets under management (AUM) of $300,000, the portfolio is designed to actively seek capital appreciation opportunities through a combination of equities and derivatives. The strategy is rooted in technical and quantitative analysis, with a focus on realigning holdings frequently to capitalize on tactical investment opportunities in the global market. The portfolio aims to maximize returns by utilizing rigorous back-tested models, identifying high-growth equities, and executing decisions based on market conditions that are closely monitored daily. Since approval, significant progress has been made in preparing the portfolio for its official launch in early 2025. Analysts have been working on finalizing the key strategies for the fund, which include using macroeconomic data, technical analysis, and social headline monitoring to identify the most promising investment opportunities. These strategies have been back tested to ensure their robustness, and the portfolio's asset allocation is set to include a mix of U.S. and international equities, along with the potential use of derivatives for rebalancing purposes. The portfolio is also structured to hold at least 10 different positions per strategy, maintaining diversification while leveraging tactical shifts. Looking ahead, the portfolio is on track to begin trading in early 2025. The team is in the process of finalizing the allocation and setting up systems for continuous performance tracking. The portfolio manager and Trustees will meet regularly to assess performance, with the first major review slated for the upcoming months. The flexibility of the portfolio's structure allows for adjustments based on real-time data, ensuring that the fund remains responsive to market conditions and is positioned for potential growth. The goal is to ensure that the portfolio aligns with its quantitative and technical investment objectives while maintaining a disciplined approach to risk management.

FIXED-INCOME PORTFOLIO

Jackson Hockenberry

Fixed Income Portfolio Manager, Lead Basic Materials Associate

EXECUTIVE SUMMARY

- The RGIP Fixed-Income Portfolio outperformed benchmark, achieving 373 bps of arithmetic alpha over the Bloomberg U.S. Aggregate Float Adjusted Index, the proxy asset.
- The portfolio was 25 bps behind short-term U.S. T-bill and corporate credit indices, which were the best performers among U.S. investment-grade credit benchmarks in 2024.
- Positioning towards the short- and intermediate-end of duration to maximize capture of higher coupons pre-rate cuts and mitigate both interest and credit risk was effective, as pure intermediate and long duration strategies lagged versus short duration strategies.
- Despite rate cuts initiated by the Federal Reserve towards year-end 2024, inflation remains elevated above the 2% target and markets see a stabilization in policy for 2025, with eyes on a potential reacceleration of inflation given stickiness above the 2% target and a Republican trifecta through January 2027.
- Compressed spreads, rising term premiums on the yield curve, risk of tariffs and trade wars, and inflation will be in focus for credit markets in 2025.
- We view maximization of coupon return, mitigation of interest and credit risk, and prioritization of USD-denominated credit as the ideal strategic positioning for 2025.

RGIP Fixed-Income Portfolio Summary	
Start Value	$932,305
End Value	$1,358,427
Return	5.25%
Benchmark	1.32%
Alpha	3.93%
Information Ratio	0.86

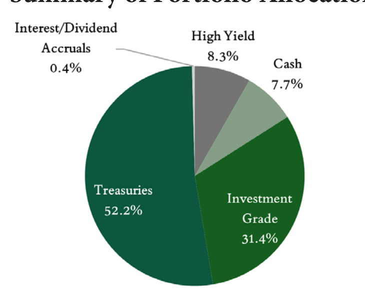
THE ECONOMY IN 2024

Real GDP continued to grow at a comparable pace to 2023, with a growth rate approximately between 2.5% and 2.8% for 2024, as the Federal Reserve shifted towards a less restrictive monetary policy. The Fed made 100 bps of rate cuts in the final three months of 2024, 25 bps higher than forecasted in the beginning of 2024 by the RGIP's proprietary federal funds rate model. CPI year-over-year eased from 3.4% to 2.7%, while Core CPI moved from 3.9% to 3.3%. The Fed pivoted from its hawkish policy with the belief that inflation is sufficiently moving to the 2% long-term target. Additionally, focus has shifted to the labor market side of their dual mandate as unemployment rose to 4.2% from 3.7%. Markets currently anticipate only a single cut of 25 bps for 2025, primarily due to signals of increasing inflationary pressures and the anticipation of economic and tax policy from the incoming Trump administration and Republican-controlled Congress that may put additional upward pressure on prices.

PORTFOLIO STRATEGY

Given the uncertainties that existed in 2024 as to the scale and amount of interest rate cuts to be undertaken by the Fed, the RGIP implemented a short duration strategy focused on short- and intermediate-term investment grade corporate bonds, short-term Treasuries, and select high yield exposure. Despite what may have been a more favorable market for long duration credit in 2024, the portfolio maintained short duration to limit interest rate risk while maximizing coupon returns before rate cuts. In February, an additional $360,000 of capital was added to allow for a greater number of positions and flexibility for future strategies and allocations. By year-end, 84% of the portfolio was allocated to short-term Treasury bills and short- and intermediate-duration investment grade corporate bonds. The remaining allocation included cash that earned interest from our brokerage and high yield exposure in the form of a short- and intermediate-term high yield ETF and two individual corporate issuances.

Summary of Portfolio Allocation

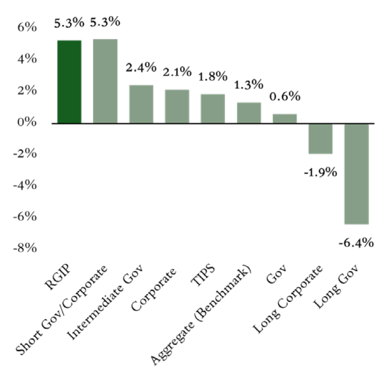


FIXED-INCOME PORTFOLIO

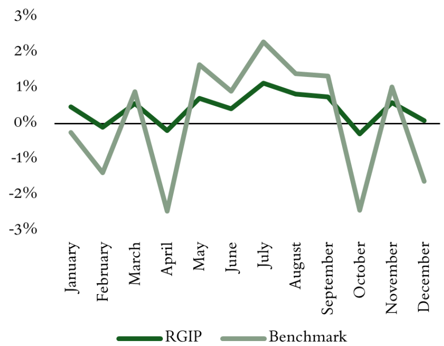
PORTFOLIO PERFORMANCE

In 2024, the RGIP Fixed-Income Portfolio outperformed the benchmark by 393 bps with a total return of 5.25% versus 1.32%. Per our Investment Policy Statement, the Portfolio uses the Bloomberg U.S. Aggregate Float Adjusted Index (LBUFTRUU) as its benchmark proxy asset. The coefficient of determination between the monthly portfolio returns and benchmark returns for 2024 was 0.932, suggesting a strong relationship between the portfolio and its benchmark.

RGIP v. Bloomberg Credit Indexes



Monthly Returns, RGIP v. Benchmark



The portfolio's outperformance is largely attributable to the reduction of risk exposure, especially interest and credit risk, achieved through overweighting of investment-grade and short to intermediate duration securities. The beta of the monthly returns between the portfolio and its benchmark was just 0.256. This reduced risk profile gave the portfolio a much larger downside protection against adverse movements in interest rates. Though this involves a trade-off in upside during favorable credit periods, the positioning enabled the portfolio to average 162 bps higher return in the five months where the benchmark saw negative total returns. Given the portfolio's tracking error of 4.33%, the Information Ratio (IR) of the portfolio in 2024 was 0.91, indicating strong, effective risk-adjusted returns relative to the benchmark. In comparison to other credit indices, the portfolio generally exceeded most other U.S. credit benchmarks. In this analysis with other benchmarks, it becomes apparent that the portfolio was well-positioned to avoid significant exposure in long duration credit. Given the portfolio overweighted short duration, management of interest rate risk was effective.

TOP PORTFOLIO HOLDINGS

Top 10 Holdings as of 12/31/2024	
U.S. T-Bill, 03/06/25	52.24%
Cash, USD	7.71%
PIMCO 0-5 Year H/Y Corporate ETF	6.08%
GS 3.615, 03/15/28	4.58%
MSFT 2.4, 08/08/26	3.57%
MAIN 3, 07/14/26	3.55%
NVDA 2.85, 04/01/30	3.10%
ED 3.35, 04/01/30	3.08%
WMT 7.55, 02/15/30	2.77%
BAC 3.97, 03/05/29	2.21%

SECTOR & CLASS WEIGHTINGS

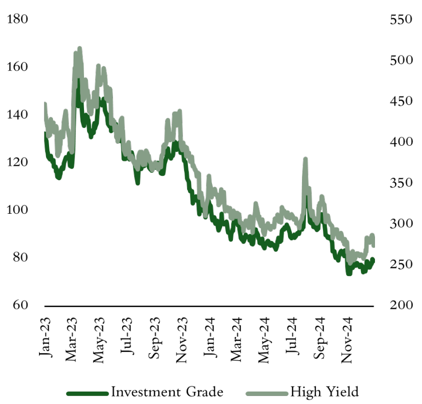
Sector & Class Weightings			
Current Weights		Benchmark	Rationale
Asset-Backed Securities	0.00%	0.49%	Underweight
Agency	0.00%	1.42%	Underweight
Commercial MBS	0.00%	1.62%	Underweight
Cash	8.10%	0.00%	Overweight
ETF	6.08%	0.00%	Overweight
Financial Institutions	15.95%	8.69%	Overweight
Industrials	13.17%	14.78%	Underweight
Local Authority	0.00%	0.78%	Underweight
MBS Passthrough	0.00%	19.76%	Underweight
Sovereign	0.00%	1.04%	Underweight
Supranational	0.00%	1.36%	Underweight
Treasury	52.11%	47.65%	Overweight
Utilities	4.59%	2.40%	Overweight

Portfolio Summary	
Yield to Maturity	4.66%
Years to Maturity	1.40
Option-Adjusted Duration	1.25
Option-Adjusted Convexity	0.06
Option-Adjusted Spread	30 bps
Credit Rating	AA/AA-

THE ECONOMY IN 2025

Unlike the wide fluctuation of rate cut expectations seen in 2023 and 2024, both the markets and the Fed anticipate a more stable outlook for the scale of rate cuts in 2025. Markets are currently only pricing in a single 25 bps cut in 2025 to a 4.00%-4.25% range, while the last dot plot of 2024 show FOMC members considering an implied target of 3.875%. Uncertainties are still persistent, however, as markets reacted negatively to the Fed's last meeting of 2024. Inflation expectations for 2025 have seen revisions upward as prices appear to remain sticky above the Fed's 2% target, especially among Core goods and services. Performance and trends in the markets also seem to contradict the Fed's narrative of its monetary policy still being relatively tight, as both IG and HY spreads continue to hover near all-time lows, and real GDP continues to grow at around 3%. The labor market also appears to remain strong, and economists are forecasting 4.3% unemployment for 2025, effectively flat from 2024 levels. Since the Fed first cut rates in September, the 10 Year Treasury has seen its yield increase from 3.62% to 4.70%, reflecting higher inflation expectations and a continuously resilient labor market in 2025.

Investment Grade (L) & High Yield (R) Spreads



In addition to these underlying dynamics, uncertainty lies in how economic and fiscal policy under a second Trump presidency with (for at least two years) a weakly-held Republican trifecta in government. Major areas of concern include the effect of the tariffs that Trump wants to pursue (though the extent of which the tariffs he has promised to put in place actually go into effect is yet to be seen), a tug-of-war between a push for government efficiency and the pull of deficit spending that can only be eliminated or reduced by making politically unpopular cuts in mandatory spending, and Trump's next Federal Reserve chairman appointee in 2026. Long-term, concerns are increasing about the sustainability of U.S. fiscal policy, as the debt-to-GDP ratio of the U.S. stands at 100%, levels not seen since World War II.

THE PORTFOLIO IN 2025

RGIP currently plans on maintaining its current strategy, with emphasis on positions in the short and intermediate term. As several corporate bond securities will be close to maturity by year-end, some additional corporate bonds will be analyzed and considered for placement in the portfolio as replacements. We view the short duration strategy with emphasis on credit quality, interest rate risk mitigation, and elevated coupon return as suitable given the recent escalation of inflation risk, adverse movements on the long end of the yield curve as investors demand a term premium, and near record-low spreads. This year, as part of expanding the scope of the fixed income portfolio and to maximize learning opportunities for students, the RGIP will explore opportunities for diversification into other classes of credit, including mortgage-backed securities, non-U.S. government credit, and foreign dollar-denominated debt. A revised Investment Policy Statement will be produced to outline the year's strategy, changes in allocations, and applicable constraints.

"The RGIP Fixed-Income Portfolio outperformed the benchmark by 393 bps with a total return of 5.25% versus 1.32% landscape."

RGIP STETSON UNIVERSITY

RISK AND COMPLIANCE REPORT

Beatriz Vossen

Risk & Compliance Officer,
Lead Telecommunications
Associate

2024 APPROACH OVERVIEW

This year, RGIP made a significant transition toward utilizing Artificial Intelligence to transform the research and analysis processes. This innovation streamlined time-intensive tasks, enabling analysts to focus on deeper analysis rather than administrative work. By integrating advanced tools into classroom activities, RGIP has distinguished itself, creating a dynamic learning environment that significantly enhances research capabilities.

INVESTMENT POLICY STATEMENTS

RGIP maintains and regularly updates Investment Policy Statements (IPS) for its Growth, Value, and Fixed-Income portfolios. In 2024, the Tactical Growth Equity Portfolio was introduced, strategically designed to take on more risk and facilitate active management strategies. This portfolio allows for frequent realignment of holdings to capitalize on tactical investment opportunities. Its IPS, developed and approved in December 2024, provides a robust framework, with trading set to begin in Spring 2025.

To ensure fiduciary protection, Trustees oversee compliance with IPS objectives and policies, safeguarding portfolios against misaligned strategies and undue risks. Each IPS includes measures to maximize returns while effectively managing risks. Key mechanisms include mandatory and discretionary trade triggers. Mandatory Trade Triggers require immediate action for significant deviations from target metrics, while Discretionary Trade Triggers allow the Director and Investment Committee to act on smaller deviations using their judgment. These triggers monitor portfolio betas, sector weightings, target allocations, individual security performance, and analyst price targets.

PORTFOLIO ALLOCATION METHODOLOGY

Each RGIP portfolio is managed against carefully selected benchmarks that guide sector allocations and measure performance. For the Growth Portfolio, the Wilshire 5000 Total Market Index remains the benchmark, while the Value Portfolio benchmark was updated to the Russell 1000 Value Index, replacing the S&P 1500 Pure Value Index. This update aligns with RGIP's value-oriented strategy and reflects industry-preferred standards.

In 2024, the Investment Committee transitioned from GICS (Global Industry Classification Standard) to ICB (Industry Classification Benchmark) for sector classifications. This change enhances data analysis capabilities and aligns with the Russell 1000 Value Index. To determine sector target allocations, a covariance matrix optimization model was employed. This model uses historical and forecasted sector returns to optimize diversification by analyzing correlations and covariances. The goal is to achieve optimal diversification while minimizing the Sharpe ratio. The committee finalized target allocations by comparing the optimizer's outputs to industry benchmarks, ensuring a data-driven approach to investment decisions.

ONGOING RISK MONITORING AND STRATEGY UPDATES

The Investment Committee meets weekly to evaluate market trends, analyze company-specific developments, and refine portfolio strategies. A collaborative approach is central to RGIP's management framework, with each Lead Sector Associate providing updates on sector performance, company evaluations, and weighting recommendations.

This dynamic, data-driven framework, now enhanced by AI and reinforced by human oversight, ensures that RGIP proactively adapts to market conditions while maintaining rigorous compliance with risk and investment standards.

> **This year, RGIP made a significant transition toward utilizing Artificial Intelligence to transform the research and analysis processes. This innovation streamlined time-intensive tasks, enabling analysts to focus on deeper analysis rather than administrative work."**


First Solar
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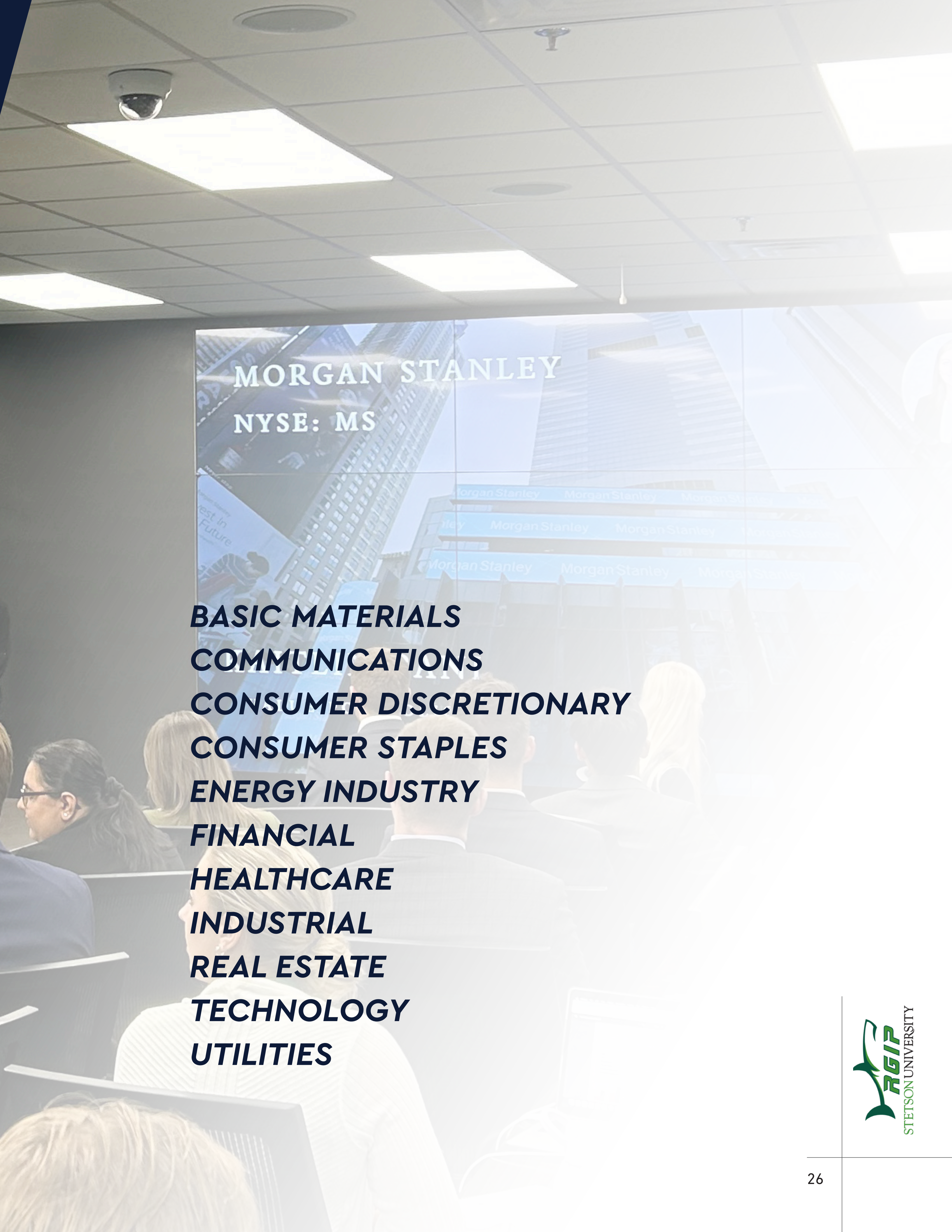
EQUITY INDUSTRY REPORTS



BASIC MATERIALS
COMMUNICATIONS
CONSUMER DISCRETIONARY
CONSUMER STAPLES
ENERGY INDUSTRY
FINANCIAL
HEALTHCARE
INDUSTRIAL
REAL ESTATE
TECHNOLOGY
UTILITIES

BASIC MATERIALS REPORT

Jackson Hockenberry

Fixed Income Portfolio Manager, Lead Basic Materials Associate

Max Bennett

Lead Basic Materials Analyst

EXECUTIVE SUMMARY

The Basic Materials industry, under the Industry Classification Benchmark (ICB), consists of four main sectors: Industrial Materials, Industrial Metals and Mining, Precious Metals and Mining, and Chemicals. Members of the industry are primarily focused on the extraction, processing, refining, and production of raw materials that are used by other industries, businesses, and consumers. At the start of 2025, the combined market cap of the 51 Basic Materials companies in the S&P 1500 was $754.97 billion. This same set of companies saw a -1% return in 2024, while the S&P 500 Materials Index returned -1.83%, the worst performer of all major industry classes. Macroeconomic challenges in major markets such as China, price volatility, and investor concerns about tariffs and trade wars with the incoming Trump administration.

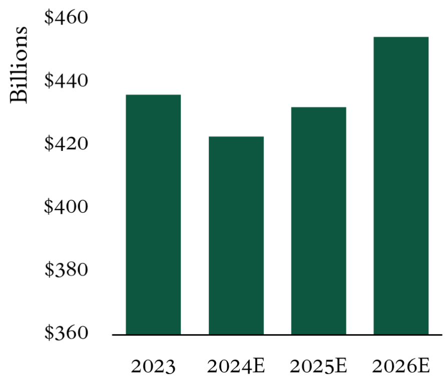
Looking ahead in 2025, easing monetary policy and lowering interest rates across most major economies could prove to be a major support for lowering costs and improving margins, especially in chemicals and industrial materials. China's rollout of stimulus plans may rejuvenate demand and sales for industrial and precious metals and mining companies.

However, other policy choices by new political administrations globally, especially with regards to trade policy, may offset economic and industry-specific tailwinds. The RGIP, as of December 31, 2024, holds the following Basic Materials companies: Ecolab (ECL), Eagle Materials (EXP), Newmarket (NEU), and Freeport-McMoRan (FCX). The RGIP also holds the Materials Select Sector SPDR ETF (XLB).

KEY DRIVERS

The members of the S&P 1500 in the Basic Materials industry, under ICB classification, are expected to see revenue grow by a 3.8% CAGR through 2026. Performance in the Basic Materials industry is characterized by high sensitivity to macroeconomic factors. Slowdowns in markets abroad has been a major issue, especially in China, where a sharp housing market decline and lackluster economic activity has prompted significant stimulus efforts. Concerns about an economic slowdown in other major markets such as the United States and Europe have reflected in low organic growth for companies in select commodities such as steel. If economic activity accelerates in key markets, especially China, and in major segments such as housing, industrial and precious metals and mining companies could see a lift. Commodity prices are another major driver of performance, often volatile as supply-demand characteristics fluctuate considerably. Many commodity prices, including for copper, lithium, and steel, peaked in 1H 2024 before entering an extended drawdown for the remainder of 2024. Other companies more tailored towards specialty chemicals, transportation infrastructure, and coating materials saw more favorable conditions (and consequently performance) in 2024, as demand for infrastructure spend thanks to federal legislation and support enabled greater sales growth. Shifting technological advances and industrial demand in high-growth opportunities such as electric vehicles, solar power, nuclear energy, data centers, and commercial construction are other drivers of performance.

S&P Materials Revenue, 2023-2024



HEADWINDS & TAILWINDS

Headwind: Strong U.S. Dollar and Potential Tariffs, Trade Wars

The election of Donald Trump as president for the next four years, as well as narrow Republican control of both the House and the Senate, means a viable pathway exists for tariffs and potential trade wars to disrupt supply chains and opportunities for materials companies. Given the incoming administration's prior use of tariffs and threats to expand them further on China and other major markets, materials companies could see higher costs and reduced sales to major target markets. Additionally, an already-strengthening U.S. dollar has already put many materials companies in an unfavorable foreign exchange position.

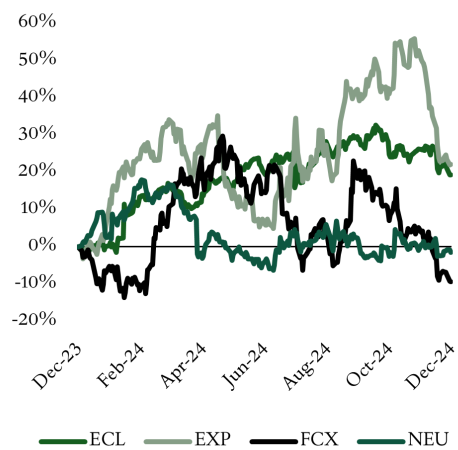
Tailwind: Easing Monetary Policies Globally

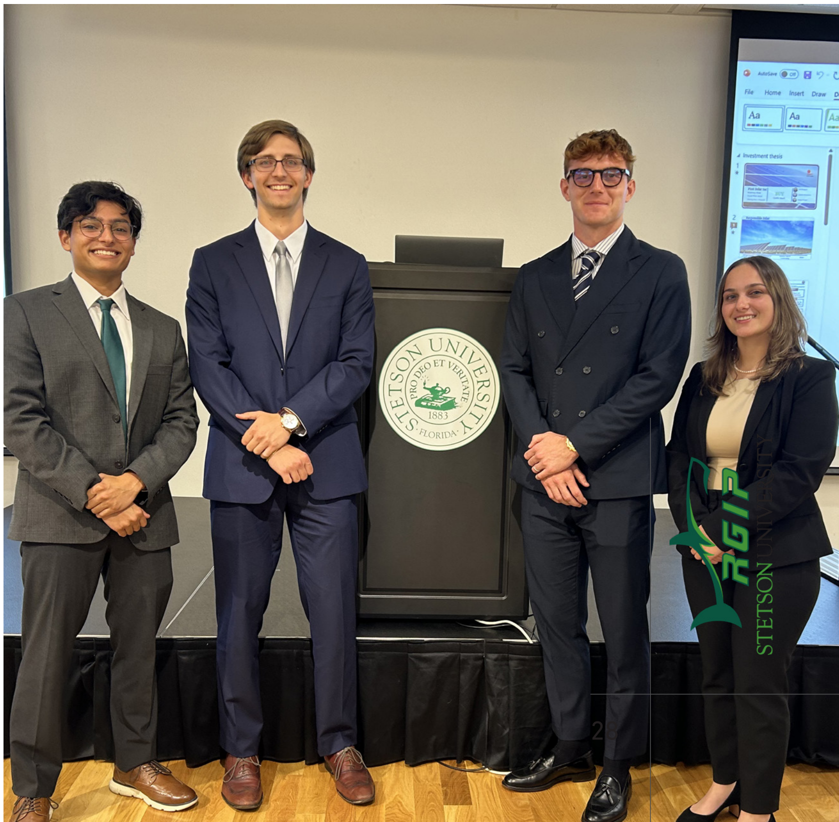
Major developed and developing markets have embraced easier monetary policies and economic stimulus in recent months. The Federal Reserve, Bank of Canada, and the European Central Bank have undertaken rate cuts amidst what they see as sufficiently easing inflation, while other markets such as China are launching major stimulus programs to reaccelerate economic activity. Given these more favorable interest rate conditions, Basic Materials companies may be able to finance operations at a cheaper rate, engage in greater M&A for inorganic growth opportunities, and take advantage of forward economic momentum. Continued strengthening in economic activity, especially if inflation can move closer to target levels, may help revenues for materials companies outperform expectations.

RGIP BASIC MATERIALS PERFORMANCE

The RGIP maintains an evenweight position for Basic Materials in both the Growth Equity and Value Equity portfolios. Ecolab (ECL) and Freeport-McMoRan (FCX) were in RGIP's portfolios for the entire year, with ECL in the Growth Equity Portfolio and FCX in the Value Equity Portfolio. Eagle Materials (EXP) and Newmarket (NEU) were both added to the Growth portfolio in December after research from junior analysts.

RGIP Materials Holdings Total Return 2024





COMMUNICATIONS REPORT

Beatriz Vossen
Risk & Compliance Officer, Lead Telecommunications Associate

Nicolo Radaelli
Lead Telecommunications Analyst

EXECUTIVE SUMMARY

The Communications Sector, under the Industry Classification Benchmark (ICB), consists of three primary subsectors: Telecommunications Equipment, Cable Television Services, and Telecommunications Services. Telecommunications Equipment covers networking hardware and communication devices. Cable Television Services includes traditional and digital cable offerings bundled with internet services. Telecommunications Services encompasses voice, data, and broadband services critical for global connectivity.

By the end of 2024, the sector included 247 stocks with a combined market capitalization of $6,457.05 billion, representing 8.83% of the S&P 500. The sector delivered exceptional returns of 35% in 2024, outperforming the broader market. Growth was driven by sustained demand for digital content, 5G infrastructure expansion, and strong performance in streaming and gaming industries.

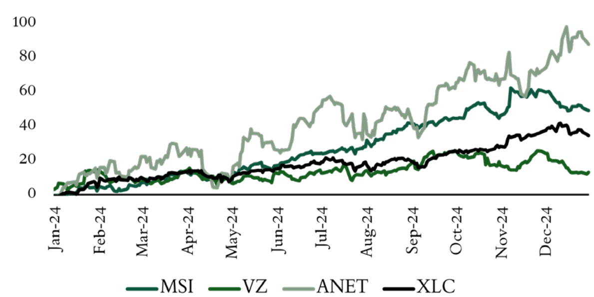
As of December 31, 2024, the RGIP holds Arista Networks (ANET) and Motorola Solutions (MSI) in the Growth Portfolio, Verizon (VZ) in the Value Portfolio, and the Communication Services Select Sector SPDR ETF (XLC).

2024 SECTOR PERFORMANCE

The Communications Sector experienced its second consecutive year of significant growth, with the S&P 500 Communication Services Sector Index appreciating 35% in 2024. This performance was fueled by technological advancements and strategic shifts in the industry. Innovations in artificial intelligence (AI) enhanced digital advertising, optimized network performance, and improved user experiences. These advancements, combined with cost management and operational restructuring, drove substantial earnings growth.

The macroeconomic environment saw some easing in monetary policy as the Federal Reserve reduced rates slightly in response to cooling inflation. Although interest rates remained relatively high, they supported increased investment and consumer spending. By August 2024, the sector's earnings growth rate reached an impressive 23.42%, far exceeding the market average of 9.40%. This performance highlighted the sector's resilience and adaptability in evolving conditions.

RGIP Holdings



SECTOR DRIVERS

The rapid rollout of 5G networks by industry leaders such as Verizon and AT&T remains a cornerstone of sector growth, enabling faster, more reliable services critical to high-bandwidth applications like streaming and IoT. Streaming services continue to expand globally, offering diverse content to access new markets and sustain subscriber growth.

The integration of advanced cybersecurity measures is also vital, as companies increasingly rely on digital platforms. Investments in robust security solutions mitigate risks from data breaches and address tightening regulations on data privacy, ensuring operational continuity and consumer trust.

HEADWINDS AND TAILWINDS

HEADWINDS: The sector faces challenges such as stricter data protection laws, which may increase compliance costs and pressure profitability. Ongoing global supply chain disruptions remain a risk, potentially delaying critical infrastructure upgrades.

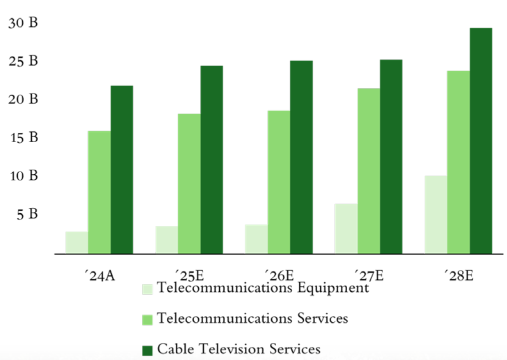
TAILWINDS: The growing demand for remote work solutions and digital services supports investments in cloud computing and IoT, expanding market opportunities. Government initiatives to extend broadband access to underserved areas also present significant growth opportunities for sector participants.

OUTLOOK FOR 2025

The Communications Sector is poised for continued growth in 2025, driven by technological innovation and evolving consumer demands. The expansion of 5G networks will enable faster, more reliable connectivity, supporting applications in streaming, gaming, and IoT devices. Innovations in augmented reality (AR), virtual reality (VR), and AI are expected to reshape user experiences, driving adoption among younger audiences and in emerging markets.

Streaming services will maintain their focus on global growth with diverse content offerings, while wireless providers pursue partnerships and acquisitions to strengthen market positions. Although regulatory scrutiny and cybersecurity threats remain challenges, the sector's adaptability and focus on innovation ensure it is well-positioned for steady, long-term growth.

Communications Sub-Sectors Revenue



CONSUMER DISCRETIONARY REPORT

Steven Vetter Jr
Consumer Discretionary
Associatee

Cooper Smith
Consumer Discretionary
Industry Analyst

INTRODUCTION

The Consumer Discretionary industry encompasses six main sectors, including Automobiles & Auto Parts, Durable Consumer Goods, Consumer Services, Retail, Media & Entertainment, and Travel & Leisure. Businesses in the industry focus on producing or selling goods and services that are considered non-essential. Cyclical in nature, the Consumer Discretionary industry thrives during periods of economic expansion as disposable income increases per capita.

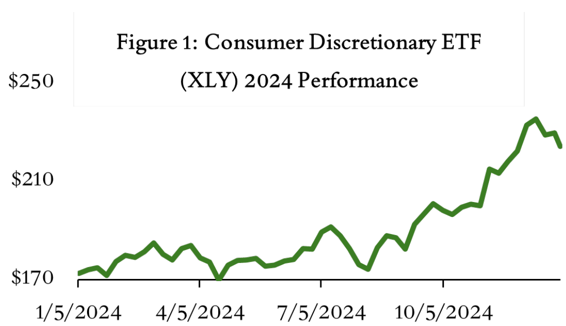


Figure 1: Consumer Discretionary ETF (XLY) 2024 Performance

With an aggregate market capitalization of $5.5 trillion at the start of 2025, the Consumer Discretionary industry accounted for approximately 6.3% of the nation's gross domestic product (GDP) in 2024, marking a near all-time low. Data from the Congressional Research Services indicates that discretionary spending as a percentage of GDP fell from 7.6% in 2020. Currently, the RGIP Value portfolio holds 2% in Consumer Discretionary, while 7.8% of the RGIP Growth Portfolio's holdings are in the Consumer Discretionary Industry.

KEY DRIVERS

The Consumer Discretionary industry is expected to grow at a CAGR of 6.5% through 2027, driven by several structural and cyclical factors. The biggest driver is economic growth and rising consumer confidence, as increasing disposable incomes foster greater spending on non-essential goods and services. For instance, Automobile revenue is forecasted to grow by 22% in 2025, showcasing the sector's responsiveness to favorable economic conditions. Furthermore, the shift toward digital services has emerged as a significant driver in the sector as E-Commerce grows in popularity and transforms the customer shopping experience. The globalization of consumer markets remains a critical driver, as emerging markets further contribute to the industry's momentum, as emerging markets with expanding middle classes generate heightened demand for discretionary goods.

HEADWINDS & TAILWINDS

Headwinds

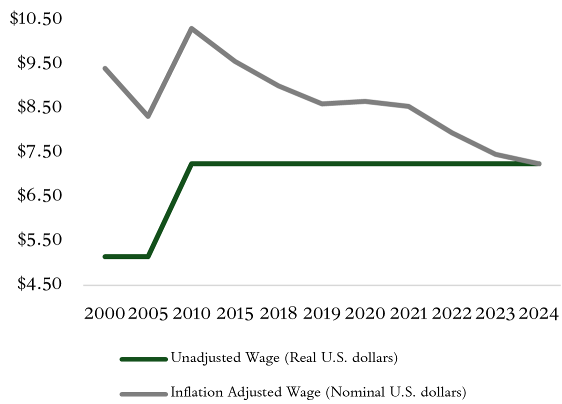
Competition and Market Saturation

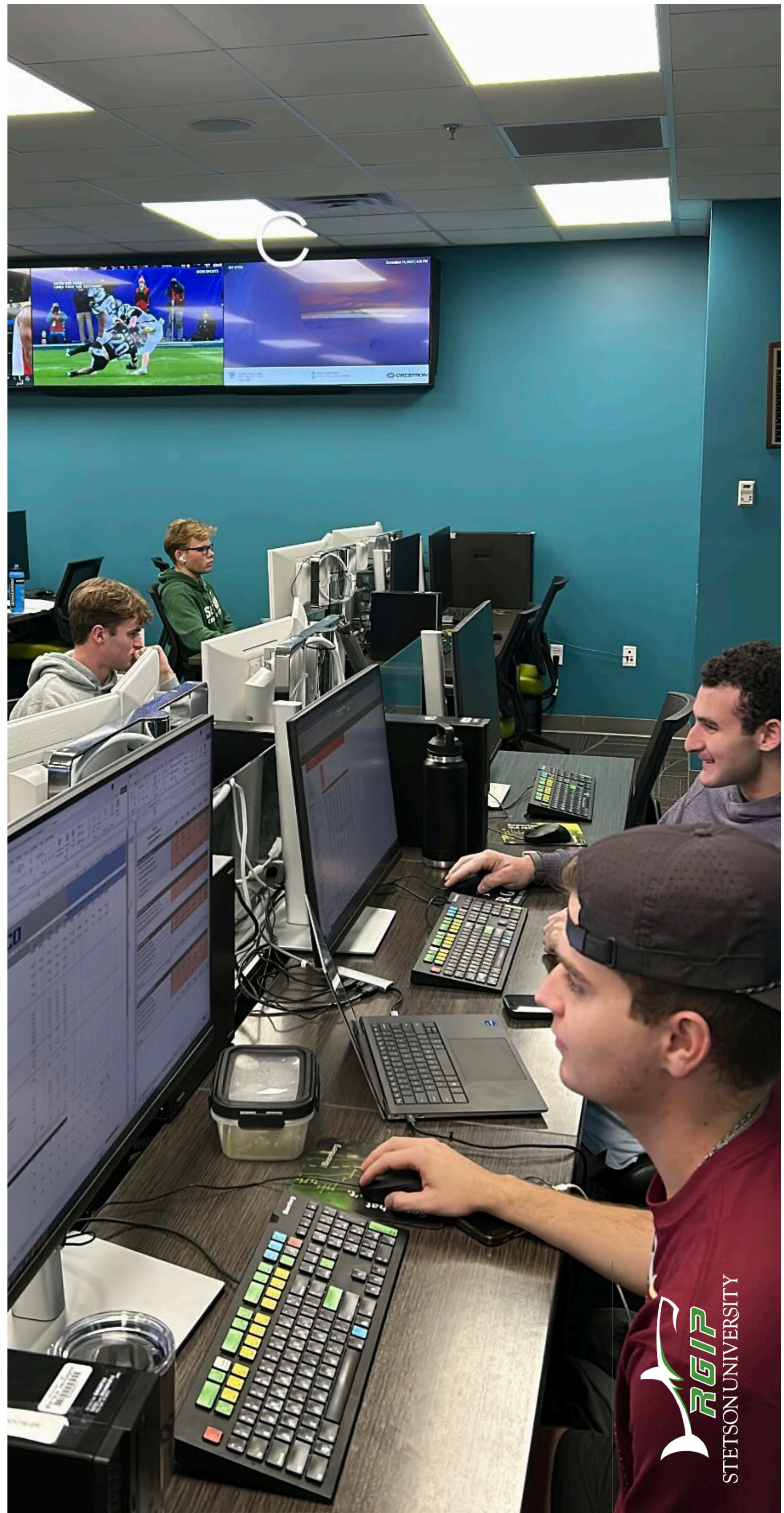
The Consumer Discretionary sector faces intense competition and market saturation across key industries such as apparel, dining, and home improvement. E-commerce giants dominate online retail, leaving little room for smaller retailers to compete on price, delivery speed, and convenience. These dynamics have led to commoditization and significant pricing pressures, forcing frequent discounting and contributing to eroding margins, especially among smaller players..

Labor Market Challenges

Labor market challenges are highly prevalent in retail, hospitality, and travel industries, marked by rising wage pressures and competition for workers. Minimum wage increases and a tight labor market have placed substantial strain on profit margins across the sector. Additionally, persistent talent shortages in travel & leisure have hindered service quality and operational scalability as businesses struggle to balance rising demand with limited staffing resources. These pressures underscore the broader challenges facing industries heavily reliant on labor-intensive operations.

Figure 2: U.S Minimum Wage Real vs. Nominal Value





Tailwinds

Lowering Interes Rates

At its December meeting, the Federal Reserve enacted its first series of interest rate reductions since 2020, lowering the federal funds rate to a target range of 4.25%-4.5%. This policy adjustment is designed to ease credit conditions, reducing borrowing costs and enhancing affordability for major purchases such as homes, vehicles, and appliances. By fostering improved financial accessibility and strengthening consumer confidence, the rate cuts are expected to encourage increased discretionary spending. This renewed economic activity is likely to support growth across consumer-driven sectors, contributing to broader economic expansion.

Post-Pandemic Recovery

Current growth expectations for 2025 are driven mainly by post-pandemic recovery efforts, particularly in travel, leisure, and retail. According to Visa, global tourism rebounded strongly in 2023, with international arrivals reaching 88% of pre-pandemic levels. As consumers prioritize experiences and return to in-person activities, discretionary spending remains resilient, supported by improved labor markets, pent-up demand, and accumulated savings. These dynamics position the sector for sustained growth in the years ahead.

CONSUMER STAPLES REPORT

William Hubbard
Strategic Growth Portfolio Manager, Lead Consumer Staples Associate

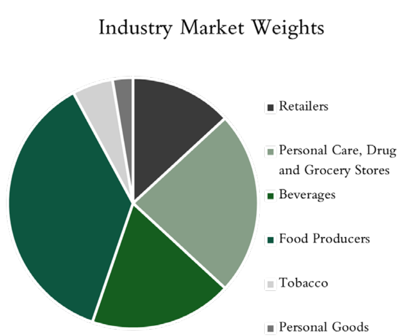
Sacha Roiena
Lead Consumer Staples Analyst

INTRODUCTION

The Industry Classification Benchmark (ICB) categorizes the consumer staples sector as companies that produce and distribute essential goods that fulfill everyday needs. These include food, beverages, tobacco, household goods, and personal care products. Renowned for its resilience, the sector maintains consistent demand for its products, largely unaffected by economic cycles or market volatility. Its defensive nature makes it a reliable option for investors seeking stability and steady returns, especially during periods of economic uncertainty. Although it may not deliver the high growth potential of other sectors, consumer staples offer a dependable safeguard against macroeconomic headwinds.

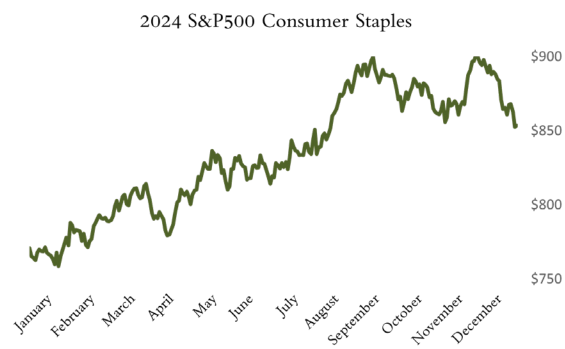
OVERVIEW

The consumer staples sector includes industries such as Food Producers and Personal Care representing 37% and 24% respectively. The biggest companies of the sector are Walmart, Costco, and Procter & Gamble representing 23%, 13%, and 12% of the sector's market cap.



2024 PERFORMANCE

In 2024, the consumer staples sector had a solid year, with the S&P 500 Consumer Staples index gaining 10.25%. While the sector's performance was positive, it fell short of the broader market as investors favored higher-growth sectors. Even so, consumer staples made notable progress, climbing to the 6th-best performing sector out of 11, an improvement from 2023 when it ranked second-worst. Declining interest rates played a significant role in this rebound, easing borrowing costs and creating a more supportive environment for companies in this defensive sector, which continues to benefit from consistent demand for essential goods.



Leading the sector's strong performance were Walmart, with an impressive 77.99% gain, followed by Costco at 67.84%, Kellanova at 53.50%, and Philip Morris at 40.42%. These results came despite persistent challenges like inflation and supply chain disruptions. Ultimately, the combination of the sector's defensive characteristics and the tailwind from lower interest rates helped it economic pressures and deliver solid returns for the year.

2025 OUTLOOK

The outlook for the consumer staples sector in 2025 appears optimistic, supported by a stable economic environment and the Federal Reserve's anticipated interest rate cuts.

Consumer demand is expected to remain steady, driven by healthy employment levels, strong balance sheets, and real wage growth. However, uncertainties remain that could impact the sector's performance. Potential changes in trade policies under the new presidential administration, including tariffs, may increase input costs particularly for goods sourced internationally. Additionally, a strengthening U.S. dollar could pose challenges for consumer staples companies with significant international exposure. Despite these potential headwinds, the sector's adaptability and focus on core fundamentals are expected to provide a solid foundation for growth in the coming year.

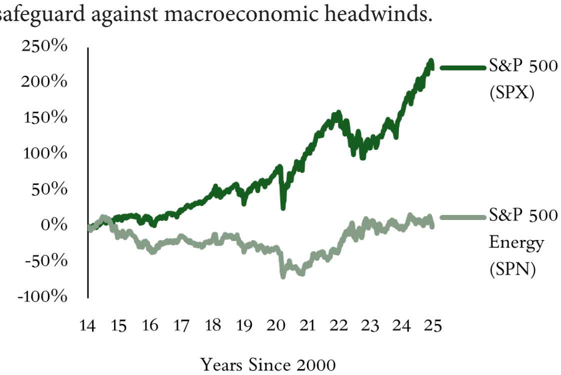
ENERGY REPORT

Haris Eminefendic
Lead Energy Associate

Jeb Despard
Lead Energy Analyst

INTRODUCTION

The Industry Classification Benchmark (ICB) categorizes the consumer staples sector as companies that produce and distribute essential goods that fulfill everyday needs. These include food, beverages, tobacco, household goods, and personal care products. Renowned for its resilience, the sector maintains consistent demand for its products, largely unaffected by economic cycles or market volatility. Its defensive nature makes it a reliable option for investors seeking stability and steady returns, especially during periods of economic uncertainty. Although it may not deliver the high growth potential of other sectors, consumer staples offer a dependable safeguard against macroeconomic headwinds.



A comparative chart of S&P 500 vs. Energy Sector ETF performance from 2020 to 2025.

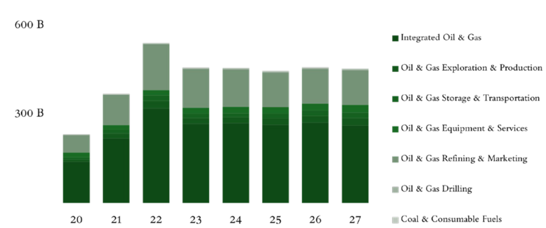
KEY DRIVERS

The Energy sector's growth is influenced by structural and cyclical factors that affect production, distribution, and consumption. One of the primary drivers is the increasing global energy demand, particularly in emerging markets. Industrialization and urbanization in regions such as Asia and Africa continue to fuel a rising need for energy, supporting growth in Exploration & Production and Drilling. These activities are further bolstered by advancements in technologies like hydraulic fracturing, which improve operational efficiency and reduce costs, enabling companies to sustain profitability even in challenging market conditions.

Technological innovation stays a critical growth enabler. Breakthroughs in energy storage, smart grids, and drilling technologies are driving efficiency and expanding access to previously unreachable resources. Companies investing in artificial intelligence, predictive maintenance, and other digital solutions are enhancing their competitiveness, especially in Equipment & Services and Storage & Transportation.

The energy transition, driven by regulatory mandates and growing environmental awareness, is reshaping industry dynamics. Governments worldwide are incentivizing investments in renewable energy sources such as wind, solar, and hydrogen. The Inflation Reduction Act and similar policies have accelerated this shift, encouraging energy companies to diversify into cleaner technologies. While the transition poses challenges for traditional segments like Coal and Refining, it opens new opportunities for Integrated Oil & Gas firms diversifying their revenue streams.

Macroeconomic factors, including GDP growth, inflation, and interest rates, also play a pivotal role. Economic expansion drives energy demand, particularly for transportation and industrial applications, helping refining and production sub-industries. However, inflation and rising interest rates can elevate input costs and hinder capital-intensive projects, challenging profitability across the sector.

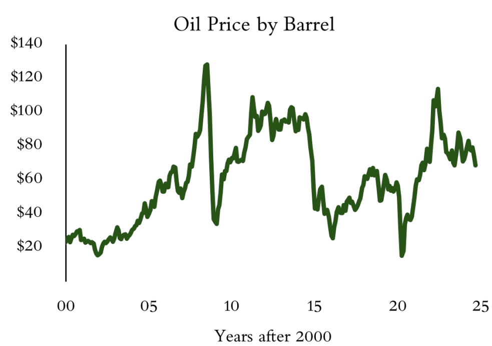


Revenue growth projections by sub-industries, highlighting the outperforming segments like Drilling and Storage & Transportation.

HEADWINDS

The Energy sector faces several headwinds, notably regulatory pressures and volatile commodity prices. Decarbonization policies, including carbon taxes and emissions caps, are increasing compliance costs for traditional energy companies. Sub-industries such as Coal and Exploration & Production are particularly vulnerable, given their direct exposure to these regulations. The global push for net-zero emissions has also accelerated the decline in demand for fossil fuels, challenging long-term growth prospects for these segments.

Commodity price volatility is still a significant challenge. Fluctuations in oil and gas prices, driven by geopolitical tensions, OPEC+ decisions, and economic cycles, directly affect upstream operations like Drilling and E&P. While soaring prices can spur profitability, prolonged periods of low prices can give many projects economically unfeasible, leading to reduced capital expenditures and operational downsizing.



Historical and forecasted commodity price trends, highlighting the volatility affecting upstream operations.

TAILWINDS

Despite the challenges, the Energy sector receives help from strong tailwinds, particularly in infrastructure development and renewable energy investments. The demand for energy logistics has bolstered growth in Storage & Transportation, which continues to expand its infrastructure to meet global needs. Investments in pipelines, LNG terminals, and hydrogen storage facilities are ensuring the stability and efficiency of energy supply chains.

The rise of renewable energy presents a transformative opportunity. Companies embracing cleaner technologies are well-positioned to capture market share as the energy mix evolves. Solar, wind, and hydrogen energy investments are growing annually, supported by government incentives and ESG investment trends. Integrated Oil & Gas companies, such as ExxonMobil and Chevron, are leveraging their expertise to transition toward renewable projects while supporting their traditional operations.

2025 OUTLOOK

The Energy sector in 2025 will navigate a transitional landscape as it balances the continued demand for traditional energy with the push toward renewables. Sub-industries like Oil & Gas Drilling and Storage & Transportation are expected to perform strongly, with forecasted compound annual growth rates (CAGRs) of 14.3% and 7.83%, respectively. These growth rates reflect rising global demand for infrastructure and advancements in drilling technologies. Exploration & Production also hold promise, with significant upside potential stemming from ongoing discoveries and expanded upstream activities.

Conversely, sub-industries such as Coal & Consumable Fuels and Oil & Gas Refining & Marketing face significant headwinds. The global transition to electric vehicles and cleaner energy alternatives is reducing demand for refined products like gasoline and diesel, while decarbonization policies further challenge coal's viability. Integrated Oil & Gas, while stable, faces limited growth due to market saturation and regulatory pressures.

INVESTMENT RECOMMENDATIONS

Given the sector's mixed outlook, investment strategies should focus on growth-oriented sub-industries. Oil & Gas Drilling offers a compelling opportunity due to its robust revenue growth and favorable valuations. Similarly, Exploration & Production provides significant upside for investors willing to accept commodity risks, supported by lower valuations and rising demand. Storage & Transportation also represents a stable investment, with consistent demand for logistics and infrastructure expansion.

Conversely, caution is recommended for Coal & Consumable Fuels and Refining & Marketing. Regulatory challenges, declining demand, and rising competition from alternative fuels limit their growth prospects, making them less favorable for long-term investment.

FINANCIAL REPORT

Andrew Permenter
Lead Financials Associate

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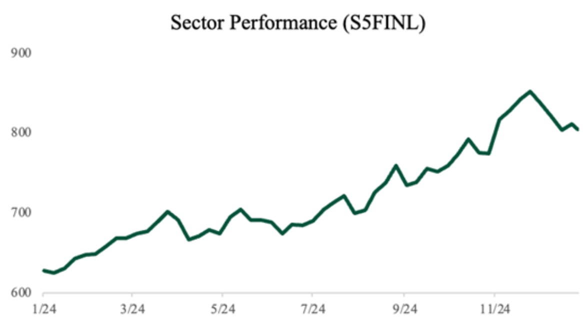
EXECUTIVE SUMMARY

The Financial Sector encompasses 3 ICB Industries - Banks, Financial Services, and Insurance - which comprise 17 subindustries. The sector drives business expansion and consumer spending by providing capital, liquidity, risk management, and facilitating resource allocation and monetary policy implementation. Financials for 12% of the Growth Portfolio and 9.4% of the Value Portfolio; prominent RGIP positions in the sector include Royal Bank of Canada (RY), Truist (TFC), and Blackrock (BLK).

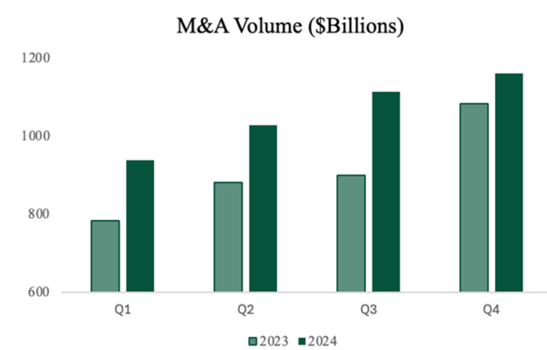


KEY DRIVERS

In 2024, key securities within the financial sector significantly boosted overall performance. JPMorgan Chase (JPM) led with record profits, driven by strong consumer banking, wealth management, and rising M&A advisory fees as global deal volume reached $4.5 trillion. Goldman Sachs (GS) saw a 25% YoY increase in trading revenue, benefiting from robust equity derivatives and credit market activity, pushing capital markets revenue to its highest level since 2010.

In asset management, BlackRock (BLK) grew assets under management by 15%, fueled by demand for ESG products, including green bonds. American Express (AXP) saw a 12% rise in fee-based income, driven by increased consumer spending and record credit card balances. Evercore (EVR) posted a 20% jump in advisory revenue, supported by stronger private equity activity and cross-border deals. Chubb (CB) and Progressive (PGR) performed well in insurance, benefiting from increased demand for property and casualty coverage. Life insurers like MetLife (MET) saw a 15% rise in premium volumes due to higher annuity sales.

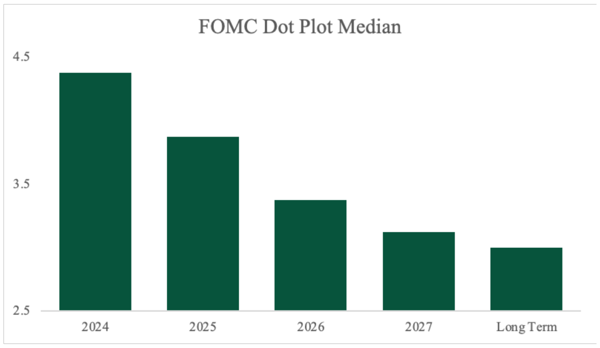
Meanwhile, regional banks such as Truist Financial (TFC) and PNC (PNC) faced slower deposit growth and narrower margins, while Morgan Stanley (MS) excelled in wealth management, adding $150 billion in net new client assets. These standout performances highlighted the sector's diverse contributions across banking, asset management, and insurance throughout 2024.



SUB-SECTOR PERFORMANCE

In 2024, the financial sector's performance was shaped by macroeconomic, regulatory, and technological changes. The U.S. Federal Reserve cut rates by 100 basis points, and the European Central Bank lowered rates to 2.75%, boosting borrowing and capital markets activity. However, net interest margins fell by 300 basis points, partly offset by a 12% YoY increase in fee-based revenue from asset management and advisory services.

Private credit markets grew 40% in the U.S., reaching $2.1 trillion, prompting regulatory scrutiny and potential increases in Tier 1 capital requirements for large banks under Basel III. Global M&A activity rebounded to $4.5 trillion, driven by favorable borrowing conditions, and investment banks saw a 20% increase in trading revenues, reaching the highest level since 2010. Technological advances continued to drive growth, with 60% of financial institutions using AI in core operations and blockchain-based payments growing by 35%. Additionally, 85% of large North American banks partnered with FinTech firms, and green bond issuances rose 25%, reaching $750 billion. Consumer finance also flourished, with mortgage originations up 15% and credit card balances surpassing $1 trillion, reflecting increased consumer confidence. These trends demonstrate the sector's adaptability and resilience amid changing economic conditions.



HEADWINDS AND TAILWINDS

The financial sector faces several challenges, including economic deceleration with slow GDP growth in key markets, which could reduce demand for financial services. A declining interest rate environment may stimulate borrowing but compress net interest margins, particularly for traditional banks. Increased regulatory scrutiny, especially in private credit markets and consumer protections, could raise compliance costs for smaller banks. Geopolitical risks and market volatility also pose concerns, while rapid technological advancements require significant investment to remain competitive, particularly against FinTech disruptors. Additionally, cybersecurity threats and the integration of ESG standards continue to be persistent challenges.

On the positive side, lower interest rates could boost borrowing and loan growth. Advances in technology, like AI and blockchain, offer opportunities for efficiency and new revenue streams. The expansion of private credit markets is filling gaps in traditional lending, benefiting non-bank financial institutions. Regulatory clarity around cryptocurrencies and sustainable finance may unlock growth, while the growing focus on ESG integration is driving innovation in financial products and investment strategies. The sector's resilience and adaptability position it well to capitalize on these favorable conditions.

2025 OUTLOOK

Expanding into alternative investment offerings like private credit, hybrid fund structures, and sustainability-focused products, while incorporating AI into sales and distribution, presents significant revenue growth opportunities for investment managers. AI's influence has surpassed expectations in 2024, but many firms face challenges in scaling solutions effectively without established models. Key risks include digital transformation, cybersecurity, and regulatory changes such as ETF conversions and direct indexing.

For banks, global volatility from interest rate changes, currency fluctuations, and geopolitical risks continues to create challenges, impacting credit risk and operations. Elevated deposit costs will persist in 2025 as monetary policy easing slows, narrowing net interest margins. Banks must carefully balance loan-rate decreases with deposit costs to stabilize net interest income.

Diversifying revenue streams through fee-based services, wealth management, and advisory offerings is a critical strategy for growth. Investments in talent and technology will be necessary but come with short-term cost increases. Credit quality is expected to improve with economic stabilization and lower borrowing costs, reducing default risks and enhancing financial stability. These efforts, while costly in the short term, position banks and investment firms for long-term success in a complex economic landscape.

HEALTH CARE REPORT

Max Miller
Lead Health Care Associate

Sydney Jenkins
Lead Health Care Analyst

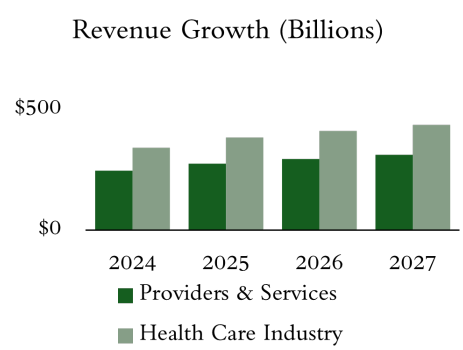
INTRODUCTION

The Health Care industry encompasses three main sectors, including Pharmaceuticals & Biotechnology, Medical Equipment & Services, and Health Care Technology. Businesses in the industry engage in developing, producing, and delivering medications, medical supplies, and equipment, along with services and therapies. Defensive in nature, the industry has a market capitalization of $6.4 trillion at the start of 2025. The Health Care industry accounted for 17.6% of the nation's gross domestic product (GDP) in 2023, with a 7.5% spending increase from 2022, equating to $14,570 per person. Published by the Center for Medicare and Medicaid Services, data from the National Health Expenditure (NHE) forecasts that growth in the industry is expected to outpace average GDP growth in the next ten years, indicating the industry's continued importance to the overall economy. Currently, the RGIP portfolio holds Thermo Fisher, Medtronic, Johnson & Johnson, Zoetis, Cencora, and Eli Lilly. Additionally, RGIP holds the iShares Biotechnology and SPDR Health Care Sector ETFs.

KEY DRIVERS

The Health Care industry is expected to grow at a CAGR of 8.5% through 2027, driven by several structural and cyclical factors. Primary among these is an aging global population, which continues to increase demand for health care services due to the rising prevalence of chronic diseases. Furthermore, advancements in medical technologies and increased utilization of health care services through policies like the Affordable Care Act are expected to fuel sustained growth in the sector. Innovation remains a critical driver, with expectations of significant breakthroughs in Biotechnology and Pharmaceuticals driving growth in these industries. While the risk of unsuccessful drug development exists, this is offset by the consistent demand for essential services provided by hospitals, medical equipment manufacturers, and other segments of the industry. The Health Care sector's unique combination of defensive stability and innovation-driven upside positions it as a balanced mix of long-term resilience and high-growth opportunities.

HEADWINDS & TAILWINDS



Headwinds

Continued Staffing Shortages

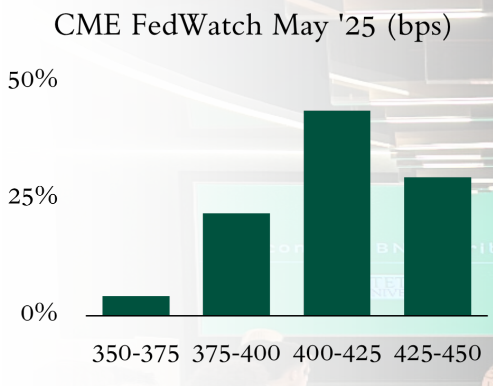
The Health Care sector faces ongoing staffing challenges, with the Association of American Medical Colleges (AAMC) projecting a physician shortage of 61,700 to 94,700 throughout 2025. These shortages may hinder patient access to care and drive wage increases as providers compete in a tight labor market, potentially pressuring margins. Despite these challenges, the strong demand for Health Care services supports the sector's long-term growth potential.

Inflation Reduction Act

The Inflation Reduction Act (IRA), enacted under the Biden administration, has driven significant policy changes in the Health Care sector, particularly targeting lower prescription drug costs for Medicare beneficiaries and reduced federal drug spending. Since its passage, the legislation has placed notable pressure on the Pharmaceutical industry, with expectations of margin compression and slower revenue growth. President-elect Donald Trump has been critical of the IRA, citing concerns about its potential negative impact on business operations across the sector.

Tailwinds

Trend Toward Lower Interest Rates



For the first time since 2020, the Federal Reserve initiated a series of interest rate cuts, lowering the federal funds rate to a target range of 4.25%-4.5% at its December meeting. This policy shift eases access to capital, reducing borrowing costs and fostering innovation within the Health Care sector. With less restrictive financing conditions, companies in the sector are positioned to accelerate R&D investments and expansion efforts, supporting long-term growth.

Technology Reshaping the Health Care Landscape

Technology continues to transform health care practices across all sectors. The adoption of telemedicine and virtual care, accelerated by the COVID-19 pandemic, has enhanced accessibility despite ongoing labor shortages. Additionally, the integration of machine learning and AI tools is poised to revolutionize drug development, with the potential to improve clinical trial success rates by up to 30%, further driving innovation and efficiency in the sector.

INDUSTRIALS REPORT

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Lead Industrials Associate

Caitlyn Kulczyski
Lead Industrials Analyst

EXECUTIVE SUMMARY

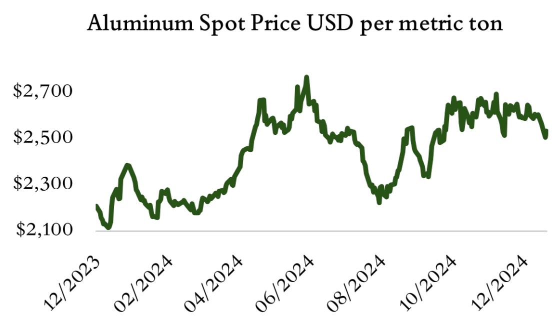
The Industrials sector, a key component of the global economy, encompasses industries involved in manufacturing, infrastructure construction, and the movement of goods and people. This broad sector includes construction and materials, aerospace and defense (A&D), electrical equipment, engineering, support services, and transportation. It plays a critical role in economic growth, technological advancements, and meeting consumer and business demands. The sector is marked by resilience and adaptability, driven by technological innovations, sustainability efforts, and evolving global economic trends.

KEY DRIVERS OF PERFORMANCE

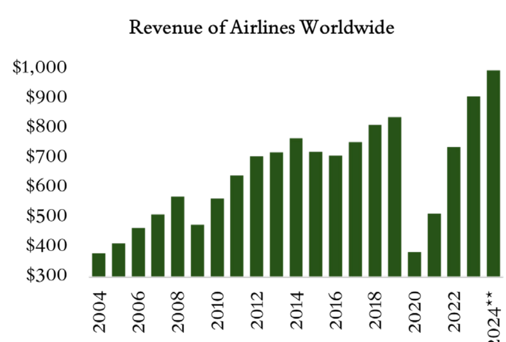
Macroeconomic factors such as GDP growth, unemployment rates, inflation, and commodity prices significantly impact industrials. Economic expansion drives new infrastructure projects, while downturns can reduce government and personal spending. Inflation raises commodity costs, affecting production expenses and consumer purchasing power. Energy costs also influence profitability in energy-intensive sectors like transportation and A&D. The Inflation Reduction Act (IRA) has been a key driver, accelerating growth in clean energy, electrification, carbon capture, and domestic manufacturing, stimulating innovation and enhancing supply chain resilience.

SUB-SECTOR PERFORMANCE

2024 saw mixed performance across industrial subsectors. Aerospace and Defense (A&D) experienced increased demand due to aging aircraft fleets and reshoring efforts, which mitigated geopolitical risks. Construction & Materials rebounded by December, benefiting from large projects and stabilized supply chains. Other winners included general industrials, electronic equipment, and railroad equipment. However, sectors like alternative energy, industrial engineering, and materials faced challenges due to rising inflation and interest rate hikes, which dampened demand.



The Travel & Leisure sub-sector saw contrasting performances. Major airlines like Delta and United posted strong returns of 54% and 142%, respectively, while budget airlines like Spirit and Frontier struggled with rising costs and margin pressures. Despite headwinds from higher borrowing costs and cooling demand, the industrial sector showed resilience, setting a cautiously optimistic outlook for 2025.



HEADWINDS & TAILWINDS

In 2024, headwinds included higher borrowing costs, which hindered new industrial projects, and ongoing supply chain disruptions, although conditions improved from prior years.

The industrial sector also faced demand cooling in materials and mining sectors, resulting in market normalization. However, tailwinds provided momentum, particularly through U.S. domestic manufacturing driven by geopolitical concerns and government initiatives like the IRA and the Infrastructure Investment and Jobs Act. Additionally, the aging global air fleet spurred demand in aerospace for maintenance and parts, benefiting related companies.

2025 OUTLOOK

Looking into 2025, the Aerospace & Defense sector remains poised for growth, driven by the integration of AI and autonomous systems, and a projected rise in global defense spending. Key opportunities lie in unmanned vehicles, hypersonic weapons, and cybersecurity. A potential rollback of the IRA could slow the U.S. green energy transition, benefiting traditional fossil fuel sectors while curbing growth in renewable energy and electric vehicles.

Interest rate stability will support capital expenditures, particularly in automation, advanced manufacturing, and defense. Defense contractors and companies at the forefront of AI, cybersecurity, and advanced manufacturing will likely see strong growth. The potential imposition of metal tariffs could benefit the industrial metals and mining subsector, as domestic producers gain a competitive edge.

Overall, investors should focus on high-growth areas such as defense, AI technologies, cybersecurity, and advanced manufacturing, while carefully navigating the evolving landscape of energy policy and trade tariffs.

REAL ESTATE REPORT

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Conrad Voigt
Lead Real Estate Analyst

EXECUTIVE SUMMARY

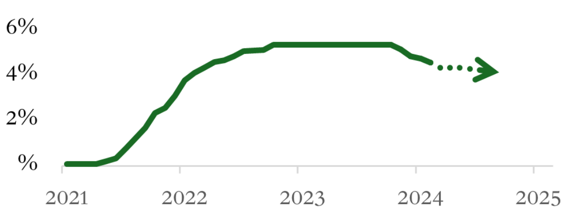
In 2024, U.S. real estate remained resilient despite high interest rates and early-year underperformance. Retail and industrial REITs were stable, though industrial space faced late-year oversupply. Home sales rose slightly in late 2024, but affordability remained constrained by mortgage rates peaking above 7%. Multifamily rentals remained strong, while office REITs gained 21.5%, driven by deep-value buying, not recovery. Data center REITs surged, fueled by strong AI demand.

KEY DRIVERS OF PERFORMANCE

Interest rates heavily shaped the real estate market in 2024, with the Federal Reserve's policies keeping borrowing costs high for most of the year before easing slightly. Elevated mortgage rates surpassing 7% constrained home sales, while higher financing costs slowed commercial real estate investment.

Meanwhile, the housing supply remained tight due to years of underbuilding and zoning restrictions, sustaining high property values despite affordability challenges. This forced developers and investors to explore creative solutions, including build-to-rent projects and even zoning reform initiatives to address supply shortages.

Fed Funds Effective Rate



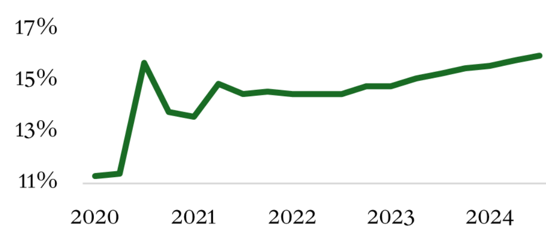
SUB-SECTOR PERFORMANCE

Retail REITs saw strong performance in grocery-anchored centers, benefiting from steady consumer spending on essential goods. However, e-commerce competition remained a challenge, with online sales comprising ~16% of total U.S. retail sales in 2024. Despite these headwinds, our investment in Realty Income (O) is well-positioned for 2025, given its diversified tenant base and long-term lease structures.

Several industrial REITs experienced strong demand in early 2024, fueled by e-commerce expansion and supply chain restructuring, leading to 95%+ occupancy in Q1. However, overbuilding in later quarters caused vacancies to rise and rent growth to slow. While prime industrial space could become scarce in 2025, new supply risks and economic uncertainty warrant caution.

creases. Nevertheless, risks of overbuilding and exposure to economic slowdowns warrant caution.

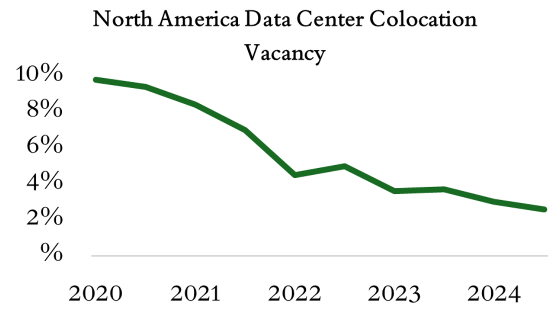
E-Commerce as Share of Total Retail Sales



Specialized REITs, including data centers and gaming properties, are poised for growth in 2025 despite gaming REITs' weaker performance in 2024. Our investment in Gaming and Leisure Properties (GLPI) reflects its strong market position in gambling properties, despite the sector facing higher interest rates and slower acquisition growth. Data center REITs such as Equinix (EQIX) and Digital Realty Trust (DLR) remain well-positioned, benefiting from rising demand for digital infrastructure.

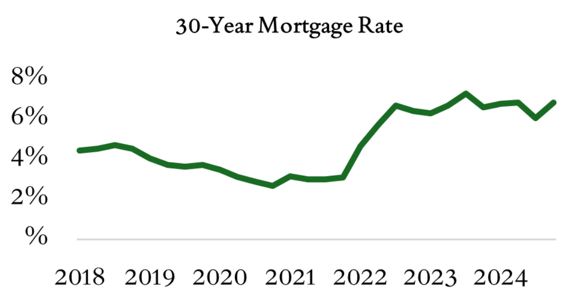
STETSON UNIVERSITY

However, high capital expenditures, potential oversupply, and tariffs on key building materials pose risks.



Healthcare REITs continue to gain from an aging population and increased healthcare spending, driving demand for senior housing and medical facilities.

The residential sector remains resilient, as high homeownership costs push more households toward multifamily rentals. 80% of homeowners hold mortgages below 5%, making home sales less attractive with 30-year fixed mortgage rates peaking at over 7% in 2024. Residential REITs should capitalize on this shift, though new apartment supply in some markets could limit rent growth.



The office sector remains highly challenged, with vacancies at 20–25% due to persistent remote and hybrid work trends. While Class A offices are holding up better, demand for traditional office space is weak, and recovery relies on adaptive reuse and office-to-residential conversions. Despite poor fundamentals, office REITs delivered a surprising 21.5% total return in 2024, largely driven by deep-value buying and M&A speculation, not an actual market rebound.

Hotel and resort REITs continue to benefit from strong leisure travel, but business travel remains below pre-pandemic levels. Rising labor costs, insurance premiums, and economic uncertainty are pressuring profitability, especially in urban business hotels.

Diversified REITs, with exposure to multiple property types, offer a hedge against sector-specific risks, allowing them to capitalize on varying market trends.

HEADWINDS AND TAILWINDS

The real estate sector faces headwinds from high mortgage rates (~6.4–6.6%), rising construction costs, and potential tariffs threaten affordability and supply chains, while tight credit conditions limit transactions and squeeze margins.

However, regulatory reforms may accelerate development, and Fed rate cuts could ease borrowing, though long-term rates remain uncertain. If conditions improve, investment volumes could rise 5–10%, benefiting industrial, retail, and specialized REITs, though office vacancies (~20–25%) remain a major risk.

2025 OUTLOOK

The U.S. real estate market is positioned for moderate, uneven growth in 2025. Mortgage rates will likely stay around 6.4–6.6%, keeping rental demand strong but housing sales constrained. Industrial and grocery-anchored retail should remain stable, but office vacancies and industrial oversupply pose risks.

While short-term Fed rate cuts may ease financing conditions, long-term rates will more strongly dictate REIT profitability and investment activity. As for the AI boom, REITs managing data centers are in the best position to capitalize upon these market conditions.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TECHNOLOGY REPORT

Sugeeth Sathish
Chief Investment Officer, Lead Technology Associate

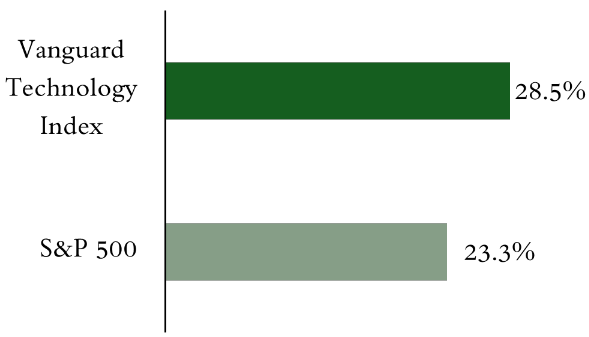
Colin Weber
Lead Technology Analyst

INTRODUCTION

The Technology industry demonstrated continued strength throughout 2024. The industry maintained its leadership position, driven by sustained AI/ML innovation. Cloud infrastructure, semiconductor advances, and enterprise digital transformation remained key growth catalysts, while valuations stayed elevated but showed signs of stabilization.

2024 PERFROMANCE

Technology continued to outperform the broader market in 2024. The Vanguard Technology ETF (VGT) was used as a proxy for Technology returns. VGT generated a 28.5% annual return, more than 500bps than that of the S&P 500 (Figure 1).



DRIVERS

As we enter 2025, many of the catalysts that drove the immense industry growth through 2024 will continue to shape the industry landscape. Further advancement and implementation of AI and ML remain the primary driver of expansion as companies are moving beyond adoption and into deeper integration across product lines. Tech firms have begun to successfully implement AI and ML into their core hardware and software offerings, responding to the persistent demand for increasingly sophisticated solutions. The semiconductor and software subsectors continue to capture the greatest value from the AI arms race. They have shown sustained revenue growth and market expansion throughout 2024 and are expected to into 2025.

Subsectors, including cloud infrastructure, cybersecurity, and fintech, have effectively leveraged AI transformation, supported by broader technological innovation and an improving macroeconomic environment as of late. The technology sector, having demonstrated resilience through 2024, is benefiting from increased enterprise spending projections, as well as digital transformation initiatives. With monetary policy expected to remain supportive with two anticipated rate cuts in 2025 furthered by unwavering demand for AI and ML innovations, the sector maintains a strong growth trajectory. Additionally, segments such as edge computing, IoT, and enterprise software are well-positioned to benefit from renewed corporate IT spending as businesses do not want to get left behind. These areas not only complement the sector's AI-driven growth but also present significant opportunities for standalone expansion.

THREATS

There are two main headwinds that pose challenges for the technology sector entering 2025, these are regulatory oversight and valuation concerns. Global technology regulation continues to intensify, particularly around artificial intelligence governance and data privacy, creating operational complexity for companies expanding their AI capabilities. Furthermore, macroeconomic uncertainty persists, despite improving conditions with three rate cuts in 2024. This uncertainty leads to questions such as timing and magnitude that could impact investment decisions and valuations. The sector also faces ongoing challenges from geopolitical tensions, particularly affecting semiconductor supply chains and technology transfer between major economies. Market-specific challenges include persistently high valuations following strong performance through 2024, creating vulnerability to sentiment shifts or earnings disappointments. Competition for AI and specialized tech talent continues to drive up operational costs in the short run. Lastly, cybersecurity threats have grown more sophisticated, requiring constant innovation and investment.

OPPORTUNITIES

Strong trends over the past few years provide significant tailwinds for the technology sector heading into 2025. Innovation momentum remains robust, particularly in AI and machine learning applications as the arms race to AGI (artificial general intelligence) gets closer. Practical implementation is driving productivity gains and creating new market opportunities for growth. Enterprise digital transformation continues to accelerate, with sustained growth in cloud infrastructure adoption driven by increasing AI workloads and data processing requirements. Corporate technology spending has remained resilient, with particular strength in cybersecurity investment and IoT ecosystem development. Structural changes in the global economy provide additional support as hybrid work models driven demand for collaboration tools and cloud services. As digital payment adoption accelerates across markets, creates demand for advanced analytics and automation solutions. These fundamental shifts, coupled with increasing integration across all industries, provide a strong foundation for continued sector expansion.

OUTLOOK

The technology sector's trajectory for 2025 reflects a balance of robust growth drivers and notable risk factors, namely that if its growth is sustainable. Despite elevated valuations and regulatory challenges, the fundamental demand for technological innovation and digital transformation remains strong. While the exceptional growth rates of 2024 may moderate, sustained demand for AI/ML capabilities is not going to go away. This will stimulate enterprise technology investment and provide support for further sector expansion. Companies' ability to effectively monetize AI to improve operational efficiency will be the crucial differentiator between those who win and those who do not. Geographic diversification of supply chains and strategic inventory management will remain important, particularly for hardware and semiconductor companies. The sector's growth potential is further supported by two anticipated rate cuts in 2025, though companies must carefully manage integration costs in an increasingly competitive environment. Subsector performance is likely to show greater dispersion, with cloud infrastructure, cybersecurity, and specialized AI technology providers likely outperforming broader technology indices, while of course, posing more risk. Success will increasingly depend on companies' ability to demonstrate clear paths to profitability, an increasingly unanswered question as of late.

UTILITIES REPORT

Erik Eisold
Lead Utilities Associate

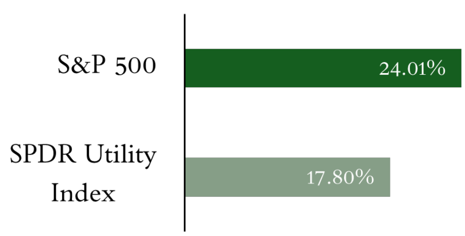
Keith Ohanian
Lead Utilities Analyst

INTRODUCTION

The Utilities Sector remains a cornerstone of the economy, providing essential services such as electricity, natural gas, and water to individuals and businesses worldwide. In 2024, the sector faced challenges from rising interest rates and inflationary pressures but continued to play a pivotal role in transitioning to renewable energy sources.

Utilities have traditionally carried defensive characteristics, with a market capitalization of $1.45 trillion at the beginning of 2025. The RGIP portfolio currently holds Constellation Energy, Evergy, and the S&P 500's best performing stock last year Vistra Corp in its portfolio, along with the SPDR Utility Index.

Figure 1: S&P 500 v. Utilities SPDR ETF Annual Return



YEAR-END PERFORMANCE

While the sector underperformed compared to broader market indices (Figure 1), particularly due to the Federal Reserve's pause in its rate cut trends in December, it continues to offer defensive characteristics with stable dividends and long-term growth potential. As 2025 approaches, the focus shifts toward overcoming operational challenges while capitalizing on opportunities in renewable energy, electrification, and AI, with a focus on domestic production incentives.

KEY DRIVERS

The sector's resilience is evident in its central role in the clean energy transition, driven by evolving consumer demand and supportive government policies such as the Inflation Reduction Act (IRA), Bipartisan Infrastructure Law (BIL), and ADVANCE Act. These initiatives have accelerated investments in clean energy infrastructure and innovation, particularly in nuclear, solar, and natural gas. Recent administrative shifts toward deregulation and domestic production further enhance opportunities for sub-sectors like Gas Distribution, Conventional Electricity, and Alternative Electricity, especially in Nuclear and Natural Gas. These sub-sectors are poised to benefit from reduced regulatory barriers, increased incentives for domestic energy projects, and expanded infrastructure development, aligning with evolving policy and market trends.

The Utilities Sector is driven by an accelerated shift to renewable energy, spurred by stricter emissions regulations and decarbonization goals. Advances in AI and smart grid technologies are enhancing efficiency and modernizing grids, while growing demand from AI data centers and the electrification of transport and industry create significant investment opportunities. The sector's reliance on capital-intensive projects positions it to benefit from potential Federal Reserve rate cuts, reducing borrowing costs and supporting expansion.

THREATS

The Utilities Sector faces two primary headwinds as it enters 2025: regulatory pressures and macroeconomic constraints. Increasingly stringent emissions and environmental compliance regulations are driving up operational costs, with compliance expenses expected to rise by 5–10% annually. These regulations, while fostering long-term sustainability, create challenges for utilities transitioning from fossil fuels to cleaner energy sources. Additionally, heightened scrutiny over energy pricing and consumer protection complicates operations, particularly for multi-utility and retail-focused companies.

Macroeconomic conditions present further challenges, with elevated interest rates and inflation significantly increasing financing costs for capital-intensive projects such as grid modernization and renewable infrastructure. Volatility in input costs, driven by fluctuating commodity prices for natural gas and uranium, adds to financial pressures. Uncertain economic conditions, coupled with global trade tensions, exacerbate these difficulties, creating delays and cost overruns in ongoing projects.

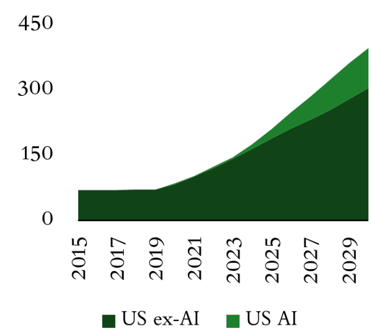
OPPORTUNITIES

Strong macroeconomic and legislative tailwinds present significant opportunities for the Utilities Sector as it transitions into 2025. The ongoing shift toward renewable energy continues to drive investments in solar, wind, nuclear, and battery storage technologies. Favorable policy frameworks, such as the Inflation Reduction Act (IRA) and state-backed programs offering low-interest loans, enable utilities to capitalize on clean energy tax credits and expand their zero-carbon portfolios. These initiatives provide utilities with the financial flexibility to modernize infrastructure and align with long-term decarbonization goals.

Technological advancements, particularly the integration of Artificial Intelligence (AI) and smart grid technologies, further enhance the sector's growth prospects (Figure X). AI-driven analytics are optimizing grid stability and operational efficiency, while the proliferation of electric vehicles (EVs) is driving sustained electricity demand. Utilities that invest in grid modernization and EV infrastructure are well-positioned to capture this growing market. Partnerships with technology and EV leaders amplify these opportunities, creating new revenue streams while supporting energy transition efforts.

Additionally, shifts in legislative priorities toward deregulation and domestic production open new avenues for growth, especially within the Gas Distribution, Independent Power and Renewable Electricity Producers, and Multi-Utilities sub-sectors. These changes reduce regulatory barriers and support domestic energy independence, providing utilities with opportunities to expand operations and enhance profitability.

Figure 2: AI Energy Demand (TWh)



Lastly, the anticipated decline in interest rates through 2025 offers a significant financial advantage for this debt-reliant sector. Lower borrowing costs will improve utilities' ability to fund capital-intensive projects, refinance existing debt, and enhance shareholder returns through planned share buybacks. Coupled with resilient consumer demand and increasing electrification trends, these factors set the stage for sustained expansion and innovation across the sector.

OUTLOOK

The Utilities Sector's 2025 outlook highlights significant growth opportunities driven by supportive policies like the Inflation Reduction Act (IRA), Bipartisan Infrastructure Law (BIL), and ADVANCE Act, which accelerate investment in nuclear, solar, and natural gas. The current administration's focus on deregulation and domestic energy production further benefits sub-sectors like Gas Distribution, Conventional Electricity, and Alternative Electricity, fostering infrastructure expansion and streamlined operations.

Technological advancements, including AI integration, are reshaping the sector by supporting growing energy demands from AI data centers and the electrification of transportation and industry. While these drivers strengthen the sector's foundation, utilities must address challenges such as high capital expenditures, regulatory pressures, and interest rate risks. Success will hinge on their ability to leverage these opportunities while maintaining operational efficiency and financial resilience.

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